

■ WHAT IS FORM 990 AND WHY IS IT USEFUL?



Tax season may be over for many businesses and individuals but for another group of filers a tax deadline looms. Tax-exempt not-for-profit organizations must file Form 990 returns on the 15th day of the 5th month after a fiscal year end. This means that organizations using a calendar year end must file or extend Form 990 by May 15th.

In 2008 the Internal Revenue Service redesigned the reporting requirements for Form 990 to enhance organizational transparency and promote tax compliance by accurately reflecting the operations of the organization. Form 990 is required of nonprofit tax-exempt organizations with more than \$50,000 in gross receipts, nonexempt charitable trusts, and section 527 political organizations. These

filings are public record and can be easily accessed via free online sites, such as GuideStar.com.

There's no denying that the revised Form 990 is more burdensome to complete than its predecessor form; however, we encourage our nonprofit clients to recognize the ways in which the new form is a useful tool for their organizations, their boards, and their potential donors.

USEFUL FOR THE ORGANIZATION: Form 990 provides narrative opportunities to spotlight your agency's mission and organizational efficiency. Part III of the form asks the nonprofit organization to list its program service accomplishments during the tax year. We encourage our clients to view the form as a "marketing tool," and to use the space provided to give detailed descriptions and performance and outcome measures of their activities during the year. Parts V and VI of the form ask detailed questions about tax filings and the governance and management of the organization. Organizations should use the filing process to review policies and procedures to ensure the use of best practices, thereby avoiding IRS red flags and minimizing audit inquiries.

USEFUL FOR THE BOARD: Form 990 provides the organization's Board of Directors with an opportunity to ensure that sound business practices are in use. The form includes very detailed "yes/no" questions such as whether the organization has a conflict of interest policy, a whistleblower policy, and a document retention/destruction policy. It also asks about the process by which management compensation is determined, and whether the organization solicited any contributions that were not tax deductible. Since the board is charged with oversight of the organization, Form 990 is a valuable source of information about changes that may need to be made in the entity's policies. If you serve (or are considering service) on a nonprofit board, ask for a copy of Form 990. You'll be surprised how much you can learn!

USEFUL FOR THE POTENTIAL DONORS AND GRANTORS: As mentioned above, the revised 990 provides for greater narrative opportunities to attract potential donors. Sophisticated donors also use key sections of Form 990 to gauge the financial condition of the organization and determine how their contributions are being used. Part IX of the form lists the nonprofit's expenses in detail and shows what percentage of funds are spent on overhead and fundraising vs. program services. The form lists management compensation and whether the organization has had transactions with Board members. Even seemingly innocuous questions, such as the number of volunteers a nonprofit has, may influence the decision of potential donors or grantors.

■ WHAT IS FORM 990 AND WHY IS IT USEFUL? (continued)

The professionals at Baylis & Company understand the importance of proper financial reporting and effective and accurate tax filings for nonprofit organizations. We foster solid working relationships with our clients' executive teams and board members to help these organizations succeed. Please contact us for assistance with financial reporting or tax matters for your nonprofit organization. To learn more about our services for nonprofit organizations, please visit <http://www.bayliscpas.com/focus/notforprofit.php>.

■ 1099 REPEAL SIGNED BY PRESIDENT OBAMA

On April 15, 2011, President Obama signed H.R.4, Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011, into law. The Act **repeals** the expanded reporting requirements for Form 1099 which were to have gone into effect in January 2012 for all vendor transactions of \$600 or more. The legislation also **repeals** additional reporting requirements imposed on owners of rental real estate.

■ GETTING TO KNOW SUSAN STARR

Susan Starr has been with Baylis & Company for six years. She is our Office Manager, which means she is the woman we count on to keep things running smoothly. Susan handles human resources and employee benefits, administrative matters, facilities and a multitude of other tasks truly too numerous to detail in this feature.

Susan served for ten years in the U.S. Air Force as a buyer and contract administrator. She holds a Bachelor of Arts degree in Sociology with a minor in Psychology from the University of Maine. Susan worked in social services with at-risk kids for ten years before applying her people skills at Baylis & Company.



Susan is very adventurous and often spends free time with her husband, Ron, cycling on trails, sailing, or vacationing at her family cabin in the forests of Maine. She also enjoys time with daughter, Leslie, who is currently a student at the University of Central Florida.

■ CLOSING THOUGHTS

Retired President Calvin Coolidge's syndicated newspaper column "Calvin Coolidge Says" included the following thoughts on Decoration Day (the predecessor to our current Memorial Day) on May 29, 1931. Eighty years later, his reflections remain current:

Decoration Day is our best solemn national holiday which ought to be observed with impressive ceremony. No lapse or diminution should be permitted in the yearly devotion which the people pay to the memory of those who have served in our armed forces. . .

They were the antithesis of selfish individualism, merging freedom and even chance of life in the common welfare of country. In danger, choosing the course that really counts, they preserved their rights by discharging their duties. No nation can live which cannot command that kind of service. No people worthy of such service will fail to do it in reverence.

~ Calvin Coolidge

We honor the memory of those who have died in service to our country and thank all of our soldiers and veterans for preserving the liberties we all enjoy.

Please visit our website at www.bayliscpas.com

53 Lake Morton Drive · Lakeland Florida 33801 · 863-688-8841

