

10 Things Every New Foundation Board Member Should Know

The Council on Foundations
in collaboration with BoardSource



COUNCIL *on* FOUNDATIONS

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Statement on Inclusiveness

The Council on Foundations was formed to promote responsible and effective philanthropy. The mission requires a commitment to inclusiveness as a fundamental operating principle. It also calls for an active and ongoing process that affirms human diversity in its many forms, encompassing but not limited to ethnicity, race, gender, sexual orientation and identification, age, economic circumstance, class, disability, geography, and philosophy.

We seek diversity in order to ensure that a range of perspectives, opinions and experiences are recognized and acted upon in achieving the Council's mission. The Council also asks members to make a similar commitment to inclusiveness in order to better enhance their abilities to contribute to the common good of our changing society.

As the national voice of philanthropy, the Council is committed to promoting diversity. We are equally committed to including a wide range of perspectives, opinions, and experiences as we work to achieve our mission. Similarly, we ask Council members to commit to diversity and inclusiveness to enhance their own work. To that end, we provide them with the tools, educational programs, and opportunities they require to more effectively serve the common good.

Table of Contents

Introduction	4
Mission	6
Values	9
Expectations	12
Inclusion	16
Impact	19
Legal Responsibilities	23
Fiduciary Responsibilities	27
Governance & Management	31
Mentorship	35
Evaluate	38
Sources	42

Introduction

The Council on Foundations welcomes you to the field of philanthropy. In order to contribute to the greater good, your foundation needs your service, and as a new board member, you will lead both the foundation you serve and contribute to the vitality of the philanthropic sector as a whole.

The philanthropic field has great diversity and complexity, and as a board member of a foundation, you should know that foundations take many forms including community and public foundations, family, independent, and corporate foundations. Their governing boards may include members of a single family, corporate executives, experts in a given field, or a varied group of individuals representing a community. The charitable purposes for which foundations are formed are as wide-ranging as the human imagination.

More than 76,000 grantmaking foundations base their headquarters in the United States. The philanthropic sector, with assets of more than \$621 billion and giving totals over \$45 billion per annum, constitutes a major portion of the national economy.*

Beyond its economic impact, the philanthropic sector plays a critical social and cultural role in the U.S. and worldwide. Organized for public benefit, foundations make considerable investments in social innovation and calculated risk taking. Foundations advocate for social opportunity, support research and science, build the capacity of public charities, create educational opportunities, provide essential human services, and foster cultural expression — along with many other social benefits. The federal government recognized the social value of charitable giving and created incentives in the tax code to support activities that did not receive public money.

Despite the diversity of foundations, all have in common the central function of the board: to govern the foundation.

The core responsibilities of the board include:

- Stewardship of the financial, human resource, and reputation assets of the foundation;
- Compliance with legal and ethical standards; hiring, supporting and evaluating the chief executive;
- Setting grantmaking and programmatic strategies;
- Establishing policies;
- Overseeing practices for the internal operations of the foundation; and
- Governing in a manner that is consistent with both the charitable purpose and mission of the organization and the needs of the constituencies it supports.

Foundation board members accept the responsibility to guide the foundation wisely and with care, to give their time and attention to ensuring that the foundation is operated for public

benefit, and to ensure that legal, ethical and fiduciary standards are met.

This publication is designed as a basic guidebook for the new foundation board member, providing an introduction to tools and knowledge essential in the first years of service on the board. While it is not a substitute for legal, financial or other professional advice, it will help inform you about the responsibilities that accompany board service.

This tool was developed through a survey of current foundation board members and through interviews with board and staff at foundations in the U.S. and Canada. We are grateful that a few of those interviewed have graciously allowed their comments to be reflected in this booklet.

In the following sections, you will find information, advice, best practices, and sets of questions a new board member might ask in an orientation or as their service on the board begins. Included, as well, are suggestions for further reading and web addresses for organizations that provide support to board members.

We hope that you will find this publication helpful as you begin your board service.



Vikki Spruill
President & CEO
Council on Foundations

MISSION

know the vision and
purpose of the foundation



1. *Mission*

Especially if a board member is new to foundation work, there may be a temptation to say, "Look at all this money we are sitting on." It's tempting to just do whatever looks good to you. In our new board member orientation, we describe what Mr. and Mrs. McGregor were doing in the early 20th century. They were concerned about low-income people in Detroit who were vulnerable; they focused on improving their quality of life. It is important that everyone around the board table understand who the McGregors were and what their interests were.

Dave Campbell, President
McGregor Fund

Mission defines a foundation. Missions are intended to describe an organization's purpose. Every foundation begins with a set of values and beliefs articulated as its vision. Whether it is to affect the lives of those living with poverty or provide arts and culture to a specific neighborhood, mission statements translate a foundation's purpose into a key strategic planning tool used to articulate the broader goals of a foundation to staff and grantees, grant seekers, and other grant makers.

Originating as the statement of purpose in the organization's governing documents such as the articles of incorporation or deed of trust, mission statements also serve as signposts that communicate the institution's purpose to the community it serves and to those it engages. The McGregor Fund, for example, is a private foundation whose vision is "to relieve the misfortunes and promote the well-being of humankind," while the purpose of the foundation is to help the low-income population of Detroit.

Through the board's guidance, the mission statement forms the basis for the foundation's strategic planning, goal setting, grantmaking, directions for its programs, and in public foundations, for its fundraising. As advocates for the organization's vision, board members should be well acquainted with the origins of the mission: the founder(s)' vision, the foundation's history, and its governing documents. Engaged and effective board members should understand these important aspects of the organization's development.

As a living document, the mission statement may change over time as the social and cultural environment of the foundation changes. On occasion, mission statements may require revision to reflect the relationship of the foundation to the world in which it operates. The board plays a central leadership role in connecting the past and future of the foundation, by articulating the foundation's mission and guiding it in meeting the goals that are grounded in that mission.

Key Questions to Ask:

What was the founding vision of the foundation?

How is the vision articulated today as a mission statement?

What did the foundation learn in the implementation of their mission?

How does the mission drive the programs, grants and initiatives of the foundation today?

How are the current objectives of the foundation related to the mission?

Resources:

Articulating the Foundation's Mission, Council on Foundations

A Colleague's Perspective on Mission and Vision Statements, William Graustein,
Council on Foundations

The Mission Statement, BoardSource



VALUES

explore the foundation's values
and how these shape its
strategic direction and action

2. Values

The way the Russell family conducted its business was eventually embedded in the creation and operations of The Russell Family Foundation. The family has always viewed their enterprises as values-driven. Consequently, their original company was financially successful while also performing well on measurements of a values-driven, employee-centered organization. When the family decided to create a foundation, they defined their values before developing a mission or vision statement. They believed their mission and vision might change over time, but their values would be steadfast. The values of the foundation reflect what made the family successful entrepreneurs.

Richard Woo, Chief Executive Officer
The Russell Family Foundation

Values describe the core beliefs of a foundation. They shape the way a foundation acts, the ideas it expounds, the goals for which it strives. The board may revise the foundation's mission statement in response to changing cultural, social, or environmental factors, but the values of the foundation will rarely change over time. Values ought to drive the actions of the foundation.

At the day-to-day level, values guide the operations of the foundation by articulating standards such as respectful listening, acceptance of differing points of view, responsiveness to inquiries, an affirmation of inclusivity, or transparency of communication. These values influence how a foundation communicates internally, within the board and with staff; and how it interacts externally with grantees, community partners, donors and the general public.

A best practice for foundations would be to discuss the values of the foundation periodically at board meetings or board retreats and document the key points as a reference for future decisions of the board. The clarity about values that derives from such board discussions reinforces the integrity of board actions. Articulating the values in a written document provides a sense of history and continuity for the future of the foundation, so the board can effectively carry out its role as guardians of the mission, vision, and values.

Before accepting a board appointment, prospective appointees should ask themselves if they align with a foundation's written values. New board members may be able to find the values of the foundation in strategic plans, in printed literature, or on websites.

The unwritten values of the foundation, which reflect the culture of the board and may be the source of board-specific etiquette, may be harder to find. Former President and CEO of the Skillman Foundation Carol Goss shared that "with more informal values like integrity, respect, consensus, commitment to diversity it's harder to ensure there is good understanding

of the foundation's beliefs. We are using mentors, using longer tenured trustees paired with new trustees, as a good way to get to the values question.”

Key Questions to Ask:

Does the foundation have written values? How are they shared and reinforced?

When did the board last discuss the values of the foundation?

Has the foundation engaged in strategic planning recently? How have the foundation's values shaped its plans and actions?

Are there unwritten values that guide board behavior?

Resources:

Values at Play, Family Matters newsletter, Council on Foundations

The Family Advisor: Management Issues -- A Shared Perspective on Management Issues for Family Foundations, Ford Watson Bell and Diane Neimann, Council on Foundations

Principled Planning: A Guide for Family Foundation Retreats, Elaine Gast, Council on Foundations

Principled Planning: A Guide for Corporate Grantmaker Retreats, Elaine Gast, Council on Foundations



EXPECTATIONS

learn the foundation's expectations and
how to fulfill them

3. *Expectations*

Our co-trustee bank appointed a young professional to our board, but he didn't have a clue about our expectations of him as a board member. During a strategic planning session he said, "I wish I would have known what was expected of me. I wouldn't have taken the appointment."

You need to lay these things out in front of people before they come on the board.

Dale Christiansen, Board Member
Watertown Community Foundation

Basic expectations of board members include attending board meetings, participating in committees or task forces, and serving a full term of office. Board members must also uphold the foundation's values and ethics, abide by its policies, provide stewardship of its resources, engage in the leadership role of the foundation, and possibly represent it publicly when asked. Certain expectations such as fiduciary responsibility and meeting attendance may also be legal requirements based on applicable state law. At public foundations, where a broad-base of contributors supports the work of the foundation, board members may also be expected to donate to the foundation and to bring personal and professional connections to assist with fundraising.

The first step in meeting expectations is to know and understand them. An orientation session for new members will provide a focused opportunity for board expectations to be communicated, along with strategic plans, current issues, and detailed information related to the foundation's finances, grantmaking and programs, and governance structure. Other methods for transmitting the board's expectations to new members include meeting directly with the board chair, the governance committee chair, the foundation's chief executive or an experienced fellow member of the board (see section 9, Mentorship).

A best practice for foundations is to provide board members with a clear listing of expectations. Often provided during the board recruitment process, this list of expectations should also be in a board handbook that includes the foundation's governing documents such as Articles of Incorporation or Deed of Trust and By-Laws, minutes of recent meetings, Conflict of Interest and other policies, committee structure and charters, strategic plan, audited financials, and annual report.

Hilary Pearson, Chief Executive Officer of the Philanthropic Foundations of Canada, shared that the governance manual for her organization, "sets out clearly the mission, vision, and goals, board structure, details about operation, frequency of meetings, committee charters and organizational bylaws – all in one place. [The manual has] a series of appendices, including the job [description] of the CEO, [and] a seven-page summary that serves as a guide.

We give that to incoming directors as homework, and then offer a meeting where CEO and board chair answer questions, including a frank conversation about what’s not written down.”

The foundation may have an assessment process for board members to evaluate their service to the foundation (see section 10, Evaluate). Your foundation’s expectations of you, as a board member, should form the basis for evaluation of your service.

Key Questions to Ask:

Can board members attend meetings by phone? Is there a policy on excused absences?

Does the foundation ask each board member to serve on at least one committee?

Is the board expected to attend events, go on site visits, or participate in grant reviews?

What are the terms, and term limits, for board members?

Does the foundation require a personal contribution from board members?

How can I help with fundraising?

How can I best serve the foundation?

Resources:

[Bringing Personal Accountability on Board](#), Foundation News & Commentary, Council on Foundations

[Duties and Responsibilities of a Trustee](#), The Family Advisor: Trustee Orientation, Curtis W. Meadows, as published in Family Matters, Council on Foundations

[A Colleague’s Perspective on Trustee Orientation](#), Anne H. Morgan, Council on Foundations

[Board Responsibilities and Structures – FAQs](#), BoardSource

[Term Limits](#), BoardSource

[Board Orientation](#), BoardSource

Documents you will want to review:

- Articles of Incorporation or Deed of Trust
 - Bylaws
 - Mission, Vision and Values statements
 - Conflict of Interest Policy and Disclosure Statement
 - Strategic Plan
 - Trustee Job Description
 - Board Roster
 - Committee Roster and Charters
 - IRS Form 990 or 990-PF
 - Board minutes from the last year
 - Board Policies
 - Applicable State Nonprofit Law as it relates to board responsibilities
-



INCLUSION
perspective matters

4. *Inclusion*

We use many factors to select board and staff members, ranging from compatibility with values and mission to commitment to serve to having a sense of humor. We look at the totality of the person being considered, including gender, race, ethnicity, and life experiences... Diversity and inclusiveness [of board and staff]...helps us do our job better, to make better and more effective grants. We know more about real world viewpoints and experiences and are better able to make informed decisions. And it grounds us, making us more accountable to our grantees and their communities.

Ann Weiner, granddaughter of Charles F. Noyes & Victor DeLuca, President
Jessie Smith Noyes Foundation
(adapted from “Diversity and Inclusion: Lessons from the Field” Rockefeller Philanthropy Advisors)

As a new board member, you bring to the board a perspective on the foundation and the world that differs from others due to your style of thinking, ethnicity, race, gender, sexual orientation or identification, age, class, economic circumstance, religion, ability, geography, or philosophy. The board is comprised of unique individuals; all have attributes that make their diverse perspectives valuable additions to the foundation board.

In Ten Ways for Community Foundations to Consider Diversity and Inclusive Practices, each board member’s responsibility to participate is clearly stated: “Achieving diversity does not consist merely of documenting representation via head counts and checklists but rather entails ensuring inclusion in decision making.” In order to be included in decision making, board members must become familiar with the foundation’s issues and seek answers and information needed to make sound decisions. Once informed, each board member has a responsibility to listen to others and to bring their unique perspective to the decision making process.

With different viewpoints and perspectives in the room, however, boards need to be prepared to deal with different communication styles. In an interview conducted for this publication, Anne Jackson, past board chair of the Maine Community Foundation, shared the communication issues that resulted when a new member was appointed to the board who had a different communication style than the existing members. The board was not prepared for cultural differences in communication and so had not adequately prepared an environment that fostered full participation.

Ms. Jackson was able to improve board dynamics by working closely with the new member, inviting her to speak about her culture at a board meeting. Afterward, the new board member commented that speaking from notes is more comfortable for her than extemporaneous

speaking. By working together to understand her sensitivities about speaking, they found a workable method for the new member to participate fully and comfortably. She said, “Now we alert our board members that there are differences in how we participate.”

Key Questions to Ask:

Does the foundation have a written diversity and inclusion statement?

How does the foundation ensure diversity and inclusion in its grantmaking?

How is our board diverse? How is our staff diverse?

What does the foundation do to ensure it understands the needs of the community and/or its constituents?

Resources:

Ten Ways for Community Foundations to Consider Diversity and Inclusive Practices, Council on Foundations

Ten Ways for Independent Foundations to Consider Diversity and Inclusive Practices, Council on Foundations

Ten Ways for Family Foundations to Consider Diversity and Inclusive Practices, Council on Foundations

Vital Voices: Lessons Learned from Board Members of Color, BoardSource

Benefiting from Diversity, BoardSource

DO YOU PLAY IN YOUR COMMUNITY?

IMPACT
connect to the foundation's purpose

COMMUNITY INFORMATION

- measuring program impacts - outcomes
- managing Indicator projects
- Promote volunteerism/civic participation
- Sharing local news
- Facilitating Community Dialog
- Verifying - sharing non profit data
- Researching community needs/ issues
- launching new businesses
- Building Social Ties
- public
- Representing the community
- Providing services directly
- Running public service systems
- Non profit
- urban/rural planning
- development

OPERATING

- Incubating non profits

ADVOCATING

Participants are wearing lanyards with the text "COUNCIL OF FOUNDATIONS".

5. *Impact*

It is important that new board members know what the foundation has done for the community. Being able to tell the stories about how we helped makes the foundation's work real when we talk with others.

I talk with people about the wonderful things the foundation has done, like starting a new library in my town. I try to tell stories that will have meaning to the listener, to help them understand what a difference \$500 can make to a youth group, or a million dollars can make to a hospital.

Lana Haines, Board Member
DeKalb County Community Foundation

Impact measures the desired change or outcome a foundation seeks to make through its grantmaking and programming. The desired impact derives from a foundation's purpose when the board links mission to strategic direction. To achieve desired change or to deliver needed support, foundation leaders must define the foundation's goals for action.

The resulting actions, referred to as the "programs" of the foundation, include the methods used to reach out from the foundation: grantmaking, initiatives, convening around issues, technical assistance, expert advice, training, and investments related to the mission of the foundation.

Typically boards will set the strategic direction for programs, but the board's day-to-day engagement will vary according to the size and staffing levels of the foundation. Foundation type may also be a factor; in community and public foundations, donors often play a key role and provide grantmaking advice.

As a new board member, you ought to explore the programmatic work of the foundation:

- Develop your connection to the foundation's purpose by talking with the individuals who work most closely with the foundation's programs; this might include discussing programs with a board chair, a grants committee chair, and the foundation's CEO or other staff.
- Learn how your foundation developed its strategic direction for programs, what the board views as the foundation's principle constituencies, discuss the changes the foundation seeks or the support it provides, and how the foundation monitors and evaluates programmatic impact.
- Go on site visits to see the results of foundation support at the grassroots level.

- Go on site visits to see the results of foundation support at the grassroots level.
- Ask the grants committee chair or staff to recommend reading in the foundation's area of interest.
- Attend learning opportunities relevant to the foundation's mission.

If you are on the board of a community foundation, you may find that the programmatic work of the foundation is broad, encompassing many different areas of philanthropy. In that case, you might participate in a grant review panel or sit in on a meeting of the grants committee to see first-hand how grants are made.

Trends in foundation programs have yielded exciting changes to the traditional tools of grants and technical assistance, including combining the charitable purpose of the foundation with asset investment. Foundations have traditionally used a Spending Policy to calculate annual grants budgets; this approach uses a percentage of endowment asset value (often 5%) for grants and program expenditures.

Once spent, grant allocations are expected to yield return in social, educational, environmental or cultural spheres. Foundation assets may, however, be invested in organizations or projects that will produce a return that is measured in these sorts of benefits as well as a financial return on investment to the foundation. The new methods are referred to as mission driven investment, program related investment, or impact investing.

Connecting to the foundation's purpose through its programmatic work will enrich your knowledge of the foundation, the communities it serves, and may challenge your assumptions about the means the foundation uses to achieve its mission.

Key Questions to Ask:

How do programs relate to the mission and strategic direction of the foundation?

Is the foundation reactive or proactive in its grant making

What is the change this foundation is trying to make with its programs?

How are funding decisions made? By staff? By the board? By a committee?

Are grants evaluated? Do evaluations inform grant making decisions? How does the foundation capture lessons learned?

Has the foundation explored alternative methods of programmatic support such as mission driven investing?

Do I bring any special knowledge or skills to the programmatic work of the foundation?

Resources:

Essential Skills and Strategies for New Grantmakers, a training program developed by the Council on Foundations, Forum of Regional Associations of Grantmakers, the Council of Michigan Foundations, and Grantmakers of Western Pennsylvania.

A Colleague's Perspective on Grantmaking Issues for Family Foundations, Sally Bowles, Council on Foundations

Tips for Effective Grantee Relations, Jane Kendall, Council on Foundations

The Vision Statement, BoardSource

Solutions for Impact Investors: From Strategy to Implementation, Steven Godeke, Raul Pomares, et al, Rockefeller Philanthropy Advisors



LEGAL RESPONSIBILITIES

understand and comply with the foundation's legal and ethical practices

6. *Legal Responsibilities*

The biggest challenge that families and donors have is making the transition from an individual to an organizational perspective. You've joined the board; that has legal implications; it is not about you as a family member. Just because you are on a private foundation board doesn't mean that your actions are private – you are accountable.

Hilary Pearson, President and CEO
Philanthropic Foundations Canada

The board holds legal responsibility for a foundation's compliance with federal, state and local regulations. Many foundations turn to professional legal counsel and professional staff for support and advice to manage reporting and other requirements, but accountability ultimately rests with a foundation's board. For this reason, board members must understand their legal responsibilities.

Legislation such as the Sarbanes-Oxley Act (The American Competitiveness and Corporate Accountability Act of 2002), requires organizations to adopt a policy that precludes punishment for whistleblowers. The IRS requires a Conflict of Interest Policy. These are just some of the many legal requirements that a board member is required to understand and enforce.

Apart from policies that impact the business of the foundation, there are also annual returns that foundations must file with the Internal Revenue Service (IRS) including IRS Form 990 or 990-PF for private foundations, and charitable solicitation registrations and other state-required reports that vary state to state. The IRS inquires into legal issues, such as self-dealing, which are financial transactions between a private foundation and disqualified persons (including board members and their families), the types of grants made, questions on lobbying, payments to terrorist organizations or to non-charities. In each question, additional considerations and qualifications may apply, and the list of legal issues is extensive.

There are three basic duties that board members take on as stewards of a foundation. Some states have codified these into state law.

Duty of Obedience: Under this duty, board members may not approve an action by the foundation that violates its governing documents or applicable laws. As a new board member, you should have ready access to the foundation's governing documents and ask questions if these include anything you do not understand.

Duty of Care: Care, in this duty, might also be described as the duty to be well informed before making a decision. To enable informed choices, board members have a responsibility to review relevant materials, such as minutes, and reports or studies. Board members must also make informed choices by accessing sources of information like committees, staff, or outside consultants, including legal counsel when needed.

Duty of Loyalty: Board members must act solely in the foundation's interest, avoiding conflicts of interest and maintaining confidentiality. A best practice for foundations is to ask board members annually to declare any conflicts, in accordance with the foundation's Conflict of Interest Policy, and recuse themselves from voting when a conflict arises. Such policies often include a pledge to maintain the confidentiality of foundation discussions and actions as well. Pay particular attention to any entities with which you have financial or governance relationships, such as sitting on the board of a potential grantee organization or business interests you might have with a vendor to the foundation. These need to be declared, and your declaration recorded in meeting minutes.

It is essential, as a new board member, that you acquire the knowledge that will support your acceptance of the legal responsibility inherent in these three duties. Some violations carry monetary penalties for the organization and individuals involved, and violations have the potential to damage the reputation of the foundation. However, having a clear understanding of the basic legal responsibility of each member and of the board as a governing body will serve to protect you and the foundation.

Key Questions to Ask:

Does the foundation's board manual or orientation materials include its governing documents: Articles of Incorporation or Declaration of Trust? By-Laws?

Do foundation board members sign Conflict of Interest and Confidentiality Policies annually?

Do I have any conflicts of interest that I must declare?

Who is a disqualified person in my circle of relationships?

Does the board review the foundation's Internal Revenue filings (990 or 990-PF) annually?

Who does the foundation consult when legal advice is required?

Resources:

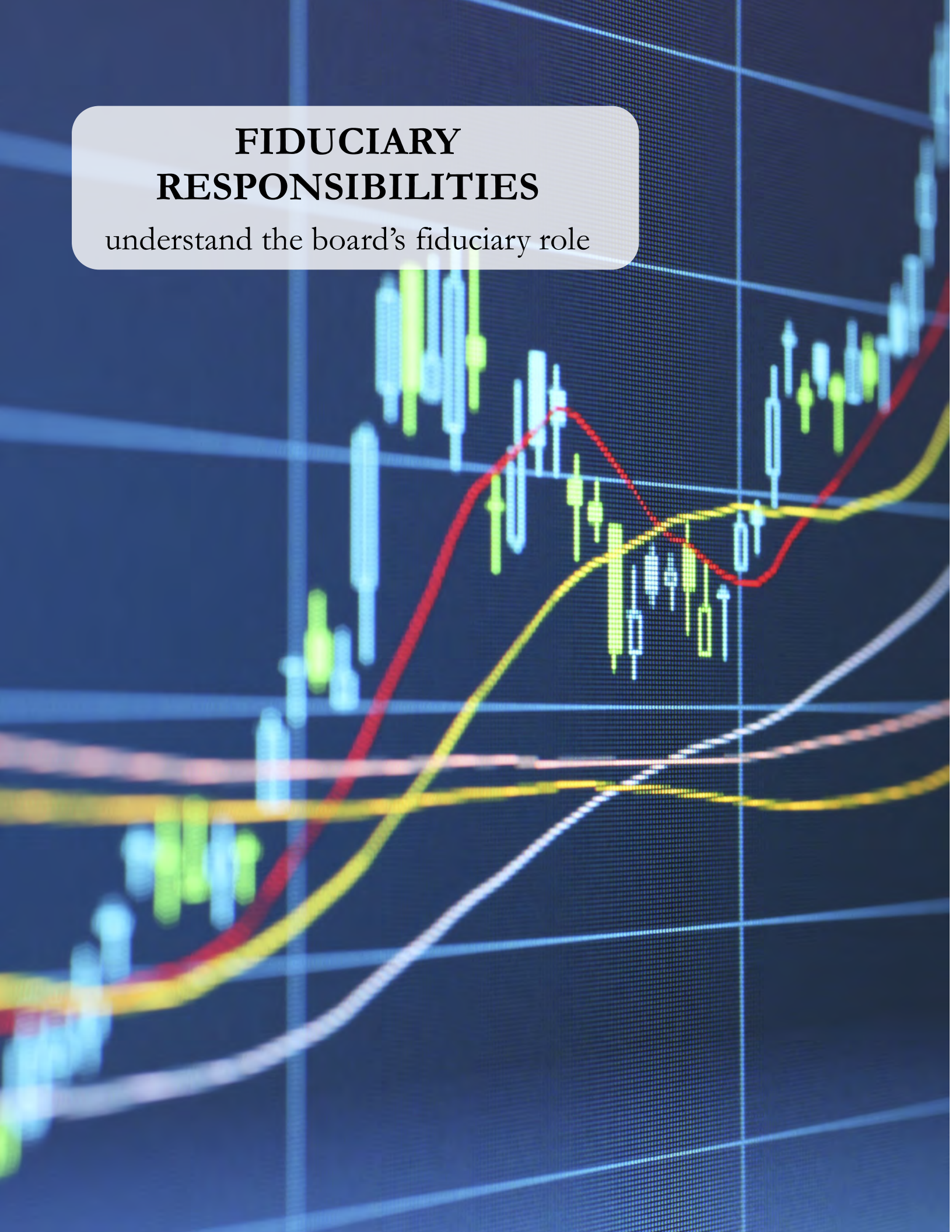
[Check This: A Compliance Checklist for Private Foundations](#), Jane Nober, Council on Foundations

[Drafting a Conflict of Interest Policy: A Guide to Key Provisions](#), Council on Foundations

[Corporate Disclosure and the Sarbanes-Oxley Act of 2002](#), Council on Foundations

[Coming to Terms with Conflict of Interest](#), BoardSource

[Why Do You Need a Board](#), BoardSource

A financial candlestick chart with a grid background. The chart features several moving average lines in red, yellow, and white. The candlesticks are colored in shades of blue and green. The overall background is a dark blue with a grid pattern.

FIDUCIARY RESPONSIBILITIES

understand the board's fiduciary role

7. *Fiduciary Responsibilities*

If I don't understand something, I will ask. It gets complex when you start drilling down into the details: what our administrative fees might need to be next year or how our spending policy might require that we change our budget. We need to turn it around so people don't feel awkward or inadequate; when we talk about the budget we need to begin with Finance 101. You as a board member never get off the hook; you can never delegate your fiduciary responsibility. You put yourself and your organization in jeopardy if you don't understand what is being voted on.

Diane Harrop, Board Member
Wyoming Community Foundation

One of the most important responsibilities of board members is to ensure that the foundation's fiduciary responsibilities are met. A fiduciary relationship is one in which one side places the utmost trust and confidence in the other to manage and protect the assets. Fiduciary responsibilities include oversight of annual audits, internal controls, investment performance, compensation policy, and state and federal tax and regulatory filings, performed by board members. Another major aspect of this responsibility is ensuring that decisions are made for the good of the foundation.

Marla Salmon, past board member of the Robert Wood Johnson Foundation, shared that, "curiosity is important. Fiduciary responsibility is not just the foundation's current finances or its vulnerability in the economic climate," but underscored that as board members, "we are stewards of insuring the good."

The management aspect of foundation fiduciary responsibilities has two components:

Investment oversight requires that the board approve investment policies, review investment performance, and employ appropriate asset management. This function is becoming increasingly complex as foundations move into investments that relate to the mission of the organization (including mission related and program related investments and impact investing).

Fiscal oversight requires that the board develop the foundation budget, monitor financial performance, oversee annual independent audits, and ensure that internal controls are in place. Fiscal oversight also includes timely filing of tax and regulatory reports and determining reasonable rates of compensation for any paid employee (or on some boards, compensation for board service).

The level of detail and breadth of knowledge required may seem daunting, but the Duty of Care for the foundation requires that you seek answers to your questions, that you pursue knowledge about the financial and investment positions of the foundation, and that you use this information to make prudent decisions and provide good stewardship. The foundation's staff, professional accountants and legal advisors should be able to provide the answers that board members need to weigh their decisions and support their actions.

Key Questions to Consider:

Is the foundation's cash flow adequate? Does the foundation have sufficient reserves?

How does the foundation's financial activity compare with the budget?

Does the foundation have appropriate controls to prevent errors, fraud, or abuse?

Does the foundation have investment objectives? A Spending Policy?

Does the foundation know what the board considers to be an acceptable rate of return, investment goals, and our risk tolerance?

What is the asset allocation strategy for investments? Does the foundation have disciplined rebalancing of asset allocations?

Who manages the foundation's assets; how and when is their performance and investment policy compliance monitored?

Does Uniform Prudent Management of Institutional Funds Act (UPMIFA), Uniform Management of Institutional Funds Act, or the Uniform Prudent Investor Act, or other state law govern the management of foundation funds?

Has the foundation explored investment techniques that also fulfill its charitable mission (such as mission related or program related investments)?

Does the foundation have a compensation policy and how are compensation decisions made?

Is the foundation current on tax and regulatory reporting and audits?

Resources:

Recommended Best Practices in Managing Foundation Investments, Council on Foundations

An Ounce of Oversight, Jonathan J. Higuera, Foundation News & Commentary, Council on Foundations

Board Compensation: Voluntary of Compensatory Boards: Which is Better Policy, Council on Foundations

Stewardship Principles for Family Foundations, Council on Foundations

Stewardship Principles and Practices for Independent Foundations, Council on Foundations

Stewardship Principles for Corporate Foundations, Council on Foundations

Fiduciary Responsibilities, BoardSource

Financial and Fundraising Issues — FAQs, BoardSource



GOVERNANCE & MANAGEMENT

discover roles and responsibilities across
the foundation

8. Governance & Management

At the recommendation of our Governance Committee, we retained a consultant to do a salary survey, to look at data across positions and compare to our peer group, coming up with new salary ranges. We have a compensation philosophy developed by the trustees: for high performing staff, the goal is to get them to the midpoint of their salary range. The consultant confirmed the philosophy, but because a few of the salary shifts were significant, there were some trustees who were concerned. You could look at it two ways: it really is my decision to set salaries but it is their responsibility to make sure that we are not over-compensating our staff. Our board chair was very careful, he did not want the trustees to cross over the line in setting salaries; they set my salary, but he knew that setting staff salaries is not a board responsibility. We had several conversations about it, but in the end it was a unanimous vote, everybody was in accord.

Carol Goss, Former President
Skillman Foundation

To engage effectively within a foundation, you should discover the roles and responsibilities of each board member, staff, and stakeholders. While foundations vary in their internal governance and management structures, each will have assignments that distinguish the roles and responsibilities of the board, of its officers and committees, of the chief executive and the staff.

As a governing structure, the board:

- Sets the organization's basic purpose;
- Oversees operations;
- Reviews and oversees compliance with the budget;
- Reviews the audit;
- Approves strategic plans;
- Approves major contracts and expenditures;
- Addresses potential conflicts of interest;
- Ensures board continuity including maintaining minutes and documentation of board business as well as recruiting new members; and
- Determines employment and compensation of the chief executive and reviews his or her performance.

The board chair acts as the leader of the board. At the strategic level, the board chair determines the timing and need for the board to discuss mission, vision, and values. As a nexus of communication, the chair is responsible for setting agendas, building consensus, speaking for the organization, communicating regularly with the chief executive, and easing occasional tensions. At the structural level, the chair appoints committee leaders, task forces and makes other assignments within the board. The board chair sets the tone for the board's culture and decision making.

The chief executive leads the management function of the organization and acts as the principal conduit of information to the board. He or she will report on the foundation's operations and finances and makes suggestions for board action. The chief executive plans and directs the specific activities of the organization, hires and supervises staff, and approves commitments that do not require board approval.

A best practice for foundations would be to create job descriptions that define the responsibilities of all major actors, including the board chair, other board officers and the chief executive. Most boards have committees that are assigned to perform specific tasks on behalf of the board, including overseeing fiscal matters, investment, governance, grantmaking or programmatic strategy, or fundraising in public foundations.

Charters that describe the purpose and duties of committees are also a best practice. Charters supplement the brief committee descriptions that are typically included in bylaws by providing an additional level of detail on the charge and operations of committees. Job descriptions provide clarity that can be helpful in preventing duplication of effort and micromanagement of the organization by the board.

The board chair may have a committee assignment in mind for you or you may have an opportunity to visit several committees to select one for service. Either way, reviewing committee charters will provide you with important knowledge about how the foundation operates.

Key Questions to Consider:

What are the responsibilities of the board officers?

What is the role of the chief executive?

What are the duties of the committees?

Do I have copies of board officers' job descriptions and committee charters?

Who speaks publicly for the foundation? If I am asked to speak on behalf of the foundation, whom should I consult before doing so?

Resources:

Governance vs Management: Defining Roles and Respecting Boundaries, webinar, Council on Foundations

Ten Essential Responsibilities of Foundation Board Chairs, BoardSource and Council of Michigan Foundations

Board Leadership, BoardSource



MENTORSHIP

learn from a mentor and board peers

9. *Mentorship*

The way you become a good board member is by identifying other board members who are good and learning from them. As a new board member, I wish I had known more about the informal culture of the foundation. I needed a mentor, a resource person, who could help me. I was fortunate to pick out a couple of people who helped me 'get the scoop.'

Marla Salmon, Past Board Member
Robert Wood Johnson Foundation

A board's effectiveness rises or falls on the members' ability to form a community that works together to achieve the goals of the foundation. Social interaction is one of the most powerful ways to build the relationships that create a cohesive team and help prevent the divisive perception that there are insiders and outsiders on the board. Mentoring is a bridge for the knowledge gaps of new members.

In a formal mentoring program, a mentor may be assigned to a new board member who might succeed the experienced board member in an officer, committee chair or task-specific role. Mentors and mentees can be matched on the basis of shared interests, common backgrounds, or compatible personalities.

Less formal mentoring may be instigated by cultivating personal relationships. Experienced board members named a few simple techniques for getting to know fellow board members and to develop a mentoring relationship, including ride sharing to board meetings, meeting quarterly for coffee, or morning walks with a fellow board member who lives close by.

Regardless of its structure, the mentoring connection should be on-going, personal and mutually beneficial. Diane Harrop, Wyoming Community Foundation boardchair and mentor noted, "the best way to learn something yourself is to teach it to someone else. Experienced members have to kick up their game to explain some of the more complex issues to a newcomer."

To facilitate social interaction, many boards have lunch or dinner together when they meet, allowing time away from the business of the foundation to visit personally. Some boards will conduct retreats at least annually, including respite from the business agenda of the meeting for shared fun and conversation. In other foundations, you will need to make the connections so you become personally acquainted with the other members: try inviting them to share their perspectives on the foundation with you over coffee or a meal or visit with each other before or after meetings.

Key Questions to Consider:

What do I need from a mentor? Who can provide me with the knowledge and perspectives that will help me?

Does our foundation structure a formal mentorship for new board members?

What is an easy, comfortable way for me to initiate a mentoring relationship?

Does our board spend social time together?

How well do I know the other members, and how do my relationships with them benefit the foundation and help it meet its goals?

Resources:

Creating a Mentoring Culture: The Organization's Guide, Lois J. Zachary



EVALUATE

look back, learn, and grow

10. *Evaluate*

It's important to know what success means for the organization. Ask if the organizations the foundation has funded are having an impact. A new board member needs to know: what is the change that this foundation is trying to make through its grantmaking? Ask what works and why.

Try to understand what the organization means by "strategic" and how you've played your part in that process. I sometimes feel like I'm going 60 miles an hour and the organization is going 10. It's important to know that we are at least going in the same direction.

Jos Thalheimer, Board Member
Andrea & Charles Bronfman Philanthropies

Evaluation offers a way for foundation boards to assess themselves and to learn from past performance. This self-reflection helps develop common understanding of roles and responsibilities and may lead to a stronger and more organized board. Periodic assessments can also help identify strengths and weaknesses within the governance and management of the organization. Knowing where a board needs expertise can lead to more focused recruitment leading to changes in the board's composition that positively impact the board's value to the foundation.

Three types of assessment form the core of foundation board evaluation: individual board member assessment, board self-assessment, and organizational assessment.

Individual self-assessment:

New board members should be clear of the foundation's expectations for them, and the manner in which the foundation assesses their board service. Many boards ask members to complete a self-assessment of their performance; for a new board member this self-assessment is a useful tool for identifying strengths and opportunities for growth at the end of the first year on the board. Diane Harrop shared that the Wyoming Community Foundation, "Let's board members set goals for themselves for the coming year, just like we ask staff to do."

After completing a self-assessment, you might ask the board chair or your mentor to meet with you to review and discuss your self-assessment and to suggest methods for improvement. "It is important to ask for feedback. Sometimes the most senior member of the board or the chair is the best person to ask; it's not only a question about what is expected, but what the landmines are." explained Marla Salmon, past board member at the Robert Wood Johnson Foundation.

Board self-assessment:

Board self-assessments include evaluating the full board's effectiveness in advancing the mission and in achieving the goals it has set for itself. Evaluations of the entire board may be conducted through surveying members followed by full board discussion of the findings and comments received. A best practice is to conduct a full board self-evaluation every other year; this timing allows for implementation of prior planning and goals. Professional facilitators are often used, particularly during the discussion phase of the process, but an officer or Governance Committee chair may serve in that role.

Organizational assessment:

The board is responsible for conducting an annual performance review of the chief executive. Measuring the chief executive against that position's job description, as well as goals set by the board in the prior year, provides board guidance for the foundation's management and an objective method for determining continuing employment and compensation. The board chair may appoint a task force to conduct a detailed performance evaluation of the chief executive, and then call an executive session in which the full board receives the task force's report on their findings.

Beyond a performance review of the chief executive officer, a well-run foundation will evaluate its core operating functions such as financials and programs. Investment performance of assets should be regularly measured, often quarterly, against established benchmarks set by the board or an Investment Committee.

Evaluating compliance with the board-approved budget provides useful information for insuring that adequate resources are available to operate the foundation and for setting the following year's budget.

In public foundations, the status of fundraising against board established goals supplies insight on the effectiveness of board and staff in supporting the foundation. And evaluation of the programmatic work of the foundation, including the results of strategic program investments, is important in understanding how the charitable mission and values of the organization are being met.

Key Questions to Consider:

Does the foundation have a self-assessment form for individual members' use? Is there an established process for individual assessment?

Does the board conduct a self-assessment? How often? What is the process that is used for the full board to assess itself?

How is the chief executive evaluated annually? By whom? How are the results of that evaluation reported to the board?

How does the foundation evaluate its core functions of investment, financials, and programs? In public foundations, how is fundraising evaluated?

Resources:

[Hyams Foundation Board Self-Study Guide](#) and [Individual Board Assessment](#), Sample Documents, Council on Foundations

The Boardroom: Bringing Personal Accountability on Board, Foundation News & Commentary

Sources for More Information

[Glossary of Philanthropic Terms](#), Council on Foundations

[Principles for Good Governance and Ethical Practice: A Guide for Charities and Foundations](#), Panel on the Nonprofit Sector (convened by Independent Sector)

[The Principles Workbook: Steering Your Board Toward Good Governance and Ethical Practice \(a companion to Principles for Good Governance and Ethical Practice: A Guide for Charities and Foundations\)](#), Independent Sector and BoardSource

[National Standards for U.S. Community Foundations](#), Council on Foundations

[Top Ten Ways Family Foundations Get In Trouble](#), Council on Foundations

[Stewardship Principles for Family Foundations](#), Council on Foundations

[Stewardship Principles for Independent Foundations](#), Council on Foundations

[Stewardship Principles for Corporate Foundations](#), Council on Foundations

[The Guide for Community Foundation Board Members, Second Edition](#), Council on Foundations

[Assessment of the Chief Executive \(ACE\)](#), BoardSource online tool

[Board Self-Assessment of Community Foundations](#), BoardSource online tool

[Ten Basic Responsibilities of Nonprofit Boards](#), BoardSource

[The Nonprofit Chief Executive's Ten Basic Responsibilities](#), BoardSource

[Managing Conflicts of Interest](#), BoardSource

[The Board Building Cycle: Nine Steps to Finding, Recruiting, and Engaging Nonprofit Board Members, Second Edition](#), BoardSource

[Diversity in Action, BoardSource Toolkit](#), BoardSource

[The Nonprofit Policy Sampler, 3rd Edition](#), BoardSource

[Fearless Filing: Conquering Form 990's Governance Questions](#), BoardSource

[Who's Minding the Money: An Investment Guide to Nonprofit Board Members](#), BoardSource

Where to Go for More Help

BoardSource, www.boardsource.org
Chronicle of Philanthropy, www.philanthropy.com
Council on Foundations, www.cof.org
Fi360, www.fi360.org
Foundation Center, www.foundationcenter.org
Grantmakers for Effective Organizations, www.geofunders.org
Independent Sector, www.independentsector.org
National Center for Family Philanthropy, www.ncfp.org
Philanthropy Journal, www.philanthropyjournal.org
Forum of Regional Associations of Grantmakers, www.givingforum.org
The Committee Encouraging Corporate Philanthropy, www.corporatephilanthropy.org

The Institute for New Board Members Advisory Committee and philanthropic leaders provided strategic guidance and support to the Professional Development team in executing the Council's priorities related to board membership and effective foundation governance.

Institute for New Board Members Advisory Committee

Anne Jackson, Maine Community Foundation *

Diane Harrop, Wyoming Community Foundation *

Dale Christensen, Watertown Community Foundation *

Jane VanFossen, Community Foundation of Delaware County

Pat Bresee, Silicon Valley Community Foundation

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Dave Campbell, McGregor Fund *

Hilary Pearson, Philanthropic Foundations Canada *

Craig Ziegler, California Health Foundation

Non-Committee Members

Carol Goss, Skillman Foundation *

Richard Woo, The Russell Family Foundation *

** Provided interviews for this publication.*



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BOARD *SOURCE*

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The mission of the Council on Foundations is to provide the opportunity, leadership, and tools needed by philanthropic organizations to expand, enhance, and sustain their ability to advance the common good.

BoardSource is dedicated to advancing the public good by building exceptional non-profit boards and inspiring board service.