

UNDERSTANDING THE IRS FORM 990

What is a Form 990?

- IRS Form 990 is the tax document that federally tax-exempt organizations file each year with the IRS. In a nutshell, the form gives the IRS an overview of an electric cooperative's activities, governance and details on revenues, expenses, assets, liabilities and compensation. This document is public information.
- The value of what we return to our communities exceeds our tax benefit by a substantial margin. With the leadership of the board, management and employees, electric cooperatives typically have high member satisfaction scores, high electric reliability ratings, and reasonable rates. This doesn't happen without the knowledge, skills and training required to operate and maintain the cooperative.

Board Trustee Per Diems and Compensation (Part VI, Sections A, B, C; and Part VII, Section A)

- Board members are responsible for the long-term vision and future of the co-op. In order to effectively govern the cooperative, board members need to understand the complexities of the business, the needs of the members, and the changing landscape of the local economy. Board members spend a substantial amount of time educating themselves on a variety of issues affecting the cooperative in order to ensure that the cooperative is well positioned for continued success.

Board members have a duty to educate themselves about the entire electric cooperative enterprise. This is done through ongoing education and training courses.

- As outlined in most electric cooperatives bylaws, board members do not receive salary. They receive a fixed sum (per diem) for each day or portion thereof spent on co-op business, such as attendance at meetings, conferences, training and education programs or performing committee assignments.
- Board members may also be reimbursed for expenses actually and necessarily incurred in carrying out cooperative business, such as travel, hotels, etc. They do not receive pay for the hours they spend outside of official meetings, including: answering phone calls, meeting with members, analyzing monthly reports in preparation for meetings, and reviewing publications to stay abreast of changes in the electric cooperative industry.
- Benefits provided to the board may be voted on by the board and/or the membership according to each cooperative's bylaws. The members own the co-op and members have the opportunity through district elections or elections at Annual Meetings (when specified quorums are met) to vote for their board member.

CEO and Management Compensation (Part VI, Sections A, B and C; and Part VII, Section A)

- Boards and management take their responsibility to be good stewards of member's resources very seriously. Providing electric service in rural and suburban areas is a complex and extremely capital-intensive business. Cooperatives must compensate CEOs and key management staff appropriately in order to attract the best and brightest to carry out the vision of the cooperative and to provide the highest quality service to the membership.
- Electric cooperatives have consistent compensation practices. National wage and salary survey information for similar positions within the utility industry is available to the board in determining CEO and key management staff compensation. Wage studies are performed regularly and evaluated based upon national and regional compensation surveys. The surveys use data from the National Rural Electric Cooperative Association (NRECA) National Compensation Survey and the Economic Research Institute's (ERI) Salary Survey and evaluate the distribution of salaries across and within established pay ranges for the purposes of determining internal pay equity and external competitiveness.
- CEO and key management staff salaries make up a small fraction of the total operating expenses of the cooperative.
- IRS Form 990 reporting requires that compensation include any amount that is considered reportable income, such as: employee benefits, including employer-paid contributions for health and life insurance benefits, and retirement funding. Certain retirement distributions are taxable, so they are reported as compensation as benefits mature, **but employees do not actually receive these funds until their retirement.**

Internal Controls

In addition to internal reviews, electric cooperatives conduct financial audits each year by independent audit firms to ensure the cooperative is operating in an effective and fiscally responsible manner. Boards of trustees comprised of members are expected to carry out their fiduciary duties. It is the electric cooperative's leadership goal to be trusted to safely and consistently exceed members' expectations for reliability, service, value and community engagement.