



Tax Exempt Organization Alert

December 2009

New Form 990 Annual Tax Filing

The Internal Revenue Service has released a new Form 990, effective for tax years beginning on or after January 1, 2008, to make it easier for the IRS and the public to track the finances, governance and accomplishments of tax-exempt organizations (other than private foundations).

The IRS developed this much more complex new form under three guiding principles: 1) to enhance transparency; 2) to promote tax compliance; and 3) to minimize the reporting burden on filing organizations.

The new Form 990 will ask for new and more detailed information about executive compensation and benefits administration, board practices, non-cash contributions, tax-exempt bonds, and organization policies regarding conflict of interest, to name a few.

A sample of specific changes includes:

- A separate schedule for each employee earning in excess of \$150,000 per year including compensation, benefits, travel, housing allowances, discretionary spending accounts, and personal services or memberships
- Adoption of policies regarding conflict of interest, whistleblower protection, document retention and destruction
- A listing of highest compensated independent contractors to the organization
- Disclosure of family and business relationships among offices, directors, trustees and key employees

Please contact us with questions regarding the new 990 forms and the implications for your organization. We're here to help!

Form 990-PF Annual Tax Filing

The good news is the 990-PF did not have a new form release like the 990 discussed previously. For additional information on the Form 990-PF, you can access the IRS website located at www.irs.gov/eo or contact us at RINA.

Tax Exempt Organization Best Practices

The IRS is now requesting information that will help donors identify organizations that are using best practices.

To accomplish this, the IRS has added a series of questions inquiring about the implementation of policies that are deemed to be best practices in the new Form 990. For policies not in place the IRS requires an explanation of why the policy has not been implemented in the form 990.

We are recommending that clients develop many of these policies if they are applicable to your organization.

The policies identified include:

- Conflict of interest policy
- Whistleblower policy
- Document integrity, retention, and destruction policy. It should include guidelines for handling electronic files, backup procedures, archiving of documents, and regular check-ups of the reliability of the system.
- Joint venture policy
- Expense reimbursement policy
- Non-standard gift acceptance policy
- Description of specific procedures the charity utilizes in determining the compensation of insiders (directors, officers, key employees)
- Organizations policy for review of the 990

Policies should be adopted by the board of directors. Many organizations have informal policies in many of these areas that just need to be officially adopted.

CA Senate Bill No. 1262 (SB 1262) Reminder

Nonprofit Integrity Act of 2004

Please remember that one section of the Governor's Nonprofit Integrity Act of 2004 included a provision that required independent audits of annual financial statement for charities and foundations with gross revenues of \$2 million or more.

The audit requirement applies to charitable corporations, foundations, trustees and unincorporated associations required to register and file reports with California Attorney General whenever such organizations accrue \$2 million or more in gross revenue in any fiscal year.

Further, charities and foundations with gross revenues of \$2 million or more must establish and maintain an audit committee.

Finally, the governing board or authorized board committee are required to review and approve the compensation of the CEO or President and CFO or Treasurer, to ensure the amount is "just and reasonable."

Additional information regarding SB1262 can be located at www.ag.ca.gov at the California office of the Attorney General's website.

CA Senate Bill No. 1329 (SB 1329) 2008 Law

Uniform Prudent Management of Institutional Funds Act (UPMIFA)

Senate Bill 1329 has brought UPMIFA to California. UPMIFA provides for a standard of care in investing. It requires the charity to consider the charitable purposes of the charity, and the purposes of the endowment fund.

It requires the Board (and others responsible for managing and investing) to act in good faith and with the care of an ordinary prudent person and notes the charity may incur only appropriate and reasonable costs.

The bill also simplified procedures to modify restrictions on the use of institutional funds not exceeding \$100,000 and older than 20 years by making a filing with the attorney general rather than the past court relief actions.

Additional information regarding SB1329 can be located at www.ag.ca.gov at the California office of the attorney General's website.

Welcome to our new Tax Exempt Organization Alert! Our Exempt Organization Niche would like to share some information with you including current news and updates on accounting and tax changes, and other useful information for tax exempt organizations.

Samples of topics we will share include:

- New Tax Updates
- Ask Our CPA Column
- New Accounting Changes and Information
- IRS Requirements-Do You Need an Audit?
- Interviewing a CPA Firm-Top 10 Questions to Ask
- Board Succession Planning, What Needs to Happen
- Internal Controls and Fraud Prevention
- Foundations-Is 2010 a Good Time for Asset Valuation?
- Keeping Your Tax Exempt Status
- Document Retention and Destruction-What Your Organization Needs to Know

We invite you to submit your ideas, questions and requests for future topics.

We greatly appreciate the opportunity to serve you and hope you will enjoy and benefit from the information.

Warm Regards,

Ed Fahey, CPA
President & Chair of RINA's
Exempt Organization Group



Accounting services for
Not-for-Profit organizations from
RINA accountancy corporation

We know that many not-for-profit organizations play an important role in addressing the needs of the communities we also serve. That's why, for over 60 years, RINA has provided specialized accounting, tax and consulting services to these organizations. Our stockholders and staff serve on the boards, committees and volunteer positions of many community organizations. This dedicated service is a reflection of their commitment to the communities in which we live and work.

Do you need a helpful hand?

Get the accounting expertise that helps you reach your goals.

Call today and we'll make a believer out of you.
800-RINACPA or online at www.rina.com

The Company You Believe In, Believes In You.

Four Northern California Locations: Oakland > San Francisco > Walnut Creek > Roseville



For more information please contact us!

Ed Fahey, President, CPA
efahey@rina.com 415-777-4488

Brad Gai, Stockholder, CPA
bgai@rina.com 925-274-5731

Tracy Teale, Audit Manager, CPA
tteale@rina.com 415-765-1303

Mary Rose, Accounting Senior, CPA
mrose@rina.com 925-274-5736

Electronic Format

If you would like to receive this in electronic form, please email Mary Rose at mrose@rina.com.

Mailings

If you would like us to remove your name from our Tax Exempt Organization Alerts address mailings, please contact Mary Rose at mrose@rina.com.



1220 Oakland Blvd., Suite 300
Walnut Creek, CA 94596

WHO WE ARE

Founded in 1946, RINA accountancy corporation (RINA) is one of the leading independent accounting firms in Northern California and among the largest in the Greater Bay Area.

We take great pride in the long-term relationships we share with our clients, having been with them through many challenges and accomplishments.

RINA is made up of approximately 80 Certified Public Accountants, paraprofessionals and administrative assistants.

We attribute the growth of our practice to the talent and expertise of these people. Not simply their technical competence, but their genuine concern for our clients' success.



accountancy corporation

Established 1946

Member of MGI

475 14th St., Suite 1200, Oakland, California 94612
(510) 893-6908 / FAX: (510) 834-1522 / 1-800-RINA CPA

3200 Douglas Blvd., Suite 100, Roseville, California 95661
(916) 771-3000 / FAX: (916) 771-3252 / 1-800-570-0272

1220 Oakland Blvd., Suite 300, Walnut Creek, California 94596
(925) 210-2180 / FAX: (925) 210-2199

100 Montgomery St., Suite 2075, San Francisco, California 94104
(415) 777-4488 / FAX: (415) 777-0680

www.rina.com

Any tax advice contained in the body of this alert was not intended or written to be used, and cannot be used, by the recipient for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions.