



Seven Key Tasks of Hospital Foundation Boards

BY MARK BLUMBERG

Some people will be shocked by the title of this article and will read no further. Many people assume that there is only one key role of a hospital foundation board and that is to fundraise! While fundraising is certainly vital for a foundation, a well-run foundation board has many other significant tasks and duties beyond just fundraising. For the purposes of this article we will assume that the “foundation” is a hospital foundation that is incorporated either federally or provincially and a registered charity with the Charities Directorate of the Canada Revenue Agency.

Writing about the governance of hospital foundations in Canada is a difficult endeavour. There are many different types of foundations which makes it challenging to generalize. Some foundations can conduct their own charitable activities, while others are more limited in that they only provide gifts to hospitals. Also, there is often a significant difference in the amount of resources, support staff, etc. that each foundation has available. Some foundations are supported by major gifts while others are supported by a multitude of smaller gifts. Additionally, some foundations are more risk averse while others have a greater tolerance for risk.

Governance is also affected by the question of control: Does the hospital ultimately control the foundation or is the foundation controlled by a separate independent membership?

Foundations need to be keenly aware of their numerous stakeholders or groups that have a legitimate interest in the activities of the foundation. This is one of the reasons that the governance of a foundation is far more difficult than many similarly sized businesses. Some of these stakeholders can include the foundation members, directors, employees of the foundation, volunteers, government (CRA, federal, provincial, and municipal), partners, the media, the public, donors and beneficiaries or clients.

The hospital foundation environment is also becoming increasingly challenging. There are increased expectations in terms of governance and transparency, and increased and often unreasonable expectations with respect to foundations maintaining low administrative and fundraising costs. There is also the added pressure for foundations to explore the idea of “social enterprises” or related business activities to earn additional revenue.

This article will briefly touch upon certain key tasks of foundation boards. Since each of these tasks on their own could comprise an entire topic for a paper, we have chosen to provide a brief, high level overview of each task.

Seven Key Tasks

In his paper entitled, “*Improving Board Performance*”, Professor Vic Murray succinctly sets out seven key tasks of a non-profit board. These responsibilities include: setting the mission, fiscal and legal oversight, CEO selection and evaluation, boundary spanning, resource development, management systems and board self-management. There are many different ways of describing a board’s tasks but Professor Murray’s are quite straightforward and useful.

We will briefly elaborate on the seven key responsibilities of a foundation board below:

1. Setting the mission:

Foundations must operate within their legal objects or purposes. These objects can be found in the corporate documents of the foundation (articles of incorporation or letters patent). For some foundations, their legal objects are narrow, such as providing funds to a particular hospital. For others, the objects may be broad and include health care and other objectives. Such foundations can give money to other Canadian charities or implement their own programs directly. If the objects appear to be too narrow for the proposed activities of the foundation, then it is the responsibility of the board to consider expanding the objects. For some foundations this may be straightforward, but for others it can be much more complicated. The board may ask themselves questions such as: Why does the organization exist? Who are we trying to serve? How do we prioritize our limited resources for greatest impact? What would happen if the foundation did not exist?

2. Fiscal and legal oversight:

The foundation board is responsible for ensuring that the organization operates in a fiscally responsible manner and complies with all laws and regulations applying to it.

Being fiscally responsible is not always the easiest of tasks but it is a lot less stressful than the alternative. Discussions about the finances of the organization are vital. Foundations need to pace themselves. Is the organization committing to too much funding or activity in relation to its resources? Should the organization have a reserve? Does the board understand the foundation’s financial situation?

In terms of compliance with the law, Canadian registered charities have numerous legal requirements, such as filing

the T3010 annual return, issuing receipts appropriately, preventing undue private benefit and a myriad of other obligations. You might find the Canadian Charity Law Checklist found on the globalphilanthropy.ca website helpful for Canadian registered charity compliance. In addition, for many foundations there are new federal and Ontario Corporate Acts which may affect their governance structure and operations.

3. Selection and evaluation of the CEO:

For a volunteer board, the selection of the CEO is one of the most difficult tasks. Finding the right person for the CEO position and objectively evaluating the strengths and weaknesses of the CEO is challenging, especially when many boards have a great personal relationship with this individual. The relationship between the CEO and the chair of the board is one of the most important relationships in a foundation. Often a board will have to deal with a CEO who has significant shortcomings. Many volunteer boards are slow to make decisions at the best of times.

With difficult decisions such as the termination of a CEO who is the completely wrong fit for the foundation, the review and decision-making can be even slower. If the termination becomes a long and involved process this can be both unfair to the CEO and the foundation. Some organizations are so exhausted after terminating a CEO that they have little energy left for the selection of a new CEO. In order to guarantee a successful selection procedure, the board will need to establish a relevant and realistic job description, put in place an adequate hiring process, which includes an employment agreement that protects the foundation's interests, and conduct regular evaluations to allow the CEO to understand the board's perception of his or her work.

4. "Boundary Spanning":

- (i) By bringing the concerns of the outside community and particular constituencies into the organization; and
- (ii) By representing the organization to the community and constituencies.

Having a diverse and aware board of directors will help to facilitate the understanding of stakeholder concerns and communicating with the community. Some of the biggest blunders by hospital foundations have resulted from boards that lacked diversity and did not adequately monitor the activities of the foundation.

5. Ensuring necessary financial resources:

Having enough financial resources is not synonymous with fundraising. The board needs to ensure that the foundation obtains adequate funds and these funds can come from various sources, such as:

- (i) Fundraising from the public (individuals, corporations)
- (ii) Foundation grant writing (other charities)
- (iii) Government grants and contributions (municipal, provincial, federal and foreign)
- (iv) Business/Earned income (related business, fees for services)
- (v) Investment income

The required financial resources will depend on the scope of the mission and other decisions made by the board.

In the past, many foundation fundraising boards would have a number of affluent individuals on the board that would donate significant sums of money to the foundation and encourage their equally affluent friends to do the same. While this model usually results in considerable fundraising revenue, it can also lead to many missed opportunities, an occasional scandal, large egos, and poor relations between the hospital and the foundation.

That being said, for many foundations, a 'wealthy' board is not even an option. Fundraising from individuals and corporations may generate a significant amount of income, but inevitably may simply not be enough for the financial needs of the foundation. Even your most generous donors and prospects are likely already being solicited by many other worthwhile charities. Fundraising in the health care area has become increasingly competitive and costly, especially in large urban centers. If a board is aware of these concerns and the need to obtain funds from other sources such as related business activities, government grants or even sources outside of Canada, it can vastly expand potential financial resources for a foundation.

THE SELECTION OF THE CEO IS ONE OF THE MOST DIFFICULT TASKS. FINDING THE RIGHT PERSON FOR THE CEO POSITION AND OBJECTIVELY EVALUATING THE STRENGTHS AND WEAKNESSES OF THE CEO IS CHALLENGING, ESPECIALLY WHEN MANY BOARDS HAVE A GREAT PERSONAL RELATIONSHIP WITH THIS INDIVIDUAL.

6. Ensuring efficient and effective management.

The board of the foundation needs to make sure that management is operating the foundation in an efficient and effective manner and uses the best available systems, policies and administrative practices to do so. Management is accountable to the board. While the board should not micromanage the organization, if poor and inappropriately risky choices are being made by management this warrants board consideration. Many foundations lack capacity and have weak financial management skills. The fixation on low overhead has undermined the effectiveness of many foundations. Boards need to invest to make sure that systems, policies and practices are 'fit for purpose' for the foundation and its needs.

7. Ensuring that the board itself functions as effectively as possible.

The board should find the best directors to serve, provide adequate training for directors, manage board meetings and committees. Foundation boards should focus on key tasks and not be distracted by unimportant but interesting issues. Some foundation boards are good at evaluating their own performance. Others ignore their own shortcomings and prefer to focus on the shortcomings of management as described in task #6 above. Some foundations spend an inordinate amount of time on internal governance, by-law revisions and navel gazing which is also unhelpful.

It is often difficult for a board to balance and manage these many tasks. However, one of the biggest mistakes we typically see is when a board fixates on one or more tasks over others. In the long term, it is more important for a foundation board to become competent in dealing with all of the tasks rather than excelling at one or two of them.

Some of the tasks of a foundation board are more difficult to deal with than others and this difficulty can vary over time. Because of this, it is vital for a board to regularly revisit specific tasks to evaluate how things are progressing and to prioritize anything requiring greater attention.

Boards are vital to the success of foundations. No one said that running a foundation would be easy but the role of hospital foundations are important and there are people who can assist but you just need to ask. ■

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Mark has appeared on a number of occasions in front of the House of Commons Standing Committee on Finance on topics such as charity regulation, transparency and accountability for non-profits and charities and tax incentives for philanthropy. He has also made presentations to the Charities Directorate Annual All Staff Meeting as well the Annual Divisional Staff Meeting of the Determinations Section of Charities Directorate. Mark has lectured extensively across Canada to groups of charities on compliance issues and lectures frequently to various industry and professional groups on charity compliance issues including the Institute of Chartered Accountants of Ontario as well as British Columbia and Alberta.

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