



#4: Responsible Governance

From the SDG Guiding Principles Preamble:

"We recognize that this position of public trust grants us many privileges and also comes with significant ethical obligations and responsibilities."

August 2008

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Bringing Guiding Principles to Life

We are working throughout this year to bring our newly-adopted set of Guiding Principles to life, so that they are not just words on a page but rather guidelines for action. Our objective is to provide you with a relevant and powerful framework to help you conduct your philanthropy according to the highest standards of effectiveness and accountability. One means by which we will do this is to focus on each principle in a monthly newsletter. This month, we continue with principle **#4: Responsible Governance**.

[Click here](#) (pdf) for the entire set of Guiding Principles. You can also [click here](#) to see the other Regional Associations of Grantmakers that have adopted Guiding Principles.

Several SDG members have let us know that they are bringing the Guiding Principles to their boards and engaging in conversation about how they apply to their organizations. Some members are considering formally adopting the principles themselves as a sign of commitment. [Let us know](#) if you are considering doing so, or if we can provide any additional resources to you as you discuss the principles.

SDG Guiding Principle #4: Responsible Governance

Our governing bodies understand and embrace their responsibility to oversee the mission, strategic direction, finances and operations of their respective organizations, and do so with honesty and integrity.

Good governance flows from the board of directors of a philanthropic organization and strong, principled leadership ensures that the organization is run well enough to achieve its mission. Good governance is fundamental to upholding the public trust and discharging one's responsibilities appropriately.

Suggestions for Practice

There are different ways to implement each of the Guiding Principles depending on the nature of your grantmaking entity. For example, what works for a corporate giving program may be different than what works for a small family foundation. By adhering to the spirit of these principles in a way that applies to your specific circumstances, you demonstrate your commitment to maintaining the public trust in organized philanthropy. Here, we share some suggestions gathered from our colleagues for implementing Principle #4: Responsible Governance.

Representatives of governing bodies are vested with three major responsibilities: "duty of care" to make informed good faith decisions, "duty of loyalty" to have undivided allegiance to the organization, and "duty of obedience" to be faithful to the organization's mission. Governing bodies are also responsible for the general oversight, management, and direction of grantmaking organizations. Even if your giving is not overseen specifically by a board of directors, the concepts embedded in the principle of governance are relevant to responsible grantmaking.

BOARD COMPOSITION

- Establish a designated board of directors or trustees that is responsible for governing the organization's affairs and elect board members as outlined in your charter or bylaws, as applicable.
- If not specified in your charter, develop bylaws and/or policies to establish terms of service for board members and selection criteria.
- Strive to build an inclusive board by actively recruiting new board members who reflect the diversity of the communities you serve, or who demonstrate the capacity to understand the diverse needs and issues of those communities. Note for family foundations with provisions for outside directors: pursue diversity and perspectives that can be brought to the foundation from individuals outside the family.
- If governed by explicit requirements for board service that preclude achieving diversity goals: employ other appropriate means to gain diverse perspectives on the board, such as the use of advisors or consultants.
- Periodically assess the composition of the board against the organization's desired goals.
- Develop and periodically review a leadership succession plan for the board.

BOARD FIDUCIARY DUTIES OF CARE, LOYALTY AND OBEDIENCE

Duty of Care: Ensure that board members are aware of, fully understand and fulfill their fiduciary

duty of care, devoting the time, attention and resources necessary to understand and prudently oversee the organization's affairs.

Mission and Strategy

- Have a written mission statement and set of guiding values approved by your board.
- Periodically review your charter and other donor instructions to determine whether they need to be amended or re-interpreted to meet changing community needs in ways that honor the donor's intent.
- Periodically review grantmaking priorities and objectives to help ensure that your grantmaking remains relevant and responsive.
- Consider strategies beyond your own grantmaking to advance your mission, such as collaborating with other grantmakers, providing technical assistance, convening community leaders, engaging in public policy and advocacy within the limits of the law.

Board Management

- Ensure that board members actively participate in governing the organization to align activities with mission.
- Define and document the roles, responsibilities and expected time commitment of board members, officers and committees.
- Hold regular board meetings each year, as frequently as needed to fully and adequately conduct the business of the organization.
- Take written minutes at every board meeting to accurately reflect discussions and actions taken at meetings.
- Confirm that board members have access to, and general knowledge of, your organization's books, financial records, history and governing documents.
- Work to protect, preserve, invest and manage your organization's assets, consistent with donor intent.
- Ensure that the organization has a written investment policy adequate for its size and complexity.
- Seek professional legal and accounting advice when needed to support compliance.
- Regularly ensure that you have adequate property and liability insurance coverage.
- Periodically evaluate the performance of the board as a body.

Board Learning

- Plan for and encourage continuous learning and training of board members, particularly on basic legal, accounting, audit, tax and fiduciary issues and responsibilities.
- Provide training and orientation for incoming board members and staff.
- Continually work toward increasing awareness and understanding of multiple cultures in increasingly diverse communities.
- Encourage board members to participate in regional and/or national grantmaking conferences, programs, associations or support groups for ongoing education and development.
- Consult subject matter experts or community representatives and/or include them on committees or advisory groups.

Evaluation

- Periodically evaluate your organization's operations, procedures and grantmaking, assessing whether they are attaining the goals and objectives explicit in your mission.
- Use evaluation as an ongoing process of organizational learning.
- Actively involve the communities and constituencies you serve in your evaluation and

organizational learning.

Duty of Loyalty: Ensure that board members are aware of, fully understand and fulfill their fiduciary duty of loyalty, setting aside personal or conflicting interests and acting solely in the best interest of the organization when making a decision or acting on behalf of the organization.

Conflicts of Interest

- Have a written conflict of interest policy.
- Have board and staff review your conflict of interest policy and acknowledge, in writing, that they have done so and understand what constitutes a conflict of interest, as well as your conflict of interest processes and procedures.
- Have board members and staff complete and submit a conflict of interest disclosure form annually, and update the disclosure form as necessary.

Duty of Obedience: Ensure that board members are aware of, fully understand and fulfill their fiduciary duty of obedience, obeying all state and federal laws pertaining to the organization and acting in furtherance of the organization's charitable purposes.

Self-Dealing

- Give board members and managers education on self-dealing, so that they understand disqualified persons and have processes to evaluate potential self-dealing transactions.
- Do not engage in any self-dealing transactions between the philanthropic organization and any disqualified persons.
- If a corporate foundation: do not pay the parent company (that is a substantial contributor to the fund) directly for any resources other than for reasonable expenses for business services.

Board Compensation

- Expect board or committee members to serve the foundation without compensation, recognizing that reimbursement of reasonable expenses directly related to board service does not constitute compensation and that board members who perform traditional staff functions may be compensated as staff.
- Develop a compensation and reimbursement policy and take steps to ensure that any compensation is reasonable and not excessive, as defined by law.

Public Accountability

- File required tax forms, which provide public disclosure of the operations and activities of your organization.
- If audited, make available to the public your audit statement or auditor-approved summary of the audit findings.

Whistleblower Policy

- In order to prevent improper activities, adopt a whistleblower policy to encourage good-faith reporting of any suspected violation of law, policy or practice. The policy ensures a process of action by the organization and guarantees protection of the reporting individual from retaliatory action.

Thanks to [Association of Baltimore Area Grantmakers](#), [Donors Forum](#), and [Minnesota Council on Foundations](#) for these suggestions.

Related Resources

- [BoardSource](#)
- [Urban Institute Study on Foundation Expenses and Compensation](#)
- [COF Memo on Foundation Trustee Compensation](#)
- [Self-Dealing: A Concise Guide for Foundation Board and Staff](#)
- [COF Recommended Principles and Practices for Effective Grantmaking](#)
- [COF Stewardship Principles for Family Foundations](#)
- [COF Stewardship Principles for Corporate Grantmakers](#)
- [COF Stewardship Principles for Independent Foundations](#)
- [Independent Sector Accountability Checklist](#)
- [Foundation Accountability Self-Assessment Tool](#) and [related FAQs](#)
- [DJB Consulting Foundation Accountability Resources](#)
- [Foundation Center Practice Matters: The Improving Philanthropy Project](#)

Upcoming SDG Programs

[Click here](#) for a complete list of SDG programs.

[Thursdays with SDG: A National View: Current Trends in Corporate Philanthropy](#)

August 28, 2008

8:30-10:30am

Location: AMN Healthcare, 12400 High Bluff Drive, San Diego, CA 92130

[A Dialogue with Nick Macchione, The New Director of the San Diego County Health and Human Services](#)

September 10, 2008

10:30-11:00am: SDG Member Networking

11:00-12:30pm: Program

Location: The California Endowment, 600 West Broadway, Suite 1250, San Diego, CA 92101

[The Grantmaking Report: Foundation and Corporate Giving in the San Diego Region](#)

September 16, 2008

8:00-8:30am: Registration

8:30-10:00 am: Presentation and Discussion

Location: [University of San Diego](#) Warren Auditorium, Room 116 in Mother Rosalie Hill Hall, the School of Leadership and Education Sciences.

[Making a Difference: Linking Your Core Business to Strategic Corporate Citizenship](#)

September 26, 2008

8:00-8:30am: Registration/Networking

8:30-10:00am: Program

Sponsor and Host:

Amylin Pharmaceuticals, Inc., 9360 Towne Centre Drive, San Diego 92122

[San Diego Grantmakers 2008 Annual Conference: MAPPING THE IMPACT OF SAN DIEGO PHILANTHROPY](#)



October 23, 2008

9:30am-5:30pm

(breakfast, lunch, and reception)

Location: Joe and Vi Jacobs Center, 404 Euclid Avenue, San Diego, CA

\$125 for SDG members, \$175 for nonmember grantmakers

Working Group Meetings

[Workforce Funders](#): **September 10**

[Homelessness Working Group](#): **September 8**

[Child Welfare Funders](#): **August 26, September 23**

[San Diego Neighborhood Funders](#): **September 5 CANCELLED**

[Family Foundation Exchange](#): **September 9**

[Click here](#) for more information about all of these SDG programs. All programs are free for SDG members except where indicated. To RSVP, please call (619) 744-2180 or email programs@sdgrantmakers.org.

FUNDRAISING STIPULATION:

SDG was developed so that grantmakers (staff and trustees) could talk candidly with their peers about the challenges they face. With that in mind, we wish to impress upon members and potential members that fundraising or marketing is not allowed at any of SDG's programs, meetings, or other events.

This online newsletter is published by [San Diego Grantmakers](#) to help SDG members meet the challenges of philanthropy today. Our mission is to connect, educate, develop, and inspire a diverse group of foundations and corporations to stimulate effective philanthropy in the San Diego region. Copies of past editions are archived [here](#).

Contact Nancy Jamison, 619/744.2180 or nancy@sdgrantmakers.org to suggest article ideas or submit news items.

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