



# 11<sup>th</sup> Annual Nonprofit Governance Symposium

## Winning the Lottery: How to Use Your 990 to Strengthen Your Case for Support

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# AGENDA

- 2014 Tax Reform Discussion Draft
- America Gives More Act of 2014
- Reviewing Your Grantees Form 990



# 2014 Tax Reform Discussion Draft America Gives More Act of 2014

## TAX REFORM DISCUSSION DRAFT

- Released by House Committee on Ways and Means Chairman Dave Camp on February 26, 2014
- Passing unlikely – however – the draft is likely to affect future legislative efforts
- Many TE provisions come from various IRS studies
- Current action by the Senate Finance Committee is uncertain with changes in leadership
- Senator Chuck Grassley is Ambassador of China

## AMERICA GIVES MORE ACT OF 2014

- Approved by the House of Representatives 7/17/14
  - H.R. 4719 and would make permanent/modify various charitable provisions:
    - Contributions qualified conservation easement
    - Tax-free contributions form IRAs for charitable purposes
    - Contributions of food inventory
    - New – Extension of time for making charitable contributions for individuals
    - Private Foundation excise tax rate on investment income 1%



# Reviewing Your Grantees Form 990

# PUBLIC CHARITIES

Section 509(a)(1) - donation revenue

Section 509(a)(2) - program service revenue

Section 509(a)(3) - supporting organizations  
(SO's)



# PUBLIC CHARITIES – CHECKING TAX STATUS OF GRANTEE

- Obtain IRS determination letter
- Checking the [IRS Business Master File](#) (comprehensive tool)
- Confirming charitable status on [IRS Select Check](#) (formerly Publication 78)
- Using a third party (per IRS Rev. Procedure 2011-33)
- Check IRS Internal Revenue Bulletin on IRS.gov publicized weekly, to confirm grantee not listed as losing exempt status

# FORM 990

## Basic structure of the Form:

- 12 pages of the Core Form that each filer must complete.
- 16 schedules reporting various information only required if the NFP conducts such reportable activities.
- A new checklist that shows which schedules the NFP must complete.

# FORM 990

## **Core Form 990** (12 pages)

- **Sch A** – Public Charity Status & Public Support
- **Sch B** – Schedule of Contributors
- **Sch C** – Political Campaign & Lobbying
- **Sch D** – Supplemental Financial Statements
- **Sch E** – Schools
- **Sch F** – Statement of Activities outside the US
- **Sch G** – Supplemental Info on Fundraising or Gaming Activities
- **Sch H** - Hospitals

# FORM 990

- **Sch I** – Supplemental Info on Grants & Other Assistance to Organizations, Government, and Individuals in the US
- **Sch J** – Compensation Information
- **Sch K** – Supplemental Information on Tax Exempt Bonds
- **Sch L** – Transactions with Interested Persons
- **Sch M** – Non-Cash Contributions
- **Sch N** – Liquidation, Termination, Dissolution or Significant Disposition of Assets
- **Sch O** – Supplemental Information to Form 990
- **Sch R** – Related Organizations and Unrelated Partnerships

# FORM 990 (CORE FORM)

- Page 1 “snapshot” of the organization.
  - 1. Brief description of the NFP’s mission and most significant activities
  - 2. Number of voting members (and independent voting members)
  - 3. Gross/net Unrelated trade or business income
  - 4. Prior year data & current year comparison – revenue/expenses
  - 5. Two year comparison - assets, liabilities, and net assets.

# FORM 990 (CORE FORM)

## Page 2, Part III – Statement of Program Service Accomplishments

- 6. Mission statement – approved?
- 7. ***Explain if yes:***
  - Undertake a significant program not listed in last years 990;
  - Cease program or make significant changes to existing
- 8. Three largest programs measured by total expenses

# FORM 990 (CORE FORM)

- Page 3 & 4; Part IV – Checklist of Required Schedules.
- 9. If any responses “yes” is the required schedule attached?
- 10. Transactions with Disqualified Persons (Q: 25, 26, 27).
- 11. Business transactions with ODTK (Q: 28a)
- 12. Family member transactions with organization (Q: 28b)
- 13. Entity of ODTK doing business with the organization (Q: 28c)

# FORM 990 (CORE FORM) PG. 5

- IRS Filings & Tax Compliance –
  - 14. Unrelated Business Gross income?
  - 15. Foreign bank accounts?
  - 16. Prohibited tax shelter?
  - 17. Quid pro quo contributions over \$75? Notification to donor?



## FORM 990 (CORE FORM) PG. 6

- Governance, Management, and Disclosures- read page 6 and Sch O responses to Part VI questions:
  - 18. Independent voting members
  - 19. Relationship among officers – response in Sch O
  - 20. Diversion of assets – response in Sch O
  - 21. Review process of 990, copy to Board
  - 22. Conflict of interest policy
  - 23. Compensation
  - 24. Disclosures

## FORM 990 (CORE FORM) PG. 7, 8

- Board, Officer, Key Employees listing and compensation / Independent Contractors
  - 25. Compensation based on calendar year W-2 or 1099
  - 26. Related party compensation, benefits listed
  - 27. Other compensation / Benefits
  - 28. Top 5 independent contractors paid over 100K

# FORM 990 (CORE FORM) PG. 9-12

- Financial Statement Information
  - 29. Statement of Revenue
  - 30. Statement of Functional Expenses
  - 31. Balance Sheet
  - 32. Reconciliation of Net Assets / Financial Statements and Reporting

# SCH A; B; C

33. Sch A – Type of 501(c)(3)

34. Sch A – Testing % based on 5 year average (cy & py)

Sch B – Schedule of Contributors

- Reported on org's method of accounting.
- Donor name/address not included with public disclosure (is required for PF)

Sch C – Political Campaign & Lobbying Activity

# SCH D; E; F

- **35. Sch D – Potpourri Supplemental to Financial Statements**
  - Text of financial statement footnote - liability for uncertain tax positions under ASC 740-10 /FIN 48.
- **36. Sch D – Reconciliation to Audited Financial Statements**
- **Sch E – Schools**
- **37. Sch F – Activities Outside the US**
  - For safety and security reasons; list activities by region (not country)
  - Maintain records: amount awarded, eligibility, selection criteria?
  - ***Describe*** procedures monitoring use of funds

## SCH G; H

- Sch G – Fundraising / Gaming
  - Details of fundraising individuals and entities – Part I (reimbursement of expenses per contract? **Describe** in Sch O)
  - Split of “events” from “gaming” – Part II & III
  - Details of gaming – Part III
- Sch H – Hospitals- attach copy of audited financial statements to 990, very regulated and much disclosure.

## SCH I, J, & K

- 38. Sch I – Grants to organizations, governments, and individuals in the US
  - Maintain records: amount awarded, eligibility, selection criteria?
  - **Describe** procedures monitoring use of funds
- 39. Sch J – Compensation: procedures to establish comp for CEO/ED
- 40. Sch J – Dissecting Compensation components (total over 150K)
- 41. Sch K – Tax Exempt Bonds –
  - Principal > 100K; issued after 12/31/02
  - Various questions on written policies records specific to bond compliance

## SCH L, M, N,

- 42. Sch L - Excess benefit transaction (insider got > FMV)
- 42. Sch L - Transactions with “interested persons”
  - Excess benefit
  - Loans to & from
  - Grants or assistance benefiting IPs
  - Business transactions
- 43. Sch M – Gift acceptance policy Noncash Contributions
- Sch N – Liquidation, Termination, Dissolution , or Significant Disposition of Assets
- Sch O – Opportunity Schedule – narratives here, recommend review



- Sch R – Related Organizations and Unrelated Partnerships.
  - Detail of disregarded entities (Part I)
  - Detail of related tax-exempt organizations (Part II)
  - Detail of partnerships (Part III) and corporations (Part IV) regardless of % ownership
  - Transactions with related organizations (Part V)
  - > 5% activity conducted through unrelated partnerships (Part VI)

## PRESENTER INFORMATION:

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