Board service requires an understanding of the terminology related to governance, meetings and legal requirements. **Board Terminology** provides definitions to the often-heard terms.

**Accreditation** – A program of compliance with standards applicable to *organizations* (certification applies to the qualifications of *individuals*.)

**Ad Hoc Committee** – A temporary committee with a narrow focus; disbanding upon completion of tasks. (See **Task Force, Standing Committee**.)

**Advertising** - Advertising includes any message that promotes or markets something that is intended to elicit a response. Advertising may trigger unrelated business income tax (UBIT.) Advertising income should be distinct from *sponsorship* income.

**Advocacy** – The process of influencing a decision making body on issues important to the organization. Related terminology includes **Lobbying** and **Grassroots Advocacy**.

**Affinity Program** – The board may recommend as preferred or sponsored program to the members. It should be mission related. (See **Endorsed Programs**)

**Agenda** – An agenda guides meetings. To add business to the agenda, identify the protocols, deadlines and channels. It is seldom expeditious to add items to an agenda when the meeting is in progress.

**Antitrust** – When two or more people in the same industry or profession get together to discuss business practices, there is a possibility of violating antitrust laws. Penalties can exceed millions of dollars.

**Apparent Authority** – A Supreme Court case cautions board members to be mindful of how they represent themselves with the organization. Follow lines of authority when speaking for or acting on behalf of the organization. The safest response to media questions, “I can’t speak for the organization but I can give you my personal opinion.”

**Articles of Incorporation** - The articles are filed with a state agency, outlining the governance of the organization. Most organizations are incorporated as a not-for-profit legal entity.

**Association** – A membership organization with a purpose of serving or helping the community it represents.

**Association Management Company (AMC)** – A firm that manages more than one nonprofit organization.

**Attendance** – Attendance requirements are addressed in the bylaws. **Due diligence** and **duty of care** require that directors be in attendance when decisions are made. A director should allocate adequate time and resources to fulfill responsibilities.

**Audiences** – Organizations have multiple internal and external audiences. The approach to communications and public relations requires strategic use of technology, recognition of personal
preferences for receiving communications, branding, and clear, crisp messaging.

Audit - An assessment of the finances and financial operations conducted by an independent and objective person (CPA.) In the format of an audit, review or compilation as required by board policy on a periodic basis. An audit committee has oversight for the process.

Audit Committee - An audit committee is an operating committee of the board of directors charged with oversight of financial reporting and disclosure.

Authority – Authority for the board’s responsibility for the organization (corporation) can be found in the articles of incorporation. The bylaws further describe directors’ relationship to and expectations of the board. Be sure not to exceed one’s authority as established in articles, bylaws and policies. Never assume authority as a director that has been granted to the chief elected officer and/or executive director.

BHAG – Big, hairy audacious goal. In Good to Great author Jim Collins offers that successful organizations set a goal that makes them stretch to achieve it.

Board Book (Leadership Manual) – The assembly of documents provided to volunteer leaders so they can perform their duties based on comprehensive knowledge about the organization.

Board Development – A planned approach to attracting and developing volunteer leaders to govern and guide an organization. Identifying future leaders is a responsibility of a board.

Board Liaisons – Directors may be assigned to a committee to serve as a resource and communications conduit between board and the committee.

Brand Platform – The mission, vision and values statements combine to make up the organization’s brand platform. The brand should distinguish an organization from similar organizations and communicate its purpose.

Branding – Marketing and communication initiatives to increase awareness of the organization, its image and purpose.

Budget – An itemized summary of estimated income and expenditures for the year. Directors are responsible for monitoring financial performance.


Business Plan – A document based on the long-term strategic plan that breaks down assignments and interim performance measures for the current year; also called a program of work or action plan.

Bylaws – A document stating the rules of governance as adopted by the board. Bylaws describe the relationship between the board of directors and its members and stakeholders. Amendments often require ratification by the membership.

Certification – A process of measuring competencies of individuals. Common certifications in nonprofit organizations include CAE - certified association executive, CMP - certified meeting professional, CFRE – certified fund raising executives, and CEM – certified exhibition manager.

Chamber of Commerce - An association of businesses organized to protect and promote business interests; usually designated as a 501(c)(6) organization by the IRS.

Charitable Deduction - An itemized income-tax deduction for donations of assets to IRS designated organizations, i.e. foundations.

Code of Ethics – Appropriate behaviors defined by a culture; expressed in the form of a code of ethics or standards. Ethics generally apply to the membership while “guiding principles” or a Values Statement applies to the board of directors and staff.
**Collaboration** – Organizations partner with entities having mutual interests. Directors should be aware of allied and competitive organizations, and how partnerships might evolve. Avoid creating a silo or isolation. Many organizations align with a *cause* to better position themselves.

**Committees** – Subsets of the board and membership organized to advance the work of the board and its strategic goals. Successful committees have a statement of purpose and current year explicit charges. A board should avoid doing committee work at the board table.

**Confidentiality** – Most of the work of the board should be treated with confidentiality. Do not assume that it is OK to disclose board actions and discussions without knowing the proper channels and carefully crafted messages.

**Conflict of Interest** – Directors must avoid real or perceived conflicts of interest. For example, if the board is voting on buying insurance, and a director’s spouse is an insurance agent, the potential conflict should be disclosed before or during the discussion and vote.

**Consent Agenda** - Non-controversial and non-action items are organized apart from the main agenda items, and approved by a single motion to expedite topics and discuss more substantive topics.

**Copyright** – A legal protection afforded to original works. Indication through a copyright notice that the organization owns the intellectual property. [© R Harris 2010]

**Cultural Expectations** – While the bylaws and articles give authority for the board to act, over time cultural expectations also guide directors. For example, it may be expected that directors dress for the role or that meetings start and end on time; directors may be asked to serve as ambassadors or to help raise funds. See **Rules of Engagement**.

**D and O Insurance** – Liability coverage for directors and officers to defend against liability created by their decisions or actions; may cover additional persons, i.e. committee chairs, CEO, etc.

**Designation** – Nonprofit organizations are assigned a designation by the IRS; most commonly referenced as a “501(c)#.” All 501(c) organizations file some format of IRS Form 990.

**Digital Distractions** – The concept of volunteer leaders more engaged by technology than the business at the board.

**Dishonesty Bond** - An insurance policy that covers losses caused by dishonest employees. Also called a surety bond or fidelity bond.

**Documents** – A director has access to nearly all organizational documents with exception of personnel records. Maintain a **leadership manual** to organize and store documents integral to governance. Treat documents with confidentiality; they are distributed for the purpose of governance and may be the intellectual property of the organization.

**Due Diligence** – The expectation that a board member exercises reasonable care and follows the business judgment rule when making decisions.

**Dues Notices** – IRS requirement to inform members of the non-deductibility regarding charitable contributions (other than 501(c)(3) organizations) and direct lobbying expenses.

**Duties** – Legal obligations applicable to directors, including Duty of **Care**, **Obedience** and **Loyalty**.

**Duty of Care** - The expectation that a board member exercises reasonable care when making decisions. Similar to **Due Diligence**.

**Duty of Loyalty** - The expectation that a board member remains faithful and loyal to
Loyalty is sometimes misunderstood in the case where directors are selected from a federated or affiliated organization but must be loyal to the parent corporation.

**Duty of Obedience** – The expectation that a board member remains obedient to the governing documents of the organization as well as its mission and goals.

**Effective Leadership** – Commit to being an effective leader at the onset. Envision achievements that will create a legacy of leadership for the board of directors. Don’t miss the opportunity to work as a team and become a highly effective board.

**Emergency Preparedness Manual** – The book of key documents and information stored outside of the office that would be referenced during or after a crisis.

**Endorsements** – Some boards select preferred programs and services to recommend to members. Most endorsements result in royalty income.

**Environmental Scan** – A process by the board to assess internal and external impacts on the organization through trend analysis, surveys and the process of a SWOT (strengths, weaknesses, opportunities and threats.)

**Evaluation** – A process to continually measure performance against metrics identified in documents such as the budget, program of work, committee commitments and the strategic plan.

**Ex Officio** - A person serving on a board or committee due to his or her position rather than through elections, generally with no authority to vote.

**Executive Committee** – A subgroup of the board of directors with authority for making decisions in the interim between board meetings. Often made up of the board’s chair, vice chair, secretary, treasurer and past chair. Sometimes an executive director serves in an ex officio capacity.

**Executive Director** – The chief paid staff position. The title has evolved from executive director to executive vice president or president and CEO (chief executive officer.) The position has ultimate responsibility for management, administration and personnel. Chambers of commerce prefer the title of president to describe the executive director.

**Executive Session** – A closed-door session of the board with no staff or guests present.

**Exempt** – A designation by the IRS that an organization does not have to pay federal income tax. Determination of the 501(c) designation. See UBIT for exceptions to tax exempt exceptions.

**Federated Structure** – An organizational structure composed of a national or parent umbrella organization with state and local affiliates.

**Fiduciary Responsibility** - A duty of the board members to ensure that financial resources of an organization are sufficient and handled properly. Describes a legal or ethical relationship of confidence or trust regarding the oversight of money and property of the organization.

**Financial Statement** – A comprehensive report of the income and expenses of the organization, as well as assets and liabilities. Presented in a structured, consistent manner for easy review and acceptance by the board.

**Form 990** – See IRS Information Return.

**Foundation** – An organization designated as 501(c)(3) that can accept charitable contributions (unlike 501(c)(6) organizations.) Associations and chambers of commerce often have a subsidiary foundation.

**GAAP (General Accepted Accounting Principles)** - The accounting principles set forth by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) that guide the work of accountants in reporting financial information and preparing audited financial statements.
Goals – A set of statements that the organization intends to achieve. In the strategic plan goals support the **mission statement**. Generally, nonprofit organizations set 3 to 7 broad goals. The **strategies** serve to advance the goal areas.

Governance – The authority of a board to act for and establish policies that will affect the well being and future of the organization. (**Management** is the responsibility of staff and not the role of the board.) Governance has its roots from the word “steering.”

Governance Review – An evaluation of the effectiveness of items related to governance, i.e. board of directors, meetings, committees, governing documents, organization, structure, etc.

**Governance Body** - The body authorized by the articles and responsible for financial oversight, policy development and strategic direction.

**Governance Documents** – The documents that grant authority and limitations for governance and management; the bylaws, articles of incorporation and policies. See **Hierarchy of Governing Documents**.

Grassroots Advocacy - Advocacy is generally led by a lobbyist and/or a government affairs committee. **Grassroots advocacy** involves members and stakeholders to build a ground swell of support to influence government. Especially responsive to the adage, “all politics is local.”

**Group Return** - A **Form 990** filed by the parent organization for reporting on the subordinates or local chapters.

**Hierarchy of Governing Documents** – Each document represents a level of authority: (1) **mission statement** – relation to national government; (2) **articles of incorporation** – state government; (3) **bylaws** – relation to members; (4) **policies** – an interpretation of the governing documents; (5) **strategic plan** – long term vision for the organization; (6) **budget** – annual forecast.

**Independent Contractor** - A person who provides services but who is not treated as an employee for employment tax purposes.

**Insurance** – Board insurance coverage is referred to as “D & O” - directors and officers’ liability. Common insurance coverages for nonprofit organizations include D & O, general liability, meeting cancellation and a fiduciary bond to cover fraud or acts of **dishonesty**.

**Investments** – Organizations adopt and rely on a conservative investment schedule for reserves and savings. There is no limitation to the amount of savings a nonprofit may have.

**IRS Information Return** – The IRS requires nonprofit organizations to file an annual information return; also known as **Form 990** or a variation. The document is a public record.

**Job Descriptions** - The roles and responsibilities for board members, officers, committees and staff set in writing.

**Knowledge** – The concept of knowledge-based governance suggests that directors make decisions based on **data and evidence**, not gut reactions of the moment. Access to organizational data, trends and documents is key to effective board service. Many boards agree upon **metrics** or performance measures to monitor and evaluate programs.

**Leadership Development** – A board role is to develop future leaders. Programs should be in place for recruitment, orientation and ascension to officer positions.

**Leadership Manual** – A manual or notebook providing the complete information necessary for directors to understand and fulfill their responsibilities. There is a trend to post the leadership documents on a secure website for board access, creating a virtual leadership manual.
Letter of Determination – A public document from the IRS indicating that the organization is exempt from paying federal income tax.

Management – The responsibility for supervising and implementing administration, operations, risks, personnel, etc. Overseen by an executive director and a responsibility of the staff team - not the board of directors.

Metrics – Standards agreed upon by the board to measure performance and progress in the organization.

Micromanagement – A reference to volunteer leaders who pay more attention to management than they do to governance and visionary efforts.

Mission Statement – A statement aligned with the IRS Statement of Purpose to communicate the purpose of the organization. Often a single sentence answering “who we are, who we serve and what we offer.” Along with the mission statement, the brand or public image includes a logo, tagline, vision and values statements.

Non Profit – A designation by a state government agency, usually the Division of Corporations. The legal reference is “not-for-profit.” Nonprofit does not mean the organization cannot make a profit. An organization must produce streams of revenue to support its mission and programs.

Non-Dues Revenue – Membership organizations usually rely on a combination of non-dues revenue. Forms of non-dues revenue include advertising, education, sponsorships, interest, rent, exhibits and royalties. An entrepreneurial approach is necessary to create non-dues streams of income.

Organization Documents – The primary governing documents include the statement of purpose (mission), articles of incorporation, bylaws, policies, strategic plan and budget. Duty of obedience would suggest directors must read and follow the intent of the documents.

Organizational Chart – A depiction of the key elements of the organization, including hierarchy, authority and appropriate lines of communication.

Orientation – A process to inform volunteer leaders about the organization, roles, responsibilities, resources, culture, expectations and strategic direction; recommended to occur annually.

Performance Measures – See Metrics.

Performance Reviews – Reviews monitor and enhance areas of performance, i.e. board, committees, programs, executive director, etc.

Personnel Manual – A handbook for employees to understand responsibilities.

Policy – A policy represents the wisdom of the board to guide future leaders and to interpret the bylaws and articles. Policy adoption is a responsibility of the board.

Policy Manual – A notebook or manual referencing the policies adopted and amended by the board of directors over time. Many organizations sunset their policy manual periodically.

Political Action Committee - A committee formed to raise money and make contributions to the campaigns of political candidates. Strictly regulated by state or federal agencies.

Positions – A stated position or resolution representing the organization’s efforts to protect and advance the community. Positions tend to be external (government affairs efforts) while policies are internal (governance and management issues.)

Price Fixing – An agreement amongst competitors to adjust prices or impact the market place. Exchanging prices among competitors may violate antitrust laws.
Procedures Manual - A book for documenting and maintaining the administrative and management processes related to staff.

Professional Association – A nonprofit organization seeking to further a particular profession or the interests of individuals engaged in that profession.

Public Records – Nonprofit organizations have specific records that must be made available upon request to the public; mostly IRS documents that include Form 990, the application for exemption and the letter of determination. Fines may apply for denial of requests for public records.

Publications – Organizations communicate with members and stakeholders through newsletters, websites, social media, etc. Directors should read all information thoroughly to be aware of the issues and events being communicated. Publications may be supported by advertising or sponsorship.

Quorum - The minimum number of persons on a board or committee (usually a majority) who must be present to conduct business; prescribed in the bylaws.

Record Retention – A guide and policy for retaining and destroying organization records.

Request for Proposal (R-F-P) – A document defining expected terms of vendors; circulated to compare prices and services for the purpose of selecting a vendor.

Reserves – An organization maintains a fund for use in a crisis or opportunity. Generally a standard is to have an amount in savings equal to half of the annual gross revenue.

Restraint of Trade - An action or condition that tends to prevent competition in business, as the creation of a monopoly or the limiting of a market. See antitrust.

Retreat – An annual or periodic meeting of the board of directors to focus on the future of the organization and its overall well being. Often resulting in a strategic plan.

Revenue – A variety of revenue sources generate income. Organizations increasingly rely on non-dues revenue. Directors monitor revenue through the budget and may be asked to assist with fund raising.

Risk Management – The processes and safeguards in place to protect against potential risks, i.e. antitrust violations, discrimination, crisis, etc.

Royalty – A payment for the use of the name, logo or lists belonging to the organization.

Rules of Engagement – The expectation of directors above and beyond the governing documents. For example, arriving on time, serving as an ambassador at events, contributing to fund raising or chairing a committee. Also known as Cultural Expectations.

Rules of Order – The rules of parliamentary procedure detailing the processes used by the board to make decisions and advance the agenda. Often referenced in the bylaws as Roberts Rules of Order. Directors should familiarize themselves with the procedures and protocols of meeting conduct.

Sarbanes Oxley – A set of standards for for-profit public companies adopted in 2002. Many of the standards apply to nonprofit boards as a result of changes to IRS Form 990 in 2008, i.e. audits, whistle blower, conflicts of interest, compensation, public records, etc.

Self-Dealing - An illegal financial transaction between a nonprofit organization and volunteers. Also see Conflict of Interest.

Speaking for the Organization – Lines of authority and governing documents indicate
who may speak for the organization. Directors should not assume their position allows them to represent themselves as a spokesperson for the organization. See Apparent Authority.

**Sponsorship** - A qualified sponsorship according to the IRS is a payment for which there is no expectation that the business will receive a substantial return benefit. Sponsorship is generally tax-exempt income. Advertising usually triggers unrelated business income tax (UBIT.)

**Staff Liaisons** – Committees may be assigned a staff member to serve as a resource and communications conduit. See also Board Liaisons.

**Standing Committee** – A permanent committee of the organization identified in the bylaws and serving the length of the board’s term (as opposed to the short term nature of an ad hoc committee or task force.)

**Strategic Plan** – A written document of short and long term goals for the organization. The process of strategic planning is an opportunity for directors and staff to best position the organization and plan for its future.

**Strategies** – An element of the strategic plan that offers programs and initiatives that advance specific goals.

**Style Guide (Manual)** – The book or manual that prescribes proper use of the organization’s logo, brand and communication standards.

**Subsidiary** – A nonprofit organization may have subsidiaries or related organizations to achieve its goals and increase income, including political action committee, for-profit corporation and/or a foundation. Directors must understand the relationship of the parent board of directors to related organizations.

**Subsidiary Agreement** – A document detailing the relationship of the parent organization and any subsidiaries or related entities.

**Succession Plan** – A document that describes the board’s options should the chief paid officer (executive director) depart in a planned or unexpected manner.

**Sunset** – A planned review and phase out or update of a policy or process.

**SWOT Process** – An analysis of the organization’s strengths and weaknesses (internal) and opportunities and threats (external.)

**Task Force** – A temporary committee to accomplish a narrowly defined task. Also known as an ad hoc committee. Both are distinct from a standing committee.

**Tax Exempt Status** – Organizations receive tax exempt status (exemption from paying federal income tax) by applying to the IRS. Chambers of commerce and associations are generally assigned 501(c)(6) status. Foundations are designated as 501(c)(3) organizations.

**Term Limits** – A limit on the number of years or terms a director can serve as prescribed in the bylaws. Often 2 three-year terms or 3 two-year terms.

**Time Commitment** – Volunteer leaders’ time is a valuable contribution to an organization. Directors should allocate adequate time to properly govern. Respect time by starting meetings on time, ensuring that meetings have substantive discussions, and showing appreciation to volunteers.

**Trade Association** – A nonprofit organization formed to provide services to members, promote education and professional standards, and influence governmental agencies through lobbying. It is estimated that the US has 150,000 trade associations. See also 501(c)(6).

**Unrelated Business Income Tax (UBIT)** – A mechanism for the IRS to determine if income received is outside of the mission statement. Common triggers for UBIT, if a
profit is shown, are advertising, rent and royalties.

**Values Statement** – The principles that guide board and staff, for example transparency, diversity and integrity. The mission, vision and values statements combine to form the **Brand Platform**.

**Vision Statement** – An inspirational expression of what success will look like in the long term. For example, the organization will be the primary resource representing 100 percent of the potential members by 2020. Or, “ending a disease so there is no longer a need for the organization.”

**Website** – The internet site owned by the organization to communicate its purpose, reach internal and external audiences, facilitate discussions, etc.

**Whistleblower** – A person who reveals wrongdoing in an organization to persons of authority, such as the officers or board of directors. A policy should be in place to process a whistleblower.

**Young Leaders** – A board’s succession often relies on attracting young and diverse leaders. The board and a nominating committee must identify and invite future leaders. Many organizations have initiatives directed at “emerging leaders” and “young professionals.”

**Notice**: Be sure to rely on legal, accounting and insurance counsel in the governance and management of an organization.

Free board and staff resources are available for associations, chambers of commerce and other nonprofit organizations at [www.nonprofitcenter.com](http://www.nonprofitcenter.com).

**Laminated Board Responsibilities**

$9 each for 3 or more – email bob@rchcae.com with street address. $12 each for less than 3.

bob@rchcae.com

Board Terminology 6-12.doc