Your Future is Our Focus

RINA accountancy corporation

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Schedule D: The Key to Better Understanding Your Organization's Financial Position

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We often get the question, “Why doesn’t my Form 990 match my audit?” The IRS has different reporting requirements than General Accepting Accounting Principles (GAAP). Schedule D in Form 990 is intended to reconcile between an organization's tax return and its audit. Some of the most common reconciling items include; donated services, donated rent and unrealized gains.

Schedule D of the 990 is required to be completed by any organization that obtains independent audited financial statements for the same year as the 990. Schedule D provides a complete perspective of an organization’s financial position on the 990 by linking the full financial picture from the financial statements to the return. Parts XI & XII reconcile revenue and expenses from the audited financial statements to the tax return. These sections are the tie-in between an organization’s financial statements and 990. By utilizing Schedule D, the audit committee, board members and potential donors can gain insight into and a deeper understanding of the organization’s financial position.

Part XI covers revenue, gains, and other support reported on the financial statements. The section begins with total revenues. If this number differs from the total revenue reported on the return (page 1 of the 990), the reconciling items are reported in this schedule. Since the IRS has different reporting requirements than GAAP, reconciling items, such as contributed services (e.g. volunteer hours multiplied against the value of services contributed), unrealized investment gains, and recovery of prior year grants are most often reported in this section. IRS rules indicate these items are not reportable on the Form 990, but they are required to be reported in the organization's financial statements.

Part XII covers expenses reported on the financial statements. Common reconciling items include: donated services, prior year adjustments, and losses. As with Part XI, this section also includes the items not reported on the 990 that show up on the financial statements.

As a result of the various reconciling items removed from the revenue and expense of the financial statements, both Total Revenue on line 5 of Part XI and Total Expenses on line 5 of Part XII tie back to the Reported Total Revenue and Expense on page 1 of the 990.

If you would like more information about our Not-for-Profit Services or need assistance with your 990 please contact us at (800) 756-2772. We are here to help!

ATTENTION!

As of January 1, 2018, we will no longer be mailing the quarterly RINA Not-for-Profit News, but will continue to email it. If you are receiving our printed version and would like to receive the email version, please contact Amanda Vergara at avergara@rina.com or (925) 627-2829.

Unusual Grants

By: Patricia Romero, Tax Manager

In order to retain its status as a public charity, an organization will need to meet either the 33 1/3% public support test or the 10% facts and circumstances test. The intent of this test is to demonstrate that the organization is truly supported by the general public and not a small interest group. This test is calculated and reported on Form 990, Schedule A, Part II Section A. Public Support.

Since the intent is to prove general public support, as part of this test, total contributions from each individual, trust, corporation or other non-publicly supported organization in excess of 2% of total support for the testing period (current and four preceding years) must be deducted from total support to arrive at public support.

However, if the organization gets an unusual grant or contribution, the unusual contribution can be retained in the calculation. Unusual grants are generally substantial grants and bequests from disinterested persons and are large enough to endanger the organization's ability to pass the public support test. Such grants or bequests are excluded from the total gifts, grants and contributions of a given year and are not included in the calculation of the excess of 2% total support.

All pertinent facts and circumstances will be taken into consideration in determining if a particular contribution may be excluded as an unusual grant. Among the factors to be considered are:

1. Whether the contributor was any person who created the organization, previously contributed a substantial part of its support or endowment, or stood in a position of authority with respect to the organization. A contribution made by a person other than one previously described will be given more favorable consideration in determining if a grant may be excluded.
2. Whether the contribution was a bequest or an inter vivos transfer. A bequest will ordinarily be given more favorable consideration than an inter vivos transfer.
3. Whether the contribution was in the form of cash, readily marketable securities, or assets which further the exempt purposes of the organization, such as a gift of a painting to a museum.
4. Except in the case of a new organization, whether the organization had carried on an actual program of public solicitation and exempt activities and has been able to attract a significant amount of public support.
5. Whether the organization may be reasonably expected to attract a significant amount of public support subsequent to the particular contribution.
6. Whether, prior to the year in which the particular contribution was received, the organization met the one-third support test without benefit of any exclusions of unusual grants.

Schedule A, Part VI will include a list showing the amount, but not the grantor, of each unusual grant actually received or accrued each year. A record should be maintained showing the name of the contributor, the date and amount of the grant, and a brief description of the grant.

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