

Private Foundations Bulletin

A Toolkit for Governance Policies

Why it is crucial to have policies in place at your foundation

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Governance policies for private foundations are essential tools that help ensure responsible operations and promote transparency. They help sustain legal compliance and reinforce the philanthropic values and goals of the foundation. This month's bulletin highlights vital policies that, when properly designed and implemented, help ensure the foundation's actions are guided with integrity and are in the best interest of its mission and beneficiaries.

Below are some of the recommended policies important to a foundation's day-to-day operations, along with brief summaries of a few key policies:

- Investment Policy
- Grantmaking Policy
- Conflict-of-Interest Policy
- Document Retention Policy
- Whistleblower Policy
- Gift Acceptance Policy
- Cash Disbursement and Cash Receipts Policies
- Capitalization Policy
- Travel & Expense Reimbursement Policies
- Credit Card Usage Policy

While all policies play a significant role for a foundation, Investment and Grantmaking policies are especially impactful. Investments are typically a foundation's greatest asset and primary source of financial support, while grantmaking serves as the central mechanism for advancing its charitable purpose.

Investment Policy Statement (IPS)

An investment policy statement (IPS) establishes guidelines for achieving a foundation's financial goals. It serves as a key resource for governance and protects assets from undue risk. When developing an IPS, a foundation should take into consideration its background and mission, investment objective, time horizon, comprehensive risk strategy, asset allocation guidelines, governance procedures and investment management guidelines.

Grantmaking Policy

A grantmaking policy serves as an underlying document that outlines a foundation's pathway to awarding grants. It provides clarity for prospective grantees as well as the foundation's staff and management. The essential elements of grantmaking policies are strongest when they align with the foundation's mission, vision and values; provide details on the program's area of interest and geographical focus; specify the eligible organizations, programs or individuals applicable for funding; detail the process for application; and establish the reporting and compliance requirements for grantees.

Conflict-of-Interest Policy

A conflict-of-interest policy ensures that a foundation's activities and decisions are guided by its best interest rather than for personal gain. Some key elements of a conflict-of-interest policy are the clear definition of what constitutes a conflict of interest, disclosure requirements, management and review process, prohibited activities, consequences of violation as well as protection from retaliation and confidentiality of disclosures. Some common instances of conflicts of interest may relate to financial stakes, personal relationships, outside employment or gifts and hospitality.

Document Retention Policy

A document retention policy provides a framework to determine the timespan of your foundation's records. It helps dictate how electronic and physical records should be kept, preserved and ultimately demolished. Financial records are often recommended to be retained for approximately seven or more years and tax records generally for at least three years. This policy is important for operational efficiency, risk management and legal compliance.

Conclusion

The policies outlined above are just a few examples of the tools foundations can use to achieve their goals responsibly and effectively. To remain relevant and compliant, policies should be reassessed annually and formally approved by those charged with governance. Foundations should also consider consulting with legal or professional advisors when drafting policies to ensure compliance when adhering to local laws and regulations. For more recommendations on best practices in foundation governance, we invite you to download our [Private Foundation Tax and Governance Guide](#).

Contact Us

We welcome the opportunity to answer any questions you may have related to this topic or any other accounting, audit, tax or advisory matters relative to private foundations. Please call 212.286.2600 or email any of the Private Foundation Services team members below:

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