

# A Well-Run Family Foundation

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By Kara D'Angelo for  
Inverness Counsel

## **The Foundations of a Foundation**

Running a family foundation can be exciting and rewarding. Think of all the good you will do! However, it also comes with a great deal of responsibility.

First and foremost, a foundation's board should be made up of knowledgeable and responsible leaders. They will be tasked with establishing transparent processes for oversight and accountability.

## **The Board**

There are essentially two ways to set up a foundation: as a trust or as a corporation. A trust has a board made up of trustees, while a corporation has a board of directors. Trustees and directors are held to a fiduciary standard. It makes sense to establish the proper fiduciaries and vehicle to help guide your philanthropy. If you will invite experts—leaders in the fields you will make grants to, lawyers, accountants, and/or investment advisors—to be on your board, a charitable trust may be appropriate. However, if the board will be made up of family members from different generations, with differing levels of education and/or legal and financial acumen, a corporation with directors might be a better structure.

## The Bylaws

Once the board is in place, the directors or trustees need to create bylaws to govern the foundation. The bylaws should reflect the interests and the spirit of the foundation but should also provide governance. Bylaws provide a framework for acting in the most impactful way, staying true to the mission, and operating within the confines of the law. By clearly spelling out such issues as conflicts of interest, investment policy, eligibility for election to the board, meeting requirements, travel and expense procedures, and information retention plans, you provide a road map for the board to follow and keep the focus on the work at hand. Although the bylaws are embedded in the fabric of the foundation, they can be, and most likely should be, amended over time as the foundation evolves. The process for enacting such amendments should also be in the bylaws.

## The Financials

Foundations may be established with a one-time endowment, built up grad-

ually over time, or funded annually. Regardless of the method, a strong investment policy will augment the purpose and impact of the foundation. Inverness Counsel can assist you and your family in determining what policies would make the most sense for your foundation. In later installments, we will discuss how impact investing can further leverage your philanthropic initiatives.

## Finally: The Mission

The mission is where the fun begins. Follow your passion: right a wrong, support a cause, solve a problem, be an agent of change. All of this can be accomplished with a strong, well-thought-out mission. The mission can be as idealistic or as practical, as broad or as specific as you like.

For instance, we have a client who builds stoves in Central America that reduce the buildup of carbon dioxide in homes. Another client supports public green spaces. We can help you research your cause, write your mission, and execute the plan to fulfill

it. From investment advising, to establishing your giving vehicle, to making the grants, Inverness Counsel can help you every step of the way.

Enjoy the journey.

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*Inverness Counsel has the expertise to help you identify the proper philanthropic channels to achieve your specific goals and create your family's legacy.*

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