


**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
Jennifer@nonprofitrisk.org
February 6, 2008
2:00 – 3:00 pm EST


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(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


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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.


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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

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IRS Form 990

CORE FORM

<http://www.irs.gov/pub/irs-tege/f990core.pdf>

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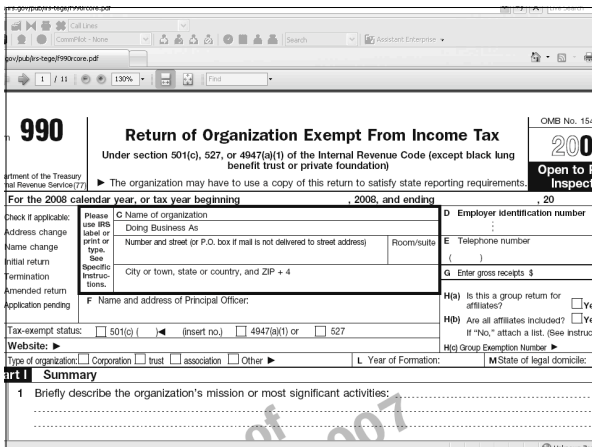


What's different?

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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990 Return of Organization Exempt From Income Tax

OMB No. 1545-0047 **2008** Open to Public Inspection

Department of the Treasury Internal Revenue Service (77)

For the 2008 calendar year, or tax year beginning 2008, and ending 20

Check if applicable: Initial return Termination Amended return Application pending

C Name of organization: Doing Business As:

D Employer identification number:

E Telephone number:

G Enter gross receipts \$:

H(a) Is this a group return for affiliates? Yes No

H(b) Are all affiliates included? Yes No. If "No," attach a list. See instructions.

H(c) Group Exemption Number:

M State of legal domicile:


Part I Summary

1 Briefly describe the organization's mission or most significant activities:

.....

.....

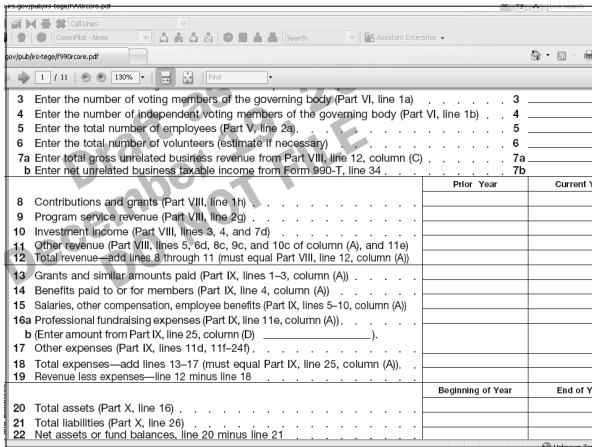
.....




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

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3	Enter the number of voting members of the governing body (Part VI, line 1a)	3
4	Enter the number of independent voting members of the governing body (Part VI, line 1b)	4
5	Enter the total number of employees (Part V, line 2g)	5
6	Enter the total number of volunteers (estimate if necessary)	6
7a	Enter total gross unrelated business revenue from Part VIII, line 12, column (C)	7a
7b	Enter net unrelated business taxable income from Form 990-T, line 34	7b
		Prior Year
		Current Year
8	Contributions and grants (Part VIII, line 1h)	
9	Program service revenue (Part VIII, line 2g)	
10	Investment income (Part VIII, lines 3, 4, and 7d)	
11	Other revenue (Part VIII, lines 5, 6d, 8c, 9c, and 10c of column (A), and 11e)	
12	Total revenue—add lines 8 through 11 (must equal Part VIII, line 12, column (A))	
13	Grants and similar amounts paid (Part IX, lines 1-3, column (A))	
14	Benefits paid to or for members (Part IX, line 4, column (A))	
15	Salaries, other compensation, employee benefits (Part IX, lines 5-10, column (A))	
16a	Professional fundraising expenses (Part IX, line 11e, column (A))	
	b Enter amount from Part IX, line 25, column (D)	
17	Other expenses (Part IX, lines 11d, 11f-24f)	
18	Total expenses—add lines 13-17 (must equal Part IX, line 25, column (A))	
19	Revenue less expenses—line 12 minus line 18	
		Beginning of Year
		End of Year
20	Total assets (Part X, line 16)	
21	Total liabilities (Part X, line 26)	
22	Net assets or fund balances, line 20 minus line 21	



Page One continued

- 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


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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

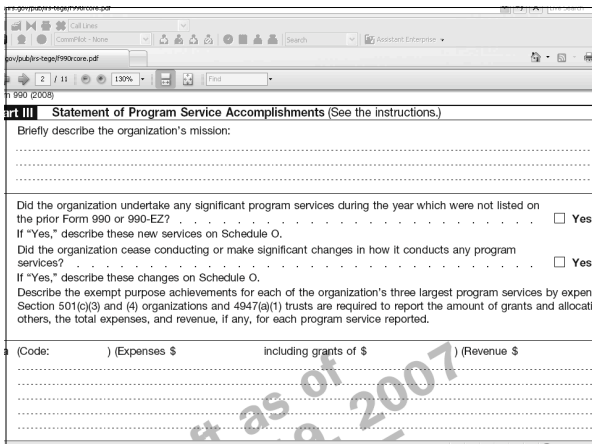
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Core Form

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

Did the organization cease conducting or make significant changes in how it conducts any program services? Yes
If "Yes," describe these changes on Schedule O.

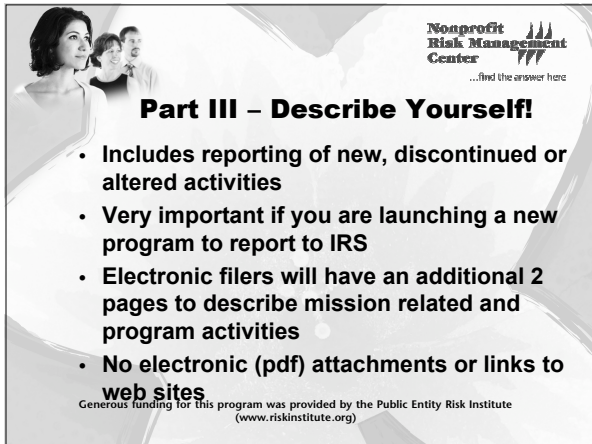
Describe the exempt purpose achievements for each of the organization's three largest program services by expense. Section 501(c)(3) and (4) organizations and 4947(a)(1) trusts are required to report the amount of grants and allocations, the total expenses, and revenue, if any, for each program service reported.

(Code:) (Expenses \$ including grants of \$ (Revenue \$

.....

.....

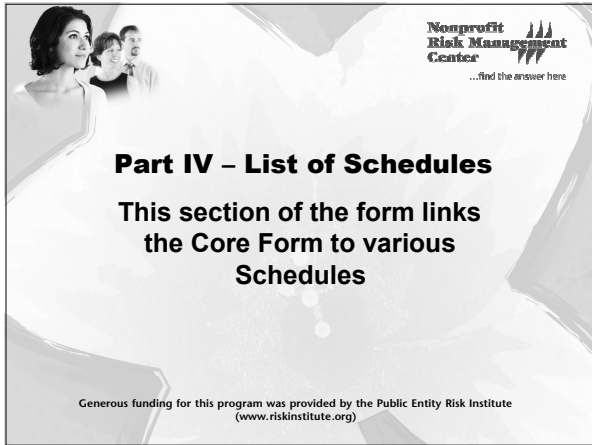
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Part III – Describe Yourself!

- 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

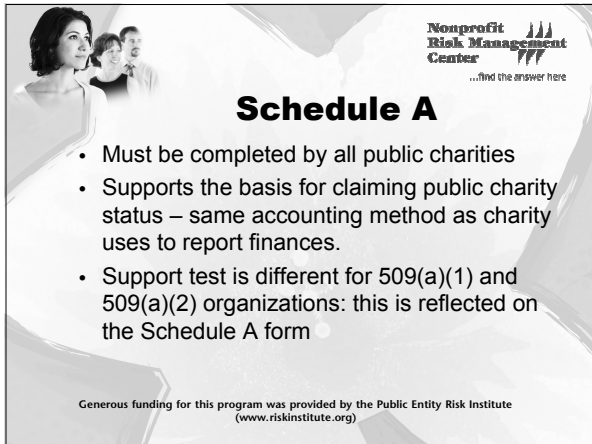
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Part IV – List of Schedules

This section of the form links the Core Form to various Schedules


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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


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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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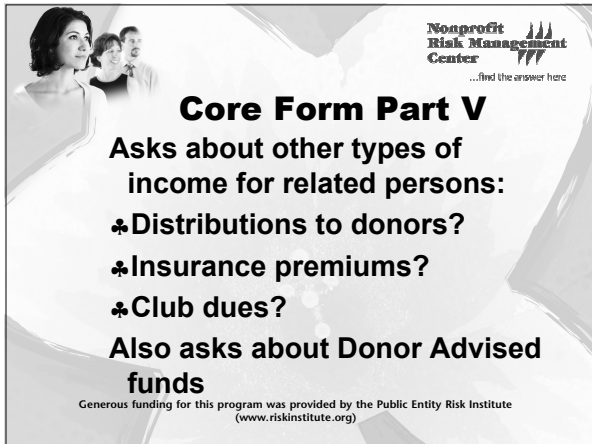


Core Form Part V

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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...find the answer here

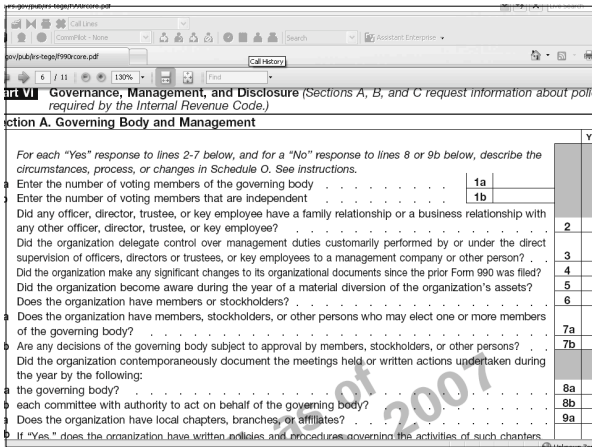
Core Form Part V

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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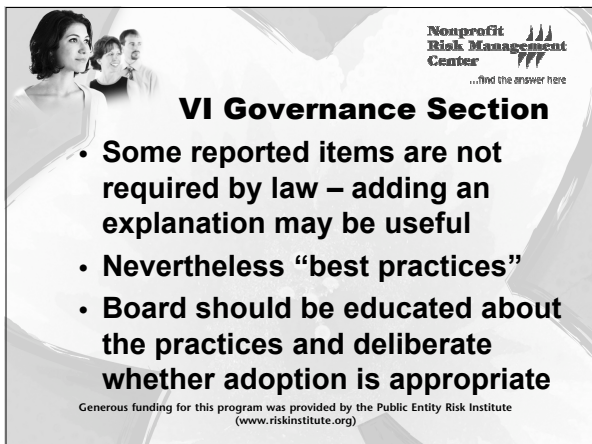


Part VI Governance, Management, and Disclosure (Sections A, B, and C request information about policies required by the Internal Revenue Code.)

Section A. Governing Body and Management

For each "Yes" response to lines 2-7 below, and for a "No" response to lines 8 or 9b below, describe the circumstances, process, or changes in Schedule O. See instructions.

Enter the number of voting members of the governing body	1a	
Enter the number of voting members that are independent	1b	
Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	
Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	
Did the organization make any significant changes to its organizational documents since the prior Form 990 was filed?	4	
Did the organization become aware during the year of a material diversion of the organization's assets?	5	
Does the organization have members or stockholders?	6	
Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a	
Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b	
Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
the governing body?	8a	
each committee with authority to act on behalf of the governing body?	8b	
Does the organization have local chapters, branches, or affiliates?	9a	
If "yes," does the organization have written policies and procedures governing the activities of such chapters?		




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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

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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 of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Section A Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

Complete this table for all persons required to be listed. Use Schedule J-2 if additional space is needed.

List all of the organization's **current** officers, directors, trustees (whether individuals or organizations) and key employees regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.

List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.


List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$10,000 of reportable compensation from the organization and any related organizations.

List all of the organization's **former** directors or trustees that received, in the capacity as a former director or trustee, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

Check this box if the organization did not compensate any officer, director, trustee or key employee.


(A) Name and Title	(B) Average total compensation for week	(C) Position (check all that apply)	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of compensation from other organizations
		<input type="checkbox"/> Individual trustee or director <input type="checkbox"/> Institutional trustee <input type="checkbox"/> Officer <input type="checkbox"/> Key employee <input type="checkbox"/> Highest compensated employee <input type="checkbox"/> Former			



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


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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**

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Core Form - Parts X and XI

Balance Statement and Accounting Method

Report whether outside audit is conducted


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Schedule M Non-Cash Contributions

Asks whether organization has “non-standard Gift Acceptance Policy” to govern unusual gifts


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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


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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

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**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

jennifer@nonprofitrisk.org

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