

# FORM 990

## PRIVATE CLUBS, PUBLIC DISCLOSURE

*Due to the public status of Form 990, private clubs should be diligent when filling it out.*

Filing a tax return is not a foreign task for most companies, and even membership-owned private clubs are required to submit an annual filing with the Internal Revenue Service even if they were established as nonprofit organizations. Though they may not need to pay income taxes, they still need to annually file the Federal Form 990, titled "Return of Organization Exempt from Income Tax" as indicated under Section 501 (c) (7) of the Internal Revenue Code. Form 990 is an information return, and not an income tax return. (Most private clubs do pay a tax on Federal Form 990-T when the club generates unrelated business income.)

### **Annual Convention & Tradeshow Speakers**

*What Makes You a Professional in the Club Industry?:* Thomas F. Blaney, CPA, CFE; Friday, October 29; 3:15–4:30 p.m.

*The Private Clubs Form 990 — Not so Private:* Joseph R. Bodan, CPA; Saturday, October 30; 10–11:15 a.m.

### **What Form 990 Reveals**

Clubs should be aware that Form 990 is a public document. What an oxymoron, private clubs filing a public document! Form 990 contains a lot of information not only about club's financial inner-workings, but also who the decision-makers are and what their compensation is, if any. Form 990, excluding attachments, is only six pages long, yet it contains a wealth of financial information that indicates the club's strengths and weaknesses. In addition, there is a section that contains the names and addresses of *all* the club's board members and key employees (usually the general manager comes under the IRS definition of a key employee.)

Internal Revenue Service Regulations require that the club makes this form available to anyone who requests it for up to the past three years. The request may be made in person or in writing. The club is allowed to charge a reasonable fee (ex. one dollar for the first page, and 15 cents for each additional page, plus postage) in order to comply with requests.

There is increasing pressure to mandate non-profit organizations to file their Forms 990 electronically. Currently, there is discussion within the Senate Finance Committee to mandate electronic filing, and nonprofit "watchdog" groups, as well as most academic and professional communities, are also proponents of electronic filing. When electronic filing is mandated, it will only be a matter of time before the club's Form 990 also appears on an Internet site. Forms 990 pertaining to public charities are already available on the Internet at [www.guidestar.org](http://www.guidestar.org), an online national database of nonprofit organizations.

### **Fill Out Form 990 Carefully**

It is becoming a common practice at certain clubs for Finance Committees or Audit Committees to review the Form 990 in conjunction with the year-end review of the club's financial statements with the club's outside auditors. In connection therewith, the following are common "Form 990 Blunders" and some tidbits

that club management may want to adopt before the Form 990 is filed:

- When listing the addresses of officers, directors, trustees and key employees (Part V), do not use their home addresses or other personal contact information. The Internal Revenue Service accepts a preferred address such as the club's address or a P.O. Box.
- If the club amends its bylaws, a **conformed** copy of any amendments must be attached to the Form 990 in the year of the change. A **conformed** copy is one that agrees with the original document and all amendments to it. If the copies are not signed they must be accompanied by a written declaration, signed by an officer authorized to sign for the club, certifying that they are complete and accurate copies of the original documents. Sometimes this is not disclosed.
- When listing the club's key employees, per IRS definitions, the club's general manager probably should be included. A key employee is any person having

responsibilities or powers similar to those of officers, directors or trustees. The term includes the chief management and administrative officials of a club (such as the general manager), but does not include the heads of separate departments at the club. A club controller is a key employee if he/she has the authority to control the club's activities, its finances or both. The "heads of separate departments" such as the head of the Greens or the Maintenance department are managers within their specific areas, but not for the club as a whole and therefore, are not usually key employee

- When listing the club's board members (Part V), make sure to include board members that served at any time during the year. A common mistake is to only list board members at a particular period of time.
- When estimating the average hours per week that a board member or key employee works, do not use statements such "as needed," "as required" or

"40 plus." These are unacceptable and could result in an incomplete return. Board members and key employees should be aware and in agreement on the estimate used for their time on Form 990.

- Most clubs are not required to attach Schedule B (Schedule of Contributions). If this is the case, make sure to check *Page 1, Box M*. Many times this box is not checked, which could result in a returned filing.
- The club's web site address should be reflected on *Page 1, Box G*. This is a requirement and sometimes is left blank. If the club does not have a web site write "N/A."

Presently, more than ever, it is a prudent policy for a designated board officer or finance committee to review the club's Form 990 before it is filed. A properly prepared Form 990 can prevent embarrassments to both the club and its board members. Form 990 is a public document that is becoming even more public. ■

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