

# THE FORM 990

## An overview



# Tax Exempt Organizations

- **An organization must file for tax exempt status with the state**
- **Upon state approval, the organization is eligible for certain benefits**
- **After registering at the state level, the organization must submit an application to the IRS to request tax exempt status**
  - ✓ It is the IRS who grants exemption from paying taxes
  - ✓ The IRS determines the organization's exemption status under the Internal Revenue Code [IRC]
    - IRC section 501(c) (1) through 501(c)(27) differentiate the many types of Not for Profit categories
    - 501(c)(3) is the most common and it is considered a *public charity*

# Tax Exempt Organizations

- If an organization receives most of its support from a small number of individuals or entities, then it is deemed to be a *Private Foundation* and NOT a considered a public charity
- Private Foundations are required to file Form 990-PF



# What is the Form 990?

- It is an *annual information return* filed with the IRS
- It is filed by certain tax exempt organizations
- It provides information regarding the organization's
  - ✓ Mission
  - ✓ Programs
  - ✓ Governance
  - ✓ Finances



# What is the Form 990?

➤ **It is publicly available to:**

- ✓ State Regulators & Governmental Agencies
- ✓ Donors
- ✓ The Media
- ✓ The General Public



➤ **The Filing Organization must make the Form 990 available upon request, and can charge a small administrative fee for copying and/or mailing the document. They can also place the document on their website and/or offer it for review at the organization's main office during regular business hours**

➤ **The document is also available on Guidestar [[www.guidestar.org](http://www.guidestar.org)]**

# Basic Principles & Objectives

- The intention is to increase *transparency* between the tax exempt organization and:
  - ✓ The IRS
  - ✓ The Public
  - ✓ Stakeholders
- Enhanced transparency is helpful in presenting a realistic picture of the organization so that stakeholders and potential donors have a basis for comparison to similar organizations

# Basic Principles & Objectives

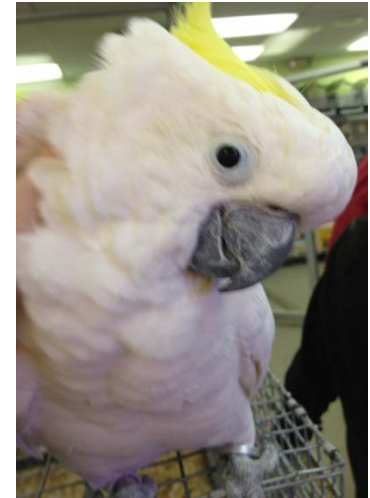
➤ Promotes *tax compliance* and *accountability* and *regulatory oversight* by:

- ✓ Maintaining the Tax Exempt Status
- ✓ Fulfilling the Exempt Purpose
- ✓ Careful Stewardship of Assets
- ✓ Compliance



# Private Foundations

- **Private Foundations classified under the following sections of the IRC file Form 990-PF:**
  - ✓ Exempt private foundations [Section 6033 (a), (b), and (c)]
  - ✓ Taxable private foundations [Section 6033 (d)]
  - ✓ Organizations that agree to private foundation status & whose applications for exempt status are pending on the due date for filing Form 990PF
  - ✓ Organizations making the election under section 41(e)(6)
  - ✓ Foundations that are making a section 506 termination
  - ✓ Section 4947(a)(1) nonexempt charitable trusts treated as private foundations





# Private Foundations

## ➤ The Form 990-PF:

### ✓ Parts I – XVII

- Parts that need completion depend upon what type of organization [in previous slide] is filing the document
- Must be filed electronically if an organization files at least 250 returns of *any type* during the calendar year ending with or within the organization's tax year and has total assets of \$10 million or more at the end of the tax year

# Type of Form to be Filed

## ➤ E-Postcard: Form 990-N

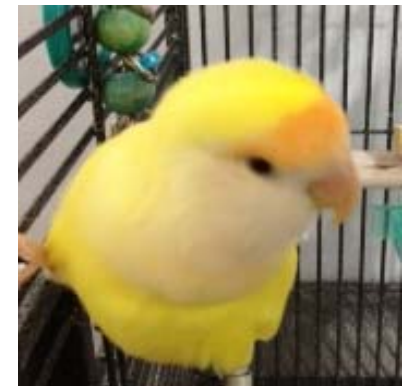
- ✓ Gross receipts are *normally equal to or less than* \$50,000 [Gross receipts are defined as the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses]
- ✓ Is filed online at: <http://epostcard.form.org>



# Type of Form to be Filed

## ➤ Form 990-EZ

- ✓ Gross receipts *less than \$200,000 and total assets less than \$500,000* at the end of the year [Total assets is the amount reported by the organization on its balance sheet as of the end of the year without reduction for liabilities]
- ✓ Used by tax exempt organizations, nonexempt charitable trusts, and section 527 political organizations
- ✓ Is available to the public
- ✓ *Can* be filed electronically



# Type of Form to be Filed

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## ➤ Form 990

- ✓ Either gross receipts are *greater than or equal to \$200,000* or *total assets greater than or equal to \$500,000* at the end of the tax year
- ✓ Is available to the public
- ✓ Must be filed electronically if an organization files at least 250 returns of *any type* during the calendar year ending with or within the organization's tax year and has total assets of \$10 million or more at the end of the tax year

# Due Date

## ➤ Form 990-PF, 990-N, 990-EZ & Form 990:

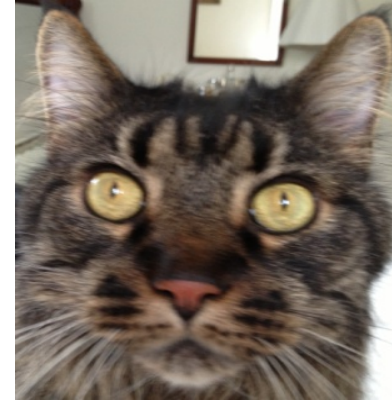
- ✓ *Is due by the 15<sup>th</sup> day of the 5<sup>th</sup> month after the organization's accounting period ends*
  - If the regular due date falls on a Saturday, Sunday or legal holiday, it is due on the next business day
  
- ✓ File **Form 8868** to request an *automatic 3 month extension* of time to file
  
- ✓ You can also use **Form 8868** to apply for an *additional 3 month extension* if the original extension was not enough time. You must show reasonable cause for the additional time requested

# Due Date

- **You cannot file the e-Postcard [990-N] until after your tax year ends**
- **If an organization has an application pending with the IRS [Form 1023 or 1024], they should still file the Form 990, 990-EZ, or 990-PF.**
  - ✓ There is a box to check that states that the application is pending



# Non Compliance



- If you do not file the *e-Postcard [990-N]* by the due date, the IRS will send a reminder notice, and you will not be assessed a penalty for late filing
- Unless the organization can show reasonable cause, penalties for late filing the *information return [Form 990-EZ & 990]* is \$20 per day not to exceed the smaller of \$10,000 or 5% of the gross receipts of the organization

# Non Compliance

- If an organization has annual gross receipts greater than \$1million, the penalty for late filing the *information return [Form 990-EZ & 990]* is \$100 per day with a maximum penalty of \$50,000
- *The penalties can be levied against the responsible person as well as the organization.*
- *If an organization fails to file the required e-Postcard or information returns [Forms 990 or 990-EZ], for three consecutive years, the organization will automatically lose its tax exempt status [the revocation will take place on the filing due date of the third year].*



# Overview of the Form 990-EZ

## ➤ Core Form: Parts 1 – VI:

- ✓ Part I: Revenue, Expenses & Changes in Net Assets
- ✓ Part II: Balance Sheets
- ✓ Part III: Statement of Program Service Accomplishments
- ✓ Part IV: Compensation: Directors, Trustees and Key Employees
- ✓ Part V: Other Information
- ✓ Part VI: Section 501(c)(3) Organizations [questions]
- ✓ Signature Block



# Overview of the Form 990-EZ

## ➤ Eight Supplemental Schedules:

- ✓ Schedule A: Public Charity Status & Public Support
- ✓ Schedule B: Schedule of Contributors
- ✓ Schedule C: Political Campaign & Lobbying Activities
- ✓ Schedule E: Schools
- ✓ Schedule G: Fundraising or Gaming Activities
- ✓ Schedule L: Transactions with Interested Persons
- ✓ Schedule N: Liquidation, Termination or Dissolution or Significant Disposition of Assets
- ✓ Schedule O: Supplemental information to Form 990-EZ

# Overview of the Form 990

## Core Form – 12 Parts

### ➤ Core Form: Parts I-IV:

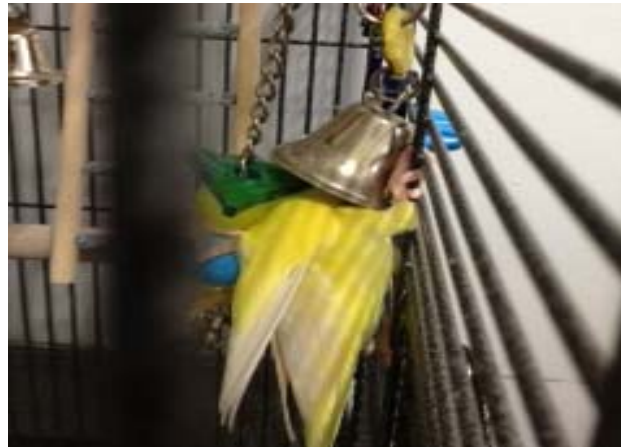
- ✓ Parts I: Summary
- ✓ Part II: Signature Block
- ✓ Part III: Statement of Program Service Accomplishment
- ✓ Part IV: Checklist of Required Schedules
  - 38 Questions
  - *The answers to these questions determine which schedules the organization is required to file*

# Overview of the Form 990

## Core Form – 12 Parts

### ➤ Core Form: Part V:

- ✓ **Part V: Statements regarding other IRS filings and tax compliance**
  - 14 Questions – Yes or No
  - Speak to *Mandatory* filings
  - Are you following the rules and regulations set forth by the IRS?
  - *Answering 'No' could possibly give rise to issues of non-compliance and could jeopardize the organization's exempt status*



# Overview of the Form 990

## Core Form – 12 Parts

### ➤ Core Form: Part VI:

- ✓ **Part VI: Governance and Management practices and policies, relationships and Disclosure**
  - 3 Sections, 20 Questions – Yes or No
  - Sections A & B are *recommended “best practices”*
  - ‘Yes’ response is best, the more the better
  - Having well documented policies in place such as, a *code of ethics, conflict of interest, and whistleblower policies*, as well as written *compensation practices*, and financial statement audits create greater transparency.
  - Section C is the Disclosure which is *Mandatory* in nature

# Overview of the Form 990

## Core Form 12 Parts

### ➤ Core Form: Parts VII-XII:

#### ✓ Financial in nature

- Part VII: Compensation: Directors, Trustees, Key Employees, HCEs and Independent Contractors
- Part VIII: Statement of Revenue
- Part IX: Statement of Functional Expenses
- Part X: Balance Sheet
- Part XI: Reconciliation of Net Assets
- Part XII: Financial Statements and Reporting

# Overview of the Form 990

## 16 Supplemental Schedules

### ➤ Sixteen Supplemental Schedules: Schedule A – H:

- ✓ Schedule A: Public Charity Status & Public Support
- ✓ Schedule B: Schedule of Contributors
- ✓ Schedule C: Political Campaign & Lobbying Activities
- ✓ Schedule D: Supplemental Financial Statements
- ✓ Schedule E: Schools
- ✓ Schedule F: Statement of Activities outside of the US
- ✓ Schedule G: Fundraising or Gaming Activities
- ✓ Schedule H: Hospitals



# Overview of the Form 990 16 Supplemental Schedules

## ➤ Sixteen Supplemental Schedules – Schedules I – R:

- ✓ Schedule I: Supplemental information on Grants and other assistance to Organizations, Governments and Individuals in the United States
- ✓ Schedule J: Compensation
- ✓ Schedule K: Supplemental information on Tax Exempt Bonds
- ✓ Schedule L: Transactions with Interested Persons
- ✓ Schedule M: Non Cash Contributions
- ✓ Schedule N: Liquidation, Termination or Dissolution or Significant Disposition of Assets
- ✓ Schedule O: Supplemental information to Form 990
  - ***Use this schedule to promote your organization!***
- ✓ Schedule R: Related Organizations and Unrelated Partnerships



# Final Thoughts

- ***The IRS is the governing body that regulates the tax exempt status of an organization***
- ***The form that an organization files is dependant upon the size and type of the tax exempt organization***
- ***The intention of the Form 990 is to increase transparency and promote accountability and tax compliance***
- ***Remember to promote your organization in Schedule O! Market your program initiatives and describe the management and governance policies that your organization has in place to show off its transparency!***



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FP&A Mascot

# Questions on the 990?

Donna-Mari Fieldsa, CPA

Director of Financial, Managerial and Compliance Reporting

ASPCA

[donna-mari.fieldsa-fowler@aspca.org](mailto:donna-mari.fieldsa-fowler@aspca.org)