FOUNDATIONSOURCE

WEBINAR

People, Policies & Practice:

GOVERNANCE GUARDRAILS FOR PRIVATE FOUNDATIONS

Private foundation governance may be easy to treat as a background concern—right up until it becomes the only thing that matters. A leadership transition, a sudden influx of assets, or a family disagreement over strategy can quickly expose a foundation that never built the structures to handle difficult decision-making or major points of inflection. Strong governance is what turns those pivotal moments into manageable ones.

Foundation Source's **National Philanthropy Executive Gillian Howell** and **Vice President of Philanthropic Advisory Services Miki Akimoto** hosted a webinar on how private foundations can build governance that lasts—covering the legal framework, the self-dealing rules families most often stumble over, the written policies every foundation needs, and how to bring on new and next-generation board members thoughtfully. Here are seven key takeaways from the discussion.

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1 Governance Is People, Policies, and Practices—Anchored by Culture

Strong governance isn't a compliance exercise; it's the everyday combination of the right people, sound policies, and the discipline to follow them.

- Think in three pillars—people, policies, and practices—with culture running beneath all three.
- People: assess the skills your foundation actually needs (finance, subject-matter expertise in your grant areas, community knowledge, e.g.) and recruit to fill the gaps.
- Policies: maintain the policies your foundation requires, and build a habit of reviewing them on a regular cycle so they stay current both in terms of any updated regulations as well as the ongoing evolution of your foundation's circumstances.
- Practices: having a policy isn't enough—pull it out and follow it when a real decision arises. That's the duty of obedience in action.
- Operate through the three core fiduciary duties: care (devoting the time and attention to oversee prudently), loyalty (putting the foundation's interests ahead of personal ones and disclosing conflicts), and obedience (complying with the law, your governing documents, and your mission).

2 Start by Knowing the Law—Especially the Four Prohibited Activities

Foundations answer to both federal and state law, and every board member should understand the bright lines before anything else.

- At the federal level, four activities are prohibited: electioneering, lobbying, self-dealing, and jeopardizing investments.
- All 501(c)(3) organizations are barred from any involvement in elections—no endorsing candidates, no campaign contributions.
- You can fund advocacy and public education on the issues you care about, but there are clear limits on what counts as lobbying; know where those lines fall.
- State requirements vary widely—California, for example, has notably complex rules—so understand your obligations on both sides, including any differences between trustee and director responsibilities.

3 Self-Dealing Is the Trickiest Trap—Learn to Spot It

The self-dealing rules are the most complex area of the IRS code, but a single mindset prevents most problems: never let anyone associated with the foundation benefit personally from it.

- Once assets are in the foundation, they're no longer personal dollars—a deduction has been taken and the money is in the public trust.
- The rules define **"disqualified persons"** broadly: donors, trustees, certain senior staff, and their family members. Keep a current list of exactly who yours are.
- Some violations are obvious (donating to a school in exchange for waived tuition for your own children); others are counterintuitive—a family business may not rent space to the foundation even at below-market rent.
- You can pay a family member a salary if it's properly benchmarked and documented as reasonable, but any financial interaction between the foundation and those who created or control it deserves a hard look—and a conversation with counsel—before you proceed.

4 Put the Essential Written Policies in Place—Whatever Your Foundation's Size

Written policies remove ambiguity and set the guardrails before a crisis hits. They matter as much for small and family foundations as for large ones.

- Prioritize a core set: an investment policy, a conflict-of-interest policy (arguably the most important), an expense policy, a document retention policy, and—if you pay board or staff—a compensation policy.
- Compensation must be reasonable, necessary, and not excessive; there's no set formula, so document your analysis (role, skills, time, foundation size and complexity, geography, and comparable data).
- Review policies with the full board periodically so everyone keeps them top of mind—and so they're ready when a sudden event, like an influx of assets or a leadership change, arrives.
- Policies only work if you practice them. One family had a majority-vote rule in its bylaws but kept pushing for consensus—creating turmoil it could have avoided by following the policy already in place.

5 Build the Right Board— Recruit for Skills, Not Just Bloodlines

Adding board members is an opportunity to reassess what your foundation needs and to bring in the expertise, perspective and fit that will serve it going forward.

- Assess current skills, anticipate what you'll lose as members term out, and recruit deliberately to fill the gaps.
- Before adding a non-family member, check your bylaws—some family foundations restrict board seats to bloodline descendants—and amend if needed.
- "Near-family" members (a close friend, the family attorney or CPA) understand the culture but may defer to the family; if you need a challenging or community-rooted voice, recruit specifically for that, and consider adding more than one at a time.
- Where to look: specialized nonprofit recruiters for larger foundations, community foundations for place-based needs, and trusted field organizations for topical expertise. Invest in onboarding so new members contribute early.

6 Treat Next-Gen Engagement as an Earned Opportunity

Bringing the next generation onto a board works best when it's an invitation—not an automatic entitlement or an imposed duty.

- Research from the National Center for Family Philanthropy found that family members simply handed a trustee seat at 25 often felt unprepared—one described it as a "life sentence."
- Make engagement neither an obligation nor a right, but an earned opportunity, with on-ramps and off-ramps that fit the seasons of a person's life.
- Create meaningful entry points—volunteer hours, shadowing board meetings, serving on a committee, or completing philanthropic education (often family-funded) before joining the full board.
- Define the role clearly and pair every new member with a board buddy or mentor—ideally across family lines (an aunt or uncle rather than a parent).

7 Make Governance Review a Discipline, Not an Afterthought

Governance stays healthy when review is built into the calendar rather than triggered by a crisis.

- Let bylaws guide your minimum meeting cadence; a very small foundation might meet once a year, but building board culture and a learning agenda usually requires meeting more often (quarterly is common).
- A minimum annual meeting agenda typically covers electing officers and directors, approving budgets and grants, and handling the executive director's compensation and review.
- Review governance itself every five to seven years on a rotating cycle—ex: whistleblower policy one year, conflict of interest the next, bylaws after that—shifting items up when a change in state law demands it or the circumstances of your foundation's evolution suggest needed revisions.
- Keep a standing governance-review item on your agenda so nothing quietly falls out of date.

Governance is rarely the thing a foundation thinks about on its best days—but it's what carries a foundation through its hardest ones. Foundations that invest in the right people, sound policies, and the discipline to practice them build the guardrails that support their mission for the long term.

Across foundations of every size, one lesson holds: strong governance isn't bureaucracy—it's what makes the joy of giving sustainable.

To learn more about these takeaways and other important insights, check out the full conversation here.