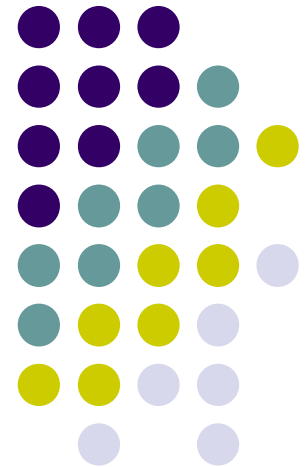
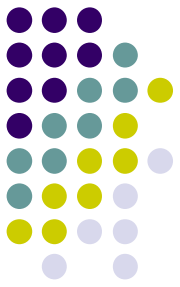


What Every Board Member Should Know About the New IRS Form 990...

By Jackie Reynolds
Executive Director
Rural Solutions



...And Why You Should Listen to This Presentation!!



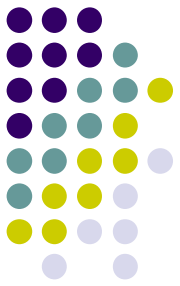
- All IRS 990 returns are listed on the internet for public access
- It's the law
- Each board member's name and address is listed in the 990 return (page 5)
- The 990 can help tell your story as a nonprofit that is vital to the health of your community



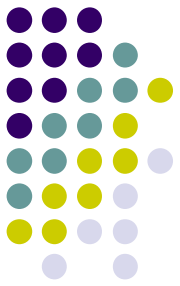
Principles and Practices for Nonprofit Excellence in Colorado

- IRS Information Returns – A nonprofit’s Chief Executive Officer and Chief Financial Officer (or equivalent) should review and approve the IRS Form 990 or 990 FP to ensure it is accurate, complete, and filed on time with the IRS. The board of directors should be familiar with IRS Form 990 and should be provided with a copy of the completed IRS Form 990 in a timely manner as well. (page 13)

The IRS Form 990 Basics



- Since nonprofits are tax-exempt, the new 990 is called an “information return.”
- IRS Form 990 has been substantially revised for 2008 to include such information as:
 1. Executive compensation
 2. Overhead costs
 3. And, new this year, “good governance”



- The 990 is due 4 ½ months after the close of each fiscal year
- Even small nonprofits (those whose annual gross receipts are below \$25,000) must at least file 990-N, “Electronic Notice (e-Postcard) for Tax Exempt Organizations Not Required to File Form 990 or 990-EZ

Part III: Expanded Program Service Accomplishments



- This section requires you to describe your three largest programs, how much you spent on each of them last year
- Must disclose if you discontinued any core programs since your last filing

Part IV: revised form “Governance, Management and Disclosure”



- Asks about the organization’s board structure, policies, and practices
- Do you have a conflict of interest policy?
- Do you post your 990 on a website?
- Annual compensation review for the executive director and other key employees
- Do you use comparable salary data?
- Other factors—lots of other questions about your organization!

Expanded Scrutiny of Employee, Director and Contractor Compensation

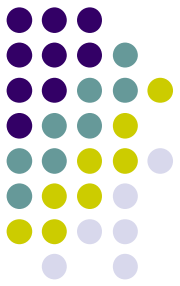


- Full compensation must be disclosed for all key employees
- AND current board members
- Did you pay a former board member or key employee more than \$100,000 per year?
- Must disclose its 5 highest paid employees and independent contractors making more than \$100,000

Part IX: Statement of Functional Expenses



- The place in the 990 where readers will find out how much of every dollar your organization spent last year on your non-program activities: Fundraising and management.
- It is important to not overstate these overhead costs due to poor accounting allocation methods.



Why Filing a 990 is Important

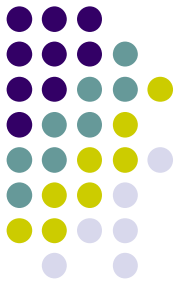
- **Forms 990 are the most commonly used data source about not-for-profit organizations.**
- **With the new IRS regulations, anyone can request a copy of an organization's Form 990.**
- **The Internet is making the Form 990 more widely available than ever before.**
- **The need for better quality information about the not-for-profit sector is greater today than ever before.** The nonprofit sector has grown tremendously in the past 20 years and accounts for nearly 12% of the American economy and employs nearly 10% of the American workforce. At the same time, the needs of the American population have also grown. Despite the strong economy, some nonprofits are struggling. Information on the sector—its activities, successes, and problem areas—is necessary to increase the understanding of nonprofit needs.

Why Filing a 990 is Important



- **Compliance**—Quite simply, filing accurate and complete Forms 990 with the IRS and state charity officials is the law.
- **Public Accountability**—Public trust and confidence are the foundations of the nonprofit sector. To keep that trust, nonprofits must show that they are accountable and responsible.
- **Primary Source of Data**—All sorts of people will be using the Form 990 for research, especially now that the new regulations make it much more accessible. In a recent study, 2 out of 3 grant makers asked for the Form 990, and one out of three said that the data influenced their final decision.
- **Policy Making**—As the sector grows, so does its prominence, which means that legislators and other government officials will pay more attention. Accurate data will help policy makers develop the most effective ways of helping the sector, and allow nonprofits to better defend themselves against ill-advised legislative initiatives.
- **Public Relations**—Nonprofits need to change the way they view the Form and see it as an opportunity to present themselves and their programs in the most accurate and positive way.

To Find Us, Just go to Guidestar!



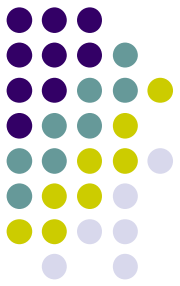
Scanned images of Forms 990 are now available on the Internet. The general public, state charity officials, researchers, media representatives, and others can access these tax returns through the [Guidestar](#) and [NCCS](#) web sites. Since July 1998, the Internal Revenue Service has scanned all Form 990's and forwarded the scanned images to Guidestar and NCCS, where they are formatted for access on the internet. This access allows users to compare and contrast the financial activities of groups of charities at a very detailed level. Using this powerful tool will increase understanding of charitable organizations-their structures, missions, investment income, administrative costs, and interactions with the government and the business sectors. This allows individual donors, policy makers, and nonprofit organizations to make more informed decisions.

And We Must Share our 990 Information!!



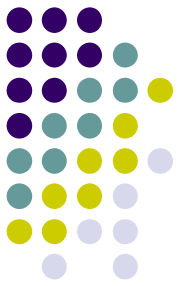
IRS Form 990 Disclosure Regulations

- As of June 8, 1999, all 501(c) organizations—except private foundations—are required to send copies of their three most recent Form 990's (as well as their Form 1023, the form to apply for tax-exempt status) to anyone who requests them.
- If the request is made in person, nonprofits must provide copies of the forms immediately. If the request is made in writing, by fax, or e-mail, not-for-profits have thirty days to mail out copies. You may charge a "reasonable fee" for copying and mailing the forms.
- Nonprofits can avoid the photocopying requirements by posting their forms on the Internet. The material may either be posted on a nonprofit's own website or at another site that functions as a database of information about nonprofit organizations. However, several requirements must be met with the posting before nonprofits can be exempt from the photocopying requirements.
- Nonprofit employees are subject to fines of twenty dollars for every day they fall behind in providing the form(s), up to a maximum of \$10,000 per return. In addition, a \$5,000 penalty for "willful failure" can also be applied.



Recommendations

- Chairman should review and sign the 990
- Copies should be given to each board member
- Don't just let your auditor or bookkeeper complete Part III. Here is the opportunity to tell the story of your organization's impact to the world: Make full use of it.
- Make sure the finance staff or contractor have appropriately classified both direct and shared costs across the core functions of the organization.
- Develop and keep up a good website to include your IRS Form 990



Information Citations

- Bell, Jeanne. *Six Things Every Board Member Should Know About the New 990*. December 1, 2008. [Http://blueavocado.org/node/269](http://blueavocado.org/node/269).
- GuideStar. http://www.guidestar.org/help/faq_990.jsp#whatis990.
- *Principles and Practices for Nonprofit Excellence in Colorado*. 2007. Colorado Nonprofit Association.
- Quality 990: Improve IRS Form 990 Reporting. <http://www.qual990.org/>.