

# PREPARING THE FORM 990 FOR NON-PROFIT ORGANIZATIONS

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## WORKSHOP DESCRIPTION

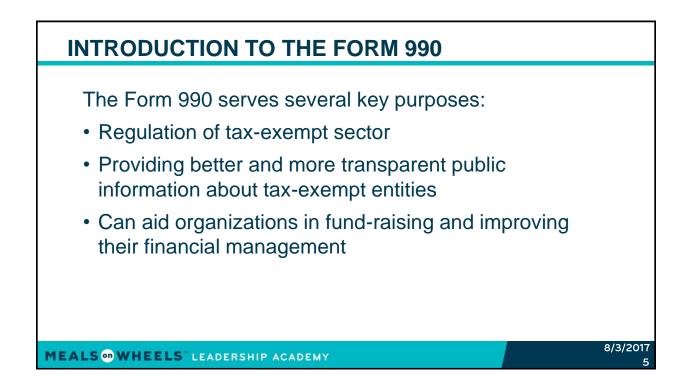
The Form 990 is designed to provide the IRS with an overview of the organization's activities, governance structure and detailed financial information regarding an entity's tax exempt status. This session will include an overview of this form and its requirements, frequently asked questions and issues regarding the preparation of the Form, and will also briefly discuss how nonprofit organizations can utilize the Form 990 to benchmark and measure their performance and governance practices compared to similar organizations.

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# LEARNING OBJECTIVES

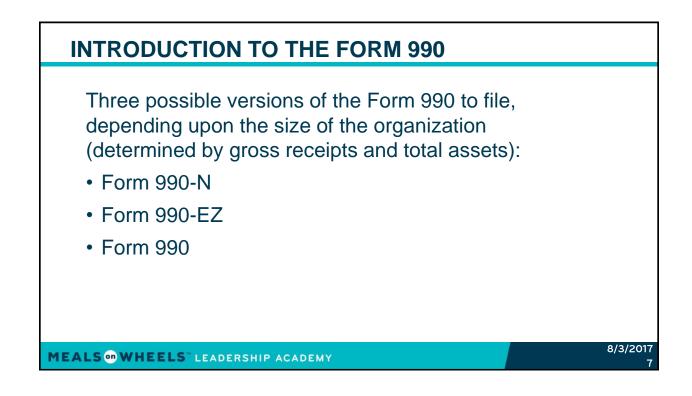
At the conclusion of this session, participants should:

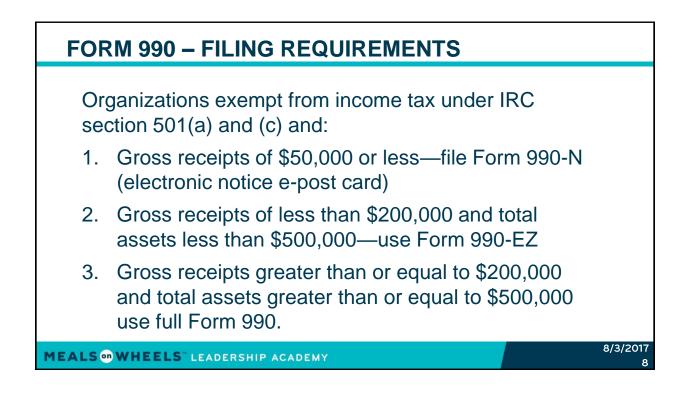
- 1. Have a basic understanding of the Form 990 requirements
- 2. Understand some of the intricacies involved and issues encountered in preparing the form
- 3. Be familiar with best practices related to form preparation and board involvement in reviewing the Form 990 prior to filing
- 4. Be able to utilize the Form 990 to evaluate their operations through benchmarking and comparison with similar organizations.



The Form 990 is a public document! A variety of parties may be interested in your organization's Form 990, such as:

- Donors—current and prospective
- IRS and state tax authorities
- Foundations
- Creditors
- Other non-profits





## **FORM 990 – FILING REQUIREMENTS**

<u>Due date of return:</u> 15<sup>th</sup> day of the fifth month after the end of the organization's fiscal year (e.g., May 15<sup>th</sup> for an organization with a calendar year-end). One automatic six month extension is available.

<u>Failure to file on time:</u> a penalty of \$20/day, not to exceed the lesser of \$10,000 or 5% of the organization's gross receipts for the year, may be assessed unless the organization can show the late filing was due to "reasonable cause."

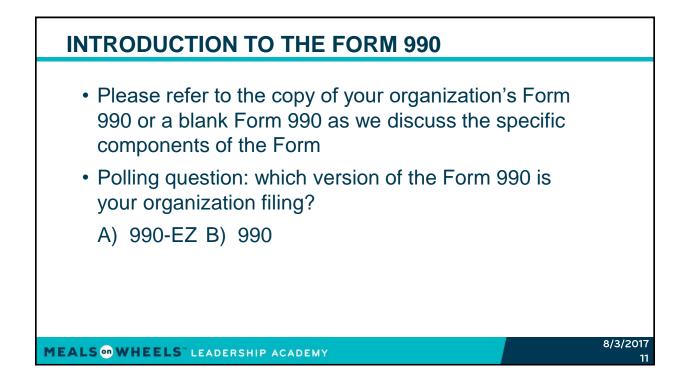
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## **INTRODUCTION TO THE FORM 990**

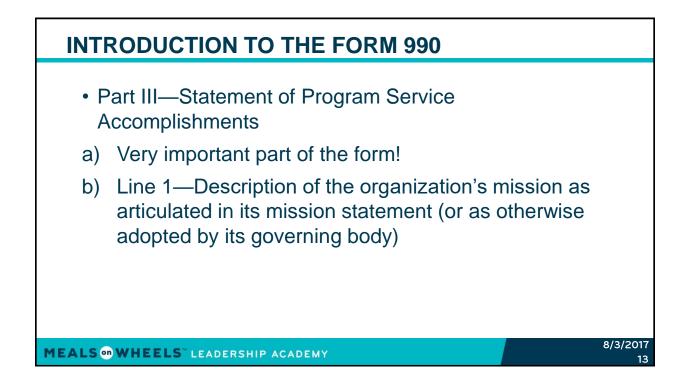
Basic Structure of the Form 990:

- Twelve page core form and 16 schedules (A to O—which are included if applicable to the organization)
- Part 1 of core form is the Summary; requires a snapshot of information to be included in other parts of the form
- Part IV of core form is a Checklist of Required Schedules; determines which schedules (of the 16) must be filed
- Schedules focus on various areas of particular interest to either the IRS or the general public
- · Part VI—includes questions on governance
- Part VII—disclosures about executive compensation
- Part VII Part XI—financial information

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- Part I—Summary
- a) Line 1—Describes the organization's mission or its most significant activities for the year (organization has the option)
- b) Line 6—number of volunteers (a good opportunity to show the number of individuals donating time to your organization!)
- Part II—Signature Block—return must be signed by a corporate officer authorized to sign the return (e.g., President, Treasurer, Chief Accounting Officer, etc.)



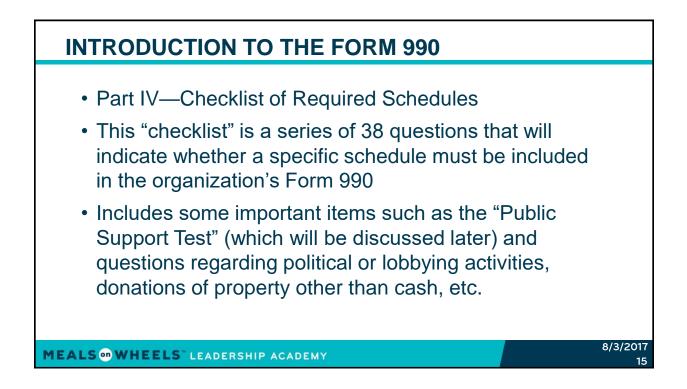
• Part III (Continued)

c) Line 4a – 4c—all organizations must describe the accomplishments for each of their three largest program services (as measured by total expenses)

d) Must include a discussion of the activity's objective and program service accomplishments (e.g., clients served, number of meals delivered, etc.)

d) For each program service, must report related revenues and expenses

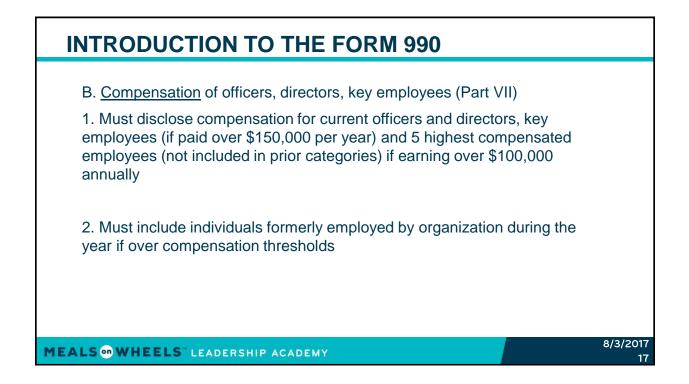
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#### Areas of focus in the Form 990

A. <u>Governance</u> (Part VI)—requires information about the governing body, management and policies

Examples: Questions regarding conflict of interest and whistleblower policies, records retention, 990 review before filing, how top officer compensation is determined, etc.



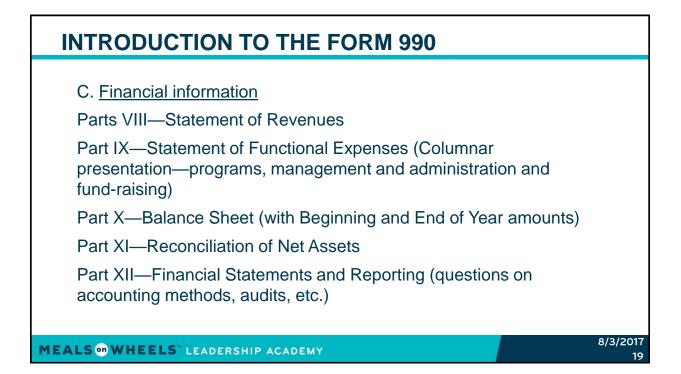
B. Compensation of officers, directors (Cont'd)

3. Must include compensation of top management and financial official (if not included in other disclosures)

4. How is an "officer" defined for Form 990?

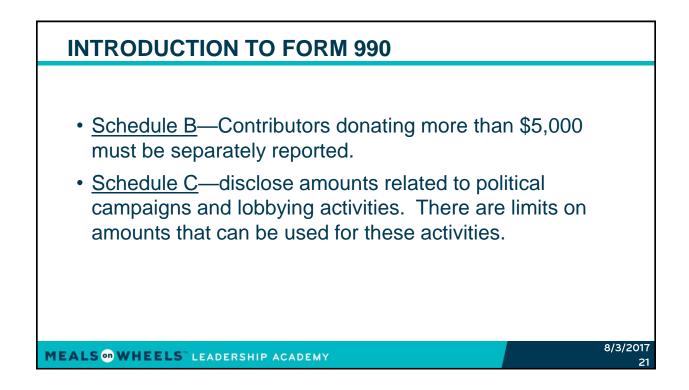
5. Must also include average number of hours worked by individuals

6. Instructions to Form 990 provide some detailed compensation examples and how these are to be reported on Form 990



D. Primary Schedules of the Form 990

<u>Schedule A</u>—Public Charity Status and Public Support Test organization must receive at least 33 1/3% of its support from contributions, etc. related to its exempt functions.



• <u>Schedule D</u>—Supplemental Financial Statements. Must be filed if the organization has donor advised funds, collections (artwork, historical items, etc.) endowments, and property, plant & equipment.

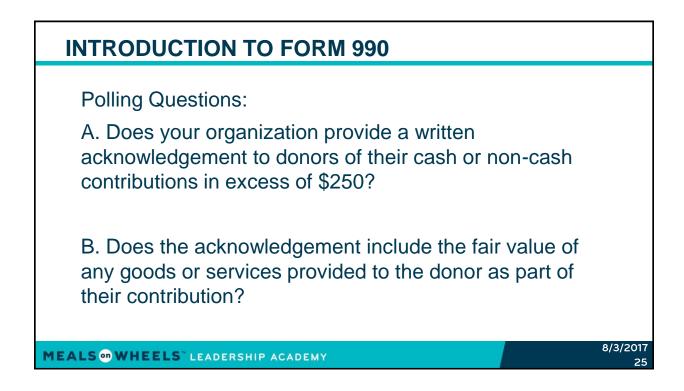
- <u>Schedule M</u>—Non-Cash Contributions. Required to report quantity and reported financial statement amount of non-cash contributions received (excluding donated services).
- <u>Schedule O</u>—Supplemental Information to Form 990.
  Pages for additional explanations, etc. in response to specific questions on the Form 990.

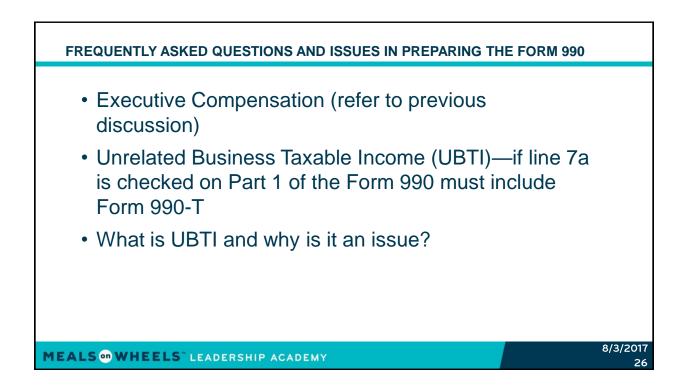
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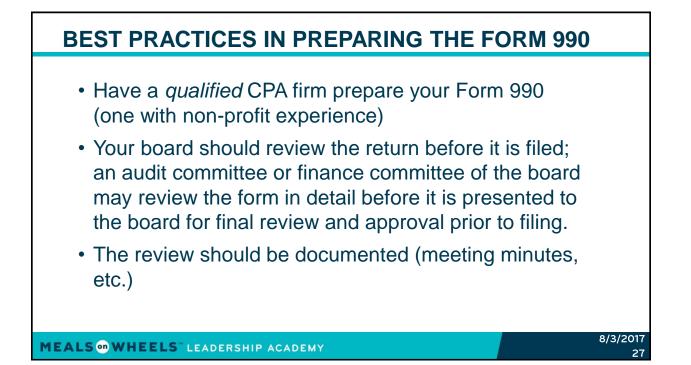
## **INTRODUCTION TO FORM 990**

- Donor contributions must be acknowledged!
- 501-c(3) organization must provide a Contemporaneous Written Acknowledgement (CWA) of cash or non-cash contributions when the amount is \$250 or more.
- Very important that non-profits have specific procedures in place to acknowledge these donations. MUST indicate that no goods or services were received in exchange for donation, OR indicate fair value of goods or services received in exchange for donation.
- Donor must have by filing date of their tax return (their responsibility to obtain).
- · Donor cannot claim a tax deduction without it!

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# **BEST PRACTICES IN PREPARING THE FORM 990**

Polling Question:

Does your organization have the board of directors or a separate committee of the board (e.g., audit or finance committee) review the completed Form 990 before it is filed with the IRS?

#### **BEST PRACTICES IN PREPARING THE FORM 990**

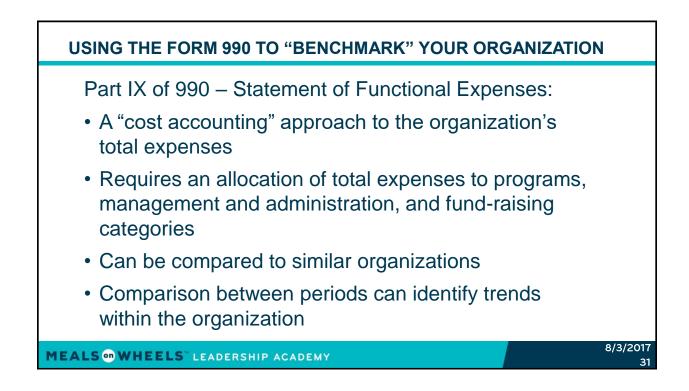
- Make sure the amounts reported on the Form 990 for revenues and expenses can be clearly agreed and or reconciled to the organization's accounting records
- Beware of any State reporting requirements for nonprofits (may require an audit or other type of accounting service). Example: State of PA requires an audit of an entity's financial statements if their gross annual contributions exceed \$300,000 per year.

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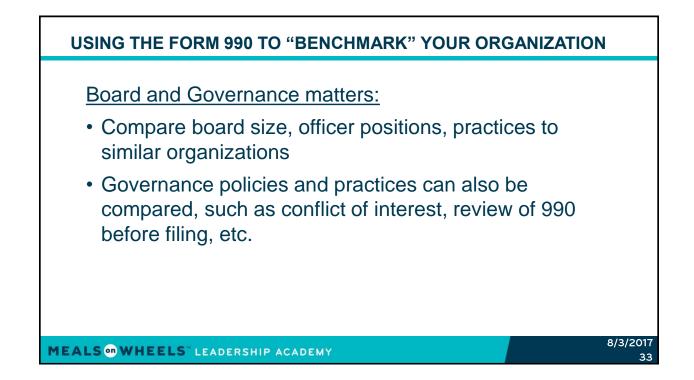
#### **USING THE FORM 990 TO "BENCHMARK" YOUR ORGANIZATION**

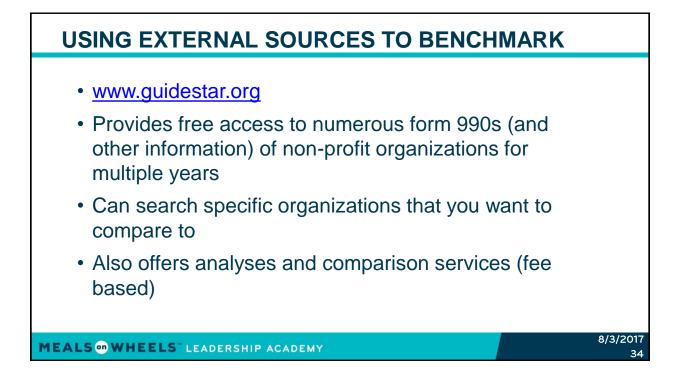
Form 990 contains a wealth of information about an organization's operations and practices, especially related to:

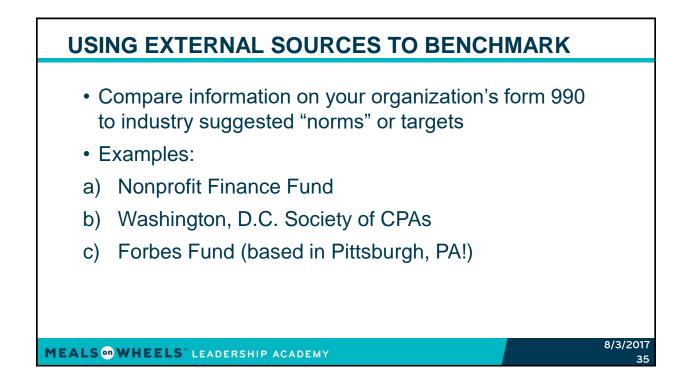
- Program revenues and expenses
- Executive and director compensation
- Governance matters





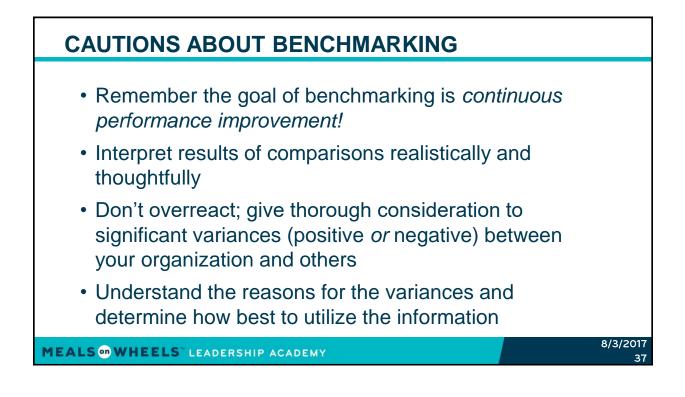






# NEXT STEPS AFTER BENCHMARKING

- What strengths, problems and/or opportunities have been identified?
- · Consider the following action items:
- a) Further investigation of specific operating costs and expenses
- b) In-depth review of specific operations
- c) Evaluation of a potential new revenue stream
- d) Review of compensation practices
- e) Review of board size, structure and practices



## SUMMARY AND WRAP-UP

- Form 990 is a requirement for non-profit organizations, often requiring significant amounts of time and effort to complete!
- Utilize the Form 990 for more than meeting a compliance requirement!
- It is a public document that may be used to judge your organization's performance!
- Benchmarking your organization against similar entities can provide useful information to ensure your long-term survival!

## **CONTACT INFORMATION**

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