



Finance Unlocked for Nonprofits

Nine-Ninety (IRS Form 990)

Speakers: Val Thomas-Matson, Executive Producer of Look, Listen and Learn TV, and Jennifer Chang, Director of Learning at Nonprofit Association of Washington

00:00:00 Video description: *Finance Unlocked for Nonprofits. A video of a padlock that opens when the third number in the combination, 3 Nine-Ninety, is entered. The animation fades to black, and videos of the speakers fade in side by side with Val on the right, Jennifer on the left. Val is an African American woman wearing a light blue cowl neck blouse. She is sitting in her home office. Jennifer is a light-skinned, multiracial woman with long dark brown hair. She is wearing a navy blue shirt, and behind her is a light blue curtain.*

00:00:09 Val: Hi, welcome to the Finance Unlocked for Nonprofits video series. We're here to talk about the IRS Form 990. So Jennifer, what is a Form 990?

Video description: *The FUN padlock appears at the bottom of the screen with the speaker's name, Val Thomas-Matson, under the video.*

00:00:22 Jennifer: The Form 990, which is filed annually, is used to ensure exempt organizations abide by tax laws. Unlike other tax returns, the main purpose of this form is not to calculate taxes owed but rather to provide the IRS and public details about a nonprofit's programs, activities, governance, and policies as well as revenues, expenses, and assets.

Video description: *The FUN padlock appears at the bottom of the screen with the speaker's name, Jennifer Chang, under the video.*

There are several Form 990 formats available depending on your nonprofit's annual gross receipts and assets. So smaller organizations may be able to complete an e-postcard or an EZ form, while bigger organizations will have the full Form 990 to complete.

00:01:06 Val: If your nonprofit has staff, is this something they can just fill out and submit?

00:01:12 Jennifer: Well, it can be more complicated than that, and having a Certified Public Accountant complete the Form 990 can be a good idea.

The board actually has a role in this too. It's important for the board to know if the organization is filing the Form 990 correctly and on time, because there are legal and financial penalties that can fall on a nonprofit when the form is not filed on time, is incomplete, or is not filed correctly.

In the worst-case scenario, a nonprofit can lose their tax-exempt status.

00:01:46 Val: Well, that is something we definitely want to avoid. So, you fill out the form, submit it to the IRS, and then it becomes a public document. Is that right?

00:01:55 Jennifer: That's right. 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 Candid's GuideStar, where the public, including potential donors and funders, may review your organization's Form 990. You should check out your nonprofit's profile on GuideStar and upload any additional information you feel is lacking.

00:02:21 Val: Wow, I'm going to check that out. With the Form 990 being such a public document, can nonprofit's use the form to share other information or is it just for financials?

00:02:33 Jennifer: That's a great question, Val. The Form 990 can be a useful marketing tool to share your organization's mission, program accomplishments, successes, and financial stability.

Contrary to what you might think about a tax form, there's a lot of space to talk about your nonprofit's mission and accomplishments. It can be a good idea to invite

your communications, marketing, or developing staff to review the Form 990 and provide wording that may resonate with potential donors and funders.

00: 03:03 Val: When you started to explain the Form 990, I believe you mentioned governance. Can you say more about that?

00:03:10 Jennifer: In the context of the Form 990, governance relates to maintaining a nonprofit's exempt purpose, board independence, and certain written policies and procedures.

There is actually a section of the form on governance, management, and disclosure. This section provides a summary list of best governance and management practices. Whether you're filling out the full Form 990 or not, this is a valuable list for any nonprofit to review and ensure their practices are in alignment. Some of the things you'll find on the list include a document retention and destruction policy, conflict of interest policy, and whistleblower policy.

There's also a question about whether all board members received and reviewed a complete copy of the Form 990 before it was filed. So again, there is another board member role – reviewing the Form 990 before filing.

00:04:05 Val: Okay, say I'm board member reviewing our Form 990 and I notice there are a couple policies we don't have in place currently. Is this a big deal?

00:04:16 Jennifer: Don't stress too much, the IRS has said that checking no on some of these governance questions doesn't mean they're going to come knocking on your door.

If you are checking no on some of the governance items, this is an opportunity for board discussion. These are areas for growth and items the organization may decide to take action on within the next year or so.

00:04:38 Val: That's good to note, the governance section can serve as a kind of guide for the organization's future. However, as a board member, this form sounds a bit daunting.

00:04:49 Jennifer: Yes, I get that. Reviewing the Form 990 comes across the board table once a year. To help board members, there are a couple items in the Nine-Ninety chapter of the Finance Unlocked for Nonprofits guide that I want to highlight. There is a quick review section to help you get acquainted with key parts of the form, a short worksheet, and guiding questions to support your review.

00:05:11 Val: Thank you, Jennifer; I'll certainly remember that the Form 990 is a nonprofit's most public financial document. Board members have a role in completing this form, and in the process, it's a good opportunity to share about a nonprofit's accomplishments.

Join us for the next video in the series on giving.

00:05:33 Video description: *The videos of the speakers fade to white. Finance Unlocked for Nonprofits. The FUN padlock with a combination 1 Balance sheet, 2 Income Statement, 3 Nine-Ninety, 4 Giving, 5 Oversight. When the combination is entered, the lock opens.*

Nonprofit Association of Washington, Jacobson Jarvis & CO PLLC Certified Public Accountants, In partnership with Washington Secretary of State Corporation & Charities Division.

nonprofitwa.org/learn

00:05:51 Video description: *The screen fades to black. 3 Choices Creative Communications. 3greatchoices.com.*