

Institutionally Related Foundations in the 21st Century



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Current Trends/Challenges for Institutionally Related Foundations

- Increasing importance of private support
(Public dollars ↓
Private support ↑)
- Endowment distributions funded 6.6% of public institutions' operating budgets (NCSE 2014).
- IRFs are increasingly providing competitive advantages in the form of scholarships, endowed chairs, and transformative programs/infrastructure.
- Institutions and their IRFs are experimenting with development structures, shifting responsibility either strongly to the foundation or the institution.
- As IRFs play a larger role in securing institutional success, campus CEOs, foundation CEOs, and their respective boards are more often conflicted on role and responsibility.

The Stakes are Higher

- No longer about margin of excellence but about enabling transformative innovations—step up or get out of the way
- Heightened philanthropic expectations—will the foundation become or continue to be the premier philanthropic leadership group on campus?
- Heightened level of engagement—honorific/country club boards a thing of the past
- New focus on accountability and assessment both within the board and in relations with partners

Effective Foundation Boards

1. Ensure that the work of the foundation is aligned with the strategic priorities of the host institution.
2. Work with the chief executive on the foundation's long-term strategic plan, and participate in, approve, and monitor progress of the foundation's plans.
3. Engage directly in fundraising, and provide diligent stewardship of philanthropic contributions.
4. Maintain the foundation's fiscal integrity, preserve and protect its assets, and provide financial oversight.
5. Advocate for the institution in keeping with its public purpose and the state's or county's public agenda.
6. Support the foundation chief executive and provide oversight as appropriate, given the position's reporting relationship with the institution's president or chancellor.
7. Conduct the board's business in an exemplary fashion and periodically assess the performance of the board, its committees, and its members.

The Foundation Board Governance Committee

- Developing and maintaining a board-approved roles and responsibility document.
- Building a board profile spelling out the talents needed to fulfill the board's goals.
- Overseeing new member orientation.
- Managing a process of confidential board member self-assessment.
- Managing board member appointment and renewal.
- Developing a slate of board officers.
- Planning for leadership succession.
- Designing and managing term-limit policies.
- Honoring and recognizing retiring members.
- Identifying best practices and customizing them, as appropriate, to the board.
- Assessing the performance of the committee and the board as a whole.

Illustrative Memorandum of Understanding (MOU)

- Foundation-Institution Relationship
 - Summary of overall relationship, broadly defined responsibilities.
 - Use of institution's name, service marks/trademarks.
 - Any overlapping structures, reporting relationship of foundation chief executive (often an officer of the institution).
- Responsibilities of the Institution or System
- Responsibilities of the Foundation
- Finances and Administration
- Terms of the MOU

Guiding Principles

- Foundation boards have a fiduciary obligation to the affiliated institution, their donors, and the public at large.
- Institution boards and administrations must respect foundations' fiduciary obligations and donor obligations.
- Institution and foundation boards should jointly ensure practices and policies related to gift funds, donor intent, and applicable laws and regulations.
- Institution boards and/or chief executives should meaningfully engage with foundation staff and boards in decisions concerning the work or operation of the foundation.

Guiding Principles

- Close collaboration and open communication are essential for effective institution-foundation partnerships.
- Foundations' status as private corporations should not be exploited as a means of shielding information.
- Institutions and foundations should thoughtfully assess the degree of operational independence best adapted to the effective fulfillment of a foundation's functions, mission, donor privacy, stewardship of resources, and best interests of the institution.

Practices to Consider

- Key policies relating to the institution-foundation relationship should be addressed in the orientation of both institution and foundation board members.
- Foundation board and committee meetings should include regular reports and briefings by institution leaders.
- Campus governing boards, where possible, invite representatives of the foundation board to participate in meetings and serve on appropriate board committees and task forces.

Practices to Consider

- Institution and foundation boards should identify opportunities for joint meetings, retreats, and social events.
- Funding models for foundation operations and development activities, including determination of appropriate gift fees, should be developed collaboratively.
- The institution and foundation should jointly develop gift acceptance policies, naming policies, and policies regarding the creation of permanent endowments.

Practices to Consider

- While foundation boards should have the authority to appoint their own members, the institution's chief executive and chief development officer should be actively engaged in the identification and selection of candidates or service.
- Foundation boards should have a written statement of expectation for board service and boards should include individuals with diverse skills and capacities required to provide:
 - effective oversight of foundation functions,
 - philanthropic leadership, and
 - strategic guidance and advocacy in support of the institution.