



# Nonprofit Combined Terminology/Cheat Sheets

# Nonprofit-Only Terms Sheet

## Essential Nonprofit Accounting Vocabulary

### Restricted vs. Unrestricted Funds

#### Restricted Funds

Donations or grants that donors specify must be used for a particular purpose (e.g., "for the scholarship program" or "for building renovations"). The nonprofit must use the money exactly as directed and cannot redirect it to other programs.

#### Unrestricted Funds

Money the nonprofit can use for any purpose at its discretion. These funds give the organization flexibility to allocate resources where needed most.

### Key Nonprofit Terms

#### Endowment

A permanent fund established to generate ongoing income for the organization. The principal (original amount) is typically not spent; only the investment earnings are used for operations or programs.

#### Temporarily Restricted Funds

Funds that have restrictions that will eventually expire (e.g., "use by December 31, 2025" or "use after the building is completed"). Once the restriction is met or expires, these become unrestricted funds.

#### Permanently Restricted Funds

Funds with restrictions that never expire, such as endowments where only investment earnings can be spent and the principal must be kept intact forever.

#### Form 990

The annual tax return that nonprofits file with the IRS. It reports the organization's revenue, expenses, programs, and executive compensation. Form 990-N (e-file) is for small organizations; Form 990-EZ is for mid-size; Form 990 is the full return.

#### Mission-Related Expenses

Costs directly tied to the nonprofit's mission and programs, such as food for a food bank, counseling services, or educational materials. These are often called "program expenses."

#### Administrative Expenses

Costs to run the organization, such as office rent, staff salaries, utilities, and accounting services. These are necessary but not directly related to programs.

#### Fund Development

The process of raising money for the nonprofit through donations, grants, fundraising events, and sponsorships.

**Grant**

Money given to a nonprofit by a government agency, foundation, or corporation for a specific purpose or project. Grants usually have strict requirements and reporting.

**In-Kind Donation**

A non-cash contribution, such as donated goods, services, or equipment. These are recorded at fair market value on the nonprofit's financial statements.

**Pledge**

A donor's commitment to give money to the nonprofit in the future. Pledges are recorded as pledges receivable (an asset) until the cash is actually received.

**Designated Funds**

Unrestricted funds that the board of directors has set aside for a specific purpose, like building a reserve fund or saving for equipment. Unlike restricted funds, the board can later decide to use these funds for other purposes.

**Consolidation**

Combining financial statements of a parent organization and its subsidiaries into one financial report for the entire group.

**Split-Interest Gifts**

Donations where the donor benefits initially and the nonprofit receives the remainder later, such as a charitable gift annuity or pooled income fund.

**Donor-Advised Fund (DAF)**

A charitable giving account where a donor contributes money, receives a tax deduction, and then advises (recommends) how the nonprofit distributes the funds to other charities.

**Fiscal Sponsorship**

When an established 501(c)(3) nonprofit acts as the fiscal sponsor for another organization or project, allowing it to receive tax-deductible donations on behalf of the sponsored project.

**Unrelated Business Income (UBI)**

Income a nonprofit earns from activities not related to its tax-exempt purpose. This income may be subject to income tax even though the nonprofit is otherwise tax-exempt.

**Pass-Through Expense**

An expense where the nonprofit receives money from a donor or grant specifically to pay for that expense, so the net income is zero (money in = money out).

**Net Assets**

The nonprofit equivalent of equity; calculated as total assets minus total liabilities. Net assets include unrestricted, temporarily restricted, and permanently restricted categories.

**Statement of Activities**

The nonprofit equivalent of an income statement; shows revenues, expenses, and the change in net assets over a period.

**Accumulated Deficit**

When a nonprofit has cumulative losses that exceed accumulated surpluses, resulting in negative unrestricted net assets.

**Charitable Contribution**

A donation made to a qualified 501(c)(3) nonprofit by an individual or corporation, typically deductible on the donor's tax return.

**Financial & Tax Terms for Nonprofits****501(c)(3)**

The IRS tax classification for charitable nonprofits that allows them to be tax-exempt and allows donors to receive tax deductions for contributions.

**Tax-Exempt Status**

Legal status granted by the IRS allowing a nonprofit to operate without paying federal income tax (though it may still pay property tax and payroll taxes).

**Charitable Solicitation**

The act of asking for donations; many states require registration before soliciting funds from residents.

**Donor Intent**

What the donor intends the gift to be used for, which may be documented in writing or expressed verbally. Respecting donor intent is a key ethical principle.

**Matching Gift**

A donation where a donor or company matches employee donations dollar-for-dollar, effectively doubling the impact of donations.

**Restricted Revenue**

Money received with donor-imposed restrictions on how it must be used.

**Unrestricted Revenue**

Money received with no donor-imposed restrictions; the nonprofit can use it however it chooses.

# Nonprofit Governance Terminology List

## What is Nonprofit Governance?

**Governance** is the system of rules, processes, and structures that guide how a nonprofit operates. It's about leadership, decision-making, accountability, and ensuring the organization fulfills its mission responsibly.

---

## Leadership & Board Roles

### Board of Directors

Group of people (typically unpaid) responsible for overall governance and strategic direction of the nonprofit.

**Responsibilities:** - Set organizational strategy - Hire/oversee executive director - Ensure financial health - Ensure mission fulfillment - Approve major decisions and policies

**Size:** Typically 5-15 members (larger organizations may have more)

### Board Chair (President)

Elected leader of the board; presides over meetings.

**Responsibilities:** - Run board meetings - Represent organization publicly - Work with executive director - Ensure board functions properly - Often committee chair liaison

**Typical term:** 1-2 years (often limited to 2 consecutive terms)

### Board Vice Chair

Second-in-command; assumes board chair duties if chair unavailable.

**Often oversees:** Governance committee, strategic planning

### Board Secretary

Records board meeting minutes and maintains official records.

**Responsibilities:** - Take meeting notes - File legal documents - Maintain board records - Ensure compliance with bylaws

### Board Treasurer

Oversees financial management and reporting.

**Responsibilities:** - Present financial reports to board - Oversee annual budget - Ensure financial controls - Work with accountant/auditor - Monitor cash flow

### **Executive Director (ED)**

Day-to-day leader hired by the board; manages staff and operations.

**Reports to:** Board Chair and Full Board

**Responsibilities:** - Execute board's strategic decisions - Manage staff - Oversee programs - Manage budget - Represent organization publicly

### **Board Members at Large**

General board members without specific officer title.

**Responsibilities:** - Attend meetings - Serve on committees - Provide expertise - Support fundraising - Vote on major decisions

---

## **Board Structure & Operations**

### **Bylaws**

Official rules governing the nonprofit (like a constitution).

**Contains:** - Board size and composition - Officer roles and duties - Meeting frequency and procedures - Committee structure - Voting procedures - Conflict of interest policies - Amendment procedures

**Importance:** Legal document; establishes authority

### **Articles of Incorporation**

Legal document filed with state establishing the nonprofit's existence.

**Contains:** - Organization name - Purpose/mission - Principal office location - Board of directors info - Tax-exempt status details

**Filed:** With Secretary of State

### **Board Meeting**

Regular gathering where board votes on decisions and receives updates.

**Typical frequency:** Quarterly (every 3 months) or monthly

**Requirements:** - Quorum present (minimum attendance required to vote) - Official notice to members - Minutes recorded - Decisions documented

### **Quorum**

Minimum number of board members required to be present for meeting to be valid.

**Typical:** 50% + 1 of board members (could be different in bylaws)

**Example:** 9-member board needs 5 members present for quorum

**Why?** Prevents small group from making major decisions

### **Executive Session**

Closed board meeting without staff present (sensitive topics).

**Topics:** - Executive director evaluation - Sensitive employee matters - Legal issues - Pending real estate - Major financial decisions

**Not public:** Minutes kept confidential

### **Board Committee**

Smaller group within board focused on specific responsibilities.

**Common committees:** - Finance/Audit - Governance/Nominating - Development/Fundraising - Program/Mission - Human Resources

**Structure:** Usually 3-5 members from board

### **Committee Chair**

Leads committee; reports to full board.

**Responsibilities:** - Set committee agenda - Lead meetings - Report findings to board - Monitor committee work

---

## **Governance Principles & Policies**

### **Conflict of Interest**

When a person's personal interests could interfere with their duty to organization.

**Examples:** - Board member whose company wants to sell services to nonprofit - Staff person related to job applicant - Board member with financial interest in funding decision

**Prevention:** - Disclose conflicts - Recuse self from vote - Written policy required - Annual disclosure form

### **Duty of Care**

Board members must act responsibly and make informed decisions.

**Requirements:** - Attend meetings - Review materials - Ask questions - Consider consequences - Act in organization's best interest

### **Duty of Loyalty**

Board members must act in organization's interest, not personal interest.

**Requirements:** - Disclose conflicts - Don't accept personal benefits - Prioritize mission - Maintain confidentiality - Don't compete with organization

### **Duty of Obedience**

Board must ensure organization follows laws and bylaws.

**Requirements:** - Follow state laws - Follow nonprofit laws - Follow own bylaws - File required forms - Maintain compliance

### **Whistleblower Policy**

Process for reporting unethical or illegal activity without retaliation.

**Covers:** - Financial misconduct - Breach of trust - Safety violations - Discriminatory practices - Any illegal activity

**Protection:** No retaliation against person reporting

### **Document Retention Policy**

Rules about how long records must be kept.

**Typical retention:** - Financial records: 7+ years - Board minutes: Permanently - Donor records: 7+ years - Personnel records: 3+ years after termination - Contracts: Duration + 7 years

---

## **Nonprofit Structure & Committees**

### **Standing Committee**

Permanent committee that meets regularly all year.

**Example:** Finance Committee meets monthly

### **Ad Hoc Committee**

Temporary committee formed for specific purpose, then dissolved.

**Example:** Building Search Committee (disbanded once building found)

### **Finance Committee**

Oversees financial management and reports.

**Responsibilities:** - Develop annual budget - Monitor cash flow - Oversee accounting - Recommend financial policies - Prepare for external audit

**Meets:** Often monthly

### **Governance/Nominating Committee**

Ensures proper board structure and practices.

**Responsibilities:** - Recruit board members - Plan board elections - Assess board performance - Recommend bylaws changes - Plan board training

### **Development Committee**

Manages fundraising and donor relationships.

**Responsibilities:** - Set fundraising goals - Plan fundraising events - Identify major donors - Build donor relationships - Monitor grants

### **Program Committee**

Ensures mission is being fulfilled.

**Responsibilities:** - Review program outcomes - Evaluate program effectiveness - Approve new programs - Monitor beneficiary impact - Ensure mission alignment

---

## **Board Member Expectations**

### **Term**

Period of time a board member serves (typically 3 years).

**Structure:** Often staggered (new members each year for continuity)

**Term limits:** Often limited to 2-3 consecutive terms

### **Term Limits**

Rules about how long someone can serve consecutively.

**Example:** “Board members serve 3-year terms, limited to 2 consecutive terms”

**Benefits:** - Fresh perspectives - Prevents power concentration - Creates leadership pipeline

### **Board Commitment**

Time and resources expected from board members.

**Typical:** - 4-8 board meetings yearly - 2-4 committee meetings - 10-20 hours/month involvement - Fundraising participation - Event attendance

## **Mandatory Giving**

Some organizations require board members to donate financially.

**Variations:** - “Minimum gift of \$1,000/year” - “Give what you can” - “Support annual fund” - No mandatory giving

**Rationale:** Demonstrates commitment; easier to ask others to donate

## **Attendance Policy**

Rules about board member attendance at meetings.

**Typical:** - “Members must attend 75% of meetings” - “3 consecutive absences = automatic removal” - “Notify chair if unable to attend”

**Importance:** Can’t govern if not present

## **Role Clarity**

Clear understanding of board vs. staff responsibilities.

**Board:** Strategic decisions, policy, oversight, governance

**Staff:** Day-to-day operations, program delivery, implementing policies

**Common problem:** Board micromanaging staff or staff overstepping authority

---

## **Accountability & Oversight**

### **Fiduciary Duty**

Legal responsibility to act in organization’s financial interest.

**Includes:** - Ensuring finances managed responsibly - Preventing fraud/waste - Following financial controls - Maintaining adequate reserves - Investing prudently

### **501(c)(3) Status**

Tax-exempt status requiring compliance with IRS rules.

**Obligations:** - File Form 990 annually - Provide mission-related work - No private benefit to individuals - Distribute assets on dissolution per mission - Political/lobbying restrictions

### **Form 990 (Annual Tax Return)**

Public document nonprofits file with IRS (tax return).

**Contains:** - Revenue and expenses - Assets and liabilities - Executive compensation - Program activities - Conflicts of interest

**Public record:** Available on GuideStar, IRS website

### **External Audit**

Independent review by outside accountant (for larger nonprofits).

**Purpose:** - Verify financial accuracy - Evaluate internal controls - Ensure compliance with laws - Provide credibility

**Frequency:** Annually (for most nonprofits over certain size)

### **Accreditation**

External certification that organization meets standards.

**Varies by field:** Health, education, youth services, etc.

**Benefits:** Improves credibility, may be funder requirement

---

## **Nonprofit Board Best Practices**

- Clear written policies (bylaws, conflicts, governance)
- Regular board training on governance
- Clear role definitions (board vs. staff)
- Diverse board membership (skills, backgrounds, perspectives)
- Respectful decision-making process
- Open communication
- Financial transparency
- Regular evaluation of board performance
- Succession planning for leadership
- Strong executive director support
- Mission focus above all
- Compliance with all applicable laws
- Regular strategic planning
- Active engagement in fundraising
- Accountability and transparency

# Grant & Fundraising Language Cheat Sheet

## What is Grantmaking & Fundraising?

**Fundraising** is the process of seeking financial support from individuals, foundations, corporations, and government. **Grantmaking** is specifically seeking grants—structured funding from foundations and government agencies tied to programs/outcomes.

---

## Core Grant Concepts

### Grant

Money awarded by a funder (foundation, government, corporation) for a specific purpose with conditions attached.

**Key difference from donation:** Grants are typically restricted (must be used for stated purpose), whereas donations may be unrestricted.

**Example:** - Funder: Robert Wood Johnson Foundation - Grant: \$50,000 for “Youth Health & Wellness Programs 2025” - Restriction: Must serve low-income youth - Outcomes: Report on participants reached

### Grant Funding Source

Entity providing grant money.

**Types:** - **Government agencies** (federal, state, local) - EPA, NIH, HHS - **Foundations** (charitable organizations) - Gates, Ford, local community foundations - **Corporations** - Company giving programs, corporate foundations - **Individual donors** - High net worth individuals giving large gifts with conditions

### Grant Opportunity / RFP (Request for Proposal)

Public announcement of available grant funding.

**What it includes:** - Grant amount available - Eligible applicants - Purpose/focus area - Application requirements - Deadline - Application process

**How to find:** - Grants.gov (federal) - Foundation websites - GrantWatch databases - Local community foundations

### Grant Application

Formal request for funding that funder reviews to decide whether to award grant.

**Typically includes:** - Executive summary - Organization background - Statement of need (problem you're solving) - Proposed program/solution - Budget - Evaluation plan - Organizational financials - Letters of support - Staff bios/qualifications

### **Grant Award**

Funder's decision to provide funding; official notification.

**Process:** 1. Application submitted by deadline 2. Funder reviews (can take weeks to months) 3. Funder decides (award or deny) 4. Written award letter sent 5. Grant agreement signed 6. Funds transferred

**Time:** Award letter to funding can take 4-8 weeks

### **Grant Restricted Funds**

Grant money with specific restrictions on use.

**Restrictions typically:** - Purpose (program it must fund) - Population (who must benefit) - Time period (when it must be spent) - Geographic area (where it must operate) - Outcomes (what must be achieved)

**Cannot use:** For other programs, staff, or administration (unless funder allows)

### **Grant Compliance**

Following all funder requirements and restrictions.

**Includes:** - Spending money as restricted - Achieving stated outcomes - Tracking beneficiaries - Maintaining records - Submitting required reports - Using approved budget items

**Violation:** Using grant funds incorrectly; could result in having to repay

---

## **Types of Grants**

### **Project Grant**

Funding for specific program, project, or initiative.

**Example:** "\$100,000 for summer youth employment program"

**Duration:** Usually 1-3 years

**Accountability:** Must report on program outcomes

### **Capacity Building Grant**

Funding to strengthen organization's ability to operate.

**Uses:** - Staff development/training - Technology/systems - Board development  
- Strategic planning - Financial management systems

**Example:** "\$30,000 for nonprofit management training for staff"

### **General Operating / Unrestricted Grant**

Grant with no restrictions (rare; most grants are restricted).

**Example:** "\$50,000 general support for nonprofit operations"

**Use:** Most flexibility; can fund any priority

### **Research Grant**

Funding for research project or study.

**Common funders:** Government agencies (NIH, NSF), academic institutions

**Requirements:** Often requires academic credentials, detailed research protocol

### **Evaluation Grant**

Specific funding for program evaluation or assessment.

**Example:** "\$15,000 to evaluate effectiveness of mentoring program"

**Funder:** Often foundation or government wanting to know if programs work

### **Planning Grant**

Funding to plan a program or initiative before full implementation.

**Example:** "\$10,000 to develop strategic plan"

**Common:** Before major programs or expansions

### **Matching Grant**

Funder matches money you raise from other sources (dollar-for-dollar or percentage).

**Example:** "Foundation will match \$1 for every \$2 raised by organization"

**Requirement:** You must raise your portion first

**Challenge:** Must have fundraising ability

### **Equipment Grant**

Funding specifically for equipment purchase.

**Example:** “\$25,000 for computers and technology”

**Restrictions:** Can’t use for other purposes

### **Scholarship/Fellowship Grant**

Funding for individuals (students, artists, professionals) for education/development.

**Example:** “Full tuition scholarship for low-income students”

**Award:** Given to individual, not organization

---

## **The Grant Cycle**

### **Letter of Intent (LOI)**

Short pre-application letter expressing interest in grant.

**When required:** Some funders require LOI first

**Contents:** - Organization brief description - Project summary (1-2 pages) - Budget outline - Contact information

**Purpose:** Funder determines if you’re eligible/aligned before you do full application

### **Funding Deadline**

Last day to submit grant application.

**Common:** Specific dates (March 15, June 30, rolling basis)

**Importance:** Missed deadline = automatic rejection

**Pro tip:** Submit early; technical issues happen

### **Grant Review Process**

How funder decides which grants to award.

**Steps:** 1. Application received and checked for completeness 2. Screened for eligibility 3. Scored by review panel or program officer 4. Top applicants invited to interview (sometimes) 5. Final decision made 6. Applicants notified

**Timeline:** 2-6 months typical

### **Grant Award Notification**

Official letter from funder saying you've received grant.

**Contains:** - Amount awarded - Program/project it's for - Grant conditions - Funding timeline - Reporting requirements - Contact person

### **Grant Agreement / Contract**

Binding document between funder and nonprofit outlining terms.

**Specifies:** - Grant amount and payment schedule - Allowed uses - Reporting requirements - Performance expectations - Indemnification/liability

**Must sign:** Before receiving funds

### **Project Narrative / Statement of Need**

Main body of grant application explaining the problem and solution.

**Includes:** - Problem you're addressing (with data/statistics) - Who is affected - Why it's important - Your proposed solution - How you'll implement - Expected outcomes

**Length:** Often 5-10 pages

### **Budget Narrative**

Detailed explanation of how grant money will be spent.

**Includes:** - Each budget line item explained - Why each expense needed - How amount was calculated - Justification for costs

#### **Example:**

Personnel - Program Director (1.0 FTE) at \$60,000 = \$60,000  
(Responsible for day-to-day program management, staff supervision, funder reporting. Salary in line with nonprofit salaries for similar position.)

### **Evaluation Plan / Outcomes**

How you'll measure if program worked.

**Includes:** - Specific goals/outcomes - How you'll measure (surveys, testing, participation tracking) - Timeline for evaluation - Who'll conduct evaluation - How results will be used

**Example:** "80% of program participants will show improvement in math skills, measured by pre/post assessment tests"

## **Reporting Requirements / Progress Report**

Funder requirements for updates on how grant money was spent and outcomes achieved.

**Frequency:** Quarterly, semi-annual, or annual (depends on funder)

**Contents:** - Number of people served - Outcomes achieved - Budget spending to date - Challenges/successes - Any changes to program

**Importance:** Completion required to maintain funding; often required for future grants

---

## **Fundraising Methods**

### **Major Gifts**

Large donations from individuals, usually \$5,000+.

**Characteristics:** - Often requires relationship building - Personal solicitation  
- Can be restricted or unrestricted - Often named (donor recognition)

**Example:** Donor gives \$100,000 “for youth education”

### **Annual Fund**

Ongoing fundraising from recurring donors (yearly appeals).

**Methods:** - Direct mail campaigns - Email appeals - Fundraising events - On-line giving

**Goal:** Build base of committed, regular donors

### **Capital Campaign**

Large fundraising push for specific project (building, equipment, endowment).

**Characteristics:** - Multi-year campaign - High dollar goal (millions sometimes)  
- Major gifts focus - Public announcement

**Example:** “\$5 million campaign to build new community center”

### **Individual Giving**

Donations from people (vs. organizations or government).

**Categories:** - Annual fund (\$25-\$500) - Major gifts (\$5,000+) - Planned giving (in wills) - Corporate giving (through company)

### **Corporate Sponsorship**

Company provides funding, often for event or program with recognition.

**Includes:** - Event sponsorship (company name on event) - Program sponsorship  
- “Sponsor this participant” programs

**Typical amount:** \$1,000-\$25,000

### **Foundation Grants**

Funding from charitable foundations (private or community).

**Types:** - Private foundations (established by individuals/families) - Community foundations (local giving focus) - Corporate foundations (company giving program)

**Amounts:** \$5,000-\$500,000+ depending on foundation

### **Government Funding**

Funding from federal, state, or local government agencies.

**Types:** - Grants (federal/state) - Contracts (government pays for services) - Entitlements (funding formula-based)

**Requirements:** Often more compliance/reporting than private grants

### **Fundraising Event**

Event to raise money and awareness.

**Types:** - Galas/dinners - Golf tournaments - Walks/races - Auctions - Concerts/performances

**Goal:** Raise money + build donor relationships + raise awareness

### **Peer-to-Peer Fundraising**

Donors recruit others to donate for cause (like birthday fundraiser).

**Platforms:** Facebook Fundraisers, GoFundMe, JustGiving

**Example:** “I’m walking for youth literacy—sponsor me!”

### **Online Giving**

Donations through website or social media.

**Methods:** - Website donation form - Facebook Donate button - Giving platforms (Donorbox, GiveWP) - Text-to-donate campaigns

**Growing trend:** Younger donors prefer online

---

## **Funder Relationships**

### **Letter of Inquiry (LOI)**

Short inquiry to foundation before applying for grant.

**Purpose:** Screen for fit before doing full application

**Contents:** 2-3 pages with project summary

### **Funder Visit**

Meeting with foundation program officer before/during grant process.

**Purpose:** Build relationship, clarify expectations, get feedback

**Outcome:** Better grant application or early feedback on fit

### **Grant Reporting**

Regular updates to funder on how money was used and results achieved.

**Frequency:** Varies (quarterly, annual)

**Content:** Program outcomes, budget spend, challenges, successes

**Importance:** Required for continued funding and future grants

### **Funder Alignment**

How well nonprofit's mission matches funder's giving priorities.

**Example:** - Funder: "Supports youth education in underserved communities"  
- Nonprofit: "Provides homework tutoring in low-income areas" - Alignment:  
Perfect match

**Impact:** Perfect alignment = higher approval chances

### **Rejection / Denial**

When funder decides not to fund your grant.

**Common reasons:** - Not aligned with funder priorities - Insufficient evidence of impact - Budget too high - Too many qualified applicants - Geographic focus doesn't match

**Next steps:** Ask for feedback, plan to reapply next cycle

---

## Grant Reporting & Compliance

### Budget to Actual Report

Comparing what you budgeted vs. what you actually spent.

#### Example:

Budget Item	Budgeted	Actual	Variance
Program Staff	\$50,000	\$50,500	\$500 over
Supplies	\$10,000	\$8,200	\$1,800 under

**Importance:** Shows responsible spending; required by funders

### Outcome Measurement

Collecting data on results/impact of program.

**Examples:** - “75 youth served” (participant numbers) - “85% improvement in reading scores” (learning outcomes) - “90% job placement rate” (employment outcome) - “Reduced recidivism by 30%” (behavioral outcome)

### Audit / Financial Review

Independent examination of nonprofit’s finances.

**Types:** - Full audit (large organizations) - Financial review (medium organizations) - Accounting review (small organizations)

**Purpose:** Verify funds used appropriately and finances accurate

### Grant Closeout

Final process when grant funding ends.

**Includes:** - Final report submitted - All funds expended or returned - Final invoice/payment processed - All documentation filed

**Timeline:** Usually 30-90 days after grant end date

---

## Tips for Grant Success

- Start with funder research (find good fit)
- Read entire RFP carefully before applying
- Meet all deadlines (submit early if possible)
- Tell compelling story (why this matters)
- Use data/evidence (don’t just claim success)
- Be realistic about budget and outcomes
- Address all requirements (incomplete applications rejected)
- Build relationships with program officers

Diversify funding (don't rely on one grant)  
Plan for grant cycles (grants may not renew)  
Track outcomes closely (needed for reporting and future grants)  
Submit excellent reports (builds funder trust for next grant)  
Say thank you! (cultivate ongoing relationship)

---

### Common Grant Amounts by Funder Type

Funder Type	Typical Award Range
Community Foundation	\$1,000 - \$25,000
Private Foundation	\$5,000 - \$250,000
Corporate Grant	\$2,500 - \$100,000
Federal Government	\$10,000 - \$500,000+
State Government	\$5,000 - \$250,000
International Foundation	\$10,000 - \$1,000,000+

*Ranges vary widely; these are generalizations*

---

### Nonprofit Fundraising Best Practices

Diversify funding sources (reduce dependence on single funder)  
Build relationships before asking for money  
Make case compelling and data-driven  
Say thank you and report back to donors  
Be transparent about how money is used  
Plan annual fundraising calendar  
Track all prospects and donor interactions  
Steward major donors actively  
Evaluate which fundraising methods work best  
Invest in staff training on fundraising  
Start with foundations/government for general support  
Build individual donor base for recurring support

# Fund Accounting Terms Cheat Sheet

## What is Fund Accounting?

**Fund accounting** is an accounting method used by nonprofits, government agencies, and educational institutions. Instead of tracking one organization's finances, it divides finances into separate "funds," each with its own chart of accounts. Each fund maintains the accounting equation:  $\text{Assets} = \text{Liabilities} + \text{Fund Balance}$ .

**Why?** Different funding sources have different rules—fund accounting keeps them organized and separate.

---

## Core Fund Accounting Concepts

### Fund

A separate accounting entity with its own balance sheet and income statement, each with restricted assets and spending rules.

**Analogy:** Think of it like separate bank accounts for different purposes—money in each fund must follow its specific rules.

### Fund Balance (Net Assets in Nonprofits)

The difference between a fund's assets and liabilities (owner's equity in that specific fund).

**Formula:**  $\text{Fund Assets} - \text{Fund Liabilities} = \text{Fund Balance}$

**Example:** - Youth Program Fund has \$50,000 in assets - Youth Program Fund has \$5,000 in liabilities - Youth Program Fund Balance = \$45,000

---

## Types of Funds

### Unrestricted Funds (Unrestricted Current Funds)

Funds with no donor restrictions; organization can spend as needed.

**Characteristics:** - Board has full control of spending - Can be used for any organizational purpose - Easiest to spend and most flexible

**Example:** General donations, membership fees, investment income

### Restricted Funds

Funds limited by donor restrictions to specific purposes.

**Two types:**

**Temporarily Restricted Funds** - Restrictions expire when: - Time period passes, OR - Specific purpose is achieved - Then convert to unrestricted funds

**Example:** - Donor: “\$50,000 for youth programs during 2025” - In 2026: Restriction expires, moves to unrestricted - Or: “\$25,000 to build a playground” - When playground is built: Restriction satisfied, becomes unrestricted

**Permanently Restricted Funds** - Restrictions never expire - Usually only investment income is spent; principal stays forever - Common: Endowments

**Example:** - Donor: “\$100,000 to establish permanent endowment” - Nonprofit invests \$100,000 - Only investment returns (interest, dividends) can be spent - Principal of \$100,000 stays invested forever

**Operating Funds**

Used for day-to-day operations and regular activities.

**Includes:** - General operating fund - Specific program funds (youth programs, counseling services)

**Non-Operating Funds**

Used for long-term assets, debt, and special purposes.

**Types:** - **Plant Funds:** For buildings, equipment, capital projects - **Loan Funds:** For lending to students or others - **Endowment Funds:** Permanently invested funds - **Agency Funds:** Held temporarily for others

---

**Restrictions and How They Work**

**Donor-Imposed Restrictions**

Limitations placed by the donor on how money can be used.

**Example:** - “For the scholarship fund” (purpose restriction) - “For programs in 2025 only” (time restriction) - “For the building campaign” (purpose/project restriction)

**Board-Designated Funds**

Money the board sets aside for a specific purpose (board can change this decision).

**Difference from donor-restricted:** - Board can change the decision - Still technically “unrestricted” (legally) - More flexibility than donor restrictions

**Example:** Board decides to set aside \$30,000 for future technology upgrades (but could change mind)

### **Quasi-Endowment (Board-Designated Endowment)**

Unrestricted money the board decided to invest long-term like an endowment.

**Difference from true endowment:** - Board can access principal if needed (true endowment can't) - More flexible - Still unrestricted

**Example:** Board sets aside \$100,000 to act like endowment, but keeps option to spend it

---

## **Fund Accounting Mechanics**

### **Fund Transfer**

Money moving between funds (internally, not new money).

**Reason:** Grant restricted to Fund A, but board wants to use it in Fund B.

**Process:** 1. Transfer from Fund A to Fund B 2. Document reason 3. May need approvals if donor-restricted

### **Interfund Loan**

One fund temporarily loans money to another fund (must be repaid).

**Example:** - Unrestricted Fund has \$50,000 cash - Restricted Program Fund needs \$20,000 temporarily - Unrestricted lends to Restricted with repayment plan

### **Fund Equity**

The fund balance or net assets of a specific fund.

**Example:** After all assets and liabilities, the Youth Program Fund has \$45,000 in equity.

---

## **Grant and Restricted Fund Management**

### **Grant Award**

When a funder approves and commits money (usually with restrictions).

**Process:** 1. Grant received → Create restricted fund 2. Grant restrictions noted 3. Money set aside in that fund 4. Only spend per restrictions 5. Track spending and report to funder

### **Grant Period**

The time frame for which grant money is designated.

**Example:** Grant awarded “for programs January – December 2025” - Spend by 12/31/2025 - Expenses after 12/31 not reimbursable

### **Program Compliance**

Following donor/funder restrictions on spending and activities.

**Example:** - Grant: “\$50,000 for homeless services” - Compliance: Can only spend on activities serving homeless individuals - Violation: Using grant money for job training (different population)

### **Unexpended Funds / Unspent Grant Balance**

Grant money that hasn't been spent by end of grant period.

**What happens:** - Donor may request return - May allow carryover to next period - May allow different use - Depends on grant agreement

**Example:** - Grant: \$100,000 for 2025 programs - Spent: \$85,000 - Unexpended: \$15,000 - Check grant agreement for next steps

---

## **Nonprofit-Specific Fund Examples**

### **General Operating Fund**

Unrestricted funds for day-to-day operations.

**Includes:** Donations, membership dues, program fees (no restrictions)

### **Designated Program Funds**

Separate accounting for each major program.

**Example:** - Youth Program Fund - Adult Education Fund - Community Outreach Fund

Each tracks its own revenue and expenses.

### **Endowment Fund**

Permanently restricted fund; only investment income spent.

**Example:** - Donor gives \$500,000 “in perpetuity” - Invested and earns 5% = \$25,000/year - Nonprofit spends \$25,000 annually - Principal of \$500,000 stays invested forever

### **Building/Capital Fund**

For major renovations, new buildings, or equipment.

**Example:** - Fundraise \$2,000,000 for new community center - Keep in separate fund until construction complete - Then becomes part of plant funds

### **Contingency/Emergency Reserve Fund**

Board-designated money for emergencies.

**Example:** Board sets aside \$50,000 (10% of budget) for unexpected expenses

---

## **Fund Accounting in Financial Statements**

### **Fund-Based Financial Statement**

Shows each fund separately (especially in nonprofits).

**Example:**

---

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Assets</b>	\$200,000	\$150,000	\$500,000	\$850,000
<b>Liabilities</b>	\$50,000	\$20,000	\$0	\$70,000
<b>Fund Balance</b>	\$150,000	\$130,000	\$500,000	\$780,000

---

### **Consolidating Fund Data**

Combining all funds into one statement for overall picture.

**Purpose:** See total organization health (not fund-by-fund)

---

## **Fund Accounting Best Practices**

Clearly document all restrictions (especially temporarily vs. permanently restricted)

- Monitor grant periods and deadlines closely
- Separate accounting for each significant fund
- Train staff on which funds they can access
- Reconcile fund balances monthly
- Communicate fund restrictions to stakeholders
- Review fund policies annually
- Maintain separate accounting records per fund

Report fund status in financial statements  
Plan for fund transitions (especially grant cycles)

---

### Key Differences: For Profit vs. Nonprofit Accounting

Aspect	For Profit	Nonprofit (Fund Accounting)
<b>Purpose</b>	Profit for shareholders	Mission fulfillment
<b>Organization</b>	One entity	Multiple funds
<b>Income</b>	Revenue, investments	Donations, grants, program revenue
<b>Restrictions</b>	Unlikely	Common (donations restricted)
<b>Distribution</b>	Dividends to shareholders	Reinvested to mission
<b>Statements</b>	Income statement, balance sheet	Fund-based statements
<b>Tax status</b>	Pays income tax	Typically tax-exempt

# Budgeting Language Cheat Sheet

## What is a Budget?

A **budget** is a financial plan that estimates income and expenses for a specific period. It helps organizations control spending, plan for the future, and make smart financial decisions.

---

## Core Budgeting Terms

### Fiscal Year Budget

Annual financial plan covering one 12-month accounting period (doesn't have to be Jan-Dec).

**Example:** A nonprofit's fiscal year runs July 1 – June 30. The FY2025 budget covers that period.

### Revenue Projections

Estimated income for the budget period based on historical data and forecasts.

**Example:** - “We expect \$100,000 in donations” (based on last year's \$95,000)  
- “Grant revenue projected at \$50,000”

### Expense Budget

Estimated spending for the period, usually organized by department or category.

**Categories:** - Personnel (salaries, benefits) - Operations (rent, utilities, supplies) - Programs (directly serving mission) - Marketing/Development (fundraising)

### Budget Variance

The difference between budgeted amount and actual amount.

**Formula:** Actual Amount - Budgeted Amount

**Example:** - Budgeted: \$20,000 for supplies - Actual: \$18,500 spent - Variance: -\$1,500 (favorable—under budget)

**Favorable variance:** Spent less than planned or earned more

**Unfavorable variance:** Spent more than planned or earned less

### Line Item

A specific category of income or expense in a budget.

**Example:** “Salaries,” “Office rent,” “Marketing,” “Donations” are line items.

### **Budget Cap**

Maximum amount that can be spent on a particular item or department.

**Example:** “Marketing budget cap is \$50,000—don’t exceed this.”

### **Contingency Fund (Reserve)**

Money set aside for unexpected expenses or emergencies.

**Typical allocation:** 10-20% of annual operating budget

**Example:** - Annual budget: \$200,000 - Contingency reserve: \$20,000-\$40,000 - Available for planned expenses: \$160,000-\$180,000

### **Carryover**

Unspent funds from one budget period moved to the next.

**Example:** Had \$5,000 left unspent in 2024. Carry that forward to 2025 budget.

---

## **Budget Types**

### **Operating Budget**

Plan for day-to-day expenses needed to run the organization.

**Includes:** Salaries, utilities, supplies, rent

### **Capital Budget**

Plan for major purchases/investments (usually over multiple years).

**Includes:** Equipment, building renovations, technology systems

### **Project Budget**

Detailed financial plan for a specific project with defined start/end date.

**Example:** Budget for a new community center renovation project

### **Zero-Based Budgeting**

Every expense must be justified from scratch (don’t just add to last year’s budget).

**Process:** 1. Start with \$0 2. Justify every single expense 3. Allocate funds only where truly needed

**Benefit:** Forces critical thinking about spending

### **Activity-Based Budgeting**

Budget based on activities/programs rather than departments.

**Example:** Instead of “HR Department Budget,” use “Youth Program Budget” and “Adult Program Budget”

### **Rolling Budget**

Continuously updates as periods end (always planning ahead).

**Example:** - Start with 12-month budget (Jan-Dec 2025) - When January ends, add January 2026 to the plan - Always maintain a rolling 12-month forecast

---

## **Budget Execution & Control**

### **Budget Freeze**

Temporary halt on all discretionary spending while evaluating financial situation.

**Reason:** Revenue lower than expected, emergency expenses, economic uncertainty

**Example:** “Due to lower grant revenue, we’re implementing a budget freeze on hiring.”

### **Budget Approval**

Sign-off from decision-makers (board, finance committee, leadership) before spending.

**Process:** 1. Department prepares budget 2. Finance team reviews 3. Executive director reviews 4. Board/Finance Committee approves 5. Departments can spend

### **Spending Authority**

Level of approval needed for purchases at different amounts.

**Example:** - Under \$100: Manager approval - \$100-\$1,000: Director approval - \$1,000-\$10,000: Executive Director approval - Over \$10,000: Board approval

### **Encumbrance**

Money committed for future payment (purchase order placed but not yet paid).

**Example:** - Order \$5,000 in office furniture (money encumbered) - Furniture arrives and invoice paid (money actually spent)

### **Reallocation**

Moving budgeted money from one line item to another.

**Example:** “We need more for supplies, so let’s reallocate \$2,000 from the training budget.”

**Note:** Requires approval; can’t just reallocate without permission

### **Month-Over-Month (MoM)**

Comparing one month’s budget to the previous month.

**Example:** “Our September spending was 5% higher than August.”

### **Year-Over-Year (YoY)**

Comparing the same period in different years.

**Example:** “December 2025 revenue was 12% higher than December 2024.”

---

## **Budget Forecasting Terms**

### **Forecast**

Updated projection based on current year performance.

**Example:** - Original budget: \$500,000 annual revenue - Through September: \$350,000 collected - Forecast: On track for \$467,000 (slightly under)

### **Best Case / Worst Case / Base Case**

Scenarios for revenue and expenses.

- **Base Case:** Most likely scenario
- **Best Case:** Optimistic scenario (revenue high, expenses low)
- **Worst Case:** Pessimistic scenario (revenue low, expenses high)

### **Sensitivity Analysis**

Testing how budget changes with different assumptions.

**Example:** “If donations drop 20%, can we still meet payroll?”

### **Break-Even Analysis**

Determining revenue needed to cover all expenses (no profit, no loss).

**Example:** “We need \$30,000/month in donations to break even.”

---

## Budget Performance Metrics

### Budget Performance Ratio

Actual spending  $\div$  Budgeted spending

**Example:** - Budgeted: \$50,000 - Actual: \$45,000 - Ratio: 90% (spent 90% of budget, or \$5,000 under)

### Variance Analysis

Investigating reasons WHY actuals differ from budget.

**Questions to ask:** - Was the original budget unrealistic? - Did circumstances change? - Was there poor spending control? - Did priorities shift?

### Budget-to-Actual Report

Comparing budgeted vs. actual figures for each line item.

Category	Budgeted	Actual	Variance	% Variance
Salaries	\$100,000	\$102,000	\$2,000	2% over
Supplies	\$20,000	\$18,500	-\$1,500	7.5% under
Rent	\$15,000	\$15,000	\$0	On target

---

## Nonprofit-Specific Budgeting

### Restricted Funds Budget

Budget for funds donors restricted to specific uses.

**Example:** Donor gave \$30,000 for “youth programs only.” Budget that \$30,000 only for youth programs.

### Unrestricted Funds Budget

Budget for general funds with no restrictions.

**Example:** General donations can fund administration, operations, or any program need.

### Program-to-Administrative Ratio

Percentage of budget spent on programs vs. overhead.

**Formula:** (Program Expenses  $\div$  Total Expenses)  $\times$  100

**Nonprofit benchmark:** 65-75% on programs, 25-35% on administration

**Charity watchdog standards:** Aim for 75%+ on programs

**Example:** - Total expenses: \$200,000 - Program expenses: \$155,000 - Ratio: 77.5% (good)

---

### **Budget Tips**

- Base budgets on actual history, not wishful thinking
- Build in contingency for unexpected costs
- Monitor monthly, not just annually
- Adjust forecasts quarterly as reality changes
- Communicate budget to all stakeholders
- Keep budget realistic and achievable
- Review budget variance explanations regularly