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HOW THE REVISED IRS FORM 990 AFFECTS YOUR NONPROFIT ORGANIZATION

Recently, the Internal Revenue Service released its revised Form 990, "Return of Organization Exempt from Income Tax". Form 990 is an annual information return required to be filed by most organizations exempt from income tax under Section 501(a) of the Internal Revenue Code. Generally, the revised form is required for fiscal years that end on or after December 31, 2008. The revised form incorporates major changes, one of which relates to governance, management and disclosure. More specifically, the form requires disclosure of the following:

- * Number of voting members of governing body and identification of how many are independent;
- * Family and/or business relationships between officers, directors and key employees;
- * Delegation of control of management duties customarily performed by or under the direct supervision of officers, directors, trustees or key employees to a management company or other person;
- * Significant changes to the organizational documents since the filing of the previous Form 990;
- * Awareness of material diversion of organization's assets;
- * Whether organization has members or stockholders;
- * Whether members or stockholders have the authority to elect members of governing body or approve any actions of the governing body;
- * Whether contemporaneous documentation of meetings held by governing body and committees authorized to act on behalf of governing body are maintained;
- * Whether the organization has local chapters, branches or affiliates and disclose written policies and procedures in place to ensure their operations are consistent with those of the organization; and
- * Whether Form 990 was approved by governing body before filing with IRS.

The new Form 990 also requires the organization to indicate whether the organization has adopted the following policies:

- * Written conflict of interest policy;
- * Written whistle blower policy;
- * Written document retention and destruction policy;
- * Process for determining compensation for organization's CEO, Executive

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Director, top management officials, officers and key employees; and

- * Written policy requiring the organization to evaluate its participation in joint venture arrangements with taxable entities, if any, under applicable federal tax law and steps taken to safeguard the organization's exempt status with respect to any joint venture arrangements with taxable entities.

As part of the revised Form 990, the organization is now required to disclose:

- * Which state(s) the Form 990 was filed in;
- * How the organization makes copies of its Application for Recognition of Exemption, IRS Form 1023 (or Form 1024, if applicable) and Form 990 available for public inspection as required by law;
- * Whether the organization makes its governing documents, conflict of interest policy and financial statements available to the public, and if so, how it is made available; and
- * The contact information for the person who possess the books and records of the organization.

As indicated above, there were many revisions made to Form 990. We have only highlighted those revisions made relating to governance, management and disclosure. Some of the other revisions to Form 990 relate to the disclosure of specific information relating to the compensation of officers, directors, trustees, key employees and highly compensated employees of the organization, determination of public charity status and public support, supplemental financial statement reporting and fundraising, special events and gaming.

For further information relating to the revisions to Form 990, to obtain sample governance policies or any other questions relating to nonprofit organizations, please contact John F. Wolter at (860) 548-2645 or jwolter@uks.com, Donald R. Seifel, Jr. at (860) 548-2676 or drseifel@uks.com, Christopher L. Brigham at (203) 786-8310 or cbrigham@uks.com or Kathleen H. Rudzik at (860) 548-2698 or krudzik@uks.com.

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