

# New Form 990 - Key Areas of Note

For the first time in 30 years, the Form 990 has been redesigned for all non-profit organizations. Beginning with the 2008 tax year, organizations that have greater than \$1 million in gross receipts and greater than \$2.5 million in total assets will use the new form. Organizations with gross receipts greater than \$500,000 and total assets greater than \$1,250,000 will file it for the 2009 tax year. In the coming years the thresholds will continue to decrease.

Following are some of the key areas of note:

## Public Inspection

The Form 990, 990-T and Form 1023 must be made available for public inspection in its entirety. The organization must now describe how these items are available. Any new or discontinued programs must be reported and the IRS will be comparing what was previously filed on the Form 1023 and what the organization is currently stating as its exempt purpose. Program descriptions should be reviewed for accuracy and expanded upon. This can be a tool to help market the organization to potential donors.

## Governance

The Form 990 now has expanded questions relating to the governance of the organization. Although these policies are not required by the IRS, organizations must disclose if certain governance policies are in place by answering in detail the questions listed.

One such question relates to whether the organization has a conflict of interest policy and if so, are the officers, key employees, and the like required to disclose conflicts annually. The organization must also describe in detail how it monitors and enforces the conflict of interest policy. The instructions to Form 1023 provide an example of a conflict of interest policy and can be located at <http://www.irs.gov/pub/irs-pdf/i1023.pdf> on page 25. The organization should work with legal council to create a policy and ensure it is adhered to. Other questions related to policies that your organization may want to consider include, adopting a whistler blower policy, that states how an employee would go about reporting abuses by officers or the board, and a written record retention policy.

Particular attention should be given to the question regarding whether the Form 990 has been made available to the governing board. This should only be answered “yes” if the Form 990 has been given to all board members via paper or an electronic copy before the form was filed. The process of how the form

was distributed and how the review process took place must be described in detail as well. The entire board does not need to review the Form 990; however a designated group should make a detailed review.

### Compensation

Monetary issues continue to be a key area of focus for the IRS, including how the organization determines the compensation of the executive director, officers and other key employees. The redesigned Form 990 asks if the process of determining compensation for the key employees includes a review and approval by independent persons, comparability data and contemporaneous substantiation of the deliberation and decision process. One option for this process is to have the organization hire an independent board committee to handle the process of determining compensation.

This is only a summary of the many changes on the Form 990. The redesigned form introduces dramatic changes and certain steps may need to be taken before your organization's year end to ensure the necessary information, policies and procedures are in place and implemented. A copy of the new Form 990 is available for review. As always, we are able to meet with you at anytime to discuss your questions and concerns; do not hesitate to call us.