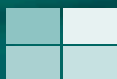




# GUIDING PRINCIPLES & IMPLEMENTATION OPTIONS



The Association  
of Baltimore Area  
Grantmakers

Dear Colleague,

The Board of Directors of the Association of Baltimore Area Grantmakers is pleased to present these *Guiding Principles & Implementation Options* for grantmakers. They were developed by ABAG's diverse membership with the leadership of our Ethics & Accountability Task Force. Our members and the Task Force took great care to ensure that the contents of this document are both informative and inclusive. We believe there is great value in these pages for all grantmakers, regardless of size or type.

It is our hope that these *Guiding Principles & Implementation Options* inspire grantmakers to pursue new levels of effectiveness in their work.

Board of Directors  
Association of Baltimore Area Grantmakers  
2006

## Statement of Guiding Principles

The following eight Principles reflect aspirations and legal requirements for good governance and stewardship, and the continued assurance of the use of private philanthropic money for public good. They are broad statements of responsibilities that all ABAG member organizations should aspire to uphold.

### ABAG members aspire to:

1. Serve the public good.
2. Recognize and fulfill all fiduciary and legal responsibilities, and abide by state and federal laws that govern nonprofit and grantmaking organizations.
3. Adhere to the highest standards of professional and ethical behavior.
4. Operate with an active governing body that is responsible for establishing and implementing policies and procedures, and for reviewing and revising them on a regular basis.
5. Establish and follow policies and procedures that support clear, purposeful, and informed grantmaking.
6. Be accessible and open, and make available basic information about grantmaking priorities, programs, funding guidelines, application requirements, and grant monitoring/reporting procedures.
7. Maintain constructive relationships with applicants, grantees, donors, colleagues, and the public based on mutual respect and candor.
8. Support continuous learning and engagement by members of the governing body, staff, and grantees.

# The Guiding Principles & Implementation Options

## ABAG members aspire to:

### 1. Serve the public good.

**Clarifying statement:** Grantmaking organizations benefit from various favorable provisions in tax and corporate law. In return, we are required to serve the public good through our activities, based on the Internal Revenue Service's guidelines for exempt organizations.

This Guiding Principle provides the most basic and most crucial of goals for all grantmakers. Because of its general nature, its implementation requires a dedication to values reflected in each of the remaining seven Principles. Therefore, no specific Implementation Options are listed here.

### 2. Recognize and fulfill all fiduciary and legal responsibilities, and abide by state and federal laws that govern nonprofit and grantmaking organizations.

**Clarifying statement:** ABAG members comply fully with all legal requirements, while also making good faith efforts to adhere to “best practices” in organizational administration.

#### Implementation Options:

- a) Ensure the governing body and staff are knowledgeable and up-to-date about basic legal, accounting, audit, and tax requirements that apply to your organization.
- b) Seek competent and field-experienced legal, accounting, and tax advice when needed to support compliance.
- c) Adhere to generally accepted financial standards, including generating regular financial statements, creating investment policy statements, and, where possible and practical, an annual independent audit or financial review.
- d) Ensure that administrative expenses, including compensation of staff, fall within accepted regional and national benchmarks and are

## Implementation Options for ABAG's Guiding Principles

The Implementation Options provide examples of ways in which ABAG's Guiding Principles can be put into practice, creating benchmarks against which a grantmaking organization can hold itself accountable to the communities it serves.

Considering the diversity of ABAG member organizations, it is clear that each Implementation Option is not relevant for every grantmaking organization. It is also possible that some members may develop their own approaches to address one or more of the Principles.

To many organizations, ABAG's Implementation Options affirm existing operating procedures. For other grantmakers, some Implementation Options are more challenging goals that can be pursued. It is also important to note that asset size and staffing vary widely among grantmaking organizations; therefore, some of the Implementation Options may be less applicable to certain ABAG members.

Implementing the Principles will be an ongoing process, not a one-time event. While it may not be easy, this process is important because it will help grantmakers become more successful in fulfilling their missions. In addition, it is critical to demonstrate to the public and to policymakers that the nonprofit sector takes seriously the issues of good governance, integrity, and public trust.

Leaders of grantmaking organizations are encouraged to review the Principles with their governing bodies and management teams. To help organizations implement ABAG's Guiding Principles and Implementation Options, ABAG provides a range of tools, document templates, and practical advice.

proportionate to distributed grants and grantmaking activities, as well as staff responsibilities and time commitment.

**e)** Be particularly vigilant in avoiding possible acts of self-dealing, understanding that even if a transaction results in a significant benefit to the grantmaking organization, it may still constitute a self-dealing violation.

### 3. Adhere to the highest standards of professional and ethical behavior.

**Clarifying statement:** Recognizing the necessity of maintaining the public trust, we take steps to ensure all of our operations are fair, appropriate, and of the highest integrity.

#### **Implementation Options:**

**a)** Adopt, implement, and annually certify a conflict of interest policy to ensure personal interests of governing directors and staff do not conflict with the grantmaking organization's mission and purpose.

**b)** Create and hold to a code of ethics and a code of conduct that establish a clear framework of appropriate actions for the grantmaking organization and its members.

### 4. Operate with an active governing body that is responsible for establishing and implementing policies and procedures, and for reviewing and revising them on a regular basis.

**Clarifying statement:** Representatives of governing bodies are vested with three major responsibilities: “duty of care” to make informed good faith decisions, “duty of loyalty” to have undivided allegiance to the organization, and “duty of obedience” to be faithful to the organization's mission. Governing bodies are also responsible for the general oversight, management, and direction of grantmaking organizations.

#### **Implementation Options:**

**a)** Hold regular meetings to discuss the business of your grantmaking organization, record minutes of discussions and decisions made, and document the activities of the governing body.

**b)** Adopt and regularly review policies and procedures on governance, grantmaking, finance, and administration.

**c)** Develop a statement of directors' responsibilities, including a commitment to their orientation and continuing education.

**d)** If director compensation is provided, establish compensation that is appropriate in relation to responsibilities and time commitment.

**e)** When there is clearly documented original donor intent, honor it to the greatest degree possible, adapting to contemporary community needs if necessary, within the limits of the law.

**f)** Develop a comprehensive succession plan to guide your grantmaking organization through eventual or unexpected changes in leadership.

### 5. Establish and follow policies and procedures that support clear, purposeful, and informed grantmaking.

**Clarifying statement:** As grantmaking organizations, we have discretion to choose grantmaking areas based on our own interests and priorities, subject to donor intent (if any). To further these objectives, we make grants using structured, thoughtful methods to maximize the effectiveness of our pursuits.

#### **Implementation Options:**

**a)** Develop and pursue an organizational mission, accounting for the values and interests of the founder and stakeholders, as well as the needs of the community.

**b)** Develop clear criteria for selecting grants based on best practices, grantmaking priorities, and capacity to assess applications.

**c)** Perform a due diligence review of potential grantees in proportion to the amount of funds requested and grantmaker capacity, considering applying organizations' proposed activities, tax status, financial history, effectiveness of past performance, and previous grants received. Due diligence options may include standardized application forms, review procedures, and site visits.

- d) Assess nonprofit progress in achieving stated objectives by adopting mechanisms such as grant agreement letters, progress reports, and evaluation methods, in proportion to the amount of the grant and funding history.
- e) Consider a full range of funding strategies in order to best match your mission/goals and the needs of your potential applicants.
- f) Take steps to regularly review the overall impact of grants distributed, in order to monitor the grantmaking organization's progress toward fulfilling its mission.
- g) Base grant decisions on reasoning that emphasizes a concern for the community as opposed to a benefit to the grantmaking organization or its members.

**6. Be accessible and open, and make available basic information about grantmaking priorities, programs, funding guidelines, application requirements, and grant monitoring/reporting procedures.**

**Clarifying statement:** We strive to disclose our particular grantmaking priorities and decisions so that others, especially potential grantees, clearly understand us. In doing so, we help organizations decide the appropriateness of directing funding requests to us, and also foster an environment in which other grantmakers are informed of our work. By clearly communicating this information, we reduce the occurrence of inappropriate or disqualified funding requests, thereby reducing administrative burdens to both grantees and our own organizations.

**Implementation Options:**

- a) Make grantmaking guidelines, priorities, and application procedures available, either through general statements or detailed documentation. The level of specificity should be in proportion to the size and complexity of the grantmaker, and also appropriate for the program area(s) being funded.
- b) In addition to publicizing priority interest areas for grantmaking, provide an explicit list of grantmaking restrictions, including subject areas or programs that are not funded.

- c) Communicate the established steps in the grant selection process to applicants, including the specifics of when and how they can expect to be informed of a decision.
- d) Clearly explain to grantees the nature of any post-grant monitoring and/or reporting that will be required.
- e) Make the organization's IRS Form 990 readily available, via web posting or other means.
- f) Develop, maintain, and publicize a website from which interested parties can obtain basic information such as items listed above.

**7. Maintain constructive relationships with applicants, grantees, donors, colleagues, and the public based on mutual respect and candor.**

**Clarifying statement:** Through our philanthropy, we aspire to achieve a lasting and positive impact on society. Because of our high regard for the communities, institutions, and individuals we engage in our work, we recognize the importance of being open and respectful in all of our relationships and communications.

**Implementation Options:**

- a) Ensure any confidential exchanges of information with others are protected.
- b) Respect the experiences, resources, insights, and opinions of others by setting aside time to listen to and communicate with them.
- c) Enlist the expertise of grantmakers to participate as presenters or advisors at governing body/staff retreats, learning exchanges, and/or creative partnerships.
- d) Ensure all communications within and outside of the grantmaking process are timely and professional.
- e) When appropriate, useful, and constructive, indicate a willingness to discuss with failed applicants the reasons for denial, and provide advice on other potential avenues for funding.

**f)** In the furtherance of constructive relationships, recognize and communicate the additional resources you can offer your grantees (e.g., technical assistance, colleague networking) based on the special skills and knowledge of board and staff.

## 8. Support continuous learning and engagement by members of the governing body, staff, and grantees.

**Clarifying statement:** The world in which we operate is continually changing, both in legal requirements and best practices. Through ongoing learning and engagement with our grantees, our governing directors and staff ensure that our grantmaking remains relevant, responsive, and effective. In addition, we understand the need for grantees to expand their learning so that they may improve their services and strategies in a similar manner.

### Implementation Options:

- a)** Invite grantees to frame relevant issues and share lessons learned from projects at an organizational meeting.
- b)** Participate in meetings of grantmakers and community experts to exchange ideas and hear from informed speakers.
- c)** Encourage directors and staff to regularly attend grantmaking educational conferences or participate in internet-based training.
- d)** Offer capacity building assistance to grantees by sponsoring learning opportunities or supporting individuals or organizations that provide technical assistance to nonprofits.
- e)** Join groups such as the regional association of grantmakers (ABAG), Council on Foundations, Independent Sector, Philanthropy Roundtable, and/or one or more of the many affinity groups of grantmakers dealing with particular issues of concern to philanthropy.
- f)** Stay informed of lessons from the philanthropic field, and consider how they apply to your organization's grantmaking and general operations.

## Realizing Your Aspirations

The *Guiding Principles & Implementation Options* address complex issues faced by many grantmakers. Some ideas for taking action:

- Present the Guiding Principles to your governing body for discussion and adoption.
- Promote your recognition and/or adoption of ABAG's Guiding Principles on your website, in your annual report, or by other means.
- Make a goal of examining one Guiding Principle with your organization this year, recognizing current strengths and opportunities for greater effectiveness.
- Discuss the Guiding Principles with your colleagues. What are they doing well? What are their strategies for improvement? How can you learn from each other?
- Visit ABAG's website ([www.abagmd.org](http://www.abagmd.org)) to link to online resources associated with the Guiding Principles, and to check our calendar for upcoming events on related topics.
- Contact an ABAG staff member to learn about our library of articles, templates, and checklists to support your implementation activities.
- Tell us your success stories. We are always looking for examples of good practice to share with your fellow grantmakers.

The Association of Baltimore Area Grantmakers is the Greater Baltimore region's premier resource on philanthropy, dedicated to informing grantmakers and improving our community. ABAG was founded in 1983 to provide a forum in which colleagues could address common problems, approaches, and interests. Over the years, ABAG has become a supportive network of corporate and foundation leaders. Its members now include representatives of over 130 private foundations, corporations, and federations with strategic, ongoing grantmaking programs.



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