



# Using Financial Statements Together with IRS Form 990 to Understand Your Potential Grantees

**KNOW  
GREATER  
VALUE**

**Presented by:**

Christopher Petermann, CPA  
Partner  
PKF O'Connor Davies LLP

Scott Brown, CPA, CGMA  
Partner  
PKF O'Connor Davies LLP

Rich Ribeiro  
Vice President & CFO  
Turrell Fund

**June 20, 2019**

**TURRELL FUND**



# Intended Outcomes

- Upon the completion of this session, we envision that you will be able to:
  - Recognize which document to use when analyzing issues related to a grantee's health
  - Demonstrate an ability analyze the financial health through the Form 990 and financial statements
  - Identify potential areas of investments that could strengthen a grantee or help to extend a program
  - Formulate follow-up questions for potential grantees around areas of risk

- **Understanding Your Grantees' Financial Reports**
- **Analysis:** Ratios and analytics to use when evaluating set of financial statements and the Form 990
- **How to Read a Grantees' Form 990**
- **Red Flags:** What to keep an eye out for



Understanding the financial health of a prospective and/or a recurrent grant recipient is an essential function throughout the grants management process. Generally, this is accomplished by reviewing the grant recipient's financial reports and/or its 990 return. Focusing on effective interpretation of this data will help in the determination of the merit of the recipient and the success of the grant award – all while mitigating the foundation's reputational risk in the process.

# Review of Terminology – Financial Statements

- The Financial Statements of a Not-For-Profit give a broad picture of the entity as a whole, not necessarily on a fund-by-fund basis.
- Primary considerations
  - for the reader:
    - Adequacy of Resources: Stability
    - Discharge of Resources: Efficiency
- A typical audit financial statement will include the following:
  - Auditor’s Opinion Page
  - Statement of Financial Position
  - Statement of Activities
  - Statement of Cash Flow
  - Notes to the Financial Statements

# Types of Financial Reports

Most frequently used financial reports include:

- Budgets
- Internally Prepared Financial Statements
- Compiled, Reviewed or Audited Financial Statements

# Types of Financial Reports

## 1. Budgets

- Unlike financial statements, which provide financial data at a specific point in time, budgets provide a forward-looking perspective of an organization.
- In order to develop a budget an organization needs appropriate monitoring systems in place to create a baseline as well as the capacity to timely and accurately evaluate results.
  - Practice Tips:
    - Obtaining a budget from a potential or current grant recipient is often not enough. To properly vet a grant recipient, a foundation manager should ascertain whether the grantee has prepared a **realistic** budget with **reliable** sources of revenue and **reasonable** estimates of expenses, as well as an understanding of how the organization would respond to any unexpected revenue shortfalls or cost overruns. Asking for some of the assumptions used in developing the budget will aid in determining the future outlook of the organization.
    - Additionally, a foundation manager should evaluate the organization's ability to budget. This can be accomplished by asking for the analysis of a prior period budget vs. actual numbers, and, if any material variances exist, inquire as to what they have done to plan more effectively in the future. If consistent budget deficits are observed, it may indicate that the organization has cash flow challenges or going concern considerations.
    - In completing ongoing due diligence, a foundation manager should request intermittent reports on budget to actuals and other relevant statistical data to assess how a project is progressing.
    - A grants manager may also find it useful to ask the grantee for a description of their contingency plans should the project be reliant on other revenues coming in to supplement the foundation's grant to complete the purpose of said grant.

# Types of Financial Reports

## 2. Internally Prepared Financial Statements

- No assurance. Lowest quality. Usually prepared by the organization themselves or an outside bookkeeper.

## 3. Compiled Financial Statements

- No assurance. The financial statements are prepared by an outside CPA and are generally considered of greater value than internally prepared financial statements for this reason.
- Formal report is issued by CPA and it will be clearly noted that “no assurance is provided” on the financial statements. Additionally, the CPA is required to disclose independence, and must consider whether the financial statements appear appropriate in form and are free from obvious material misstatements.

## 4. Reviewed Financial Statements

- Limited assurance. The financial statements are reviewed by an independent CPA who is required to understand the organization’s industry and the accounting principles and practices used in the industry.
- The independent CPA performs analytical procedures, inquires, etc. to obtain “limited assurance” on the financial statements and provide a measure of comfort on their accuracy.
- Formal report is issued by CPA which includes a conclusion as to whether he/she is aware of any material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework.



## 5. Audited Financial Statements

- Reasonable assurance (i.e. highest level). The financial statements are audited by an independent CPA who is required to go beyond the aforementioned review procedures such that he/she corroborates the amounts and disclosures included in the financial statements by obtaining audit evidence, physical inspection, observation, third-party confirmations, examinations, analytical procedures, etc.
- Formal report is issued by the CPA which expresses an opinion on whether the financial statements are presented fairly, in all material aspects, in accordance with the applicable financial reporting framework.
- In addition to the formal report, the CPA is generally required to report on any identified significant or material weaknesses in the organization's system of internal control.
  - Practice Tips:
    - If the financial statements are other than audited, a foundation manager should inquire as to the reason why, and should determine if additional steps can be taken to ensure the organization is providing accurate and reliable financial data.

# Review of Terminology – Financial Statements

## ➤ Type of opinion

- Unmodified is the best opinion an entity can receive
- Qualified for a scope limitation or misstatement (bad!)
- Adverse Opinion (bad!)
- Disclaimer of Opinion (bad!)

## ➤ Last date of fieldwork

## ➤ Period of report

## ➤ Auditor

- See if they are a reputable firm

## ➤ “Boilerplate” language

## ➤ “GAAP” – Generally Accepted Accounting Principles

## ➤ “GAAS” – Generally Accepted Auditing Standards

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
ABC Nonprofit

### Report on the Financial Statements

We have audited the accompanying financial statements of ABC Nonprofit (the "Organization"), which comprise the statements of financial position as of December 31, 20XX and 20XX, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABC Nonprofit as of December 31, 20XX and 20XX, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies  
New York, New York  
March 7, 2019

## Who is Issuing the Audit Opinion:

- Do you recognize the audit firm?
  - Accounting Today Top 100, regional, Crain's New York?
  - <https://www.accountingtoday.com/top-100-firms-and-regional-leaders>
- Does the Firm have expertise in Not-For-Profits?
  - Look to their website.
- How did the Audit Firm do on its last peer review?
  - **Pass** – Best
  - **Pass with deficiencies** – See what the deficiencies are
  - **Fail** – Worst
  - <https://peerreview.aicpa.org/>
  - Look for terminated firms, non-peer reviewed firms, sole proprietors?
- Does the Audit Firm issue a management letter on internal controls?  
Reputation?



# Audit Reports – Opinion Letters (continued)

**ROBINSON, FARMER, COX ASSOCIATES**

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A PROFESSIONAL LIMITED LIABILITY COMPANY      CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditors' Report**

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**Board of Trustees**  
Southern Environmental Law Center  
Charlottesville, Virginia

We have audited the accompanying financial statements of Southern Environmental Law Center (a nonprofit organization) which comprise the statement of financial position as of March 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

1

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Environmental Law Center as of March 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Southern Environmental Law Center's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016 is consistent in all material respects with the audited financial statements from which it has been derived.

*Robinson, Farmer, Cox Associates*  
Charlottesville, Virginia  
November 1, 2017

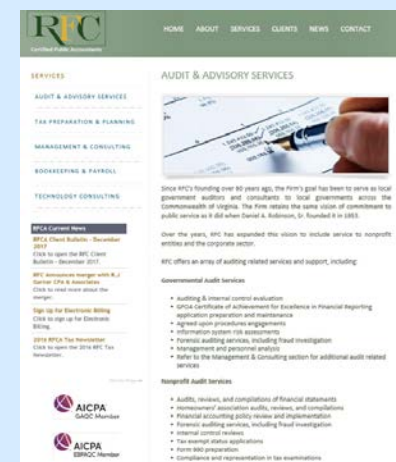
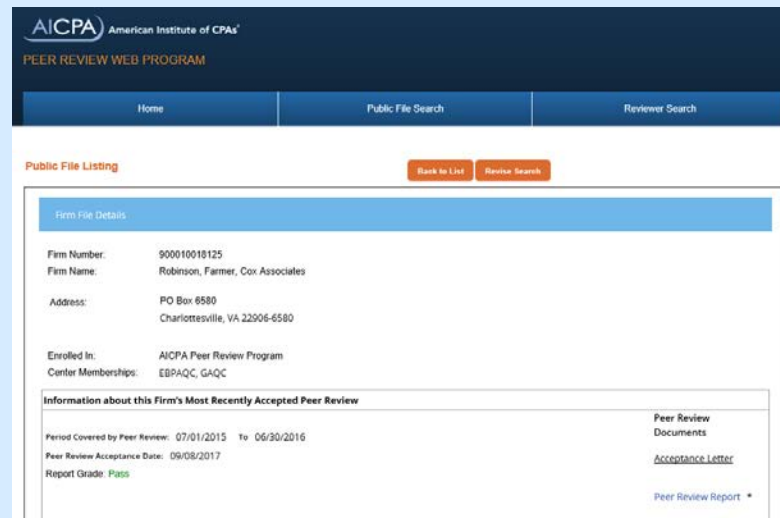
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# Audit Reports – Opinion Letters (continued)

## Robinson, Farmer Cox Associates' Opinion

- Issued unqualified “clean opinion”.
- Other-matters paragraph included in opinion regarding summarized comparative financial information. Not BAD.
- Opinion dated seven (7) months after yearend.
- Audit firm not in top 100 accounting firms, but received a pass grade during their last peer review.
- Upon reviewing the audit firms' website, the audit firm does have a practice specializing in audits of not-for-profit entities.



## The Statements:

1. Statement of Financial Position (Balance Sheet)
2. Statement of Activities (Income Statement)
3. Statement of Functional Expenses
4. Statement of Cash Flows

## Statement of Financial Position

### ASSETS

- “Mix” of assets
- “Current” vs. “Long term”
- Investments
- Cost vs. Fair value
- Pledges and other receivables
- “Contra” assets
- Liquidity
- Prepaid expenses

	December 31,	
	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,953,000	\$ 2,193,000
Investments	10,250,000	10,108,000
Pledges receivable, net	3,108,000	3,207,000
Grants receivable	1,175,000	943,000
Prepaid expenses and other current assets	37,000	55,000
Inventory	34,000	31,000
Property and equipment, net	5,729,000	4,761,000
Security deposits	<u>3,000</u>	<u>3,000</u>
	<u>\$ 22,289,000</u>	<u>\$ 21,301,000</u>



# Financial Statement Analysis

## Statement of Financial Position *(continued)*

### LIABILITIES

- Payables and accruals
- Deferred revenue
- Loans, notes, mortgages
- Commitments and contingencies

### NET ASSETS

- Without Donor Restrictions (formerly Unrestricted)
- With Donor Restrictions (formerly Temporarily and Permanently restricted)

#### LIABILITIES AND NET ASSETS

##### Liabilities

Accounts payable and accrued expenses	\$ 371,283	\$ 110,570
Accrued payroll and benefits	389,823	359,573
Accrued foster care payments	<u>351,963</u>	<u>425,160</u>
Total Liabilities	<u>1,113,069</u>	<u>895,303</u>

##### Net Assets

Without Donor Restrictions		
Operating	2,320,836	2,556,150
Investment in property, plant and equipment	518,342	223,316
Board designated	<u>19,718,283</u>	<u>19,036,125</u>
Total Net Assets without Donor Restrictions	22,557,461	21,815,591
With Donor Restrictions	<u>1,218,553</u>	<u>934,768</u>
Total Net Assets	<u>23,776,014</u>	<u>22,750,359</u>
	<u>\$ 24,889,083</u>	<u>\$ 23,645,662</u>

## Using the Statement of Financial Position:

### ➤ Cash and Cash Reserves –

- Operating deficits for longer than a year, trend of dipping into reserves to pay routine expenses.
- Regular cash flow problems.
- Organization has little to no unrestricted cash reserves
- Minimum of 1 month of operating expenses is suggested, 3 months is preferred, 6 -12 months best.
- Organization has little or no reserves and does (or does not) have a line(s) of credit.

### ➤ Amounts of Cash and Current Assets

### ➤ Are assets being used as collateral for debts?

## Using the Statement of Financial Position (*continued*):

### ➤ Relationship of Current Assets and Current Liabilities

- This is the “current ratio”.
- Organizations should have at least \$1 in current assets for every \$1 in current liabilities. A 1:1 ratio (current assets : current liabilities) is suggested.
- Higher ratio means more assets than liabilities and they can pay their bills.
- If possible, use without donor restrictions (unrestricted) current assets to calculate ratio by factoring out with donor restrictions (temporarily restricted) cash and receivables.

## Using the Statement of Financial Position (*continued*):

### ➤ Amount of Debt

- How much debt is there?
- What is the debt being used for?
  - Loans are valuable tools for not-for-profits to manage cash flow, build the organization and finance buildings and equipment.
  - Any loans from related parties or directors? (Important to look at the notes to the Financial Statements)

### ➤ Types of Assets and Liabilities

- The types of assets and liabilities should fit with the way the organization works and how other similar organizations operate.
- If the organization has Net Assets with Donor Restriction (Permanently Restricted), such as an endowment, determine how they are invested or held.

### ➤ Significant changes in assets and liabilities from prior years should fit with changes in the way the organization operates.

## Using the Statement of Financial Position (*continued*):

### ➤ Net Assets

- No net assets (major deficits).
- Higher percentage of restricted assets vs. unrestricted assets.
- Liquidity and availability issues (look to notes to the Financial statements).

## Statement of Activities - Expenses

- Expenses
  - Program
  - Management & general
  - Fund-raising
  - Cost of sales
  - Joint activities
  - Ratios
  - Unrestricted
- Change in Net Assets
  - Surplus or deficit
  - Shown by net asset classification
  - Operations vs. total



## Using the Statement of Activities and Statement of Functional Activities

- Without Donor Restricted Net Assets Surplus or Deficit
  - If there are more expenses than income, the cash has to come from somewhere. This means:
    - There are accumulated Without Donor Restricted net assets from prior years or
    - They will have future liabilities.
- With Donor Restricted Net Assets Surplus or Deficit
  - Surplus funds need to be released in future periods
  - Deficit funds indicates previous grants have been released

# Financial Statement Analysis

## Using the Statement of Activities and Statement of Functional Activities

- Reliance of Sources of Income
  - The more types of income and sources the better – Less risk due to sudden changes in funding.
- Comparison to Budget
  - Budget is more effective tool for monitoring financial progress.
  - Budget should be developed with good assumptions and agreements on goals.
- Income and Expenses
  - Types of income and expenses should fit with how the organization functions and how similar organizations operate.
  - Significant changes from previous years should fit with changes in organizations operations.
  - Organization should have general understanding of how to evaluate costs of their program activities.



# Review of Terminology – Financial Statements

## Statement of Cash Flow

- **Operating**

- Start with change in net assets
- Non-cash reconciliation
- Changes in assets & liabilities
- Donated stock (if sold immediately)

- **Investing**

- Investments
- Purchases of property and equipment
- Contributions restricted for capital

- **Financing**

- Loans
- Cash from permanently restricted gifts

**Note:** Cash at the end of the year (the final number on the Statement of Cash Flows) will agree to the cash amount reported on the Statement of Financial Position.

## Notes to the Financial Statements

- Organization and Policy Notes
  - Basis of Presentation and Significant Policies
- Statement of Financial Position Notes
  - Investment composition
  - Receivables
- Statement of Activities Notes
  - Special event income
  - In-kind contributions
- Other Disclosures
  - Subsequent Events

# New Jersey – Audit Thresholds

New Jersey threshold for requiring organization to have an audit ([www.njconsumeraffairs.gov](http://www.njconsumeraffairs.gov)):

- Current threshold is >\$500,000 of gross revenue requires an audit
- If an organization received gross revenue of <\$500,000, the financial reports must be certified by the organization's President, or other authorized officer of the organization's board.



# Financial Statement Ratios: Analytics Overview

➤ Ratios to review for measures of **stability**:

- Current Ratio
- Defensive Interval Ratio
- Liquid Funds Indicator
- Accounts Payable Aging Indicator
- Savings Indicator
- Contributions and Grants Ratio
- Endowment Ratio
- Debt Ratio

➤ Ratios to review for measures of **efficiency**:

- Fundraising Efficiency
- Fundraising Expense
- Management Expense
- Program Service Expense
- Program to Assets

# Financial Ratios Overview

## Stability

$$\text{Quick Ratio} = \frac{\text{Cash} + \text{Investments} + \text{Receivables}}{\text{Current Liabilities}}$$

$$\text{Defensive Interval Ratio} = \frac{\text{Cash} + \text{Marketable securities} + \text{Receivables}}{\text{Average Monthly Expenses}}$$

$$\text{Receivables Turnover} = \frac{\text{Revenue}}{\text{Accounts Receivable}}$$

$$\text{Average Collection Period} = \frac{365}{\text{Receivables Turnover}}$$

$$\text{Debt Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

## Efficiency

$$\text{Program Service Ratio} = \frac{\text{Program Expenses}}{\text{Total Expenses}}$$

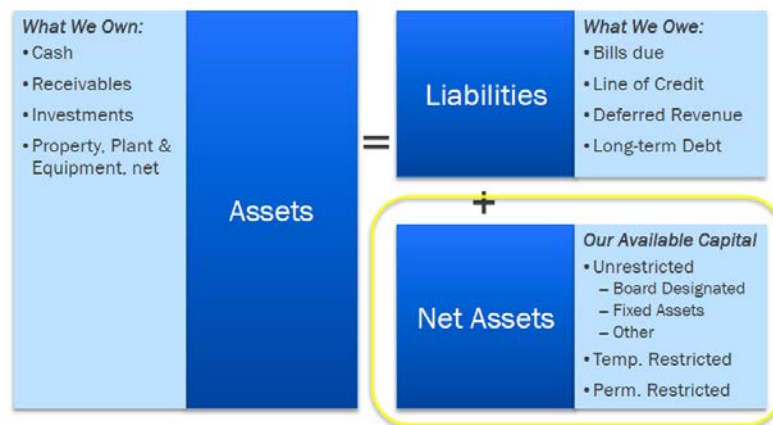
$$\text{Fundraising Ratio} = \frac{\text{Fundraising Expenses}}{\text{Total Expenses}}$$

$$\text{Cost of Fundraising} = \frac{\text{Fundraising Expenses}}{\text{Contributions}}$$

$$\text{Savings Indicator} = \frac{\text{Revenue} - \text{Expenses}}{\text{Total Expenses}}$$

## Why do organizations need operating reserves?

- Unexpected shortfall in revenue
- Unexpected demands on resources
- Unanticipated opportunities
- Inevitable instances of less than perfect judgement and foresight
- Need for change in direction
- Normal day-to-day fluctuations in income and expenses and associated cash flows





# Potential Red Flags – Financial Statements

- **Audit Opinion: “Modified”, or other**
  - Healthy opinion reads: . . . “in our opinion presents fairly” . . .
  - Look out for: “in our opinion presents fairly **EXCEPT FOR**” . . .
  - **Emphasis of Matter** or **Other Matter** paragraphs
  - Date of audit report: **1 year or more** after the date of the financials
- **Liquidity: Cash flow concerns**
- **No “Mix” of Assets on the balance sheet, or no mix within investments/illiquid investments**
- **Use of Net Assets**
  - Are temporarily restricted assets used appropriately?
  - Are there enough unrestricted funds?
- **Type of Commitments: Litigation**
- **Endowment: Underwater Fund**
- **Is their spending policy appropriate?**
- **Related parties:** Who were they and are the transactions appropriate?
- **Non-Cash Donations:** Are they valued properly? What is their gift acceptance policy?
- **Reserve for Uncollectable Pledges:** Is it sufficient for the entity?
- **Surplus / Deficit:** Were the results expected?
- **Loans:** Were there any **insiders**?
- **Subsequent Events:** What happened after year-end?
- **Concentrations:** Was there a small donor or vendor base?

# Core Form 990 Overview

- Part I – Summary Page
- Part II – Signature Block
- Part III - Statement of Program Service Accomplishments
- Part IV-Checklist of Required Schedules
- Part V- Statements Regarding Other IRS Filings and Tax Compliance
- Part VI - Corporate Governance, Management and Disclosure
- Part VII – Executive Compensation
- Part VIII - Statement of Revenue
- Part IX- Statement of Functional Expenses
- Part X- Balance Sheet
- Part XI- Financial Statements and Reporting



# Form 990 – Supplemental Schedules

- A – Public charities\*
- B – Donations\*
- C – Political and Lobbying
- D – Financial\*
- E – Schools
- F – Foreign Activities
- G – Events & Gaming\*
- H – Hospitals
- I – Domestic Grants
- J – Compensation\*
- K – Bonds
- L – Transactions with Interested Persons\*
- M – Non-Cash\*
- N – Discontinued
- O – Other\*
- R – Related Orgs

\* Most commonly triggered schedules

➤ Core Form:

- Organizational Snapshot
- Checklist of Required Schedules – “Table of Contents”
- Governance
- Financial Information - if no financial statement is provided focus on pages 9, 10 and 11 of Core

# Form 990 – Summary Page

**Form 990** Return of Organization Exempt From Income Tax  
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

Department of the Treasury Internal Revenue Service

Do not enter social security numbers on this form as it may be made public.  
Information about Form 990 and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No. 1545-0047  
**2015**  
Open to Public Inspection

A For the 2015 calendar year, or tax year beginning **OCT 1, 2015** and ending **SEP 30, 2016**

B Check if applicable:  
 Address change  
 Name change  
 Initial return  
 Final return/terminated  
 Amended return  
 Application pending

C Name of organization  
**ABC SOCIETY**  
Doing business as  
Number and street (or P.O. box if mail is not delivered to street address) Room/suite  
**123 DRIVE**  
City or town, state or province, country, and ZIP or foreign postal code  
**SOMEWHERE, NY 10002**

D Employer identification number  
**88-8888888**

E Telephone number  
**999-999-9999**

G Gross receipts  
**31,939,879.**

H(a) Is this a group return for subordinates?  Yes  No  
H(b) Are all subordinates included?  Yes  No  
If "No," attach a list. (see instructions)

I Tax-exempt status:  501(c)(3)  501(c) ( ) (insert no.)  4947(a)(1) or  527

J Website: **N/A**

K Form of organization:  Corporation  Trust  Association  Other

L Year of formation: **1865** M State of legal domicile: **NY**

**Part I Summary**

1 Briefly describe the organization's mission or most significant activities: **SEE SCHEDULE O**

2 Check this box  if the organization discontinued its operations or disposed of more than 25% of its net assets.

3 Number of voting members of the governing body (Part VI, line 1a) **25**

4 Number of independent voting members of the governing body (Part VI, line 1b) **25**

5 Total number of individuals employed in calendar year 2015 (Part V, line 2a) **18**

6 Total number of volunteers (estimate if necessary) **28**

7a Total unrelated business revenue from Part VIII, column (C), line 12 **47,664.**

7b Net unrelated business taxable income from Form 990-T, line 34 **-12,103.**

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h)	1,505,826.	1,437,642.
9 Program service revenue (Part VIII, line 2g)	347,590.	223,146.
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,785,786.	792,691.
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-43,444.	1,449,281.
12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	3,595,758.	3,902,760.
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	32,732.	16,000.
14 Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	1,353,232.	1,443,299.
15a Professional fundraising fees (Part IX, column (A), line 11e)	0.	60,000.
15b Total fundraising expenses (Part IX, column (D), line 25) <b>159,771.</b>		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	2,896,207.	2,677,834.
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	4,282,171.	4,197,133.
19 Revenue less expenses. Subtract line 18 from line 12	-686,413.	-294,373.
20 Total assets (Part X, line 16)	Beginning of Current Year 43,615,727.	End of Year 44,925,599.
21 Total liabilities (Part X, line 26)	2,055,962.	2,188,676.
22 Net assets or fund balances. Subtract line 21 from line 20	41,559,765.	42,736,923.

**Part II Signature Block**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here: Signature of officer: **[Signature]** Date: **2/13/17**  
Type or print name and title: **EXECUTIVE DIRECTOR**

Paid Preparer Use Only:  
Print/type preparer's name: **PKF O'CONNOR DAVIES, LLP** Preparer's signature: **[Signature]** Date: **02/08/17** Check if self-employed:  PTIN: **8945**  
Firm's name: **PKF O'CONNOR DAVIES, LLP** Firm's EIN: **8945**  
Firm's address: **665 FIFTH AVENUE** Phone no: **(212) 286-2600**  
**NEW YORK, NY 10022**

May the IRS discuss this return with the preparer shown above? (see instructions)  Yes  No

532001 12-15-15 LHA For Paperwork Reduction Act Notice, see the separate instructions. Form 990 (2015)

TURRELL FUND

CNJG

COUNCIL OF NEW JERSEY GRANTMAKERS



# Form 990 – Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i> .....	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2 Is the organization required to complete Schedule B, Schedule of Contributors?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i> .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i> .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i> .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i> .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i> .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i> .....	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV</i> .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i> .....	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i> .....	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b Did the organization report an amount for investments - other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i> .....	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c Did the organization report an amount for investments - program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i> .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i> .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e Did the organization report an amount for other liabilities in Part X, line 29? <i>If "Yes," complete Schedule D, Part X</i> .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i> .....	<input checked="" type="checkbox"/>	<input type="checkbox"/>
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i> .....	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i> .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i> .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
14a Did the organization maintain an office, employees, or agents outside of the United States?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV</i> .....	<input checked="" type="checkbox"/>	<input type="checkbox"/>
15 Did the organization report on Part IX, column (A), line 8, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV</i> .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
16 Did the organization report on Part IX, column (A), line 8, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV</i> .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I</i> .....	<input checked="" type="checkbox"/>	<input type="checkbox"/>
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i> .....	<input checked="" type="checkbox"/>	<input type="checkbox"/>
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes,"</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>



# Form 990 – Checklist of Required Schedules

## CHECKLIST OF REQUIRED SCHEDULES:

- SERVES AS A GUIDE TO THE SUPPLEMENTAL SCHEDULES ATTACHED

11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.			
11a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i>	X		
11b	Did the organization report an amount for investments-other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i>	X		
11c	Did the organization report an amount for investments-program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i>		X	
11d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i>		X	
11e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i>	X		
11f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i>	X		
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII.</i>	X		
12b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional.</i>		X	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		X	
14a	Did the organization maintain an office, employees, or agents outside of the United States?		X	
14b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV.</i>	X		
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV.</i>	X		
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV.</i>		X	
17	Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions).</i>	X		
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>	X		
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>		X	

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# Form 990 – Governance, Management & Disclosure

**Part VI Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response or note to any line in this Part VI  X

## Section A. Governing Body and Management

		Yes	No
<b>1a</b>	Enter the number of voting members of the governing body at the end of the tax year ..... If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.	25	
<b>1b</b>	Enter the number of voting members included in line 1a, above, who are independent .....	25	
<b>2</b>	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? .....		X
<b>3</b>	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person? .....		X
<b>4</b>	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? .....		X
<b>5</b>	Did the organization become aware during the year of a significant diversion of the organization's assets? .....		X
<b>6</b>	Did the organization have members or stockholders? .....	X	
<b>7a</b>	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? .....	X	
<b>7b</b>	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? .....	X	
<b>8</b>	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
<b>8a</b>	The governing body? .....	X	
<b>8b</b>	Each committee with authority to act on behalf of the governing body? .....	X	
<b>9</b>	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O .....		X



# Form 990 – Governance, Management & Disclosure

**Section B. Policies** *(This Section B requests information about policies not required by the Internal Revenue Code.)*

	Yes	No
<b>10a</b> Did the organization have local chapters, branches, or affiliates? .....		X
<b>b</b> If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? .....		
<b>10b</b>		
<b>11a</b> Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? .....	X	
<b>b</b> Describe in Schedule O the process, if any, used by the organization to review this Form 990. ....		
<b>11a</b>		
<b>12a</b> Did the organization have a written conflict of interest policy? <i>If "No," go to line 13</i> .....	X	
<b>b</b> Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? .....	X	
<b>12a</b>		
<b>b</b> Did the organization regularly and consistently monitor and enforce compliance with the policy? <i>If "Yes," describe in Schedule O how this was done</i> .....	X	
<b>12c</b>		
<b>13</b> Did the organization have a written whistleblower policy? .....	X	
<b>13</b>		
<b>14</b> Did the organization have a written document retention and destruction policy? .....	X	
<b>14</b>		
<b>15</b> Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision? .....		
<b>a</b> The organization's CEO, Executive Director, or top management official .....	X	
<b>15a</b>		
<b>b</b> Other officers or key employees of the organization .....	X	
<b>15b</b>		
<i>If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).</i>		
<b>16a</b> Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? .....		X
<b>16a</b>		
<b>b</b> If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? .....		
<b>16b</b>		



# Form 990 – Governance, Management & Disclosure

## Section C. Disclosure

- 17 List the states with which a copy of this Form 990 is required to be filed ► NY
- 18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.  
 Own website     Another's website     Upon request     Other (explain in Schedule O)
- 19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 20 State the name, address, and telephone number of the person who possesses the organization's books and records: ► \_\_\_\_\_  
**CFO - 999-999-9999**  
**123 DRIVE, SOMEWHERE, NY 10002**

532006 12-16-15

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## Governance, Management and Disclosures

- **Form 990, Part VI, Section A, Section B, and Section C**
  - Use of management company
  - Changes to organizational documents
  - Documentation of board and committee meetings
  - Presentation of 990 to Board
  - List of officers, directors, trustees or key employees
  - Did the organization become aware of a significant diversion of assets
  - Conflict of Interest Policy
  - Monitoring and enforcement of conflict of interest policy
  - Whistle blower policy
  - Document retention policy



## Governance, Management and Disclosures (*continued*)

- **Form 990, Part VI, Section A, Section B, and Section C (*continued*)**
  - Process for determining **compensation**. Process should include:
    - Review and approval by independent persons
    - Comparability data
    - Contemporaneous substantiation of the deliberation and decision
  - States in which 990 is filed
  - How key documents are made public
- **Key questions to ask:**
  - How many board members? Are they reviewing the 990? Is there an unusual management structure?
  - Does the organization have appropriate governance policies in place? Is there a proper “tone at the top”?
  - Is there a deliberate, fair, comprehensive process to set compensation for leadership?
  - How wide is the organization casting its fundraising net?
  - How committed to transparency are they?



## Governance, Management and Disclosures (*continued*) Compensation

### ➤ Form 990, Part VII, Section A

- Highest compensation employees (paid \$100,000 or more)
- Current and past officers, “key employees”, directors, and trustees receiving more than \$100,000 in compensation

### ➤ Key questions to ask:

- Does compensation seem reasonable?
- Are there significant pay disparities between employees?
- Are any board members being paid?

### ➤ Schedule J

- Provides additional information on compensation practices for officers, directors, trustees and key employees

### ➤ Key questions to ask:

- Did the organization pay for first class or charter travel?
- Was there access to discretionary spending accounts?
- Did the organization pay for “business use” of a personal residence?
- Were personal services (e.g. maid, chauffeur, etc.) provided?

# Form 990 – Statement of Revenue

- Greater detail of revenue than the Statement of Activities in the Financial Statements

Form 990 (2015)

ABC SOCIETY

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**Part VIII Statement of Revenue**

Check if Schedule O contains a response or note to any line in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512 - 514
Contributions, Gifts, Grants and Other Similar Amounts	<b>1 a</b> Federated campaigns .....	<b>1a</b>				
	<b>b</b> Membership dues .....	<b>1b</b>	190,703.			
	<b>c</b> Fundraising events .....	<b>1c</b>	145,200.			
	<b>d</b> Related organizations .....	<b>1d</b>				
	<b>e</b> Government grants (contributions)	<b>1e</b>	56,497.			
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above .....	<b>1f</b>	1,045,242.			
	<b>g</b> Noncash contributions included in lines 1a-1f: \$		173,873.			
	<b>h Total.</b> Add lines 1a-1f .....		1,437,642.			
	Program Service Revenue		<b>Business Code</b>			
<b>2 a</b> MAGAZINE		511120	142,950.	96,537.	46,413.	
<b>b</b> SALE OF COLLECTION ITEMS		900099	39,242.	39,242.		
<b>c</b> SAGE TRIP FEES		541900	27,687.	27,687.		
<b>d</b> EXHIBITION FEES		541900	11,775.	11,775.		
<b>e</b> LIBRARY SERVICES		541900	1,492.	1,492.		
<b>f</b> All other program service revenue .....						
<b>g Total.</b> Add lines 2a-2f .....			223,146.			

# Analysis of Sample Form 990

- Supplemental Schedules Important to Analysis:
  - Public Support and Contributions – Schedule A and B
  - Financial Information and Reconciliation to the FS– Schedule D
  - Compensation – Schedule J
  - Interested Persons and Related Parties – Schedules L and R
  - Grants – Schedules F and I
  - Additional Disclosures regarding policies – Schedule O

## Public Support Test – Tipping the Grantee

- Charities must prove that they have received at least one-third of their total support in contributions from the general public; the **Public Support Test**.
- **Tipping** occurs when a donor makes so large a grant (whether individually or in aggregate with other large donors) that the grantee fails to meet the IRS public support test and is tipped out of public charity status into private foundation status.

<b>SCHEDULE A</b> (Form 990 or 990-EZ)  Department of the Treasury Internal Revenue Service	<b>Public Charity Status and Public Support</b> <small>Complete if the organization is a section 501(c)(3) organization or a section 4847(a)(1) nonexempt charitable trust.</small> <b>Attach to Form 990 or Form 990-EZ.</b> <small>Information about Schedule A (Form 990 or 990-EZ) and its instructions is at <a href="http://www.irs.gov/form990">www.irs.gov/form990</a>.</small>	<small>CMS No. 1545-0047</small> <b>2016</b> <b>Open to Public Inspection</b>
Name of the organization <b>Southern Environmental Law Center          Frederick S. Middleton III</b>		Employer identification number <b>52-1436778</b>
<b>Part I Reason for Public Charity Status (All organizations must complete this part.)</b> See instructions.		
<small>The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)</small>		
1	<input type="checkbox"/>	A church, convention of churches, or association of churches described in section 170(b)(1)(A)(i).
2	<input type="checkbox"/>	A school described in section 170(b)(1)(A)(ii). (Attach Schedule E (Form 990 or 990-EZ).)
3	<input type="checkbox"/>	A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).
4	<input type="checkbox"/>	A medical research organization operated in conjunction with a hospital described in section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state: .....
5	<input type="checkbox"/>	An organization operated for the benefit of a college or university owned or operated by a governmental unit described in section 170(b)(1)(A)(iv). (Complete Part II.)
6	<input type="checkbox"/>	A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
7	<input checked="" type="checkbox"/>	An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in section 170(b)(1)(A)(vi). (Complete Part II.)
8	<input type="checkbox"/>	A community trust described in section 170(b)(1)(A)(vii). (Complete Part II.)
9	<input type="checkbox"/>	An agricultural research organization described in section 170(b)(1)(A)(ix) operated in conjunction with a land-grant college or university or a non-land grant college of agriculture (see instructions). Enter the name, city, and state of the college or university: .....
10	<input type="checkbox"/>	An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its

## Three Key Questions About Financial Health

1. How strong are the organization's reserves? How liquid are they?
2. How many months of operations can be covered with available cash?
3. What are the trends in operating results?
  - Surpluses or deficits?
  - How is the organization investing its resources?

# Potential Red Flags – Form 990

- Compensation – including benefits
- Political Activities
- Public Support
- Transactions with Insiders/Related Parties (independence)
- Other compliance filings
- Fundraising Contracts
  - with who
  - what terms
- Governance Structure
  - answers on Form 990 policies
  - who is on the board
  - how many independent board members?
  - compensation setting policies
  - compliance with Revitalization Act (if applicable)



# Questions?

Christopher Petermann  
Partner  
PKF O'Connor Davies, LLP  
665 Fifth Avenue  
New York, NY 10022  
212-286-2600  
[cpetermann@pkfod.com](mailto:cpetermann@pkfod.com)

Rich Ribeiro  
VP & CFO  
Turrell Fund  
21 Van Vleck Street  
Montclair, NJ  
973-783-9358  
[richr@turrellfund.org](mailto:richr@turrellfund.org)

Scott Brown  
Partner  
PKF O'Connor Davies, LLP  
665 Fifth Avenue  
New York, NY 10022  
212-286-2600  
[sbrown@pkfod.com](mailto:sbrown@pkfod.com)