

## GLOSSARY OF FINANCE TERMS

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<b>Accounts Receivable Accrual</b>	Amounts due from external parties for goods or services rendered in the current year.
<b>Accrual</b>	The accrual accounting method reports revenue when earned (rather than received) and expenses when incurred (rather than paid). Therefore it may be necessary, particularly at year-end, to journalize revenues or expenses that have not yet been posted. A reversing entry in the new year is necessary, so as not to double count the actual revenue or expense once it is processed.
<b>Adjusted Expenses</b>	Includes total expenses from the Statement of Activities less depreciation expense plus debt service principal payments
<b>Age of Facilities Ratio</b>	Provides a rough sense of the age of facilities and the potential need for considerable future resources to be invested in plant to cover deferred maintenance.
<b>Annual Growth Rate</b>	The growth in the value of endowment funds.
<b>Asset</b>	A tangible or intangible item that has a positive value to the University. An asset account should normally have a debit balance.
<b>Auxiliary Enterprises (Revenues &amp; Expenditures)</b>	An entity that provides a service directly or indirectly to students, faculty, or staff, and charges a fee related to the cost of services. These services typically include dining, housing, bookstore, intercollegiate athletics, athletic concessions, student health services, and others. Most auxiliary enterprises are managed essentially as a self-supporting activity.

**Available Net Assets**

Includes unrestricted net assets plus temporarily restricted net assets.

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**Balance Sheet**

A report of financial status at a specific time showing assets, liabilities, and fund balances.  
*Assets=Liabilities + Net Assets (Equity)*

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**Capital Asset**

The term "capital" refers to goods/equipment that cost \$5,000 or more per item and have a useful life more than one year; the cost of the capital asset includes the purchase of the item and all costs associated with putting the asset in place and making it operational (freight, installation, training). Additionally, projects/renovations are capitalized if construction costs and purchases in support of that project cost \$50,000 or more, and have a useful life of more than one year; the cost of these projects includes labor and materials. In general, furniture and laptops/desktops are NOT capital items since the unit cost is typically <\$5,000 per unit.

**Capital Expenditure**

Expenditure intended to benefit future periods; addition to capital asset.

**Capitalization**

To record in plant accounts the value of equipment purchases that, by policy, are to be recorded as capital assets. Also, to record and carry forward into one or more future periods any expenditure from which benefits or proceeds will then be realized; to add to a

fixed-asset account the cost of plant additions, improvement, and expenditures that increase the value of a capital asset.

**Cash and Cash Equivalents**

Highly liquid investments with nominal interest rate risk and original maturities of three months or less when purchased. Such investments primarily consist of money market funds, certificates of deposit, and commercial paper. The carrying amounts of these items are a reasonable estimate of their fair value.

**Contribution Ratio**

Measures sources of revenues such as tuition and fees net of financial aid, grants and contracts, contributions, and auxiliary enterprises as a percentage of total expenses.

**Cost Centers**

Support units that provide various services, but whose activities generate little or no revenue. These units include the library; student services, such as admissions, the registrar's office, and financial aid; human resources, accounting and legal services; executive management; and facilities management.

**Credit**

An accounting entry that is either: an addition to a liability account; a revenue in a fund balance account; a deduction from an asset account; or a reduction of expense in a fund balance account.

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**Debit**

An accounting entry that is either: an addition to an asset account; an expense in a fund balance account; a deduction from a liability account; or a reduction of revenue in a fund balance account.

**Debt Burden Ratio**

Key financial indicator measuring debt affordability and examines the institution's

dependence on borrowed funds as a source of financing its mission.

**Debt Service**

The annual amount of principal and interest payments paid on long-term debt.

**Deferred Maintenance**

Normal repairs, preventive maintenance, and other repairs that preserve assets, which was not performed when required and delayed for a future period.

**Deferred Revenues**

Receipt of funds in advance of the accounting period in which the revenue will be earned.

**Demand Ratios**

Measures the extent to which each type of expense is consuming operating revenues. Ratios can be calculated by functional expense or natural account classification.

**Depreciation Expense**

Annual allowance for the deterioration of an asset whose productive life is more than one year. Depreciation is not paid in cash, but is an expense of the business over the useful life of the asset.

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**Encumbrance**

A financial obligation against an approved budget (ex. salaries, fringe benefits).

**Endowment Fund**

Fund where a donor or other outside agency has stipulated, as a condition of the gift instrument, that the principal is to remain intact in perpetuity and invested for the purpose of producing present and future income which may be expended or added to principal.

**Endowment Funds per FTE**

Amount of endowment funds per FTE student currently enrolled.

**Endowment Market Value**

Includes assets held by the endowment in the following categories: (1) true endowment are funds provided to the institution, the principal of which is not expendable by the institution under the terms of the agreement that created the fund; (2) term endowment are funds similar to true endowment in that all or part of the funds may be expended after a stated period or upon the occurrence of a certain event as stated in the terms governing the funds; (3) quasi endowment are funds functioning as endowment such as surplus funds that have been added to the endowment, the principal of which may be spent upon discretion of the governing board.

**Expendable Net Assets**

Includes the sum of unrestricted net assets, temporarily restricted net assets, and long-term debt less property, plant, and equipment, net as stated on the Statement of Financial Position.

**Expense**

A decrease in net assets caused by the revenue-producing activities during a specific period.

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**Facilities Burden Ratio**

Measures the impact of capital investment and the comprehensive cost of facilities investment on the institution's budget.

**Facilities Maintenance Ratio**

Measures the percentage of operating revenues allocated to plant maintenance.

**Fair Value**

Value assigned to an asset based on current market conditions or replacement considerations.

<b>Federal Grants &amp; Contracts</b>	Grants and contracts awarded by federal agencies to support the institutional, research, or public service function of the institution's sponsored programs.
<b>Fiscal Period</b>	A month within the fiscal year. Codes 01-12 represent July to June, and period 14 represents the accrual period (once the regular May month is closed, the accrual period is opened to perform special entries for "year-end" financial reporting).
<b>Fiscal Year</b>	Twelve consecutive months used as an accounting period/cycle. The university fiscal year is July 1 through June 30. For example, Fiscal Year 09 represents July 1, 2008 to June 30, 2009.
<b>Fixed Asset</b>	Land, buildings, and equipment are recorded at cost at date of acquisition or fair market value on the date received for donated items. Interest on borrowings used to finance facilities is capitalized during construction, net of any investment income earned through the temporary investment of project borrowings. Depreciation is calculated on the straight-line basis over the estimated useful life of each class of component of depreciable asset. Estimated lives range from 3 to 60 years.
<b>Fringe Benefits</b>	Employee benefits and the associated costs of these benefits. Whenever an account is charged for wages or salaries, an accompanying fringe benefit cost is also charged to that account to pay for the benefits. The university has specific rates used to calculate this fringe benefit charge.
<b>Fund</b>	An accounting entity with a self-balancing set of account controls for recording assets, liabilities, a fund balance, and changes in the fund balance.
<b>Fund Accounting</b>	The procedure by which resources for various purposes are classified for accounting and reporting purposes in accordance with

regulations, or limitations imposed by sources outside the institution, or in accordance with directions issued by the Board of Trustees.

**Fund Balance**

The residual interest in the assets of an entity that remains after deducting its liabilities; sometimes referred to as net assets.

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**General Ledger**

The system in which the balance sheet accounts (assets, liabilities, and fund balances) along with summaries of revenues and expenses for the entire University are maintained.  $Assets = Liabilities + Fund\ Balances$

**Gift**

A resource provided by a donor who enters into the transaction voluntarily and received nothing other than a “token” or appreciation in exchange for the resource he/she is providing. Gifts are classified according to the absence or presence of donor stipulations as unrestricted, temporarily restricted, or permanently restricted.

**Grant**

Resources provided to an institution to advance the level of knowledge about a particular subject; usually requires a report back to the granting agency (often a federal or state agency) summarizing the results of the activity.

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<b>Institutional Support Expenses</b>	Includes day-to-day operational support excluding expenditures for physical plant operations. Examples include general administrative services, executive direction and planning, legal and fiscal operations, and community relations.
<b>Instruction, Departmental Research, &amp; Clinical Expenses</b>	Expenditures for all activities that are part of an institution's instruction program, including (1) expenditures for credit and noncredit courses, (2) for academic, vocational, and technical instruction, (3) for remedial and tutorial instruction, and (4) for regular, special, and extension sessions.
<b>Investments</b>	Reported at fair value, based primarily on market quotes.

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<b>Leverage Ratio</b>	Measures the financial leverage. The more long-term debt the greater financial leverage the organization has assumed.
<b>Liability</b>	The claims of creditors against an entity's resources; probably future sacrifices of economic benefits arising from present obligations.

**Long-term Debt**

All debt with a maturity greater than one year. Includes both notes payables and bonds payables as of the balance sheet date.

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**Major Capital**

New construction and capital improvements costing more than \$500,000 or funded by debt.

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**Natural Class**

Classification focused on the traditional “objects” of expense (e.g. salaries, wages, benefits, supplies, service, travel, etc.)

**Net Appreciation on Investments**

Unrealized gains and losses earned on the historic value of investments.

**Net Income Ratio**

Primary indicator explaining how the surplus from operating activity impacts the amount of funds an institution adds to or subtracts from net assets.

**Net Tuition Dependency Ratio**

A ratio of 60% or more indicates the institution is heavily dependent on tuition. Heavily tuition dependent institutions are particularly sensitive to changes in enrollment patterns.

**Net Tuition Revenue**

Tuition and fees assessed against students for educational purposes. Tuition revenue is net of scholarship allowances.

**Non-Deferred Maintenance**

Includes new capital construction in addition to capital equipment and technology purchases.

**Non-Expendable Net Assets**

Includes permanently restricted net assets as stated on the Statement of Financial Position.

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**Operating Budget**

The operating budget includes budgets for both salaries (personnel) and supplies, equipment, furniture, printing, travel, memberships, services, utilities, etc (non-personnel) that are required to conduct your daily ongoing operations. The operating budget generally excludes capital purchases.

**Operating Capital**

The sum of deferred maintenance and non-deferred maintenance funded by operations.

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**Perkins Loans**

Student Loan programs administered by colleges and universities but primarily financed and regulated by the federal government.

**Permanently Restricted  
Net Assets**

Net assets subject to donor-imposed stipulations that they be held in perpetuity by the University. Generally, the donors of these assets permit the University to use all of, or part of, the income earned on related investments for general or specific purposes.

**Plant Operations &  
Maintenance Expense**

Includes all current operating expenses related to the general operation and maintenance of the physical plant. It includes utilities and maintenance, fire protection, property insurance, security and transportation, as well as the plant portion of salaries and benefits. Subcategories included are physical plant administration, building maintenance, custodial services, utilities, landscape and grounds maintenance, and major repairs and renovations (operating capital). Debt service and depreciation expense are excluded.

<b>Primary Reserve Ratio</b>	Measures how long the institution can function using expendable reserves without relying on additional net assets generated by operations
<b>Private Gifts &amp; Grants</b>	Charitable contributions made by foundations, corporations, or individual donors to be used in accordance with donor's terms of the gift. Donations can be used to support the general fund or to fund a specified purpose by investing in the endowment or annuity and life income funds.
<b>Proforma Debt</b>	Projected future debt.

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<b>Realized Gain/Loss</b>	Difference between sales proceeds of an investment asset and its book value.
<b>Restricted Funds</b>	A fund which has been designated for a specific purpose, by the donor of the fund (a body outside of the University).
<b>Return on Net Assets</b>	Measures total economic return and provides the most comprehensive measure of growth or decline in wealth of an institution over a specific period of time.
<b>Revenue</b>	An increase in net assets (i.e. difference of revenue minus expenses) that results directly from providing products or services to customers during a specific period.
<b>Revenue Centers</b>	Those university units that generate revenue (tuition, fees, and ticket sales) from the

provision of services. These include colleges, schools, and auxiliary enterprise units.

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<b>Secondary Reserve Ratio</b>	Provides an assessment of permanently restricted assets in relation to operating size.
<b>Short-term Investments</b>	Investments that have original maturities between three months and one year.
<b>Spend Rate</b>	Endowment spend rate is the percentage of earnings withdrawn from endowment funds to be used in accordance with the donor's restrictions.
<b>Sponsored Research, Training, Other Expenses</b>	Includes expenditures funding research programs to support the institutional, research, or public service function of an institution.
<b>Statement of Activities</b>	Known as Income Statement. Presents a summary of information about the change in amount and nature of net assets and about how resources are used to provide various programs and activities.
<b>Statement of Financial Position</b>	Known as the Balance Sheet. Provides relevant information about cash receipts and cash payments of the institution during the fiscal period. The statement reports (1) where the cash came from, (2) what the cash was used for, and (3) the change in the cash balance during the period.

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<b>Temporarily Restricted</b>	Net assets subject to donor-imposed
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**Net Assets**

stipulations that may or will be met either by actions of the University and/or the passage of time.

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**Unrealized Gain/Loss**

Difference between market value of an investment asset and its book value.

**Unrestricted Net Assets**

Net assets that are not subject to donor-imposed stipulations.

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**Viability Ratio**

Measures the availability of net assets to cover debt.

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**Year-end**

The term used to describe both the time of closing and the process of closing the university's operating cycle. The university's fiscal year-end is June 30. The year-end process involves closing and reporting on the financial results of the past year. The process takes several months, from closing the records to providing information to the independent auditors (during the month of August and September) to preparing the annual report.

**Yield**

Earnings of an investment exclusive of realized and unrealized gains; includes dividends, interest, rent, and royalties.