



New England Society of Association Executives
The road to professional development

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**NE/SAE
NEW ENGLAND SOCIETY OF ASSOCIATION
EXECUTIVES
THE NEW IRS FORM 990**

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THE 990 WHAT IS IT?

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- Annual tax return for non-profit organizations
- Frequently submitted to State public charity offices
- Public document for donors
- Public Document for reporters, GuideStar

THE 990 WHAT IS IT? cont'd

- **Historical focus on**
 - Assets and liabilities
 - Revenues and expenses
 - Compensation
- **New focus on**
 - Compensation
 - Governance
 - Lobbying
 - UBIT

WHY CHANGE IT?

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- **No changes in almost thirty years**
- **Growth of tax exempt sector**
- **Politics – Congressional pressure, especially Senator Grassley**
- **Better enforcement tool**
- **Better disclosure tool/transparency**
- **IRS: Reduce administrative burden of completion – sort of**

BASIC ORGANIZATIONAL STRUCTURE

- Core form – 11 pages, 11 parts
- Schedules – 16; A-R
- Some specific to 501(c)(3)'s but most for all
- Resources – irs.gov - Charities and nonprofits
- Instructions
- Time
- 501(c)(3) spin
- Today's approach
- Experience

CORE FORM

- **Part I – Summary – snapshot of organization**
 - Do this last
 - Organization's mission and significant activities
 - Number of voting members on the Board and number who are independent
 - Number of employees
 - Number of volunteers
 - Gross and net unrelated income
 - Contributions and grants
 - Investment income
 - Salaries and other compensation
 - Professional fundraising fees
 - Assets and liabilities

CORE FORM cont'd

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- **Part II – Signature**
 - If self-prepared, get PTIN (otherwise SSN)
- **Part III – Statement of Program Service Accomplishments**
 - Mission
 - Mini-program audit
 - Any new, changed or discontinued “program service activity”
 - Achievements for each of the organizations three largest program service activities (by expenses)
 - Program service accomplishments through specific measurements: clients served, days of care provided, number of sessions or events held or publications issued.

CORE FORM cont'd

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- Expense and grant information only for c(3) and c(4)'s
- Revenues include UBIT (e.g. journal advertising)

CORE FORM cont'd

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- **Part IV – What schedules do I need to attach?**
 - 37 yes/no questions
 - Do this after Core Form done
 - 501(c)(6) organization's must file Schedule C if there is a 6033(e) notice (regarding legislative and political expenditures and notices to members of the portion of dues allocated to such expenditures)

CORE FORM cont'd

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- **Part V – Other IRS Filings**
 - Number of employees
 - Any UBIT >\$1,000?
 - Any foreign accounts
 - Any tax shelters?
 - Any solicitation of non tax deductible contributions. If so, did solicitations state that contributions were not deductible?

CORE FORM cont'd

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- **Part VI – Governance, Management, Policies and Disclosure Information**
 - Very controversial section – questionable authority
 - Requests “information about policies not required by the Internal Revenue Code”
 - “All organizations must complete Part VI” (Instructions)
 - IRS belief that well-governed managed organizations that have appropriate policies and procedures have better tax compliance
 - Penalties for failure to complete unclear
 - No position on use for audit determination

CORE FORM cont'd

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- **Governance and Management**
 - Number of voting members on the governing body
 - Number of voting members that are *independent*
 - Who is an *independent* director?
 - Not compensated as an officer or other employee of a reporting organization or a related organization
 - Not compensated in excess of \$10,000 as an independent contractor. Reimbursement for expenses don't count.
 - Neither the director nor any family member of the director was involved in a Schedule L transaction (transactions with "interested persons")

CORE FORM cont'd

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- Does any ODTKe have a “business relationship” with any other ODTKe
- “Key employee”
 - Compensated in excess of \$150,000/year
 - Has responsibility for
 - organization as a whole or
 - for division that represents at least 10% of the activities, assets, income or expenses of the organization, and
 - One of the 20 highest paid employees

CORE FORM cont'd

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- “Business Relationship”
 - One is employed by the other
 - One is employed by an organization with which the other is an ODTKe or a > 35% owner
 - Non-ordinary course of business greater than \$10,000/year
 - Both are ODTs or are greater than 10% owners in same business
[Note: “Business” not charity]
 - Not: attorney/client, MD/patient or clergy/communicant
 - Reasonable effort only – Annual questionnaire OK

CORE FORM cont'd

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- Any significant change to organizational documents?
 - Charter or Bylaws
 - Mission
 - Authority of voting members or change in their role in governance
 - Quorum
 - Corporate policies
- Any material diversion of assets?
 - “Material” - lesser of \$250,000 or 5% of gross receipts or assets [\$5MM]
- Does the organization have members?
- Does the organization have members that elect directors?
- Are any of the directors’ decisions subject to approval by the members (e.g. dues)?

CORE FORM cont'd

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- Are minutes kept for the Board? For each committee?
- Are there any local chapters, branches or affiliates?
- If so, are there written policies and procedures governing their activities?
- Did the Board see a copy of the 990 before it was filed?
- All organizations must describe the process used to review the 990
- Is there any officer, director or trustee or key employee who cannot be reached at the organization's mailing address?

CORE FORM cont'd

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- **Policies**

- Is there a Conflict of Interest policy?
- Is annual disclosure required? Describe monitoring and enforcement and compliance with Conflict of Interest policy
- Is there a Whistle-blower policy?
- Is there a document retention and destruction policy?
- Describe CEO compensation determination process.
- Are there any joint ventures?
- Describe how Conflict of Interest policy and governing documents are made available to the public

CORE FORM cont'd

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- **Disclosures**
 - 990 and 1024 application must be publically available
 - Are Conflict of Interest Policy and Financial Statements publically available?
 - Federal Law does not require this
 - List state offices where 990 is filed
 - Contact information for custodian of books and records
 - Books and records?

CORE FORM cont'd

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- **Part VII – Compensation of ODTKe and Highest Compensated Employees and Independent Contractors**
 - For each ODT, list the compensation paid (\$0 if none) (compensation is from W2 Box 5 and 1099 Box 7)
 - Key employees are reported only if paid > \$150,000
 - Five highest paid employees (other than key employee) to the extent paid >\$100,000
 - Former officers, key employees and highest compensated employees who are paid >\$100,000
 - Former directors and trustees who are paid >\$10,000
 - Institutional Trustees (i.e., banks) are somehow regarded as being eligible to serve on the organization's governing body

CORE FORM cont'd

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- Officers include President, VP, Secretary, Clerk, Treasurer, top management official (CEO, ED) and top financial official (CFO)
 - *Officer* – person elected or appointed to “manage daily operations”
 - Includes “officer” as required by state law
 - Lay officers do not typically manage daily operations
 - Includes “officers of the board” and “officers of corporation”
 - Top management official
 - Top financial official

CORE FORM cont'd

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- For each person, need to estimate average hours per week devoted to the organization during the year (“as needed”, “as required” or “40+” are not acceptable)
- **Parts VIII - XI**
 - Statement of revenues, expenses and balance sheet all need to be provided

SCHEDULES

- **Schedules A and B**
 - For charities only
 - Addresses the public support test to avoid private foundation status and information concerning contributors to the charity
- **Schedule C - Political Campaign and Lobbying Activities**
 - Political expenditures and activity description
 - Dues and lobbying and political expenditures

SCHEDULES

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- **Schedule D - Additional Financial Information**
 - Donor advised funds
 - Conservation easements
 - Art or Historical assets
 - Endowments, investments
 - Reconciliation to audited financials
- **Schedule E - Schools**
- **Schedule F - Activities Outside the U.S.**

SCHEDULES

- **Schedule G - Gaming and Fundraising Activities**
 - Requires disclosure of amounts paid to fundraiser
 - Includes listing of all states where the organization is registered to solicit funds
- **Schedule H - Hospitals**
- **Schedule I - Grants and Other Assistance to U.S. Organizations**

SCHEDULES

- **Schedule J - Compensation information for ODTKe and other employees ONLY IF 'YES' TO PART IV, LINE 23**
- **Refers to Part VII Ques. 3, 4, 5**
 - Disclosure required for:
 - first class or charter travel
 - travel for companions
 - tax indemnification and gross up payments
 - discretionary spending accounts
 - housing allowances
 - health or social clubs dues or initiation fees
 - personal services
 - substantiation required for expense reimbursement

SCHEDULES

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- In setting CEO compensation, disclose use of the following:
 - Compensation Committee
 - Consultants
 - Form 990's of other organizations
 - Written employment contract
 - Compensation survey or study
 - Approval by the Board or Compensation Committee
- Inquiry made regarding severance payments

SCHEDULES

- Any severance payments made?
 - All compensation to former ODTKe and top 5 compensated employees must be scheduled
 - All compensation of current ODTKe and top 5 employees must be scheduled if more than \$150,000
 - Includes base compensation, bonus, deferred compensation
 - Deferred compensation must be reported even if not vested
 - Upon vesting, all previously unvested amounts are reported, non-taxable benefits
- **Schedule K - Tax Exempt Bonds**

SCHEDULES

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- **Schedule L - Transactions with Interested persons**
 - Loans and business transactions with interested persons must be reported
 - Definition of “Interested Person” differs for loans versus business transactions
 - Current and former ODTKe- loans and business transactions
 - Five highest paid employees- loans only
 - For business transactions, includes family members of ODTKe
 - For business transactions, includes entity > 35% owned by ODTKe or their family members
 - For business transactions, entities in which an ODTke was an ODTke or a 5% Owner

SCHEDULES

- Reporting threshold for loans is zero dollars
- Reporting threshold for business transaction is the greater of \$10,000 or 1% of total revenue except if a total of *all* the transactions is over a \$100,000 or if compensation to family member is over \$10,000
- Grants also must be reported

SCHEDULES

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- **Schedule M - Non-cash Contributions (e.g. artwork, cars, boats, etc.)**
- **Schedule N - Disposition of Assets**
- **Schedule O - Supplement Information**
- **Schedule R - Information on Related Organizations**

Thank You

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