

Private Family Foundations Annual Governance Checklist

The fun and rewarding activities of a family foundation center around determining the causes and organizations the foundation will support. Most families spend a significant amount of time and focus on grant making. This is why the foundation exists—to make an impact and difference for chosen causes and organizations.

Preserving Family Legacy

It is important to remember the family foundation is also a business requiring the same effective governance practices as a family business. This is especially critical when multiple generations of family members are involved. Good governance practices provide continuity and transparency and help with the transition of the family foundation through generations, helping to preserve the legacy of the founder and family.

Best Practices

There is no one-size-fits-all approach to governing family foundations. However, there are standard practices to incorporate into foundation oversight activities. An organized, structured approach is essential to effectively manage your foundation, which benefits both family members and charitable beneficiaries.

This checklist is designed to assist you in identifying and incorporating good governance practices into managing your family foundation.

Your advisor can help you initiate a review of current governance practices and provide resources to guide you through the process.

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Fiduciary Responsibilities

	Yes	No	N/A
Consult with legal counsel annually to help determine changes to state or federal law applicable to the foundation.			
The foundation has a dedicated board of directors or trustees responsible for the oversight of the foundation.			
The board reviews the foundation's mission annually.			
The foundation's mission and goals are clearly established and articulated.			
The governing document (such as articles of incorporation or declaration of trust), bylaws, and any amendments are reviewed so that current activities are aligned to help support the foundation's mission.			
Are any amendments to governing documents or current activities necessary?			
Any amendments to the bylaws are appropriately documented.			
Terms of service for board members are reviewed to help determine if any are expiring or if current board members need to be reappointed or new ones appointed.			
Any change in board members is in accordance with the foundation bylaws and appropriately documented.			
New board members have received board training and are aware of the roles and responsibilities of the board and its members.			
The roles, responsibilities, and expectations of officers, trustees, and board members are defined, communicated, and understood.			
The definition of disqualified persons is reviewed, and disqualified persons associated with the foundation are identified.			
Any transactions with disqualified person to confirm adherence to Internal Revenue Service rules.			
The conflict of interest policy is reviewed so that the foundation and its board members are in compliance.			
Minutes of all board meetings from the prior year have been reviewed and approved by the board.			
The annual strategic plan is reviewed and approved; there is a process in place to monitor the plan throughout the year.			
Does the foundation have or need directors and officers liability insurance; if so, is it current?			
Does the foundation have any other contracts/agreements, such as consultants or accountants? If so, are they reviewed?			
If the foundation holds any copyrights or trademarks, they should be reviewed annually.			

Finance and Investments

	Yes	No	N/A
The annual budget is reviewed and approved annually by the board.			
There is a process in place to monitor the budget on an ongoing basis.			
The board is aware of private foundations rules regarding investment assets, such as jeopardizing investments.			
The board reviews and approves the investment management policy annually.			
There is a process in place to monitor investment performance on an ongoing basis.			
Investment performance is discussed at least annually with investment managers.			
If audited, the auditors review the audit report with the board.			

Taxes

	Yes	No	N/A
Applications for federal tax exemption (form 1023) and state registration need to be on file with all attachments, schedules, and IRS correspondence relating to the exemption approval.			
IRS determination letter should be on file.			
Any communications from the IRS and state registration agency, such as private letter rulings, need to be on file.			
Review to verify that estimated excise tax payments have been made.			
Request annual minimum required distribution from accountant, if not available, request estimate.			
The board reviews the 990PF tax return before it is signed and filed.			
Verify foundation tax return is publicly available as required.			

Grants

	Yes	No	N/A
Review grant guidelines annually to verify they continue to be in line with and supportive of the foundations mission.			
Review grant application and review processes to determine appropriate due diligence is conducted in determining grant recipients.			
If applicable, verify IRS correspondence for grant-making programs is on file (required for some programs such as scholarships)			
Review and assess previous year's grant making. Have grantees complied with any grant requirements and/or restrictions? Discuss problems, impact, and lessons learned.			
Review, discuss, and approve/decline current year grants.			
Discuss and estimate grant budget for following year.			

For more information, please contact your Hawthorn advisor.

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