

January 27, 2009

TO: LOCAL FEDERAL COORDINATING COMMITTEES, PRINCIPAL COMBINED FUND ORGANIZATIONS, LOCAL ORGANIZATIONS AND FEDERATIONS, AND NATIONAL ORGANIZATIONS AND FEDERATIONS

FROM: MARK W. LAMBERT  
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SUBJECT: REVISED IRS FORM 990

The Internal Revenue Service (IRS) has issued a revised IRS Form 990 which tax exempt organizations will be required to file starting with tax year 2008. This revised form is significantly different from the previous IRS Form 990. These changes affect both the method used to calculate the Administrative and Fundraising Rate (AFR) for CFC as well as the required pages that an organization using a pro-forma IRS Form 990 is required to provide with its application (5 CFR § 950.203(a)(3)). Because the IRS has increased the threshold for organizations to submit IRS Form 990EZ (to \$1,000,000 in revenues for 2008 tax years; \$500,000 in revenues for 2009 tax years; and \$200,000 in revenues for 2010 tax years and beyond), local campaigns can expect to see an increase in organizations that submit a pro-forma IRS Form 990 with their 2009 CFC application and for campaigns thereafter. In addition, the IRS has increased the detail organizations must provide regarding compensation of directors, trustees and officers. The CFC will use this information to verify the organization meets the requirements at 5 CFR § 950.203(a)(5).

This guidance does not apply to organizations that are submitting an IRS Form 990 for a tax year prior to 2008. This guidance does apply to organizations filing a pro forma IRS Form 990 using the newly revised form.

#### Administrative and Fundraising Rate Calculation

The AFR for CFC has historically been calculated by adding Lines 14 (Management and General Expenses) and 15 (Fundraising Expenses) on the IRS Form 990 and dividing this amount by Line 12 (Total Revenue). Using the new IRS Form 990, the following data must be used:

Part IX (Statement of Functional Expenses) Line 25 column (C) (Management and General Expenses)

Part IX (Statement of Functional Expenses) Line 25 column (D) (Fundraising Expenses)

Part VIII (Statement of Revenue) Line 12 column (A) (Total Revenue)

To calculate the AFR, Part IX Line 25 column (C) and Line 25 column (D) must be added together and the sum is divided by Part VIII Line 12 column (A).

#### Pro-Forma IRS Form 990

CFC regulation 5 CFR § 950.203(a)(3) requires an organization that is not required to prepare and submit an IRS Form 990 to the IRS to provide the CFC with certain portions of the IRS Form 990 as a pro-forma document. The portions

required by CFC regulations are based on the previous IRS Form 990. This memorandum revises the portions required to be submitted starting with the 2009 local campaign application if the organization is applying using financial data as of December 31, 2008 or later. In these cases, the 2008 revised IRS Form 990 must be used by organizations submitting the pro-forma document in the 2009 campaign. Organizations providing a pro-forma IRS Form 990 using the 2008 or later versions of the IRS Form 990 are required to complete and provide the following pages of the IRS Form 990: page 1 (Part I, Summary and Part II, Signature Block); pages 7 and 8 (Part VII, Compensation sections A and B); page 9 (Part VIII, Statement of Revenues); and page 10 (Part IX, Statement of Functional Expenses).

#### Compensation of Trustees and Directors

The CFC uses the information provided on the IRS Form 990 regarding compensation received by members of an organization's governing body to determine if the organization meets the requirements at 5 CFR § 950.203(a)(5). The previous IRS Form 990 requested position title in Part V. The revised IRS Form 990, Part VII column (C) requires organizations to check a category defining the position for the person listed. It does permit checking more than one box. The categories are:

- > Individual trustee or director;
- > Institutional trustee;
- > Officer;
- > Key employee;
- > Highest compensated employee;
- > Former

When determining if the organization meets the requirements at 5 CFR §950.203(a)(5), the CFC will only use information from lines with the following positions checked:

- > Individual trustee or director; or
- > Institutional trustee.

If more than 50 percent of the people identified as trustees or directors show compensation in column (D) (Reportable compensation from the organization) (W-2 or 1099-MISC); column (E) (Reportable compensation from related organizations) (W-2 or 1099-MISC); and/or column (F) (Estimated amount of other compensation from the organization and related organizations), the organization may be denied participation in the CFC.

Please note that the IRS requires that the information in Part VII be provided based on the calendar year that ends within the organization's tax year. For example, if the 2008 IRS Form 990 is completed, the information provided in Part VII must be for the 2008 calendar year even if the IRS Form 990 is filed on a tax year basis that spans 2008 and 2009. Organizations completing Part VII as part of a pro-forma filing for CFC purposes must also report on a calendar year basis for this Part.