

Treasurer's Glossary of Terms

A

Access - A database package that comes with Microsoft Office

accrual basis accounting - A method of accounting where income is recognized when earned, even if not yet received, and expenses are recognized when incurred, even if not yet paid.

AccuMail - Software that compares your addresses against the US Post Office National Database of every street and deciphers inaccuracies or incomplete addresses, corrects misspelled street names, cities, or states, and inaccurate zip codes.

Address Change Service - A service provided by the Post Office to send you corrected addresses that you can electronically input into your database.

APR - Annual Percentage Rate — How lenders state the interest rate on a loan. The lower the APR, the lower the amount of interest you'll pay.

APY - Annual Percentage Yield — How credit unions and banks tell you how much money you'll earn on your savings if you leave a lump sum in your account for one full year. Use it to compare what institution gives you the best return on your money.

assets - The items on a balance sheet showing the book value of property owned.

audit - A review of the operating, administrative, and financial activities of an organization for conformance with all legal and administrative requirements and conformance with the principles of economy and efficiency.

B

balance - The amount of money you have in a checking or savings account. With a checking account, it is important to figure out (or "balance") exactly how much money you have by comparing your check register to your statement.

balance sheet - A balance sheet is a statement of the book value of a business or other organization or person at a particular date, usually at the end of its "fiscal year," as distinct from an income statement, also known as a statement of profit and loss (P&L), which records revenue and expenses over a specified period of time. A balance sheet is often described as a "snapshot" of the company's financial condition on a given date. Of the four basic financial statements, the balance sheet is the only statement which applies to a single point in time, instead of a period of time. The balance sheet has two parts: assets on the left-hand ("debit") side or at the top and liabilities on the right-hand ("credit") side or at the bottom.

baseline budgeting - A method of budgeting that starts with the status quo and then adds to it or subtracts from it based on proposed changes.

bonds - This is a type of investment that represents corporate or government debt. In essence, a bond is a loan from the purchaser to the company or government agency that issued it. Bonds are not federally insured, though bonds issued by the U.S. Government are considered free of repayment risk.

budget - A budget is a statement of the financial position of the union for a definite period of time (fiscal year) based on estimates of expenditures during the period and proposals for financing them. It also is a plan for the coordination of resources and expenditures and reflects the values and goals of the organization.

budget cycle - The period of time that a budget covers, usually not less than two years and not more than four.

budget principles - A set of statements to provide context for budgeting that communicates the organization's values and priorities.

C

calendar year - An accounting and tax period of one year that ends on December 31.

car allowances - Generally refers to the practice of giving a flat dollar amount to an employee to cover business use of a personal vehicle. If the allowance is not documented by receipts or mileage logs it should be reported as taxable income.

cash basis accounting - A method of accounting where income is recognized when received and expenses are recognized when paid.

certificate - An account where you deposit money for a specific amount of time. The amount that you earn on a certificate is greater than what you earn in other types of saving accounts, but there is a penalty or fee for taking your money out early.

certified audit statement - A statement of assets and liabilities (Balance Sheet) and a statement of receipts and disbursements (Income and Expense Statement) prepared by a Certified Public Accountant (CPA).

chart of accounts - These are the names you establish for the different categories of assets, liabilities, income and expenses that you want to group transactions. A chart of accounts may include the following: rent, utilities, telephone, cash, dues income, and accounts payable.

compensation - Wages, bonuses, overtime and certain expense allowances deemed taxable by the Internal Revenue Service.

corporate credit card - This is a card issued by the credit card company in the name of the individual union officer or employee and on which the union has guaranteed payment.

CPA (Certified Public Accountant) - accounting professional who has passed the Uniform CPA Examination, which was developed and is maintained by the American Institute of Certified Public Accountants (AICPA), and has subsequently met additional state requirements for licensure as a CPA. Only CPAs are professionally licensed to provide to the public, attestation (including auditing) opinions on publicly disseminated financial statements.

D

deficit - An amount by which expenditures exceed income.

defined benefit - Refers to a pension plan where the benefits are formula based rather than related to the contribution rate paid.

Department of Labor (DOL) - The United States Department of Labor administers a variety of Federal labor laws including those that guarantee workers' rights to safe and healthful working conditions; a minimum hourly wage and overtime pay; freedom from employment discrimination; unemployment insurance.

division method - A method of calculating per capita tax where the amount of money received is divided by the dues rate to determine the number of payments received.

documentation - This refers to the union records that must be kept with respect to every union expenditure showing that the expenditure was made, that it was properly authorized, and that it was spent for a proper union purpose.

double-entry book-keeping - is the standard accounting practice for recording financial transactions. The system is based on the concept that a business or organization can be described by a number of different variables or accounts, each describing an aspect of the business in monetary terms. Every transaction has a 'dual effect'. For instance: in buying an asset - 1) the amount of fixed assets in the business or organization increases and 2) the amount of cash is reduced.

dues posting - Refers to the practice of recording dues payments by member in order to verify good standing.

E

Employer Identification Number (EIN) - A nine-digit identification number that all Local Unions must obtain from the Internal Revenue Service. An EIN is required in order to apply for tax-exempt status. An EIN is obtained by filing IRS Form SS-4.

exempt function expenditures - This is a term used by the federal Internal Revenue Code for expenditures by a nonprofit organization, such as a labor union, for candidate contributions or other purposes in connection with any government elections or appointment to a government office. It does not include expenditures for legislative activities, lobbying activities or ballot initiatives.

expense voucher - This is a form which the union uses to authorize the expenditure of union funds for a specific purpose. It sets forth the nature of expenditure and the amount of the expenditure and is signed by the person or persons who are required to authorize the expenditure under the union's Constitution and Bylaws.

expenses directly billed - This term refers to expenses that are incurred by union officers or employees in conducting union business and which are billed directly to the union. For example, charges on a union credit card or a restaurant tab in the name of the union would be considered a directly billed expense.

F

Federal Election Campaign Act - This is the federal law that governs the way that money is raised and spent in connection with federal elections and thus regulates how unions raise, handle and spend money in connection with federal elections. It is often referred to by its acronym "FECA."

Federal Election Commission - The Federal Election Commission is the federal agency which is responsible for enforcing the Federal Election Campaign Act which governs the way that money is raised and spent in connection with federal elections. It is often referred to by its acronym "FEC."

fidelity bond - Protects against loss of funds in the event of theft by officers and staff of a union. Unions that represent members in the private sector are required by Department of Labor regulations to obtain bonding coverage in an amount equal to ten (10) percent of the liquid assets plus one year's gross receipts.

fiscal transparency - Fiscal transparency is defined as the public disclosure of all relevant fiscal information on a systematic and timely basis. Unions can ensure such transparency in numerous ways, including: regular financial reports to the membership; access to financial records; open discussion and debate on decisions involving the use of union funds, among others.

fiscal year (FY) - An accounting and tax period of one year that may end on the last day of any month (e.g. March 31, April 30).

G

group tax-exemption number - In order to avoid individual filings for tax exemption status, some organizations file for recognition for a group.

I

income and expense statement - A financial statement whose purpose is to show the results of an organization's operations, i.e., whether or not the business or organization has earned a profit for a specific period of time. The statement of income lists the various revenue and expenses of the business along with related net income.

Internal Revenue Code - This is the law that imposes federal taxes on individuals, corporations and organizations. Although unions are generally tax exempt, they may incur a tax liability depending on how their political funds are handled.

invoice - An invoice is a written record of a transaction, often submitted to a customer or client when requesting payment. Invoices are sometimes called bills or statements.

IRS - The United States Internal Revenue Service. Unions have to file with the IRS to obtain an Employer Identification Number (EIN) and for tax exempt status.

IRS Form 1120 - This is the federal Internal Revenue Service tax return form which must be filed by a union or its separate political account if it makes contributions to candidates of more than \$100 and has investment income of more than \$100 in any tax year.

IRS Form 8718 - An Internal Revenue Service user fee form filed with the application for determination as a tax exempt organization.

IRS Form SS-4 - This is an Internal Revenue Service form that is an application for an Employer Identification Number (EIN).

L

liabilities - The items on a balance sheet showing debts or pecuniary obligations.

ledger - A ledger is a physical collection of related financial information, such as revenues, expenditures, accounts receivable, and accounts payable. Ledgers used to be kept in books preprinted with lined ledger paper -- which explains why a business's financial info is often referred to as the "books" -- but are now commonly kept in computer files that can be printed out.

M

modified cash basis accounting - A method of accounting that incorporates some aspects of Cash Basis accounting and some aspects of Accrual Basis accounting.

multiplier - Refers to a factor by which the number of payments is multiplied in order to determine the number of full dues equivalents.

mutual fund - A mutual fund is a type of investment where a group of investors collectively own shares of stocks or bonds. You buy shares of a mutual fund as you would stock. Mutual funds are not federally insured.

N

National Change of Address Service (NCOA) - A service provided by the Post Office to identify bad addresses and provide you with new ones.

negative or reverse check-off - A negative or reverse check-off is a check-off system or payroll deduction which is mandatory for the employees but where the employee may request a refund of the amounts checked-off. It is sometimes used as a means of raising political money. Receipts from a negative check-off for political funds do not qualify as voluntary political funds.

non-exempt function expenditures - This is a term used by the federal Internal Revenue Code for expenditures by a nonprofit organization, such as a labor union, for non-political activities. If a union has set up a Separate Political Account, these are the expenses that should be paid for from the general fund and not be made from the Separate Political Account. Non-Exempt expenditures include normal expenses for representing or organizing members, as well as expenditures for legislative activities, lobbying, and ballot initiatives.

O

organizing committee member - A member that is not yet covered under a collective bargaining agreement who pays a reduced dues amount and is an employee of an employer that is the target of an organizing drive. These members can include those who have not yet won the Union as their exclusive bargaining representative as well as those who have but are not yet covered by a first contract.

P

per capita tax - A per-head charge required to be paid to a central labor council (or in cases of larger unions- to the central union) on all monthly dues payments received by a local union during any given month.

petty cash - A petty cash fund is defined as a small working cash fund maintained by an organization for use in purchasing incidental supplies of an unpredictable nature. Establishment of petty cash funds is not encouraged and approved only when it is deemed essential for daily operations of the union. The union's Bylaws usually will define and limit the cash amount available in a petty cash fund. Expenditures beyond such amount would be subject to the internal approval processes outlined in the Bylaws.

political action committee (PAC) - Some PAC's are Federally-registered and are allowed to participate in Federal Elections. Other PAC's (sometimes referred to as non-federal PAC's) must register and operate under state and/or local election regulations and may not contribute to or spend funds in connection with Federal elections.

political fundraising event - A fundraising event is an event such as a raffle, sale of merchandise, concert, or dinner where money is raised for the union, with the stated purpose to benefit its political committee or fund.

political funds - any funds raised or spent in connection with activity attempting to influence the election or appointment of a person to public office. Political funds may be either voluntary contributions or Treasury Funds.

R

receipt - This refers to the documentation for a union expenditure produced by an outside vendor showing that a certain amount was spent by the union for a particular item or service.

reconciliation - When you "reconcile" or "balance" your checking account, you are using your monthly statement to determine the exact amount you have available in your account. It's important to do this each month to prevent overdrafts (and any resulting fees).

reimbursed expenses - This refers to expenses incurred by a union employee or officer in conducting union business and for which he or she is authorized to receive reimbursement from the union.

Request for Proposal (RFP) - An RFP is a document that describes products or services in sufficient detail to solicit competitive bids.

retired member - A retired member that is no longer covered by a collective bargaining agreement who elects to continue to pay a reduced dues rate in order to remain a member of his/her Local Union.

S

seasonal dues - Dues that are paid for less than twelve months of the year. Members who may pay dues on a seasonal basis include school employees, race track or stadium workers.

Section 527 - Section 527 refers to the section of the federal Internal Revenue Code which imposes a tax on nonprofit organizations such as unions if they make political contributions to candidates using money earned from investments.

separate political account - This is another way of saying the union's separate segregated political fund or account. A separate political account subject to the provisions of Section 527 is often referred to as a "Section 527 Committee".

separate segregated political fund or account - This is a bank account separate from the union's other bank accounts established by the union for its political money to be used to make candidate contributions or other expenditures in connection with government elections. It is often referred to as the union's political action account, political action committee, or PAC.

spreadsheet - A computer program such as Microsoft Excel that performs mathematical and financial functions.

statement - This is a paper record of your account transactions over a set period of time. Your statement is an essential tool in reconciling your account balances.

stock - Stock is a type of investment. A share of stock represents a share of ownership in a company. You can make money on stock in two ways — dividends and increases in the price. Stock dividends represent the method companies may use to distribute earnings to their owners (the shareholders). Stocks that don't pay

dividends are often called *growth stocks* — earnings come solely from price growth. Most Internet technology company stock is considered growth stock.

surplus - An amount by which income exceeds expenditures.

T

tax exempt status – An employer may apply to the IRS for tax exempt status using IRS Forms 1024 and 8718.

treasurer's check - Also can be called Bank Checks or Cashier's Checks. The difference between a Treasurer's Check and a regular check is that a Treasurer's Check is a guaranteed check.

W

W-2 - An annual IRS form that is used to report taxable wages and withholding taxes to an employee.

Y

year to date - YTD often appears on financial statements indicating income and expenses for a certain point in the year in a budget cycle. It is a very useful tool to measure actual numbers against those projected.