

## **SEO DETAILS:**

Page Title: What Are Some Best Practices for Nonprofit Boards When Reviewing Form 990? | [INSERT RELATED SERVICE] | [INSERT FIRM NAME]

Meta Description: [NAME OF FIRM] reviews the importance of Form 990 for nonprofit compliance and tax-exempt status along with best practices.

Headline: What Are Some Best Practices for Nonprofit Boards When Reviewing Form 990?

## **BODY COPY:**

Nonprofit organizations with federal tax-exempt status must file [Form 990](#) with the IRS each year. This form requests information about an organization's operations, management, revenue and expenses. This information is necessary for an organization's tax-exempt status to continue. Some states may require their own similar annual returns, but the requirements for Form 990 are consistent throughout the country. If the board of a nonprofit organization reviews the Form 990 before filing it, it should consider adopting best practices to ensure that it minimizes the risks of noncompliance with laws and regulations and maximizes the ability of Form 990 to demonstrate the organization's strengths. This article addresses the importance of board review of Form 990 and offers suggestions for best practices.

### **Does Federal Law Require Nonprofit Board Review?**

Nonprofit boards are not legally obligated to review Form 990 before it is filed with the IRS. In other words, the responsible person or persons within the organization may complete and file the form without submitting it to the board for approval. This might violate a nonprofit organization's internal policies, but it does not violate federal tax law.

All that being said, Form 990 does [request information about board review](#). Part VI, Line 11 asks whether each member of an organization's "governing body" has received a copy of the form. If the answer to that question is "yes," the organization must use [Schedule O](#) to describe "the process, if any, used by the organization to review this Form 990."

### **What Are Some Best Practices for Nonprofit Boards When Reviewing Form 990?**

A carefully-prepared Form 990 can be a valuable asset for a nonprofit organization. It can ensure that their nonprofit status is secure while presenting their mission and activities in ways that appeal to donors and others.

#### **1. Understanding Form 990's Purpose**

Form 990 serves several important purposes. In addition to maintaining an organization's tax-exempt status, it can be a valuable promotional tool. A nonprofit board can use Form 990 to further the organization's mission, promote revenue from donors and satisfy public and private watchdogs.

Unlike individual tax returns, the returns filed by tax-exempt nonprofit organizations are not completely private. Federal regulations require that nonprofits make many parts of Form 990 [available for public inspection](#) upon request for at least three years. Members of the public that often seek to inspect these records include large donors and nonprofit watchdogs. Most grant applications require copies of recently-filed forms.

#### **2. Accuracy of Data**

Form 990's value as a means of promoting an organization's mission depends on complete and accurate data. The form requests detailed information about membership, revenue from all sources, administrative costs and expenditures connected to the organization's activities. For example, Part IX of the form requires an organization to allocate its expenses among categories like payroll, professional service fees, advertising, rent and travel.

A board may create a subcommittee in charge of reviewing Form 990 for accuracy, or it may take the task on together. It may also designate a board member who will review the data and report back.

### **3. Internal Policy Compliance**

Before reviewing Form 990 for compliance with government requirements, a nonprofit board should take steps to ensure that the organization follows its own policies and procedures when preparing the form. Internal policies may range from highly detailed to nonexistent. In the former case, the review process may take some time, but it could take even longer for organizations in the latter situation. The boards of those organizations might consider establishing guidelines and procedures in order to save themselves time in the future.

### **4. Legal and Regulatory Compliance**

Compliance with federal tax laws and regulations is, of course, extremely important. Nonprofit boards should be familiar with the specific areas of both federal and state law that affect them in order to be sure that Form 990 includes all necessary information, and that it presents it in the proper format.

### **5. Ethical Compliance**

Nonprofit organizations have ethical duties toward their members and others. Form 990 requires disclosure of certain matters that may affect those duties. Organizations must use [Schedule L](#), for example, to disclose financial transactions with people who have a [direct interest in the organization's activities](#).

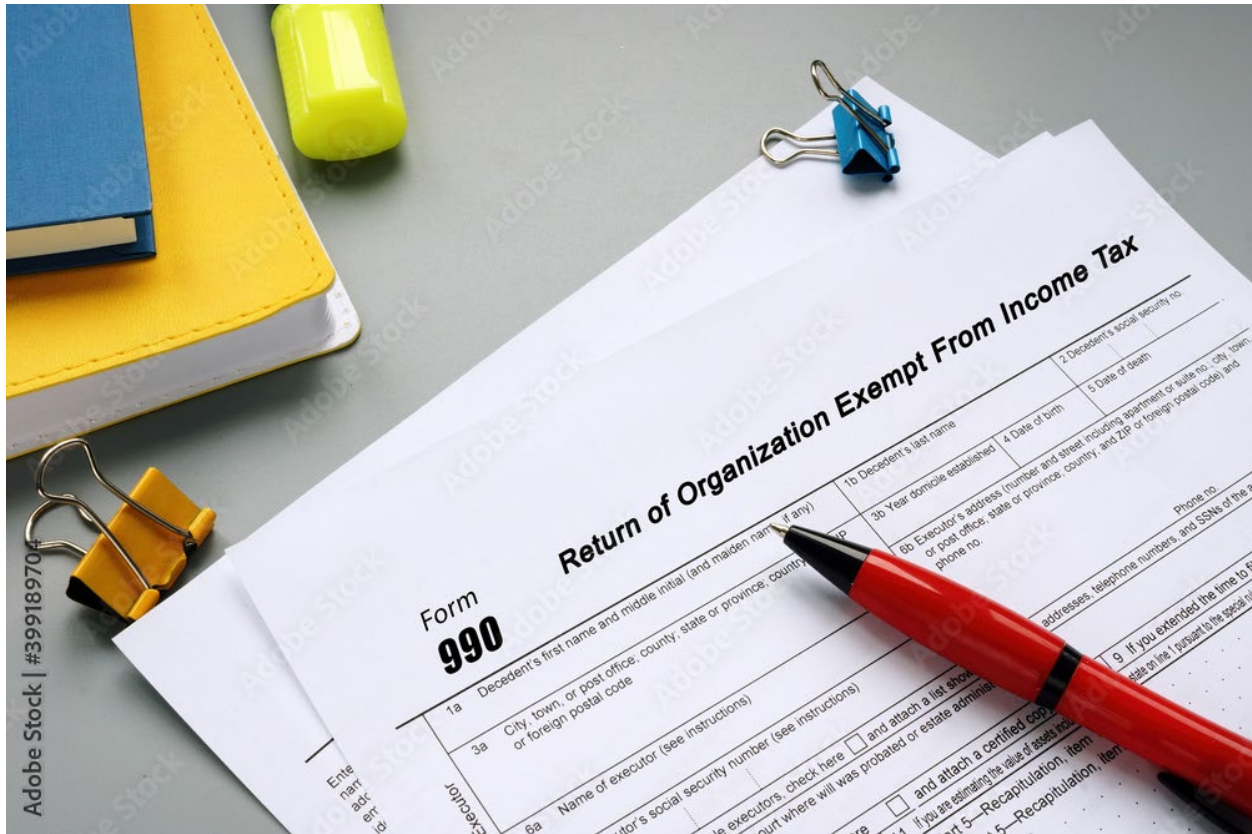
### **Find Out More About How Nonprofit Boards Can Best Handle Form 990 Review**

Nonprofit boards have a difficult job. They must oversee their organization's operations and make sure they are in compliance with laws, regulations, ethical standards and their own internal policies. Form 990 is one of many tools that nonprofit boards can use as they exercise their responsibilities. An expert with knowledge of and experience in federal and local laws can help board members understand their roles and fulfill their duties.

### **CLOSE:**

If you have any questions or would like additional information, please contact [NAME] in our [DEPARTMENT] at [NUMBER] or [EMAIL].

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