



ARIZONA GRANTMAKERS FORUM

Using Your 990-PF to Communicate Effectively

The growing legislative and media scrutiny of the philanthropy sector has placed a brighter spotlight on the Form 990-PF, the information return that private foundations must file with the IRS each year, and on the Form 990 filed by community/public foundations. Foundations have traditionally used these forms solely to report required information to the IRS. But the greater online accessibility of 990-PFs and 990s has increased their importance as communications vehicles for foundations.

990 forms are now the most commonly used data source about nonprofits, according to the Urban Institute, but they are a poor choice for this task. The forms were not designed for broad public consumption, but to help regulators ensure that organizations remain true to their charitable purposes. Still, when your foundation prepares its next 990-PF or 990, there are many steps you can take to enhance the form's communications value.

Who's Reading Your 990-PF/990?

Exactly who might be reading your 990-PF or 990? IRS officials, of course, and perhaps state Attorneys General or other state charity regulators. Some federal and state legislators and their staffs have also become more adept at analyzing foundations' returns.

Media reporters, too, are becoming more frequent readers of 990-PFs and 990s. If you were to peruse a list of recent headline-grabbing investigative news stories about foundations, you would find that many of them are based on reporters' own in-depth reviews of 990-PFs.

It is also important to remember that nonprofits are increasingly using 990-PFs as a regular part of their grantseeking research. In fact, the 990-PF has become a standard tool for people conducting all types of research on foundations, including

academics, job seekers and foundations' own grantmaking colleagues. If your foundation isn't paying as close attention to your 990-PF or 990 as these people are, you are missing a key communications opportunity.

General 990-PF/990 Communications Guidelines

With so many people reading your 990-PF or 990, it is important to treat the form like any other key communications piece. If your foundation engages in regular communications planning, include the form in your communications plan. Take steps to ensure that the messages you communicate in your 990-PF or 990 are consistent with the messages in all of your other communications.

For every decision you make about how to maximize the communications value of your 990-PF or 990, keep in mind how you can use the form to help your foundation be more open and transparent. More specifically, look at the communications effectiveness of your form from several different angles: content, format and access.

Content: Communicating Key Messages in Your 990-PF/990

The 990-PF and 990 offer many opportunities to communicate key messages about your organization, but too many foundations do not take full advantage of these opportunities—sometimes violating IRS rules in the process.

Two of the most misreported and critical parts of the Form 990-PF relate to guidelines/application procedures and grants paid. Both parts are reported in the supplementary information section of the form (Part XV), which is a primary spot where your foundation can tell the story about your good work (community/public foundations

can do this in the “Program Service Accomplishments” section in Part III of their 990).

The “Grants and Contributions Paid” section (line 3) of Part XV is where you can provide details on your foundation’s grants for the reporting year, usually using a supplementary statement. Along with listing the grant amounts, include a brief description of the purpose of each grant (e.g., “Capital grant for new art museum wing”). Not only can grant descriptions provide a more complete picture of how your grants are benefiting the community beyond the dollars, but IRS rules require foundations to provide this information. Also consider breaking up the grants list by your funding areas or goals, particularly for longer lists, to make it easier to read and to re-emphasize your funding priorities.

There is also space in Part XV to provide information on your grant guidelines and application procedures (lines 2a-2d), which can help cut down on inappropriate grant requests. Many foundations either ignore this section completely or provide incomplete or dated information. Include a brief but accurate summary in the form and provide a link to the full guideline and application information on your website and/or include this information as a supplementary statement.

If your foundation does not accept unsolicited grant requests, be sure to check off the appropriate box in Part XV (line 2) to indicate this important fact. Grantseekers often look at this box when developing lists of grant prospects.

Here’s another commonly missed opportunity for foundations to tell their story: If you engage in any direct charitable activities (convening conferences, producing research papers, etc.) or provide any program-related investments (PRIs), include summaries of these activities in Part IX of your 990-PF (Part IX-A for direct charitable activities, Part IX-B for PRIs), using supplementary statements if needed.

When creating content for your 990-PF or 990, here are a few additional steps to consider:

- **Involve people with communications expertise.** If your accountant is the only person

paying attention to your 990-PF or 990, share relevant portions of the document with your program and communications staff (or with board members, volunteers or consultants who have this expertise). They can help write clear narratives that add much-needed context to your form.

- **Edit, edit, edit.** Take the time to make sure the content in your form is written concisely and effectively and is free of typos and grammatical errors, just as you would treat any other important communications piece.
- **Use your GuideStar® Profile.** GuideStar is a free online database service that provides copies of 990-PFs and 990s for most foundations and charities in the country. A little-used feature in GuideStar lets you create a profile to communicate key information about your organization, such as mission, programs and goals. This is an effective—and free—opportunity to give more context to the information in your return, at the exact moment when people are accessing the document.

Format: Making Your 990-PF/990 Easy to Read

The formatting of your 990-PF or 990 can be just as important as its content. Is it easy for people to find information in your form, or does it look like you’re trying to hide something? Even though you cannot control the form’s basic structure, here are some steps you can take to improve its format:

- **Use supplementary statements.** Although the form itself offers limited space to tell your story, you can use supplementary statements to fully explain your foundation’s grantmaking guidelines, application procedures, accomplishments, etc.
- **Add an index of statements.** Create an index of all required and supplementary statements, with references back to the appropriate section of the form, to help people navigate through the document.
- **Use consistent formatting.** Use a consistent, user-friendly format for all required and supplementary statements. For example, every

page of every statement should have typewritten headers, footers and page numbers that use the same page placement and same font type, size and format, and all headers and footers should provide the same information (including the statement title and number and the relevant tax return line).

You can find a good example of these formatting practices in the Dallas-based Meadows Foundation's 990-PF, which is available at www.guidestar.org.

Access: Making Your 990-PF/990 Easy to Find

Even if your 990-PF or 990 has good content and formatting, the form will not be useful if people cannot access it easily. There are several steps you can take to enhance your form's accessibility.

For example, even though most foundations' returns are available online through GuideStar, consider making your 990-PF or 990 available as a PDF document on your own website (if you have a website). This action, in and of itself, communicates that your foundation is open and transparent. Many people are likely to use your website as their first stop for finding your 990-PF, so why send them off somewhere else?

Post your 990-PF in a prominent spot on your website that is easy to find from the home page, in an area that would be intuitive to most people (e.g., "financial information" or "about us"). The William and Flora Hewlett Foundation, for example, posts its 990-PF on the "Annual Reports and Financials" page of its website (www.hewlett.org), which is the top link in the home page menu.

Posting your return on your website gives you additional opportunities to enhance the form's accessibility. If you have a fairly large 990-PF with many supplementary statements, for example, you can break it up into separate downloadable PDFs so people don't have to download and scroll through the entire document. The David and Lucile Packard Foundation breaks up its 990-PF into 10 downloadable documents on its website

(go to www.packard.org, About the Foundation > How We Operate > Finances).

You can also add content to your website to help explain information in your 990-PF or 990, or even pull out key information from the form so people do not have to bother downloading any documents. For example, since a popular item in 990-PFs is the salary information of key managers, the Hewlett Foundation publishes this information right on the website page where people download its 990-PF.

The Future: E-Filing

The electronic filing of 990s and 990-PFs could change some tactics for completing these forms, but not the overall strategies and goals for using the form to help your foundation communicate effectively.

Mandatory e-filing for foundations is being phased in over several years. Starting with 2005 returns, public charities (including community/public foundations) were required to e-file if they had \$100 million or more in assets or filed at least 250 returns per year (e.g., Form 990, Form 990-T, Form 4720, Form W-2). For 2006 returns, mandatory e-filing is being extended to private foundations that file at least 250 returns per year, regardless of asset size, and to public charities

990-PF Resources

- **10 Common Errors to Avoid in Completing a Private Foundation's Form 990-PF**
Forum of Regional Associations of Grantmakers
givingforum.org/knowledgecenter/990_tips.html
- **What You Should Know Before Signing Your Organization's Form 990-PF**
Forum of Regional Associations of Grantmakers
givingforum.org/knowledgecenter/990_tips.html
- **Instructions for Form 990-PF**
Internal Revenue Service
www.irs.gov/instructions/i990pf
- **Demystifying the 990-PF**
The Foundation Center
fdncenter.org/getstarted/tutorials/demystify

that have \$10 million or more in assets or file at least 250 returns. (Beyond the 2006 returns, it is unclear when e-filing will be required for all foundations.)

From a transparency standpoint, e-filing could help strengthen public trust of philanthropy, particularly in the long run, by making it easier for the IRS to provide a publicly accessible, searchable online database of foundations, giving the public more timely, accurate and accessible information on the sector.

But e-filing could complicate foundations' efforts to use their 990-PFs or 990s as effective communications vehicles. For example, e-filing could decrease a foundation's ability to use supplementary schedules and statements, due to current e-filing limitations on accepting separate attachments and PDF files.

Also keep in mind that e-filing makes it more important than ever that a foundation provides good, concise content in its 990-PF or 990, since the information would become more easily accessible to a larger number of people than ever before. E-filing could also lead to increased IRS scrutiny and analysis of foundations' returns, making it even more critical for foundations to use the form to provide an effective context for their work.

Even if your foundation is not now required to file its IRS form electronically, taking steps to maximize the communications value of your 990-PF or 990 will not only put you in a better position to make a successful transition to e-filing in the future, but will help improve your communications effectiveness today.



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