

# GLOSSARY

**Business relationships** between two persons include the following:

- 1) One person is employed by the other in a sole proprietorship or by an organization with which the other is associated as a [trustee](#), [director](#), [officer](#), or greater-than-35% owner.
- 2) One person is transacting business with the other, directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of \$10,000 in the aggregate during the organization's tax year. Indirect transactions are transactions with an organization with which the one person is associated as a [trustee](#), [director](#), [officer](#), or greater-than-35% owner.
- 3) The two persons are each a [director](#), [trustee](#), [officer](#), or greater than 10% [owner](#) in the same business or investment entity.

**Exceptions to the above rules (do not report transactions meeting the exceptions below):**

- 1) The ordinary course of business exception:
  - a. requires the transaction to be on the same terms as are generally offered to the public
- 2) The privileged relationship exception:
  - a. one of three privileged relationships (attorney and client, medical professional and patient, priest/clergy and penitent/communicant).

**Note:** Ownership is measured by stock ownership (either voting power or value) of a corporation, profits or capital interest in a partnership or limited liability company, or beneficial interest in a trust. Ownership includes indirect ownership, (e.g., ownership in an entity that has ownership in the entity in question); there may be ownership through multiple tiers of entities.

## **Business Transactions**

Business transactions include but are not limited to contracts of sale, lease, license, and performance of services, whether initiated during the organization's tax year or ongoing from a prior year. Business transactions also include joint ventures, whether new or ongoing, in which either the profits or capital interest of the organization and of the interested person each exceeds 10%.

**Directors** and **Trustees** are defined as a member of the organization's governing body, but only if the member has any voting rights. A member of an advisory board that does not exercise any governance authority over the organization is not considered a director or trustee.

## **GLOSSARY (Continued)**

### **Disqualified Persons (501(c) (3) or (4) organizations)** include:

- i. any person who was, at any time during the 5-year period ending on the date of such transaction, in a position to exercise substantial influence over the affairs of the organization
- ii. a member of the [family](#) of an individual described above
- iii. a 35-percent controlled entity

### **Disqualified Persons (509(a)(3) organizations)** include:

- i. a [substantial contributor](#) to such organization
- ii. a member of the [family](#) of an individual described above
- iii. a 35-percent controlled entity

### **Family relationships** include:

Unless specified otherwise, the family of an individual includes only his or her spouse, ancestors, brothers and sisters (whether whole or half blood), children (whether natural or adopted), grandchildren, great grandchildren, and spouses of brothers, sisters, children, grandchildren, and great grandchildren.

**Former officers, directors, or trustees** are individuals that the organizations reported or should have reported on the organization's Form 990, 990-EZ or 990-PF for one or more of the five prior years in one or more of the following capacities: [officer](#), [director](#), or [trustee](#); and the individual received reportable compensation in the calendar year ending with or within the organization's current tax year in excess of the threshold amount (\$100,000 for former officers and \$10,000 for services in the capacity as a director or trustee).

### **Gifts and Gratuities:**

Compensation includes direct or indirect remuneration as well as gifts, entertainment, meals or favors that are substantial in value or nature:

- in excess of \$300 per item or occasion *or*
- in excess of \$300 in the aggregate from any one individual or entity in a calendar year

In almost all circumstances, the payment of fair market value for any item or service of value offered by a current or potential business partner eliminates the existence of a gift or gratuity. However, in the extremely unusual situation where an individual is invited to an exclusive event (e.g., Olympics, Super Bowl, NCAA Final Four, the Masters, etc.) the payment of face value may not eliminate the existence of a Gift or Gratuity. The receipt of items or services valued at or above \$150 requires disclosure to the reporting supervisor and Disclosure Certificate, but does not constitute compensation unless it also exceeds the \$300 annual limit. How to report and value such occurrences requires review and concurrence by the appropriate Corporate Responsibility Officer and General Counsel. Where meals are provided by a current or potential

## **GLOSSARY (Continued)**

business partner at a restaurant, hotel or entertainment event, the following amounts should be used to value such meals, in the absence of actual knowledge of the costs: \$15 for breakfast, \$25 for lunch and \$45 for dinner.

**Highest Compensated Employee** is one of the five highest compensated employees of the organization (including employees of a disregarded entity of the organization) other than [officers](#), [directors](#), or [trustees](#). The five highest compensated employees are determined by the amounts of reportable compensation (over \$100,000 of reportable compensation) for the calendar year ending with or within the organization's tax year.

### **Independent Voting Member:**

A member is considered "independent" only if all three of the following circumstances applied at all times during the tax year:

1. The member was not compensated as an [officer](#) or other employee of the organization or related organization, except as provided in the religious exception discussed below.
2. The member did not receive total compensation or other payments exceeding \$10,000 during the organization's tax year from the organization or from related organizations as an independent contractor, other than reimbursement of expenses under an accountable plan or reasonable compensation for services provided in the capacity as a member of the governing body.
3. Neither the member, nor any [family member](#) of the member, was involved in a transaction with the organization (whether directly or indirectly through affiliation with another organization) that is required to be reported in Schedule L for the organization's tax year, or in a transaction with a related organization of a type and amount that would be reportable on Schedule L if required to be filed by the related organization.

A member of the governing body is not considered to lack independence merely because of the following circumstances:

1. The member is a donor to the organization, regardless of the amount of the contribution;
2. the member has taken a bona fide vow of poverty and either (A) receives compensation as an agent of a religious order or a 501(d) religious or apostolic organization, but only under circumstances in which the member does not receive taxable income; or (B) belongs to a religious order that receives sponsorship or payments from the organization which do not constitute taxable income to the member; or
3. the member receives financial benefits from the organization solely in the capacity of being a member of the charitable or other class served by the organization in the exercise of its exempt function, such as being a member of a section 501(c)(6) organization, so long as the financial benefits comply with the organization's terms of membership.

## **GLOSSARY (Continued)**

**Officer** is defined as a person elected or appointed to manage the organization's daily operations, such as a president, vice-president, secretary, or treasurer. The officers of an organization are determined by reference to its organizing document, bylaws, or resolutions of its governing body, or as otherwise designated consistent with state law, but at a minimum include those officers required by applicable state law. For purposes of Form 990 reporting, treat the organization's top management official and top financial official as officers.

**Other Related Persons** include:

- i. Any member of the grant selection committee
- ii. A [family member](#) of any current or [former officers, directors, or trustees](#) listed in Form 990, Part VII, Section A, of [substantial contributors](#), or of members of the grant selection committee
- iii. A 35% controlled entity of any of the current or former officers, directors, or trustees, or listed in Form 990, Part VII, Section A; of a [substantial contributor](#); or of a member of the grant selection committee
- iv. An employee (or child of an employee) of a [substantial contributor](#) or of a 35% controlled entity of a substantial contributor, but only if the employee (or child of an employee) received the grant or assistance by the direction or advice of the substantial contributor or 35% controlled entity, pursuant to a program funded by the substantial contributor that was intended primarily to benefit such employees (or their children)

**Ownership** is measured by stock ownership (voting power or value, whichever is greater) of a corporation, profits or capital interest (whichever greater) in a partnership or limited liability company, beneficial interest in a trust, or control of a nonprofit organization. Ownership includes indirect ownership (e.g. ownership in an entity that has ownership in the entity doing business with the organization); there may be ownership through multiple tiers of entities. The constructive ownership rules of section 267(c) apply for this purpose.

**Substantial Contributors** are defined as any person that contributed during the tax year at least \$5,000 and is required to be reported by name on Schedule B, Schedule of Contributors, for the organization's tax year. For a 509(a)(3) organization, a substantial contributor is any person that contributed \$5,000 or 2% of the organization's total contributions for the tax year, whichever is greater.

**Voting member of the governing body** is a member of the organization's governing body with power to vote on all matters that may come before the governing body (other than a conflict of interest that disqualifies that member from voting).