

# GLOSSARY

## of Nonprofit Governance

### #

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

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

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

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

### A

**Accountability:** the acknowledgment and assumption of responsibility for policies and decisions, including the obligation to be answerable for resulting consequences

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

**Advisory Council:** a group created to advise and support an organization or its leadership also called advisory group, advisory committee, or advisory board; usually focuses on a specific issue, area of concern, or constituency

**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

**All volunteer organization (AVO):** a nonprofit organization that is managed and governed by volunteers

**Articles of incorporation:** an official statement of creation of an organization; it is filed with the appropriate state agency

**Articles of organization:** a charter for an unincorporated organization

**Association:** a membership organization that may be incorporated or unincorporated

**Audit:** a formal review of financial and/or activities and legal transactions

### B

**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 matrix:** a tool helping identify desired characteristics and gaps on a board

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

**Bylaws:** the legal operating guidelines for a board

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

### C

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

**Chair:** in a nonprofit organization, the chief volunteer position, the elected leader of the board

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**Chapter:** a member or affiliated organization of a federated organization

**Charitable contribution:** a tax-deductible donation given to a nonprofit organization

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

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

**Chief executive:** the top staff position of an organization, also called CEO or, in many nonprofits, executive director

**Code of conduct:** the formal or informal ethical standards expected of every member of a group, whether board, staff, or member of a profession

**Community foundation:** a foundation whose mission is to support a specific community

**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

**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

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

**Consultant:** an expert providing professional advice or services

**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

## D

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

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

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

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

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

**Disqualified person:** includes organization managers and any other person (such as a board member) who, within the past five years, was in a position to exercise substantial influence over the affairs of the organization, also family members of the above

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

**Diversity:** diversity includes 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 <sup>1</sup>

<sup>1</sup> UC Berkeley Center for Equity, Inclusion and Diversity, [Glossary of Terms](#)

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- Due diligence:** an expectation that a board member exercises reasonable care and follows the business judgment rule when making decisions
- Duty of care:** 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

- 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
- Endowment:** a fund or collection of assets whose investment earnings support an organization, a specific project or purpose; may be legally restricted based on stipulations made by donor(s)
- 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
- Excise tax:** a tax issued by the IRS on nonprofits that violate specific regulations
- Executive committee:** a committee that has specific powers, outlined in the bylaws, which allow it to act on the board's behalf when a full board meeting is not possible or necessary
- Executive session:** a meeting of a board in which only board members and individuals specifically invited by the board are present; governed by rules of confidentiality

## F

- Federated organization:** an organizational structure composed of an umbrella organization (national or regional) with smaller local chapters
- Fiduciary duty:** a responsibility of board members and the nonprofit board as a whole to serve as trustee of the organization's assets on behalf of the greater community; responsibility for financial viability and proper handling of financial matters
- Form 990:** an annual information form submitted to the IRS, a public document listing information concerning an organization's finances and programs, as well as names of board and highest paid staff leaders
- Form 990-PF:** an information form for private foundations to be filed with the IRS
- Form 990-T:** a financial form for organizations who must pay unrelated business income tax
- Form 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 operating under more stringent IRS regulations than other 501(c)(3) organizations; may be designed to collect and distribute funds for nonprofit purposes or may operate its own programs
- Fundraising:** a wide variety of activities that help generate donations for an organization

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### G

**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

**Grant funding:** provided to an organization through a foundation or government source for a specific purpose

### I

**Inclusion:** authentically bringing traditionally excluded individuals and/or groups into processes, activities, and decision/policy making in a way that shares power<sup>2</sup>

**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

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

**Intermediate sanctions:** IRS regulations creating penalties for nonprofit board members and staff who receive or authorize an excessive benefit transaction

### L

**Lobbying:** attempting to influence legislation through direct contact with lawmakers or with constituents

### M

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

**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

**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

### N

**Nonprofit organization:** a nongovernmental organization established for purposes other than profit making

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

**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 in order to safeguard its future ability to serve its public benefit mission

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### O

**Officer:** a leadership position with a specific set of responsibilities; on a board typically refers to the chair, vice-chair, secretary, or treasurer

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

**Operational reserves:** a reasonable buffer against unforeseen, seasonal, irregular, or exceptional cash shortages

**Orientation:** educating participants on their roles, responsibilities, their organization, and how the board works

### P

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

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

**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

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

### 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<sup>3</sup>

**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

**Robert’s Rules of Order:** a parliamentary procedure used to conduct meetings

### S

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

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

**Staggered terms:** an organizational structure where board members’ terms expire in alternating years

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

### T

**Tax-deductible donation:** a donation in which the donor can deduct the amount of the donation from his or her taxable income

**Term limits:** a restriction on the number of consecutive terms that a person can serve as a board member

3 [Center for Assessment and Policy Development](#)

Source: [MP Associates, Center for Assessment and Policy Development, and World Trust Educational Services, 2019](#)