



Community Foundation of Shelby County

Glossary of Terms

Rev. 11/2018

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.

501(c)(4-26) - The U.S. tax code sets forth a list of sections-501(c)(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.).

509(a) - Section of the tax code that defines public charities (as opposed to private foundations). A 501(c)(3) organization also must have a 509(a) designation to further define the agency as a public charity.

Advisory Committee – Individuals authorized through a Donor Advised Fund Agreement to make recommendations regarding the Fund’s investments and grant distributions.

Agreement – The signed document stating the terms and conditions guiding a charitable fund.

Assets - Cash, stocks, bonds, real estate, or other holdings of a foundation. Generally, assets are invested and the income is used to make grants.

Authorized Advisor - If at any time there is more than one advisor to a Donor Advised Fund, a majority of the advisors will in writing appoint one from among the advisory committee to act as the Authorized Advisor and all communications to and from the Foundation will be through the Authorized Advisor. If no Authorized Advisor has been appointed, the Foundation will consider the first surviving advisor named in the agreement to be the Authorized Advisor.

Bequest - A sum of money made available upon the donor's death.

Component Fund – An individual fund treated as part of the Community Foundation and permitted by the IRS to be included among the exempt assets of the foundation. The foundation’s governing board must have total control over all assets (principal, income and additional gifts) of a component fund.

Currency Risk - Currency exchange rate changes that effect an investment's economic performance.

Designated Use Fund – A charitable fund whose purpose has been restricted by the Donor to granting to charitable organizations named within the fund agreement.

Disqualified Person - As applied to public charities, the term includes (1) organization managers, (2) any other person who, within the past five years, was in a position to exercise substantial influence over the affairs of the organization, (3) donors and donor advisors with regard to transactions with a particular donor advised fund, (4) investment advisors to assets of donor advised funds, (5) and disqualified persons of supporting organizations who are also disqualified persons of the supported organization, (6) family members of the above, and (7) businesses they control.

Distributions - Amounts paid to beneficiaries from foundation funds as authorized by the Board of Trustees.

Donor – In a charitable fund agreement, refers to the individual, individuals, or organization establishing the charitable fund.

Donor Advised Fund - A fund may be classified as donor advised if it has at least three characteristics: (1) a donor or person appointed or designated by the donor has, or reasonably expects to have, advisory privileges with respect to the fund's distributions or investments, (2) the fund is separately identified by reference to contributions of the donor(s), and (3) the fund is owned and controlled by a sponsoring organization, such as a community foundation.

Donor Advisor- A donor or person appointed or designated by the donor who has, or reasonable expects to have, advisory privileges with respect to the fund's distributions and investments.

Economic Risk - Change in an economic factor such as inflation, interest rates or economic growth rates that cause volatility.

Endowment (or Endowed Fund) – A charitable fund which is intended to continue indefinitely with distributions being generally limited to the Spendable Amount as determined by the Foundation's Spending Policy.

Expenditure Responsibility - When it is determined that a grant recipient is a non-charitable entity, any charitable fund (including a donor advised fund) which permits such disbursements must provide evidence that the disbursement is going for a charitable purpose allowable by the fund agreement or grant approval process. Appropriate evidence would include a receipt, invoice or purchase order for an item or project that is to be used for a community event, a not-for-profit organization that is without a tax-exemption, or provide assistance in the event of a widespread emergency.

Field of Interest Fund – A charitable fund created to award grants to support a geographic region, charitable cause or community need. While the field of interest is identified by the establishing donor, the Board of Trustees determines grantees and amounts without consultation of the donor.

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

Grantee - The individual or organization that receives a grant.

Grantor - The individual or organization that makes a grant.

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

Income - Interest and dividends received during a given period of time.

Initial Donation – The establishing gift for a charitable fund.

Non-Endowed Fund – A fund which is intended to continue indefinitely, but distributions from which are not generally limited to Income, but come from Total Return and Principal.

Operating Risk - Changes in an investment's operations that cause its financial results to become less predictable/stable when compared to recent history.

Ordinary and Necessary Expenses – Has the same meaning as established under Section 162 of the Internal Revenue Code of 1986.

Pledge - A promise to make future contributions to an organization.

Preliminary Proposal - A brief draft of a grant proposal used to learn if there is sufficient interest to warrant submitting a full proposal.

Price Risk - Changes in an investment's economic expectations that are not reflected in the current price.

Principal - The initial contribution, together with any additional contributions plus any amounts transferred from undistributed income by action of the Board of Trustees.

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 to be considered public charities, or must be formed to benefit an organization that is a public charity.

Public Foundation - Foundations that are recognized as public charities by the Internal Revenue Service. Although they may provide direct charitable services to the public as other nonprofits do, their primary focus is on grant making.

Quasi-Endowment - Is a fund that functions like an endowment, but without any legal restriction to hold the fund permanently. The principal may be spent in accordance with donor terms and restrictions.

Realized Market Gain/Loss - The net increase (gain) or decrease (loss) on the sale of fund assets from the original investment.

Restricted Funds - Assets or income that is restricted in its use, in the types of organizations that may receive grants from it, or in the procedures used to make grants from such funds.

Risk - The variability of possible outcomes (volatility).

Salutatorian - The student usually having the second highest rank in a graduating class who delivers the salutatory address at the commencement exercises.

Scholarship Fund – A type of charitable fund that provides educational grants that meet the scholarship grant requirements of paragraph (1), (2), or (3) of Section 4945(g) of the Internal Revenue Code and applicable sections of the Pension Protection Act of 2006 regarding grants to individuals. The scholarship grant may support tuition, fees, books and supplies required for courses of instruction for a candidate seeking a degree at an accredited institution.

Sector Risk - Changes that effect an entire segment of the economy.

Spendable Amount – The amount available for granting from Endowed Funds as determined by the Spending Policy.

Spending Policy – A policy established by the board of trustees that provides a formula used to determine the amount available for grants from Endowed Funds.

Successor Advisor – An individual appointed or designated by the donor who has, or reasonably expects to have, advisory privileges with respect to the fund's distributions and investments.

Supporting Organization - A charity that is not required to meet the public support test because it supports a public charity. To be a supporting organization, a charity must meet one of three complex legal tests that assure, at a minimum, that the organization being supported has some influence over the actions of the supporting organization. Although a supporting organization may be formed to benefit any type of public charity, the use of this form is particularly common in connection with community foundations. Supporting organizations are distinguishable from donor advised funds because they are distinct legal entities.

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.

Total Return - The total of earned income plus realized market gain/loss plus unrealized market gain/loss for a given period of time.

Undistributed Income - The total income that has been recognized by the fund but undistributed as of a specified date.

Unrealized Market Gain/Loss - The net increase (gain) or decrease (loss) in the market value of fund assets for a given period of time.

Unrestricted Community Granting Fund – A charitable fund that has no specifically designated use, or for which restrictions have expired or been removed. The Board of Trustees has discretion to select grantees and determine award amounts without consultation of a donor.

UPMIFA – Passed in 2006, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides guidance and authority to charitable organizations concerning the management and investment of funds held by those organizations, and it imposes additional duties on those who manage and invest charitable funds. These duties provide protections for charities and protect the interests of donors who want to see their contributions used wisely. UPMIFA modernizes the rules governing expenditures from endowment funds, both to provide stricter guidelines on spending and to give institutions the ability to cope more easily with fluctuations in the value of the endowment.

Valedictorian - the student usually having the highest rank in a graduating class who delivers the valedictory address at the commencement exercises.

Variance Power - Authorizes the Community Foundation to adopt such regulations, procedures, and other administrative provisions to carry out the purposes of the Fund or as may be required by the Internal Revenue Service so as not to jeopardize the Foundation's status as a tax-exempt public foundation. Taken from Treas. Reg. 1.170A-9(f)(11)(v)(B)(1), Variance Power further authorizes the Foundation to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified charitable organizations, if in their sole judgment (without the approval of any trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the service area.