



Form 990 -What to Look for When You Review It

IRS has announced that they are going to perform more targeted audits of nonprofits. A key source of information they will use is the form 990. Areas that IRS will consider (so you should be looking at when reviewing form 990) include the governance questions, with questions about whether you have a conflict of interest, whistleblower, document retention and other policies. "No" answers are a red flag that require some action.

Review your mission statement and statement of program service accomplishments. Be sure the mission statement is what the board has approved, and that the accomplishments clearly and properly describe the activities you carried on during the year.

A negative amount in unrestricted net assets can also be a red flag. That means you are not living within your budget and it means that there is some risk that restricted contributions that you may have received might not be used for their intended purpose.

If your 990 includes a schedule C to report lobbying and political activities, review that carefully. Certain lobbying by charities is permitted but political campaign activities are not.

Schedule G is included with the 990 if you have substantial fundraising or gaming activities. If that is the case, look at the relationship of cost to revenue. Most benchmarks suggest that costs shouldn't exceed one third of the revenue produced. Finally, if there is a schedule L (Transactions with Interested Persons), review that carefully because it can indicate a potential conflict.

Once issued, your form 990 will be on the Internet for anyone to see. Make sure that it properly represents your organization.