

Financial Adviser

A Brief Walk for Nonprofits Through the New Form 990

The Internal Revenue Service (IRS) has changed the format for income tax reporting for tax-exempt organizations significantly for the first time in three decades. Commonly known as "Form 990," it is based on three guiding principles – enhancing transparency, promoting compliance, and minimizing the filing burden. The new form is effective for calendar year 2008 and organizations whose fiscal year begins in 2008.

The new Form 990 has a graduated phase-in as follows:

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 new form consists of an 11-page core and 16 possible schedule attachments (Schedules A through O, and Schedule R). **Pages 3 and 4** of the new Form 990 list 37 questions that will determine which of the 16 schedules an organization must prepare. Management should review these pages as soon as possible to determine which schedules they will need to complete, and then review applicable schedules and the related instructions.

Page 1 mainly consists of a summary of comparative financial information. It also contains seven questions regarding activities and governance.

Page 2 requires information on an organization's program service accomplishments for the fiscal year. This is very similar to the information required on the current Form 990.

Page 5 contains a dozen mostly new questions regarding the organization's compliance with various tax filings and other IRS requirements.

Probably the most significant change to Form 990 is the new **page 6** that asks 20 questions regarding governance, management, and required disclosures. This should be read and reviewed as soon as possible (the new Form 990, Schedules and Instructions can be

viewed and downloaded from the IRS Web site) by an organization's executive management and board members. Most organizations will most likely need to adopt or amend various policies in order to answer certain questions in the affirmative.

Pages 7 and 8 require information on compensation of officers, directors, trustees, key employees, highest compensated employees and independent contractors. The information requested is for both current and former individuals in these positions. Much of this information is similar to the prior form, but there are several differences to become familiar with by reviewing the form and its instructions.

Much of the financial information (revenues, functional expenses and balance sheet) on **pages 9, 10 and 11** is comparable to the old 990, with a bit more detail required. Most organizations will not find these pages to be problematic.

Several of the 16 schedules require much of the same information required in the old form, but the information appears to be better presented on the applicable schedule. For example, the former Schedule A has been broken into four schedules (Schedules A, C, E and H). The

former Schedule B regarding information on certain contributions and contributors remains unchanged. Most of the remaining schedules are new and require information not typically provided in the past.

The IRS has published a glossary of terms that is very helpful – not to be missed.

The new Form 990 represents a significant change in the amount of information an organization is disclosing. Keep in mind that an organization's Form 990 is open for public inspection; and since the advent of Guidestar and other nonprofit watchdog groups, the information is easily accessible online. Tax-exempt management and boards of directors should review this information now to be well organized and prepared to accurately represent the organization's information in the new financial reporting format.

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