



The Brinson Foundation

Governance and Management Guidelines

November 2019

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I. Mission

The Brinson Foundation is a privately funded philanthropic organization that provides an opportunity to focus our family's common interests in encouraging personal initiative, advancing individual freedoms and liberties and positively contributing to society in the areas of education and scientific research.

II. Vision

We envision a society that cares for all of its members and endeavors to enhance individual self-worth and dignity. We also envision a world where every individual is a valued and productive member of society, where all people are committed to improving their lives and the quality of their environments.

III. Beliefs

We believe:

- There are no higher values than integrity, truth, and honesty.
- Strong, collegial and collaborative relationships with grantees are central to effective philanthropy.
- Individuals, families and communities are best positioned to define and solve their own problems.
- Sustainable, long-term solutions to societal problems require comprehensive and multi-disciplined approaches.
- Programs which rely on the incentives of the free enterprise system provide significant potential for long-term success and sustainability and have many advantages over government programs.
- Initiatives that pursue preventative measures rather than the treatment of existing symptoms offer greater opportunities for long-term impact.
- Education is essential to the human mind and spirit and provides the basis for people to reach their full potential.
- Advances in science and technology can be harnessed to materially improve the human condition.
- Successful programs need to be communicated to broader audiences to maximize the potential impact on society.

IV. Board Responsibilities and Expectations

It is the responsibility of the Board of Directors to ensure that the Foundation's grantmaking programs and activities are conducted in a manner consistent with the intent and spirit of the Foundation's statements of mission, vision and beliefs. Pursuant to this responsibility, the Board of Directors has adopted a Statement of Director Expectations which is attached as Attachment 1.

V. Policies and Procedures

a. Communication with the Board of Directors

The staff of The Brinson Foundation will endeavor to keep the Board of Directors informed about important issues. To achieve this objective the Foundation will:

1. Conduct, on a semi-annual basis, meetings of the Board of Directors to discuss financial, investment, grantmaking and other important policy issues.
2. Distribute at least 3 business days prior to Board of Directors' meetings, relevant written materials.
3. Organize a select number of site visits with grantseekers.
4. Send summary News & Updates and Board Update emails to Board members between semi-annual meetings to keep them updated on important issues, grantee developments and sector trends as needed.

b. Communication with Grantseekers

The Brinson Foundation will endeavor to maintain open lines of communication and reasonable transparency with the grantseeking public. To achieve this objective, the Foundation will:

1. Maintain a public web site containing information about the Foundation's mission, history, annual reports and grantmaking priorities and guidelines.
2. Make available copies of its annual reports and IRS filings upon request.
3. Provide relevant information to the Council on Foundations, Candid, Forefront, Grantmakers for Education, National Center for Family Philanthropy and other foundation associations selected from time to time by the staff.
4. Promptly acknowledge receipt of grantseeker inquiries, inform grantseekers of the grantmaking evaluation process and schedule, remind grantseekers that final grant approval lies solely with the Board of Directors and inform grantseekers of the Foundation's decisions.

c. Grantmaking Priorities and Guidelines

The Board shall adopt, publish and regularly review and update the Foundation's grantmaking priorities and guidelines.

d. Investment Policy

i. Objectives

1. To produce a long-term (inflation adjusted) rate of return that provides sufficient funds to meet the Foundation's:
 - a. Legally required grantmaking target
 - b. Reasonable and necessary expenses
2. To invest in a well-diversified global investment portfolio that produces an attractive rate of return relative to its risk consistent with the requirements above.

ii. General Standards of Care

The management and investment of the Foundation's assets shall meet the standards of care outlined by the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Treasury Regulations Section 53.4944-1(a)(2) (regarding "jeopardizing investments"). Highlights of the UPMIFA include the following:

- a. In managing and investing its assets, the Foundation may incur only costs that are appropriate and reasonable in relation to its assets, the purposes of the Foundation and the skills available to the Foundation.
- b. The Foundation's assets shall be managed and invested in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.
- c. Among other factors, the following must be considered in the management and investment of the Foundation's assets:
 - i. general economic conditions,
 - ii. the possible effects of inflation or deflation,
 - iii. any expected tax consequences,
 - iv. the role each investment or investment course of action plays within the overall investment portfolio,
 - v. the expected total return from income and appreciation, and
 - vi. the needs of the Foundation to make distributions and preserve capital.
- d. Decisions regarding individual assets must not be made in isolation, but rather in the context of the Foundation's portfolio of investments as a whole and as part of an overall investment strategy that

has risk and return objectives reasonably suited to the Foundation.

- e. Absent special circumstances, the Foundation’s investments must be diversified and, subject to the standards outlined above, may be invested in any type of investment.
- f. The Foundation is authorized to delegate the management and investment of the Foundation’s assets to outside investment managers, provided that in selecting, retaining and reviewing the performance of such managers the Foundation acts in accordance with the standard of good faith and prudence referenced in paragraph b above.

The Treasury Regulations require that Foundation managers shall exercise ordinary business care and prudence, under the facts and circumstances prevailing at the time of making each investment, in providing for the long- and short-term financial needs of the Foundation to carry out its charitable and educational purposes.

iii. Avoidance of Self-Dealing

The management and investment of the Foundation’s assets shall also comply with the Foundation’s Policy on Self-Dealing, taking into account the private letter ruling issued by the Internal Revenue Service to the Foundation’s predecessor entity concerning the retention of GP Brinson Investments by the Foundation.

iv. Endowment Benchmark

The Global Diversified Index (GDI), a diversified index, is the “normal” portfolio for the Foundation. The portfolio’s risk and return will be measured against the GDI over a full market cycle. The GDI composition and ranges (as of 9/30/19) are shown below:

Market Allocation	Normal Weight	Ranges (95% Frequency)
Global Equities	55.00%	+/- 30%
<i>Developed Markets</i>	48.38%	
<i>Emerging Markets</i>	6.62%	
Private Markets	5.00%	+/- 5%
Real Estate	10.00%	+/- 5%
Global Bonds	25.00%	0 to +30%
<i>U.S. Bonds</i>	12.50%	
<i>Ex-U.S. Bonds</i>	12.50%	
High Yield Bonds	3.00%	0 to +10%
Emerging Market Debt	2.00%	0 to +10%
Cash Equivalents	0.00%	0 to +50%
Total	100.00%	

v. Expected Long-Term Real Rate of Return

The expected long-term real (inflation-adjusted) rate of return for the GDI is between 4.0% and 4.5% per annum over a full market cycle. The actual rate of return the Foundation will experience will vary considerably depending on market conditions and active investment management strategies.

vi. Investment Management

1. The Board of Directors retains the right to secure and release external investment managers for the Foundation. The Board of Directors may choose to delegate this authority to the appropriate Director or staff member.
2. Prior to the hiring of any investment manager, the Foundation shall enter into an investment management agreement detailing the investment guidelines, reporting requirements and fees.
3. Periodically, representatives of the investment manager shall meet with the Foundation's Directors and/or staff to review the portfolio.

e. Grantmaking Process

i. Budget

At least annually, the Board of Directors shall review and approve a financial budget prepared by the staff. The budget should be based on reasonable assumptions regarding investment returns and expenses. The budget shall include a grantmaking target which shall be established in the context of the IRS minimum grantmaking requirements.

ii. Grant Application and Approval Process

1. The Board of Directors shall have sole authority to approve grant application requests.
2. The Board of Directors shall consider grant applications no less frequently than semi-annually. As a general rule, this consideration shall take place at meetings held in the spring and fall of each year.
3. The staff shall establish the forms, procedures and timetables for the submission of grant applications.

f. Self Dealing, Code of Conduct and Conflicts of Interest

i. Self Dealing (updated November 2, 2015)

The Foundation will not knowingly engage in any "self dealing" activity. Self-dealing is any "prohibited financial transaction" between the Foundation and a "disqualified person."

1. Prohibited Financial Transactions

- a. The sale, exchange or leasing of property (such as purchasing stationery, supplies, printing, graphic design or insurance from a disqualified person).
 - b. The lending of money or the extension of credit.
 - c. The furnishing of goods, services or facilities.
 - d. The transfer to, or use by or for the benefit of, a disqualified person of the income or assets of the Foundation.
 - e. The payment of money or property to a government official.
 - f. Satisfying the enforceable pledge of a disqualified person.
2. Disqualified Person
- a. Officers
 - b. Directors
 - c. Members
 - d. Employees with authority to act on behalf of the Foundation.
 - e. Substantial contributors
 - f. Family members of a “disqualified person” including spouses, ancestors, children, grandchildren, great grandchildren and spouses of children, grandchildren and great grandchildren.
 - g. Certain entities related to other disqualified persons (such as business entities or trusts that are more than 35-percent owned by them, individually or collectively).

ii. **Code of Conduct**

The Foundation’s Code of Conduct is attached as Attachment 2.

iii. **Conflict of Interest Policy**

The Foundation’s Conflict of Interest Policy is attached as Attachment 3.

g. Grantee Gratuities

Except as otherwise provided below or specifically approved by the Board of Directors, Members, Directors, Officers and employees of the Foundation may not accept gifts, tickets, meals, entertainment or any other personal benefits or gratuities from potential or existing grantees if the offering of such benefits is directly or indirectly related to Foundation activities. The foregoing prohibition also applies to a member of a Member’s, Director’s, Officer’s or employee’s immediate family (i.e., a spouse, parent, child or other

individual living in the same household). Notwithstanding the foregoing:

1. A Director, Officer or employee who has responsibility for evaluating a potential or existing grantee may accept any of the foregoing benefits to the extent such benefits are reasonable in amount and are offered in the context of such individual's introduction to, or review or evaluation of, a potential or existing grantee's management, programs or activities.
2. A Member, Director, Officer or employee and members of his or her immediate family may attend a grantee's donor appreciation or education event, which is offered to attendees without charge.
3. A Member, Director, Officer or employee may accept public recognition for a grant or other support provided by the Foundation, provided such recognition does not have tangible value.
4. A Member, Director, Officer or employee and members of his or her immediate family may accept tickets to events or other entertainment, if such individual pays for such tickets or entertainment.
5. While Members, Directors, Officers and employees are discouraged from accepting gifts from any potential or existing grantee, the foregoing prohibition shall not apply to gifts of de minimis value, such as coffee mugs, candy or reasonable grantee mementos.

h. Grant Recognition

If a grantee wishes to recognize a Foundation grant, it may list the Foundation's name in a standard listing of donors on the grantee's website or in an annual or periodic report or newsletter. In any such listing, the Foundation should be listed with other institutional donors (if the listing is broken down by category of donors), at the correct donation level and in the correct format, which is: "The Brinson Foundation", preferably alphabetized by "B". Under no circumstances should grantees list an individual Director (or any Member, Officer, employee or other individual) as a donor unless that Director or such other individual has made a separate, personal gift to the organization. Note that the Foundation's Policy on Self-Dealing strictly prohibits the Foundation from satisfying the personal giving commitment of any Disqualified Person. If a grantee wishes to publicize a grant beyond the standard listing referenced above, the grantee must contact the

Foundation at least five business days before the desired date of the publicity to obtain the Foundation's approval of such publicity.

i. Personnel

The Foundation's personnel policies and procedures shall be set forth from time to time in the human resources handbook prepared by the Foundation in cooperation with its Professional Employer Organization (currently Insperity).

j. Record Retention Policy

- i. The Foundation's Record Retention Policy is attached as Attachment 4.
- ii. The staff may adopt such policies and procedures regarding the maintenance of other office files and records as the President of the Foundation shall deem appropriate, provided such policies and procedures are not inconsistent with the Foundation's Record Retention Policy.

k. Expense Reimbursement

The following policies will apply to the reimbursement of Member, Director, Officer and employee expenses. The Foundation will only reimburse those expenses that are incurred in connection with Foundation business.

1. Bus, train, taxi and Uber/Lyft fares, including reasonable gratuities, will be reimbursed, provided they would not have been incurred routinely in connection with the individual's daily commute.
2. The use of personal automobiles will be reimbursed at the standard I.R.S. allowable rate per mile, plus tolls and parking, provided they would not have been incurred routinely in connection with the individual's daily commute. Reasonable rental car expenses and fuel charges incurred in connection with out-of-town travel are reimbursable. Rental cars should be mid-sized or smaller.
3. The cost of coach class airline tickets will be reimbursed, plus any fee associated with ticket booking, coach seat selection, baggage or travel changes required or requested by the Foundation. If travel plans are known sufficiently in advance, reservations should be made and tickets purchased at times that would secure available discount fares.
4. The reasonable cost of hotel accommodations will be reimbursed at the single room rate. If the Foundation or conference has secured a room rate and a Member, Director, Officer or employee opts to stay elsewhere, no

- more than the negotiated rate will be reimbursed. If a lesser rate is obtained, only the lesser rate will be reimbursed. Personal charges such as valet service, movie rentals, bar bills and personal telephone calls will not be reimbursed, provided, however, reasonable charges for personal calls to family members will be reimbursed.
5. Cell phone charges will not be reimbursed by the Foundation, unless an itemized charge for an individual call is shown on the cell phone bill.
 6. Registration fees or similar expenses for Foundation-approved training courses, conferences, seminars and conventions are reimbursable if approved in advance. Dues and fees payable to professional or technical societies, associations or clubs will be reimbursed only upon reasonable justification and advance approval.
 7. Reasonable costs for meals, including reasonable gratuities, will be reimbursed when the individual is traveling or when the meal expense is incurred locally in connection with a Foundation meeting or networking activity. Meal expenses must be reasonable. Unless a meal relates to a Director or Member meeting or a meeting involving third party guests, reimbursement for meal expenses (per person, including tax and gratuity) should not exceed: breakfast \$30, lunch \$40 and dinner \$60, although consideration will be given to the context of the market in which they are incurred.
 8. Donations, contributions and benefit and raffle tickets are not reimbursable expense items.
 9. Spousal expenses will not be reimbursed, unless such expenses are incurred at the request of the Foundation.
 10. The submission of a detailed report is required for reimbursement to occur. Receipts must be attached for all expenses in excess of \$25. Although receipts may not be readily available for smaller, miscellaneous expenditures (gratuities, parking, baggage handling, etc.), employees are encouraged to submit receipts whenever possible. An expense report covering all out-of-town travel expenses must be submitted with appropriate receipts within 5 business days after returning to the office. Local expenses should also be reported not later than the 5th business day following the expense.
 11. Any questions should be directed to the President or the Treasurer of the Foundation. Exceptions to this policy must be approved by the President or by the Board in the case of expenses involving the President.