



CFC MEMORANDUM 2017-07

December 15, 2017

**TO:** CFC-PARTICIPATING FEDERATIONS AND CHARITABLE ORGANIZATIONS, LOCAL FEDERAL COORDINATING COMMITTEES (LFCCs), AND THE CENTRAL CAMPAIGN ADMINISTRATOR (CCA)

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**SUBJECT:** CFC APPLICATION STANDARDS: IRS FORM 990 REQUIREMENTS

The implementation of a single site for submission and review of CFC applications has uncovered a number of issues which negatively impact the quality and consistency of applications submitted for participation in the Combined Federal Campaign (CFC) and in the standards applied by application reviewers. This CFC Memorandum is one in a series meant to fine-tune CFC application standards and the criteria by which these applications are reviewed.

This memorandum replaces CFC Memoranda 2009-08, 2010-05, and 2012-05.

### **Background**

The Internal Revenue Service (IRS) Form 990 is required to be submitted with the CFC application by all organizations. Moreover, it is the one documentation requirement that is required every year, as it is part of both the full application and abbreviated verification application. The IRS Form 990 must cover a fiscal period ending not more than 18 months prior to the January of the year of the campaign for which the organization is applying. For example, for the 2018 application period, organizations must submit an IRS Form 990 that was for a fiscal period ending on or after June 30, 2016. The document must also be for the same fiscal period as the financial statements, if applicable, submitted on Step 7 of the application.

### **Which form to submit: IRS Form 990 vs. *pro forma* IRS Form 990**

On Step 8 of the CFC application, the organization must select between one of two statements to certify whether it is required to file the IRS Form 990 with the IRS.

**Option 1**

- I certify that the organization named in this application prepares and submits to the IRS a complete copy of the organization's IRS Form 990.

**Option 2**

- I certify that the organization named in this application is not required to prepare and submit an IRS Form 990 to the IRS.

**UPLOAD REQUIRED DOCUMENT: Attachment C**

Please make sure page 1 of your Attachment C (990 or Pro Forma 990) contains the signature of an officer of your organization. The preparer's signature alone is not sufficient!

No file chosen

Option 1 is for organizations that are required to annually prepare and submit the IRS Form 990 (long form) to the IRS. Organizations that select Option 1 must upload a complete, signed, and dated copy of the IRS Form 990 that was submitted to the IRS (with the exception of Schedule B).

Option 2 is for organizations that are *not required* to prepare and submit IRS Form 990 to the IRS. This includes organizations that file versions of the IRS Form 990—such as the 990-EZ, 990-N, 990-PF or some other comparable form—or that are not required to file a return with the IRS. Organizations selecting Option 2 are required to prepare and submit a *pro forma* Form 990 with the CFC application.

***Please note: The CFC will not accept the IRS Forms 990-EZ, 990-N, 990-PF, or any comparable form other than the IRS Form 990 (long form) with the CFC application.***

**The *pro forma* IRS Form 990 Explained**

The *pro forma* IRS Form 990 is not a separate form. Rather, it is a partially completed IRS Form 990 that is used for CFC purposes only. While the *pro forma* IRS Form 990 is not submitted to the IRS, the instructions for completing the IRS Form 990 still apply. The blank IRS Forms 990 can be found at [irs.gov](http://irs.gov). The items that must be completed on the *pro forma* IRS Form 990 are:

- Page 1, Items A-M;
- Part I (Summary), Lines 1-4 only;
- Part II (Signature Block);
- Part VII (Compensation - section A only);
- Part VIII (Statement of Revenues);
- Part IX (Statement of Functional Expenses); and
- Part XII (Financial Statements and Reporting).

Each is section's requirements (i.e. what the reviewers are looking for) is explained in the section below.

### **IRS Form 990/pro forma IRS Form 990 Requirements**

*Page 1, Items A-M* – While all applicable items must be completed, the following items' content are specifically reviewed:

- Item A: When left blank, this field indicates that fiscal period of the organization is the calendar year indicated on the form. Otherwise, the IRS Form 990 covers the fiscal period indicated by the entries provided. This fiscal period must be the same as that covered by the audited or reviewed financial statements submitted with the CFC application, if required.
- Item C: The "Name of Organization" is the legal name of the entity as it appears on the IRS Business Master File (BMF). That said, the "Name of Organization" should also be the name provided on the applications. You may use the "Doing business as" field to indicate DBA names and chapter/affiliate names if you wish (though additional DBA documentation may be required).
- Item D: The EIN provided should be that of the applicant organization. As EINs are public information, they should not be redacted (in whole or in part) or omitted.
- Items H: The entries provided in Items H(a), H(b), and H(c) must align with the certifications and documentation provided in this application and the applications submitted by related organizations. For instance, if a subordinate of a group exemption submits a pro forma IRS Form 990, but the central organization to the same group exemption indicates (on its IRS Form 990) that it does not cover the subordinates, the subordinate's application may be denied.
- Item I: All CFC-participating organizations for which IRS Forms 990 are required must be 501(c)(3) organizations. Checking a box other than "501(c)(3)" may result in denial of the application or a requirement to file an amended IRS Form 990 with the IRS.

*Part I (Summary), Lines 1-4 only* – While entries must be provided on all applicable lines, line 3 (which indicates the number of voting members) is retained for review elsewhere on the form.

*Part II (Signature Block)* – All *pro forma* IRS Forms 990 must be signed and dated by an officer of the organization. Organizations that file the IRS Form 990 electronically may submit a signed copy of IRS Form 8879-EO or IRS Form 8453-EO in lieu of a signature in Part II of the IRS Form 990. The preparer's signature alone (on any three of these forms) is not sufficient. The date on all forms must predate the CFC application deadline.

*Part VII (Compensation)* – The CFC uses the information provided on Part I, line 3, and Part VII to verify the certification (on Step 10 of the application) that the majority of the Board served without compensation. This is done by comparing the number retained from Part I, line 3 (the number of voting members) with the number of trustees (either ‘Individual trustee or director’ or ‘Institutional trustee’) identified in Part VII, section A, column (C).

***Please note: The IRS defines any member of the governing body with voting rights as a ‘Trustee’. While the organization may recognize officers of the Board (e.g. President of the Board, Board Secretary, etc.) this is not the IRS’s meaning. Rather, the IRS defines ‘Officer’ as a person that manages the organization’s daily operations (e.g. a Chief Executive Officer or Executive Director). Finally, an organization should not identify no voting members simply because it does not use the term ‘Trustee’ to describe its voting members.***

Compensation information must be reported in Part VII, section A, columns (D), (E), and (F). If no compensation was received by a trustee, then “0” must be entered accordingly. No cell in these columns, for which a trustee is identified, can be left blank. The only exception is if the box above the table (labeled “Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee”) is checked.

All governing body information in the IRS Form 990 must be presented in Part VII in accordance with the instructions for completing the IRS Form 990. The CFC will not accept information submitted in other statements or schedules.

*Part VIII (Statement of Revenues)* – The statement of revenues must be completed.

*Part IX (Statement of Functional Expenses)* - The statement of functional expenses must be completed. This part contains four columns for each line item. This information must be complete and accurate in order to accurately calculate an organization’s administrative and fundraising rate. The figure entered in column (A) (Total Expenses) must equal the sum of the figures entered in columns (B) (Program service expenses), (C) (Management and general expenses) and (D) (Fundraising expenses). Enter zeroes as needed. Failure to categorize each expense in columns (B), (C), and (D) may result in the denial of the application.

*Part XII (Financial Statements and Reporting)* – All lines in the Financial Statements and Reporting section must be completed. Moreover, these entries must align with the certifications and documentation provided in this application and the applications submitted by related organizations. For instance, if an organization certifies in its verification application that it has an audit of its fiscal operations completed annually, yet indicates in Part XII, line 2b, that the financial statements were not audited, the application may be denied. Also, Part XII must corroborate the accounting method as certified on Step 7 of the application.

Organizations are encouraged to utilize the Completeness Review Checklist to ensure that all part of the IRS Form 990 meet CFC requirements. Documents not meeting the requirements may need to be amended with the IRS Form 990 and submitted with the CFC application.

### **The Administrative and Fundraising Rate (AFR)**

Using the information provided in Part VIII (Statement of Revenue) and Part IX (Statement of Functional Expenses), the CFC will calculate the organization's administrative fundraising rate (AFR) in pursuant to 5 CFR §950.203(a)(4). This calculation requires the following entries:

- Part IX (Statement of Functional Expenses), line 25, column (C) (Management and General Expenses);
- Part IX (Statement of Functional Expenses), line 25, column (D) (Fundraising Expenses); and
- Part VIII (Statement of Revenue), line 12, column (A) (Total Revenue)

If these entries are not provided, the application may be denied. To calculate the AFR, Part IX, line 25, column (C), and line 25, column (D), must be added together and the sum divided by Part VIII, line 12, column (A). For CFC purposes, the AFR is always expressed rounded to the nearest tenth of a percent (i.e. to one digit after the decimal).

Charities which do not reflect administrative and fundraising expenses in the Statement of Functional Expenses of the IRS Form 990 (resulting in an AFR of 0.0%), but show such expenses on the audited financial statement will be denied unless the audited financial statements specifically state that these services were donated.

These requirements are effective for the 2018 campaign. If you have any questions, please contact the Office of CFC at [cfc@opm.gov](mailto:cfc@opm.gov).