



**WINDES & McCLAUGHRY**  
**ACCOUNTANCY CORPORATION**  
*Certified Public Accountants*  
*& Consultants*

# Start Preparing Yesterday for the Redesigned Form 990

Brian Yacker, Partner  
Windes & McClaughry Accountancy Corporation



## Required Policies

- Conflict of interest policy
  - Procedures to determine when conflict of interest exists
  - Details appropriate response when identify conflict
  - Requires annual disclosure of conflicts of interest
  - Ensures potential excess benefit transactions are scrutinized
  - Requires periodic review of any transactions with insiders
- Whistleblower policy
  - Procedures for addressing complaints from employees regarding financial improprieties or misuse of organization resources
    - Not need if organization not have any employees
- Document retention and destruction policy
  - Guidelines for maintaining and documenting storage and destruction of electronic and hard-copy files
  - Outlines backup procedures and archiving of documents



## Required Policies (cont'd)

- Joint venture policy (only if applicable)
  - Procedures to evaluate relationships with taxable entities and safeguard the exempt status of the public charity
- Expense reimbursement policy
  - Require receipts (substantiation) for any expenses to be reimbursed
  - Document business purpose of any reimbursable expenses
    - For example, first-class travel / spousal travel / club memberships / personal services
  - Document business usage of any corporate assets (e.g. cell phones / laptops)
- Non-standard gift acceptance policy
  - Requires review of any non-standard gifts
  - Provides for substantiation of cash contributions in excess \$250
  - Provides for periodic monitoring or compliance under state charitable solicitation laws



## Required Policies (cont'd)

- Charity care policy (hospitals)
  - Provide free or discounted care to medically indigent
  - Not include a per-patient limit on care funded out of reserve for indigent patients
- Written debt collection policy (hospitals)
  - Provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance
- Policy regarding chapters and affiliates
  - Ensure activities and operations of affiliates are consistent with those of the parent organization



## Required Practices & Procedures

- Need to prepare a written document which sets forth the procedures by which the Board of Directors will review the Form 990 before it is filed
- Document insider compensation determination processes and compliance with the intermediate sanctions 3-prong rebuttable presumption of reasonableness
- Procedures for making required documents publicly and readily available
- Procedures regarding limited amount of lobbying which can be conducted



## Required Practices & Procedures (cont'd)

- Prepare written agreements with professional fundraisers
  - Provide donors and general public with information regarding fundraising costs and practices
- Procedures regarding grantee's eligibility to receive grants
  - Document selection criteria used to award grants or assistance
- Hospitals – prepare annual community benefit report which is publicly available
- Hospitals – patient intake process informs and educates patients about their eligibility for assistance under government programs on the hospital's charity care policy



## To Do Listing (Board)

- Identify all current key employees under expanded definition (regardless of whether earn over \$150K of reportable compensation or not)
  - Identify all current Officers (Executive Director / Chief Financial Officer)
- Identify all of the organization's insiders (Board of Directors, Officers, key employees) for the past 5 years
- Identify all current and former insiders whom entered into financial transactions with
  - Make sure have written documentation of all insider loans
- Identify all blood or business relationships amongst all of your insiders
- Prepare documentation of business purpose for all perks provided to insiders
- Document meetings of Board of Directors committees with authority to act
- Identify any situations where the tax-exempt organization paid a penalty or fine during the applicable year
- Ensure that making all required documents (990 / 990-T / 1023 / Determination Letter / organizational documents) readily available for public disclosure



## To Do Listing (Information Reporting Compliance)

- Ensure that filing all 1099s when required to do (non-employee services in excess of \$600)
  - Ensure obtaining Taxpayer Identification Numbers for all recipients
- Prepare documentation to support classification of workers as independent contractors
- Ensure that organization is preparing Form W-2G when required
  - Make sure register with California Attorney General if conducting raffles and make sure undertake backup withholding if necessary
  - Ensure that in compliance with all California rules regarding the conducting of gaming events within the state of California



## To Do Listing (Other Compliance)

- Identify any new program service activities conducted during the year and any program service activities ceased to be conducted during the year
  - Identify all different program service activities
    - Identify revenue and expenses for three largest program service activities
- Identify non-cash contributions in excess of \$5,000 which public charity disposed of within 3 years after receiving (Form 8282 filing requirements)
  - Need to separately track all different types of non-cash contributions
- Break out the revenue and expenses from gaming activities from the general fundraising activities
- Update Chart of Accounts (and audited financial statements) to include the expense categories listed on Part IX



## To Do Listing (Other Compliance) cont'd

- Identify all related organizations (to be reportable on Schedule R)
  - Identify all transactions between the filing tax-exempt organization and those related organizations
- Convert Schedule A public support test calculation from the cash method of accounting to the accrual method of accounting
- Estimate the total number of volunteers utilized during the year
- Ensure that gathering all necessary information if making grants to foreign entities or individuals or if conducting foreign activities
- Ensure that gathering all necessary information if making grants (or scholarship payments) to domestic entities or individuals



## For More Information...

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