



Nine-Ninety (IRS Form 990)

CHAPTER OUTLINE

1. What is the IRS Form 990?
 - A. Quick Review of Key Parts
 2. What do I need to know about the IRS Form 990?
 3. Reporting in Washington State
- Chapter 3 Summary: Nine-Ninety (IRS Form 990)
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INTRODUCTION

A nonprofit's most public document is their IRS Form 990. The Form 990 is readily available on the internet to any member of the public for review including potential funders. A properly filed form can show how your organization is operated, how it is compliant with applicable tax laws, how it is governed and managed, as well as highlight program accomplishments.

1. WHAT IS THE IRS FORM 990?

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 the 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. In the context of the Form 990, governance relates to maintaining a nonprofit's exempt purpose, board independence, and certain written policies and procedures. The Form 990 includes a list of policies and governance best practices.

The Form 990 is automatically uploaded to [Candid's GuideStar](https://www.candid.com/guidestar), where the public, including potential donors and funders, may review an organization's Form 990 while making funding decisions. In addition,

the Taxpayer First Act requires the IRS to make e-filed returns available in a “machine-readable” format, creating even greater access to these documents.

Since the Form 990 is such a public document, the form can serve as a marketing tool for nonprofits. An organization can feature their mission, programs, successes, and financial stability all through the Form 990. Information captured in the form may include program accomplishments and statistics, volunteer numbers and hours, areas served, and much more.

IRS Form 990 Series: Available Formats & Important Reminders

There are several Form 990 formats available depending on your nonprofit’s annual gross receipts and assets.

- **Form 990-N, Electronic Notice (e-postcard):** Gross receipts of \$50,000 or less
- **Form 990-EZ:** Gross receipts between \$50,000 and \$200,000 **and** assets less than \$500,000
- **Form 990:** Larger organizations file the full form

Other forms to be aware of include the Form 990-T and Form 990-PF.

- **Form 990-T:** If you have revenues unrelated to your organization’s exempt purpose, you may also need to file a Form 990-T. Examples of revenues that could be considered unrelated business income include advertising, parking fees, or subleased space.
- **Form 990-PF:** This form is specific to private foundations

Important Reminders:

Regardless of the Form 990 format your nonprofit is eligible to submit, **your return is due by the 15th day of the 5th month after the organization’s accounting period ends** (May 15th for a calendar-year filer). Two extensions are possible up to 10 ½ months (after your year-end). **Electronic filing is mandated** under the Taxpayer First Act, signed into law on July 1, 2019. If a Form 990 is not filed for three consecutive years, the organization will automatically lose its federal tax-exemption.

Nonprofits need to pass the IRS “public support test” to maintain their tax-exempt status as a public charity (as opposed to a private foundation). For most nonprofits this means that at least 33% of your support should come for diverse sources.

Also, remember nonprofits pay almost all state and local taxes. See our separate resource [Tax Basics for Nonprofits](#).

A. Quick Review of Key Parts

To quickly get acquainted with the Form 990, focus on reviewing the following four sections.

- **Part I Summary** (page 1, Form 990): This section provides an organizational snapshot – basic information and a summary of activities.

- **Part III Statement of Program Service Accomplishments** (page 2, Form 990): Through this section, tell the story of how your nonprofit is achieving its mission. Remember this is a public document, which can serve as a tool to share accomplishments, areas served, and more to potential donors and funders.
- **Part IV Checklist of Required Schedules** (page 3-4, Form 990): Here you will find the schedules to be completed, which should be filed in alphabetical order.
- **Part VI Governance, Management, & Disclosure** (page 6, Form 990): This portion is separated into three subsections: governing body and management, policies, and disclosure. Part VI of the Form 990 is a summary of best governance and management practices. Whether you are filing a full Form 990 or not, this is a valuable summary list for any nonprofit to review and ensure their practices are in alignment.

As noted in Chapter 2. Income Statement, nonprofits are required to track expenses by functional classification. 501(c)(3) and 501(c)(4) organizations must complete all columns of **Part IX Statement of Functional Expenses** (page 10, Form 990).

2. WHAT DO I NEED TO KNOW ABOUT THE IRS FORM 990?

As a nonprofit board member, you should understand the following Form 990 concepts.

- **The Form 990 is your organization's most public financial document** and can be viewed by any member of the public.
- **The Form 990 can be a useful marketing tool** to share your organization's mission, program accomplishments, successes, and stability.
- **Governance and policy best practices are listed in the Form 990.** For the Form 990, governance relates to maintaining your organization's tax-exempt purpose, board independence, and certain written policies and procedures.
- Although a nonprofit may not pay federal income taxes, annual reporting through the Form 990 is mandatory to maintain tax-exempt status. **If the Form 990 is not filed on time, is incomplete, or is not filed correctly, there are several legal and financial penalties that can fall on the organization.** In addition, if the Form 990 is not filed for three consecutive years, the organization will automatically lose its federal tax exemption.

There are Form 990-related actions you can take to instill a strong nonprofit finance culture within your organization.

- **Identify steps your nonprofit can take to strengthen current governance practices.** Review all levels of compliance for your organization, and remember you can use Part VI Governance, Management, and Disclosure of the Form 990 as a guide for your assessment. Also, determine your organization's state and local filing requirements.

- **Assess your total support to determine year-to-year if your percentage of public support is declining, increasing, or holding steady.** Make goals around the percentage of public support that would make your organization more sustainable over time.
- Review your gross income from unrelated business sources. **If your organization has \$1,000 or more of gross income from these sources, you must file a Form 990-T.** Assess whether these activities pull away from your mission and primary services.
- **Invite your communications, marketing, or development staff to review the Form 990** and provide wording that may resonate with potential donors and funders.
- As you consider how your organization may advocate on behalf of your mission, start by determining how much of your budget comes from public funds. **Organizations cannot use federal funds or resources to influence state or federal legislation, while discretionary funds can be used.**

**ACTIVITY**

Your turn: Review your organization's most recent Form 990. Here are some questions to ask yourself. Use the space provided to write down your answers and any action steps. Consider asking these questions across several board meetings to see how your answers change over time.

Ask yourself...**Filing:**

- Of the formats available (Form 990-N, Form 990-EZ, or Form 990), which does your nonprofit need to file?
- By what date does your organization need to file?
- Who is responsible for ensuring you meet the filing deadline?

Compliance:

- Is your organization doing everything required to maintain tax-exempt status?
- Is your organization completing applicable state and local filing requirements?

Governance:

- When it comes to governance, policies, and disclosure, is your organization following best practices? Are there any items your organization should take action on within the next year?

Marketing:

- After reading your Form 990, what impressions would a potential donor or funder have about your nonprofit? Are these the impressions you want to convey, why or why not?
- Has your nonprofit done a good job of showing the program accomplishments and impact of the funds received?

Notes & Next Steps

Maintaining strong governance and compliance practices is essential for your nonprofit. To help you assess a few more key items, the following worksheet outlines steps for your organization to review.

There may be other components around compliance specific to your industry such as certifications or Continuing Education Units that are not covered here.

Governance & Compliance Steps	Have you done this?	Notes & Next Steps
Form 990 <ul style="list-style-type: none"> • All appropriate Schedule boxes are checked on the Form 990, and the required schedules are complete • Governance policies including conflict of interest, whistleblower, and document retention and destruction are accurately represented on the Form 990 • All board members receive a complete copy of the Form 990 before filing 	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Board Practices <ul style="list-style-type: none"> • A reasonable effort was made to determine board independence • Governing documents such as a articles, bylaws, and IRS application for exempt status are available for public review • Minutes are kept for all board meetings and other authorized meetings 	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Organizational Operations <ul style="list-style-type: none"> • All applicable employment, B&O (business and occupation), sales, and property tax reports are filed and paid • Employees and independent contractors are correctly classified • Required W-2 and 1099 forms are filed to report employee and independent contractor compensation 	<input type="checkbox"/> Yes <input type="checkbox"/> No	

3. REPORTING IN WASHINGTON STATE

In Washington, nonprofit and charitable organizations need to register and stay up-to-date with the Office of the Secretary of State, Corporations & Charities Division. Nonprofit corporations have an annual report and charitable organizations have an annual renewal to complete. About 60% of charitable organizations are also nonprofit corporations, which involves completion of both annual requirements.

The following resource outlines the requirements for nonprofit corporations and charitable organizations. Be sure to check which type of organization you are and remember you may qualify as both. Noting your organization's key dates – incorporation date and accounting year end date – is another important step. Nonprofit corporation reporting is based on your incorporation date, while charitable organization renewal is based on your accounting year end.

Stay Up-to-Date with the Secretary of State

Nonprofit and charitable organizations need to register and stay up-to-date with the Office of the Secretary of State.

- 1 Check which type of organization you are.
- 2 Note your key dates.
- 3 Put those dates onto your organizational calendar.

1

Nonprofit Corporation

WHAT IS IT? A private corporation for which no part of the income is distributable to its members, directors, or officers. It is formed to benefit the public, a specific group of people, or the membership of the nonprofit.

ANNUAL REQUIREMENTS

1. **What:** Annual Report
2. **When:** Last day of organization's incorporation month. A reminder will be sent to the registered agent at least 30 days prior to required filing date.
3. **Fee:** \$20 (revenues <\$500k/year)
\$60 (revenues >\$500k/year)

2

Your Incorporation Date: _____

Your Annual Report Filing Date: _____

For example: an incorporation date of March 3, 2002 would have an annual report filing date of March 31 each year. File online!

3



ADD TO CALENDAR

...and don't forget to update address changes if you move or change contact person.

Nonprofit and Charitable Organization

- ◆ 60% of charitable organizations are also nonprofit corporations.
- ◆ They include many of the organizations we know providing direct service, supporting the arts, or advocating for causes.
- ◆ They follow both sets of requirements to be in compliance with the Secretary of State.

Charitable Organization

or individuals soliciting on behalf of organizations

WHAT IS IT? An entity that solicits or collects contributions from the general public in Washington to be used to support a charitable purpose. May or may not be a corporate structure.

In Washington, includes organizations that:

- Raise at least \$50,000 annually in Washington; **OR**
- Pay anyone to carry out the activities of the organization.

ANNUAL REQUIREMENTS

1. **What:** Annual Renewal
2. **When:** No later than the last business day of the eleventh month after the end of the organization's accounting year. Earlier reporting welcome!
3. **Fee:** \$40

2

Your Accounting Year End: _____

Your Charities Filing Date: _____

For example: an accounting year of Dec 31, 2022 would have an annual renewal filing date of Nov 30, 2023.

Developed by:



Nonprofit Association
of Washington



WASHINGTON
Secretary of State

Corporations & Charities Division

For more information, visit the
[Office of the Secretary of State,
Corporations & Charities Division](#) website.



1. The Form 990 is filed annually, and several Form 990 formats are available depending on your nonprofit's annual gross receipts and assets.
2. Legal and financial penalties can arise when the Form 990 is not filed on time, is incomplete, or is not filed correctly.
3. The Form 990 is your nonprofit's most public financial document, which can make it a useful marketing tool to share your organization's mission, program accomplishments, and financial stability.
4. Nonprofit and charitable organizations in Washington need to register with the Office of the Secretary of State, Corporations and Charities Division and stay current with annual requirements. Also, nonprofits pay almost all state and local taxes.



Here are some questions to think about:

- After reviewing your organization's most recent Form 990, does the content in Part I and Part III (pages 1 and 2 respectively) present a comprehensive and accurate picture of your nonprofit? Is the information consistent with your website and/or organizational materials?
- Does your annual board calendar include key dates for preparation, review, and filing of the Form 990?

Reflections



Next steps:

- ☐ Check out your nonprofit's profile on [Candid's GuideStar](#) and upload additional information as needed.
- ☐ Learn more about the public support test. LaVerne Woods, Esq. of Davis Wright Tremaine prepared a helpful document titled [The Public Support Test: What a Grant Seeker Should Know](#).
- ☐ Explore these valuable resources created by Jacobson Jarvis & Co.
 - [Form 990 Glossary](#)
 - [Form 990 Review Checklist](#)
 - [What Board Members Need to Know About Non-for-Profit Finance and Accounting](#)
 - [Independent Contractor Checklist](#)