Net Investment Expense Allocation Process

The Foundation incurs expenses that need to be reviewed in order to determine if any part of the expense is related to investment activity. Part I Lines 13-26 column b of the Form 990-PF shows the portion of an expense related to investment activity.

Each time an expense account is created; Foundation staff determines an allocation method that should be used to determine what amount, if any, should be allocated for investment purposes. The method could be applying a percentage, reviewing specific charges, or both. See Appendix A for an example of the allocation methods. During the annual preparation of the Form 990-PF, Foundation staff reviews the allocation methods proposed for each expense account and makes any adjustments due to change in job descriptions, number of FTEs, number of directors, number of Finance Committee members, etc.

A spreadsheet is used to calculate the investment related expenses (see Appendix B) based on the appropriate allocation methods. These amounts are then entered on the Statement of Operations spreadsheet – cash basis.