



## **BEST PRACTICES**

### **A BOARD GLOSSARY**

This glossary is supplied to provide a common reference for terms and concepts used in the area of board development.

#### **A**

##### **Accountability**

a board's sense of responsibility, building of trust, and credibility with the public and constituents

##### **Ad hoc Committee**

a temporary committee or task force established to address a specific issue

##### **Advisory Council**

a group created to advise and support a nonprofit and its board, also called advisory group, advisory committee, or advisory board; usually focuses on a specific issue

##### **Advocacy**

representing an organization through articulating the mission and supporting and defending the organization's message

##### **Annual Campaign**

a fundraising program that occurs annually to help raise basic operational funds

##### **Articles of Incorporation**

an official statement of creation of an organization; it is filed with the appropriate state agency

##### **Assets**

all money and property owned by an organization

**Audit**

a review of financial and/or legal transactions and activities of an organization

**B****Board Cycles**

a term used to describe the evolution of an organization's board from creation to full operation and establishment

**Board Development**

a process of building effective boards and educating board members about their governance role

**Board Member**

a person sharing the responsibility and liability for the organization with the rest of the members of the board

**Board Member Agreement**

a verbal or written commitment outlining board member expectations

**Board Member Profile Grid**

a tool helping identify desired characteristics and gaps on a board

**Board of Directors**

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

**Bylaws**

the legal operating guidelines for a board

**Bylaws Amendment**

a change to the original bylaws of an organization; the bylaws themselves should outline amendment procedures

**C****Capital Campaign**

a fundraising program to help raise funds for major capital projects or an endowment

**Case Statement**

a tool used in fundraising to help articulate the purpose and goals of a specific campaign

**Charitable Contribution**

a tax-deductible donation given to a nonprofit organization

**Charter**

the legal organizational document for a nonprofit; also known as the articles of incorporation or articles of organization

**Code of Conduct**

the high ethical standards expected of every board member

**Confidentiality Clause**

a board policy defining unauthorized and improper disclosures of confidential information by board members

**Conflict of Interest**

a situation in which the personal or professional concerns of a board member or a staff member affect his or her ability to put the welfare of the organization before personal benefit

**Consent Agenda**

a component of the meeting agenda that groups routine items and resolutions as one agenda item

**D**

**D&O (Directors' and Officers') Insurance**

insurance that protects board members and top staff personnel from 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

**Direct Marketing**

a fundraising method relying on a one-to-one form of communication

**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**

inclusivity; equal opportunity; collective mixture of participants

**Donor-advised Funds**

donations given to an entity in which the donor retains some control over how the funds are spent

**Due Diligence**

an expectation that a board member exercises reasonable care and follows the business judgment rule when making decisions

**Duty of Care**

an expectation that a board member exercises reasonable care when making decisions

**Duty of Loyalty**

an expectation that a board member remains faithful and loyal to the organization

**Duty of Obedience**

an expectation that a board member remains obedient to the central purposes of the organization and respects all laws and legal regulations

**E****EIN (Employee Identification Number)**

a number issued by the IRS to all corporations

**Endowment**

a fund or collection of assets whose investment earnings support an organization or a specific project

**Ex Officio**

"by reason of their office"; a person serving on a board due to his or her position rather than through elections

**Executive Committee**

a committee that has specific powers, outlined in the bylaws, which allow it to act on the board's behalf when a full board meeting is not possible or necessary

**Executive Session**

a meeting of a board in which no staff are present

**F****Feasibility Study**

a first step for a capital campaign to determine whether adequate support exists to launch the campaign

**Fiduciary Duty**

a responsibility of board members and the nonprofit board as a whole to ensure that financial resources of an organization are sufficient and handled properly

**Foundation**

a tax-exempt nonprofit organization that normally distributes funds rather than running its own programs

**Fundraising**

a wide variety of activities that help generate donations for an organization

**G****Governance**

the legal authority of a board to establish policies that will affect the life and work of the organization while holding the board accountable for the outcome of such decisions

**Governance Committee**

a committee responsible for recruiting, orienting, and training of board members

**Grant**

funding provided to an organization through a foundation or government source

**I**

**In-kind Donation**

a donation of products or services to a nonprofit by a company or individual

**Incorporation**

a legal process in which a group is created and recognized by the state as an entity separate from the individuals who manage or govern it

**Indemnification**

a guarantee by an organization to rely on its own resources to pay board members' legal costs for claims that result from board service

**L**

**Lead Gift**

a major gift, usually from a board member to launch a capital campaign

**Liability**

any legal responsibility, duty, or obligation

**M**

**Membership Organization**

a nonprofit that grants its members specific rights to participate in its internal affairs

**Mentoring**

an orientation tool where an experienced board member helps teach new board members about the organization and the work of the board

**Minutes**

a legal written record of what occurred during a meeting

**Mission Statement**

a statement reflecting the fundamental purpose and reason an organization exist

**N****Nonprofit Organization**

an organization established for activities other than profit making

**Nonprofit Sector**

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

**O****Officer**

a board leadership position; typically refers to the chair, vice chair, secretary, or treasurer

**Open Meeting Laws**

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

**Operational Reserves**

a reasonable buffer against unforeseen, seasonal, irregular, or exceptional cash shortages

**Orientation**

educating board members on their roles, responsibilities, their organization, and how the board works

**P**

**Planned Giving**

gifts through wills, bequests, or trusts

**Policy**

a written plan used to influence and determine decisions or actions about a specific issue

**Policy Manual**

a book in which all policies are compiled

**President**

a term used to describe the chief volunteer officer or the chief staff officer of an organization

**Q****Quid Pro Quo Contribution**

a donation that is given with the condition that the donor receives something in return

**Quorum**

a minimum number of people required at a meeting in order for business to be conducted

**R****Retreat**

a day or weekend event where the board or staff go to a location outside of the office or board room and focus on a specific issue or a specific group of issues; examples include orientation, strategic planning, or self-assessment

**Robert's Rules of Order**

a parliamentary procedure used to conduct meetings

**S****Secretary**

an officer position that involves taking minutes and keeping records and archives of the



board

**Self-assessment**

a process by which the board evaluates its own performance

**Staggered Term Limits**

an organizational structure where board members' terms expire in alternating years

**Sunshine Laws**

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

**SWOT Analysis**

a tool for strategic planning; focuses on strengths, weaknesses, opportunities, and threats

**T**

**Tax-deductible Donation**

a donation in which the donor can deduct the amount of the donation from his or her taxable income

**Term Limits**

a restriction on the number of consecutive terms that a person can serve as a board member

**Third Sector**

a term used to describe the nonprofit sector, as it is separate from government and the for-profit sector

**Transparency**

a system of operation that allows outsiders to see how the organization operates, makes decisions, and uses resources; an important aspect to ensure the public trust in an organization

**Treasurer**

a board officer position that is responsible for coordinating and ensuring financial oversight of the organization

**V**

**Values Statement**

a written description of the beliefs, principles, and ethical guidelines that direct a nonprofit's planning and operations

**Vice-chair**

a board officer whose main duty is to replace the chair when the chair is not able to carry out his or her duties

**Vision**

a picture or a dream of a desired future

**Vision Statement**

a written description of the ultimate desired objective of the organization

**Volunteer**

a person working without compensation

**Volunteer Protection Act**

a law that protects volunteers from personal financial liability when acting for an organization

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**360-degree Evaluation**

a form of employee evaluation in which supervisors, subordinates, and colleagues participate in the evaluation

**501(c)(3)**

refers to public charities and private foundations as defined by the IRS