

# Reflecting on the IRS Form 990: What We've Learned and Getting Ready for Next Year

by Jim Traester, LLC, CPA, of Anquillare, Ruocco, Traester and Company

After dealing with the first major revision to the IRS Form 990 (2008 Form used for calendar 2008 and 2009 fiscal year end filers) in over 30 years we can be thankful that the transition is behind us. The new IRS Form 990 involves answering numerous questions, and in many cases provoked thought and discussion as to different situations within the reporting organization and about the various relationships the organization has with others.

The new IRS Form 990 has a number of questions concerning what are being defined as good governance indicators. These questions probe into the procedures the governing Board has with respect to reviewing the IRS Form 990 before it was filed; conflict of interest; whistleblower, document retention and destruction policies; and how compensation for the CEO, Executive Director and other top management salaries were determined among others.

Many organizations were prepared to answer these questions and provided details of their policies and procedures. Others will need more time to get their policies and procedures in place. They will not face penalties per se, but can expect that grantors and donors will be looking for changes in the future.

For the 2009 IRS Form 990 the IRS has provided additional guidance that clarifies some reporting procedures, as well as an updated glossary of terminology that will help to better explain what is required in order to file a complete return. For the 2009 IRS Form 990, certain questions that may not have been applicable can be left blank instead of answering yes or no. The new Form also asks whether the organization was included in a consolidated independently audited financial statement for the year.

The clarifications include that you should only check that your organization's IRS Form 990 was included on another's website if it is an exact reproduction and the schedule of the five highest compensated employees should not include individuals already reported as officers, directors, trustees or key employees. The 2009 IRS Form 990 requires a more detailed breakout of expenses associated with fundraising activities reported on

schedule G. Organizations must include in the return the text of any footnote to their financial statements that report a liability associated with any uncertain tax provisions.

The transition to the new IRS Form 990 brought with it many changes but there is plenty of assistance offered by the IRS, the National Council of Nonprofits, and more. With the passing of the May 17 filing deadline, many small tax-

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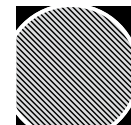


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exempt organizations still have not filed the necessary information. However, IRS Commissioner Doug Shulman comments, "These organizations are vital to communities across the United States, and I understand their concerns about possibly losing their tax-exempt status. ... [T]he IRS will do what it can to help them avoid losing their tax-exempt status. The IRS will be providing additional guidance in the near future on how it will help these organizations maintain their important tax-exempt status – even if they missed the May 17 deadline." Shulman urges these organizations to file even though the deadline has passed.

More information on the changes to IRS Form 990 can be found on the IRS website ([www.irs.gov/charities/index.html](http://www.irs.gov/charities/index.html)), National Council of Nonprofits website ([www.councilofnonprofits.org](http://www.councilofnonprofits.org)), and the finance page of CT Nonprofits' Nonprofit Resource Center ([www.ctnonprofits.org/resources/finance](http://www.ctnonprofits.org/resources/finance)).

*James E. Traester, LLC, CPA, of Anquillare, Ruocco, Traester and Company, specializes in auditing, management services, and third-party reimbursement regulations. Mr. Traester is a consultant to the Connecticut Association of Nonprofits and is active in local civic organizations. He is a Certified Public Accountant in the states of Connecticut, Massachusetts and Pennsylvania, and is a member of the American Institute of Certified Public Accountants (AICPA) and the Connecticut Society of CPAs. Email: [jtraester@artcpas.com](mailto:jtraester@artcpas.com) | Phone: (203) 932-2931 | <http://www.artcpas.com>*



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