

WISS Not-for-Profit Update

A LOOK AT THE NEW FORM 990 FOR NON-PROFIT ORGANIZATIONS



The Internal Revenue Service released the *2008 Draft Form 990* on December 20, 2007. The 990 is the *Return of Organization Exempt From Income Tax*, which must be filed by public charities and other tax-exempt organizations. The last major revision of this form was in 1979. The new Form 990 must be used for the 2008 tax year, that is, for returns filed in 2009. Each organization should start thinking about the requirements for the new Form 990 now — it will be here before you know it.

The Form 990 is an information return not an income tax return; it is a public document and must be made available to anyone who requests it. One of the main reasons for the IRS redesign of this form was to increase the transparency of non-profit organizations.

The preparation of the Form 990 is a formidable and challenging enterprise for the tax return preparer. Completing the Form 990 accurately and completely for even the simplest of tax-exempt organizations requires an extraordinary amount of technical tax knowledge, some of which may be based on recent case law.

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The IRS's directions for the Form 990 indicate that record keeping, learning about the law or the form, preparing the form, and copying and assembling the form, on the average takes more than 130 hours. The IRS estimates the same tasks for the Form 990, Schedule A will require an additional 64 hours.

The preparation of the Form 990 and related forms requires a comprehensive understanding of the law of tax-exempt organizations. Moreover, such knowledge must be linked to the complex requirements of the forms themselves.

The new 2008 Form 990 is an 11 page, core form that must be completed by each filer. There are 16 schedules that require reporting of information only from those organizations that perform particular activities.

This new core form allows an organization to describe its exempt accomplishments and mission at the beginning of the form and provides more opportunities throughout the form for the organization to explain its activities.

The IRS plans to phase in the new form over a three year period in order to have an orderly transition. This will be done by increasing filing thresholds for Form 990-EZ to allow smaller organizations the option to file either the new Form 990 or the Form 990-EZ for 2008 and 2009 tax years.

For those years, an organization may opt to file a Form 990-EZ if it satisfies both the gross receipts and assets tests in the table below:

May file 990-EZ for:	If gross receipts are:	If assets are:
2008 tax year (filed in 2009)	> \$25,000 and < \$1 million	< \$2.5 million
2009 tax year (filed in 2010)	> \$25,000 and < \$500,000	< \$1.25 million
2010 and later tax years	> \$50,000 and < \$200,000	< \$500,000

The IRS intends to increase the Form 990-N (e-postcard) filing threshold from \$25,000 in gross receipts to \$50,000 in gross receipts, beginning with the 2010 tax year.

There will be a phase-in of the new Schedules H and K. Transition relief will be provided for the 2008 tax year for organizations required to complete the new schedules for hospitals (Schedule H) and tax-exempt bonds (Schedule K). Only the portions of these schedules that provide certain identifying information regarding hospital facilities and bond issues must be completed for 2008. The other portions of these schedules will be optional for 2008. Both schedules become fully implemented in the 2008 tax year.

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OVERVIEW AND CHANGES ON THE CORE FORM 990

The 2008 990 core form has some important differences from the prior form. The following paragraphs list the information that your organization will need to provide.

Part I - The summary contains several changes and will require the following information:

1. The name and address of the principal officer.
2. The year of formation and the State of legal domicile.
3. A description of the mission or the most significant activities.
4. The number of Board members, employees and volunteers.
5. A comparative summary of revenues and expenses.
6. A comparative summary of assets, liabilities and net assets.

Part II - The Statement of Program Service Accomplishments requires the organization to:

1. Briefly describe the organization's mission.
2. Describe new program services or significant changes to existing activities.
3. Describe the exempt purpose achievements for each of the organization's three largest program services.
4. Report the total revenue and expenses for each program service reported.

Part III - The Checklist of Required Schedules

There are 37 questions in the Checklist. If you answer "yes" to any question, the checklist will tell you which of the 16 supplemental schedules (see sidebar) are required.

Sections A, B and C request information about policies NOT required by the Internal Revenue Code.

Section A - Governing Body and Management

You will need to provide the following information:

1. The number of voting members of the governing body.
2. The number of voting members that are independent.
3. Describe any family or business relationships, where applicable.
4. Describe delegation of control to a management company where applicable.
5. Describe any significant changes to the organization's documents where applicable.
6. Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the governing body and each committee with authority to act on behalf of the governing body? If not describe the process.
7. Was a copy of the Form 990 provided to the organization's governing body before it was filed? All organizations must describe the process, if any, the organization uses to review the Form 990.

Supplemental Schedules for Form 990

Some of these forms may not apply to your organization.

Schedule A - Public Charity Status and Public Support.

Schedule B - Schedule of Contributors.

Schedule C - Political Campaign and Lobbying Activities.

Schedule D - Supplemental Financial Statements.

Schedule E - Schools.

Schedule F - Statement of Activities Outside the United States.

Schedule G - Supplemental Information Regarding Fundraising or Gaming Activities.

Schedule H - Hospitals.

Schedule I - Grants and Other Assistance to Organizations, Governments and Individuals in the United States.

Schedule J - Compensation Information.

Schedule K - Supplemental Information on Tax Exempt Bonds.

Schedule L - Transactions with Interested Persons.

Schedule M - Non-cash Contributions.

Schedule N - Liquidation, Termination, Dissolution or Significant Disposition of Assets.

Schedule O - Supplemental Information to Form 990.

Schedule R - Related Organizations and Unrelated Partnerships.

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Section B - Policies

The organization must have a written conflict of interest policy which addresses the following:

1. Annual disclosures of potential conflicts required and a description that shows the organization regularly and consistently monitoring and enforcing compliance with the policy.
2. The organization must have a written whistleblower policy.
3. The organization must have a written document retention and destruction policy.
4. The organization must have a written policy that describes the process for determining compensation for the top management official (CEO, Executive Director, etc.) and other key employees.

Section C - Disclosures

1. Organizations must disclose how they make its annual tax filings available for public inspection (i.e. own website, another's website or upon request).
2. Organizations must describe whether, the organization makes its governing documents (and if so, how), conflict of interest policy and financial statements available to the public.
3. Organizations must provide the name and business address of the person who possesses their books and records.

Part V - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees and Independent Contractors.

The compensation threshold increased from \$50,000 to \$100,000.

Additional disclosures are required on Schedule J for:

- a. Former Officers, Directors, Trustees, Key Employees, etc.
- b. Individuals with compensation greater than \$150,000.
- c. Any person listed that received compensation from any unrelated organization for services rendered to the organization.

Schedule J will require considerable effort and coordination with:

- a. Human Resources.
 - b. Finance.
 - c. Accounts Payable.
 - d. Others
2. Organizations must identify benefits provided, if any (first-class travel, health or social club dues, etc.). They must also answer the following questions:
 - a. Did the organization follow a written policy regarding payment or reimbursement of expenses?
 - b. Did the organization require substantiation prior to reimbursing or allowing expenses?
 3. Organizations must indicate the methods if any, that are used to establish the compensation of the organization's CEO/Executive Director and mark all that apply:
 - a. Compensation Committee.
 - b. Form 990's of Other Organizations.
 - c. Independent Compensation Consultant.
 - d. Written Employment contract.
 - e. Compensation Survey or Study.
 - f. Approval by the Board or Compensation Committee.

Part IX- Statement of Functional Expenses

There are additional categories of expenses for Part IX.

- a. Fees for lobbying.
- b. Investment management fees.
- c. Information technology.
- d. Payments to affiliates.
- e. Insurance.
- f. Other - Expenses grouped together and labeled miscellaneous may not exceed 5% of total expenses.



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Part X - Balance Sheet

There are relatively minor changes in this part. Most supplemental schedules will be on Schedule D:

- a. Land, Building and Equipment.
- b. Investments
- c. Other Assets.
- d. Escrow Account Liability.
- e. Other Liabilities.

Part XI - Financial Statements and Reporting

1. Identify the accounting method used to prepare the Form 990.
2. Identify if the organization's financial statements were compiled, reviewed or audited.
3. If "Yes" to above, does the organization have a committee that assumes responsibility for oversight of the audit review or compilation?
4. Organizations must identify if they are subject to the Single Audit Act and OMB Circular A-133.

In closing, the completion of the new Form 990 can be a challenging experience for the organizations involved but it is necessary and it will allow organizations to describe its activities and accomplishments in detail.

For more information about the form and the procedures involved, contact Theresa Dominianni, CPA at 973.994.9400.

Wiss Not-for-Profit Group



Theresa Dominianni, CPA
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The Wiss team serving not-for-profit clients is led by Theresa Dominianni. Her distinction is a passion for the not-for-profit industry that has earned her long-standing client loyalty. Some clients have been with her for more than three decades.

Ms. Dominianni leads a team of professionals that continue the Wiss tradition of technical excellence combined with personal attention. Armed with an in-depth understanding of the regulatory environment, Wiss offers the full range of accounting, tax and consulting services. We get way into the details of your organization and its purpose to offer intelligent solutions for your unique struggles and reveal improvement opportunities that yield tangible benefits.

Wiss is the perfect complement to your organization, adding value today and tomorrow.

Types of Organizations Served:

- Private Foundations
- Performing Arts Centers
- Legal Services
- Housing
- Healthcare entities, such as:
 - Medical centers
 - Mental health centers
 - Organ, tissue and blood donation centers
- Educational institutions, both public and private
- Social welfare organizations
- Professional associations
- Civic groups



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