



Leveraging Form 990 in Your Organization

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June 6, 2019

Agenda

1 FORM 990 OVERVIEW

- What's a 990?
- What Should We File?
- Schedules, Schedules, and More Schedules!

3 CHARITY WATCHDOGS

4 WRAP-UP & QUESTIONS

2 TOP 5 FORM 990 REVIEWING MUST DO'S

- Part I – 990 Snapshot
- Part III – Program Accomplishments
- Part VI – Governance, Management & Disclosure
- Part VII – BOD Listing/Compensation & Sch J
- Schedules – Sch A, Sch B, Sch L & Sch O



Form 990 Overview

WHAT'S A 990?

- Annual Information Return, not an income tax return (no tax due)
- Public Document (except Schedule B), available for 3 years from date of filing

WHO IS THE INTENDED AUDIENCE?

- General Public
- Potential Donors
- Media
- Employees/Volunteers
- IRS & State Authorities
- Charity Watchdogs

Form 990 Overview

WHAT SHOULD WE FILE? (NOTE: YOU MUST FILE SOMETHING)

- Form 990-N (e-postcard) – Gross Receipts *normally* \$50,000 or less.
Filed online with IRS, very easy to complete
- Form 990-EZ – Gross Receipts < \$200,000, **AND** total end of year assets < \$500,000
More cumbersome than 990-N, but still not a 990
- Form 990 – Gross Receipts > \$200,000 **OR** total end of year assets > \$500,000

NOTE: If nothing filed for 3 consecutive years, tax exemption is automatically revoked!!!

Form 990 Overview

SCHEDULES, SCHEDULES & MORE SCHEDULES!

- Old Form 990 (pre 2008) – Schedules A & B
- New Form 990 (post 2008) – Schedules A-R
 - Schedule A – Public Charity Status & Public Support
 - Schedule B – Schedule of Contributors
 - Schedule J – Compensation Information
 - Schedule L – Transactions with Interested Persons
 - Schedule O – Supplemental Information to Form 990



Form 990

PART I

Summary

- A snapshot summary of financial information (PY vs. CY)
 - Revenue – 990, Part VIII
 - Expenses – 990, Part IX
 - Balance Sheet – 990, Part X
- Brief description of mission or most significant activities (a single sentence or less is ok here)

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PART III

Statement of Program Service Accomplishments

- Description of Organization's Mission
Listing the Organization's official mission statement here as approved by board
- Program Service Accomplishments (lines 4a-4c)
 - All 990 filers must describe their largest program service accomplishments
 - Less than 3 is ok
 - Allows the Organization to "tell their story" to the world (donors, media, etc.)
 - Descriptions should be comprehensive - provide statistical information where applicable (ex. "We provided aid to 14,400 during 20XX" vs. "Aid was provided during 20xx").

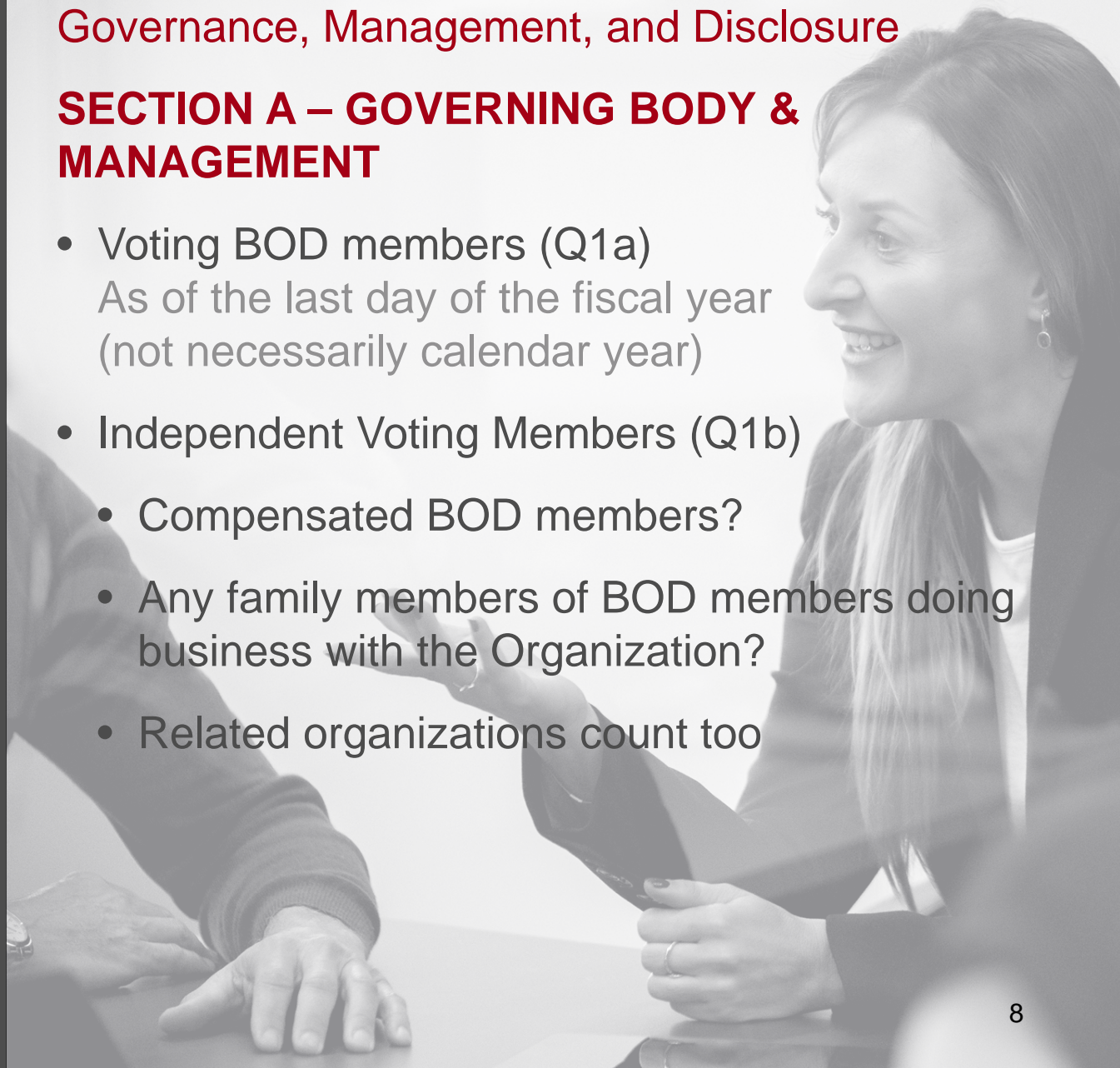


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PART VI

Governance, Management, and Disclosure

SECTION A – GOVERNING BODY & MANAGEMENT

- Voting BOD members (Q1a)
As of the last day of the fiscal year
(not necessarily calendar year)
 - Independent Voting Members (Q1b)
 - Compensated BOD members?
 - Any family members of BOD members doing business with the Organization?
 - Related organizations count too
- 

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PART VI

Governance, Management, and Disclosure

SECTION A – GOVERNING BODY & MANAGEMENT

- Any changes to Bylaws or other governing documents? (Q4)
If yes, must describe significant changes in Sch O
- Any significant diversion (\$250,000) of assets? (Q5)
If yes, must describe significant changes in Sch O
- Membership questions (Q6-7b)
Answers generally come from bylaws, must disclose in Sch O

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PART VI

Governance, Management, and Disclosure

SECTION B – POLICIES

- Q11a – Has the Organization provided a complete copy to all members of governing body before filing?
 - If a redacted copy (no Sch B), answer should be no
 - Question does not ask whether or not reviewed, just if a copy was provided
 - Q11b - Organization must describe on Sch O the 990 review process in specific detail regardless of whether Q11a is yes or no

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PART VI

SECTION B – POLICIES

- Q12a - Conflict of Interest Policy – do you have one?
 - Q12b – Were TDOKE’s required to disclose COI’s annually?
 - Q12c – Organization must describe on Sch O how the Organization consistently monitored and enforced compliance with the COI policy.
- Q15 - Compensation Setting Standards (Intermediate Sanctions)
 - Did CEO (top mgmt. official) process include review/approval by independent persons, comparability data and contemporaneous substantiation of the deliberation & decision? (Q15a)
 - Other officers of the Organization? (Q15b)
 - If yes, must describe the process in Sch O.

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Part VII

Compensation of Officers, Directors, Trustees, Key Employees, & Highest Compensated Employees

(NOTE: Reported on calendar year basis)

SECTION A – TDOKES & HCES

- BOD Members & Officers
 - Must list anyone that served at any point during the year
 - Must list BOD title (Chair, Secretary, Trustee, etc.) & hours per week devoted to Organization as well as related org. hours.
 - Must list any compensation paid to ODTs – no threshold
 - Top management (CEO) and top financial (CFO) officials considered “officers” for 990 reporting

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Part VII

Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees

SECTION A – TDOKES & HCES

- Key Employees (include job title)
 - At least \$150k W2 Box 5 wages
 - Powers similar to ODTs
 - One of the Top 20 Highest paid in the Organization
- 5 Highest Compensated Employees (HCEs) (include job title)
 - Regular employees (not TDOKES)
 - \$100,000 Box 5 W2 threshold

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PART VII

Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees

- Compensation Includes:
 - Amounts reported to employee on Box 5 W2 or I/C 1099-MISC Box 7
 - Any deferred compensation paid by Organization on behalf of the employee (i.e. Employer Match)
 - 401(k)
 - 403(b)
 - 457 plans

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PART VII

Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees

- All Non-taxable benefits
 - Section 125 items: Health Insurance, Vision, Dental, etc.
 - Includes amounts paid by employer on behalf of the employee PLUS amounts paid by the employee before taxes (pre-tax portion).
- If total compensation exceeds \$150,000, Sch J is required.
 - Sch J, Part I – basic compensation questions
 - Sch J, Part II – extensive compensation breakdown for those over \$150,000

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TOP 5 REVIEWING MUST DO'S

ADDITIONAL SCHEDULES TO REVIEW

- Schedule A – Public Charity Status & Public Support
 - Churches (Box 1), Schools (Box 2), & Hospitals (Box 3) just check the box
 - Certain other Organizations must actually complete either Part II or Part III
 - Mathematical computation of Public Support %
 - % must stay above 33.3% in order to remain a public charity
 - Less than 33.3% for 2 consecutive years = loss of public charity status (become a Private Foundation)

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TOP 5 REVIEWING MUST DO'S

ADDITIONAL SCHEDULES TO REVIEW

- Schedule B – Schedule of Contributors
 - Not open to public inspection
- Schedule L – Transactions with Interested Persons
 - Excess Benefit Transactions
 - Loans to/from
 - Grants or Assistance
 - Business Transactions
 - Beware of Transactions with Family Members – consult tax advisors!

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TOP 5 REVIEWING MUST DO'S

ADDITIONAL SCHEDULES TO REVIEW

- Schedule O – Supplemental Information to Form 990/990-EZ
 - Blank lined pages of paper
 - Generally the place where most narratives are written
 - Including overrun from other sections where type did not fit
 - 990 Review narrative
 - COI monitoring & enforcement
 - Compensation setting procedures

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ACCURACY

GUIDESTAR: SEAL OF TRANSPARENCY

- **Bronze:** Org name, contact, address and email, Mission statement, Name of org leader & board chair, Program descriptions, and Geographical service area
- **Silver:** Bronze + Audited financial statements or basic financial info
- **Gold:** Bronze + Silver + Goals, Strategies, Capabilities, Indicators, and Progress
- **Platinum:** B + S + G + Metrics Reporting
- **Website:** <https://www.guidestar.org/>



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ACCURACY

TOP THREE WATCHDOG SITES

- **Charity Navigator:**
<https://www.charitynavigator.org/>
- **Better Business Bureau Wise Giving Alliance:** <http://www.give.org/>
- **Charity Watch:**
<https://www.charitywatch.org/home>



Form 990 ACCURACY

CHARITY WATCH

HOW DOES CHARITY WATCH RATE YOUR ORGANIZATION?

- Program % of total expenses (>75%)
- Cost to Raise \$100.00 (<\$25)

LETTER GRADE: A+ TO F



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ACCURACY

BETTER BUSINESS BUREAU

HOW DOES THE BBB RATE YOUR ORGANIZATION? 20 Standards Across 4 Different Categories

CATEGORY 1: GOVERNANCE AND OVERSIGHT

- Board Oversight
- Board Size - Minimum of 5 members
- Board Meetings – Minimum of 3 evenly spaced meetings
- Board Compensation-No more than 10% of board is compensated.
- Conflict of Interest – No material conflicting interest with the charity.



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ACCURACY

BETTER BUSINESS BUREAU

CATEGORY 2: MEASURING EFFECTIVENESS

- Effectiveness Policy – Assess the organization’s performance at least every two years.
- Effectiveness Report – Submit a report of the Effectiveness assessment to the governing board.

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ACCURACY

BETTER BUSINESS BUREAU

CATEGORY 3: FINANCES

- Program Expenses – 65% of Total Expenses on programs
- Fund Raising Expenses – Spend no more than 35% of related contributions on fund raising
- Accumulating Funds – Avoid accumulating funds that could be used for current program activities.
- Audit Report
- Detailed Expense Breakdown
- Accurate Expense Reporting
- Budget Plan – Board approved budget for each year.



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BETTER BUSINESS BUREAU

CATEGORY 4: FUND RAISING AND INFORMATIONAL MATERIALS

- Accurate Materials
- Annual Report - Summary of accomplishments
- Website Disclosures
- Donor Privacy
- Cause Marketing Disclosures – How does your charity benefit from the sale of goods?
- Complaints – Respond to any complaints filed with the BBB.



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ACCURACY

CHARITY NAVIGATOR

HOW DOES CHARITY NAVIGATOR RATE YOUR ORGANIZATION?

- Financial Health
- Accountability and Transparency



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CHARITY NAVIGATOR

FINANCIAL HEALTH – SEVEN METRICS

Financial Efficiency

- Program Expense Percentage
- Administrative Expense Percentage
- Fundraising Expense Percentage
- Fundraising Efficiency (fundraising expense / total contributions)



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CHARITY NAVIGATOR

FINANCIAL HEALTH – SEVEN METRICS

Financial Capacity

- Program Expense Growth
- Working Capital Ratio
- Liabilities to Assets Ratio



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CHARITY NAVIGATOR

ACCOUNTABILITY AND TRANSPARENCY

- *Accountability* is an obligation or willingness by a charity to explain its actions to its stakeholders.
- *Transparency* is an obligation or willingness by a charity to publish and make available critical data about the organization.

Information is gathered from Form 990 and the Organization's Website.



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CHARITY NAVIGATOR

INFORMATION FROM FORM 990

- Independent Board
- Material Diversion of Assets
- Audited Financial Statements with an Audit Oversight Committee
- Loans to or from related parties
- Documents Board Meeting Minutes
- Conflict of Interest Policy
- Whistleblower Policy
- Record Retention Policies
- CEO Salary & Process to determine compensation



Form 990 ACCURACY

CHARITY NAVIGATOR

INFORMATION FROM YOUR ORGANIZATION'S WEBSITE

- Listing of the Board Members
- Key Staff Listing
- Audited Financial Statements Availability
- Form 990 Availability
- Donor Privacy Policy

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CHARITY NAVIGATOR

CREATING YOUR SCORE

Distance of two component scores from a perfect score.

$$100 - \sqrt{\frac{(100 - \text{Financial})^2 + (100 - \text{A\&T})^2}{2}}$$



≥ 90



70 - 80

0 STARS

< 55



80 - 90



55 - 70



Wrap-Up & Questions

CHECKLISTS

- 990 Review Checklist
- Intermediate Sanctions Compliance Checklist

CONFLICTS OF INTEREST

- Are BOD members disclosing all interests fully?
- Any family members employed by or doing business with the Organization?

QUESTIONS?



Contact Us



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