



Exempt Organization Action Plan for Form 990 Compliance

The Internal Revenue Service recently revised the annual Form 990. The form asks questions about an organization's governing body and management, its policies, compensation and reporting. While the covered policies and procedures are not required for an organization to retain its tax exempt status, they are considered an integral part of good governing principles for an exempt organization. Failure to adopt these policies may increase the likelihood that your organization would be chosen for an IRS audit.

Policies to Consider

- 1) Conflict of interest policy
- 2) Whistleblower policy (should be provided to both the Board and to employees)
- 3) Document retention and destruction policy
- 4) Investment policy

Procedures to Consider

- 1) Insider compensation - reasonableness procedures
- 2) Related parties – reasonableness procedures
- 3) Expense reimbursement procedures
- 4) Ensuring public disclosure procedures. The organization is required to make available for public inspection its original application for exemption (Form 1023) and its Form 990 for the last three years. It also may choose to make publically available its articles of incorporation, bylaws, conflict of interest policy and financial statements.
- 5) Conflict of interest policy – annual disclosure questionnaire
- 6) Review of annual Form 990

More Information

- 1) BDCo – We can provide a sample of the annual questionnaires to use for related party reasonableness procedures and conflict of interest policy compliance.
- 2) www.boardsource.org – This website has a wealth of information in its Books & Tools section and its Knowledge Center section.
- 3) Legal counsel – You may want to obtain some of the policies and procedures mentioned above from your organization's attorney. Your attorney can custom design these for you.

Board Involvement

Your Board of Directors should be an integral part of the adoption of these policies and procedures and should oversee annual compliance. Board members have a fiduciary duty to make sure that the organization is in compliance with its policies and procedures.