

IRS Decoder



The IRS 990 form, required of most nonprofit organizations, includes extensive data about an organization's mission, programs, and finances. The 990 has uses beyond IRS reporting as a vehicle to communicate activities with funders and other stakeholders. As a public document the 990 is also valuable for donors and others to review and compare nonprofits. The IRS 990 provides extensive information about an organization's programmatic and financial activities in one comprehensive document. So comprehensive, in fact, that the IRS 990 can be overwhelming.

The Problem

The IRS 990 is widely used to review, understand, and analyze the finances of nonprofits. Unfortunately, the financial sections of the form 990 are not presented in the format that most nonprofit and foundation professionals are used to seeing. The financial data in the 990 is consistent with the core Balance Sheet and Income Statement for nonprofits, but the format isn't always easy to use. Analysis is a challenge, too, since financial tools, like ratios, are derived from numbers that are found on Balance Sheets and Income Statements. If only the IRS 990 were easier to use for financial review and analysis.

The Solution

This is why Propel Nonprofits created the IRS 990 Decoder. With the Decoder, information from the IRS 990 is input to a spreadsheet that re-formats the financial data to generate a year-end Balance Sheet and Income Statement and ratio analysis tool. The worksheet translates the financial data from the IRS 990 into easy to use financial report formats and several ratios that can be useful as part of a review or analysis of a nonprofit organization.

How You Can Use It

Nonprofits can use the Decoder to simplify review and analysis of their financial position. Decoding several years of the IRS 990 produces a trend analysis tool. The Decoder is especially useful for nonprofits that are not required to undergo a financial audit. Funders can use the Decoder to analyze the finances of organizations that do not have audited financial statements, or to compare the information reported from the IRS 990 to the information reported in the organization's audited statements. Both nonprofits and funders can use the ratios to analyze key indicators of the organization's financial health. Ratios are a proven tool for financial analysis to identify trends, establish benchmarks, and recognize strength and areas for focus. The standard ratios generated with the Decoder are:

- Months Cash on Hand
- Unrestricted Net Assets Ratio
- Reliance on Income Ratio
- Personnel Expenses Ratio
- Functional Expense Percentage
- Fundraising Efficiency

Learn more about analyzing nonprofit finances with ratios by reading Propel Nonprofits' [Analyzing Financial Information Using Ratios](#) resource.

Download the [IRS 990 Decoder worksheet](#) now.

Our mission is to fuel the impact and effectiveness of nonprofits with guidance, expertise, and capital. Learn more about our services, training, and resources online.

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