

# THE BUHL FOUNDATION

## DECLARATION OF ETHICAL PRINCIPLES AND PRACTICES

### A. Personal and Professional Integrity

The Board members and staff act with integrity in all their internal and external dealings.

### B. Mission

The Foundation pursues clearly stated missions and purposes, approved by the Board of Directors, in service of the public good.

### C. Governance

The Board of Directors is responsible for setting the mission and strategic direction of the organization and for overseeing its finances, operations, and policies. The Board:

- Ensures that each member understands and fulfills his or her governance responsibilities in acting for the benefit of the organization and its public purpose, and that both the Board and staff have the requisite skills and experience to carry out their duties;
- Has a conflict-of-interest policy ensuring that any conflicts of interest or the appearance thereof are avoided or appropriately managed through disclosure, recusal, or other means;
- Is responsible for the selection, evaluation, and performance of the President; conducts regularly scheduled appraisals of the President's performance; and ensures that the President's compensation is reasonable and appropriate;
- Has fiscal responsibility for managing investments and approving grants;
- Ensures that all transactions and dealings of the Foundation are conducted with integrity and honesty; that the Foundation is fair and inclusive in its hiring and promotion policies and practices for all board, staff, and volunteer positions; that policies of the Foundation are in writing, clearly articulated, and officially adopted; and that the resources of the Foundation are responsibly and prudently managed;
- Approves an annual budget for its current fiscal year, outlining projected expenses for major program activities and administration;
- Reviews, as part of its annual budget process, the percentages of the organization's resources spent on program, fundraising, and administration;
- Reviews its annual audit together with its independent auditors, as appropriate; and
- Periodically reviews and sets strategic direction for the Foundation.

### D. Legal Compliance

The Board and staff are knowledgeable of and comply with all applicable laws, regulations, and conventions. The Foundation provides adequate training and seeks ongoing legal advice to ensure that the Board and staff are well informed of relevant legal and regulatory issues.

## **E. Responsible Stewardship**

The Foundation manages funds responsibly and prudently, in keeping with the following considerations:

- The Foundation spends an appropriate percentage of its annual budget on grants or programs in pursuance of its mission;
- The Foundation spends appropriately on administration to ensure the effectiveness of accounting systems, internal controls, professional management, and staff performance;
- The Foundation compensates staff reasonably and appropriately;
- The Foundation prudently draws from endowment funds consistent with donor intent and to support the public purpose of the organization; and
- All financial reports are factually accurate and complete in all material respects.

## **F. Administrative Expenses**

The Foundation acts prudently with regard to administrative expenses, ensuring that the level of such expenses is consistent with the mission, activities, and organizational type. The Foundation has an administrative-expense practice that:

- Recognizes that there are publicly available data identifying ranges of typical ratios of administrative expenses to assets or distributions for grantmakers of similar type, asset size, programmatic scope, and geographic area of service.
- Requires that, if the Foundation's administrative expense ratio periodically exceeds those norms, its governing board will examine the reasons for the variance, determine whether those reasons are valid and, if not, take steps to reduce administrative expenses accordingly.

Among the factors that could cause the Foundation's administrative expenses to exceed the normative range are: whether the Foundation operates programs; the extent of technical assistance and other services it provides to grantees; the extent of its efforts to share its knowledge with grantees and the public; its chosen scope of assessment and evaluation; the nature of its programs or initiatives, and other similar variables relating to the Foundation's mission and type.

## **G. Compensation**

In setting compensation levels, the Board and President are mindful of their responsibilities as stewards of charitable funds. Any compensation paid to Board members, staff, contractors, consultants and other providers of services is reasonable and commensurate with the individual's or firm's responsibilities, time commitment, and duties and services performed. As one measure of reasonableness, the Foundation refers to publicly available data describing typical levels of compensation paid by similar organizations for similar duties in similar circumstances to persons of similar qualifications. The Foundation also maintains job descriptions detailing specific duties and expectations for all staff members, and reviews those expectations against the actual performance of staff members on a regular basis, at least once per year.

## **H. Openness and Disclosure**

The Foundation responds in a timely manner to reasonable requests for information such as annual reports and IRS Form 990 and provides comprehensive, accurate, and current information to the public, the media, and all stakeholders.

## **I. Conflicts of Interest**

The Foundation seeks to avoid both conflicts of interest and the appearance of conflicts that might undermine either the integrity of the Foundation or the public's trust in the field of organized philanthropy. Board members and staff recognize that the Internal Revenue Code prohibits certain kinds of transactions with, or which benefit, "disqualified persons" as defined in the Code and relevant regulations and rulings. With respect to transactions which are not prohibited, the Board and staff are mindful of two types of conflicts of interest:

***Self-Dealing:*** The potential for self-dealing arises in any transaction or decision from which a Board member, staff member, or other "disqualified person," including family members of Board members or staff, may profit or receive a monetary benefit. A conflict of interest exists when a person having input into a decision could personally benefit, either directly or indirectly, from the outcome of that decision.

***Conflict of Loyalty:*** A conflict of loyalty arises in any transaction or decision in which a Board or staff member is in a position of divided or conflicting loyalties. This occurs when an individual is involved in any personal or business relationship that may significantly influence or bias his or her decision-making ability as a Board or staff member. Relevant factors in determining a conflict of loyalty include the duration, strength, and intimacy of a given personal or business relationship or affiliation, and its relevance to the functions performed by the individual.

To protect against these two types of conflicts, the Foundation adheres to the following guidelines:

- Board and staff members shall not receive any pecuniary gain as a result of any grant made to, or of any contract entered with, any third party by the Foundation.
- Board and staff members shall not accept any payments, gifts, loans, trips, or entertainment from organizations or individuals that: (1) have applied for, or received, grants during the preceding three years; (2) might reasonably be expected to apply for a grant in the near future; or (3) provide, or seek to provide, services to the Foundation. Permissible exceptions may include: gifts of nominal value; meals and social invitations that are in keeping with good business ethics and do not obligate the recipient; and payments for serving in an official capacity or for services to other organizations, provided these payments are disclosed to the Board.
- Board and staff members shall disclose to the Board and staff all official connections with applicants for grants that do not result in any financial benefit to the Board or staff member, such as memberships on boards or other voluntary positions with the applicant organization. Staff members shall recuse themselves from reviewing and recommending proposed grants for organizations to which they are connected, provided there are other staff members who could review and analyze the proposed grant. Board members shall refrain from voting on any grants for organizations to which they are connected, and in addition, in circumstances which present a conflict of loyalty as defined above, an affected Board member may present

information regarding the grant at the request of the Board, but shall recuse himself or herself from deliberation regarding the grant.

- Board and staff members shall disclose to the governing board all dealings between the Foundation and themselves or any organization in which they have a material interest. Examples of the kinds of dealings that should be disclosed are: sales, transfers or leases of property, loans, furnishings of goods or services and employment of themselves or any family member, including retention of themselves or any family member for professional services. If any such dealings are considered for approval by the Board, the interest of such personnel shall be disclosed to the Board prior to its vote. Any Board or staff member having an interest in any such dealings, or a conflict of loyalty with respect to such matter, shall recuse himself or herself from deliberation regarding such matter, and shall not vote upon such dealings.

#### **J. Demographic Inclusion and Representation**

In their employment, board-recruitment, and grantmaking practices, the staff and Board seek to promote inclusiveness and are respectful of the need to be representative of the communities they serve.

#### **K. Annual Review and Commitment**

Not less than annually, the Board, the President and staff and such other staff as the Board may wish to include, will discuss whether the organization is operating in a manner consistent with these principles and practices. The Board will take actions as may be appropriate to improve compliance or correct non-compliance.

Date approved: October 25, 2004 Board Meeting

Date last amended: December 11, 2007 .