 

**Accountability Self-Assessment for Staffed Private Foundations**

**FINANCE**

This self-assessment tool is designed to help you determine if your staffed private foundation (family, independent or corporate) is complying with key federal laws and regulations and is engaging in generally recommended good practices for being accountable to the public. Addressing issues of accountability is an ongoing process for an organization, and this tool is designed to help organizations with that process.

This Finance tool is for private foundations with one or more full-time or part-time staff people. If your foundation is not staffed, please use the accountability self-assessment tool for unstaffed private foundations.

Complete directions for how to use this tool are provided in a separate document.

Please note that this self-assessment tool is designed to allow some flexibility in how it is used and interpreted, since not all of the practices listed in the self-assessment tool will be applicable to every foundation, particularly smaller foundations. But the tool provides a solid framework to help foundations assess how well they are achieving their goals to be ethical and accountable organizations.

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| Foundation Name: |       |
| Date(s) of Self-Assessment: |       |
| Name and Title of Person(s) Conducting Self-Assessment: |       |
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| **Finance** |

This section focuses on a foundation’s financial management, spending and investment of its funds.

**Level 1 – Legal Compliance**

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| ***Investments*** | Yes | No | NA |
| 1. Our board members make prudent investment decisions based on diversification of assets, appropriate performance benchmarks, and the importance of a portfolio's total return on investment.  | [ ]  | [ ]  | [ ]  |
| 2. Our board members avoid any jeopardizing investments that are excessively risky or speculative. | [ ]  | [ ]  | [ ]  |
| 3. Our board members receive necessary information on the foundation's investment results, strategy and decisions in order to fulfill their legal and fiduciary responsibilities.  | [ ]  | [ ]  | [ ]  |
| 4. The foundation and disqualified persons together do not own a share of the voting stock of any corporation or partnership that exceeds the limits described in Section 4943 of the Internal Revenue Code.  | [ ]  | [ ]  | [ ]  |

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| ***Taxes*** | Yes | No | NA |
| 1. We pay an annual excise tax of 1% or 2% of our net investment income and make quarterly filings per IRS requirements.  | [ ]  | [ ]  | [ ]  |
| 2. We pay tax on unrelated business taxable income (UBIT) for any business outside our charitable purpose, and make an annual filing of 990-T and quarterly filings per IRS requirements.  | [ ]  | [ ]  | [ ]  |

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| ***Expenditures*** | Yes | No | NA |
| 1. If we make grants to Type III supporting organizations, we do not count these grants toward our payout requirement.  | [ ]  | [ ]  | [ ]  |
| 2. If we make grants to any type of supporting organization where a disqualified person of our foundation controls the supporting organization or one of its supported organizations, we do not count these grants toward our payout requirement. | [ ]  | [ ]  | [ ]  |

**Level 2 – Good Practices for Accountability**

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| ***Investments***(Note: Some of these practices may not apply to corporate foundations, which are less likely to have a corpus to invest and where any investments are likely to be handled by the company’s treasury department or other internal department.) | True | MostlyTrue | Some-timesTrue | Never True | NA |
| 1. We do not pay a family member or any other disqualified person to manage our investments. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 2. We have in place a sound, effective written investment policy, approved by the board, to guide our investing activities regarding the balance between risk and return in the context of our investment goals, adequate for our size and complexity.  | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 3. We review and update our investment policy regularly. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 4. We regularly monitor our compliance with our investment policy. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 5. We clearly communicate our investment policy to our investment managers. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 6. We make available to the public upon request the names of our investment managers, fees charged, and the governing body or appointees responsible for investment oversight and activity. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |

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| ***Expenditures*** | True | MostlyTrue | Some-timesTrue | Never True | NA |
| 1. We take steps to ensure that our administrative expenses (including travel expenses) are in proportion to amounts spent by organizations of similar size and with similar funding strategies. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 2. We ensure that our annual spending policy for grants and administration reflect the original intent of the founding donor(s). | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |

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| ***Financial Management*** | True | MostlyTrue | Some-timesTrue | Never True | NA |
| 1. We have developed and adhere to written financial management policies and procedures—adequate for our size, nature, complexity and mission—concerning administrative expenditures (including travel expenses), internal financial controls and purchasing. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 2. Our board includes individuals with financial literacy or has adopted other mechanisms for drawing on independent financial expertise. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |

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| ***Audits*** | True | MostlyTrue | Some-timesTrue | Never True | NA |
| 1. We conduct an independent audit or financial review as follows:* If our annual revenue is $1 million or more, we conduct an annual audit of our financial statements and operations.
* If our annual revenue is $250,000 - $1 million, we conduct an annual audit of our financial statements and operations OR have our financial statements reviewed by an independent public accountant.
* If our annual revenue is less than $250,000, we obtain a periodic review of our financial statements or engage in other means of independently verifying our financial statements and controls.
 | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| ***If we conduct a regular independent audit:*** |  |  |  |  |  |
| 2. We have an audit committee that is separate from our finance committee, if appropriate for our asset size and our board size, composition and expertise.2  | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 3. Finance committee members represent a minority on the audit committee. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 4. Audit and finance committee members are not compensated for their service on the committee and do not have a financial interest in, or any other conflict of interest with, any entity doing business with the foundation. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 5. No foundation staff, including the chief executive, serve on the audit committee. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 6. At least one audit or finance committee member meets the criteria of a financial expert and has adequate financial skills to understand, analyze and reasonably assess our financial statements and the auditor's competency. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 7. We have ensured that the auditor has the requisite skills and experience to carry out the auditing function for the foundation and has carefully reviewed the firm’s performance. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 8. We have taken adequate steps to ensure that our auditor is independent from our foundation. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 9. Our audit or finance committee meets with the auditor, reviews the audit and recommends its approval or modification to the full board. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 10. Our board reviews the audit and the audit or finance committee's report and recommendations, and meets with the auditor if special issues or concerns arise, before formally accepting or rejecting the audit. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |

2 Although many foundations do not have separate finance and audit committees, there appears to be growing federal and state interest in requiring audit committees for boards of charitable organizations of a certain size. For example, the California Nonprofit Integrity Act, which passed in 2004, requires charitable corporations (but not charitable trusts) with gross revenues over $2 million to have an audit committee.

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|  | True | MostlyTrue | Some-timesTrue | Never True | NA |
| 11. Our board ensures that the auditor, or at least the lead and reviewing partners, are rotated or switched every five years. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 12. Our board exercises caution when using the auditing firm to provide non-auditing services except for tax preparation, which are approved in advance. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 13. Our audit or finance committee requires the auditor to disclose to the committee all critical accounting policies and practices used within the organization, as well as share with the committee any discussions with management about such policies and practices. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 14. Our audited financial statements are available and accessible to the public, preferably on our website (if we have a website), within a reasonable amount of time after the close of our fiscal year. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 15.We rectify any concerns or problems raised by the auditor. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |

**Level 3 – Practices of Excellence for Accountability**

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| ***Investments***(Note: Some of these practices may not apply to corporate foundations, which often do not have separate investment committees.) | True | MostlyTrue | Some-timesTrue | Never True | NA |
| 1. We have a board-led investment committee that recommends investment policies and guidelines to protect our investment assets; develops an investment strategy; and continuously monitors our investment portfolio.  | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 2. We have a written description of the roles and responsibilities of our investment committee. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 3. We have a system and procedures in place to allow the foundation to act quickly, between board meetings, in cases where individual stocks or classes of stocks experience rapid shifts in price and action may be needed either to rebalance the portfolio or take other more radical action. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 4. In making investment decisions, our board considers the extent to which the values and principles that guide our grantmaking also inform our investment policies and decisions. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |

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| ***Financial Management*** | True | MostlyTrue | Some-timesTrue | Never True | NA |
| 1. We ensure that an adequate amount is kept in cash or some other easily converted investment for annual (or more frequent) grant payments and other expenses.  | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 2. We have an annual budgeting process, including the board’s approval of the budget. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 3. We regularly monitor and assess financial performance and expenditures relative to the approved budget. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 4. Our board receives regular financial reports addressing any differences between actual and budgeted revenues and expenses. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |
| 5. We prepare internal financial statements no less frequently than quarterly. | [ ]  | [ ]  | [ ]  | [ ]  | [ ]  |