

The Governance Structures of Community Foundations - Case Study ITALY

Introduction

Although the history of the Italian foundation sector goes back to the Middle Ages, foundations played a very marginal role in Italy until the beginning of the 1990s. At this time, the Italian state decided to use foundations as a means to restructure and privatize the public banking system. Due to this decision, new wealthy foundations have been introduced into the Italian charitable sector. Community foundations are part of the revitalization of foundations in Italy. The driving force behind the community foundation movement is the Milan-based [CARIPLO Foundation](#) which has initiated [several community foundations in Lombardy and Eastern Piemonte](#).

As to their legal status, community foundations are considered private foundations. The First Book of the Civil Code defines a foundation as a private non-profit organization, established as a contract between living founders or through a testament, and provided with an endowment. The endowment must be used to pursue the foundation's goals as specified in its charter. Concerning their fiscal treatment, community foundations adopted the fiscal category ONLUS ([Organizzazione non lucrativa di utilita' sociale/ Non-Profit Organisations for Social Utility](#)). ONLUS enjoy a variety of tax privileges and the best treatment for donations in Italy, even if only a limited share of any donation is deductible from the donor's taxable income.

The Governing Bodies of Italian community foundations

From a legal point of view, a Board of Directors (*Consiglio di amministrazione*) is the only governing body an Italian foundation is required to have. However, the Italian community foundations have decided to establish a [governing structure](#) which is unusual for the Italian foundation field. The structure represents a mixture of the governance models of corporations, co-operatives, and associations: While the Executive Board is a typical institution of corporations, the Conflict Resolution Board is distinctive for co-operatives and associations. The Board of Internal Auditors is drawn both from the corporate and the non-profit world. The rationale behind the multiplicity of governing bodies is first to involve as much people, institutions (e.g. [the church](#)) and know-how as possible and secondly to establish a variety of internal control mechanisms. The organizational structure of the foundation are laid down in the [bylaws](#) which regulate the number and powers of the governing bodies.

BOARD OF DIRECTORS

The Board of Directors has the overall responsibility for the operations of the foundation; the Chairman is the legal representative of the foundation towards any third parties, especially state authorities and public administrations.

The Board of Directors is supposed to manifest all features of good governance, especially independence, accountability, vision, and stewardship. More over, the Board of Directors is designed to reflect the different parts of the county and the different social and economic fields and groups. To ensure the integrity of the Board, the members are elected by an Appointment Committee usually made up by born members (the prefect and vicar of the province, the mayor, ...).

re: Mission/ Vision

- approves and maintains the mission and vision
- deliberates about any modifications of the by-laws
- decides on the dissolution of the foundation

re: Board Composition

- appoints the Chairman, the Vice-chairman, the elected members of the executive board, (and the C.E.O.)
- trains new members

re: Policy Development

- deliberates on the constitution or the composition of other committees
- decides on the investment policy
- deliberates on the grants of the foundation
- approves any eventual inner regulations/ standing orders
- provides for information and public relations

re: Implementation/ Management

- supervises the procedures, decisions and operations of the Executive Board

EXECUTIVE BOARD

In order to ascertain flexible and responsive governing structures, the Board of Directors has an executive sub-committee that manages the day-to-day activities of the foundation. Composed of members of the Board of Directors, the Executive Board is responsible to the Board of Directors that has the faculty to delegate functions to the Executive Board.

The prime feature the Executive Board is to provide skills, know-how and experience for the administration of the community foundation.

re: Implementation/ Management

- controls the day by day administration
- manages the financial investments

BOARD OF INTERNAL AUDITORS

The Board of Internal Auditors is a prerequisite for organizations which enjoy the status ONLUS and want to raise more than € 1 million per year. Its members are reputable auditors which are publicly chartered. The prime responsibility of this Board is to monitor the activities of the Board of Directors and the Executive Board. To this end, the Board of Internal Auditors has the right to appeal to the Court of Justice to substitute members of the other boards in case they do not comply with the law and/or the statute of the foundation.

re: Implementation/ Management

- controls the management, administration, and accounting system
- monitors the compliance of procedures with the law and the foundations statutes
- audits the foundation
- gives advice to the board of directors and to the executive board about legal, economic and fiscal problems

CONFLICT RESOLUTION BOARD

The Conflict Resolution Board arbitrates disagreements between donors and the foundation and between the foundation and the beneficiaries about the use of donations and mediates controversies between different bodies of the foundation. The jurisdiction of the Board is limited to the foundation itself: Judgements of the Board are only binding for the foundation staff and boards; external persons can ask the courts to solve the problem.