



TOOL KIT #2

BOARD FINANCIAL GOVERNANCE

FAQ – THE FORM 990

1. What are the roles and responsibilities for completing the IRS Form 990?

- Generally, this is completed collaboratively by staff, Board and your accountant or auditor. Staff focus on writing compelling “Program Service Accomplishments”
- Staff and Board assure that Governance, Management, and Disclosure is up-to-date, including Board minutes, Conflict of Interest and Whistleblower policies, Executive Compensation, and document retention and destruction policies.
- Your staff financial person, contracted auditor or accountant will complete the IRS Form 990 using information provided by your organization.

2. How can we assure that the Board fulfills its responsibility to review the IRS Form 990 without taking an undue amount of time? Must the Board “approve” or “sign off” on the IRS Form 990?

The 990 should be signed and dated by an Board Officer (as the Board Chair or Treasurer). It should be shared immediately with the entire Board for information purposes electronically or if necessary, by mail. The Executive Director should indicate the anticipated filing date.

3. What is the relationship of the IRS Form 990 with the audited financial statements?

If you are having an independent audit (which we strongly recommend), the audited financial statements will provide the basis for the IRS Form 990. For this reason, it’s important to have the audit completed on a timely basis. You would need to make sure to apply for a 990 extension for up to 90 days, if necessary.

4. How does the Board demonstrate reasonable compensation of the Executive Director?

Nonprofits filing IRS Form 990 must describe the process they use to approve executive compensation as part of the nonprofit’s responses on the annual return. The recommended process for determining the appropriate compensation is to conduct a review of what similarly-sized peer organizations offer their executive leadership in the same geographic location.

The Board should arrange for an “independent body” (which means that the person receiving the compensation should not be part of the review process) to conduct a “comparability review.” Many nonprofits task a personnel or compensation committee, or use their executive committee, or another sub-group/task force of Board members, for this purpose. Sources for comparable data include survey reports or studies from state associations of nonprofits or other sources. Parent Centers can also check with other parent centers, especially in their region.

Parent Center executives should be paid similarly to other leaders in the local nonprofit marketplace. This is essential for growing a viable organization and for succession planning. *Note that the Board only sets the compensation of the senior executive – not other staff.*



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5. Which persons must be listed as officers, directors, trustees, key employees, and five highest compensated employees on the core form's Part VII?

The organization must list all of its current officers, directors, and trustees, as those terms are defined in the glossary contained in the 990 instructions, regardless of whether any compensation was paid to such individuals.

Development Team:

David Blanchard, Region 3 PTAC at P2P of GA; Glenda Hicks, Glenda Y. Hicks, CPA; Rachel Howard, Rachel Howard Consulting; Jan Serak, Region 4 PTAC at WI FACETS

Other Contributors:

Debra Jennings, CPIR, at SPAN; Diana Autin & Carolyn Hayer, NE-PACT/Region 1 PTAC, at SPAN; Connie Hawkins, Rene Averitt-Sanzone, Laura Weber, Region 2 PTAC, at ECAC; Debi Tucker, Stephanie Moss, Region 3 PTAC, at P2P of GA; Courtney Salzer, Region 4 PTAC, at WI FACETS; Barb Buswell, Emily Rome, Jacey Tramutt, Region 5 PTAC, at PEAK; Nora Thompson, Region 6 PTAC, at Matrix



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