

PKF O'CONNOR DAVIES ADVISORY, LLC

FORM 990-PF				
Ref #	Section of the Form	Item	Recommendation	Comment
1	General/Overall	N/A	Consider creating a Form 990-PF-EZ series similar to the Form 990-EZ series where smaller private foundations could complete a simplified form to reduce administrative burden.	Currently, regardless of total asset and gross receipts all private foundations are required to complete the Form 990-PF. This creates a significant administrative burden on smaller private foundations.
2	General/Overall	N/A	Consider adding a "Governance" section to the Form 990-PF similar to the Form 990.	Currently, the Form 990-PF does not include any questions pertaining to "best" governance practices.
3	Form 990-PF, Part I, Line 1	Contributions, gifts, grants, etc., received	Consider removing the word "received" from this line.	This line contains the word "received", which can create confusion for private foundations that use accrual basis accounting. Accrual basis accounting recognizes income when earned.
4	Form 990-PF, Part I, Line 3	Interest on savings and temporary cash investments	Consider removing this line and include amounts in line 4. Also see next recommendation below.	Private foundations do not distinguish between interest on savings and temporary cash investments and interest from securities for book purposes, nor for financial statements purposes. There is an additional administrative burden to further make the distinction for the Form 990-PF.
5	Form 990-PF, Part I, Line 4	Dividends and interest from securities	Consider removing the words "from securities", if recommendation above is implemented. Also see recommendation above.	Private foundations do not distinguish between interest on savings and temporary cash investments and interest from securities for book purposes, nor for financial statements purposes. There is an additional administrative burden to further make the distinction for the Form 990-PF.
6	Form 990-PF, Part I, Line 16c	Other professional fees	Consider adding a separate line for Investment Management Fees.	Typically, investment management fees are the largest professional fee expense at a private foundation.
7	Form 990-PF, Part I, Line 17	Interest	Consider removing this line and revising form instructions to include interest with other expenses. Consider replacing with a new category of expenses, "Technology and information systems".	Interest is normally insignificant to the majority of private foundations. Technology and information systems has become a routine expense in the private foundation sector.
8	Form 990-PF, Part I, Line 22	Printing and publications	Consider removing this line and revising form instructions to include printing and publications with other expenses. Consider replacing with a new category of expenses, "Technology and information systems". See comment above.	Printing and publications expenses are no longer significant amounts to private foundations and should be replaced by "Technology and information systems".
9	Form 990-PF, Part I, Line 25	Contributions, gifts, grants paid	Consider removing the word "paid" from this line.	This line contains the word "paid", which can create confusion for private foundations that use accrual basis accounting. Accrual basis accounting recognizes expenses when incurred.
10	Form 990-PF, Part II, Lines 1 and 2	Cash—non-interest-bearing Savings and temporary cash investments	Consider combining Lines 1 and 2 in favor of "Cash and cash equivalents".	Currently, the Form 990-PF defines savings or other interest-bearing accounts and temporary cash investments "as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other government obligations that mature in less than 1 year." This definition does not correspond with U.S. GAAP for cash and cash equivalents, which creates an additional administrative burden on Foundations to further distinguish such assets for books and financial statement purposes vs. tax purposes and which may cause assets to be classified differently. We recommend that lines 1 and 2 are combined in favor of one line called "Cash and cash equivalents" and that the instructions for assets to be included on this line to more closely adhere to U.S. GAAP. Also see comments above pertaining to Form 990-PF, Part I, Lines 3 and 4.
11	Form 990-PF, Part II, Lines 4 and 5	Pledges receivable Grants receivable	Consider combining lines 4 and 5 in favor of "Pledges and grants receivable, net".	Our recommendation is to have pledges and grants receivable more closely align with that of the Form 990. It should be noted that pledges receivable and grants receivable are not common in the private foundation sector.
12	Form 990-PF, Part II, Line 7	Other notes and loans receivable Less: allowance for doubtful accounts	Consider removing "allowance for doubtful accounts" and revise to "Other notes and loans receivable, net".	Our recommendation is to have other notes and loans receivable more closely align to the presentation on the Form 990.

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13	Form 990-PF, Part II, Line 15	Other assets	Consider adding a new balance sheet, assets line for "Program-related investments", which are currently required to be included on the Other assets line. Such a change would mirror a similar line on the Form 990, Part X, Line 13: "Investments - program-related".	Program related investments are becoming increasingly more common and often can be of significant dollar amounts. A separate line item could provide additional transparency without a reader of the tax return searching through an attached schedule.
14	Form 990-PF, Part II, Lines 10b and 10c	Investments—corporate stock Investments—corporate bonds	Consider removing requirement to attach a schedule that lists each security held at the end of the year for publicly traded securities.	There is a significant administrative burden to obtain/produce a schedule that lists each security held at the end of the year in a format that is compatible with the IRS e-filing system. Our recommendation is to remove the requirement to include such a detailed listing of publicly traded securities only. Alternative investments and other investment not publicly traded would still be required to be listed in detail.
15	Form 990-PF, Part II, Instructions for Lines 10b and 10c	Investments—corporate stock Investments—corporate bonds	If above recommendation is not implemented, consider updating the Form 990-PF, Part II instructions for Line 10b and 10c to indicate where mutual funds and exchange-traded funds that can be identified as either equity or bond funds are to be listed.	Currently there is some diversity in practice/confusion as to whether public traded mutual funds and exchange-traded funds are either listed on lines 10b or 10c (depending on whether they are classified as equity funds or bond funds) or if they should be listed on line 13: Investments—other. To eliminate the diversity in practice/confusion we recommend that the Form 990-PF instructions are updated to specify how such funds are to be treated.
16	Form 990-PF, Part II, Lines 10a, 10b, 10c and 13	Investments—U.S. and state government obligations Investments—corporate stock Investments—corporate bonds Investments—other	Consider consolidating these lines to two lines: "Investments—publicly traded securities" and "Investments—other securities" to align with the Form 990.	See reference numbers 15 and 16.
17	Form 990-PF, Part II, Line 19	Deferred revenue	Consider removing "Deferred revenue" and adjusting instructions to include deferred revenue on Form 990-PF, Part II, Line 22: Other liabilities. Further, consider replacing "Deferred revenue" with "Tax liability".	For the majority of private foundation deferred revenue is not significant or not applicable. We would recommend replacing deferred revenue with tax liability where the various tax liabilities (i.e., current federal excise tax, deferred federal excise tax, unrelated business income tax, state unrelated business income tax, etc.) both be further detailed.
18	Form 990-PF, Part IV, Instructions	Capital Gains and Losses for Tax on Investment Income	Consider updating instructions to clarify whether details are required for sales of publicly traded securities which were acquired via donation or if they should be aggregated with other sales of publicly traded securities through brokers.	Currently the instructions state that sales of all publicly traded securities through a broker may be aggregate to one line with a description of "publicly traded securities" and to leave columns (b), (c), and (d) blank. To help eliminate some diversity in practice/confusion, we recommend that the instructions be updated to specify whether publicly traded securities that are received via donation and sold through a broker may also be aggregated or whether they should be detailed.
19	Form 990-PF, Part IV, Columns (i), (j), and (k)	Capital Gains and Losses for Tax on Investment Income	Consider eliminating or consolidating Form 990-PF, Part IV, Columns (i), (j), and (k) which are used to detail sales of securities that a private foundation has continuously held since 1969.	The rule pertaining to adjusting the basis for sales of securities continuously held since 1969 to a securities' fair market value as of 12/31/1969 is very rarely used now. To simplify Part IV we are recommending that these columns be eliminated or consolidated and rather a private foundation should maintain a separate schedule in case of IRS inquiry.
20	Form 990-PF, Part V, Line 6a	20X3 estimated tax payments and 20X2 overpayment credited to 20X3	Consider breaking out estimated tax payments to a separate line.	By breaking out estimated tax payments to a separate line a reader/reviewer of the Form 990-PF would be to trace the prior year's overpayment credit to a prior year return thus assisting to eliminate potential errors in carrying forward the credit.
21	Form 990-PF, Part VI-A, Line 3	Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? If "Yes," attach a conformed copy of the changes	Consider instead of requiring a confirmed copy of the changes requiring a brief description of the changes.	Requiring a brief description of the changes would comply with the requirements afforded public charities on the Form 990.

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22	Form 990-PF, Part VI-A, Line 4b	If "Yes," has it filed a tax return on Form 990-T for this year?	Consider rewording question to "Has the foundation filed a tax return on Form 990-T for this year?"	Some foundations file Form 990-T to carryforward losses or other carryforward deductions regardless of whether there was gross income of \$1,000 or more during the year (Line 4a). How the question is currently worded a foundation may still file a Form 990-T, but answer the question as "No" as it did not have gross income of \$1,000 or more.
23	Form 990-PF, Part VI-A, Line 7	Did the foundation have at least \$5,000 in assets at any time during the year? If "Yes," complete Part II, col. (c), and Part XIV	If a Form 990-PF-EZ series was created this question could possibly be eliminated.	See reference number 1 pertaining to creating a Form 990-PF-EZ series .
24	Form 990-PF, Part VI-A, Line 13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Website address	Reword question, update formatting of question or update instructions to more clearly state that the website address listed is only required if the annual returns and exemption application can be found on that particular website. Consider adding an entirely separate question (not pertaining to the public inspection requirement) asking if the foundation has a website and requesting the website address be listed.	Most tax preparers incorrectly list a foundation's website regardless of whether it complies with the public inspection requirements (as instructed in the first line of question 13) as it is not necessarily clear from how the question is formatted that the website address requested pertains to the question above it.
25	Form 990-PF, Part VII, Line 2	Compensation of five highest-paid employees.	Consider increasing threshold for an employee to be listed from \$50,000 to a minimum of \$100,000.	Increasing the threshold to \$100,000 more would bring the Form 990-PF in line with the requirements for Form 990.
26	Form 990-PF, Part VII, Line 3	Five highest-paid independent contractors for professional services.	Consider increasing threshold for an independent contractor to be listed from \$50,000 to a minimum of \$100,000.	Increasing the threshold to \$100,000 more would bring the Form 990-PF in line with the requirements for Form 990.
27	Form 990-PF, Part VIII-A	Summary of Direct Charitable Activities	Consider changing from listing the four largest direct charitable activities to the three largest and adding lines for "All other direct charitable activities" and a total.	We believe that adding a line for "All other direct charitable activities" and total will help to paint a better picture of a foundation's activities.
28	Form 990-PF, Part IX, Line 1, Instructions	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes	Consider clarifying instructions on determining fair market value for "alternative investments".	Additional instruction on how to calculate fair market value of "alternative investments" would help to remove some diversity in practice/confusion in this particular area.
29	Form 990-PF, Part XIII	Private Operating Foundations	Consider updating form to include a line that indicates whether a Private Operating Foundation passed/failed a particular year, in the aggregate, or both.	Currently the questions in this section do not lend to determining if a private operating foundation passed or failed its tests.
30	Form 990-PF, Part XIV, Line 3a	Grants and Contributions Paid During the Year or Approved for Future Payment - Paid during the year	Due to privacy concerns, consider removing the requirement for listing grants to individuals in detail in favor of including a summary of the number of grants to individuals, the total amount of such grants, and whether there is any relationship to any foundation manager or disqualified persons in a single question or line. In addition consider revising to a single question: Does any individual grantee have a relationship with foundation manager? Consider removing relationship column for all other grants.	The Form 990-PF is a public document and therefore by including names of individuals, their addresses, and amounts may present privacy and security concerns.
31	Form 990-PF, Part XIV, Line 3b, Instruction	Grants and Contributions Paid During the Year or Approved for Future Payment - Approved for future payment	Consider revising instructions to include all unpaid grants authorized as of Balance Sheet Date.	Currently, the instructions state to only list grants approved during the current year for future payment. Using this approach the total amount approved would not tie to grants payable per the balance for foundations with multi-year grant commitments.
32	Form 990-PF, Part XV-A, Lines 3 and 4	Interest on savings and temporary cash investments Dividends and interest from securities	Consider combining lines 3 and 4, and change line 4 to "dividends and interest" removing "from securities".	See reference numbers 4 and 5.