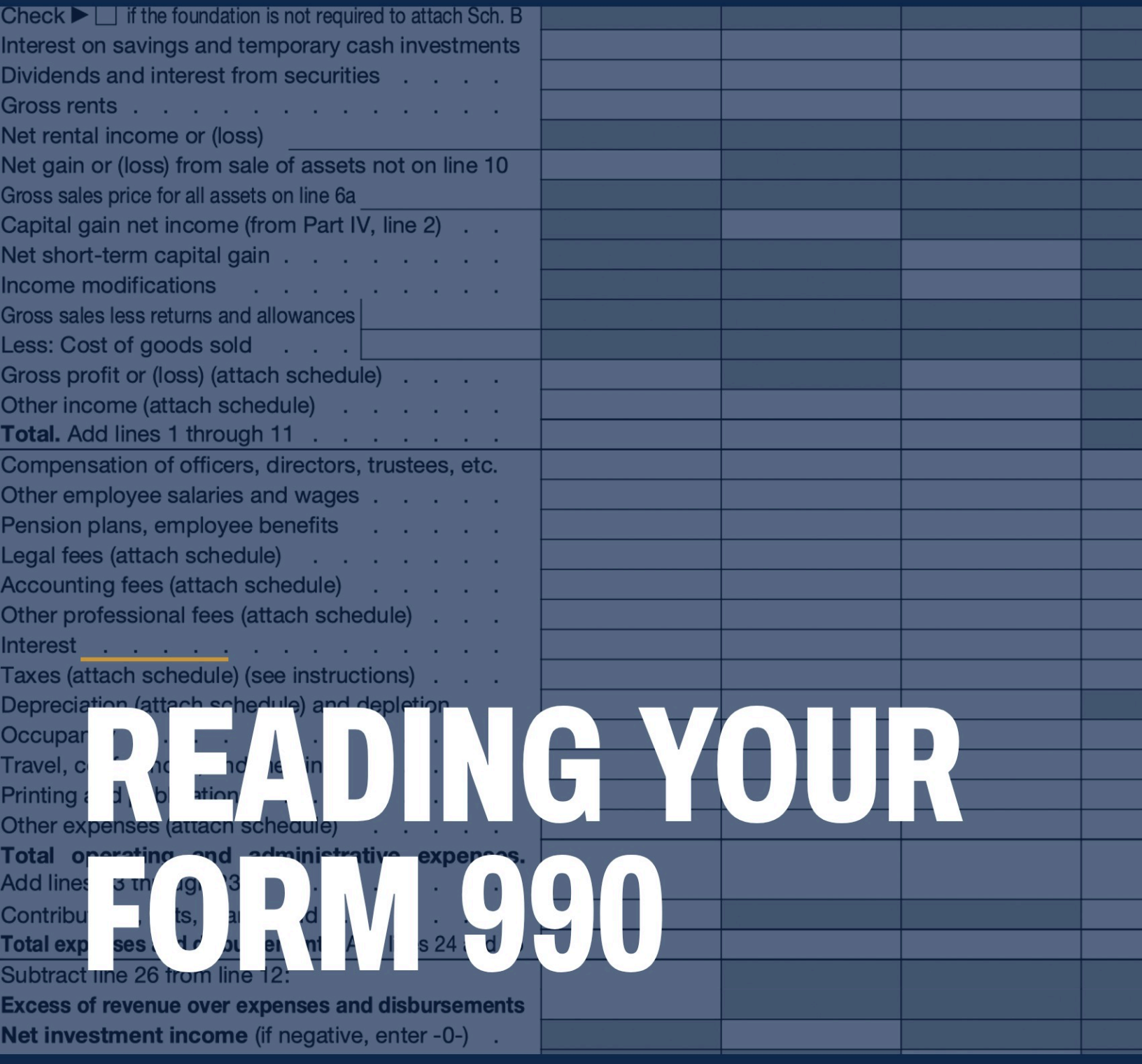
NANA

GUIDE · MAY 2025



READING YOUR FORM 990

A section-by-section guide to reading an association's own Form 990, for board members and staff without a finance background.

Lorraine Petrakis

FINANCE AND DUES

ABOUT THIS GUIDE

This guide walks you through an association's own Form 990, part by part, so that you can read it with a pen in your hand and come to a board meeting with better questions than the filing's author expected. It is written for board members, committee chairs and staff who have no finance training and who have signed off on a 990 at least once without reading past the first page. I am NANA's Chief Operating Officer and CFO, and I wrote it to accompany the on-demand course of the same name. Every 501(c)(6) and 501(c)(3) association files an annual return in one of three versions, and the completed return is a public document. Anyone may request a copy.

HOW TO USE THIS GUIDE

Read it once straight through to learn the vocabulary, then read it a second time with your own association's most recent filing open beside it. Sections 2 to 7 take the parts of the form that matter most to a board, and each carries one question to ask. Section 8 shows how to turn a year of numbers into a trend, and section 9 collects the questions from sections 2 to 6 into a list you can carry into a meeting. The appendix gives you a four-year table to copy and a short glossary.

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1

WHY BOARD MEMBERS SHOULD READ THIS FORM THEMSELVES

By the end of this section you will know which version of the form your association files, when it is due, who can ask to see it, and why the board should read it before it is signed.

A Form 990 is not primarily a document for the IRS. It is a public disclosure, and for a 501(c)(6) or 501(c)(3) association, it is often the single most complete financial picture available to a member, a donor, a reporter, or a prospective board candidate deciding whether to run for a seat. Most board members have seen their organization's 990 attached to a board packet at least once. Far fewer have actually read it section by section.

I built this guide, and the on-demand course it accompanies, around a specific observation from my own board work. Directors who ask sharp questions about a dashboard or a budget memo often go quiet when the same numbers appear inside a Form 990's parts and schedules. The numbers are the same. The form is just unfamiliar.

You do not need an accounting degree to read this form. You need to know which of the dozen or so parts actually matter for the questions a board is supposed to be asking, and which ones exist mainly for the IRS's own compliance purposes. That second group is longer than most people expect, and you can skim it without guilt.

WHICH FORM YOUR ASSOCIATION FILES

Three versions of the annual return exist, and the size of your association decides which one you file. An organization with gross receipts under $200,000 and total assets under $500,000 at year end may file the shorter Form 990-EZ. A very small organization, with gross receipts that are normally $50,000 or less, files an electronic postcard called the Form 990-N. Anything larger files the full Form 990, and that is the form this guide covers.

If your association sits near a threshold, ask your accountant which version you filed last year and which you expect to file next year. Crossing a line by $5,000 can turn a two-page filing into a thirty-page one, and a board that learns this in the week of the deadline will not enjoy the conversation. The

full form is also the only version that carries the governance questions in Part VI and the compensation detail in Schedule J.

WHEN IT IS DUE

The return is due on the 15th day of the fifth month after your fiscal year ends. A six-month extension is available by filing Form 8868 before the original deadline, and most associations with outside auditors use it. The extension moves the filing date, not the date by which the board should have read the draft.

FISCAL YEAR ENDS	ORIGINAL DUE DATE	EXTENDED DUE DATE
December 31	May 15	November 15
September 30	February 15	August 15
June 30	November 15	May 15

Table 1. Filing deadlines by fiscal year end, with and without the automatic six-month extension.

An association that fails to file for three years in a row loses its tax exemption automatically. Late filing also carries a daily penalty that the IRS can waive for reasonable cause, but that waiver is a request your treasurer should never have to make. Put the original due date and the extended due date on the board calendar in July, when you set the year's meeting schedule.

WHO CAN ASK TO SEE IT

Your association must make its last three annual returns available for inspection at its office during business hours, and must provide copies to anyone who asks in person or in writing. The public copy leaves out the names and addresses of contributors on Schedule B, the schedule that lists large donors. Everything else, including every officer's pay, is open to the reader.

This is why a prospective board candidate, a reporter, or a competing association's staff can see your numbers without asking you. It is also why the form is worth reading with the eye of an outsider. If a figure looks odd to you, it will look odd to them, and they will not call first.

BEFORE YOU OPEN THE FORM

Gather these four items before you begin, so that the form's numbers have something to be checked against.

- [ ] The most recent Form 990 as filed, including every schedule, not only the first ten pages
- [ ] The prior year's Form 990, which you will compare with it page by page
- [ ] The budget the board approved for the same fiscal year
- [ ] The association's written reserve policy and its conflict-of-interest policy, if either exists

If you cannot find the reserve policy, treat that as your first finding. You will see in section 5 why the policy matters more than the balance sheet figure it is compared against.

> “I read our 990 the night before my first finance meeting and it was the best hour of preparation I did all year. By the next morning I knew which three numbers the treasurer would explain and which she would not have to.
>
> DOMINIC FERRANTE, DEPUTY EXECUTIVE DIRECTOR, NATIONAL COUNCIL OF BUILDING OFFICIALS

2
PART I: THE SUMMARY PAGE

By the end of this section you will be able to read Part I in under a minute, check it against the budget, and trace its revenue and expense totals back to the two parts that explain them.

Part I is one page. It gives total revenue, total expenses and net assets at year end, the three numbers most board members want, and it reports how many voting board members and employees the association has.

Compare each current-year figure with the prior year's, printed in the adjacent column. The comparison takes under a minute and shows whether revenue, expenses and net assets moved the way the budget assumed. A single year read alone hides the direction.

The question to ask: Does this year's Part I match what the board approved in the budget, and if not, where did the actual result diverge from the plan?

PART I AGAINST THE BUDGET

A Form 990 reports actual results on a different basis from most budgets. The budget may show event revenue net of event costs, while the 990 shows both sides in full. Depreciation, which most budgets omit, is an expense on the 990. Ask your accountant for a one-page reconciliation from the budget's bottom line to Part I's, and keep it in the board file from year to year.

Without the reconciliation, a surplus of $46,000 in the budget and a figure of $12,000 in Part I look like a $34,000 miss. With it, the difference might be $31,000 of depreciation and $3,000 of timing, and the board can move on in two minutes. The reconciliation also protects the staff, who otherwise spend the meeting defending a gap that is only a difference in accounting convention.

WHERE THE TOTALS COME FROM: PARTS VIII AND IX

Part I summarizes two longer statements. Part VIII lists revenue by source, and Part IX lists expenses by type and, for most filers, by function. If the headline number in Part I surprises you, these two parts are where the explanation lives, and each takes a single page.

Start with Part VIII and ask where the money comes from. Dues, event registrations, sponsorships, grants and investment income carry different risks, and a board should know the mix. A dues share that has slipped from 60 percent to 45 percent over four years is a strategy conversation, whatever the surplus says.

WORKED EXAMPLE: THE REVENUE MIX AT A TRANSIT PLANNERS' COUNCIL

In its filing for the year ended December 31, 2024, the Council of Municipal Transit Planners reported total revenue of $3,060,000. The council is based in Seattle, has 3,300 members and 14 staff, and files the full Form 990. Its Part VIII breaks down as follows.

SOURCE	AMOUNT	SHARE OF REVENUE
Membership dues	$1,530,000	50%
Program service revenue (events and training)	$1,071,000	35%
Sponsorships and advertising	$306,000	10%
Investment income and other	$153,000	5%
Total	$3,060,000	100%

Table 2. Revenue by source, Council of Municipal Transit Planners, year ended December 31, 2024.

Half the council's revenue is dues, which is the steady half. The 35 percent from events and training moves with attendance, and the 10 percent from sponsors moves with the economy and with a handful of relationships. The council's board used the table to set a rule in March 2025: no more than 45 percent of any one year's budget may depend on event attendance meeting its forecast. That rule would have been impossible to write without Part VIII in front of them.

For comparison, NANA's State of Associations 2025 report, published on March 4 and drawing on 720 associations, found median membership growth of 2.1 percent and median renewal of 93 percent. Those two figures are a useful outside check on the dues line of any filing. If your dues revenue is growing at 6 percent a year while your renewal rate is below the median, ask whether the growth comes from new members, from a dues increase, or from a timing change in how dues are recorded.

FUNCTIONAL EXPENSES: PROGRAM, MANAGEMENT, FUNDRAISING

Part IX sorts expenses by function into program services, management and general, and fundraising. A 501(c)(3) or 501(c)(4) must complete the split; a 501(c)(6) may, and I recommend it. The percentages are among the most quoted numbers in the sector, and among the most misread. A low management and general share is not a virtue in itself. It can mean the association is underinvesting in the accounting, insurance, audit and board costs that keep it solvent.

FUNCTION	AMOUNT	SHARE OF EXPENSES
Program services	$840,000	75%
Management and general	$224,000	20%
Fundraising	$56,000	5%
Total	$1,120,000	100%

Table 3. Functional expenses, Society of Historic Mill Towns, year ended December 31, 2024.

The Society of Historic Mill Towns, in Lowell, has six staff and 150 municipal and nonprofit members. Twenty percent for management and general is ordinary for an organization of that size. A six-person staff cannot spread an audit, a liability policy and a bookkeeper across a large program base the way a 200-person organization can.

> “Our management and general line is 20 percent and I used to apologize for it. Then I learned the form counts my accountant, my insurance and my board meetings there, and that a six-person staff cannot spread those costs any thinner. Now I show the trend instead of defending the number.
>
> ELENA MARSH, CHIEF EXECUTIVE OFFICER, SOCIETY OF HISTORIC MILL TOWNS

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PART III: PROGRAM SERVICE ACCOMPLISHMENTS

By the end of this section you will be able to test Part III's narrative against your own spending, and rewrite it so that it tells a member or donor what their money did.

Part III is written in prose, not numbers, and it is the section most useful for telling your association's story to someone outside the finance committee. It states the mission and describes the largest program activities. A 501(c)(3) or 501(c)(4) must also give the expense and revenue of each program; a 501(c)(6) may, and I recommend it.

I tell communications directors to read this section before a donor meeting, not just a compliance officer before a filing deadline. A well-written Part III explains what a member's dues or a donor's gift actually funded in plain terms: a scholarship program, a credentialing exam subsidy, an advocacy campaign. A weak one recites the organization's exempt purpose in the same boilerplate language year after year.

The question to ask: Does Part III's description of our largest program still match what we actually spent the most on this year, or has our program mix shifted without the narrative catching up?

HOW PART III IS BUILT

The form asks for the organization's mission, then for its three largest program services measured by expense. For each, it asks for a description of what was accomplished, and, for a (c)(3) or (c)(4), the expense and any revenue the program brought in. A (c)(6) may leave the figures blank, but a narrative with no numbers is the weakest version of this section. Other program services can be listed in aggregate beneath them.

The three-largest rule is the one to watch. Staff often copy the prior year's text forward because the programs have the same names, and so the section keeps describing the activity that used to be largest. If your association completes Part IX's functional columns, compare the expense figures in Part III with the program column. If the second-largest program line in Part IX is larger than the largest program Part III describes, the narrative is out of date.

WORKED EXAMPLE: THE PROGRAM THAT OUTGREW ITS DESCRIPTION

The Alliance of Community Radio Stations, in Richmond, has 310 member stations and 8 staff. Its filing for the year ended December 31, 2023 led Part III with its annual conference, at $412,000 of expense. Its own Part IX showed a training grants program at $468,000, which the narrative had mentioned only in a closing sentence.

The training grants had grown quickly. In 2023 the alliance paid for 78 stations to send a volunteer engineer to a four-day course, at an average of $6,000 each, which comes to $468,000. When the board reviewed the 2023 return in the autumn of 2024, a director who had joined that year asked why the largest spending line was the smallest part of the story. The alliance rewrote Part III for its 2024 return so that training grants came first, with the number of grants, the average amount and the course outcomes.

The change was not cosmetic. The board used the revised description in its 2025 appeal to underwriters, and the underwriters could see in one paragraph where a gift of $6,000 went. A paragraph of this kind costs an afternoon to write, and most associations never write it.

A TEST FOR YOUR OWN PART III

Read your Part III aloud to someone who has never worked for the association. If they cannot say, afterwards, what you spent the most money on and what it achieved, the section has not done its job. Replace general phrases with counts: stations served, scholarships paid, comment letters filed, hours of training delivered.

Two cautions apply. Numbers in Part III must be defensible, because the form is signed under penalty of perjury and read by reporters. And outcomes should be things the association actually measured; "strengthened the sector" is not an outcome, and a reader will skim it.

4
PART VII AND SCHEDULE J: COMPENSATION

By the end of this section you will be able to find the executive director's pay on the form, break it into its four parts, and explain a jump in the total without guessing.

Part VII lists every officer, director, and key employee, along with reportable compensation from the organization and from any related organization. Schedule J expands on this for the Part VII people who meet one of its compensation triggers, breaking compensation into base pay, bonus, deferred compensation, and nontaxable benefits.

Board members ask about this section most often, usually about the executive director's total compensation, and read it least carefully. Most stop at the largest number in Part VII. Schedule J shows what that number contains. A base salary that is flat beside a total that jumped usually reflects a one-time payout of deferred compensation or a change in reported benefits, not a raise the board never approved. Only Schedule J lets you tell which.

The question to ask: Does the total on Schedule J match what the compensation committee actually approved, broken down the same way the committee approved it: base, bonus, deferred, and benefits separately?

WHO APPEARS IN PART VII

Part VII lists some people regardless of pay and others only above a threshold. Knowing which is which keeps you from asking why a program manager is missing.

CATEGORY	WHO IS LISTED	PAY THRESHOLD FOR LISTING
Officers, directors and trustees	Every current one, including unpaid board members	None; listed even at zero
Key employees	Employees with broad responsibility for the organization	More than $150,000 in reportable compensation
Highest compensated employees	The five highest paid who are not listed above	More than $100,000 in reportable compensation
Former officers, key employees and highest compensated employees	Anyone who held such a role in the past five years	More than $100,000
Former directors and trustees	Anyone who served in the past five years	More than $10,000, paid for service as a director or trustee

Table 4. Who is listed in Part VII, Section A, and at what level of pay.

Independent contractors are reported in a separate section of Part VII, for the five highest paid above $100,000. On a staff of four to eight, the executive director and the top financial official are reported as officers, and no one else usually reaches the key-employee or highest-paid thresholds, so a small association's Part VII is short. A longer one is a prompt to ask who else is crossing the threshold.

Schedule J is required when any of three things is true. Part VII must list a former officer, director, trustee, key employee or highest compensated employee. Any listed person has more than $150,000 in combined reportable and other compensation from the organization and related organizations. Or an unrelated organization paid a listed person for services to the association. Many smaller associations never file it, and a board that sees no Schedule J can conclude only that no one triggered it, not that pay was reviewed.

WHAT SCHEDULE J SEPARATES

Schedule J lays out each person's pay in columns. Base compensation, bonus and incentive pay, and other reportable compensation come first. Retirement and other deferred compensation follows, then nontaxable benefits such as health coverage, and then a total. A final column shows how much of the pay in the first group was already reported as deferred on an earlier return.

That last column stops double-counting. A sum reported as deferred in one year and paid out in a later year can appear on both returns, and the final column tells you which dollars you have already seen. It covers only the first group of columns, so check the deferred column separately. Read both before concluding that an executive was paid twice.

WORKED EXAMPLE: A 27 PERCENT JUMP WITH A 2.5 PERCENT RAISE

The Society of Heritage Carpentry Trades, in Providence, has 1,200 members and five staff. On its filing for the year ended December 31, 2023, the executive director's total compensation was $171,000, against $135,000 the year before. That is an increase of $36,000, or 27 percent, and a board member asked at the next meeting whether it had approved a raise of that size.

COMPONENT	PRIOR YEAR	CURRENT YEAR
Base compensation	$118,000	$121,000
Bonus and incentive	$0	$0
Other reportable compensation	$0	$38,000
Retirement and deferred compensation	$6,000	$0
Nontaxable benefits	$11,000	$12,000
Total	$135,000	$171,000

Table 5. Executive director compensation, Society of Heritage Carpentry Trades. Current year from Schedule J; prior year from Part VII and payroll records.

The base had risen $3,000, or 2.5 percent, which is the figure the board had approved. The rest of the increase was a payout: a supplemental retirement plan the board set up in 2019 vested at the end of 2023 and paid $38,000, which Schedule J shows as other reportable compensation. The plan's accruals in earlier years, $6,000 of them in the prior year, had been reported as deferred, and the final column shows that $30,000 of the payout was already on earlier returns. The treasurer explained all this when the board reviewed the draft return at its February 2024 meeting, using the table above, and the question closed in five minutes.

The episode did leave a fix behind. The compensation committee's minutes had approved the base salary but had not mentioned the plan's vesting date. From 2024 the committee has approved all four components in one resolution and noted any vesting event expected in the coming year.

CHECKING THE FIGURE AGAINST A BENCHMARK

Once you understand what the total contains, compare it with something outside your own association. NANA's Staff Compensation Survey 2024 covered 36 roles and gives a benchmark for executive and senior staff pay. Comparing your executive director's base pay to the survey, rather than the total, avoids penalizing a one-time payout.

Document that comparison in the compensation committee's minutes. Part VI asks whether the chief executive's pay was set through review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision. The survey covers only the second. The committee must also be independent of the executive and must record its deliberation, so keep all three in the minutes.

5
PART X: THE BALANCE SHEET

By the end of this section you will be able to calculate your association's months of operating reserve from Part X and Part IX, and compare the result with your own policy.

Part X reports assets, liabilities and net assets at year end, split into amounts with and without donor restrictions. For most associations it answers one question: how many months of operating expenses sit in unrestricted reserve, and does that match the board's reserve policy?

Compare Part X's unrestricted net assets with the policy's target in months, not with the feeling that the association has savings. An association below its target is not in crisis, but the gap belongs in a board conversation, not in a filing nobody reads past Part I. An association with no reserve policy should write one, because a target the board has never stated can be neither met nor missed.

The question to ask: How many months of operating expenses does our current unrestricted net assets figure represent, and does that number meet our own reserve policy's target?

THE CALCULATION

Take the net assets without donor restrictions from Part X. Subtract the net value of land, buildings and equipment, because you cannot pay salaries with a building you intend to keep. The result is the liquid unrestricted reserve. Divide it by one twelfth of the year's total expenses from Part I or Part IX, and the answer is the number of months the association could operate with no new revenue.

Two refinements matter. A board-designated fund, such as a reserve the board has set aside by resolution, remains unrestricted for this calculation and counts in full. A donor-restricted fund does not count, because the association is not free to spend it on operations.

WORKED EXAMPLE: PASSING THE POLICY BY $16,000

The Guild of Freshwater Fisheries Managers, in Salt Lake City, has 2,100 members and seven staff. Its fiscal year ends June 30, and its board's reserve policy sets a floor of six months of operating expenses. For the year ended June 30, 2024, total expenses were $1,796,000 and net assets

without donor restrictions were $1,010,000, including $96,000 invested in equipment and a small office condominium.

LINE	AMOUNT
Net assets without donor restrictions	$1,010,000
Less net land, buildings and equipment	$96,000
Liquid unrestricted reserve	$914,000
Monthly operating expense ($1,796,000 divided by 12)	$149,667
Months of reserve	6.1
Policy floor of 6 months	$898,000
Cushion above the floor	$16,000

Table 6. Months of reserve, Guild of Freshwater Fisheries Managers, year ended June 30, 2024.

The guild passes its policy, but by only $16,000. Had the board looked at the unadjusted $1,010,000, it would have counted 6.75 months and concluded it had nearly three-quarters of a month to spare. The honest figure is a cushion of about a tenth of one month, which is a few days of payroll.

The board also holds $212,000 in donor-restricted net assets for a fisheries scholarship fund. Those dollars appear in Part X but do not appear in the calculation, and the guild's treasurer flags this each year so that no one counts them twice. Reading Part X with the restrictions in mind is most of the skill.

The board's October 2024 meeting did not change the policy. It instead asked the finance committee to report the months-of-reserve figure at every quarterly meeting, so that a slide below six months would be visible before the filing, not after it.

OTHER THINGS TO SCAN IN PART X

Three further lines deserve a glance. Accounts receivable that have grown faster than revenue suggest that members or sponsors are paying late. Deferred revenue, which is mostly dues collected in advance, should rise and fall with the calendar. And a loan or line of credit you did not know about is a conversation to have with the treasurer before the next audit.

- [ ] Calculate months of unrestricted reserve with net land, buildings and equipment removed
- [ ] Compare the result with the reserve policy, and note the gap in dollars
- [ ] Confirm that donor-restricted funds are excluded from the calculation
- [ ] Check receivables, deferred revenue and any debt against last year's figures

> “Our policy said six months, and for two years nobody had divided anything by twelve. The first time we did, we were sitting right on the line. A reserve you have not measured is a hope.
>
> NILS HAVERKAMP, EXECUTIVE DIRECTOR, GUILD OF FRESHWATER FISHERIES MANAGERS

6
PART VI: GOVERNANCE

By the end of this section you will be able to answer each of Part VI's governance questions for your own association, and know what the form shows an outsider when the answer is "no".

Part VI asks yes-or-no questions about governance practice: whether each voting director received the final Form 990 before it was filed, whether the association has a written conflict-of-interest policy and enforces it, and whether the board and its committees document their meetings at the time. Several "no" answers in a row are visible to anyone who reads the form, including a candidate deciding whether to run for a seat.

I advise every board to treat Part VI as a self-check, not a formality. A "no" on whether directors received the 990 before filing is worth fixing before next year's filing. Leaving it unchanged out of habit tells the next reader that nobody looked.

The question to ask: Which of Part VI's governance questions did we answer "no" to this year, and what would it take to answer "yes" next year?

THE QUESTIONS THAT MATTER MOST

Part VI is longer than most boards expect, but five groups of questions do most of the work. Section B of the part states that the policies it asks about are not required by the tax code, and Section A carries the board-size and minutes questions. The form simply asks whether you have these practices, and it publishes the answer.

TOPIC	WHAT THE FORM ASKS	WHAT A "YES" REQUIRES
Independence	How many voting board members, and how many are independent	A count your secretary can document at each meeting
Final return to the board	Whether the final 990, as filed, went to every voting board member before filing	The complete return with every schedule and nothing redacted, sent before the filing date and recorded
Conflict of interest	Whether there is a written policy, an annual disclosure, and a way to monitor it	A policy, signed disclosures from each director, and minutes recording any recusal
Whistleblower and records	Whether written whistleblower and document retention policies exist	Two short policies, adopted by the board and kept on file
Executive pay	Whether the CEO's pay was set by review and approval by independent persons, comparability data, and contemporaneous substantiation	Independent approvers, the comparison data used, and minutes recording the deliberation and the decision

Table 7. The Part VI questions that outsiders read most closely, and what a "yes" requires.

The form also asks you to describe your review process in Schedule O. A line such as "the draft was circulated to the board for 14 days, the final return went to every director on the day before filing, and the finance committee discussed it" is worth more than a bare "yes". It is also true or it is not, and the person signing is attesting to it.

SCHEDULES BEHIND PART VI

Several schedules back up the governance answers, and a board member who has seen their titles will recognize them when they appear. Schedule L reports transactions with interested persons, such as a business owned by a director that sells the association a service. Schedule O is the narrative supplement where the form asks you to explain. Schedule C reports political campaign and lobbying activity, and Schedule R reports related organizations such as a foundation or a political action committee.

Schedule L matters to the conflict policy because it is the schedule where a conflict would actually show up. If a director's firm sold the association $14,000 of printing and the minutes record nothing, Part VI and Schedule L disagree with each other, and a careful reader will notice. Pair the two when you review the filing.

WORKED EXAMPLE: FROM THREE "NO" ANSWERS TO A DOCUMENTED BOARD

The Cascadia Forest Products Council, in Tacoma, has 140 member companies and four staff. Its return for the year ended December 31, 2023 answered "no" to whether the board had received the 990 before filing, "no" to whether it had a written conflict-of-interest policy, and "no" to whether it documented meetings promptly. A new director named the three answers in the first meeting after the filing went out.

The council did not need new money or new staff to fix any of them. At its March 2024 meeting the board adopted a one-page conflict-of-interest policy, adapted from a published sample, and every director signed a disclosure form in that meeting. The executive director began circulating the draft 990 for comment two weeks before each filing, then sending every director the final return, complete with all schedules, before it went to the IRS. Minutes were approved at the following meeting, with a rule that unapproved drafts circulate within ten days.

When the council filed its 2024 return in March 2025, it answered "yes" to all three. The only cost was two board meetings' worth of agenda time, and the council's executive director reports that the review period turned up a misclassified invoice that would otherwise have gone to the IRS. A "no" answer is not a penalty, but it is a record, and the way to remove it is to do the thing.

> “I read the Part VI answers before anything else, because they are the board's own habits written down. At our alliance we answer the conflict-of-interest question in the same meeting that approves the budget, so it never waits for a quiet month.
>
> HARUKO TANAKA, CHIEF FINANCIAL OFFICER, ALLIANCE OF REGIONAL CREDIT UNIONS

WHAT YOUR ANSWERS SAY TO A CANDIDATE

A prospective director doing diligence will read Part VI first. Three or four "no" answers in a row tell them that the board does not read what it signs, whatever the minutes say. A board that fixes each "no" in a year gives its next candidate something better to read than a promise.

- [ ] Ask the secretary to list every Part VI answer from last year's filing, "yes" and "no" together
- [ ] Circulate the draft 990 for comment two weeks before filing, then send every director the final return, with all schedules and nothing redacted, before it is filed
- [ ] Collect a signed conflict-of-interest disclosure from each director once a year
- [ ] Check that independent approvers set executive pay using comparison data, and that the minutes record the deliberation

7

SCHEDULE A: PUBLIC SUPPORT, FOR 501(C)(3) FOUNDATIONS

By the end of this section you will know what the public support test measures, how to read the percentage on Schedule A, and what a board should do when the number falls.

An association with an affiliated 501(c)(3) foundation, such as the scholarship or grant arm many NANA members run beside the main 501(c)(6) trade association, files a separate 990 for it. That filing includes Schedule A, which tests whether the foundation still qualifies as a public charity by measuring how broadly its support is drawn, rather than how much comes from a few large donors.

Foundation board members should track Schedule A's public support percentage as a standing item. A foundation that leans on one major donor or one grant source can fail the test over time, with real consequences for its tax status. Boards rarely see it coming unless someone watches the trend.

The question to ask: Has our foundation's Schedule A public support percentage moved in either direction over the last three filings, and if it's declining, why?

HOW THE TEST WORKS

The test compares public support with total support over a rolling five-year window. A foundation generally needs at least 33 and a third percent to pass the main test, and it may still qualify at 10 percent or more if the facts and circumstances show that it is publicly supported. The numerator is where the surprise sits: gifts from any one donor count toward public support only up to 2 percent of total support, with exceptions for governmental units and for organizations that are themselves publicly supported under section 170(b)(1)(A)(vi).

That cap means a very large gift can lower the percentage even as it raises the foundation's income. The gift enters the denominator in full and the numerator only up to the cap. A foundation that is delighted by a generous donor can be nudged toward trouble by the same generosity.

An association's main 501(c)(6) filing does not include Schedule A. It is a (c)(3) test, so a board member who sits only on the trade association's board

will not see it unless the foundation's return is circulated. Ask for it.

WORKED EXAMPLE: A FALLING PERCENTAGE AND A SMALL-DONOR APPEAL

The Great Lakes Orchard Growers Education Fund is the charitable affiliate of the Great Lakes Orchard Growers Association, which has 900 growers and 10 staff in Lansing. The fund pays for scholarships for orchard workers and for pest-management training. Its Schedule A showed the following public support percentages over three consecutive filings.

FILING YEAR	PUBLIC SUPPORT PERCENTAGE	MARGIN OVER THE 33 1/3 PERCENT TEST
2021	52.4%	19.1 points
2022	47.9%	14.6 points
2023	41.3%	8.0 points

Table 8. Public support percentage, Great Lakes Orchard Growers Education Fund, five-year window ending in each year.

Nothing about the fund's programs had changed. A processor's charitable foundation had raised its annual gift from $90,000 to $240,000 over the same period, and because gifts from one donor count only up to 2 percent of total support, most of the new money lifted the denominator without lifting the numerator. The fund was still well above the test, but the direction was unmistakable.

The board had set 45 percent as its trigger. When the return for 2023 came in at 41.3 percent, in the autumn of 2024, the board launched a small-donor appeal among growers and their families in the 2024 giving season. It raised $48,600 from 312 gifts, an average of about $156, and none of the gifts came near the 2 percent cap. The effect will show in the 2024 return, which the fund is preparing now.

WHAT TO DO IF THE NUMBER FALLS

A falling percentage is a prompt, not a crisis. Ask the foundation's treasurer for a table of the five largest sources of support over the window. Ask which of them count in full and which are capped, and ask whether any are likely to grow in the next year.

If the cause is a single large donor, the board has two sensible options. It can ask the donor to spread the gift over several years, or it can widen the base of small gifts. It should not ask the donor to give less merely to protect a percentage; that is a decision for the board as a whole, and the minutes should record it.

> “A foundation that grows by landing one big donor is a foundation a year from a problem. I would rather have three hundred gifts of a hundred dollars than one of thirty thousand, and Schedule A is the page that tells you which one you are building.
>
> SAMUEL HEATHCOTE, EXECUTIVE DIRECTOR, NANA FOUNDATION

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READING THE FORM AS A TREND, NOT A SNAPSHOT

By the end of this section you will be able to build a four-year table from your own filings and use it to see trouble two or three years before a single filing shows it.

One year's Form 990 shows where the organization stands. Three or four years side by side show where it is headed: whether reserves are building or eroding, whether compensation tracks revenue growth or outruns it, and whether program expense is moving toward or away from the mission described in Part III.

I keep the last four years' Part I and Part X figures in one simple table, updated when each new filing is complete, and I recommend the same to every board I advise. The table takes minutes to build. It turns an annual compliance document into a trend line the finance committee can use at any meeting, not only at filing time.

WHAT GOES IN THE TABLE

Six rows are enough: total revenue, total expenses, revenue less expenses, net assets without donor restrictions, months of reserve, and the number of employees. Add the share of revenue from dues and the program share of expenses if you have the time. Take every figure from the filed return, not from the audit or the budget, so that the table reconciles with what outsiders see.

WORKED EXAMPLE: FOUR YEARS AT AN OUTFITTERS' COUNCIL

The Rocky Mountain Outfitters and Guides Council, in Cheyenne, has 420 members and a staff of two. It files on a calendar year and sets a reserve floor of six months. Its treasurer built the table below in February 2025, after the 2024 return was drafted, and it was the first time the board had seen the four years together.

Table 9. Four-year trend, Rocky Mountain Outfitters and Guides Council. Net assets without donor restrictions are used as the reserve, and the council holds no donor-restricted funds or net fixed assets.

YEAR	REVENUE	EXPENSES	SURPLUS OR DEFICIT	RESERVE AT YEAR END	MONTHS OF RESERVE
2021	$438,000	$412,000	$26,000	$268,000	7.8
2022	$461,000	$455,000	$6,000	$274,000	7.2
2023	$487,000	$498,000	-$11,000	$263,000	6.3
2024	$529,000	$546,000	-$17,000	$246,000	5.4

No single year looked alarming. Revenue grew in each of the four years, and the 2024 deficit was $17,000, or 3 percent of revenue. But revenue rose 20.8 percent over the period while expenses rose 32.5 percent, and the reserve fell from 7.8 months to 5.4, which is below the council's own floor of six.

The board met in February 2025 and took three actions. It froze 2025 expenses at the 2024 level of $546,000. It asked staff to price the guide-licensing program, which had not changed its fees since 2021, with an increase of $41,000 in expected revenue in mind. And it asked the treasurer to report the months-of-reserve figure at each quarterly meeting until the council returned above six.

HOW TO READ A TREND

Look first at the gap between revenue growth and expense growth, since a gap that stays the same direction for three years is rarely an accident. Look next at the reserve in months rather than dollars, because dollars rise with inflation while months show real strength. Then look at what changed on the expense side, using Part IX, and ask whether the board approved each change.

Two warnings. A large one-time item, such as a building sale or a legal settlement, can distort a single year, so footnote it in the table. And a trend that looks good for three years can reverse in the fourth, so keep the table going after the problem seems solved.

- [ ] Build the table with the last four filed returns, entering figures from the returns themselves
- [ ] Add a note beside any year with a one-time item such as a sale, settlement or large grant

> “Each year's deficit was small enough to explain away. It was only when the four years sat in one table that anyone said the word trend. We have two staff, and a drop of two months of reserve is most of a year of one salary.
>
> HOLLIS GREENLEAF, EXECUTIVE DIRECTOR, ROCKY MOUNTAIN OUTFITTERS AND GUIDES COUNCIL

- [ ] Compare revenue growth with expense growth across the four years
- [ ] Put the table in the board packet each quarter, not only when the 990 is presented

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WHAT TO ASK AT YOUR NEXT BOARD MEETING

By the end of this section you will have five questions, in the order of the sections above, that you can bring to the meeting where the next 990 is presented.

- Does this year's Part I summary match what the board approved in the budget?
- Does Part III's program description still reflect where the largest share of program expense actually goes?
- Does Schedule J's compensation breakdown match what the compensation committee approved, broken out the same way?
- Does our unrestricted net assets figure in Part X meet our own reserve policy's target?
- Which Part VI governance questions did we answer "no" to, and what would change that next year?

Bring these five questions to the meeting where your organization's next 990 is presented for board review, rather than treating the filing as a signature item on the consent agenda. A board that reads its own 990 with these questions in hand is doing the oversight the form was designed to support.

ASKING WITHOUT AMBUSHING

Send your questions to the treasurer or the chief executive a few days ahead. A question that arrives cold in a meeting forces staff to answer from memory or defer, and neither helps the board. A question that arrives early gets a one-page answer, and the meeting can spend its time on what to do.

Ask for answers in writing when they involve a figure, and ask that the written answer go in the minutes. If a director suspects an error, say so plainly and ask for the source, rather than arguing from a recollection. Most apparent errors in a 990 are timing differences, and the source document settles them.

QUESTIONS THAT DO NOT BELONG IN THIS MEETING

Some questions are better routed elsewhere. A concern about an individual's pay belongs with the compensation committee chair before the

meeting. A concern about possible misconduct belongs with the audit committee chair, under the whistleblower policy that Part VI says you have. Raising either in open session, with the form on the screen, can put staff members in a position they never agreed to.

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WHERE TO GO NEXT

By the end of this section you will know which NANA programs build on this guide and which to join first, depending on whether you are a new director, a treasurer or a staff finance lead.

Start with the on-demand course Reading Your Form 990, which I teach and which runs on Lanternfield Learning's platform. It walks through the five parts behind the questions in section 9 in a self-paced format, with a short knowledge check after each part. Take the knowledge check before your first finance committee meeting.

If you sit on an audit committee, or are about to, take Audit Committee Essentials, taught by Dominic Ferrante. Our partner Ashgrove Audit & Advisory sponsors NANA's governance webinars, and those sessions pair well with the course.

If you are a finance officer, ask about the Great Lakes chapter's Finance Officers Circle, which connects finance staff in Detroit and Columbus and meets quarterly online. Your own chapter roundtable is also the place to ask a peer how long their draft 990 takes to reach the board.

For benchmarks, use two NANA publications. State of Associations 2025, published March 4, is the annual survey of 720 associations and gives medians for growth and renewal. The Staff Compensation Survey 2024 covers 36 roles and is the reference for the comparison in section 4. Browse the Learning catalog for the current schedule of live sessions.

IF YOU ARE NEW TO THE BOARD

Read your association's last three 990s in order, oldest first, before your first finance committee meeting. Then complete the course's knowledge check, and send your five questions to the chair of the committee. You will know more about the association's finances than many people who have served for years.

APPENDIX: A FOUR-YEAR TREND TABLE AND GLOSSARY

Copy the table below into a spreadsheet and fill one column for each of your last four filed returns. Take every figure from the return itself, and

note the page where you found it.

Table 10. A blank four-year trend table, with the part of the form where each figure is found.

MEASURE	WHERE TO FIND IT	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Total revenue	Part I, and Part VIII for the mix				
Total expenses	Part I, and Part IX for the split				
Surplus or deficit	Part I				
Net assets without donor restrictions	Part X				
Net land, buildings and equipment	Part X				
Months of reserve	Reserve less fixed assets, divided by expenses over 12				
Program share of expenses	Part IX				
Executive director total compensation	Part VII, and Schedule J				
Voting board members	Part VI				
Part VI answers of "no"	Part VI				

GLOSSARY

Contemporaneous minutes. Minutes written at or near the time of the meeting and approved at the next one. Part VI asks whether you keep them.

Functional expenses. Expenses sorted by purpose into program services, management and general, and fundraising. They appear in Part IX, where the split is required for a 501(c)(3) or 501(c)(4) and optional for a 501(c)(6).

Key employee. A person with broad responsibility for the organization who is paid more than $150,000 in reportable compensation. Part VII lists key employees by name.

Net assets without donor restrictions. The portion of net assets the board may spend on any purpose. It is the starting figure for the reserve calculation.

Public charity. A 501(c)(3) organization that passes the public support test or another test. Schedule A shows which one.

Reportable compensation. Pay that appears on the person's tax form: wages, bonuses and certain other payments. Other compensation, such as deferred pay and benefits, is reported separately.

Reserve policy. A board resolution that sets a target number of months of operating expenses to hold in unrestricted net assets.

Schedule J. The schedule that breaks the pay of the Part VII people who meet its triggers into base, bonus, deferred compensation and nontaxable benefits.



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