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Nonprofit Glossary

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501(c)(3): The section of the Internal Revenue Code that defines nonprofit, charitable, tax-exempt organizations; 501(c)(3) organizations are further defined as public charities, private operating foundations, and private non-operating foundations. These organizations are exempt from federal income tax, and donations are tax-deductible for the donors. Organizations qualifying under this section include religious, educational, charitable, amateur athletic, scientific, or literary groups, those testing for public safety, or those involved in the prevention of cruelty to children or animals. Most organizations seeking foundation or corporate contributions secure a Section 501(c)(3) classification from the 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.).

501(c)(4): IRS designation for social welfare and advocacy organizations. These are nonprofit organizations exempt from income tax but not eligible to receive tax-deductible gifts because they engage in advocacy-type efforts.

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.

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.***

990: Form used by the IRS for annual reporting by nonprofit organizations. This public document is required by the IRS for certain federally tax-exempt, nonprofit organizations that provide information on mission, programs, financial strength, etc.

990-EZ: A version of Form 990 that is filed by organizations with few gross receipts and few assets.

990-PF: A version of Form 990 that is required of 501(c)3 private foundations and 4947(a)(1) non-exempt charitable trusts.

990-N: An electronic version of Form 990 filed by organizations with few gross receipts.

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Accountability:

1. The acknowledgment and assumption of responsibility for policies and decisions, including the obligation to be answerable for resulting consequences.
2. The responsibility of the donee organization to keep a donor informed about the use that is made of the donor's gift as well as the cost of raising it.

Accounts Payable: Money owed by an organization to its suppliers and/or vendors for goods or services purchased.

Accounts Receivable: Amounts owed to the organization from completed sales or services rendered and expected to be received within one year. Referred to as grants receivable when the amount is related to a grant agreement.

Accrual-basis Accounting: A system of financial recordkeeping in which transactions are recorded as expenses when they are incurred (i.e., when a bill is received for merchandise or services provided to the organization) and as income when it is earned (i.e., when services or merchandise is provided by the organization, or the organization receives a commitment of a contribution) rather than when cash is paid or received. The alternative is cash-basis accounting.

Accrued Expenses or Liabilities: Costs for services or items incurred during an accounting period for which payment is postponed. Examples include accrued salaries, accrued sales tax payable, and accrued rent payable.

Accrued Interest: Interest costs that have accumulated but are not yet due or payable.

Accrued Wages: Salaries and wages earned by employees but not yet paid.

Accumulated Depreciation: The total amount the value of fixed assets has decreased to date due to general wear and tear or obsolescence.

Acknowledgment: Written expression of gratitude for gift or service.

Acknowledgment Letter: A letter sent by a donee, or on behalf of a donee, to the donor, expressing appreciation for a gift and identifying the use that will be made of the gift. An acknowledgment letter may be a form letter, but it is usually personalized.

Acquisition Mailing: A mailing to prospects to acquire new members or donors. *See also Prospect Mailing.*

Activism: A practice based on direct action to affect changes in government and social conditions.

Ad hoc Committee: A temporary committee established to address a specific issue, not necessarily within a specific time frame.

Administrative Fund: May be either nonpermanent and "spent" for the operations of TFEC or may be endowed with only the income from the fund used for operations.

Advancement: A discipline within education like development and fundraising. It encompasses alumni relations, communications, development, marketing and is an integrated method of managing relationships to encourage philanthropy.

Advance Gifts: Gifts given or pledged in advance of a public announcement of a campaign. Advance gifts are solicited before a campaign is announced because the success or failure of a campaign may depend on the size of the advance gifts.

Advisory Board: An advisory board is made up of a group of influential and prominent individuals whose association with a development program is calculated to lend luster and implied endorsement of the program's goals and objectives and usually focus on a specific issue, area of concern, or constituency. *Also known as an **Advisory Council, Advisory Group, Advisory Committee, or Advisory Board.***

Advocacy: Any behavior or action that speaks in support of, recommends, argues for, or otherwise defends or pleads for a cause, mission, or organization that benefits others.

Affiliate: A chapter, an auxiliary group, or a branch of a parent organization.

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.

Agency Fund: Established by a nonprofit organization (agency) for the benefit of the nonprofit organization where the profits are distributed annually to the nonprofit organization to support operations, programs, etc.

All Volunteer Organization: (AVO) A nonprofit organization that is managed and governed by volunteers.

Alliance: A union, relationship, or connection by a common interest.

Allocation: A method of accounting that divides expenses among different program, administrative, and fundraising categories based on a formula that recognizes the use of the resources such as use of the facility or staff time.

Allowance for Doubtful Accounts: An amount reflecting the portion of the accounts receivable which the organization reasonably believes it may not collect. The amount is often an estimate based on experience or trends in the industry.

Altruism: Selfless concern for the welfare of others.

Amortization: The repayment schedule for a loan or other obligation, usually as a constant amount each month that is paid first to the interest calculated on the principal balance, and then to reduce the principal balance.

Analysis: the section of a study that deals with the factors essential to success in a fundraising program; principally the case for support, leadership potential, and fields of support.

Annual Fund: Organized attempts by nonprofits to solicit contributions made on an annual basis for a charity's operations, programs, and other expenses.

Annual Giving:

1. A broad term for programs that reach out to the greatest numbers of alumni/ae and friends and provide the broadest opportunities and encouragement for the organization's constituencies to make a gift each year.
2. This type of giving refers to annually repeating gift programs, or to seeking funds on an annual or recurring basis from the same constituency. Income is generally used for operating budget support.
3. Annually repeating gift programs; seeking funds on annual or recurring basis from the same constituency; income is generally used for operating budget support.

Annual Operating Budget: An itemized listing for a specific year that includes:

1. The amount of all estimated support and revenue which an organization anticipates receiving.
2. All estimated expenses that will be incurred.

Annual Report:

1. A voluntary, annual document produced by nonprofits and distributed to stakeholders and donors to demonstrate their mission, accomplishments, finances and includes income, expenditures, programs, and progress.
2. Annual Report: Foundations or corporations voluntarily publish an annual report to describe their grant activities. It may be a simple, typed document listing the year's grants or an elaborately detailed publication. A growing number of foundations and corporations use an annual report as an effective means of informing the community about their contribution activities, policies, and guidelines.

Note: The annual report is not to be confused with a corporation's annual report to the stockholders.

Annuity: Annual payment of an income or allowance.

Anonymous Gift: A gift whose announcement, by specific wish of the donor, can include only the amount; the name of the donor is withheld.

Appeal: A fundraising or donation appeal asks supporters to contribute money by explaining your cause, mission, and impact with a sense of urgency. Typically, the ask is part of a fundraising campaign. It can be delivered via letter, email, social media, or online campaign page, in person, at an event, or a combination of these methods.

Appraisal: A formal report usually created by a certified real estate appraiser evaluating a real estate property to determine its value. One or more of three valuation methods are used: cost, replacement value, and market value. Appraisals can be 'as is' or 'as improved' which includes the value created by future capital expenditures.

Appreciation: A likely permanent increase in value due to an upward change in the market price or due to an inherent quality or qualities that enhance the desirability of, and hence the demand for, a product over time.

Appreciated Real Property and Securities Gift: Gifts of real estate or securities, which when held long term are deductible for federal income tax purposes at the full fair market value with no capital gain on the appreciation. However, the appreciation is a tax preference item, and proper counsel should be obtained to evaluate whether this would have alternative minimum tax consequences.

(The) Ask: The nonprofit equivalent of a sales pitch.

Asset: Tangible or intangible property that has exchange value.

Assets:

1. The amount of capital or principal (money, stocks, bonds, real estate, or other resources) controlled by a foundation or corporate giving program; generally, assets are invested, and the income is used to make grants. *See Payout Requirement.*
2. An item of current or future economic benefit to an organization. Examples include cash, short-term investments, accounts receivable, grants receivable, inventories, prepaid expenses, buildings, furniture, equipment, vehicles, and long-term investments.

Asset Mapping: Finding the positive values in a community and building on those values to create a

stronger community; important character-building qualities found to help children be successful.

Associates: A term used variously to describe a group of individuals who may be supporting an institution through contributions at a prescribed level, serving in a special advisory capacity, or serving as a sponsoring body for special institutional events.

Association: A membership organization that may be incorporated or unincorporated.

Assumed Name: An alternate name under which an individual or a legal entity may conduct business. Also known as a DBA or doing business as name. Note: In a loan transaction, it is critical to know the correct legal name of an entity and document it accordingly and accurately. *See Certificate of Incorporation.*

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

Articles of Incorporation: A document filed with a governmental agency to create a corporation, set forth the purposes of the corporation and establish the rights and liabilities of shareholders and directors; the first step in forming a nonprofit organization.

Articles of Organization: A charter for an unincorporated organization.

Audit: A systematic, internal evaluation of development procedures, financial activities and legal transactions as practiced by a nonprofit institution or agency; normally conducted by professional fundraising counsel or independent body. This financial report verifies or examines financial accounts or records by a Certified Public Accountant (CPA) and prepared in accordance with Generally Accepted Accounting Principles (*See GAAP*). The most rigorous level of external financial statement preparation. An essential component of the audit is the Opinion Letter.

Audited Financials: An examination and verification of records by a certified individual for compliance reasons.

Auditor's Opinion: The auditor's view of how fairly the financial statements represent the organization's financial position included in the audit report.

Authorization of Borrowing: A resolution passed by a board of directors or trustees acknowledging and approving the incurrence of debt. *See Officer's Certificate or Borrowing Resolution.*

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Balance Sheet: A report showing the financial condition, including assets, liabilities, and net assets, of the organization at a particular moment in time. *Also referred to as a Statement of Financial Position.*

Balloon Payment: The final payment of a loan when the amortization is longer than the maturity of the underlying note. This payment is usually larger than the regular periodic payment.

Bargain Sale: The sale of property at less than its fair market value. Frequently, a person will sell property to a 501(c)(3) organization or institution at a "bargain" price (for example, the individual's cost as opposed to its market value). The transaction is partly a gift and partly a sale.

Benefactor: One who makes a major gift to an institution or agency; also, an arbitrary classification of contributors whose gifts are above a certain level, which is calculated to single them out as a group and to stimulate similar giving by others.

Beneficiary:

1. The grantee receiving funds from a foundation or corporate giving program.
2. A person receiving a gift through a will.

Benefit:

1. Aid, help; an act of kindness.
2. Social event or entertainment to raise money for a person or cause.

Benefit Event: A form of fundraising that involves the organization and staging of a special event for charitable purposes; all proceeds above expenses are designated as a contribution to the charitable institution concerned.

Benevolence: The inclination to be charitable; a disposition to do good; an act of kindness; a generous gift.

Bequeath: To give or leave someone by will; to hand down.

Bequest:

1. The act of giving or passing on to another.
2. A transfer of property such as cash, securities (stocks), and tangible property through a will.

Big Gifts: A general term used to signify gifts in upper ranges, the precise limits varying from institution to institution. Their importance is emphasized in all fundraising campaigns.

Board-designated Funds: A condition stipulated by an organization's board of directors on how an amount of money is to be used. A common type of board designation is for operating reserves. For accounting purposes, these funds are considered unrestricted because the condition was not specified by a donor.

Board-designated Net Assets: The portion of net assets designated by the board of directors for a particular purpose.

Board Development: A process of building effective boards; from recruiting and orienting to engaging and educating board members, also includes rotations of board members to ensure a good fit with the organization's governance needs board member agreement a verbal or written statement of commitment to fulfill responsibilities as outlined in the board member job description.

Board Member: An individual who serves on the governing board of an organization.

Board Member Matrix: A tool helping identify desired characteristics and gaps on a board.

Board of Directors: Governing body of a nonprofit or for-profit corporation that consists of individuals selected in accordance with organization bylaws to establish policy and oversee specific legal and ethical responsibilities and management of an organization.

Board of Directors, Governance Issues: Structures, policies, systems, and planning to achieve highly effective governing boards. Also, composition and engagement of board members.

Board of Trustees: Another name for a governing board.

Bond: A duty or binding agreement; an investment vehicle.

Book Value: The amount of an asset stated in a company's records, not necessarily the amount it could bring on the open market.

Budget:

1. The total amount of money allocated for a certain purpose including both income and expenditures.
2. A detailed breakdown of estimated income and expenses for a development program, prepared in advance. Budgets show various cost categories, including personnel, printed materials, purchase and rental of equipment, office expense, headquarters, mailing charges, costs of events, and so on.

Business Corporation: A common term used for "for profit" corporations.

Bricks and Mortar: Common manner of alluding to the physical plant needs of an institution and to the campaigns designed to secure the necessary funds.

Bricks and Mortar Campaign: Fundraising effort to raise money for a building

Bridge Loan: A short-term loan with a specific repayment source.

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

Bylaws: The legal guidelines, rules, or regulations that provides a framework for 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.

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

Building Reserve: Funds set aside to pay for facility upkeep, upgrades, unexpected repairs that exceed money available through the regular budget, and replacement of fixtures and facility systems. Typically, these are unrestricted, but board-designated funds. *Also known as a Replacement Reserve.*

Bundling: Sometimes known as "bunching," this is a practice some donors have adopted since the passage of the new federal tax rules in December 2017. In bundling, donors make a larger-than-usual donation in one year and none in the next year or two, to maximize tax benefits for their charitable giving.

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Call-to-Action (CTA): Written as a command, this message tells your supporters the specific activity you want them to take. An effective CTA is key to a successful fundraising or engagement campaign. Examples include "Donate Now" or "Sign our Petition."

Campaign: A comprehensive, organized initiative with a goal of raising money for a specific project. Campaigns usually consist of a quiet phase, when major supporters are asked to contribute toward the goal to help build momentum, and a public phase, when the broader community is asked to contribute. Most organizations have already reached a high level of their fundraising goals by the time a public phase is launched.

Campaign Leaders: Provide and maintain the momentum and enthusiasm essential to the motivation of the entire organization of volunteers.

Campaign Materials: General term used to denote campaign forms of all kinds; materials required for campaign workers, fact sheets, prospect lists, and numerous other items essential to the effective functioning of a campaign; printed materials such as brochures used to advance a campaign.

Capital: Financial resources, such as cash, available for use.

Capital Campaign: A campaign to raise funds to finance major projects and/or programs such as the acquisition of property or equipment, construction and/or renovation of facilities. Capital campaigns are carefully organized, highly structured fundraising program using volunteers supported by staff and consultants to raise funds for specific needs to be met in a specific time frame, with a specific dollar goal. Allows donors to pledge gifts to be paid over a period of years. *Also referred to as a **Capital Development Campaign**.*

Capital Grant: A grant that is used for building costs, equipment, or materials.

Capital Expenditure: Payment of money to acquire fixed assets, such as a building or equipment.

Capital Improvement: A facility or equipment upgrade or enhancement that will have a life of more than one year, and that increases the value of an asset. The cost of the improvement increases the value of an asset rather than recognized as an expense. *See **Capitalizing an Asset**.*

Capitalizing an Asset: Recording the cost of land, a building or equipment as fixed assets rather than as an expense when purchased.

Case: Carefully prepared reasons why a charitable institution merits support (in the context of the “case bigger than the institution”), including its resources, its potential for greater service, its needs, and its future plans.

Cash-basis Accounting: A system of financial recordkeeping in which transactions are recorded when cash is received or spent. The advantage over accrual-basis accounting is its simplicity.

Cash Equivalents: Funds which can be quickly and easily converted to cash, such as bank accounts, U.S. Treasury Bills, CDs, money market funds, or other investments which mature in one year or less.

Cash Flow:

1. The movement of cash into and out of an organization; or the difference between cash receipts and cash disbursements during a period; predictable cash income to sustain operations
2. In capital campaigns or whenever pledges are secured, anticipation of annual cash receipts resulting from payments on pledges.

Cash Flow Projection: A management tool used to predict incoming and outgoing cash during a specified period. Used to anticipate and plan for times of low and high cash balances. *Also known as a **Cash Flow Forecast**.*

Cash Gift: The simple transfer of cash, check, or currency (other than special collections) to a gift-supported organization or institution.

Cause-related Marketing: An arrangement that links a product or service with a social cause to provide the cause with a portion of the profits received by the corporation.

Certified Fundraising Executive: (CFRE) A credential granted to a fundraiser by the Association of Fundraising Professionals, which is based on performance as a fundraising executive, knowledge of the fundraising field, tenure as a fundraiser (minimum of five years), education, and service to the profession.

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

Charitable Contribution: A charitable contribution is a donation of something of value to a gift-supported charitable organization. It is usually tax-deductible.

Charitable Deduction: A charitable deduction is the value of money or property transferred to a 501(c)(3) organization, which is deductible for income, gift, and estate tax purposes. In most cases, the term charitable deduction refers to the amount of a gift that can be deducted from the portion of a donor's income that is subject to federal income tax. A donor's charitable deduction should not be confused or equated with the value of a gift. That is, gifts for the purpose of life income agreements are not federally deductible at their full value.

Challenge Gift: A substantial gift made on condition that other gifts must be secured, either on a matching basis or some other prescribed formula, usually within a specified period, with the objective of stimulating fundraising activity generally.

Challenge Grant: A grant that is made on the condition that other monies must be secured, either on a matching basis or via some other formula, usually within a specified period, with the objective of stimulating giving from additional sources.

Change in Net Assets: The net results of total income minus total expenses for time period, which may be positive or negative. Also referred to as surplus or deficit. Commonly called profit or loss in the for-profit sector.

Character: Moral or ethical strength.

Charity: In its traditional legal meaning, the word "charity" encompasses religion, education, assistance to the government, promotion of health, relief of poverty or distress, 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. *See 501(c)(3).*

Charity Watchdog: A group such as CharityWatch, Charities Review Council, or Charity Navigator which rates charities based on criteria such as efficiency and governance.

Charitable Contribution: A donation of something of value to a gift-supported charitable organization, usually tax-deductible.

Charitable Corporation: A kind of nonprofit corporation focused on charitable causes and whose income is generally exempt from taxation by federal and state law.

Charitable Deduction: The value of money or property transferred to a 501(c)(3) organization, deductible for income, gift, and estate tax purposes. In most cases, the term charitable deduction refers to the portion of a gift that can be deducted from the donor's income subject to federal income tax. A donor's charitable deduction should not be confused or equated with the value of a gift; that is, gifts for the purpose of life income agreements are not federally deductible at their full value.

Charitable Deferred Gifts: A gift made using any one of the following methods:

1. **Wills:** A charity may be named as beneficiary under a will in many ways. These include (a) gifts of specific property, whether it is real property or personal property; (b) a gift of a stated amount of money; and (c) a percentage of the remaining estate after specific gifts are made.
2. **Revocable Trusts:** A revocable trust allows the grantor to withdraw any or all assets during his or her lifetime, as well as having full enjoyment of the property during his or her life. At death the

assets can flow efficiently to the beneficiaries, saving probate and administrative costs. A charity can be named as one of the beneficiaries.

3. Irrevocable Trusts: Charitable Remainder Unitrusts and Charitable Remainder Annuity Trusts. Although the principal of these trusts cannot be withdrawn,
4. there are additional benefits to the donor through immediate income tax deductions and fund management. The donor will receive yearly income from the trust as well as an immediate partial federal income tax deduction for the interest that ultimately passes to the charity.
5. Charitable Gift Annuities: Involves a transfer of cash or other property to the organization. In return, payment of a specified amount determined by age is made to the donor during his or her lifetime. The rates paid are the most recent ones adopted by the Committee on Gift Annuities as agreed to by most major charities. There is an immediate income deduction for the present value of the amount ultimately to pass to the charity; part of the income received by the donor is also tax free.
6. Gift of Home or Farm Retaining a Life Estate: Through this gift the donor retains use of the property for his or her lifetime. The federal income tax deduction will be based on the present value, figured on the prospective years of using the property before it goes to the charity.
7. Totten Trusts or Accounts P.O.D. (payable on death): The charity can be named beneficiary of a bank account, bond, or other security, provided state laws allow.

Charitable Lead Trust (CLT): A trust that pays the trust income to a charity first for a specified period, with the principal reverting to the donor or going to other person(s) at the end of the period.

Charitable Sector: Refers to the nonprofit sector emphasizing the support and the mission of those organizations to help others.

Charitable Remainder Trust: A gift plan that provides income to one or more beneficiaries for their lifetimes, a fixed term of not more than 20 years, or a combination of the two. Assets, usually cash, securities, or real estate, are transferred to a trust which pays income to the beneficiaries for the term of the trust. When the trust term ends, the remainder in the trust passes to a nonprofit organization. Can also be established as a as a Charitable Remainder Unitrust (CRUT) with a variable payout.

Chart of Accounts: A list of all accounts used in accounting system, including assets, liabilities, income, and expenses.

Charter: the legal organizational document for a nonprofit; also known as the articles of incorporation or articles of organization; may also refer to a formal description of responsibilities assigned to a committee, a chapter, or an affiliate.

Chief Executive Officer (CEO): The top staff position of an organization, also called executive director at many nonprofits.

Civic: Relating to or of a citizen, city, or citizenship.

Civic Duty: To participate as a citizen in citizenship related actions.

Civic Engagement: A person's connections with the life of their communities.

Civic Responsibility: A person's duty or obligation to their community as a citizen.

Civil Rights: Rights guaranteed to citizens; the specific rights provided by the 13th and 14th amendments of the United States Constitution.

Civil Society: A set of intermediate associations which are neither the state nor the extended family; civil society therefore includes voluntary associations and firms and other corporate bodies.

Code of Conduct: The formal or informal ethical standards expected of every member of a group, whether board, staff, or member of a profession.

Collaborate: To cooperate or work with another person or organization.

Collateral: An asset which is pledged to a lender until a loan is repaid. In case of default, the lender has the legal right to obtain or sell the collateral to repay the loan.

Collections: Works of art, historical treasures, or similar items that may not decline in value. Nonprofits must select a policy for recording collection items and consistently apply it to all collections. Some nonprofits choose to expense acquisitions and contributed collection items immediately. If the collection is capitalized, then depreciation need not be taken if the economic benefit of the asset is not consumed over time.

Comprehensive Campaign: Fundraising initiative which can raise money for an array of projects or for endowment, counts every dollar raised and pledged during the period of the fundraising drive.

Committed Grant: A contribution for which the organization has received a formal notification from the donor that an award will be made at a future date.

Common Good: Involves individual citizens having the commitment and motivation to promote the welfare of the community (even if they must sacrifice their own time, personal preferences or money) to work together with other members for the greater benefit of all.

Commons: Resources which are not owned, either privately or by the state, but are left open for free use by all comers.

Commonwealth: The shared good of the whole group of people.

Community: Group of people living in the same area and under the same government; a class or group having common interests and likes.

Community Capital: Features of social life—norms, and trust that enable participants to act together more effectively to pursue shared objectives.

Community Foundation: An organization that makes grants for charitable purposes in a specific community or region. Funds are usually derived from many donors and held in an endowment independently administered; income earned by the endowment is then used to make grants. Typically, a community foundation serves an area no larger than a state. Community foundations provide an array of services to donors who wish to establish endowed funds without incurring the administrative and legal costs of starting independent foundations.

Community Philanthropy: A form of organized giving in which community members engage in decision-making and contribute their own resources to build an inclusive and equitable society.

Community Service: Volunteering to improve upon the aspects of a community.

Community Service Education: Experiential teaching and learning where the focus is on acts of helping and caring for others, particularly the less fortunate.

Company-sponsored Foundation: A private foundation whose corpus is derived from a profit-making corporation or company and whose primary purpose is the making of grants. The company-sponsored foundation may maintain close ties with the donor company, but it is an independent organization, most

often with its own rules and regulations (like those of other private foundations). Companies form foundations to enable them to invest in philanthropy with funds that otherwise would be subject to capital gains tax or income tax, and to make maximum use of the corporate charitable deduction.

Compilation: A financial report that has been prepared by, but not reviewed or audited, by a Certified Public Accountant (CPA). The financial reports have not been tested or verified and the CPA states no opinion about the accuracy of the statements. *See **Audit and Review**.*

Concern: Something to consider; something that affects one's business or affairs.

Condition: The mode or state of existence of a thing or person; a circumstance that is found to be necessary to the occurrence of another; a provision in a contract or will that leaves room for modification or changes at a future date.

Conditional Promise to Give: A commitment by a donor to make a contribution to the organization if a specific requirement is met. The agreement becomes binding once the requirement is met.

Confidentiality Clause: A policy defining unauthorized and improper disclosures of confidential information.

Conflict of Interest: A situation in which the personal or professional concerns of a member of the board or staff may affect his or her ability to put the welfare of the organization before benefit to self or another party.

Conflict Resolution: To solve an outstanding problem or issue by peaceable means.

Consent Agenda: A component of the meeting agenda that groups routine items and resolutions as one agenda item; does not require board discussion prior to the vote; requests for an item to be moved from the consent agenda to the regular agenda are automatically granted.

Consensus: A general agreement; a collective opinion.

Consequence: The natural result from a preceding condition or action; the effect.

Constitution: Usually refers to the basic documents governing an organization's purpose, structure, and governance.

Constituent Relationship Management (CRM): Software that allows you to record, track, and report on information about your relationships with supporters. Sometimes it's also referred to as a database or called donor management software.

Constituency: All people who have in some fashion been involved with the institution seeking support; consists of members, contributors, participants (past or present), clients, and relatives of clients.

Consultant: An expert providing professional advice or services, who is hired by an organization for the purpose of recommending solutions to problems and generally providing advice and guidance related to fundraising efforts.

Contribute: To give something to someone.

Contribution: A transfer of cash or other assets to a nonprofit or a settlement or cancellation of a liability in a voluntary nonreciprocal transfer. This includes unconditional promises to pay cash or other assets in the future. To be recognized as revenue, there must be documentation to verify a promise was made and received.

Conversion Foundations: A type of private foundation formed from the sale proceeds of a tax-exempt entity, such as a hospital or health insurer.

Cooperate: To work together toward a common cause.

Corporate or Company-sponsored Foundation: A private foundation whose grant funds are derived primarily from the contributions of a profit-making business organization.

Corporate Foundation: A company-sponsored, private foundation that derives its grantmaking funds primarily from the contributions of that for-profit business. While close ties are often maintained, it is a separate, legal organization, sometimes with its own endowment, and is subject to the same rules and regulations as other private foundations. There are more than 2,000 corporate foundations in the United States holding some \$11 billion in assets.

Corporate Giving Program: The direct giving or grantmaking program established and administered within a for-profit company and do not have a separate endowment. Expenses are planned as part of the company's annual budgeting process and usually funded with pre-tax income. Giving directly from corporate profits is not subject to the same reporting restrictions as giving from private foundations. Some companies may make charitable contributions from corporate profits, operating budgets, or company-sponsored foundations.

Corporate Philanthropy: Support through gifts, equipment, supplies, or other contributions by business firms to charitable institutions, sometimes through organized programs that may include corporate foundations.

Corporate Social Responsibility: Integration of positive social causes into business practices.

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 in perpetuity until it is dissolved; a "fictitious person," separate from its managers or governors, usually given the same rights and obligations as natural persons.

Cost-reimbursement Grant: A funding agreement that reimburses specified costs incurred by the nonprofit in the performance of a specific program activity.

Crowdfunding: Raising funding for a project or venture by soliciting many small donations from many people, generally online. In an online crowdfunding campaign, the fundraiser creates a personalized page on a site that allows them to collect donations, share the page via social media channels and email, and update people on their progress.

Cultivation: A process of promoting or encouraging interest and/or involvement on the part of a potential donor or volunteer leader; an educative process to inform about an institution, reasons why it merits support.

Culture: The values, beliefs and perceptions of the world that are learned and are shared by members of a community or society, and which they use to interpret experiences and to generate behavior, and that are reflected in their own behavior.

Current Asset: Investments, receivables, or tangible and intangible property that is expected to be converted to cash within one year.

Current Liability: A debt or obligation due within one year.

Current Portion of Long-term Debt: The amount of the principal payments due and payable on loans within the next twelve months if the original term of the loan is longer than one year.

-D-

Days Cash on Hand: A calculation of the number of days that an organization could continue to pay its operating expenses with current cash balances. It serves as a simple measure of the short-term financial stability of an organization.

Debt: An amount owed to a person or organization for money borrowed. Common types are loans, promissory notes, bonds, or borrowed funds.

Decline: The refusal or rejection of a grant request. Some declination letters explain why the grant was not made, but many do not. *Also known as **Denial**.*

Declining Grant: A multi-year funding agreement that becomes smaller each year.

Deferred Revenue (Refundable Advances): Grants received from donors that have not been recognized as revenue because the conditions of the grant have not been met. Also, payments received for services that have not been rendered yet, such as an advance payment for a class.

Deficit: Expenses in excess of income; an operating loss or a negative change in net assets.

Deliberate: To say or do something intentionally; to plan in advance.

Demonstrate: To show or prove by reasoning or evidence; to make a public protest.

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.

Depreciation: The recognition, by recording an expense, of the decrease in value of a fixed asset over its expected physical or economic life.

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

Designated Gift: A restricted or commemorative gift made for a specific purpose and designated for a specific use.

Determination Letter: An official notification by the IRS stating that a nonprofit is recognized as a tax-exempt organization.

Development: Refers to all dynamics of a continuing fundraising program, including annual giving, special gifts, and planned gifts.

Direct Charitable Expense: Cost for activities that primarily benefit the charitable or public sector.

Direct Costs: Those expenses which are used for a program area or cost center. Costs may be exclusively for that purpose or may be allocated between several uses.

Director of Development: The individual who heads an organization's development program, with either this title or another, such as vice president for development or vice president for external affairs and development.

Direct Lobbying: Refers to attempts to influence a legislative body through communication with a member or employee of a legislative body, or with a government official who participates in formulating legislation.

Direct Mail: Solicitation of gifts or volunteer services and distribution of information pieces by targeted mass mailing. These can be through postcards, flyers, brochures, or anything that passes USPS requirements.

Direct Public Support: Contributions received directly from the general public.

Director: Person selected by the membership of a nonprofit corporation or the board of directors to serve as a person in charge of the overall policy of a nonprofit organization, including the selection of officers.

D&O (Directors and Officers) Insurance: Insurance that protects board members and top staff personnel from personal liability created by board decisions or actions.

Disclosure: 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 Fund: Grant fund distributed at the discretion of one or more trustees, which usually do not require prior approval by the full board of directors. The governing board can delegate discretionary authority to staff.

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) any other person who, within the past five years, was in a position to exercise substantial influence over the affairs of the organization, (3) donors and donor advisors with regard to transactions with a particular donor advised fund, (4) investment advisors to assets of donor advised funds, (5) and disqualified persons of supporting organizations who are also disqualified persons of the supported organization, (6) family members of the above, and (7) 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. *See Intermediate Sanctions.*

Dissolution of Nonprofit: The formal procedure by which an organization ceases to operate or exist; involves filing with the state and distribution of assets.

Distribution Committee: The board responsible for making grant decisions.

Diversification: The great range of individual differences that exist in each species.

Diversity: All the ways in which people differ, and it encompasses all the different characteristics that make one individual or group different from another. It is all-inclusive and recognizes everyone and every group as part of the diversity that should be valued. A broad definition includes not only race, ethnicity, and gender— the groups that most often come to mind when the term “diversity” is used — but also age, national origin, religion, disability, sexual orientation, socioeconomic status, education, marital status, language, and physical appearance. It also involves different ideas, perspectives, and values.

Donated Goods: Non-cash donation of physical goods, such as the donation of supplies instead of cash.

Donated Services: Record donated services as revenue and an expense and/or asset if the services would otherwise need to be purchased if specialized skills are required and if the provider of the services has those skills.

Donated Use of Facilities: Recognize revenue and a prepaid asset when a lease is finalized to the extent the organization receives a below market rate for use of facilities. Reduce the asset and recognize expense as time passes and the lease is used up.

Donee: A charitable organization receiving gift pledges.

Donor: The individual, organization, or institution who has made a gift or pledge of something of value to an organization in either the current fiscal year or in the immediate past fiscal year. *Also known as **supporter** or **prospect**.*

Donor Acquisition: The process of identifying and obtaining donors.

Donor Advised Fund: (DAF) A fundraising vehicle that operates like a charitable investment account: a donor contributes to this account over time for an immediate tax benefit and then recommends grants to their favorite charity when they are ready. The funds are started by donors through commercial investment companies or at community foundations. In a donor-advised fund, donors put money into their accounts, receive tax benefits, and then can direct money to a charity whenever they want. Donors are not required to donate any minimum amount per year. A fund may be classified as donor advised if it has at least three characteristics: (1) a donor or person appointed or designated by the donor has, or reasonably expects to have, advisory privileges with respect to the fund's distributions or investments, (2) the fund is separately identified by reference to contributions of the donor(s), and (3) the fund is owned and controlled by a sponsoring organization, such as a community foundation. A fund possessing these characteristics may be exempt from the donor advised fund classification if it grants to one single public charity or government unit or if the fund meets certain requirements applicable to scholarship funds.

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

Donor Database: The list of people who've given to your organization, either recently or at some point in the past. It might also include people who are strong potential donors, such as volunteers or anyone who has attended one of your events. A donor database will include things like contact information, when and how much a person gave, whether they're recurring donors, and how often they volunteer with your nonprofit.

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-directed Gift: A gift or bequest to a foundation, organization, or institution whose donor specifies to whom the money should be distributed.

Donor-Imposed Condition: A condition specified by a donor that will release them from an obligation.

Donor-Imposed Restriction: A donor-imposed condition, temporary or permanent, that specifies a use or uses for a contribution.

Donor List: A list of contributors prepared for a particular purpose or in conjunction with building lists for the future.

Donor Profile: A description of basic information about an individual donor through research.

Donor Recognition: The policy and practice of recognizing gifts, first through immediate acknowledgment by card or letter and subsequently through personalized notes, personal expressions of appreciation directly to donors, published lists of contributors, and other appropriate ways.

Donor Relations: Planned program of maintaining donor interest through acknowledgments, information, personal involvement, and the like.

Donor Retention: The percentage of people who repeatedly support your organization and are typically calculated by year.

Drop Date: Date on which direct mail letters must be delivered to a post office for mailing.

Due Diligence: An expectation that a board member exercises reasonable care and follows the business judgment rule when making decisions.

Due to Third Parties: Certain nonprofit organizations, such as the United Way and federated membership organizations, collect contributions from one group and transfer them to another nonprofit. When these organizations are operating as a transfer agent with no *variance power* to change the recipient, then the associated cash receipts are not recorded as revenues by the transfer agent, rather they are carried as liabilities.

Duty of Care: A requirement that board members be reasonably informed about the organization's activities, participate in decisions, and do so in good faith and with the care of an ordinarily prudent person in similar circumstances.

Duty of Loyalty: A requirement that a board member remain faithful and loyal to the organization and avoid conflicts of interest.

Duty of Obedience: A requirement that a board member remain obedient to the central purposes of the organization and respect all laws and legal regulations.

-E-

Earned Revenue: Income received for providing services or goods, rather than as a voluntary contribution.

Economics: The social science relating to the production, distribution, consumption, and distribution of goods and services.

Electronic funds transfer (EFT): A method whereby donors instruct their banks to make monthly deductions from their accounts, designated for the charitable organization of their choice.

Emeritus Status: an honorific title usually given to a former board member who is invited to stay on board as a nonvoting member in an advisory capacity.

Employer Identification Number (EIN): A unique nine-digit number assigned by the Internal Revenue Service (IRS) to business entities, including nonprofits, operating in the U.S. for the purposes of identification. *Also known as a Tax ID Number.*

Employee Matching Gift: A contribution made by an employee to a 501(c)(3) organization, matched by a similar contribution from the employer.

Endowment: Money from bequests or outright gifts to the organization that is invested in perpetuity to produce amounts to be distributed for pre-determined purposes according to the endowment distribution policy. Funds deposited in an endowment are not expendable; they are invested for the purpose of retaining and increasing the principal of the endowment. Distribution of earnings from the endowment coincides either with the donor's wishes or, if there is no restriction on spending the earnings, at the discretion of leadership of the organization.

Endowment (Pure): Principal or corpus maintained in a permanent fund to provide income for general or restricted use of an agency, institution, or program.

Endowment (Quasi): A fund, the principal of which can be and often is invaded by a board in order to meet its operating costs. Such endowments include gifts for which donors specify their use; they may also include gifts that are given for no specific purpose, which a board treats as an endowment.

Endowment Fund: A permanently-maintained fund established to provide income for a nonprofit organization.

Engage: To employ or hire; to secure or bind, as by contract; to pledge oneself, especially to marry; to undertake conflict; to participate.

Enlistment: Involvement and agreement by an individual to serve an agency, organization, or institution in some voluntary capacity.

Estate: The total assets of a deceased person; also, the legal status or position of an owner with respect to property and other assets.

Estate Taxes: A tax usually progressive in character levied upon the gross estate of a deceased person before its division.

Ethics: The moral considerations of the activities of a philanthropic organization. Also, standards of conduct and methods of doing business by organizations of fundraising counsel that provide assurances of professionalism in client relationships.

Ethical Decision-making: Using a set of morals/values when problem-solving.

Ethnic Funds: A focused fund or foundation that organizes philanthropic resources from multiple sources to primarily benefit a defined racial or ethnic group.

Evaluation: Planning and conduct of assessments of interim or final project results using quantitative and qualitative methods. Construction of theories of change and logic models. Assessments of fidelity to program models.

Ex officio: "By reason of their office"; a person serving on a board due to his or her position rather than through elections, may or may not include voting rights.

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.

Executive Coaching: One-to-one support and development of leadership and management capacity for senior staff.

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 Director: The person in a nonprofit responsible for management of the day-to-day affairs. They are also in charge of implementing policies set by the board of directors.

Executive Session: A meeting of a board in which only board members and individuals specifically invited by the board are present; governed by rules of confidentiality.

Excise Tax:

1. The annual tax of 1 or 2 percent of net investment income that must be paid to the IRS by private foundations.
2. A tax issued by the IRS on nonprofits that violate specific regulations.

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 purposes 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-

Face-To-Face Solicitation: Speaking to a prospective donor in person.

Facilitation: Planning and managing productive meetings, retreats, etc. that engage internal and/or external constituencies.

Fair Market Value (FMV): In the simplest sense, it is the price that property would sell for on the open market. It is an estimate of the value of an item and, if your nonprofit is selling items or event tickets to raise money, should be subtracted from the total donation amount to determine the tax-deductible amount.

Faith-based Charities: A religious organization whose purpose is to aid those in need.

Family Dynamics: Building the performance and effectiveness of family members to work together to achieve philanthropic objectives.

Family Foundation: An independent private foundation 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-receiving no compensation. In many cases, second- and third-generation descendants of the original donors manage the foundation. Most family foundations concentrate their giving locally, in their communities. Since this is not a legal term, there is no precise definition.

Federated Organization: An organizational structure composed of an umbrella organization (national or regional) with smaller local chapters.

Fiduciary: Relating to or pertaining to the holding of something in trust.

Fiduciary Duties: A legal obligation to act in the best interest of another entity or person. In the nonprofit sector, members of the board of directors have a fiduciary duty to act in the best interest of the organization including in activities related to the funds and other assets owned by the nonprofit.

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 Accounting Standards Board (FASB): The national governing board which sets the accounting standards known as Generally Accepted Accounting Principles (GAAP).

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. Most foundations require a financial report from grantees.

Financial Statements: A set of reports usually including a statement of financial position, a statement of activities, a statement of cash flows, and a statement of functional expenses.

Fiscal Sponsor: A fiscal sponsor is a nonprofit organization that provides fiduciary oversight, financial management, and other administrative services to help build the capacity of charitable projects. Fiscal sponsorships are useful for organizations that are not yet recognized as tax-exempt under Internal Revenue Code Section 501 (c)(3) or that simply have decided that operating under the umbrella of another tax-exempt organization makes sense. TFEC offers fiscal sponsor services.

Fiscal Year: A twelve-month period used for accounting purposes and calculating financial statements. *Also called a **Financial Year** or **Budget Year**.*

Fixed Assets (Property, Plant and Equipment): It includes the historical cost of land as well as the *net book value* of other long-lived physical assets. The *net book value* is the historical cost of long-lived assets less accumulated depreciation. The value of fixed assets on the balance sheet does not reflect fair market value or the cost of replacement since these assets are not generally intended to be sold. Instead, the accounting is designed to allocate the cost of a long-lived asset over its useful life. In general, the value of fixed assets is reduced each year by recording a non-cash *depreciation* expense. Often the value of the asset drops according to a straight-line method that reduces the value in equally sized increments over the estimated useful life of the asset.

Focused Funders: A grantmaking organization created by people who are connected not just by location, but by shared experience and culture, such as race, ethnicity, gender, or sexual orientation. *Also called an **Identity Fund** or **Focus Fund**.*

Foreign Corporation: Any corporation, whether for profit or not, that is organized in one state and does business in another.

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, names of board members, and compensation of officers and grants. Form 990-PF includes a list of grants made during the year by private foundations. These forms are available for public inspection.

Form 990-T: A financial form for organizations who must pay unrelated business income tax.

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) than a 501(c)(3) organization.

Foundation: A tax-exempt, nonprofit organization created from designated funds from which the income is distributed as grants to not-for-profit organizations and operate under more stringent IRS regulations than 501(c)(3) organizations. Grants are issued for educational, charitable, social, religious, or other activities serving the common good.

Foundation Management: Comprehensive services such as interface with grant seekers, grant management, governing board and committee support, and office administration.

Functional Expenses: Categories of expense delineated by the type of expense: program services, management & general, and fundraising. Required for IRS form 990 and audited financial statements. Often reflect the use of allocations.

Fund Accounting: Method of accounting whereby asset, liability and net asset accounts are grouped according to purpose and/or restriction. Generally used by government entities and not-for-profit organizations. Each fund is a self-balancing set of accounts.

Fund Development: Fundraising strategy, campaign planning and prospect research for public, community and other foundations that raise funds for grantmaking and programs.

Funder: A donor, corporation, community foundation, etc. that provides a grant to a nonprofit organization for projects and/or programs.

Funder Collaboratives: Ad hoc or ongoing multi-funder efforts to develop strategy and coordinate or pool giving to address a particular issue.

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

Fundraiser: A fundraiser is someone who makes a living working as a member of an organization's or institution's development department, as an independent fundraising consultant, or as a member of a fundraising counseling firm. A volunteer who raises funds for a cause is also referred to as a fundraiser. In addition, a fundraising event has come to be known as a fundraiser.

Fundraising: Soliciting money to benefit a cause or organization.

Fundraising Event: A form of fundraising which involves the organization and staging of a special event for charitable purposes; all proceeds above expenses are designated as a contribution to the charitable institution concerned.

Fundraising Expenses: Include publicizing and conducting fundraising campaigns maintaining donor mailing lists, conducting fundraising events, preparing and distributing fundraising materials and other activities involved in soliciting contributions or memberships.

Fundraising Plan: A fundraising plan encompasses all the elements comprised by an organization's procedure for attaining a campaign goal. The plan may include a fundraising program, objectives, case, leadership requirements, timetable, personnel requirements, and budget, as well as the overall strategy or grand design for successful implementation of a campaign.

Funds with Donor Restrictions: Funds with donor-imposed restrictions that can be satisfied by the passage of a defined period or by performing defined activities. These funds may be invested to produce a stream of income that can be spent. Formerly **Permanently or Temporarily Restricted Funds**. See *Endowment*.

Funds without Donor Restrictions: Contributions given without the donor placing any restrictions or limitations as to their use. Formerly **Unrestricted Funds**.

-G-

GAAP: Acronym for Generally Accepted Accounting Principles. Conventions, rules and procedures that define accepted accounting practice at a particular time. The Financial Accounting Standards Board organized these standards into the Accounting Standards Codification (ASC). The ASC is divided into several major topic areas. Topic 958 addresses accounting for not-for-profit entities.

General Gifts: Final 5 to 20 percent of funds raised through a multitude of gifts from constituencies or through a wrap-up mail campaign.

General Ledger: Accounting system tool for recording all transactions.

Gift: A voluntary, irrevocable transfer of something of value without consideration at the time of transfer or any time in the future. If the individual making the gift entertains any ideas of reclaiming it, the transfer is not a gift. The following types make up charitable donations:

- **Advance:** Strategically important gifts solicited in advance of the formal public beginning of an intensive campaign to ensure a level of giving equal to the requirements of the campaign dollar objective.
- **Big, leadership, key, strategic gift:** Terms used interchangeably to indicate substantial or largest gifts—generally of six or seven figures—required to provide the stimulus for a major campaign.
- **Major gifts:** In an intensive campaign, major refers to gifts below the level of
- big or leadership gifts and above the level of general gifts.

See *Contribution*.

Gift Agreement: A contract between the organization and a donor that specifies the terms of a donor's gift.

Gift Annuity: A contract between the donor and the charity wherein the donor transfers property to the charity in exchange for the charity's promise to pay the donor a fixed annual income for life or some other mutually agreed-upon period. The donor's right to income may be deferred for a period of years. The annuity may be in joint and survivor form.

Gift Giving: When a contribution is made.

Gift Planning: The integration of personal, financial, and estate planning concepts with the individual donor's plans for lifetime or testamentary giving.

Gift Range Chart: A chart of gifts that enables campaign leaders to know, in advance of a campaign, the size and number of gifts likely to be needed at each level of giving to achieve the campaign goal. The chart focuses the attention of campaign leaders on the sequence of gifts that will be needed.

Gift Receipt: A form that is sent to donors (with copies to appropriate officials of the campaign and organization or institution), either separately or as an enclosure with acknowledgement, officially recognizing their contributions.

Gifts-in-Kind: Any gift to a charity other than a cash or non-monetary gift, such as donations of tangible

goods, services, rents (use of facilities or equipment), investment securities, unreimbursed out-of-pocket expenses, or personal property such as art, collectibles, books, equipment, and other physical assets which have value to the organization.

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

Giving Clubs: Categories of donors who are grouped and recognized by the recipient organization or institution based on similar gift level.

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.

Giving Tuesday: A global day of giving that takes place on the first Tuesday after Thanksgiving as a way of countering the consumer-oriented holiday shopping season. Often marked #GivingTuesday on social media, the event began in 2012 by the 92nd Street Y in New York City in partnership with the United Nations Foundation. Today, it's a global fundraising event that has engaged more than 10,000 nonprofits.

Global Geographic Focus: Refers to programs and initiatives that are international in scope.

Goal: A concerted focus for an effort supported by specific objectives that an organization determines to achieve; the amount of money to be achieved by a fundraising campaign, such as the dollar objective.

Going Concern Statement: A section in an audit report that indicates whether the audited organization will be financially viable through the next twelve months.

Governance: The legal authority of a board to establish policies that will affect the life and work of the organization and accountability for the outcome of such decisions.

Governance Committee: A committee responsible for recruiting, orienting, and training of board members; may also be responsible for periodic bylaws reviews.

Governance Oversight: By those persons who constitute the governing authority of an organization or institution.

Government Grantmakers: Grant distribution programs operated by public sector entities that make awards primarily to public charities to carry out charitable purposes.

Grant: A financial donation given to support a person, organization, project, or program to undertake a charitable activity. Generally, they are allocated from foundations, corporations, or government agencies, and sometimes are given with a legal restriction imposed upon its use.

Grant Evaluation: A review of the results of a grant, with the emphasis upon whether the grant achieved its desired objective.

Grant Funding: Provided to an organization through a foundation or government source for a specific purpose.

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.

Grant Proposal: The document submitted to the foundation or other potential funding source in which the organization presents its request for support.

Grants Payable: Grant amounts promised to individuals or other organizations.

Grantee: The individual or organization that receives a grant.

Grantmaker Associations, Affinity Groups, Funder Networks: A group of grantmakers that act collectively to support a particular population, region, interest, or other identifying characteristic. Includes regional associations of grantmakers.

Grantmaking: The giving of funds for a specific purpose.

Grantmaking and Program Development: Grant program design and development; best practices; proposal review, site visits and recommendations.

Grantor: The individual or organization that makes a grant. *See Donor or Funder.*

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: Communicating with the public to influence opinions about a specific piece of legislation or offering a call to action with respect to that piece of legislation.

Grassroots Organization: A group consisting of local participants who work together originally to improve upon their community and extend to a broader basis.

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

-H-

Honorarium Gift: A gift to the organization given in honor of a living individual, as designated by the donor.

Heir: A person who inherits another's property or title.

Heritage: Property that is inherited; something handed down from past generations; a legacy.

Human rights: Inalienable moral entitlement attached to all persons equally, simply by virtue of their humanity, irrespective of race, nationality, or membership of any particular social group. They specify the minimum conditions for human dignity and a tolerable life.

Humanitarian: A person who is concerned for human welfare, especially through philanthropy.

House File: The names and addresses of active and recently lapsed donors and members of an organization.

-I-

Identification: The process of ascertaining, through investigation, research, and analysis, which of various candidates appear to be most promising as prospective leaders, workers, and donors.

Impact Investing, PRI: Relates to loans and other investments (as distinguished from grants) designed to achieve a grantmaker's philanthropic purposes and interests.

Inclusion: Authentically bringing traditionally excluded individuals and/or groups into processes, activities, and decision/policy making in a way that shares power.

Income Statement: a report that summarizes an organization's financial transactions over a specified period. *Also known as a **Statement of Activities**.*

Incorporation: A legal process through which a group is created and recognized by the state as an entity separate from the individuals who manage or govern it; limits individual responsibility for actions of the group.

Incubator: A tax-exempt organization that has as its mission to act as a fiscal sponsor for organizations that have not yet been recognized as tax-exempt.

Indemnification: A guarantee by an organization to pay board members' legal costs for claims that result from board service.

Independent Foundation: A grant-making nonprofit organization that is not closely associated with a for-profit business or family and are usually founded by one individual, often by bequest. Sometimes individuals or groups of people, such as family members, form a foundation while the donors are still living. They are occasionally termed "non-operating" because they do not run their own programs and make grants to other tax-exempt organizations to carry out their charitable purposes. Private foundations must make charitable expenditures of approximately 5% of the market value of their assets each year. Although exempt from federal income tax, they pay a yearly excise tax of 1 or 2% of their net investment income.

Independent Sector: A term used to describe all nonprofit organizations, as distinct from government and corporations formed to make a profit. *Also called the **Third Sector**.*

Indicia: Mark on an envelope indicating a nonprofit mailing permit for reduced rate bulk mailing; used in place of stamps or meters.

Indirect Public Support: A contribution from the public received through campaigns conducted by federated fundraising agencies such as the United Way or through a related organization.

Individual Donors/Philanthropists: An individual or family who makes charitable contributions at significant levels over a sustained period, usually to the benefit of multiple organizations.

Infrastructure: An underlying base or foundation; the basic facilities needed for the functioning of a system.

Initiative: The ability to originate or follow through with a plan of action; the action of taking the first or leading step.

In-Kind Gifts: Donations of tangible goods to a charitable organization. By law, nonprofits cannot assign the gift a dollar value. *Also known as **In-kind Contributions**, **Gifts-in-kind**, or **Non-cash Contributions**.*

Intermediate Sanctions: Penalty taxes applied to disqualified persons of public charities (see Disqualified Person) that receive an excessive benefit from financial transactions with the charity. An excessive benefit

may result from overcompensation for services or from other transactions such as charging excessive rent on property rented to the charity. Unlike private foundations, public charities are not barred from engaging in financial transactions with disqualified persons if the transaction is fair to the charity. Penalty taxes also may apply to organization managers, such as the charity's board, that knowingly approve an excess benefit transaction.

International Grantmaking: Policies and procedures related to compliance with requirements governing international grants. Design of international grantmaking programs and partnerships with local NGOs.

Intestate: Without a will.

Internal controls: The system of practices, procedures and policies intended to safeguard the assets of the organization from fraud or error and ensure accurate recordkeeping.

Internal Revenue Service (IRS): The federal agency with responsibility for regulating foundations and their activities.

Inventory: The cost of finished goods held for sale by an organization, or the raw materials and works-in-process that will become finished goods. Recorded as an asset until the item is sold.

IRA Rollover: A type of donation that comes from a donor's individual retirement account and can be as large as \$100,000 from each year.

IRS 990: The standard federal reporting requirement for nonprofit organizations and private foundations. Most nonprofits are required to submit an annual information return to the Internal Revenue Service. The specific version is determined by the type of nonprofit, organization size, and activities.

IRS Letter of Determination: Official documentation given by the IRS verifying an organization's tax-exempt status.

Inventory: Tangible property held for sale or materials used to make products that are held for sale.

Investments:

1. The value of stocks and bonds held as investments. In audited financial statements, the amount reported is the *fair market value* as of the balance sheet date.
2. A general term to describe financial Assets owned by an organization. The category is broad and may include stocks, bonds, and other financial instruments. Investments are subject to numerous accounting rules and standards.

Investment Income: Income earned from investments including dividends on stock and interest on bonds. Realized gains/losses on investment securities may be included in this account or as its own line item.

Involvement: The calculated effort, perennially undertaken by development offices, to stimulate interest and enthusiasm on the part of prospective donors and candidates for volunteer leadership through active participation in institutional affairs; an extension of cultivation.

-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. *See Program Related Investment.*

Justice: The principle of moral or ideal rightness; conformity to the law; the abstract principle by which right and wrong are defined.

Joint-funding: A grant project supported by more than one donor.

-K-

-L-

LAI Principle: The fundraising axiom of qualifying prospects based on Linkages, Ability, and Interest.

Lapsed Donor: Donor who gave last year or earlier but have not given this year. This individual deserves special attention because it's more cost-effective to retain donors than it is to acquire new ones.

LYBUNT (Last Year But Unfortunately Not This): A term used to refer to donors who contributed Last Year But Unfortunately Not This. They can be great prospects to reach out to during your year-end appeals. *Also known as Lapsed Donors.*

Leadership: The force within an institution, agency, program, or fundraising campaign that stimulates others to act or give.

Leadership Gift: A leadership gift is a large donation made by a single person, a small set of people, or a foundation at the very start of the fund drive. It is typically the largest gift of the drive and is used to inspire others to contribute.

Leadership Training: The education of those with or progressing toward a position of authority.

Leadership Transition, Succession Planning and Leadership Development: Support and planning to facilitate senior-level staff transitions and growth.

Leasehold Improvements: Remodeling, renovation, and upgrades to leased space to suit the tenants' needs. The cost of improvements may be paid for by the landlord or by the tenant. When paid by the nonprofit tenant, the cost of improvements becomes an asset and is depreciated over the term of the lease.

Letter of Determination: A document issued by the IRS recognizing an organization's tax-exempt status and providing its public charity classification.

Letter of Inquiry (LOI): 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. *Also referred to as a Query Letter.*

Letter of Intent: A prospective donor's intention to make a gift. The letter may also contain the prospective donor's wishes as to the specific type, size, and purpose of the gift. Usually, such a letter is not legally binding but does assist the donor and institution in planning.

Letter of Support: A personalized communication from a stakeholder to a potential funder expressing their support of a grant application.

Legacy: Personal property, money, and other valuables that are bequeathed by will; anything that is handed down from an ancestor, predecessor, or earlier era. A demonstrative legacy is a legacy payable primarily out of a specific fund. A specific legacy is a legacy of a particular article or specified part of the estate.

Legacy Society: Usually comprised of donors who've left a gift in their estate plans for the organization; some organizations have formal societies depending on their size.

Leverage: A method of grantmaking practiced by some foundations. 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. *Also known as the **Multiplier Effect**.*

Liability: An accounting, an organization's legal debts or obligations recorded on the statement of financial position.

Life Income Gift: An irrevocable gift of cash, securities, or real estate to a gift-supported organization, with the donor receiving income from the donated assets for a period through an annuity or trust arrangement for him- or herself or other beneficiaries.

Life Income Pooled Trusts: A charitable remainder trust that holds the commingled irrevocable gifts of donors who receive income annually based on the earnings of the trust and their individual entitlement as participants. On termination of an income interest, the underlying property is transferred to a charitable organization or institution.

Life Insurance Gifts: The irrevocable assignment of a life insurance policy for charitable disposition for which the present value is fully tax-deductible, as are the premiums paid by the donor.

Life Interest: An interest or claim that does not amount to ownership and that is held only for the duration of the life of the person to whom the interest is given or for the duration of the life of another person; an interest in property for life.

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.

Liquid Net Assets: The amount of unrestricted net assets that is not invested in property and equipment. This amount is the true amount of unrestricted net assets available as a cushion for unexpected problems or opportunities and to support operations. *See **Net Assets**.*

Liquidity: A measure of how much cash and assets that can be easily converted to cash, such as short-term investments, an organization has available for use in the immediate or near future.

Liability: In accounting, an organization's legal debts or obligations recorded on the statement of financial position.

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

Lobbying: Attempting to influence legislation through direct contact with lawmakers or with constituents.

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 may lobby as long as it does not become a substantial part of their activities. Private foundations 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. *See **Public Charity or Private Foundations.***

Lobbying vs. Advocacy: Advocacy is when nonprofit organizations advise stakeholders, legislators, or citizens on their own behalf to affect some aspect of society integral to the nonprofit's mission. All nonprofits can advocate for measures that will affect their mission or the health and well-being of their clients. Lobbying is when one seeks to influence legislation.

Lobbyist: Someone who attempts to influence the votes of public officials, for or against, specific causes.

Long-term Debt/Liabilities: An obligation to pay a loan or other obligation with a maturity or due date of more than one year.

-M-

Major Gift: A major gift is a gift of a significant amount. The size of the gift may vary according to organization's needs and goals, and it may periodically repeat. Major donors, while small in number, usually contribute the majority of revenue raised from individuals for a charity. *Also known as a **Program Designation.***

Management & General Expenses: Include expenses related to oversight, organization management, record-keeping, budgeting, financing, and related activities. Collectively fundraising and management and general expenses are referred to as support services. *Also called **Administrative Expenses.***

Management Letter: A written statement directed by an auditor to a board of directors that notes any material weaknesses or significant deficiencies in the financial statements.

Market Potential: Source of funds, members, or clients (individuals and organizations).

Matching Fund/Gift: A matching gift is made on the condition that it be matched within a certain period, either on a one-to-one basis or in accordance with some other formula. It also refers to a gift by a corporation that matches a gift by one of its employees. *Also known as a **Challenge Fund.***

Matching Gifts Program: A grant or contributions program that 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.

Material Weakness: A deficiency in internal controls that may result in a misstatement in an organization's financial statements that could not be prevented or detected.

Membership Dues: Some organizations have members that pay an annual fee to receive certain services. Often membership dues are contributions if no benefits are received by the donor in exchange for dues.

Membership Organization: A nonprofit that grants its members specific rights to participate in its internal affairs and/or to receive certain benefits in return for payment of membership dues.

Memorial Gift: Made to perpetuate the memory of an individual. Memorial should not be confused with a gift to honor a living person.

Memorial Gift: A gift to the Foundation commemorating someone who has died, as designated by the donor. Upon request, the organization will notify the appropriate family members of memorial gifts.

Mentor: A wise and trusted person with relationship to another person.

Merchant Account: To accept credit and debit cards for payment, organizations need to have a merchant account. A merchant account is just like a bank account and acts as your organization's holding tank for your payments that you receive online.

Merger: Combining two or more organizations into one.

Micromanagement: This usually refers to a manager who is paying too much attention to details and is not focusing on the big picture; also refers to boards that stray into management and fail to respect the authority delegated to the chief executive.

Midlevel Gifts: The middle range for a charity's donations depends on the organization's size and donor base. Midlevel donors are sometimes neglected in comparison with major donors, but many are likely to give more generously if given attention. Many major donors to a charity often come from its pool of midlevel donors.

Mission: The fundamental purpose and reason for which an organization exists.

Mission Statement: A brief description of the organization's approach to filling the need it was created to address. It is not defined in expressions of goals or objectives.

Mixed Economy: An economy with a mixture of state and private enterprises.

Monthly Giving: A monthly giving program allows supporters to make an automatic donation of a specific amount every month, typically as a recurring credit card charge. Donors who might not be able to give a large one-time gift are often willing to sign up for monthly giving, ultimately donating more over time than they would have otherwise. *Also known as **Sustainer Giving** or **Recurring Giving**.*

Mortgage: Legal agreement entered into by a borrower granting a lender a lien on a real estate asset collateral for the repayment of a loan.

Moves Management: The process by which a prospective major donor is moved from cultivation to solicitation. "Moves" are the actions an organization takes to bring in donors, establish relationships, and renew contributions.

Mutual Aid Society: A nonprofit organization set up to benefit its members and the community financially and otherwise

-N-

National Geographic Focus: Refers to programs and initiatives that are national in scope.

National Taxonomy of Exempt Entities (NTEE): A hierarchical system of nonprofit classifications.

Need: The lack of something desirable, useful, or necessary.

Needs: In fundraising terms, refers specifically to the institution's dollar requirements that can constitute objectives for an intensive campaign or for a continuing fund development program, as follows:

1. **Capital:** Building or property needs, in the form of new construction, additions, expansion, or remodeling or acquisition of property. Sometimes related to equipment purchase or to raising funds for an addition to endowment capital.
2. **Endowment:** Funds required to add to the invested principal or corpus with only income used for sustaining funds, special project support, and so on.
3. **Program:** Annual support for the operational budget; funds required to supplement income through revenues to sustain operation of the agency or institution.
4. **Project:** Refers to program activity or small equipment acquisition.
5. **Validated:** Needs that have been identified, analyzed, and approved by management and by the governing body and other volunteers as being valid and appropriate to the functioning of the institution.

Needs Assessment: The study of an organization's program or situation to determine what activity or activities should be initiated or expanded to satisfy a need.

Negligence: Failure to perform in a reasonable manner in a given situation.

Neighborhood Organization: Informal neighborhood clubs that serve social as well as civic functions; formally incorporated nonprofit organizations functioning to help develop housing and jobs in local areas.

Net Assets: The difference between the organization's total assets and its total liabilities on the balance sheet indicating the net financial worth for the organization.

Net Assets Released from Restrictions: The accounting transaction for the transfer of funds from net assets with donor restrictions to net assets without donor restrictions after satisfying donor-imposed stipulations for the use of the funds.

Net Fixed Assets: The value of land, buildings, equipment, and other fixed assets owned by the organization after the deduction of the accumulated depreciation of those assets.

New Foundation Development: Mission, governance, program, and organizational structure related to foundation start-up.

Next Generation Issues: Building effective engagement of younger generations in foundation decision-making. Includes trustee succession planning. Also refers to building high-capacity donors ages 21 to 40.

Non-cash Gift: A contribution of an asset other than money.

Non-Governmental Organization (NGO): As the name suggests, NGOs operate independently of any government. While they are mainly government funded, they operate without government oversight or representation from that government. NGOs are a subset of NPOs. The term is frequently used outside the U.S. to define the nonprofit sector.

Nonprofit Organization (NPO): A private entity, either incorporated or not incorporated, with the following characteristics that distinguish it from a business enterprise:

- Contributions from donors who do not expect profit.
- Operating purposes other than to provide goods or services at a profit.
- Absence of ownership interests.
- A separate tax treatment exists based on whether it is charitable or not.

Nonprofit Corporation: An incorporated nonprofit organization, usually but not always barred by law from making a profit.

Nonprofit Sector: Any not-for-profit or tax-exempt organizations collectively that are specifically not associated with any government, government agency, or commercial enterprise.

Nonpermanent Fund: A type of fund where both principal and income may be granted to a nonprofit organization.

Not-for-profit Organization: A term emphasizing that while the organization's purpose is not private profit making, its programs may make a profit for the organization to safeguard its future ability to serve its public benefit mission.

Notes Payable: The amount an organization owes to others for loans.

Notes Receivable: The amount an organization is owed for loans made to others.

-0-

Occupancy Expense: All costs relating to the rent, utilities, insurance, assessments, and maintenance of the organization's locations for programs and offices.

Officer: A person elected by the board of directors to serve as an appointed agent of a corporation with a specific set of responsibilities. A board typically refers to the chair, vice-chair, secretary, or treasurer. The individual is not necessarily a director or employee of for-profit or nonprofit corporation.

Open Meeting 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. *Also called "Sunshine Laws."*

Operating Expense: General term for expenses incurred for all the activities of the organization.

Operating Foundation: A fund or endowment designated by the Internal Revenue Service as a private foundation, yet which differs from a typical private foundation in that its primary purpose is to conduct research, promote social welfare, or engage in other programs determined by its governing body or establishment charter. It may make some grants, but the sum is generally small relative to the funds used for the foundation's own programs. They use the bulk of their income to provide charitable services or to run charitable programs of their own. To qualify as an operating foundation, specific rules, in addition to the applicable rules for private foundations, must be followed. *Also called **Private Operating Foundations**.*

Operating Reserve: An unrestricted fund set aside by the organization's board that acts as a buffer to stabilize an organization's finances by providing cash for planned or unplanned future expense or losses.

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

Operating Support Grant: A funding agreement to support the general operating expenses of an entire organization such as salaries and rent.

Opportunity Cost: The next best alternative that must be given up when a choice is made. Not all alternatives, just the next best choice.

Orientation: Educating participants on their roles, responsibilities, their organization, and how the board works.

Organization Name: Any name by which a group is known.

Organization Legal Name: An organization's name listed on the IRS Letter of Determination.

Outright Gift: The simple transfer of gift property to the donee without any conditions or terms of trust.

Overhead: Funds spent on the administration of an organization which cannot be attributed to any specific activity but are necessary to function such as rent, utilities, and insurance. This expense is often distributed among programs based on a formula.

-P-

P&L: Abbreviation for Profit and Loss, a report that shows income and expenses for a specific time. *See **Income Statement** or **Statement of Activities**.*

Partnerships/Collaborations: Design, strategy, facilitation or management of multi-funder or multi-grantee projects.

Pass-through Funds: Funds received by an organization that must be spent on behalf or passed through to a secondary recipient. Examples include re-granted funds and direct payments to beneficiaries.

Payout Requirement: The minimum amount that a private foundation is required to expend for charitable purposes (includes grants and necessary and reasonable administrative expenses). In general, a private foundation must pay out annually approximately 5 percent of the average market value of its assets.

Peer-to-Peer (P2P) Fundraising: A type of online fundraising campaign where individuals create personal fundraising pages and solicit donations on behalf of your organization from their friends, family, and extended personal networks. *Also known as **Social Fundraising**.*

Permanent Fund: *See **Endowment**.*

Permanent Restriction: A donor-imposed restriction that states all or part of a fund may be used under specified circumstances.

Permanently Restricted Asset: Tangible or intangible property subject to contributor-imposed restrictions on use that can never be removed.

Permanently Restricted Net Assets: The portion of the net assets limited by donor-imposed stipulations that will not expire with time or be fulfilled by actions of the organization. True endowments are permanently restricted funds.

Permanent Restriction: A donor-imposed restriction that states all or part of a fund may be used under specified circumstances.

Philanthropic Foundation: A corporation or trust that has been created through contributed funds, whether by an individual, family, corporation, or community, for support of nonprofit organizations, and to which such organizations may appeal for grants in support of their programs and projects.

Philanthropist: Broadly speaking, anyone who makes a gift, but usually used to describe a wealthy individual known for his or her exceptional generosity in support of charitable causes.

Philanthropy: The origin of the word 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. 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.

Pilot: A grant to assist a new program or project which is specifically designed to be carried out as a test, usually on a smaller scale, of the feasibility and effectiveness of the program or project before it is fully implemented.

Pitch Letter: A relatively long piece of content sent to reporters and other possibly interested parties.

Planned Gifts: These are pledges to give in the future, usually after the donor's death. The simplest kind of planned gift is a bequest or estate gift, which occurs when someone leaves money to a charity in his or her will. More complex planned gifts include charitable remainder trusts (in which income from a large donation invested as a trust is distributed to a beneficiary during his or her lifetime; when the beneficiary dies, the trust's remaining money is given to the charity). *Also known as a **Legacy Gift**.*

Planned Giving: The application of sound personal, financial, and estate planning concepts to the individual donor's plans for lifetime and testamentary giving.

Pledge: A pledge is a signed and dated commitment to make a gift over a specified period, generally two or more years. It is payable according to terms set by the donor, with scheduled monthly, quarterly, semi-annual, or annual payments.

Pledges/Grants Receivable: Amounts committed to the organization by an outside donor. Rather than the full or *gross* amount that is due, these receivables are presented on the balancesheet at *net realizable value* (i.e., the amount the nonprofit expects to receive after considering an estimate of uncollectible pledges or grants receivable).

Pluralism: The coexistence of distinct cultural, ethnic, or religious groups within a single society.

Policy: A written and binding guideline for action; creates limits on the range of acceptable options.

Post-grant Evaluation: A review of the results of a grant, with the emphasis upon whether 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.

Prepaid expenses: Costs, such as insurance, paid in advance of receiving benefits are recorded as an asset. The asset value is reduced (with an offset to expense) as the benefit associated with the cost is consumed. For example, the benefit of insurance coverage is consumed with the passage of time. The asset value of prepaid insurance would be reduced each month with an entry to insurance expense as the insurance is used up.

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

Press Release: announcements to mass media (newspapers, radio, TV etc).

Principal: Chief; most important - principal (n) the head/master or chief official of a school; a sum of money invested or owed which is separate from the interest.

Principal Gift: Commonly defined as being \$1 million or more and donated with stewardship from savvy experts. Often these gifts are given as appreciated assets, such as stock purchased at a lower value that has become more valuable over time. The donor receives a tax write-off for the appreciated amount.

Private Action: A nongovernmental, nonprofit event.

Private Foundation: A private foundation is a 501(c)(3) organization that is originally funded from one source, that derives revenue from earnings on its investments, and that makes grants to other charitable organizations as opposed to administering its own programs. Gifts to private foundations are not normally as advantageous to the donors as gifts to a public charity. Note that there is no technical definition in the federal income tax law.

Private Inurement: Benefits received by an insider with sizable influence over a nonprofit organization's decisions when benefit is of greater value than service provided.

Pro bono: Used to describe work or services done or performed free of charge for charity or a nonprofit organization.

Project Budget: An itemized list of all estimated support, revenue, and expenses that an organization anticipates receiving for a specified project.

Project Management: Conduct of a specific grant program or initiative.

Property: Any object of value owned or lawfully acquired as real estate; a piece of land.

Property and Equipment: The Asset value of the physical items an organization owns such as buildings and improvements, equipment, and furniture that will be used for more than one year. Often called fixed assets.

Proposal: A written request or application for a gift or grant that includes why the project or program is needed, who will carry it out, and how much it will cost.

Prospect Mailing: Sending mail to prospects to acquire new members or donors.

Prospective Donor: Any logical source of support, whether individual, corporation, organization, government at all levels, or foundation; emphasis is on the logic of support.

Program Expenses are the costs associated with the delivery of goods and services to beneficiaries, customers or members that fulfill the organization's mission.

Program Grant: A grant that is used to fund a particular program usually including salaries or personnel related costs.

Program Officer: A staff member of a foundation or corporate giving program who reviews grant proposals and requests, and processes applications for the board of trustees, recommend policy, and manages the budget. *Also referred to as a **Corporate Affairs Officer, Program Associate, Public Affairs Officer, or Community Affairs Officer.***

Program-related Investment: A loan or other investment made by a private foundation to a profit-making 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.

Program Service Revenue: Exchanges between a nonprofit and another party in which the nonprofit provides a service in exchange for a transfer of cash or another asset. For example, nonprofits may receive fees from governmental agencies or from clients they serve.

Program-specific Audit: A systematic financial examination of an organization by an independent body of an individual program rather than the entity.

Program Support Grant: A funding agreement supporting a specific program or project.

Principal: The amount of money that is borrowed and that the borrower must pay back to the lender. The interest, or price of borrowing, is added to the principal.

Principal Gift: Depending on the organization, a gift of several hundred thousand to millions of dollars; high-dollar gifts made by fewer individuals.

Promissory Note: *See Note Payable.*

Public: Pertaining to or affecting the people or community; for everyone's use; widely or well known.

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 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 to be considered public charities or must be formed to benefit an organization that is a public charity. Charitable organizations that are not public charities are private foundations and are subject to more stringent regulatory and reporting requirements. *See Private Foundation, Supporting Organization, or Public Support Test.*

Public Foundations: A tax-exempt, nonprofit, publicly supported charitable institution whose primary purpose is grantmaking to multiple organizations and whose sources of annual support are a mix of private and public donations.

Public Good: Any good that, if supplied to anybody, is necessarily supplied to everybody, and from whose benefits it is impossible or impractical to exclude anybody.

Public Policy: Planning and conduct of advocacy and other efforts to influence social policy.

Public Service: To perform a deed that contributes to the general welfare of all.

Public Support Test: There are two public support tests, both of which are designed to ensure that a charitable organization is responsive to the public rather than a limited number of persons. One test, sometimes referred to as 509(a)(1) or 170(b)(1)(A)(vi) for the sections of the Internal Revenue Code where it is found, is for charities like community foundations that mainly rely on gifts, grants, and contributions. To be automatically classed as a public charity under this test, organizations must show that they normally receive at least one-third of their support from the public (including government agencies and foundations). However, an organization that fails the automatic test still may qualify as a public charity if its public support equals at least 10 percent of all support and it also has a variety of other characteristics—such as a broad-based board— that make it sufficiently "public." The second test, sometimes referred to as the section 509(a)(2) test, applies to charities, such as symphony orchestras or theater groups, that get a substantial part of their income from the sale of services that further their mission, such as the sale of tickets to performances. These charities must pass a one-third/one-third test. That is, they must demonstrate that their sales and contributions normally add up to at least one third of their financial support, but their income from investments and unrelated business activities does not exceed one-third of support.

Publication 78: A list maintained by the IRS of organizations qualified to receive tax-deductible contributions.

-Q-

Query Letter: 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* or *Letter or Inquiry*.

Qualified Charitable Distribution (QCD): A distribution from an IRA made directly to an eligible charity.

Qualifying Distribution: Expenditures of a private foundation, such as a grants, administrative expenses, set asides, or program-related investments, that satisfies its annual payout requirement.

-R-

Racial Equity: Racial equity is the condition that would be achieved if one's racial identity no longer predicted, in a statistical sense, how one fares. When we use the term, we are thinking about racial equity as one part of racial justice, and thus we also include work to address root causes of inequities not just their manifestation. This includes elimination of policies, practices, attitudes, and cultural messages that reinforce differential outcomes by race or fail to eliminate them.

Racial Equity, Diversity, Cultural Competency: Development of foundation policies and practices that promote cultural diversity, inclusiveness, and sensitivity across cultures.

Rating: An evaluation or “guesstimate” of a prospective contributor’s ability to contribute. The rating becomes an asking figure for the solicitor to suggest in requesting a contribution or pledge.

Ratios: A tool to analyze and assess the financial condition of an organization by converting financial information into standard ratios. By using standard calculations, financial information can be compared more easily to historical or industry information.

Real Estate Gifts: The transfer of property to a 501(c)(3) organization or institution, the value of which is determined by the fair market value of the property.

Receivables: See *Accounts Receivable* or *Notes Receivable*.

Recognition: Formal or informal acknowledgment of a gift or contributed services; an event, communication, or significant item honoring a gift or a service.

Records Retention and Destruction Policy: A guideline for handling, backing up, archiving and destruction of documents. These guidelines foster good record keeping procedures that promotes data integrity. Here we are reporting on the existence of a policy as reported by the charity on its Form 990.

Recurring Donation: A Recurring donation, or recurring gift, is an ongoing, specific gift amount determined by a donor that is charged monthly to a donor's credit card.

Recurring Gifts: These are gifts made in the same amount on a regular schedule (usually monthly). Recurring gifts are desirable because donors who make them usually give more per year than supporters who give sporadically; the approach also provides charities with more predictable revenue.

Refinance: To replace one loan with another, usually to extend the maturity, change the payment amount, or to consolidate several loans.

Release from Restrictions: The accounting transaction used to transfer funds with donor restrictions into an organization's unrestricted accounts when the restriction has been satisfied, such as when a special project is initiated.

Religious Focus: A philanthropy that roots its grantmaking in formal religious values and traditions, and often directs its grantmaking to organizations that share an affiliation with its religious denomination.

Renewal Mailing: A mailing to donors or members requesting renewed support.

Request for Proposal (RFP): When the government, or a foundation, issues a new contract or grant program, it sends out RFPs to agencies that might be qualified to participate.

Research: Primary and secondary research to inform, examine or provide background on areas of grantmaker interest and current or future investment, including needs assessments and environmental scans.

Reserves: An amount set aside by the Board to be used for needs that are outside of the regular annual budget. Reserves may be designated for operating, building, opportunity, or other purposes.

Restricted Gift: A donation made with the stipulation that it be used for a particular purpose or program. Empowers donors to feel secure that their gifts will be used as they envision.

Restricted Grant: Contribution designated to a specific purpose or project.

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.

Restricted Support: Donor-restricted revenue or gains from contributions.

Retreat: An event where the board or staff meet to learn about or explore specific issues; examples include strategic planning, orientation, or self-assessment; is usually longer than a regular meeting, often off-site and informal in nature.

Return on Investment (ROI): A way to evaluate efficiency, expressed as a percentage. For nonprofits, your investment is the dollar value of time and resources to achieve an outcome. Enables you to determine whether the initial investment is reasonable for the outcome. The formula for calculating ROI is $(\text{Benefit-Cost})/\text{Cost} * 100$.

Revenue: Income earned from services performed or merchandise sold as distinct from support or contributed income.

Review: A financial report that has been prepared by a Certified Public Accountant (CPA) that has been subject to some testing and verification. A Review is not prepared with the same rigor and standards as an Audit and does not include an opinion letter. *See Audit and Compilation.*

Robert's Rules of Order: A parliamentary procedure used to conduct meetings.

Royalty: A payment made to an organization by another party for the use of an asset, often an Intellectual Property Asset such as a creative or scientific work. A form of Income for the owner of the asset, and an expense for the user.

Ruling Year: The date on which the IRS recognized an organization’s tax-exempt status.

-S-

Sarbanes-Oxley Act: An act passed by Congress in 2002 which imposes two provisions directly on nonprofit organizations, the prohibition of retaliatory action against whistleblowers regulations governing the destruction of important financial documents and provides best practices for other issues.

Schedule A: The section of Form 990 that provides detailed information to support the annual return required by the IRS of all tax-exempt organizations as specified in section 501c of the United States Internal Revenue Code of 1986.

Scholarship Fund: A type of fund that provides grants in the form of scholarships in which the criteria are established by the donor and the selection process jointly managed by the donor and TFEC. Scholarship funds may be either permanent (only a portion of the income is granted and principal grows in perpetuity), or nonpermanent (both principal and income may be granted).

Screening: The process of assigning prospects to broad categories of potential giving ranges, preliminary to conducting more refined evaluations through the process of prospect rating.

Secretary: An officer position that involves taking minutes and keeping records and archives of the board; duties are often delegated to staff.

Secured Loan: A loan for which something of value is pledged in the case that repayment cannot be made.

Security Agreement: A legal document executed by a borrower granting a lender the right to take a specified asset in case the borrower defaults on a loan.

Seed Money: A substantial gift, generally by a foundation or an affluent individual, to launch a program or project.

Seed Money Grant: A funding agreement intended to support an organization in its first few years.

Segmentation: The process of dividing your supporters into groups based on shared characteristics and past engagement. These groups then receive more personally tailored outreach and fundraising appeals during your campaign. Some ways to segment your audience are by giving history (frequency and how long they’ve been a donor), lapsed donors, gift size, program interest, or email inactivity.

Self-assessment: A process by which boards and/or board members evaluate their own performance.

Self-dealing: A private foundation is generally prohibited from entering any financial transaction with disqualified persons. This includes organization staff, board members, family members of staff and board members, and the businesses they control. 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% of the amount involved, payable by the self-dealer. *See Disqualified Person.*

Sequential Giving: A cardinal principle of fundraising counsel: gifts in a campaign should be sought “from the top down”; that is, the largest gifts in a gift range chart should be sought at the outset of a campaign, followed sequentially by the search for lesser gifts.

Service:

1. Help given to others to repair

2. To furnish a service to something or someone

Service-learning: Goes beyond volunteerism, community service and youth service by connecting the service experience to the school curriculum and by requiring students to reflect on the meaning they attach to the service they performed.

Set-aside: Funds designated for a specific project that are treated as a qualifying distribution in the year they are established but not in the year the funds are actually paid.

Share: A part or portion given to or by one person; one of equal parts.

Short-term Debt/Liability: A loan which is issued with a final payment date of one year or less.

Significant Deficiency: A weakness in internal controls that is less severe than a material weakness yet merits attention.

Site Visit: Visiting an organization that has received a grant or is being considered for one. The purpose is to observe the organization, meet with staff, and get to know the program that will be or is being funded.

Social Action: Persons in the process of doing or acting for the general welfare of all.

Social Capital: Features of social life-norms, and trust that enable participants to act together more effectively to pursue shared objectives.

Social Change Funds: A fund or foundation that focuses support on the advancement of disenfranchised constituencies.

Social Fabric: Networking of relationships in the process of doing or acting for the general welfare of all.

Social Investing: 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. *Also referred to as Ethical Investing and Socially Responsible Investing.*

Social Justice: Justice applied to the framework of social existence; consideration of the requirements of justice applied to the benefits and burdens of a common existence.

Social Media: The widely available electronic tools that generate interaction, participation, and collaboration, including blogs, videos, podcasts, photo sharing, and the use of social networks.

Social Sector: Referring to the nonprofit sector emphasizing work with and to better society.

Social Venture Funds: Funds whose donors also contribute labor. Like funds from a venture capitalist in for-business enterprises.

Society: People working together for a common purpose; companionship.

Soft Credit: Acknowledging the efforts of someone, other than the legal donor, who facilitated a gift by providing 'soft' (or associated) credit for that gift. Soft credit allows an organization to acknowledge these efforts without compromising their legal obligation to record a donation in accordance with IRS regulations.

Solicitor(s): Volunteers and institutional staff who ask for contributions to a campaign or development program; professional solicitors are paid to solicit for programs or causes.

SYBUNT (Some Years But Unfortunately Not This): Describes donors who have contributed to your organization in the past but not within the previous year. Like LYBUNTs, they are considered **Lapsed Donors**. (See *LYBUNT*)

Special Event: A fundraising function designed to attract and involve large numbers of people for the purpose of raising money or cultivating donors.

Special Events Revenue: The portion of revenues raised by fundraising events representing the fair market value of the event. The fair market value received is recorded separately from contributions.

Special Gifts: Contributions that fall within the fourth tier of giving to a campaign; gifts that require special attention by the recipient organization to attract donor participation.

Sponsored Organization: An organization that uses a fiscal sponsor to receive its charitable donations.

Staggered Terms: An organizational structure where board members' terms expire in alternating years.

Standard of Giving: Arbitrary but generally realistic assignment of giving potential to groups or categories of prospects, based on past performances and other criteria.

Statement of Activities: One of the primary financial reports for an organization, reporting the income, expenses, and change in net assets for a period of time. See *Income Statement*.

Statement of Cash Flows: A financial report component summarizing the sources and uses of cash for a period. This is a historical report and is different in form and use from a cash flow projection. See *Cash Flow*.

Statement of Financial Position: One of the primary financial reports for an organization, reporting the assets, liabilities, and net assets as of a specific date. See *Balance Sheet*.

Statement of Functional Expenses: A report of expenses by their function, such as programs, management, and fundraising, and by the type of expense (such as salaries or rent), in the form of a matrix.

Statement of Financial Position: One of the primary financial reports for an organization, reporting the assets, liabilities, and net assets as of a specific date. See *Balance Sheet*.

Steward: One who manages another's property, finances, or other affairs.

Stewardship:

1. The philosophy and means by which an institution exercises ethical accountability in the use of contributed resources and the philosophy and means by which a donor exercises responsibility in the voluntary use of resources.
2. Stewardship: Stewardship is essentially thanking donors and maintaining relationships with them. Increasingly, stewardship involves communicating with donors regularly about the impact of their gifts. Some charities hire stewardship specialists, acknowledging that it's cheaper and easier to keep a donor than to cultivate new ones.

Stock: A share in ownership, as in a company or corporation.

Strategic Plan: A program incorporating a strategy for achieving organizational goals and objectives within a specific time frame and with substantive support in the form of methods, priorities, and resources.

Strategic Planning: Engagement of board and other constituencies to articulate a grantmaker's goals and the actions and resources required to achieve them.

Sunshine 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. *See **Open Meeting Laws**.*

Support: Income from voluntary contributions and grants (as distinct from revenue or earned income).

Support Services: Full range of activity required to support a fundraising effort: office management; word processing; gift receiving, posting, and acknowledging; budget management and control; and so on.

Supporting Organizations: A supporting organization is a charity that is not required to meet the public support test because it supports a public charity. To be a supporting organization, a charity must meet one of three complex legal tests that assure, at a minimum, that the organization being supported has some influence over the actions of the supporting organization. Although a supporting organization may be formed to benefit any type of public charity, the use of this form is particularly common in connection with community foundations. Supporting organizations are distinguishable from donor advised funds because they are distinct legal entities.

Surplus: Income in excess of expenses; an operating profit or a positive Change in Net Assets.

Sustainability: How an organization can fund a project after a grant period has elapsed.

Sustaining Gifts: A donation with multiple ongoing payments, including payments of a specific amount that occur over a defined period that may or may not have an end date. *Also known as **Recurring Gifts, Monthly Gifts, or Ongoing Gifts**.*

-T-

Target Population/Demographic: The set of people as defined by demographics served by a specific NPO or specific project.

Tax Benefits: Savings in income, gift, and estate taxes brought about by giving to charitable institutions.

Tax Code: The laws and regulations that define the tax system in the United States.

Tax Credit: Credit against tax liability.

Tax-deductible Amount: The tax-deductible amount is the amount of a donation a donor can claim as a deduction on their income tax return. Charitable donations must be paid in cash or as other property before the close of the tax year to be deductible. In general, donations to charities can be deducted up to 50% of adjusted gross income, though some gifts to private foundations, veterans' groups, etc., have lower limits. If you sell an item (such as an event ticket), the Fair Market Value of that item must be subtracted from the full payment amount. The remainder is the tax-deductible amount for the contribution.

Tax Exempt: Exempted from tax; bearing tax free interest on federal or state 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 IRS. Charities may also be exempt from state income, sales, and local property tax.

Tax-exempt Sector: When referring to the nonprofit sector, emphasizes the fact that under U.S. tax law, the organizations in this sector are exempt from the national income tax and from most state

and local property and sales taxes.

Team: Two or more players on one side in a game; a group of people trained or organized to work together.

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 aids 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. *See In-Kind Contribution.*

Telemarketing: Raising funds or selling products or services by telephone.

Telephone-mail Campaign: A fundraising technique, often referred to as phone mail, that combines mail and telephone solicitation in a sophisticated manner using paid solicitors and management of the program; a telephone solicitation supported by a mail component for confirmation of verbal pledges.

Temporary Restriction: Limits on funds specified by a donor dependent on the passage of time, or some other temporary condition.

Temporarily-restricted Asset: Tangible or intangible property subject to contributor-imposed restrictions that expire after a certain date.

Temporarily Restricted Net Assets: The portion of the net assets limited by donor-imposed stipulations that either expire with time or can be fulfilled by actions of the organization.

Term Limits: A restriction on the number of consecutive terms that a person can serve as a board member.

Third-party Reimbursement: Payment for goods or services by a party other than the one receiving the goods or services.

Third Sector: Used to describe all nonprofit organizations and institutions. *Also known as the Independent Sector, Nonprofit Sector, Non-governmental/Non-business Sector, Civic Sector, or Social Sector of the Economy.*

Timing: Determination of the most favorable times to complete certain fund- raising objectives to achieve maximum results.

Tipping: 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 "tipping" or conversion from public charity to private foundation status.

Tithe: A tenth of one's income given voluntarily for the support of a religious institution.

Tradition: The doctrines, knowledge, practices, and customs passed down from one generation.

Training, Curriculum Development: Designing and/or leading professional development for staff or trustees and learning opportunities for grantees.

Transaction Fee: A transaction fee is an expense a business or nonprofit must pay to process each electronic payment they receive. Transaction fees vary across service providers, costing up to 5.0% of the full transaction amount plus \$0.20 to \$0.35 per transaction.

Trust:

1. Confidence or faith in a person or thing; care or charge.
2. A legal instrument for holding assets of an individual for the benefit of one or more persons or organizations.

Trust Funds: Money, securities, property held in trust by an agent of wealth (bank, estate manager, attorney) or managed by an institution under trust agreement to produce income for the beneficiary.

-U-

Unconditional Promise to Give: A pledge to make a contribution of cash or another asset without requiring the organization to meet any condition prior to receiving the contribution.

Unit of Service Performance Grant: A funding agreement based on a metric such as units of service, number of volunteers, persons served.

Universal Values: A common set of morals found to be applicable world-wide.

Unrealized Gain or Loss: The increase or decrease in value of an investment asset held by an organization but which has not been received through the sale of the asset.

Unrelated Business Income: Income that is not substantially related to furthering the mission of the organization.

Unrestricted Asset: Asset that can be used as the organization sees fit, in accordance with its mission or purpose.

Unrestricted Funds: A fund not specifically designated for a particular use by the donor, or for which restrictions have expired or been removed. Commonly found at community foundations.

Unrestricted Gift: A gift made by a donor with no limitations on how the gift is to be used. Nonprofits can generally use these gifts towards any purpose.

Unrestricted Net Assets: The portion of net assets not restricted by donor-imposed stipulations. This amount is positive when the sum of historical revenues and gains from unrestricted contributions exceeds the amount of expenses. The amount is negative when the total historical expenses exceeds the unrestricted revenues.

Unrestricted Support Revenues: Revenue from donations that may be used in any way.

Unsecured Loan: A loan made without collateral.

-V-

Vehicle: The form in which a fundraising program is organized and executed; for example, annual giving, capital campaign, or direct mail.

Venture Philanthropy and Social Entrepreneurs: A philanthropy that applies practices of the venture capital world to invest deeply in nonprofits to build their capacity effectively. Venture philanthropists value donor dollars in terms of the social return of investment.

Voluntary Association: A group of people who have formed an organization to pursue voluntary participation.

Voluntary Groups: More than one person working together to make some meaningful degree of voluntary participation.

Voluntary Sector: When referring to the nonprofit sector, emphasizes the significant input that volunteers make to the management and operation of this sector.

Volunteer: One who offers himself for a service of his own free will.

Volunteerism:

1. The act of performing a service or good work for others without pay. It can be done anywhere by people of all ages
2. The willingness of private citizens to serve voluntarily a great variety of programs and causes, both in fundraising programs and in other capacities.

Venture Philanthropy: Application of the concepts and techniques of venture capital finance and business planning, goals such as high-engagement or focus on innovative programs, by a traditional foundation or group of individuals with pooled resources to philanthropy.

-W-

Welfare: The state of doing well; governmental aid to help the disabled or disadvantaged.

Wills: Normally a legally executed written instrument by which a person makes disposition of his or her property to take effect after death.

- Holographic will: A will written and signed by the testator or maker in his or her own hand.
- Nuncupative will: An oral will made by a person in his or her last illness or extremity before a witness, often not honored in a court of law.
- Pour-over will: A will whereby assets controlled by the will are directed to be poured over into a trust.
- Reciprocal wills: Wills made by two persons in which each leave everything to the other.

Women's Funds: A focused fund or foundation that builds women's philanthropic leadership and raises financial resources and focuses its grantmaking on projects that benefit women and girls.

Working capital: The portion of an organization's assets which is not invested in fixed assets or obligated to pay current liabilities but is available to fund day to day working needs.

-Y-

Youth affiliations: An association in alliance with young people.

Youth service: The umbrella term used for all programs that use young people as resources for serving others. Volunteerism, community service and youth service are alike in that each approach offers a means by which young people can provide meaningful and productive service to their communities.