

GLOSSARY

of Nonprofit Governance

#



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

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 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,

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: collective mixture of participants from different backgrounds, aiming for inclusiveness rather than mere presence of people from different backgrounds

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

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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

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

Foundation: a tax-exempt nonprofit organization operating under more stringent regulations; 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

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

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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

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

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

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

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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

R

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

Transparency: a system of operation and communication that enables people to understand how the organization operates, makes decisions, and uses resources; an important aspect to ensure public trust

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; may or may not imply position as chair-elect

Vision: a picture or a dream of a desired future

Vision statement: a written description of what the organization intends to achieve at some point in the future, either in terms of the organization itself or in terms of the impact the organization will have had on the community

[Source: Nonprofit Board Fundamentals](#)