

# IS YOUR FAMILY FOUNDATION EXERCISING PROPER GOVERNANCE?

## What would the IRS find if they visited your family foundation office?

Serious abuses in family foundations have brought a harsh light to bear on grant-making practices. One need only look at the new IRS form 990 to recognize the trend toward requiring greater accountability with regard to Board operations and process.

Accountability now means more than ensuring that the required legal documents are filed and financial accounting is in order. The grant-making activity must be carefully managed to demonstrate to any outsider (IRS, state attorney's office; press/media) that Board members have ably fulfilled their stewardship responsibilities.

## Eight steps to ensure the exercise of proper governance:

1. Develop a *clear focus* for the foundation's philanthropy
2. Establish a *review process* for Board consideration of grant awards with Board minutes reflecting all decisions
3. Establish *evaluation criteria* against which applicants are judged and deemed worthy of award
4. Identify the *performance criteria* for each grant recipient
5. Require the recipient agency to *commit to the expectations* associated with the grant
6. Create a *reporting system* to track the performance of each grant recipient
7. *Visit grant recipients*, or have grantees visit the Board meeting to report on progress
8. *Train* Board members so that they understand their role and responsibilities

Establishing the habit of operating in this manner may be a challenge in the beginning, but once implemented, will protect the family foundation from all levels of unwanted attention.

For help ensuring your Family Foundation meets the required level of governance accountability, please contact Susan by e-mail: [susan@susangrinel.com](mailto:susan@susangrinel.com) or phone: 310-838-5131. Susan is dedicated to helping her clients meet their philanthropic goals.