

FORV/S



Form 990 Red Flags & Updates: Is Your Organization in Compliance?

September 21, 2022

TO RECEIVE CPE CREDIT

Individuals

- Participate in entire webinar
- Answer polls when they are provided

Groups

- Group leader is the person who registered & logged on to the webinar
- Answer polls when they are provided
- Complete group attendance form
- Group leader sign bottom of form
- Submit group attendance form to cpecompliance@forvis.com within 24 hours of webinar
- If all eligibility requirements are met, each participant will be emailed their CPE certificate within 15 business days of webinar. Due to the large volume of certificates of completion issued, requests to re-issue lost or misplaced certificates will be honored up to 60 days following the webinar



Meet the Presenters



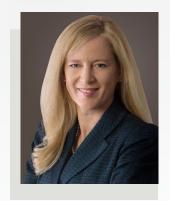
Amber Dedmon

Manager
amber.dedmon@forvis.com



Krystal Creach

Director
krystal.creach@forvis.com



Amy Bibby
Partner
amy.bibby@forvis.com





AGENDA

- Introductions
- Red Flags on the Form 990
- Hot Topics in Tax-Exempt Compliance for the Form 990
 - Update on IRS Compliance Measures

FORVIS Footprint



\$1.4B

in revenue

5,500+

team members

530+

partners & principals

70

markets

27

states + United Kingdom & Cayman Islands



10 Industries

Commercial Products

\$265M

Agribusiness Transportation Wholesale Distribution Retail

Manufacturing
Energy & Natural
Resources

Healthcare

\$250M

Community Health Centers Home Care & Hospice Hospitals & Health Systems Long-Term Care & Senior

Financial Services

\$190M

Banks
Broker Dealers
Finance Co.

Technology & Services

\$180M

Life Sciences
Software & Technology
Telecom
GovCon
Professional Services

Private Equity*

\$170M

Private Equity Funds Asset Management Portfolio Companies Investment Banks

*Overlaps with other industries

Private Client

\$130M

Family Office Estate Planning/Trusts Wealth Management Wealth Strategies

Construction & Real Estate

\$120M

Living

Hospitality
Real Estate
Construction
Architectural
Affordable Housing

Nonprofit, Education & Public

\$115M

Nonprofit
Education
Public Sector

Insurance

\$65M

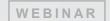
Life
Property & Casualty
Warranty
PEO/MGA
Health

Dealerships

\$50M

Auto
Heavy Truck
Machinery
Recreational





Form 990 Filing Requirements

- Form 990-N
 - Normally has gross receipts <\$50,000
- Form 990-EZ
 - <\$200,000 in gross receipts & \$500,000 in assets
- Form 990 if over these thresholds
- Form 990 not required for certain religious organizations (churches)

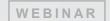




Form 990 Filing Requirements

- Common exceptions to general rule
 - Sponsoring organizations of donor advised funds must file Form 990
 - Controlling organizations with any transfers of funds with a controlled organization must file Form 990
 - Section 509(a)(3) supporting organizations must file Form 990 or 990-EZ even if gross receipts are normally \$50,000 or less



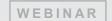


- Missing Information
 - Form 990, Part IV Checklist of Required Schedules triggers other schedules
 - Schedules A & O are always required
 - Missing Required Schedules is considered an incomplete return



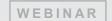
- Form 990, Part IV, Line 3
 - Political Activities Prohibited
 - Different from Lobbying
 - Subject to Excise Taxes
 - Could Jeopardize Tax-Exempt Status





- Form 990, Part IV, Line 25a-b
 - Excess Benefit Transactions
 - + Excess value given to disqualified persons
 - + Disqualified persons are people with substantial influence





- Form 990, Part V, Line 3b
 - Unrelated Business Income
 - + Required to file 990-T if Gross Income is over \$1,000, even if there is a net loss
 - + Churches are still required to file
 - + Considered a red flag if any does not correspond to 990-T reporting

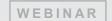


- Form 990, Part V, Line 15
 - Compensation over \$1,000,000
 - + Triggers Excise Tax
 - +File Form 4720
 - + Considered Red Flag if the Form is not filed
- Form 990, Part V, Line 16
 - Net Investment income for educational institutions
 - + Triggers Excise Tax
 - +File Form 4720
 - + Considered Red Flag if the Form is not filed



- Form 990, Part VI, Line 5
 - Significant Diversion of Assets
 - + Unauthorized conversion of assets
 - + Embezzlement, fraud, theft
 - Could Result in Excess Benefit Transaction





Unrelated Business Income

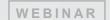
- Losses from one unrelated business activity can not be used to offset income of another
- This is judged based on the NAICS code of the activity



Schedule A

- Monitoring support to be considered a public charity
- Important to track even in the first five years to avoid low public support percentages

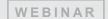




Excise Tax on Compensation

- 21% Excise tax on any wages, including deferred compensation, in excess of \$1,000,000
- Important to review deferred compensation plans to watch for large amounts vesting at one time
- Will trigger a Form 4720 filing

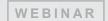




Public Disclosures

- Form 990 & 990-T available to the public
- All Schedules except Schedule B are included
- Donors can view where money is spent
- Donors can see the accomplishments of the organization

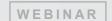




Good Governance Practices

- Written Conflict of Interest Policy
- Written Whistleblower Policy
- Written Document Retention & Destruction Policy
- Documented process for compensation determination for officers & key employees

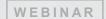




Update on IRS Compliance Measures

- Priorities for Fiscal Year 2022
 - Increase access to public disclosure copies
 - Continue to expand data analytics to identify high-risk areas
 - Cross collaboration with other IRS teams on exams to identify emerging issues
 - Increase digital communication platforms to assist taxpayers





Update on IRS Compliance Measures

- Accomplishments for Fiscal Year 2021
 - Exempt Organization Examinations Completed 3,249
 - 82.3% of Exams resulted in a tax change
 - 94 entities received proposed revocations
- Common Themes Included
 - Hospitals with UBI operating at a loss
 - Missing filing requirements & forms
 - Unrelated Business Income
- Received 94,466 Determination Application
 - 81,589 Approvals 76,852 of those were 501(c)(3)



Recent IRS Enforcement

- Compliance Checks versus Examinations
- "Bad answers" on the Form 990
- Compensation over \$1,000,000 reported on Form 990 with no Form 4720
- Hospitals continued focus on 501(r)
 - IRS is required to review internally every 3 years
 - Form 990 & organization website
 - Deeper look at documents on website
- Unrelated Business Income losses & M&A expenses
- Employment tax & notices
- Employee Retention Credit
- Whistleblower trigger

FORV/S



CONTINUING PROFESSIONAL EDUCATION (CPE) CREDIT



FORVIS, LLP is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: www.nasbaregistry.org



CPE CREDIT

- CPE credit may be awarded upon verification of participant attendance
- For questions, concerns, or comments regarding CPE credit, please email FORVIS at cpecompliance@forvis.com





Thank you!

forvis.com

The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by FORVIS or the author(s) as to any individual situation as situations are fact specific. The reader should perform its own analysis and form its own conclusions regarding any specific situation. Further, the author(s) conclusions may be revised without notice with or without changes in industry information and legal authorities.

FORVIS has been registered in the U.S. Patent and Trademark Office, which registration is pending.



Assurance / Tax / Advisory