



## The Language of Philanthropy: A Glossary of Terms

### **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)(1-2 and 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.).*

### **Advised Fund (or Donor Advised Fund)**

A fund held by a community foundation in which the advisor(s) may recommend grants to qualifying charitable organizations and public agencies. Recommendations will receive full and careful consideration but are not binding on the community foundation's governing board.

### **Annual Report**

A voluntary report published by a foundation or corporation describing its grant activities. It may be a simple, typed document listing the year's grants or an elaborately detailed publication. A growing number of foundations and corporations use an annual report as an effective means of informing the community about their contributions activities, policies, and guidelines. (The annual contributions report is not to be confused with a corporation's annual report to the stockholders.)

### **"Bricks and Mortar"**

An informal term indicating grants for buildings or construction projects.

### **Building Campaign**

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

### **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.

### **Challenge Grant (or Matching Grant)**

A grant that is made on the condition that other monies must be secured, either on a matching basis or via some other formula, usually within a specified period of time.

### **Community Foundation**

A philanthropic institution focused on the long-term charitable benefits of the residents in a defined geographic area. Provides services to those who wish to establish funds without incurring the administrative and legal costs of starting independent foundations.

**Decline**

Also referred to as Denial, a decline is the refusal or rejection of a grant request. Some declination letters explain why the grant was not made but many do not.

**Demonstration Grant**

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

**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 grantee organization. Most foundations require a financial report from grantees.

**Fund Advisor**

Actively participates in grantmaking to nonprofit organizations by making grant recommendations to the community foundation's governing board. The donor usually names him or herself as an advisor and can name others as well. Successor advisors, such as his or her children, can be named, giving them the opportunity to carry on the family's tradition of philanthropy.

**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.

**Giving Pattern**

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

**Grant**

A cash award to an organization to undertake charitable activities. Can be designated for a specific project or program or for general operating support.

**Grantee**

The organization (or individual) that receives a grant.

**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. Grassroots fundraising activities include membership drives, raffles, bake sales, auctions, dances, and a range of other activities. Foundation managers often feel that successful grassroots fundraising indicates that an organization has substantial community support.

**Guidelines**

A statement of a foundation's goals, priorities, criteria, and procedures for applying for a grant.

**In-Kind Contribution**

A donation of goods or services rather than cash or appreciated property.

**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 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."

**Non-Profit Organization**

An organization whose purpose is for the benefit of the community, involving issues such as education, promotion of health, relief of poverty or distress, or religion. Generally recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and eligible to receive tax-deductible charitable gifts. Not maintained for the purpose of making a profit.

**Operating Support**

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

**Philanthropy**

From the Greek meaning "love for mankind." Philanthropy includes the concept of voluntary giving by an individual or group to promote the common good. Philanthropy also generally refers to grants of money given by foundations to non-profit organizations.

**Post-Grant Evaluation**

A review of grant results with the emphasis on whether the grant achieved its desired objectives.

**Seed Money**

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

**Site Visit**

Visiting an organization at its office location or area of operation and/or meeting with its staff or directors or with recipients of its services.

**Tax-Exempt Organizations**

Organizations that do not have to pay state and/or federal income taxes. Organizations other than churches seeking recognition of their status as exempt under Section 501(c)(3) of the Internal Revenue Code must apply to the Internal Revenue Service. Charities may also be exempt from state income, sales, and local property tax.

**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.)

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*Compiled by John Dickason (Markey Charitable Trust and Cambridge Associates), consultants from a Lexicon for Community Foundations (Council on Foundations), Glossary of Definitions and Terms (Cambridge Associates), Finance and Investment Handbook (Barron's), and other appropriate sources. 7/07*