

Refresher Course on Form 990: Represent Your Organization Accurately & Improve Performance

Are you mindful of that fact that the **Form 990, Return of Organization Exempt from Income Tax**, is a public document? The IRS and regulators are not the only ones inspecting it. Anyone – from the major and potential donors to the media to future employees – can be reading your report to understand what your organization does, your financial performance, and whether your board practices good governance.

Here is a refresher course on key sections of the form to help you 1) make sure that your organization is not only compliant but also represented accurately and fully and 2) plan to improve organizational effectiveness in the coming year.

- **Part I: Summary** – The best place to highlight and communicate your organization’s key financial and operational information as well as mission clearly.
- **Part III: Statement of Program Service Accomplishments** – Leverage this section to describe how you accomplish your mission.
- **Part IV: Checklist of Required Schedules** – Review all “yes” answers in this section to determine if policy changes would be necessary.
- **Part VI: Governance, Management, and Disclosure** – Review all “no” answers in this section – particularly questions 12a, 13, 14, 15a and 15b – to determine whether and how to make improvement.
- **Part VII: Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors** – Ensure and clarify that your organization is classifying and compensating its key personnel appropriately in this section.
- **Part VIII: Statement of Revenue** – Identify and assess the revenue sources. It shows how much of the organization’s support is from public donations, government grants and/or from service income etc. If gross income from a regularly conducted unrelated trade or business is \$1,000 or more, you must use **Form 990-T, Exempt Organization Business Income Tax Return**, instead.
- **Part IX: Statement of Functional Expenses** – Use this section to explain that management, general, and fundraising-related expenses are reasonable and justified against program service expenses. Most granting agencies and private foundations examine this statement to determine how efficient the organization is in carrying out its tax exempt mission.
- **Part X: Balance Sheet** – The information tells the story about your organization’s financial stability. Pay close attention to potential cash flow problems.

As your organization’s filing deadline approaches, please be aware of penalties for late filing and submitting incomplete and/or incorrect information on the return (see below). You may request two – automatic and non-automatic - three-month extensions by filing **Form 8868**. The first extended due date for a calendar-year organization is **August 15th** and the second extended due date is **November 15th**.

- Organizations with gross receipts of **\$1 million or less** – \$20/day; up to \$10,000
- Organizations with gross receipts of **\$1 million or more** – \$100/day; up to \$50,000



If you have any questions or require expert assistance on your organization’s Form 990 preparation, please contact: **Alexis Wong**, Partner, at awong@lvhj.com or 415-905-5426.

[Click here to read more about Alexis Wong.](#)

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