

990 (IRS Form) *kit*



The IRS Form 990 – an annual required tax filing – highlights a nonprofit’s mission and compliance with federal regulations. It is your most public document, available online and viewed by potential donors.

KNOW

Above all, a nonprofit board member should understand these four IRS Form 990 concepts:

- ✓ **Public Document:** The Form 990 is your organization's most public financial document and can be viewed by any member of the public. The Form 990 is automatically uploaded to GuideStar.org where the public, including potential donors and funders, review 990s while making funding decisions.
- ✓ **Marketing Tool:** The 990 can be used to market the organization's mission, programs, success and stability. This can include program accomplishments and statistics, volunteer numbers/hours, areas served, etc.
- ✓ **Governance:** The 990 includes a listing of policies and governance best practices. In the context of the Form 990, governance relates to maintaining your exempt purpose, board independence, and certain written policies and procedures.
- ✓ **Compliance & Penalties:** Although a nonprofit does not pay Federal income taxes, annual reporting is mandatory to maintain the nonprofit tax status. There are several legal and financial penalties that can fall on an organization if the Form 990 is not filed on time, is incomplete, or is not filed correctly. If a 990 is not filed for 3 consecutive years, the organization will automatically lose its federal tax-exemption.

KNOW MORE

- ✓ **Speed read your way through a 990 by focusing on 4 pages:**
 - Page 1: Snapshot. Basic information and summary of activities
 - Page 2: Accomplishments. Tell the story of how you are achieving your mission.
 - Pages 3/4: Checklist of required schedules.
 - Page 6: Governance and management. Summary of whether you are following best practices.

Finance Unlocked for Nonprofits (FUN) represents a partnership between Washington Nonprofits and Jacobson Jarvis & Co PLLC.

*For more videos and resources:
www.wanonprofitinstitute.org/finance.
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CERTIFIED PUBLIC ACCOUNTANTS & CO PLLC

- ✓ **There are several 990s available depending on your annual gross receipts and assets:**
 - Gross receipts of \$50,000 or less, e-postcard (990-N)
 - Gross receipts between \$50,000 and \$200,000 and assets less than \$500,000, 990-EZ
 - Larger organizations file the full Form 990.

- ✓ **Your return is due 4 ½ months after your year-end.** Two extensions are possible to 10 ½ months.

- ✓ **If you have revenues unrelated to your organization’s exempt purpose, you may also need to file a 990-T.** Consider income from advertising, parking fees, or subleased space.

- ✓ **Nonprofits pay almost all state and local taxes.**

- ✓ **Nonprofits need to pass an IRS “public support test” to maintain their tax-exempt status as “public charities”** (as opposed to private foundations). One large grant from a foundation could tip an organization away from being at least one-third publicly supported.

PRACTICE

A sample 990 can be found here: <https://www.wanonprofitinstitute.org/finance/>. Use this sample to answer these questions.

1. What was this organization's net income in 2016?
2. How many volunteers did they have?
3. This 990 says that the Howard Foundation made grants of \$150,000 in 2016. On page 2 of this 990, do they do a good job showing the impact of these funds?
4. How many schedules do they need to complete in answer to questions on pages 3-5?
5. Page 6 asks the Howard Foundation to say if they have a number of governance "best practices" in place. From their answers, what do you think they should have put their to-do list for the next year?
6. What impression do you have about the Howard Foundation after reading this 990?

Answers

1. -\$139,720. In other words, they went into their assets by this amount.
2. 150
3. No. They provide very little information about the impact these funds had.
4. All or parts of 7 schedules: A, B, D, I, M, N, and O.
5. They might look at their conflict of interest policies and how well they monitor board disclosure of possible conflicts.
6. It seems like a well-run organization, but they did not list their mission on Page 1 and I do not have a strong opinion of what impact they are making based on the limited descriptions on Page 2.

ASK

Now look at your own organization's IRS Form 990. Ask the same questions and use the **990 Pulse** on page 4 to document your answers. Keep track of your answers over your next few board meetings to see how your answers change over time. These questions fall into these four main categories:

- Filing:** Which form do you need to file? When? Who is responsible for making sure you meet your deadlines?
- Compliance:** Is your organization doing everything it is supposed to be doing to maintain its tax-exempt status?
- Governance:** Is your organization following best practices when it comes to governance?
- Marketing:** What impressions would a donor have after reading your 990?

ACT

These are the 990-related actions that you can take to instill a strong nonprofit finance culture within your organization.

- Review the list of governance practices on Page 6 of the 990. Using this as a guide for best practices, what can your organization do to strengthen its governance practices?
- Review the percentage of public support you are receiving over time. Year-to-year, is your public support percentage of total support declining? Increasing? Make goals around the percentage of public support that would make your organization more sustainable over time.
- Review your gross revenue from unrelated business sources. Do you have more than \$1,000 in these sources? Are you filing a 990-T? Ask whether these activities are pulling you away from your mission.
- Ask your marketing or development staff to review the 990 and provide wording that would resonate with potential funders.
- Review all of the levels of compliance for your organization. Are you required to file an annual report with the Secretary of State Charity Office? Are you required to have a local business license?
- As you think about how your organization can advocate on behalf of your mission, start by knowing how much of your budget comes from public funds. Federal funds or resources cannot be used to influence state or federal legislation, but discretionary funds can be.

990 PULSE

	Key Questions	Date	Date	Date	Date
Filing	Which form do you need to file? When should you file it? Is your return signed and complete? Who will be responsible for making sure you meet your deadlines?				
	Are all appropriate Schedule boxes checked and are the required schedules completed? Did you make a responsible effort to determine board independence ? Are governance documents available for public inspection? Is our representation regarding the following written governance policies accurate: conflict of interest, whistleblower, document retention and destruction? Are all employment, B & O, sales and property tax reports filed and paid? Are we providing a written acknowledgement for gifts over \$250? And disclosing the fair value of any goods or service provided in exchange for a \$75 donation? Any large noncash donation? Has our organization correctly classified employees and independent contractors, and have we filed the required W-2 and 1099s to report their compensation?				
Compliance					

Governance	Are minutes being kept for all board meetings and other authorized meetings?				
	Do board members receive a copy of the 990 prior to its filing?				
Marketing	Do pages 1 & 2 present a comprehensive and accurate picture of the organization and its mission? Is it consistent with our website? Extra: Did you review your Guidestar.org profile and upload additional information where needed?				
Action steps	Make a note of any actions that you are going to take before your next meeting.				

FURTHER RESOURCES

Bolder Advocacy an Initiative of Alliance for Justice. Provides advice on advocacy and the law. <https://bolderadvocacy.org/>

Form 990 Glossary

https://jjco.com/wpcontent/uploads/2016/04/Form_990_Glossary.pdf

Form 990 Review Checklist

<https://jjco.com/wp-content/uploads/2016/04/JJCoForm990ChecklistRevised101514.pdf>

GuideStar <http://www.guidestar.org/Home.aspx>

Independent Contractor Checklist

<https://jjco.com/wp-content/uploads/2016/04/IndependentContractor20FactorChecklist.pdf>

Independence Questionnaire

<https://jjco.com/resources/useful-documents-links/>

IRS Tax Information for Charities & Other Non-Profits

<https://www.irs.gov/charities-non-profits/charitable-organizations>

Jacobson Jarvis: "What Board Members Need to Know About Not-for-Profit Finance and Accounting" <https://jjco.com/resources/jjco-booklets-useful-links/>

Jacobson Jarvis: "What Not-for-Profits Need to Know About Tax Compliance" <https://jjco.com/resources/jjco-booklets-useful-links/>

LaVerne Woods, Esq., Davis Wright Tremaine. "The Public Support Test: What a Grant Seeker Should Know."

http://www.brainerd.org/downloads/Public_Support_Test_Memo.pdf

State and Local Tax Links <https://dor.wa.gov/find-law-or-rule>

Wayfind: Legal & business resources for nonprofits

<http://wayfindlegal.org/tools/>

990 Sample – page 1, 2, and 6

Finance Unlocked for Nonprofits (FUN) was designed to increase nonprofit finance literacy in ways that help board members to grow their mission and protect their assets. It should not be considered as a substitute for professional advice.

JACOBSON JARVIS

Form **990** **Return of Organization Exempt From Income Tax**

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)
 ▶ Do not enter social security numbers on this form as it may be made public.
 ▶ Information about Form 990 and its instructions is at www.irs.gov/form990.

Department of the Treasury Internal Revenue Service

2016
Open to Public Inspection

A For the 2016 calendar year, or tax year beginning **JANUARY 1**, 2016, and ending **DECEMBER 31**, 2016

B Check if applicable:
 Address change
 Name change
 Initial return
 Final return/terminated
 Amended return
 Application pending

C Name of organization: **HOWARD FOUNDATION**
 Doing business as
 Number and street (or P.O. box if mail is not delivered to street address) Room/suite
PO BOX 1674
 City or town, state or province, country, and ZIP or foreign postal code
BELLEVUE, WA 98009

D Employer identification number
91-0123456

E Telephone number
206-499-0884

G Gross receipts \$ **485,000**

F Name and address of principal officer:
HOWARD DONKIN

H(a) Is this a group return for subordinates? Yes No
H(b) Are all subordinates included? Yes No
 If "No," attach a list. (see instructions)

I Tax-exempt status: 501(c)(3) 501(c) () (insert no.) 4947(a)(1) or 527

J Website: ▶

K Form of organization: Corporation Trust Association Other ▶

L Year of formation: **1999**

M State of legal domicile: **WA**

Part I Summary

1 Briefly describe the organization's mission or most significant activities:

2 Check this box if the organization discontinued its operations or disposed of more than 25% of its net assets.

		Prior Year	Current Year
Activities & Governance	3 Number of voting members of the governing body (Part VI, line 1a)	3	10
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	9
	5 Total number of individuals employed in calendar year 2016 (Part V, line 2a)	5	5
	6 Total number of volunteers (estimate if necessary)	6	150
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
	7b Net unrelated business taxable income from Form 990-T, line 34	7b	0
Revenue	8 Contributions and grants (Part VIII, line 1h)	200,000	305,000
	9 Program service revenue (Part VIII, line 2g)	25,000	175,000
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	100	0
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0	2,500
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	225,100	482,500
	Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	75,000
14 Benefits paid to or for members (Part IX, column (A), line 4)		0	0
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)		155,000	438,050
16a Professional fundraising fees (Part IX, column (A), line 11e)		0	0
b Total fundraising expenses (Part IX, column (D), line 25) ▶ 13,420			
17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)		120,000	34,170
18 Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25)	350,000	622,220	
19 Revenue less expenses. Subtract line 18 from line 12	-124,900	-139,720	
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	Beginning of Current Year 309,850	End of Year 364,000
	21 Total liabilities (Part X, line 26)	0	0
	22 Net assets or fund balances. Subtract line 21 from line 20	309,850	364,000

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
 Signature of officer: **HOWARD DONKIN - PRESIDENT** Date: **09/20/2018**

Paid Preparer Use Only
 Print/Type preparer's name: **HOWARD DONKIN** Preparer's signature: **HOWARD DONKIN** Date: **09/20/18** Check if self-employed PTIN:
 Firm's name: **JACOBSON JARVIS & CO. PLLC** Firm's EIN ▶
 Firm's address: **200 FIRST AVE. W, SUITE 200 * SEATTLE, WA 98119-4219** Phone no.: **(206) 628-8990**

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11282Y Form **990** (2016)

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III

1 Briefly describe the organization's mission:
LEADERSHIP TRAINING FOR DISADVANTAGED YOUTH.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No
If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? Yes No
If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses \$ 398,400 including grants of \$ 150,000) (Revenue \$ 175,000)
LEADERSHIP TRAINING FOR DISADVANTAGED YOUTH.

4b (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4c (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4d Other program services (Describe in Schedule O.)
(Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses ▶ 398,400

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions. Check if Schedule O contains a response or note to any line in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year 1a 10		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.		
b	Enter the number of voting members included in line 1a, above, who are independent 1b 9		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? 2		✓
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person? 3		✓
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? 4	✓	
5	Did the organization become aware during the year of a significant diversion of the organization's assets? 5		✓
6	Did the organization have members or stockholders? 6		✓
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? 7a		✓
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? 7b		✓
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a	The governing body? 8a	✓	
b	Each committee with authority to act on behalf of the governing body? 8b	✓	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O 9		✓

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates? 10a		✓
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? 10b		✓
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? 11a	✓	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990.		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13 12a	✓	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? 12b		✓
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done 12c		✓
13	Did the organization have a written whistleblower policy? 13	✓	
14	Did the organization have a written document retention and destruction policy? 14	✓	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official 15a	✓	
b	Other officers or key employees of the organization 15b	✓	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? 16a		✓
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? 16b		

Section C. Disclosure

- 17 List the states with which a copy of this Form 990 is required to be filed ► WASHINGTON
- 18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
 Own website Another's website Upon request Other (explain in Schedule O)
- 19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 20 State the name, address, and telephone number of the person who possesses the organization's books and records: ►
 HOWARD DONKIN