



Instructions for Form 990 Return of Organization Exempt From Income Tax

**Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code
(except black lung benefit trust or private foundation)**

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Section references are to the Internal Revenue Code unless otherwise noted.

What's New

Redesigned Form 990 and Instructions for 2008

Overview and major changes. The Form 990 has been redesigned for 2008. The new form consists of an 11-page, 11-part core form that is required to be completed by all organizations that file Form 990 and schedules to be completed by those organizations that satisfy the applicable requirements for each schedule.

The following provides a brief summary of some major changes and features of the new form and an outline of the new core form and schedules. This summary does not describe all of the new features or changes. Some of the information previously required by the 2007 Form 990 has been eliminated or revised, and the new 2008 Form 990 requires information not previously required. Some information previously required of only certain types of organizations now is required of all types of organizations completing the form. The organization should carefully review the new form and instructions in order to make sure it satisfies the new form's reporting requirements. See the IRS website at www.irs.gov and click on the *Charities & Non-Profits* tab for more information.

Some areas of major changes in reporting requirements include governance and compensation of officers, directors, trustees, key employees, and highest compensated employees. For example, *Part VI. Governance, Management, and Disclosure*, is a new section that asks questions about the organization's governance structure, policies, and disclosure practices. *Part VII. Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors*, also contains important changes, including new definitions of officer and key employee applicable to all organizations, and the extension of reporting compensation paid to the top five highest compensated employees from organizations described in sections 501(c)(3) or 4947(a)(1), as was previously the case, to all organizations filing the Form 990, such as social welfare organizations, business leagues, trade associations, and social clubs.

Other areas of significant change include determination of public charity status and public support; supplemental financial statement reporting; and fundraising, special events, and gaming. For organizations described in sections 501(c)(3) or 4947(a)(1), Schedule A has been revised to emphasize reporting of public charity status and public support. Schedule D contains new reporting requirements for conservation

organizations; museums and other organizations maintaining collections of works of art and other items; credit counseling organizations and others holding funds in escrow or custodial arrangements; and organizations maintaining endowments. Schedule G requires reporting of certain information regarding arrangements with professional fundraisers, fundraising events, and gaming activities. Other new schedules include those for reporting foreign activities (Schedule F); hospitals (Schedule H); tax-exempt bonds (Schedule K); non-cash contributions (Schedule M); and related organizations (Schedule R).

The following is an outline of the parts of the core form and the new schedules.

Core form. The core form required to be completed by all organizations consists of the following eleven parts.

- *Part I. Summary* provides certain important information regarding the organization's mission, activities, and current and prior years' financial results.
- *Part II. Signature Block* contains the signature of an organization's officer, and, if applicable, paid preparer.
- *Part III. Statement of Program Service Accomplishments* requires reporting of the organization's new, ongoing, and discontinued exempt purpose achievements and related revenue and expenses.
- *Part IV. Checklist of Required Schedules* is used by the organization to determine which schedules it must complete and file with the IRS as part of the Form 990.
- *Part V. Statements Regarding Other IRS Filings and Tax Compliance* is used by the organization to report its compliance with other federal tax reporting and substantiation requirements.
- *Part VI. Governance, Management, and Disclosure* requires information regarding the organization's governing body and management, policies, and disclosure practices.
- *Part VII. Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors* is used to report compensation paid to such persons by the organization and its related organizations reported on Forms W-2, Forms 1099-MISC, and as certain other compensation.
- *Part VIII. Statement of Revenue, Part IX. Statement of Functional Expenses, and Part X. Balance Sheet*, comprise the financial statements of the organization for federal tax reporting purposes.
- *Part XI. Financial Statements and Reporting* is used to report information regarding the organization's accounting methods and its compiled, reviewed, or audited financial statements.

Schedules. The 2008 Form 990 contains 16 schedules. Each organization must complete Part IV. *Checklist of Required Schedules*, to determine those schedules it must complete. These schedules replace the prior schedules and most required attachments previously constructed and completed by the filing organization. All filers will be required to provide certain narrative responses on Schedule O (Form 990). The following is a list and brief description of the new schedules.

- *Schedule A. Public Charity Status and Public Support* is completed by organizations described in sections 501(c)(3) and 4947(a)(1) to provide information relevant to status as a public charity, including satisfaction of applicable public support tests on an ongoing basis.
- *Schedule B. Schedule of Contributors* is completed by organizations to provide information regarding contributions they report as revenues.
- *Schedule C. Political Campaign and Lobbying Activities* is completed by organizations that conduct political campaign activities, organizations described in sections 501(c)(3) and 4947(a)(1) that conduct lobbying activities, and organizations subject to section 6033(e) notice and reporting requirements and potential proxy tax on certain membership dues, assessments, and similar amounts.
- *Schedule D. Supplemental Financial Statements* is completed by organizations to supplement certain balance sheet information, as well as conservation organizations, museums and other organizations maintaining collections, credit counseling organizations and others holding funds in escrow or custodial arrangements, and organizations

maintaining endowments or donor advised funds and similar funds or accounts.

- *Schedule E. Schools* is the private school questionnaire previously contained in former Schedule A.
- *Schedule F. Statement of Activities Outside the United States* is used to report the organization's activities conducted outside the United States.
- *Schedule G. Supplemental Information Regarding Fundraising or Gaming Activities* requires reporting by organizations that reported certain amounts of professional fundraising expenses, revenue from special events, and revenue from gaming activities.
- *Schedule H. Hospitals* is completed by organizations that operate one or more facilities licensed or registered as a hospital under state law.
- *Schedule I. Grants and Other Assistance to Organizations, Governments and Individuals in the U.S.* is used to report grants and other assistance provided by the organization to others within the United States.
- *Schedule J. Compensation Information* is completed by organizations to provide detailed compensation information for certain current or former officers, directors, trustees, key employees, and highest compensated employees, and certain information regarding the organization's compensation practices and arrangements.
- *Schedule K. Supplemental Information for Tax-Exempt Bonds* is completed by organizations with outstanding tax-exempt bond liabilities.
- *Schedule L. Transactions with Interested Persons* is completed by organizations that engage in certain types of relationships or transactions with interested persons, including excess benefit transactions, loans, grants or other financial assistance, and other financial or business transactions or arrangements.
- *Schedule M. Non-Cash Contributions* is used to report contributions other than cash received by the organization.
- *Schedule N. Liquidation, Termination, Dissolution, or Significant Disposition of Assets* is used to report major dispositions of assets by the organization.
- *Schedule O. Supplemental Information to Form 990* is used by organizations to provide supplemental information to describe or explain the organization's responses to questions contained in the core form or schedules.
- *Schedule R. Related Organizations and Unrelated Partnerships* is used to provide information regarding the organization's relationships with other exempt and taxable organizations.

Instructions, glossary, and appendices. The 2008 Instructions for Form 990 contain a sequencing list to help organizations determine the order in which to complete various portions of the form (see *Sequencing List To Complete the Form*); revised general and specific instructions for the core form and schedules; a glossary of key terms; and a compensation table to help organizations determine where and how to report types of compensation paid to officers, directors, trustees, key employees, and highest compensated employees (see *Specific Instructions* for Part VII). The new instructions also contain new appendices for reporting requirements and guidance regarding group returns (see Appendix E), and for organizations to report activities conducted indirectly through joint ventures and disregarded entities (see Appendix F).

Form 990-EZ Filing Amounts for 2008–2010

Form 990-EZ, Short Form Return of Organization Exempt From Income Tax, may be filed by most organizations with gross receipts and total assets below certain amounts. For calendar or fiscal years beginning in 2008, most organizations with gross receipts less than \$1,000,000 and total assets less than \$2,500,000 may choose to file Form 990 or Form 990-EZ. (For 2007, these amounts were less than \$100,000 gross receipts and \$250,000 total assets.) For 2009, most organizations with gross receipts less than \$500,000 and total assets less than \$1,250,000 may choose to file Form 990 or Form 990-EZ. Beginning in 2010, most organizations with gross receipts less

File Form 990-EZ for	If gross receipts are less than	And if total assets are less than
2008 (generally filed in 2009)	\$1,000,000	\$2,500,000
2009 (generally filed in 2010)	\$500,000	\$1,250,000
2010 and later	\$200,000	\$500,000

than \$200,000 and total assets less than \$500,000 may file either Form 990 or Form 990-EZ.

Although Form 990-EZ was not redesigned for 2008, some changes have been made. Organizations that file the 2008 Form 990-EZ must review the instructions for Schedules A, B, C, E, G, L, and N to determine whether they must now report any of their activities or information on those schedules. Form 990-EZ filers will not be required to complete any of the other 2008 Form 990 schedules.

New annual electronic filing requirement for small tax-exempt organizations

Many small tax-exempt organizations now must file new Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or 990-EZ, if they choose not to file Form 990 or Form 990-EZ. See the IRS website at www.irs.gov and click on the *Form 990-N (e-Postcard)* tab for more information.

Purpose of Form

Form 990 and Form 990-EZ are used by tax-exempt organizations, nonexempt charitable trusts, and section 527 political organizations to provide the IRS with the information required by section 6033.

An organization's completed Form 990, Form 990-EZ, and Form 990-T, Exempt Organization Business Income Tax Return, of 501(c)(3) organizations, are available for public inspection as required by section 6104. Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors, is available for public inspection for section 527 organizations filing Form 990 or 990-EZ. For other organizations that file Form 990 or Form 990-EZ, parts of Schedule B (Form 990, 990-EZ, or 990-PF), may be open to public inspection. See the instructions for Schedule B (Form 990, 990-EZ, or 990-PF) for more details.

Some members of the public rely on Form 990 or Form 990-EZ as their primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by information presented on its return. Therefore, the return must be complete, accurate, and fully describe the organization's programs and accomplishments.

Use Form 990 or Form 990-EZ to send a required election to the IRS, such as the election to capitalize costs under section 266.

Phone Help

If you have questions and/or need help completing Form 990, please call 1-877-829-5500. This toll-free telephone service is available Monday through Friday.

Email Subscription

The IRS has established a new subscription-based email service for tax professionals and representatives of tax-exempt organizations. Subscribers will receive periodic updates from the IRS regarding exempt organization tax law and regulations, available services, and other information. To subscribe, visit www.irs.gov/eo.

Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the

photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

General Instructions

Overview of Form 990

The *General Instructions* apply to Form 990. See also the *Specific Instructions* for this form.

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.



Certain Form 990 filers must file electronically. See E. When, Where, and How To File for who must file electronically.

Form 990 is an annual information return required to be filed with the IRS by most organizations exempt from income tax under Internal Revenue Code section 501(a), and certain political organizations and **nonexempt charitable trusts**. Parts I through XI of the form must be completed by all filing organizations and require reporting on the organization's exempt and other activities, finances, governance, compliance with certain federal tax filings and requirements, and compensation paid to certain persons. Additional schedules are required to be completed depending upon the activities and type of the organization. By completing Part IV, the organization determines which schedules are required. The entire completed Form 990 filed with the IRS, except for certain contributor information on Schedule B (Form 990, 990-EZ, or 990-PF), is required to be made available to the public by the IRS and the filing organization, and may be required to be filed with state governments to satisfy state reporting requirements.

Helpful Hints. The following hints may help you more efficiently review these instructions and complete the form.

- See *C. Sequencing List To Complete the Form* that provides guidance on the recommended order for completing the form and applicable schedules.
- Throughout these instructions, terms that are highlighted in bold are defined in the *Glossary*.
- Throughout these instructions, "the organization" and the "filing organization" both refer to the organization filing Form 990.
- The examples appearing throughout the instructions to Form 990 are illustrative only. They are for the purpose of completing this form and are not all-inclusive.
- Instructions to the Form 990 schedules are published separately from these instructions.



*Organizations that have total gross income from **unrelated trades or businesses** of at least \$1,000 also are required to file Form 990-T, Exempt Organization Business Income Tax Return, in addition to any required Form 990, 990-EZ, or 990-N.*

A. Who Must File

Most organizations exempt from income tax under section 501(a) must file an annual information return (Form 990 or Form 990-EZ) or an annual electronic notice (Form 990-N), depending upon the organization's **gross receipts** and **total assets**.

For 2008, Form 990 must be filed by an organization exempt from income tax under section 501(a) (including an organization that has not applied for recognition of exemption) if it has either (1) **gross receipts** greater than or equal to \$1,000,000 or (2)

total assets greater than or equal to \$2,500,000 at the end of the tax year. This includes:

- Organizations described in section 501(c)(3) (other than **private foundations**), and
- Organizations described in other 501(c) subsections (other than black lung benefit trusts).

Gross receipts are the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses. See Appendix B for a discussion of gross receipts.

For purposes of Form 990 reporting, the term *section 501(c)(3)* includes organizations exempt under sections 501(e) and (f) (cooperative service organizations), 501(k) (child care organizations), and 501(n) (charitable risk pools). In addition, any organization described in one of these sections is also subject to section 4958 if it obtains a determination letter from the IRS stating that it is described in section 501(c)(3).

Form 990-N. If an organization normally has gross receipts of \$25,000 or less, it must submit Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required To File Form 990 or 990-EZ, if it chooses not to file Form 990 or Form 990-EZ (with exceptions described below for certain section 509(a)(3) **supporting organizations** and for certain organizations described in *B. Organizations Not Required To File Form 990*). See Appendix B for a discussion of gross receipts.

Form 990-EZ. For tax years beginning in 2008, if an organization has **gross receipts** less than \$1,000,000 and **total assets** at the end of the year less than \$2,500,000, it may choose to file Form 990-EZ, Short Form Return of Organization Exempt From Income Tax, instead of Form 990. See the instructions for Form 990-EZ for more information. See the special rules described later regarding **controlling organizations** under section 512(b)(13) and **sponsoring organizations of donor advised funds**.

TIP *The IRS has provided transitional relief to small and mid-size organizations, allowing many to file Form 990-EZ for 2008 and 2009 instead of Form 990, and providing them additional time to become familiar with the new Form 990 and its requirements. The table at the top of page 3 of these instructions describes the modified thresholds for filing Form 990-EZ (instead of Form 990) during this transition period.*

Foreign and U.S. possession organizations. **Foreign organizations** and **U.S. Possession** as well as **domestic organizations** must file Form 990 or 990-EZ unless specifically excepted under *B. Organizations Not Required To File Form 990*. Report amounts in U.S. dollars and state what conversion rate the organization uses. Combine amounts from within and outside the U.S. and report the total for each item. All information must be written in English.

Sponsoring organizations of donor advised funds. **Sponsoring organizations of donor advised funds**, if required to file an annual information return for the year, must file Form 990 and not Form 990-EZ.

Controlling organizations described in section 512(b)(13). A **controlling organization** of one or more **controlled entities**, as described in section 512(b)(13), must file Form 990 and not Form 990-EZ if it is required to file an annual information return for the year and if there was any transfer of funds between the controlling organization and any controlled entity during the year.

Section 509(a)(3) supporting organizations. A section 509(a)(3) **supporting organization** must file Form 990 or 990-EZ, even if its gross receipts are normally \$25,000 or less, unless it qualifies as one of the following.

1. An integrated auxiliary of a **church**.
2. The exclusively religious activities of a **religious order**.
3. A religious organization whose gross receipts are normally not more than \$5,000.
4. An organization whose gross receipts are normally not more than \$5,000 that supports a section 501(c)(3) religious organization.

5. A charitable organization supported partly by funds contributed by Federal, state, or local governmental units, or primarily by contributions of the general public, whose gross receipts are normally not more than \$5,000.

If the organization is described in (3), (4), or (5), then it must file Form 990-N unless it voluntarily files Form 990 or Form 990-EZ.

Section 501(c)(7) and section 501(c)(15) organizations. A section 501(c)(7) or section 501(c)(15) organization applies the same **gross receipts** test as other organizations to determine whether it must file Form 990, but uses a different definition of **gross receipts** to determine whether it qualifies as tax-exempt for the tax year. See Appendix C for more information

Section 527 political organizations. Tax-exempt political organizations must file Form 990 or Form 990-EZ unless excepted under *B. Organizations Not Required To File Form 990*. A qualified state or local political organization must file Form 990 or Form 990-EZ only if it has gross receipts of \$100,000 or more. Political organizations are not required to file Form 990-N.

Section 4947(a)(1) nonexempt charitable trusts. A **nonexempt charitable trust** described under section 4947(a)(1) (if it is not treated as a private foundation) is required to file Form 990 or Form 990-EZ, unless excepted under *B. Organizations Not Required To File Form 990*. Such a trust is treated like an exempt section 501(c)(3) organization for purposes of completing the form. All references to a section 501(c)(3) organization shall include a section 4947(a)(1) trust (for instance, such a trust must complete Schedule A (Form 990 or 990-EZ), Public Charity Status and Public Support), unless otherwise specified. If such a trust does not have any taxable income under Subtitle A of the Code, it can file Form 990 or Form 990-EZ to meet its section 6012 filing requirement and does not have to file Form 1041, U.S. Income Tax Return for Estates and Trusts.

Returns when exempt status not yet established. An organization is required to file Form 990 in accordance with these instructions if the organization claims exempt status under section 501(a) but has not yet established such exempt status by filing Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, or Form 1024, Application for Recognition of Exemption Under Section 501(a) or for Determination Under Section 120, and receiving an IRS letter recognizing tax-exempt status. In such a case, the organization must check the "Application pending" checkbox in item B on Form 990, page 1 (whether or not a Form 1023 or 1024 has been filed) to indicate that Form 990 is being filed in the belief that the organization is exempt under section 501(a), but that the IRS has not yet recognized such exemption.

B. Organizations Not Required To File Form 990

An organization does not have to file Form 990 or 990-EZ even if it has at least \$1,000,000 of gross receipts or \$2,500,000 of **total assets** if it is described below (except for section 509(a)(3) supporting organizations, which are described earlier). See *A. Who Must File* for determining whether the organization may file Form 990-EZ instead of Form 990. An organization described in items 10, 11, or 13 below is required to file Form 990-N unless it voluntarily files Form 990, 990-EZ, or 990-BL.

Certain religious organizations.

1. A **church**, an interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church as described in Regulations section 1.6033-2(h) (such as a men's or women's organization, religious school, mission society, or youth group).

2. A church-affiliated organization that is exclusively engaged in managing funds or maintaining retirement programs and is described in Rev. Proc. 96-10, 1996-1 C.B. 577.

3. A school below college level affiliated with a church or operated by a **religious order** described in Regulations section 1.6033-2(g)(1)(vii).

4. A mission society sponsored by, or affiliated with, one or more churches or church denominations, if more than half of the society's activities are conducted in, or directed at, persons in foreign countries.

5. An exclusively religious activity of any **religious order** described in Rev. Proc. 91-20, 1991-1 C.B. 524.

Certain governmental organizations.

6. A state institution whose income is excluded from gross income under section 115.

7. A **governmental unit** or affiliate of a governmental unit described in Rev. Proc. 95-48, 1995-2 C.B. 418.

8. An organization described in section 501(c)(1). A section 501(c)(1) organization is a corporation organized under an Act of Congress that is an instrumentality of the United States, and exempt from federal income taxes.

Certain political organizations.

9. A political organization that is:

- A state or local committee of a political party;
- A political committee of a state or local candidate;
- A caucus or association of state or local officials; or
- Required to report under the Federal Election Campaign

Act of 1971 as a political committee (as defined in section 301(4) of such Act).

Certain organizations with limited gross receipts.

10. An organization whose **gross receipts** are normally \$25,000 or less. To determine what an organization's gross receipts "normally" are, see Appendix B, *How to Determine Whether an Organization's Gross Receipts Are Normally \$25,000 (or \$5,000) or Less*.

11. A **foreign organization**, including organizations located in **U.S. possessions**, whose **gross receipts** from sources within the U.S. are normally \$25,000 or less.

Certain organizations that file different kinds of annual information returns.

12. A private foundation (including a private operating foundation) exempt under section 501(c)(3) and described in section 509(a). Use Form 990-PF, Return of Private Foundation. Also use Form 990-PF for a taxable private foundation, a section 4947(a)(1) **nonexempt charitable trust** treated as a private foundation, and a private foundation terminating its status by becoming a **public charity** under section 507(b)(1)(B) (for tax years within its 60-month termination period). If the organization successfully terminates, then it files Form 990 or Form 990-EZ in its final year of termination.

13. A black lung benefit trust described in section 501(c)(21). Use Form 990-BL, Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons.

14. A religious or apostolic organization described in section 501(d). Use Form 1065, U.S. Return of Partnership Income.

15. A stock bonus, pension, or profit-sharing trust that qualifies under section 401. Use Form 5500, Annual Return/Report of Employee Benefit Plan.

C. Sequencing List To Complete the Form and Schedules

You may find the following chart helpful. It limits jumping from one part of the form to another to make a calculation or determination needed to complete an earlier part. Certain later parts of the form must first be completed in order to complete earlier parts. In general, first complete the core form, and then complete alphabetically Schedules A–N and Schedule R, except as provided below. Schedule O should be completed as the core form and schedules are completed.

1. Complete lines A through F and H(a) through M in the Entity section of Form 990, on page 1.

2. See the instructions for Schedule R and determine the organization's **related organizations** required to be listed in Schedule R.

3. Determine the organization's officers, directors, trustees, key employees, and five highest compensated employees required to be listed on Form 990, Part VII, Section A.

4. Complete Parts VIII, IX, and X of Form 990.

5. Complete line G in the Entity section of Form 990, on page 1.

6. Complete Parts III, V, VII, and XI of Form 990.

7. See the instructions for Schedule L (Form 990) and complete Schedule L (Form 990) (if required).

8. Complete Part VI of Form 990. Transactions reported on Schedule L (Form 990) are relevant to determining independence of **members of the governing body** under Form 990, Part VI, line 1b.

9. Complete Part I of Form 990 based on information derived from other parts of the form.

10. Complete Part IV of Form 990 to determine which schedules must be completed by the organization.

11. Complete applicable schedules (for "Yes" boxes that were checked in Part IV). Use Schedule O (Form 990), to provide required supplemental information and other narrative explanations.

12. Complete Part II, *Signature Block*, of Form 990.



A **public charity** described in section 170(b)(1)(A)(iv) or (vi) or section 509(a)(2) that is not within its initial five years of existence should first complete Part II or III of Schedule A, *Public Charity Status & Public Support*, (Form 990 or 990-EZ) to ensure that it continues to qualify as a public charity for the tax year. If it fails to qualify as a public charity, then it must file Form 990-PF rather than Form 990 or Form 990-EZ.

D. Accounting Periods and Methods



See IRS Pub. 538, *Accounting Periods and Methods*, about reporting changes to accounting periods and methods.

Accounting Periods

Calendar year. Use the 2008 Form 990 to report on the 2008 calendar year accounting period. A calendar year accounting period begins on January 1 and ends on December 31.

Fiscal year. If the organization has established a fiscal year accounting period, use the 2008 Form 990 to report on the organization's fiscal year that began in 2008 and ended 12 months later. A fiscal year accounting period should normally coincide with the natural operating cycle of the organization. Be certain to indicate in item A of the Entity section of Form 990 the date the organization's fiscal year began in 2008 and the date the fiscal year ended in 2009.

Short period. A short accounting period is a period of less than 12 months, which exists when an organization first commences operations, changes its accounting period, or terminates. If the organization's short year ended prior to December 31, 2008 (not on or after December 31, 2008), it may use 2007 Form 990 to file for the short year.

Accounting period change. If the organization changes its accounting period, it must file a Form 990 for the short period resulting from the change. Write "Change of Accounting Period" at the top of this short-period return.

If the organization previously changed its accounting period within the 10-calendar-year period that includes the beginning of the **short period**, and it had a Form 990 filing requirement at any time during that 10-year period, it must also attach a Form 1128 to the short-period return. See Rev. Proc. 85-58, 1985-2 C.B. 740.

Accounting methods

Unless instructed otherwise, the organization should generally use the same accounting method on the return to report revenue and expenses that it regularly uses to keep its books and records. To be acceptable for Form 990 reporting

purposes, however, the method of accounting must clearly reflect income.

Accounting method change. Generally, the organization must file Form 3115 to change its accounting method. An exception applies where a section 501(c) organization changes its accounting method to comply with **SFAS 116**, Accounting for Contributions Received and Contributions Made. See Notice 96-30, 1996-1 C.B. 378. An organization that makes a change in accounting method, regardless of whether it files Form 3115, and that has **audited financial statements**, must report any adjustment required by section 481(a) on Schedule D, Supplemental Financial Statements (Form 990), Parts XI through XIV.

State reporting. Most states that accept Form 990 in place of their own forms require that all amounts be reported based on the accrual method of accounting. If the organization prepares Form 990 for state reporting purposes, it may file an identical return with the IRS even though the return does not agree with the books of account, unless the way one or more items are reported on the state return conflicts with the instructions for preparing Form 990 for filing with the IRS.

Example 1. The organization maintains its books on the cash receipts and disbursements method of accounting but prepares a Form 990 return for the state based on the accrual method. It could use that return for reporting to the IRS.

Example 2. A state reporting requirement requires the organization to report certain revenue, expense, or balance sheet items differently from the way it normally accounts for them on its books. A Form 990 prepared for that state is acceptable for the IRS reporting purposes if the state reporting requirement does not conflict with the instructions for Form 990.

An organization should keep a reconciliation of any differences between its books of account and the Form 990 that is filed. Organizations with audited financial statements are required to provide such reconciliations on Schedule D (Form 990), Parts XI through XIII.

E. When, Where, and How to File

File Form 990 by the 15th day of the 5th month after the organization's accounting period ends (May 15th for a calendar-year filer). If the regular due date falls on a Saturday, Sunday, or legal holiday, file on the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday.

If the organization is liquidated, dissolved, or terminated, file the return by the 15th day of the 5th month after liquidation, dissolution, or termination.

If the return is not filed by the due date (including any extension granted), explain in Schedule O (Form 990), giving the reasons for not filing on time.

Send the return to:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

If the organization's principal business, office, or agency is located in a foreign country or **U.S. possession**, send the return to:

Department of the Treasury
Internal Revenue Service Center
P.O. Box 409101
Ogden, UT 84409

Private delivery services. The organization can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax return payments. These private delivery services include only the following:

- DHL Express (DHL): DHL "Same Day" Service, DHL Next Day 10:30 AM, DHL Next Day 12:00 PM, DHL Next Day 3:00 PM, and DHL 2nd Day Service.

- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, FedEx International First.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air AM, UPS Worldwide Express Plus, and UPS Worldwide Express.

The private delivery service can tell you how to get written proof of the mailing date.

Electronic filing. The organization can file Form 990 and related forms, schedules, and attachments electronically. However, if an organization files at least 250 returns of any type during the calendar year and has **total assets** of \$10 million or more at the end of the tax year, it must file Form 990 electronically. "Returns" for this purpose include information returns (for example, Forms W-2 and Forms 1099), income tax returns, employment tax returns (including quarterly Forms 941), and excise tax returns.

If an organization is required to file a return electronically but does not, the organization is considered not to have filed its return, even if a paper return is submitted. See Regulations section 301.6033-4 for more information.

For additional information on the electronic filing requirement, visit www.irs.gov/efile.

The IRS may waive the requirements to file electronically in cases of undue hardship. For information on filing a waiver, see Notice 2005-88, 2005-48 I.R.B. 1060.

F. Extension of Time To File

Use Form 8868 to request an automatic 3-month extension of time to file. Use Form 8868 also to apply for an additional (not automatic) 3-month extension if the original 3 months was not enough time. To obtain this additional extension of time to file, the organization must show reasonable cause for the additional time requested. See the Instructions for Form 8868.

G. Amended Return/Final Return

To change the organization's return for any year, file a new return including any required schedules. Use the version of Form 990 applicable to the year being amended. The amended return must provide all the information called for by the form and instructions, not just the new or corrected information. Check the "Amended return" box in item B of the Entity section of the return. Also, state in Schedule O (Form 990) which parts and schedules of the Form 990 were amended and describe the amendments.

The organization may file an amended return at any time to change or add to the information reported on a previously filed return for the same period. It must make the amended return available for inspection for 3 years from the date of filing or 3 years from the date the original return was due, whichever is later.

Use Form 4506, Request for Copy of Tax Return, to obtain a copy of the filing organization's previously filed return. See www.irs.gov for information on getting blank tax forms.

If the return is a final return, see the instructions for Schedule N (Form 990 or 990-EZ), for further details.

Amended returns and state filing considerations. State law may require that the organization send a copy of an amended Form 990 return (or information provided to the IRS supplementing the return) to the state with which it filed a copy of Form 990 originally to meet that state's reporting requirement. A state may require an organization to file an amended Form 990 to satisfy state reporting requirements, even if the original return was accepted by the IRS.

H. Failure To File Penalties

Against the organization. Under section 6652(c)(1)(A), a penalty of \$20 a day, not to exceed the smaller of \$10,000 or 5% of the **gross receipts** of the organization for the year, may be charged when a return is filed late, unless the organization can show that the late filing was due to reasonable cause.

Organizations with annual **gross receipts** exceeding \$1 million are subject to a penalty of \$100 for each day failure continues (with a maximum penalty with respect to any one return of \$50,000). The penalty begins on the due date for filing the Form 990.

Tax exempt organizations that are required to file electronically but do not are deemed to have failed to file the return. This is true even if a paper return is submitted.

The penalty may also be charged if the organization files an incomplete return, such as by failing to complete a required line item or a required part of a schedule. To avoid penalties and having to supply missing information later:

- Complete all applicable line items,
- Unless instructed to skip a line, answer each question on the return,
- Make an entry (including a zero when appropriate) on all lines requiring an amount or other information to be reported, and
- Provide required explanations as instructed.

Also, this penalty may be imposed if the organization's return contains incorrect information. For example, an organization that reports contributions net of related fundraising expenses may be subject to this penalty.

Use of a paid preparer does not relieve the organization of its responsibility to file a complete return.

Against Responsible Person(s). If the organization does not file a complete return or does not furnish correct information, the IRS will send the organization a letter that includes a fixed time to fulfill these requirements. After that period expires, the person failing to comply will be charged a penalty of \$10 a day. The maximum penalty on all persons for failures with respect to any one return shall not exceed \$5,000.

There are also penalties (fines and imprisonment) for willfully not filing returns and for filing fraudulent returns and statements with the IRS (see sections 7203, 7206, and 7207). States may impose additional penalties for failure to meet their separate filing requirements.

I. Group Return

A central, parent, or like organization can file a **group return** on Form 990 for two or more subordinate or local organizations that are:

- Affiliated with the central organization at the time its annual accounting period ends,
- Subject to the central organization's general supervision or control,
- Exempt from tax under a **group exemption** letter that is still in effect, and
- Using the same accounting period as the central organization.

The central organization cannot use a Form 990-EZ for the group return.

A **subordinate organization** covered by a **group exemption** ruling may file a separate return instead of being included in the group return. If a **subordinate organization** is not required to file a return, it need not be included in the group return or file a separate return.

If the **central organization** is required to file a return for itself, it must file a separate return and may not be included in the group return. See *B. Organizations Not Required To File Form 990* for a list of organizations not required to file.

Every year, each **subordinate organization** must authorize the central organization in writing to include it in the group return and must declare, under penalties of perjury, that the authorization and the information it submits to be included in the group return are true and complete.

The central organization should send the annual information update required to maintain a **group exemption** ruling (a separate requirement from the annual return) to:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

For special instructions regarding answering certain Form 990 questions about parts or schedules in the context of a group return, see Appendix E.

J. Requirements for a Properly Completed Form 990

All organizations must complete Parts I through XI of the Form 990, Schedule O, and any schedules for which a "Yes" response is indicated in Part IV. If an organization is not required to file Form 990 but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Public inspection. In general, all information the organization reports on or with its Form 990, including schedules and attachments, will be available for public inspection. Note, however, the special rules for Schedule B (Form 990, 990-EZ, or 990-PF), a required schedule for certain organizations that file Form 990. Make sure the forms and schedules are clear enough to photocopy legibly. For more information on public inspection requirements, see Appendix D, *Public Inspection of Returns*, and Pub. 557, *Tax-Exempt Status for Your Organization*.

Signature. A Form 990 is not complete without a proper signature. For details, see the instructions to Part II, *Signature Block*.

Recordkeeping. The organization's records should be kept for as long as they may be needed for the administration of any provision of the Internal Revenue Code. Usually, records that support an item of income, deduction, or credit must be kept for a minimum of 3 years from the date the return is due or filed, whichever is later. Keep records that verify the organization's basis in property for as long as they are needed to figure the basis of the original or replacement property. Applicable law and an organization's policies may require that the organization retain records longer than 3 years. Form 990, Part VI, line 14, asks whether the organization has a document retention and destruction policy.

The organization should also keep copies of any returns it has filed. They help in preparing future returns and in making computations when filing an amended return.

Rounding off to whole dollars. The organization must round off cents to whole dollars on the returns and schedules, unless otherwise noted for particular questions. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.49 becomes \$1 and \$2.50 becomes \$3. If the organization has to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Completing all lines. Make an entry (including a zero when appropriate) on all lines requiring an amount or other information to be reported. Do not leave any applicable lines blank, unless expressly instructed to skip that line. If answering a line is predicated on a "Yes" answer to the preceding line, and if the organization's answer to the preceding line was "No," then leave the "If Yes" line blank.

All filers must file Schedule O (Form 990). Certain questions require all filers to provide an explanation in Schedule O (Form 990). In general, answers may be explained or supplemented in Schedule O (Form 990) if the allotted space in the form or other schedule is insufficient, or if a "Yes" or "No" answer is required but the organization wishes to explain its answer.

Reporting proper amounts. Some lines request information reported on other forms filed by the organization (such as Form W-2 or Form 990-T). If the organization is aware that the amount actually reported on the other form is incorrect, it must report on Form 990 the information that should have been reported on the other form (in addition to filing an amended form with the proper amount).

Inclusion of activities and items of disregarded entities and joint ventures. An organization must report in its Form 990 all of the revenues, expenses, assets, liabilities, and net assets or funds of a **disregarded entity** of which it is the sole member, and must report in its Form 990 its share of all such items of a **joint venture** or other investment or arrangement treated as a partnership for federal income tax purposes. This includes passive investments. In addition, the organization generally must report activities of a disregarded entity or a **joint venture** in the appropriate parts of schedules of Form 990. For special instructions regarding the treatment of disregarded entities and joint ventures for various parts of the form, see Appendix F, *Disregarded Entities and Joint Ventures-Inclusion of Activities and Items*.

Assembling Form 990, schedules, and attachments.

Before filing Form 990, assemble the package of forms, schedules, and attachments in the following order.

1. Core form with Parts I through XI completed, filed in numerical order.
2. Schedules, completed as applicable, filed in alphabetical order (see Form 990, Part IV for required schedules).
3. Attachments, completed as applicable (including name change amendment to organizing document required by item B in the Entity section; list of **subordinate organizations** included in **group return** required for the instructions to item H in the Entity section; request letter and determination letter regarding termination of exempt status required for Schedule N (Form 990 or 990-EZ); and articles of merger or dissolution, resolutions, and plans of liquidation or merger required for Schedule N (Form 990 or 990-EZ).

Do not attach materials not authorized in the instructions.

Specific Instructions

Entity Section. Items A–M

Complete items A through M.

Item A.

Accounting period. File the 2008 return for calendar year 2008 and **fiscal years** that began in 2008 and ended in 2009. For a **fiscal year** return, fill in the tax year space at the top of page 1. See *D. Accounting Periods and Methods* for additional information about accounting periods.

Item B.

Address change, name change, and initial return. Check the appropriate box if the organization changed its address or legal name (not its “doing business as” name) since it filed its previous return, or if this is the first time the organization is filing either a Form 990 or Form 990-EZ.

If the organization changed its name, attach the following documents.

IF the organization is . . .	THEN attach . . .
A corporation	Amendments to the articles of incorporation with proof of filing with the state of incorporation.
A trust	Amendments to the trust agreement signed by the trustee .
An unincorporated association	Amendments to the articles of association, constitution, bylaws, or other organizing documents, with the signatures of at least two officers/members.

Termination. Check this box if the organization has terminated its existence or ceased to be a section 501(a) or section 527 organization and is filing its final return as an exempt organization or section 4947(a)(1) trust. For example, an organization should check this box when it has ceased operations and dissolved or has had its exemption revoked by the IRS. An organization that checks this box must also attach Schedule N (Form 990 or 990-EZ).

Amended Return. Check this box if the organization previously filed a return with the IRS for the same tax year and is now filing another return for the same tax year to amend the previously filed return. State in Schedule O (Form 990) which parts and schedules of the Form 990 were amended and describe the amendments. See *G. Amended Return/Final Return*, for more information.

Application pending. Check this box if the organization has not yet filed either a Form 1023 or Form 1024 with the IRS, or has filed one and is awaiting a response. If this box is checked, the organization must complete all parts of Form 990 and any required schedules.

Item C. Name and address. Enter the organization’s legal name on the “Name of organization” line. If the organization operates under a name different from its legal name, enter the alternate name on the “Doing Business As” (DBA) line. If multiple DBA names will not fit on the line, list one on the line and list the others on Schedule O (Form 990).

If the organization receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address line “C/O” followed by the third party’s name and street address or P.O. box.

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the organization has a P.O. box, show the box number instead of the street address.

For foreign addresses, enter the information in the following order: City, province or state, and the name of the country. Follow the country’s practice in placing the postal code in the address. Do not abbreviate the country name.

If a change in address occurs after the return is filed, use Form 8822, Change of Address, to notify the IRS of the new address.

Item D. Employer identification number (EIN). Use the EIN provided to the organization for filing its Form 990 and federal tax returns. The organization must have only one EIN. If it has more than one and has not been advised which to use, notify the:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

State the numbers the organization has, the name and address to which each EIN was assigned, and the address of the organization’s principal office. The IRS will advise the organization which number to use.

TIP A **subordinate organization** in a **group exemption** that is filing an individual Form 990 return must use its own EIN, not that of the **central organization** or of the **group return**.

TIP A section 501(c)(9) voluntary employees’ beneficiary association must use its own EIN and not the EIN of its sponsor.

Item E. Telephone number. Enter a telephone number of the organization that members of the public and government personnel may use during normal business hours to obtain information about the organization’s finances and activities. If the organization does not have a telephone number, enter the telephone number of an organization official who can provide such information.

Item F. Name and address of principal officer. The address provided must be a complete mailing address to enable the IRS to communicate with the **officer** if necessary. If the officer prefers to be contacted at the organization’s address listed in

item C, state “same as C above.” For purposes of this item, “principal officer” means a person who, regardless of title, has ultimate responsibility for implementing the decisions of the organization’s **governing body**, or for supervising the management, administration, or operation of the organization.

Item G. Gross receipts. On Form 990, Part VIII, Column A, add line 6b (both columns (i) and (ii)), line 7b (both columns (i) and (ii)), line 8b, line 9b, line 10b, and line 12, and enter the total here. See the exceptions from filing Form 990 based on **gross receipts** and **total assets** as described in A. *Who Must File*; B. *Organizations Not Required To File Form 990*; Appendix B. *How To Determine Whether an Organization’s Gross Receipts Are Normally \$25,000 (or \$5,000) or Less*; and Appendix C. *Special Gross Receipts Test For Determining Exempt Status of Section 501(c)(7) and 501(c)(15) Organizations*.

Item H. Group returns. If the organization answers “Yes” to line H(a) but “No” to line H(b), attach a list (not on Schedule O (Form 990)) showing the name, address, and **EIN** of each affiliated organization included in the **group return**. A central or **subordinate organization** filing an individual return should not attach such a list. Enter on line H(c) the four-digit group exemption number (GEN) if the organization is filing a **group return**, or if the organization is a central or **subordinate organization** in a **group exemption** and is filing a separate return. Do not confuse the four-digit GEN number with the nine-digit **EIN** number reported on item D of the form’s Entity section. A **central organization** filing a group return must not report its own EIN in item D, but report the special EIN issued for use with the group return.

If attaching a list:

- Show the form number (“Form 990”) and tax year,
- Show the group exemption name and **EIN**,
- Enter the four-digit group exemption number (GEN), and
- Use the same size paper as the form.

Item I. Tax-exempt status. Check the applicable box. If the organization is exempt under section 501(c), check the first box and insert the appropriate subsection number within the parentheses (for example, “3” for a 501(c)(3) organization).

Item J. Website. Enter the organization’s website address. If the organization does not maintain a website, enter “N/A” (not applicable).

Item K. Type of organization. Check the box describing the organization’s legal entity form or status under state law in its state of legal domicile. These include corporations, trusts, unincorporated associations, and other entities (for example, partnerships and limited liability companies).

Item L. Year of formation. State the year in which the organization was legally created under state or foreign law. If a corporation, enter the year of incorporation.

Item M. State of legal domicile. For a corporation, enter the state of incorporation (country of incorporation for a foreign corporation formed outside the United States). For a trust or other entity, enter the state whose law governs the organization’s internal affairs (or the foreign country whose law governs for a foreign organization other than a corporation).

Part I. Summary

TIP Because Part I generally reports information reported elsewhere on the form, completion of Part I should be deferred until after the other parts of the form are completed. See C. Sequencing Chart To Complete the Form, earlier.

Complete lines 3–5 and 7–22 by using applicable references made in Part I to other items.

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.

Line 2. Check this box if the organization answered “Yes,” to Part IV, lines 31 or 32, and complete Schedule N, (Form 990), Part I or Part II.

Line 6. Provide the number of **volunteers**, full-time and part-time, who provided **volunteer** services to the organization during the reporting year. Organizations that do not keep track of this information in their books and records or report this information elsewhere (such as in annual reports or grant proposals) may provide a reasonable estimate, and may use any reasonable basis for determining this estimate. Organizations may, but are not required to, provide an explanation on Schedule O (Form 990) of how this number was determined, and the types of services or benefits provided by the organization’s **volunteers**.

Line 7b. If the organization is not required to file a Form 990-T for the tax year, enter “0”. If the organization has not yet filed Form 990-T for the tax year, provide an estimate of the amount it expects to report on Form 990-T, line 34, when it is filed.

Lines 8–19. If this is an initial return, or if the organization filed Form 990-EZ or Form 990-PF in the prior year, leave the “Prior Year” column blank. Use the following lines from the 2007 Form 990 to determine what to report for prior year revenue and expense amounts.

Prior Year Revenue and Expense Amounts

To report the Prior Year Amount on	Use 2007 Form 990 amount from
Line 8, Contributions and grants	Part I, line 1e
Line 9, Program service revenue	Part I, lines 2 and 3
Line 10, Investment income	Part I, lines 4, 5, 7 (less any royalties reported on line 7) and 8d
Line 11, Other revenue	Part I, lines 6c, 9c, 10c, and 11 (plus any royalties reported in line 7)
Line 12, Total revenue	Part I, line 12
Line 13, Grants and similar amounts paid	Part II, lines 22a–23, column (A)
Line 14, Benefits paid to or for members	Part II, line 24, column (A)
Line 15, Salaries, other compensation, employee benefits	Part II, lines 25a–28, column (A)
Line 16, Professional fundraising expenses	Part II, line 30, column (A)
Line 17, Other expenses	Part II, lines 29 and 31–43g, column (A)
Line 18, Total expenses	Part II, line 44, column (A)
Line 19, Revenue less expenses	Part I, line 18

Part II. Signature Block

To make the return complete, an officer of the organization authorized to sign it must sign in the space provided. For a corporation or association, this officer may be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate or association officer, such as a tax officer. A receiver, trustee, or assignee must sign any return he or she files for a corporation or association. For a trust, the authorized trustee(s) must sign.

Paid Preparer

Generally, anyone who is paid to prepare the return must sign the return and fill in the other blanks in the *Paid Preparer’s Use Only* area. An employee of the filing organization is not a paid preparer.

The paid preparer must:

- Sign the return in the space provided for the preparer’s signature,
- Enter the preparer information, and
- Give a copy of the return to the organization.

The paid preparer must enter the preparer's identifying number and the firm's **EIN** only if filing Form 990 for a section 4947(a)(1) **nonexempt charitable trust** that is not filing Form 1041, U.S. Income Tax Return for Estates and Trusts. The preparer's identifying number is the preparer's taxpayer identification number (PTIN), if obtained, or the preparer's social security number (SSN).



The IRS is not authorized to redact the paid preparer's SSN if such SSN is entered on the paid preparer's block. Because Form 990 is a publicly disclosable document, any information entered on this block will be publicly disclosed (see Appendix D). Accordingly, any paid preparer whose identifying number must be listed on Form 990 may wish to apply for and obtain a PTIN using Form W-7P, Application for Preparer Tax Identification Number.

Paid Preparer Authorization

On the last line of Part II, check "Yes" if the IRS may contact the paid preparer who signed the return to discuss the return. This authorization applies only to the individual whose signature appears in the *Paid Preparer's Use Only* section of Form 990. It does not apply to the firm, if any, shown in that section.

By checking "Yes," to this box, the organization is authorizing the IRS to contact the paid preparer to answer any questions that may arise during the processing of the return. The organization is also authorizing the paid preparer to:

- Give the IRS any information missing from the return,
- Call the IRS for information about processing the return, and
- Respond to certain IRS notices about math errors, offsets, and return preparation.

The organization is not authorizing the paid preparer to bind the organization to anything or otherwise represent the organization before the IRS.

The authorization will automatically end no later than the due date (excluding extensions) for filing of the organization's 2009 Form 990. If the organization wants to expand the paid preparer's authorization or revoke it before it ends, see Pub. 947, Practice Before the IRS and Power of Attorney.

Check "No" if the IRS is to contact the organization or its principal officer listed in item F of the Entity section rather than the paid preparer.

Part III. Statement of Program Service Accomplishments

Part III requires reporting regarding the organization's program services and exempt purpose achievements. A program service is an activity of an organization that accomplishes its exempt purpose. Examples of exempt purpose achievements may include providing charity care under a hospital's charity care policy, providing higher education to students under a college's degree program, making grants or providing assistance to individuals who were victims of a natural disaster, and providing rehabilitation services to residents of a long-term care facility. Do not report a fundraising activity as an exempt purpose achievement unless it is substantially related to the accomplishment of the organization's exempt purposes (other than by raising funds).

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."

Line 2. Answer "Yes" if the organization undertook any new significant program service activities during the tax year not described in the prior year's Form 990 or Form 990-EZ. Describe these items in Schedule O (Form 990). If any are among the activities described on Form 990, Part III, line 4, the organization may reference the detailed description on line 4.

Line 3. Answer "Yes" if the organization made any significant changes during the year in how it conducts its program service activities to further its exempt purposes, or if the organization

ceased conducting significant program services that had been conducted in a prior year. Describe these items on Schedule O (Form 990).

Lines 4a–4c. All organizations must describe their achievements for each of their three largest program services, as measured by total expenses incurred. If there were three or fewer of such activities, describe each program service activity. The organization may report on Schedule O (Form 990) additional activities that it considers of comparable or greater importance, although smaller in terms of expenses incurred (such as activities conducted with **volunteer** labor).

Code. For the 2008 tax year, leave this blank.

Expenses and grants. For each program service reported, section 501(c)(3) and section 501(c)(4) organizations and section 4947(a)(1) trusts must enter total expenses included in Part IX, line 25, column (B), and total grants and allocations (if any) included within such total expenses that were reported in Part IX, on lines 1–3, column (B). For all other organizations, entering these amounts is optional.

Revenue. For each program service activity, section 501(c)(3) and 501(c)(4) organizations must report any revenue derived directly from the activity, such as fees for services or from the sale of goods that directly relate to the listed activity. This revenue includes program service revenue reported in Part VIII, line 2, column (A), and includes other amounts reported on lines 3–11, as related or exempt function revenue. Also include **unrelated business income** from a business that exploits an exempt function, such as advertising in a journal. For this purpose, charitable contributions and grants (including the charitable contribution portion, if any, of membership dues) reported in Part VIII, line 1, are not considered revenue derived from program services.

Description of program services. For the program services reported:

- Describe program service accomplishments through specific measurements such as clients served, days of care provided, number of sessions or events held, or publications issued;
- Describe the activity's objective, for both this time period and the longer-term goal, if the output is intangible, such as in a research activity;
- Give reasonable estimates for any statistical information if exact figures are not readily available. Indicate that this information is estimated; and
- Be clear, concise, and complete in the description. Use Schedule O (Form 990) if additional space is needed.

Donated services. The organization may report the amount of any donated services, or use of materials, equipment, or facilities it received or used in connection with a specific program service, on the lines for the narrative description of the appropriate program service. However, do not include these amounts in revenue, expenses, or grants reported on lines 4a–4e, even if prepared in accordance with **generally accepted accounting principles**.

Public interest law firm. A public interest law firm exempt under section 501(c)(3) or section 501(c)(4) must include a list of all the cases in litigation or that have been litigated during the year. For each case:

- Describe the matter in dispute,
 - Explain how the litigation will benefit the public generally, and
 - State the fees sought and recovered.
- See Rev. Proc. 92-59, 1992-2 C.B. 411.

Other program services. List on Schedule O (Form 990) the organization's other program services. The detailed information required for the three largest program services need not be provided for these other program services. Section 501(c)(3) and section 501(c)(4) organizations, and section 4947(a)(1) trusts, must report on line 4d their total revenues reported in Part VIII, line 2, column (A) and their total expenses (including grants) reported in Part IX, column (B) that are attributable to these other program services, and must report on line 4e their total program service expenses from lines 4a-4d. The line 4e amount must equal the amount reported on Form

990, Part IX, line 25, column (B). For all other organizations, entering these amounts is optional.

Part IV. Checklist of Required Schedules

For each “Yes” answer to a question on Form 990, Part IV, complete the applicable schedule (or part or line of the schedule). See the *Glossary* and instructions for the pertinent schedules for definitions of terms and explanations that are relevant to questions in this part.

The organization is not required to answer “Yes” to a question on Form 990, Part IV, or complete the schedule (or part of a schedule) to which the question is directed if the organization is not required to provide any information in the schedule (or part of the schedule). Thus, a minimum dollar threshold for reporting information on a schedule may be relevant in determining whether the organization must answer “Yes” to a question on Form 990, Part IV.

Line 1. Answer “Yes” if the organization is a section 501(c)(3) or a section 4947(a)(1) organization that is not a **private foundation**. Answer “Yes” if the organization claims section 501(c)(3) status but has not yet filed a Form 1023 application or received a determination letter recognizing its section 501(c)(3) status. All other organizations answer “No.”

Line 2. Answer “Yes” if any of the following are satisfied.

- A section 501(c)(3) organization met the 33 $\frac{1}{3}$ % support test of the regulations under sections 509(a)(1)/170(b)(1)(A)(vi) (in such case, the organization must check “Yes” on Schedule A (Form 990 or 990-EZ), Part II, line 16a or 16b), and received from any one contributor, during the year, **contributions** of the greater of \$5,000 (in money or property) or 2% of the amount on Form 990, Part VIII, line 1h.
- A section 501(c)(3) organization did not meet the 33 $\frac{1}{3}$ % support test of the regulations under sections 509(a)(1)/170(b)(1)(A)(vi), and received during the year **contributions** of \$5,000 or more from any one contributor.
- A section 501(c)(7), 501(c)(8), or 501(c)(10) organization received, during the year, **contributions** of any amount for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals, or **contributions** of \$5,000 or more not exclusively for such purposes from any one contributor.
- Any other organization that received, during the year, **contributions** of \$5,000 or more from any one contributor.

Line 3. All organizations must answer this question, even if they are not subject to a prohibition against **political campaign activities**. Answer “Yes,” whether the activity was conducted directly or indirectly through a **disregarded entity** or a **joint venture** or other arrangement treated as a partnership for federal income tax purposes and in which the organization is an owner.

Line 4. Complete only if the organization is a section 501(c)(3) organization. Other organizations leave this line blank.

Line 5. Complete only if a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Rev. Proc. 98–19, 1998-1 C.B. 547. Other organizations leave this line blank.

Line 6. Answer “Yes,” if the organization maintained at any time during the organization’s tax year a **donor advised fund** or another similar fund or account (that is, any account over which the donor or a person appointed by the donor had advisory privileges with respect to the use or investment of any portion of the account, but which does not constitute a **donor advised fund**). Examples of other similar funds or accounts include, but are not limited to, the types of funds or accounts described as exceptions to the *Glossary* definition of a **donor advised fund**.

Line 7. Answer “Yes,” if the organization received or held any **conservation easement** at any time during the year, regardless of how the organization acquired the easement or whether a charitable deduction was claimed by a donor of the easement.

Line 8. Answer “Yes,” if at any time during the year the organization maintained collections of **works of art, historical treasures**, or other similar assets as described within **SFAS 116**, regardless of whether the organization reported revenue and assets related to such collections in its financial statements. Organizations that answer “Yes” to this question often will answer “Yes” to Part IV, line 30, which addresses current-year **contributions** of such items.

Line 9. Answer “Yes,” if at any time during the organization’s tax year the organization (1) had an **escrow or custodial account** or (2) provided **credit counseling services** and/or **debt management plan services**, such as credit repair or debt negotiations.

Line 10. Answer “Yes,” if the organization, a **related organization**, or an organization formed and maintained exclusively to further one or more exempt purposes of the organization (such as a foundation formed and maintained exclusively to hold **endowment funds** to provide scholarships and other funds for a college or university described within section 501(c)(3)), held assets in **term endowment, permanent endowment, or quasi endowment funds** at any time during the year, regardless of whether the organization follows **SFAS 117** or reports **endowments** in Part X, line 32. See the instructions for Schedule D, (Form 990), Part V, for the definitions of these types of **endowments**.

Line 11. Answer “Yes,” if the organization reported an amount for land, buildings, and equipment or other liabilities in Part X, lines 10 and 25. Also, answer “Yes” if the organization reported in Part X an amount for investments-other securities, investments-program related, or other assets, in any of lines 12, 13, or 15, that is 5% or more of the total assets reported on Part X, line 16.

Line 12. Answer “Yes,” if the organization received an **audited financial statement** prepared in accordance with **generally accepted accounting principles** for the year for which it is completing this return. All other organizations answer “No.” Do not answer “Yes,” if the organization was included in a consolidated **audited financial statement** unless the organization also received a separate **audited financial statement**.

An accountant’s **compilation** or **review of financial statements** is not considered to be an audit and does not produce an **audited financial statement**. If the organization answers “No,” but has prepared, for the year for which it is completing this return, a financial statement that was not audited, the organization may (but is not required to) provide the reconciliations contained on Schedule D, (Form 990), Parts XI–XIII.

Line 13. Answer “Yes,” if the organization checked the box on Schedule A, (Form 990 or 990-EZ), Part I, line 2, indicating that it is a **school**.

Lines 14–16. Answer “Yes,” to line 14a if the organization maintained an office, or had employees or agents, outside the **United States**. Answer “Yes,” to line 14b if the organization had aggregate revenue or expenses of more than \$10,000 from or attributable to grantmaking, fundraising, business, and program service activities outside the **United States**. An organization that answers “Yes,” to line 14a should only complete Schedule F (Form 990) if it satisfies one or more of the dollar thresholds described on line 14b, 15, or 16 and answers “Yes” to any of those questions.

Lines 17–19. Answer “Yes,” to line 18 if the sum of the amounts reported on lines 1c and 8a of Form 990, Part VIII, exceeds \$15,000. An organization that answers “No,” should consider whether to complete Schedule G (Form 990 or 990-EZ) in order to report its **fundraising activities** or **gaming activities** for state or other reporting purposes.

Line 20. Answer “Yes,” if the organization, directly or indirectly through a **disregarded entity** or **joint venture** treated as a partnership for federal income tax purposes, operated any facility that at any time during the year was, or was required to be, licensed, registered, or similarly recognized by a state as a **hospital**. Except in the case of a **group return**, do not include

facilities operated by another organization that is treated as a separate taxable or tax-exempt corporation for federal income tax purposes. For **group returns**, answer “Yes” if any affiliate included within the **group return** operated such a facility.

Lines 21–22. Answer “Yes,” if the organization reported more than \$5,000 on Part IX, line 1, or more than \$5,000 on Part IX, line 2.

TIP Organizations that answer “No,” to lines 21 and 22 should consider whether to complete Schedule I (Form 990) in order to report the provision of **grants and other assistance** in the **United States** for state or other reporting purposes.

Line 23. Answer “Yes,” if the organization listed in Part VII a

- former **officer, director, trustee, key employee, or highest compensated employee**;
- or reported for any person listed in Part VII more than \$150,000 of **reportable compensation** and other **compensation**.

Also answer “Yes,” if, under the circumstances described in the instructions to Part VII, Section A, line 5, the filing organization had knowledge that any person listed in Part VII, Section A, received or accrued **compensation** from an **unrelated organization** for services rendered to the filing organization.

Line 24. Lines 24a–24d involve questions regarding **tax-exempt bonds**. All organizations must answer “Yes,” or “No,” on line 24a. Those organizations that answer “Yes,” on line 24a must also answer lines 24b through 24d and complete Schedule K (Form 990). Those that answer “No,” to line 24a may skip to line 25.

Line 24a. Answer “Yes,” and complete Schedule K (Form 990) for each **tax-exempt bond** issued after December 31, 2002 (including refunding bonds) with an outstanding principal amount of more than \$100,000 as of the last day of the organization’s tax year.

Line 24b. For purposes of line 24b, the organization need not include the following as investments of **proceeds**.

- Any investment of **proceeds** relating to a reasonably required reserve or replacement fund as described in section 148(d).
- Any investment of **proceeds** properly characterized as replacement **proceeds** as defined in section 1.148-1(c).
- Any investment of net **proceeds** relating to a **refunding escrow** as defined in section 1.148-1(b).

Temporary period exceptions are described in sections 148(c) and 1.148-2(e). For example, there is a 3-year temporary period applicable to **proceeds** spent on expenditures for capital projects and a 13-month temporary period applicable to **proceeds** spent on working capital expenditures.

Line 24c. For purposes of line 24c, the organization is treated as maintaining an escrow account if such account is maintained by a trustee with respect to **tax-exempt bonds** issued for the benefit of the organization.

Line 24d. Answer “Yes,” if the organization has received an advance ruling that its obligations were issued on behalf of a state or local **governmental unit** (see Rev. Proc. 82-26, 1982-1 C.B. 476); meets the conditions for issuing **tax-exempt bonds** as set forth in Rev. Rul. 63-20, 1963-1 C.B. 24; or is a constituted authority organized by a state or local **governmental unit** specifically to issue **tax-exempt bonds** in order to further public purposes (see Rev. Proc. 57-187, 1957-1 C.B. 65). Also answer “Yes,” if the organization has outstanding qualified scholarship funding bonds under section 150(d) or bonds of a qualified volunteer fire department under section 150(e).

Lines 25a–25b. Organizations not described in section 501(c)(3) or section 501(c)(4) should skip lines 25a and 25b and leave them blank. All section 501(c)(3) and 501(c)(4) organizations are required to complete lines 25a and 25b by answering “Yes,” or “No.”

TIP An **excess benefit transaction** may have serious implications for the **disqualified person** that entered into the transaction with the organization, any **organization managers** that knowingly approved of the transaction, and the organization itself. A section 501(c)(3) or section 501(c)(4) organization that becomes aware that it may have engaged in an **excess benefit transaction** should obtain competent advice regarding section 4958, consider pursuing correction of any excess benefit, and take other appropriate steps to protect its interests with regard to such transaction and the potential impact it could have on the organization’s continued exempt status. See Appendix G, Section 4958 Excess Benefit Transactions, for a discussion of section 4958, and Schedule L (Form 990), Part I, regarding reporting of **excess benefit transactions**.

Lines 26-28. Lines 26 through 28 ask questions about loans from the organization to certain interested persons (or vice-versa), grants and other financial assistance provided by the organization to certain interested persons, and certain direct and indirect business transactions involving current or former governance and management officials of the organization or their associated businesses or **family members**. All organizations must answer these questions. The organization should review carefully the instructions to Schedule L, (Form 990), Parts II–IV, before answering these questions and completing Schedule L (Form 990).

Line 29. The organization is required to answer “Yes” to the question in line 29 if it received during the year more than \$25,000 in value of donations, gifts, grants or other **contributions** of property other than cash, regardless of the manner received (such as for use in a charity auction). Do not include **contributions** of services or use of facilities.

Line 30. The organization is required to answer “Yes” to the question in line 30 if during the year it received as a donation, gift, grant or other **contribution**:

- any **work of art, historical treasure**, historical artifact, scientific specimen, archeological artifact, or similar asset, including a fractional interest, regardless of amount or whether the organization maintains collections of such items; or
- any **conservation easements** regardless of whether the contributor claimed a charitable contribution deduction for such **contribution**.

See the Instructions for Schedule M (Form 990) for definitions of these terms.

Lines 31–32. The organization must answer “Yes” if it liquidated, terminated, dissolved, ceased operations, or engaged in a **significant disposition of net assets** during the year. See the Instructions to Schedule N (Form 990 or 990-EZ) for definitions and explanations of these terms and transactions or events. Organizations that answer “Yes” to either of these questions must also check the box in Part I, line 2 and complete Schedule N, (Form 990 or 990-EZ), Part I or Part II.

Lines 33–35. The organization is required to report on Schedule R (Form 990) certain information regarding ownership or control of, and transactions with, its **disregarded entities** and tax-exempt and taxable **related organizations**. Any organization that answers “Yes” to line 33 or 34 must list its **disregarded entities** and **related organizations** on Schedule R (Form 990) and provide specified information regarding such organizations. Any organization that is a **controlling organization under section 512(b)(13)** with respect to a **controlled entity** must answer “Yes” to line 35 and report transfers to or from the **controlled entity**. See the *Glossary* and the Instructions for Schedule R (Form 990) for definitions of these terms.

Line 36. Section 501(c)(3) organizations and section 4947(a)(1) trusts must answer “Yes” or “No” to the question on line 36. All other organizations are to leave this line blank and go to line 37. See the *Glossary* and the Instructions to Schedule R (Form 990) for the types of transfers required to be reported on Schedule R, (Form 990), Part V, line 2.

Line 37. Answer “Yes” if at any time during the year the organization conducted more than 5 percent of its activities,

measured by total gross revenue or **total assets** of the organization, through an **unrelated organization** that is treated as a partnership for federal income tax purposes. The organization must answer "Yes" if either the 5 percent gross revenue test or the 5 percent **total assets** test is satisfied. The 5 percent test is applied on a partnership by partnership basis, although direct ownership by the organization and indirect ownership through disregarded or tiered entities is aggregated for this purpose. The organization need not report on Schedule R (Form 990) Part VI, either (1) the conduct of activities through an organization treated as a taxable or tax-exempt corporation for federal income tax purposes, or (2) unrelated partnerships that meet both of the following conditions.

- 95% or more of the filing organization's gross revenue from the partnership for the partnership's tax year ending with or within the organization's tax year is described in sections 512(b)(1), 512(b)(2), 512(b)(3), and 512(b)(5), such as interest, dividends, royalties, rents, and capital gains (including unrelated debt-financed income); and
- The primary purpose of the filing organization's investment in the partnership is the production of income or appreciation of property and not the conduct of a section 501(c)(3) charitable activity such as program-related investing.

Part V. Statements Regarding Other IRS Filings and Tax Compliance



See Glossary for definition of terms used in the questions in this section.



Some questions below pertain to other IRS forms. Forms are available by calling 1-800-TAX-FORM (1-800-829-3676) or by downloading from the IRS Website at www.irs.gov. Most forms and publications are also available at your local IRS office. See also Appendix H, Forms and Publications To File or Use.

Line 1a. The organization must use Form 1096 to transmit paper Forms 1099, 1098, 5498, and W-2G to the IRS, which are information returns reporting certain amounts paid or received by the organization. If the organization transmits any of these forms electronically, add this number to the total reported. Examples of payments requiring Form 1099 reporting include certain payments to **independent contractors** for services rendered.

Line 1b. Form W-2G pertains to certain gambling winnings.

Line 1c. For more information on backup withholding for missing or incorrect names or taxpayer identification numbers, see Pub. 1281, Backup Withholding for Missing and Incorrect Name/TIN(s).

Line 2b. If the organization reported at least one employee on line 2a, answer whether it filed all required federal employment tax returns (which may include Form 940, Employer's Federal Unemployment (FUTA) Tax Return, and Form 941, Employer's Quarterly Federal Tax Return) relating to such employees. For more information, see the discussion of employment taxes in Pub. 557, Tax-Exempt Status For Your Organization.

Line 3a. Check "Yes" on line 3a if the organization's total gross income from all of its **unrelated trades or businesses** is \$1,000 or more for the year. Gross income is the amount of **gross receipts** less the cost of goods sold. See Pub. 598, Tax on Unrelated Business Income of Exempt Organizations, for a description of **unrelated business income** and the Form 990-T filing requirements for organizations having such income.



Neither Form 990-T nor Form 990 is a substitute for the other. Report on Form 990 items of income and expense that are also required to be reported on Form 990-T when the organization is required to file both forms.

Line 3b. Answer "Yes" if the organization filed Form 990-T by the time this Form 990 is filed. Check "No" if the organization has filed an extension but has not filed the Form 990-T. If "No," provide an explanation on Schedule O, (Form 990).



All tax-exempt organizations must pay estimated taxes with respect to their **unrelated business income** if they expect their tax liability to be \$500 or more. Use Form 990-W, Estimated Tax on Unrelated Business Taxable Income For Tax-Exempt Organizations, to compute these amounts.

Line 4a. Answer "Yes" if either item (1) or (2) below applies.

1. At any time during the calendar year ending with or within the organization's **tax year**, the organization had an interest in, or signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account); and

a. The combined value of all such accounts was more than \$10,000 at any time during the calendar year; and
b. The accounts were not with a U.S. military banking facility operated by a U.S. financial institution.

2. The organization owns more than 50% of the stock in any corporation that would answer "Yes" to item 1 above.

If "Yes," file Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts, by June 30 after the end of the calendar year with the Department of the Treasury at the address shown on the form.

Form TD F 90-22.1 is available by calling 1-800-TAX-FORM (1-800-829-3676) or by downloading it from the IRS website at www.irs.gov. Do not file Form TD F 90-22.1 with the IRS or attach it to Form 990.

Line 4b. Enter the name of each foreign country in which a foreign account described on line 4a is located.

Line 5. Answer "Yes" on line 5a if the organization was party to a prohibited tax shelter transaction as described in section 4965(e) at any time during the organization's **tax year**. A prohibited tax shelter transaction is any listed transaction, within the meaning of section 6707A(c)(2), and any prohibited reportable transaction. A prohibited reportable transaction is a confidential transaction within the meaning of Regulations section 1.6011-4(b)(3), and a transaction with contractual protection within the meaning of Regulations section 1.6011-4(b)(4).

An organization that files Form 990 (other than a section 527 political organization or a section 4947(a)(1) trust) and that is a party to a prohibited tax shelter transaction must file Form 8886-T, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction, and may also have to file Form 4720, Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the IRC, and pay an excise tax imposed by section 4965. For more information, see the instructions to Forms 8886-T and 4720.

Line 6. Any fundraising solicitation by or on behalf of any section 501(c) or 527 organization that is not eligible to receive **contributions** deductible as charitable contributions for federal income tax purposes must include an explicit statement that contributions or gifts to it are not deductible as charitable contributions. The statement must be in an easily recognizable format whether the solicitation is made in written or printed form, by television or radio, or by telephone. Organizations whose annual **gross receipts** are normally not more than \$100,000 may answer "No" on line 6a.

Failure to disclose that contributions are not deductible could result in a penalty of \$1,000 for each day on which a failure occurs. The maximum penalty for failures by any organization, during any calendar year, shall not exceed \$10,000. In cases where the failure to make the disclosure is due to intentional disregard of the law, more severe penalties apply. No penalty will be imposed if the failure is due to reasonable cause.

All organizations that qualify under section 170(c) to receive **contributions** that are deductible as charitable contributions for federal income tax purposes should answer "No" on line 6a.



See Pub. 1771, Charitable Contributions: Substantiation and Disclosure Requirements.

Line 7. Line 7 is directed only to organizations that may receive deductible charitable **contributions** under section

170(c). See Publication 526, Charitable Contributions, for a description of such organizations. All other organizations should leave lines 7a through 7h blank and go to line 8.

Lines 7a and 7b. If a donor makes a payment in excess of \$75 partly as a contribution and partly in consideration for goods or services provided by the organization, the organization generally must notify the donor of the value of goods and services provided.

Example. A donor gives a charity \$100 in consideration for a concert ticket valued at \$40 (a quid pro quo **contribution**). In this example, \$60 would be deductible. Because the donor's payment exceeds \$75, the organization must furnish a disclosure statement even though the taxpayer's deductible amount does not exceed \$75. Separate payments of \$75 or less made at different times of the year for separate fundraising events will not be aggregated for purposes of the \$75 threshold.



See Pub. 1771, Charitable Contributions-Substantiation and Disclosure Requirements.

Lines 7c and 7d. The organization must answer "Yes" and indicate the number of forms filed if it filed Form 8282, Donee Information Return, to report information to the IRS and to donors about disposition of certain donated property made within three years after the donor contributed the property.

Lines 7e and 7f. If, in connection with a transfer of funds to the organization, the organization directly or indirectly pays premiums on any personal benefit contract, or there is an understanding or expectation that any person will directly or indirectly pay such premiums, the organization must report on Form 8870, Information Return for Transfers Associated with Certain Personal Benefit Contracts, the premiums it paid, and the premiums paid by others but treated as paid by the organization. The organization must report and pay an excise tax, equal to premiums paid, on Form 4720. A personal benefit contract is generally any life insurance, annuity, or endowment contract that benefits, directly or indirectly, the transferor, a member of the transferor's family, or any other person designated by the transferor (other than an organization described in section 170(c)).

Line 7g. Form 8899, Notice of Income from Donated Intellectual Property, must be filed by certain organizations that received a charitable gift of qualified intellectual property that produces net income. The organization should check "Yes" if it provided all required Forms 8899 for the year for net income produced by donated qualified intellectual property. *Qualified intellectual property* is any patent, copyright (other than certain self-created copyrights), trademark, trade name, trade secret, know-how, software (other than certain "canned" or "off-the-shelf" software or self-created software), or similar property, or applications or registrations of such property.

Line 7h. A donor of a (1) motor vehicle for use on public roads, (2) a boat, or an (3) airplane cannot claim a charitable **contribution** deduction in excess of \$500 unless the donee organization provides the donor with a Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, with respect to the donation (or a written acknowledgment with the same information). See the instructions for Form 1098-C for more information.

Line 8. Line 8 is required to be answered by **sponsoring organizations** maintaining **donor advised funds** and certain section 509(a)(3) **supporting organizations**. Such organizations must answer "Yes" if the organization is the sponsoring organization of a donor advised fund that had excess business holdings at any time during the organization's **tax year**, or if the organization is a section 509(a)(3) supporting organization of the type described below that had excess business holdings at any time during the organization's **tax year**. All other organizations should leave this line blank and go to line 9. If "Yes," see the instructions for Schedule C (Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code), to determine whether the

organization is subject to the excess business holdings tax under section 4943 and is required to file Form 4720.

Donor advised funds. For purposes of the excise tax on excess business holdings under section 4943, a donor advised fund is treated as a **private foundation**.

Supporting organizations. Only certain supporting organizations are subject to the excess business holdings tax under section 4943. These include:

- Type III supporting organizations that are not functionally integrated; and
- Type II supporting organizations that accept any gift or **contribution** from a person who, by himself or in connection with a related party, controls a supported organization of such Type II supporting organization.

To determine whether the organization is a supporting organization and if so, what type of supporting organization it is, see the Instructions for Schedule A, (Form 990 or 990-EZ), Part I, Line 11.

Line 9. Line 9 is required to be completed by sponsoring organizations maintaining a donor advised fund. All other organizations may leave this line blank and go to line 10.

Line 9a. Answer "Yes" if the organization made any taxable distributions under section 4966 during the organization's **tax year**.

Under section 4966, a taxable distribution includes a distribution from a donor advised fund to an individual. A taxable distribution also includes a distribution from a donor advised fund to an estate, partnership, association, company, or corporation unless:

- The distribution is for a charitable purpose (for example, a purpose described in section 170(c)(2)(B)), and
- The organization exercises expenditure responsibility with respect to the distribution.

The above does not apply to distributions to any organization described in section 170(b)(1)(A) (other than a disqualified supporting organization, defined in section 4966(d)(4)), to the sponsoring organization of such donor advised fund, or to any other donor advised fund.

Line 9b. Answer "Yes" if the organization made a distribution from a donor advised fund to a donor, **donor advisor**, or related person during the organization's **tax year**. For purposes of this question, a *related person* is any **family member** of the donor or donor advisor and any 35% controlled entity (as defined in section 4958(f)) of the donor or donor advisor.



If an organization makes a distribution from a donor advised fund resulting from the advice of a donor, donor advisor, family member, or a 35% controlled entity of any of these persons, which distribution directly or indirectly benefits one of such persons, section 4967 imposes a tax on (1) the person upon whose advice the distribution was made, (2) the beneficiary of the distribution, and a (3) fund manager for knowingly agreeing to make the distribution. The persons liable for the section 4967 tax must file Form 4720 to pay the tax.

Line 10. Answer lines 10a and 10b only if the organization is exempt under section 501(c)(7).



A section 501(c)(7) organization is not exempt from income tax if any written policy statement, including the governing instrument and bylaws, allows discrimination on the basis of race, color, or religion.

However, section 501(i) allows social clubs to retain their exemption under section 501(c)(7) even though their membership is limited (in writing) to members of a particular religion if the social club:

1. Is an auxiliary of a fraternal beneficiary society exempt under section 501(c)(8), and
2. Limits its membership to the members of a particular religion; or the membership limitation is:
 - a. A good-faith attempt to further the teachings or principles of that religion, and

b. *Not intended to exclude individuals of a particular race or color.*

Line 10a. Enter the amount of initiation fees, capital contributions, and unusual amounts of income included in Part VIII. *Statement of Revenue*, line 12, *Total Revenue*, but not included in the definition of **gross receipts** for section 501(c)(7) exemption purposes as discussed in Appendix C. However, if the organization is a college fraternity or sorority that charges membership initiation fees but not annual dues, do not include such initiation fees.

Line 10b. Enter the amount of **gross receipts** included in Part VIII. *Statement of Revenue*, line 12, *Total Revenue*, derived from the general public for use of the organization's facilities, that is, from persons other than members or their spouses, dependents, or guests.

TIP *Include the income shown on line 10b on the club's Form 990-T if required to be filed. Investment income earned by a section 501(c)(7) organization is not tax-exempt income unless set aside for the following purposes: religious, charitable, scientific, literary, educational, or prevention of cruelty to children or animals.*

*If the combined amount of an organization's gross investment income and other **unrelated business income** exceeds \$1,000, it must report the investment income and other unrelated business income on Form 990-T.*

Line 11. Answer lines 11a and 11b only if the organization is exempt under section 501(c)(12).

One of the requirements that an organization must meet to qualify under section 501(c)(12) is that at least 85% of its gross income consists of amounts collected from members for the sole purpose of meeting losses and expenses. For purposes of section 501(c)(12), the term *gross income* means **gross receipts** without reduction for any cost of goods sold.

Gross income for mutual or cooperative electric companies is figured by excluding any income received or accrued from the following.

1. Qualified pole rentals.
2. Any provision or sale of electric energy transmission services or ancillary services if the services are provided on a nondiscriminatory open access basis under an open access transmission tariff; approved or accepted by the Federal Energy Regulatory Commission (FERC) or under an independent transmission provider agreement approved or accepted by FERC (other than income received or accrued directly or indirectly from a member).
3. The provision or sale of electric energy distribution services or ancillary services, if the services are provided on a nondiscriminatory, open-access basis to distribute electric energy not owned by the mutual or electric cooperative company:
 - a. To end-users who are served by distribution facilities not owned by the company or any of its members (other than income received or accrued directly or indirectly from a member), or
 - b. Generated by a generation facility not owned or leased by the company or any of its members and which is directly connected to distribution facilities owned by such company or any of its members (other than income received or accrued directly or indirectly from a member).
4. From any nuclear decommissioning transaction.
5. From any asset exchange or conversion transaction.

For a mutual or cooperative telephone company, *gross income* does not include amounts received or accrued either from another telephone company for completing long distance calls to or from or between the telephone company's members, from qualified pole rentals, from the sale of display listings in a directory furnished to the telephone company's members, or from prepayment of a loan under section 306A, section 306B, or section 311 of the Rural Electrification Act of 1936 (as in effect on January 1, 1987).

Line 12. All organizations that are not section 4947(a)(1) trusts are to leave line 12 blank.

If a section 4947(a)(1) **nonexempt charitable trust** has no taxable income under Subtitle A, its filing of Form 990 may be used to meet its income tax return filing requirement under section 6012. Such a trust must, if it answers "Yes" on line 12a, report its tax-exempt interest received or accrued (if reporting under the accrual method) during the **tax year** on line 12b.

Part VI. Governance, Management, and Disclosure

All organizations must complete Part VI. Use Schedule O (Form 990) to provide required supplemental information as described below, and to provide any additional information that the organization considers relevant to this part.

Part VI requests information regarding an organization's **governing body** and management, governance policies, and disclosure practices. Although federal tax law generally does not mandate particular management structures, operational policies, or administrative practices, every organization is required to answer each question in Part VI. For example, all organizations must answer line 10, which asks about the organization's process, if any, it uses to review Form 990, even though the governing body is not required by federal tax law to review Form 990.

Even though governance, management, and disclosure policies and procedures generally are not required under the Internal Revenue Code, the IRS considers such policies and procedures to generally improve tax compliance. The absence of appropriate policies and procedures may lead to opportunities for **excess benefit transactions**, inurement, operation for non-exempt purposes, or other activities inconsistent with exempt status. Whether a particular policy, procedure, or practice should be adopted by an organization may depend on the organization's size, type, and culture. Accordingly, it is important that each organization consider the governance policies and practices that are most appropriate for that organization in assuring sound operations and compliance with tax law. For more governance information relating to charities, see www.irs.gov/eo and click on *life cycle*.

Section A. Governing Body and Management

Line 1a. The **governing body** is the group of persons authorized under state law to make governance decisions on behalf of the organization and its shareholders or members, if applicable. The governing body is, generally speaking, the board of **directors** (sometimes referred to as board of **trustees**) of a corporation or association, or the board of trustees of a trust (sometimes referred to simply as the trustees, or trustee, if only one trustee).

State the number, as of the end of the organization's tax year, of **members of the governing body** of the organization with power to vote on all matters that may come before the governing body (other than when a conflict of interest disqualifies the member from voting). If members of the governing body do not all have the same voting rights, explain material differences on Schedule O (Form 990).

If the organization's governing body delegated authority to act on its behalf to an executive committee or similar committee with broad authority to act on behalf of the governing body, and the committee held such authority at any time during the organization's tax year, describe on Schedule O (Form 990) the composition of the committee, whether any of the committee's members are not on the governing body, and the scope of the committee's authority. The organization need not describe on Schedule O (Form 990) delegations of authority that are limited in scope to particular areas or matters, such as delegations to an audit committee, investment committee, or compensation committee of the governing body.

Line 1b. State the number of independent voting members of the organization's **governing body** as of the end of the organization's tax year. A **member of the governing body** is

considered “independent” only if all three of the following circumstances applied at all times during the organization’s tax year.

1. The member was not compensated as an **officer** or other employee of the organization or of a **related organization** (see the instructions for Schedule R (Form 990)) except as provided in the religious exception discussed below.

2. The member did not receive total **compensation** or other payments exceeding \$10,000 during the organization’s tax year from the organization or from related organizations as an **independent contractor**, other than reimbursement of expenses under an **accountable plan** or **reasonable compensation** for services provided in the capacity as a member of the governing body. For example, a person who receives reasonable expense reimbursements and reasonable compensation as a director of the organization does not cease to be independent merely because he or she also receives payments of \$7,500 from the organization for other arrangements.

3. Neither the member, nor any **family member** of the member, was involved in a transaction with the organization (whether directly or indirectly through affiliation with another organization) that is required to be reported on Schedule L (Form 990 or 990-EZ) for the organization’s tax year, or in a transaction with a related organization of a type and amount that would be reportable on Schedule L (Form 990 or 990-EZ) if required to be filed by the related organization.

A **member of the governing body** is not considered to lack independence merely because of the following circumstances.

1. The member is a donor to the organization, regardless of the amount of the contribution.

2. Religious exception: The member has taken a *bona fide* vow of poverty and either (a) receives **compensation** as an agent of a **religious order** or a section 501(d) religious or apostolic organization, but only under circumstances in which the member does not receive taxable income (see Rev. Rul. 77-290, 1977-2 C.B. 26 and Rev. Rul. 80-332, 1980-2 C.B. 34) or (b) belongs to a religious order that receives sponsorship or payments from the organization which do not constitute taxable income to the member.

3. The member receives financial benefits from the organization solely in the capacity of being a member of the charitable or other class served by the organization in the exercise of its exempt function, such as being a member of a section 501(c)(6) organization, so long as the financial benefits comply with the organization’s terms of membership.

Example 1. B is a voting member of the organization’s board of directors. B is also a partner with a profits and capital interest greater than 5% in a law firm, C, that charged \$120,000 to the organization for legal services in a court case. The transaction between C and the organization must be reported on Schedule L (Form 990 or 990-EZ) because it is a transaction between the organization and an entity of which B is a more than 5% owner, and because the payment to C from the organization exceeded \$100,000 (see the instructions to Schedule L (Form 990 or 990-EZ), Part IV, regarding both factors). Accordingly, B is not an independent member of the governing body because the \$120,000 payment must be reported on Schedule L (Form 990 or 990-EZ) as an indirect business transaction with B. If B were an associate attorney (an employee) but not an officer, director, trustee, key employee, or owner of the law firm, the transaction would not affect B’s status as an independent member of the organization’s governing body.

Example 2. D is a voting member of both the organization’s governing body and the governing body of C, a related organization. D’s daughter, E, received \$40,000 in taxable compensation as a part-time employee of C. D is not an independent member of the governing body, because E received compensation from C, a related organization to D, and the compensation was of a type (compensation to a family member of a member of C’s governing body) and amount (over \$10,000) that would be reportable on Schedule L (Form 990 or

990-EZ) if the related organization, C, were required to file Schedule L (Form 990 or 990-EZ).

See also *Examples 2 and 3* in the Instructions for Form 990, Part VII, Section A, line 5, later.

Reasonable effort. The organization need not engage in more than a reasonable effort to obtain the necessary information to determine the independence of **members of the governing body** and may rely on information provided by such members. For instance, the organization may rely on information it obtains in response to a questionnaire sent annually to each member of the governing body that includes the name, title, date, and signature of each person reporting information, and containing the pertinent instructions and definitions for line 1b, to determine whether the member is or is not independent.

Line 2. Answer “Yes” if any of the organization’s **officers, directors, trustees, or key employees**, as reported in Part VII, Section A, had a **family relationship** or business relationship with another of the organization’s officers, directors, trustees, or key employees, as reported in Part VII, Section A, at any time during the organization’s tax year. For each family and business relationship, identify the persons and describe their relationship on Schedule O (Form 990). It is sufficient to state “family relationship” or “business relationship” without greater detail.

Business relationship. Business relationships between two persons include any of the following.

1. One person is employed by the other in a sole proprietorship or by an organization with which the other is associated as a **trustee, director, officer, key employee, or greater-than-35% owner**.

2. One person is transacting business with the other (other than in the ordinary course of either party’s business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of \$10,000 in the aggregate during the organization’s tax year. (*Indirect transactions* are transactions with an organization with which the one person is associated as a trustee, director, officer, key employee, or greater-than-35% owner).

3. The two persons are each a director, trustee, officer, or greater than 10% owner in the same business or investment entity.

Ownership is measured by stock ownership (either voting power or value) of a corporation, profits or capital interest in a partnership or limited liability company, membership interest in a nonprofit organization, or beneficial interest in a trust. Ownership includes indirect ownership (for example, ownership in an entity that has ownership in the entity in question); there may be ownership through multiple tiers of entities.

Privileged relationship exception. For purposes of line 2, a “business relationship” does not include a relationship between an attorney and client, a medical professional (including psychologist) and patient, or a priest/clergy and penitent/communicant.

Example 1. B is an officer of the organization, and C is a member of the organization’s governing body. B is C’s brother-in-law. The organization must report that B and C have a family relationship.

Example 2. D and E are officers of the organization. D is also a partner in an accounting firm with 300 partners (with a $\frac{1}{300}$ interest in the firm’s profits and capital) but is not an officer, director, trustee, or key employee of the accounting firm. D’s accounting firm provides services to E in the ordinary course of the accounting firm’s business, on terms generally offered to the public, and receives \$100,000 in fees during the year. The relationship between D and E is not a reportable business relationship, either because (1) it is in the ordinary course of business on terms generally offered to the public, or because (2) D does not hold a greater-than-35% interest in the accounting firm’s profits or capital.

Example 3. F and G are trustees of the organization. F is the owner and CEO of an automobile dealership. G purchased a \$45,000 car from the dealership during the organization's tax year in the ordinary course of the dealership's business, on terms generally offered to the public. The relationship between F and G is not a reportable business relationship because the transaction was in the ordinary course of business on terms generally offered to the public.

Example 4. H and J are members of the organization's board of directors. Both are CEOs of publicly traded corporations and serve on each other's boards. The relationship between H and J is a reportable business relationship because each is a director or officer in the same business entity.

Example 5. K is a key employee of the organization, and L is on its board of directors. L is a greater-than-35% partner of a law firm that charged \$60,000 during the organization's tax year for legal services provided to K that were worth \$600,000 at the law firm's ordinary rates. Thus, the ordinary course of business exception does not apply. However, the relationship between K and L is not a reportable business relationship, because of the privileged relationship of attorney and client.

Reasonable effort. The organization is not required to provide information about a family or business relationship between two **officers, directors, trustees, or key employees** if it is unable to secure the information after making a reasonable effort to obtain it. An example of a reasonable effort would be for the organization to distribute a questionnaire annually to each such person that includes the name, title, date, and signature of each person reporting information and contains the pertinent instructions and definitions for line 2.

Line 3. Answer "Yes" if at any time during the organization's tax year the organization used a management company or other person to perform any management duties customarily performed by or under the direct supervision of **officers, directors, trustees, or key employees**. Such management duties include, but are not limited to, hiring, firing, and supervising personnel, planning or executing budgets or financial operations, or supervising exempt operations or unrelated trades or businesses of the organization. Management duties do not include administrative services (such as payroll processing) that do not involve significant managerial decision-making. Management duties also do not include investment management unless the filing organization conducts investment management services for others.

Line 4. The organization must report significant changes to its organizing or enabling document by which it was created (articles of incorporation, association, or organization; trust instrument; constitution; or similar document), and to its rules governing its affairs commonly known as bylaws (or regulations, operating agreement, or similar document). Report changes made since the prior Form 990 was filed, or that were not reported on any prior Form 990. Do not report changes to policies described or established outside of the organizing or enabling document and bylaws (or similar documents), such as adoption of, or change to, a policy adopted by resolution of the **governing body** that does not entail a change to the organizing document or bylaws.

Examples of significant changes to the organizing or enabling document or bylaws include changes to:

- The organization's exempt purposes or mission;
- The number, composition, qualifications, authority, or duties of the governing body's voting members;
- The number, composition, qualifications, authority, or duties of the organization's **officers or key employees**;
- The role of the stockholders or membership in governance;
- The distribution of assets upon dissolution;
- The provisions to amend the organizing or enabling document or bylaws;
- The quorum, voting rights, or voting approval requirements of the governing body members or the organization's stockholders or membership;
- The policies or procedures contained within the organizing documents or bylaws regarding **compensation** of officers,

directors, trustees, or key employees, conflicts of interest, whistleblowers, or document retention and destruction; and

- The composition or procedures contained within the organizing document or bylaws of an audit committee.

Example. Organization X has a written conflicts of interest policy that is not contained within the organizing document or bylaws. The policy is changed by board resolution. The policy change does not need to be reported on line 4.

Examples of insignificant changes made to organizing or enabling documents or bylaws that are not required to be reported here include changes to the organization's registered agent with the state and to the required or permitted number or frequency of governing body or member meetings.

Describe significant changes on Schedule O (Form 990), but do not attach a copy of the amendments or amended document to Form 990 (or recite the entire amended document verbatim), unless such amended documents reflect a change in the organization's name. See the instructions for *Item B* under *Entity section. Items A–M*, regarding attachments required in the event of a change in the organization's name.



TIP If an exempt organization changes its legal structure, such as from a trust to a corporation, then a new exemption application is required to establish that the new legal entity qualifies for exemption.

Line 5. Answer "Yes" if the organization became aware during the organization's tax year of a material diversion of its assets, whether or not the diversion occurred during the year. If "Yes," explain the nature of the diversion, amounts or property involved, corrective actions taken to address the matter, and pertinent circumstances on Schedule O (Form 990), although the person or persons who diverted the assets should not be identified by name.

A *diversion of assets* includes any unauthorized conversion or use of the organization's assets other than for the organization's authorized purposes, including but not limited to embezzlement or theft. Report diversions by the organization's **officers, directors, trustees, employees, volunteers, independent contractors, grantees** (diverting grant funds), or any other person, even if not associated with the organization other than by the diversion. A diversion of assets does not include an authorized transfer of assets for fair market value consideration, such as to a **joint venture** or for-profit subsidiary in exchange for an interest in the joint venture or subsidiary. For this purpose, a diversion is considered material if the gross dollar amount (not taking into account restitution, insurance, or similar recoveries) exceeds the lesser of (1) \$250,000 or (2) 5% of the organization's **gross receipts** for its tax year or **total assets** as of the end of its tax year.

Note. A diversion of assets may in some cases constitute inurement of the organization's net earnings. In the case of section 501(c)(3) and section 501(c)(4) organizations, it also may be an **excess benefit transaction** taxable under section 4958 and reportable on Schedule L (Form 990 or 990-EZ).

Line 6. Answer "Yes" if the organization is organized as a stock corporation, a joint-stock company, a partnership, a **joint venture**, or a limited liability company. Also answer "Yes" if the organization is organized as a non-stock, nonprofit, or not-for-profit corporation or association with members. For purposes of Form 990, Part VI, *member* means (without regard to what a person is called in the governing documents) any person who, pursuant to a provision of the organization's governing documents or applicable state law, has the right to participate in the organization's governance or to receive distributions of income or assets from the organization. For instance, for purposes of Part VI, a membership organization includes members with the following kinds of rights.

1. The members elect the members of the **governing body** (but not if the persons on the governing body are the organization's only members) or their delegates.
2. The members approve significant decisions of the governing body.

3. The members may receive a share of the organization's profits or excess dues or a share of the organization's net assets upon the organization's dissolution.

Answer "No" if the organization is a trust for federal tax purposes. Describe on Schedule O (Form 990) the classes of members or stockholders with the rights described above.

Line 7a. Answer "Yes" on line 7a if at any time during the organization's tax year there were one or more persons (other than the organization's **governing body** itself, acting in such capacity) that had the right to elect or appoint one or more members of the organization's governing body, whether periodically, or as vacancies arise, or otherwise. If "Yes," describe on Schedule O (Form 990) the class or classes of such persons and the nature of their rights.

Line 7b. Answer "Yes" on line 7b if at any time during the organization's tax year there were one or more persons (whether members, stockholders, or otherwise) who had the right to approve or ratify decisions of the organization's **governing body**, such as approval of the governing body's election or removal of members of the governing body, or approval of the governing body's decision to dissolve the organization. If "Yes," describe on Schedule O (Form 990) the class or classes of such persons, the decisions that require their approval, and the nature of their voting rights.

Line 8. Answer "Yes" on lines 8a and 8b if the organization contemporaneously documented by any means permitted by state law every meeting held and written action taken during the organization's tax year by its **governing body** and committees with authority to act on behalf of the governing body (which ordinarily do not include advisory boards). Documentation permitted by state law may include approved minutes, strings of emails, or similar writings that explain the action taken, when it was taken, and who made the decision. For this purpose, *contemporaneous* means by the later of (1) the next meeting of the governing body or committee (such as approving the minutes of the prior meeting), or (2) 60 days after the date of the meeting or written action. If "No," explain on Schedule O (Form 990) the organization's practices or policies, if any, regarding documentation of meetings and written actions of its governing body and committees with authority to act on its behalf.

Line 9a. Answer "Yes" if the organization had during its tax year any local chapters, branches, lodges, units, or similar affiliates. These terms include organizations over which the organization has the legal authority to exercise supervision and control (whether or not in a group exemption) and local units that are not separate legal entities under state law over which the organization has such authority.

Line 9b. *Written policies and procedures governing the activities of chapters, branches, and affiliates to ensure their consistency with activities of the organization* are documents used by the organization and its local units to address the policies, practices, and activities of the local unit. Such policies and procedures may include required provisions in the chapter's articles of organization or bylaws, a manual provided to chapters, a constitution, or similar documents. If "No," explain on Schedule O (Form 990) how the organization ensures that the local unit's activities are consistent with its own.

Note. The **central organization** (parent organization) of a **group exemption** ruling is required to exercise oversight over its **subordinate organizations** as a condition of the group exemption.

Line 10. Answer "Yes" only if a copy of the organization's final Form 990 (including required schedules), as ultimately filed with the IRS, was provided to each **voting member of the organization's governing body**, whether in paper or electronic form, prior to its filing with the IRS. Also describe on Schedule O (Form 990) the process, if any, by which any of the organization's **officers, directors, trustees**, board committee members, or management reviewed the prepared Form 990, whether before or after it was filed with the IRS, including specifics regarding who conducted the review, when they conducted it, and the extent of any such review. If no review

was or will be conducted, state "No review was or will be conducted."

Example. The return preparer emails a copy of the final version of Form 990 to each board member before it was filed. However, no board member undertakes any review of the form either before or after filing. Because a copy of the final version of the form was provided to each voting member of the organization's governing body before it was filed, the organization may answer "Yes" even though no review took place. The organization must describe its Form 990 review process (or lack thereof) on Schedule O (Form 990).

Line 11. The IRS needs a mailing address to contact the organization's **officers, directors, trustees, and key employees**. The organization may use its official mailing address stated on the first page of Form 990 as the mailing address for such persons. Otherwise, state on Schedule O (Form 990) the mailing addresses for such persons that are to be contacted at a different address. Such information will be available to the public.

Section B. Policies

Line 12a. State whether, as of the end of the organization's tax year, the organization had a written **conflict of interest policy**. A conflict of interest policy defines conflicts of interest, identifies the classes of individuals within the organization covered by the policy, facilitates disclosure of information that may help identify conflicts of interest, and specifies procedures to be followed in managing conflicts of interest. A *conflict of interest* arises when a person in a position of authority over an organization, such as an **officer, director**, or manager, may benefit financially from a decision he or she could make in such capacity, including indirect benefits such as to family members or businesses with which the person is closely associated. For this purpose, a conflict of interest does not include questions involving a person's competing or respective duties to the organization and to another organization, such as by serving on the boards of both organizations, that do not involve a material financial interest of, or benefit to, such person.

Example. B is a member of the governing body of X Charity and of Y Charity, both of which are section 501(c)(3) public charities with different charitable purposes. X Charity has taken a public stand in opposition to a specific legislative proposal. At an upcoming board meeting, Y Charity will consider whether to publicly endorse the same specific legislative proposal. While B may have a conflict of interest in this decision, the conflict does not involve a material financial interest of B's merely as a result of Y Charity's position on the legislation.

Line 12b. Answer "Yes" if the organization's **officers, directors, trustees, and key employees**, and those of family members, are required to disclose or update annually (or more frequently) their interests that could give rise to conflicts of interest, such as a list of **family members**, substantial business or investment holdings, and other transactions or affiliations with businesses and other organizations and those of family members.

Line 12c. If "Yes," describe on Schedule O (Form 990) the organization's practices for monitoring proposed or ongoing transactions for conflicts of interest and dealing with potential or actual conflicts, whether discovered before or after the transaction has occurred. The description should include an explanation of which persons are covered under the policy, the level at which determinations of whether a conflict exists are made, and the level at which actual conflicts are reviewed. Also explain any restrictions imposed on persons with a conflict, such as prohibiting them from participating in the **governing body's** deliberations and decisions in the transaction.

Lines 13 and 14. A whistleblower policy encourages staff and volunteers to come forward with credible information on illegal practices or violations of adopted policies of the organization, specifies that the organization will protect the individual from retaliation, and identifies those staff or board members or outside parties to whom such information can be reported. A

document retention and destruction policy identifies the record retention responsibilities of staff, **volunteers**, board members, and outsiders for maintaining and documenting the storage and destruction of the organization's documents and records. Answer "Yes" if the organization had these policies in place as of the last day of the organization's **tax year**.



Certain federal or state laws may provide protection against whistleblower retaliation and prohibit destruction of certain documents. For instance, while the federal Sarbanes-Oxley legislation generally does not pertain to tax-exempt organizations, it does impose criminal liability on tax-exempt as well as other organizations for (1) retaliation against whistleblowers that report federal offenses, and (2) for destruction of records with the intent to obstruct a federal investigation. See 18 U.S.C. sections 1513(e) and 1519. Also note that an organization is required to keep books and records relevant to its tax exemption and its filings with the IRS. Some states provide additional protection for whistleblowers.

Line 15. Answer "Yes" on line 15a if the organization used a process for determining **compensation** (reported in Part VII or Schedule J (Form 990)) of the CEO, executive director, or other person who is the **top management official**, that included all of the following elements.

- Review and approval by a **governing body** or compensation committee, provided that persons with a conflict of interest with respect to the compensation arrangement at issue were not involved. For purposes of this question, use the definition of "conflict of interest" set forth in Regulations section 53.4958-6(c)(1)(iii).
- Use of data as to comparable compensation for similarly qualified persons in functionally comparable positions at similarly situated organizations.
- Contemporaneous documentation and recordkeeping with respect to deliberations and decisions regarding the compensation arrangement.

Answer "Yes" on line 15b if the process for determining compensation of one or more **officers** or **key employees** other than the **top management official** included all of the elements listed above.

If the answer was "Yes" on line 15a or 15b, describe the process on Schedule O (Form 990), identify the offices or positions for which the process was used to establish compensation of the persons who served in those offices or positions, and state the year in which this process was last undertaken for each such person.

Line 16. Answer "Yes" on line 16a if at any time during its tax year the organization invested in, contributed assets to, or otherwise participated in a joint venture or similar arrangement with one or more taxable persons. For purposes of line 16, a joint venture or similar arrangement (or a "venture or arrangement") means any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity without regard to (1) whether the organization controls the venture or arrangement, (2) the legal structure of the venture or arrangement, or (3) whether the venture or arrangement is treated as a partnership for federal income tax purposes, or as an association, or corporation for federal income tax purposes. Disregard ventures or arrangements that meet both of the following conditions.

1. 95% or more of the venture's or arrangement's income for its tax year ending with or within the organization's **tax year** is described in sections 512(b)(1)–(5) (including unrelated debt-financed income).
2. The primary purpose of the organization's contribution to, or investment or participation in, the venture or arrangement is the production of income or appreciation of property.

Answer "Yes" on line 16b if, as of the end of the organization's tax year, the organization had both:

1. adopted a written policy or procedure that requires the organization to negotiate, in its transactions and arrangements

with other members of the venture or arrangement, such terms and safeguards as are adequate to ensure that the organization's exempt status is protected, and

2. taken steps to safeguard the organization's exempt status with respect to the venture or arrangement.

Some examples of safeguards include the following:

- Control over the venture or arrangement sufficient to ensure that the venture furthers the exempt purpose of the organization.
- Requirements that the venture or arrangement give priority to exempt purposes over maximizing profits for the other participants.
- The venture or arrangement not engage in activities that would jeopardize the organization's exemption (such as political intervention or substantial lobbying for a section 501(c)(3) organization).
- All contracts entered into with the organization be on terms that are at arm's length or more favorable to the organization.

Section C. Disclosure

Line 17. Use Schedule O (Form 990) if additional space is necessary.



Some states require or permit the filing of Form 990 to fulfill state exempt organization or charitable solicitation reporting requirements.

Line 18. Explain on Schedule O (Form 990) if the organization does not make publicly available upon request any of Forms 1023, 1024, 990, or 990-T, if such disclosure is required by law. Exempt organizations must make publicly available their Form 1023 or 1024 application for recognition of exemption. Applications filed before July 15, 1987, need not be made publicly available unless the organization had a copy on July 15, 1987. Organizations that file Form 990 must make it publicly available for a period of three years from the date it is required to be filed (including extensions) or, if later, is actually filed. Organizations are not required to make publicly available the names and addresses of contributors (as set forth on Schedule B (Form 990, 990-EZ, or 990-PF), and on Form 1023 or 1024). Section 501(c)(3) organizations that file Form 990-T also are required to make their Form 990-T publicly available for the corresponding three-year period, for forms filed after August 17, 2006 (unless the form was filed solely to request a refund of telephone excise taxes). See Appendix D for more information on public inspection requirements.

Line 19. Explain on Schedule O (Form 990) whether the organization makes its governing documents, **conflict of interest policy**, and **financial statements** (whether or not audited) available to the general public, and if so, how it makes them available to the public (for example, posting on the organization's website, posting on another website, providing copies on request, inspection at an office of the organization, etc.). If the organization does not make any of these documents available to the public, state "No documents available to the public."

Federal tax law does not require that such documents be made publicly available unless they were included on a form that is publicly available (such as Form 1023 or 1024).

Line 20. Provide the name of the person who possesses the organization's books and records, and the business address and telephone number of such person (or of the organization if the books and records are kept by such person at a personal residence). If the books and records are kept at more than one location, provide the name, business address, and telephone number of the person responsible for coordinating the maintenance of the books and records. The organization is not required to provide the address or telephone number of a personal residence of an individual. If provided, however, such information will be available to the public.

Part VII. Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Overview. Form 990, Part VII requires the listing of the organization's current or former **officers, directors, trustees, key employees and highest compensated employees**, and current **independent contractors**, and reporting of certain **compensation** information relating to such persons.

All organizations are required to complete Part VII, and when applicable, Schedule J (Form 990), for certain persons. Compensation must be reported for the calendar year ending with or within the organization's **tax year**. In some cases, persons are reported in Part VII or Schedule J (Form 990) only if their **reportable compensation** (as explained below) or total compensation (as explained below) from the organization and **related organizations** (as explained in the instructions for Schedule R (Form 990)) exceeds certain thresholds. In some cases, compensation from an **unrelated organization** must be reported on Form 990. See the instructions for Part VII, Section A, line 5, later. The amount of compensation reported on Form 990, Part VII, for a listed person may differ from the amount reported on Form 990, Part IX, line 5, for such person due to factors such as a different reporting period (calendar vs. **fiscal year**) or a different reporting method.

Form 990, Part VII relies on definitions of reportable compensation and other compensation. *Reportable compensation* generally refers to compensation reported on Form W-2, box 5, and Form 1099-MISC, box 7. Organizations must report other compensation in Part VII as well, as discussed further below.

Organizations must report compensation for both current and former officers, directors, trustees, key employees, and highest compensated employees. The distinction between current and former such persons is discussed below. The determination of "former" uses a 5-year look-back period.

Organizations must report compensation from themselves and from related organizations, which generally consist of parents, subsidiaries, brother/sister organizations, supporting organizations, and supported organizations. See the instructions for Schedule R (Form 990) for a fuller discussion of related organizations.

Part VII, Section A requires reporting of officers, directors, trustees, key employees, and up to five of the organization's highest compensated employees. Compensation from related organizations must also be taken into account in determining a person's compensation and reported separately in Part VII, Section A, columns (E) and (F). Part VII, Section A provides space for listing up to 34 different persons.

Use Schedule J-2, (Form 990), Continuation Sheet, if more space is needed to list additional persons. Use as many Schedules J-2 (Form 990) as needed.

Section B requires reporting of the five highest compensated independent contractors. Section B does not require reporting of compensation from related organizations.

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

Overview. Organizations are required to list in Part VII, Section A, the following **officers, directors, trustees, and employees** of the organization whose **reportable compensation** from the organization and **related organizations** (as explained in the instructions for Schedule R (Form 990)) exceeded the following thresholds.

- Current officers, directors, and trustees (no minimum compensation threshold).
- Current **key employees** (over \$150,000 of reportable compensation).

- Current five highest compensated employees other than officers, directors, trustees, or listed key employees (over \$100,000 of reportable compensation).
- Former officers, key employees, and **highest compensated employees** (over \$100,000 of reportable compensation, with special rules for former highest compensated employees).
- Former directors and trustees (over \$10,000 of reportable compensation in the capacity as a former director or trustee).

Special rules described below apply for **disregarded entities** of which the organization is the sole member.

To determine which persons are current or former officers, directors, trustees, key employees, or highest compensated employees, see the instructions to Part VII, Section A, column (C) below.

Fiscal year filers. To determine which persons are listed in Part VII, Section A, the organization must use the calendar year ending with or within the organization's **fiscal year** for some (those whose **compensation** must exceed minimum thresholds in order to be reported) and the fiscal year for others. Report officers, directors, and trustees that served at any time during the fiscal year (such as "current" **officers, directors, and trustees**). Report the following persons based on **reportable compensation** and status for the calendar year ending within the fiscal year.

- Current **key employees** (over \$150,000 of **reportable compensation** from the organization and related organizations).
- Current five **highest compensated employees** (over \$100,000 of reportable compensation from the organization and **related organizations**).
- Former officers, key employees, and five highest compensated employees (over \$100,000 of reportable compensation from the organization and related organizations, with special rules for former highest compensated employees).
- Former directors and trustees (over \$10,000 of reportable compensation for services in the capacity as director or trustee of the organization, from the organization and related organizations).

Report compensation on Form 990, Part VII, for the calendar year ending within the organization's **fiscal year**, including that of current officers, directors, and trustees, even if the fiscal year is used to determine which such persons must be listed in Part VII.

Director or trustee. A "director or trustee" is a member of the organization's **governing body**, but only if the member has voting rights. A director or trustee that served at any time during the organization's **tax year** is deemed a current director or trustee. Members of advisory boards that do not exercise any governance authority over the organization are not considered directors or trustees.

An "institutional trustee" is a trustee that is not an individual or natural person but an organization. For instance, a bank or trust company serving as the trustee of a trust is an institutional trustee.

Officer. An "officer" is a person elected or appointed to manage the organization's daily operations, such as a president, vice-president, secretary, or treasurer. An officer that served at any time during the organization's **tax year** is deemed a current officer. The officers of an organization are determined by reference to its organizing document, bylaws, or resolutions of its **governing body**, or as otherwise designated consistent with state law, but, at a minimum, include those officers required by applicable state law. This definition encompasses "officers of the board" and "officers of the corporation." For purposes of Form 990, including Part VII, Section A, and Schedule J (Form 990), treat as an officer the following persons, regardless of their titles.

1. *Top management official.* The person who has ultimate responsibility for implementing the decisions of the governing body or for supervising the management, administration, or operation of the organization.

2. **Top financial official.** The person who has ultimate responsibility for managing the organization's finances.

If ultimate responsibility resides with two or more individuals (for example, co-presidents or co-treasurers), who may exercise such responsibility in concert or individually, then treat all such individuals as officers.

Key employee. For purposes of Form 990, a current **key employee** is an **employee** of the organization (other than an **officer, director** or **trustee**) who meets all three of the following tests, applied in the following order:

1. **\$150,000 Test:** Receives **reportable compensation** from the organization and all **related organizations** in excess of \$150,000 for the **calendar year** ending with or within the organization's **tax year**.

2. **Responsibility Test:**

a. Has responsibilities, powers, or influence over the organization as a whole that is similar to those of officers, directors, or trustees;

b. Manages a discrete segment or activity of the organization that represents 10% or more of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole; or

c. Has or shares authority to control or determine 10% or more of the organization's capital expenditures, operating budget, or compensation for **employees**.

3. **Top 20 Test:** Is one of the 20 employees (that satisfy the **\$150,000 Test** and **Responsibility Test**) with the highest reportable compensation from the organization and **related organizations** for the calendar year ending with or within the organization's **tax year**.

If the organization has more than 20 individuals who meet the **\$150,000 Test** and **Responsibility Test**, report as **key employees** only the 20 individuals that have the highest reportable compensation from the organization and related organizations. Note that any others, up to five, might be reportable as current **highest compensated employees**, with over \$100,000 in reportable compensation. Use the calendar year ending with or within the organization's tax year for determining the organization's current key employees.

An individual that is not an employee of the organization (or of a **disregarded entity** of the organization) is nonetheless treated as a key employee if he or she serves as an officer or director of a disregarded entity of the organization and otherwise meets the standards of a key employee set forth above. See *Disregarded Entities*, later, for treatment of certain employees of a disregarded entity as a key employee of the organization.

Management companies and similar entities that are **independent contractors** should not be reported as key employees. The organization's **top management official** and **top financial official** are deemed officers rather than key employees.

In the examples set forth below, assume the individual involved is an employee that satisfies the **\$150,000 Test** and **Top 20 Test** and is not an **officer, director, or trustee**.

Example 1. T is a large section 501(c)(3) university. L is the dean of the law school of T, which generates more than 10% of the revenue of T, including contributions from alumni and foundations. Although L does not have ultimate responsibility for managing the university as whole, L meets the **Responsibility Test** and is reportable as a key employee of T.

Example 2. S chairs a small academic department in the College of Arts and Sciences of the same university, T, described above. As department chair, S supervises faculty in the department, approves the course curriculum, and oversees the operating budget for the department. The department represents less than 10% of the university's activities, assets, income, expenses, capital expenditures, operating budget, and employee compensation. Under these facts and circumstances, S does not meet the **Responsibility Test** and is not a key employee of T.

Example 3. U is a large acute-care section 501(c)(3) hospital. U employs X as a radiologist. X gives instructions to staff with respect to the radiology work X conducts, but X does not supervise other U employees, manage the radiology department, or have or share authority to control or determine 10% or more of U's capital expenditures, operating budget, or employee compensation. Under these facts and circumstances, X does not meet the **Responsibility Test** and is not a key employee of U.

Example 4. W is a cardiologist and head of the cardiology department of the same hospital U described above. The cardiology department is a major source of patients admitted to U and consequently represents more than 10% of U's income, as compared to U as a whole. As department head, W manages the cardiology department. Under these facts and circumstances, W meets the **Responsibility Test** and is a key employee of U.

Five highest compensated employees. The organization is required to list its current five **highest compensated employees** whose **reportable compensation** combined from the organization and **related organizations** is greater than \$100,000 for the calendar year ending with or within the organization's **tax year** and who are not also an **officer, director, trustee, or key employee** of the organization. Such individuals are the "current" five highest compensated employees. This may include persons who meet some but not all of the tests for key employee status. The organization is not required to list more than the top five such persons, ranked by amount of reportable compensation. Use the calendar year ending with or within the organization's tax year for determining the organization's current five highest compensated employees.

Example. X is an employee of Y University and is not an officer, director, or trustee. X's reportable compensation for the calendar year exceeds \$150,000, and X meets the **Responsibility Test**. X would qualify as a key employee of Y, except that 20 employees had higher reportable compensation and otherwise qualify as key employees; therefore, those 20 are listed as the organization's key employees. X has the highest reportable compensation from the organization and related organizations of all employees other than the 20 key employees. X must be listed as one of the organization's five highest compensated employees.

\$10,000 exceptions for reporting compensation. Report compensation paid or accrued by the filing organization and **related organizations**. Special rules apply with respect to reporting **reportable compensation** and other compensation.

All reportable compensation paid by the filing organization must be reported. Reportable compensation paid by a related organization is not required to be reported unless (1) it is \$10,000 or more for the calendar year ending with or within the organization's tax year (the "\$10,000-per-related-organization exception"), or (2) it is paid for past services to the filing organization in the person's capacity as a former director or trustee.

A particular item of other compensation (such as described in the compensation table below) paid or accrued by the filing organization is not required to be reported unless (1) it is \$10,000 or more for the calendar year ending with or within the organization's tax year (the "\$10,000-per-item exception"), or (2) it is one of the five types of compensation (generally constituting deferred compensation and health benefits) that must be reported regardless of amount (see below). The same principles apply with respect to items of other compensation paid or accrued by a related organization (applied separately to each related organization).



The \$10,000 exceptions do not apply to reporting compensation on Schedule J (Form 990), Part II.

Reportable compensation. Reportable compensation consists of:

- For **officers** and other **employees**, amounts required to be reported on Form W-2, box 5;

- For **directors** and individual **trustees**, amounts required to be reported on Form 1099-MISC, box 7 (plus Form W-2, box 5 if also compensated as an officer or employee); and
- For **institutional trustees**, fees for services paid pursuant to a contractual agreement or statutory entitlement. While the compensation of institutional trustees must be reported on Form 990, Part VII, it need not be reported on Schedule J (Form 990).

If the organization did not file a Form 1099-MISC because the amounts paid were below the threshold reporting requirement, then include and report the amount actually paid.



Corporate officers are considered employees for purposes of Form W-2 reporting, unless they perform no services as officers, or perform only minor services and neither receive nor are entitled to receive, directly or indirectly, any compensation. Corporate directors are considered independent contractors, not employees, and director compensation, if any, generally is required to be reported on Form 1099-MISC. See Regulations section 31.3401(c)-1(f).

For certain kinds of **employees**, such as certain members of the clergy and religious workers who are not subject to social security and Medicare taxes as employees, box 5 of Form W-2 may be zero or blank. In such case, the amount required to be reported on Form W-2, box 1 must be reported as reportable compensation.

To determine whether an individual received more than \$100,000 (or \$150,000) in reportable compensation in the aggregate from the organization and **related organizations**, add the following amounts.

- The amount reported on Form W-2, box 5 or Form 1099-MISC, box 7, issued to the individual by the organization.
- Amounts reported on Form W-2, box 5 or Form 1099-MISC, box 7, issued to the individual by each related organization that reported \$10,000 or more.

To determine whether an individual received solely in his or her capacity as a former trustee or director of the organization more than \$10,000 in reportable compensation for the calendar year ending with or within the organization's **tax year**, in the aggregate, from the organization and all related organizations (and thus must be reported on Form 990, Part VII and Schedule J (Form 990), Part II), add the amounts reported on all Forms 1099-MISC, box 7, and, if relevant, all Forms W-2, box 5, issued to the individual by the organization and all related organizations for the calendar year ending with or within the organization's tax year. Report such amounts only to the extent that such amounts relate to the individual's past services as a trustee or director of the organization, and do not disregard any payments from a related organization if below \$10,000, for such purpose.

Other compensation. Other compensation includes **compensation** other than **reportable compensation**, including **deferred compensation** not currently reportable on Form W-2, box 5 or Form 1099-MISC, box 7, and certain nontaxable benefits, as discussed in detail in the instructions for Schedule J, (Form 990), Part II. See the instructions for other compensation reported in column (F) below, which includes a table to show where and how to report certain types of compensation in Part VII, Section A, and Schedule J (Form 990).

Disregarded entities. **Disregarded entities** (such as a limited liability company that is wholly owned by the organization and not treated as a separate entity for federal tax purposes) are treated as part of the organization rather than as **related organizations** for purposes of Form 990, including Part VII and Schedule J (Form 990). A person is not considered an **officer** or **director** of the organization by virtue of being an officer or director of a disregarded entity, but he or she may qualify as a **key employee** or **highest compensated employee** of the organization. An officer, director, or employee of a disregarded entity is a key employee of the organization if he or she meets the **\$150,000 Test** and **Top 20 Test** for the filing organization as a whole, and if, with respect to the **Responsibility Test**, the person has responsibilities, powers or influence over a discrete segment or activity of the disregarded entity that represents at

least 10 percent of the activities, assets, income, or expenses of the filing organization as a whole, or has or shares authority to control or determine the disregarded entity's capital expenditures, operating budget, or compensation for employees that constitutes at least 10 percent of the filing organization's respective items as a whole. If an officer or director of a disregarded entity also serves as an officer, director, trustee, or key employee of the organization, report this individual as an officer, director, trustee, or key employee, as applicable, of the organization, and add the compensation, if any, paid by the disregarded entity to this individual to the compensation, if any, paid directly by the organization to this individual. Report the total aggregate amount in Column (D).

Management companies. **Management companies, as independent contractors**, are reported on Form 990, Part VII (if at all) only in Section B. **Independent Contractors**, and are not reported on Schedule J (Form 990), Part II. If a current **officer, director, trustee, or key employee** listed on Form 990, Part VII, Section A, has a relationship with a management company that provides services to the organization, then the relationship may be reportable on Schedule L (Form 990 or 990-EZ), Part IV. The same is true for a former officer, director, trustee, or key employee within the last five years, whether or not listed on Form 990, Part VII, Section A. If a current or former officer, director, trustee, key employee, or **highest compensated employee** receives **compensation** from a management company that provides services to the organization and is a related organization, then the individual's compensation from the management company must be reported on Form 990, Part VII, Section A, columns (E) and (F). Questions pertaining to management companies also appear on Form 990, Part VI, line 3 and Schedule H (Form 990), Part IV.

Column (A). For each person required to be listed, enter the name in the top of each row and the person's title or position with the organization in the bottom of the row. If more than one title or position, list all. List persons in the following order: individual **trustees** or **directors**, **institutional trustees**, **officers**, **key employees**, **highest compensated employees**, and former such persons. Use Schedule J-2 (Form 990) if space is needed for additional persons or titles.

Column (B). For each person listed in column (A), estimate the average hours per week devoted to the organization during the year. Entry of a specific number is required for a complete answer. Enter "0" if applicable. Do not include statements such as "as needed," "as required," or "40+." If the average is less than one hour per week, then the organization may report a decimal rounded to the nearest tenth (for example, 0.2 hours per week). For each person listed in column (A), provide an estimate of the average hours per week (if any) devoted to related organizations on Schedule O (Form 990).

Column (C). For each person listed in column (A), check all applicable boxes for positions with the organization. For a former **officer, director, trustee, key employee, or highest compensated employee**, check only the "Former" box and indicate the former status in the person's title.

"Current" officers, directors, trustees, key employees, and highest compensated employees. A "current" officer, director, or trustee is a person that was an officer, director, or trustee at any time during the organization's **tax year**. A "current" key employee or highest compensated employee is a person who was a key employee or highest compensated employee for the calendar year ending with or within the organization's tax year.

If the organization files Form 990 based on a **fiscal year**, use the fiscal year to determine the organization's "current" officers, directors, and trustees. Whether or not the organization files Form 990 based on a **fiscal year**, use the calendar year ending with or within the organization's **tax year** to determine the organization's "current" **key employees** and five highest compensated employees.

Do not check the "Former" box if the person was a current officer, director or trustee at any time during the organization's

tax year, or a current key employee or among the five highest compensated employees for the calendar year ending with or within the organization's tax year. A current employee (other than a current officer, director, trustee, key employee, or highest compensated employee) may be reported on Form 990, Part VII and Schedule J, (Form 990), Part II: (1) as a former director or trustee because he or she formerly served as a director or trustee and received more than \$10,000 in **reportable compensation** in the capacity as a former director or trustee, or (2) a former officer or key employee (but not as a former highest compensated employee) because he or she qualified as an officer or key employee within the last five years and received more than \$100,000 of reportable compensation. In such case indicate the individual's former position in his or her titles (for example, "former president").

"Former" officers, directors, trustees, key employees, and highest compensated employees. Check the "Former" box with respect to former officers, directors, trustees, and key employees only if both conditions below apply.

- The organization reported (or should have reported, applying the instructions in effect for such years) an individual on any of the organization's Forms 990, 990-EZ or 990-PF, for any one or more of the five prior years in one or more of the following capacities: officer, director, trustee, or key employee.
- The individual received **reportable compensation** in the calendar year ending with or within the organization's current **tax year** in excess of the threshold amount (\$100,000 for former officers and key employees, \$10,000 for services in the capacity as a director or trustee).

If a person was reported (or should have been reported) as an officer, director, trustee or key employee on any of the organization's prior five Forms 990, 990-EZ or 990-PF, and the person was still employed at any time during the organization's tax year either (1) by the organization in a lesser capacity other than as an officer, director, trustee, key employee, or highest compensated employee; or (2) by a related organization in any capacity, but not by the filing organization, check only the "Former" box.

Whether or not the organization files Form 990 based on a **fiscal year**, use the calendar year ending within the organization's tax year to determine all "former" officers, directors, trustees, key employees, and five highest compensated employees (because their status depends on their reportable compensation, which is reported for the calendar year).

Check the "Former" box with respect to former five highest compensated employees only if all four conditions below apply.

1. The individual was not an **employee** of the organization at any time during the calendar year ending with or within the organization's tax year.
2. The individual was reported (or should have been reported, applying the instructions in effect for such years) on any of the organization's Form 990, 990-EZ, or 990-PF for one or more of the five prior years as one of the five highest compensated employees.
3. The individual's reportable compensation exceeded \$100,000 for the calendar year ending with or within the organization's tax year.
4. The amount of the individual's reportable compensation for such year would place him or her among the organization's current five highest compensated employees if the individual were an employee during the calendar year ending with or within the organization's tax year.

Transition rule for non-section 501(c)(3) organizations. Organizations other than section 501(c)(3) organizations do not report any former **highest compensated employees** on Form 990.

Example 1. X was reported as one of Y Charity's five highest compensated employees of over \$50,000 on Y's 2006 Form 990. For 2008, X is not a current officer, director, trustee, key employee, or highest compensated employee of Y. X is not an employee of Y during the 2008 calendar year ending with or

within Y's tax year. X receives reportable compensation in excess of \$100,000 from Y for past services and would be among Y's five highest compensated employees if X were a current employee. Y must report X as a former highest compensated employee on Y's 2008 Form 990, Part VII, Section A.

Example 2. T was reported as one of Y Charity's five highest compensated employees of over \$50,000 on Y's 2007 Form 990. For 2008, T is not a current officer, director, trustee, key employee, or highest compensated employee of Y, although T is still an employee of Y during the 2008 calendar year ending with or within Y's tax year. T receives reportable compensation in excess of \$100,000 from Y and related organizations for such calendar year. T is not reportable as a former highest compensated employee on Y's 2008 Form 990, Part VII, Section A, because T was an employee of Y during the calendar year ending with or within Y's tax year.

Example 3. Z was reported as one of Y Charity's key employees on Y's 2006 Form 990. For 2008, Z is not a current officer, director, trustee, key employee, or highest compensated employee of Y. For 2008, Z receives reportable compensation of \$90,000 from Y as an employee (and no reportable compensation from related organizations). Because Z receives less than \$100,000 reportable compensation in 2008 from Y and its related organizations, Y is not required to report Z as a former key employee on Y's 2008 Form 990, Part VII, Section A.

Columns (D) & (E). Enter the amounts required to be reported on Form W-2, box 5 or Form 1099-MISC, box 7, issued to the person for the calendar year ending with or within the organization's **tax year**. Enter an amount for each person in each of columns (D) and (E). Enter "-0-" if the person received no **reportable compensation**. For **institutional trustees** that do not receive a Form 1099-MISC, enter the amount that the organization would have reported in box 7 if a Form 1099-MISC had been required.

Treat amounts paid by a common paymaster as defined in Regulations section 31.3121(s)-1(b) for services performed for the organization as if paid directly by the organization. Similarly, treat amounts paid by a common paymaster for services performed for a **related organization** as if paid directly by the related organization.

\$10,000-per-related-organization exception. For purposes of column (E), the organization need not include payments from a single related organization if less than \$10,000 for the calendar year ending with or within the organization's tax year, except to the extent paid to a former **director** or former **trustee** of the filing organization for services as a director or trustee of the organization. For example, if an officer of the organization received **compensation** of \$6,000, \$15,000, and \$50,000 from three separate related organizations for services provided to those organizations, the organization needs to report only \$65,000 in column (E) for the officer.

Volunteer exception. The organization need not report in column (E) or (F) compensation from a related organization paid to a **volunteer officer**, director, or trustee of the organization if the related organization is a for-profit organization, and is not owned or controlled directly or indirectly by the organization or one or more related tax-exempt organizations, and does not provide management services for a fee to the organization.

Bank or financial institution trustee exception. If the organization is a trust with a bank or financial institution trustee that is also trustee of another trust, it need not report in column (E) or (F) compensation from the other trust for services provided as the trustee to the other trust.

Reasonable effort. The organization is not required to report compensation from a **related organization** to a person listed on Form 990, Part VII, Section A, if the organization is unable to secure the information on compensation paid by the related organization after making a **reasonable effort** to obtain it. In such case, the organization shall report the efforts undertaken on Schedule O (Form 990). An example of a

reasonable effort is for the organization to distribute a questionnaire annually to each such listed person that includes the name, title, date, and signature of each person reporting information and containing the pertinent instructions and definitions for Form 990, Part VII, Section A, columns (E) and (F).

Column (F). Other compensation generally includes compensation not currently reportable on Form W-2, box 5 or Form 1099-MISC, box 7, including nontaxable benefits other than disregarded benefits, as discussed in the instructions for Schedule J, (Form 990), Part II. Treat amounts paid or accrued under a **deferred compensation** plan, or held by a deferred compensation trust, that is established, sponsored, or maintained by the organization (or a **related organization**) as paid, accrued, or held directly by the organization (or the related organization). Enter an amount for each person. (Enter “-0-” if applicable.) Report a reasonable estimate if actual numbers are not readily available.

The following items of compensation provided by the filing organization must be reported as “other compensation” in column (F) in all cases regardless of the amount to the extent they are not included in column (D).

1. Tax-deferred contributions by the employer to a qualified defined contribution retirement plan.
2. The annual increase in actuarial value of a qualified defined benefit plan, whether or not funded or vested.
3. The value of health benefits provided by the employer that are not included in reportable compensation. For this purpose, health benefits provided by the employer include payments of health benefit plan premiums, medical reimbursement and flexible spending programs, and the value of health coverage (rather than actual benefits paid) provided by an employer’s self-insured or self-funded arrangement. Health benefits include dental, optical, drug, and medical equipment benefits. They do not include disability or long-term care insurance premiums or benefits for this purpose.
4. Tax-deferred contributions by the employer and employee to a nonqualified defined contribution plan, whether or not funded, vested, or subject to a substantial risk of forfeiture.
5. The annual increase in actuarial value of a nonqualified defined benefit plan, whether or not funded, vested, or subject to a substantial risk of forfeiture.

\$10,000-per-item exception. Except for the five items listed above, neither the organization nor a **related organization** is required to report on Form 990, Part VII, Section A any item of “other compensation” (as set forth in the table below) if its total value is less than \$10,000 for the calendar year ending with or within the organization’s tax year.

Amounts excluded under the two separate \$10,000 exceptions (the \$10,000-per-related-organization and \$10,000-per-item exceptions) are to be excluded from **compensation** in determining whether an individual’s total **reportable compensation** and other compensation exceeds the thresholds set forth on Form 990, Part VII, Section A, line 4. If the individual’s total compensation exceeds the relevant threshold, then the amounts excluded under the \$10,000 exceptions are included in the individual’s compensation reported on Schedule J (Form 990). Thus, the total amount of compensation reported on Schedule J (Form 990) may be higher than the amount reported on Form 990, Part VII, Section A. The \$10,000-per-item exception applies separately with respect to each item of other compensation from the organization and from each related organization.

Example.

Organization X provides the following compensation to its current officer:

\$110,000	Reportable compensation (including \$5,000 pre-tax employee contribution to qualified defined contribution retirement plan)
5,000	Tax-deferred employer contribution to qualified defined contribution retirement plan
5,000	Nontaxable employer contribution to health benefit plan
4,000	Nontaxable dependent care assistance
500	Nontaxable group life insurance premium
8,000	Moving expense (nontaxable as qualified under section 132)

Organization Y, a related organization, also provides compensation to the officer as follows:

\$21,000	Reportable compensation (including \$1,000 pre-tax employee contribution to qualified defined contribution retirement plan)
1,000	Tax-deferred employer contribution to qualified defined contribution retirement plan
5,000	Nontaxable tuition assistance

The officer receives no compensation in the capacity as a former director or trustee of X, and no unrelated organization pays the officer for services provided to X. The organization may disregard as other compensation the (a) \$4,500 in dependent care and group life insurance payments from the organization (under the \$10,000-per-item exception); (b) the \$8,000 moving expense from the organization (excluded under section 132) on both Form 990, Part VII and Schedule J (Form 990), Part II; and (c) the \$5,000 in tuition assistance from the related organization (under the \$10,000-per-item exception) in determining whether the officer’s total reportable and other compensation from the organization and related organizations exceeds \$150,000. In this case, total reportable compensation is \$131,000, and total other compensation (excluding the excludible items below \$10,000) is \$11,000. Under these circumstances, the officer’s dependent care, group life, moving expenses, and tuition assistance items need not be reported as other compensation on Form 990, Part VII, Section A, column (F), and the officer’s total reportable and other compensation (\$142,000) is not reportable on Schedule J (Form 990). If instead, the officer’s reportable compensation from Y were \$30,000 rather than \$21,000, then the officer’s total reportable and other compensation (\$151,000) would be reportable on Schedule J (Form 990), including the dependent care, group life, and tuition assistance items, even though these items would not have to be reported as other compensation in Form 990, Part VII.

Compensation table for reporting in Part VII, Section A, or Schedule J (Form 990), Part II. The following table may be useful in determining how and where to report items of **compensation** on Form 990, Part VII, Section A and on Schedule J, (Form 990), Part II. The list is not comprehensive but covers most items for most organizations. Many items of compensation may or may not be taxable or currently taxable, depending on the plan or arrangement adopted by the organization and other circumstances. The list attempts to take into account these varying facts and circumstances. The list is merely a guideline to report amounts for those persons required to be listed. In all cases, items included on Form W-2, box 5 and Form 1099-MISC, box 7 are required to be reported on Part VII, Section A and, for applicable persons, Schedule J, (Form 990), Part II, column B.

Type of Compensation	Where to Report				
	Form 990, Part VII, Section A, column (D) or (E)			Form 990, Part VII, Section A, column (F)	
	Schedule J (Form 990), Part II, column B(i)	Schedule J (Form 990), Part II, column B(ii)	Schedule J (Form 990), Part II, column B(iii)	Schedule J (Form 990), Part II, column C	Schedule J (Form 990), Part II, column D
Base salary/wages/fees paid	x				
Base salary/wages/fees deferred (taxable)	x				
Base salary/wages/fees deferred (nontaxable)				x	
Bonus paid (including signing bonus)		x			
Bonus deferred (taxable in current year)		x			
Bonus deferred (not taxable in current year)				x	
Incentive compensation paid		x			
Incentive compensation deferred (taxable in current year)		x			
Incentive compensation deferred (not taxable in current year)				x	
Severance or change of control payments made			x		
Sick pay paid by employer	x				
Third party sick pay			x		
Other compensation amounts deferred (taxable in current year)		x			
Other compensation amounts deferred (not taxable in current year)				x	
Tax gross-ups paid			x		
Vacation/sick leave cashed out			x		
Stock options at time of grant				x	
Stock options at time of exercise			x		
Stock awards paid by taxable organizations substantially vested			x		
Stock awards paid by taxable organizations not vested				x	
Stock equivalents paid by taxable organizations substantially vested			x		
Stock equivalents paid by taxable organizations not vested				x	
Loans—forgone interest or debt forgiveness			x		
Contributions (employer) to qualified retirement plan				x	
Contributions (employee deferrals) to section 401(k) plan			x		
Contributions (employee deferrals) to section 403(b) plan			x		
Qualified or nonqualified retirement plan defined benefit accruals (reasonable estimate of increase in actuarial value)				x	
Qualified or nonqualified retirement (defined contribution) plan investment earnings (no reportable or other compensation)					
Taxable distributions from qualified retirement plan (reported on Form 1099-R but not reportable or other compensation on Form 990)					

Type of Compensation	Where to Report				
	Form 990, Part VII, Section A, column (D) or (E)			Form 990, Part VII, Section A, column (F)	
	Schedule J (Form 990), Part II, column B(i)	Schedule J (Form 990), Part II, column B(ii)	Schedule J (Form 990), Part II, column B(iii)	Schedule J (Form 990), Part II, column C	Schedule J (Form 990), Part II, column D
Distributions from nongovernmental section 457(b) plan (no reportable or other compensation on Form 990)					
Amounts includible in income under section 457(f)			x		
Amounts deferred (plus earnings) under section 457(b) plan (vested)			x		
Amounts deferred (plus earnings) under section 457(b) plan (nonvested)				x	
Contributions to nonqualified plans (vested)			x		
Contributions to nonqualified plans (nonvested)				x	
Increase in earnings of nonqualified plan			x		
Scholarships and fellowship grants (taxable)			x		
Health benefit plan premiums (taxable)			x		
Health benefit plan premiums (nontaxable)					x
Medical reimbursement and flexible spending programs (taxable)			x		
Medical reimbursement and flexible spending programs (nontaxable)					x
Other health benefits (taxable)			x		
Other health benefits (nontaxable)					x
Life, disability, or long-term-care insurance (taxable)			x		
Life, disability, or long-term-care insurance (nontaxable)					*
Split-dollar life insurance (see Notice 2002-8, 2002-1 C.B. 398)			x		
Housing provided by employer (taxable)			x		
Housing provided by employer (nontaxable)					*
Personal legal services (taxable)			x		
Personal legal services (nontaxable)					*
Personal financial services (taxable)			x		
Personal financial services (nontaxable)					*
Dependent care assistance (taxable)			x		
Dependent care assistance (nontaxable)					*
Adoption assistance (taxable)			x		
Adoption assistance (nontaxable)					*
Tuition assistance for family (taxable)			x		
Tuition assistance for family (nontaxable)					*
Cafeteria plans (taxable)			x		
Cafeteria plans (nontaxable health benefit)					x
Cafeteria plans (nontaxable benefit other than health)					*
Liability insurance (taxable)			x		
Employer-provided automobile (taxable)			x		
Employer-subsidized parking (taxable)			x		

Type of Compensation	Where to Report				
	Form 990, Part VII, Section A, column (D) or (E)			Form 990, Part VII, Section A, column (F)	
	Schedule J (Form 990), Part II, column B(i)	Schedule J (Form 990), Part II, column B(ii)	Schedule J (Form 990), Part II, column B(iii)	Schedule J (Form 990), Part II, column C	Schedule J (Form 990), Part II, column D
Travel (taxable)			x		
Moving (taxable)			x		
Meals and entertainment (taxable)			x		
Social club dues (taxable)			x		
Spending account (taxable)			x		

Note. Items marked with asterisk “*” instead of an “x” are excludible from Form 990, Part VII, Section A, column (F), if below \$10,000.

Line 3. Complete Schedule J (Form 990) for each of the following persons.

- Each individual listed in Part VII, Section A, as a former **officer**, former **key employee**, or a former **highest compensated employee**. To determine whether an individual received more than \$100,000 in **reportable compensation** in the aggregate from the organization and **related organizations**, add the amounts reported on all Forms W-2, box 5 and Forms 1099-MISC, box 7 issued to the individual by the organization and all related organizations (disregarding amounts from a related organization if below \$10,000) for the **calendar year** ending with or within the organization’s **tax year**.
- Each individual that received, solely in the capacity as a former **director** or former **trustee** of the organization, more than \$10,000 of reportable compensation (Part VII, Section A, columns (D) and (E)) during the year from the organization or related organizations. To determine whether an individual received or accrued more than \$10,000 in reportable compensation solely in the capacity as a former trustee or

director of the organization, add the amounts reported on all Forms 1099-MISC, box 7 and, if applicable, Forms W-2, box 5, issued to the individual by the organization and all related organizations, to the extent that such amounts relate to the individual’s past services as a trustee or director of the organization and not of a related organization. The \$10,000-per-related-organization exception does not apply for this purpose.

Line 4. Complete Schedule J (Form 990) for each individual listed in Section A who received or accrued more than \$150,000 of reportable and other compensation from the organization and related organizations. To determine whether any listed individual received or accrued more than \$150,000 of reportable and other compensation, add all **compensation** included in Part VII, Section A, columns (D), (E), and (F).

The following chart explains which **officers, directors, trustees, key employees, and highest compensated employees** must be reported on Form 990, Part VII, Section A, and on Schedule J (Form 990), as well. See also line 5 for additional individuals who must be reported on Schedule J, (Form 990), Part II.

Matrix for Part VII, Section A, Lines 3 and 4

Position	Current or former	List on Form 990, Part VII, Section A . . .	List on Schedule J (Form 990), Part II . . .
Directors and Trustees	Current	All	If reportable and other compensation > \$150,000 in the aggregate from organization and related organizations (do not report institutional trustees)
	Former	If reportable compensation in capacity as former director or trustee > \$10,000 in the aggregate from organization and related organizations	If listed on Form 990, Part VII, Section A (do not report institutional trustees)
Officers	Current	All	If reportable and other compensation > \$150,000 in the aggregate from organization and related organizations
	Former	If reportable compensation > \$100,000 in the aggregate from organization and related organizations	If listed on Form 990, Part VII, Section A
Key employees	Current	All	All
	Former	If reportable compensation > \$100,000 in the aggregate from organization and related organizations	If listed on Form 990, Part VII, Section A
Other Five Highest Compensated Employees	Current	If reportable compensation > \$100,000 in the aggregate from organization and related organizations	If reportable and other compensation > \$150,000 in the aggregate from organization and related organizations
	Former	If reportable compensation > \$100,000 in the aggregate from organization and related organizations	If listed on Form 990, Part VII, Section A

Line 5. Complete Schedule J (Form 990) for any individual listed on Form 990, Part VII, Section A if the person receives or accrues **compensation** from an **unrelated organization** for services rendered to the filing organization in the person's capacity as an **officer, director, trustee, or employee** of the filing organization. Also, specify on Schedule J (Form 990), Part III, the name of the unrelated organization, the type and amount of compensation it paid or accrued, and the person receiving or accruing such compensation. The organization must report as compensation amounts received or accrued by the person from the unrelated organization for services rendered to the organization, whether the unrelated organization treats the amounts as compensation, grants, or otherwise. The organization is required to report compensation from an unrelated organization only if it has knowledge of the compensation arrangement.

The compensation from the unrelated organization for services provided to the filing organization must be reported as compensation from the filing organization both on Form 990, Part VII and on Schedule J (Form 990), Part II. The amounts from the unrelated organization must be taken into account in determining whether the dollar thresholds are met for reporting such persons on Form 990, Part VII, Section A.

For purposes of line 5, disregard:

1. Payments from a **deferred compensation** trust or plan established, sponsored, or maintained by the organization (or a related organization), and deferred compensation held by such trust or plan;
2. Payments from a common paymaster for services provided to the organization (or to a related organization); or
3. Payments from an unrelated taxable organization that employs the individual and continues to pay the individual's regular compensation while the individual provides services without charge to the filing organization, but only if the unrelated

organization does not treat the payments as a charitable contribution to the filing organization.

Example 1. A is the CEO (and the **top management official**) of the organization. In addition to compensation paid by the organization to A, A receives payments from B, an unrelated corporation (using the definition of relatedness on Schedule R (Form 990)), for services provided by A to the organization. B also makes rent payments for A's personal residence. The organization is aware of the compensation arrangement between A and B, and does not treat the payments as paid by the organization for Form W-2 reporting purposes. A, as the top management official of the organization, must be listed as an officer of the organization in Part VII, Section A. However, the amounts paid by B to A require that the organization answer "Yes" on line 5 and complete Schedule J (Form 990) with respect to A.

Example 2. C is an attorney employed by a law firm that is not a related organization with respect to the organization. The organization and the law firm enter into an arrangement where C serves the organization, a section 501(c)(3) legal aid society pro bono, on a full-time basis as its vice-president and as a board member while continuing to receive her regular compensation from the law firm. The organization does not provide any compensation to C for the services provided by C to the organization, and does not report C's compensation on Form W-2 or Form 1099-MISC. The law firm does not treat any part of C's compensation as a charitable contribution to the legal aid society. Under these circumstances, the amounts paid by the law firm to C do not require that the organization answer "Yes" on line 5, with respect to C. Also, nothing in these facts would prevent C from qualifying as an independent member of the organization's governing body for purposes of Form 990, Part VI, line 1b.

Example 3. D, a volunteer director of the organization, is also the sole owner and CEO of M management company (an unrelated organization), which provides management services to the organization. The organization pays M an annual fee of \$150,000 for management services. Under the circumstances, the amounts paid by M to D (in the capacity as owner and CEO of M) do not require that the organization answer “Yes” on line 5, with respect to D. However, the organization must report the transaction with M, including the relationship between D and M, on Schedule L, (Form 990 or 990-EZ), Part IV. Also, D does not qualify as an independent member of the organization’s governing body because D receives indirect financial benefits from the organization through M that are reportable on Schedule L (Form 990 or 990-EZ), Part IV.

Section B. Five Highest Compensated Independent Contractors

Complete this table for the five highest compensated **independent contractors** that received more than \$100,000 in compensation for services, whether professional or other services, from the organization. Independent contractors include organizations as well as individuals and may include professional fundraisers, law firms, accounting firms, publishing companies, **management companies**, and investment management companies. See Pub. 1779, Independent Contractor or Employee, and Pub. 15-A, Employer’s Supplemental Tax Guide, for distinguishing **employees** from independent contractors.

Column (C). Enter the amount the organization paid, whether reported on Form 1099-MISC, box 7 or paid pursuant to the parties’ agreement or applicable state law, for the calendar year ending with or within the organization’s tax year.

Compensation includes fees and similar payments to independent contractors but not reimbursement of expenses. However, for this purpose, the organization must report gross payments to the **independent contractor** that include expenses and fees if the expenses are not separately reported to the organization.



Form 1099-MISC is not always required to be issued for payments to an independent contractor.

Part VIII. Statement of Revenue

Column (A).

All organizations must complete column (A), *Total Revenue*, reporting their **gross receipts** for all sources of revenue. All organizations (except section 527 political organizations) must complete columns (B) through (D). Refer to specific instructions below for completing each column.



If the organization enters an amount in column (A) for lines 2a through 2e or lines 11a through 11c, it must also enter a business code for each line from the *Codes for Unrelated Business Activity* in the 2008 Instructions for Form 990-T. If none of the listed codes accurately describe the activity, enter “900099.” Use of these codes does not imply that the business activity is unrelated to the organization’s exempt purpose.

Column (B).

In column (B), report all revenue from activities substantially related to the organization’s exempt purpose. Also report here any revenue that is excludable from gross income other than by section 512, 513, or 514, such as interest on state and local bonds that is excluded from tax by section 103.

Column (C).

In column (C), report any **unrelated business** revenue received by the organization during the **tax year** from an **unrelated trade or business**. See Pub. 598, Tax on Unrelated Business Income of Exempt Organizations, and Instructions for Form 990–T, for more information.

Column (D).

In column (D), report any revenue excludable from **unrelated business income** by section 512, 513, or 514. Examples of

such revenue include receipts from the sale of donated merchandise, interest (unless debt-financed), and receipts from **bingo** games.

Line 1. In General

On lines 1a through 1f, report cash and non-cash amounts received as voluntary **contributions**, gifts, grants or other similar amounts from the general public, **governmental units**, foundations, and other exempt organizations. The general public includes individuals, corporations, trusts, estates, and other entities. Voluntary contributions are payments, or the part of any payment, for which the payer (donor) does not receive full retail value (fair market value) from the recipient (donee) organization. Contributions are reported on line 1 regardless of whether they are deductible by the contributor. The non-cash portion of contributions reported on lines 1a through 1f is also reported on line 1g.

Report gross amounts of contributions collected in the organization’s name by fundraisers.

Report all expenses of raising contributions in Part IX, column (D), *Fundraising Expenses*. The organization must show on line 11e fees for **professional fundraising services** relating to the gross amounts of contributions collected in the organization’s name by **professional** fundraisers.

Report the value of **non-cash contributions** at the time of the donation. For example, report the fair market value of a donated car at the time the car was received as a donation.

Reporting line 1 in accordance with **SFAS 116** is acceptable for Form 990 purposes, but not required by IRS. An organization that receives a grant to be paid in future years should, according to SFAS 116, report the grant’s present value on line 1. Accruals of present value increments to the unpaid grant should be reported on line 1 in future years.

Contributions do not include:

- Grants, fees or other support from **governmental units**, foundations or other exempt organizations that represent a payment for a service, facility, or product that primarily gives some economic or physical benefit to the payer.
- The portion of any fundraising solicitation representing payment for goods, services, or anything else at retail value.
- Donations of services or of use of materials, equipment, or facilities.
- Unreimbursed expenses of **officers, employees, or volunteers**. (See the explanations of charitable contributions and employee business expenses in Pub. 526 and Pub. 463, respectively.)
- Payments received from employers for welfare benefits under plans described in sections 501(c)(9), (17), and (18). Report these amounts on line 2, *Program Service Revenue*.

Line 1a. Enter on line 1a the total amount of **contributions** received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies and similar fundraising organizations (such as from a United Way organization). Federated fundraising agencies normally conduct fundraising campaigns within a single metropolitan area or some part of a particular state, and allocate part of the net proceeds to each participating organization on the basis of the donors’ individual designations and other factors.



Federated fundraising agencies must, like all other filers, identify the sources of contributions made to them on lines 1a through 1g.

Line 1b. Report on line 1b membership dues and assessments that represent **contributions** from the public rather than payments for benefits received or payments from affiliated organizations.

Example. M is an organization whose primary purpose is to support the local symphony orchestra. Members have the privilege of purchasing subscriptions to the symphony’s annual concert series before they go on sale to the general public, but must pay the same price as any other member of the public. They also are entitled to attend a number of rehearsals each

season without charge. Under these circumstances, M's receipts from members are contributions reported on line 1b. Membership dues that are not contributions because they compare reasonably with available benefits are reported on line 2, *Program Service Revenue*.

Membership dues may consist of both contributions and payment for goods and services. In that case, the portion of the membership dues that is a payment for goods or services should be reported on line 2, Program Service Revenue. The portion that exceeds the fair market value of the goods or services provided should be reported on line 1b.

See Pub. 1771, Charitable Contributions—Substantiation and Disclosure Requirements.

Line 1c. Enter the total amount of **contributions** received from **fundraising events**, which includes, but is not limited to, **gaming** events, dinners, auctions, and other events conducted for the sole or primary purpose of raising funds for the organization's exempt activities

Example. An organization holds a dinner, charging \$400 per person for the meal. The dinner has a retail value of \$160. A person who purchases a ticket is really purchasing the dinner for \$160 and making a contribution of \$240. The contribution of \$240, which is the difference between the buyer's payment and the retail value of the dinner, would be reported on line 1c and again on line 8a (within the parentheses). The revenue received (\$160 retail value of the dinner) would be reported in the right-hand column on line 8a.

If a contributor gives more than \$400, that person would be making a larger contribution, the difference between the dinner's retail value of \$160 and the amount actually given. Rev. Rul. 67-246, 1967-2 C.B. 104, explains this principle in detail. See also the instructions for lines 8a through 8c and Pub. 526, Charitable Contributions.

Organizations that report more than \$15,000 total on lines 1c and 8a must also answer "Yes" to Part IV, line 18 and complete Part II of Schedule G, (Form 990 or 990-EZ), Supplemental Information Regarding Fundraising or Gaming Activities.

Line 1d. Report on line 1d amounts contributed to the organization by **related organizations**. Do not report amounts reportable on line 1a.

Line 1e. Enter the total amount of **contributions** in the form of grants or similar payments from local, state, or federal government sources, as well as foreign governments. Include grant amounts from **U.S. possessions**.

A grant or other payment from a **governmental unit** is reported here if its primary purpose is to enable the organization to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the governmental unit. In other words, the payment is recorded on line 1e if the general public gets the primary and direct benefit from the payment and any benefit to the governmental unit is indirect and insubstantial as compared to the public benefit.

The following are examples of governmental grants and other payments that are treated as contributions and reported on line 1e.

- Payments by a governmental unit for the construction or maintenance of library or museum facilities open to the public.
- Payments by a governmental unit to nursing homes to provide health care to their residents.
- Payments by a governmental unit to child placement or child guidance organizations under government programs to better serve children in the community.

Line 1f. Enter all other **contributions**, gifts, and similar amounts the organization received from sources not reported separately on lines 1(a) through 1(e). This amount includes contributions from **donor-advised funds**.

Line 1g. Enter on Line 1g the amount of **non-cash contributions** included on lines 1a through 1f. If this amount exceeds \$25,000, the organization must answer "Yes" to Part

IV, line 29 and complete and attach Schedule M, (Form 990), Non-Cash Contributions.

Non-cash contributions are anything other than cash, checks, money orders, credit card charges, wire transfers, and other transfers and deposits to a cash account of the organization. Value noncash donated items, like cars and **securities**, as of the time of their receipt, even if sold immediately after they were received.

Example. A charity receives a gift of stock from an unrelated donor. The stock is delivered to the charity's broker, who sells it on the same day and remits the sales proceeds, net of commissions, to the charity. The value of the stock at the time of the contribution must be reported on line 1f and also on line 1g. The sale of the stock, and the related sales expenses (including the amount reported on lines 1f and 1g), must be reported on lines 7a through 7d.

TIP *Museums and other organizations that elect not to capitalize their collections (in accordance with SFAS 116) should not report an amount on line 1g for works of art and other collection items donated to them.*

For more information on **non-cash contributions** see the Instructions for Schedule M (Form 990).

Line 1h. Enter on line 1h the total of lines 1a through 1f (but not line 1g).

TIP The organization may also need to attach Schedule B, (Form 990, 990-EZ, or 990-PF), Schedule of Contributors. See the instructions for Schedule B (Form 990, 990-EZ, or 990-PF) for more information.

Line 2. On lines 2a through 2e, enter the organization's five largest sources of program service revenue. Program services are primarily those that form the basis of an organization's exemption from tax. For a more detailed description of program service revenue, refer to the instructions for Part IX, column (B), *Program service expenses*.

On line 2f, enter the total received from all other sources of program service revenue not listed individually on lines 2a through 2e. On line 2g, enter the total of column (A), lines 2a through 2f.

Program service revenue. Program service revenue includes income earned by the organization for providing a government agency with a service, facility, or product that benefited that government agency directly rather than benefiting the public as a whole. Program service revenue also includes tuition received by a school, revenue from admissions to a concert or other performing arts event or to a museum; royalties received as author of an educational publication distributed by a commercial publisher; interest income on loans a credit union makes to its members; payments received by a section 501(c)(9) organization from participants or employers of participants for health and welfare benefits coverage; insurance premiums received by a fraternal beneficiary society; and registration fees received in connection with a meeting or convention.

Program related investments. Program service revenue also includes income from program-related investments. These investments are made primarily to accomplish an exempt purpose of the investing organization rather than to produce income. Examples are scholarship loans and low interest loans to charitable organizations, indigents, or victims of a disaster.

Rental income from an exempt function is another example of program-related investment income. When an organization rents to an unaffiliated exempt organization at less than fair rental value for the purpose of aiding that tenant's exempt function, the filing organization should report such rental income as program service revenue on line 2. For purposes of this return, report all rental income from an affiliated organization on line 2.

Unrelated trade or business activities. Unrelated trade or business activities (not including any **fundraising events** or **fundraising activities**) that generate fees for services may also be program service activities. A social club, for example, should report as program service revenue the fees it charges

both members and nonmembers for the use of its tennis courts and golf course.

Sales of inventory items by hospitals, colleges, and universities. Books and records maintained in accordance with generally accepted accounting principles for hospitals, colleges, and universities are more specialized than books and records maintained according to those accounting principles for other types of organizations that file Form 990. Accordingly, **hospitals**, colleges, and universities may report, as program service revenue on line 2, sales of inventory items otherwise reportable on line 10a. In that event, show the applicable cost of goods sold as program service expense in column (B) of Part IX. No other organizations should report sales of inventory items on line 2.

Common Types of Program Service Revenue:

- Medicare/Medicaid payments, and other payments for medical services.
- Fees and contracts from government agencies for a service, facility, or product that primarily benefited the government agencies.

Example 1. A payment by a governmental agency to a medical clinic to provide vaccinations to the general public is a contribution reported on line 1e. A payment by a governmental agency to a medical clinic to provide vaccinations to employees of the agency is program service revenue reported on line 2.

Example 2. A payment by a governmental agency to an organization to provide job training and placement for disabled individuals is a contribution reported on line 1e. A payment by a governmental agency to the same organization to operate the agency's internal mail delivery system is program service revenue reported on line 2.

- Income from program related investments. Report interest, dividends, and other revenues from those investments made primarily to accomplish the organization's exempt purposes rather than to produce income. Examples of program-related investments include student loans and notes receivable from other exempt organizations that borrowed the funds to pursue the filing organization's exempt function.
- Membership dues and assessments received that compare reasonably with the membership benefits provided by the organization. Organizations described in section 501(c)(5), (6), or (7) generally provide benefits that have a reasonable relationship with dues.

Examples of membership benefits include:

- Subscriptions to publications,
- Newsletters (other than one only about the organization's activities),
- Free or reduced-rate admissions to events sponsored by the organization,
- Use of the organization's facilities, and
- Discounts on articles or services that members and nonmembers can buy



For each amount entered on lines 2a through 2e, the organization must also enter a corresponding business code from *Codes for Unrelated Business Activity* from the 2008 Instructions for Form 990-T. If none of the listed codes accurately describe the activity, enter "900099." Use of these codes does not imply that the business activity is unrelated to the organization's exempt purpose.

Line 3. Enter the amount of interest income from savings and temporary cash investments, dividend and interest income from equity and debt **securities** (stocks and bonds), amounts received from payments on securities loans, as defined in section 512(a)(5), as well as interest from notes and loans receivable. Do not include unrealized gains and losses on investments carried at market value.

Line 4. Report all investment income actually or constructively received from investing the **proceeds** of a tax-exempt **bond issue**, which are under the control of the organization. For this purpose, do not include any investment income received from investing proceeds which are technically under the control of the **governmental issuer**. For example, proceeds deposited into a **defeasance escrow** which is irrevocably pledged to pay

the principal and interest (debt service) on a bond issue is not under the control of the organization.

Line 5. Report on Line 5 royalties received by the organization from licensing the ongoing use of its property to others. Typically, royalties are received for the use of intellectual property, such as patents and trademarks. Royalties also include payments to the owner of property for the right to exploit natural resources on the property, such as oil, natural gas, or minerals.

Line 6a. Enter on line 6a the rental income received for the year from investment property. Allocate revenue to real property and personal property in the spaces provided. Do not include on line 6a rental income related to the filing organization's exempt function (program service). Report such income on line 2. For example, an exempt organization whose exempt purpose is to provide low-rental housing to persons with low income would report that rental income as program service revenue on line 2.

Rental income received from an unaffiliated exempt organization is generally considered unrelated to the filing organization's exempt purpose and reportable on line 6a. However, note an exception given in the instructions for line 2 when the filing organization aids an unaffiliated organization with its exempt function.

Only for purposes of completing this return, the filing organization must report any rental income received from an affiliated exempt organization as program service revenue on line 2.

Rental revenue can be from an activity that is related or unrelated to the organization's exempt purpose. In general, rents from real property are excluded in computing **unrelated business income**, while rental income from personal property is included. There are special rules when rents are received from personal property leased with real property (a mixed lease). In general, rental revenue from real property is excluded from unrelated business revenue when:

- The determination of the amount of such rents is not based on income or net profits derived by any person from the property leased other than an amount based on a fixed percentage of the gross receipts or sales,
- The lease does not include personal services other than customary ones such as trash removal and cleaning of public areas,
- Any portion attributable to personal property is 10% or less of the total rent, and
- The real property is not debt-financed within the meaning of section 512, 513, or 514. (Rent from debt-financed real property is generally includible in unrelated business income, but there may be exceptions based on use of the property. See Pub. 598.)

Rent received from leased personal property is generally taxable except when leased with real property, and the rent attributable to the personal property does not exceed 10% of the total rents from all leased property.

Line 6b. Enter on Line 6b the expenses paid or incurred for the income reported on line 6a. Include interest related to rental property and depreciation if it is recorded in the organization's books and records. If the organization reported in line 2 any rental income reportable as program service revenue, report any rental expense allocable to such activity in the applicable lines of Part IX, column (B).

Line 6c. Subtract line 6b from line 6a for both columns (i) and (ii) and enter on line 6c. Show any loss in parentheses.

Line 6d. Add line 6c, columns (i) and (ii) and enter on line 6d. Show any loss in parentheses.

Lines 7a through 7d. Report on lines 7a through 7c, all sales of **securities** in column (A). Use column (B) to report sales of all other types of investments (such as real estate, royalty interests, or partnership interests) and all other non-inventory assets (such as program-related investments and fixed assets used by the organization in its related and unrelated activities.)

On line 7a, for each column, enter the total gross sales price of all such assets. Total the cost or other basis (less depreciation) and selling expenses and enter the result on line 7b. On line 7c, enter the net gain or loss.

On lines 7a and 7c, also report capital gains dividends, the organization's share of capital gains and losses from a partnership, and capital gains distributions from trusts.

Combine the gain or loss figures reported on line 7c, columns (i) and (ii) and report that total on line 7d. Do not include any unrealized gains or losses on **securities** carried at market value in the books of account.

For reporting sales of securities on Form 990, the organization may use the more convenient average cost basis method to figure the organization's gain or loss. When a security is sold, compare its sales price with the average cost basis of the particular security to determine gain or loss. However, for reporting sales of securities on Form 990-T, do not use the average cost basis to determine gain or loss.

The organization should maintain books and records to substantiate information regarding any securities or other assets sold for which market quotations were not published or were not otherwise readily available. The recorded information should include:

- A description of the asset,
- Date acquired,
- Whether acquired by donation or purchase,
- Cost or other basis,
- Expense of sale, and
- Depreciation.

Line 8a. If the sum of the amounts reported on lines 1c and 8a exceeds \$15,000, then the organization must answer "Yes" to Part IV, line 18 and complete Schedule G, (Form 990 or 990-EZ), Supplemental Information Regarding Fundraising or Gaming Activities, Part II.

Compute the organization's gross income from fees, ticket sales or other revenue from **fundraising events**.

<p>Fundraising events include:</p> <ul style="list-style-type: none"> • Dinners/dances, • Door-to-door sales of merchandise, • Concerts, • Carnivals, • Sports events, and • Auctions. 	<p>Fundraising events do not include:</p> <ul style="list-style-type: none"> • Sales or gifts of goods or services of only nominal value, • Raffles or lotteries in which prizes have only nominal value, and • Solicitation campaigns that generate only contributions. <p>Proceeds from these activities are considered contributions and should be reported on line 1f.</p>
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Fundraising events do not include events or activities that substantially further the organization's exempt purpose even if they also raise funds.

Example. An organization formed to promote and preserve folk music and related cultural traditions holds an annual folk music festival featuring concerts, handcraft demonstrations, and similar activities. Because the festival directly furthers the organization's exempt purpose, income from ticket sales should be reported on line 2 as program service revenue.

Fundraising events sometimes generate both **contributions** and income, such as when an individual pays more than the retail value for the goods or services furnished. Report in parentheses the total amount from fundraising events that represents contributions rather than payment for goods or services. Treat the following as contributions.

- Amounts paid in excess of retail value of goods or service furnished. See *Example* for line 1(c).
- Amounts from **fundraising activities** when items of only nominal value are given or offered.

Example. In return for a contribution of any amount, donors receive a keychain with the organization's logo. All amounts

received should be reported as contributions on line 1f and all associated expenses in the appropriate lines in Part IX, column (D). In such a case, no amounts would be reported on line 8.

Line 8b. Report the expenses that relate directly to the production of the revenue portion of the fundraising activity. In the line 1(c) dinner example referred to earlier, the cost of the food and beverages served would be one of the items reported on line 8b. Indirect fundraising expenses, such as advertising, associated with raising these **contributions**, must be reported on the appropriate lines in Part IX, column (D) and not on line 8b.

Line 8c. Report on line 8c the difference between lines 8a and 8b. The organization must report net income from **fundraising events** as unrelated business revenue (column (C) or as revenue excluded from tax under sections 512, 513, or 514 (column (D))).

Line 9a. Organizations that report more than \$15,000 on line 9a must also answer "Yes" to Part IV, line 19 and complete Part III of Schedule G, (Form 990 or 990-EZ), Supplemental Information Regarding Fundraising or Gaming Activities.

Types of gaming include, but are not limited to:	
<ul style="list-style-type: none"> - Bingo - Pull tabs - Instant bingo - Raffles - Scratch-offs - Charitable gaming tickets - Break-opens - Hard cards - Jar tickets - Pickle cards 	<ul style="list-style-type: none"> - Nevada Club tickets - Casino nights - Las Vegas nights - Coin-operated gambling devices including: <ul style="list-style-type: none"> • Slot machines • Electronic video slot or line games • Video poker • Video blackjack • Video keno • Video bingo • Video pull tab games

Many games of chance are taxable. Income from **bingo** games is not generally subject to the tax on unrelated business income if the games meet the legal definition of bingo. For a game to meet the legal definition of bingo, wagers must be placed, winners must be determined, and prizes or other property must be distributed in the presence of all persons placing wagers in that game.

A wagering game that does not meet the legal definition of bingo does not qualify for the exclusion, regardless of its name. For example, **instant bingo**, in which a player buys a pre-packaged bingo card with **pull-tabs** that the player removes to determine if he or she is a winner, does not qualify. See Pub. 598, Tax on Unrelated Business Income of Exempt Organizations and Form 990-T.

Line 9b. Report on this line the expenses that relate directly to the production of the revenue portion of the **gaming** activity.

Direct expenses of gaming include:

- Cash prizes,
- Noncash prizes,
- Compensation to **bingo** callers and workers,
- Rental of gaming equipment, and
- Cost of bingo supplies such as **pull tabs**, etc.

Line 9c. Report the difference between 9a and 9b.

Line 10a. Report the organization's gross income from sales of inventory items, less returns and allowances. Sales of inventory items reportable on line 10a are sales of those items the organization makes to sell to others or buys for resale. Sales of inventory do not, however, include the sale of goods related to a **fundraising event**, which must be reported on line 8. Sales of investments on which the organization expected to profit by appreciation and sale are not reported here. Report sales of investments on line 7.

The organization must report the sales revenue regardless of whether the sales activity is an exempt function of the organization or an **unrelated trade or business**.

Line 10b. Report the cost of goods sold related to the sales of inventory. The usual items included in cost of goods sold are direct and indirect labor, materials and supplies consumed, freight-in, and a portion of overhead expenses. Marketing and distribution costs are not included in the cost of goods sold but are reported in column (B), *Program service expenses*, of Part IX.

Line 10c. Report in the appropriate columns (A) through (D), the net income or (loss) from the sale of inventory items.

Line 11. Report all other types of revenue not reportable on lines 1 through 10. List the three largest sources on lines 11a through 11c and all other revenue on line 11d.



For each amount entered on lines 11a, 11b and 11c, the organization must also enter a corresponding business code from *Codes for Unrelated Business Activity* from the 2008 Instructions for Form 990-T. If none of the listed codes accurately describe the activity, enter "900099." Use of these codes does not imply that the business activity is unrelated to the organization's exempt purpose.

Line 12. For column (A), add lines 1h, 2g, 3 through 5, 6d, 7d, 8c, 9c, 10c, and 11e. For columns (B) through (D), add lines 2a through 2f, 3, 4, 5, 6d, 7d, 8c, 9c, 10c, and 11a through 11d. The amounts reported on line 12 in columns (B), (C), and (D), plus the amount reported on line 1h, should equal line 12, column (A).

Part IX. Statement of Functional Expenses

Use the organization's normal accounting method to complete this section. If the organization's accounting system does not allocate expenses, the organization may use any reasonable method of allocation. The organization must report amounts accurately and document the method of allocation in its records. Do not report in Part IX expenses that must be reported on lines 6b, 7b, 8b, 9b, or 10b in Part VIII.

Column (A)

Section 501(c)(3) and section 501(c)(4) organizations as well as section 4947(a)(1) nonexempt charitable trusts must complete columns (A) through (D).

All other organizations must complete column (A) but may complete columns (B), (C), and (D).



State reporting requirements may be different from IRS reporting requirements applicable to Part IX.

Column (B)

Program services are mainly those activities that further the organization's exempt purposes. Fundraising expenses should not be reported as program-service expenses even though one of the organization's purposes is to solicit **contributions**.

Include **lobbying** expenses in this column if the lobbying is directly related to the organization's exempt purposes.

Example. Foundation M, an organization exempt under section 501(c)(3), has the exempt purpose of improving health care for senior citizens. Foundation M operates in State N. The legislature of State N is considering legislation to improve funding of health care for senior citizens. Foundation M lobbies state legislators in support of the legislation. Since this lobbying is directly related to Foundation M's exempt purpose, it would be considered an exempt function expense, and would be included under Column (B).

Program services can also include the organization's **unrelated trade or business** activities. Publishing a magazine is a program service even though the magazine contains both editorials and articles that further the organization's exempt purpose as well as advertising, the income from which is taxable as **unrelated business income**.

Also include costs to secure a grant to conduct research, produce an item, or perform a service, whether the activities were conducted to meet the grantor's specific needs or to benefit the public directly. Do not report these costs as fundraising expenses in column (D), even if the organization reports the grant on Part VIII, line 1, as a **contribution**.

Column (C)

Use Column (C) to report expenses that relate to the organization's overall operations and management, rather than to **fundraising activities** or program services. Overall management usually includes the salaries and expenses of the organization's chief executive officer and his or her staff, unless a part of their time is spent directly supervising program services or fundraising activities. In that case, their salaries and expenses should be allocated among management, fundraising, and program services.

Expenses incurred to manage investments must be reported in column (C). **Lobbying** expenses should be reported in this column if they do not directly relate to the organization's exempt purposes.

Organizations must also report the following in column (C): costs of board of directors meetings; committee meetings, and staff meetings (unless they involve specific program services or **fundraising activities**); general legal services; accounting (including patient accounting and billing); general liability insurance; office management; auditing, human resources, and other centralized services; preparation, publication, and distribution of an annual report; and management of investments.

However, report expenses related to the production of program-related income in column (B) and expenses related to the production of rental income in Part VIII, on line 6b. Rental expenses incurred for the organization's office space or facilities are reported on line 16.

Do not use this column to report costs of special meetings or other activities that relate to fundraising or specific program services.

Column (D)

Fundraising expenses are the expenses incurred in soliciting **contributions**, gifts, and grants. Report as fundraising expenses all expenses, including allocable overhead costs, incurred in: (a) publicizing and conducting fundraising campaigns; and (b) soliciting bequests and grants from foundations or other organizations, or government grants reportable on line 1, in Part VIII. This includes participating in federated fundraising campaigns; preparing and distributing fundraising manuals, instructions, and other materials; and conducting **fundraising events** that generate contributions reportable in Part VIII, line 1c, or revenue reportable on Part VIII, on line 8a.

Example. For an employee who works on fundraising 40 percent of the time and program management 60 percent of the time, an organization must allocate that employee's salary 40 percent to fundraising and 60 percent to program service expenses. It may not report the 100 percent of salary as program expenses simply because the employee spent over 50 percent of his time on program management.

Allocating Indirect Expenses

Direct costs are expenses that can be identified specifically with an organization's activity or project, and can be assigned to an activity or project with a high degree of accuracy. Indirect costs are costs that cannot be identified specifically with an activity or project. For example, a computer bought by a university specifically for a research project is a direct cost. In contrast, the costs of software licensing for programs that run on all the university's computers are indirect costs.

Colleges, universities, hospitals, and other organizations that incur indirect expenses in various cost centers (such as organizational memberships, books and subscriptions, and regular telecommunications costs) may allocate and report such expenses in the following manner:

1. Report the expenses of all indirect cost centers in column (C) of lines 5 through 24.

2. As a separate line item of line 24, enter "Allocation of [name of indirect cost center] expenses."

a. If any of the cost center's expenses are allocated to expenses listed in Part VIII such as the expenses attributable to **fundraising events** and activities, enter such expenses as a negative figure in columns (A) and (C).

b. Allocate expenses to column (B) or (D) as positive amounts.

c. Add the amounts in columns (B) and (D) and enter the sum as a negative offsetting amount in column (C). Do not make any entries in column (A) for these offsetting entries.

Example. An organization reports in column (C) \$50,000 of its actual management and general expenses and \$100,000 of expenses of an indirect cost center that are allocable in part to other functions. The total of lines 5 through 24 of column (C) would be \$150,000 before the indirect cost center allocations were made. Assume that of the \$100,000 total expenses of the

cost center, \$10,000 was allocable to fundraising; \$70,000 to various program services; \$15,000 to management and general functions; and \$5,000 to special events and activities. To report this in Part IX under this optional method:

1. Indicate the cost center, the expenses of which are being allocated, on line 24, as "Allocation of [specify the indirect cost center] expenses;"

2. Enter a decrease of \$5,000 on the same line in the column (A), *Total expenses*, representing the fundraising event expenses that were already reported in Part VIII, on line 8b;

3. Enter \$70,000 on the same line in column (B), *Program service expenses*;

4. Enter \$10,000 on the same line in column (D), *Fundraising expenses*; and

5. Enter a decrease of \$85,000 on the same line in column (C), *Management and general expenses*, to represent the allocations to functional areas other than management and general.

Line	(A)	(B)	(C)	(D)
5-24a	\$150,000	-	\$150,000	-
24b Allocation of \$100,000 indirect cost center expenses reported in (C)	(5,000)	70,000	(85,000)	10,000
25	\$145,000	\$70,000	\$65,000	\$10,000

After making these allocations, the column (C) total, *functional expenses*, (line 25, column (C)) would be \$65,000, consisting of the \$50,000 actual management and general expense amount and the \$15,000 allocation of the aggregate cost center expenses to management and general.

The above is an example of a one-step allocation that shows how to report the allocation in Part IX. This reporting method would actually be more useful to avoid multiple-step allocations involving two or more cost centers. Without this optional reporting method, the total expenses of the first cost center would be allocated to the other functions, and might include an allocation of part of these expenses to another cost center. The expenses of the second cost center would then be allocated to other functions and, perhaps, to other cost centers, and so on. The greater the number of these cost centers that are allocated out, the more difficult it is to preserve the object classification identity of the expenses of each cost center (for example, salaries, interest, supplies, etc.). Using the reporting method described above avoids this problem.



The intent of the above instructions is only to facilitate reporting indirect expenses by both object classification and function. These instructions do not authorize the allocation to other functions of expenses that should be reported as management and general expenses.

Grants and other Assistance to Governments, Organizations and Individuals. Organizations should report the amount of **grants and other assistance** on lines 1 through 3. Report expenses incurred in selecting recipients or monitoring compliance with the terms of a grant or award on lines 5 through 24. See the following instructions.

Note. Organizations may report this information in accordance with Statement of Financial Accounting Standards (SFAS 116) but are not required to do so. For example, an organization that follows SFAS 116 and makes a grant during the **tax year** to be paid in future years should report the grant's present value on this year's Form 990 and report accruals of additional value increments in future years.

Line 1. Enter the amount that the organization, at its own discretion, paid in grants to **governmental units** and other organizations in the **United States**. United Way and similar federated fundraising organizations should report grants to member or participating agencies on line 1. Organizations must report voluntary grants to state or local affiliates for specific (restricted) purposes or projects on line 1.

If line 1 exceeds \$5,000, the organization must complete Parts I and II of Schedule I, (Form 990), Grants and Other Assistance to Organizations, Governments and Individuals in the U.S.

Line 2. Enter the amount paid by the organization to individuals in the **United States** in the form of scholarships, fellowships, stipends, research grants, and similar payments and distributions.

Also include **grants and other assistance** paid to third party providers for the benefit of specified individuals. For example, a grant payment to a **hospital** to cover the medical expenses of a particular patient must be reported on line 2. By comparison, a grant to the same **hospital** to provide services to the general public or to unspecified charity patients must be reported on line 1.

If line 2 exceeds \$5,000, the organization must complete Parts I and III of Schedule I (Form 990).

Line 3. The organization must enter the total amount of **grants and other assistance** made to **foreign governments, foreign organizations, and foreign individuals** outside the **United States**.

If line 3 exceeds \$5,000, the organization may have to complete Parts II and/or Part III of Schedule F, (Form 990), Statement of Activities Outside the United States. See instructions for Schedule F for more information.

Line 4. Enter the payments made by the organization to provide benefits to members (such as payments made by an organization exempt under sections 501(c)(8), 501(c)(9), or 501(c)(17) to obtain insurance benefits for members). Do not report on this line the cost of employment-related benefits such as health insurance, life insurance, or disability insurance provided by the organization to its **officers and employees**. Report those expenses on lines 8 and 9.

Line 5. Enter the total **compensation** paid to current **officers, directors, trustees, and key employees** for the **tax year**. Compensation includes all forms of income and other benefits earned or received in return for services rendered, including pension plan contributions and other employee benefits, but does not include non-compensatory expense reimbursements or allowances. Report all compensation amounts relating to such an individual, including those related to services performed in a capacity other than as an officer, director, trustee, or key employee.



Compensation for Part IX is to be reported based on the accounting method and reporting period used by the organization, rather than the definitions and calendar year used to complete Part VII or Schedule J (Form 990) regarding compensation of certain **officers, directors, trustees and other employees.**

Note. To the extent the following examples discuss allocation of expenses in columns B, C, and D, they apply only to filers required to complete those columns.

Example 1. Key Employee A spent 90% of her time administering a program that constitutes the basis of the organization's exempt purpose and 10% of her time in the general management of the organization itself. Allocate 90% of key employee A's compensation to column (B), and 10% to column (C).

Example 2. Director B is not paid as a member of the board, but is employed and compensated by the organization as a part-time fundraiser. Allocate 100% of Director B's compensation to column (D), fundraising.

Example 3. Key Employee C receives \$100,000 of salaries and wages. In addition, the organization paid \$25,000 of fringe benefits, \$10,000 of non-compensatory travel reimbursements, and \$7,500 of pension plan contributions relating to key employee C. The organization reports \$132,500 as compensation on line 5 and reports the \$10,000 of expense reimbursements on line 17.

Line 6. Sections 501(c)(3) and 501(c)(4) organizations must report the total **compensation** and other distributions provided to disqualified persons and persons described under section 4958(c)(3)(B) not included on line 5.

Compensation includes all forms of income and other benefits earned or received in return for services rendered, including pension plan contributions and other employee benefits, but does not include non-compensatory expense reimbursements or allowances.

Line 7. Enter the total amount of **employee** salaries, wages, fees, bonuses, severance payments, and similar amounts not reported on lines 5 or 6.

Line 8. Enter the employer's share of contributions to qualified and nonqualified pension plans for the year. The organization should include contributions made to sections 401(k) and 403(b) pension plans on behalf of **employees**. However, it should not include contributions to qualified pension, profit-sharing, and stock bonus plans under section 401(a) solely for the benefit of current or former **officers, directors, trustees, or key employees** that are reportable on lines 5 or 6.



Complete Form 5500, Annual Return/Report of Employee Benefit Plan, for the organization's plan and file it as a separate return. If the organization has more than one pension plan, complete a Form 5500 for each plan. File the form by the last day of the 7th month after the plan year ends.

Line 9. Other employee benefits. Enter the organization's contributions to employee benefit programs (such as insurance, health, and welfare programs that are not an incidental part of a pension plan included on line 8), and the cost of other employee benefits.

For example, report expenses for employee events such as a picnic or holiday party on line 9. Do not include **contributions** on behalf of current or former **officers, directors, trustees, key employees** or other persons that were included on lines 5 or 6.

Line 10. Payroll taxes. Enter the amount of federal, state, and local payroll taxes for the year but only those taxes that are imposed on the organization as an employer. This includes the employer's share of Social Security and Medicare taxes, the federal unemployment tax (FUTA), state unemployment compensation taxes, and other state and local payroll taxes. Do not include on line 10 taxes withheld from employees' salaries and paid to various governmental units such as federal, state, and local income taxes and the employees' shares of Social

Security and Medicare taxes. Such withheld amounts are reported as compensation.

Line 11. Fees for services paid to non-employees (independent contractors). Enter on lines 11a through 11g amounts for services provided by **independent contractors** for management, legal, accounting, lobbying, **professional fundraising services**, investment management, and other services, respectively. Include amounts regardless of whether a Form 1099 was issued to the **independent contractor**. Do not include on line 11 amounts paid to or earned by **employees** for these types of services, which must be reported on lines 5 through 7.

Line 11a. Management fees. Enter the total fees charged for management services provided by outside firms and individuals.

Line 11b. Legal fees. Enter the total legal fees charged by outside firms and individuals. Do not include any penalties, fines, settlements or judgments imposed against the organization as a result of legal proceedings. Report those expenses on line 24, *Other expenses*. Report any amounts for lobbying services provided by attorneys on line 11d.

Line 11c. Accounting fees. Enter the total accounting and auditing fees charged by outside firms and individuals.

Line 11d. Lobbying fees. Enter amounts for activities intended to influence foreign, national, state, or local legislation, including direct **lobbying** and grassroots lobbying. Do not include activities to influence actions by executive, judicial, or administrative officials or bodies, or other advocacy services. Report these amounts on line 11g.

Line 11e. Professional fundraising fees. Enter amounts paid for professional **fundraising services**, including solicitation campaigns and advice or other consulting services supporting in-house fundraising campaigns. If the organization is able to distinguish between fees paid for professional fundraising services and amounts paid for fundraising expenses such as printing, paper, envelopes, postage, mailing list rental, and equipment rental, then fees paid for professional fundraising services should be reported on line 11e and amounts paid for fundraising expenses should be reported on line 24 as other expenses. If the organization is unable to distinguish between these amounts, it should report all such fees and amounts on line 11e.

Line 11f. Investment management fees. Enter amounts for investment counseling and portfolio management. Monthly account service fees are considered portfolio management expenses, and must be reported here. Do not include transaction costs such as brokerage fees and commissions, which are considered sales expenses and are included on Part VIII, line 7b.

Line 11g. Other fees for services. Enter amounts for other **independent contractor** services not listed on lines 11a through 11f. For example, amounts paid to an independent contractor for advocacy services that do not constitute lobbying should be reported here. For health care organizations, payments to health care professionals who are independent contractors are reported on line 11g.

Line 12. Advertising expenses. Enter amounts paid for advertising. Include amounts for print and electronic media advertising. Also include Internet site link costs, signage costs, and advertising costs for the organization's in-house fundraising campaigns. Do not include fees paid to **independent contractors** for conducting professional **fundraising** services or campaigns (these amounts must be reported on line 11e).

Line 13. Office expenses. Enter amounts for supplies (office, classroom, medical, or other supplies); telephone (cell phones and landlines) and facsimile; postage (overnight delivery, parcel delivery, trucking, and other delivery expenses) and mailing expenses; shipping materials; equipment rental; bank fees and other similar costs. Also include printing costs of a general nature. Printing costs that relate to conferences or conventions must be reported on line 19.

Line 14. Information technology. Enter amounts for information technology, including hardware, software, and support services, such as maintenance, help desk, and other technical support services. Also include expenses for infrastructure support, such as web site design and operations, and virus protection and other information security programs and services to keep the organization's web site operational and secured against unauthorized and unwarranted intrusions.

Line 15. Royalties. Enter amounts for royalties, license fees and similar amounts that allow the organization to use intellectual property such as patents and copyrights.

Line 16. Occupancy. Enter amounts for the use of office space or other facilities, including rent, heat, light, power, and other utilities expenses; property insurance; real estate taxes; mortgage interest; and similar occupancy-related expenses. Do not include expenses reportable as office expenses such as telephone expenses, on line 13.

Do not net any rental income received from leasing or subletting rented space against the amount reported on line 16 for occupancy expenses. If the tenant's activities are related to the organization's exempt purpose, report rental income as program-service revenue on Part VIII, line 2, and allocable occupancy expenses on this line 16. However, if the tenant's activities are not program-related, report the rental income on Part VIII, line 6a, and related rental expenses on Part VIII, line 6b.

Do not include employee salaries or depreciation as occupancy expenses. These expenses are reported on lines 5 through 7 and 22, respectively.

Line 17. Travel. Enter the total travel expenses, including transportation costs (fares, mileage allowances, and automobile expenses), meals and lodging, and per diem payments. Travel costs include the expenses of purchasing, leasing, operating, and repairing any vehicles owned by the organization and used for the organization's activities. However, if the organization leases vehicles on behalf of its executives or other employees as part of an executive or employee compensation program, the leasing costs are considered employee compensation, and are reported on lines 5 through 7.

Line 18. Payments of travel or entertainment expenses for any federal, state or local public officials. Enter total amounts for travel or entertainment expenses (including reimbursement for such costs) for any federal, state or local public officials (as determined under section 4946(c)) and their family members (as determined under 4946(d)). Report amounts for a particular public official only if aggregate expenditures for the year relating to such official (including family members of such official), exceed \$1,000 for the year.

For expenditures that are not specifically identifiable to a particular individual, the organization may use any reasonable allocation method to estimate the cost of the expenditure to an individual. Amounts not described above may be included in the reported total amount for line 18 or may be reported on line 24. The organization is responsible for keeping records of all travel and entertainment expenses related to a **government official** regardless of whether the expenses are reported on line 18 or line 24.

Line 19. Conferences, Conventions, and Meetings. Enter the total expenses incurred by the organization in conducting meetings related to its activities. Include such expenses as facility rentals, speakers' fees and expenses, and printed materials. Include the registration fees (but not travel expenses) paid for sending any of the organization's staff to conferences, conventions, and meetings conducted by other organizations. Travel expenses incurred by **officers, directors, and employees** attending such conferences, conventions and meetings must be reported on line 17.

Line 20. Interest. Enter the total interest expense for the year. Do not include any interest attributable to rental property (reported on Part VIII, line 6b) or any mortgage interest (reported as an occupancy expense on line 16).

Line 21. Payments to affiliates. Enter certain types of payments to organizations affiliated with (closely related to) the filing organization.

Payments to affiliated state or national organizations.

Dues paid by a local organization to its affiliated state or national (parent) organization are reported on line 21. Report on this line predetermined quota support and dues (excluding membership dues of the type described later) by local agencies to their state or national organizations for unspecified purposes; that is, general use of funds for the national organization's own program and support services.

Purchases from affiliates. Purchases of goods or services from affiliates are not reported on line 21 but are reported as expenses in the usual manner.

Expenses for providing goods or services to affiliates.

In addition to payments made directly to affiliated organizations, expenses for providing goods or services to affiliates may be reported on line 21 if:

- The goods or services provided are not related to the program services conducted by the organization furnishing them (for example, when a local organization incurs expenses in the production of a solicitation film for the state or national organization); and
- The costs involved are not connected with the management and general or fundraising functions of the filing organization. For example, when a local organization gives a copy of its mailing list to the state or national organization, the expense of preparing the copy provided may be reported on line 21, but not the expenses of preparing and maintaining the local organization's master list.

Federated fundraising agencies. Federated fundraising agencies should include in their own support, and report in Part VIII, line 1, the full amount of **contributions** received in connection with a solicitation campaign they conduct, even though donors designate specific agencies to receive part or all of their individual contributions. These fundraising agencies must report the allocations to participating agencies as grants and allocations on line 1, and quota support payments to their state or national organization as payments to affiliates on line 21.

Voluntary awards or grants to affiliates. Do not report on line 21 voluntary awards or grants made by the organization to its state or national organizations for specified purposes.

Membership dues paid to other organizations. Report membership dues paid to obtain general membership benefits from other organizations, such as regular services, publications, and other materials, on line 24. This is the case if a charitable organization pays dues to a trade association comprised of otherwise unrelated members.



Properly distinguishing between payments to affiliates and grants and allocations is especially important if the organization uses Form 990 for state reporting purposes. If the organization uses Form 990 only for reporting to the IRS, payments to affiliated or national organizations that do not represent membership dues reportable as miscellaneous expenses on line 24 may be reported either on line 21 or line 1.

Line 22. Depreciation, depletion, and amortization. If the organization records depreciation, depletion, amortization, or similar expenses, enter the total on line 22. Include any depreciation or amortization of leasehold improvements and intangible assets. An organization is not required to use the Modified Accelerated Cost Recovery System (MACRS) to compute depreciation reported on Form 990. For an explanation of acceptable methods for computing depreciation see Pub. 946, How to Depreciate Property. If an amount is reported on this line, the organization is required to maintain books and records to substantiate any amount reported.

Line 23. Insurance. Enter total insurance expenses other than insurance attributable to rental property (reported on Part VIII, line 6b). Do not report on this line payments made by organizations exempt under sections 501(c)(8), (9), or (17) to obtain insurance benefits for members. Report those expenses

on line 4. Do not report on this line the cost of employment-related benefits such as health insurance, life insurance, or disability insurance provided by the organization to its **officers** and **employees**. Report those expenses on lines 8 and 9. Do not report on this line property or occupancy-related insurance. Report those expenses on line 16.

Line 24. Other expenses. Enter the types and amounts of miscellaneous expenses which were not reportable on lines 1 through 23. Include payments by the organization to professional fundraisers of fundraising expenses such as printing, paper, envelopes, postage, mailing list rental, and equipment rental, if the organization is able to distinguish these expense amounts from fees for professional fundraising services reportable on line 11e. Enter the 5 largest dollar amounts on lines 24a through 24e and the total of all remaining expenses on line 24f. However, the organization must separately report the amount, if any, of **unrelated business income** taxes on line 24. If lines 24a through 24e contain an amount labeled “other expenses” or “miscellaneous expenses” or something similar, the amount reported cannot exceed 5% of the total expenses reported on line 25.

Line 25. Total functional expenses. Section 501(c)(3) and section 501(c)(4) organizations and section 4947(a)(1) nonexempt charitable trusts: Add lines 1 through 24f and enter the totals on line 25 in columns (A), (B), (C), and (D).

All other organizations: Add lines 1 through 24f and enter the total on line 25 in column (A).

Line 26. Joint Costs. Organizations that included in program service expenses (column (B) of Part IX) any joint costs from a combined educational campaign and fundraising solicitation must disclose how the total joint costs of all such combined activities were reported in Part IX.

Organizations checking the box in line 26 must furnish the relevant financial data in the spaces provided. Any costs provided here are not to be deducted from the other lines in Part IX on which they are reported.

An organization conducts a combined educational campaign and fundraising solicitation when it solicits **contributions** (by mail, telephone, broadcast media, or any other means) and includes, with the solicitation, educational material or other information that furthers a bona fide non-fundraising exempt purpose of the organization.

Expenses attributable to providing information regarding the organization itself, its use of past contributions, or its planned use of contributions received are fundraising expenses and must be reported in column (D). Do not report such expenses as program service expenses in column (B).

Any method of allocating joint costs between columns (B) and (D) must be reasonable under the facts and circumstances of each case. Most states with reporting requirements for charitable organizations and other organizations that solicit contributions either require or allow reporting of joint costs under AICPA Statement of Position 98-2 (SOP 98-2).

Part X. Balance Sheet

All organizations must complete Part X and may not submit a substitute balance sheet. All references to Schedule D (Form 990) are to Schedule D (Form 990), Supplemental Financial Statements.

Column (A). Beginning of Year

In column (A), enter the amount from the preceding year’s Form 990, column (B). If the organization was excepted from filing Form 990 for the preceding year, enter amounts the organization would have entered in column (B) for that year. If this is the organization’s first year of existence, enter zeros on lines 16, 26, 33, and 34 in column (A).

Column (B). End of Year

When Schedule D (Form 990) reporting is required for any item in Part X, it is only for the end-of-year balance sheet figure reported in column (B). If this is the organization’s final return, enter zeros on lines 16, 26, 33, and 34 in column (B).

Line 1. Cash (non-interest bearing). Enter the total funds that the organization has in cash, including amounts held as “petty cash” at its offices or other facilities, and amounts held in banks in non-interest bearing accounts. Do not include cash balances held in an investment account with a financial institution and reported on lines 11 through 13.

Line 2. Savings and temporary cash investments. Enter the combined total of amount held in interest-bearing checking and savings accounts, deposits in transit, temporary cash investments (such as money market funds, commercial paper, and certificates of deposit), and U.S. Treasury bills or other governmental obligations that mature in less than a year. Do not include cash balances held in an investment account with a financial institution and reported on lines 11 through 13. Do not include advances to **employees** or **officers** or refundable deposits paid to suppliers or other **independent contractors**. Report the income from these investments on Part VIII, line 3.

Line 3. Pledges and grants receivable, Net. Enter the total of (a) all pledges receivable, less any amounts estimated to be uncollectible, including pledges made by **officers, directors, trustees**, or other related parties, and (b) all grants receivable.

Organizations that follow Statement of Financial Accounting Standards (SFAS) 116 may report the present value of the grants receivable as of each balance sheet date.

Line 4. Accounts Receivable, Net. Enter the organization’s total accounts receivable (reduced by any allowance for doubtful accounts) from the sale of goods and the performance of services. Report claims against vendors or refundable deposits with suppliers or others here, if not significant in amount. Otherwise, report them on line 15, Other assets. Report the net amount of all receivables due from **officers, directors, trustees, or key employees** on line 5. Report receivables (including loans and advances) due from other disqualified persons on line 6. Receivables (including loans and advances) from **employees** who are not current or former officers, directors, trustees, key employees, or **disqualified persons** must be reported on Line 7.

Line 5. Receivables from current officers, directors, trustees, key employees. Report all receivables due from current or former **officers, directors, trustees, key employees, highest compensated employees**, and other related parties. The receivables reportable here include all secured and unsecured loans made to such persons. Do not report pledges from such persons which are to be reported in line 3. For credit unions, include here only loans or other receivables that are not made on the same terms as to other members of the organization. Report interest from such receivables on Part VIII, line 11.

The organization that reports such receivables on this line may need to answer “Yes” to Part IV, line 26 and complete Schedule L, (Form 990), Loans to Interested Persons, Part II. See the Instructions for Schedule L, Part II.

Line 6. Receivables from Other Disqualified Persons. Section 501(c)(3) and section 501(c)(4) organizations report the receivables due from disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Do not include on line 6 amounts reported on line 5. The organization may need to answer “Yes” to Part IV, line 26 and complete Schedule L, (Form 990), Part II.

Line 7. Notes and loans receivable, Net. Enter the net amount of all notes receivable and loans receivable not listed on lines 5 and 6, including receivables from unrelated third parties. The term “unrelated third parties” includes **independent contractors** providing goods or services and **employees** who are not current or former **officers, directors, trustees, key employees, highest compensated employees** or **disqualified persons**. Do not include the following:

- Receivables reportable on line 4.
- Program-related investments reportable on line 13.
- Notes receivable acquired as investments reportable on line 12.

Line 8. Inventories for sale or use. Enter the amount of materials, goods, and supplies held for future sale or use,

whether purchased, manufactured by the organization, or donated.

Line 9. Prepaid expenses and deferred charges. Enter the amount of short-term and long-term prepayments of expenses attributable to one or more future accounting periods. Examples include prepayments of rent, insurance, or pension costs, and expenses incurred for a solicitation campaign to be conducted in a future accounting period.

Line 10a. Land, buildings, and equipment. Enter the cost or other basis of all land, building, and equipment held at the end of the year. Include both property held for investment purposes and property used for the organization's exempt functions. If an amount is reported here, answer "Yes" to Part IV, line 11 and complete Schedule D, (Form 990), Part VI. The amount reported on line 10a must equal the total of Schedule D, Part VI, columns (a) and (b).

Line 10b. Accumulated depreciation. Enter the total amount of accumulated depreciation with respect to the assets reported on line 10a. The amount reported on line 10b must equal the total of Schedule D, (Form 990), Part VI, column (c).

Line 10c. Column (A)—Beginning of year. Enter the cost or other basis of land, buildings, and equipment, net of any accumulated depreciation, as of the beginning of the year.

Line 10c. Column (B)—End of year. Enter line 10a minus line 10b. The amount reported must equal the total of Schedule D, (Form 990), Part VI, column (d).

Line 11. Investments—publicly traded securities. Enter the total value of **publicly traded securities** held by the organization as investments. Publicly traded securities include common and preferred stocks, bonds (including governmental obligations such as bonds and Treasury bills), and mutual fund shares that are listed and regularly traded in an over-the-counter market or an established exchange and for which market quotations are published or are otherwise readily available. Report dividends and interest from these **securities** on Part VIII, line 3.

Do not report on line 11 publicly traded stock for which the organization holds 5% or more of the outstanding shares of the same class. Report these investments on line 12.

Line 12. Investments—other securities. Report on this line the total amount of all **securities**, partnerships, or funds that are not publicly traded. This includes stock in a closely held company whose stock is not available for sale to the general public or which is not widely traded. Other **securities** also include publicly traded stock for which the organization holds 5% or more of the outstanding shares of the same class. Do not include program related investments.

If an amount is reported on this line that is 5% or more of the amount reported on Part X, line 16, answer "Yes" to Part IV, line 11 and complete Schedule D, (Form 990), Part VII. The amount reported on line 12, column (B) must equal the total of Schedule D, (Form 990), Part VII, column (b).

Line 13. Program-related investments. Report here the total book value of all investments made primarily to accomplish the organization's exempt purposes rather than to produce income. Examples of program-related investments include student loans and notes receivable from other exempt organizations that obtained the funds to pursue the filing organization's exempt function.

If the amount is reported on this line is 5% or more of the amount reported on Part X, line 16, answer "Yes" to Part IV, line 11 and complete Part VIII of Schedule D (Form 990). The amount reported on Part X, line 13, column (B) must equal the total of Schedule D, (Form 990), Part VIII, column (b).

Line 14. Intangible assets. Report on this line the total value of all non-monetary, non-physical assets such as copyrights, patents, trademarks, mailing lists, or goodwill.

Line 15. Other assets. Report on this line the total book value of all assets held and not reported on lines 1 through 14.

If an amount is reported on this line that is 5% or more of the amount reported on Part X, line 16, answer "Yes" to Part IV, line 11 and complete Schedule D, Part IX. The amount reported on

Part X, line 15, column (B) must equal the total of Schedule D, Part IX, column (b).

Line 16. Total assets. The organization should add the totals in columns (A) and (B), lines 1 through 15. The amounts on line 16 must equal the amounts on line 34 for both the beginning and end of the year. All filers must enter a zero or a dollar amount on this line.

Line 17. Accounts payable and accrued expenses. Enter the total of accounts payable to suppliers, service providers, property managers and other **independent contractors**, plus accrued expenses such as salaries payable, accrued payroll taxes, and interest payable.

Line 18. Grants payable. Enter the unpaid portion of grants and awards that the organization has committed to pay other organizations or individuals, regardless of whether the commitments have been communicated to the grantees.

Line 19. Deferred revenue. Report revenue that the organization has received but not yet earned as of the balance sheet date under its method of accounting.

Line 20. Tax-exempt bond liabilities. Enter the amount of **tax-exempt bonds** (or other obligations) for which the organization has a direct or indirect liability which were either issued by the organization on behalf of a state or local governmental unit, or by a state or local governmental unit on behalf of the organization, and for which the organization has a direct or indirect liability. Tax-exempt bonds include state or local bonds and any obligations, including direct borrowing from a lender, or certificates of participation, the interest on which is excluded from the gross income of the recipient for federal income tax purposes under section 103.

See also Part IV, line 24, and Schedule K, (Form 990), Supplemental Information on Tax-Exempt Bonds.

Line 21. Escrow account liability. Enter the amount of funds or other assets held in an **escrow or custodial account** for other individuals or organizations. Enter these amounts only if the related assets (such as cash) are reported on lines 1 through 15 above. If an amount is reported on this line, the organization must also answer "Yes" to Part IV, line 9 and complete Schedule D, Part IV. If the organization has signature authority over, or another interest in an **escrow or custodial account** for which it does not report the assets or liabilities, it must also answer "Yes" to Part IV, line 9 and complete Schedule D, Part IV.

Example. A credit counseling organization collects amounts from debtors to remit to creditors and reports the amounts temporarily in its possession as cash on line 1 of the balance sheet. It must then report the corresponding liability (the amounts to be paid to the creditors on the debtors' behalf) on line 21.

Line 22. Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Enter the unpaid balance of loans payable to current and former **officers, directors, trustees, key employees, highest compensated employees, and disqualified persons**. An organization that reports a balance here may need to answer "Yes" to Part IV, line 26 and complete Schedule L, (Form 990), Transactions with Interested Persons, Part II.

Line 23. Secured mortgages and notes payable to unrelated third parties. Enter the total amount of mortgages and other notes payable to financial institutions and other third parties that are secured by investment or other real property as of the end of the **tax year**.

Line 24. Unsecured notes and loans payable. Enter the total amount of notes and loans payable that are owed to financial institutions or other unrelated third parties but are not secured by the organization's assets.

Line 25. Other liabilities. Enter the total amount of all liabilities not properly reportable on lines 17 through 24. Items properly reported on this line include Federal income taxes payable and secured or unsecured payables to related

organizations. The organization must also answer "Yes" to Part IV, line 11 and complete Schedule D, (Form 990), Part X.

Line 26. Total liabilities. The organization should add the totals in columns (A) and (B), lines 17 through 25. All organizations must enter a zero or a dollar amount on this line.

Net Assets and Fund Balances

The Financial Accounting Standards Board issued *Financial Statements of Not-for-Profit Organizations (SFAS 117)*. SFAS 117 provides standards for external financial statements certified by an independent accountant for certain types of nonprofit organizations. SFAS 117 does not apply to credit unions, voluntary employees' beneficiary associations, supplemental unemployment benefit trusts, section 501(c)(12) cooperatives, and other member benefit or mutual benefit organizations.

While some states may require reporting in accordance with SFAS 117, the IRS does not. However, a Form 990 return prepared in accordance with SFAS 117 will be acceptable to the IRS.

Organizations that follow SFAS 117. If the organization follows SFAS 117, check the box above line 27, and complete lines 27 through 29 and lines 33 and 34. Classify and report net assets in three groups (unrestricted, temporarily restricted, and permanently restricted) based on the existence or absence of donor-imposed restrictions and the nature of those restrictions. Show the sum of the three classes of net assets on line 33. On line 34, add the amounts on lines 26 and 33 to show total liabilities and net assets. This figure must be the same as the figure for *Total Assets* on line 16.



Effective for reporting years ending after December 15, 2008, FSP FAS 117-1 addresses reporting of endowments as permanently restricted or temporarily restricted funds. Further, a number of states have enacted or are considering enacting the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). If the organization is subject to UPMIFA or FSP 117-1, it may affect the amounts reported in lines 27 through 29.

Line 27. Unrestricted net assets. Enter the balance per books of unrestricted net assets. Unrestricted net assets are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. All funds without donor-imposed restrictions must be classified as unrestricted, regardless of the existence of any board designations or appropriations.

Line 28. Temporarily restricted net assets. Enter the balance per books of temporarily restricted net assets. Donors' temporary restrictions may require that resources be used after a specified date (time restrictions), or that resources be used for a specified purpose (purpose restrictions), or both.

Line 29. Permanently restricted net assets. Enter the balance per books of permanently restricted net assets. Permanently restricted net assets are (a) assets, such as land or works of art, donated with stipulations that they be used for a specified purpose, be preserved, and not be sold or (b) assets donated with stipulations that they be invested to provide a permanent source of income. The latter results from gifts or bequests that create permanent endowment funds.

Organizations that do not follow SFAS 117. If the organization does not follow SFAS 117, check the box above line 30 and complete lines 30 through 34. Report capital stock, trust principal, or current funds on line 30. Report paid-in capital surplus or land, building, or equipment funds on line 31. Report retained earnings, endowment, accumulated income or other funds on line 32.

Line 30. Capital stock, trust principal, or current funds. For corporations, enter the balance per books of capital stock accounts. Show par or stated value (or for stock with no par or stated value, total amount received on issuance) of all classes of stock issued and not yet cancelled. For trusts, enter the amount in the trust principal or corpus. For organizations using the fund method of accounting, enter the fund balances for the organization's current restricted and unrestricted funds.

Line 31. Paid-in or capital surplus, or land, building, and equipment fund. Enter the balance of paid-in capital in excess of par or stated value for all stock issued and not yet cancelled, as recorded on the corporation's books. If stockholders or others made donations that the organization records as paid-in capital, include them here. Enter the fund balance for the land, building, and equipment fund on this line.

Line 32. Retained earnings or accumulated income, endowment, or other funds. For corporations, enter the balance of retained earnings as recorded on the corporation's books, or similar account, minus the cost of any corporate treasury stock. For trusts, enter the balance in the accumulated income or similar account. For those organizations using the fund method of accounting, enter the total of the fund balances for the permanent and term endowment funds as well as balances of any other funds not reported on lines 30 and 31.

Line 33. Total net assets or fund balances. For organizations that follow SFAS 117, enter the total of lines 27 through 29. For all other organizations, enter the total of lines 30 through 32. All filers must enter a zero or a dollar amount on this line.

Line 34. Total liabilities and net assets/fund balances. Enter the total of line 26 and line 33. This amount must equal the amount on line 16. All filers must enter a zero or a dollar amount on this line.

Part XI. Financial Statements and Reporting

Line 1. Accounting method. Indicate the method of accounting used in preparing this return. See General Instructions, D. Accounting Periods and Methods. Provide an explanation in Schedule O (Form 990) (1) if the organization changed its method of accounting from a prior year, or (2) if the organization checked the "other" accounting method box.

Line 2. Financial statements and independent accountant. Answer "Yes" or "No" to indicate in line 2a or line 2b whether the organization's financial statements for the reporting period were **compiled, reviewed or audited** by an independent accountant. An accountant is independent if he or she meets the standards of independence set forth by the American Institute of Certified Public Accountants (AICPA), the Public Company Accounting Oversight Board (PCAOB), or another similar body that oversees or sets standards for the accounting or auditing professions.

Answer "No" if the organization's financial statements were **compiled, reviewed, or audited** as part of a consolidated financial statement only. The organization may explain in Schedule O that its financial statements were compiled, reviewed, or audited on a consolidated basis.

If "Yes" to either line 2a or line 2b, answer "Yes" or "No" in line 2c to indicate whether the organization has a committee that is responsible under its governing documents or through delegation by its governing body for (i) overseeing the compilation, review or audit of the financial statements, and (ii) the selection of an independent accountant that **compiled, reviewed, or audited** the statements. Answer "Yes" only if both (i) and (ii) apply. Describe in Schedule O (Form 990) if this process has changed from the prior year.

Line 3a. Single Audit Act and OMB Circular A-133. Answer "Yes" if during the year the organization was required under the Single Audit Act of 1984, as amended in 1996, and OMB Circular A-133 to undergo an audit or audits because of its receipt of federal contract awards. The Single Audit Act requires states, local governments, and nonprofit organizations that expend \$500,000 or more of federal awards in a year to obtain an annual audit in accordance with the Act.

Line 3b. Required audits. If "Yes" to line 3a, indicate whether the organization has undergone the required audit or audits. If the answer to line 3b is "No," explain in Schedule O (Form 990) why the organization has not undergone any required audits and describe any steps taken to undergo such audits.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws. Section 6109 requires return preparers to provide their identifying numbers on the return.

The organization is not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. The rules governing the confidentiality of the Form 990, and Form 990-EZ, are covered in Code section 6104.

The time needed to complete and file this form and related schedules will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to the IRS
990	117 hr., 54 min.	16 hr., 4 min.	23 hr., 29 min.	1 hr., 4 min.
990-EZ	29 hr., 10 min.	11 hr., 33 min.	14 hr., 24 min.	32 min.
Schedule A (Form 990 or 990-EZ)	39 hr., 56 min.	6 hr., 51 min.	7 hr., 48 min.	-----
Schedule B (Form 990, 990-EZ, or 990-PF)	5 hr., 58 min.	1 hr., 35 min.	1 hr., 45 min.	-----
Schedule C (Form 990 or 990-EZ)	22 hr., 0 min.	42 min.	1 hr., 5 min.	-----
Schedule D (Form 990)	30 hr., 51 min.	1 hr., 17 min.	1 hr., 51 min.	-----
Schedule E (Form 990 or 990-EZ)	5 hr., 30 min.	53 min.	1 hr., 1 min.	-----
Schedule F (Form 990)	6 hr., 42 min.	6 min.	12 min.	-----
Schedule G (Form 990 or 990-EZ)	24 hr., 9 min.	24 min.	48 min.	-----
Schedule H (Form 990)	71 hr., 1 min.	-----	1 hr., 9 min.	-----
Schedule I (Form 990)	5 hr., 15 min.	18 min.	23 min.	-----
Schedule J (Form 990)	13 hr., 21 min.	2 hr., 34 min.	2 hr., 54 min.	-----
Schedule K (Form 990)	9 hr., 34 min.	2 hr., 22 min.	2 hr., 39 min.	-----
Schedule L (Form 990 or 990-EZ)	5 hr., 30 min.	1 hr., 5 min.	1 hr., 13 min.	-----
Schedule M (Form 990)	28 hr., 27 min.	35 min.	1 hr., 5 min.	-----
Schedule N (Form 990 or 990-EZ)	7 hr., 53 min.	42 min.	51 min.	-----
Schedule O (Form 990)	43 min.	-----	-----	-----
Schedule R (Form 990)	14 hr., 36 min.	1 hr., 29 min.	1 hr., 52 min.	-----

We welcome comments on forms. If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Do not send the form to this address. Instead, see *When, Where, and How To File* in *General Instruction E*.

Glossary

NOTES:

- Words in bold within a definition are defined elsewhere within the Glossary.
- All section references are to the Internal Revenue Code (Title 26 of U.S. Code) or regulations under Title 26, unless otherwise specified.
- Definitions are for purposes of filing Form 990 (and Schedules) only.

35% controlled entity

An entity that is owned, directly or indirectly (e.g., under constructive ownership rules of section 267(c)), by a given person, such as the organization's current or former **officers, directors, trustee, or key employees** listed in Form 990, Part VII, Section 1, or the family **members** thereof (listed persons) as follows:

1. A corporation in which listed persons own more than 35% of the total combined voting power;
2. A partnership in which listed persons own more than 35% of the profits interest; or
3. A trust or estate in which listed persons own more than 35% of the beneficial interest.

Accountable plan

A reimbursement or other expense allowance arrangement that satisfies the requirements of section 62(c) by meeting the requirements of business connection, substantiation, and returning amounts in excess of substantiated expenses. See Regulations section 1.62-2(c)(2).

Activities conducted outside the United States

For purposes of Schedule F, Statement of Activities Outside the United States, includes grantmaking, **fundraising, unrelated trade or business**, program services, or **maintaining offices, employees, or agents** in particular regions outside the **United States**.

Applicable tax-exempt organization

A section 501(c)(3) or a section 501(c)(4) organization, or that was such an organization at any time during the 5-year period ending on the day of the **excess benefit transaction**.

Art

See **works of art**.

Audited financial statement

A formal opinion of an organization's financial records and practices by an independent, certified public accountant with the objective of assessing the accuracy and reliability of the organization's **financial statements**.

Audit committee

A committee, generally established by the **governing body** of an organization, with the responsibilities to oversee the organization's financial reporting process, monitor choice of accounting policies and principles, monitor internal control processes, or oversee hiring and performance of any external auditors.

Bingo

A game of chance played with cards that are generally printed with five rows of five squares each. Participants place markers over randomly called numbers on the cards in an attempt to form a pre-selected pattern such as a horizontal, vertical, or diagonal line, or all four corners. The first participant to form the pre-selected pattern wins the game. To be a bingo game, the game must be of the type described in which wagers are placed, winners are determined, and prizes or other property are distributed in the presence of all persons placing wagers in that game. Certain consolation bingo games within a progressive bingo game may also qualify as bingo.

Board-designated endowment

See **quasi-endowment**.

Bond issue

An issue of two or more bonds that are:

1. Sold at substantially the same time;
2. Sold pursuant to the same plan of financing; and
3. Payable from the same source of funds.

See Regulations section 1.150-1(c).

Business relationship	<p>Business relationships between two persons include the following:</p> <ol style="list-style-type: none"> 1. One person is employed by the other in a sole proprietorship or by an organization with which the other is associated as a trustee, director, officer, key employee, or greater-than-35% owner. 2. One person is transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of \$10,000 in the aggregate during the organization's tax year. Indirect transactions are transactions with an organization with which the one person is associated as a trustee, director, officer, key employee, or greater-than-35% owner. 3. The two persons are each a director, trustee, officer, or greater than 10% owner in the same business or investment entity. <p>Ownership is measured by stock ownership (either voting power or value) of a corporation, profits or capital interest in a partnership or limited liability company, membership interest in a nonprofit organization, or beneficial interest in a trust. Ownership includes indirect ownership (e.g., ownership in an entity that has ownership in the entity in question); there may be ownership through multiple tiers of entities.</p>
Cash contributions	Contributions received in the form of cash, checks, money orders, credit card charges, wire transfers, and other transfers and deposits to a cash account of the organization.
Central organization	The parent organization in a group exemption , which exercises general supervision and control over the subordinate organizations in the group exemption .
CEO, executive director, or top management official	See top management official . "CEO" stands for chief executive officer.
Certified historic structure	Any building or structure listed in the National Register of Historic Places as well as any building certified as being of historic significance to a registered historic district. See section 170(h)(4)(B) for special rules that apply to contributions made after August 17, 2006.
Church	Certain characteristics are generally attributed to churches. These attributes of a church have been developed by the IRS and by court decisions. They include: distinct legal existence; recognized creed and form of worship; definite and distinct ecclesiastical government; formal code of doctrine and discipline; distinct religious history; membership not associated with any other church or denomination; organization of ordained ministers; ordained ministers selected after completing prescribed courses of study; literature of its own; established places of worship; regular congregations; regular religious services; Sunday schools for the religious instruction of the young; schools for the preparation of its ministers. The IRS generally uses a combination of these characteristics, together with other facts and circumstances, to determine whether an organization is considered a church for federal tax purposes. A convention or association of churches is generally treated like a church for federal tax purposes. See Pub. 1828, <i>Tax Guide for Churches and Religious Organizations</i> .
Closely held stock	Generally, shares of stock in a closely held company that is not available for sale to the general public or which is not widely traded (see further explanation in the instructions for Part IX, line 12 and Schedule M, Noncash Contributions, line 10).
Collections of works of art, historical treasures, and other similar assets	Include collections, as described in SFAS 116 , of works of art, historical treasures , and other similar assets held for public exhibition, education, or research in furtherance of public service.
Collectibles	Include autographs, sports memorabilia, dolls, stamps, coins, books (other than books and publications reported on line 4 of Schedule M, Noncash Contributions), gems, jewelry (other than costume jewelry reportable on line 5 of Schedule M).
Compensation	Unless otherwise provided, all forms of cash and noncash payments or benefits provided in exchange for services, including salary and wages, bonuses, severance payments, deferred payments, retirement benefits, fringe benefits, and other financial arrangements or transactions such as personal vehicles, meals, housing, personal and family educational benefits, below-market loans, payment of personal or family travel, entertainment, and personal use of the organization's property. See also deferred compensation, nonqualified deferred compensation , and reportable compensation .
Compilation (compiled financial statements)	A compilation is a presentation of financial statements and other information that is the representation of the management or ownership of an organization and which has not been reviewed or audited by an independent accountant.

Conflict of interest policy

A policy that defines conflict of interest, identifies the classes of individuals within the organization covered by the policy, facilitates disclosure of information that may help identify conflicts of interest, and specifies procedures to be followed in managing conflicts of interest. A conflict of interest arises when a person in a position of authority over an organization, such as an **officer, director**, or manager, may benefit financially from a decision he or she could make in such capacity, including indirect benefits such as to **family members** or businesses with which the person is closely associated. For this purpose, a conflict of interest does not include questions involving a person's competing or respective duties to the organization and to another organization, such as by serving on the boards of both organizations, that do not involve a material financial interest of, or benefit to, such person.

Conservation easement

A restriction on the use that may be made of, or changes made to, real property that is granted in perpetuity to a qualified organization exclusively for conservation purposes. Conservation purposes include protection of natural habitat, the preservation of open space; or the preservation of property for historic, educational, or recreational purposes. Qualified organizations include **governmental units** and certain tax-exempt organizations described in section 501(c)(3) that have a commitment to protect the conservation purposes of the easement and the resources to enforce the restrictions. For more information see Notice 2004-41, 2004-28 I.R.B. 31. See also **qualified conservation contribution**.

Contributions

Unless otherwise provided, includes donations, gifts, bequests, grants, and other transfers of money or property to the extent that adequate consideration is not provided in exchange and that the contributor intends to make a gift, whether or not made for charitable purposes. A transaction may be partly a sale and partly a contribution. See also **cash contributions** and **noncash contributions**.

Control

For purposes of determining **related organizations**, control means:

- in regards to nonprofit organizations and other organizations without owners or persons having beneficial interests, whether such organization is taxable or tax-exempt:
 1. In the case of a parent/subsidiary relationship:
 - a. The power to remove and replace (or to appoint or elect, if such power includes a continuing power to appoint or elect periodically or in the event of vacancies) a majority of the nonprofit organization's or other organization's **directors** or **trustees**, or
 - b. Management or board overlap where a majority of the subsidiary organization's directors or trustees are trustees, directors, **officers, employees**, or agents of the parent organization.
 2. In the case of brother/sister nonprofit organizations:
the same persons constitute a majority of the **members of the governing body** of both organizations.
- In the case of stock corporations and other organizations with owners or persons having beneficial interests, whether such organization is taxable or tax-exempt, control means any of the following relationships:
 1. Ownership of more than 50% of the stock (by voting power or value) of a corporation,
 2. Ownership of more than 50% of the profits or capital interest in a partnership,
 3. Ownership of more than 50% of the profits or capital interest in a limited liability company treated as a partnership for federal income tax purposes, regardless of the designation under state law of the ownership interests as stock, membership interests, or otherwise,
 4. Being a managing partner or managing member in a partnership or limited liability company which has three or fewer managing partners or managing members (regardless of which partner or member has the most actual control),
 5. Being a general partner in a limited partnership which has three or fewer general partners (regardless of which partner has the most actual control),
 6. Being the sole member of a **disregarded entity**, or
 7. Ownership of more than 50% of the beneficial interest in a trust.

See Regulations sections 301.7701-2, 3, and 4 for more information on classification of corporations, partnerships, **disregarded entities**, and trusts.

Control may be indirect. For example, if the organization controls Entity A, which in turn controls (under the definition of **control** above) Entity B, the organization will be treated as controlling Entity B. To determine indirect control through constructive ownership of a corporation, the rules under section 318 (relating to constructive ownership of stock) shall apply. Similar principles apply for purposes of determining constructive ownership of another entity (a partnership or trust). If an entity (X) controls an entity treated as a partnership for federal income tax purposes by being one of three or fewer partners or members, then an organization that controls X also controls the partnership.

Controlled Entity

An organization controlled by a **controlling organization under section 512(b)(13)**. For the definition of control in this context, see section 512(b)(13)(D) and Regulations section 1.512(b)-1(L)(4).

Controlling organization under section 512(b)(13)

An exempt organization that controls a **controlled entity**. Section 512(b)(13) treats payments of interest, annuity, royalties, and rent from a controlled entity to a controlling organization as unrelated business taxable income under certain circumstances. For the definition of control in this context, see section 512(b)(13)(D).

Credit counseling services

Includes the providing of information to the general public on budgeting, personal finance, and saving and spending practices, or assisting individuals and families with financial problems by providing them with counseling. See section 501(q)(4)(A).

Current year

The **tax year** for which the Form 990 is being filed; see also **fiscal year**.

Defeasance escrow

An irrevocable escrow established to redeem the bonds on their earliest call date in an amount that, together with investment earnings, is sufficient to pay all the principal of, and interest and call premiums on, bonds from the date the escrow is established to the earliest call date. See Regulations section 1.141-12(d)(5).

Debt management plan services

Services related to the repayment, consolidation, or restructuring of a consumer's debt, including the negotiation with creditors of lower interest rates, the waiver or reduction of fees, and the marketing and processing of debt management plans. See section 501(q)(4)(B).

Deferred compensation

Compensation that is earned or accrued in, or is attributable to, one year and deferred to a future year for any reason, whether or not funded, vested, or subject to a substantial risk of forfeiture. Deferred compensation may or may not be included in **reportable compensation** for the **current year**.

Director

See **director** or **trustee**.

Director or trustee

A member of the organization's **governing body**, but only if the member has any voting rights. A member of an advisory board that does not exercise any governance authority over the organization is not considered a director or trustee.

Disqualified person

A. For purposes of section 4958; Form 990, Parts IX and X; and Schedule L, Transactions With Interested Persons, Parts I and II, any person who was in a position to exercise substantial influence over the affairs of the **applicable tax-exempt organization** at any time during a 5-year period ending on the date of the transaction. Persons who hold certain powers, responsibilities, or interests are among those who are in a position to exercise substantial influence over the affairs of the organization.

A disqualified person includes:

- A disqualified person's **family member**,
- A **35% controlled entity** of a (1) disqualified person and/or (2) family members of the disqualified person,
- A donor or **donor advisor** to a **donor advised fund**, or
- An investment advisor of a **sponsoring organization**.

The **disqualified persons** of a **supported organization** include the disqualified persons of a section 509(a)(3) **supporting organization** that supports the supported organization.

See Appendix G for more information on **disqualified persons** and section 4958 **excess benefit transactions**.

B. Under section 4946, a disqualified person includes:

1. A substantial contributor, which is any person who gave an aggregate amount of more than \$5,000, if that amount is more than 2% of the total **contributions** the foundation or organization received from its inception through the end of the year in which that person's contributions were received. If the organization is a trust, a substantial contributor includes the creator of the trust (without regard to the amount of contributions the trust received from the creator and related persons). Any person who is a substantial contributor at any time generally remains a substantial contributor for all future periods even if later contributions by others push that person's contributions below the 2% figure discussed above. Gifts from the contributor's spouse are treated as gifts from the contributor. Gifts are generally valued at fair market value as of the date the organization received them.

2. A foundation manager, defined as an **officer, director, or trustee** of the organization or any individual having powers or responsibilities similar to those of officers, directors, or trustees.

3. An owner of more than 20% of the voting power of a corporation, profits interest of a partnership, or beneficial interest of a trust or an unincorporated enterprise that is a substantial contributor to the organization.

4. A **family member** of an individual in the first three categories.

5. A corporation, partnership, trust, or estate in which persons described in (1) through (4) above own more than 35% of the voting power, profits interest, or beneficial interest.

For purposes of section 509(a)(2), as referenced in Schedule A (Form 990 or 990-EZ), Public Charity Status and Public Support, a disqualified person is defined in section 4946, except that it does not include an organization described in section 509(a)(1).

For purposes of section 509(a)(3), as referenced in Schedule A (Form 990 or 990-EZ), a disqualified person is defined in section 4946, except that it does not include a foundation manager or an organization described in section 509(a)(1) or 509(a)(2).

Disregarded entity or entities

An entity wholly owned by the organization that is not a separate entity for Federal tax purposes. See Regulations sections 301.7701-2, -3.

Domestic organization

A corporation or partnership is domestic if created or organized in the U.S. or under the law of the U.S. or of any state or possession. A trust is domestic if a court within the U.S. or a **U.S. possession** is able to exercise primary supervision over the administration of the trust, and one or more U.S. persons (or persons in the possessions of the U.S.) have the authority to control all substantial decisions of the trust.

Donor advised fund

A fund or account:

1. That is separately identified by reference to **contributions** of a donor or donors;
2. That is owned and controlled by a **sponsoring organization**; and
3. For which the donor or **donor advisor** has or reasonably expects to have advisory privileges in the distribution or investment of amounts held in the donor advised funds or accounts because of the donor's status as a donor.

A donor advised fund does not include any fund or account:

1. That makes distributions only to a single identified organization or governmental entity, or
2. In which a donor or donor advisor gives advice about which individuals receive grants for travel, study, or other similar purposes, if:
 - a. The donor or donor advisor's advisory privileges are performed exclusively by such person in his or her capacity as a committee member in which all of the committee members are appointed by the sponsoring organization;
 - b. No combination of donors or donor advisors (and related persons as defined below) directly or indirectly control the committee; and
 - c. All grants from the fund or account are awarded on an objective and nondiscriminatory basis following a procedure approved in advance by the board of directors of the sponsoring organization. The procedure must be designed to ensure that all grants meet the requirements of sections 4945(g)(1), (2), or (3); or
3. That the Secretary exempts from being treated as a donor advised fund because either such fund or account is advised by a committee not directly or indirectly controlled by the donor or donor advisor or such fund benefits a single identified charitable purpose. For example, see Notice 2006-109, 2006-51 I.R.B. 1121, and any future related guidance.

Donor advisor	Any person appointed or designated by a donor to advise a sponsoring organization on the distribution or investment of amounts held in the donor's donor advised fund or similar account.
EIN	Employer identification number, a nine-digit number. Use Form SS-4 to apply for an EIN.
Employee	Any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee, and any other individual who is treated as an employee for federal employment tax purposes under section 3121(d). See Pub. 1779, Independent Contractor or Employee, for more information.
Endowment	See term endowment , permanent endowment , and quasi endowment . See also SFAS 117 .
Escrow or custodial account	Refers to an account (whether a segregated account at a financial institution or a set-aside on the organization's books and records) over which the organization has signature authority, in which the funds are held for the benefit of other organizations or individuals, regardless of whether the funds are reported on Part X, line 21, and regardless of whether the account is labeled as "escrow account," "custodial account," "trust account," or some similar term.
Excess benefit transaction	<p>In the case of an applicable tax-exempt organization, any transaction in which an excess benefit is provided by the organization, directly or indirectly to, or for the use of, any disqualified person, as defined in section 4958. Excess benefit generally means the excess of the economic benefit received from the applicable organization over the consideration given (including services) by a disqualified person. See Appendix G for more information.</p> <p>Donor advised fund. For a donor advised fund, an excess benefit transaction also includes a grant, loan, compensation, or similar payment from the fund to a:</p> <ul style="list-style-type: none"> • Donor or donor advisor; • Family member of a donor or donor advisor; • 35% controlled entity of a donor or donor advisor; or • 35% controlled entity of a family member of a donor or donor advisor. <p>The excess benefit in this transaction is the amount of the grant, loan, compensation, or similar payments. For additional information see the Instructions for Form 4720.</p> <p>Supporting organization. For any supporting organization, defined in section 509(a)(3), an excess benefit transaction also includes grants, loans, compensation, or similar payments provided by the supporting organization to a:</p> <ul style="list-style-type: none"> • Substantial contributor, • Family member of a substantial contributor, • 35% controlled entity of a substantial contributor, or • 35% controlled entity of a family member of a substantial contributor. <p>For this purpose, the excess benefit is defined as the amount of the grant, loan, compensation, or similar payments. Additionally, an excess benefit transaction includes any loans provided by the supporting organization to a disqualified person (other than an organization described in section 509(a)(1), (2), or (4)).</p>
Exempt bond	See tax-exempt bond .
Family member, family relationship	Unless specified otherwise, the family of an individual includes only his or her spouse, ancestors, brothers and sisters (whether whole or half blood), children (whether natural or adopted), grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren, and great-grandchildren.
FIN 48	Financial Accounting Standards Board (FASB) Interpretation No. 48, <i>Accounting for Uncertainty in Income Taxes -an interpretation of FASB Statement No. 109</i> . The organization may be required to provide in Schedule D, Supplemental Financial Statements, the text of the footnote to its financial statements regarding the organization's liability for uncertain tax positions under FIN 48.
Financial statements	An organization's statements of revenue and expenses and balance sheet, or similar statements prepared regarding the financial operations of the organization.
Fiscal year	An annual accounting period ending on the last day of a month other than December. See also tax year and current year .
Foreign government	A governmental agency or entity, or a political subdivision thereof, that is not classified as a United States agency or governmental unit , regardless of where it is located or operated.

Foreign individual	A person, including a U.S. citizen or resident, who lives or resides outside the United States . For purposes of Form 990, Part IX, and Schedule F, Statement of Activities Outside the United States, a person who lives or resides outside the United States at the time the grant is paid or distributed to the individual.
Foreign organization	A foreign estate or trust, nonprofit or other nongovernmental organization, partnership, corporation, or other entity that is not created or organized in the United States or under the laws of the United States. A foreign organization includes an affiliate that is organized as a legal entity separate from the filing organization, but does not include any branch office, account, or employee of the organization located outside the United States.
Fundraising	See fundraising activities .
Fundraising activities	Activities undertaken to induce potential donors to contribute money, securities, services, materials, facilities, other assets, or time. They include publicizing and conducting fundraising campaigns; maintaining donor mailing lists; conducting fundraising events , preparing and distributing fundraising manuals, instructions, and other materials; and conducting other activities involved with soliciting contributions from individuals, foundations, governments, and others. Fundraising activities do not include gaming (other than gaming that is incidental to a fundraising activity) or the conduct of any trade or business that is regularly carried on.
Fundraising events	For purposes of Schedule G, Supplemental Information Regarding Fundraising or Gaming Activities, fundraising events include dinners and dances, door-to-door sales of merchandise, concerts, carnivals, sports events, auctions, and casino nights not regularly carried on. Fundraising events do not include sales of gifts or goods or services of only nominal value, sweepstakes, lotteries, or raffles where the names of contributors or other respondents are entered in a drawing for prizes, raffle, or lotteries where prizes have only nominal value, or solicitation campaigns that generate only contributions .
GAAP	See generally accepted accounting principles .
Gaming	Includes (but is not limited to): bingo, pull tabs/instant bingo (including satellite and progressive bingo), Texas Hold-Em Poker and other card games, raffles, scratch-offs, charitable gaming tickets, break-opens, hard cards, banded tickets, jar tickets, pickle cards, Lucky Seven cards, Nevada Club tickets, casino nights, Las Vegas nights, and coin-operated gambling devices. Coin-operated gambling devices include slot machines, electronic video slot or line games, video poker, video blackjack, video keno, video bingo, video pull tab games, etc.
Generally Accepted Accounting Principles	The accounting principles set forth by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) that guide the work of accountants in reporting financial information and preparing audited financial statements for organizations.
Governing body	The group of persons authorized under state law to make governance decisions on behalf of the organization and its shareholders or members, if applicable. The governing body is, generally speaking, the board of directors (sometimes referred to as board of trustees) of a corporation or association, or the board of trustees of a trust (sometimes referred to simply as the trustees, or trustee if only one trustee).
Government official	A federal, state or local official described within section 4946(c).
Governmental issuer	A State or local governmental unit that issues a tax-exempt bond .
Governmental unit	A State, a possession of the United States , or a political subdivision of a State or U.S. possession, the United States, or the District of Columbia. See section 170(c)(1).
Grants and other assistance	Includes awards, prizes, cash allocations, stipends, scholarships, fellowships, research grants, and similar payments and distributions made by the organization during the tax year. It does not include salaries or other compensation to employees .
Gross proceeds	For purposes of Schedule K, Supplemental Information on Tax-Exempt Bonds, generally any sale proceeds , investment proceeds, transferred proceeds, and replacement proceeds of an issue. See Regulations section 1.148-1(b),(c).
Gross receipts	See Appendix B (How to Determine Whether an Organization's Gross Receipts Are Normally \$25,000 (or \$5,000) or Less) and Appendix C, Special Gross Receipts Test for Determining Exempt Status of section 501(c)(7) and 501(c)(15) Organizations.

Group exemption	Tax exemption of a group of organizations all exempt under the same Code section, applied for and obtained by a central organization on behalf of subordinate organizations under the central organization's general supervision or control. See Rev. Proc. 80-27, 1980-1 C.B. 677, and Appendix E. Group Returns—Reporting Information on Behalf of the Group, for more information.
Group return	A Form 990 filed by the central organization of a group exemption for two or more of the subordinate organizations . See General Instructions and Appendix E. Group Returns—Reporting Information on Behalf of the Group, for more information.
Highest compensated employee	One of the five highest compensated employees of the organization (including employees of a disregarded entity of the organization) other than officers or key employees . The five highest compensated employees are determined by the amounts of reportable compensation for the calendar year ending with or within the organization's tax year .
Historical treasure	A building, structure, area, or property (real or personal) with recognized cultural, aesthetic, or historical value that is significant in the history, architecture, archeology, or culture of a country, state, or city.
Hospital	For purposes of Schedule H, Hospitals, a hospital is a facility that is, or is required to be, licensed, registered, or similarly recognized by a state as a hospital. This includes a hospital that is operated through a disregarded entity or a joint venture treated as a partnership for federal income tax purposes. It does not include hospitals that are located outside the United States . It also does not include hospitals that are operated by entities organized as separate legal entities from the organization that are taxable as a corporation for federal tax purposes (except for members of a group exemption included in a group return filed by an organization).
Hospital (or cooperative hospital service organization)	For purposes of Schedule A, Public Charity Status and Public Support, a hospital (or cooperative hospital service organization) is an organization whose main purpose is to provide hospital or medical care. For purposes of Schedule A, a rehabilitation institution or an outpatient clinic may qualify as a hospital if its principal purposes or functions are the providing of hospital or medical care, but the term does not include medical schools, medical research organizations, convalescent homes, homes for children or the aged, or vocational training institutions for handicapped individuals.
Household goods	Include furniture, furnishings, electronics, appliances, linens, and other similar items. They do not include food, paintings, antiques and other objects of art, jewelry and gems (other than costume jewelry), and other collectibles.
Independent contractor	A person who provides services to the organization but who is not treated as an employee . See Pub. 1779, Independent Contractor or Employee, for more information.
Independent voting member of governing body	<p>A voting member of the governing body, if all three of the following circumstances applied at all times during the organization's tax year:</p> <ol style="list-style-type: none"> 1. The member was not compensated as an officer or other employee of the organization or of a related organization (see the instructions for Schedule R, Related Organizations and Unrelated Partnerships), except as provided in the religious exception discussed in the instructions for Form 990, Part VI. 2. The member did not receive total compensation or other payments exceeding \$10,000 during the organization's tax year from the organization or from related organizations as an independent contractor, other than reimbursement of expenses under an accountable plan or reasonable compensation for services provided in the capacity as a member of the governing body. For example, a person who receives reasonable expense reimbursements and reasonable compensation as a director of the organization does not cease to be independent merely because he or she also received payments of \$7,500 from the organization for other arrangements. 3. Neither the member, nor any family member of the member, was involved in a transaction with the organization (whether directly or indirectly through affiliation with another organization) required to be reported on Schedule L, Transactions With Interested Persons, for the organization's tax year, or in a transaction with a related organization of a type and amount that would be reportable on Schedule L if required to be filed by the related organization.

A member of the governing body is not considered to lack independence merely because of the following circumstances:

1. The member is a donor to the organization, regardless of the amount of the contribution;
2. The member has taken a *bona fide* vow of poverty and either:
 - a. Receives **compensation** as an agent of a **religious order** or a section 501(d) religious or apostolic organization, but only under circumstances in which the member does not receive taxable income (for example, Rev. Rul. 77-290, 1977-2 C.B. 26; Rev. Rul. 80-332); or
 - b. Belongs to a religious order that receives sponsorship or payments from the organization that do not constitute taxable income to the member.
3. The member receives financial benefits from the organization solely in the capacity of being a member of the charitable or other class served by the organization in the exercise of its exempt function, such as being a member of a section 501(c)(6) organization, so long as the financial benefits comply with the organization's terms of membership.

Initial contract

A binding written contract between an **applicable tax-exempt organization** and a person who was not a **disqualified person** immediately prior to entering into the contract.

Instant bingo

See **pull tabs**.

Institutional trustee

A **trustee** that is not an individual or natural person but an organization. For instance, a bank or trust company serving as the trustee of a trust is an institutional trustee.

Joint venture

Unless otherwise provided, a partnership, limited liability company, or other entity treated as a partnership for federal tax purposes, as described in Regulations sections 301.7701-1 through 301.7701-3.

Key employee

For purposes of Form 990 reporting, an **employee** of the organization (other than an **officer, director, or trustee**) who meets all three of the following tests:

1. **\$150,000 Test**. Receives **reportable compensation** from the organization and all **related organizations** in excess of \$150,000 for the **calendar year** ending with or within the organization's **tax year**.
2. **Responsibility Test**. The employee:
 - a. has responsibilities, powers or influence over the organization as a whole similar to those of officers, directors, or trustees;
 - b. manages a discrete segment or activity of the organization that represents 10% or more of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole;
 - c. or has or shares authority to control or determine 10% or more of the organization's capital expenditures, operating budget, or compensation for employees.
3. **Top 20 Test**. Is one of the 20 employees (that satisfy the \$150,000 Test and Responsibility Test) with the highest reportable compensation from the organization and **related organizations** for the calendar year ending with or within the organization's **tax year**.

Legislation

Includes action by Congress, any state legislature, any local council, or similar governing body with respect to acts, bills, resolutions, or similar items or by the public in referenda, ballot initiatives, constitutional amendments or similar procedures. It does not include actions by executive, judicial or administrative bodies.

Lobbying

See **lobbying activities**.

Lobbying activities

All activities intended to influence foreign, national, state or local **legislation**. Such activities include direct lobbying (attempting to influence the legislators) and grassroots lobbying (attempting to influence legislation by influencing the general public).

Maintaining offices, employees or agents

For purposes of Schedule F, Statement of Activities Outside the United States, includes principal, regional, district, or branch offices, such offices maintained by agents, and persons situated at those offices paid wages for services performed. "Agent" is defined under traditional agency principles (but does not include **volunteers**).

Management Company	An organization that performs management duties for another organization customarily performed by or under the direct supervision of the other organization's officers, directors, trustees, or key employees . These management duties include, but are not limited to, hiring, firing, and supervising personnel; planning or executing budgets or financial operations; and supervising exempt operations or unrelated trades or businesses .
Medical research	For purposes of a medical research organization operated in conjunction with a hospital (see Schedule A (Form 990 or 990-EZ), Public Charity Status and Public Support), medical research means investigations, studies and experiments performed to discover, develop, or verify knowledge relating to physical or mental diseases and impairments and their causes, diagnosis, prevention, treatment, or control.
Member of the governing body	A person who serves on an organization's governing body , including a director or trustee , but not if the person lacks voting power.
Noncash contributions	Contributions of property, tangible or intangible, other than money. Noncash contributions include, but are not limited to, stocks, bonds, and other securities ; real estate; works of art ; stamps, coins, and other collectibles ; clothing and household goods ; vehicles, boats, and airplanes; inventories of food, medical equipment or supplies, books, or seeds; intellectual property, including patents, trademarks, copyrights, and trade secrets; donated items that are sold immediately after donation, such as publicly traded stock or used cars; and items donated for sale at a charity auction. Noncash contributions do not include volunteer services performed for the reporting organization or use of facilities.
Nonexempt charitable trust	A trust that meets the following conditions: <ul style="list-style-type: none"> • Is not exempt from tax under section 501(a), • All of its unexpired interests are devoted to charitable purposes, and • A charitable deduction was allowed for contributions to the trust under section 170, section 545(b)(2), section 642(c), section 2055, section 2106(a)(2), or section 2522, or for amounts paid by or permanently set aside by the trust under section 642(c).
Nonqualified deferred compensation	Deferred compensation that is earned pursuant to a nonqualified plan or nongovernmental section 457 plan. Different rules may apply for purposes of identifying arrangements subject to sections 83, 409A, 457(f), and 3121(v). Earned but unpaid incentive compensation may be deferred pursuant to a nonqualified deferred compensation plan.
Officer	Unless otherwise provided, a person elected or appointed to manage the organization's daily operations, such as a president, vice-president, secretary, or treasurer. The officers of an organization are determined by reference to its organizing document, bylaws, or resolutions of its governing body, or as otherwise designated consistent with state law, but at a minimum include those officers required by applicable state law. For purposes of Form 990 reporting, treat the organization's top management official and top financial official (the person who has ultimate responsibility for managing the organization's finances) as officers.
"On behalf of" issuer	A corporation organized under the general nonprofit corporation law of a state whose obligations are considered obligations of a state or local governmental unit . See Rev. Proc. 82-26 for a description of the circumstances under which the Service will ordinarily issue an advance ruling that the obligations of a nonprofit corporation were issued on behalf of a state or local governmental unit. See also Rev. Rul. 63-20, 1963-1 C.B. 24; Rev. Rul. 59-41, 1959-1 C.B. 13; and Rev. Rul. 54-296, 1954-2 C.B. 59. An "on behalf of" issuer also includes any corporation organized by a state or local governmental unit specifically to issue tax-exempt bonds to further public purposes. See Rev. Rul. 57-187.
Organization manager	For purposes of section 4958, any officer, director, or trustee of an applicable tax-exempt organization , or any individual having powers or responsibilities similar to officers, directors, or trustees of the organization, regardless of title.
Permanent (true) endowment	Endowment funds that are maintained to provide a permanent source of income, with the stipulation that principal must be invested and kept intact in perpetuity, while only the income generated can be used by the organization. See SFAS 117 .
Political campaign activities	All activities that support or oppose candidates for elective federal, state or local public office. It does not matter whether the candidate is elected. A candidate is one who offers himself or is proposed by others for public office. Political campaign activity does not include any activity to encourage participation in the electoral process, such as voter registration or voter education, provided that the activity does not directly or indirectly support or oppose any candidate.

Political subdivision	A division of any state or local governmental unit which is a municipal corporation or which has been delegated the right to exercise part of the sovereign power of the unit. Sovereign power includes the power to make and enforce laws.
Possession of the United States	Includes the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, American Samoa, and the United States Virgin Islands.
Private business use	For purposes of Schedule K, Supplemental Information on Tax-Exempt Bonds, use by the organization or another 501(c)(3) organization in an unrelated trade or business . Private business use also generally includes any use by a nongovernmental person other than a section 501(c)(3) organization unless otherwise permitted through an exception or safe harbor provided under the Regulations or a revenue procedure.
Private foundation	An organization described in section 501(c)(3) that is not a public charity . Some private foundations are classified as operating foundations (also known as private operating foundations) under section 4942(j)(3) or exempt operating foundations under section 4940(d)(2). A private foundation retains its private foundation status until such status is terminated under section 507. Thus, a tax-exempt private foundation becomes a taxable private foundation if its section 501(c)(3) status is revoked.
Proceeds	For purposes of Schedule K, Supplemental Information on Tax-Exempt Bonds, generally the sale proceeds of an issue (other than those sale proceeds used to retire bonds of the issue that are not deposited in a reasonably required reserve or replacement fund). Proceeds also include any investment proceeds from investments that accrue during the project period (net of rebate amounts attributable to the project period). See Regulations section 1.141-1(b).
Professional fundraising services	Services performed for the organization requiring the exercise of professional judgment or discretion consisting of planning, management, preparation of materials (such as direct mail solicitation packages), provision of advice and consulting regarding solicitation of contributions , and direct solicitation of contributions . However, professional fundraising does not include purely ministerial tasks, such as printing, mailing services, or receiving and depositing contributions to a charity, such as services provided by a bank or caging service.
Program-related investment	Investments made primarily to accomplish the organization's exempt purposes rather than to produce income. Examples of program-related investments include student loans and notes receivable from other exempt organizations that obtained the funds to pursue the filing organization's exempt function.
Public charity	An organization described in section 501(c)(3) and section 509(a)(1) (which cross-references sections 170(b)(1)(A)(i) through (vi)), section 509(a)(2), section 509(a)(3), or section 509(a)(4).
Publicly traded securities	Generally, include common and preferred stocks, bonds (including governmental obligations such as bonds and Treasury bills), and mutual fund shares listed and regularly traded in an over-the-counter market or an established exchange and for which market quotations are published or are otherwise readily available. (See further explanation in the instructions for Part IX, line 11, and Schedule M, Noncash Contributions).
Pull tabs	Includes games in which an individual places a wager by purchasing preprinted cards that are covered with pull tabs. Winners are revealed when the individual pulls back the sealed tabs on the front of the card and compares the patterns under the tabs with the winning patterns preprinted on the back of the card. Included in the definition of pull tabs are "instant bingo," "mini bingo," and other similar scratch-off cards. Satellite, internet, and progressive bingo are games conducted in many different places simultaneously and the winners are not all present when the wagers are placed, the winners are determined, and the prizes are distributed. Revenue and expenses associated with satellite, internet, and progressive bingo should be included under this category.
Qualified 501(c)(3) bond	A tax-exempt bond , the proceeds of which are used by a section 501(c)(3) organization in furtherance of its charitable purpose. Requirements generally applicable to a qualified section 501(c)(3) bond under section 145 include: <ol style="list-style-type: none"> 1. All property financed by the bond issue is to be owned by a section 501(c)(3) organization or a governmental unit; and 2. At least 95% of net proceeds of the bond issue are used either by a governmental unit or a section 501(c)(3) organization in activities that do not constitute unrelated trades or businesses (determined by applying section 513).

Qualified conservation contribution

Any **contribution** of a qualified real property interest exclusively for conservation purposes. A “qualified real property interest” means any of the following interests in real property:

1. The entire interest of the donor,
2. A remainder interest,
3. A restriction (such as an easement), granted in perpetuity, on the use which may be made of the real property.

A “conservation purpose” means:

1. The preservation of land areas for outdoor recreation by, or the education of, the general public;
2. The protection of a relatively natural habitat of fish, wildlife, plants, or similar ecosystems;
3. The preservation of open space (including farm and forest land) where such preservation is for the scenic enjoyment of the general public or is in accordance with governmental conservation policy; or
4. The preservation of an historically important land area or a certified historic structure.

See section 170(h) for additional information, including special rules with respect to the conservation purpose requirement for buildings in registered historic districts. See also **conservation easement**.

Qualified state or local political organization

A type of political organization that meets the following requirements:

- It limits its exempt function to the selection process relating solely to any state or local public office or office in a state or local political organization;
- It is required under a state law to report to a state agency (and does report) information that otherwise would be required to be reported on Form 8872 or it is required to report under state law (and does report) at least the following information:
 1. The name and address of every person who contributes a total of \$500 or more during the calendar year and the amount of each contribution;
 2. The name and address of every person to whom the organization makes expenditures aggregating \$800 or more during the calendar year, and the amount of each expenditure; and
 3. Any additional information specified in section 527(j)(3), if state law requires the reporting of that information to the state agency.
- The state agency makes the reports filed by the organization publicly available;
- The organization makes the reports filed with the state agency publicly available in the manner described in section 6104(d); and
- No federal candidate or office holder controls or materially participates in the direction of the organization, solicits **contributions** to the organization, or directs any of the organization’s disbursements.

Quasi-endowment

Funds functioning as an endowment that are established by the organization itself, either from donor or institutional funds, and which must retain the purpose and intent as specified by the donor or source of the original funds. See **SFAS 117**.

Reasonable compensation

The value that would ordinarily be paid for like services by like enterprises under like circumstances.

Reasonable effort

For purposes of Part VI, lines 1b and 2; Part VII, Section A (compensation from related organizations); and Schedule L, Transactions With Interested Persons, Parts III and IV, a reasonable effort refers to a reasonable amount of effort in information gathering that the organization is expected to undertake in order to answer the question. See the specific instructions for Part VI, lines 1b and 2; Part VII, Section A (compensation from related organizations); and Schedule L, Transactions With Interested Persons, Parts III and IV, for examples of reasonable efforts.

Refunding escrow

One or more funds established as part of a single transaction or a series of related transactions, containing **proceeds** of a **refunding issue** and any other amounts to provide for payment of principal or interest on one or more prior issues. See Regulations section 1.148-1(b).

Refunding issue	An issue of obligations, the proceeds of which are used to pay principal, interest, or redemption price on another issue (a prior issue), including the issuance costs, accrued interest, capitalized interest on the refunding issue, a reserve or replacement fund, or similar costs, if any, properly allocable to that refunding issue. A current refunding issue is a refunding issue that is issued not more than 90 days before the last expenditure of any proceeds of the refunding issue for the payment of principal or interest on the prior issue. An advance refunding issue is a refunding issue that is not a current refunding issue. See Regulations sections 1.150-1(d)(1), 1.150-1(d)(3), and 1.150-1(d)(4).
Related organization	<p>An organization that stands in one or more of the following relationships to the filing organization.</p> <ul style="list-style-type: none"> • Parent: an organization that controls (see examples of control in the definition above) the filing organization. • Subsidiary: an organization controlled (see examples of control in the definition above) by the filing organization. • Brother/Sister: an organization controlled (see examples of control in the definition above) by the same person or persons that control the filing organization. • Supporting/Supported: an organization that is (or claims to be) at any time during the organization's tax year (i) a supporting organization of the filing organization within the meaning of section 509(a)(3), if the filing organization is a supported organization within the meaning of section 509(f)(3); (ii) or a supported organization, if the filing organization is a supporting organization.
Religious order	An organization described in Rev. Proc. 91-20.
Reportable compensation	Compensation that is reported on Form W-2, box 5 (or box 1 if the employee's compensation is not reported in box 5), or Form 1099-MISC, box 7, filed for the calendar year ending with or within the organization's tax year.
Review of financial statement	An examination of an organization's financial records and practices by an independent accountant with the objective of assessing whether the financial statements are plausible, without the extensive testing and external validation procedures of an audit.
School	An organization, the primary function of which is the presentation of formal instruction, and which has a regular faculty, curriculum, an enrolled body of students, and a place where educational activities are regularly conducted.
Security/securities	Any bond, debenture, note, or certificate or other evidence of indebtedness issued by a corporation, government or political subdivision , share of stock, voting trust certificate, or any certificate of interest or participation in, certificate of deposit or receipt for, temporary or interim certificate for, or warrant or right to subscribe to or purchase, any of the foregoing.
SFAS 116	Statement of Financial Accounting Standards No. 116, Accounting for Contributions Received and Contributions Made.
SFAS 117	Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations.
Short accounting period	An accounting period of less than 12 months, which exists when an organization changes its annual accounting period, and which may exist in its initial or final year of existence (see tax year).
Short period	See short accounting period .
Significant disposition of net assets	<p>A disposition of net assets, consisting of a sale, exchange, disposition or other transfer of more than 25% of the fair market value of the organization's net assets during the year, regardless of whether the organization received full or adequate consideration. A significant disposition of net assets involves:</p> <ol style="list-style-type: none"> 1. One or more dispositions during the organization's tax year, amounting to more than 25% of the fair market value of the organization's net assets as of the beginning of its tax year; or 2. One of a series of related dispositions or events commenced in a prior year that, when combined, comprise more than 25% of the fair market value of the organization's net assets as of the beginning of the tax year when the first disposition in the series was made. Whether a significant disposition of net assets occurred through a series of related dispositions depends on the facts and circumstances in each case.

Examples of the types of transactions that are “a significant disposition of net assets” required to be reported on Schedule N, Liquidation, Termination, Dissolution or Significant Disposition of Assets, Part II include:

- Taxable or tax-free sales or exchanges of exempt assets for cash or other consideration (such as a social club described in section 501(c)(7) selling land or an exempt organization selling assets it had used to further its exempt purposes);
- Sales, **contributions** or other transfers of assets to establish or maintain a partnership, **joint venture**, or a corporation (for-profit or nonprofit) regardless of whether such sales or transfers are governed by section 721 or section 351, whether or not the transferor receives an ownership interest in exchange for the transfer;
- Sales of assets by a partnership or joint venture in which the exempt partner has an ownership interest;
- Transfers of assets pursuant to a reorganization in which the organization is a surviving entity; and
- A contraction of net assets resulting from a grant or charitable contribution of assets to another organization described in section 501(c)(3).

Sponsoring organization

Any organization which is all of the following:

- Described in section 170(c), other than governmental units described in section 170(c)(1) and without regard to section 170(c)(2)(A);
- Not a **private foundation** as defined in section 509(a); and
- Maintains one or more **donor advised funds**.

State of legal domicile

For a corporation, the state of incorporation (country of incorporation for a foreign corporation formed outside the U.S.). For a trust or other entity, the state whose law governs the organization’s internal affairs (the foreign country whose law governs for a foreign organization other than a corporation).

Subordinate organization

One of the organizations, typically local in nature, that is recognized as exempt in a **group exemption** letter and subject to the general supervision and control of a **central organization**.

Supported organization

A **public charity** described in section 509(a)(1) or section 509(a)(2) supported by a **supporting organization** described in section 509(a)(3).

Supporting organization

A **public charity** described in section 509(a)(3). A supporting organization is organized and operated to support **supported organizations**. Supporting organizations are classified as either Type I (operated, supervised, or controlled by one or more supported organizations), Type II (supervised or controlled in connection with one or more supported organizations), Type III functionally integrated (operated in connection with one or more supported organizations, if the supporting organization’s activities perform the functions of or carry out the purposes of, of such supported organizations, and but for the supporting organization’s involvement such activities would normally be engaged in by the supported organizations themselves), or Type III other (operated in connection with one or more supported organizations and not functionally integrated). A supporting organization may not be controlled directly or indirectly by one or more **disqualified persons** (as defined in section 4946).

Tax-exempt bond

An obligation issued by or on behalf of a **governmental issuer** on which the interest paid is excluded from the holder’s gross income under section 103. For this purpose, a bond can be any form of indebtedness under federal tax law, including a bond, note, loan, or lease-purchase agreement.

Tax year

The annual accounting period for which the Form 990 is being filed, whether the calendar year ending December 31st or a fiscal year ending on the last day of any other month. The organization may have a short tax year in its first year of existence, in any year when it changes its annual accounting period (for example, from a December 31 year-end to a June 30 year-end), and in its last year of existence (for example, when it merges into another organization or dissolves). See also **current year**, **fiscal year**, and **short period**.

Term endowment

An endowment fund maintained to provide a source of income for either a specified period of time or until a specific event occurs. See **SFAS 117**.

Top management official

A person who has ultimate responsibility for implementing the decisions of the organization’s **governing body** or for supervising the management, administration, or operation of the organization (for example, the organization’s CEO or executive director).

Top financial official

The person who has ultimate responsibility for managing the organization’s finances.

Total assets

The amount reported on Form 990, Part X, line 16, column (B).

Trustee	See director or trustee .
United States	Unless otherwise provided, includes the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, American Samoa, and the United States Virgin Islands.
Unrelated business	See unrelated trade or business .
Unrelated business income	Income from an unrelated trade or business as defined in section 513.
Unrelated business gross income	Gross income from an unrelated trade or business as defined in section 513.
Unrelated organization	An organization that is not a related organization with respect to the filing organization.
Unrelated trade or business	Any trade or business, the conduct of which is not substantially related to the exercise or performance by the organization of its charitable, educational, or other purpose or function constituting the basis for its exemption. See Pub. 598 and the instructions for Form 990-T for a discussion of what is an unrelated trade or business.
U.S. possession	See possession of the United States .
Volunteer	A person who serves the organization without compensation. "Compensation" for this purpose includes tips and noncash benefits, except for: <ul style="list-style-type: none"> • Reimbursement of expenses under an accountable plan, • Working condition fringe benefits described in section 132, • Liability insurance coverage for acts performed on behalf of the exempt organization, and • <i>De minimis</i> fringe benefits.
Voting member of the governing body	A member of the organization's governing body with power to vote on all matters that may come before the governing body (other than a conflict of interest that disqualifies the member from voting).
Works of art	Includes paintings, sculptures, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, photography, film, video, installation and multimedia arts, rare books and manuscripts, historical memorabilia, and other similar objects. Art does not include collectibles .
Year of formation	The year in which the organization was created or formed under applicable state law (if a corporation, the year of incorporation).

Appendix A. Exempt Organizations Reference Chart

To determine how the instructions for Form 990 apply to the organization, an organization must know the Code section under which the organization is exempt.

Type of Organization	I.R.C. Section
Corporations Organized Under Act of Congress	501(c)(1)
Title Holding Corporations	501(c)(2)
Charitable, Religious, Educational, Scientific, etc., Organizations	501(c)(3)
Civic Leagues and Social Welfare Organizations	501(c)(4)
Labor, Agricultural, and Horticultural Organizations	501(c)(5)
Business Leagues, etc.	501(c)(6)
Social and Recreation Clubs	501(c)(7)
Fraternal Beneficiary and Domestic Fraternal Societies and Associations	501(c)(8) & (c)(10)
Voluntary Employees' Beneficiary Associations	501(c)(9)
Teachers' Retirement Fund Associations	501(c)(11)
Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, etc.	501(c)(12)
Cemetery Companies	501(c)(13)
State Chartered Credit Unions, Mutual Reserve Funds	501(c)(14)
Insurance Companies or Associations Other than Life	501(c)(15)
Cooperative Organizations to Finance Crop Operations	501(c)(16)
Supplemental Unemployment Benefit Trusts	501(c)(17)
Employee Funded Pension Trusts (created before 6/25/1959)	501(c)(18)
Organizations of Past or Present Members of the Armed Forces	501(c)(19) & (c)(23)
Black Lung Benefit Trusts	501(c)(21)
Withdrawal Liability Payment Funds	501(c)(22)
Title Holding Corporations or Trusts	501(c)(25)
State-Sponsored Organizations Providing Health Coverage for High-Risk Individuals	501(c)(26)
State-Sponsored Workmen's Compensation and Insurance and Reinsurance Organizations	501(c)(27)
Religious and Apostolic Associations	501(d)
Cooperative Hospital Service Organizations	501(e)
Cooperative Service Organizations of Operating Educational Organizations	501(f)
Child Care Organizations	501(k)
Charitable Risk Pools	501(n)
Political Organizations	527

Appendix B. How to Determine Whether an Organization's Gross Receipts Are Normally \$25,000 (or \$5,000) or Less

To figure whether an organization has to file Form 990-EZ (or Form 990), apply the \$25,000 (or \$5,000) gross receipts test (below) using the following definition of gross receipts and information in *Figuring Gross Receipts* below.

Gross Receipts

Gross receipts are the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses.



Do not use the definition of gross receipts described in Appendix C, Special Gross Receipts Test for Determining Exempt Status of Section 501(c)(7) and 501(c)(15) Organizations, to figure gross receipts for this purpose. That test is limited to determining the exempt status of such organizations.

Gross receipts when acting as an agent. If a local chapter of a section 501(c)(8) fraternal organization collects insurance premiums for its parent lodge and merely sends those premiums to the parent without asserting any right to use the funds or otherwise deriving any benefit from them, the local chapter does not include the premiums in its gross receipts. The parent lodge reports them instead. The same treatment applies in other situations in which one organization collects funds merely as an agent for another.

Figuring Gross Receipts

Figure gross receipts for Form 990 and Form 990-EZ as follows.

Form 990. Gross receipts are the sum of lines 6b (both columns), 7b (both columns), 8b, 9b, 10b, and 12, Column A of Form 990, Part VIII.

Form 990-EZ. Gross receipts are the sum of lines 5b, 6b, 7b, and 9 of Form 990-EZ, Part I.

Example. Organization M reported \$50,000 as total revenue on line 9 of its Form 990-EZ. M added back the costs and expenses it had deducted on lines 5b (\$2,000); 6b (\$1,500); and 7b (\$500) to its total revenue of \$50,000 and determined that its gross receipts for the tax year were \$54,000.

\$25,000 Gross Receipts Test

To determine whether an organization's gross receipts are normally \$25,000 or less, apply the following test. An organization's gross receipts are considered normally to be \$25,000 or less if the organization is:

1. Up to a year old and has received, or donors have pledged to give, \$37,500 or less during its first tax year;
2. Between 1 and 3 years old and averaged \$30,000 or less in gross receipts during each of its first 2 tax years; or
3. Three years old or more and averaged \$25,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed).

If the organization's gross receipts are normally \$25,000 or less, it must file Form 990-N Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or 990-EZ, (with exceptions for certain organizations described in B. General Instructions.)

\$5,000 Gross Receipts Test

To determine whether an organization's gross receipts are normally \$5,000 or less, apply the following test. An organization's gross receipts are considered normally to be \$5,000 or less if the organization is:

1. Up to a year old and has received, or donors have pledged to give, \$7,500 or less during its first tax year;
2. Between 1 and 3 years old and averaged \$6,000 or less in gross receipts during each of its first 2 tax years; or
3. Three years old or more and averaged \$5,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed).

Appendix C. Special Gross Receipts Test for Determining Exempt Status of Section 501(c)(7) and 501(c)(15) Organizations

Section 501(c)(7) organizations (social clubs) and section 501(c)(15) organizations (insurance companies) apply the same gross receipts test as other organizations to determine whether they must file Form 990 or Form 990-EZ. However, section 501(c)(7) and section 501(c)(15) organizations are also subject to separate gross receipts tests to determine whether they qualify as tax-exempt for the tax year. The following tests use a special definition of gross receipts for purposes of determining whether these organizations are exempt for a particular tax year.

Section 501(c)(7). A section 501(c)(7) organization may receive up to 35% of its gross receipts, including investment income, from sources outside its membership and remain tax-exempt. Part of the 35% (up to 15% of gross receipts) may be from public use of a social club's facilities.

Gross receipts for purposes of determining section 501(c)(7) exemption are the club's income from its usual activities and include:

- Charges,
- Admissions,
- Membership fees,
- Dues,
- Assessments, and
- Investment income (such as dividends, rents, and similar receipts), and normal recurring capital gains on investments.

Gross receipts for this purpose do not include capital contributions (see Regulations section 1.118-1), initiation fees, or unusual amounts of income (such as the sale of the clubhouse).



College fraternities or sororities or other organizations that charge membership initiation fees, but not annual dues, must include initiation fees in their gross receipts.

Section 501(c)(15). If any section 501(c)(15) insurance company (other than life insurance) normally has gross receipts of more than \$25,000 for the tax year and meets both parts of the following test, then the company may file Form 990 (or Form 990-EZ, if applicable).

1. The company's gross receipts must be equal to or less than \$600,000, and
2. The company's premiums must be more than 50% of its gross receipts.

If the company did not meet this test and the company is a mutual insurance company, then it must meet the *Alternate test* to qualify to file Form 990 (or Form 990-EZ, if applicable). Insurance companies that do not qualify as tax-exempt must file Form 1120-PC, U.S. Property and Casualty Insurance Company Income Tax Return, or Form 1120, U.S. Corporation Income Tax Return, as taxable entities for the year. See Notice 2006-42, 2006-19 I.R.B. 878.

Alternate test. If any section 501(c)(15) insurance company (other than life insurance) is a mutual insurance company and it did not meet the above test, then the company must meet both parts of the following alternate test.

1. The company's gross receipts must be equal to or less than \$150,000, and
2. The company's premiums must be more than 35% of its gross receipts.

If the company does not meet either test, then it must file Form 1120-PC or Form 1120 (if the company is not entitled to insurance reserves) instead of Form 990 or Form 990-EZ.



Caution. *The alternate test does not apply if any employee of the mutual insurance company or a member of the employee's family is an employee of another company that is exempt under section 501(c)(15) (or would be exempt if this provision did not apply).*

Gross receipts. To determine whether a section 501(c)(15) organization satisfies either of the above tests

described in Appendix C, figure gross receipts by adding:

1. Premiums (including deposits and assessments) without reduction for return premiums or premiums paid for reinsurance;
2. Gross investment income of a non-life insurance company (as described in section 834(b)); and
3. Other items that are included in the filer's gross income under Subchapter B, Chapter 1, Subtitle A of the Code.

This definition does not, however, include contributions to capital. For more information, see *Notice 2006-42*.

Premiums. Premiums consist of all amounts received as a result of entering into an insurance contract. They are reported on Form 990, Part VIII (Statement of Revenue), line 2, or on Form 990-EZ, Part I, line 2.

Anti-abuse rule. The anti-abuse rule, found in section 501(c)(15)(C), explains how gross receipts (including premiums) from all members of a controlled group are aggregated in figuring the above tests.

Appendix D. Public Inspection of Returns

Some members of the public rely on Form 990, or Form 990-EZ, as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its returns.

An organization's completed Form 990, or Form 990-EZ, is available for public inspection as required by section 6104. Schedule B, Schedule of Contributors (Form 990, 990-EZ, or 990-PF) is open for public inspection for section 527 organizations filing Form 990 or Form 990-EZ. For other organizations that file Form 990 or Form 990-EZ, parts of Schedule B may be open to public inspection. Form 990-T filed after August 17, 2006, by a 501(c)(3) organization to report any unrelated business income, is also available for public inspection and disclosure.

Through the IRS

Use Form 4506-A to request:

- A copy of an exempt or political organization's return, report, notice, or exemption application;
- An inspection of a return, report, notice, or exemption application at an IRS office.

The IRS can provide copies of exempt organization returns on a compact disc (CD). Requesters can order the complete set (all Forms 990 and 990-EZ or all Forms 990-PF filed for a year) or a partial set by state or by month. For more information on the cost and how to order CD-ROMs, call the TE/GE Customer Account Services toll-free number (1-877-829-5500) or write to the IRS:

Internal Revenue Service
Mail Stop 6716
Ogden, UT 84201

The IRS may not disclose portions of an exemption application relating to any trade secrets, etc. Additionally, the IRS generally may not disclose the names and addresses of contributors. See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF) for more information about the disclosure of that schedule.

Notice 2008-49, 2008-20 I.R.B. 979, provides interim guidance regarding the requirement that section 501(c)(3) organizations and the IRS make available for public inspection Form 990-T.

Forms 990 or 990-EZ can only be requested for section 527 organizations for tax years beginning after June 30, 2000.

A return, report, notice, or exemption application may be inspected at an IRS office free of charge. Copies of these items may also be obtained through the organization as discussed in the following section.

Through the Organization

Public inspection and distribution of certain returns of unrelated business income. Section 501(c)(3) organizations that are required to file Form 990-T after August 17, 2006, must make Form 990-T available for public inspection under section 6104(d)(1)(A)(ii).

Public inspection and distribution of returns and reports for a political organization. Section 527 political organizations required to file Form 990 or Form 990-EZ must, in general, make their Forms 8871, 8872, 990, or 990-EZ available for public inspection in the same manner as annual information returns of section 501(c) organizations and 4947(a)(1) nonexempt charitable trusts are made available. See the public inspection rules for tax-exempt organizations, later. Generally, Form 8871 and Form 8872 are available for inspection and printing at www.irs.gov under the *Charities & Nonprofits* tab.



Note that a section 527 political organization (and an organization filing Form 990-PF) must disclose their Schedule B (Form 990, 990-EZ, or 990-PF). See the Instructions for Schedule B. The penalties discussed in General Instructions also apply to section 527 political organizations (Rev. Rul. 2003-49, 2003-201 I.R.B. 903).

Public inspection and distribution of applications for tax exemption and annual information returns of tax-exempt organizations. Under Regulations sections 301.6104(d)-1 through -3, a tax-exempt organization must:

- Make its application for recognition of exemption and its annual information returns available for public inspection without charge at its principal, regional

and district offices during regular business hours.

- Make each annual information return available for a period of 3 years beginning on the date the return is required to be filed (determined with regard to any extension of time for filing) or is actually filed, whichever is later.
- Provide a copy without charge (for Form 990-T, this requirement applies only to Forms 990-T filed after August 17, 2006), other than a reasonable fee for reproduction and actual postage costs, of all or any part of any application or return required to be made available for public inspection to any individual who makes a request for such copy in person or in writing (except as provided in Regulations sections 301.6104(d)-2 and -3).

Definitions

Tax-exempt organization is any organization that is described in section 501(c) or (d) and is exempt from taxation under section 501(a). The term tax-exempt organization also includes any section 4947(a)(1) nonexempt charitable trust or nonexempt private foundation that is subject to the reporting requirements of section 6033.

Application for tax exemption includes:

- Any prescribed application form (such as Form 1023 or Form 1024),
- All documents and statements the IRS requires an applicant to file with the form,
- Any statement or other supporting document submitted in support of the application, and
- Any letter or other document issued by the IRS concerning the application.

Application for tax exemption does not include:

- Any application for tax exemption filed before July 15, 1987, unless the organization filing the application had a copy of the application on July 15, 1987;
- In the case of a tax-exempt organization other than a private foundation, the name and address of any contributor to the organization; or
- Any material that is not available for public inspection under section 6104.



If there is no prescribed application form, see Regulations section 301.6104(d)-1(b)(3)(ii).

Annual information return includes:

- An exact copy of the Form 990 or Form 990-EZ filed by a tax-exempt organization as required by section 6033.
- Any amended return the organization files with the IRS after the date the original return is filed.
- An exact copy of Form 990-T if one is filed by a 501(c)(3) organization.

The copy must include all information furnished to the IRS on Form 990, Form 990-EZ, or Form 990-T as well as all schedules, attachments and supporting documents, except for the name and address of any contributor to the organization. See the Instructions for Schedule B (Form 990, 990-EZ, or

990-PF). However, schedules, attachments, and supporting documents filed with Form 990-T that do not relate to the imposition of unrelated business income tax are not required to be made available for public inspection and copying. See Notice 2008-49, 2008-20 I.R.B. 979.

Annual returns more than 3 years old. An annual information return does not include any return after the expiration of 3 years from the date the return is required to be filed (including any extension of time that has been granted for filing such return) or is actually filed, whichever is later.

If an organization files an amended return, however, the amended return must be made available for a period of 3 years beginning on the date it is filed with the IRS.

Local or subordinate organizations. For rules relating to annual information returns of local or subordinate organizations, see Regulations section 301.6104(d)-1(f)(2).

Regional or district offices. A regional or district office is any office of a tax-exempt organization, other than its principal office, that has paid employees, whether part-time or full-time, whose aggregate number of paid hours a week are normally at least 120.

A site is not considered a regional or district office, however, if:

- The only services provided at the site further exempt purposes (such as day care, health care or scientific or medical research); and
- The site does not serve as an office for management staff, other than managers who are involved solely in managing the exempt function activities at the site.

Special rules relating to public inspection

Permissible conditions on public inspection. A tax-exempt organization:

- May have an employee present in the room during an inspection.

- Must allow the individual conducting the inspection to take notes freely during the inspection.
- Must allow the individual to photocopy the document at no charge, if the individual provides photocopying equipment at the place of inspection.

Organizations that do not maintain permanent offices. A tax-exempt organization with no permanent office:

- Must make its application for tax exemption and its annual information returns available for inspection at a reasonable location of its choice.
- Must permit public inspection within a reasonable amount of time after receiving a request for inspection (normally not more than 2 weeks) and at a reasonable time of day.
- May mail, within 2 weeks of receiving the request, a copy of its application for tax exemption and annual information returns to the requester instead of allowing an inspection.
- May charge the requester for copying and actual postage costs only if the requester consents to the charge.

An organization that has a permanent office, but has no office hours, or very limited hours during certain times of the year, must make its documents available during those periods when office hours are limited, or not available, as though it were an organization without a permanent office.

Special rules relating to copies

Time and place for providing copies in response to requests made in person. A tax-exempt organization must:

- Provide copies of required documents under section 6104(d) in response to a request made in person at its principal, regional and district offices during regular business hours.

- Provide such copies to a requester on the day the request is made, except for unusual circumstances (see below).

Unusual circumstances. In the case of an in-person request, where unusual circumstances exist so that fulfilling the request on the same business day causes an unreasonable burden to the tax-exempt organization, the organization must provide the copies no later than the next business day following the day that the unusual circumstances cease to exist, or the 5th business day after the date of the request, whichever occurs first.

Unusual circumstances include:

- Requests received that exceed the organization's daily capacity to make copies;
- Requests received shortly before the end of regular business hours that require an extensive amount of copying; or
- Requests received on a day when the organization's managerial staff capable of fulfilling the request is conducting special duties, such as student registration or attending an off-site meeting or convention, rather than its regular administrative duties.

Agents for providing copies. For rules relating to use of agents to provide copies, see Regulations sections 301.6104(d)-1(d)(1) and (2).

Request for copies in writing. A tax-exempt organization must honor a written request for a copy of documents (or the requested part) required under section 6104(d) if the request:

1. Is addressed to, and delivered by mail, electronic mail, facsimile, or a private delivery service, as defined in section 7502(f), to a principal, regional, or district office of the organization; and
2. Sets forth the address to which the copy of the documents should be sent.

Time and Manner of Fulfilling Written Requests.

IF the organization...	THEN the organization...
Receives a written request for a copy,	Must mail the copy of the requested documents (or the requested parts) within 30 days from the date it receives the request.
Mails the copy of the requested document,	Is deemed to have provided the copy on the postmark date or private delivery mark (if sent by certified or registered mail, the date of registration or the date of the postmark on the sender's receipt).
Requires payment in advance,	Is required to provide the copies within 30 days from the date it receives payment.
Receives a request or payment by mail,	Is deemed to have received it 7 days after the date of the postmark, absent evidence to the contrary.
Receives a request transmitted by electronic mail or facsimile,	Is deemed to have received it the day the request is transmitted successfully.

IF the organization...	THEN the organization...
Receives a written request without payment or with an insufficient payment, when payment in advance is required,	Must notify the requester of the prepayment policy and the amount due within 7 days from the date of the request's receipt.
Receives consent from an individual making a request,	May provide a copy of the requested document exclusively by electronic mail (the material is provided on the date the organization successfully transmits the electronic mail).

Request for a copy of parts of a document. A tax-exempt organization must fulfill a request for a copy of the organization's entire application for tax exemption or annual information return or any specific part or schedule of its application or return. A request for a copy of less than the entire application or less than the entire return must specifically identify the requested part or schedule.

Fees for copies. A tax-exempt organization may charge a reasonable fee for providing copies. Before the organization provides the documents, it may require that the individual requesting copies of the documents pay the fee. If the organization has provided an individual making a request with notice of the fee, and the individual does not pay the fee within 30 days, or if the individual pays the fee by check and the check does not clear upon deposit, the organization may disregard the request.

Form of payment a. Request made in person. If a tax-exempt organization charges a fee for copying, it must accept payment by cash and money order for requests made in person. The organization may accept other forms of payment, such as credit cards and personal checks.

b. Request made in writing. If a tax-exempt organization charges a fee for copying and postage, it must accept payment by certified check, money order, and either personal check or credit card for requests made in writing. The organization may accept other forms of payment.

Avoidance of unexpected fees. Where a tax-exempt organization does not require prepayment and a requester does not enclose payment with a request, an organization must receive consent from a requester before providing copies for which the fee charged for copying and postage exceeds \$20.

Documents to be provided by regional and district offices. Except as otherwise provided, a regional or district office of a tax-exempt organization must satisfy the same rules as the principal office with respect to allowing public inspection and providing copies of its application for tax exemption and annual information returns.

A regional or district office is not required, however, to make its annual information return available for inspection or to provide copies until 30 days after the date the return is required to be filed (including any extension of time that is granted for filing such return) or is actually filed, whichever is later.

Documents to be provided by local and subordinate organizations

Applications for tax exemption. Except as otherwise provided, a tax-exempt organization that did not file its own application for tax exemption (because it is a local or subordinate organization covered by a group exemption letter) must, upon request, make available for public inspection, or provide copies of, the application submitted to the IRS by the central or parent organization to obtain the group exemption letter and those documents which were submitted by the central or parent organization to include the local or subordinate organization in the group exemption letter.

However, if the central or parent organization submits to the IRS a list or directory of local or subordinate organizations covered by the group exemption letter, the local or subordinate organization is required to provide only the application for the group exemption ruling and the pages of the list or directory that specifically refer to it. The local or subordinate organization must permit public inspection, or comply with a request for copies made in person, within a reasonable amount of time (normally not more than 2 weeks) after receiving a request made in person for public inspection or copies and at a reasonable time of day. See Regulations section 301.6104(d)-1(f) for further information.

Annual information returns. A local or subordinate organization that does not file its own annual information return (because it is affiliated with a central or parent organization that files a group return) must, upon request, make available for public inspection, or provide copies of, the group returns filed by the central or parent organization.

However, if the group return includes separate schedules with respect to each local or subordinate organization included in the group return, the local or subordinate organization receiving the request may omit any schedules relating only to other organizations included in the group return.

The local or subordinate organization must permit public inspection, or comply with a request for copies made in person, within a reasonable amount of time (normally not more than 2 weeks) after receiving a request made in person for public inspection or copies and at a reasonable time of day.

In a case where the requester seeks inspection, the local or subordinate organization may mail a copy of the applicable documents to the requester within the same time period instead of allowing an inspection. In such a case, the organization may charge the requester for copying and actual postage costs only if the requester consents to the charge.

If the local or subordinate organization receives a written request for a copy of its annual information return, it must fulfill the request by providing a copy of the group return in the time and manner specified in the paragraph earlier, *Request for copies in writing*.

The requester has the option of requesting from the central or parent organization, at its principal office, inspection or copies of group returns filed by the central or parent organization. The central or parent organization must fulfill such requests in the time and manner specified in the paragraphs, *Special rules relating to public inspection* and *Special rules relating to copies* earlier.

Failure to comply. If an organization fails to comply with the requirements specified in this paragraph, the penalty provisions of sections 6652(c)(1)(C), 6652(c)(1)(D), and 6685 apply.

Making Applications and Returns Widely Available

A tax-exempt organization is not required to comply with a request for a copy of its application for tax exemption or an annual information return if the organization has made the requested document widely available (see below).

An organization that makes its application for tax exemption and/or annual information return widely available must nevertheless make the document available for public inspection as required under Regulations section 301.6104(d)-1(a).

A tax-exempt organization makes its application for tax exemption and/or an annual information return widely available if the organization complies with the Internet posting requirements and the notice requirements given below.

Internet posting. A tax-exempt organization can make its application for tax exemption and/or an annual information return widely available by posting the document on a World Wide Web page that the tax-exempt organization establishes and maintains, or by having the document posted, as part of a database of similar documents of other tax-exempt organizations, on a World Wide Web page established and

maintained by another entity. The document will be considered widely available only if:

- The World Wide Web page through which it is available clearly informs readers that the document is available and provides instructions for downloading it;
- The document is posted in a format that, when accessed, downloaded, viewed and printed in hard copy, exactly reproduces the image of the application for tax exemption or annual information return as it was originally filed with the IRS, except for any information permitted by statute to be withheld from public disclosure; and
- Any individual with access to the Internet can access, download, view and print the document without special computer hardware or software required for that format (other than software that is readily available to members of the public without payment of any fee) and without payment of a fee to the tax-exempt organization or to another entity maintaining the World Wide Web page.

Reliability and accuracy. In order for the document to be widely available through an Internet posting, the entity maintaining the World Wide Web page must have procedures for ensuring the reliability and accuracy of the document that it posts on the page and must take reasonable precautions to prevent alteration, destruction or accidental loss of the document when posted on its page. In the event that a posted document is altered, destroyed or lost, the entity must correct or replace the document.

Notice requirement. If a tax-exempt organization has made its application for tax exemption and/or an annual information return widely available, it must notify any individual requesting a copy where the documents are available (including the address on the World Wide Web, if applicable). If the request is made in person, the organization must provide such notice to the individual immediately. If the request is made in writing, the notice must be provided within 7 days of receiving the request.

Tax-exempt Organization Subject to Harassment Campaign.

If the Director EO Examination (or designee) determines that the organization is being harassed, a tax-exempt organization is not required to comply with any request for copies that it reasonably believes is part of a harassment campaign.

Whether a group of requests constitutes a harassment campaign depends on the relevant facts and circumstances such as:

- a sudden increase in requests;
- an extraordinary number of requests by form letters or similarly worded correspondence;
- hostile requests;

- evidence showing bad faith or deterrence of the organization's exempt purpose;
- prior provision of the requested documents to the purported harassing group; and
- a demonstration that the organization routinely provides copies of its documents upon request.

A tax-exempt organization may disregard any request for copies of all or part of any document beyond the first two received within any 30-day period or the first four received within any 1-year period from the same individual or the same address, regardless of whether the Director EO Examination (or designee) has determined that the organization is subject to a harassment campaign.

A tax-exempt organization may apply for a determination that it is the subject of a harassment campaign and that compliance with requests that are part of the campaign would not be in the public interest by submitting a signed application to the Director EO Examination (or designee) for the area where the organization's principal office is located.

In addition, the organization may suspend compliance with any request it reasonably believes to be part of the harassment campaign until it receives a response to its application for a harassment campaign determination. However, if the Director EO Examination (or designee) determines that the organization did not have a reasonable basis for requesting a determination that it was subject to a harassment campaign or reasonable belief that a request was part of the campaign, the officer, director, trustee, employee, or other responsible individual of the organization remains liable for any penalties for not providing the copies in a timely fashion. See Regulations section 301.6104(d)-3.

Appendix E. Group Returns—Reporting Information on Behalf of the Group

Except where otherwise instructed, where a line calls for a dollar amount or numerical data, the central organization filing the group return must aggregate the data from all the subordinates included in the group return and report the aggregate number. For example, in answering Form 990, Part I, line 6, the total number of volunteers for all of the subordinate organizations would be reported.

For purposes of Form 990, Part III, report on an aggregate basis for the mission and activities of all of the subordinates (in effect, treating all of the subordinates as one entity).

In general, if a line requires a Yes/No answer and the answer is not the same for all subordinates to which the line applies, then state "Yes," and explain the answer in the Schedule's supplemental

information section (if applicable) or in Schedule O (Form 990). For the following lines, however, state "No" if the answer is "No" for any of the subordinates to which the line applies, and explain in Schedule O:

- Form 990, Part V, lines 1c, 2b, 3b, 5c, 6b, 7b, 7g, and 7h.
- Form 990, Part VI, lines 8a, 8b, 9b, 12b, and 12c.
- Form 990, Schedule C (Political Campaign and Lobbying Activities), Part I-B, lines 3 and 4a.
- Form 990, Schedule C, Part I-C, line 4.
- Form 990, Schedule C, Part II-A, line 1j.
- Form 990, Schedule C, Part II-B, line 2d.
- Form 990, Schedule C, Part III-A, lines 1-3.
- Form 990, Schedule D (Supplemental Financial Statements), Part I, lines 5 and 6.
- Form 990, Schedule D, Part II, lines 5 and 8.
- Form 990, Schedule E (Schools), lines 1-4d and 7.
- Form 990, Schedule F (Statement of Activities Outside the United States), Part I, line 1.
- Form 990, Schedule G (Supplemental Information Regarding Fundraising or Gaming Activities), Part III, line 9a.
- Form 990, Schedule I (Grants and Other Assistance to Organizations, Governments and Individuals in the U.S.), Part I, line 1.
- Form 990, Schedule J (Compensation Information), Part I, lines 1b and 2.
- Form 990, Schedule M (Non-Cash Contributions), Part I, line 31.
- Form 990, Schedule N (Liquidation, Termination, Dissolution or Significant Disposition of Assets), Part I, lines 3, 5b, 6, and 7b.

The following is a list of other special instructions for group returns:

1. **Header Item B. Termination.** If the group is terminating its group exemption and filing its final group return, do not check the termination box. Refer to Rev. Proc. 80-27, 1980-1 C.B. 677, for procedures for terminating the group exemption.

2. **Header Item D. EIN.** Use the special EIN (separate from the central organization's EIN) that is issued solely for the purposes of the group return. The central organization must have received a group ruling before it can file a group return.

3. **Header Items E, F, J.** Enter information for central organization only.

4. **Header Item H.** Group returns. Enter the four-digit group exemption number (GEN). Also, if not all affiliated subordinate organizations are included in the group return, then attach a list (not in Schedule O) showing the name, address, and EIN of each affiliated subordinate organization included in the group return.

5. **Header Item J. Website.** Enter the Website of the central organization (if any).

6. **Header Item K. Type of organization.** Check “other” if the group has more than one type of organization.

7. **Header Item L. Year of formation.** Leave blank for group return.

8. **Header Item M. State of legal domicile.** Leave blank for group return.

9. **Part IV, lines 14b-19, 21-22, and 29 dollar thresholds.** Apply the dollar thresholds with respect to the aggregate data for the group as a whole, not subordinate by subordinate.

10. **Part IV, line 20. Hospitals.** Answer “Yes,” if any affiliate included within the group return operated a hospital facility.

11. **Part VI, line 2. Relationships among officers, etc.** Describe on Schedule O only relationships between officers, directors, etc., of the same subordinate organization, not relationships between officers, etc., of one subordinate and officers, etc., of another subordinate.

12. **Part VI, line 4. Significant changes to organizational documents.** Report only changes to standardized organizational documents maintained by the central organization that subordinates are required to adopt.

13. **Part VI, line 20. Person who possesses books and records.** Identify the person who possesses the information furnished by the subordinate organizations used in compiling the group return.

14. **Part VII. Compensation of officers, etc.** File a single consolidated Form 990, Part VII showing the officers, directors, trustees, and key employees of each subordinate included in the group return, and a single consolidated Schedule J, Compensation Information, Part II, for all such officers, directors, trustees, and key employees above the compensation thresholds. Report the five highest compensated employees and independent contractors above \$100,000 for the whole group of subordinates, not for each subordinate. If one or more officers, directors, trustees, key employees, or highest compensated employees received compensation from more than one organization in the group, the person’s compensation from the several organizations must be reported in column (D).

15. **Part VII. Compensation from related organizations.** Report compensation from an organization that is included in the group ruling but that is not among the subordinates included in the group return as compensation from a related organization in column (E), even if the related organization is not required to be reported on Schedule R, Related Organizations and Unrelated Partnerships.

16. **Part XI, lines 2a and b. Compiled, reviewed, or audited financial statements.** Answer “Yes” only if all the subordinates in the group had their financial statements compiled, reviewed, or audited individually (rather than on a consolidated basis).

17. **Schedule A. Part I. Reason for public charity status.** If the subordinates do not all have the same public charity status, then check the public charity status box for the largest number of subordinates in the group, and explain on Schedule A, Public Charity Status and Public Support, Part IV. However, if any section 509(a)(3) organizations are among the subordinates in the group return, also answer lines 11e through 11h.

18. **Schedule A. Parts II and III. Support schedules.** Report aggregate data for all subordinates with the public charity status corresponding to Parts II or III.

19. **Schedule B. Contributors.** Report a consolidated Schedule B for all subordinates included in the group return. Apply the dollar and percentage thresholds (including the greater of \$5,000 or 2% threshold for organizations described in sections 509(a)(1) and 170(b)(1)(A)(vi) subordinate by subordinate, not on a group basis.

20. **Schedule C. Part II-A. Lobbying expenditures and affiliated groups.** Complete Part II-A, column (b) for the group as a whole. In column (a), except on lines g and h, include the amounts that apply to all electing members of the group if they are included in the group return. If the group return includes organizations that belong to more than one affiliated group, show in column (b) the totals for all such groups.

21. **Schedule D. Part X. Other liabilities.** The filing organization may summarize that portion, if any, of the FIN 48 footnote that applies to the liability of multiple organizations including the organization (for example, as a member of a group with consolidated financial statements), to describe the filing organization’s share of the liability.

22. **Schedule H. Hospitals.** Complete one Schedule H for all of the hospitals operated by subordinates in the group, and report aggregate data from all such hospitals.

23. **Schedule J. Compensation from related organizations.** See the Part VII instructions above.

24. **Schedule N. Liquidation or significant disposition of assets.** Explain in Schedule N, Part III, which of the subordinates have undergone a liquidation, termination, dissolution, or significant disposition of assets during the tax year.

25. **Schedule R. Related organizations.** See the instructions for Schedule R regarding determining when related organizations of a member of a group exemption must be included on Schedule R. In general, **central organizations** and **subordinate organizations** of a **group exemption** are not required to be listed as **related organizations** on Schedule R, Part II; and all other related organizations of the central organization or of a subordinate organization are required to be listed on Schedule R in the applicable part. Even if

a related organization is not required to be listed in Part II of Schedule R, however, as described in the instructions for Schedule R (Form 990), Part V, the organization must report its transactions with the related organization in Part V.

Appendix F. Disregarded Entities and Joint Ventures—Inclusion of Activities and Items

Disregarded Entities

A disregarded entity, as described in Regulations sections 301.7701-1 through 301.7701-3, is treated as a branch or division of its parent organization for federal tax purposes. Therefore, financial and other information applicable to a disregarded entity must be reported as the parent organization’s information.

An organization must report in its Form 990, including Parts VIII through X, all of the revenues, expenses, assets, liabilities, and net assets or funds of a disregarded entity of which it is the sole member. The organization also must report the activities of a disregarded entity in the appropriate parts (including Schedules) of the Form 990. For example, support of a disregarded entity must be taken into account by the filing organization for purposes of the public support tests set forth on Schedule A. Similarly, political campaign activity or lobbying activity conducted by a disregarded entity of which the organization is the sole member must be reported on Schedule C, Political Campaign and Lobbying Activities.

The following is a list of special instructions for the Form and Schedules regarding the reporting of a disregarded entity of which the organization is the sole member. These items are described to illustrate special applications of the rule described above that a disregarded entity’s activities and items must be reported on the organization’s Form 990 and applicable schedules.

1. **Part I, line 5. Number of employees.** See instruction for Part V, lines 1 and 2 below.

2. **Part I, line 6. Number of volunteers.** The total number of volunteers to be reported may, but is not required to, include volunteers of any disregarded entity.

3. **Part III. Program service accomplishments.** Consider activities and accomplishments of all disregarded entities when answering this part.

4. **Part IV, line 12. Audited financial statement.** The organization is not to answer “Yes,” to this question merely because it received an audited statement of one or more disregarded entities, if the statement of the filing organization was not audited.

5. **Part IV, lines 31-32. Liquidation or significant disposition of assets.** See instructions for Schedule N, below.

6. **Part IV, lines 35-36. Transactions with related organizations.** See instructions for Schedule R, below.

7. **Part V, lines 1–2. Forms 1096 and W-3.** The total number of information returns and employees to be reported, and compliance with backup withholding rules, includes all backup withholding, information returns and employees of any disregarded entity, regardless of whether the disregarded entity has a separate EIN for employment tax and information reporting purposes.

8. **Part V, line 7. Organizations that may receive deductible contributions.** For purposes of Form 990 reporting, lines 7a through 7h are to be answered by taking into account any contributions made to a disregarded entity.

9. **Part VI, Section A, lines 1-11. Governing body and management.** Members of the governing body, officers, directors, trustees, and employees of a disregarded entity will not be treated as governing body members, officers, directors, or trustees of the filing organization, but such persons may constitute a key employee or highest compensated employee of the filing organization by virtue of compensation paid by the disregarded entity, or the person's responsibilities and authority over operations of the disregarded entity when compared to the filing organization as a whole. See the instructions for Form 990, Part VII, Section A, Disregarded entities.

10. **Part VI, Section B, lines 12–16. Policies.** The organization is to check "Yes," or "No," based on the filing organization's policies, but for each "Yes" response they must report on Schedule O whether the policy applies to all of the organization's disregarded entities (if any).

11. **Part VII, line 1a. Definitions of key employee and highest compensated employee.** Officers, directors, trustees, and employees of a disregarded entity may constitute a key employee or highest compensated employee of the filing organization by virtue of compensation paid by the disregarded entity, or the person's responsibilities and authority over operations of the disregarded entity when compared to the filing organization as a whole. See the instructions for Form 990, Part VII, Section A.

12. **Part XI, line 3. OMB and Single Audit Act audits.** The organization must check "Yes" if a disregarded entity was required to undergo an audit or audits.

13. **Schedule L. Transactions with interested persons.** Reportable transactions include transactions involving interested persons who have such status because of their relationship with a disregarded entity (such as an employee of the disregarded entity who qualifies as a key employee of the organization as a whole). A transaction between an interested person and a disregarded entity of the organization is reportable on Schedule L.

14. **Schedule N. Liquidation or significant disposition of assets.** The organization is not to prepare Part I to report a termination, liquidation, or dissolution of a disregarded entity if the filing organization continues to operate. Transfers to (or by) a filing organization by (or to) its disregarded entity are not to be reported in Part II, but transfers by or contractions of a disregarded entity are to be taken into account to determine whether a reportable event (based on 25% of the filing organization's net assets, including those of its disregarded entities) has occurred.

15. **Schedule R, Part V, line 2. Transactions with related organizations.** Specified payments to a disregarded entity by a controlled entity of the filing organization, and transfers by a disregarded entity to an exempt non-charitable entity, are to be reported on Schedule R, Part V, line 2.

Joint Ventures Treated as a Partnership for federal income tax purposes

If the organization participates as a partner or member of a joint venture, partnership, LLC, or other entity treated as a partnership for federal tax purposes (referred to here as a "joint venture"), as described in Regulations sections 301.7701-1 through 301.7701-3, then the organization in general must report the activities of the joint venture as its own activities, to the extent of the organization's proportionate interest in the joint venture. For example, a proportionate share of the political campaign activity or lobbying activity conducted by a joint venture of which the organization is a member must be reported on Schedule C, Political Campaign and Lobbying Activities. If the joint venture is a member of a second joint venture, which is a member of a third joint venture, etc., the activities similarly pass through all joint ventures to the organization.

The following is a list of special instructions for the Form and Schedules regarding the reporting of a joint venture of which the organization is a member:

1. **Part I, line 2. Disposition of 25% of assets.** See instructions for Schedule N, below.

2. **Part I, line 7. Unrelated business income.** Include the organization's share (whether or not distributed) of income or loss of the joint venture that is unrelated business income in determining the organization's gross and net unrelated business income.

3. **Part IV, lines 3-5. Political campaign and lobbying activities.** See instructions for Schedule C, below.

4. **Part IV, line 7. Conservation easements.** See instructions for Schedule D, below.

5. **Part IV, lines 14-16. Activities outside the U.S.** See instructions for Schedule F, below.

6. **Part IV, lines 17-19. Fundraising and gaming.** See instructions for Schedule G, below.

7. **Part IV, line 20. Hospitals.** See instructions for Schedule H, below.

8. **Part IV, line 21-22. Grants in the U.S.** See instructions for Schedule I, below.

9. **Part IV, lines 26-28. Loans, grants, and business transactions involving interested persons.** See instructions for Schedule L, below.

10. **Part IV, line 32. Disposition of 25% of assets.** See instructions for Schedule N, below.

11. **Part IV, lines 34-37. Related organizations and unrelated partnerships.** See instructions for Schedule R, below.

12. **Part V, line 3a. Unrelated business income.** Include the organization's share (whether or not distributed) of income or loss of the joint venture that is unrelated business income in determining the organization's gross unrelated business income.

13. **Part VI. Governance, management, and disclosure.** Do not take into account a joint venture for purposes of Part VI (except for line 16).

14. **Part VII. Compensation.** See instructions for Schedule J, below.

15. **Parts VIII, IX, and X. Financial statements.** Report in accordance with the organization's books and records.

16. **Part XI. Financial statements and reporting.** Disregard a joint venture.

17. **Schedule C. Political campaign and lobbying activities.** Report the organization's share of political campaign or lobbying activities conducted by a joint venture.

18. **Schedule D, Part II. Conservation easements.** Include conservation easements held by a joint venture formed for the purpose of holding such easements.

19. **Schedule F. Activities outside the U.S.** Include activities of a joint venture, including grants to organizations or individuals outside the U.S.

20. **Schedule G. Fundraising and gaming.** Include activities of a joint venture and the organization's share of revenues and expenses. In Part III, line 12, check "Yes" if the joint venture was formed to administer charitable gaming.

21. **Schedule H. Hospitals.** See the instructions for Schedule H to determine how to report an organization's share of a joint venture's activities and items for purposes of that schedule.

22. **Schedule I. Grants in the U.S.** Include grants from a joint venture to organizations, governments, or individuals in the U.S.

23. **Schedule J. Compensation.** If an officer, director, trustee, or employee of the organization receives compensation from a joint venture, the compensation is not treated as paid pro rata by the organization. The compensation may

need to be reported, however, as compensation from a related organization if the joint venture is a related organization.

24. Schedule K, Part III, line 1.

Private business use. Report certain joint ventures that owned property financed by tax-exempt bonds.

25. Schedule L, Parts II-IV. Loans, grants, and business transactions involving interested persons. Report loans and grants made to an interested person by a joint venture. Also report certain joint ventures with interested persons.

26. Schedule N, Part II. Disposition of 25% of assets. In determining whether the organization made a disposition of more than 25% of its assets, take into account its share of dispositions by a joint venture.

27. Schedule R. Related organizations. Report relationships with certain joint ventures in Parts III and VI, and certain transactions with joint ventures in Part V.

Appendix G. Section 4958 Excess Benefit Transactions

The intermediate sanction regulations are important to the exempt organization community as a whole, and for ensuring compliance in this area. The rules provide a roadmap by which an organization may steer clear of situations that may give rise to inurement.

Under section 4958, any disqualified person who benefits from an excess benefit transaction with an applicable tax-exempt organization is liable for a 25% tax on the excess benefit. The disqualified person is also liable for a 200% tax on the excess benefit if the excess benefit is not corrected by a certain date. Also, organization managers who participate in an excess benefit transaction knowingly, willfully, and without reasonable cause are liable for a 10% tax on the excess benefit, not to exceed \$20,000 for all participating managers on each transaction.

Applicable Tax-Exempt Organization

These rules only apply to certain applicable section 501(c)(3) and 501(c)(4) organizations. An *applicable tax-exempt organization* is a section 501(c)(3) or a section 501(c)(4) organization that is tax exempt under section 501(a), or was such an organization at any time during a 5-year period ending on the day of the excess benefit transaction.

An applicable tax-exempt organization does not include:

- A private foundation as defined in section 509(a).
- A governmental entity that is exempt from (or not subject to) taxation without regard to section 501(a) or relieved from

filing an annual return under Regulations section 1.6033-2(g)(6).

• Certain foreign organizations. An organization is not treated as a section 501(c)(3) or 501(c)(4) organization for any period covered by a final determination that the organization was not tax-exempt under section 501(a), so long as the determination was not based on private inurement or one or more excess benefit transactions.

Disqualified Person

The vast majority of section 501(c)(3) or 501(c)(4) organization employees and contractors will not be affected by these rules. Only the few influential persons within these organizations are covered by these rules when they receive benefits, such as compensation, fringe benefits, or contract payments. The IRS calls this class of covered individuals disqualified persons.

A *disqualified person*, regarding any transaction, is any person who was in a position to exercise substantial influence over the affairs of the applicable tax-exempt organization at any time during a 5-year period ending on the date of the transaction. Persons who hold certain powers, responsibilities, or interests are among those who are in a position to exercise substantial influence over the affairs of the organization. This would include, for example, voting members of the governing body, and persons holding the power of:

- Presidents, chief executive officers, or chief operating officers.
 - Treasurers and chief financial officers.
- A disqualified person also includes certain family members of a disqualified person, and 35% controlled entities of a disqualified person.

The following persons are considered disqualified persons with respect to the following organizations, along with certain family members and 35% controlled entities associated with them:

- With respect to a transaction involving a donor advised fund, a donor or donor advisor of that donor advised fund,
- With respect to a sponsoring organization of a donor advised fund, an investment advisor of the sponsoring organization, and
- With respect to a supported organization of a section 509(a)(3) supporting organization, the disqualified persons of the section 509(a)(3) supporting organization.

Substantial contributors to supporting organizations are also considered disqualified persons along with their family members and 35% controlled entities.

See the instructions for Form 4720, Schedule I for more information regarding these disqualified persons.

Who is not a disqualified person? The rules also clarify which persons are not considered to be in a position to exercise

substantial influence over the affairs of an organization. They include:

- An employee who receives benefits that total less than the highly compensated amount (\$100,000 in 2007; \$105,000 in 2008) and who does not hold the executive or voting powers just mentioned; is not a family member of a disqualified person; and is not a substantial contributor;
- Tax-exempt organizations described in section 501(c)(3); and
- Section 501(c)(4) organizations with respect to transactions engaged in with other section 501(c)(4) organizations.

Who else may be considered a disqualified person? Other persons not described above can also be considered disqualified persons, depending on all the relevant facts and circumstances.

Facts and circumstances tending to show substantial influence:

- The person founded the organization.
- The person is a substantial contributor to the organization under the section 507(d)(2)(A) definition, only taking into account contributions to the organization for the past 5 years.
- The person's compensation is primarily based on revenues derived from the activities of the organization that the person controls.
- The person has or shares authority to control or determine a substantial portion of the organization's capital expenditures, operating budget, or compensation for employees.
- The person manages a discrete segment or activity of the organization that represents a substantial portion of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole.
- The person owns a controlling interest (measured by either vote or value) in a corporation, partnership, or trust that is a disqualified person.
- The person is a nonstock organization controlled directly or indirectly by one or more disqualified persons.

Facts and circumstances tending to show no substantial influence:

- The person is an independent contractor whose sole relationship to the organization is providing professional advice (without having decision-making authority) with respect to transactions from which the independent contractor will not economically benefit.
- The person has taken a vow of poverty.
- Any preferential treatment the person receives based on the size of the person's donation is also offered to others making comparable widely solicited donations.
- The direct supervisor of the person is not a disqualified person.
- The person does not participate in any management decisions affecting the organization as a whole or a discrete segment of the organization that represents a substantial portion of the activities, assets, income, or expenses of

the organization, as compared to the organization as a whole.

What about persons who staff affiliated organizations? In the case of multiple affiliated organizations, the determination of whether a person has substantial influence is made separately for each applicable tax-exempt organization. A person may be a disqualified person with respect to more than one organizations in the same transaction.

Excess Benefit Transaction

An *excess benefit transaction* generally is a transaction in which an economic benefit is provided by an applicable tax-exempt organization, directly or indirectly, to or for the use of any disqualified person, and the value of the economic benefit provided by the applicable tax-exempt organization exceeds the value of the consideration (including the performance of services) received for providing such benefit, but see the special rules below. An excess benefit transaction also can occur when a disqualified person embezzles from the exempt organization.

To determine whether an excess benefit transaction has occurred, all consideration and benefits exchanged between a disqualified person and the applicable tax-exempt organization, and all entities it controls, are taken into account.

For purposes of determining the value of economic benefits, the value of property, including the right to use property, is the fair-market value. Fair-market value is the price at which property, or the right to use property, would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy, sell or transfer property or the right to use property, and both having reasonable knowledge of relevant facts.

Donor advised funds. For a donor advised fund, an excess benefit transaction includes a grant, loan, compensation, or similar payment from the fund to a:

- Donor or donor advisor,
- Family member of a donor, or donor advisor,
- 35% controlled entity of a donor or donor advisor, or
- 35% controlled entity of a family member of a donor or donor advisor.

The excess benefit in this transaction is the amount of the grant, loan, compensation, or similar payment. For additional information, see the Instructions for Form 4720.

Supporting organizations. For any supporting organization defined in section 509(a)(3), an excess benefit transaction includes grants, loans, compensation, or similar payment provided by the supporting organization to a:

- Substantial contributor,

- Family member of a substantial contributor,
- 35% controlled entity of a substantial contributor, or
- 35% controlled entity of a family member of a substantial contributor.

Additionally, an excess benefit transaction includes any loans provided by the supporting organization to a disqualified person (other than an organization described in section 509(a)(1), (2), or (4)).

A substantial contributor is any person who contributed or bequeathed an aggregate of more than \$5,000 to the organization, if that amount is more than 2% of the total contributions and bequests received by the organization before the end of the tax year of the organization in which the contribution or bequest is received by the organization from such person. A substantial contributor includes the grantor of a trust.

The excess benefit for substantial contributors and parties related to those contributors includes the amount of the grant, loan, compensation, or similar payment. For additional information, see the Instructions for Form 4720.

When does an excess benefit transaction usually occur? For federal income tax purposes, an excess benefit transaction occurs on the date the disqualified person receives the economic benefit from the organization. However, when a single contractual arrangement provides for a series of compensation payments or other payments to a disqualified person during the disqualified person's tax year, any excess benefit transaction with respect to these payments occurs on the last day of the taxpayer's tax year.

In the case of the transfer of property subject to a substantial risk of forfeiture, or in the case of rights to future compensation or property, the transaction occurs on the date the property, or the rights to future compensation or property, is not subject to a substantial risk of forfeiture. Where the disqualified person elects to include an amount in gross income in the tax year of transfer under section 83(b), the excess benefit transaction occurs on the date the disqualified person receives the economic benefit for federal income tax purposes.

Section 4958 applies only to post-September 1995 transactions.

Section 4958 applies the general rules to excess benefit transactions occurring on or after September 14, 1995. Section 4958 does not apply to any transaction occurring pursuant to a written contract that was binding on September 13, 1995, and at all times thereafter before the transaction occurs. The special rules relevant to transactions with donor advised funds and supporting organizations apply to transactions occurring after August 17, 2006.

What Is Reasonable Compensation?

Reasonable compensation is the valuation standard that is used to determine if there is an excess benefit in the exchange of a disqualified person's services for compensation. *Reasonable compensation* is the value that would ordinarily be paid for like services by like enterprises under like circumstances. This is the section 162 standard that will apply in determining the reasonableness of compensation. The fact that a bonus or revenue-sharing arrangement is subject to a cap is a relevant factor in determining the reasonableness of compensation.

For determining the reasonableness of compensation, all items of compensation provided by an applicable tax-exempt organization in exchange for the performance of services are taken into account in determining the value of compensation (except for certain economic benefits that are disregarded, as discussed in *What benefits are disregarded?* later). Items of compensation include:

- All forms of cash and noncash compensation, including salary, fees, bonuses, severance payments, and deferred and noncash compensation.
- The payment of liability insurance premiums for, or the payment or reimbursement by the organization of taxes or certain expenses under section 4958, unless excludable from income as a *de minimis* fringe benefit under section 132(a)(4). (A similar rule applies in the private foundation area.) Inclusion in compensation for purposes of determining reasonableness under section 4958 does not control inclusion in income for income tax purposes.
- All other compensatory benefits, whether or not included in gross income for income tax purposes.
- Taxable and nontaxable fringe benefits, except fringe benefits described in section 132.
- Foregone interest on loans.

Written intent required to treat benefits as compensation. An economic benefit is not treated as consideration for the performance of services unless the organization providing the benefit clearly indicates its intent to treat the benefit as compensation when the benefit is paid.

An applicable tax-exempt organization (or entity that it controls) is treated as clearly indicating its intent to provide an economic benefit as compensation for services only if the organization provides written substantiation that is contemporaneous with the transfer of the economic benefits under consideration. Ways to provide contemporaneous written substantiation of its intent to provide an economic benefit as compensation include:

- The organization produces a signed written employment contract;
- The organization reports the benefit as compensation on an original Form W-2,

Form 1099, or Form 990, or on an amended form filed prior to the start of an IRS examination; or

- The disqualified person reports the benefit as income on the person's original Form 1040 or on an amended form filed prior to the start of an IRS examination.

Exception. To the extent the economic benefit is excluded from the disqualified person's gross income for income tax purposes, the applicable tax-exempt organization is not required to indicate its intent to provide an economic benefit as compensation for services. (For example: employer provided health benefits, and contributions to qualified plans under section 401(a).)

What benefits are disregarded? The following economic benefits are disregarded for purposes of section 4958:

- Nontaxable fringe benefits. An economic benefit that is excluded from income under section 132.
- Benefits to volunteers. An economic benefit provided to a volunteer for the organization if the benefit is provided to the general public in exchange for a membership fee or contribution of \$75 or less per year.
- Benefits to members or donors. An economic benefit provided to a member of an organization due to the payment of a membership fee, or to a donor as a result of a deductible contribution, if a significant number of nondisqualified persons make similar payments or contributions and are offered a similar economic benefit.
- Benefits to a charitable beneficiary. An economic benefit provided to a person solely as a member of a charitable class that the applicable tax-exempt organization intends to benefit as part of the accomplishment of its exempt purpose.
- Benefits to a governmental unit. A transfer of an economic benefit to or for the use of a governmental unit, as defined in section 170(c)(1), if exclusively for public purposes.

Is there an exception for initial contracts? Section 4958 does not apply to any fixed payment made to a person pursuant to an initial contract. This is a very important exception, since it would potentially apply, for example, to all initial contracts with new, previously unrelated officers and contractors.

An *initial contract* is a binding written contract between an applicable tax-exempt organization and a person who was not a disqualified person immediately prior to entering into the contract.

A *fixed payment* is an amount of cash or other property specified in the contract, or determined by a fixed formula that is specified in the contract, which is to be paid or transferred in exchange for the provision of specified services or property.

A *fixed formula* may, in general, incorporate an amount that depends upon

future specified events or contingencies, as long as no one has discretion when calculating the amount of a payment or deciding whether to make a payment (such as a bonus).

Treatment as new contract. A binding written contract providing that it may be terminated or cancelled by the applicable tax-exempt organization without the other party's consent (except as a result of substantial non performance) and without substantial penalty, is treated as a new contract, as of the earliest date that any termination or cancellation would be effective. Also, a contract in which there is a material change, which includes an extension or renewal of the contract (except for an extension or renewal resulting from the exercise of an option by the disqualified person), or a more than incidental change to the amount payable under the contract, is treated as a new contract as of the effective date of the material change. Treatment as a new contract may cause the contract to fall outside the initial contract exception, and it thus would be tested under the fair-market value standards of section 4958.

Rebuttable Presumption of Reasonableness

Payments under a compensation arrangement are presumed to be reasonable and the transfer of property (or right to use property) is presumed to be at fair-market value, if the following three conditions are met.

1. The transaction is approved by an authorized body of the organization (or an entity it controls) which is composed of individuals who do not have a conflict of interest concerning the transaction.
2. Prior to making its determination, the authorized body obtained and relied upon appropriate data as to comparability. There is a special safe harbor for small organizations. If the organization has gross receipts of less than \$1 million, appropriate comparability data includes data on compensation paid by three comparable organizations in the same or similar communities for similar services.
3. The authorized body adequately documents the basis for its determination concurrently with making that determination. The documentation should include:
 - a. The terms of the approved transaction and the date approved;
 - b. The members of the authorized body who were present during debate on the transaction that was approved and those who voted on it;
 - c. The comparability data obtained and relied upon by the authorized body and how the data was obtained;
 - d. Any actions by a member of the authorized body having a conflict of interest; and
 - e. Documentation of the basis for the determination before the later of the next

meeting of the authorized body or 60 days after the final actions of the authorized body are taken, and approval of records as reasonable, accurate, and complete within a reasonable time thereafter.

Special rebuttable presumption rule for nonfixed payments. As a general rule, in the case of a nonfixed payment, no rebuttable presumption arises until the exact amount of the payment is determined, or a fixed formula for calculating the payment is specified, and the three requirements creating the presumption have been satisfied. However, if the authorized body approves an employment contract with a disqualified person that includes a nonfixed payment (for example, discretionary bonus) with a specified cap on the amount, the authorized body may establish a rebuttable presumption as to the nonfixed payment when the employment contract is entered into by, in effect, assuming that the maximum amount payable under the contract will be paid, and satisfying the requirements giving rise to the rebuttable presumption for that maximum amount.

An IRS challenge to the presumption of reasonableness. The Internal Revenue Service may refute the presumption of reasonableness only if it develops sufficient contrary evidence to rebut the probative value of the comparability data relied upon by the authorized body. This provision gives taxpayers added protection if they faithfully find and use contemporaneous persuasive comparability data when they provide the benefits.

Organizations that do not establish a presumption of reasonableness. An organization may still comply with section 4958 even if it did not establish a presumption of reasonableness. In some cases, an organization may find it impossible or impracticable to fully implement each step of the rebuttable presumption process described above. In such cases, the organization should try to implement as many steps as possible, in whole or in part, in order to substantiate the reasonableness of benefits as timely and as well as possible. If an organization does not satisfy the requirements of the rebuttable presumption of reasonableness, a facts and circumstances approach will be followed, using established rules for determining reasonableness of compensation and benefit deductions in a manner similar to the established procedures for section 162 business expenses.

Section 4958 Taxes

Tax on disqualified persons. An excise tax equal to 25% of the excess benefit is imposed on each excess benefit transaction between an applicable tax-exempt organization and a disqualified person. The disqualified person who benefited from the

transaction is liable for the tax. If the 25% tax is imposed and the excess benefit transaction is not corrected within the taxable period, an additional excise tax equal to 200% of the excess benefit is imposed.

If a disqualified person makes a payment of less than the full correction amount, the 200% tax is imposed only on the unpaid portion of the correction amount. If more than one disqualified person received an excess benefit from an excess benefit transaction, all such disqualified persons are jointly and severally liable for the taxes.

To avoid the imposition of the 200% tax, a disqualified person must correct the excess benefit transaction during the taxable period. The taxable period begins on the date the transaction occurs and ends on the earlier of the date the statutory notice of deficiency is issued or the section 4958 taxes are assessed. This 200% tax may be abated if the excess benefit transaction subsequently is corrected during a 90-day correction period.

Tax on organization managers. An excise tax equal to 10% of the excess benefit may be imposed on the participation of an organization manager in an excess benefit transaction between an applicable tax-exempt organization and a disqualified person. This tax, which may not exceed \$20,000 with respect to any single transaction, is only imposed if the 25% tax is imposed on the disqualified person, the organization manager knowingly participated in the transaction, and the manager's participation was willful and not due to reasonable cause. There is also joint and several liability for this tax. An organization manager may be liable for both the tax on disqualified persons and on organization managers in appropriate circumstances.

An *organization manager* is any officer, director, or trustee of an applicable tax-exempt organization, or any individual having powers or responsibilities similar to officers, directors, or trustees of the organization, regardless of title. An organization manager is not considered to have participated in an excess benefit transaction where the manager has opposed the transaction in a manner consistent with the fulfillment of the manager's responsibilities to the organization. For example, a director who votes against giving an excess benefit would ordinarily not be subject to this tax.

A person participates in a transaction knowingly if the person has actual knowledge of sufficient facts so that, based solely upon such facts, the transaction would be an excess benefit transaction. Knowing does not mean having reason to know. The organization manager ordinarily will not be considered knowing if, after full disclosure of the factual situation to an appropriate

professional, the organization manager relied on the professional's reasoned written opinion on matters within the professional's expertise or if the manager relied on the fact that the requirements for the rebuttable presumption of reasonableness have been satisfied. Participation by an organization manager is willful if it is voluntary, conscious, and intentional. An organization manager's participation is due to reasonable cause if the manager has exercised responsibility on behalf of the organization with ordinary business care and prudence.

Correcting an Excess Benefit Transaction

A disqualified person corrects an excess benefit transaction by undoing the excess benefit to the extent possible, and by taking any additional measures necessary to place the organization in a financial position not worse than that in which it would be if the disqualified person were dealing under the highest fiduciary standards. The organization is not required to rescind the underlying agreement; however, the parties may need to modify an ongoing contract with respect to future payments.

A disqualified person corrects an excess benefit by making a payment in cash or cash equivalents equal to the correction amount to the applicable tax-exempt organization. The correction amount equals the excess benefit plus the interest on the excess benefit; the interest rate may be no lower than the applicable Federal rate. There is an anti-abuse rule to prevent the disqualified person from effectively transferring property other than cash or cash equivalents.

Exception. For a correction of an excess benefit transaction described in *Donor advised funds* (discussed earlier), no amount repaid in a manner prescribed by the Secretary may be held in a donor advised fund.

Property. With the agreement of the applicable tax-exempt organization, a disqualified person may make a payment by returning the specific property previously transferred in the excess benefit transaction. The return of the property is considered a payment of cash (or cash equivalent) equal to the lesser of:

- The fair market value of the property on the date the property is returned to the organization, or
- The fair market value of the property on the date the excess benefit transaction occurred.

Insufficient payment. If the payment resulting from the return of the property is less than the correction amount, the disqualified person must make an additional cash payment to the organization equal to the difference.

Excess payment. If the payment resulting from the return of the property exceeds the correction amount described above, the organization may make a cash

payment to the disqualified person equal to the difference.

Churches and Section 4958

The regulations make it clear that the IRS will apply the procedures of section 7611 when initiating and conducting any inquiry or examination into whether an excess benefit transaction has occurred between a church and a disqualified person.

Revenue Sharing Transactions

Proposed intermediate sanction regulations were issued in 1998. The proposed regulations had special provisions covering "any transaction in which the amount of any economic benefit provided to or for the use of a disqualified person is determined in whole or in part by the revenues of one or more activities of the organization." — so-called revenue-sharing transactions. Rather than setting forth additional rules on revenue-sharing transactions, the final regulations reserve this section. Consequently, until the IRS issues new regulations for this reserved section on revenue-sharing transactions, these transactions will be evaluated under the general rules (for example, the fair-market value standards) that apply to all contractual arrangements between applicable tax-exempt organizations and their disqualified persons.

Revocation of Exemption and Section 4958

Section 4958 does not affect the substantive standards for tax exemption under section 501(c)(3) or section 501(c)(4), including the requirements that the organization be organized and operated exclusively for exempt purposes, and that no part of its net earnings inure to the benefit of any private shareholder or individual. The legislative history indicates that in most instances, the imposition of this intermediate sanction will be in lieu of revocation. The IRS has indicated that the following factors will be considered (among other facts and circumstances) in determining whether to revoke an applicable tax-exempt organization's exemption status where an excess benefit transaction has occurred:

- The size and scope of the organization's regular and ongoing activities that further exempt purposes before and after the excess benefit transaction or transactions occurred;
- The size and scope of the excess benefit transaction or transactions (collectively, if more than one) in relation to the size and scope of the organization's regular and ongoing activities that further exempt purposes;
- Whether the organization has been involved in multiple excess benefit transactions with one or more persons;

- Whether the organization has implemented safeguards that are reasonably calculated to prevent excess benefit transactions; and
- Whether the excess benefit transaction has been corrected, or the organization has made good faith efforts to seek correction from the disqualified person(s) who benefited from the excess benefit transaction.

Appendix H. Forms and Publications To File or Use Internet.



Internet. You can access the IRS website 24 hours a day, 7 days a week, at www.irs.gov to:

- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Sign up to receive local and national tax news by email.



DVD for tax products. You can order Publication 1796, IRS Tax Products DVD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Internal Revenue Code—Title 26 of the U.S. Code.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- Two releases during the year.
 - The first release will ship the beginning of January 2009.
 - The final release will ship the beginning of March 2009.

Purchase the DVD from National Technical Information Service (NTIS) at www.irs.gov/cdorders for \$30 (no handling fee) or call 1-877-233-6767 toll free to buy the DVD for \$30 (plus a \$6 handling fee).

Other Forms That May Be Required

Schedule A (Form 990 or 990-EZ). Public Charity Status or Public Support.

Schedule B (Form 990, 990-EZ, or 990-PF). Schedule of Contributors.

Schedule C (Form 990 or 990-EZ). Political Campaign and Lobbying Activities.

Schedule D (Form 990). Supplemental Financial Statements.

Schedule E (Form 990 or 990-EZ). Schools.

Schedule F (Form 990). Statement of Activities Outside the United States.

Schedule G (Form 990 or 990-EZ). Supplemental Information Regarding Fundraising or Gaming Activities.

Schedule H (Form 990). Hospitals.

Schedule I (Form 990). Grants and Other Assistance to Organizations, Governments, and Individuals in the U.S.

Schedule J (Form 990). Compensation Information.

Schedule K (Form 990). Supplemental Information on Tax-Exempt Bonds.

Schedule L (Form 990 or 990-EZ). Transactions With Interested Persons.

Schedule M (Form 990). Noncash Contributions.

Schedule N (Form 990 or 990-EZ). Liquidation, Termination, Dissolution, or Significant Disposition of Assets.

Schedule O (Form 990). Supplemental Information to Form 990.

Schedule R (Form 990). Related Organizations and Unrelated Partnerships.

Forms W-2 and W-3. Wage and Tax Statement; and Transmittal of Wage and Tax Statements.

Form W-9. Request for Taxpayer Identification Number and Certification.

Form 940. Employer's Annual Federal Unemployment (FUTA) Tax Return.

Form 941. Employer's QUARTERLY Federal Tax Return. Used to report social security, Medicare, and income taxes withheld by an employer and social security and Medicare taxes paid by an employer.

Form 943. Employer's Annual Federal Tax Return for Agricultural Employees.

Trust Fund Recovery Penalty. If certain excise, income, social security, and Medicare taxes that must be collected or withheld are not collected or withheld, or these taxes are not paid to the IRS, a Trust Fund Recovery Penalty may apply. The Trust Fund Recovery Penalty may be imposed on all persons (including volunteers) who the IRS determines were responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so.

This penalty does not apply to volunteer unpaid members of any board of trustees or directors of a tax-exempt organization, if these members are solely serving in an honorary capacity, do not participate in the day-to-day or financial activities of the organization, and do not have actual knowledge of the failure to collect, account for, and pay over these taxes. However, the preceding sentence does not apply if it results in no person being liable for the penalty.

The penalty is equal to the unpaid trust fund tax. See Pub. 15 (Circular E), Employer's Tax Guide, for more details, including the definition of responsible persons.

Form 990-T. Exempt Organization Business Income Tax Return. Filed separately for organizations with gross income of \$1,000 or more from business unrelated to the organization's exempt purpose. The Form 990-T is also filed to pay the section 6033(e)(2) proxy tax. For Form 990, see Part V, line 3 and its instructions; for Form 990-EZ, see Part V, line 35 and its instructions.

Form 990-W. Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations.

Form 1023. Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code.

Form 1024. Application for Recognition of Exemption under Section 501(a).

Form 1040. U.S. Individual Income Tax Return.

Form 1041. U.S. Income Tax Return for Estates and Trusts. Required of section 4947(a)(1) nonexempt charitable trusts that also file Form 990 or Form 990-EZ. However, if such a trust does not have any taxable income under Subtitle A of the Code, it can file Form 990, or Form 990-EZ, and does not have to file Form 1041 to meet its section 6012 filing requirement. If this condition is met, complete Form 990, or Form 990-EZ, and do not file Form 1041.

A section 4947(a)(1) nonexempt charitable trust that normally has gross receipts of not more than \$25,000 (see the gross receipts discussion in *Appendix B*) and has no taxable income under Subtitle A must complete Part V, line 12 and the signature block on page 1 of the Form 990. On the Form 990-EZ, complete line 43 and the signature block on page 4 of the return. In addition, complete only the following items in the heading of Form 990 or Form 990-EZ:

Item	
A	Tax year (fiscal year or short period, if applicable)
B	Applicable checkboxes
C	Name, DBA, and address
D	Employer identification number (EIN)
I	Section 4947(a)(1) nonexempt charitable trust box

Form 1096. Annual Summary and Transmittal of U.S. Information Returns.

Form 1098 series. Information returns to report mortgage interest, student loan interest, qualified tuition and related expenses received, and a contribution of a qualified vehicle that has a claimed value of more than \$500.

Form 1099 series. Information returns to report acquisitions or abandonments of secured property, proceeds from broker and barter exchange transactions, cancellation of debt, dividends and distributions, certain government and state qualified tuition program payments, taxable distributions from cooperatives, interest payments, payments of long-term care and accelerated death benefits, miscellaneous income payments, distributions from an HSA, Archer MSA or

Medicare Advantage MSA, original issue discount, distributions from pensions, annuities, retirement or profit-sharing plans, IRAs, insurance contracts, etc., and proceeds from real estate transactions. Also, use certain of these returns to report amounts that were received as a nominee on behalf of another person.

Form 1120-POL. U.S. Income Tax Return for Certain Political Organizations.

Form 1128. Application To Adopt, Change, or Retain a Tax Year.

Form 2848. Power of Attorney and Declaration of Representative.

Form 3115. Application for Change in Accounting Method.

Form 4506. Request for Copy of Tax Return.

Form 4506-A. Request for Public Inspection or Copy of Exempt or Political Organization IRS Form.

Form 4562. Depreciation and Amortization.

Form 4720. Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code.

Form 5500. Annual Return/Report of Employee Benefit Plan. Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file the Form 5500. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year.

Form 5578. Annual Certification of Racial nondiscrimination for a Private School Exempt From Federal income Tax.

Form 5768. Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation.

Form 7004. Application for Automatic Extension of Time to File Corporation Income Tax Return.

Form 8038 series. Tax Exempt Bonds.

Form 8274. Certification by Churches and Qualified Church-Controlled Organizations Electing Exemption from Employer Social Security and Medicare Taxes.

Form 8282. Donee Information Return. Required of the donee of charitable deduction property who sells, exchanges, or otherwise disposes of donated property within 3 years after receiving it. The form is also required of any successor donee who disposes of the charitable deduction property within 3 years after the date that the donor gave the property to the original donee. It does not matter who gave the property to the successor donee. It may have been the original donee or another successor donee.

Form 8283. Noncash Charitable Contributions.

Form 8300. Report of Cash Payments Over \$10,000 Received in a Trade or Business. Used to report cash amounts in excess of \$10,000 that were received in a single transaction (or in two or more related transactions) in the course of a trade or business (as defined in section 162).

However, if the organization receives a charitable cash contribution in excess of \$10,000, it is not subject to the reporting requirement since the funds were not received in the course of a trade or business.

Form 8328. Carryforward Election of Unused Private Activity Bond Volume Cap.

Form 8718. User Fee for Exempt Organization Determination Letter Request.

Form 8821. Tax Information Authorization.

Form 8822. Change of Address. Used to notify the IRS of a change in mailing address that occurs after the return is filed.

Form 8868. Application for Extension of Time To File an Exempt Organization Return.

Form 8870. Information Return for Transfers Associated With Certain Personal Benefit Contracts. Used to identify those personal benefit contracts for which funds were transferred to the organization, directly or indirectly, as well as the transferors for, and beneficiaries of, those contracts.

Form 8871. Political Organization Notice of Section 527 Status.

Form 8872. Political Organization Report of Contributions and Expenditures.

Form 8886. Form 8886, Reportable Transaction Disclosure Statement.

Form 8886-T. Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction.

Form 8899. Notice of Income From Donated Intellectual Property. Used to report net income from qualified intellectual property to the IRS and the donor.

Form 8921. Applicable Insurance Contracts Information Return.

Form SS-4. Application for Employer Identification Number.

Form TD F 90-22.1. Report of Foreign Bank and Financial Accounts.

Helpful Publications

Publication 15. Circular E, Employer's Tax Guide.

Publication 15-A. Employer's Supplemental Tax Guide (Fringe Benefits).

Publication 463. Travel, Entertainment, Gift, and Car Expenses.

Publication 525. Taxable and Nontaxable Income.

Publication 526. Charitable Contributions.

Publication 538. Accounting Periods and Methods.

Publication 557. Tax-Exempt Status for Your Organization.

Publication 561. Determining the Value of Donated Property.

Publication 598. Tax on Unrelated Business Income of Exempt Organizations.

Publication 892. Exempt Organization Appeal Procedures for Unagreed Issues.

Publication 910. IRS Guide to Free Tax Services.

Publication 946. How To Depreciate Property.

Publication 1771. Charitable Contributions—Substantiation and Disclosure Requirements.

Publication 1828. Tax Guide for Churches and Religious Organizations.

Publication 3079. Gaming Publication for Tax-Exempt Organizations.

Publication 3386. Tax Guide for Veterans Organizations.

Publication 3833. Disaster Relief, Providing Assistance Through Charitable Organizations.

Publication 4220. Applying for 501(c)(3) Tax-Exempt Status.

Publication 4221-PC. Compliance Guide for 501(c)(3) Public Charities.

Publication 4221-PF. Compliance Guide for 501(c)(3) Private Foundations.

Publication 4302. A Charity's Guide to Vehicle Donations.

Publication 4303. A Donor's Guide to Vehicle Donations.

Publication 4630. Exempt Organizations Products and Services Navigator.

Appendix I. Use of Form 990 or Form 990-EZ To Satisfy State Reporting Requirements

Some states and local government units will accept a copy of Form 990 or 990-EZ in place of all or part of their own financial report forms. The substitution applies primarily to section 501(c)(3) organizations, but some other types of section 501(c) organizations are also affected. If the organization uses Form 990 or 990-EZ to satisfy state or local filing requirements, such as those under state charitable solicitation acts, note the following discussions.

Determine state filing requirement.

The organization may consult the appropriate officials of all states and other jurisdictions in which it does business to determine their specific filing requirements. Doing business in a jurisdiction may include any of the following:

- Soliciting contributions or grants by mail or otherwise from individuals, businesses, or other charitable organizations;

- Conducting programs;
- Having employees within that jurisdiction;

- Maintaining a checking account; or
- Owning or renting property there.

Monetary tests may differ. Some or all of the dollar limitations applicable to Form 990 or 990-EZ when filed with the IRS may not apply when using Form 990 or 990-EZ in place of state or local report forms. Examples of the IRS dollar limitations that do not meet some state requirements are the normally \$25,000 gross receipts minimum that creates an obligation to file with the IRS and the \$100,000 minimum for listing independent contractors on Form 990, Part VII, Section B.

Additional information may be required. State or local filing requirements may require the organization to attach to Form 990 or 990-EZ one or more of the following:

- Additional financial statements, such as a complete analysis of functional expenses or a statement of changes in net assets;
- Notes to financial statements;
- Additional financial schedules;
- A report on the financial statements by an independent accountant; and
- Answers to additional questions and other information.

Each jurisdiction may require the additional material to be presented on forms they provide. The additional information does not have to be submitted

with the Form 990 or 990-EZ filed with the IRS.

Even if the Form 990 or 990-EZ that the organization files with the IRS is accepted by the IRS as complete, a copy of the same return filed with a state will not fully satisfy that state's filing requirement if (1) required information is not provided, including any of the additional information discussed above, or (2) the state determines that the form was not completed by following the applicable Form 990 or 990-EZ instructions or supplemental state instructions. In such case, the state may ask the organization to provide the missing information or to submit an amended return.

Use of audit guides may be required. To ensure that all organizations report similar transactions uniformly, many states require that contributions, gifts, grants, etc., and functional expenses be reported according to the AICPA industry audit and accounting guide, *Not-for-Profit Organizations* (New York, NY, AICPA, 2003), supplemented by *Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations* (Washington, DC, National Health Council, Inc., 1998, 4th edition).

Donated services and facilities. Even though reporting donated services and facilities as items of revenue and expense is called for in certain circumstances by the two publications named above, many

states and the IRS do not permit the inclusion of those amounts in Parts VIII and IX of Form 990 or Part I of Form 990-EZ. The optional reporting of donated services and facilities is discussed in the instructions for Part III for both Form 990 and Form 990-EZ.

Amended returns. If the organization submits supplemental information or files an amended Form 990 or 990-EZ with the IRS, it must also send a copy of the information or amended return to any state with which it filed a copy of Form 990 or 990-EZ originally to meet that state's filing requirement. If a state requires the organization to file an amended Form 990 or 990-EZ to correct conflicts with the Form 990 or 990-EZ instructions, the organization must also file an amended return with the IRS.

Method of accounting. Most states require that all amounts be reported based on the accrual method of accounting. See also *General Instruction D*.

Time for filing may differ. The deadline for filing Form 990 or 990-EZ with the IRS differs from the time for filing reports with some states.

Public inspection. The Form 990 or 990-EZ information made available for public inspection by the IRS may differ from that made available by the states, such as Schedule B (Form 990, 990-EZ, or 990-PF).

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