

## Just Checking: Nonprofit Compliance

Compiled by Valerie F. Leonard  
Community Development Consultant

A number of nonprofit organizations have, or will soon come to the end of their fiscal year. Be sure to

- File Annual Reports to the Secretary of State. ALL Not-for-Profit Corporations must file an annual report of officers and directors with the Secretary of State. The due date depends upon when the corporation was formed. The annual report is due before the first day of the corporation's anniversary month each year. The anniversary month is the month in which the corporation was formed. For example, if the date of incorporation was Sept. 15, the anniversary month is September and each annual report is due before the first day of September each year. Forms will be sent to the registered agent approximately 60 days before the due date. **Failure to file an annual report may result in involuntary dissolution of the corporation.**  
[http://www.cyberdriveillinois.com/publications/pdf\\_publications/c16524.pdf](http://www.cyberdriveillinois.com/publications/pdf_publications/c16524.pdf)
- Conduct annual financial audit
- Comply with all grant requirements and conduct a separate grant audit if required
- File (state) Form AG-990-IL (within 5 ½ months of the fiscal year end) Filing Fee: \$15.00 Penalty for late filing: \$100 **(for every late return)**
- File (federal) Form 990 (within 5 ½ months of the fiscal year end) If Form 990 is filed after the due date (including any extensions), and the organization doesn't have **reasonable cause** for filing late, the Internal Revenue Service will impose a penalty of \$20 per day for each day the return is late. **(For every return that is filed late)** The maximum penalty is \$10,000 or 5% of the organization's gross receipts, whichever is less. The penalty increases to \$100 per day up to a maximum of \$50,000 **(For every return that is filed late)** for organizations whose gross receipts exceed \$1,000,000. (Currently, only organizations with revenues above \$25,000 need to file. Beginning 2008, all nonprofits will need to file Form 990. <http://www.irs.gov/charities/article/0,,id=139225,00.html>)
- Ensure information regarding the registered agent is current and accurate. Complete Form BCA-5.10/5.20 if there are any changes.  
[http://www.cyberdriveillinois.com/publications/pdf\\_publications/c2896.pdf](http://www.cyberdriveillinois.com/publications/pdf_publications/c2896.pdf)
- File quarterly Form 941 or annual Form 944 (federal employment tax withholding) Penalties. For each whole or part month a return is not filed when required (disregarding any extensions of the filing deadline), there is a penalty of 5% of the unpaid tax due with that return. The maximum penalty is 25% of the tax due. Also, for each whole or part month the tax is paid late (disregarding any extensions of the payment deadline), a penalty of 0.5% per month of the amount of tax generally applies. This penalty is 0.25% per month if an installment agreement is in effect. You must have filed your return on or before the due date of the return to qualify for the reduced penalty. The maximum for this penalty is also 25%. The penalties will not be charged if you have a reasonable cause for failing to file or pay.

Use of a reporting agent or other third-party payroll service provider does not relieve an employer of the responsibility to ensure that tax returns are filed and all taxes are paid or deposited correctly and on time.

- File quarterly IL-941 or annual IL 941A (State of Illinois employment tax withholding) See Publication 103 Penalties and Interest for Illinois Taxes for further details.
- If you didn't do so at the time of incorporation, make sure your organization is registered with the State of Illinois Attorney General's Office Charitable Trust Bureau, <http://www.illinoisattorneygeneral.gov/charities/> . File Form CO-1
- File Form CO-2 with the State of Illinois Attorney General's Office, if your organization is less than 1 year old <http://www.illinoisattorneygeneral.gov/charities/> .

This checklist has been developed for informational purposes only and is not construed to be professional advice. It is strongly advised that you consult an attorney and accountant who are well-versed in matters of nonprofit organizations and taxes.

### **About the Author**

Valerie F. Leonard is a Chicago-based community development consultant, with a mission to strengthen the capacity of organizations to make a positive impact on the communities they serve through technical assistance, specialized workshops, resource and organizational development and project management. For further information, you may call Ms. Leonard at 773-521-3137, visit [www.valeriefleonard.com](http://www.valeriefleonard.com) or e-mail her at [consulting@valeriefleonard.com](mailto:consulting@valeriefleonard.com).