IRS Form 990

IRS Form 990, entitled "Return of Organization Exempt from Income Tax," is a report that must be filed each year with the Internal Revenue Service (IRS) by organizations exempt from Federal income taxes under section 501 of the Internal Revenue Code, and whose annual receipts are more than $25,000 a year. It is an information return and not an income tax return since the organizations that file it do not pay income taxes. The IRS 990 provides a snapshot of the financial health and expenditures of an organization at a specific time. Its data is most useful for examining the evolving health and financial practices of an organization over a period of time.

When to File

You must file Form 990 by the 15th day of the 5th month after your program's accounting period ends (May 15th for a calendar-year filer). If the due date falls on a Saturday, Sunday, or legal holiday, file on the next business day.

What are Accounting Periods?

- Calendar year: A calendar year accounting period begins on January 1 and ends on December 31.
- Fiscal year: A fiscal year accounting period should normally coincide with the natural operating cycle of the organization. It is established by the organization for accounting purposes.
- Short period: A short accounting period is a period of less than 12 months, which exists when an organization first commences operations, changes its accounting period, or terminates.

Who is Responsible for Completing IRS Form 990?

Although an accountant or attorney may prepare the return, the organization's executive director and Board President sign the return and are ultimately responsible for its accuracy.

Key Information on Form 990

Part I—Revenues, Expenses, and Changes in Net Assets or Fund Balances

Part I details sources of revenue and summarizes an organization's expenditures:

- Line 1a, Direct Public Support—contributions received directly from individuals and foundations.
- Line 1b, Indirect Public Support—contributions received through federated fundraising campaigns such as the United Way.
- Line 1c, Government Contributions (Grants)—contributions from federal, state or local governments that are considered to provide a direct benefit to the general public. These contributions are distinct from monies received from government contracts for services.
- Line 13, Program Services Expenses—expenses incurred by an organization while performing its tax-exempt activities.
- Line 14, Management and General Expenses—expenses related to the day-to-day operation of an organization. Included are items such as personnel, accounting, and legal services, general insurance, and office management.
- Line 15, Fundraising Expenses—costs of soliciting the contributions reported on Lines 1a, 1b, and 1c.
- Line 18, Excess (or deficit) for the year—this information seems to show how much more an organization took in than it spent.

Part II—Statement of Functional Expenses

Part II shows expenditures by category and major function (program services, management and general, and fundraising).

Part III—Statement of Program Service Accomplishments

In Part III an organization describes the activities performed in the previous year that justify the organization's tax-exempt status. In this section, an organization is asked to state its primary exempt purpose, and to describe in detail its four costliest programs.

Part IV—Balance Sheets

Part IV details an organization's assets and liabilities. Assets are the economic resources that an organization has at its disposal. Liabilities are the outstanding claims against those assets. The amount by which assets exceed liabilities is found in Line 73 = Total Net Assets or Fund Balances. Also note Lines 48c (Pledges Receivable) and 49 (Grants Receivable). These can give provide insight into the amount of income that was reported on Line 1d, but was not available for spending during the year.

The net assets are divided into three categories:

- Line 67, Unrestricted Assets—assets currently available for an organization to fulfill its tax-exempt purpose. For example, land, buildings, and equipment bought with unrestricted funds fall into this category.
- Line 68, Temporarily Restricted Assets—assets currently available for use, but only for specific purposes indicated by the donor, or as part of an implicit promise by the organization.
- Line 69, Permanently Restricted Assets—assets with donor-imposed restrictions that do not expire.

Part V—List of Officers, Directors, Trustees and Key Employees

Part V lists those people who are responsible in whole or in part for the operations of an organization. Entries should include titles and compensation, if any. A "key employee" is essentially an employee who exerts a significant influence on an organization's finances or activities.

Part VI—Other Information

This section contains a number of questions regarding the operations of an organization during a past year.

Part IX—Information Regarding Taxable Subsidiaries

Information to complete if your nonprofits owns all or part of a for-profit business.

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An officer of the organization should sign the Form 990. This signature indicates, under penalty of perjury, that the signing officer believes the return to be "true, correct, and complete."

Schedule A, Part I—Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees

Organizations are only required to complete this section if they have employees whose compensation is greater than $50,000. Note that employees already listed on Part V of the Form 990 need not be listed again here.

Schedule A, Part II—Compensation of the Five Highest Paid Independent Contractors for Professional Services

Organizations complete this section only if they have paid an independent contractor more than $50,000.

Find complete instructions for the latest IRS Form 990 at: http://www.irs.gov/instructions/i990/index.html