

PERSPECTIVES ON PHILANTHROPY

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**FAMILY FOUNDATION GOVERNANCE: THE
INTEGRITY IMPERATIVE**



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"Hey, it's our money, we can do with it what we want!" That is the attitude of many families who have established foundations. If it is yours, read on.

The Boards of family foundations have a particular burden of proof concerning the charitable purposes of the funds disbursed by their foundations, the effectiveness and efficiency of their grantmaking programs, and the integrity of their decision-making processes. If family foundations could once fly under the radar, largely invisible to federal and state authorities and the communities in which they exist, those days are long gone. Today, all foundations – in fact, all non-profit organizations – are under increased scrutiny, with some in positions of influence (Congress and the IRS, for example) calling for particular attention to family foundations, especially the smaller ones whose operations have heretofore been largely ignored.

All the more reason to reflect on the privileged and protected status conferred on foundations by a society which fosters the enterprises that produce the wealth on which foundations are based, and to remind ourselves of the extraordinary opportunity that status provides for giving back to that society. Compared with most other institutions, foundations are afforded a high level of independence and freedom from regulation and oversight. As non-governmental public trusts that exist to improve the human condition, they are permitted to earn and accrue assets, are largely protected from taxation, and are not accountable to voters or shareholders.

However, this extraordinary opportunity is more than matched by the obligation foundations have to manage their assets prudently and distribute them wisely. In the end, it is the members of foundation boards – of *every* foundation's board – who bear that obligation, requiring them to govern with purpose, care, and integrity. This means:

- Remembering that they are stewards of a public trust – recognizing their fiduciary responsibility for assets which represent the means for improving the health and well-being of individuals, families, and communities;
- Keeping their collective eye on *The Prize* – single-mindedly pursuing the foundation's mission and goals;
- Being committed to making a difference – making every grant dollar count, rather than "*gold-dusting*," spreading money around to please friends and appease family members;
- Always doing what is best for the foundation – acting in the best interest of the foundation and its mission at all times, making the foundation the focus of family pride and collective philanthropic action, rather than a source of dissension or a place where dysfunctional family dynamics get played out;
- Governing with accountability – employing a variety of mechanisms, including staff, outside experts, and external evaluators, to separate, to the degree possible, the foundation's governance

and implementation roles, so that the board can retain some level of objectivity as it sets the foundation's directions, programs, and policies, and holds itself accountable for their effectiveness and impacts; and

- Acting with integrity – making decisions, taking actions, dealing with conflicts of interest, and assessing success as though they were being observed by members of the communities served by the foundation.