

GLOSSARY

**A**

**Accountability**

a board’s sense of responsibility, building of trust, and credibility with the public and constituents

**Action organization**

an organization whose primary objective may be obtained through lobbying and influencing legislation

**Ad hoc committee**

a temporary committee or task force established to address a specific issue

**Advisory council**

a group created to advise and support a nonprofit and its board, also called advisory group, advisory committee, or advisory board; usually focuses on a specific issue

**Advocacy**

representing an organization through articulating the mission and supporting and defending the organization’s message

**Affiliate**

a local chapter, an auxiliary group, or a branch of a (usually) national parent organization

**Agenda for meetings**

an outline for what will be discussed at a meeting; provides structure for a meeting

**All volunteer organization (AVO)**

a nonprofit organization that is managed and governed by volunteers

**Altruism**

an unselfish need and wish to help build a better world

**Annual campaign**

a fundraising program that occurs annually to help raise basic operational funds

**Arm’s length transaction**

a financial transaction where both parties act independently and agree on a fair price for a product or service

**Articles of incorporation**

an official statement of creation of an organization; it is filed with the appropriate state agency

**Articles of organization**

a charter for an unincorporated organization

**Assets**

all money and property owned by an organization

**Association**

a membership organization that may be incorporated or unincorporated

**Attorney general**

a senior state attorney; state government position to which nonprofits are accountable

**Audit**

a review of financial and/or legal transactions and activities of an organization

**B**

**Board cycles**

a term used to describe the evolution of an organization’s board from creation to full operation and establishment

**Board development**

a process of building effective boards and educating board members about their governance role

**Board member**

a person sharing the responsibility and liability for the organization with the rest of the members of the board

**Board member agreement**

a verbal or written commitment outlining board member expectations

**Board member profile grid**

a tool helping identify desired characteristics and gaps on a board

**Board of directors**

governing body of a nonprofit or for-profit corporation; the board has specific legal and ethical responsibilities to the organization

**Bylaws**

the legal operating guidelines for a board

**Bylaws amendment**

a change to the original bylaws of an organization; the bylaws themselves should outline amendment procedures

C

**Capital campaign**

a fundraising program to help raise funds for major capital projects or an endowment

**Carver, John**

an author and lecturer about board governance, as well as the creator of the Policy Governance Model

**Case statement**

a tool used in fundraising to help articulate the purpose and goals of a specific campaign

**Cause related marketing**

a form of corporate sponsorship where a company promotes a cause or organization by donating a percentage of the profits generated from the sale of a specific product

**CEO**

the chief executive officer; top staff position of a nonprofit organization or a for-profit company

**Chair**

the chief volunteer position in the organization; elected leader of the board

**Chapter**

a member or affiliated organization of a federated organization

**Charitable contribution**

a tax-deductible donation given to a nonprofit organization

**Charity**

a nonprofit organization providing a public service as defined by the Internal Revenue Code Section 501(c)(3)

**Charter**

the legal organizational document for a nonprofit; also known as the articles of incorporation or articles of organization

**Chief executive**

the top staff position of a nonprofit organization, also called CEO or executive director

**Code of conduct**

the high ethical standards expected of every board member

**Committee**

a subgroup of a board organized to help manage the board’s work

**Community foundation**

a foundation whose mission is to support a specific community

**Confidentiality clause**

a board policy defining unauthorized and improper disclosures of confidential information by board members

**Conflict of interest**

a situation in which the personal or professional concerns of a board member or a staff member affect his or her ability to put the welfare of the organization before personal benefit

**Consent agenda**

a component of the meeting agenda that groups routine items and resolutions as one agenda item

**Constitution**

this usually refers to the organizational documents of an organization

**Consultant**

an expert providing professional advice or services

**Corporate foundation**

a foundation whose funds are provided by a specific corporation; representatives of the corporation supervise disbursement of funds

**Corporate name search**

a state or national search of corporate names; should be performed as a part of the creation of the organization to ensure that the name of the nonprofit is unique

**Corporate sponsorship**

a relationship between a nonprofit and a company where the nonprofit receives monetary support, goods, or services in exchange for public recognition of the company

**Corporation**

a legal entity that exists to perpetuity until it is dissolved; a ‘fictitious person,' separate from its managers or governors, usually given the same rights and obligations as natural persons

D

**D&O (Directors’ and Officers’) insurance**

insurance that protects board members and top staff personnel from liability created by board decisions or actions

**Determination letter**

an official notification by the IRS stating that a nonprofit is recognized as a tax-exempt organization

**Development**

a term used to describe all methods of obtaining funding or support for an organization

**Direct marketing**

a fundraising method relying on a one-to-one form of communication

**Disclosure form**

a form on which board members annually detail personal and professional connections that could create a potential conflict of interest

**Disclosure requirement**

regulations requiring nonprofits to share financial or other information with the public, defining IRS form 990 as a public document

**Dissolution of nonprofits**

the formal procedure by which a nonprofit ceases to operate or exist; involves filing with the state and distribution of assets

**Diversity**

inclusivity; equal opportunity; collective mixture of participants

**Domestic corporation**

a corporation is considered domestic in the state where it has filed its articles of incorporation; it is foreign in any other state

**Donor-advised funds**

donations given to an entity in which the donor retains some control over how the funds are spent

**Due diligence**

an expectation that a board member exercises reasonable care and follows the business judgment rule when making decisions

**Duty of care**

an expectation that a board member exercises reasonable care when making decisions

**Duty of loyalty**

an expectation that a board member remains faithful and loyal to the organization

**Duty of obedience**

an expectation that a board member remains obedient to the central purposes of the organization and respects all laws and legal regulations

E

**EIN (Employee Identification Number)**

a number issued by the IRS to all corporations

**Emeritus status**

an honorific title usually given to a former board member who is invited to stay on board as a non-voting member in an advisory capacity

**Endowment**

a fund or collection of assets whose investment earnings support an organization or a specific project

**Estate tax**

a federal tax on inheritances over a specific amount; planned giving can provide a way to avoid paying some or all of this tax

**Ex officio**

"by reason of their office"; a person serving on a board due to his or her position rather than through elections

**Excess benefit transaction**

a transaction in which an economic benefit is provided by a nonprofit, directly or indirectly, to a disqualified person, and the value of the economic benefit provided by the organization exceeds the value of the consideration (including the performance of services) received by the organization

**Excise tax**

a tax issued by the IRS on nonprofits that violate specific regulations

**Executive committee**

a committee that has specific powers, outlined in the bylaws, which allow it to act on the board’s behalf when a full board meeting is not possible or necessary

**Executive session**

a meeting of a board in which no staff are present

F

**FASB**

the Financial Accounting Standards Board; organization that develops concepts and standards for financial accounting and reporting for organizations and businesses; these standards are recognized as authoritative by the Securities Exchange Commission and the American Institute of Certified Public Accountants

**Feasibility study**

a first step for a capital campaign to determine whether adequate support exists to launch the campaign

**Federated organization**

an organizational structure composed of a national umbrella organization and smaller local chapters

**Fiduciary duty**

a responsibility of board members and the nonprofit board as a whole to ensure that financial resources of an organization are sufficient and handled properly

**Fiscal agent**

an organization or a legal entity managing the funds for a nonprofit organization

**Fiscal sponsor**

an arrangement where an established nonprofit provides financial support for a project that may be independent or which has yet to obtain its own tax-exempt status

**Foreign corporation**

a corporation that is incorporated in another state than where it carries out business

**Form 1023**

an application form for nonprofits that want to be recognized as a 501(c)(3) organization

**Form 1024**

an application form for nonprofits that seek tax-exempt recognition as any other type of 501(c) organization than a 501(c)(3)

**Form 8282**

a Donor Information Return form to be filed by a charity that sells property valued over $5,000 that was donated to the organization

**Form 8283**

a Noncash Charitable Contributions form to be filed by an individual who claims a total charitable deduction worth more than $500

**Form 8718**

a User Fee for Exempt Organization Determination Request Letter form to be sent to the IRS with your application form and payment

**Form 990**

an annual information form submitted to the IRS

**Form 990-PF**

an information form for private foundations to be filed with the IRS

**Form 990-T**

a financial form for organizations who must pay unrelated business income tax

**Form SS-4**

an application form for an Employee Identification Number

**Foundation**

a tax-exempt nonprofit organization that normally distributes funds rather than running its own programs

**Founderitis**

a situation in which the founder of an organization is resistant to changes proposed by the board

**Fund accounting**

a nonprofit accounting method that separates various restricted assets in different fund categories

**Fund balance**

an organization’s claim to its assets; the net worth of the organization

**Fundraiser**

a special event or activity organized to raise funds for a nonprofit

**Fundraising**

a wide variety of activities that help generate donations for an organization

G

**Governance**

the legal authority of a board to establish policies that will affect the life and work of the organization while holding the board accountable for the outcome of such decisions

**Governance committee**

a committee responsible for recruiting, orienting, and training of board members

**Grant**

funding provided to an organization through a foundation or government source

**Grassroots lobbying**

influencing legislation indirectly by attempting to mold the general public’s opinion on an issue

**Group exemption**

IRS tax-exempt recognition of all organizations under an already recognized 501(c)(3)

I

**In-kind donation**

a donation of products or services instead of money to a nonprofit by a company or individual

**Incorporation**

a legal process in which a group is created and recognized by the state as an entity separate from the individuals who manage or govern it

**Incorporator**

a person or group who signs and delivers the articles of incorporation to the appropriate state agency

**Indemnification**

a guarantee by an organization to rely on its own resources to pay board members' legal costs for claims that result from board service

**Independent contractor**

an individual who is contracted to perform a specific project or service for a specified amount

**Insider**

a board, staff, or family member of a board or staff member who has influence on the decisions made by the organization

**Intermediate sanctions**

IRS regulations creating penalties for nonprofit board members and staff who receive or authorize an excessive benefit transaction for an insider

**Involuntary dissolution**

a mandate from the state requiring a nonprofit to cease all operations and distribute all assets

**IRS (Internal Revenue Service)**

a government agency that regulates the tax-exempt status of nonprofit organizations

**IRS Codes**

**501(c)(3)** refers to public charities and private foundations as defined by the IRS

**501(c)(4)** refers to social welfare organizations as defined by the IRS

**501(c)(6)** refers to trade associations and business leagues as defined by the IRS

**501(h) election** an option for public charities (except churches) to measure their permissible lobbying activity using an expenditure test

**527** Internal Revenue Code Section 527 regulations apply to political organizations; these include political action committees

J

**Joint venture**

a specific project or event conducted by two or more nonprofits, or a nonprofit and for-profit corporation

K

**Knowledge management**

capturing, compiling, and disseminating data or information and turning it into knowledge

L

**Lead gift**

a major gift, usually from a board member to launch a capital campaign

**Legal audit**

a process of systematically reviewing all legal documents and processes, usually with professional help

**Liability**

any legal responsibility, duty, or obligation

**Lobbying**

attempting to influence legislation through direct contact with lawmakers or with constituents

M

**Membership organization**

a nonprofit that grants its members specific rights to participate in its internal affairs

**Mentoring**

an orientation tool where an experienced board member helps teach new board members about the organization and the work of the board

**Merger**

combining two organizations into one nonprofit

**Micromanagement**

this usually refers to a manager who is paying too much attention to details and is not focusing on the big picture

**Minutes**

a legal written record of what occurred during a meeting

**Mission**

the fundamental purpose and reason to exist for an organization

**Mission statement**

this describes the needs the organization was created to fill and answers the basic question of why the organization exists

**MSO (Management Support Organization)**

an organization providing management assistance services for other nonprofits

**Mutual benefit organization**

a nonprofit providing services to its members rather than the public in general

N

**NGO (Non-Governmental Organization)**

any nonprofit organization that is independent from government

**Nonprofit organization**

an organization established for activities other than profit making

**Nonprofit sector**

this includes organizations that are independent from government and not part of the for-profit business sector

**Not-for-profit**

a term that usually refers to an activity rather than to a nonprofit organization as an entity

O

**Officer**

a board leadership position; typically refers to the chair, vice chair, secretary, or treasurer

**Open meeting laws**

also called “Sunshine Laws”; state regulations that require government agencies and some nonprofit organizations receiving public funding to open at least some of their board meetings to the public

**Operating foundation**

a foundation that actively runs programs rather than just distributing grants

**Operational reserves**

a reasonable buffer against unforeseen, seasonal, irregular, or exceptional cash shortages

**Orientation**

educating board members on their roles, responsibilities, their organization, and how the board works

P

**PAC (Political Action Committee)**

a separate organization or a segregated fund whose function is to influence federal, state, or local public office elections

**Piercing the corporate veil**

a failure to maintain separate records or commingling of funds and assets

**Planned giving**

gifts through wills, bequests, or trusts

**Policy**

a written plan used to influence and determine decisions or actions about a specific issue

**Policy governance**

a structured governance model created by John Carver

**Policy manual**

a book in which all policies are compiled

**Political organization**

a party, committee, association, or fund organized and operated for the purpose of influencing federal, state, or local public office elections

**President**

a term used to describe the chief volunteer officer or the chief staff officer of an organization

**Private inurement**

this happens when an insider, an individual who has sizable influence over the organization, enters into an arrangement with the nonprofit and receives benefits greater than she or he provides in return

**Public support test**

an IRS regulation used to determine whether a nonprofit organization is a private foundation or public charity; involves determining the source of the majority of funding for the organization

Q

**Quid pro quo contribution**

a donation that is given with the condition that the donor receives something in return

**Quorum**

a minimum number of people required at a meeting in order for business to be conducted

R

**Relief organization**

an organization that provides humanitarian aid

**Retreat**

a day or weekend event where the board or staff go to a location outside of the office or board room and focus on a specific issue or a specific group of issues; examples include orientation, strategic planning, or self-assessment

**Robert’s Rules of Order**

a parliamentary procedure used to conduct meetings

S

**Secretary**

an officer position that involves taking minutes and keeping records and archives of the board

**Self-assessment**

a process by which the board evaluates its own performance

**Staggered term limits**

an organizational structure where board members' terms expire in alternating years

**Sunshine laws**

also called open meeting laws; state regulations that require government agencies and some nonprofit organizations that receive public funding to open at least some of their board meetings to the public

**SWOT analysis**

a tool for strategic planning; focuses on strengths, weaknesses, opportunities, and threats

T

**Tax-deductible donation**

a donation in which the donor can deduct the amount of the donation from his or her taxable income

**Term limits**

a restriction on the number of consecutive terms that a person can serve as a board member

**Third sector**

a term used to describe the nonprofit sector, as it is separate from government and the for-profit sector

**Transparency**

a system of operation that allows outsiders to see how the organization operates, makes decisions, and uses resources; an important aspect to ensure the public trust in an organization

**Treasurer**

a board officer position that is responsible for coordinating and ensuring financial oversight of the organization

U

**UBI (Unrelated Business Income)**

income generated by a nonprofit through activities that are not related to the mission of the organization

**UBIT (Unrelated Business Income Tax)**

a tax levied on the unrelated business income of a nonprofit; the tax is equivalent to corporate taxes

**Unincorporated association**

an organization that has decided not to seek incorporation by the state

V

**Values statement**

a written description of the beliefs, principles, and ethical guidelines that direct a nonprofit’s planning and operations

**Vice-chair**

a board officer whose main duty is to replace the chair when the chair is not able to carry out his or her duties

**Vision**

a picture or a dream of a desired future

**Vision statement**

a written description of the ultimate desired objective of the organization

**Voluntarism**

this refers to anything voluntary

**Volunteer**

a person working without compensation

**Volunteer Protection Act**

a law that protects volunteers from personal financial liability when acting for an organization

**Volunteerism**

this refers to volunteers and volunteer activities