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Form 990 Part VI's Key Required and/or Suggested
Schedule O Disclosures for
Lines 1, 2, 3, 11b, 12c and 15

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Line 1: Here NO Narration is required but filer may choose to augment via Schedule O narration . . .

Board composition – two inquiries (we are SOLELY focusing on the 1st!)

(1) Count of board members last day of the year (line 1a) and within that count, number of board members who are “independent” (line 1b) This is the arena of FOCUS!

(2) Demand that if there is any difference in voting rights among the board members with voting rights, or if the board has delegated broad authority to an executive committee or similar committee, a description of those circumstances be disclosed on Schedule O.

Section A. Governing Body and Management

| | Yes | No |
|--|-----|----|
| 1a Enter the number of voting members of the governing body at the end of the tax year . . . | | |
| 1b Enter the number of voting members included in line 1a, above, who are independent . . . | | |

Annotations: A yellow highlight covers the text in line 1a: "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." A red circle highlights the line numbers "1a" and "1b". Red arrows point from the text above to the highlighted areas in the form.

SAMPLE PUBLIC RELATIONS NARRATION (were filer's yearend "counts" reported on 2019 Form 990 to be: 8 at 1a | 2 at 1b) follows. NOTE: in this sample, the filer uses the calendar year as its tax year, and [bracketed text] is there for explanatory purposes only:

The numbers at 1b do not reflect any "limitation" in the Board's ability to govern. That six Directors are not reported as "independent" results from the following facts:

Two Directors serving were welcomed onto the Board at 12/15/2019 [i.e., 17 days prior to yearend] having just retired from posts as full-time Officers of the school for most of the prior decade [they thus had been, prior to beginning their Board service, compensated as employees in the tax year]; two Directors who have professional experience in team-building and strategic planning spent the better part

of the 2019 year preparing the agenda for, and thereafter leading, the Board's intensive, marathon two-day Board meeting that immediately precedes the school's annual February conference in 2020 – they accepted the organization's offer to compensate them for their professional services in preparing both materials and their presentations, and were paid as independent contractors [state amount?]* in 2019; and two Directors' family members income qualified (in an objective selection process) for tuition reduction in favor of their participation in the school's professional education summer session training for school counselors and psychologists serving students who have experienced homelessness (that program is open to the public and had total enrollment of 160) in 2019.

* regarding disclosing the amount, the choice to do say should consider whether the amount is or isn't reported for these individuals on Part VII-A. For example, in the case of a 6/30 fiscal year filer, were these Directors paid in 1st or 2nd quarter of 2020, that compensation would not be shown on Part VII-A since same reports on the *calendar year not the tax year*.

The above illustrates several realities and sensitivities that a Schedule O narration might want to address or overcome:

- (1) Were a Board operating with only two directors able to vote on many matters, its governing body (for such matters) would fall below the minimum of three Directors which is typically required of nonprofit corporations.
- (2) Having a substantial number of non-independent Directors can be a "drag" on the Board's capacity if any of the affected individuals are, on many matters, reminding the rest of the Board of their "conflict" and then recusing themselves under the organization's conflict of interest policy.
- (3) Knowledgeable readers of Forms 990 will NOT be able to ascertain the basis for many Directors' "lack of independence" as same is often not represented (especially in the case of fiscal year organizations) in the Core Form's Part VII-A reporting of compensation, and may not be required to be disclosed on Schedule L. An example of the latter situation is the Directors' family members who got tuition reduction – such "scholarship" reduction is subject to Schedule L, Part III, but schools do not need report the names of scholarship recipients nor how they have status as an "Interested Person".

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