

## Understanding Form 990 (Part 1): Demonstrate Financial Transparency & Effective Governance

Since the release of the newly updated **Form 990, Return of Organization Exempt from Income Tax**, beginning for tax years 2008 and after, the IRS has made various minor changes to both improve and clarify the form and the related schedules.

While the overall format and information required to be disclosed remain unchanged for the 2015 filing year, the tax team at **Lindquist, von Husen & Joyce LLP (LvHJ)** would like to recommend leveraging the preparation of Form 990 – a public document accessible to the general public, donors, and others – as an opportunity for your organization to **streamline internal control and policies** and **demonstrate good governance** as well as to **highlight your mission, achievements, and accomplishments for the year**.

In this issue, we would like to revisit some parts of the return and highlight what areas you should pay close attention to.

### Part I: Summary

- **Objective:** To provide a brief summary of the key information that is presented in the rest of the return.
- **Information to be included:** Your organization's mission and activities, governing body, number of employees and volunteers, unrelated business activities, gross revenues from contributions and program activities, expenses (including employee compensation) total assets and liabilities, and the net assets at the end of the year.
- **Notes:** Each line includes the reference to the part of the return where the reader can find additional information.

### Part III: Statement of Program Service and Accomplishments

- **Objective:** To present your organization's mission and **three most significant program accomplishments during the year**, as measured by the revenues and expenses related to each program.
- **Notes:** You have the opportunity to highlight your organization's mission and describe in detail the success and achievements of your program services during the year.

### Part IV: Checklist of Required Schedules

- **Objective:** To answer nearly 40 questions "Yes" or "No" to clarify details about your organization's operations.
- **Notes:** You need to be prepared to complete an additional schedule for any "Yes" answers you have.

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

- **Objective:** To answer questions regarding your organization's compliance with other required tax filings and statements based on your activities during the year.
- **Notes:** You should be prepared to present proofs of compliance, such as the filing of Form 1099 Information Returns, Form W-2 Wage and Other Tax Statements.

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### Part VI: Governance, Management, and Disclosure

- **Objective:** To provide information regarding the governance and management of your organization (Section A) and whether your organization has certain specific policies in place (Section B).
- **Information to be disclosed:** Whether your organization has the following policies in place: Conflict of interest policy, whistleblower policy, and document retention and destruction policy (Section B, Questions 12 to 15).
- **Notes:** You should review any “No” answers to these particular questions to determine if a particular policy should be implemented in writing and officially to demonstrate good governance practices to the reader of your organization’s return.

▶ **Coming Up Next:**  
**Understanding Form 990 (Part 2)**



If you have any questions regarding how best to prepare your organization’s Form 990, please contact **Joe Huie, Senior Tax Manager** at [jhuie@lvhj.com](mailto:jhuie@lvhj.com) or 415-905-5444.

*[Click here to read more about Joe Huie.](#)*

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