



HOW TO INTERPRET THE 990 AND WHAT IT MEANS FOR YOU

Form 990 – What it means to be a Board Member

Things you should know as a board member

- Your mission
- What the organization is doing to accomplish your mission
- How the organization is governed
- Who is the audience for your 990

Your mission

- ✓ **990 is your opportunity to tell your story**
 - Donors will use this when you apply for grants
 - Describe your programs/charitable purpose in detail
 - Don't leave the reader guessing about your organization

Form 990 –

What it means to be a Board Member

What the organization is doing to accomplish your mission

- Be as specific as possible when describing programs
- Be sure to include any changes to programs or new programs
- Accurately show how funds are being spent

How the organization is governed

- Is the organization acting as such or acting like a group of people raising spending money?
- Are meetings being documented with minutes?
- Does organization have a conflict of interest policy and is it regularly enforced?
- Does organization have a whistleblower policy?
- How is officer compensation determined?

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Who is the audience for your 990?

- IRS
- Donors
- Potential donors
- Other organizations

Program Service Accomplishments

- Detailed descriptions of three largest programs
- Statistics such as number of persons helped, products produced, goals accomplished
- Think of this as your report card
- Make sure to include any new programs added
- This is your opportunity to SHINE – remember that anyone can pull your return from GuideStar

Adopt and Enforce Appropriate Policies and Procedures

- Conflict of Interest
- Whistleblower
- Document Retention/Destruction
- Disclosure of Governing Docs, Financial Statements, etc.
- Reimbursement of Board Member expenses
- Travel Policy
- Gift Acceptance
- Investment Policy
- Code of Ethics
- Employee Handbook

Reviewing Transactions with Disqualified Persons

- Board should review and understand the tax laws dealing with “excess benefit transactions.”
- Board should seek to identify those categories of individuals and entities under these provisions to avoid penalties associated with these provisions.
- Board, or a committee created by the Board, should adopt procedures for reviewing and approving transactions between the organization and the Disqualified Person. Normally spelled out in your conflicts policy.
- Document the discussion and review process to support the reasonableness of the transaction.
- Commonly arises in executive compensation context.

Unrelated Business Taxable Income

- There are two types of unrelated business taxable income:
 - Income arising from the conduct of unrelated trade or business that is regularly carried on
 - Paid advertising in publications
 - Pull tabs
 - On-going business that competes with for profit business and is not part of the organizations tax exempt purpose
 - Debt-financed income, which is usually in the form of rent, interest or royalties arising from financed property

Public Support Test

- If public support is too low, then may not qualify as a public charity – becomes a private foundation
- Disqualified person and impact on percentage
 - Few large donors
- Impact of investment income
- 509(a)1 and 170(b)(1)(A)(vi) organizations test
 - 1/3 of total revenue from “public sources”
 - Government grants, membership fees and/or contributions made directly or indirectly by the general public (can be other publicly supported organizations) OR
 - Receives at least 1/10 of its total revenue from the above sources, and also shows that it expects to attract more public support through programs geared towards continuous solicitation of funds.

Public Support Test

- 509(a)(2) organizations test
 - Receives at least 1/3 of its revenue from certain “public sources”
 - Government grants, membership fees and/or contributions made directly or indirectly by the general public (can be other publicly supported organizations), AND
 - Gross receipts from admissions, sales or merchandise, and performance of services in any activity which furthers the organization’s charitable purpose; AND
 - Receives not more than 1/3 of its support each year from the sum of its
 - Gross investment income; and
 - The excess of any unrelated business income over the amount of tax imposed on such income.

Related Organization Reporting

- Parent/subsidiary relationship
 - The parent has the power to remove and replace, or a continuing power to appoint or elect, a majority of the directors or trustees of the other organization (subsidiary)
 - Management or board overlap where officers, directors, trustees, employees or agents of the parent constitute a majority of the directors or trustees of the subsidiary
- Brother/sister relationship
 - If the same persons constitute a majority of the members of the governing body of both organizations or
 - If the same entity or person controls both organizations
- Supporting/supported organization relationship
 - 509(a)(3) and 509(f)(3) organizations