

Ethical Issues When Addressing Self-Dealing and Other Foundation Issues Considerations



CliftonLarsonAllen

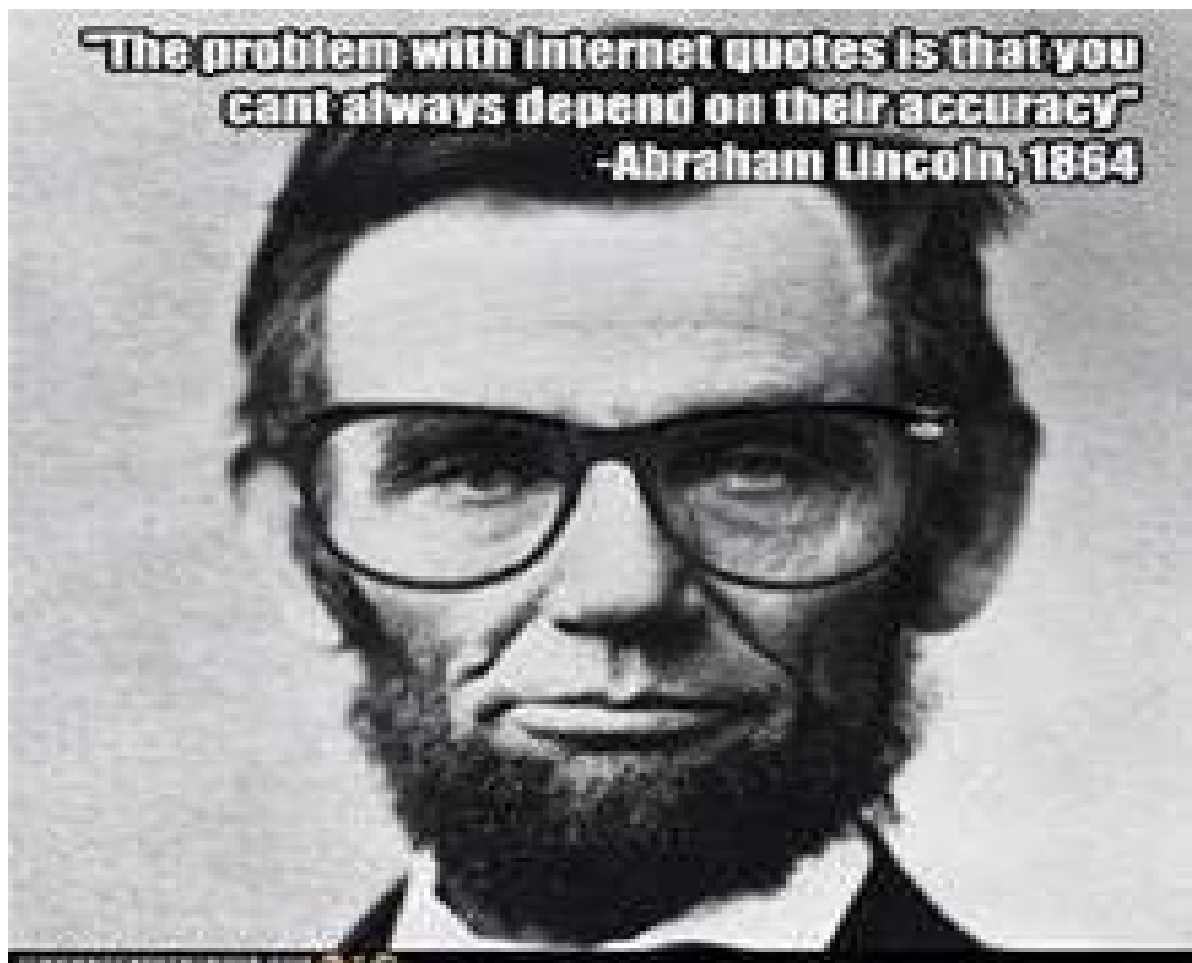
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Learning Objectives

- Understand the intersect between business ethics and regulations
- Discussion of best practices concerning common issues within foundations

Ethical Considerations....



Business Ethics

The study and examination of moral and social responsibility in relation to business practices & decision-making in business.

dictionary.com

Professional Standards

- Circular 230
 - Governs the practice before the IRS
 - Violations may apply to practitioners
- AICPA Code of Professional Conducts
 - Governs performance of professional services by its members
- AICPA Statements on Standards for Tax Services

Intersect of IRS Regulations and Ethical Considerations

- IRS strict prohibition on transactions with insiders
 - Limited exceptions
- Ethical considerations address whether the transaction is in the best interest of the organization

Foundation Sponsorship of Event

- XYZ Foundation sponsors an event of a charitable organization. The Foundation's Chair of the Board of Trustee is attending on behalf of the Foundation.
- Chair of the Board and spouse is attending the event.
- Ticket price is \$100
- Ticket price is \$25,000

Foundation Purchase of Building

- XYZ Foundation is looking to purchase a building with a FMV of \$2.5M. The Seller supports the mission of the Foundation and willing to sell the building for \$1.5M – truly for the advantage of the Foundation.
- Same scenario except the seller is willing to sell the building for \$1.
- Seller is an unrelated to the Foundation.
- Seller is a disqualified person to the Foundation.

Foundation Investments

- XYZ Foundation's Chair of the Board brought to the attention of the organization an investment opportunity which is appealing to the organization. The investment is currently being vetted by the investment committee.
- No other members of governance or management are invested in the opportunity.
- Chair of the Board is also an investor.
- Chair and family members are investors

Compensation

- XYZ Foundation is looking to replace the President/CEO who served the organization for over 20 years. In the search of the current position, the President/CEO asked the Board to strongly consider the next generation for this paid position by replacing him with his daughter.
- Considerations when establishing compensation level

Additional Ethical Issues

- Reimbursement of expenses
- Attendance at Board meetings – spouses and other family members

Questions



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