

COUNCIL OF FINNISH FOUNDATIONS



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BEST PRACTICE FOR FOUNDATIONS

In 1970, nearly thirty grant-providing foundations and funds started regular communication. The operations soon became established, and the Council of Finnish Foundations (in Finnish: Säätiöiden ja rahastojen neuvottelukunta ry, in Swedish: Delegationen för stiftelser och fonder rf) was formed. The association has more than 160 members in 2015, both foundations and associations (hereinafter “members”).

The members of the Council have stated that the Council’s task is to supervise the interest of its members and provide the charitable communities that allocate grants with a possibility for exchange of information and opinions in common matters.

The members of the Council of Finnish Foundations are aware of their position as a special group and of their responsibility to their interest groups in the society, and therefore they have approved the guidelines concerning Best Practice for Foundations on 24 April 2006.

INTRODUCTION

For several decades, the society has demonstrated appreciation for supporting science and art and other cultural activities by granting charitable foundations and associations tax exemptions. This is based on the fact that their operations serve and benefit the society in many ways.

The Foundations Act and the Associations Act provide a civil-law basis for a great number of legal entities operating in very different ways. These laws and the regulations for legal entities based on the laws and confirmed by authorities create a basis and guidelines for the operations of foundations and associations allocating grants.

In tax legislation, there are special standards regarding charitable foundations and associations that also concern foundations and associations that maintain sports clubs or facilities, in addition to those providing grants. A foundation and association is charitable in the event that its rules and operations meet all the following criteria:

- It operates only and immediately for the common good in a material, spiritual, moral or social sense.
- Its operations are not focused on restricted circles of people.
- With its operations, it does not produce financial benefit to its members as dividend or profit share or as unreasonably high salary or other compensation.

Charitable foundations and associations allocating funding are not defined in legislation or separately dealt with as their own group. However, they form their own special group, even though they are also different from each other: they may have been established with donations, bequests or collection, and their rules of purpose provided in connection with their establishment are very versatile.

The common nominator is that the assets have been received for implementing a specific purpose, which is recorded in the rules, and the implementation is done mainly through allocating grants and awards. In addition to the rules and regulations, the operations are influenced by all kinds of donor regulations that sometimes extend to managing the assets, in addition to their grant purpose. The regulations are not optional, but they must be observed and respected.

OBSERVING BEST PRACTICE FOR FOUNDATIONS

The members of the Council respect each others' individuality and independence. Since the members also represent several different fields, the Best Practice described here cannot always be applicable as such to each member foundation or association. These guidelines shall be observed as binding for the members, except in the event that the rules of the foundation or association, their bequests or deeds of gift or other justified reasons prevent observing a particular guideline.

GRANTS AND AWARDS

The members of the Council shall allocate grants and awards according to their rules, regularly and continuously. The amount of grants and awards is a significant part of their profit. However, the members must make sure that it will be possible to implement their purpose also in the future.

The members have clear internal procedures for allocating grants. Special attention must be paid to issues of impartiality and disqualification.

The appropriate supervisory notices shall be submitted to the tax authority.

Sufficient notifications shall be made regarding applying for grants, processing applications and notifying about decisions. Special attention should be paid to the following:

- the information about the possibility to apply for the grant reaches potential applicants;
- the application forms and instructions for filling them are clear and easily accessible;
- the applicants will be informed about the processing manner and schedule;
- the allocated grants will be announced without unnecessary delay, and at the same time clear instructions will be provided to grant applicants about what to do in order to collect the grant and how to report about work progress;

- if the grant payment can be interrupted or the paid grant can be recovered, this should be clearly stated at the latest in the notification regarding the reception of the grant. The grounds for the possible interruption or recovery of the grant should also be notified at the same time.

COMMUNICATION

The members of the Council aim for openness in their operations and to communicate about their activities. Communication with the media and authorities shall be open.

The members shall prepare an annual report about their operations, in addition to the statutory financial statement.

Acceptable exceptions in terms of openness include not making the following public:

- the balance sheet specifications in the financial statement;
- the reasons for the grant decisions and
- information concerning the experts used in preparing grant decisions

MANAGEMENT

The management of the Council members shall include expertise required by the operations and asset management.

The members have internal instructions concerning grant activities and asset management that correspond with the scope of the operations.

Experts and other people operating in positions of trust shall manage their tasks equally.

Minutes of the meeting shall be prepared for meetings of the Board and other statutory operational bodies. The minutes and their attachments shall be preserved indefinitely.

Documents concerning allocated grants and other such documents shall be preserved in an archive for ten years at minimum.

Particular attention shall be paid to data protection and the documents to be deleted will be destroyed as appropriate.

Board members and other persons responsible for operations shall not participate in processing and decision-making regarding an issue where they can objectively be considered to be disqualified. These persons shall report to their members to a sufficient extent about any possible conflicts of interests that have emerged in the decision-making.

Management costs shall be moderate and in proportion with the funds used for implementing the purpose of the foundation or association. The fees paid to the experts and other people in positions of trust shall be moderate in the manner indicated above.

The members of the Council of Finnish Foundations shall not allocate grants or comparable benefits to members of their Board of Directors, their personnel, members of their operational bodies, experts or other elected officials or their next of kin.

Auditing of the accounts and management shall be conducted by legally required certified auditors (in Finland “KHT” or “HTM” auditors). Accounting shall be conducted and financial statement documents prepared in accordance with the accounting regulations and forms provided in them.

The Board of Directors is responsible for ensuring that the notifications to authorities regarding the supervision of the foundations and associations is made within the time limit.

In the event that the purpose of the foundation cannot be implemented fully or partially due to changed circumstances or some other reason, the Board of the foundation must take the necessary measures. These may include changing the rules, merging with another foundation or abolishing the foundation.

ASSET MANAGEMENT

The purpose of asset management is to secure operations in accordance with the rules of the member foundation now and in the future. Asset management shall meet the statutory requirements of a charitable foundation.

The Board of the member foundation is responsible for ensuring that the funds are invested in a secure and profitable manner. There shall be sufficient instructions for asset management and the operations shall be supervised as appropriate.

Asset management shall be guided by caution and long-term considerations. The funds should be diversified between safe and productive investment targets.

The regulations related to the bequests or deeds of gift shall be respected in asset management.

Those belonging to the Board or personnel of a member foundation shall not be opposing parties in the securities transactions or other financial operations of their community. Decision-making regarding individual investment decisions is organised so that inside information will not be used.

Board members, personnel and other persons involved in the operations shall not use the information regarding the foundation or association in a reproachable manner to their own benefit in their other activities.

The foundation can practice only such business operations that have been mentioned in its rules. Engaging in business operations may also have an effect on the position of the foundation as a charitable foundation.

COOPERATION

Members of the Council aim to engage in active cooperation and communication and monitor the decision-making process influencing their operational environment.

The Council of Finnish Foundations provides statements, when needed, in the drafting of legislation and other public sector operations, and acquires, processes and publishes information regarding charitable foundations within the scope of its resources.