

UNDERSTANDING NONPROFIT FINANCIAL STATEMENTS

BOOKMINDERS® Glossary of Nonprofit Terms

- **Barrier** - A stipulation, condition or obstacle that must be overcome, met, or that may prevent revenue recognition of a Nonprofit Contribution.
- **Commensurate Value** - A term used by the FASB (Financial Accounting Standards Board) to determine whether funds received by a Nonprofit qualify as Exchange Transactions.
 - The value of goods / services received by the Funder must be more than a "token" or intrinsic "good feeling" value.
 - It must be actual value to the Funder - not value to the "general public", "society in general", or value to the "mission" of the nonprofit.
 - The price should be determined by the Nonprofit and should not be at the discretion of the Funder.
- **Contribution** - A voluntary, nonreciprocal transfer of cash or other assets. Contributions include Grants, Pledges, Bequests, and Endowments. The contribution may be Conditional or Unconditional. It may also be received With or Without Donor Restrictions depending on the donor's specifications.
- **Designated Funds** - Funds set aside by the management or the board of a nonprofit organization to be used for a specific purpose.
- **Endowment Fund** - An investment fund established to provide a source of income / withdrawals. Endowments may be Donor Funded and may have donor imposed restrictions on how the principal and/or earnings of the fund can be spent (With Donor Restrictions / formerly Permanently Restricted). If an Endowment fund is set up by the Nonprofit Management or Board - the funds are "Without Donor Restrictions".
- **Exchange Transaction** - Exchange transactions are usually purchases of goods or services - similar to "For Profit" earned revenue, and may include:
 - Sales of goods (e.g., Gift shop, Food Service)
 - Fees for services provided to Program Recipients (including Medical Insurance payments made on behalf of a Program Recipient)
 - Dues paid by a Member of a Nonprofit Membership Organization
 - Payments of tuition or fees for Education or Training (including Scholarship or Aid payments made on behalf of a student)
- **Grant** - Funds contributed to a Nonprofit - usually as a result of a grant proposal. Funds may be given With or Without Donor Restrictions depending on the grantor's specifications.
- **Net Assets (Fund Balance)** - Net Assets are the retained earnings (or Equity) of a nonprofit organization. Net Assets are usually segregated based on the absence or existence of donor-imposed restrictions.
- **Net Assets Released from Restriction** - Terminology used for audit presentation; This presentation reflects the assumption that funds can only be used if the restriction placed on them has expired, or when the stipulation associated with the restriction has been met. The funds are considered "released from restriction" and are then Without Donor Restrictions at the time they are expended.
- **Pledge** - A promise, written or oral, to contribute cash or other assets to an entity. A pledge may be either conditional or unconditional. An unconditional pledge should be recorded as a receivable when the receiving organization is notified of the pledge. A conditional pledge should not be recorded as revenue until the condition has been met.
- **Program Services** - Activities that fulfill the mission or purpose of a nonprofit organization.
- **Support Services** - Activities of a nonprofit organization other than their Program Services. These usually include Administrative and Fundraising activities.
- **Net Assets with Donor Restrictions** (formerly Temporarily Restricted and Permanently Restricted Net Assets) - The remaining balance of funds received by a nonprofit which have donor-imposed restrictions regarding how or when the funds can be used. The funds may become Net Assets without Donor Restrictions (formerly Unrestricted) only when the restriction placed on the funds is met. If funds or assets are not used for the restricted purpose, the Nonprofit may be required to return the Grant or Contribution to the grantor or donor.
- **Net Assets without Donor Restrictions** (formerly Unrestricted Net Assets) - The remaining balance of funds received without donor-imposed restrictions.