

The Language of Associations

Associations, chambers of commerce and other not-for-profit organizations have a language all their own. Use this list of common nonprofit terms to orient new staff and volunteer leaders.

Accreditation - Recognition by an accrediting organization or agency that an organization meets certain acceptable standards in its programs, services, and facilities. (The U.S. Chamber sets performance standards for the accreditation of chambers of commerce.)

Association - A community of individuals or companies that collectively serve the interests of their members that cannot be met effectively by individual action. Chambers of commerce and associations both tend to be assigned the 501(c)(6) - business league - status by the IRS.

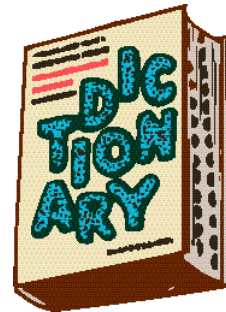
Audit Committee - An appointed group of volunteers responsible for overseeing annual financial audit, presentation to the board and oversight.

CAE - Certified Association Executive, designated by the American Society of Association Executives.

CCE - Certified Chamber Executive, designated by the American Chamber of Commerce Executives.

Certification - The process of validating performance and/or compliance with the requirements of established standards. (Refer to CCE by ACCE and CAE by ASAE.)

Chamber of Commerce - An organization of business people designed to advance the interests of its members. There are three levels: national, state and local. Usually designated by the IRS as a "business league" and 501(c)(6).



Directors and Officers Insurance - D & O liability insurance coverage that may cover staff, board and volunteers as indicated in the policy.

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

Duty of Care - An expectation that a board member *exercises reasonable care* when making decisions.

Duty of Loyalty – The expectation that a board member remains faithful and loyal to the organization; avoiding conflicts of interest and personal agendas.

Duty of Obedience - An expectation that a board member remains obedient to the central purposes of the organization and respects all laws and legal regulations.

Endorsement – A specific recommendation, actual or implied, that the organization has reviewed and recommends the program or service. (Similar to *Affinity Program*.)

Executive Committee – A subset of the board of directors charged with responsibilities between board meetings; usually including the executive officers of the board.

Federated Structure – An organization structure where there is a central governing body and all subgroups are closely related to central organization. Whereas a trade association represents companies, and professional societies represent individuals, a federated organization generally has other associations as its members.

Form 990 – The annual information report most nonprofits are required to submit to the IRS; a public record. Organizations with gross receipts of less than \$100,000 and total assets less than \$25,000 at the end of the year may file a short-form Form 990 called Form 990-EZ. Exempt organizations that generate unrelated business income (UBIT) must also file a federal income tax return (990T).

IRS 501(c)(3) - Organizations with an education, research, professional or philanthropic/charitable purpose. They do not actively lobby on issues that affect their areas of concern (though informative, educational briefings are permitted.)

IRS 501(c)(6) - Organizations include trade associations (those with companies or institutions as members) and individual membership organizations that provide benefits and services to their members and are permitted to engage in lobbying activities.

Letter of Determination – An official notice from IRS stating that a nonprofit organization has exempt status from paying federal income tax. (For IRS assistance in replacing a letter of determination dial 877-829-5500.)

Membership Categories - Bylaws identify numerous membership categories, including regular members, associates, honorary, retired, student, lifetime, etc.

Associate – Affiliate Members- Suppliers to the organization’s primary members.

Regular Members – The primary members of an organization as identified in the bylaws or mission statement.

Member Attrition – The loss of members, usually expressed quantitatively as the “attrition rate.”

Member Retention – The retention or growth of membership usually expressed quantitatively as the “retention rate.”

Minutes – The legal record of what occurred at an official meeting of the organization; applicable to the board as well as committees.

Mission Statement – A clear concise statement identifying what the organization is, whom it serves and what it offers.

Nonprofit – Casual term for “not-for-profit” which tends to be a legal reference indicating corporate status.

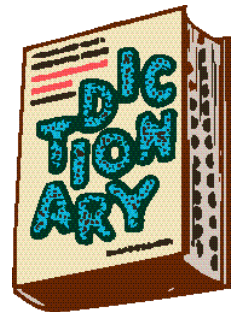
Political Action Committee – PAC – An organization formed to raise and contribute money to the campaigns or causes that the group believes promotes its best interests.

Professional Society – A not-for-profit voluntary membership organization representing individuals with a common interests in a subject or a profession such as law, medicine, and accounting. There are three types of professional societies: those representing common interests such as AARP; those representing a body of knowledge such as engineering, automotive, etc; and those dedicated to a religious, charitable, public service or fraternal causes, such as the National Council on Aging, and the American Lung Association.

Public Records – Refers to the records associated with the IRS that are deemed to be public, including the annual federal tax return (990), application for exempt status and letter of determination.

Rules of Order – Used at meetings to advance the agenda and keep order. A protocol of motions, seconds, actions and hierarchy. Various forms include Robert’s Rules of Order and Sturgis.

Quorum – Minimum number of people required at a meeting in order to conduct business; usually specified in the bylaws or by state corporate requirements.



Strategic Plan – A “roadmap” for the volunteers and staff to follow for a period of years; reviewed and updated annually. Includes mission, goals, strategies to achieve the goals, and accountability.

Subsidiary – An organization affiliated with the parent organization sharing similar leadership and staff. For example, a political action committee (PAC), foundation, or for-profit corporation.

Trade Association - A not-for-profit voluntary membership organization that represents a group of companies having a business or trade in common. Companies work together to accomplish goals that no single firm could achieve alone. Their activities include promoting business for the industry, encouraging ethical practices in the industry, setting standards, conducting research, cooperating with other organizations, offering education, trade shows and conventions.

Unrelated Business Income Tax – UBIT – Income considered by the IRS to be taxable because the nonprofit organization’s activities are deemed to be unrelated to the mission and goals of the association. The IRS considers activities that are unrelated to the organization’s primary business (mission) if it is regularly carried on, and is not substantially related to the furtherance of the exempt purpose of the organization.

Value Statement – A written statement of the beliefs, principles and ethics guiding the organization.

Vision Statement – An ideal of where the organization desires to be in the future, especially if it had unlimited resources. For example, “*ABC organization will be the premier resource for industry members and the public to best serve their needs for safety, profitability and opportunity.*”

Volunteer Immunity Act – Most states have volunteer protection statutes limiting the liability of volunteers (if the volunteer act within the scope of their duties, in good faith, and the injury is not caused by the willful conduct of the volunteer.)

Volunteers – Agents of the corporation for whose acts the corporation may be liable. Volunteers are greatest asset of the nonprofit organization and the culture of the USA.

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Note: Bob Harris, CAE, offers free management tools at www.nonprofitcenter.com. He can be contacted at bob@rchcae.com.

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