

501(c)(3):Section of the Internal Revenue Code that designates an organization as charitable and tax-exempt.. Most organizations seeking foundation or corporate contributions secure a Section 501(c)(3) classification from the Internal Revenue Service (IRS). Note: The tax code sets forth a list of sections 501(c) (4-26) to identify other nonprofit organizations whose function is not solely charitable (e.g., professional or veterans' organizations, chambers of commerce, fraternal societies, etc.).

509(a): Section of the tax code that defines public charities (as opposed to private foundations). A 501(c) (3) organization also must have a 509(a) designation to further define the agency as a public charity. (See Public Support Test)

A

Accountability: In the context of philanthropy, accountability is the philosophy of openness, responsiveness, fairness and trust that an organization exhibits to maintain public trust. (See **Transparency**).

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.

Altruism: An unselfish need and wish to help build a better world.

Agenda for meetings: An outline for what will be discussed at a meeting; provides structure for a meeting.

Affinity group: A group of grantmakers that act collectively to support a particular population, region, interest, or other identifying characteristic.

COF - Affinity Group: A separate and independent coalition of grantmaking institutions or individuals associated with such institutions that shares information or provides professional development and networking opportunities to individual grantmakers with a shared interest in a particular subject or funding area.

Affinity Group Network: An affinity group is a coalition of grantmakers who come together on a regular basis for the purpose of: (1) sharing information on a particular area of funding (e.g. education, arts, children, environment), and/or (2) providing professional development and networking opportunities to individual grantmakers with like programs or population interests. They are a source for up-to-date grantmaking information in their areas of interest.

Annual Campaign: A fundraising program that occurs annually to help raise basic operational funds

Annual Report: A voluntary report issued by a grantmaking organization that provides financial data and descriptions of its grantmaking activities. Annual reports vary in format from simple typewritten documents listing the year's grants to detailed publications that provide substantial information about the grantmaker's grantmaking programs

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: A document filed with the secretary of state or other appropriate state office by persons establishing a corporation. This is the first legal step in forming a nonprofit corporation.

Articles of organization: A charter for an unincorporated organization

Assets: Cash, stocks, bonds, real estate or other holdings of an organization. Generally, assets are invested and the income is used to make grants. (see Payout Requirement)

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: An independent examination of the accounting records and or legal transactions and activities of an organization to support the expression of an impartial expert opinion about the reliability of the financial statements.

B

Bequest: A sum of money committed to an organization and donated upon the donor's death.

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

"Bricks and Mortar": An informal term indicating grants for buildings or construction projects.

Building Campaign: A drive to raise funds for construction or renovation of buildings.

Bylaws: Rules governing the operation of a nonprofit corporation. Bylaws often provide the methods for the selection of directors, the creation of committees and the conduct of

meetings.

Bylaws amendment: A change to the original bylaws of an organization; the bylaws themselves should outline amendment procedures

C

Capital Campaign: Also referred to as a Capital Development Campaign, a capital campaign is an organized drive to collect and accumulate substantial funds to finance major needs of an organization such as a building, major repair project, or an endowment

Chair: The chief volunteer position in the organization; elected leader of the board.

Challenge Grant: A grant that is made on the condition that other funding be secured, either on a matching basis or some other formula, usually within a specified period of time, with the objective of encouraging expanded fundraising from additional sources.

Chapter: A member or affiliated organization of a federated organization.

Charitable Contribution: A tax-deductible donation given to a nonprofit organization.

Charity: In its traditional meaning, the word "charity" encompasses generous actions or donations to aid the poor, ill, or helpless and other purposes that benefit the community. Nonprofit organizations that are organized and operated to further one of these purposes generally will be recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and will be eligible to receive tax-deductible charitable gifts.

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 community foundation is a tax-exempt public charity organized and operated as a permanent collection of endowed funds for the long-term benefit of a defined geographic area.
or

Community Foundation: A community foundation is a tax-exempt, nonprofit, autonomous, publicly supported, philanthropic institution composed primarily of permanent funds established by many separate donors for the long-term diverse, charitable benefit of the residents of a defined geographic area.

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 could 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.

Corporate Foundation:

A corporate (company-sponsored) foundation is a private foundation that derives its grantmaking funds primarily from the contributions of a profit-making business. The company-sponsored foundation often maintains close ties with the donor company, but it is a separate, legal organization, sometimes with its own endowment, and is subject to the same rules and regulations as other private foundations. Representatives of the corporation supervise disbursement of funds.

Corporate Giving Program: A grantmaking program established and organizations from the corporation. Corporate giving programs do not have a separate endowment; their expense is planned as part of the company's annual budgeting process and usually is funded with pre-tax income.

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

***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

*** Directors' and Officers' insurance (D&O),** insurance that protects board members and top staff personnel from liability created by board decisions or actions

Decline: Also referred to as Denial, a decline is the refusal or rejection of a grant request. Some declination letters explain why the grant was not made, but many do not.

Demonstration Grant: A grant made to establish an innovative project or program that will serve as a model, if successful, and may be replicated by others.

Designated Funds: A type of restricted fund in which the fund beneficiaries are specified by the grantors.

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.

***Discretionary Funds:** Grant funds distributed at the discretion of one or more trustees that usually do not require prior approval by the full board of directors. The governing board can delegate discretionary authority to staff.

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

***Disqualified Person (Private Foundation):**

Substantial contributors to a private foundation, foundation managers, certain public officials, family members of disqualified persons and corporations and partnerships in which disqualified persons hold significant interests. The law bars most financial transactions between disqualified persons and foundations. (See Self-dealing.)

***Disqualified Person (Public Charity):**

As applied to public charities, the term disqualified person includes (1) organization managers, (2) and any other person who, within the past five years, was in a position to exercise substantial influence over the affairs of the organization, (3) family members of the above, and (4) businesses they control. Paying excessive benefits to a disqualified person will result in the imposition of penalty excise taxes on that person, and, under some circumstances, on the charity's board of directors.

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.

Donee: The receiving organization of a donor's resources. (Also known as a grantee)

***Donor:** Anyone who gives resources - financial, social, intellectual and time - to a nonprofit organization, public charity or fund. (Also known as a grantor)

***Donor Advised Fund:** A fund held by a community foundation or other public charity, where the donor (or a committee appointed by the donor), may recommend eligible charitable recipients for grants from the fund. The public charity's governing body must be free to accept or reject the recommendations.

***Donor Designated Fund:** A fund held by a community foundation where the donor has specified that the fund's income or assets be used for the benefit of one or more specific public charities. These funds are sometimes established by a transfer of assets by a public charity to a fund designated for its own benefit, in which case they may be known as grantee endowments. The community foundation's governing body must have the power to redirect resources in the fund if it determines that the donor's restriction is unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or area served.

***Donor Intent:** The vision, legacy and intentions of a foundation's original donor for the foundation's mission.

***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

Emeritus Status: A title such as “trustee emeritus” usually given to a former board member who is invited to stay on board as a non-voting member in an advisory capacity.

***Endowment:** The principal amount of gifts and bequests that are accepted subject to a requirement that the principal be maintained intact and invested to create a source of income for a foundation. Donors may require that the principal remain intact in perpetuity, or for a defined period of time or until sufficient assets have been accumulated to achieve a designated purpose.

***Endowment Fund:** 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:** An annual federal tax that private foundations must pay on one or two percent of their investment income. The IRS can also impose penalty excise taxes on private foundations, and in some cases their managers, for violations of certain federal laws.

***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.

***Expenditure Responsibility:** When a private foundation makes a grant to an organization that is not classified by the IRS as tax-exempt under Section 501(c)(3) and as a public charity according to Section 509(a), it is required by law to ensure that the funds are spent for charitable purpose and not for private gain or political activities. Such grants require a pre-grant inquiry and a detailed, written agreement. Special reports on the status of the grant must be filed with the IRS, and the grantees must be listed on the foundation’s IRS Form 990-PF.

F

***Family Foundation:** is not a legal term, and therefore, it has no precise definition. A family foundation is one whose funds are derived from members of a single family. At least one family

member must continue to serve as an officer or board member of the foundation, and as the donor, they or their relatives play a significant role in governing and/or managing the foundation throughout its life. Most family foundations are run by family members who serve as trustees or directors on a voluntary basis. Most family foundations concentrate their giving locally, in their communities.

FASB: The Financial Accounting Standards Board: An 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.

Field of Interest Fund: A fund held by a community foundation that is used for a specific charitable purpose such as education or health research.

***Financial Report:** An accounting statement detailing financial data, including income from all sources, expenses, assets and liabilities. A financial report may also be an itemized accounting that shows how grant funds were used by a grantee organization.

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 990/Form 990-PF: The IRS forms filed annually by public charities and private foundations respectively. The letters PF stand for private foundation. The IRS uses this form to assess compliance with the Internal Revenue Code. Both forms list organization assets, receipts, expenditures and compensation of officers. Form 990-PF includes a list of grants made during the year by private foundations. These forms are available for public inspection.

Foundation: A tax-exempt nonprofit organization that normally distributes funds rather than running its own programs

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

Funding Cycle: A chronological pattern of proposal review, decision-making and applicant notification. Some donor organizations make grants at set intervals (quarterly, semiannually, etc.), while others operate under an annual cycle.

G

***General Operating Support:** A grant made to further the general purpose or work of an organization, rather than for a specific purpose or project; also called an unrestricted grant or basic support.

***Giving Circle:** A pooled fund that makes grants and is managed by the fund's donors. Giving circles pool time, talent and resources among people who share a common interest in a social cause or issue, and allow for a wide range in charitable styles, philosophies and politics, structure, size, and focus through a very hands-on approach.

Giving Pattern: The overall picture of the types of projects and programs that a donor has supported historically. The past record may include areas of interest, geographic locations, dollar amount of funding or kinds of organizations supported.

***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:** An award of funds to an organization or individual to undertake charitable activities.

***Grant Agreement:** A legally binding written understanding between a grantmaker and a grantee specifying terms for a grant's expenditure and reporting

***Grant funding** provided to an organization through a foundation or government source.

***Grantmaking:** The practice of giving money

***Grantmaking Guidelines:** A statement of a foundation's goals, priorities, criteria and procedures for applying for a grant

***Grant Monitoring:** The ongoing assessment of the progress of the activities funded by a donor, with the objective of determining if the terms and conditions of the grant are being met and if the goal of the grant is likely to be achieved.

***Grantee:** Also referred to as a grantseeker, the individual or organization.

Grantor: Also referred to as a grantmaker, the individual or organization that makes a grant.

***Grassroots Fundraising:** Efforts to raise money from individuals or groups from the local community on a broad basis. Usually an organization does grassroots fundraising within its own constituency—people who live in the neighborhood served or clients of the agency's services. Grassroots fundraising activities include membership drives, raffles, bake sales, auctions, dances and a range of other activities. Foundation managers often feel that successful grassroots fundraising indicates that an organization has substantial community support.

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)

***Guidelines:** A statement of a foundation's goals, priorities, criteria and procedures for applying for a grant.

I

***In-Kind Contribution:** A donation of goods or services to a nonprofit by a company or individual instead of money or appreciated property.

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

***Independent Foundation:** Independent foundations are usually founded by one individual, often by bequest. The members from the founding family, if any, represent a minority of the board and do not control the board. Many large independent foundations are no longer governed by members of the original donor's family but are run by boards made up of community, business and academic leaders. Independent foundations are occasionally termed "non-operating" because they do not run their own programs.

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: Fines imposed by the IRS on certain individuals associated with a tax-exempt organization who receives compensation in excess of reasonable compensation for the services provided. Intermediate Sanctions were sought by the IRS to provide authority to penalize persons improperly benefiting from transactions with public charities and civic organizations without resorting to revocation of exempt status of the organization.

***Internal Revenue Service (IRS):** The federal agency with responsibility for regulating foundations and their activities. On-line at www.irs.gov

J

***Jeopardy Investment:** An investment that risks the foundation's ability to carry out its exempt purposes. Although certain types of investments are subject to careful examination, no single type is automatically a jeopardy investment. Generally, a jeopardy investment is found to be made when a foundation's managers have failed to exercise ordinary business care and prudence. The result of a jeopardy investment may be penalty taxes imposed upon a foundation and its managers.

***Junior Board:** A grantmaking board set up by a family foundation for young family members. Often, the junior boards are set up for training purposes and those who participate are not part of the general foundation board.

L

Lead gift: A major gift, usually from a board member to launch a capital campaign.

Legacy: The gift that an individual leaves, both in the details of their will and in the tradition of giving they shared with their descendents.

Letter of Intent: A grantor's letter or brief statement indicating intention to make a specific gift.

***Letter of Inquiry:** A brief letter outlining an organization's activities and a request for funding sent to a prospective donor to determine if there is sufficient interest to warrant submitting a full proposal. This saves the time of the prospective donor and the time and resources of the prospective applicant.

***Leverage:** A method of grantmaking practiced by some foundations and individual donors, leverage occurs when a small amount of money is given with the express purpose of attracting funding from other sources or of providing the organization with the tools it needs to raise other kinds of funds; sometimes known as the "multiplier effect"

Limited-Purpose Foundation: A type of foundation that restricts its giving to one or very few areas of interest, such as higher education or medical care.

Loaned Executives: Corporate executives who work for nonprofit organizations for a limited period of time while continuing to be paid by their permanent employers.

***Lobbying:** Efforts to influence legislation by influencing the opinion of legislators, legislative staff and government administrators directly involved in drafting legislative proposals. The Internal Revenue Code sets limits on lobbying by organizations that are exempt from tax under Section 501(c)(3). Public charities (see Public Charity) may lobby as long as lobbying does not become a substantial part of their activities. Private foundations (see Private Foundation) generally may not lobby except in limited circumstances such as on issues affecting their tax-exempt status or the deductibility of gifts to them. Conducting nonpartisan analysis and research and disseminating the results to the public generally is not lobbying for purposes of these restrictions.

M

***Matching Gifts Program:** A program where employers will match employees' or directors' gifts made to qualifying educational, arts and cultural, health or other organizations. Specific guidelines are established by each employer or foundation. (Some foundations also use this program for their trustees.)

***Matching Grant:** A grant or gift made with the specification that the amount donated must be matched on a one-for-one basis or according to some other prescribed formula.

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

Minutes: A legal written record of what occurred during a meeting

Mission: The fundamental purpose and reason to exist for an organization

Mission statement: Describes the purpose for the organization.

N

***Nonprofit Organization:** A term describing the Internal Revenue Service's designation of an organization whose income is not used for the benefit or private gain of stockholders, directors, or any other persons with an interest in the company. A nonprofit organization's income must be used solely to support its operations and stated purpose.

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:** Also called private operating foundations, operating foundations are private foundations that use the bulk of their income to provide charitable services or to run charitable programs of their own. They make few, if any, grants to outside organizations. To qualify as an operating foundation, specific rules, in addition to the applicable rules for private foundations, must be followed. The Carnegie Endowment for International Peace and the Getty Trust are examples of operating foundations.

***Operating Support:** A contribution given to cover an organization's day-to-day, ongoing expenses, such as salaries, utilities, office supplies, etc.

P

PAC (Political Action Committee) a separate organization or a segregated fund whose function is to influence federal, state, or local public office elections

***Pass-Through Foundation:** A private grantmaking organization that distributes all of the contributions it receives each year (not just the Minimum 5 percent of assets.) The pass through election may be revoked on a year to year basis.

Payout requirement: The minimum amount that private foundations are required to expend for charitable purposes (including grants and, within certain limits, the administrative cost of making grants). In general, a private foundation must meet or exceed an annual payout requirement of five percent of the average market value of its total assets.

Perpetuity: For an indefinite period of time; forever.

***Philanthropy:** Philanthropy is defined in different ways. The origin of the word philanthropy is Greek and means love for mankind. Today, philanthropy includes the concept of voluntary giving by an individual or group to promote the common good. Philanthropy also commonly refers to grants of money given by foundations to nonprofit organizations. In modern practical terms, it is private initiatives for public good, focusing on quality of life. Philanthropy addresses the contribution of an individual or group to other organizations that in turn work for the causes of poverty or social problems-improving the quality of life for all citizens. Philanthropic giving supports a variety of activities, including research, health, education, arts and culture, as well as alleviating poverty.

Planned giving: Gifts through wills, bequests, or trusts

***Pledge:** A promise to make future contributions to an organization. For example, some donors make multiyear pledges promising to grant a specific amount of money each year.

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

Post-Grant Evaluation: A review of the results of a grant, with the emphasis upon whether or not the grant achieved its desired objective.

Preliminary Proposal: A brief draft of a grant proposal used to learn if there is sufficient interest to warrant submitting a proposal.

President: A term used to describe the chief volunteer officer or the chief staff officer of an organization.

Program Officer: Also referred to as a corporate affairs officer, program associate, public affairs officer or community affairs officer, a program officer is a staff member of a foundation or corporate giving program who may do some or all of the following: recommend policy, review grant requests, manage the budget and process applications for the board of directors or contributions committee.

***Program Related Investment (PRI):** A loan or other investment (as distinguished from a grant) made by a private foundation to a profitmaking or nonprofit organization for a project related to the foundation's stated purpose and interests. Program related investments are an exception to the general rule barring jeopardy investments. Often, program related investments are made from a revolving fund; the foundation generally expects to receive its money back with limited, or below-market, interest, which then will provide additional funds for loans to other organizations. A program related investment may involve loan guarantees, purchases of stock or other kinds of financial support.

***Proposal:** A written application, often accompanied by supporting documents, submitted to a foundation in requesting a grant.

***Private Foundation:** A nongovernmental, nonprofit organization with funds (usually from a single source, such as an individual, family or corporation) and program managed by its own trustees or directors, established to maintain or aid social, educational, religious or other charitable activities serving the common welfare, primarily through grantmaking. Private foundations must make charitable expenditures of approximately 5 percent of the market value of their assets each year. U.S. private foundations are tax-exempt under Section 501(c)(3) of the Internal Revenue Code and are classified by the IRS as a private foundation as defined in the code. Although exempt from federal income tax, private foundations must pay a yearly excise tax of 1 or 2 percent of their net investment income.

Professional Advisor: Individuals who assist in planning and executing charitable giving through providing information on giving options according to one's specific financial situation. Types of professional advisors include: attorney, accountant, estate planner, financial planner, stockbroker, insurance broker, planned giving officer, and philanthropy consultant.

***Public Charity:** A nonprofit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and that receives its financial support from a broad segment of the general public. Religious, educational and medical institutions are deemed to be public charities. Other organizations exempt under Section 501(c)(3) must pass a public support test (see Public Support Test) to be considered public charities, or must be formed to benefit an organization that is a public charity (see Supporting Organization). Charitable organizations that are not public charities are private foundations and are subject to more stringent regulatory and reporting requirements.

***Public Foundation:** Public foundations are recognized as public charities by the IRS. Although they may provide direct charitable services to the public as other nonprofits do, their primary focus is on grantmaking.

***Public Support Test:** This test is used to assure a minimum percentage of broad-based public support in an organization's total support pattern. So, the "one-third support test" means qualifying support divided by total support must equal at least one-third. An organization qualifies as publicly supported if it normally receives at least one-third of its total support from government, from contributions by the general public, or from a combination of these. (See IRS Publication 557 for full details).

Q

***Qualifying distributions:** Expenditures of a private foundation made to satisfy its annual payout requirement. These can include grants, reasonable administrative expenses, set asides, loans and program-related investments, and amounts paid to acquire assets used directly in carrying out tax-exempt purposes.

Query Letter: Also referred to as a letter of inquiry, this is a brief letter outlining an organization's activities and a request for funding sent to a prospective donor to determine if there is sufficient interest to warrant submitting a full proposal. This saves the time of the prospective donor and the time and resources of the prospective applicant. (see Preliminary Proposal)

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.

***Restricted Funds:** Assets or income that is restricted in its use, in the types of organizations that may receive grants from it or in the procedures used to make grants from such funds.

***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.

***Seed Money:** A grant or contribution used to start a new project or organization.

Self-Assessment: A process by which the board evaluates its own performance

***Self-Dealing:** A private foundation is generally prohibited from entering into any financial transaction with disqualified persons (see Disqualified Person). The few exceptions to this rule include paying reasonable compensation to a disqualified person for services that are necessary to fulfilling the foundation's charitable purposes. Violations will result in an initial penalty tax equal to 5 percent of the amount involved, payable by the self-dealer.

***Site Visit:** A fact-finding visit that a foundation's staff and/or board members make to a grant applicant's or grantee's office location or area of operation. This may involve meeting with the nonprofit's staff, directors, and/or recipients of its services. Site visits are normally conducted before a grant is approved, during project implementation and/or during project evaluation.

*** Social Change Philanthropy:** focuses on the root causes of social, economic and environmental injustices. It strives to include the people who are impacted by those injustices as decision-makers. It also aims to make the field of philanthropy more accessible and diverse. In social change philanthropy, donors and foundations act as allies to social justice movements by contributing not only monetary resources but their time, knowledge, skills and access.

Socially Responsible Investing: Also referred to as ethical investing or mission-based investing, this is the practice of aligning a foundation's investment policies with its mission. This may include making program-related investments and refraining from investing in corporations with products or policies inconsistent with the foundation's values.

***Supporting Organization:** A tax-exempt 501(c)(3) nonprofit entity that is normally not controlled by its founder or principal donor and that qualifies as a public charity and not as a private foundation because of its ongoing, close relationship to the publicly-supported organization it supports and to which it gives up some degree of control. Its public charity status is 509(a)(3).

Types of supporting organizations:

- * Type I – Operated, supervised or controlled by the supported organization
- * Type II – Supervised or controlled in connection with the supported organization
- * Type III – Operated in connection with the supported organization
 - * Type III (Functionally Integrated) - Carries out functions that normally would be carried out by the supported organization

***Site Visit:** Visiting a grantee organization at its office location or area of operation and/or meeting with its staff or directors or with recipients of its services.

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.

? **Sunset:** When a foundation plans to spend down its assets and dissolve on a particular date?

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.

***Tax-Exempt Organizations:** Organizations that do not have to pay state and/or federal income taxes. Organizations other than churches seeking recognition of their status as exempt under Section 501(c)(3) of the Internal Revenue Code must apply to the Internal Revenue Service. Charities may also be exempt from state income, sales and local property tax.

Technical Assistance: Operational or management assistance given to a nonprofit organization. It can include fundraising assistance, budgeting and financial planning, program planning, legal advice, marketing and other aid to management. Assistance may be offered directly by a foundation or corporate staff member or in the form of a grant to pay for the services of an outside consultant.

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.

***Tippling:** The situation that occurs when a gift or grant is made that is large enough to significantly alter the grantee's funding base and cause it to fail the public support test. Such a gift or grant results in "tippling" or conversion from public charity to private foundation status.

***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.

***Trust:** A legal device used to set aside money or property of one person for the benefit of one or more persons or organizations.

***Trustee:** A foundation board member or officer who helps make decisions about how grant monies are spent. Depending on whether the foundation has paid staff, trustees may take a more or less active role in running its affairs.

Trust: A legal device used to set aside money or property of one person for the benefit of one or more persons or organizations.

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.

***Unrestricted Grant:** May be used for general operating support.

***Unrestricted Funds:** Normally found at community foundations, an unrestricted fund is one that is not specifically designated to particular uses by the donor or for which restrictions have expired or been removed.

V

***Values statement:** A written description of the beliefs, principles, and ethical guidelines that direct a nonprofit's planning and operations.

***Venture Philanthropy:** A philanthropy that borrows some of the best practices of the venture capital world to invest deeply in nonprofits to build their capacity effectively. Venture philanthropists value their donor dollars in terms of the social return of investment.

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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 statement:** A written description of the ultimate desired objective of the organization.

Volunteer: A person working without compensation.

Volunteerism: Refers to volunteers and volunteer activities.

Volunteer Protection Act: a law that protects volunteers from personal financial liability when acting for an organization.