



# IRS Form 990

## Preparing For The New Reporting Requirements



# What is the Form 990?

1. Annual information return filed with IRS
  - Principal way IRS gathers information about tax-exempt organizations
2. Not a “tax” return – no tax due
  - Separate form (990-T) used to report taxable income
  - 990-T publicly available for returns filed after 8/17/06
3. Report financial, programmatic, governance and mission
4. Not just for numbers
  - Ubiquitous “describe” and “explain”
  - Schedule O – Required
5. Requires detailed reporting on
  - Activities in furtherance of exempt purpose
  - Changes in activities and governing documents
  - Governance, financial transactions among insiders, compensation
  - Community benefit, bonds and joint ventures
  - Policies and procedures within the organization
  - Disclosure of key governance, financial and mission policies
6. Publicly available – sought by and relied on by media, state regulators, donors
  - [www.guidestar.org](http://www.guidestar.org)
  - [www.charities.ago.state.ma.us](http://www.charities.ago.state.ma.us)

# IRS Stated Reasons for Change

- **Increased transparency**
  - More disclosure, more detail
- **Tax compliance and accountability**
  - Better enforcement tool
- **Minimize burden on filing organization**
  - Clearer, more organized questions (but many more of them)

New Form 990 reflects particular IRS interest in governance, conflicts of interest, compensation and community benefit

# New Form 990 – Significant Revision

- First significant revision since 1979
- 2007 form: 9 page – 11 part “core form” with 2 schedules
- 2008 form: 11 page – 11 part “core form” with 16 schedules effective for tax years that begin in 2008
  - Most fiscal year organizations will first file in 2010 for FY2009
- Phase in for smaller organizations
  - Filing thresholds for Form 990EZ will be increased
    - <2.5MM in assets and <1MM in gross receipts for 2008
    - <1.25MM in assets and <500K in gross receipts for 2009
    - <500K in assets and <200K in gross receipts for 2010 and later years
    - <25K in gross receipts will file e-postcard for years beginning in 2007
    - No activity - file e-postcard
- Phase in for certain schedules
  - 2 year phase in:
    - Schedule H – Hospital
    - Schedule K – Tax Exempt Bonds



# Form 990 Core Form and 16 Schedules

- **Form 990 Core Form – 11 part**
- **16 Schedules (Schedules A – R)**
  - A. Public charity status and public support
  - B. Schedule of contributors
  - C. Political campaign and lobbying activities
  - D. Supplemental financial statements
  - E. Schools
  - F. Activities outside the U.S.
  - **G. Fundraising or gaming activities**
  - H. Hospitals

# Form 990 Core Form and 16 Schedules

- **16 Schedules (Schedules A – R) (continued)**
  - I. Grants and other assistance to organizations, governments and individuals in the U.S.
  - **J. Compensation**
  - **K. Tax-exempt bonds**
  - **L. Transactions with interested persons**
  - M. Non-cash contributions
  - N. Liquidation, termination, dissolution or significant disposition of assets
  - **O. Supplemental information (describe and explain)**
  - **R. Related organizations and unrelated partnerships**

# Focus on: Core Form

## **Part I – Summary**

- “Snapshot”
  - Activities and governance
    - Voting members of the governing body
    - Number of employees
    - UBIT revenues
  - Two year comparative financial information

## **Part III – Statement of Program Service Accomplishments**

- Description of organization’s mission
- Reporting new, on-going and discontinued exempt purpose achievements and related revenues and expenses
- Describe exempt purpose achievements for the organization
  - Three largest program services by expenses
  - Describe program service accomplishments through specific measurements
  - Other program services can be reported in Schedule O
  - Activity codes have been added (not required for 2008)



# Focus on: Core Form

## Part IV – Checklist of Required Schedules

- Determine which schedule must be completed and filed as part of the 990.
  - 37 yes/no questions

## Part V – Statement Regarding Other IRS Filings and Tax Compliance

- Report compliance with other Federal tax reporting and substantiation requirements
  - Number of information returns (1099s, 1098s, W-2s)
  - Number of employees (calendar year)
  - **? UBIT** revenue <\$1,000
  - Tax shelter reporting
  - Contribution and donation reporting



# Focus on: Core Form

## Part VI – Governance, Management and Disclosures

*The IRS indicated that a well governed organization should be transparent and have code of ethics and whistleblower policies, fundraising policies, financial audits, written compensation practices and a document retention policy.*

- Details about governing body (number, documentation of meetings, approval of decisions)
- Disclosure of family and business relationships among officers, trustees, key employees
- Existence of policies: conflict of interest (COI), whistleblower, document retention, joint ventures
- Description of process used to review 990 (Schedule O)  
*(Was the Form 990 provided to each voting member of the governing body prior to filing?)*
- Description of whether organizations make available (how) its governing documents, COI and financial statements available to the public (Schedule O)

# Focus on: Core Form

## Part VII – Compensation and Schedule J

- The following individuals must be reported:
  - All voting directors/trustees
  - All officers (must report CEO and CFO)
  - Key employees
  - 5 highest compensated employees (HCE) (>\$100,000)
  - Former officers, key employees and HCE's who received >\$100,000 and not employed at any time during the year
  - Former directors/trustees who received >\$10,000
- “Key employee”
  - >\$150,000 in reportable compensation and
  - Has responsibilities similar to officers, directors and trustees or
  - Manages/controls 10% of the organization's assets, income, expenses, capital budgets or compensation and
  - **Limited to 20 highest compensated**

# Focus on: Core Form

## **Part VII – Compensation and Schedule J (continued)**

- “Former” – 5 year look back period
- Compensation from all related organizations is aggregated to determine reporting thresholds
- Compensation reported based on calendar year – W-2, 1099
- Compensation to the 5 highest paid independent contractors (>\$100,000)
- Use organization’s postal address to contact listed officers, directors, trustees, key employees and HCEs.

# Focus on: Schedule J – Compensation Information

## Schedule J – Compensation Information

- **Part I – Questions regarding compensation**

- Questions concerning benefits the IRS regards as questionable:

- First class and companion travel
- Housing allowances and residences for personal use
- Club dues, personal chefs, maids, chauffeurs
- Tax indemnifications and gross-up payments
- Discretionary spending accounts
- Prior approval and substantiation requirements of expense reimbursements
- Basis and process for setting compensation
- Compensation committee, independent consultant, compensation survey, etc.
- Severance payments, SERPs, etc.
- Contingent and non-fixed compensation



# Focus on: Schedule J – Compensation Information

## Schedule J – Compensation Information (continued)

- **Part II – Details of compensation**

- Report further compensation details for anyone listed on core form who received more than \$150K plus any former officer, trustee, key employee, highest compensated employee listed on core form
- Breakdown required
  - Base salary
  - Bonus and incentive compensation
  - Other compensation (i.e. deferred compensation paid in current year)
  - Deferred compensation (when accrued, plus increases in value)
    - Include annual increase in actuarial value of DBP benefit
  - (Deferred compensation report twice – when earned and when paid)
  - Nontaxable benefits (health, life and long term care insurance)
  - Compensation reported on prior Form 990s

- **Part III – Supplemental Information (Schedule "O")**

- Explanatory narrative for compensation practices, perks or structurally suspect compensation programs
- Schedule J-1 – Continuation Sheet
- Schedule J-2 – Continuation Sheet for Core Form, Section A, Part VII

Note: Instructions provide a compensation table to determine what and where to report various types of compensation on Part VII and Schedule J.



# Compensation Matrix

Type of Compensation	Share's Report				
	Form 990, Part VII, Section A, column (D) or (E)			Form 990, Part VII, Section A, column (F)	
	Schedule J (Form 990, Part II, column B)	Schedule J (Form 990, Part II, column B)(i)	Schedule J (Form 990, Part II, column B)(ii)	Schedule J (Form 990, Part II, column C)	Schedule J (Form 990, Part II, column D)
Base salary/wages/fees paid	x				
Base salary/wages/fees deferred (taxable)	x				
Base salary/wages/fees deferred (nontaxable)				x	
Bonus paid (including signing bonus)		x			
Bonus deferred (taxable in current year)		x			
Bonus deferred (not taxable in current year)				x	
Executive compensation paid		x			
Executive compensation deferred (taxable in current year)		x			
Executive compensation deferred (not taxable in current year)				x	
Decreases or changes of current payments made			x		
Sick pay paid by employer	x				
Third party sick pay			x		
Other compensation amount deferred (taxable in current year)		x			
Other compensation amount deferred (not taxable in current year)				x	
Tax gross-ups paid			x		
Vacation/leave cashed out			x		
Stock options at time of grant				x	
Stock options at time of exercise			x		
Stock awards paid by taxable organizations substantially vested			x		
Stock awards paid by taxable organizations not vested				x	
Stock equivalents paid by taxable organizations substantially vested			x		
Stock equivalents paid by taxable organizations not vested				x	
Liens—forgiveness interest or debt forgiveness			x		
Contributions (employer) to qualified retirement plan				x	
Contributions (employee deferrals) to section 401(a) plan			x		
Contributions (employee deferrals) to section 403(b) plan			x		
Qualified or nonqualified retirement plan defined benefit accruals (reasonable estimate of increase in actuarial value)				x	
Qualified or nonqualified retirement (defined contribution) plan investment earnings (no reportable or other compensation)					
Taxable distributions from qualified retirement plan (reported on Form 1099-R but not reportable or other compensation on Form 990)					



# Compensation Matrix

Type of Compensation	Where to Report				
	Form 990, Part VII, Section A, column (D) or (E)			Form 990, Part VII, Section A, column (F)	
	Schedule J (Form 990), Part II, column (B)	Schedule J (Form 990), Part II, column (B)(i)	Schedule J (Form 990), Part II, column (B)(ii)	Schedule J (Form 990), Part II, column (C)	Schedule J (Form 990), Part II, column (D)
Distributions from nongovernmental section 501(c)(3) plan (to recipient) or (toe) contribution to Form 990					
Amounts included in (toe) (year) (year) (year)			0		
Amounts deferred (plus earnings) under section 457(b) plan (vested)			X		
Amounts deferred (plus earnings) under section 457(b) plan (nonvested)				X	
Contributions to nonqualified plans (vested)			X		
Contributions to nonqualified plans (nonvested)				X	
Increase in earnings of nonqualified plan			X		
Scholarship and fellowship grants (taxable)			X		
Health benefit plan premiums (taxable)			X		
Health benefit plan premiums (nontaxable)					X
Medical reimbursement and flexible spending programs (taxable)			X		
Medical reimbursement and flexible spending programs (nontaxable)					X
Other health benefits (taxable)			X		
Other health benefits (nontaxable)					X
Life, disability, or long-term-care insurance (taxable)			X		
Life, disability, or long-term-care insurance (nontaxable)					X
Spill-over 401(k) rollover (see Notice 2002-4 2002-1 CB 381)			X		
Housing provided by employer (taxable)			X		
Housing provided by employer (nontaxable)					X
Personal legal services (taxable)			X		
Personal legal services (nontaxable)					X
Personal finance services (taxable)			X		
Personal finance services (nontaxable)					X
Dependent care assistance (taxable)			X		
Dependent care assistance (nontaxable)					X
Adoption assistance (taxable)			X		
Adoption assistance (nontaxable)					X
Tuition assistance for family (taxable)			X		
Tuition assistance for family (nontaxable)					X
Colofera plans (taxable)			X		
Colofera plans (nontaxable health benefit)					X
Colofera plans (nontaxable benefit other than health)					X
Liability insurance (taxable)			X		
Employer-provided automobile (taxable)			X		
Employer-subsidized parking (taxable)			X		



# Compensation Matrix

Type of Compensation	Where to Report				
	Form 990, Part VII, Section A, column (D) or (E)			Form 990, Part VII, Section A, column (F)	
	Schedule J (Form 990), Part II, column B(i)	Schedule J (Form 990), Part II, column B(ii)	Schedule J (Form 990), Part II, column B(iii)	Schedule J (Form 990), Part II, column C	Schedule J (Form 990), Part II, column D
Travel (taxable)			X		
Moving (taxable)			X		
Meals and entertainment (taxable)			X		
Social club dues (taxable)			X		
Spending account (taxable)			X		



# Focus on: Core Form

- **Part VIII – Statement of Revenues**
  - Detail reporting of contributions and program service revenues
  - New categories for contributions
  - Business codes for program service and miscellaneous revenues
- **Part IX – Statement of Functional Expenses**
  - Additional expense categories added such as; advertising and promotion, information technology, royalties, travel and entertainment expenses for public officials
    - Miscellaneous/other expenses can not exceed 5% of the total expenses
- **Part X – Balance Sheet**
- **Part XI – Financial Statements and Reporting**
  - Report the organization’s method of accounting and other information regarding its compiled, reviewed or audited financial statements.
    - Does the organization have a committee that assumes responsibility for oversight of the financial statements and selection of the independent accountant?



# Focus on: Schedule A – Public Charity Status & Public Support

- **Part I – Reason for Public Charity Status**
  - Type of organization and public charity status
    - Church
    - School
    - Hospital
    - Research
    - Organization to benefit college and university
    - Federal, state, local government organization
    - Public supported organization
    - Community trust
    - Public safety organization
    - Supporting organizations
- **Part II and III**
  - Support schedules (5 year analysis)
  - Accounting method changed from **cash** method to method reported on core form, Part XI
    - Cash
    - Accrual
    - Other
- **Part IV – Supplement Information (Schedule “O”)**

# Focus on: Schedule B – Schedule of Contributions

- **Part I – Contributions**
  - Donee and address
  - Aggregate contributions (over \$5,000)
  - Type (person, P/R, non-cash)
- **Part II – Non-Cash Contributions**
  - Description
  - FMV or estimates
  - Date received
- **Part III – Social and Fraternal Societies and Associations**
  - Section 501(c)(7), (8) or (10)
  - Aggregate contribution greater than \$1,000
  - Purpose, use and how held
  - Transfer data and relationship

**Schedule is not required to be disclosed to the public**

# Focus on: Schedule C – Political Campaign and Lobbying Activities

- Part I – Political Activity
- Part II – Lobbying Activity
  - Lobbying cost allocations from Trade Associations
- Part III – Associations – Taxable Amount of Lobbying and Political Expenditures
- Part IV – Supplemental Information (Schedule “O”)

# Focus on: Schedule D – Supplemental Financial Statements

- Schedule provides details for certain items in Part X of the core form (balance sheet)
- **Part I – Reconciliation of Donor Advised Funds Activity**
- **Part II – Conservation Easement Information**
- **Part III – Collection of Art, Historical Treasures, etc. Information**
- **Part IV – Reconciliation of Trust, Escrow and Custodial Account Activity**
- **Part V – Reconciliation of Endowment Fund**
  - Board designations
  - Temporary restrictions
  - Permanent restrictions
- **Part VI – Land, Building and Equipment Investment Details**
- **Parts VII & VIII – Investment Details**
- **Parts IX & X – Description of Other Assets and Liabilities**
- **Parts XI, XII & XIII – Reconciliation of Form 990 to Financial Statements**
  - Net assets, revenues and expenses  
(optional, if financial statements are not audited or a group return)

# Focus on: Schedule D – Supplemental Financial Statements

- **Part XIV – Supplemental Information (Schedule “O”)**
  - Include the text of the FIN 48 footnote in the organization’s financial statements
  - FIN 48 requires financial statement disclosures of material uncertain income tax positions (those not “more-likely-than-not” to be sustained if the organization was audited by the IRS or another taxing authority).
  - Exemption itself is a tax position. Other significant tax positions include whether a stream of income is UBIT and the related expense allocation is appropriate.

# Focus on: Schedule E - Schools

- **School Policies**

- Nondiscrimination policies
- Schools must maintain the following
  - Records indicating racial composition of the student body, faculty, and administrative staff
  - Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis
  - Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships
  - Copies of all materials used by the organization or on its behalf to solicit contributions
- Certify compliance with racial nondiscrimination requirements

# Focus on: Schedule F – Statement on Activities Outside the United States

- **Part I – General Information on Activities**  
(Aggregate revenue or expenses in excess of \$10,000)
  - Location by region
  - Number of offices
  - Number of employees
  - Type of activity
  - Total expenditures by region
- **Part II & III – Grants and Other Assistance to Organizations and Individuals Outside the United States**
  - Organization / individual
  - Location
  - Purpose of grant
  - Amount and manner of distribution
  - Non-cash assistance and method to determine value
- **Part IV – Supplemental Information (Schedule “O”)**
- **Schedule F-1 – Continuation Sheet**

# Focus on: Schedule G – Supplemental Information Regarding Fundraisers or Gaming Activities

- **Part I – Fundraising Activities**
  - Relationships with professional fundraisers
  - Identify states where registered or licensed
- **Part II – Events**
  - Report events with gross receipts greater than \$5,000
    - Revenues, donations and expenses
    - Individual contribution amounts (*notify donor of amounts over \$250*)
    - Reporting of dollar value of goods and services (*dollar value of goods received*)
- **Part III – Gaming**
  - Revenues and expenses by game
  - Gaming activities information

## Focus on: Schedule H - Hospitals

- **Information on an organization that operates one or more facilities that are licensed, registered or similarly recognized by a state as a hospital.**
- **Phase in 2008 form only requires information about facilities (Part V). All other parts are optional for 2008 and required for 2009.**
- **Part I – Charity Care and Community Benefits**
  - Requires hospitals to quantify the financial value of charity care and community benefit
  - Policy describing how organizations provide free or discounted care to those who meet policy criteria
  - Adopts Catholic Health Association reporting model: charity care; means-tested government programs; research; training; education

# Focus on: Schedule H - Hospitals

- **Part I – Charity Care and Community Benefits (continued)**
  - Standards used for free or discounted care (Federal Poverty Level)
  - Provision for “medically indigent”
  - Charity care budget policy
  - Community benefit reporting, available to public?
  
  - Charity care does not include
    - Bad debts, Medicare shortfalls, Medicaid and other means tested shortfalls and contractual adjustments.

# Focus on: Schedule H - Hospitals

- **Part I – Charity Care and Community Benefits (continued)**
  - The community benefits table

7 Charity Care and Certain Other Community Benefits at Cost						
Charity Care and Means-Tested Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
<b>a</b> Charity care at cost (from worksheets 1 and 2) . . . . .						
<b>b</b> Unreimbursed Medicaid (from worksheet 3, column a) . . . . .						
<b>c</b> Unreimbursed costs – other means-tested government programs (from worksheet 3, column b) . . . . .						
<b>d</b> <b>Total</b> Charity Care and Means-Tested Programs . . . . .						
<b>Other Benefits</b>						
<b>e</b> Community health improvement services and community benefit operations (from worksheet 4) . . . . .						
<b>f</b> Health professions education (from worksheet 5) . . . . .						
<b>g</b> Subsidized health services (from worksheet 6) . . . . .						
<b>h</b> Research (from worksheet 7) . . . . .						
<b>i</b> Cash and in-kind contributions to community groups (from worksheet 8) . . . . .						
<b>j</b> <b>Total</b> Other Benefits . . . . .						
<b>k</b> <b>Total</b> (line 7d and 7j) . . . . .						

- Instructions to Form 990 provide worksheets to assist in completing Item 7 lines A – K



# Focus on: Schedule H - Hospitals

- **Part II – Community Building Activities**
  - Cost of organization activities that protect or improve the community's health and safety
    - Physical improvements and housing
    - Economic, leadership and workforce development
    - Community support
    - Environmental improvements
- **Part III – Bad Debts, Medicare and Collection Practices**
  - Report bad debts under HFMA policy statement #15?
  - Bad debts at cost (RCC formulation)
  - Bad debts attributed to charity care and rationale for including in community benefit
  - **Financial statement footnote on bad debts**
  - Medicare shortfall and rationale for including in community benefit
  - Credit and collection policy and procedures related to patients who qualify for charity care or financial assistance.

# Focus on: Schedule H - Hospitals

- **Part IV – Management Companies and Joint Ventures**

- Any partnership or corporation in which a hospital is an equity owner, or any management company which meets the following criteria:
  - Current ODTKEs and physicians with staff privileges own in aggregate >10% of profits of p/s or stock of corporation, and
  - Provides management services used by the organization in providing medical care, or
  - Provides medical care, or
  - Owns or provides property used by the organization or by others to provide medical care
- Exclude publicly traded entities and entities where all income is passive investment income from interest or dividends



# Focus on: Schedule H – Hospitals

- **Part V – Facility Information**
  - **Required for 1<sup>st</sup> year phase-in (2008)**
  - List all facilities’ names and addresses that are licensed, registered or similarly recognized as a healthcare facility under state law
  - Identify the number of each type of facility
- **Part VI – Supplemental Information (Schedule “O”)**
  - Standards for charity care
  - Charity care footnote from financial statements
  - Why Medicare shortfalls should be community benefit
  - Collection practices for charity care patients
  - Community needs assessment process
  - Patient education and eligibility of assistance
  - Geographic and demographic “community”
  - How community building activities promote health
  - Describe how the organization furthers its exempt purpose by promoting the health of the community
  - Roles of constituent members of health system
  - States where community benefit report is filed

# Focus on: Schedule I – Grants and Other Assistance to Organizations, Governments and Individuals in the United States

- **Part I – General Information**
  - Maintenance of records
  - Describe monitoring process (Part IV)
- **Part II and III – Grants and Other Assistance to Governments, Organizations and Individuals in the United States**
  - (Transactions in excess of \$5,000)
  - Organization/government, EIN
  - Type of grant/assistance
  - Amount of grant, with IRC code section
  - Non-cash assistance and method used to determine value
  - Number of recipients
  - Purpose of grant assistance
- **Part IV – Supplemental Information (Schedule “O”)**

## Focus on: Schedule K – Tax-Exempt Bonds

- New Schedule K requires significantly more detail than current Form 990
- Phase in: 2008 form requires only identifying information about bond issues (Part I). All other parts (Parts II – IV) are optional for 2008 and required for 2009.
- Reporting required only for bonds issued after 2002
- Reporting on bonds outstanding at the last day of the year <\$100,000



# Focus on: Schedule K – Tax-Exempt Bonds

- **Reporting required in four areas:**
  - General information (issuer name, date, purpose, etc.)
  - Specific uses of proceeds of each issue (proceeds used for capital expenditures, reserve fund, costs of issuance, etc.)
  - Private use:
    - Was property financed by the issue subject to certain types of private use (leases, management or service contracts, research agreements, etc.)?
    - Percentage of bond-financed property subject to private use, broken down between unrelated business taxable income (UBTI) and other types of private use
  - Arbitrage-related matters (guaranteed investment contracts, swaps, rebate compliance)
- **Private use questions will require looking beyond bond transaction or other basic records:**
  - Review uses of property financed or refinanced by post-2002 bond issues and calculate percentage of each issue subject to private use

## Focus on: Schedule L – Transactions with Interested Persons

- **Schedule L consolidates reporting of transactions with “interested persons” (officers, trustees, key and highly compensated employees, substantial contributors):**
  - Loans to and from interested persons
  - Grants or assistance benefiting interested persons
  - Business transaction involving interested persons
  - “Excess benefit transactions”: paying more than fair market value or reasonable compensation
- **Not required to disclose substantial contributor’s name**
- **Reporting thresholds**
  - All excess benefit transactions must be reported
  - Business transactions >\$10,000 or 1% of revenues
  - Aggregated business transactions >\$100,000



# Focus on: Schedule L – Transactions with Interested Persons

- Part I – Excess Benefit Transactions
- Part II – Loans To and From Interested Persons
- Part III – Grants or Other Assistance Benefiting Interested Persons
- Part IV – Business Transactions Involving Interested Persons

# Focus on: Schedule M – Non-Cash Contributions

- **Part I – Types of Property**
  - Type (art, equipment, securities, collectibles, etc.)
  - Number of contributions
  - Revenue reported
  - Method used to determine value
  - Number of donee acknowledgements (Form 8283)
    - Form 8283 is filed by the donor for all contributions over \$500
- **Part II – Supplemental Information (Schedule “O”)**

# Focus on: Schedule N – Liquidation, Termination, Dissolution or Significant Disposition of Assets

- **Part I – Liquidation, Termination or Dissolution**
  - Description of transaction
  - FMV and method of determining
  - Parties involved
  - Interested parties involved
- **Part II – Sale, Exchange or Disposition/Transfer of 25% of the Organization’s Assets**
  - Same information as Part I
- **Part III – Supplemental Information (Schedule “O”)**
- **Schedule N-1 – Continuation Sheet**

## Focus on: Schedule O – Supplemental Information

- **Blank Tablet**
- **Description and Explanation**
  - Organization’s process to review 990 before submission
  - Organization’s policy on making available governing documents, financial statements, conflict of interest policy
- **Many Schedules Have Their Own “Schedule O”**

## Focus on: Schedule R – Related Organizations

- **Schedule R was added to capture the increasingly complex organization structures of tax exempt organizations and improve transparency**
- **The following organizations must be disclosed**
  - Part I - Related disregarded entities
  - Part II - Related tax-exempt organizations
  - Part III - Related and unrelated partnership
  - Part IV - Related taxable corporations or trusts
  - Part V – Unrelated organization taxable as a partnership
- **All organizations must disclose the following for each organization:**
  - Name, address and EIN
  - Primary activity
  - Legal domicile

# Focus on: Schedule R – Related Organizations

- **Additional information for each related organization (based on entity type)**
  - Total income
  - Share of income
  - Share of year end assets
  - Public charity status
  - Type of entity (C, S corp or trust)
- **Transactions with related organizations must be disclosed including (Part V):**
  - Interest, annuities, royalties or rent from controlled entities
  - Gifts, grants or capital contributions
  - Loans or loan guarantees
  - Leases
  - Performance of services, sharing of facilities, equipment, employees
  - Other transfers of cash or property
- **Schedule R-1 – Continuation Sheet**

## How to Prepare Now?

- Note that the new Form 990 applies on the first day of the fiscal year beginning 2008
- Complete Part IV Checklist to Determine Required Schedules
- Identify resources and team to track, monitor and gather information
- Prepare mock-up of Schedule H narratives and review for additional adjustments to practices and procedures
- Make sure charity care, community benefit, bad debt, Medicare shortfall and other data are captured on entity-by-entity basis
- Determine which activities will be included in the community-benefits and community-building schedule and begin preparing now



# How to Prepare Now?

- **Review governance policies and procedures**
  - Assure “yes” answers to policies on:
    - Conflict of interest
    - Whistleblower
    - Document retention/destruction
    - Consistency of affiliate activities and safe guarding exempt status while participating in joint ventures
  - Identify any failure to monitor and enforce compliance with policies and update
  - Applying new independence standard in assessing the **number** of independent directors (excludes: employees, compensated directors, and key employees of vendors)
  - Is the compensation review and approval process structured to qualify for rebuttable presumption for all officers and key employees?



# How to Prepare Now?

- **Review governance policies and procedures - Continued**
  - Maintain contemporaneous minutes for all committee meetings
  - Plan to provide form 990 to Board before filing date; consider Form 990 review process and how it will be explained
  - Consider what information will be made public and be ready to explain any potential controversial disclosures
  - Continue to collect and maintain data on business and family relationships among current officers, directors, trustees, and key employees

# How to Prepare Now?

- **Suggested written policies**
  - Conflict of interest policy for board members, officers, senior staff
    - Procedures to determine whether a relationship, financial interest, or business affiliation results in a conflict of interest
    - Details appropriate response when a conflict is identified
    - Requires annual disclosure of interests
    - Ensures any potential excess-benefit transactions are reviewed and approved
  - Whistleblower policy
    - Procedures for receipt, retention and treatment of employee complaints
  - Document retention and destruction policy
    - Guidelines for maintaining and documenting the storage and destruction of electronic and hard-copy files
    - Backup procedures, archiving documents

# How to Prepare Now?

- **Suggested written policies**
  - Investments and/or joint venture policy
    - Procedures to evaluate relationship with taxable entity and safeguard organization's exempt status
    - Procedures to evaluate any sophisticated/complex investments
  - Gift acceptance policy
    - Review of any non-standard contributions
    - Periodic monitoring/review of state charitable solicitation laws
    - IRS reporting obligations
  - Conservation Easement policy
    - Procedures for periodic monitoring, inspection and enforcement of any conservation easements

# How to Prepare Now?

- **Suggested written policies**
  - Expense reimbursement policy
    - Procedures for payment and/or reimbursement of expenses
  - Executive compensation policy
    - Procedures for establishing compensation for chief executives, officers and key employees
    - Method of board of directors or compensation committee's review and approval of compensation
  - Parent-subordinate consistency policy
    - Procedures to ensure that governing activities of local chapters, branches and/or affiliates are consistent with those of the parent organization
  - Public access policy
    - Procedures surrounding the access of governing documents and financial statements to the public

# How to Prepare Now?

- **Suggested written policies**
  - Grant monitoring policy
    - Procedures for maintaining and monitoring grants and other assistance
  - Charity care policy
    - Details surrounding how the organization will provide free, discounted and charity care
  - Credit and collection policy
    - Procedures documenting the collection practices for patients who are known to qualify for charity care or financial assistance

# Resources

- **Form 990 Resources**

- [www.fdcpa.com/tax/0808taxnews-form-990.htm](http://www.fdcpa.com/tax/0808taxnews-form-990.htm)
- [www.irs.gov/charities](http://www.irs.gov/charities)
- [www.990forhospitals.org](http://www.990forhospitals.org)
- [www.charities.ago.state.ma.us/](http://www.charities.ago.state.ma.us/)
- [www.guidestar.org](http://www.guidestar.org)

# Questions

- Questions
- Comments
- Discussion