



ILLUSTRATIVE STATEMENT OF PRACTICES TO IMPLEMENT THE PRINCIPLES FOR GRANTMAKERS for FAMILY FOUNDATIONS

The following Statement of Practices, designed to be a model of excellence for grantmakers, has been prepared by the Minnesota Council on Foundations to illustrate specific practices that small family foundations might adopt in order to implement the eight Principles for Minnesota Grantmakers to which all members of the Council are being asked to subscribe. The Principles are broad statements of responsibilities implied by both the public trust vested in grantmakers and the high ethical standards to which the Council is committed. This Statement of Practices helps translate those responsibilities into workable day-to-day procedures by providing benchmarks which family foundations can use to evaluate current practices, determine areas for change, and formulate their own statements of practices.

It is our belief that family foundations that are members of the Minnesota Council on Foundations already subscribe to the eight Principles for Minnesota Grantmakers and innately use many of the following practices as the basis from which to strive for excellence in their grantmaking. The Board of Directors of the Council recognizes that a large well-staffed private foundation can prepare information, respond to requests, and evaluate its work far more readily than a small family foundation with part-time or no staff. Indeed, for smaller family foundations, the specifics presented in this Statement may appear at first to be arduous and costly; however, the Council believes they are reasonable and workable.

The Board requests that the trustees of each family foundation review this Statement of Practices carefully, expecting that each family foundation, as a member of the Council, will either adopt this Statement or will formulate its own statement of practices reflecting the ways in which the Principles are put into practice.

The Council Board and staff are prepared to assist its family foundation members in understanding and implementing these Principles and Practices, both as a demonstration of their commitment to excellence in grantmaking and as tools to help them achieve this excellence.

The bold-faced statements in this document are written with the voice of the grantmaker and are framed as commitments to specific behaviors toward grantseekers and grantees and in the conduct of business by staff and board. The text that follows the bold-faced material is intended as a more detailed explanation of the Practice or the implications it has for the Council member.

PRACTICES IN DEALING WITH GRANTSEEKERS, GRANTEES AND OTHER GRANTMAKERS

1. We deal respectfully with applicants and grantees, as well as those simply seeking information about our programs.

This standard informs all interactions of grantmakers with their constituencies. It suggests that grantmakers need to be clear about their priorities, procedures, and expectations for applicants and grantees as well as timely in responding to requests for information or support. Ways of showing respect for those with whom we deal are suggested in the explanation of the Principles and in the specific practices that follow.

2. We are accessible and respond clearly and promptly to all requests for information and meetings.

Each grantmaker publishes an address and the name of an individual to contact for information. Organizations that maintain offices, if feasible, also publish a phone number, office location, and office hours.

Most grantmakers receive more requests for personal meetings than they can honor. Given the value of meetings to applicants, grantmakers follow fair practices regarding meetings and are consistent in applying those practices.

3. We publish or otherwise make readily available basic information about our programs, funding priorities, and application requirements.

The format, detail and dissemination strategies of such publications or materials are appropriate to the size and complexity of our program and to the needs of our prospective grant applicants.

Ideally, each grantmaker provides a full and clear description of its grantmaking process, including, for example, information about its:

- Mission and goals;
- Program interests and funding priorities;
- Program restrictions;
- Geographic limitations, if any;

- Preferred format for applications;
- Application deadlines;
- Statement of when and how requests for support will be acknowledged, and how applicants will be kept informed of the status of their requests;
- An estimate of the time needed for a decision and how and when applicants will be notified of that decision; and
- A list of grants made in the previous year, including names of organizations funded and the amount and purpose of the grants.

When a policy or procedure changes significantly, those affected, including grant applicants, are advised within a reasonable period of time, preferably within 30 to 60 days.

As appropriate, the following administrative information about each grantmaking organization is included:

- Names of trustees;
- Names and titles of officers;
- Listing of staff, if any; and
- Financial information, including sources and amounts of income; total expenditures, including administrative expenses for the most recent fiscal year; and a balance sheet.

Where feasible, grantmakers also provide additional information that may help applicants, such as:

- Policies related to multi-year funding; and
- Average size and range of grants made.

4. We define the expected steps in our grantmaking process and communicate these to applicants and grantees.

Effective grantmaking involves interaction, both during the review and after a grant is made. Grantmakers ensure that applicants and grantees understand the process and what is expected of them. In working with applicants and grantees, grantmakers bear in mind the importance of candor, predictability, and timely communication.

Early in the application process, grantmakers, if possible, inform applicants of a proposal's chances for approval. Where guidelines apply, grantmakers advise applicants of any exceptions that may be

made. Grantmakers explain to applicants the steps that will be taken in reviewing their proposal, the value and purpose of site visits, and when and how they can expect to be informed of a decision.

Grantmakers clearly explain their reporting requirements.

Grantmakers use special care in rejecting proposals, giving consideration to the timeliness, format and content of the notification and, where feasible, providing information that may assist the applicant in preparing future requests.

5. We respect the confidentiality of applicants and grantees and use discretion in communicating with others about specific organizations or individuals.

Issues of confidentiality and information sharing are complex. Grantmakers need to gather and share information to understand community issues and to assess the work of nonprofit organizations. Yet the sharing of that information could harm those organizations or individuals working in them.

Grantmakers therefore use discretion in both seeking and responding to requests for information about applicants or grantees, whether the information is provided by applicants or by colleagues, consultants, informal advisors or others. They independently verify opinions they have heard that might be arbitrary or subjective.

Most applicants understand that the grantmaker may contact others for pertinent information about the organization and its programs and proposal. If this is a normal part of the review process, the grantmaker's guidelines say so.

6. We are purposeful in our grantmaking and periodically review and evaluate our mission, priorities, policies, and practices.

The communities with which many grantmakers deal and the needs and capacities of those communities change. Through periodic reviews grantmakers can ensure that their program remains relevant and responsive. In conducting such reviews, grantmakers are encouraged to enlist grantees, beneficiaries, and other representatives of the community to help assess current needs and problems.

PRACTICES WITHIN THE ORGANIZATION

The Principles for Minnesota Grantmakers suggest a number of more specific practices for managing the grantmaking organization itself. Proposed practices are presented for trustees or directors, for staff, and for the operations of the grantmaking organization.

TRUSTEES/DIRECTORS

The general governance, management and direction of a foundation is vested in its board of trustees/directors, which exercises all corporate powers.

7. We have a stated process and criteria for selecting trustees.

When appropriate, grantmakers might consider such qualifications as:

- Willingness to participate actively;
- Policy, programmatic and fiscal experience;
- Commitment to the integrity of the grantmaking process;
- Reputation for fairness and equity;
- Race, ethnicity, age, gender, socio-economic status, and philosophy; and
- Fresh and original thinking that can solve problems and devise initiatives.

8. If we are governed by explicit requirements for board service that preclude achieving racial or other diversity, we employ other appropriate means, such as advisors and key informants, to gain diverse perspectives that will enhance our decision-making.

A commitment to racial diversity reflects the highest ideals of American society. The active inclusion of diverse perspectives at the policy level enables a grantmaker to better understand and respond to the needs of diverse racial communities.

9. We establish terms of service for trustees or directors, renewable according to our bylaws, which also specify the number of consecutive terms an individual may serve.

The renewal process enables an elected trustee and his or her fellow trustees to deliberately re-examine commitment, performance and engagement regularly to determine whether the trustee should continue to serve.

A policy regarding the number of consecutive terms trustees may serve enables each grantmaker to weigh the value of continuous service with its accumulated experience and expertise against that of rotating terms, which bring fresh perspectives to the organization.

10. We have both a statement of trustees' responsibilities and a commitment to appropriate trustee orientation, continuing education and performance review.

Trustees are involved in establishing their responsibilities and receive sufficient orientation before serving on the board. Grantmakers with a staff make clear the role of the trustees in relationship to that of the staff. Continuing education of trustees is planned, adequately funded, and given a high priority.

Trustees develop a plan and process for the periodic review of their performance, both individually

and as a body. This helps refine their responsibilities and identify areas where further education is needed.

In communicating with grantees, fellow trustees and others, trustees are clear about whether they are speaking for themselves or on behalf of the organization.

11. If it is our policy to compensate trustees, that compensation is commensurate with the actual duties performed and typical levels of compensation for such duties.

Most grantmakers do not compensate trustees. When compensation is provided, careful attention is given to the appropriateness of fees in relation to trustees' responsibilities and the time commitment involved in trustee service.

STAFF

The following principles and practices apply to organizations that employ staff, whether they are full- or part-time professional staff or a trustee/board member who serves in that role.

12. We employ staff who reflect the communities and constituents the organization serves, or who demonstrate the capacity to balance and understand the diverse needs and issues of those communities and constituents.

As employers, grantmakers:

- Engage in active recruiting and hiring strategies at each hiring opportunity;
- Create opportunities for racial and philosophical diversity to be represented at all levels of the organization (top positions as well as support and program staff and consultants); and
- Develop a workplace environment dedicated to retention—one that embraces diversity, allowing all involved to feel comfortable and able to do their best.

13. We have job descriptions that clearly describe staff responsibilities and reporting relationships and the relationship between staff and trustees.

OPERATIONS

14. We have a written conflict-of-interest policy, consistent with statutory requirements, describing how conflicts or perceived conflicts of interest are handled.

An adequate policy requires internal disclosure by employees and trustees of any organizational affiliations with grantees, potential grantees or other constituents or vendors with whom the organization conducts business.

It includes guidance on the following:

- Procedures for decision-making when a trustee or employee has a real or perceived conflict of interest;
- Fees for outside speaking, consulting or service as a director on another board;
- Gifts (beyond those that have a nominal value); and
- Free tickets, meals, or similar gratuities from grantees, potential grantees or vendors.

15. We adhere to generally accepted financial standards, with regular financial statements and, where practical, an annual independent audit.

16. We have a level of administrative funding that is reasonable and necessary to assure that we can carry out our mission effectively. Expenses are not excessive or disproportionate to the amounts spent directly for grants and technical assistance to grantees.

Decisions on maintaining an office, staffing and other administrative details are guided by this standard.

17. We have investment policies and strategies approved by our board that include clear guidance regarding the balance between risk and return in the context of the long-term goals of our organization.

18. We consider the extent to which the values and principles that guide our grantmaking programs also inform our investment policies and decisions.

19. We actively seek a diverse range of candidates when selecting consultants, investment managers, legal counsel, audit firms and other vendors.