

MaherDuessel

Pursuing the profession while promoting the public good®

www.md-cpas.com

990 Common Errors

KATIE L. YATES, CPA

SENIOR MANAGER

JENNIFER L. CROFT, CPA

MANAGER

July 19, 2022

Form 990

- ❑ Annual information return required to be filed with the IRS by most organizations exempt from income tax under section 501(a), and certain political organizations and nonexempt charitable trusts.
- ❑ Parts I through XII of the form must be completed by all filing organizations and require reporting on the organization's exempt and other activities, finances, governance, compliance with certain federal tax filings and requirements, and compensation paid to certain persons.

Form 990

- ❑ Additional schedules are required to be completed depending upon the activities and type of the organization.
- ❑ By completing Part IV, the organization determines which schedules are required.
- ❑ The entire Form 990 filed with the IRS, except for certain contributor information on Schedule B, is required to be made available to the public by the IRS and the filing organization.

990 Schedules

- A – Public Charity Status and Public Support
- B – Schedule of Contributors
- C – Political Campaign and Lobbying Activities
- D – Supplemental Financial Statements
- E – Schools
- F – Statement of Activities Outside the United States
- G – Supplemental Information Regarding Fundraising or Gaming Activities
- H – Hospitals
- I – Grants and Other Assistance to Organizations, Governments, and Individuals in the United States
- J – Compensation Information
- K – Supplemental Information on Tax-Exempt Bonds
- L – Transactions with Interested Persons
- M – Noncash Contributions
- N – Liquidation, Termination, Dissolution, or Significant Disposition of Assets
- O – Supplemental Information
- R – Related Organizations and Unrelated Partnerships

History of the Form 990

- ❑ The first 990 was filed for tax years ending in 1941.
- ❑ It was a simple two-page form that included only three yes/no questions, an income statement, and a balance sheet.
- ❑ It required a schedule with the names and addresses of employees paid a salary of at least \$4,000 during the year and a schedule of donors who gave at least \$4,000 during the year.

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 1. If an Organization has more than \$50,000 but less than \$200,000 in gross receipts, and less than \$500,000 in total assets, what form are they required to file?

Filing Requirements

- ❑ **Form 990-N** Gross receipts \leq \$50,000
- ❑ **Form 990-EZ or Form 990** Gross receipts $<$ \$200,000, and total assets $<$ \$500,000
- ❑ **Form 990** Gross receipts \geq \$200,000 or total assets \geq \$500,000
- ❑ **Form 990-PF** Private foundation

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 2. The individual signing the Form 990 must be an Officer during the period covered by the Form 990.

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 3. The number of Board members reported on line 3 should agree to the total reported on the Board list reported on Part VII.

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 4. What is true about reporting the number of independent voting members?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 5. For the purpose of reporting independent voting members of the governing body on line 4, who is not considered to be independent?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 6. The Board list should only contain individuals on the Board as of year-end.

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 7. Sara was the President of the Board of Directors from January 2020-November 2020 at which point Chelsea took over the position for December 2020. On the 2020 Form 990 Board list, who should be listed as the President?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 8. Who is included in the following line:

Helpful Tips

- ❑ Ensure the Board members review the checklists in Part IV
- ❑ Ensure the Board members are reviewing the Board list to verify that it is all inclusive

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 9. How are the Organization's 3 largest program services determined?

Three Largest Program Services

- ❑ Determined based on total expenses incurred
- ❑ Do not include donated services, materials, equipment, or facilities in the calculation
- ❑ If the client determines a program to be important enough to breakout but it is not calculating as one of the three largest programs, an explanation of the program can be provided on Schedule O

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 10. What should be included in the Program Service Accomplishments for the three largest programs?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 11. On the Statement of Program Service Accomplishments, the grants line (noted below) should include:

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 12. On the Statement of Program Service Accomplishments, the revenue line (noted below) should include:

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 13. Donated services and facilities should be reported on line 1g of the Statement of Revenue (Noncash contributions).

Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: 14. Where should direct special event expense
be reported?**

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 15. The IRS considers it a “red flag” when an Organization has contribution revenue but has no fundraising expense.

Fundraising Expenses

- ❑ From the IRS perspective, it is next to impossible to generate contribution revenue without incurring some amount of fundraising expenses
- ❑ If you are showing contribution revenue with no fundraising expenses, identify potential mitigating factors that can be disclosed on Schedule O
 - Most fundraising expenses are special events expenses (which are shown net of special event revenue on the Statement of Revenues)
 - Most contributions are from governmental grants
 - Nonprofit is still in the “start-up” phase or in early stages of the capital campaign

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 16. When is the PPP loan recorded as revenue?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 17. What line is the PPP loan revenue recorded on?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 18. When entering revenue on line 11 of the Statement of Revenues, it is best to avoid the term “miscellaneous” or “other.”

Part VIII Column B: Related or Exempt Function Revenue

(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512–514
----------------------	---	-----------------------------------	---

- All revenue from activities substantially related to the organization’s exempt purposes
 - Note: Use of revenue for the organization’s exempt purpose does not make the activity that produced the income substantially related to the organization’s exempt purpose.
 - Example: Interest income on investments may be used to further the organization’s purpose, but the revenue is not considered to be related or exempt function revenue as that was not the intended purpose.

Part VIII Column C: Unrelated Business Revenue

(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512–514
-----------------------------	---	---	--

- Unrelated business revenue received from an unrelated trade or business
 - Exception: If the revenue is reportable on Part VIII, column D (see next slide).

Part VIII Column D: Revenue Excluded from Tax Under Sections 512-514

(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
-----------------------------	---	---	--

- Any revenues excludable from unrelated business income by Section 512, 513, or 514
 - revenue from the sale of assets
 - interest (unless debt-financed)
 - receipts from bingo games

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 19. Form 990, Part IV, Line 10: An Organization should check “yes”, they did hold assets in donor-restricted endowments, if:

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 20. On the Statement of Functional Expenses, compensation of current officers, directors, trustees, and key employees include all the following, except:

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 21. If the Organization holds publicly traded stock that comprises more than 5% of the Organization's total assets, where is the stock reported on the balance sheet?

Investments

- ❑ Line 11 – Investments – Publicly traded securities
 - Common and preferred stock
 - Bonds
 - Mutual fund shares that are regularly traded

- ❑ Line 12 – Investments – other securities
 - Publicly traded securities for which the organization owns 5% or more of the corporation
 - Publicly traded stock that comprises 5% or more of the organization’s total assets
 - Stocks that are not widely traded

- ❑ Line 13 – Investments – program-related
 - Investments made primarily to accomplish the organization’s exempt purposes rather than to produce income (ex: scholarships)

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 22. Regarding question 21 above, an Organization made two \$4,000 grants to 2 separate domestic organizations. As grants to domestic organizations totaled \$8,000, the Organization should select “yes”.

Grants to Domestic Organizations

- ❑ Organizations should only select “yes” to question 21 if there were individual grants greater than \$5,000
- ❑ All individual grants greater than \$5,000 will be entered on Schedule I
- ❑ Do not report grants or other assistance provided to domestic organizations or governments for the purpose of providing grants or other assistance to designated foreign organizations or individuals
- ❑ If 2 grants below \$5,000 are given to the same domestic organization and the total exceeds \$5,000, that organization will be entered on Schedule I

Part II **Grants and Other Assistance to Domestic Organizations and Domestic Governments.** Complete if the organization answered “Yes” on Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section (if applicable)	(d) Amount of cash grant	(e) Amount of noncash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of noncash assistance	(h) Purpose of grant or assistance
(1) -----							

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 23. Regarding question 4 above, what would be considered a significant change to governing documents?

Significant Changes to Governing Documents

- ❑ Required to report significant changes within organizing documents, bylaws, articles of incorporation, etc.
- ❑ Significant changes should be reported on Schedule O.
- ❑ Do not report changes that are made through adoption of resolutions by the governing body.
- ❑ Examples:
 - Exempt purpose or mission
 - Organization's name
 - Number, composition, qualifications, authority, or duties of the governing body's voting members, officers, or key employees
 - Role of stockholders or membership in governance
 - Distribution of assets upon dissolution
 - Provisions to amend organizing or enabling document or bylaws
 - Quorum, voting rights, or voting approval requirements of the governing body members or the organization's stockholders or membership
 - Policies or procedures/composition or procedures contained within governing documents

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 24. Is an Organization's Form 990 made available to the public?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 25. Who is required to file Schedule A?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 26. On Schedule A, an Organization is required to check their reason for public charity status. Which is not a reason that an Organization can be considered a public charity?

Schedule A, Public Charity Status and Public Support

- Reason for public charity status
 - Can only choose one box; however, if an organization believes there is more than one reason why it is a public charity, it can explain the other reason(s) it qualifies for public charity status in Part VI, Supplemental Information.
 - Can be the same as stated in the organization's tax-exempt determination letter from the IRS, or it can be different.
 - Although not required, an organization may submit a request to the IRS for a determination letter confirming that it qualifies for the new public charity status if the organization wants the IRS records to reflect the new status.

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 27. What percentage of public support does an Organization need to continue to be considered a publicly supported organization?

Schedule A, Public Charity Status and Public Support

☐ Public Support Test

- 509(a)(1) and 170(b)(1)(A)(vi)
 - 33 1/3% or more of an organization's total support must come from governmental agencies, contributions from the general public, and contributions/grants from other public charities, OR
 - 10% or more of its total support must come from governmental agencies, contributions from the general public, and contributions/grants from other public charities AND the facts and circumstances indicate it is a publicly supported organization.
- 509(a)(2)
 - More than 33 1/3% of its support normally must come from gifts, grants, contributions, membership fees, and gross receipts from admissions, sales of merchandise, performance of services.

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 28. What donor information is required to be disclosed on Schedule B for a cash contribution?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 29. What basis of accounting should an Organization use when preparing Schedule B?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 30. Where should net unrealized gains on investments be reported on the 990?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 31. If an Organization had expenses for professional fundraising services, are these required to be reported on the 990?

Schedule G, Supplemental Information Regarding Fundraising or Gaming Activities

- Professional Fundraising Services:
 - “Services performed for the organization requiring the exercise of professional judgment or discretion consisting of planning, management, preparation of materials (such as direct mail solicitation packages and applications for grants or other assistance), provision of advice and consulting regarding solicitation of contributions, and direct solicitation of contributions, such as soliciting restricted or unrestricted grants to provide services to the general public.”

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 32. How much in fundraising event revenue must an Organization report on their 990 to be required to complete Schedule G?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 33. For an Organization's current officers, directors, trustees, key employees, and five highest compensated employees, at what amount must their compensation be reported on Schedule J?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 34. Questions in Schedule J should pertain to activity during with year of the Organization?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 35. For purposes of Schedule L, an interested person is:

Schedule L, Transactions with Interested Persons

- For purposes of Schedule L, Parts II-IV, an interested person is one of the following:
 - A current or former officer, director, trustee, or key employee
 - The creator or founder of the organization
 - A substantial contributor
 - A member of the organization's grant selection committee (Part III only)
 - A family member of any individual described above
 - A 35% controlled entity of one more individuals and/or organizations described above
 - An employee (or a child of an employee) of a substantial contributor or of a 35% controlled entity of such person (Part III only)

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 36. Schedule M should report all types of noncash contributions received during the year by an Organization, including donations of services, and donated use of facilities, equipment or materials donated.

Schedule M, Noncash Contributions

- Noncash contributions:
 - “Stocks, bonds, and other securities; real estate; works of art; stamps, coins, and other collectibles; clothing and household goods; vehicles, boats, and airplanes; inventories of food, medical equipment or supplies, books or seeds; intellectual property, including patents, trademarks, copyrights, and trade secrets; donated items that are sold immediately after donation, such as publicly traded stock or used cars; and items donated for sales at a charity auction. Noncash contributions don’t include volunteer services performed for the reporting organization or donated use of materials, facilities, or equipment.”

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 37. Which of these donated items should be reported on Schedule M?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 38. Can Schedule O be used to supplement responses to questions in other schedules of the Form 990?

Schedule R, Related Organizations and Unrelated Partnerships

□ Related Organizations:

- “An organization, including a nonprofit organization, a stock corporation, a partnership or LLC, a trust, and a governmental unit or other government entity, that stands in one or more of the following relationships to the filing organization at any time during the tax year.”
 - Parent
 - Subsidiary
 - Brother/Sister
 - Supporting/Supported

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: 39. The IRS defines control of a nonprofit Organization as it relates to the 990 as one or more persons (whether individuals or organizations) having the power to remove and replace a majority of the Organization's directors/trustees.

Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: 40. How many 990's were filed in calendar year
2021?**

Questions? Contact Me!



Katie Yates, CPA

Senior Manager

kyates@md-cpas.com



Jennifer Croft, CPA

Manager

jcroft@md-cpas.com