Glossary of Key Terms

**Nebraska City Community Foundation Fund**

**501(c)(3)**: Refers to the section of the Internal Revenue Code (IRS) that designates an organization as charitable and exempt from federal income tax. This designation is granted to qualified nonprofit entities that are organized to perform and support qualified charitable purposes including support of religion, promotion of education, assistance to governments, promotion of health, relief of poverty or human distress, and projects and programs that benefit the community in general. Individuals donating to an approved 501(c)(3) organization are eligible to claim a deduction for their contribution on their federal income tax return.

**Accounts**: Accounts are established for specific designated purposes such as projects or programs. These accounts allow an association of volunteers access to our 501(c)(3) tax-free status, our accounting system to track donations and disbursements, our marketing system, etc. Accounts are established to ensure that we respect donor intent.

**Action Plan:** A process used to implement the goals of a strategic plan that identifies how an organization will achieve a specific goal, detailing what methods, which individuals are responsible for the actions, and by what date: What, How, Who, When. (See Strategic Plan)

**Active Hope:** Proactively pursuing a dream or goal with the full intent of achieving it. The opposite is passive hope where individuals wait for help from the outside to solve a problem for them. (see Passive Hope) There is a great video describing Active Hope on NCF’s Vimeo website: <https://vimeo.com/manage/115997720/general>

**Affiliation:** The formal relationship between the Nebraska Community Foundation (NCF) a 501(c)(3) organization and the Nebraska City Community Foundation Fund (NCCFF). Affiliation allows NCCFF to operate under NCF’s umbrella. The affiliated Fund enjoys the benefits of the tax-free organization without having to apply to the IRS. NCCFF is not a stand-alone foundation.

**Articles of Operation:** Rules governing the operation of an affiliated fund. The articles describe the methods for the selection of Fund Advisory Committee members, term limits, creation of sub-committees, and the process of conducting the meetings and business of the organization.

**Asset**: Includes cash, stocks, bonds, real estate or other tangible holdings of an individual or institution. Assets gifted to a foundation are converted to cash, invested and the resulting income is used to make grants.

**Asset-Based Community Development (ABCD):** A strategy for sustainable community driven development. The appeal of ABCD lies in its premise that communities can drive the development process themselves by identifying and mobilizing existing, but often unrecognized assets, and thereby responding to and creating local economic opportunity. ABCD builds on the assets that are already found in the community and mobilizes individuals, associations, and institutions to come together to build on their assets – not concentrate on their needs.

**Associations**: Groups of private individuals such as clubs, volunteers, nonprofit organizations who come together for a common concern for their community. Individuals share their gifts and skills and shared passion for a cause. They are held together by caring. Alex de Tocqueville said associations are the heart of democracy in America. The opposite is institutions which are held together by money and bureaucracy. (See Institutions)

**Beneficiary:** A person or organization entitled to receive a portion of assets from a donor’s life insurance policy, or retirement fund, will, trust, etc.

**Bequest:** A sum of money or other property directed by an individual’s will to a specified person or organization. (See Will)

**“Bricks and Mortar” Grants:** An informal term referring to grants for physical objects in contrast to grants that invest in people and programs.

**Bylaws:** Rules governing the operation of an independent corporation (such as Nebraska Community Foundation). Bylaws provide the methods for the selection of directors, term limits, creation of committees, and the process of conducting the meetings and business of the corporation. NCF’s affiliated funds, such as NCCFF, have articles of operation, not bylaws. (see Articles of Operation)

**Capital Campaign:** Also referred to as a Capital Development Campaign, a capital campaign is an organized drive to collect and accumulate substantial funds to finance major needs of an organization such as a building or major repair project.

**Capturing Wealth:** The process of inspiring donors to give a portion of their assets and/or estate back to their hometown community. (see Transfer of Wealth)

**Challenge Grant:** A pledge that is paid only after the grantee organization is able to raise a specific amount of new matching funds from other sources, usually within a defined period of time. Challenge grants are often used to incentivize giving from a wide base of donors. (see Matching Grant)

**Charitable Gift Annuity:** An agreement between a donor and a public charity whereby the donor irrevocably makes a gift of cash or stocks and, in turn, the public charity agrees to pay a fixed amount of income to one or two beneficiaries for life. Upon the donor’s deaths, the unused remainder is used by the public charity to fulfill their charitable purpose.

**Charitable Organizations:** In its traditional legal meaning under the IRS, the word “charity” encompasses support of religion, promotion of education, assistance to governments, promotion of health, relief of poverty or distress to humans, and purposes that benefit the community as a whole. Nonprofit organizations that are organized and operated to further one of these purposes generally will be recognized by IRS as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (see 501(c)(3) and donors to these organizations will be eligible to receive tax-deductible receipts for their gifts.

**Community Foundation:** A tax-exempt, nonprofit, autonomous, publicly-supported, philanthropic institution composed primarily of permanent funds and non-permanent funds established by many separate donors. A community foundation raises money and makes grants for charitable purposes in a specified community or region. Typically, a community foundation serves an area no larger than a state. Most community foundations are classified by the IRS as public charities and are thus eligible for the maximum tax-deductible contributions from the general public.

**Corporate Foundation:** A corporate (company-sponsored) foundation is a private foundation that derives its grantmaking funds primarily from the contributions of a profit-making business. The company-sponsored foundation often maintains close ties with the donor company, but it is a separate, legal organization, sometimes with its own endowment, and is subject to the same rules and regulations as other private foundations.

**Compliance**: The process of following required laws, rules, procedures and regulations. For community foundations those are prescribed by federal, state and sometimes local authorities. One of the primary benefits of our affiliation with Nebraska Community Foundation is that they keep us in compliance by monitoring each financial transaction.

**“Create a culture of giving”**: A key element of NCCFF’s mission statement. It was included by the Fund Advisory Committee during their strategic planning sessions in 2009 to emphasize their goal to encourage all citizens of the community to give back and pay it forward. (see Time-Talent-Treasure)

**Designated Fund:** A restricted fund of a foundation under which the recipient beneficiaries are specified by the grantors. Examples would be a fund to support a specific charitable project such as an entrepreneurship education program, leadership development, attracting young families back to a community, etc.

**Donor:** An individual or entity making a contribution to a nonprofit organization, public charity, or fund. Contributions can be current gifts of cash or planned gifts through an estate.

**Donor Intent:** The purpose, publicly expressed or not, for which a philanthropist intends a charitable gift or bequest. Donor intent is most often expressed in gift restrictions, terms, or agreements between a donor and a donee, but it may also be expressed separately in the words, actions, beliefs, and giving practices of a philanthropist. Donor intent is protected in American law regarding charitable trusts where trustees' primary fiduciary obligation is to carry out a donor's wishes.

**Donor-Advised Fund (DAF):** A DAF is a charitable account administered by a public charity. Donors can open a qualified account, make a contribution and receive an immediate tax deduction. The contribution is irrevocable and the asset becomes the property of the public charity, which invests the funds. Although the donor no longer controls the funds once contributed, they can recommend types of grants to be made to other charitable organizations and purposes. DAF’s are much easier to manage than a private foundation. (See Family Foundation)

**Earnings**: Interest, dividends, or income which are provided from assets owned by an organization or individual. NCCFF uses the investment earnings from its endowment (which is greater than just interest earnings) to make grants.

**Eligible Charitable Organization:** Eligible charities to receive grants from an affiliated fund are those charities that can prove they exist for qualified charitable purposes and/or any grant they receive would be used for charitable purposes. Typically, eligible organizations are those that have been granted 501(c)(3) status by the Internal Revenue Service or are a government entity (City, County, School District, etc.)

**Endowment:** A permanent fund owned by a nonprofit organization, such as a community foundation, for which the principal amount of gifts and bequests are accepted subject to a requirement that the principal be maintained intact and invested to create an annual source of income for the organization. Endowed money is produces investment earnings and interest. The charity spends only the earnings and keeps the original sum untouched. Endowments are commonly found with entities such as hospitals, colleges, schools, libraries, etc. or can be unrestricted. (Also see Restricted Funds and Unrestricted Funds).

**Estate Planning**: A process of creating an orderly and desirable arrangement for the disposition of the assets owned by an individual at his or her death. Estate plans are developed by working with a financial advisor (attorney, accountant, trust officer, life insurance agent, etc.). The main objective is to ensure that the individual’s wishes regarding the security of their family and others are fulfilled. Tax consequences are also taken into consideration during estate planning. A well-drafted estate plan can provide significant benefits to the donor and/or family and help ensure that his or her philanthropic legacy continues. Even simple plans allow the individual to make a choice as opposed to leaving the probate of their assets to chance based on laws of government.

**Expectancy:** The estimated amount anticipated to be received by a charity through a confirmed planned gift.

**FAC:** (see Fund Advisory Committee)

**Family Foundation:** “Family foundation” is not a legal term, but it describes an independent private foundation whose funds are derived from members of a family. (Examples in Nebraska City are the Kimmel, Kropp, Nelson, Steinhart and Wirth Foundations). Family members often serve as officers or board members of family foundations and have a significant role in their grantmaking decisions. (See Donor-Advised Fund)

**Fiduciary Duty:** The legal responsibility for investing money or acting wisely on behalf of another. Managers of charitable entities have fiduciary obligations to their donors and to the charity.

**Field of Interest Funds:** A field of interest is a charitable cause reflecting an area of the donor’s personal interest. Fields of interest may include, but are not limited to the arts, the environment, women’s services, education, youth services, religion, and health.

**Form 990:** The information that tax-exempt public charities are required to report annually to the IRS, (similar to a tax return). The IRS uses this form to assess compliance with the Internal Revenue Code. Form 990 lists organization assets, receipts, expenditures, and compensation of officers. Copies of Form 990 are open to the public. NCF’s Form 990 and can be viewed online at <https://www.nebcommfound.org/about/financials/>.

**Foundation:** A tax-exempt, nonprofit, autonomous, philanthropic organization, supporting charitable causes of religion, promotion of education, assistance to the government, promotion of health, relief of poverty or distress of humans, and other charitable purposes which benefit the community as a whole. Foundations which have 501(c)(3) status are exempt from federal income tax and are eligible to receive tax-deductible charitable gifts. Foundations are designated by the IRS as “public” or “private” based on their mission. (see Community Foundation and Family Foundation)

**Fund Advisory Committee:** The leaders of the affiliated fund. They are not referred to as board members because NCCFF is an affiliated fund of NCF and is not an independent foundation. (See Affiliation)

**Giveback:** A donor’s act of contributing to their hometown or favorite charity by making a current gift of cash or a future gift through a planned gift to benefit either a designated or an unrestricted cause.

**Grant:** An award of funds from a foundation or affiliated fund to a qualified charitable organization or governmental entity.

**Grantee:** The organization that receives a grant from a foundation or affiliated fund.

**Grantor :** The foundation or affiliated fund that makes the grant to an organization.

**Grant Report:** The final report on the results of the activities funded by a grant with the objective of determining that the terms and conditions of the grant were met.

**Granting Cycle:** A chronological pattern of application review, decision-making and applicant notification.

**Grant Guidelines:** A statement of a foundation's goals, priorities, criteria and procedures for applying for a grant

**Guidestar.org:** A for-profit business that hosts a website of information about nonprofit organizations. It is a valuable resource when researching financial information, verifying 501(c)(3) status of an organization, viewing form 990’s, etc.

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

**IRS:** The Internal Revenue Service. The federal agency with responsibility for regulating public charities and foundations and their activities.

**Institutions:** Governments, businesses, universities, etc. that have paid leaders and paid staff. They are held together by money and bureaucratic methods, policies and procedures. The opposite is an association. (See Association)

**Inurement:** To transfer or use a charity’s assets or income for the benefit of non-qualified individual. Inurement is a specific form of private benefit and is prohibited for all 501(c)(3) organizations.

**“Investing in People”:** A key element of NCCFF’s mission statement. It was included by the Fund Advisory Committee during their strategic planning sessions in 2009 to emphasize grants to programs and projects that support individuals rather than brick and mortar projects.

**Investment:** The financial management of an asset to provide an income stream for future grantmaking. Another meaning of investment refers to a grant that is strategic and makes a lasting impact.

**Legacy Gifts:** Significant contributions that an individual provides, both in giving during their lifetime and through their estate plan after their death, which create significant and lasting impact.

**Legacy Society**: A group of individual donors that receive special recognition by Nebraska Community Foundation. These donors are recognized for making a planned gift of any kind to their communities affiliated fund.

**Leverage:** A method of grantmaking practiced by some foundations and donors. Leverage occurs when a portion of money is given with the express purpose of attracting additional funding from other sources or of providing the organization with the tools it needs to raise other kinds of funds. An example is a challenge grant.

**Matching Grant:** A matching grant is a method a donor uses in to leverage additional funds from other donors. The donor agrees to contribute a certain amount if the organization can raise a required matching amount. For example, if a grant is made on a 1:1 match, for every dollar raised by the organization, the funder will match an equal amount, up to a specified amount within a specified time frame, such as three years. This process is an effective way to build an endowment. (See Challenge Grant)

**Mission Statement:** A written [declaration](http://www.businessdictionary.com/definition/declaration.html) of an [organization's](http://www.businessdictionary.com/definition/organization.html) core purposes. Properly crafted [mission](http://www.businessdictionary.com/definition/mission.html) statements serve as filters to separate what is important from what is not, to focus on which goals will be pursued and how, and to communicate a sense of intended direction to the entire organization. A mission is different from a vision in that the vision is the cause and the [mission](http://www.businessdictionary.com/definition/latter.html) is the effect; a mission is something to be [accomplished](http://www.businessdictionary.com/definition/accomplished.html) whereas a vision is something to be pursued. A “visionary” dreams about what could be, a “missionary” goes into the field and makes it happen.

**Nonprofit (a.k.a. non-profit or not-for-profit):** An organization whose income is used for the benefit of others or for the community in general. Various categories of nonprofits are designated by the Internal Revenue Service. Funds received by a nonprofit must be used only in support of its stated mission and purpose. Note: A majority of nonprofit organizations in rural communities may not have “charitable” tax status from the IRS. For example, Chambers of Commerce, Community Clubs, Golf Courses, American Legions, Cemetery Associations are all nonprofit, but are organized primarily to benefit their members so are therefore not considered charitable or tax-exempt in the eyes of the IRS.

**Non-Traditional Scholarship**: A scholarship given to a non-traditional student: an adult whose post-secondary education was interrupted but now desires to go back to attain post-secondary education, or professional development/certification.

**Operating Support:** A contribution given to cover an organization’s day-to-day expenses, such as salaries, utilities, office supplies, etc.

**Passive Hope**: Individuals waiting for help from the outside to solve a problem for them or to fulfill their dream or goal. The opposite is active hope when individuals are proactive. (See Active Hope)

**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 (5%) of the average market value of its total assets. NCF offers affiliated funds a choice between two asset allocation models – an equity-weighted (4.5% annual payout rate) and a balanced (3.5% annual payout rate).

**Philanthropy:** The word is derived from the Greek language, translated as “love for mankind.” Modern definitions include the concept of voluntary giving by an individual or group to promote the common good and improve the quality of life. Philanthropy includes gifts of time, talent and treasure.

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

**Planned Gift:** A future gift of a donor’s assets such as a payout of a life insurance policy, a specified dollar amount, or percentage of assets in a will, etc. Planned gifts are typically developed by working with a professional financial advisor (attorney, accountant, trust officer, life insurance agent, etc.). The donor may direct a portion of his or her assets to charitable causes of his or her choice to create a philanthropic legacy. The donor typically receives favorable tax consequences from making a planned gift.

**Private Foundation:** A 501(c)(3) organization, further defined in the IRC section 509(a), that does not qualify as a public charity. Generally, a Private Foundation is a nonprofit organization established and supported primarily by private funds such as from a family or business. Private operating foundations conduct their own programs, expending funds directly for charitable activities. A private non-operating foundation supports charitable activities by making grants to other qualified nonprofit organizations. Private foundations are required to grant at least 5% of their assets each year. (See Family Foundation and Donor-Advised Fund)

**Private Benefit:** The IRS does not allow the transfer or use of a charity’s assets or income, or the conferment of undue advantage, to benefit private persons especially to the organization’s insiders. Any private benefit cannot be more than incidental to the charitable purpose being served. Private benefit is a broad term that includes inurement and applies to all 501(c)(3) organizations. (see Inurement)

**Professional Advisors:** Individuals who assist in planning and executing charitable giving through providing information on giving options according to one’s specific financial situation and interests. Types of professional advisors include: attorneys, accountants, bankers, estate planners, financial planners, stockbrokers, insurance brokers, planned giving officers, and philanthropic consultants.

**Public Charity:** A nonprofit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and that receives its financial support from a broad segment of the general public. Religious, educational, and medical institutions are deemed to be public charities. Other organizations exempt under Section 501(c)(3) must pass a public support test (see Public Support Test) to be considered public charities, or must be formed to benefit an organization that is a public charity. Charitable organizations that are not public charities are private foundations (see Private Foundation and Family Foundation) and are subject to more stringent regulatory and reporting requirements.

**Public Foundation:** Public foundations are nonprofit organizations that receive at least one-third of their income from the general public. 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.

**Recipient (Grantee):** A nonprofit organization, public entity or group recommended to receive a grant from a donor-advised fund or affiliated fund.

**Restricted Funds:** Assets or income that are expressly restricted by the donor or donors as to their use, types of organizations that may receive grants from them, or the purpose or procedures used to make grants from such funds. (See Unrestricted Fund)

**Revocation:** A corrective action by IRS which removes a charity’s tax-exempt charter. Revocation is used for violations such as inurement, performing non-exempt activities, operating in a commercial manner or operating for private benefit. It also occurs when an organization fails to file an annual Form 990.

**Rural Development Philanthropy (RDP)**: Affiliated funds use RDP principles to develop financial resources to strengthen the community, now and into the future. RDP involves convening, fundraising, endowment-building, grantmaking and other community-building opportunities. RDP creates locally-controlled assets and invests them to shape a better future and promote the well-being of all community members. It unites the tools of community development and philanthropy, engaging all people to come together with their voices, ideas, strategies, talents and giving.

**Seed Money:** A start-up grant or cash contribution to help a new nonprofit organization or a program during its first few years. Such grants can be for more than one year, and frequently decrease in amount each year. For example, a grant might be $25,000 in the first year, $15,000 the second year, and $7,000 the last year. The funder usually assumes that the new organization will begin to raise other funds to replace the need for the start-up grant funding.

**Social Capital:** The collective value of personal relationships (how people know each other) and the opportunities that arise from those relationships to do things for each other (reciprocity) and to benefit their community.

**Strategic Plan:** A document that describes goals of an organization and specific action items to achieve those goals. The plan typically includes vision, mission and values statements. A good plan identifies specifically with what actions and how the goals are to be accomplished, by whom and by when. (See Action Planning)

**Tax-Exempt Organizations:** Organizations that do not have to pay federal income taxes. Organizations other than churches must apply to the Internal Revenue Service to get approval for the status of tax exempt under Section 501(c)(3) of the Internal Revenue Code. Certain charities (but not community foundations) may also be exempt from state income, sales, and local property tax. Community foundations and affiliated funds pay sales tax.

**Time – Talent – Treasure**: The three key elements of philanthropy: personal gifts of hours, skills and money invested for a greater cause. We celebrate each of these gifts… not just money. (See Culture of Giving)

**Transfer of Wealth:** The intergenerational Transfer of Wealth refers to the assets transferring between generations that occurs when wealth that has been amassed by the older generation is passed on to their children as inheritance. A number of community foundations are focusing their efforts on capturing a portion of that wealth through philanthropy in order to keep it in and benefit the community.

**Trust:** A legal arrangement used to set aside money or property of one person or institution (trustor) for the benefit of one or more persons or organizations (beneficiary/beneficiaries).

**Trustee:** The person or institution responsible for the administration of the financial affairs of a trust.

**Unrestricted Funds:** Assets or income that has not been designated to any specific use by the donor or donors. The board or the advisory committee overseeing an unrestricted fund has the freedom to spend the funds in ways that they determine will fulfill the mission of the organization to which the funds have been given. (See Restricted Fund)

**Values Statement:** A [declaration](http://www.businessdictionary.com/definition/declaration.html) that informs donors about an organization’s core [beliefs](http://www.businessdictionary.com/definition/beliefs.html). [Nonprofit](http://www.businessdictionary.com/definition/company.html) organizations often use value statements to help them identify with and connect to targeted [donors](http://www.businessdictionary.com/definition/consumer.html) and audiences, as well as to remind [board](http://www.businessdictionary.com/definition/employee.html) members about the organization’s priorities.

**Vision Statement:** An aspirational [description](http://www.businessdictionary.com/definition/description.html) of what an [organization](http://www.businessdictionary.com/definition/organization.html) would like to [achieve](http://www.businessdictionary.com/definition/achieve.html) or [accomplish](http://www.businessdictionary.com/definition/accomplish.html) in the mid-term (5 year) or [long-term](http://www.businessdictionary.com/definition/long-term.html) (20+ years) future. It is intended to [serve](http://www.businessdictionary.com/definition/serve.html) as a guide for choosing [current](http://www.businessdictionary.com/definition/current.html) and future courses of action. (See Mission Statement and Values Statement)

**Volunteerism:** Freely giving of one’s personal talent, time and/or treasure without expectation of financial compensation. Performing acts of kindness, for the fulfillment of community betterment.

**Will:** A legal document in which a person states various binding intentions about what he or she wants to be done with his or her property and personal assets after death.

**“Work with the Willing”:** Seeking positive, proactive partners in community betterment efforts. Combining energies and synergies of individuals in positive ways. Working with someone, not for them. Not forcing action when there is no cooperation.

**Youth Advisory Committee (YAC):** A group of high school students who serve as a sub-committee of NCCFF to help fulfill its vision and mission. NCCFF’s YAC involves sophomores, juniors and seniors from Lourdes and NC Public Schools. The members of YAC are learning the skills of governance, grantmaking, marketing and donor relations.

**Youth Philanthropy Contest:** Started by NCCFF in 2013, middle school and high school students are offered up to $1,000 help them complete projects that they submit that fulfill NCCFF’s mission of “investing in people.” Past examples are “Boxes of Sunshine,” “Wags and Smiles,” and “Keys for Kids.”

See National Philanthropic Trust’s website [www.nptrust.org](http://www.nptrust.org) for definitions of additional terms.

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