

# What is Good Trusteeship?

**F**oundation trustees have amazing roles – working with fellow trustees to impact communities in meaningful ways.

But what is good trusteeship?

For starters, foundation trustees must meet minimum standards established in nonprofit corporation law – referred to as the fiduciary duties of care, loyalty, and obedience.

## Duty of Care

**Principle:** As a foundation trustee, you have a duty to care for the interests of the foundation. Trustees must be diligent and prudent in management of the foundation, the investment of its funds, and the pursuit of its charitable mission. The law does not require that you make the right decisions in all cases, but it does expect you to act and make decisions in the same fashion as another prudent person.

**Practice:** As a trustee, you must be familiar with your foundation’s guiding documents, meeting minutes, IRS documents and filings, and investment holdings and performance, just to name a few. You also must play an active role in the foundation’s activities – attending meetings, asking questions, and reading reports. And remember, you are responsible for the proceedings of all meetings – even when you are unable to attend.

As Leslie Ramyk, executive director of Ravenswood Health Care Foundation, shares, “This work really is all about time and attention, and board members who commit to providing both are highly respected (and highly influential). The exemplary members of our board take the time to read every page in the board book, attend every meeting, and make a point of staying in touch with staff between meetings.”

## Duty of Loyalty

**Principle:** Trustees must serve the best interests of the foundation, not their own well-being. “Board service is not for personal gain,” reminds Ramyk, “and all of our trustees take our conflict of interest policy to heart. When we sit at the board table, the foundation mission takes precedence over all else.”



Rob Greenlee (L), Greenlee Family Foundation, and Bruce Conley, Second Chance Foundation

**Practice:** While the duty of loyalty is simple in principle, the practice can be very challenging. Conflicts of interest, for example, are common in the course of running a foundation. Trustees often have relationships with individuals and organizations that intersect the work of the foundation – whether business interests, family loyalties, or volunteer roles in the community. These conflicts can lead to biased decisions and unethical behavior, or simply the appearance of such.

It is critical that trustees manage these conflicts properly, avoiding any implication of impropriety. We encourage foundations to create a conflict of interest policy, or at a minimum, disclose all conflicts, disqualify conflicted parties from decision making, and document the process.

See Foundation in a Box for sample policies, FAQs, and articles that address conflicts of interest, self-dealing, and more among trustees; [www.smallfoundations.org](http://www.smallfoundations.org).

## Duty of Obedience

**Principle:** Trustees must act in accord with the foundation’s charitable goals and avoid actions that may jeopardize the foundation’s tax-exempt status.

**Practice:** Stay true to your foundation’s direction, and stay in touch with relevant state and federal laws. As an example, do you know how the Pension Protection Act of 2006 affects your foundation’s grantmaking and operations? See the ASF Legislative Update at [www.smallfoundations.org](http://www.smallfoundations.org) for details on this important legislation.

## Beyond the Law

In addition to the above duties, ASF member Judith Healey, long-time foundation board member and consultant to foundations, highlights the conduct that is essential for effective trustees. According to Healey, top notch trustees:

- Try to make ethical decisions and encourage this in others.
- Do not seek to gain from being a board member, either in material or other areas, such as influence or public position.
- Respect other board members and listen actively, even when faced with personal or topical disagreements.
- Respect confidentiality of the board process.
- Respect the board process above personal preference and, when appropriate, place consensus above personal demands.

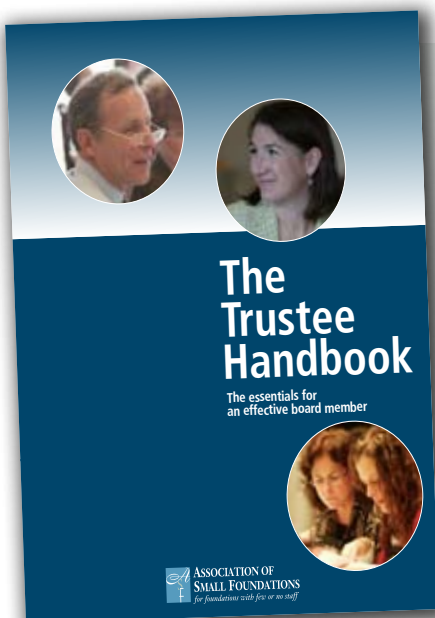
“But don’t be *too* willing to agree with others, including the founder,” advises Richard Marker, foundation trustee and consultant. “You don’t want the board to simply become a place for safe compromise.”

Above all, good trusteeship begins with solid character. The most effective trustees exhibit:

- Commitment to and passion for the foundation’s mission
- Respect for others and comfort in allowing others to lead
- Proven leadership and ability to work well in a team
- Ability to not take oneself too seriously
- Good listening skills
- Personal integrity

## An Exemplary Trustee

Some years ago, the board of the Jim Joseph Foundation included non-family members and a living donor. In some cases, such a board is little more than advisory. But in this case, donor Jim Joseph instructed the board to feel free to outvote him. And they did so on more than one occasion. In so doing, Joseph surrendered his very real power, empowered his board, and created a more reflective and thoughtful foundation as a result. Upon his death, the foundation kept its well-known board members and effectively weathered his passing.



## Our most comprehensive resource yet for foundation trustees!

Find the essentials for effective board members in this must-have for every small foundation trustee.

Detailed guidance on boards, grantmaking, legal & tax issues, and financial oversight & investments – all in one place.

- Brush up on foundation essentials
- Save time with sample documents
- Learn what’s new in foundation law
- Orient new board members

Visit [www.smallfoundations.org](http://www.smallfoundations.org) to take a look inside and to order copies for your trustees – just \$59 each.