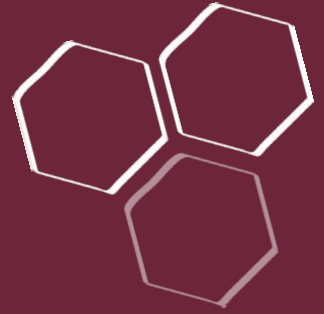


ACCOUNTING



TAX FILINGS

Copyright 2023 KDA Creative Corps

A pink watercolor splash is located at the bottom of the slide, below the copyright text.

ABOUT ME

My name is Charlie McCarthy and I am a partner at Brown Armstrong Accountancy Corporation. We are a full service accounting firm with various niches that includes exempt organizations. Our departments include audit, business services, and tax. I have 12+ years of tax experience and have obtained Not-for-Profit certification by the AICPA (American Institute of Certified Public Accountants).

I grew up in the Kern River Valley, am an aspiring runner, and I'm excited to partner with you!

What is a 990?

IRS Form 990

The Form 990 series includes the following:

1. Form 990 (long form)
2. Form 990-EZ (short form)
3. 990-PF (private foundation)
3. Form 990-N (postcard Filing)
4. Form 990-T (unrelated business taxable income)

Filed annually by the 15th day of the 5th month after year end (May 15th for calendar year end and November 15th for June 30th). There are penalties for late filing, incomplete, or inaccurate returns. The IRS currently has an e-file mandate in place.

990 Long Form

- Form 990 is the IRS required form for larger tax-exempt organizations.
- If gross receipts are \$200,000 or more, or if total assets are \$500,000 or more, you will need to file Form 990 instead of Form 990-EZ.
- The core return is 10-pages. In addition, there are required supplementary schedules.
- Your organization should keep copies of any returns it has filed as they help in preparing future returns and in making computations when filing an amended return, if needed. The statute of limitations is 4 years for California, and 3 years for the IRS.

990 Long Form continued...

- You will want to make sure you are keeping good records as you will need to provide financial statements in order to prepare the 990.
- The financial statements will include a Statement of Financial Position and a Statement of Activities, also known as a Balance Sheet and a Profit & Loss statement.
- You will also want to make sure you are tracking your net assets as you will need to determine what amount is restricted at year end.

990-EZ

- The 990-EZ is also called the short form.
- The core return is four pages long and includes required supplementary schedules.
- This form is for mid sized exempt organizations with annual gross receipts between \$50,000 and \$200,000.
- You can elect to file the 990-EZ even if your gross receipts are less than \$50,000.
- You will use the same financial information discussed earlier for the 990 to prepare the 990-EZ.

990-N

- The 990-N is called the e-postcard filing.
- This is for exempt organizations whose gross receipts are normally less than \$50,000.
- There is a three-year look back period for determining average gross receipts.
- Unlike the 990 and 990-EZ, there is very little financial information needed to file the return as you only need to have gross receipts.
- Remember that gross receipts is your income before expenses.

Other filing requirements...

- In addition to the federal filing requirements, there are also state filing requirements, as follows:
 - CA Form 199
 - This is used whether you are filing a 990 or 990-EZ
 - 199-N is the CA version for the e-postcard filing
 - If a charitable trust (most 501(c)(3) organizations), you will also have an RRF-1 filing requirement with the Attorney General's office.
 - Keep in mind that if filing e-postcards for IRS and CA purposes, there will be supplemental schedules you will need to include with the RRF-1 filing.

Individuals

- If you are an individual, or for-profit entity, you will have different tax filing requirements.
 - Sole-proprietor
 - File Schedule C
 - Limited Liability Company
 - Partnership return or Single member LLC
 - Corporation
 - S-Corporation if S-election in place
 - C-Corporation

Accounting method

- You have two options for your accounting (exempt organizations)
 - Accrual accounting
 - Cash basis accounting
- Depending on which option you choose will make a difference in how you will report grant awards.
- The grant cycle is May 1, 2023 – May 1, 2024.
 - On a cash basis, you will report income when received.
 - On an accrual basis, you match income with expenses.
 - Your year-end will also dictate when income is reported.

1099-NEC

- Paying another artist
 - If they are an Independent Contractor, make sure to get a W-9 from them before any payments are made.
 - If you pay them more than \$600 per year, you will need to file a 1099-NEC for them on a calendar year basis.
 - If they are an employee, their income will be reported on a W-2.
- Individual artist without a business
 - You will receive a 1099-NEC at the end of the year if your award is more than \$600. This will be considered self employment income, will be reported on Schedule C and subject to Self-employment tax. You can pay another artist even if you file a Schedule C.

Fees

- E-postcard filings with RRF-1
 - About \$300
- 990-EZ, CA 199 and RRF-1
 - Range from \$600-\$1,000
- 990, CA 199 and RRF-1
 - Range from \$1,500 to \$2,500
- Individual- Schedule C
 - Starts at \$600
- Business Return- Partnership, Corporation, LLC
 - Starts at \$1,200
- Remember to include accounting fees in your budget.

Links

- IRS Exempt Organizations-
 - <https://www.irs.gov/charities-and-nonprofits>
 - <https://www.irs.gov/charities-non-profits/annual-electronic-filing-requirement-for-small-exempt-organizations-form-990-n-e-postcard>
- Franchise Tax Board Charities and nonprofits
 - <https://www.ftb.ca.gov/file/business/types/charities-nonprofits/index.html>
 - <https://www.ftb.ca.gov/file/business/types/charities-nonprofits/199N.asp>
- Department of Justice- Registry of Charitable Trusts
 - <https://oag.ca.gov/charities>

Questions?

THANK YOU

GRACIAS

MERCI

DANKE

CONTACT

Charlie McCarthy, CPA

cmccarthy@ba.cpa

www.ba.cpa

(661) 324-4971

