

Form 990 Policy Series

The attached Memorandum is a part of the *Form 990 Policy Series*, developed by a group of lawyers, all members of the California bar and practicing nonprofit law (the “Form 990 Policy Series Group”). The *Form 990 Policy Series* includes Memoranda containing rationales and procedures for legal counsel to use in advising their clients on drafting and adopting appropriate policies responding to the new Form 990 as well as form policies and/or questionnaires.

The members of the Form 990 Policy Series Group with respect to the attached Memorandum (posted July, 2011) were as follows: Joel S. Corwin, Co-Chair; Barbara Rosen, Co-Chair; Elizabeth Bluestein; Lani Meanley Collins; the late Gerald A. Laster; Henry Lesser; Nancy McGlamery; Louis Michelson; Joy P. Paeske; Alicia Plerhoples; Lisa A. Runquist; Robert Siemer; Myron Steeves; Patrick Sternal; and Martin J. Trupiano. The views expressed in the Memoranda do not necessarily reflect the views of the law firms or employers at which these lawyers practice or any individual member of the Group.

The date at the top of the attached Memorandum is the date that the Memorandum was finalized, and the Memorandum may not reflect changes in law or practice since that date.

**FORM 990 POLICY SERIES
MEMORANDUM**

**Re: Mission Statement
Form 990 Part I, Line 1; Part III, Line 1 (Form 990 Policy Series Memo #11)**

Date: December 1, 2009

NOTE ON THE SCOPE OF THIS MATERIAL

This material is designed to provide general guidance about an aspect of nonprofit corporate governance in the specific and limited context of the governance questions contained in the new IRS Form 990 (published by the IRS in 2008 and applicable to 990 filers based on a 2009-2011 filing year phase-in period depending on the size of the nonprofit). It is intended to provide some general guidance on the establishment of processes and/or policies to address a specific governance question in the Form. The subject matter of that question implicates a broad array of legal and practical issues ranging far beyond the immediate subject matter of the question itself. This material may address some of those issues but does NOT attempt to review them comprehensively and is NOT intended to be relied on for guidance on how they should be addressed in any specific situation.

Whether or not a nonprofit organization adopts a specific governance process or policy (or modifies an existing one), either in response to the disclosure requirements of the new IRS Form 990 or to change its governance practices for other reasons is a matter to be carefully considered by that organization, with input from its board and advisors and evaluation of its specific circumstances. The IRS has explicitly stated that adoption of the policies and practices about which the new Form 990 asks is not mandatory, although the IRS has also indicated that it attaches significance to the manner in which all tax-exempt nonprofit organizations govern themselves. The inclusion of a sample policy in this material is not intended to suggest that the policy is appropriate for every nonprofit organization nor that, if a policy on that topic is determined to be appropriate, the formulation in the sample necessarily fits the needs of an individual nonprofit organization. A customized approach, with outside professional advice, is recommended. Accordingly, this material is intended as general information for legal practitioners advising nonprofit organizations as to their governance and does not constitute legal advice for any particular nonprofit organization.

Although the subject matter of this material may have relevance to nonprofit organizations that are not required to file informational tax returns with the IRS or are permitted to file on an IRS form other than Form 990, the focus of this material is 990 filers. While this material is meant to apply to Form 990 filers who are exempt under Section 501(c) of the Internal Revenue Code, certain portions of this material may be applicable only to Section 501(c)(3) organizations. In addition, although this material may be of assistance with respect to nonprofit organizations that are not subject to oversight under California law, there may be portions of this material that are relevant only to nonprofits organized under, or (by reason of their California-related activities) otherwise subject to, California law and, except as specifically discussed in this material, the laws of other States are not addressed.

1. Rationale for Adoption of the Policy

A clear, agreed-upon mission statement is one of the characteristics of a successful nonprofit organization. A clearly articulated mission serves to explain the organization's purpose and guide its activities. It enables the organization to communicate its driving goals to the members, directors, and staff of the organization. It also presents a snapshot of the organization to the larger community that it serves. Often an organization's mission statement is an entry criterion for receiving grants or for

obtaining members. For all of these reasons, a nonprofit organization should have a mission statement, and the mission statement must be consistent with the purposes set forth in the organizational documents (such as articles, bylaws or trust documents) and for which the organization is tax-exempt.

2. Background of Requirements/Sources for the Policy

The new Form 990 asks for a description of the organization’s mission statement in two places:

- Form 990 Part I, line 1
“Briefly describe the organization’s mission or most significant activities:”
- Instructions, Part I, Line 1
“Describe the organization’s mission or its most significant activities for the year, whichever the organization wishes to highlight, on the summary page.”
- Form 990 Part III, line 1
“Briefly describe the organization’s mission:”
- Instructions, Part III, Line 1
“Describe the organization’s mission as articulated in its mission statement or as otherwise adopted by the organization’s governing body, if applicable. If the organization does not have a mission that has been adopted by its governing body, state “None.”

Tax-exempt organizations must be organized and operated for exempt purposes. These purposes are disclosed at the time the organization applies for tax-exemption on IRS Form 1023 or Form 1024, which must be made publicly available. A well-drafted mission statement helps the organization direct and maintain its focus on those purposes. It should reflect the purposes for which the organization was recognized as tax-exempt by articulating either charitable purposes and activities, in the case of an organization exempt under IRC section 501(c)(3), or other exempt purposes and activities, in the case of organizations exempt under the other sections of IRC section 501. An organization’s mission statement can be narrower in scope than the purposes set out in the organizing documents; however, it should not articulate purposes or activities outside those purposes for which the organization was determined to be tax-exempt and that are set forth in the organization’s articles, bylaws or other organizing documents.

3. Considerations and Procedures for Implementation of the Policy

It is the responsibility of the governing body (such as board of directors or trustees) to define a nonprofit organization’s mission. The instructions to Part III, Line 1

of the Form 990 assume that the mission statement is adopted by the organization's governing body.

A Mission Statement should be a clear and concise statement that says what the organization is, including its name, that it is organized for nonprofit purposes, what it does, for whom, and where. Effective mission statements are usually short enough to be easily memorized. As an indication of the appropriate length, there are 3 ½ lines provided on the Part I, Line 1 of the Form 990, and 4 lines on Part III, Line 3. Therefore, in just a sentence or two, a mission statement needs to communicate the essence of the organization.

Unlike a purpose statement in the articles of incorporation, an organization's mission statement should be reviewed and revised on a regular basis. As noted above, while the mission statement should reflect changes in the organization's activities, it is important that the mission statement be consistent with the exempt purposes of the organization, as stated in the articles of incorporation or other organizational documents.

4. Sample Policies

By its nature, the content of each organization's mission statement is going to be unique to that organization. The following are mission statements from several prominent organizations. They are included here for reference purposes and not as models. Some mission statements are very specific and detailed; others are general and broad. By way of evaluating the effectiveness of a mission statement, it may be asked: Does the statement reflect the specific purposes for which the organization was formed and is recognized as tax-exempt? Can the statement direct the actions of the directors, officers and staff in carrying out their duties? Does the statement accurately describe the organization and uniquely apply to the organization?

March of Dimes Foundation:

Our mission is to improve the health of babies by preventing birth defects, premature birth, and infant mortality. We carry out this mission through research, community services, education and advocacy to save babies' lives. March of Dimes researchers, volunteers, educators, outreach workers and advocates work together to give all babies a fighting chance against the threats to their health: prematurity, birth defects, low birthweight.

Boys and Girls Clubs of America:

To enable all young people, especially those who need us most, to reach their full potential as productive, caring, responsible citizens.

United Way of America:

To improve lives by mobilizing the caring power of communities.

James Irvine Foundation:

The mission of The James Irvine Foundation is to expand opportunity for the people of California to participate in a vibrant, successful and inclusive society.

Northeast Valley Health Corporation:

The mission of Northeast Valley Health Corporation is to provide comprehensive, high-quality and safe health care services to the residents of Los Angeles County, particularly in the San Fernando and Santa Clarita Valleys with special concern for medically under-served and low income populations.

California Community Foundation:

Strengthening Los Angeles communities through effective philanthropy and civic engagement.