The New IRS 990
Friend or Foe?
What You Need to Know to Prepare Your Organization and the Board for the Road Ahead

Nonprofit Risk Management Center
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2:00 – 3:00 pm EST

Generous funding for this program was provided by the Public Entity Risk Institute (www.riskinstitute.org)

What’s the BIG DEAL?
• First major revision of the form since 1979
• COST of preparing your 990s will increase
• Form aims to increase TRANSPARENCY about programs and financial transactions
• OPPORTUNITY to say more to the public about your nonprofit’s operations and programs and how they can be measured as a PUBLIC BENEFIT

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Why Focus On the New Form NOW?
• THIS YEAR’s operations will be described on the form
• Get your staff ready
• Meet with whoever completes your return now to be prepared
• Educate your board

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**What Are The Risks?**
- Penalties for inaccurate/false filing
- Penalties for late filing
- Personal liability for preparer
- Perjury
- Loss of donor/public confidence in the truthfulness or transparency of your nonprofit

**The Form 990 EZ Can Be Used:**
- For 2008 if assets are less than 2.5 million and gross receipts are $25K-$1 million.
- For 2009 if assets are less than 1.5 million and gross receipts are $25K-$50 million.
- In later years for organizations with assets less than $500K and gross receipts $50K-$200K.

**The New ePostcard**
- As of tax year 2010 (filed in 2011 or later) organizations with under $50K in gross receipts will use the postcard
- Current year: ePostcard filing for orgs with >$25K gross receipts
Transparency

Many of the changes make it easier for the public to understand:
• what the organization does,
• who does it, and
• where the money goes.

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What's Different?

• Core form: 11 pages
• Summary information up-front
• Lots of schedules
• But you only complete the schedules that apply to your organization

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What’s different?
Part I (page one) is a Summary:
• Gives the reader a quick picture of what type of an organization you are
• How big? How complex?
• What sort of activities are you involved in?
• Whether there are members, and how sophisticated is your fundraising?
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Page One

- Line added for “doing business as…”
- Type of organization (corporation, trust etc.) also what 501(c) are you? C3?
- “Mission” changed to: “mission significant activities;” provides more space to describe what you do
- Schedule O also provides 2 more pages

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
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<tbody>
<tr>
<td>3</td>
<td>Enter the number of voting members of the governing board (Part VI, line 16)</td>
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<tr>
<td>4</td>
<td>Enter the number of independent (affiliated) of the governing body (Part VI, line 16)</td>
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<tr>
<td>5</td>
<td>Enter the total number of employees (Part IV, line 10)</td>
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<tr>
<td>6</td>
<td>Enter the total number of volunteers (Part IV, line 10)</td>
</tr>
<tr>
<td>7a</td>
<td>Enter the total number of unrelated business activities over can be found in Part II, column (2)</td>
</tr>
<tr>
<td>7b</td>
<td>Enter the total amount from unrelated business revenue and taxable income (Part IV, line 26)</td>
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</table>

Schedule O

- Type of organization (corporation, trust etc.) also what 501(c) are you? C3?
- “Mission” changed to: “mission significant activities;” provides more space to describe what you do
- Schedule O also provides 2 more pages

Asks how many voting members on the board; how many are independent
- Total number of employees and estimated number of volunteers
- Report total of unrelated business revenue and taxable income

Page One continued

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Page One Continued

• Income summarized – sources of revenue are described
• Expenses summarized – categories are more straightforward
• Total assets and total liabilities
• Signature Block moved to first page

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Core Form

• Privacy concerns: You may use address of nonprofit for trustees’ address
• Preparer’s Social Security # is not required – can use an assigned number for preparers.

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Statement of Program Service Accomplishments (See the instructions)

Briefly describe the organization's mission:

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

[ ] Yes [ ] No

If "Yes," describe these new services on Schedule O.

Did the organization cease conducting or make significant changes in how it conducts any program service?

[ ] Yes [ ] No

If "Yes," describe these changes on Schedule O.

Describe the exempt purpose achievements for each of the organization’s three largest program services by referring to Section 501(c)(3) and (b) organizations and 4947(a)(1) trusts are required to report the amount of grants and allocations, the total expenses, and revenue, if any, for each program service reported.

<table>
<thead>
<tr>
<th>Code</th>
<th>Expenses $</th>
<th>Including grants of $</th>
<th>Revenue $</th>
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</table>
Part III – Describe Yourself!
- Includes reporting of new, discontinued or altered activities
- Very important if you are launching a new program to report to IRS
- Electronic filers will have an additional 2 pages to describe mission related and program activities
- No electronic (pdf) attachments or links to web sites

Part IV – List of Schedules
This section of the form links the Core Form to various Schedules

Schedule A
- Must be completed by all public charities
- Supports the basis for claiming public charity status – same accounting method as charity uses to report finances.
- Support test is different for 509(a)(1) and 509(a)(2) organizations: this is reflected on the Schedule A form
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Other Schedules of note:
- Schedule B – contributors/donors
- Schedule C – political campaign and lobbying activities
- Schedule F - Activities outside the US, reported by region

Other Schedules of note:
- Schedule J – compensation
- Schedule L – transactions with interested persons
- Schedule M – non-cash contributions
- Schedule R – related and unrelated partnerships
- Schedule O – supplemental information

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Core Form Part V
Asks whether the nonprofit has complied with other tax filings/laws:
- Employee and vendor income
- Unrelated business income
- Gift Acknowledgements
- Accounts in foreign countries

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Core Form Part V
Asks about other types of income for related persons:
▲ Distributions to donors?
▲ Insurance premiums?
▲ Club dues?
Also asks about Donor Advised funds

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VI Governance Section
• Some reported items are not required by law – adding an explanation may be useful
• Nevertheless “best practices”
• Board should be educated about the practices and deliberate whether adoption is appropriate

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VI Governance Section
• Are board members “independent”?
• Could be paid, or related (family)
• Who controls the nonprofit?
• Changes made to organizational documents? (Bylaws, Articles of Incorporation)

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VI Governance Section
• Are minutes kept of all actions?
• NEED TO DOCUMENT approval of compensation of CEO
• Have there been changes to organizational documents? (Bylaws, Articles of Incorporation)

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VI Governance Section
★ Are there policies governing actions of affiliates/chapters?
★ Did board review the 990 before it was filed?
★ Are there governing board members who are not reachable at nonprofit’s address?

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VI Governance Section

- Conflict policy?
- Is there a process for governing board to disclose conflicts?
- Whistleblower policy?
- Document retention/destruction
- Review of executive compensation – process??

Describe in Schedule O

Goal = Transparency

- Form requires reporting compensation and transactions with related parties, including other organizations, as well as employees and board members (Part VII)
- Threshold for reporting compensation of current and former highest paid employees raised to $100K+ BUT
- List ALL former board members who receive more than $10K

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Part VII - Compensation

- Independent Contractor compensation is disclosed
- Know who is an Independent Contractor
- Total number of individuals who earn over $100K reported
- Check box page 7 if NO COMPENSATION to board

Core Parts VIII and IX

- Revenue details reported Part VIII
- Part IX is a Statement of Functional Expenses (reporting is now more closely aligned with the practical categories used by nonprofits to track their own expenses)
- Use the same system your nonprofit uses for its own books – Work with your accountant to coordinate

Core Form - Parts X and XI

Balance Statement and Accounting Method
Report whether outside audit is conducted
Schedule M Non-Cash Contributions
Asks whether organization has “non-standard Gift Acceptance Policy” to govern unusual gifts

How Can The Nonprofit Be Prepared?
• Review the form with financial staff
• Determine what practices should be documented THIS YEAR
• Adopt governance policies
• Be ready for cost impact

What Does the Board Need to Know?
• Review the form prior to filing
• Several governance policies are best practices
• Board’s own compensation is clearly disclosed - publicly
Reduce risks by being PREPARED

Resources:
www.ncna.org (policy samples)
Your auditor
IRS website
www.irs.gov

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Need Help With Policy Development?

Find the Answer Here!

CONTACT US

jennifer@nonprofitrisk.org

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Join us: Next Month’s Webinar

Managing Technology Risks: Employee and Volunteer Blogs, e-Commerce, and Internet Piracy

• March 5th, 2008
• 2:00 – 3:00 pm EST

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Questions? Email Jennifer

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