

# Form 990 Tips and Tricks

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CPAs & ADVISORS

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# Presenters

*Meet the Instructors*

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**Top 25 Accounting Firms**
- Accounting Today's  
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# Agenda

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- Why Form 990 is important
- What Form 990 do I file?
- “Core” Form 990 review of issues
- Review of select schedule/issues
- Link to form in chat



# Why Is Form 990 Important?

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- Form 990 is a public document that is readily accessible by potential donors, detractors, regulators (e.g. State AGs) and reporters/bloggers
- IRS uses over 200 “data points” to identify potential issues
- Reputational Risk – biggest asset an organization may not be on its balance sheet – its good name and reputation
- Potential donors may view Form 990 and draw conclusions about the organization without ever contacting you.

# What Form 990 Do I File?

Status	Form to File	Instructions
Gross receipts normally $\leq$ \$50,000 <b>Note:</b> Organizations <u>eligible</u> to file the <i>e-Postcard</i> <u>may choose to file a full return</u>	<a href="#">990-N</a>	<a href="#">User Guide for Form 990-N</a> PDF
Gross receipts $<$ \$200,000, and Total assets $<$ \$500,000	<a href="#">990-EZ</a> PDF or <a href="#">990</a> PDF	<a href="#">Instructions</a> PDF
Gross receipts $\geq$ \$200,000, or Total assets $\geq$ \$500,000	<a href="#">990</a> PDF	<a href="#">Instructions</a> PDF
Private foundation - regardless of financial status	<a href="#">990-PF</a> PDF	

# Core Form 990

- Part I, page 1
  - Summary of information found elsewhere in Form 990
  - Brief description of organization's mission
  - State of legal domicile
  - Number of volunteers
  - Gross and net UBI



# Core Form 990

- Part III, page 2
  - Description of Mission
  - New or discontinued programs
  - Top 3 (by expenses) programs and description of activities during the year (for 501(c)(3)s and 501(c)(4)s)
    - Important to update (especially in light of COVID) for current year activities
    - Emphasize impact
    - How much is too much or too little?





# Core Form 990



- Part IV, pages 3-4
  - Every “Yes” leads to completion of an additional schedule (or part thereof)
  - Schedule A (question 1) public support test
  - Schedule B (question 2)
  - Lobbying/political (questions 3-5)
  - Financial statement questions (Schedule D) questions 6-12
  - Foreign Activities (Schedule F) questions 14-16
  - Fundraising (Schedule G) questions 17-18
  - Domestic Grants (Schedule I) questions 21-22
  - Compensation (Schedule J) questions 23

# Core Form 990

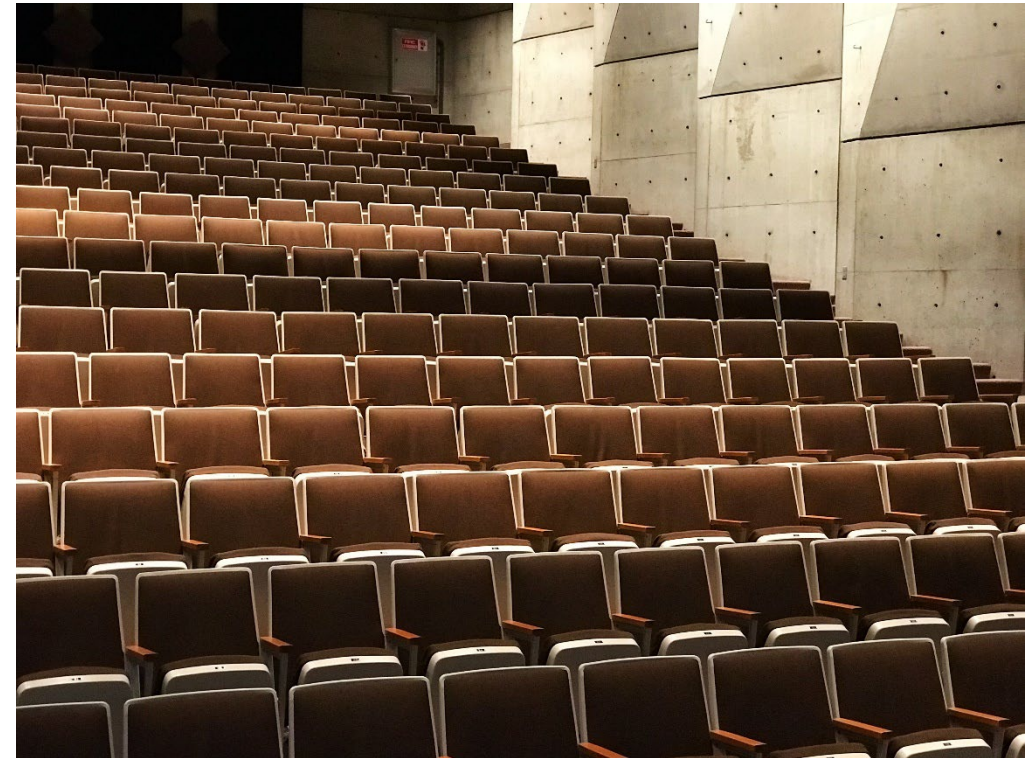
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- Part IV, pages 3-4
  - Tax-Exempt Bonds (question 24) Schedule K
  - Transactions with “insiders” (questions 25-28) Schedule L
  - Non-cash contributions (question 29) Schedule M
  - Dissolve or dispose of more than 25% of net assets (question 31-32)  
Schedule N
  - Transactions with Related Organizations (questions 33-37) Schedule R

# Core Form 990

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- Part V, page 5 -Other IRS Filing and Compliance issues
  - W-2s/1099s
  - Form 990-T
  - Foreign Bank Accounts
  - Excise Tax on compensation over \$1 million
  - My favorite – indoor tanning services!



# Core Form 990

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- Part VI, page 6 –Governance, Management and Disclosure
  - Governance and Management
    - Independent Board members
    - Relationships among ODTKE
    - Delegation of management
    - Significant changes to by-laws
    - Diversion of Assets



# Core Form 990

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- Part VI, page 6 –Governance, Management and Disclosure
  - Policies
    - Form 990 Review
    - COI, Whistleblower and Document Retention/Destruction
    - Compensation Establishment and Review
- Disclosure
  - State filings
  - Form 990 access

# Core Form 990

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- Part VII, page 7 – Compensation
  - ODTKEs and HCEs
    - Now disclose based on level of compensation rather than “status”
    - Related organization compensation disclosure
    - Determination of ODTKE and HCE
    - Former status
    - Tie in with Schedule J

# Core Form 990

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- Part VII, Section B, page 8 –Independent Contractors
  - Greater than \$100,000
    - Calendar Year basis
    - Who to report/not report



# Core Form 990

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- Part VIII, IX and X – Revenue, Functional Expense and Balance Sheet
  - Revenue and Expense – tie into Schedule D reconciliation
  - Balance Sheet – ties to “stand alone” financials
- Part XI and XII



# Schedule A

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- IV, Line 1 – Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)?
  - Schedule A issues
    - 509(a)(1) vs 509(a)(2)
    - Special Events reporting
    - UBI – net or siloed

# Schedule B

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- IV, Line 2 – is the organization required to complete Schedule B, Schedule of Contributors?
- Schedule B issues
  - IRS disclosure requirements
  - State (e.g. CA and NY) requirements



# Schedule C

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- IV, Line 3 – Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office?
- IV, Line 4 – 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year?
- IV, Line 5 – is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts?

# Schedule C

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- Schedule C issues
  - Political activities
    - 501(c)(3)
    - Other 501(c)s
    - Payments to PACs – grants reported on Schedule I
    - Payments to PACs – Admin expenses
    - Payments to PACs – collected on behalf of PAC and turned over

# Schedule D

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- IV, Lines 6-12
- Schedule D issues
  - Endowments – what meets the definition?
  - Schedule D reconciliation
    - When required or suggested
    - Consolidated financials – starting book income and expense



# Schedule F

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- IV, Line 14a – Did the organization maintain an office, employees, or agents outside of the US?
- IV, Line 14b – Did the organization have aggregate revenue or expenses of more than \$10,000 from grantmaking, fundraising, business investment, and program service activities outside the US?
- IV, Line 15 – Did the organization report on Part IX, Line 3, more than \$5,000 of grants or other assistance to any foreign organizations?
- IV, Line 16 – Did the organization report on Part IX, Line 3, more than \$5,000 of aggregate grants or other assistance to foreign individuals?
- Schedule F issues
  - What are foreign Activities
    - Grants
    - Programmatic expenses
    - Investments

# Schedule G

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- IV, Line 17 – Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, Lines 66 and 11e?
- IV, Line 18 – Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, Lines 1c and 8a?
- IV, Line 19 – Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, Line 9a?
- Schedule G issues
  - What are professional fundraising services?
  - What is fundraising event gross income

# Schedule I

- IV, Line 21 – Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, Line 1?
- IV, Line 22 – Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, Line 2?
- Schedule I issues
  - When it is/is not required





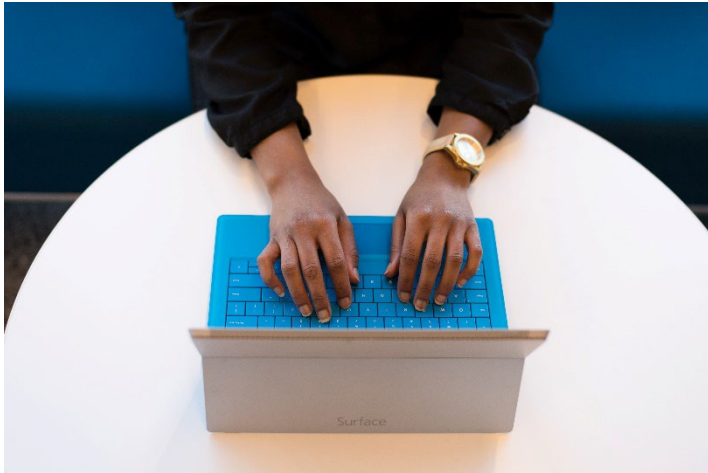
# Schedule J

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- IV, Line 23 – Did the organization answer “yes” to Part VII, Section A, Line 3, 4, or 5
  - VII, Line 3 – Did the organization list and former officer, director, trustee, KE, or HCE on Line 1a?
  - VII, Line 4 – For any individual listed on Line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000?
  - VII, Line 5 – Did any person listed on Line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization?
- Schedule J issues
  - Types of compensation paid
  - Written contract?
  - Nonqualified deferred compensation
  - Bonus payments

# Schedule L

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- IV, Lines 25-28
- IV, Line 28 – Was the organization a party to a business transaction with one of the following parties?
  - a) a current or former officer, director, trustee, KE, creator or founder, or substantial contributor?
  - b) a family member of any individual described in line 28a?
  - c) a 35% controlled entity of one or more individuals and/or organizations described in lines 28a or 28b?

# Schedule L

- Part IV, Line 25a Did the organization engage in an excess benefit transaction with a DQP during the year?
  - File 4720
  - How much to report?
  - When to report?
- Grants
- Loans



# Schedule M

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- IV, Line 29 – Did the organization receive more than \$25,000 in non-cash contributions?
- IV, Line 30 – Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions?
- Schedule M issues
  - Disconnect between Part VIII and Schedule M for pledges fulfilled with stock/other property
  - Form 8282

# Schedule N

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- IV, Line 31 – Did the organization liquidate, terminate, or dissolve and cease operations?
- IV, Line 32 – Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets?
- Schedule N issues
  - When it is required
  - Practical issues with dissolution

# Schedule R

- IV, Line 33 – Did the organization own 100% of an entity disregarded as separate from the organization?
- IV, Line 34 – Was the organization related to any tax-exempt or taxable entity?
- IV, Line 35 – Did the organization have a controlled entity?
- Schedule R issues
  - When it is required



# Questions?

*Contact Us*

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