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Dear Client,

The IRS has recently released a redesigned Form 990 for 501(c) exempt organizations effective for the 2008 tax year. The reason for the revision, in the IRS's view, is that the current form fails to meet tax compliance interests and accountability requirements of the states, the public, and others served by 501(c) organizations.

The major changes in the new form include an enhanced summary page, a new governance section, expanded reporting of executive compensation, the organization's relationship with insiders and supporting organizations, and a new schedule for reporting non-cash contributions.

The reporting requirements, unfortunately, will increase in the first year for most organizations until policies and procedures have been adopted. The greatest impact will be on smaller organizations with limited Board resources to oversee the programs and financial obligations of the organization. The IRS«GreetingLine»«GreetingLine», however, has provided relief for these organizations by expanding the use of Form 990-EZ during the three-year transition period. The requirements for filing Form 990-EZ are as follows:

- 2008 tax year - gross receipts less than \$1 million and total assets less than \$2.5 million.
- 2009 tax year - gross receipts less than \$500,000 and total assets less than \$1.25 million.
- 2010 and later tax years - permanent thresholds of gross receipts less than \$200,000 and total assets less than \$500,000. If the organization falls within these thresholds they may continue to file the 990-EZ. If they are above these thresholds, they must file Form 990.

All 501(c) organizations may elect to file the 990 during the transition period regardless of gross receipts and total assets.

The major changes to the form are as follows:

- Summary page
 - Brief mission statement and most significant programs
 - The total number of employees, volunteers, and independent voting members of the Board
 - Summary of revenues and expenses by key categories
 - Summary of balance sheet by assets, liabilities and net assets
 - Two year comparison of revenues, expenses and net assets
- Program Services
 - Significant additional programs including all changes to existing programs
 - Three largest programs in detail, including expenses, grants and direct revenue

- Compensation
 - Compensation and benefits for officers, directors, trustees, key employees, and independent contractors including documentation of reasonable compensation
 - List of all employees other than above whose compensation is over \$100,000
 - An additional schedule for officers, directors, trustees, and key employees with compensation over \$150,000.
 - Reconciliation to W-2's and 1099's

We would like to take this opportunity to remind the Not-for-Profit Boards of their fiduciary responsibilities and financial oversight and accountability to the organizations they serve. The Treasurer and/or Audit Committee are responsible for the implementation of best practices and guidelines which most organizations have implemented including:

- Governance of internal controls and asset management
- Reporting changes in the mission, bylaws and other organizational documents
- Timely filing of all compliance forms (payroll, sales tax, etc.)
- Review and approval of Form 990 prior to filing

All exempt organizations should have the following on hand:

- Form 1023 (Application for Recognition of Exemption)
- IRS advance ruling or final determination letter
- Written conflict of interest policy (including family/business relationships between board members)
- Document retention and destruction policies
- Organizations critical information (Disaster plan)
 - Bank account information, internet access, computer storage and backup information, passwords, etc.

The preparation of the new form will require a collective effort with us, the Treasurer and/or audit committee. Our first reaction to this new form is that it is very time consuming; however, most of you have all of the required information available. Therefore, we suggest that we schedule the 990 interview process when we begin the review/audit.

If you have any questions please give us a call.

Cordially,

Sabel & Oplinger, CPA, PC