

## **Milton Academy Glossary**

**Accounting Period** – A period, at the end of which, financial statements are prepared.

**Accounting System** – The total structure of records and procedures that record, classify and report information on the financial position and operations of the school.

**Accounts Receivable** – Amount owed on an open account from a private person, firm or corporation for goods and services furnished by the school.

**AccountView** – View only access to Blackbaud’s Financial Edge, the financial software used by the Academy. Used by budget managers and their designees.

**Accrual Basis** – The basis of accounting under which revenues are recorded when earned and expenses are recorded as soon as they occur, results in liabilities for benefits received, notwithstanding the receipt or disbursement of cash. For example, the department will order a service in June and the bill does not arrive until July. The department is charged in the month of June even though the bill is not paid until July.

**Agency Fund** – A fund collected by the school and held as an agent for others.

**Allocate** – A part of an apportionment which may be encumbered (obligated) or expended over a period of time.

**Annual Fund** – Monies gifted to the school over a particular period of time for operations.

**Annuity** – A series of equal money payments made at equal intervals during a designated period of time.

**Asset** – Probable future economic benefits obtained or controlled by a particular entity as a result of past transactions. For example accounts receivable, land, building.

**Audit** – The examination of documents, records, internal control, accounting and financial procedures:

- a) To ascertain the financial statements present fairly the financial position and the results of financial operations of the school by fund type in accordance with generally accepted accounting principles and on a basis consistent with the previous year;
- b) To determine compliance with applicable laws and regulations of the school’s financial transactions;

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- c) To review the efficiency and economy with which operations were carried out;
- d) To review effectiveness in achieving program results.

**Auxiliary Enterprises** – Activities of the school that furnish a service to faculty, students and staff on a user charge basis. For example bookstore.

**Balance Sheet** – A statement that discloses the assets, liabilities and equities of the school on a particular date.

**Bond** – A written promise to pay a specific sum of money, called the face value, at a specified date in the future, together with a periodic interest rate.

**Budget** – A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them, usually done in yearly increments.

**Capital Budget** – A plan of proposed capital outlays and the means of financing them for the current fiscal year.

**Cash** – Currency, coins, check, money orders and bankers draft on hand or on deposit with an official or agent designated as custodian of the cash deposits.

**Charitable Gift Annuity** – An arrangement where a donor contributes assets to an organization and the organization pays a fixed amount for a specified period of time to the donor or other beneficiary according to the donor's instructions. The assets are held by the organization and represent a "liability obligation" rather than a "trust asset."

**Charitable Remainder Trust (CRT)** - An arrangement in which a donor gives an organization a gift by creating a trust. Use of the income from that trust goes to a beneficiary (usually a family member) according to the donor's instructions. Upon termination of the trust (usually the death of the beneficiary), the remainder of the trust goes to the non-for-profit institution.

**Charitable Remainder Unitrust (CRUT)** - A charitable Remainder Trust whereby payment to a beneficiary are for a specific percentage of the trust's fair market value as determined annually. Some CRUT's limit the annual payout to the lower of the stated percentage or the actual income earned.

**Chart of Accounts** – A listing of all the general ledger accounts of the school.

**Clearing Account** – An account used to accumulate total charges or credits for the purpose of distributing them later among the accounts to which they should be allocated.

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**Conditional Pledge** – A promise to give that depends on the occurrence of a specified future or uncertain event to become binding.

**Control Account** – An account in the general ledger in which are recorded the aggregate of debit and credit postings to a number of identical or related accounts called subsidiary accounts.

**Credit** – Right side of an entry.

**Current Assets** – The assets made readily available to meet the cost of operations or to pay current liabilities. For example cash, temporary investments.

**Current Liabilities** – Liabilities payable within a short period of time usually no longer than a year.

**Debit** – Left side of an entry.

**Deferred Revenue** – Items not recognized as revenue until a subsequent period.

**Deficit** – The excess of liabilities and reserved equity over the assets.

**Department** – The cost center number assigned to all accounts under the responsibility of a manager for the performing of various programs.

**Deposit** – Money placed by an individual or a corporation for a specific purpose for future use.

**Disbursements** – Payments made in cash.

**Endowment** – A fund used to provide income for the maintenance of a non-profit organization. Most endowment funds are considered permanently restricted; however, they can also be temporarily restricted or unrestricted depending on the donor's instructions. For instance, a donor may specifically set up a permanent scholarship fund to finance a student from the town of Milton. If a student is not identified, the income must be reinvested with the principal. The principal is permanently restricted and the income is temporarily restricted until Milton Academy awards the scholarship to such a student.

**Equipment** – Tangible property of a more or less permanent nature. For example machinery, tools.

**Exchange Transaction** – A transaction in which each party receives and sacrifices commensurate value such as the purchase of goods and services for cash. A transaction can be part contribution: if a donor buys a lunch ticket for \$100 and the meal costs \$30, the exchange (recorded as revenue and expense) is \$30 and the contribution (recorded as gift revenue) is \$70.

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**Expenses** - Charges incurred, whether paid or not paid, for operations, maintenance, interest and other charges presumed to benefit the current period.

**Face Value** – The amount of liability stated in the security document.

**Fiscal Year** – A twelve month period of time to which the annual budget applies. This is from July 1 Year A to June 30, Year B.

**Fixed Asset** – Assets of a long-term nature intended to be held by the school. For example land, building.

**Fund/Fund Accounting** – A fiscal and accounting entity with a self balancing set of accounts recording specific activities or attaining certain objectives.

**Fund Equity** – The excess of assets over liabilities.

**General Ledger** – The book of final entry for the school.

**General Ledger Account** – The number assigned to each account in the general ledger.

**Grants** – A contribution by one governmental unit to another unit. It may be for specific or general purpose.

**Imprest System** – A system for handling minor disbursements – petty cash. Disbursement is made as needed, and periodically the petty cash fund is replenished by a check drawn from the bank account.

**Income** – Excess of revenue less expenses.

**Inventory** – A detailed list showing quantities, descriptions and value of property.

**Investments** – Securities and real estate held for the production of income in the form of interest, dividends or rentals.

**Land** – A fixed asset reflecting the carrying value of the property. The amount includes the purchase price, legal fees and excavation costs. If a gift, it is recorded at an appraised value.

**Letter of Intent** – Indicates a prospect's intention to make a specified gift. Generally, written pledge correspondence that contains words such as "intent," "plan," "hope," etc., should not be considered as contributions as the prospect retains the ability to change or rescind this intention. However, stronger or specified language may constitute a binding obligation under some circumstances. It is advisable for a donor to seek legal council before executing such a letter.

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**Liability** – Probable future sacrifice of economic benefits as a result of past transactions and events.

**Net Asset With Donor Intent** – Net Assets subject to donor-imposed stipulations that they be maintained in perpetuity by the school. The donors of these assets permit the school to use all or part of the related investment income earned for general or specific purposes.

**Net Asset Without Donor Restriction** – Gifts that do not include donor restrictions with regard to use of funds. These gifts will be Unrestricted Net Assets and can be used for any purpose the school deems necessary.

**Object Code** – An expenditure classification or category.

**Plant Fund** – Fund to account for assets restricted by donors or grantors for plant replacement or expansion.

**Pledge** – A promise to give. A written or oral agreement to contribute cash or other assets, often over a specific period of time. A pledge may be either conditional or unconditional.

**Pooled (Life) Income Fund (PIF)** – An arrangement that functions like a mutual fund. Contributions from many donors are pooled and invested as a group. Donors are assigned a specific number of units in the fund and earn income based on the number of units. Upon the death of a donor or beneficiary, the value of these units converts to the organization. The contribution assets should be recognized at the fair market value when received and are considered temporarily restricted until conversion.

**Prepaid Expenses** – Expenses entered in the accounts for benefits not yet received.

**Purchase Order** – A document authorizing the delivery of specific merchandise or the rendering of certain services and making the appropriate charge for them.

**Receipts** – Cash received.

**Refund** – An amount paid back or a credit allowed because of over collection or the return of an object sold.

**Reimbursement** – Cash or other asset received as a repayment of the cost of work or services performed.

**Reserve** – An account recording a portion of the fund equity that must be segregated for some future use and is not available for expenditure.

**Restricted Fund** – A fund established to account for assets the use of which is limited by the requirements of the donors.

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**Restricted Gifts** – Gifts made by donors that include restrictions on the use of funds. Restricted gifts will ultimately be Permanently or Temporarily Restricted Net Assets when received.

**Revenue** – Additions to fund financial resources other than from inter fund transfers and debt issue proceeds.

**Schedule** – Any explanatory or supplementary statements accompanying the financial statements or prepared from the general ledger accounts.

**Statement** – Presentation of financial data showing the financial position and the financial operation of a fund or a group of accounts.

**Subsidiary Account** – One of a group of accounts that support the detail of debits and credits in the control account.

**Subsidiary Ledger** – A group of subsidiary accounts, the sum total the control account.

**Trust Fund** – A fund consisting of resources received and held by the school and expended or invested in accordance to the terms of the trust.

**Unconditional Pledge** – A Promise to Give that depends only on the passage of time.

**Unrestricted Net Assets** – Net assets not subject to donor-imposed stipulations.

**Voucher** – A written document evidencing the propriety of transactions and indicates the account in which they are to be recorded.