

FAMILY PHILANTHROPY GLOSSARY

You are not imagining it – the field of philanthropy is full of lingo and acronyms and tax-related terms. We have compiled this glossary from definitions provided by the Donors Forum of Chicago, The Foundation Center and included a few of our own. We tried to pull out the main ones that you will run into.

501(c)(3): The section of the tax 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.

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.

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

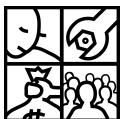
Articles of Incorporation: A document filed with the secretary of state or other appropriate state office by persons establishing a corporation. This is the first legal step in forming a nonprofit corporation.

Assets: 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 resulting income is used to make grants.

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

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

Community funding board: A decision-making body comprised of people who are constituents of a geographic area or issue for the purposes of making grants. The scope of a community funding board's responsibilities may include reviewing applications, participating in site visits and making final grant decisions.



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.

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. The law bars most financial transactions between disqualified persons and foundations.

Donor advised fund: A fund held by a community foundation, public charity or other entity, where the donor or a committee appointed by the donor recommends eligible charitable recipients from the fund.

Endowment: Funds intended to be invested in perpetuity to provide income for continued support of a not-for-profit organization.

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 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.

Family foundation: An independent private foundation whose funds are derived from members of a single family. Family members often serve as officers or board members of family foundations and have a significant role in their grantmaking decisions.

Form 990-PF: The public record information return that all private foundations are required by law to submit annually to the Internal Revenue Service (IRS).

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.

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

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



Grantee: Also referred to as a grantseeker, the individual or organization that receives a grant.

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

Guidelines: Procedures set forth by a funder that grantseekers should follow when approaching a grantmaker.

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

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

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. Private foundations are established to maintain or aid social, educational, religious, or other charitable activities serving the common welfare, primarily through the making of grants.

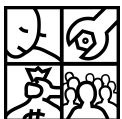
Public charity

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

Public charity: A nonprofit organization that qualifies for tax-exempt status under section 501(c)(3) of the IRS code. Public charities are the recipients of most foundation and corporate grants. Some public charities also make grants.

Public foundation: A nonprofit organization that receives at least one-third of its annual income from the general public (including government agencies and foundations). Public foundations may make grants or engage in charitable activities. Public foundations, along with community foundations, are recognized as public charities by the IRS. Although they may provide direct charitable services to the public as other nonprofits do, their primary focus is on grantmaking.

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.



Self-dealing: A private foundation is generally prohibited from entering into any financial transaction with disqualified persons. 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. Violation results in an initial penalty tax equal to five percent of the amount involved, payable by the self-dealer.

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

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

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

Technical assistance: Operational or management assistance given to nonprofit organizations. This type of help can include fundraising assistance, budgeting and financial planning, program planning, legal advice, marketing, and other aids to management.

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

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