

# **ILLUSTRATIVE STATEMENT OF PRACTICES TO IMPLEMENT THE PRINCIPLES FOR GRANTMAKERS for PRIVATE FOUNDATIONS**

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The following Statement of Practices has been prepared by the Minnesota Council on Foundations as an illustration of the specific practices private foundations might adopt in order to implement the eight Principles for Minnesota Grantmakers. The Principles, to which all members of the Council are being asked to subscribe, are broad statements of responsibilities implied by the public trust that is vested in us as grantmakers and by the high ethical standards to which the Council is committed. This Statement of Practices makes those responsibilities more specific, creating benchmarks against which a private foundation can hold itself accountable to the communities which it serves.

It is our belief that members of the Minnesota Council on Foundations already have many of these practices in place and working for them. The Board of Directors of the Council, however, requests that the staff and board of each private foundation member, in addition to adopting the Principles, review this Statement of Practices carefully, reflecting on its own policies and practices. The Council Board expects that each member will either adopt this statement as written or formulate its own statement of practices reflecting the ways in which the eight Principles are put into practice by the member.

The Council Board and staff are prepared to assist its members in discussions of the Principles for Minnesota Grantmakers and this Statement of Practices as the necessary steps toward their adoption.

*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**

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

This Principle informs all interactions with our constituents. It suggests that we need to be clear about our priorities, procedures, and expectations for applicants and grantees as well as timely in responding to requests for information or support. Concrete 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, promptly, and as fairly as possible to all requests for information and meetings.**

Each grantmaker should publish an address and the name of an individual to contact for information. Organizations that maintain offices, if feasible, should 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 should seek to avoid favoritism or bias in determining which requests for personal meetings to honor.

### **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 need to be appropriate to the size and complexity of the grantmaker's program and to the needs of its prospective grant applicants.

Each grantmaker should provide a full and clear description of its grantmaking process, including, for example, information about its:

- Mission and goals;
- Program interests, funding priorities, and any restrictions on what is supported;
- Geographic limitations, if any;

- Preferred format for applications;
- Application deadlines;
- Statements 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, should be advised within a reasonable period of time.

As appropriate, the following administrative information about each grantmaking organization should be 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 should also provide additional information that may help applicants, such as:

- Policies and practices related to multi-year funding;
- Average size and range of grants made; and
- the opinion of an independent auditor.

#### **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 need to ensure that applicants and grantees understand the process and what is expected of them. In working with applicants and grantees, grantmakers should bear in mind the importance of candor, predictability, and timely communication.

Grantmakers should 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. Early in the application process, the grantmakers, if possible, should inform applicants of a proposal's chances for approval.

Grantmakers should clearly explain to grantees their reporting requirements and the nature of the monitoring that will take place.

Grantmakers should 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 should 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 need to recognize that opinions they have heard may be arbitrary or subjective and should use, share or act on such information appropriately.

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 should say so.

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

The communities with which grantmakers deal and the needs and capacities of those communities change continually. Through periodic reviews, grantmakers 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**

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The Principles for Minnesota Grantmakers suggest a number of more specific practices for managing the grantmaking organization itself. The following proposed practices are directed toward trustees or directors; staff; and 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 an explicit process and criteria for selecting trustees.**

In selecting trustees, grantmakers need to 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. We actively recruit trustees from among various racial groups.**

A commitment to racial diversity reflects the highest ideals of American society. Some groups, however, historically have been underrepresented on foundation boards. The active inclusion of diverse perspectives at the policy level will enable a grantmaker to better understand and respond to the needs of diverse racial communities.

Grantmakers governed by explicit requirements for board service that may preclude achieving racial or other diversity will need to employ other appropriate means, such as the use of advisors and key informants, to gain diverse perspectives that will enhance their decision-making.

#### **9. We establish fixed terms of service for our trustees or directors, renewable according to the bylaws of our organization, 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 a written statement of trustees' responsibilities and a commitment to their orientation, continuing education and periodic performance review.**

Trustees should be 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 should be planned, adequately funded, and given a high priority.

Term renewals and nominating committee deliberations afford an opportunity to examine the contributions of individual trustees. Trustees need to 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 should be 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 should be given to the appropriateness of fees in relation to trustees' responsibilities and the time commitment involved in trustee service.

## **STAFF**

The following 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 should:

- 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 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 should include 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 possible and practical, an annual independent audit.**

**16. We maintain a level of administrative funding that is necessary to assure that the organization can carry out its 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 should be 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 the 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.**

