

## 990 & 990-PF Toolkit

### An Elevated Approach to Championing Your Mission

(What, really? Now I have to change our 990 tax return? Are you kidding me?!)

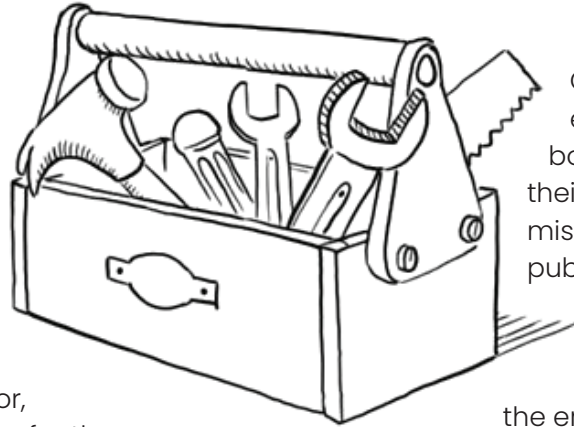
#### Preamble:

When funds are gifted to a foundation, donors receive a tax deduction, and the funds are then held under the stewardship of the foundation's board members. The funds no longer belong to Bill Gates, Warren Buffet, or any other donor, and are placed in the foundation for the public good. The board's fiscal responsibility is to the foundation's mission – not to the donors.

Many foundation boards, however, misinterpret their fiduciary responsibility and serve primarily as guards of their endowments rather than champions for their mission. The exception is when they distribute 5% of their assets, as mandated by the IRS, toward mission-driven work, usually in the form of covering their overhead and providing grants to nonprofits.

**Over one trillion dollars sit in US foundation endowments.** Since how endowment funds are invested is seldom revealed to the public, it can be hard to tell whether those investments help or hurt a foundation's mission. Traditionally, most foundations report only endowment totals on their 990 tax returns instead of disclosing their specific holdings. Many board members have no idea how their foundation's endowment funds are actually invested.

When foundation boards do take a hard look at their endowments, most realize that many of their holdings are working against their missions. Imagine finding out that the foundation you chose to serve because it was advancing environmental protection invests more in fossil fuels or deforestation than it gives to solar energy or rainforest protection!



Greater transparency about endowment investments allows board members to start to align their endowment holdings with their mission through careful selection in public markets participation and/or by adding private market holdings and direct investments. A foundation working for the environment, for example, might elect to invest in a local organic farm or to provide a loan to a grantee to put solar panels on its building.

With nonprofit charity-rating organizations like Candid and Charity Navigator gleaning information from your 990 – and more and more donors and supporters learning to look directly at your 990 – there is an opportunity to expand your story through your tax return. Yes, this dry and dreary IRS pallet can illustrate your foundation's story in new and inspiring ways. Your current 990 is probably just a summary of your finances – giving a vague, incomplete idea of your true success. Your 990 has the ability to reveal your dedication and demonstrate your visionary leadership. Start viewing it as your second website!

It is empowering for foundation boards to see more and more of their assets advancing their missions – or at least not working against them. We are witnessing a citizenry that increasingly calls for transparency, and how transparency gives rise to action in every sector of modern society. We want to inspire all foundations to list their holdings on their tax returns, demonstrating their true stewardship of funds donated for the public good. And this task is achievable. In fact, it can be easy.

## Here's how:

### 2023 Form 990-PF

- Endowment holdings: Part II on the return. This section of the return requires foundations to list their holdings<sup>1</sup>, though most foundations do not, and the IRS doesn't yet enforce the requirement. List the summation of your holdings as you always do in Part II. Then include your year-end Balance Sheet on additional pages, simply marked as "Part II - Balance Sheet Asset Detail." Here is a [sample 990 PF](#) from the Jessie Ball DuPont Religious, Charitable, and Educational Fund. Their holdings begin on Page 105.
- Mission Related Investments (MRIs): Include these with your holdings and incorporate poignant descriptions of how these fulfill your mission.
- Program Related Investments (PRI's): List these in Part VIII-B along with audacious descriptions. Add pages if you have more than three PRI's or simply need more space.
- Investor Policy Statement or a more succinct version: Add this as a supplemental page.
- Mission Statement: Yes, another supplemental page. Why not? This is another opportunity to tell the story of your mission, the real driver behind your decision-making.

### 2023 Form 990

- Endowment holdings: List the summation of your holdings as you always do in Part X. Then add your year-end Balance Sheet onto additional pages that you mark simply as "Part X - Balance Sheet Asset Detail."
- Mission Related Investments (MRIs): Include these with your holdings and include inspirational descriptions of how these fulfill your mission.
- Program Related Investments (PRI's): These are included under "Program Service Revenue," (Part VIII 2a through g), though there is no room to list them. And, if they did not generate any revenue, they do not get listed here. Whether they generated income or not, add a page with a list of your PRIs along with dynamic explanations of how these holdings fulfill and advance your mission.
- Investor Policy Statement or a more succinct version: add this as a supplemental page.
- Mission Statement: Yes, another supplemental page. Your mission is the engine behind your foundation's decisions: your North Star.

The IRS is inconsistent with what pages it releases to Candid. Please double check your listing at Candid, and if all your 990 pages are not uploaded, follow [this link](#) to upload your return in full.

Thank you for exploring this directional push for greater transparency and deeper mission alignment. If you have any questions or are seeking additional support in navigating your own 990 evolution, please reach out to us. When you have expanded your 990 or 990 PF, please let us know. We would love to amplify your work!

<sup>1</sup>Part II Lines 10a, b, and c. Investments — government obligations, corporate stock and bonds. Enter the book value (which may be market value) of these investments. Attach a schedule that lists each security held at the end of the year and shows whether the security is listed at cost (including the value recorded at the time of receipt in the case of donated securities) or end-of-year market value. 2023 Instructions for Form 990-PF