

GOVERNANCE

**I. We have a governing board that establishes the mission, guides the operations, assesses our effectiveness, and ensures the ethical conduct of the Endowment.**

*Expectations:*

- A. Ensure the Endowment's bylaws clearly set out its corporate structure, comply with all applicable laws and regulations and establish policies related to board committees. Board committees operate under a charter that is approved by the full board.
- B. Develop and periodically review the Endowment's vision, mission, values, strategies, program areas and guidelines, as well as annual and multi-year objectives.
- C. Dedicate sufficient human, financial and technological resources to advance the mission.
- D. Plan for leadership continuity.
- E. Assess the relevance and effectiveness of the Endowment's grantmaking, charitable activities, board governance, management and investments.

**II. Authority is vested in the governing board as a whole, and each member is equipped to advance the Endowment's mission.**

*Expectations:*

- A. Make appointments to the governing board that consider desired board characteristics, size, composition, and member skills and experience; ensure that members are competent, knowledgeable and sufficiently diverse to provide credible and effective oversight of all aspects of the Endowment's work.
- B. Ensure bylaws continue to specify the term length of governing board members; the number of consecutive and/or total terms members may serve; roles, responsibilities and fiduciary duties; and selection and removal processes.
- C. Conduct business regularly to ensure meaningful interaction, including at least two annual in-person meetings that include the governing board and staff.
- D. Stay on mission; make all grants within grantmaking guidelines. Exceptions are reviewed by the entire board and do not exceed ten percent of total giving.
- E. Provide comprehensive orientation and training for new board members.
- F. Provide continuing education on all aspects of Endowment governance, including legal, fiduciary, grantmaking issues and obligations to the public trust.

## STEWARDSHIP PRINCIPLES

### III. **Our governing board exercises active fiscal oversight.**

*Expectations:*

#### **General**

- A. Understand and ensure compliance with fiduciary duties.
- B. Approve an annual budget and assess reports on the Endowment's financial performance relative to the approved budget.
- C. Ensure that administrative expenses are reasonable and in proportion to amounts spent on grants and direct charitable activities, and appropriate to the nonprofit sector.
- D. Ensure that the Endowment has a written investment policy adequate for its size and complexity that includes: investment objectives, asset allocation strategy, spending and/or pay-out policy, and a rationale for selecting and evaluating investment managers/advisors.

#### **Internal Controls**

The board oversees that staff:

- A. Prepare financial statements and reports in accordance with generally accepted accounting principles and practices.
- B. Establish effective internal controls, systems of checks and balances, and formalized record keeping.
- C. Conduct an annual internal review of Endowment compliance with legal, regulatory and financial reporting requirements and provide a summary of the review to board members.
- D. Confirm that proper due diligence is performed to assess grantees' fiscal and organizational viability and that grants are used for charitable purposes.

#### **External Oversight**

- A. Oversee accounting, financial reporting, compensation practices and the external audit of the Endowment.
- B. Obtain an external review of the organization's finances by conducting a financial review, financial statement compilation and annual audit.
- C. Have the President and at least one board member (Treasurer) assigned to approve interim and annual financial statements, federal tax returns, and reports to state authorities to assure that they fairly present the financial position and financial activities of the Endowment and comply with the Endowment's governing documents.

## STEWARDSHIP PRINCIPLES

### Compensation

- A. Compensation for the President/CEO position is based on performance as well as data from comparable institutions, including nonprofits as well as foundations. Comparability takes into account the Endowment's asset size as well as annual operating budget.
- B. Compensation for the President/CEO is approved by the entire board and the process and decision is recorded in the minutes.
- C. Board members are not compensated for board service. However, members may be reimbursed for reasonable travel and expenses associated with Endowment meetings. On rare occasions, the full board may approve the compensation of board members for special service. In this case, compensation levels should be fair and reasonable and take into account the nature and amount of work required and performed. The benchmarks and scope of work shall be established in writing and the rationale for compensation shall be documented, disclosed and reviewed periodically.
  - 1. As required by law, we do not extend credit, including personal loans, to any officer or board member of the Endowment.

### PROGRAM EFFECTIVENESS

#### **IV. We employ multiple strategies to further our mission.**

- A. Learn best practice models and compare practices with others in the field.
- B. Consider a range of financial support options that could include: general operating, project, capital, research, multi-year and challenge grants, and funds to respond to emergency or other unanticipated need.
- C. Use program and grant evaluation to improve outcomes.
- D. Share successes, failures and lessons learned from grant and program evaluations internally and externally, as appropriate.
- E. Ensure that staff is well-qualified and receives on-going professional development.
- F. Collaborate with others who fund similar work.
- G. Provide technical assistance to grantees and other nonprofits who seek it to the extent that the technical assistance is aligned with the staff model of the Endowment by utilizing information networks, building upon existing alliances with technical assistance providers and/or utilizing the expertise of consultants.
- H. Consider investments in ways that further the mission (e.g., partnering with other entities to leverage funds, considering program-related investments, and micro-credit loans).
- I. Convene community leaders, government officials, nonprofits, individual stakeholders and/or other funders concerned about similar issues for the good of the community.
- J. Engage in public policy advocacy relevant to our work and as permitted by law, our bylaws and the Softwood Lumber Agreement.

## STEWARDSHIP PRINCIPLES

- K. Encourage the use of appropriate technology, shared risk with entrepreneurial communities, and assist with the identification and creation of value-added business opportunities.
- L. Leverage knowledge and combine technical, organizational, and financial resources in new ways.
- M. Share information and perceptions to encourage innovation and mutual learning.

V. **We respect our nonprofit partners' missions and expertise and strive for relationships based on candor, understanding and fairness.**

*Expectations*

- A. Develop transparent grants management processes:
  - 1. Specify the steps, timing and general criteria used in the review process.
  - 2. Acknowledge grantseeker inquiries and submissions promptly.
  - 3. Use grant agreement letters to outline mutual expectations.
  - 4. Explain rationale for declined grants and give constructive feedback when appropriate.
  - 5. Request only information (pre- and post-grant) that will actually be used in decisionmaking and corresponds appropriately to the size or purpose of the grant.
- B. Conduct site visits when appropriate, guided by the size and purpose of the grant and the impact on the grantee.
- C. Respond to and act promptly on complaints.
- D. Acknowledge and minimize the effects of the imbalance of power in grantee/ grantor relationships.
- E. Ensure projects contemplated as a result of the Endowment's focal initiatives and/or direct charitable activities are informed by our nonprofit partners seeking to complement and strengthen work in the field.
- F. Seek input on guidelines and criteria to ensure that they are clear and understood by applicants.
- G. Seek to reduce conflict, resolve disputes, overcome gridlock, and improve relationships.
- H. Gather feedback (including anonymous) on Endowment performance from current and former grantees and denied applicants.

## STEWARDSHIP PRINCIPLES

### ETHICS & ACCOUNTABILITY

#### VI. **We recognize and act upon our obligations to multiple stakeholders: the donor, grantees and grantseekers, the public and governmental bodies.**

*Expectations:*

- A. Our governing board respects and will comply with the original expectations as set-forth by the Softwood Lumber Agreement 2006 under which we were chartered.
- B. Educate the governing board and staff regarding conflicts of interest:
  - 1. Document the affiliations or involvement of board members, staff and their families with potential grantees, even if the affiliation creates no financial conflict of interest.
  - 2. Establish and sign annually a written conflict of interest policy that identifies types of conduct or transactions that raise concerns and describe how conflicts or perceived conflicts of interest are resolved. Identify and practice the elements of ethical conduct.
- C. Seek diversity and inclusiveness. Appoint board members and employ staff reflecting the breadth and depth of the vision and mission.
  - 1. Establish governance policies, board and staff trainings and operational and grantmaking practices that promote inclusion.
  - 2. Demonstrate the capacity to understand issues and communicate skillfully across cultural, socioeconomic and other boundaries.
- D. Ensure that the whistleblower policy is implemented as well as the policy to handle external good-faith complaints about violations of Endowment policy or the conduct of Endowment board and staff.
- E. Know legal requirements and codes of ethics in relevant grantmaking areas.
- F. Document the evolution of the Endowment by collecting personal recollections of the SLA and creation of the Endowment through interviews with those involved in the SLA and board members who have completed board service. The documentation may use multiple media options including audio, video and written.
- G. Conduct activities that provide subsequent board members the opportunity to connect with the Endowment's history.
- H. Include a variety of perspectives, knowledge and experience in the Endowment's work. For example:
  - 1. Access pertinent data e.g., census, regional indicators, studies.
  - 2. Utilize local and traditional knowledge by including subject matter experts or community representatives as speakers at board meetings, on committees or on advisory groups.
  - 3. Encourage board and staff to be actively involved in the mission (bearing in mind potential conflicts of interest).
- I. Encourage active adaptive management—a process of testing alternative hypotheses through management action, learning from experience, and making appropriate changes based upon new information.

## STEWARDSHIP PRINCIPLES

### VII. **We value transparency, welcome public interest and communicate openly.**

#### *Expectations:*

- A. Strengthen the participation of local citizens and organizations.
- B. Make public (on the web and/or in print) the Endowment's vision, mission, board of directors, guidelines, focal initiatives, finances, grant procedures, timetable, grantee list with amounts and purpose of each grant.
- C. Identify and make public a point of contact for the Endowment.
- D. Respond to requests for information promptly.
- E. Prepare and distribute, at least via the website, an annual report.
- F. Convey the public value of the Endowment's work by communicating grant results, studies and lessons learned.

*Modified from Stewardship Principles developed for Independent Foundations by the Council on Foundations (2005 draft)*