

IRS Form 990 In-depth Look

Everything you did and did not want to know about the IRS Form 990

The Main Forms of the 990

THE CORE FORM

- 990 (12 pages)
 - 990 EZ (4 pages)
 - 990 N (Postcard)
 - Revenue > \$200,000 or Assets > \$500,000
 - Revenue <\$200,000 AND Assets <\$500,000
 - Revenues generally under \$50,000
- 990 T (Unrelated Business Income)
- 990 PF (Private Foundation)

Due Dates of Returns

- Form 990 is due 5 months and 15 days after fiscal year end.
- | Fiscal Year End | Due Date | Extension |
|--------------------|-----------------------|-----------|
| March 31, 2017 | Due August 15, 2017 | (2/15) |
| June 30, 2017 | Due November 15, 2017 | (5/15) |
| September 30, 2017 | Due February 15, 2018 | (8/15) |
| December 31, 2017 | Due May 15, 2018 | (11/15) |
- Automatic extension of six (6) month grant by IRS if you complete extension request.
 - Generally a good idea to match year ends with Housing Authority

Failure to File and Penalties

- Failure to file \$20 per day up to \$10,000 or 5% of Gross Receipts.
- Over \$1,020,000 in Gross Receipts \$100 per day up to \$51,000.
 - Also carries imprisonment penalties if determined intentional.
- 3 years of non-filing results in automatic revocation of non-profit status.
 - Now corporate returns are due and taxes can be assessed to any net income.
 - Re-instatement of non-profit status requires new form 1023 start all over again.

Basic Form 990 and Popular Schedules

- Core 990 Form has 12 pages and Sections I-XII
- Schedules A-M are possible but here are the popular schedules:
 - A – Charity Status Public Support (everyone)
 - B – Schedule of Contributors (Donors generally over \$5,000)
 - C – Political Campaign or Lobby Activities
 - D – Supplemental Financial Statements (Buildings/Investments)
 - G – Fundraising or Gaming Activities
 - J – Compensation Information (Generally over \$100,000)
 - O – Supplemental Information (everyone)
 - R – Related Organizations (most HA and NPO are related)

IRS Estimated Times to Prepare Forms

- | | |
|---------------|------------------|
| ■ Form 990 | 33 hours 43 mins |
| ■ Form 990 EZ | 14 hours 28 mins |
| ■ Schedule A | 7 hours 48 mins |
| ■ Schedule B | 1 hour 45 mins |
| ■ Schedule C | 1 hour 41 mins |
| ■ Schedule D | 1 hour 4 mins |
- This is from the IRS instructions and does not include the hours to record keep or learn about the related laws those are were almost 3 times the amount reported above.

Sections I & II

- These section are rather basic information anyone can complete
 - Names and address, fiscal year ends (Part I)
 - Summary of Financial Statements (Part II)
 - Summary of Part VIII and IX

Section III Statement of Service Accomplishments (990/990EZ)

- What is the Organization's primary purpose
- Give a brief description of mission statement
- List major Service Accomplishments
 - How many families did you service, how many bed nights did you provide
 - Billboard for Organization (brag, don't lie)
- How much grant funds did you receive for this service and how much did you spend on this services

Section IV Checklist of Required Schedules

- This is a series of over 30 questions to determine which schedules will be required to be included with the Form 990.
 - #2 Required list of contributors (generally donors over \$5,000 for the year will trigger a yes) See more details on schedule B
 - #3 Did you have any political or lobbying activities in the year. Schedule C
 - #11 Did you have fixed assets or investments > \$10,000. Schedule D
 - #12 Audit reports, were you required to have an audit?
 - #18/19 Any Fundraising or Gaming Activities > \$15,000. Schedule G
 - #29 Non Cash donations over \$25,000. Schedule M.

Section V Statements Regarding IRS Filings and Tax Compliance

- # 2 What were the W-3 wages for entity as of 12/31 (not fiscal year end)
 - Also wages on a W-2 with the NPOs EIN not the HA.
- # 3 Did you have Unrelated Business Income of \$1,000 or more (UBIT)
 - Triggers a 990 T return
- # 7 Did you ticket or dinner event with \$75 or greater value
 - Quid Pro Quo – This for that.
 - Dinner/Golf Tourney \$120 (value of food or golf is \$60) this information must be provided to the donor in writing. They are suppose to only deduct \$60 on their tax return.

Section VI Governance, Management, and Disclosure

- #1 (a) End of the year, how many voting board members?
- #1 (b) How many of (a) are independent?
- #11 Did you provide the board member a copy return prior to filing the return?
- #12 Did the Organization have a WRITTEN conflict of interest policy?
 - Did the Organization monitor and enforce the policy?
- #13 Did the Organization have a WRITTEN whistleblower policy?
- #14 Did the Organization have a WRITTEN retention and destruction policy?
- #15 Did the Organization review the compensation of key employee?

Section VII Compensation

- All compensation in the form and schedules is on a 12/31 calendar period no matter what the entities fiscal year end.
 - So June 30, 2016 would use December 31, 2015 information
- IRS wants compensation data on the following individuals (along with hours)
 - Current officers, directors or trustees (no minimum)
 - Current Key employees (>\$150,000)
 - Current 5 Highest paid employees (>\$100,000)
- Compensation includes – salary, bonus, severance, auto allowances, sick pay, vacation pay, pension contributions.
- This will also be revisited in the Schedule J (related entities compensation)

Section VIII Statement of Revenues (Related vs Unrelated)

- All revenue has to be categorized as related to exempt purpose or unrelated.
 - Example Day Care would have related income of fees from parents and unrelated rent income for leasing out part of the building they own.
- Key types of Income
 - Contributions (cash and non cash) FMV for non cash items
 - Fundraising (Dinners, Concerts, Carnivals, Auctions and Golf Tourney)
 - Gaming (Bingo, Raffles, Jar Tickets)

Fundraising

- Example of complexity of this straight forward revenue
 - Auction event donor give a \$1,000 (FMV) TV to NPO to Auction off.
 - TV raises \$1,500
 - The income would be reported as \$1,500 with a fundraising expense of \$1,000 and \$500 would be reclassified to a donation, resulting in a net income from fundraising of zero.

Section IX Statement of Functional Expense

- Expense have to be allocated between:
 - Program Services
 - Management & General
 - Fundraising
- If you have Contributions you generally should have some fundraising expenses.

Section X Balance Sheet

- Comparative presentation
- $Assets = Liabilities + Net Assets$

Section XI Reconciliation of Net Assets

- Generally no reconciliation items but most common
 - Unrealized gains (losses) on investment

Section XII Financial Statements and Reporting

- Were financial statements compiled, reviewed or audited?
- Single Audit required and completed?

Schedule A: Public Charity Status and

- Most common status for Housing Authority related NPOs
 - 7. Organization that normally receives a substantial part of its support from government unit or the general public. (Part II test)
 - 10. Organization receives 33 1/3 support from contributions, membership fees and gross receipts from activities related to its exempt function. (Part III test)
- Section II & III look back 4 years plus current year to determine if you qualify.
 - Areas of concern, investment income
- If you fail the test 3 years in a row you move to a Private Foundation (990PF)

Schedule B: Schedule of Contributors

- Generally anyone gives you over \$5,000 in a year goes on this list.
 - This is cash and non cash contributions.

Report Name, address, Total Contributions for the year, and type – person, payroll, or non-cash.

Schedule C: Political Campaign and Lobbying Activities

- Stop get a CPA firm involved.

Schedule D: Supplemental Financial Statements

- Part I: Donor Advised Funds (Again Stop Get A CPA)
- Part VI: Land Building and Equipment this info should come straight from audit report or general ledger
 - Land - cost, accumulated depreciation, net book value.
- Part VII: Investments if you have investments (not CD) the report the book value and end of year value here.
- Part IX and X are for other Assets and other Liabilities if you have asset or liabilities don't fit on Section X of 990 then the have to be disclosed here.
- Part XI and XII reconciliation of audited Revenue and Expense to 990 amounts.

Schedule G: Fundraising or Gaming Activities

- Part I: Any funds raised via mail, internet, phone or in-person
 - Professional fundraisers paid at least \$5,000 will have to be disclosed here
 - Event, activity, who has custody of contributions, gross receipts, amount paid to fundraiser and amount retained by NPO.
 - Registered to solicit contributions
- Part II: Fundraising Events (Top 3 events)
 - Gross receipts, contribution amount in receipts, prize (cash/noncash), rent, food, entertainment and other direct expenses net income for fundraising.
- Part III: Gaming
 - Gross revenue less prizes (cash/noncash), rent and other direct costs.

Schedule J: Compensation Information

- Part I: if you provide BOD or Offices the following must be disclosed to IRS
 - First-class or charter, travel companions or health or social club dues.
 - #3 How did you establish the compensation for the CEO/ED?
 - Compensation committee, consultant, approval by board...
- Part II: Break down compensation to (j) base (ii) bonus (c) retirement or other deferred (d) nontaxable benefits



Schedule R: Related Organizations and Unrelated Partnership

- Part II Tax –Exempt Organization
 - Name, address, and EIN (Generally HA)
 - Primary activity
 - Legal domicile
- Part V: Transaction with Related Organization
 - Gifts, grants from entity
 - Loans
 - Sale or purchase of assets
 - Reimbursement amounts
 - Cash transfers