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Adjunct (Associate) Board. An adjunct board is often used for involving next generation and/or community members in the work of the foundation.

Affinity Group. A coalition of grantmaking 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.

Annual Report. A voluntary report published by a foundation describing its grant activities and application procedures. It may be a simple typed document listing the year's grants or an elaborately detailed publication. A growing number of foundations use an annual report as an effective means of informing the community about their contributions activities, policies, and guidelines.

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

Assets. Money, stocks, bonds, real estate or other holdings of a foundation. Generally, assets are invested and the income is used to make grants. (See Payout Requirement.)

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Beneficiary. The donee or grantee receiving funds from a foundation or corporate giving program is the beneficiary, although society benefits as well.

Bequest. A sum of personal or real property made available upon the donor's death.

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

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

Bylaws. Guidelines for the operation of a nonprofit corporation, developed according to state law requirements. Bylaws often provide the methods for the selection of directors, the creation of committees and the conduct of meetings.

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Capacity Building. A process funders use to assist nonprofit organizations in strengthening their internal operations to become more efficient and effective for those they serve.

Capital Campaign (or Capital Development Campaign). An organized drive to collect and accumulate substantial funds to finance major needs of an organization such as a building, major repair project, or endowment purpose.

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

Charitable Deduction. The portion of a gift to a qualified charity that is deductible from an individual's federal income tax, individual's gift tax, or individual's estate tax.

Charitable Organization. An organization that is eligible to receive charitable donations and is tax-exempt under federal tax law.

Checkbook Philanthropy. Spontaneous, responsive giving by a donor sometimes without personal involvement. Often involves giving small amounts in an unplanned manner.

Committed Funds. A portion of a donor's budget that has already been pledged for future allocation.

Community Foundation. A type of foundation formed by broad-based community support from multiple sources: trusts, endowments, individual contributions or private foundation grants. A community foundation often serves both its community and the donors who live in that community. All community foundations are classified as public charities.

Conflict of Interest Policy. Written policy developed within a foundation to address conflict of interest issues between trustees and potential grantees in a manner that is fair both to potential grantees and to the foundation trustee with whom they have a relationship. The policy details what is — and what is not — acceptable behavior on the part of the trustee.

Corporate Foundation (Company-Sponsored Foundation). A type of private foundation that receives its income from the profitmaking company whose name it bears but which is legally an independent entity. Corporations may fund these foundations with a donation of permanent assets or give periodic contributions that are generally based on a percentage of the company's profits.

Corporate Giving Program. Funding that is distributed, other than through a foundation, to meet corporate contributions goals. Often such a program is handled by the public affairs or public relations office. A corporate giving program is not subject to the same reporting requirements as a private foundation.

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Decline (or Denial). The refusal or rejection of a grant request. Some declination letters explain why the grant was not made, but many do not.

Declining Grant. A multi-year grant that becomes smaller each year, in the expectation that the recipient organization will increase its fundraising from other sources.

Deferred Gift. A gift that is committed to a charitable organization but is not available for use until some future time, usually the death of the donor.

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

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

Directors & Officers Insurance (D & O Insurance). D & O Liability Insurance is designed to help protect the Directors and Officers of a foundation against claims other than those for personal injury, property damage, or loss of property.

Discretionary Funds. Grant funds 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.

GLOSSARY

Disqualified Person. 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. Financial transactions between disqualified persons and foundations are in violation of self-denial rules, except as specified by law.

Donee. The individual or organization that receives a grant.

Donor. The individual or organization that makes a grant.

Donor Advised Fund. A fund in which the donor exercises the privilege of making nonbinding recommendations to the governing body as to which public charity or charities should receive a grant from this fund.

Donor Collaborative (Cooperative Venture). A joint effort between or among two or more grantmakers. Partners may share in funding responsibilities or contribute information and technical resources.

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.

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E-philanthropy. Term used to describe the variety of methods of giving using the Internet. Many sites have been developed that accept donations in addition to providing information regarding nonprofit groups.

Endowment. A bequest or gift that is intended to be kept permanently and invested to create income for an organization or foundation.

Excise Tax. The annual tax of 1 or 2 percent of net investment income that must be paid to the IRS by private foundations.

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 Sections 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 organizations must be listed on the foundation's 990-PF.

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Family Foundation. A private foundation whose funds are derived from members of a single family. One or more family members continue to serve as officers or board members of the foundation and play an influential role in governance and grantmaking.

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 donee organization. Most foundations require a financial report from grantees.

501(c)(3). Section of the Internal Revenue Code that designates an organization as charitable and tax-exempt. Organizations qualifying under this section include religious, educational, charitable, amateur athletic, scientific or literary groups, organizations testing for public safety or organizations involved in prevention of cruelty to children or animals. Most organizations seeking foundation or corporate contributions secure a section 501(c)(3) classification from the Internal Revenue Service (IRS). Note: the tax code sets forth a list of sections—501(c)(4-26)—to identify other nonprofit organizations whose function is not solely charitable (e.g., professional or veterans organizations, chambers of commerce, fraternal societies, etc.)

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

Form 990. The tax information form filed annually with the IRS and the state's Attorney General's

office by tax-exempt organizations and institutions with gross revenue of more than \$25,000 except religious. This tax return includes information about the organization's assets, income, operating expenses, contributions, paid staff and salaries, names and addresses of persons to contact, and program areas.

Form 990-PF. The IRS form filed annually by all private foundations. The letters "PF" stand for "Private Foundation." The IRS uses this form to determine if a private foundation is complying with the Internal Revenue Code. The 990-PF form lists foundation assets, receipts, expenditures, compensation of officers and a list of grants made during the year.

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

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Gift Fund. Commercially sponsored donor-advised fund typically formed by a mutual fund group or similar financial institution offering some grantmaking assistance to donors. Gift funds function like private foundations, but at a lower cost, and provide all the tax benefits available for contributions to a public charity. They do not provide the unlimited control that is inherent in a private foundation.

Giving Circle. An organization of people who meet regularly to share information and to make joint giving decisions.

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

Grant. The award of funds to an organization or individual to undertake charitable activities.

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

Grantee. See Donee.

Grantee Financial Report. A report detailing how grant funds were used by an organization. Many grantmakers require this kind of report from grantees. A financial report generally includes a listing of all expenditures from grant funds as well as an overall organizational financial report covering revenue and expenses, assets and liabilities.

Grantor. See Donor.

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.

Guidelines. A statement of a donor's goals, priorities, criteria and procedures.

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In-Kind Contribution. A donation of goods or services rather than cash or appreciated property.

Independent Foundation. A private foundation in which members of the board of directors are not related to the original donor(s).

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

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Jeopardy Investment. An investment that is found to have jeopardized a foundation's purposes. The result of a jeopardy investment may be penalty taxes imposed upon a foundation and its managers. While certain types of investments are subject to careful examination, no one 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."

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Letter of Inquiry (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.)

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

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 larger funding from other sources or of providing the organization with the tools it needs to raise other kinds of funds. Sometimes known as the "multiplier effect."

Limited Life. Length of life of a foundation that is limited by the donor(s). The charter may require that the assets be distributed after a certain number of years.

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

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

Lobbying. Efforts by any group or organization to influence legislation by influencing the opinion of legislators, legislative staff and government administrators directly involved in drafting legislative proposals. Lobbying activities by public charities are limited by Section 501(c)(3) of the tax code. Public charities may lobby as long as lobbying 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.

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Matching Gifts Program. A grant or contributions program that will match employees' or directors' gifts made to qualifying charitable organizations. Specific guidelines are established by each employer/foundation. (Some foundations also use this program for trustees and other foundation-related individuals.)

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.

Mission Statement. A mission statement reflects the foundation's core values and reason(s) for existing. It should capture what the foundation does, why it does it, how it does it, and for whom it does it. A mission statement broadly addresses the current and future purpose(s) of the foundation.

Mission-Related Investing. A specific type of socially responsive investing that attempts to align an institution's mission with its investment strategies.

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Nonprofit. A nonprofit is an organization whose purpose is to serve a public good rather than make a profit; net earnings are not distributed to the owners or shareholders (as in a private corporation) or to the members, but are retained for the purpose for which the organization was established. The organizational form and use of volunteers varies enormously across the sector. The sector would include hospitals, universities, religious organizations, cooperatives, charities, voluntary organizations, economic and trade associations (the association is nonprofit even though the industry which it represents is not), among many others.

Not-for-Profit. Not-for-profit organization is a synonym for nonprofit organization.

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Operating Foundation. A type of private foundation that carries out its own charitable programs rather than making grants to other organizations to accomplish charitable purposes. To qualify as an operating foundation, specific rules, in addition to the applicable rules for private foundations, must be followed.

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

Organizational Effectiveness. Organizational effectiveness generally refers to the structures and systems that allow an agency to grow, adapt, innovate, and take advantage of new opportunities resulting in improved internal processes and external outcomes for their clients.

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Pass-Through Foundation. Foundations that receive funds and make distributions to donees, with little or no principal remaining with the foundation.

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 annually pay out approximately 5 percent of the average market value of its assets.

Perpetuity. Length of life of a foundation that is deemed perpetual by the donor(s). The donor may wish to establish the foundation in perpetuity to enable the family tradition to continue after his or her death.

Personal Gift Pledge. Pledge made by a disqualified person of a foundation. Self-dealing rules preclude payment by a foundation of any obligation of a disqualified person, even a charitable pledge.

Philanthropy. Philanthropy is defined in different ways. The origin of the word philanthropy is Greek and means love for mankind. Today, philanthropy includes the concept of voluntary giving by an individual or group to promote the common good. Philanthropy also commonly refers to grants of money given by foundations to nonprofit organizations.

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

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

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

Private Foundation. A nongovernmental, nonprofit organization with funds (usually from a single source, such as an individual, family or corporation) and program managed by its own trustees or directors, that was established to maintain or aid social, educational, religious or other charitable activities serving the common welfare,

primarily through grantmaking. "Private foundation" also means an organization that is tax-exempt under Section 501(c)(3) of the tax code and is classified by the IRS as a private foundation as defined in the code.

Program Officer (Program Associate, Public Affairs Officer or Community Affairs Officer). A staff member of a foundation or corporate giving program who may do some or all of the following: recommend policy, review grant requests, manage the budget and process applications for the board of directors or contributions committee.

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

Proposal. A written application, often accompanied by supporting documents, submitted to a foundation or corporate giving program in requesting a grant. Most foundations and corporations do not use printed application forms but instead require written proposals; others prefer preliminary letters of inquiry prior to a formal proposal.

Prudent Investor Rule. This rule defines the duty owed by a trustee to the beneficiary in making "prudent" investment decisions for the beneficiary's benefit. Initially, this only required that the actions taken by a trustee be those of a man of prudence, discretion, and intelligence. Over the years, however, the 1830 statute has been revised: It is now commonly referred to as The Third Restatement of the Prudent Man Rule.

Public Charity (Public Foundation). A nonprofit organization that receives at least one-third of its annual income from the general public (including government agencies and foundations)—the so-called public support test, which can also be satisfied if the foundation meets an absolute minimum public support test equal to at least 10 percent of all support, and also has a variety of other characteristics which make it sufficiently "public." Some make grants, while others

engage in direct service or other tax-exempt, charitable activities serving the common welfare.

Public Support Test. Tests designed to ensure that a section 170(b)(1)(A)(vi) or 509(a)(2) public charity is responsive to the general public rather than to the private interests of a limited number of persons. The organization must normally receive more than one-third of its financial support from the general public.

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

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Regional Association of Grantmakers (RAG). Nonprofit membership associations of private and community foundations, corporations, individuals and others committed to strengthening philanthropy in the geographic areas in which they operate, within the United States.

Requests For Proposals (RFP). Request sent by foundations to organizations that might qualify for funding within a specific program of the foundation. The RFP lists project specifications and application procedures.

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.

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

Self-Dealing. An illegal financial transaction between a private foundation and a disqualified person(s). There are a few exceptions to the self-dealing rule, including the compensation of disqualified persons by a foundation for services that are necessary and reasonable. Violations of this rule result in an initial penalty tax equal to 5 percent of the amount involved, payable by the self-dealer.

Set-Asides. Funds set aside for future payments. If a foundation demonstrates successfully to the IRS in advance that the funds will in fact be paid within 60 months and that the project can better be accomplished by such a set-aside than by an immediate grant, the full appropriation may count in the first year.

Site Visit. Visiting a donee organization at its office location or area of operation; meeting with its staff or directors or with recipients of its services.

Social Investing (Ethical Investing and Socially Responsible 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.

Social Venture Fund. Charitable fund whose donor invests their expertise as well as their money, providing support and requiring accountability of nonprofit organizations just as venture capitalists do in business enterprises. (See Venture Philanthropy.)

Spend Out (Spend Down). Process used by foundations to deplete assets resulting in the closing of the foundation.

Strategic Planning. Strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what a foundation is, what it does and why it does it. Strategic planning involves the entire process of defining the future direction and character of the foundation, and of attempting over an adopted timetable to attain the desired state to accomplish related goals and outcomes.

Supporting Organization. An organization created primarily to fund the activities of one or more existing public charities. There must be a close relationship between the supporting organization and one or more such public charities.

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Tax-Exempt Organizations. Organizations that do not have to pay state and/or federal income taxes. Tax-exempt status can be obtained by applying to the IRS and, in most states, the Attorney General's Office.

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.)

Tipping. The situation that occurs when a grant is made that is large enough to significantly alter the grantee's funding base and cause it to fail the public support test. This failure can result in the grantee's conversion to a private foundation and would also require expenditure responsibility on the part of the grantor.

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

Trustee. The person(s) or institutions responsible for the administration of a trust.

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Unrestricted Funds. A grant that does not specifically stipulate how the money is to be spent by the grantee. (Note: In community foundations, Unrestricted Funds refer to funds the foundation holds that are not designated by donors and may be granted at the discretion of the board of the community foundation.)

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Venture Philanthropy. Charitable funding where donors invest their expertise as well as their money, providing support and requiring accountability of nonprofit organizations similar to what venture capitalists do in business enterprises. Donors may assist nonprofit organizations in the planning, launch, and management of new programs or social purpose enterprises. In addition to grants, venture philanthropists provide networking, management advice and an array of other supports to organizations within a given portfolio of charitable investments. (See Social Venture Fund.)

Virtual Foundation. Refers to the transition from grantmaking through mail and face-to-face meetings to grantmaking by email and Internet transfers. Such a foundation may exist only on the Internet and be capable of transferring money from philanthropists to organizations globally.

*This glossary is adapted with permission from a version that appeared in the Family Foundation Library series [Council on Foundations, 1997, Virginia M. Esposito (editor)]. As significant edits were made to the text and more than 40 new entries were added, the National Center for Family Philanthropy is solely responsible for its content. * The Family Foundation Library series is available from the Council on Foundations at www.cof.org.*

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