

Preparing your Form 990



Best practices for preparing your IRS Form 990



Most tax-exempt organizations are required to file the IRS Form 990 annually. The form demonstrates an organization is fulfilling its tax-exempt purpose, and its financial resources are being used to further these purposes. It's also meant to encourage accountability and transparency of activities, governance, and relationships.

Non-profit organizations are required to describe and document the process that the board, or a designated committee, uses to review Form 990. As a best practice, non-profit organizations should develop a Form 990 Review Policy as part of their audit and governance documents to ensure that the chief executive officer, board chair, and/or chair of the audit or finance committee examines the form closely before filing with the IRS. In addition, all board members, as fiduciaries, should be familiar with Form 990. When developing a Form 990 Review Policy, the board will want to identify the following:

- One person to oversee and coordinate the completion of Form 990
- Individuals or groups who will be responsible for reviewing Form 990 in detail
- One or more persons to review Form 990 specifically for weak points
- Areas that deserve extra scrutiny (i.e., unrelated business income)

Any items flagged should be addressed before filing the form with the IRS.

Review checklist

Since many non-profit organizations choose to outsource the preparation of their Form 990 to their CPA, legal counsel, or other tax professional, we would recommend that fiduciaries use a checklist to review the completed form. Several websites (i.e., <https://www.irs.gov/instructions/i990>, <https://boardsource.org/form-990-checklist>) offer a **Form 990 Review Checklist** pertaining to governance. Some key areas addressed include compensation of board members, delegation of authority, mission and programs, and board policies. By using the checklist as a guide, board members should be able to quickly grasp the key focus areas of Form 990 and get a good sense of the matters posing the greatest level of reputational risk for the organization.



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Having a set of internal tracking and reporting procedures to capture relevant information is highly beneficial. Organizations that engage and educate their board members about Form 990 will benefit from more constructive feedback, which results in a public document that best reflects the organization and its values.

Taking it a step further

Given the increasing importance of Form 990 to leaders, policymakers, current and potential donors, and the media, fiduciaries will want to ensure that the form becomes an asset and not a hindrance to their organization. If done right, this can be a good opportunity to make your organization stand out from the rest.

Because Form 990 is a public document and can be viewed on sites such as GuideStar—which links up with fundraising sites, such as CrowdRise and Network for Good—board members should consider it as a potential marketing tool.¹ We believe fiduciaries that treat Form 990 as merely another IRS audit form are missing out on a golden opportunity to shine a light on their organization's accomplishments and to attract support for their causes. In particular, fiduciaries should use the two-line summary to their advantage, capturing their organization's mission and most significant activities.

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At the end of the day, while your auditor or legal counsel can provide you with the financials and help you prepare the filing requirements, it's your fiduciary duty to oversee the information submitted and ensure that your Form 990 accurately reflects your organization's mission, governance and management structure, activities, and program services.

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