



## WILLIAM T. GRIMM & ASSOCIATES, P.C.

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**re: Charitable and Non for Profit Organization Reporting  
Form 990**

Dear Client ( and corresponding Board of Directors ):

The Internal Revenue Service has issued a new Form 990 which is required to be filed by most organizations exempt from federal income tax, including professional organizations, charitable organizations, and social organizations. **The new form is for filings beginning for 2008.**

This revised Form 990 is to enhance oversight by the Board of Directors to comply with certain policies and procedures to meet federal income tax exemption.

The form asks if your organization has adopted five policies, and it requires a "yes" or "no" answer. A "no" response to any of the questions does not necessarily mean you are not in compliance. It may result in a closer scrutiny by the IRS. In order to minimize the probability of audit, you will want to be able to answer "yes" to all five of the policy questions.

Each policy must be adopted by the fiscal year end for which the form is being filed. Policies are typically adopted by the governing board ( i.e., the board of directors ).

We have attached sample policies for your review. Each policy would likely permit the organization to answer "yes" to the form's questions regarding that particular policy. Your organization may want to modify the sample to meet your particular circumstance. As long as the essential concept of the policy is maintained, the policies should satisfy the Form 990 purpose.

All non-profit organizations should consult with their legal advisors and counsel regarding these policies to assure compliance with applicable laws and regulations, organizational by-laws, and other regulatory and governmental requirements applying to their particular industry and organization.

William T. Grimm & Associates, P.C.

Organization Information:

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### **Whistleblower Policy**

The Whistleblower Policy of \_\_\_\_\_ encourages staff to disclose credible information regarding illegal or fraudulent practices, violations of adopted organizational policies, and specifies the individual will be protected from retaliation and identifies where such information may be reported.

**Encouragement of reporting:** The organization encourages reports or inquiries regarding illegal practices, fraudulent practices, or violations of policies and procedures, including illegal or improper conduct by management or others acting on its behalf.

Topics to be reported include financial improprieties, accounting or audit matters, ethical violations, or other similar illegal or improper practices.

**Protection from retaliation:** The organization prohibits retaliation by or on its behalf of the organization against employees for making good faith complaints, inquiries under this policy or for participating in an investigation under this policy. Protection extends to those whose allegations are made in good faith but are proven to be mistaken.

An employee or board member who retaliates against an individual who has reported (in good faith) a violation of policy is subject to disciplinary action up to and including termination of employment.

The organization reserves the right to discipline persons who make knowingly false reports or who abuse this policy.

**Where to report:** Reports may be made under this policy on a confidential or anonymous basis. They are requested to describe the specific facts regarding the basis for the report or complaints. Reports should be directed to the CEO or Board President. The organization will conduct a prompt and objective investigation. Employees must recognize that the organization may be unable to fully evaluate a vague or general complaint or report that is made anonymously.

Organization Information:

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**Conflict of Interest Policy**

The Conflict of Interest Policy of \_\_\_\_\_ defines Conflicts of Interest; identifies classes of individuals covered by this policy; facilitates disclosure of information that may help identify conflicts of interest; and specifies procedures to be followed when managing conflicts of interests.

**Conflicts of Interest:** A conflict of interest arises when an individual in an authoritative position with \_\_\_\_\_ may benefit from a decision he or she may make within their scope of duties, including indirect benefits such as to family members or businesses with which the individual is closely associated.

This policy focuses upon material financial interest or material benefit to such people.

**Individuals covered:** Individuals covered by this policy are officers, directors, chief executive officer, and chief financial executive.

**Facilitation of disclosure:** Those individuals covered by the Conflict of Interest policy will annually disclose or update the President of the Board of Directors their interest that may indicate conflicts of interest, including if the organization conducts business transactions with businesses owned by a family member and other Boards the individual serves on.

**Procedure to manage conflicts:** For each potential conflict of interest disclosed to the Board of Directors, the President will determine whether to a) take no action, b) request the individual to refrain from participation in related decisions within the organization, or c) ask the person to resign his or her position with the organization.

The chief executive officer will monitor ongoing or proposed transactions for conflicts of interest and disclose to the Board President to permit the Board to manage potential or actual conflicts, regardless if discovered before or after the transaction has occurred.

Organization Information:

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### Compensation Determination Policy

The Compensation Determination Policy of \_\_\_\_\_ applies to the compensation of the following individuals employed by the organization.

\_\_\_\_\_ Chief Executive Officer

\_\_\_\_\_ Other officers or key employees of the organization ( Note: A key employee is an employee who meets all of the following three requirements: 1) receives reportable compensation from the Organization and all related organizations in excess of \$150,000.00 annually; 2) has responsibility or influence over the organization in a manner similar to that of officers and directors; and 3) is one of the twenty employees with the highest reportable compensation from the Organization for the year.)

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

The process includes review and approval by the Board of Directors, comparison of compensation to other organizations, and documentation.

**Review and Approval:** The individual(s) compensation is reviewed and approved by the Board of Directors, provided that those with conflicts of interest with respect to the compensation arrangement are not involved in this review and approval.

**Comparison of Compensation:** The individual's compensation is reviewed and approved using data as to comparable compensation for similarly qualified individuals in comparable positions at similar organizations.

**Documentation:** There is documentation regarding the discussions and decisions for the individual(s) compensation arrangement.

## Organization Information:

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### **Joint Venture Policy**

This Joint Venture Policy requires that the Organization assess participation in joint venture arrangements under Federal tax laws and take steps to safeguard organization exempt status. It applies to any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific investment or exempt-purpose activity as defined in this policy.

**Joint venture with a taxable entity:** As per organizational policy, a joint venture is defined as joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business or exempt-purpose activity without regard to (1) whether the organization controls the venture or arrangement; (2) the legal structure of the venture or arrangement; or (3) whether the venture or arrangement is taxed as a partnership or as an association or corporation for federal tax purposes.

A venture is disregarded if it meets both of the following conditions:

A) 95% or more of the venture's income for its fiscal year ending within the organization's tax year is excluded from unrelated business income taxation (including dividends, interest, and annuities; royalties; rent from real property; and gain or losses from the sale of property) and

B) the primary purpose of the organization's contribution to, investment or participation in, the venture is the production of income or appreciation of property value

**Safeguards to ensure exempt status protection:** the organization will: (A) negotiate in its transactions and arrangements with other members of the venture such terms and safeguards to ensure that the organization's exempt status is protected and (B) take steps to safeguard the organization's exempt status with respect to the venture or arrangement.

Organization Information:

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**Document retention and Destruction Policy**

\_\_\_\_\_ shall retain records for the period of their immediate or current use, unless longer retention is necessary for historical reference or to comply with contractual or legal requirements. Records and documents outlined in this policy includes paper, electronic files ( including e-mails) and voicemail records regardless of where the document is stored, including network servers, desktop or laptop computers and handheld computers and other wireless devices with text messaging capabilities.

In accordance with 18 U.S.C. Section 1519 and the Sarbanes Oxley Act, \_\_\_\_\_ shall not knowingly destroy a document with the intent to obstruct or influence a "investigation or proper administration of any matter within the jurisdiction of any department agency of the United States...or in relation to or contemplation of such matter or case." If an official investigation is underway or even suspected, document purging must stop in order to avoid criminal obstruction.

In order to eliminate accidental or innocent destruction, \_\_\_\_\_ has the following document retention requirements: ( The organization may exceed these minimum requirements )

<b><u>TYPE OF DOCUMENT</u></b>	<b><u>MINIMUM BEST PRACTICE REQUIREMENT</u></b>
Accounts receivable and payable ledgers	7 years
Articles of Incorporation	Permanently
Audit reports, financial statements (year ends), general ledger, and trial balances	Permanently
Bank reconciliations	3 years
Bank statement, deposit records, cancelled checks	3 years
Chart of accounts	Permanently
Contracts, mortgages, notes and leases	7 years
Contracts still in effect	Permanently
Correspondence ( general )	3 years
Correspondence ( legal and important matters)	Permanently

Correspondence ( customer, vendor )	2 years
Deeds and mortgages	Permanently
Depreciation schedules	Permanently
Donations	7 years
Employee information	3 years
Expense analysis	7 years
Garnishment	7 years
Grants ( unfunded )	1 year
Grants ( funded )	7 years
I-9's	3 years after hire, 1 year after termination
Insurance policies ( expired )	3 years
Insurance records, claims, accident reports	Permanently
Invoices	7 years
Inventory	7 years
Loan documents	Permanently
OSHA logs	5 years
Patents	Permanently
Payroll records	7 years
Personnel files	7 years after termination
Polygraph test results	3 years
Retirement records	Permanently
Tax returns	Permanently
Timesheets	7 years
Trademarks	Permanently
Withholding statements	7 years
Workmen's compensation	10 years