

Non Profit Update

Morison Cogen LLP

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Now that it's here, do you know what to do with the new Form 990?

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As part of a continuing effort to monitor non profit executive compensation, the IRS released a substantially revised Form 990, "Return of Organization Exempt

from Income Tax," this past December. With the form's overhaul, the IRS hopes to enhance transparency, promote compliance and help donors and the public more easily find information about your organization's mission, performance and finances.

RAMPING UP TO CHANGE

The new form followed a preliminary draft released in June 2007 for public comment. On Dec. 20, 2007, the IRS released its final version of Form 990, incorporating responses it had received on the discussion draft.

This final form consists of 11 pages and 16 schedules. It contains a:

- Summary section where the non profit can provide a snapshot of key information,
- Governance section,
- More extensive reporting regarding compensation and related organizations, and
- New reporting requirements for tax-exempt bonds, foreign activities, noncash contributions and hospitals.

Certain information relating to hospitals and tax-exempt bonds is optional for 2008.

RADICAL REVISIONS

The December-released Form 990 significantly revises the summary and governance sections, as well as several of the schedules, to improve transparency and readability. The draft summary page, for example, asks filers to classify expenses by functional type — such as program service, management and administrative and fundraising — and specify each one's percentage of total expenses.

"the new Form 990 provides improved transparency & readability"

The final form calls for reporting by expense type, including grants and similar amounts, and salaries and compensation. Instead of percentages, Form 990 requires the filer to compare expenses to those of the previous year.

It also eliminates metrics from the summary section. Critics had argued that financial ratios, percentages and other measures could be misleading or subject to manipulation. Some were also concerned that placing certain financial ratios (such as fundraising expenses as a percentage of contributions) in the summary section would inappropriately imply that these measures were more important than those not reported in the summary.

The revised form further adds a "Checklist of Required Schedules" to help organizations identify the schedules they must complete. And it expands

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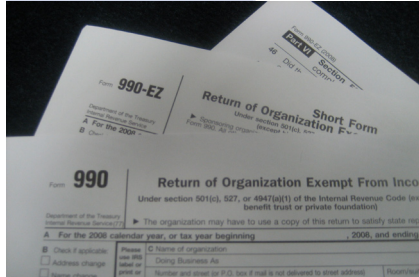
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Now that it's here, do you know what to do with the new Form 990? (cont'd)

opportunities to provide supplemental information or narrative explanations. The new Schedule O, for example, gives filers two blank pages to explain responses to specific questions or provide other information.



FACILITATING BETTER COMMUNICATION

The new Form 990 will be used by many for the 2008 tax year (returns filed in 2009), with phased-in filing for smaller organizations. Non profits that aren't required to file Form 990 must use either Form 990 E-Z or Form 990-N, the e-postcard.

Regardless of when you will be required to use the new form, you should become familiar with it now and be sure you're prepared to supply the information required well before your filing deadline. The form may seem complicated at first — but only because it's unfamiliar. In the long run, the revised Form 990 is likely to facilitate better information sharing between your organization and the IRS — and with your constituents.

If you have any questions or need more information about the new Form 990, please don't hesitate to give us a call at 267-440-3000.

Are you affected by this latest form change?

Stay informed.

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