



Chapter 1

INTRODUCTION TO SCHEDULES—THE PURPOSE AND FUNCTION OF THE 990'S 15 SUPPLEMENTAL SCHEDULES

LEARNING OBJECTIVES

After completing this chapter, you should be able to do the following:

- Recognize the uniformity of reporting that comes with utilizing supplemental schedules.
- Recognize when supplemental schedules are required (or not required) to be completed by filers of Form 990-EZ.
- Identify the significance of the 10 reporting areas covered in the Schedules presented in this course.

Introduction

The Form 990 has 15 possible supplemental schedules (plus the mandatory-for-all blank lines Schedule O that augments the Core Form). No single filing organization will ever file all 15 supplemental schedules for one tax year. These schedules provide filing organizations and readers of the form with comparability and standardized structuring of the additional information provided by those reporting upon Forms 990 and 990-EZ (filers of the latter Form only have some of the supplemental schedules required).

This advanced course, *Form 990: Exploring the Form's Complex Schedules*, does not address all of the 15 supplemental schedules. Rather, this course covers the 10 most common complex schedules (Note: Schedule H is not included here, as it is neither common nor can it be covered in less than a half-day). The authors' basic/intermediate AICPA course, *Form 990: Mastering Its Unique Characteristics*, addresses the entirety of the 990's common schedules,¹ but does not drill down into this course's 10.

¹ That course addresses, again, from a basic/intermediate perspective:

Schedule A: Qualification by 501(c)(3) Organizations as Non-Private Foundation (Overview of A-I, A-II, and A-III)

Schedule B: Reporting of Contributors

Schedule D: Supplemental Financial Statements

Schedule F: (Overview)

Schedule G-I: Professional Fundraisers

Schedule G's Parts II and III (Overview)

Schedule I: Grantmaking—Domestic

Schedules J and L: (Overview chapters on each)

Schedule M: (Overview)

The 16 Schedules of the Form 990 (using Mnemonics)

- **Schedule A—Public Charity Status and Public Support** (required of all 501(c)(3) filers) (A stands for “we ARE NOT a private foundation”)
- **Schedule B—Schedule of Contributors** (B stands for “BENEFACTORS providing grants or contributions”)
- **Schedule C—Political Campaign and Lobbying Activities** (C stands for “CONNECTIONS to public policy world”)
- **Schedule D—Supplemental Financial Statements** (D stands for “Financial DETAILS”)
- **Schedule E—Schools** (E stands for “Educational institutions”)
- **Schedule F—Statement of Activities Outside the United States** (F stands for “FOREIGN activities”)
- **Schedule G—Supplemental Information Regarding Fundraising or Gaming Activities** (G stands for “GAMING and GALAs”—the schedule also includes reporting on professional fundraisers)
- **Schedule H—Hospitals** (H stands for HOSPITALS)
- **Schedule I—Grants and Other Assistance to Organizations, Governments and Individuals in the United States** (I stands for “IMPARTING money to others by domestic grantmaking”)
- **Schedule J—Compensation Information** (J stands for “JUDGING compensation practices”)
- **Schedule K—Supplemental Information on Tax-Exempt Bonds** (K stands for “KRAZY money”)
- **Schedule L—Transactions with Interested Persons** (L stands for “LIGHT” as this schedule is about casting sunlight on such transactions²)
- **Schedule M—Noncash Contributions** (M stands for “non-MONETARY” donations)
- **Schedule N—Liquidation, Termination, Dissolution, or Significant Disposition of Assets** (N stands for “NOT the same as before”)
- **Schedule O—Supplemental Information** (O stands for “OTHER things filer is required to, or wants to, state” or Overflow)
- **Schedule R—Related Organizations and Unrelated Partnerships** (R for “RELATED organizations [and unrelated partnerships]”)

² “Sunlight is the best disinfectant,” a well-known quote from U.S. Supreme Court Justice Louis Brandeis.

SCHEDULES THAT APPLY TO FORM 990-EZ FILERS (AND THEIR REACH)

Schedule A—Public Charity Status and Public Support	All filers exempt under 501(c)(3)
Schedule B—Schedule of Contributors	All 501(c) filers with one or more contributors who made gifts ≥ \$5k * 501(c)(7), (8), or (10) filers who received any contributions to be used exclusively for the purposes enumerated in 170(c)(4) ³
Schedule C—Political Campaign and Lobbying Activities, Part I-A & -B not I-C	501(c)(3) filers with direct or indirect political activity
Schedule C—Political Campaign and Lobbying Activities, Part II-A only	501(c)(3) filer which has a 501(h) election in effect for the filing year
Schedule C—Political Campaign and Lobbying Activities, Part II-B only	501(c)(3) filer which has no 501(h) election in effect for the filing year
Schedule C—Political Campaign and Lobbying Activities, Part III	501(c)(4), (5), or (6) filer that received membership dues, assessments or similar amounts (for example, are subject to, unless exempted, Section 6033 notice and reporting requirements (and, potentially, a proxy tax))
Schedule E—Schools	Primary basis of non-private foundation status for the filing year is that under Section 170(b)(1)(A)(ii) (for example, as a school) and thus need report adherence to non-discrimination policies and publication notices
Schedule G—Supplemental Info. Regarding Fundraising or Gaming Activities, Part II	Filer has gross receipts (including gift portion) from fundraising events or fundraising sales > \$15,000
Schedule G—Supplemental Info. Regarding Fundraising or Gaming Activities, Part III	Gross income from gaming activities exceeds \$15,000
Schedule L—Transactions with Interested Persons, Part I	501(c)(3), (4) or (29) filer required to report an excess benefit transaction with a disqualified person (as defined in Section 4958) due to same either occurring in tax year or discovered as having occurred in prior year but not been previously reported (no dollar threshold)

³ That IRC section provides that donations by an individual to a domestic fraternal beneficiary society or a domestic fraternal society operating under the lodge system are deductible as charitable contributions. The Schedule B inquiry is of organizations who may *believe* they can offer such deductibility.

Schedule L—Transactions with Interested Persons, Part II	Filer had loan between it and an interested person outstanding on the last day of the tax year (no dollar threshold)
Schedule N—Liquidation, Termination, Dissolution, or Significant Disposition of Assets, Part I	Organization fully liquidated, terminated, dissolved or merged into a successor organization during the tax year and ceased operation
Schedule N—Liquidation, Termination, Dissolution, or Significant Disposition of Assets, Part II	Organization sold, exchanged, disposed or transferred >25% of its beginning net assets (other than excepted transactions).
Schedule O—Supplemental Information	All filers—supplements info on 990-EZ pages

KNOWLEDGE CHECK

1. Facts: Filing organization completes Form 990-EZ. The organization is exempt under IRC Section 501(c)(3) and qualifies as a school under 170(b)(1)(A)(ii). The organization would also qualify as a public charity under 509(a)(3). It has several major contributors who made contributions over \$5,000. The school's annual gala raises \$30,000 annually. The organization has made an election under 501(h) for making lobbying expenditures. What schedules will the organization attach to Form 990-EZ?
 - a. Schedule A, B, and E
 - b. Schedule A, B, C, E, G and O
 - c. Schedule A, C, E, and O
 - d. The organization cannot file Schedule 990-EZ because it has made the 501(h) election.

FOCUS OF THIS COURSE

This course looks closely at and takes a deeper dive into the instructions, examples, and fact patterns filing organizations encounter while completing the most common Schedules required of Forms 990 and 990-EZ. It is the case that even the most seasoned professionals will encounter facts which can present ambiguous filing positions. When this occurs, it is important to do the following:

1. Carefully review the Form 990 and schedule instructions
2. Thoroughly explore and understand any relevant glossary definitions
3. Remember the primary goals of the Form 990 redesign:
 - a. Compliance
 - b. Transparency
 - c. Accountability

The key goal in preparation is to ensure that reporting by the filing organization meets the definitions. If reporting position contemplated is not contrary to any written instructions, always ask whether it is in line with the spirit of the reporting goals of the Form 990. That is, does it provide readers with information that would lead them to draw logical conclusions about the filing organization?

SCHEDULES COVERED IN THIS COURSE

Chapter 2: Deep Dive into Schedule R, the First Required Schedule (When Applicable) of the Form 990. This is the starting point of any properly prepared Form 990. It is not a Schedule Required of Form 990-EZ filers. Without first identifying all related organizations, preparers will be forced to go back and make additional inquiries if related organizations are later identified.

Chapter 3: Deep Dive into Schedule A – How a Public Charity is NOT a Private Foundation. All organizations exempt under 501(c)(3) must complete Schedule A to demonstrate why they are not a private foundation. In 1969, Congress bifurcated charitable organizations between private foundations and all other charitable organizations (public charities). Private foundations are subject to more restrictive operating rules and usually an excise tax on net investment income. Private foundations file Form 990-PF. All other charitable organizations file Form 990, 990-EZ, or the 990-N electronic postcard. For filers of the 990 or 990-EZ, Schedule A is required. There are five substantive parts to Schedule A and Part VI is for providing supplemental information.

Chapter 4: Other Revenue Disclosures Important to Fundraising (Schedules G-II and M). This chapter provides a deeper dive into both the Core Form's Part VIII, Line 8, and its tie to Part VIII, Line 1c, as well as Line 1g, and how those lines are further explored with Schedule G—Fundraising Activities, Galas; and Schedule M—Noncash Contributions. Organizations today engage with more creative and entrepreneurial fundraising opportunities and need be careful to both properly account for and report on all of these activities and their results.

Chapter 5: Public Policy, Political Activity, and Lobbying Disclosures on Schedule C. Form 990 is utilized by organizations exempt under 501(a) and 527, and Schedule C provides transparency into permissible and impermissible intervention into public policy, lobbying and political activities of all filers of the Form 990 and 990-EZ.

Chapter 6: The Interested Persons of Schedule L and the Impact of This Schedule on Filing Organizations. Schedule L has two primary purposes. The first is to report impermissible excess benefit transactions under Section 4958 with disqualified persons for which a Form 4720 must be filed and a penalty must be paid and corrective action taken. The second purpose is sunlight. Parts II through IV provide information on transactions between the reporting organization and individuals the IRS has designated through definitions the Service has promulgated. There is no basis for these transactions being good or bad. The judgment is in the eye of the reader.

Chapter 7: Foreign Activities (Grantmaking and Beyond). Filing organizations often mistakenly believe Schedule F is just the foreign equivalent of Schedule I. Schedule F encompasses all foreign activities of the reporting organization, including direct foreign activities, investments, and fundraising, besides direct and indirect grantmaking activities to entities and individuals.

Chapter 8: Fully Disclosing Compensation on Schedule J—The Rest of the Core Form Part VII Story. Schedule J is not required of all filing organizations and it is never required for Form 990-EZ. The Core Form Part VII compensation includes compensation paid by the filing organization and may include compensation from related and unrelated organizations. However, there are exceptions to what must be reported by the filing organization on Part VII for benefit and compensation from related organizations which does not apply for reporting once Schedule J is triggered. The deep dive into Schedule J will highlight and solidify understanding of these concepts.

Chapter 9: Tax Exempt Bonds and Schedule K. Post-issuance compliance has long been an area of concern for the IRS with tax exempt bonds. This schedule is designed to elicit responses raising awareness of compliance, including use of bond proceeds, private business use, arbitrage practices, and procedures for corrective actions, when required.

Chapter 10: The Final Chapter: Schedule N— Exempt Entity Is No More, Is In Wind-Up, or Has Experienced Asset Contraction/ Expansion. When organizations enter into a plan of liquidation, dissolution, termination or have a significant disposition of assets that does not meet one of the exceptions, Schedule N is required. This schedule triggers a front page disclosure on Form 990 and so is a significant disclosure. It generally signifies a going concern disclosure, and if that is not what the organization intends to communicate, care should be taken to communicate otherwise to readers of the Form 990 or 990-EZ.

KNOWLEDGE CHECK

2. When a filing organization is unsure of the correct filing position to take based upon the facts presented, which is NOT a suggested action for arriving at a reasonable position?
 - a. Thoroughly explore and understand any relevant glossary definitions.
 - b. Remember the three principles of the Form 990 redesign: transparency, accountability and compliance; and check to see if the disclosure fits within these principles.
 - c. Call the IRS helpline for assistance.
 - d. Carefully review the Form 990 and specific Schedules' instructions.
3. Which realm is NOT the subject of additionally mandated reporting through Form 990's supplemental schedules?
 - a. How public charity status is maintained or qualified for by 501(c)(3) filers.
 - b. Inside dealings with those managing the filer.
 - c. Program operations' enhancements that advance the filer's exempt purposes.
 - d. Revenue capture from contributors.

