

SMUMCF Key Terms and Definitions

The following terms and definitions have been developed by the SMUMCF based on Non-profit sector standards, generally accepted concepts and internal interpretation based on past experiences.

1. **A “Non-Profit” or “Not for Profit” organization** is an organization that receives special tax status recognition from the IRS. With this recognition, the organization is exempt from federal income taxes and in Georgia, they are also exempt from state income taxes. Some non-profits, but not all, are also exempt from certain sales tax. Individual and corporate donations to “Non-profits” that are recognized as 501C3 organizations may also consider the donation “deductible” relative to their personal or corporate income tax filings.
2. **The term “Non-Profit” or “Not for Profit”** is not an indicator of an organization’s fiscal status, nor does it require the organization to maintain or limit the ratio of revenue to expenses. The term is also not an indicator of the organization’s effectiveness in delivering its mission. “Non-profit” status does not limit the organization in any way other than to the nature for which it was approved for as a 501(C) type organization. There are no limits to the number of staff, staff pay, or benefits nor are there any limits to the amount of annual “profit” generated by the organization, so long as the “profit” is not used to benefit any individuals. Although some 501C3 organizations generate revenue through services (i.e. government reimbursements, etc.), the majority rely on tax deductible contributions from individuals, corporations and foundations.
3. **Individual Sustainability** is defined as a person’s capacity to care for themselves, their families and other direct dependents. Evidence of individual sustainability can be illustrated via a person’s dependency on government and/or charitable assistance.

Note: The SMUMCF does not provide grants to individuals and therefore does not directly impact individual sustainability. However, the organizations that are supported by the SMUMCF will have a direct impact on individual sustainability.

4. **Organizational Sustainability** is defined as an organization’s capacity to continue and has 3 key components:
 - A. **Financial** – Financial sustainability is defined as an organization’s capacity to develop and maintain an appropriately diverse and consistent stream of revenue that underwrites all operational activities. Evidence of financial sustainability can be illustrated via balance sheets, previous and current budgets, audits, endowments and donor agreements.
 - B. **Management** – Management sustainability is defined as an organization’s capacity to manage organizational activities in an efficient and effective manner. Evidence of management sustainability can be illustrated via organizational structure, business plans, annual reports, articles of incorporation, by-laws, community reputation, IRS Form 990 and financial audits.
 - C. **Missional** – Missional sustainability is defined as an organization’s capacity to produce outcomes consistent with its purpose. Evidence of missional sustainability can be illustrated via annual reports, audits, by-laws, community reputation, etc.
5. **Capacity** is a term used to describe an organization’s capability to produce the outcomes defined by the organization’s purpose. Capacity building is a term used to describe the expansion or increase in the organization’s capability to produce the outcomes defined by the organization’s purpose.

6. **Operational (program) expenses** are defined as the costs of producing a product or services. *For example, the salary of a therapeutic counselor would be an operational cost.*
7. **Administrative (non-program) expenses** are defined as general operating costs that are not specific to producing a product or service and are more general in nature. *For example, the salary of the office manager of the therapeutic clinic would be an administrative cost.*

Note: A prevalent misconception exists that the percent of a charity's expenses that go to administrative and fundraising costs – commonly referred to as “overhead” is a good measure of a charity's performance – in other words the lower, the better. Unfortunately this misconception drives many charitable organizations into a “starvation cycle”, significantly undermining their effectiveness and in some cases their own existence. (Reference – “The Overhead Myth”) While the SMUMCF includes an evaluation of administrative expenses as a component of the overall evaluation process, it does not use any specific overhead values or ratios in the discernment process.

8. **Capital expenses** are defined as an outlay of money to acquire or improve capital assets such as buildings, equipment, etc. necessary to provide services and is typically a one-time expense.
9. **Proactive grantmaking** occurs when the Foundation has played an active role in developing and/or advising for the creation of organizations, programs and projects that are ultimately funded by the Foundation.
10. **Reactive grantmaking** is typically a response to an unsolicited grant request or anything other than proactive grantmaking.
11. The term **“people in need”** that is referenced in the foundation's mission statement and in the grant decision criteria is defined as individuals with significant deficiencies in their physical, mental or spiritual well-being.
12. The term **“institutions related to United Methodism”** that is referenced in the foundation's mission statement and in the grant decision criteria is defined by SMUMCF to be inclusive of the following agencies which are recognized by the South Georgia Annual Conference of the UMC:
 - **Women's Division Agencies** (Open Door Community House, Vashti Center, Wesley Community Center)
 - **Health & Welfare Agencies** (Magnolia Manor, Methodist Home for Children & Youth, Wesley Glen).
 - **Georgia UM Commission on Higher Education & Campus Ministry** (Andrew College, Wesleyan College, & Wesley Foundations @ GSU, VSU, GSWU, Mercer, MGC)And the **Society of St. Andrews – Georgia Gleaning Network, Board of Ordained Ministry, Connectional Ministry and New and Revitalized Congregational Development.**
13. The term **“organizations that promote evangelical Christianity”** that is referenced in the foundation's mission statement and in the grant decision criteria is defined by SMUMCF to be organizations who believe and promote the understanding that the acceptance of God's grace through the death and resurrection of Jesus Christ is necessary for salvation is necessary as opposed to universal salvation (God loves everyone, so everyone goes to heaven).