



## Chapter 2

### What Kinds of Programs Does the Filer Run and How Much Does It Spend on Them?

Part III (Statement of Program Service Accomplishments) on page 2 of the Form 990 elicits information on what a filer does. At Line 1 the filer is asked to set out its mission as articulated in its mission statement or as otherwise adopted by the board. If the filer does not have a board-adopted mission, it is directed to put "None." The lack of any adopted statement of purpose might be considered notable. Line 2 asks whether the filer undertook any significant program services during the year which were not listed on its prior Form 990. If the answer is "Yes," the filer is directed to describe these new services in Schedule O. Line 3 asks whether during the year the filer ceased conducting any program or whether it made any significant changes in how it conducts any program. If the answer is "Yes," the filer is directed to describe these changes in Schedule O. If either 2 or 3 (or both) are answered "Yes," the reader may want to learn about the new services or changes and should consult Schedule O.

Schedule O is in effect a blank page (with no line numbers) on which the filer can provide narrative information in response to specific questions on the Form 990.<sup>1</sup>

The filer is asked to describe the achievements of its three largest (by total expenses) program service activities on Lines 4 a, b and c. A program service activity is an activity that accomplishes the filer's exempt purpose. The Instructions direct the filer to describe each program's achievements through specific measurements such as number of clients served or days of care provided. If the output of an

---

<sup>1</sup> There are a number of places in the Form 990 that call for narrative responses. Schedule O is where these are given. For example, in addition to Lines 2 and 3 of Part III referred to above, Line 15 of Section B of Part VI (Governance, Management, and Disclosure) asks whether the process followed by the filer in setting the compensation of certain key employees (e.g., the executive director) included a review and approval by independent persons of comparability data, and if so, the filer is asked to describe the process in Schedule O.

activity is intangible, the filer is instructed to describe the activity's objective for both the tax year and its longer-term goals. A good number of lines are provided on which the narrative description can be made and the filer is given the option to extend the description in Schedule O. Line 4d elicits aggregate expense, etc., information for all other program service activities and directs the filer to list such other program service activities in Schedule O. On the top of each Line 4a, b and c, at the left the filer must report the total expenses for each such program. In the middle of the top line the filer is required to break out of the total of expenses the amount spent on grants. At the right of the top line, the filer is required to report the amount of revenue the program earned, such as fees for services.<sup>2</sup> At the bottom of the page at Line 4e the total of all the totals of program service activity expenses is reported. This number must equal the number reported at Line 25, column (B) of Part IX (Statement of Functional Expenses) on page 10.

Form 990 (2010) Page **2**

**Part III** **Statement of Program Service Accomplishments**  
 Check if Schedule O contains a response to any question in this Part III

**1** Briefly describe the organization's mission:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**2** Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?  Yes  No  
 If "Yes," describe these new services on Schedule O.

**3** Did the organization cease conducting, or make significant changes in how it conducts, any program services?  Yes  No  
 If "Yes," describe these changes on Schedule O.

**4** Describe the exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

**4a** (Code: \_\_\_\_\_) (Expenses \$ \_\_\_\_\_ including grants of \$ \_\_\_\_\_) (Revenue \$ \_\_\_\_\_)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**4b** (Code: \_\_\_\_\_) (Expenses \$ \_\_\_\_\_ including grants of \$ \_\_\_\_\_) (Revenue \$ \_\_\_\_\_)

\_\_\_\_\_

\_\_\_\_\_

<sup>2</sup> The amount reported here includes the amount reported as program service revenue at Line 2, column (A) of Part VIII (Statement of Revenue) and (what will rarely be the case) other amounts included in Part VIII (Lines 3-11) that consist of exempt function income. Also included would be unrelated business income from a business that exploits an exempt function, such as advertising income in a journal. See Chapter 4.

A careful filer, in describing its programs' achievements, should be able to provide a fairly good idea of its activities, and, by comparing the relative amounts spent on each program, one may derive some sense of their relative importance. This is the only part of the Form 990 where you can pick up descriptive data about a filer's activities and this qualitative information can be helpful for putting all the numbers in the Form 990 in context. One should be aware, however, that this information cannot reveal whether the filer is doing its work effectively and efficiently or achieving satisfactory ultimate outcomes.