

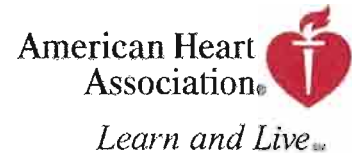
**From:** [Catherine.Mickle@cancer.org](mailto:Catherine.Mickle@cancer.org)  
**To:** [\\*TE/GE-EO-F990-Revision;](#)  
**CC:**  
**Subject:** American Cancer Society, American Diabetes Association,  
American Heart Association Joint Response  
**Date:** Friday, September 14, 2007 6:06:29 PM  
**Attachments:** [Joint Response.9.2007.pdf](#)

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(See attached file: Joint Response.9.2007.pdf)

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September 14, 2007

Form 990 Redesign  
Internal Revenue Service, ATTN: SE:T:EO  
1111 Constitution Avenue, N.W.  
Washington, DC 20224

VIA Email to [Form990Revision@irs.gov](mailto:Form990Revision@irs.gov)

Dear Form 990 Redesign Staff:

The American Cancer Society, American Diabetes Association and American Heart Association (ACS/ADA/AHA) express their collective appreciation for the leadership and extensive work that the Internal Revenue Service (IRS or the "Service") has accomplished in this incredibly important reporting and compliance area. The ACS/ADA/AHA endorses the IRS in its efforts to revise the Form 990 to facilitate accurate, complete, and consistent reporting by exempt organizations, while at the same time working to try and minimize the burden on filing organizations. We believe enhancing transparency and promoting compliance greatly benefits our organizations and the general public that supports them.

The ACS/ADA/AHA supports the comments submitted by the Independent Sector; however, we do not believe the proposed revision to the Form 990 successfully reduces the burden to exempt organizations nor do we believe it will be easier for the public to understand. In addition to the comments offered by the Independent Sector, our three organizations offer the following collective comments.

### **Part I - Summary**

1. The ACS/ADA/AHA strongly endorses the statement by the Independent Sector that inclusion of percentages of revenues and expenditures are not appropriate indicators of an organization's effectiveness or efficiency. Inclusion of these percentages gives the impression that the IRS believes there is a "right" percentage for each calculation and these are important factors for the readers to consider. We are seriously concerned about these types of metrics that the general public will rely on with encouragement and endorsement by the watchdog organizations and/or the news media. We believe they do not necessarily measure effectiveness and efficiency. We therefore recommend that the IRS eliminate the column requiring organizations to calculate revenues and expenses as a percentage of the total amounts. In addition, we encourage the IRS to review new disclosures that do not have a reasonable basis for putting information in context as to whether the disclosed information is favorable or unfavorable.

Examples of such disclosures include:

- Part I, Line 8b – Officer, director, trustee and key employee compensation as a percentage of program expenses;
- Part 1, Line 19b – Fundraising expenses as a percentage of contributions;
- Part I, Line 24b – Total expenses as a percentage of net assets; and
- Part III, Line 3b – The number of transactions reviewed under the conflict of interest policy.

**Part II and Schedule J - Compensation**

2. The ACS/ADA/AHA endorses the Service’s proposal that organizations utilize compensation as reported on the Form W-2. We believe this will ensure greater consistency in reporting and provides a bright line standard. Current reporting requirements can be very misleading to the public. Additionally, when an organization accrues a benefit which has not yet been paid as of the filing date for the Form 990, it must report this benefit as compensation in both the year it was earned and the subsequent fiscal year when paid. We believe such “double reporting” is misleading to the public as it exaggerates the amount of compensation actually paid by the organization.
3. The ACS/ADA/AHA recommends that column (E) Nontaxable Expense Reimbursement be eliminated from the form as non-taxable reimbursements under an IRS sanctioned accountable plan do not constitute compensation to the recipient and the required disclosure might lead the public to incorrectly conclude that such reimbursements are compensation. This requirement is especially concerning to organizations that operate on a nationwide basis where travel and other non-taxable expenses are an integral, if not critical part of mission delivery.

**Part V – Statement of Functional Expense**

4. The ACS/ADA/AHA is concerned with the attempt to update the expense classifications. A functional perspective has been blended with the natural perspective - which we believe will cause continuing, if not new, inconsistencies and confusion. For example, Information Technology costs would be an integration of a functional category into a natural classification which would include many other current natural classifications such as salary, payroll taxes, professional fees, office expenses and travel as incurred by an Information Technology Department.

Achieving consistency with audited financial statements is imperative for the Form 990 to remain a relevant resource for the general public. The inconsistencies between an organization’s audited financial statements and its Form 990 confuses the public and erodes trust in the sector and the related reporting process.

**Consolidated Reporting**

5. We understand that the IRS is considering eliminating the ability for affiliated organizations to report through a compiled group return. ACS/ADA/AHA disagrees with that proposal and recommends an approach in the opposite direction.

The IRS will not allow organizations -- that must be consolidated for financial statement reporting under generally accepted accounting principles -- to also consolidate the financial results for IRS Form 990 reporting. The ACS/ADA/AHA strongly believes that the segregated IRS reporting provides an inaccurate reflection of the operations of related organizations, which results in confusing and conflicting information for the donor public. We strongly encourage the IRS to mirror the financial statement presentation and allow affiliated organizations to be presented on one consolidated Form 990. At a minimum, we recommend that the IRS allow for an opportunity to present supplemental consolidated information within the Form 990 filed for each separate organization.

We recognize the extraordinary amount of work that has been conducted by the Internal Revenue Service to date and appreciate the opportunity to provide feedback on this important matter in the spirit of collaboration and a common cause.

Sincerely,



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American Cancer Society

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