

## Six Things Every Board Member Should Know About the NEW 990

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*Just the thought of an IRS form can bring out the clouds on a sunny day. But now that this annually required nonprofit form is on the web for everyone to see (at [GuideStar.org](http://GuideStar.org)), it goes beyond compliance to being an important way to tell your organization's story.*

Federal Form 990 from the Internal Revenue Service (IRS) is like a tax return for nonprofits, but since we are tax-exempt, it's called an "information return."

You may have heard by now that the IRS Form 990 has been substantially revised for the fiscal years beginning in 2008 and in the future. The issues disclosed on the form that especially interest the media, potential donors, and the general public still include executive compensation and overhead costs, but with this revised form, the IRS has entered the territory of "good governance" as well.

In fact, in a speech this week, IRS Commissioner Steve T. Miller said, "We have pushed to require [new] reporting on how organizations are managed. The crown jewel of this effort is the governance section of the revised Form 990, effective for [tax years beginning in] 2008." This broader IRS scrutiny means that board members and executives of community nonprofits should feel even more urgency to review and understand what's being submitted each year.

Here, very briefly, are six things that you should know about the revised nonprofit tax return. You can find all the details about these and other changes -- and download forms -- at [www.irs.gov/charities](http://www.irs.gov/charities).

**1. Your organization's 990 is due 4 and one-half months after the close of your fiscal year:** if your fiscal year ends June 30 your 990 is due on November 15; if your fiscal year ends December 31 it is due May 15, and so on. It is very common to obtain an extension of time to file by submitting Form 8868, so that you can use your final audit numbers in completing the Form 990. Our recommendation: the Board Chair should review and sign the 990, and copies should be given to each board member. P.S. The penalties are substantial so be sure either to get it in on time or to request an extension by the filing date.

**2. It used to be that most small tax-exempt organizations -- those with annual gross receipts below \$25,000 -- didn't have to file the 990 annually, but now every year they must file the new Form 990-N, "Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or 990-EZ."** This "proof of life" form will allow for a much more accurate count of nonprofits and what we do.

3. Part III of the new 990 is an **expanded Program Service Accomplishments** section that requires you to describe your three largest programs, how much you spent on each of them in the prior year, and even whether you discontinued any core programs since your last filing. Our recommendation: don't just let your auditor or bookkeeper complete this section as a routine task. This is a key opportunity to tell the story of your organization's impact to the world: make full use of it.

4. A new section is Part VI of the **revised form Governance, Management, and Disclosure** that asks about the organization's board structure, policies, and practices. Examples: whether your organization has a conflict of interest policy, whether it posts its 990 on its website, and whether there was an annual compensation review for the executive director and other key employees that included a review by independent persons, the use of comparable salary data, other factors.

5. The expanded scrutiny of **employee, director, and contractor compensation** requires that full compensation be disclosed for all key employees and current board members. It also asks whether the organization paid a *former* board member or key employee more than \$100,000 in the prior year. And, the organization must disclose its five highest paid employees and independent contractors making more than \$100,000.

6. Part IX, the **Statement of Functional Expenses**, is still the place 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 not to overstate these overhead costs due to poor accounting allocation methods. We recommend: Board members should ensure that finance staff or contractors have appropriately classified both direct and shared costs across the core functions of the organization.

The IRS is allowing for a rolling adoption of the new form depending on current organizational revenue and asset size. Again, be sure to check the directions and download blank forms at [www.irs.gov/charities](http://www.irs.gov/charities).

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