2013

Department of the Treasury
Internal Revenue Service

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 private foundations)

Contents **Page**

What's New . . . 1
Purpose of Form . . . 2
Phone Help . . . 2
Email Subscription . . . 2
General Instructions . . . 2
A. Who Must File . . . 3
B. Organizations Not Required To File Form 990 or 990-EZ . . . 4
C. Sequencing List To Complete the Form and Schedules . . . 5
D. Accounting Periods and Methods . . . 5
E. When, Where, and How to File . . . 6
F. Extension of Time To File . . . 6
G. Amended Return/Final Return . . . 6
H. Failure-to-File Penalties . . . 7
I. Group Return . . . 7
J. Requirements for a Properly Completed Form 990 . . . 7
Specific Instructions . . . 8
Heading. Items A–M . . . 8
Part I. Summary . . . 10
Part II. Signature Block . . . 10
Part III. Statement of Program Service Accomplishments . . . 11
Part IV. Checklist of Required Schedules . . . 12
Part V. Statements Regarding Other IRS Filings and Tax Compliance . . . 15
Part VI. Governance, Management, and Disclosure . . . 18
Part VII. Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors . . . 25
Part VIII. Statement of Revenue . . . 36
Part IX. Statement of Functional Expenses . . . 41
Part X. Balance Sheet . . . 46
Part XI. Reconciliation of Net Assets . . . 49
Part XII. Financial Statements and Reporting . . . 49
Glossary . . . 51
Appendix of Special Instructions to Form 990 Contents . . . 72
Appendix A. Exempt Organizations Reference Chart . . . 73

Contents **Page**

Appendix B. How to Determine Whether an Organization's Gross Receipts Are Normally $50,000 (or $5,000) or Less . . . 74
Appendix C. Special Gross Receipts Tests for Determining Exempt Status of Section 501(c)(7) and 501(c)(15) Organizations . . . 74
Appendix D. Public Inspection of Returns . . . 75
Appendix E. Group Returns—Reporting Information on Behalf of the Group . . . 79
Appendix F. Disregarded Entities and Joint Ventures—Inclusion of Activities and Items . . . 80
Appendix G. Section 4958 Excess Benefit Transactions . . . 82
Appendix H. Forms and Publications To File or Use . . . 87
Appendix I. Use of Form 990 or 990-EZ To Satisfy State Reporting Requirements . . . 89
Appendix J. Contributions . . . 89
Appendix K. Business Activity Codes . . . 92
Index . . . 94

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

Future Developments

For the latest information about developments related to Form 990 and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/form990*.

What's New

2013 Significant Changes

The *General Instructions:*

- Clarify that a short period return cannot be filed electronically unless it is an initial or final return for which the "Initial return" or "Terminated" box is checked in Item B of the Form 990 Heading.
- Explain that if a Form 990-N filer changes its accounting period, it must report this change either on Form 990/990-EZ or Form 1128, or by sending a letter to the IRS.
- Clarify that organizations that change their accounting period must report any adjustment required by section 481(a) in Parts VIII through XI of Form 990 and in Schedule D (Form 990), Parts XI and XII, as applicable.

Instructions for *Heading. Items A-M:*

- Clarify what documentation must be attached to Form 990 to support an organization's name change.
- Clarify what documentation must be attached to Form 990 by an organization that has terminated, dissolved, merged, or had its exemption revoked by the IRS.

In *Part IV, Checklist of Required Schedules:*

- Line 2 instructions clarify when an organization can exclude from Schedule B contributors that fall below the greater-than-$5,000/2% threshold.
- Line 25b instructions clarify when an organization needs to answer "Yes" to report that it became aware of an excess benefit transaction with a disqualified person in a prior year.
- Line 26 is revised to clarify that the organization must file Schedule L, Part II, if it reported any amounts on Part X, line 5, 6, or 22 for receivables from or payables to interested persons.

In *Part VI, Governance, Management, and Disclosure:*

- Line 3 instructions clarify what compensation from a management company to interested persons should be reported in Schedule O.

Instructions for *Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors:*

- Clarify that directors' compensation for non-director independent contractor services to the organization and related organizations must be reported in Part VII, Section A.
- Clarify that compensation from a management company to one of the organization's officers, directors, trustees, key employees, or highest compensated employees is generally not reportable in Part VII, Section A.

In *Part VIII, Statement of Revenue:*

- Line 1 instructions clarify that discounts on services cannot be reported as contributions.
- Line 10b instructions clarify how to report the cost of donated goods on this line.

In *Part IX, Statement of Functional Expenses:*

- Line 11 instructions clarify how to report expense payments and reimbursements to contractors.

The *Glossary:*

- Clarifies that "contributions" include neither donations of services nor discounts provided on sales of goods in the ordinary course of business.
- Includes a new definition of "domestic individual."
- Clarifies when a VEBA is reported as a "related organization" by its contributing employers and sponsoring organizations.

Appendix D, Public Inspection of Returns:

- Clarifies that public inspection requirements apply to both original and amended returns.

Appendix E, Group Returns:

- Clarifies how to determine, for purposes of group returns, whether a diversion of a subordinate's assets meets the 5%/ $250,000 reporting threshold for Part VI, line 5.
- Clarifies when to report business transactions of subordinates and their interested persons in Schedule L, Part IV.

Appendix F, Disregarded Entities and Joint Ventures–Inclusion of Activities and Items:

- Clarifies when to treat a single-member LLC as a disregarded entity of its sole member/owner.

Purpose of Form

Forms 990 and 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 or 990-EZ, and a section 501(c)(3) organization's Form 990-T, Exempt Organization Business Income Tax Return, generally 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), can be open to public inspection. See *Appendix D* and 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 can be determined by information presented on its return.

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 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*.

General Instructions

Overview of Form 990

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

CAUTION *Certain Form 990 filers must file electronically.* See *General Instructions, Section E. When, Where, and How to File,* later, *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 section 501(a), and certain political organizations and **nonexempt charitable trusts**. Parts I through XII 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 (see *Appendix D. Public Inspection of Returns*), and can be required to be filed with state governments to satisfy state reporting requirements. See *Appendix I. Use of Form 990 and 990-EZ to Satisfy State Reporting Requirements.*

CAUTION ***Reminder: Do Not Include Social Security Numbers on Publicly Disclosed Forms.*** *Because the filing organization and the IRS are required to publicly disclose the organization's annual information returns, social security numbers should not be included on this form. By law, with limited exceptions, neither the organization nor the IRS may remove that information before making the form publicly available. Documents subject to disclosure include schedules and attachments filed with the form. For more information, see Appendix D. Public Inspection of Returns.*

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

- See *General Instructions, Section C. Sequencing List to Complete the Form and Schedules,* later, which provides

guidance on the recommended order for completing the form and applicable schedules.

- Throughout these instructions, "the organization" and the "filing organization" both refer to the organization filing Form 990.
- Unless otherwise specified, information should be provided for the organization's tax year. For instance, an organization should answer "Yes" to a question asking whether it conducted a certain type of activity only if it conducted that activity during the tax year.
- 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.

CAUTION *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 990-EZ) or submit an annual electronic notice (Form 990-N), depending upon the organization's **gross receipts** and **total assets**.

TIP *An organization may not file a "consolidated" Form 990 to aggregate information from another organization that has a different **EIN**, unless it is filing a **group return** and reporting information from a **subordinate organization** or organizations, reporting information from a **joint venture** or **disregarded entity** (see Appendices E and F, later), or as otherwise provided for in the Code, regulations, or official IRS guidance. A parent exempt organization of a section 501(c)(2) title-holding company may file a consolidated Form 990-T with the section 501(c)(2) organization, but not a consolidated Form 990.*

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 $200,000 or (2) total assets greater than or equal to $500,000 at the end of the tax year (with exceptions described below for organizations eligible to submit Form 990-N and for certain organizations described in *Section B. Organizations Not Required to File Form 990 or 990-EZ,* later). 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 tax year, 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(j) (amateur sports 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 $50,000 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 *Section B. Organizations Not Required to File Form 990 or 990-EZ,* later.) See *Appendix B* for a discussion of gross receipts.

Form 990-EZ. If an organization has **gross receipts** less than $200,000 and **total assets** at the end of the tax year less than $500,000, it can 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 below regarding **controlling organizations** under section 512(b)(13) and **sponsoring organizations** of **donor advised funds**.

If an organization eligible to submit the Form 990-N or file the Form 990-EZ chooses to file the Form 990, it must file a complete return.

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

Sponsoring organizations of donor advised funds. If required to file an annual information return for the year, **sponsoring organizations** of **donor advised funds** 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 $50,000 or less, and even if it is described in Rev. Proc. 96-10, 1996-1 C.B. 577, or is an affiliate of a governmental unit described in Rev. Proc. 95-48, unless it qualifies as one of the following:

1. An integrated auxiliary of a **church** described in Regulations section 1.6033-2(h),
2. The exclusively religious activities of a **religious order**, or
3. An organization, the gross receipts of which are normally not more than $5,000, that supports a section 501(c)(3) religious organization.

If the organization is described in (3) but not in (1) or (2), then it must submit Form 990-N unless it voluntarily files Form 990 or 990-EZ.

Section 501(c)(7) and 501(c)(15) organizations. Section 501(c)(7) and 501(c)(15) organizations apply the same **gross receipts** test as other organizations to determine whether they must file Form 990, but use a different definition of gross receipts to determine whether they qualify as tax-exempt for the tax year. See *Appendix C* for more information.

Section 527 political organizations. A tax-exempt political organization must file Form 990 or 990-EZ if it had $25,000 or more in gross receipts during its tax year, even if its gross receipts are normally $50,000 or less, unless it meets one of the exceptions for *certain political organizations* under *Section B. Organizations Not Required to File Form 990 or 990-EZ,* later. A

qualified state or local political organization must file Form 990 or 990-EZ only if it has gross receipts of $100,000 or more. Political organizations are not required to submit 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 990-EZ, unless excepted under *Section B. Organizations Not Required to File Form 990 or 990-EZ,* later. Such a trust is treated like an exempt section 501(c)(3) organization for purposes of completing the form. Section 4947(a)(1) trusts must complete all sections of the Form 990 and schedules that section 501(c)(3) organizations must complete. All references to a section 501(c)(3) organization in the Form 990, schedules, and instructions include a section 4947(a)(1) trust (for instance, such a trust must complete Schedule A (Form 990 or 990-EZ)), 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 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 under these instructions if the organization claims exempt status under section 501(a) but has not 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), and receiving an IRS determination letter recognizing tax-exempt status. In such a case, the organization must check the "Application pending" checkbox in Form 990, Item B, Heading, 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.

To qualify for tax exemption retroactive to the date of its organization or formation, an organization claiming tax-exempt status under section 501(c)(3), 501(c)(9), or 501(c)(17) generally must file Form 1023 or 1024 within 27 months of the end of the month in which it was legally organized or formed.

CAUTION *An organization that has filed a letter application for recognition of exemption as a qualified nonprofit health insurance issuer under section 501(c)(29), or plans to do so, but has not yet received an IRS determination letter recognizing exempt status, must check the "Application pending" checkbox in the Form 990* Heading, *Item B.*

B. Organizations Not Required To File Form 990 or 990-EZ

An organization does not have to file Form 990 or 990-EZ even if it has at least $200,000 of **gross receipts** for the tax year or $500,000 of **total assets** at the end of the tax year if it is described below (except for section 509(a)(3) supporting organizations, which are described earlier). See *Section A. Who Must File* to determine if the organization can file Form 990-EZ instead of Form 990. An organization described in paragraph 10, 11, or 13 of this Section B is required to submit Form 990-N unless it voluntarily files Form 990, 990-EZ, or 990-BL, as applicable.

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. But see the filing requirements for section 509(a)(3) supporting organizations in *A. Who Must File.*

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. But see the filing requirements for section 509(a)(3) supporting organizations in *A. Who Must File.*

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 $50,000 or less. Such organizations generally are required to submit Form 990-N if they choose not to file Form 990 or Form 990-EZ. To determine what an organization's gross receipts "normally" are, see *Appendix B. How to Determine Whether an Organization's Gross Receipts Are Normally $50,000 (or $5,000) or Less*.

11. **Foreign organizations** and organizations located in **U.S. possessions**, whose **gross receipts** from sources within the United States are normally $50,000 or less and which did not engage in significant activity in the United States (other than investment activity). Such organizations, if they claim U.S. tax exemption or are recognized by the IRS as tax-exempt, generally are required to submit Form 990-N if they choose not to file Form 990 or 990-EZ.

If a foreign organization or U.S. possession organization is required to file Form 990 or Form 990-EZ, then its worldwide gross receipts, as well as assets, are taken into account in determining whether it qualifies to file Form 990-EZ.

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 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.

TIP ***Subordinate organizations*** *in a* ***group exemption*** *which are included in a* ***group return*** *filed by the* ***central organization*** *for the* ***tax year*** *should not file a separate Form 990 or Form 990-EZ for the tax year.*

C. Sequencing List To Complete the Form and Schedules

You may find the following list 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. Note that all organizations filing Form 990 must file Schedule O.

TIP *A* ***public charity*** *described in section 170(b)(1)(A)(iv), 170(b)(1)(A)(vi), or 509(a)(2) that is not within its initial five years of existence should first complete Part II or III of Schedule A (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 990-EZ, and check the box for "initial return of a former public charity" on page 1 of Form 990-PF.*

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

2. See the instructions for definitions of **related organization** and **control** and determine the organization's related organizations required to be listed in Schedule R (Form 990).

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 Item G in the Heading section of Form 990, on page 1.

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

7. See the Instructions for Schedule L (Form 990 or 990-EZ) and complete Schedule L (Form 990 or 990-EZ) (if required).

8. Complete Part VI of Form 990. Transactions reported on Schedule L (Form 990 or 990-EZ) 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 Schedule O (Form 990 or 990-EZ) and any other applicable schedules (for "Yes" boxes that were checked in Part IV). Use Schedule O (Form 990 or 990-EZ) to provide required supplemental information and other narrative explanations for questions on the core Form 990. For questions on Form 990 schedules, use the narrative part of each schedule to provide supplemental narrative.

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

D. Accounting Periods and Methods

These are the accounting periods covered under the law.

Accounting Periods

Calendar year. Use the 2013 Form 990 to report on the 2013 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 2013 Form 990 to report on the organization's fiscal year that began in 2013 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 Heading of Form 990 the date the organization's fiscal year began in 2013 and the date the fiscal year ended in 2014.

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 began in 2013, and ended before December 31, 2013 (not on or after December 31, 2013), it may use either 2012 Form 990 or 2013 Form 990 to file for the short year. A short period return cannot be filed electronically unless it is an initial return for which the "Initial return" box is checked in Item B of the Heading or a final return for which the "Terminated" box is checked in Item B of the Heading.

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.

If an organization that submits Form 990-N changes its accounting period, it must report this change on Form 990, Form 990-EZ, or Form 1128, or by sending a letter to Internal Revenue Service, 1973 N. Rulon White Blvd., Ogden, Utah 84404.

Accounting Methods

Unless instructed otherwise, the organization should generally use the same accounting method on the return (including the Form 990 and all schedules) 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, Application for Change in Accounting Method, to change its accounting method. An exception applies where a section 501(c) organization changes its accounting method to comply with the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards 116, Accounting for Contributions Received and Contributions Made **(SFAS 116)**, now codified in FASB Accounting Standards Codification 958, Not-for-Profit Entities (ASC 958). 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, must report any adjustment required by section 481(a) in Parts VIII through XI and in Schedule D, Parts XI and XII, as applicable.

State reporting. Many 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 can 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 XII.

TIP *See Pub. 538, Accounting Periods and Methods, and the instructions to Forms 1128 and 3115, about reporting changes to accounting periods and methods.*

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 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 a separate attachment, giving the reasons for not filing on time.

Send the return to:

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

Foreign and U.S. possession organizations. 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 only the IRS-designated private delivery services below to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. These private delivery services include only the following:

- DHL Express (DHL): DHL "Same 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.

For private delivery services, deliver the return to:

Internal Revenue Service
1973 N. Rulon White Blvd.
Ogden, UT 84404.

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

CAUTION *Private delivery services cannot deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box.*

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 ending with or within the organization's **tax 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, Employer's Quarterly Federal Tax Return), 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, unless it is reporting a name change, in which case it must file by paper and attach the documents described in *Specific Instructions, Item B. Checkboxes,* later. See Regulations section 301.6033-4 for more information on mandatory electronic filing of Form 990.

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 2010-13, 2010-4 I.R.B. 327, available at *www.irs.gov/irb/2010-04_IRB/ar14.html*.

F. Extension of Time To File

Use Form 8868, Application for Extension of Time to File an Exempt Organization Return, 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 amend 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 *Heading* of the return. Also, enter in Schedule O (Form 990 or 990-EZ) which parts and schedules of the Form 990 were amended and describe the amendments.

The organization can 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.

If the organization needs a complete copy of its previously filed return, it can file Form 4506, Request for Copy of Tax Return. See IRS.gov for information on getting blank tax forms.

If the return is a final return, the organization must check the "Terminated" box in Item B of the *Heading* and complete Schedule N (Form 990 or 990-EZ).

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 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 lesser of $10,000 or 5% of the **gross receipts** of the organization for the year, can be charged when a return is filed late, unless the organization shows 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 for any one return of $50,000). The penalty applies on each day after the due date that the return is not filed.

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, unless the organization files by paper to report a name change.

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

Use of a paid preparer does not relieve the organization of its responsibility to file a complete and accurate 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 for 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 can impose additional penalties for failure to meet their separate filing requirements.

Automatic revocation for nonfiling for three consecutive years. The law requires most tax-exempt organizations, other than churches, to file an annual Form 990, 990-EZ, or 990-PF with the IRS, or to submit a Form 990-N e-Postcard to the IRS. If an organization fails to file an annual return or submit a notice as required for 3 consecutive years, its tax-exempt status is automatically revoked on and after the due date for filing its third annual return or notice. Organizations that lose their tax-exempt status may need to file income tax returns and pay income tax, but may apply for reinstatement of exemption. For details, go to *www.irs.gov/eo*.

I. Group Return

A central, parent, or similar 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 tax year 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 tax year as the central organization.

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

A **subordinate organization** may choose to file a separate annual information return instead of being included in the group return.

If the **central organization** is required to file a return for itself, it must file a separate return and cannot be included in the group return. See Regulations section 1.6033-2(d)(1). See *Section B. Organizations Not Required to File Form 990 or 990-EZ,* earlier, 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, Group Returns–Reporting Information on Behalf of the Group*.

J. Requirements for a Properly Completed Form 990

All organizations filing Form 990 must complete Parts I through XII, Schedule O (Form 990 or 990-EZ), 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 can 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 -0- 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 or 990-EZ). Certain questions require all filers to provide an explanation in Schedule O (Form 990 or 990-EZ). In general, answers can be explained or supplemented in Schedule O (Form 990 or 990-EZ) 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.

Missing or incomplete parts of the form and/or required schedules may result in the IRS contacting you to obtain the missing information. Failure to supply the information may result in a penalty being assessed to your account. For tips on filing complete returns, go to *www.irs.gov/charities*.

Reporting proper amounts. Some lines request information reported on other forms filed by the organization (such as Forms W-2, 1099, and 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).

In general, do not report negative numbers, but use -0- instead of a negative number, unless the instructions otherwise provide. Report revenue and expenses separately and do not net related items, unless otherwise provided.

Inclusion of activities and items of disregarded entities and joint ventures. An organization must report on 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 on 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** on the appropriate parts or schedules of Form 990. For special instructions about 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*.

Reporting information from third parties. Some lines request information that the organization may need to obtain from third parties, such as compensation paid by **related organizations**; family and business relationships between **officers, directors, trustees, key employees,** and certain businesses they own or control; the organization's share of the income and assets of a partnership or joint venture in which it has an ownership interest; and certain transactions between the organization and interested persons. The organization should make reasonable efforts to obtain this information. If it is unable to obtain certain information by the due date for filing the return, it should file Form(s) 8868 to request a filing extension. See *Section F. Extension of Time to File,* earlier. If the organization is unable to obtain this information by the extended due date after making reasonable efforts, and is not certain of the answer to a particular question, it may make a reasonable estimate, where applicable, and explain in Schedule O.

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 XII completed, filed in numerical order.

2. Schedules, completed as applicable, filed in alphabetical order (see Form 990, Part IV for required schedules). All pages of a required schedule must be submitted by Form 990 paper filers, even if the filer is only required to complete certain parts but not all of the schedule.

3. Attachments, completed as applicable. These include (a) name change amendment to organizing document required by Item B under *Heading;* (b) list of **subordinate organizations** included in a **group return** required by Item H under *Heading;* (c) articles of merger or dissolution, resolutions, and plans of liquidation or merger required by Schedule N (Form 990 or 990-EZ); (d) reasonable cause explanation for a late-filed return; and (e) for **hospital organizations** only, a copy of the most recent **audited financial statements**.

Do not attach materials not authorized in the instructions or not otherwise authorized by the IRS.

CAUTION *To facilitate the processing of your return, do not password protect or encrypt PDF attachments. Password protecting or encrypting a PDF file that is attached to an e-filed return prevents the IRS from opening the attachment.*

Specific Instructions

Heading. Items A–M

Complete items A through M.

Item A. Accounting period. File the 2013 return for calendar year 2013 and fiscal years that began in 2013 and ended in 2014. For a fiscal year return, fill in the tax year space at the top of page 1. See *General Instructions, Section D. Accounting Periods and Methods,* earlier, for additional information about accounting periods.

Item B. Checkboxes

Address change. Check this box if the organization changed its address and has not reported the change on its most recently filed Form 990, 990-EZ, 990-N, or 8822-B or in correspondence to the IRS.

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

Name Change. Check this box if the organization changed its legal name (not its "doing business as" name) and if the organization has not reported the change on its most recently filed Form 990 or 990-EZ or in correspondence to the IRS. If the organization changed its name, file Form 990 by paper and attach the following documents:

IF the organization is . . .	THEN attach . . .
A corporation	A copy of the amendment to the articles of incorporation, and proof of filing with the appropriate state authority.
A trust	A copy of the amendment to the trust instrument, or a resolution to amend the trust instrument, showing the effective date of the change of name and signed by at least one trustee.
An unincorporated association	A copy of the amendment to the articles of association, constitution, or other organizing document, showing the effective date of the change of name and signed by at least two officers, trustees, or members.

Initial Return. Check this box if this is the first time the organization is filing a Form 990 and it has not previously filed a Form 990-EZ, 990-PF, 990-T, or 990-N.

Terminated. 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, merged into another organization, or has had its exemption revoked by the IRS. An organization that checks this box because it has liquidated, terminated, or dissolved during the tax year must also attach Schedule N (Form 990 or 990-EZ).

CAUTION *An organization must support any claim to have liquidated, terminated, dissolved, or merged by attaching a certified copy of its articles of dissolution or merger approved by the appropriate state authority. If a certified copy of its articles of dissolution or merger is not available, the organization must submit a copy of a resolution or resolutions of its governing body approving plans of liquidation, termination, dissolution or merger.*

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

Application pending. Check this box if the organization either has filed a Form 1023 or 1024 with the IRS and is awaiting a response, or claims tax-exempt status under section 501(a) but has not filed Form 1023 or 1024 to be recognized by the IRS as tax-exempt. If this box is checked, the organization must complete all parts of Form 990 and any required schedules. An organization that is required to file an annual information return (Form 990 or Form 990-EZ) or submit an annual electronic notice (Form 990-N) for a tax year (see *General Instructions, Section A. Who Must File,* earlier) must do so even if it has not yet filed a Form 1023 or 1024 with the IRS, if it claims tax-exempt status.

To qualify for tax exemption retroactive to the date of its organization or formation, an organization claiming tax-exempt status under section 501(c)(3), 501(c)(9), or 501(c)(17) generally must file Form 1023 or 1024 within 27 months of the end of the month in which it was legally organized or formed.

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, enter one on the line and enter the others on Schedule O (Form 990 or 990-EZ).

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, enter the box number instead of the street address.

For foreign addresses, enter the information in the following order: city or town, state or province, the name of the country, and the postal code. Do not abbreviate the country name.

If a change in address occurs after the return is filed, use Form 8822-B, Change of Address or Responsible Party–Business, 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** that files a separate Form 990 instead of being included in a group return must use its own EIN, and not that of the **central organization**.*

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 can 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 organization's current (as of the date this return is filed) **principal officer**, if necessary. If the officer prefers to be contacted at the organization's address listed in item C, enter "same as C above." For purposes of this item, "principal officer" means an **officer** of the organization 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 *General Instructions, Sections A* and *B,* earlier.

Item H. Group returns. If the organization answers "No" to line H(a), it should not check a box in line H(b). If the organization answers "Yes" to line H(a) but "No" to line H(b), attach a list (not on Schedule O (Form 990 or 990-EZ)) showing the name, address, and **EIN** of each local or **subordinate 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 Heading. 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:

- Enter the form number ("Form 990") and tax year,
- Enter 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 current address for its primary website, as of the date of filing this return. If the organization does not maintain a website, enter "N/A" (not applicable).

Item K. Form 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. Enter 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, complete Part I after the other parts of the form are completed.* See *General Instructions, Section C. Sequencing List to Complete the Form and Schedules,* 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, line 31 or 32, and complete Schedule N (Form 990 or 990-EZ), Part I or Part II.

Line 6. Enter the number of **volunteers**, full-time and part-time, including volunteer members of the organization's governing body, 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) can provide a reasonable estimate, and can use any reasonable basis for determining this estimate. Organizations can, but are not required to, provide an explanation on Schedule O (Form 990 or 990-EZ) of how this number was determined, the number of hours those volunteers served during the tax year, 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 990-PF in the prior year, leave the "Prior Year" column blank. Use the same lines from the 2012 Form 990 to determine what to report for prior year revenue and expense amounts.

Line 16a. Enter the total of (i) the professional fundraising fees reported in Part IX, column (A), line 11e, and (ii) the portion of the amount reported in Part IX, column (A), lines 5 and 6, that comprises professional fundraising fees paid to officers, directors, trustees, key employees, and disqualified persons, whether or not such persons are employees of the organization. Exclude the latter amount from Part I, line 15.

Part II. Signature Block

The return must be signed by the current president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer (such as tax officer) who is authorized to sign as of the date this return is filed. A receiver, trustee, or assignee must sign any return he or she files for a corporation or association. See Regulations section 1.6012-3(b)(4). For a trust, the authorized trustee(s) must sign. The definition of "officer" for purposes of Part II is different from the definition of **officer** (see *Glossary*) used to determine which officers to report elsewhere on the form and schedules, and from the definition of **principal officer** for purposes of the Form 990 *Heading* (see *Glossary)*.

Paid Preparer

Generally, anyone who is paid to prepare the return must sign the return, list the preparer's taxpayer identification number (PTIN), and fill in the other blanks in the *Paid Preparer 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, including the preparer's PTIN, and
- Give a copy of the return to the organization.

Any paid preparer can apply for and obtain a PTIN online at www.irs.gov/ptin or by filing Form W-12, *IRS Paid Preparer Tax Identification Number Application*.

CAUTION *Enter the paid preparer's PTIN, not his or her social security number (SSN), in the "PTIN" box in the paid preparer's block. The IRS will not 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 in this block will be publicly disclosed (see Appendix D). For more information about applying for a PTIN online, visit the IRS website at www.irs.gov/taxpros.*

Note. A paid preparer may sign original or amended returns by rubber stamp, mechanical device, or computer software program.

Paid Preparer Authorization

On the last line of Part II, check "Yes" if the IRS can 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 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 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 2014 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 should contact the organization or its principal officer listed in Item F of the *Heading* rather than the paid preparer.

Part III. Statement of Program Service Accomplishments

Check the box in the heading of Part III if Schedule O (Form 990 or 990-EZ) contains any information pertaining to this part. Part III requires reporting regarding the organization's program service accomplishments. A program service is an activity of an organization that accomplishes its exempt purpose. Examples of program service accomplishments can include:

- A section 501(c)(3) organization's charitable activities such as a hospital's provision of charity care under its charity care policy, a college's provision of higher education to students under a degree program, a disaster relief organization's provision of grants or assistance to victims of a natural disaster, or a nursing home's provision of rehabilitation services to residents;
- A section 501(c)(5) labor union's conduct of collective bargaining on behalf of its members;
- A section 501(c)(6) business league's conduct of meetings for members to discuss business issues; or
- A section 501(c)(7) social club's operation of recreational and dining facilities for its members.

Do not report a fundraising activity as a program service accomplishment 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 or ratified by its **governing body**, enter "None."

Line 2. Answer "Yes," if the organization undertook any new significant program services prior to the end of the **tax year** that it did not describe in a prior year's Form 990 or 990-EZ. Describe these items in Schedule O (Form 990 or 990-EZ). If any are among the activities described on Form 990, Part III, line 4, the organization can reference the detailed description on line 4.

Line 3. Answer "Yes," if the organization made any significant changes prior to the end of the **tax year** in how it conducts its program services 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 or 990-EZ).

TIP *An organization must report new, significant program services or significant changes in how it conducts program services on its Form 990, Part III, rather than in a letter to IRS Exempt Organizations Determinations ("EO Determinations"). EO Determinations no longer issues letters confirming the tax-exempt status of organizations that report such new services or significant changes.*

Lines 4a–4c. All organizations must describe their accomplishments for each of their three largest program services, as measured by total expenses incurred (not including donated services or the donated use of materials, equipment, or facilities). If there were three or fewer of such activities, describe each program service activity. The organization can report on Schedule O (Form 990 or 990-EZ) 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 2013 tax year, leave this blank.

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

Revenue. For each program service, 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 on Part VIII, column (A), line 2, and includes other amounts reported on Part VIII, 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 on Part VIII, line 1, are not considered revenue derived from program services. For organizations other than section 501(c)(3) and 501(c)(4) organizations, entering these amounts is optional.

Description of program services. For each program service reported, include the following.

- 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.
- Be clear, concise, and complete in the description. Use Schedule O (Form 990 or 990-EZ) if additional space is needed.

Donated services or use of equipment, materials, or facilities. The organization can 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 Part III, lines 4a–4e,

even if prepared according to **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
- Enter the fees sought and recovered.

See Rev. Proc. 92-59, 1992-2 C.B. 411.

Line 4d. Other program services. Enter on Schedule O (Form 990 or 990-EZ) the organization's other program services. The detailed description required for the three largest program services need not be provided for these other program services. Section 501(c)(3) and 501(c)(4) organizations must report on line 4d their total revenues reported on Part VIII, column (A), line 2, and their total expenses (including grants) reported in Part IX, column (B) that are attributable to these other program services, and must report on Part III, line 4e their total program service expenses from Part III, lines 4a–4d. For all other organizations, entering these amounts is optional. The organization may report the non-contribution portion of membership dues in line 4d or allocate that portion among lines 4a–4c.

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.

All pages of a required schedule should be filed by Form 990 paper filers, even if the filer is only required to complete certain parts but not all of the schedule.

Line 1. Answer "Yes," if the organization is a section 501(c)(3) 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 33⅓% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), checks the box on Schedule A (Form 990 or 990-EZ), Part II, line 13, 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. An organization filing Schedule B can limit the contributors it reports on Schedule B using this greater-than-$5,000/2% threshold only if it checks the box on Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b.
- A section 501(c)(3) organization did not meet the 33⅓% 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, (a) **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 (b) 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.

CAUTION *Do not attach substitutes for Schedule B. Parts I, II, and III of Schedule B may be photocopied as needed to provide adequate space for listing all contributors.*

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. Answer "Yes," if the organization engaged in **lobbying activities** or had a section 501(h) election in effect during the **tax year**. All section 501(c)(3) organizations that had a section 501(h) election in effect during the tax year must complete Schedule C (Form 990 or 990-EZ), Part II-A, whether or not they engaged in lobbying activities during the tax year.

Line 5. Answer "Yes" only if the organization is 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 answer "No."

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 over the use or investment of any portion of the account, but which is not 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, and other similar assets** as described in **SFAS 116** (ASC 958-360-20), whether or not the organization reported revenue and assets related to such collections in its financial statements.

TIP *Organizations that answer "Yes" to line 8 often will answer "Yes" to Part IV, line 30, which addresses current-year **noncash 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**, (2) provided **credit counseling services** and/or **debt management plan services**, such as credit repair or debt negotiations, or (3) acted as an agent, trustee, custodian, or other intermediary for contributions or other assets not included in Part X.

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 **temporarily restricted endowment**, **permanent endowment**, or **quasi-endowment** funds at any time during the year, whether or not the organization follows **SFAS 117** (ASC 958) 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, or equipment on Part X, line 10; an amount for other liabilities on Part X, line 25; or if its financial statements for the tax year included a footnote that addresses its liability for uncertain tax positions under FIN 48 (ASC 740) (including a statement that the organization had no liability for uncertain tax positions). 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 12a. Answer "Yes," if the organization received separate, independent **audited financial statements** for the year for which it is completing this return, or if the organization is reporting for a short year that is included in, but not identical to, the period for which the audited financial statements were obtained. All other organizations answer "No." Answer "No" if the organization was included in consolidated audited financial statements, unless the organization also received separate audited financial statements.

An accountant's **compilation** or **review of financial statements** is not considered to be an audit and does not produce audited financial statements. 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 can (but is not required to) provide the reconciliations contained on Schedule D (Form 990), Parts XI–XII.

Line 12b. Answer "Yes," if the organization was included in consolidated, independent **audited financial statements** for the year for which it is completing this return. All other organizations answer "No." Answer "Yes," if the organization is reporting for a short year that is included in, but not identical to, the period for which the audited financial statements were obtained.

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 14a–14b. 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 activities**, business, investment, and program service activities outside the **United States**, or if the book value of the organization's aggregate investments in foreign partnerships, foreign corporations, and other foreign entities was $100,000 or more at any time during the **tax year**.

In the case of indirect investments made through investment entities, the extent to which revenue or expenses are taken into account in determining whether the $10,000 threshold is exceeded will depend upon whether the investment entity is treated as a partnership or corporation for U.S. tax purposes. For example, an organization with an interest in a foreign partnership would need to take into account its share of the partnership's revenue and expenses in determining whether the $10,000 threshold is exceeded. An organization with an investment in a foreign corporation would need to take into account dividends it receives from the corporation, but would not need to take into account or report any portion of the revenues, expenses, or expenditures of a foreign corporation in which it holds an investment, provided that the corporation is treated as a separate corporation for U.S. tax purposes.

Line 15. Answer "Yes," if the organization reported on Part IX, column (A), line 3, more than $5,000 of **grants and other assistance** to any **foreign organization** or entity, (including a **foreign government**) or to a **domestic organization** or **domestic individual** for the purpose of providing grants or other assistance to a designated **foreign organization** or organizations.

Line 16. Answer "Yes," if the organization reported on Part IX, column (A), line 3, more than $5,000 of aggregate **grants and other assistance** to **foreign individuals**, and to **domestic organizations** or **domestic individuals** for the purpose of providing grants or other assistance to a designated foreign individual or individuals.

Lines 17–19. Answer "Yes" to line 17 if the total amount reported for **professional fundraising services** in Part IX (line 11e, plus the portion of line 6 amount attributable to professional fundraising services) exceeds $15,000.

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 20a. 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 one or more **hospital facilities** at any time during the **tax year**. Except in the case of a **group return**, do not include hospital 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 subordinate included in the group return operated such a hospital facility.

Line 20b. If the organization operated one or more **hospital facilities** at any time during the **tax year**, then it must attach a copy of its most recent **audited financial statements**. If the organization was included in consolidated audited financial statements but not separate audited financial statements for the tax year, then it must attach a copy of the consolidated financial statements, including details to consolidation.

Line 21. Answer "Yes," if the organization reported on Part IX, column (A), line 1, more than $5,000 of **grants and other assistance** to any **domestic organization,** or to any government located inside the **United States**. Do not report grants or other assistance provided to domestic organizations or governments for the purpose of providing grants or other assistance to designated **foreign organizations** or **foreign individuals**.

Line 22. Answer "Yes," if the organization reported on Part IX, column (A), line 2, more than $5,000 of aggregate **grants and other assistance** to **domestic individuals**. Do not report grants or other assistance provided to domestic individuals for the purpose of providing grants or other assistance to designated **foreign organizations** or **foreign individuals**.

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 can skip to line 25.

Line 24a. Answer "Yes" and complete Schedule K (Form 990) for each **tax-exempt bond** issued by or for the benefit of the organization 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. For this purpose, bonds that have been legally defeased, and as a result are no longer treated as a liability of the organization, are not considered outstanding.

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 Regulations section 1.148-1(c).
- Any investment of net proceeds relating to a **refunding escrow** as defined in Regulations section 1.148-1(b).

Temporary period exceptions are described in section 148(c) and Regulations section 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 for **tax-exempt bonds** issued for the benefit of the organization.

Line 24d. Answer "Yes," if the organization has received a letter ruling that its obligations were issued on behalf of a state or local **governmental unit**; meets the conditions for issuing **tax-exempt bonds** as set forth in Rev. Rul. 63-20, 1963-1 C.B. 24 (see Rev. Proc. 82-26, 1982-1 C.B. 476); or is a constituted authority organized by a state or local governmental unit 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. Complete lines 25a and 25b only if the organization is a section 501(c)(3), 501(c)(4), or 501(c)(29) organization. If the organization is not described in sections 501(c)(3), 501(c)(4), or 501(c)(29), skip lines 25a and 25b and leave them blank. In line 25b, answer "Yes," if the organization became aware, prior to filing this return, that it engaged in an **excess benefit transaction** with a **disqualified person** in a prior year, and if the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ.

TIP *An **excess benefit transaction** can 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), 501(c)(4), or 501(c)(29) organization that becomes aware that it may have engaged in an **excess benefit transaction** should obtain competent advice regarding section 4958, pursue 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 or 990-EZ), Part I, regarding reporting of excess benefit transactions.*

Lines 26–28. Lines 26 through 28 ask questions about loans and other receivables and payables between the organization and certain interested persons, grants or other assistance provided by the organization to certain interested persons, and certain direct and indirect business transactions between the organization and 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 for Schedule L (Form 990 or 990-EZ), Parts II–IV, before answering these questions and completing Schedule L (Form 990 or 990-EZ).

Line 29. The organization is required to answer "Yes" to line 29 if it received during the year more than $25,000 in **fair market value (FMV)** 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 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 **qualified conservation contributions** 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 for Schedule N (Form 990 or 990-EZ) for definitions and explanations of these terms and transactions or events, and a description of articles of dissolution and other information that must be filed with Form 990.

Note that a significant disposition of net assets may result from either an expansion or contraction of operations. 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 33–34. 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**. An organization that answers "Yes" to line 33 or 34 must enter its disregarded entities and related organizations on Schedule R (Form 990) and provide specified information regarding such organizations.

Report disregarded entities in Schedule R, Part I; related tax-exempt organizations in Part II; related organizations taxable as partnerships in Part III; and any related organizations taxable as C or S corporations or trusts in Part IV.

Lines 35a–35b. If an organization was a **controlled entity** of the filing organization under section 512(b)(13) during the **tax year**, the filing organization must answer "Yes" to line 35a. It must answer "Yes" to line 35b and complete Schedule R, Part V, line 2, if it either (1) received or accrued from its controlled entity any interest, annuities, royalties, or rent, regardless of amount, during the tax year; or (2) engaged in another type of transaction (see Schedule R for a list of transactions) with the controlled entity, if the amounts involved during the tax year for that type of

transaction exceeded $50,000. See the *Glossary* and the Instructions for Schedule R (Form 990).

Controlled entities are a subset of **related organizations**. Answer "No" to line 35a if the organization had no related organizations during the tax year. If the answer to line 35a is no, leave line 35b blank.

Line 36. Complete line 36 only if the organization is a section 501(c)(3) organization and engaged in a transaction over $50,000 during the **tax year** with a **related organization** that was tax-exempt under a section other than section 501(c)(3). All other organizations leave this line blank and go to line 37. See the Instructions for Schedule R (Form 990) for more information on what needs 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 for the tax year or **total assets** of the organization at the end of its **tax year**, whichever is greater, through an **unrelated organization** that is treated as a partnership for federal income tax purposes, and in which the organization was a partner or member at any time during the tax year. The 5 percent test is applied on a partnership by partnership basis, although direct ownership by the organization and indirect ownership through disregarded entities or tiered entities treated as partnerships are 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.

Line 38. Answer "Yes," if the organization completed Schedule O (Form 990).

TIP *Schedule O (Form 990 or 990-EZ) must be completed and filed by all organizations that file Form 990. All filers must provide narrative responses to certain questions (for example, Part VI, lines 11b and 19) on Schedule O. Certain filers must provide narrative responses to other questions (for example, Part III, line 4d; Part V, line 3b; Part VI, lines 2-7b, 9, 12c, and 15a-b for "Yes" responses; Part VI, lines 8a-b and 10b for "No" responses; Part XII, line 3b for "No" response). All filers can supplement their answers to other Form 990 questions on Schedule O.*

Part V. Statements Regarding Other IRS Filings and Tax Compliance

Check the box in the heading of Part V if Schedule O (Form 990 or 990-EZ) contains any information pertaining to this part.

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

TIP *Some questions in this part 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 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. Report all such returns filed for the calendar year ending with or within the organization's **tax year**. 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. Report on this line Forms 1099, 1098, 5498, and W-2G filed by reporting agents of the filing organization, including common paymasters and payroll agents, for the calendar year ending with or within the organization's tax year. Enter -0- if the organization did not file any such forms for the calendar year ending with or within its tax year, or if the organization is filing for a short year and no calendar year ended within its tax year.

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). If backup withholding rules did not apply to the organization because it did not make a reportable payment to a vendor or provide reportable gaming (gambling) winnings to a prize winner, then leave line 1c blank.

Line 2a. Include on this line the number of the organization's employees (not the number of Forms W-2) reported on a Form W-3 by both the filing organization and reporting agents of the filing organization, including common paymasters and payroll agents, for the calendar year ending with or within the filing organization's **tax year**. Enter -0- if the organization did not have any employees during the calendar year ending with or within its tax year, or if the organization is filing for a short year and no calendar year ended within its tax year.

Line 2b. If the organization reported at least one employee on line 2a, answer whether the organization or reporting agents of the organization filed all required federal employment tax returns (which 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. The organization may leave line 2b blank if it did not report any employees on line 2a.

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. 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.

CAUTION *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 checked "Yes" to line 3a and filed Form 990-T by the time this Form 990 is filed. Check "No" if the organization answered "Yes" to line 3a but has not filed Form 990-T by the time this Form 990 is filed, even if the organization has applied for an extension to file Form 990-T. If "No" to line 3b, provide an explanation on Schedule O (Form 990 or 990-EZ).

*All tax-exempt organizations must pay estimated taxes for 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 (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," electronically file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR) (formerly TD F 90-22.1), by June 30, 2014, with the Department of the Treasury using the FinCEN's BSA E-Filing System. Because FinCEN is not a tax form, do not file it with Form 990.

See *www.fincen.gov* for more information.

Line 4b. Enter the name of each foreign country in which a foreign account described on line 4a is located. Use Schedule O if more space is needed.

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). For more information on prohibited tax shelter transactions, see IRS.gov.

An organization that files Form 990 (other than a section 527 political organization) 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 Under Chapters 41 and 42 of the Internal Revenue Code, and pay an excise tax imposed by section 4965. For more information, see the instructions to Forms 8886-T and 4720.

Line 6. Answer "Yes" on line 6a only if the organization has annual gross receipts that are normally greater than $100,000 and if it solicited contributions not deductible under section 170 during the tax year.

Any fundraising solicitation (including solicitation of member dues) 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.

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 (such as domestic section 501(c)(3) organizations other than organizations that test for public safety) should answer "No" on line 6a.

Line 7. Line 7 is directed only to organizations that can receive deductible charitable **contributions** under section 170(c). See Pub. 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 section 6113 and Notice 88-120, 1988-2 C.B. 454.

Lines 7c and 7d. If the organization is required to file Form 8282, Donee Information Return, to report information to the IRS and to donors about dispositions of certain donated property made within 3 years after the donor contributed the property, it must answer "Yes" and indicate the number of Forms 8282 filed.

Lines 7e and 7f. If, in connection with a transfer to or for the use of 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. If the organization did not receive a contribution of qualified intellectual property, leave line 7g blank.

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, for the donation (or a written acknowledgment with the same

information). See the Instructions for Form 1098-C for more information. If the organization did not receive a contribution of a car, boat, airplane, or other vehicle, leave line 7h blank.

Line 8. A **sponsoring organization** of a **donor advised fund** must answer "Yes" if any one of its donor advised funds had excess business holdings at any time during the organization's **tax year**. A section 509(a)(3) **supporting organization** of the type described below must answer "Yes" if it 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 of Form 4720 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 (other than a public charity described in section 509(a)(1), (2), or (4)) who directly or indirectly controls, either alone or together with one or more related persons, the governing body of a **supported organization** of such Type II supporting organization. For purposes of this question, a related person is any **family member** and any **35% controlled entity**.

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 can 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 for 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.

CAUTION *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 provides a more than incidental benefit to 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 (3) the 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. No section 4967 tax will be imposed on a distribution if a tax has been imposed for the distribution under section 4958.*

If an organization makes a distribution from a donor advised fund to a donor, donor advisor, family member, or 35% controlled entity of these persons, then the transaction might be a section 4958 transaction. Such transactions include any grant, loan, compensation, or other similar payment to these persons, as well as any other payment resulting in excess benefit.

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

TIP *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 amount entered on line 10b of Form 990 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.

Member income for purposes of this 85% Member Income Test is income derived directly from the members to pay for

services that form the basis for tax exemption under section 501(c)(12), and includes payments for purchases of water, electricity, and telephone service. Member income does not include interest income, gains from asset or security sales, or dividends from another cooperative (unless that cooperative is also a member).

Members are those individuals or entities that have the right to elect the governing board of the organization, are involved in the operations of the organization, and receive a share of its excess operating revenues.

When calculating the member income percentage to determine whether an organization meets the 85% Member Income Test, the organization may exclude specific sources of income from both the numerator and the denominator of the fraction. For example, if an organization is a corporation and it receives an amount that qualifies as a contribution to capital under section 118, then that amount is not included in either the numerator or the denominator because it is not considered to be income for tax purposes. However, the payment must meet the following conditions (see Rev. Rul. 93-16, 1993-1 C.B. 26) to qualify as a contribution to capital:

- It must become a permanent part of the organization's working capital;
- It must not be compensation for specific quantifiable services;
- It must be bargained for;
- It must benefit the organization commensurately with its value; and
- It must ordinarily be used in or contribute to the production of additional income.

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).

TIP *If the calculated member income percentage for a section 501(c)(12) organization is less than 85% for the tax year, then the organization fails to qualify for tax-exempt status for that year, and it must file Form 1120, U.S. Corporation Income Tax Return, in lieu of Form 990 or 990-EZ for the year. However, failing the 85% Member Income Test in one year does not cause permanent loss of tax-exempt status under section 501(c)(12). So long as the organization's member income percentage is equal to or greater than 85% in any subsequent tax year, the organization may file Form 990 or Form 990-EZ for that year, even if Form 1120 was filed in a prior year.*

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 can 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.

Section 4947(a)(1) trusts must complete all sections of the Form 990 and schedules that section 501(c)(3) organizations must complete. All references to a section 501(c)(3) organization in the Form 990, schedules, and instructions shall include a section 4947(a)(1) trust (for instance, such a trust must complete Schedule A (Form 990 or 990-EZ), unless expressly excepted).

Line 13. Answer lines 13a, 13b, and 13c only if the organization has received a loan or grant under the Department of Health and Human Services CO-OP program.

Line 13a. If the organization is licensed to issue qualified health plans in more than one state, check "Yes." If the organization is licensed to issue qualified health plans in only one state, check "No." In either case, report on Schedule O (Form 990 or 990-EZ) each state in which the organization is licensed to issue qualified health plans, the dollar amount of reserves each state requires the organization to maintain, and the dollar amount of reserves the organization maintains and reports to each state.

Line 13b. Report the highest dollar amount of reserves the organization is required to maintain by any of the states in which the organization is licensed to issue qualified health plans.

Line 13c. Report the highest dollar amount of reserves the organization maintains on hand and reports to a state in which the organization is licensed to issue qualified health plans.

Line 14a. Answer line 14a "Yes" if the organization received any payments during the year for indoor tanning services. "Indoor tanning services" are services employing any electronic product designed to incorporate one or more ultraviolet lamps and intended for the irradiation of an individual by ultraviolet radiation, with wavelengths in air between 200 and 400 nanometers, to induce skin tanning.

Line 14b. If an organization received a payment for services for indoor tanning services during the year, it must collect from the recipient of the services a tax equal to 10% of the amount paid for such service, whether paid by insurance or otherwise, and remit such tax quarterly to the IRS by filing Form 720. If the organization filed Form 720 during the year, it should check "Yes" to line 14b. If it answers "No" to line 14b, it should explain in Schedule O (Form 990 or 990-EZ) why it did not file Form 720.

Part VI. Governance, Management, and Disclosure

Check the box in the heading of Part VI if Schedule O (Form 990 or 990-EZ) contains any information pertaining to this part. All organizations must complete Part VI. Use Schedule O (Form 990 or 990-EZ) to provide required supplemental information as

described in this part, 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 lines 11a and 11b, which ask 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 the information on policies and procedures requested in Section B generally is 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 can 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 depends 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 one or more 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 trustee or trustees of a trust (sometimes referred to as the board of trustees).

Enter 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 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 or 990-EZ).

If the organization's governing body or governing documents 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 or 990-EZ) 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 or 990-EZ) 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.

Example. A voluntary employees' beneficiary association (VEBA) is a trust under state law. Bank B is the sole trustee of the trust. In completing line 1a, the VEBA will report one voting member of the governing body.

Line 1b. Enter the number of **independent voting members of the governing body** as of the end of the organization's tax year. A member of the governing body is considered "independent" only if all four 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. Nor was the member compensated by an unrelated organization or individual for services provided to the filing organization or to a related organization, if such compensation is required to be reported in Part VII, Section A.

2. The member did not receive total **compensation** exceeding $10,000 during the organization's tax year (including a short year, regardless of whether such compensation is reported in Part VII) from the organization and related organizations as an **independent contractor**, other than **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.

4. Neither the member, nor any family member of the member, was involved in a transaction with a taxable or tax-exempt related organization (whether directly or indirectly through affiliation with another 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 or a related 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) rather than a partner with a greater than 5% interest, and not an officer, director, trustee, 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).

Example 3. C was Board Chair of X school during the tax year. X's bylaws designate the following as officer positions: Board Chair, Secretary, and Treasurer. C set the agenda for board of directors meetings, officiated board meetings, coordinated development of board policy and procedure, was an ex officio member of all committees of the board, conducted weekly staff meetings, and performed teacher and staff evaluations. X compensated C during the tax year for C's services. This compensation was attributable to C's board and committee activities, and to C's non-director activities involving staff meetings and evaluations. Because X compensated C for services as an officer/employee, C is not an independent member of the governing body. See Rev. Rul. 68-597 and Rev. Rul. 57-246 for a description of the distinction between director services and officer services.

Example 4. Same facts as in Example 3, except that the Board Chair position was not designated as an officer position under X's Bylaws, board resolutions, or state law. Nevertheless, because X compensated C for non-director activities involving staff meetings and evaluations during the tax year, C is deemed to have received compensation as an employee—not as a governing body member— for those activities. Therefore, C is not an independent member of the governing body.

Example 5. Same facts as in Example 3, except that: (1) C conducted only director and committee activities during the tax year; (2) C did not conduct staff meetings and evaluations; and (3) X compensated C a reasonable amount for C's Board Chair services during the tax year, but did not provide any other compensation to C in any other capacity. C's independence as a Board member is not compromised by receiving compensation from X as a Board member (and not as an officer or employee). See also *Examples 2* and *3* in the Instructions for 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 number of **independent voting members of its governing body** and can rely on information provided by such members. For instance, the organization can rely on information it obtains in response to a questionnaire sent annually to each member of the governing body that includes the member's name and title, blank lines for the member's signature and signature date, and 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 current **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 current 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 or 990-EZ). It is sufficient to enter "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**, or greater-than-35% owner, even if that organization is tax-exempt. However, do not report a person's employment by the filing organization as a business relationship.

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, or greater-than-35% owner. Such transactions do not include charitable contributions to tax-exempt organizations.

3. The two persons are each a director, trustee, officer, or greater than 10% owner in the same business or investment entity (but not in the same tax-exempt organization).

Ownership is measured by stock ownership (either voting power or value, whichever is greater) of a corporation, profits or capital interest in a partnership or limited liability company (whichever is greater), 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 sister's spouse. 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 1/300 interest in the firm's profits and capital) but is not an officer, director or trustee 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 (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 an officer 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 and title of each person reporting information, blank lines for those persons' signatures and signature dates, and 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.

If 'Yes,' on Schedule O list the name(s) of the management company or companies or other person(s) performing management duties; describe the services they provided to the organization; list any of the organization's current or former officers, directors, trustees, key employees, and **highest compensated employees** listed in Part VII, Section A; who were compensated by the management company or companies or other person(s) during the calendar year ending with or within the organization's tax year; and list the amounts of reportable and other compensation they received from the management company or companies or other person(s) for services provided to the filing organization and related organizations during that year.

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 significant changes that were not reported on any prior Form 990, and that were made before the end of the **tax year**. 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 organization's name (see also the instructions for *Specific Instructions, Heading*, Item B);
- 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 or 990-EZ), 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 *Specific Instructions, Heading, Item B*, regarding attachments required in the event of a change in the organization's name.

TIP *An organization must report significant changes to its organizational documents in Form 990, Part VI, rather than in a letter to EO Determinations. EO Determinations no longer issues letters confirming the tax-exempt status of organizations that report significant changes to their organizational documents, though it will, on request, issue an affirmation letter confirming an organization's name change. If an exempt organization becomes a different legal entity, such as by changing its legal structure from a trust to a corporation or by dissolving in one state and incorporating in another, 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 significant diversion of its assets, whether or not the diversion occurred during the year. If "Yes," explain the nature of the diversion, dollar amounts and/or other property involved, corrective actions taken to address the matter, and pertinent circumstances on Schedule O (Form 990 or 990-EZ), 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 **FMV** 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 significant if the gross value of all diversions (not taking into account restitution, insurance, or similar recoveries) discovered during the organization's tax year exceeds the lesser of (1) 5% of the organization's gross receipts for its tax year, (2) 5% of the organization's total assets as of the end of its tax year, or (3) $250,000.

Note. A diversion of assets can in some cases be inurement of the organization's net earnings. In the case of section 501(c)(3),

501(c)(4), and 501(c)(29) organizations, it also can 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, including a corporation or other legal entity, 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. Members do not include governing body members. 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 can 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.

Describe on Schedule O (Form 990 or 990-EZ) 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 or 990-EZ) 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 any governance decisions of the organization were reserved to (or subject to approval by) members, stockholders, or persons other than the **governing body**, whether or not any such governance decisions were made during the tax year, 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 or 990-EZ) 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 can include approved minutes, email, 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 the answer to either line 8a or 8b is "No," explain on Schedule O (Form 990 or 990-EZ) 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. If the organization had no committees, answer "No" to line 8b.

Line 9. The IRS needs a current mailing address to contact the organization's **officers, directors, trustees,** or **key employees.** The organization can use its official mailing address stated on the first page of Form 990 as the mailing address for such persons. Otherwise, enter on Schedule O (Form 990 or 990-EZ) 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

Answer "Yes" to any question in this section that asks whether the organization had a particular policy or practice only if the organization's governing body (or a committee of the governing body, if the governing body delegated authority to that committee to adopt the policy) adopted the policy by the end of its **tax year**, and if the policy applied to the organization as a whole. If the policy applied only on a division-wide or department-wide level, answer "No." The organization may explain the scope of such policy on Schedule O.

Line 10a. Answer "Yes," if the organization had during its tax year any local chapters, local branches, local lodges, or other similar local units or affiliates over which the organization had the legal authority to exercise direct or indirect 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 had such authority. An affiliate or unit is considered "local" for this purpose if it is responsible for a smaller geographical area than the filing organization is responsible for. Thus, a regional organization would be considered local for a national organization.

Example 1 . X is a national organization dedicated to the reform of K. X has affiliates in 15 states which conduct activities to carry out the purposes of X at the state level. X has the authority to approve the annual budget of each affiliate. X must answer "Yes" to line 10a.

Example 2. Y is a section 170(b)(1)(A)(iii) hospital located in M City. Y appoints a majority of the board of directors of Z, a section 509(a)(3) supporting organization that invests funds and makes grants for the benefit of Y. Although Y controls Z, Z is not a local affiliate of Y that would require Y to answer "Yes" to line 10a.

Line 10b. Written policies and procedures governing the activities of local chapters, branches, and affiliates to ensure their operations are consistent with the organization's tax-exempt purposes 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 can include policies and procedures similar to those described in lines 11-16 of this section, whether separate or included as 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 or 990-EZ) how the organization ensures that the local unit's activities are consistent with the organization's tax-exempt purposes.

Note. The **central organization** (parent organization) named in a **group exemption** letter is required to have general supervision or control over its **subordinate organizations** as a condition of the group exemption.

Line 11a. Answer "Yes" only if a complete copy of the organization's final Form 990 (including all required schedules), as ultimately filed with the IRS, was provided to each person who was a **voting member of the governing body** at the time the Form 990 was provided, whether in paper or electronic form, before its filing with the IRS. The organization can answer "Yes"

if it emailed all of its governing body members a link to a password-protected web site on which the entire Form 990 can be viewed, and noted in the email that the Form 990 is available for review on that site. However, answer "No" if the organization merely informed its governing body members that a copy of the Form 990 is available upon request. Answer "No" if the organization redacted or removed any information from the copy of its final Form 990 that it provided to its governing body members before filing the form. For example, answer "No" if the organization, at the request of a donor, redacted the name and address of that donor from the copy of its Form 990, Schedule B that it provided to its governing body members. Under those circumstances, the organization may explain on Schedule O why it answered "No" to line 11a.

Line 11b. Describe on Schedule O (Form 990 or 990-EZ) 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 about who conducted the review, when they conducted it, and the extent of any such review. If no review was or will be conducted, enter "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 such 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 can 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 or 990-EZ).

Line 12a. Answer "Yes," if 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 can 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**, manager, or **key employee** can 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** are required to disclose or update annually (or more frequently) information regarding their interests and those of their **family members** 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" to line 12c, describe on Schedule O (Form 990 or 990-EZ) 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.

TIP *Certain federal or state laws 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, during the tax year, the organization (not a **related organization** or other third party) 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* regarding the compensation arrangement at issue were not involved. For purposes of this question, a member of the governing body or compensation committee has a *conflict of interest* regarding a compensation arrangement if any of the following circumstances apply.

1. The member (or a family member of the member) is participating in or economically benefiting from the compensation arrangement.
2. The member is in an employment relationship subject to the direction or control of any person participating in or economically benefiting from the compensation arrangement.
3. The member receives compensation or other payments subject to approval by any person participating in or economically benefiting from the compensation arrangement.
4. The member has a material financial interest affected by the compensation arrangement.
5. The member approves a transaction providing economic benefits to any person participating in the compensation arrangement, who in turn has approved or will approve a transaction providing economic benefits to the member.

See 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 for 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 or 990-EZ), 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 enter the year in which this process was last undertaken for each such person.

If the organization did not compensate its CEO, executive director, or top management official during the **tax year**, answer "No" to line 15a. If the organization did not compensate any of its other officers or key employees during the tax year, even if such employees were compensated by a related organization, answer "No" to line 15b.

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 section 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. Followed a written policy or procedure that required 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 for 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. List the states with which a copy of this Form 990 is required to be filed, even if the organization has not yet filed Form 990 with that state. Use Schedule O (Form 990 or 990-EZ) if additional space is necessary.

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

Line 18. Check the box for "Own website" only if the organization posted an exact reproduction (other than for information permitted by law to be withheld from public disclosure, such as the names and addresses of contributors listed in Form 990, Schedule B) of its Form 990, Form 990-T (for section 501(c)(3) organizations), or application for recognition of exemption (Form 1023 or 1024) on its website during its **tax year**. Check the box for "Another's website" only if the organization provided to another individual or organization, and that other individual or organization posted on its website, an exact reproduction (other than for information permitted by law to be withheld from public disclosure, such as the names and addresses of contributors listed in Form 990, Schedule B) of any such forms during the tax year.

If "Other" is checked, explain in Schedule O (Form 990 or 990-EZ). Also explain in Schedule O (Form 990 or 990-EZ) if the organization did not make publicly available upon request any of Forms 1023, 1024, 990, or 990-T that are subject to public inspection requirements. Exempt organizations must make available for public inspection 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 or 990-EZ) whether the organization made its governing documents (for example, articles of incorporation, constitution, bylaws, trust instrument) **conflict of interest policy**, and **financial statements** (whether or not audited) available to the general public during the tax year, and if so, how it made 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 did not make any of these documents available to the public, enter "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

Check the box in the heading of Part VII if Schedule O (Form 990 or 990-EZ) contains any information pertaining to this part.

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) and "other compensation" (as explained below) from the organization and **related organizations** (as explained in the *Glossary* and 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 that person due to factors such as a different accounting period (calendar vs. **fiscal year**) or a different accounting 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 1 or 5 (whichever amount is greater); and Form 1099-MISC, box 7. Organizations also must report other compensation in Part VII, as discussed in the instructions to Part VII, Section A, column (F), later.

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, supported organizations, sponsoring organizations of voluntary employees' beneficiary associations (VEBAs), and contributing employers to VEBAs. 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 in Part VII, Section A, columns (E) and (F).

Up to 25 persons can be reported on the Form 990, Part VII, Section A table. If more space is needed to enter additional persons, use as many duplicates of the Section A table as are needed, and change the numbering to reflect additional persons (for example, if five additional persons are reported on a duplicate Section A table, change the numbers along the left hand margin of the table from 1-5 to 26-30).

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 enter 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 *Glossary* and the instructions for Schedule R (Form 990)) exceeded the following thresholds for the tax year.

- 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 apply to **disregarded entities** of which the organization is the sole member. See instructions for *Disregarded Entities*, later.

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), beginning later.

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 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), other than current officers, directors, trustees, and key employees.
- 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. 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. Officers can include a president, vice-president, secretary, treasurer and, in some cases, a Board Chair. In addition, 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; for example, the organization's president, CEO, or executive director.

2. *Top financial official.* The person who has ultimate responsibility for managing the organization's finances; for example, the organization's treasurer or chief financial officer.

If ultimate responsibility resides with two or more individuals (for example, co-presidents or co-treasurers), who can 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:* At any time during the calendar year ending with or within the organization's **tax year**:

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 other than officers, directors, and trustees who 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.

If an employee is a key employee of the organization for only a portion of the year, that person's entire compensation for the calendar year ending with or within the organization's tax year, from both the filing organization and related organizations, should be reported in Part VII, Section A.

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 a 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 for 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 enter 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 current **officers**, **directors**, **trustees**, or **key employees** of the organization. Such individuals are the "current" five highest compensated employees. These can include persons who meet some but not all of the tests for key employee status. The organization is not required to enter 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 for 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 listed in the compensation table, later) 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 (including retirement plan benefits) and health benefits) that must be reported regardless of amount (see the instructions for column (F)). The same principles apply to items of other compensation paid or accrued by a related organization (applied separately to each related organization).

CAUTION *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 1 or 5 (whichever amount is greater) (plus Form 1099-MISC, box 7 if the officer or employee is also compensated as an independent contractor of the filing organization or a related organization);
- For **directors** and individual **trustees**, amounts required to be reported on Form 1099-MISC, box 7 for director and other independent contractor services to the organization or a related organization, plus amounts required to be reported on Form W-2, box 1 or 5 (whichever amount is greater) if also compensated as an officer or employee of the filing organization or a related organization; 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. For a full definition of **reportable compensation**, see *Glossary*.

TIP *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 and for retirees, the amount in box 5 of Form W-2 can be zero or less than the amount in Form W-2, box 1. For instance, recipients of disability pay, certain members of the clergy, and religious workers who are not subject to social security and Medicare taxes as employees can receive compensation that is not reported in box 5. In that case, the amount required to be reported on Form W-2, box 1, must be reported as reportable compensation.

If an officer, director, trustee, key employee, or highest compensated employee of the organization is a foreign person who received U.S. source income during the calendar year ending with or within the organization's **tax year** from the filing organization or a **related organization**, and if such income was reported on Form 1042-S, (Foreign Person's U.S. Source Income Subject to Withholding), box 2, then treat this income as **reportable compensation** and report it in Part VII, Section A, column (D) or (E). For foreign persons for whom compensation reporting on Form W-2, Form 1099-MISC, or Form 1042-S, is not required, treat as reportable compensation in column (D) or (E) the total value of the compensation paid in the form of cash or property during the calendar year ending with or within the organization's tax year. Report other compensation from foreign organizations as "other compensation" in column (F).

To determine whether an individual received more than $100,000 (or $150,000) in reportable compensation in the aggregate from the filing organization (and, as discussed later, certain third parties such as common paymasters, payroll/reporting agents, and certain **unrelated organizations**, compensation from which is considered compensation from the filing organization) and **related organizations**, add the following amounts.

- The amount reported on Form W-2, box 1 or 5 (whichever amount is greater), and/or Form 1099-MISC, Miscellaneous Income, box 7, issued to the individual by the organization.
- Amounts reported on Form W-2, box 1 or 5 (whichever amount is greater), 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 1 or 5, (whichever amount is greater) 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 1 or 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), later, 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).

Note. Do not report the same item of compensation in more than one column of Part VII, Section A for the tax year.

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 generally 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 can 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, for 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 is 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).

TIP *A disregarded entity generally must use the **EIN** of its sole member. An exception applies to employment taxes: for wages paid to **employees** of a disregarded entity, the disregarded entity must file separate employment tax returns and use its own EIN on such returns. See Regulations sections 301.6109-1(h) and 301.7701-2(c)(2)(iv).*

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 or former **officer, director, trustee, or key employee** 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. A key employee of a management company must be reported as a current officer of the filing organization if he or she is the filing organization's **top management official** or **top financial official** or is designated as an officer of the filing organization. However, that person does not qualify as a key employee of the filing organization solely on the basis of being a key employee of the management company. If a current or former officer, director, trustee, key employee, or **highest compensated employee** received **compensation** from a management company that provided services to the organization and was a **related organization** during the **tax year**, then the individual's compensation from the management company must be reported on Form 990, Part VII, Section A, columns (E) and (F). If the management company was not a related organization during the tax year, the individual's compensation from the management company is not reportable in Part VII, Section A. Questions pertaining to management companies also appear on Form 990, Part VI, line 3 and Schedule H (Form 990), Part IV.

Leased employees. In some cases, instead of hiring a management company, an exempt organization "leases" one or more "employees" from another company, which may be in the business of leasing employees. The compensation paid to the leasing company should be treated like compensation to a management company for purposes of Form 990 compensation reporting.

The organization should treat employees of an employee leasing company or a management company as the organization's own employees if such persons are common law employees of the filing organization under state law.

Compensation from common paymasters, payroll/reporting agents, and unrelated organizations or individuals (except for compensation from **management companies** or leasing companies, and compensation described in *Taxable organization employee exception*, later) must be treated as reportable compensation in determining whether the dollar thresholds are met for reporting (1) current or former employees as current or former key employees or highest compensated employees, or (2) former officers, directors, or trustees, on Form 990, Part VII, Section A. If the Form 990, Part VII thresholds for reporting are met, then the compensation from the common paymaster, payroll/reporting agent, or unrelated organization or individual must be reported as compensation from the filing organization in Part VII. The compensation may also need to be reported in Form 990, Schedule J, Part II (see the instructions for Form 990, Part VII, Section A, line 5).

CAUTION *The use of a leasing company, common paymaster, payroll/reporting agent, or other payroll service provider does not relieve an employer of its obligation for employment tax liabilities. The IRS strongly suggests that the organization does not change its address to that of its payroll service provider or other third party payer. Doing so could limit the organization's ability to stay informed of tax matters, because the IRS sends correspondence regarding problems with an employer's account to the employer's address of record. Alternatively, an employer may grant permission for a third party payer to receive copies of IRS correspondence by using Form 8822-B, Form 2848, or Form 8655, as appropriate.*

Compensation from unrelated organizations or individuals. If a current or former **officer, director, trustee, key employee, or highest compensated employee** received or accrued compensation or payments from an **unrelated organization** (other than from **management companies** or leasing companies, as discussed above) or an individual for services rendered to the filing organization in that person's capacity as an officer, director, trustee, or employee of the filing organization, then the filing organization must report (subject to the *taxable organization employee exception* on this page) such amounts as **compensation** from the filing organization if it has knowledge of the arrangement, whether or not the unrelated organization or the individual treats the amounts as compensation, grants, contributions, or otherwise. Report such compensation from unrelated organizations in Section A, columns (D) and (F), as appropriate. If the organization cannot distinguish between reportable compensation and other compensation from the unrelated organization, report all such compensation in column (D).

Taxable organization employee exception. Do not report as compensation any 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.

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. List each person on only one line.

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 can enter a decimal rounded to the nearest tenth (for example, 0.2 hours per week).

For each person listed in column (A), list below the dotted line an estimate of the average hours per week (if any) devoted to related organizations.

Column (C). For each person listed in column (A), check the box that reflects the person's position with the organization during the tax year. Do not check more than one box, unless the person was both an officer and a director/trustee of the organization during the tax year. 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 an employee at any time during the calendar year ending with or within the organization's tax year, and was a key employee or highest compensated employee for such calendar 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) can 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 served as a director or trustee within the last five years; and received more than $10,000 in **reportable compensation**, for the calendar year ending with or within the organization's tax year, in his or her 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 served as an officer or key employee within the last five years and received more than $100,000 of reportable compensation for the calendar year ending with or within the organization's tax year. In such a 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 for 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**, from the organization and/or **related organizations**, 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 paid to former directors and trustees for services rendered in their former capacity as directors or trustees.)

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, if 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, and if the person received reportable compensation that exceeded the threshold amount described above, then check only the "Former" box. For example, do not check both the "Former" and "Officer" boxes for a former president of the organization who was not an officer of the organization during the tax year.

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 for the 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, under the instructions in effect for such years) on any of the organization's Forms 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.

Example 1. X was reported as one of Y Charity's five highest compensated employees on one of Y's Forms 990, 990-EZ, or 990-PF from one of its five prior tax years. During Y's **tax year**, X was not a current officer, director, trustee, key employee, or highest compensated employee of Y. X was not an employee of Y during the calendar year ending with or within Y's tax year. During this calendar year, X received 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 Form 990, Part VII, Section A, for Y's tax year.

Example 2. T was reported as one of Y Charity's five highest compensated employees on one of Y's Forms 990, 990-EZ, or 990-PF from one of its five prior tax years. During Y's **tax year**, T was not a current officer, director, trustee, key employee, or highest compensated employee of Y, although T was still an employee of Y during the calendar year ending with or within Y's tax year. T received 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 Form 990, Part VII, Section A, for Y's tax year 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 Form 990 filed for one of its five prior **tax years**. During Y's tax year Z was not a current officer, director, trustee, key employee, or highest compensated employee of Y. For the calendar year ending with or within Y's tax year, Z received reportable compensation of $90,000 from Y as an employee (and no reportable compensation from related organizations). Because Z received less than $100,000 reportable compensation for the calendar year ending with or within Y's tax year from Y and its related organizations, Y is not required to report Z as a former key employee on Y's Form 990, Part VII, Section A, for Y's tax year.

Columns (D) and (E). Enter the amounts required to be reported (whether or not actually reported) on Form W-2, box 1 or 5 (whichever is greater) and/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.

Reportable compensation paid to the person by a **related organization** at any time during the entire calendar year ending with or within the filing organization's tax year should be reported in column (E). If the related organization was related to the filing organization for only a portion of the tax year, then the filing organization may choose to report only compensation paid or accrued by the related organization during the time it was actually related. If the filing organization reports compensation on this basis, it must explain in Schedule O (Form 990 or 990-EZ) and state the period during which the related organization was related.

$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 filing organization if the related organization is a for-profit organization, 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. If the organization is a trust with a bank or financial institution trustee that is also a 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, because the other trust is not a related organization (see *Glossary* definition of **Related organization**).

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, and if it is unable to make a reasonable estimate of such compensation. If the organization makes reasonable efforts but is unable to obtain the information or provide a reasonable estimate of compensation from a related organization in column (E) or (F), then it must report the efforts undertaken on Schedule O (Form 990 or 990-EZ). An example of a reasonable effort is for the organization to distribute a questionnaire annually to each of its current and former officers, directors, trustees, key employees, and highest compensated employees that includes the name and title of each person reporting information, blank lines for those persons' signatures and signature dates, and the pertinent instructions and definitions for Form 990, Part VII, Section A, columns (E) and (F).

Short year and final returns. For a short year return in which there is no calendar year that ends with or within the short year, leave columns (D) and (E) blank, unless the return is a final return. If the return is a final return, report the compensation that is reportable compensation on Forms W-2 and 1099 for the short year, from both the filing organization and related organizations, whether or not Forms W-2 or 1099 have been filed yet to report such compensation.

Column (F). Other compensation generally includes compensation not currently reportable on Form W-2, box 1 or 5 or Form 1099-MISC, box 7, including nontaxable benefits other than disregarded benefits, as discussed in **Disregarded benefits** and 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). Deferred compensation to be reported in column (F) includes compensation that is earned or accrued in one year and deferred to a future year, whether or not funded, vested, qualified or nonqualified, or subject to a substantial risk of forfeiture. But do not report in column (F) a deferral of compensation that causes an amount to be deferred from the tax year to a date that is not more than 2 1/2 months after the end of the tax year.

Enter an amount in column (F) for each person listed in Part VII, Section A. (Enter "-0-" if applicable.) Report a reasonable estimate if actual numbers are not readily available.

Other compensation paid to the person by a **related organization** at any time during the calendar year ending with or within the filing organization's tax year should be reported in column (F). If the related organization was related to the filing organization for only a portion of the tax year, then the filing organization may choose to report only other compensation paid or accrued by the related organization during the time it was actually related. If the filing organization reports compensation on this basis, it must explain in Schedule O (Form 990 or 990-EZ) and state the period during which the related organization was related.

The following items of compensation provided by the filing organization and related organizations 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 or decrease 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, or paid by the employee with pre-tax dollars, that are not included in reportable compensation. For this purpose, health benefits include: (1) payments of health benefit plan premiums; (2) medical reimbursement and flexible spending programs, and (3) 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 allocated benefits for this purpose.

4. Tax-deferred contributions by the employer and employee to a funded nonqualified defined contribution plan, and deferrals under an unfunded nonqualified defined contribution plan, whether or not such plans are vested or subject to a substantial risk of forfeiture. See examples in Schedule J (Form 990), Part II instructions.

5. The annual increase or decrease 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 compensation table beginning later) 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) can be higher than the amount reported on Form 990, Part VII, Section A.

The $10,000-per-item exception applies separately for each item of other compensation from the organization and from each related organization.

Example 1.
Organization X provides the following compensation to its current officer:

$110,000	Reportable compensation (including pre-tax employee contributions of $5,000 to a qualified defined contribution retirement plan and $2,500 to a qualified health benefit plan)
5,000	Tax-deferred employer contribution to qualified defined contribution retirement plan
5,000	Nontaxable employer contributions 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 can 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.

Example 2. Organization S provides health benefits to B (its CEO) under a self-insured medical reimbursement plan. The value of the plan benefits for the tax year is $10,000, which represents the estimated cost of providing coverage for the year if the employer paid a third-party insurer for similar benefits, as determined on an actuarial basis. The actual benefits paid for B and B's family for the year are $30,000. If the benefits are not reportable compensation to B, then Organization S must report the $10,000 value of plan benefits as other compensation to B in Form 990, Part VII, Section A, column (F).

Disregarded benefits. Disregarded benefits under Regulations section 53.4958-4(a)(4) need not be reported in column (F). Disregarded benefits generally include fringe benefits excluded from gross income under section 132. These benefits include the following:

- No-additional cost service;
- Qualified employee discount;
- Working condition fringe;
- De minimis fringe;
- Qualified transportation fringe;
- Qualified moving expense reimbursement;
- Qualified retirement planning services; and
- Qualified military base realignment and closure fringe.

For descriptions of each of these disregarded benefits, see instructions for Schedule J (Form 990 and 990-EZ), *Compensation Information*.

Short year and final returns. For a short year return in which there is no calendar year that ends with or within the short year, leave column (F) blank, unless the return is a final return. If the return is a final return, report the other compensation for the short year, from both the filing organization and related organizations.

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 1 or 5 (whichever is greater) and/or 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). Items listed as "taxable" or "taxable in current year" are currently includible in reportable compensation, but are not necessarily subject to federal income tax in the current year.

Any item listed in the following compensation table that is not followed by a star (x) or asterisk (*) in any column should not be reported in Part VII, Section A or in Schedule J, Part II (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
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 substantially vested				x	
Stock equivalents paid by taxable organizations substantially vested			x		
Stock equivalents paid by taxable organizations not substantially 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 or decrease in actuarial value)				x	
Qualified retirement (defined contribution) plan investment earnings or losses (not reportable or other compensation)					
Taxable distributions from qualified retirement plan, including section 457(b) eligible governmental 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			x		
Amounts includible in income under section 457(f)			x		
Amounts deferred by employer or employee (plus earnings) under section 457(b) plan (substantially vested)			x		
Amounts deferred by employer or employee under section 457(b) or 457(f) plan (not substantially vested)				x	
Amounts deferred under nonqualified defined contribution plans (substantially vested)			x		
Amounts deferred under nonqualified defined contribution plans (not substantially vested)				x	
Earnings or losses of nonqualified defined contribution plan (substantially vested)			x		
Earnings or losses of nonqualified defined contribution plan (not substantially vested)					
Scholarships and fellowship grants (taxable)			x		
Health benefit plan premiums paid by employer (taxable)	x				
Health benefit plan premiums paid by the employee (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 or ministerial housing allowance (taxable)			x		
Housing provided by employer or ministerial housing allowance (nontaxable) (but see Schedule J instructions regarding working condition fringes)					*
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		

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
Tuition assistance for family (nontaxable)					*
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		
Travel (taxable)			x		
Moving (taxable)			x		
Meals and entertainment (taxable)			x		
Social club dues (taxable)			x		
Spending account (taxable)			x		
Gift cards			x		
Disregarded benefits under Regulations section 53.4958-4(a)(4) (see Schedule J, Part II instructions)					

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

Line 1b. Report the sub-totals of compensation from the Section A, line 1a table in line 1b, columns (D), (E), and (F).

Line 1c. Report the sub-totals of compensation from continuation sheets (duplicate Section A tables for filers that report more than 25 persons in Section A, line 1a table) in line 1c, columns (D), (E), and (F).

Line 1d. Add the totals of lines 1b and 1c in line 1d for columns (D), (E), and (F).

Line 2. Report the total number of individuals, both those listed in the Part VII, Section A table and those not listed, to whom the filing organization (not **related organizations**) paid over $100,000 in **reportable compensation** during the **tax year**.

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 1 or 5 (whichever is greater) and/or 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 1 or 5 (whichever is greater) and/or 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), but disregard any decreases in the actuarial value of defined benefit plans.

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	Enter on Form 990, Part VII, Section A . . .	Enter on Schedule J (Form 990), Part II . . .
Directors and Trustees	Current	All	If reportable and other compensation is greater than $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 is greater than $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 is greater than $150,000 in the aggregate from organization and related organizations
	Former	If reportable compensation is greater than $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 is greater than $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 is greater than $100,000 in the aggregate from organization and related organizations	If reportable and other compensation is greater than $150,000 in the aggregate from organization and related organizations
	Former	If reportable compensation is greater than $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** (other than from management companies and leasing companies, as discussed earlier) 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. See *Compensation from unrelated organizations*, earlier.

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) (see instructions for **Common paymaster or payroll/reporting agent**, earlier); 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) about A.

Example 2. C is an attorney employed by a law firm that is not a related organization 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, about 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, regarding 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 can include professional fundraisers, law firms, accounting firms, publishing companies, **management companies**, and investment management companies. Do not report public utilities or insurance providers as independent contractors. 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 under the parties' agreement or applicable state law, for the calendar year ending with or within the organization's tax year.

For a short year return in which there is no calendar year that ends with or within the short year, do not report any information in columns (A) through (C), unless the return is a final return. If the return is a final return, report the compensation paid to the independent contractor(s) under the parties' agreement during the short year or the compensation that is reportable compensation on Form 1099 for the short year, whether or not Form 1099 has been filed yet to report such compensation.

Compensation includes fees and similar payments to independent contractors but not reimbursement of expenses unless incidental to providing the service. 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.

TIP *Form 1099-MISC may be required to be issued for payments to an independent contractor, with compensation reported in box 7.*

Part VIII. Statement of Revenue

Check the box in the heading of Part VIII if Schedule O (Form 990 or 990-EZ) contains any information pertaining to this part.

Column (A).
All organizations must complete column (A), reporting their **gross receipts** for all sources of revenue. All organizations (except section 527 political organizations) must complete columns (B) through (D), which must add up to the amount in column (A) for each line in Part VIII. Refer to specific instructions in this part for completing each column.

TIP *If the organization enters an amount in column (A) for lines 2a through 2e or lines 11a through 11c, it must also enter a corresponding business activity code from* Appendix K. Business Activity Codes*. If none of the listed codes, or other 6-digit codes listed on the NAICS website at http://www.census.gov/eos/www/naics/reference_files_tools/2007/naics07_6.txt, 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 purposes. Use of revenue for the organization's exempt purposes does not make the activity that produced the income (for example, fundraising activity) substantially related to the organization's exempt purposes. 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**, unless that revenue is reportable in Part VIII, column (D). See Pub. 598 and Instructions for Form 990-T for more information.

TIP *A section 501(c)(3) organization that is an S corporation shareholder must treat all allocations of income from the S corporation as **unrelated business income**. Gain on the disposition of stock is also treated as unrelated business income. See section 512(e).*

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.

Neither Form 5500 nor DOL Forms L-2 or L-3 should be substituted for the Form 990, Parts VIII or IX.

Line 1. In General

On lines 1a through 1f, report cash and noncash 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 noncash 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 enter on Part IX, line 11e fees for **professional fundraising services** relating to the gross amounts of contributions collected in the organization's name by professional fundraisers.

Report on line 1 assets contributed to the organization by another entity in the course of the entity's liquidation, dissolution, or termination.

Report the value of **noncash contributions** at the time of the donation. For example, report the **FMV** of a donated car at the time the car was received as a donation.

Do not net losses from uncollectible pledges from prior years, refunds of contributions and service revenue from prior years, or reversal of grant expenses from prior years on line 1. Rather, report any such items as "Other changes in net assets or fund balances" on Part XI, line 9, and explain in Schedule O.

The organization must report any contributions of **conservation easements** and other **qualified conservation contributions** consistently with how it reports revenue from such contributions in its books, records, and financial statements.

Reporting on line 1 according to **SFAS 116** (ASC 958) generally is acceptable (though not required) for Form 990 purposes, but the value of donated services or use of materials, equipment, or facilities may not be reported. An organization that receives a grant to be paid in future years should, according to SFAS 116 (ASC 958), 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.
- 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*.
- Donations of services such as the value of donated advertising space, broadcast air time (including donated public service announcements), or discounts on services or donations of use of materials, equipment, or facilities, even though reporting donated services and facilities as items of revenue and expense is called for in certain circumstances by generally accepted accounting principles. The optional reporting of donated services and facilities is discussed in the instructions for Form 990, Part III.

Example 1. A hotel in a city's entertainment district donates 100 “right to use” certificates covering 15 hotel rooms a night to disaster relief organization B. B then uses these certificates as emergency housing in furtherance of its exempt purposes. B should not report the value of this contribution on line 1 (or on any other line in Part VIII), because this is a donation of services and use of facilities to B. Similarly, if B were to auction off the certificates as part of a fundraising event, B should not report the value of the contributed certificates on line 1 (or on any other line in Part VIII). Rather, it should report gross income from the auction on Part VIII, line 8a.

Example 2. Organization C purchases 100 “right to use” certificates (as described in Example 1) from the hotel, then contributes them to disaster relief organization B and designates that they be used for disaster relief purposes. B should report the FMV of these certificates on line 1. If B were to auction off the certificates as part of a fundraising event, then use the proceeds for disaster relief purposes, B should report the gross income from the auction on Part VIII, line 8a, report the FMV of the contributed certificates in line 8b, and report the difference between lines 8a and 8b on line 8c.

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.

TIP *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 can 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 FMV of the goods or services provided should be reported on line 1b.

The portion of membership dues attributable to certain membership benefits that are considered to be insubstantial (for example, low-cost articles, free or discounted admission to the organization's activities, discounts on purchases from the organization's gift shop, free or discounted parking) may be reported as contributions on line 1, rather than as payments for goods or services on line 2. See Pub. 1771, for more information on insubstantial membership benefits that need not be valued or reported.

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

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 $160, that person would be making a contribution of the difference between the dinner's retail value of $160 and the amount actually given. Rev. Rul. 67-246, 1967-2 C.B. 104, as distinguished by Rev. Rul. 74-348, 1974-2 C.B. 80, 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).

Line 1d. Enter 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**.

Whether a payment from a **governmental unit** is labeled a “grant” or a “contract” does not determine where the payment should be reported in Part VIII. Rather, 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 receives 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 care to their residents (but not Medicare/Medicaid or similar payments made on behalf of the 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 1a through 1e. This amount includes contributions from **donor advised funds** (unless the **sponsoring organization** is a **related organization**) and from **gaming** activities.

Line 1g. Enter on line 1g the value of **noncash 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).

Noncash 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 they were 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 (according to **SFAS 116** (ASC 958-360-25) should not report an amount on line 1g for **works of art** and other collection items donated to them.)*

For more information on **noncash 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) to report certain contributors and their **contributions**. 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).

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. 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 can 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 according to 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 or organizations that file Form 990. Accordingly, **hospitals**, colleges, and universities can report, as program service revenue on line 2, sales of inventory items otherwise reportable on line 10a. In that event, enter 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 and Medicaid payments, and other government payments made to pay or reimburse the organization for medical services provided to individuals who qualify under a government program for the services provided, and who select the service provider. See Rev. Rul. 83-153, 1983-2 C.B. 48.
- Payments for medical services by patients and their guarantors, and
- 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.

CAUTION *For each amount entered on lines 2a through 2e, the organization must also enter a corresponding business activity code from* Appendix K. Business Activity Codes*. If you do not see a code for the activity you are trying to categorize, select the appropriate code from the NAICS website at http://www.census.gov/eos/www/naics/reference_files_tools/2007/naics07_6.txt. Select the most specific 6-digit code available that describes the activity producing the income. Note that most codes describe more than one type of activity. Avoid using codes that describe the organization rather than the income-producing activity. For example, a credit union reporting income from consumer lending activities should use code 522291. Sales revenue from a museum gift shop should be reported with code 453220. An organization providing credit counseling services should use code 541990. If none of the listed codes accurately describe the activity, enter "900099." Use of these codes does not imply that the activity is unrelated to the organization's exempt purpose.*

Line 3. Enter the gross 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 **fair market value**. Do not deduct investment management fees from this amount, but report these fees on Part IX, line 11f.

Line 4. Enter 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. Enter 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 and any other real property rented by the organization. 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.

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 can 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 on line 2 any rental income reportable as program service revenue, report any rental expense allocable to such activity on 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. Enter 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. Show any loss in parentheses.

On lines 7a and 7c, also report capital gains dividends, the organization's share of capital gains and losses from a **joint venture**, 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. Show any loss in parentheses. Do not include any unrealized gains or losses on **securities** carried at **fair market value** in the books of account.

For reporting sales of securities on Form 990, the organization can 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 about 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,
- Date sold and to whom sold,
- Gross sales price,
- Cost, other basis, or, if donated, value at time acquired,
- Expense of sale and cost of improvements made after acquisition, and
- Depreciation since acquisition, if depreciable property.

Line 8a. Enter in the line 8a box the gross income from fundraising events, not including the amount of contributions from fundraising events reported on line 1c. Report the line 1c amount in the line 8a parenthetical. If the sum of the amounts reported on line 1c and the line 8a box exceeds $15,000, then the organization must answer "Yes" to Part IV, line 18, and complete Schedule G (Form 990 or 990-EZ), Part II. If gaming is conducted at a fundraising event, the income and expenses must be allocated between the gaming and the fundraising event in Form 990, Part VIII; report all income from gaming in line 9a.

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

Fundraising events include:	**Fundraising events do not include:**
• Dinners/dances,	• Sales or gifts of goods or services of only nominal value,
• Door-to-door sales of merchandise,	• Raffles or lotteries in which prizes have only nominal value, and
• Concerts,	• Solicitation campaigns that generate only **contributions**.
• Carnivals,	
• Sports events, and	Proceeds from these activities are considered contributions and should be reported on line 1f.
• Auctions.	

Fundraising events do not include events or activities that substantially further the organization's exempt purpose even if they also raise funds. Revenue from such program service activities is reported on line 2.

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 services furnished. See *Example* for line 1c.
- Amounts received from fundraising events when the organization gives items of only nominal value to recipients. See Publication 1771.

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 on the appropriate lines in Part IX, column (D). In such a case, no amounts would be reported on line 8.

Line 8b. Enter on this line both the cost or other basis of any items sold at the events and the expenses that relate directly to the production of the revenue portion of the fundraising activity, whether incurred before, during, or after the event. In the line 1c dinner example referred to earlier, the cost of the food and beverages served and invitation to the dinner would be among the items; in the reported on line 8b. Indirect fundraising expenses, such as certain advertising expenses associated with raising these **contributions**, must be reported on the appropriate lines in Part IX, column (D) and not on line 8b.

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

Example 1. If an organization receives a donation of a home theater system with a FMV of $5,000 at the time of donation; sells the system for $7,500 at an auction, after having displayed the system and its FMV (which remains $5,000) at and before auction so that its value was known to the bidders; and incurs $500 in costs related to selling the system at auction, it should report the following amounts in Part VIII:

Line 1c (**contributions** from fundraising events):	$2,500
Line 1f (all other contributions):	$5,000
Line 1g (noncash contributions):	$5,000
Line 8a (gross income from fundraising events):	$5,000
Line 8a parenthetical (contributions reported on line 1c):	$2,500
Line 8b (direct expenses: $5,000 FMV on donation date + $500 in auction costs)	$5,500
Line 8c (net income from fundraising event, line 8a minus line 8b):	($500)

Example 2. If the home theater system in Example 1 sold at auction for $2,500 instead of $7,500, and all other facts in Example 1 remain the same, then the organization should report the following amounts in Part VIII:

Line 1c (**contributions** from fundraising events):	$0
Line 1f (all other contributions):	$5,000
Line 1g (noncash contributions):	$5,000
Line 8a (gross income from fundraising events):	$2,500
Line 8a parenthetical (contributions reported on line 1c):	$0
Line 8b (direct expenses: $5,000 FMV on donation date + $500 in auction costs)	$5,500
Line 8c (net income from fundraising event, line 8a minus line 8b):	($3,000)

In both Example 1 and Example 2, the organization would need to report the $5,000 value of this contribution on Schedule M if it received over $25,000 in total noncash contributions during the **tax year**.

Line 9a. Line 9a should include only gross income from **gaming** activity. It should not include **contributions** from gaming activity, which should be reported on line 1f. 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).

Types of gaming include, but are not limited to:	
- **Bingo**	- Nevada Club tickets
- **Pull tabs**	- certain Casino nights
- **Instant bingo**	- certain Las Vegas nights
- Raffles	- Coin-operated gambling devices including:
- Scratch-offs	• Slot machines
- Charitable **gaming** tickets	• Electronic video slot or line games
- Break-opens	• Video poker
- Hard cards	• Video blackjack
- Banded tickets	• Video keno
- Jar tickets	• Video **bingo**
- Pickle cards	• 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.

Line 9b. Enter 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 gaming supplies such as **pull tabs**, bingo cards, etc.

Line 9c. Enter the difference between line 9a and 9b. Show any loss in parentheses.

Line 10a. Enter 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 items that are donated to the organization, that the organization makes to sell to others, or that it 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. Enter 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 as expenses in Part IX. For purposes of Part VIII, the organization may include as cost of donated goods their fair market value at the time of acquisition.

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

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

TIP *For each amount entered on lines 11a, 11b, and 11c, the organization must also enter a corresponding business activity code from* Appendix K. Business Activity Codes. *If you do not see a code for the activity you are trying to categorize, select the appropriate code from the NAICS website at http://www.census.gov/eos/www/naics/reference_files_tools/2007/naics07_6.txt . Select the most specific 6-digit code available that describes the activity producing the income. Note that most codes describe more than one type of activity. Avoid using codes that describe the organization rather than the income-producing activity. If none of the listed codes accurately describe the activity, enter "900099." Use of these codes does not imply that the 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

Check the box in the heading of Part IX if Schedule O (Form 990 or 990-EZ) contains any information pertaining to this part.

Use the organization's normal accounting method to complete this section. If the organization's accounting system does not allocate expenses, the organization can use any reasonable method of allocation. The organization must report amounts accurately and document the method of allocation in its records. Report any expense described in lines 1-23 in the appropriate line; do not report such expense in line 24. Do not report in Part IX expenses that must be reported on lines 6b, 7b, 8b, 9b, or 10b in Part VIII.

Column (A)—Total

Section 501(c)(3) and 501(c)(4) organizations must complete columns (A) through (D).

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

CAUTION *State reporting requirements can be different from IRS reporting requirements applicable to Part IX.*

Column (B)—Program Services

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," or contract, to conduct research, produce an item, or perform a program service, if the activities are conducted to meet the grantor's or other contracting party's specific needs. Do not report these costs as fundraising expenses in column (D). Costs to solicit restricted or unrestricted grants to provide services to the general public should be reported in column (D).

Column (C)—Management and General

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

Fundraising expenses are the expenses incurred in soliciting cash and noncash **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 individuals, foundations, other organizations, or **governmental units** that are reported on Part VIII, line 1. This includes expenses incurred in participating in federated fundraising campaigns; preparing and distributing fundraising manuals, instructions, and other materials; and preparing to solicit or receive contributions. Report direct expenses of fundraising events in Part VIII, line 8b, rather than in Part IX, column (D). However, report indirect expenses of fundraising events, such as certain advertising expenses, in Part IX, column (D) rather than in Part VIII, line 8b.

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 cannot 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) can allocate and report such expenses in the following manner:

1. Report the expenses of all indirect cost centers on column (C), 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.

After making these allocations, the column (C), line 25 total functional expenses 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 can report this information according to Statement of Financial Accounting Standards **(SFAS 116)** (ASC 958) but are not required to do so. For example, an organization that follows SFAS 116 (ASC 958) 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** in the **United States** and to **domestic organizations**, 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).

Line 2. Enter the amount paid by the organization to **domestic individuals** 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 **domestic individuals**. For example, a grant payment to a **hospital** to cover the medical expenses of a specific 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**, and to **domestic organizations** or **domestic individuals** for the purpose of providing grants or other assistance to designated **foreign organizations** or **foreign individuals**.

If line 3 exceeds $5,000, the organization may have to complete Parts II and/or Part III of Schedule F (Form 990). 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 section 501(c)(8), 501(c)(9), or 501(c)(17) to obtain insurance benefits for members, or patronage dividends paid by section 501(c)(12) organizations to their 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, directors, trustees, key employees,** and other **employees**. Report such costs for officers, directors, trustees, and key employees on Part IX, line 5; report such costs for other disqualified persons on Part IX, line 6; and report such costs for other employees on Part IX, lines 8 and 9.

Line 5. Enter the total **compensation** paid to current **officers, directors, trustees, and key employees** for the organization's **tax year**. Compensation includes all forms of income and other benefits earned or received from the filing organization, common paymasters, and payroll/reporting agents in return for services rendered to the filing organization, including compensation reported on Forms W-2 and 1099, pension plan contributions and accruals, 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 reported based on the accounting method and **tax year** 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.

Line 6. Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations must report the total **compensation** and other distributions provided to **disqualified persons** and persons described in section 4958(c)(3)(B) to the extent not included on line 5. See *Appendix G. Section 4958 Excess Benefit Transactions*.

Compensation includes all forms of income and other benefits earned or received from the filing organization, common paymasters, and payroll/reporting agents in return for services rendered to the filing organization, including compensation reported on Forms W-2 and 1099, pension plan contributions and accruals, 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 from the filing organization, common paymasters, and payroll/reporting agents in return for services rendered to the filing organization that are not reported on lines 5 or 6.

Line 8. Enter the employer's share of contributions to, or accruals under, qualified and nonqualified pension and deferred compensation plans for the year. The organization should include contributions made by the filing organization, common

Allocating Indirect Expenses—Example

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

paymasters, and payroll/reporting agents to the filing organization's 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, key employees,** or **disqualified persons**, which are reportable on line 5 or 6.

TIP *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 contributions by the filing organization, common paymasters, and payroll/reporting agents to the filing organization's 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 line 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 whether or not a Form 1099 was issued to the **independent contractor**. Do not include on line 11 amounts paid to or earned by **employees**, officers, directors, trustees, or disqualified persons for these types of services, which must be reported on lines 5 through 7.

If the organization is able to distinguish between fees paid for independent contractor services and expense payments or reimbursements to the contractor(s), report the fees paid for services on line 11 and the expense payments or reimbursements on the applicable lines in Part IX (including line 24 if no other line is applicable). If the organization is unable to distinguish between service fees and expense payments or reimbursements, report all such amounts on line 11.

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. 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.

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. Report on line 11g payments to payroll agents, common paymasters, and other third parties for services provided by those third parties to the filing organization. Report on lines 5-10, as appropriate, payments that reimburse third parties for compensation to the organization's **officers, directors, trustees, key employees,** or other **employees**. Report payments to contractors for information technology services on line 14, rather than on line 11g.

If the amount on line 11g exceeds 10% of the amount on line 25, column (A), the organization must list the type and amount of each line 11g expense on Schedule O (Form 990 or 990-EZ).

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. Include fees paid to independent contractors for advertising, except for fees paid to **independent contractors** for conducting professional **fundraising** services or campaigns, which are reported on line 11e.

Line 13. Office expenses. Enter amounts for supplies (office, classroom, 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, virus protection and other information security programs and services to keep the organization's web site operational and secured against unauthorized and unwarranted intrusions, and other information technology contractor services. Report payments to information technology employees on lines 5 through 10. Report depreciation/amortization related to information technology on line 22.

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 on line 16 expenses reported 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 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 section 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 can use any reasonable allocation method to estimate the cost of the expenditure to an individual. Amounts not described above can be included in the reported total amount for line 18 or can be reported on line 24. The organization is responsible for keeping records of all travel and entertainment expenses related to a **government official** whether or not 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 below) 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 can 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 can be reported on line 21, but not the expenses of preparing and maintaining the local organization's master list.

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.

TIP *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 can 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 section 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 or for its **officers, directors, trustees, key employees** and other **employees**. Report the costs for officers, directors, trustees, and key employees on Part IX, line 5; report the costs for other disqualified persons on Part IX, line 6; and report the costs for other employees on Part IX, line 9. Report the costs for

members on Part IX, line 4, not in Part IX, line 23. 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 expenses which were not reported on lines 1 through 23. Include expenses for medical supplies incurred by health care/medical organizations. 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 four largest dollar amounts on lines 24a through 24d and the total of all remaining, miscellaneous expenses on line 24e. Do not include a separate entry for "miscellaneous expenses," "program expenses," "other expenses," or a similar general category in lines 24a-d. If the amount on line 24e exceeds 10% of the amount on line 25, column (A), the organization must list the type and amount of each line 24e expense on Schedule O (Form 990 or 990-EZ).

The organization must separately report the amount, if any, of **unrelated business income** taxes that it paid or accrued during the **tax year** on line 24.

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

All other organizations: Add lines 1 through 24e 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 allocated in Part IX between education and fundraising. For instance, if the organization spent $100,000 on joint costs and allocated 10% to education, it would report $100,000 in line 26, column (A), $10,000 in column (B), and $90,000 in column (D). Any costs reported here are not to be deducted from the other lines in Part IX on which they are reported. Do not check the box unless the organization followed SOP 98-2 (ASC 958-720) in allocating such costs.

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), *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities that Include Fundraising*, now codified in FASB Accounting Standards Codification 958-720, Not-for-Profit Entities-Other Expenses (ASC 958-720).

Part X. Balance Sheet

Check the box in the heading of Part X if Schedule O (Form 990 or 990-EZ) contains any information pertaining to this part.

All organizations must complete Part X. No substitute balance sheet will be accepted. All references to Schedule D 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 amounts 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**, **key employees,** and **highest compensated employees** and (b) all grants receivable.

Organizations that follow **SFAS 116** (ASC 958) can 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.

Lines 5 and 6. Loans and other receivables from current officers, directors, trustees, key employees, and highest compensated employees. Report on line 5 loans and other receivables due from current or former **officers, directors, trustees, key employees, and highest compensated employees.** Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations must also report on line 6 receivables due from other **disqualified persons** (for purposes of section 4958, see *Appendix G*), and from persons described in section 4958(c)(3)(B). Section 501(c)(9) voluntary employees' beneficiary associations (VEBAs) must also report on line 6 receivables due from their contributing employers and sponsoring organizations (see definitions of "contributing employers" and "sponsoring

organizations" of a VEBA in the *Glossary* definition of **related organization**). Include all amounts owed on secured and unsecured loans made to such persons. Report interest from such receivables on Part VIII, line 11. Do not report on line 5 or 6 (1) pledges or grants receivable, which are to be reported on line 3 or (2) receivables that are excepted from reporting in Schedule L (Form 990 or 990-EZ), Part II (except for **excess benefit transactions** involving receivables). If the organization must report loans and other receivables on either line 5 or 6, it must answer "Yes" to Part IV, line 26, and complete Schedule L (Form 990 or 990-EZ), 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 reported on line 4.
- Program-related investments reported on line 13.
- Notes receivable acquired as investments reported 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, buildings, 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 for 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 or publicly traded stock in a corporation that comprises more than 5% of the organization's **total assets**. Report these investments on line 12.

Line 12. Investments—other securities. Enter on this line the total value 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 reportable on line 12 also include publicly traded stock for which the organization holds 5% or more of the outstanding shares of the same class, and publicly traded stock in a corporation that comprises more than 5% of the organization's **total assets**. 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 11b and complete Schedule D (Form 990), Part VII. The amount reported on column (B), line 12 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 reported on this line is 5% or more of the amount reported on Part X, line 16, answer "Yes" to Part IV, line 11c and complete Part VIII of Schedule D (Form 990). The amount reported on Part X, column (B), line 13 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 11d and complete Schedule D (Form 990), Part IX. The amount reported on Part X, column (B), line 15 must equal the total of Schedule D, Part IX, column (b).

Line 16. Total assets. 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. The organization 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, whether or not 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).

Line 21. Escrow or custodial 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 of this part. If an amount is reported on this line, the organization must also answer "Yes" to Part IV, line 9, and complete Schedule D (Form 990), 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.

Lines 22–24. Enter on line 22 the unpaid balance of loans and other payables (whether or not secured) to current and former **officers, directors, trustees, key employees, highest compensated employees, disqualified persons** (for purposes of section 4958), and persons described in section 4958(c)(3)(B). If the organization reports a loan payable on this line, it must answer "Yes" to Part IV, line 26, and complete Schedule L (Form 990 or 990-EZ), Part II. Do not report on line 22 accrued but unpaid **compensation** owed by the organization. Do not report on line 22 loans and payables excepted from reporting on Schedule L, Part II (except for **excess benefit transactions** involving receivables).

On line 23, enter the total amount of secured mortgages and notes payable to unrelated third parties that are secured by the organization's assets as of the end of the **tax year**. Report on line 25 (and not line 23) any secured mortgages and notes payable to **related organizations.**

On line 24, enter the total amount of notes and loans that are payable to unrelated third parties but are not secured by the organization's assets. Report on line 25 (and not line 24) any unsecured payables to related organizations.

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. Add the totals in columns (A) and (B), lines 17 through 25. The organization must enter a zero or a dollar amount on this line.

Net Assets and Fund Balances

Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards 117, Financial Statements of Not-for-Profit Organizations **(SFAS 117)**, now codified in FASB Accounting Standards Codification 958, Not-for-Profit Entities (ASC 958), provides standards for external financial statements certified by an independent accountant for certain types of nonprofit organizations. SFAS 117 (ASC 958-10-15-5) 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 according to SFAS 117 (ASC 958), the IRS does not. However, a Form 990 return prepared according to SFAS 117 (ASC 958) will be acceptable to the IRS.

Organizations that follow SFAS 117 (ASC 958). If the organization follows **SFAS 117** (ASC 958), 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. Enter 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. The amount on line 34 must equal the amount on line 16.

CAUTION *Effective for reporting years ending after December 15, 2008, FSP FAS 117-1 (now codified in ASC 958-205, Not-for-Profit Entities–Presentation of Financial Statements) 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 (now codified in ASC 958-205, Not-for-Profit Entities–Presentation of Financial Statements), it may affect the amounts reported on 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 (ASC 958). If the organization does not follow **SFAS 117** (ASC 958), 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 canceled. 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 canceled, 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 endowment** funds, **temporarily restricted endowment** funds, and **quasi-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** (ASC 958), 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. The organization must enter a zero or a dollar amount on this line.

Part XI. Reconciliation of Net Assets

Check the box in the heading of Part XI if Schedule O (Form 990 or 990-EZ) contains any information pertaining to this part.

Line 1. Enter the amount of total revenue reported on Part VIII, line 12, column (A).

Line 2. Enter the amount of total expenses reported on Part IX, line 25, column (A).

Line 3. Enter the difference between lines 1 and 2.

Line 4. Enter the amount of net assets or fund balances at the beginning of year reported on Part X, line 33, column (A). This amount should be the same amount reported on Part X, line 33, column (B) for the prior year's return.

Line 9. Enter the total amount of other changes in net assets or fund balances during the year. Amounts to report here include losses on uncollectible pledges, refunds of contributions and program service revenue, reversal of grant expenses, any difference between FMV and book value of property given as an award or grant, and any other changes in net assets or fund balances not listed in lines 5-8. Itemize these changes in Schedule O, (Form 990 or 990-EZ) and check the box in the heading of Part XI.

Line 10. Combine the amounts on lines 3 through 9. The total must equal the amount reported on Part X, line 33, column (B).

Part XII. Financial Statements and Reporting

Check the box in the heading of Part XII if Schedule O (Form 990 or 990-EZ) contains any information pertaining to this part.

Line 1. Accounting method. Indicate the method of accounting used in preparing this return. See *Part D,* earlier. Provide an explanation in Schedule O (Form 990 or 990-EZ) (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 on line 2a or line 2b whether the organization's **financial statements** for the **tax year** 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.

If "Yes" to either line 2a or 2b, answer "Yes" or "No" on 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. If this process has changed from the prior year, describe in Schedule O (Form 990 or 990-EZ).

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 according to the Act.

Line 3b. Required audits. If "Yes" to line 3a, indicate whether the organization has undergone the required audit or audits. Answer "Yes," if the audit was completed or in progress during the organization's tax year. If the answer to line 3b is "No," explain in Schedule O (Form 990 or 990-EZ) why the organization has not undergone any required audits and describe any steps taken to undergo such audits.

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.

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 can become material in the administration of any Internal Revenue law. The rules governing the confidentiality of Forms 990 and 990-EZ, are covered in 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 or 990-EZ)	43 min.	- - - - -	- - - - -	- - - - -
Schedule R (Form 990)	14 hr., 36 min.	1 hr., 29 min.	1 hr., 52 min.	- - - - -

Comments and suggestions. We welcome your comments about these instructions and your suggestions for future editions.

You can send your comments to us at the following address:

Internal Revenue Service
Tax Forms and Publications Division
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at *taxforms@irs.gov*. Please put “Forms Comment” on the subject line. You can also send us comments from *www.irs.gov/formspubs/*, select “Comment on Tax Forms and Publications” under “Information about.”

Although we cannot respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax products.

Do not send your return to this address. Instead, see the *General Instructions, Section E, When, Where, and How to File,* earlier, for the location for filing your return.

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 (for example, under constructive ownership rules of section 267(c)), by a given person, such as the organization's current or former **officers, directors, trustees,** 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 (Form 990), Statement of Activities Outside the United States, include grantmaking, **fundraising, unrelated trade or business**, program services, **program-related investments,** other investments, or **maintaining offices, employees, or agents** in particular regions outside the **United States**.

Applicable tax-exempt organization

A section 501(c)(3), 501(c)(4), or 501(c)(29) organization that is tax-exempt under section 501(a), 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.**

ASC 740

See **FIN 48 (ASC 740).**

Audit

A formal examination of an organization's financial records and practices by an independent, certified public accountant with the objective of issuing a report on the organization's financial statements as to whether those statements are fairly stated according to generally accepted accounting principles (or other recognized comprehensive basis of accounting).

Audited financial statements

Financial statements accompanied by a formal opinion or report prepared 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. Satellite, internet, and progressive bingo are not bingo, because they are 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. Thus, revenue and expenses associated with satellite, internet, and progressive bingo should be included under **pull tabs**. Certain consolation bingo games within a progressive bingo game can 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 under the same plan of financing; and
3. Payable from the same source of funds.

See Regulations section 1.150-1(c).

Business relationship

For purposes of Part VI, line 2, business relationships between two persons include 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**, 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, or greater-than-35% owner. Such transactions do not include charitable contributions to tax-exempt organizations.

3. The two persons are each a director, trustee, officer, or greater-than-10% owner in the same business or investment entity (but not in the same tax-exempt organization).

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 can be ownership through multiple tiers of entities.

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 organization, sometimes referred to as the parent organization, that holds a **group exemption** letter for one or more **subordinate organizations** under its general supervision and control.

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, Tax Guide for Churches and Religious Organizations.

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 X, line 12 and Schedule M (Form 990), Noncash Contributions, line 10).
Collectibles	Include autographs, sports memorabilia, dolls, stamps, coins, books (other than books and publications reported on line 4 of Schedule M), gems, and jewelry (other than costume jewelry reportable on line 5 of Schedule M).
Collections of works of art, historical treasures, and other similar assets	Include collections, as described in **SFAS 116** (ASC 958–360–20), of **works of art**, **historical treasures**, and other similar assets held for public exhibition, education, or research in furtherance of public service.
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. Compensation includes payments and other benefits provided to both **employees** and **independent contractors** in exchange for services. 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 can 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, can 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. For a description of “conflict of interest” for purposes of determining whether **governing body** members who are reviewing a potential **excess benefit transaction** have a conflict of interest, pursuant to Regulations section 53.4958-6(c)(1)(iii), see instructions for Part VI, line 15.
Conservation easement	A restriction (granted in perpetuity) on the use that may be made of real property granted exclusively for conservation purposes. Conservation purposes include preserving land areas for outdoor recreation by, or for the education of, the general public; protecting a relatively natural habitat of fish, wildlife, or plants, or a similar ecosystem; preserving open space, including farmland and forest land, where such preservation will yield a significant public benefit and is either for the scenic enjoyment of the general public or pursuant to a clearly defined federal, state, or local governmental conservation policy; and preserving a historically important land area or a certified historic structure. For more information see section 170(h) and Notice 2004-41, 2004-2 C.B. 31.

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 can be partly a sale and partly a contribution, but discounts provided on sales of goods in the ordinary course of business should not be reported as contributions. Neither donations of services (such as the value of donated advertising space, broadcast air time, or discounts on services) nor donations of use of materials, equipment, or facilities should be reported as contributions. For purposes of Form 990, a distribution to a section 501(c)(3) organization from a split interest trust (for example, charitable remainder trust, charitable lead trust) is reportable as a contribution. See also **cash contributions** and **noncash contributions.**

Control

For purposes of determining **related organizations**:

Control of a nonprofit organization (or other organization without owners or persons having beneficial interests, whether the organization is taxable or tax-exempt)

One or more persons (whether individuals or organizations) control a nonprofit organization if they have the power to remove and replace (or to appoint, elect, or approve or veto the appointment or election of, if such power includes a continuing power to appoint, elect, or approve or veto the appointment or election of, periodically or in the event of vacancies) a majority of the nonprofit organization's directors or trustees, or a majority of members who elect a majority of the nonprofit organization's directors or trustees. Such power can be exercised directly by a (parent) organization through one or more of the (parent) organization's officers, directors, trustees, or agents, acting in their capacity as officers, directors, trustees, or agents of the (parent) organization. Also, a (parent) organization controls a (subsidiary) nonprofit organization if a majority of the subsidiary's directors or trustees are trustees, directors, officers, employees, or agents of the parent.

Control of a stock corporation

One or more persons (whether individuals or organizations) control a stock corporation if they own more than 50% of the stock (by voting power or value) of the corporation.

Control of a partnership or limited liability company

One or more persons control a partnership if they own more than 50% of the profits or capital interests in the partnership (including a limited liability company treated as a partnership or disregarded entity for federal tax purposes, regardless of the designation under state law of the ownership interests as stock, membership interests, or otherwise). A person also controls a partnership if the person is a managing partner or managing member of 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), or if the person is a general partner in a limited partnership which has three or fewer general partners (regardless of which partner has the most actual control). For this purpose, a “managing partner” is a partner designated as such under the partnership agreement, or regularly engaged in the management of the partnership even though not so designated.

Control of a trust with beneficial interests

One or more persons control a trust if they own more than 50% of the beneficial interests in the trust. A person's beneficial interest in a trust shall be determined in proportion to that person's actuarial interest in the trust as of the end of the tax year. See Regulations sections 301.7701-2, 3, and 4 for more information on classification of corporations, partnerships, disregarded entities, and trusts. Control can be indirect. See the Schedule R (Form 990) instructions for a description of indirect control.

Controlled entity

An organization controlled by a **controlling organization under section 512(b)(13)**. A controlled entity may be a nonprofit organization. For the definition of control in this context, see section 512(b)(13)(D) and Regulations section 1.512(b)-1(l)(4) (substituting “more than 50%” for “at least 80%” in the regulation, for purposes of this definition). Controlled entities are a subset of **related organizations**. For purposes of Form 990, controlled entities do not include **disregarded entities** of the filing organization.

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. Control in this context means (i) in the case of a corporation, ownership (by vote or value) of more than 50 percent of the stock in such corporation, (ii) in the case of a partnership, ownership of more than 50 percent of the profits interests or capital interests in such partnership, or (iii) in any other case, ownership of more than 50 percent of the beneficial interests in the entity. Section 318 (relating to constructive ownership of stock) shall apply for purposes of determining ownership of stock in a corporation. Similar principles shall apply for purposes of determining ownership of interests in any other entity.

Core form

The Form 990, *Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except for private foundations).* It does not include any schedules that may be attached to Form 990.

Credit counseling services

Include 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**.

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).

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).

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, qualified or nonqualified, or subject to a substantial risk of forfeiture. However, a deferral of compensation that causes an amount to be deferred from the tax year to a date that is not more than 2 1/2 months after the end of the tax year is not treated as deferred compensation for purposes of Form 990. Deferred compensation may or may not be included in **reportable compensation** for the **current year**.

Director

See **director or trustee**.

Director or trustee

Unless otherwise provided, a member of the organization's **governing body** at any time during the tax year, 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 (Form 990 or 990-EZ), Transactions With Interested Persons, Parts I and II, any person (including an individual, corporation, or other entity) 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. If the 5-year period ended within the organization's **tax year**, the organization may treat the person as a disqualified person for the entire tax year. 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 FMV 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. For this purpose, “family member” includes only the individual's spouse, ancestors, children, grandchildren, great-grandchildren, and the spouses of children, grandchildren, and great-grandchildren.

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 generally not treated as a separate entity for Federal tax purposes (for example, single-member limited liability company of which the organization is the sole member). See Regulations sections 301.7701-2 and 3. A disregarded entity generally must use the **EIN** of its sole member. An exception applies to employment taxes: for wages paid to **employees** of a disregarded entity, the disregarded entity must file separate employment tax returns and use its own EIN on such returns. See Regulations sections 301.6109-1(h) and 301.7701-2(c)(2)(iv).

Domestic individual

An individual who lives or resides in the **United States** and is not a **foreign individual**.

Domestic organization

A corporation or partnership is domestic if created or organized in the United States or under the law of the United States or of any state or possession. A trust is domestic if a court within the United States 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 possessions of the United States) 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 section 4945(g)(1), (2), or (3); or

3. That the IRS 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 Section 5.01 of 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**.

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 for more information.

Endowment

See **temporarily restricted endowment**, **permanent endowment**, and **quasi-endowment**. See also **SFAS 117** (ASC 958-205-45).

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, whether or not the funds are reported on Part X, line 21, and whether or not the account is labeled as “escrow account,” “custodial account,” “trust account,” or some similar term. An escrow or custodial account does not include a split-interest trust (or the beneficial interest in such trust) described in section 4947(a)(2) for which the filing organization is a trustee, other than a trust in the trade or business of lending money, repairing credit, or providing debt management plan services, payment processing, or similar services.

Excess benefit transaction

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, but see the special rules below regarding donor advised funds and supporting organizations. See *Appendix G* for more information.

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:

- 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 payments.

For additional information see the Instructions for Form 4720.

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:

- 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.

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)).

Exempt bond

See **tax-exempt bond**.

Fair market value (FMV)

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.

Family member, family relationship

Unless specified otherwise, the family of an individual includes only his or her spouse (see Rev. Rul. 2013-17 regarding same-sex marriage), 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 (ASC 740)

Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes -an interpretation of FASB Statement No. 109*, now codified in FASB Accounting Standards Codification 740, Income Taxes (ASC 740). The organization can be required to provide in Schedule D (Form 990), Supplemental Financial Statements, the text of the footnote to its **financial statements** regarding the organization's liability for uncertain tax positions under FIN 48 (ASC 740).

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 (Form 990), 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 is a **foreign individual**.

Foreign organization

An organization that is not a **domestic organization**. 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 a domestic 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; **professional fundraising services**; and conducting other activities involved with soliciting **contributions** from individuals, foundations, governments, and others. Fundraising activities do not include **gaming**, the conduct of any trade or business that is regularly carried on, or activities substantially related to the accomplishment of the organization's exempt purpose (other than by raising funds).

Fundraising events

Include dinners and dances, door-to-door sales of merchandise, concerts, carnivals, sports events, auctions, casino nights (in which participants can play casino-style games but the only prizes or auction items provided to participants are noncash items that were donated to the organization), and similar events not regularly carried on that are conducted for the primary purpose of raising funds. Fundraising events do not include the following:

1. The conduct of a trade or business that is regularly carried on;
2. Activities substantially related to the accomplishment of the organization's exempt purposes (other than by raising funds);
3. Solicitation campaigns that generate only **contributions**, which may involve gifts of goods or services from the organization of only nominal value, or sweepstakes, lotteries, or raffles in which the names of contributors or other respondents are entered in a drawing for prizes of only nominal value; and
4. Gaming.

GAAP

See **generally accepted accounting principles**.

Gaming

Includes (but is not limited to): **bingo**, **pull tabs/instant bingo** (including satellite, event, 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 (other than events not regularly carried on in which participants can play casino-style games but the only prizes or auction items provided to participants are noncash items that were donated to the organization, which events are **fundraising events**), 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. See Pub. 3079, Tax-Exempt Organizations and Gaming.

Generally accepted accounting principles/ GAAP

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 1 or more 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 trustee or trustees of a trust (sometimes referred to as the board of trustees).

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

For purposes of Part IX, lines 1-3; Schedule F (Form 990); and Schedule I (Form 990), includes awards, prizes, contributions, noncash assistance, 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** or payments to **independent contractors** if the primary purpose is to serve the direct and immediate needs of the organization (such as legal, accounting, or fundraising services); the payment of any benefit by a section 501(c)(9) voluntary employees' beneficiary association (VEBA) to employees of a sponsoring organization or contributing employer, if such payment is made under the terms of the VEBA and in compliance with section 505; or payments or other assistance to affiliates or branch offices that are not organized as legal entities separate from the filing organization.

Gross proceeds

For purposes of Schedule K (Form 990), Supplemental Information on Tax-Exempt Bonds, generally any sale **proceeds**, investment proceeds, transferred proceeds, and replacement proceeds of an issue. See Regulations sections 1.148-1(b) and 1(c).

Gross receipts

The total amounts the organization received from all sources during its tax year, without subtracting any costs or expenses. See *Appendix B. How to Determine Whether an Organization's Gross Receipts Are Normally $50,000 (or $5,000) or Less* and *Appendix C. Special Gross Receipts Tests 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, Rev. Proc. 96-40, 1996-2 C.B. 301, 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, Section I. Group Return,* earlier, 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 current **officers, directors, trustees,** or **key employees**, whose aggregate **reportable compensation** from the organization and **related organizations** is greater than $100,000 for the calendar year ending with or within the organization's **tax year**. These employees should be reported in Part VII, Section A of Form 990.

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/hospital facility

For purposes of Schedule H (Form 990), Hospitals, a hospital, or hospital facility, 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 facility that is operated through a **disregarded entity** or a **joint venture** treated as a partnership for federal income tax purposes. It does not include hospital facilities that are located outside the **United States**. It also does not include hospital facilities 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 organization

An organization which operates one or more **hospital facilities**.

Hospital (or cooperative hospital service organization)

For purposes of Schedule A (Form 990 or 990-EZ), 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 can 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, animal hospitals, 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 collections.

Independent contractor

An individual or organization that receives compensation for providing services to the organization but who is not treated as an **employee**. See Pub. 1779 for more information.

Independent voting member of governing body

A **voting member of the governing body**, if all four 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), 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 **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 (Form 990 or 990-EZ), Transactions With Interested Persons, for the organization's tax year.

4. Neither the member, nor any family member of the member, was involved in a transaction with a taxable or tax-exempt 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 any 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, 1980-2 C.B. 34); 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 before 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, an **employee** of an 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. 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; 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.

See instructions for Part VII for examples of **key employees.**

Legislation

Includes action by Congress, any state legislature, any local council, or similar governing body about acts, bills, resolutions, or similar items, or action 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 (Form 990), 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 donated use of materials, facilities, or equipment.

Nonexempt charitable trust

A trust that meets the following conditions:

- 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 can apply for purposes of identifying arrangements subject to sections 83, 409A, 457(f), and 3121(v). Earned but unpaid incentive compensation can be deferred pursuant to a nonqualified deferred compensation plan.

Officer

Unless otherwise provided (for example, Signature Block, principal officer in *Heading*), a person elected or appointed to manage the organization's daily operations at any time during the **tax year**, such as a president, vice-president, secretary, treasurer, and, in some cases, Board Chair. 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, treat the organization's **top management official** and **top financial official** 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, 1982-1 C.B. 476, 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, 1957-1 C.B. 65.

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

An **endowment** fund established by donor-restricted gifts that is 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** (ASC 958-205-45).

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 U.S. Virgin Islands.

Principal officer

For purposes of the *Heading* on page 1 of Form 990 (but not for the purposes of the Signature Block or other parts of the Form 990), an officer of the organization 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.

Private business use

For purposes of Schedule K (Form 990), 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 (Form 990), 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 and applications for grants or other assistance), provision of advice and consulting regarding solicitation of **contributions**, and direct solicitation of **contributions**, such as soliciting restricted or unrestricted grants to provide services to the general public. However, professional fundraising does not include services provided by the organization's **employees** in their capacity as employees (except as provided in the instructions for Part I, line 16a), nor does professional fundraising 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 that is excepted from private foundation status because it is described in section 509(a)(1) (which cross-references sections 170(b)(1)(A)(i) through (vi)), 509(a)(2), 509(a)(3), or 509(a)(4).

Publicly traded securities

Generally, include common and preferred stocks, bonds (including governmental obligations such as bonds and Treasury bills), mutual fund shares, and other investments 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 X, line 11, and Schedule M (Form 990), Noncash Contributions, line 9).

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 to advance its charitable purpose. Requirements generally applicable to a qualified section 501(c)(3) bond under section 145 include the following.

1. All property financed by the bond issue is to be owned by a section 501(c)(3) organization or a **governmental unit**.
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 are not **unrelated trades or businesses** (determined by applying section 513).

Qualified conservation contribution

Any **contribution** of a qualified real property interest to a qualified organization 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, or
3. A restriction (such as an easement), granted in perpetuity, on the use which may be made of the real property.

A “qualified organization” means an organization which is--
(a) a **governmental unit** described in section 170(c)(1);
(b) a publicly supported charitable organization described in sections 501(c)(3) and 170(b)(1)(A)(vi) or section 509(a)(2) (see the instructions for Parts II and III of Schedule A (Form 990 or 990-EZ)); or
(c) a **supporting organization** described in sections 501(c)(3) and 509(a)(3) that is controlled by a governmental unit or a publicly supported charitable organization.

In addition, a qualified organization must have a commitment to protect the conservation purposes of a qualified conservation contribution, and have the resources to enforce the restrictions.

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 will yield a significant public benefit and is for the scenic enjoyment of the general public or is pursuant to a clearly delineated federal, state, or local 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 about 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, Political Organization Report of Contributions and Expenditures, 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

An **endowment** fund established by the organization itself, either from unrestricted donor or organizational funds, over which the organization itself imposes restrictions on their use, and which restrictions can be temporary or permanent in nature. These funds are sometimes referred to as board-designated endowments. See **SFAS 117** (ASC 958-205-45).

Reasonable compensation

The value that would ordinarily be paid for like services by like enterprises under like circumstances.

Reasonable effort

A reasonable amount of effort in information gathering that the organization is expected to undertake in order to provide information requested on the Form 990. See the specific instructions for Part VI, lines 1b and 2; Part VII, Section A (compensation from related organizations); and Schedule L (Form 990 or 990-EZ), 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

An organization, including a nonprofit organization, a stock corporation, a partnership or limited liability company, a trust, and a **governmental unit** or other government entity, that stands in one or more of the following relationships to the filing organization at any time during the **tax year**.

- Parent: an organization that **controls** the filing organization.
- Subsidiary: an organization **controlled** by the filing organization.
- Brother/Sister: an organization **controlled** by the same person or persons that control the filing organization. However, if the filing organization is a trust that has a bank or financial institution trustee that is also the trustee of another trust, the other trust is not a Brother/Sister related organization of the filing organization on the ground of common control by the bank or financial institution trustee.
- Supporting/Supported: an organization that claims to be at any time during the **tax year**, or that is classified by the IRS at any time during the tax year, as (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.
- Sponsoring Organization of a VEBA: an organization that establishes or maintains a section 501(c)(9) voluntary employees' beneficiary association (VEBA) during the tax year. A sponsoring organization of a VEBA also includes an employee organization, association, committee, joint board of trustees, or other similar group of representatives of the parties which establish or maintain a VEBA. Although a VEBA must report a sponsoring organization as a related organization, a sponsoring organization should not report a VEBA as a related organization, unless the VEBA is related to the sponsoring organization in some other capacity described in this definition.
- Contributing Employer of a VEBA: an employer that makes a contribution or contributions to the VEBA during the tax year. Although a VEBA must report a contributing employer as a related organization, a contributing employer should not report a VEBA as a related organization, unless the VEBA is related to the contributing employer in some other capacity described in this definition.

The organization must determine its related organizations for purposes of completing Form 990, Parts VI (Governance), VII (Compensation), VIII (Statement of Revenue) and X (Balance Sheet), Schedule D (Form 990), Schedule J (Form 990), and Schedule R (Form 990). See instructions for those parts and schedules for related organization reporting requirements.

Religious order

An organization described in Rev. Proc. 91-20, 1991-1 C.B. 524.

Reportable compensation

In general, the aggregate **compensation** that is reported (or required to be reported, if greater) on Form W-2, box 1 or 5 (whichever amount is greater); and/or Form 1099-MISC, box 7, for the calendar year ending with or within the organization's **tax year**. If the amount reported on Form W-2, box 5 is zero, or less than the amount in Form W-2, box 1, such as for certain clergy and religious workers not subject to social security and Medicare taxes as employees, reportable compensation includes the box 1 amount rather than the box 5 amount. For foreign persons who receive U.S. source income, reportable compensation includes the amount reportable on Form 1042-S, box 2. For persons for whom compensation reporting on Form W-2, 1099-MISC, or 1042-S is not required (certain foreign persons, institutional trustees, and persons whose compensation was below the $600 reporting threshold for Form 1099-MISC), reportable compensation includes the total value of the compensation paid in the form of cash or property during 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, now codified in FASB Accounting Standards Codification 958, Not-for-Profit Entities (ASC 958).

SFAS 117

Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations, now codified in FASB Accounting Standards Codification 958, Not-for-Profit Entities (ASC 958).

Short accounting period

An accounting period of less than 12 months, which exists when an organization changes its annual accounting period, and which can exist in its initial or final year of existence (see **tax year**).

Short period

See **short accounting period**.

Significant disposition of net assets

A disposition of net assets, consisting of a sale, exchange, disposition or other transfer of more than 25% of the FMV of the organization's net assets during the year, whether or not the organization received full or adequate consideration. A significant disposition of net assets involves:

1. One or more dispositions during the organization's **tax year**, amounting to more than 25% of the FMV 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 begun in a prior year that, when combined, comprise more than 25% of the FMV 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 (Form 990 or 990-EZ), 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 (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) whether or not the sales or transfers are governed by section 721 or section 351, whether or not the transferor received 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

The following types of situations are not considered significant dispositions of net assets for purposes of Schedule N, Part II:

- The change in composition of **publicly traded securities** held in an exempt organization's passive investment portfolio;
- Asset sales made in the ordinary course of the organization's exempt activities to accomplish the organization's exempt purposes, for instance, gross sales of inventory;
- Grants or other assistance made in the ordinary course of the organization's exempt activities to accomplish the organization's exempt purposes, for instance, the regular charitable distributions of a United Way or other federated fundraising organization;
- A decrease in the value of net assets due to market fluctuation in the value of assets held by the organization; and
- Transfers to a **disregarded entity** of which the organization is the sole member.

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 United States). 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 509(a)(2) supported by a **supporting organization** described in section 509(a)(3).

Supporting organization

A public charity claiming status on Form 990 or otherwise under section 509(a)(3). A supporting organization is organized and operated exclusively to support one or more **supported organizations**. A supporting organization that is operated, supervised, or controlled by one or more supported organizations is a Type I supporting organization. The relationship of a Type I supporting organization with its supported organization(s) is comparable to that of a parent-subsidiary relationship. A supporting organization supervised or controlled in connection with one or more supported organizations is a Type II supporting organization. A Type II supporting organization is controlled or managed by the same persons that control or manage its supported organization(s). A supporting organization that is operated in connection with one or more supported organizations is a Type III supporting organization. A Type III supporting organization is further considered either functionally integrated with its supported organization(s) or not functionally integrated with its supported organization(s) (Type III other). Finally, a supporting organization cannot be controlled directly or indirectly by one or more **disqualified persons** (as defined in section 4946), other than foundation managers and other than one or more public charities described in section 509(a)(1) or (2).

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**.

Temporarily restricted endowment

Includes **endowment** funds established by donor-restricted gifts that are maintained to provide a source of income for either a specified period of time or until a specific event occurs (see **SFAS 117** (ASC 958-205-45)), as well as all other temporarily restricted net assets held in a donor-restricted endowment, including unappropriated income from **permanent endowments** that is not subject to a permanent restriction.

Top financial official

The person who has ultimate responsibility for managing the organization's finances, for example, the treasurer or chief financial officer.

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 president, CEO, or executive director).

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** 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, for instance, a member of the organization's governing body who serves the organization without compensation. “Compensation” for this purpose includes tips and noncash benefits, except for: • Reimbursement of expenses under a reimbursement or other expense allowance arrangement in which there is adequate accounting to the organization, • Working condition fringe benefits described in section 132, • Liability insurance coverage for acts performed on behalf of the exempt organization, and • *De minimis* 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	Include 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 of Special Instructions to Form 990

Contents

A Exempt Organizations Reference Chart
B How to Determine Whether an Organization's Gross Receipts Are Normally $50,000 (or $5,000) or Less
C Special Gross Receipts Tests for Determining Exempt Status of Section 501(c)(7) and Section 501(c)(15) Organizations
D Public Inspection of Returns
E Group Returns—Reporting Information on Behalf of the Group
F Disregarded Entities and Joint Ventures—Inclusion of Activities and Items
G Section 4958 Excess Benefit Transactions
H Forms and Publications To File or Use
I Use of Form 990 or 990-EZ To Satisfy State Reporting Requirements
J Business Activity Codes
K Contributions

Appendix A. Exempt Organizations Reference Chart

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)
Trusts described in section 4049 of the Employer Retirement Income Security Act	501(c)(24)
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)
National Railroad Retirement Investment Trust	501(c)(28)
Qualified Nonprofit Health Insurance Issuers	501(c)(29)
Religious and Apostolic Associations	501(d)
Cooperative Hospital Service Organizations	501(e)

Cooperative Service Organizations of Operating Educational Organizations	501(f)
Amateur Sports Organizations	501(j)
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 $50,000 (or $5,000) or Less

To figure whether an organization has to file Form 990-EZ (or Form 990), apply the $50,000 (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 tax year (including short years) without subtracting any costs or expenses.

CAUTION *Do not use the definition of gross receipts described in* Appendix C. Special Gross Receipts Tests for Determining Exempt Status of Section 501(c)(7) and 501(c)(15) Organizations, *to figure gross receipts for this purpose. Those tests are limited to determining the exempt status of section 501(c)(7) and 501(c)(15) 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 990-EZ as follows.

Form 990. Gross receipts are the sum of lines 6b(i), 6b(ii), 7b(i), 7b(ii), 8b, 9b, 10b, and 12 (column (A)) of Form 990, Part VIII.

Form 990-EZ. Gross receipts are the sum of lines 5b, 6c, 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.

$50,000 Gross Receipts Test

To determine whether an organization's gross receipts are normally $50,000 or less, apply the following test. An organization's gross receipts are considered normally to be $50,000 or less if the organization is:

1. Up to a year old and has received, or donors have pledged to give, $75,000 or less during its first tax year;
2. Between 1 and 3 years old and averaged $60,000 or less in gross receipts during each of its first 2 tax years; or
3. Three years old or more and averaged $50,000 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 $50,000 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 990-EZ. In general, organizations excepted from filing Form 990 or 990-EZ because of low gross receipts must submit Form 990-N. See filing exceptions described in *General Instructions, Section B. Organizations Not Required to File Form 990 or 990-EZ,* earlier.

$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 Tests 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 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 can 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) can be from public use of a social club's facilities.

Gross receipts, for purposes of determining the tax-exempt status of section 501(c)(7) organizations, are the club's income from its usual activities and include:

- Charges,
- Admissions,
- Membership fees,
- Dues,
- Assessments, and
- Investment income (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 (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) meets both parts of the following test, then the company can 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.

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 990-EZ.

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 described in Appendix C.

Appendix D. Public Inspection of Returns

Some members of the public rely on Form 990, or 990-EZ, as the primary or sole source of information about a particular organization. How the public perceives an organization in those cases may be determined by the information presented on its returns.

An organization's completed Form 990 or 990-EZ is available for public inspection as required by section 6104. Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors, is open for public inspection for section 527 organizations filing Form 990 or 990-EZ. For other organizations that file Form 990 or 990-EZ, the names and addresses of contributors listed on Schedule B are not required to be made available for public inspection. All other information reported on Schedule B, including the amount of contributions, the description of noncash contributions, and any other information, is required to be made available for public inspection unless it clearly identifies the contributor. Form 990-T filed after August 17, 2006, by a section 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; or
- 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 cannot disclose portions of an exemption application relating to any trade secrets, etc. Additionally, the IRS generally cannot 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 can be inspected at an IRS office free of charge. Copies of these items can 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 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 are made available. See *public inspection and distribution of applications for tax exemption and annual information returns of tax-exempt organizations,* later. Generally, Form 8871 and Form 8872 are available for inspection and printing at 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, Section H, Failure-to-File Penalties, earlier, *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; and
- 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 a 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 (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 (both the original and amended return are subject to the public inspection requirements).
- An exact copy of Form 990-T if one is filed by a section 501(c)(3) organization.

The copy must include all information furnished to the IRS on Form 990, 990-EZ, or 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 the 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 (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:

- Can have an employee present in the room during an inspection,
- Must allow the individual conducting the inspection to take notes freely during the inspection, and
- 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;
- Can 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; and
- Can 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, and
- Provide 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, (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)(iii) and 1(d)(2)(ii)(C).

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.
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,	Can 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 can charge a reasonable fee for providing copies. Before the organization provides the documents, it can 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 can 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 can 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 can 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 for 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 the return) or is actually filed, whichever is later.

Documents 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 for each local or subordinate organization included in the group return, the local or subordinate organization receiving the request can 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.

When a requester seeks inspection, the local or subordinate organization can:

- mail a copy of the applicable documents to the requester within the same time period instead of allowing an inspection, and
- charge the requester for copying and actual postage costs, 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 *Request for copies in writing*, earlier.

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 the requests in the time and manner specified in *Special Rules Relating to Public Inspection* and *Special Rules Relating to Copies*, earlier.

Failure to comply. Any person who does not comply with the public inspection requirements will be assessed a penalty of $20 for each day that inspection was not permitted, up to a maximum of $10,000 for each return. The penalties for failure to comply with the public inspection requirements for applications are the same as those for annual returns, except that the $10,000 limitation does not apply (sections 6652(c)(1)(C) and (D)). Any person who willfully fails to comply with the public inspection requirements for annual returns or exemption applications will be subject to an additional penalty of $5,000 (section 6685).

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 also 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 the 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 EO Technical office 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 is 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 can 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, whether or not the EO Technical office has determined that the organization is subject to a harassment campaign.

A tax-exempt organization can 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 EO Technical office.

See Rev. Proc. 2013-4, 2013-1 I.R.B. 126, and Rev. Proc. 2013-8, 2013-1 I.R.B. 237.

In addition, the organization can 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 EO Technical office 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 **subordinate organizations** 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, summarize the mission and activities of all of the subordinate organizations as if all of the subordinate organizations were one entity.

In general, if a line requires a Yes/No answer and the answer is not the same for all subordinate organizations to which the line applies, then check "Yes," and explain the answer in the schedule's supplemental information section (if applicable) or in Schedule O (Form 990 or 990-EZ). For the following lines, however, check "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, 10b, 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 United States), Part I, line 1.
- Form 990, Schedule J (Compensation Information), Part I, lines 1b and 2.
- Form 990, Schedule M (Noncash 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. Terminated.** If the **central organization** is terminating its **group exemption** and filing its final **group return**, do not check the terminated box. Refer to Rev. Proc. 80-27, 1980-1 C.B. 677, for procedures for terminating the group exemption.

2. **Header Item C. Name.** Enter the name of the group exemption. Note that the group exemption may have a different name than the central organization's name.

3. **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 exemption letter before it can file a group ruling.

4. **Header Items E, F, J.** Enter information for the central organization only.

5. **Header Item H. Group returns.** Enter the four-digit group exemption number (GEN). Also, if not all subordinate organizations are included in the group return, then attach a list (not in Schedule O) showing the name, address, and EIN of each subordinate organization included in the group return.

6. **Header Item K. Form of organization.** Check "other" if the group has more than one form 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 for 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, directors, trustees, and key employees.** Describe on Schedule O (Form 990 or 990-EZ) only relationships between **officers, directors, trustees,** and **key employees** of the same **subordinate organization**, not relationships between officers, directors, trustees, and key employees of one subordinate and officers, directors, trustees, and key employees 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 5. Significant diversion of assets.** In determining whether a diversion of a subordinate's assets meets the 5%/$250,000 reporting threshold, consider only the total assets and gross receipts of that subordinate, not of the parent or other subordinates.

14. **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.

15. **Part VII. Compensation of officers, directors, trustees, key employees, and highest compensated employees.** 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 (Form 990), Compensation Information, Part II, for all 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).

16. **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 (Form 990), Related Organizations and Unrelated Partnerships.

17. **Part XII, lines 2a and 2b. 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).

18. **Schedule A (Form 990 or 990-EZ). 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 (Form 990 or 990-EZ), 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.

19. **Schedule A (Form 990 or 990-EZ). Parts II and III. Support schedules.** Report aggregate data for all subordinates with the public charity status corresponding to Parts II or III.

20. **Schedule B (Form 990, 990-EZ, or 990-PF). Contributors.** Report a consolidated Schedule B (Form 990, 990-EZ, or 990-PF) for all subordinates included in the group return. Apply the dollar and percentage thresholds (including the greater of $5,000 or 2% threshold for section 501(c)(3) organizations described in sections 509(a)(1) and 170(b)(1)(A)(vi)) subordinate by subordinate, not on a group basis.

21. **Schedule C (Form 990 or 990-EZ). 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 1g and 1h, 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, enter in column (b) the totals for all the groups.

22. **Schedule D (Form 990). Part X. Other liabilities.** The filing organization can summarize that portion, if any, of the **FIN 48** (ASC 740) 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.

23. **Schedule H (Form 990). Hospitals.** Complete one Schedule H for all of the hospitals operated by subordinates in the group, and report aggregate data from all the hospitals. In Part V, Section A, list each of the organization's **hospital facilities** separately, and complete separate Sections B and C for each of its hospital facilities or facility reporting groups listed in Section A.

24. **Schedule J (Form 990). Compensation from related organizations.** See the *Appendix E,* Part VII instructions, earlier.

25. **Schedule L (Form 990 or 990-EZ). Transactions with Interested Persons.** In Schedule L (Form 990 or 990-EZ), Part IV, report only transactions between a subordinate organization and its interested persons—not transactions between a subordinate organization and the interested persons of other subordinates. In determining whether a transaction between the subordinate and its interested persons meets the financial reporting thresholds of Schedule L, Part IV, consider only the payments between the subordinate and its interested persons, not payments between interested persons and the parent or other subordinates.

26. **Schedule N (Form 990 or 990-EZ). Liquidation or significant disposition of assets.** Explain in Schedule N (Form 990 or 990-EZ), Part III, which of the subordinates have undergone a liquidation, termination, dissolution, or significant disposition of assets during the tax year.

27. **Schedule R (Form 990). Related organizations.** See the instructions for Schedule R (Form 990) to determine when related organizations of a member of a group exemption must be included on Schedule R (Form 990). In general, **central organizations** and **subordinate organizations** of a **group exemption** are not required to be listed as **related organizations** on Schedule R (Form 990), Part II; and all other related organizations of the central organization or of a subordinate organization are required to be listed on Schedule R (Form 990) in the applicable part. Even if a related organization is not required to be listed in Part II of Schedule R (Form 990), the organization must report its transactions with the related organization in Part V, as described in the instructions for that Part.

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 generally treated as a branch or division of its parent organization for federal tax purposes (but see **TIP** below for treatment of disregarded entities as separate entities for employment tax purposes). Therefore, financial and other information applicable to a disregarded entity must be reported as the parent organization's information, except on Form 990, Part VI, lines 10a and 10b and in Schedule R (Form 990), in which disregarded entities must be separately reported.

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 disregarded entity is deemed to have the same accounting period as its parent for federal tax purposes. 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 (Form 990 or 990-EZ). 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 (Form 990 or 990-EZ), Political Campaign and Lobbying Activities.

TIP *A disregarded entity is treated as a separate entity for purposes of employment tax and certain excise taxes. For wages paid after January 1, 2009, a disregarded entity is required to use its name and employer identification number (EIN) for reporting and payment of employment taxes.*

CAUTION *A single-member LLC is treated generally as a disregarded entity of its sole member/owner unless it elects to be treated as a separate association. It may elect to be treated separately by filing Form 8832, Entity Classification Election, or by claiming tax-exempt status in its own right (by filing a Form 1023 or 1024 application for recognition of tax-exempt status or a Form 990, 990-EZ, 990-N, or 990-T using*

its own name and EIN). Once the IRS determines a single-member LLC to be exempt, it is no longer eligible to be treated as a disregarded entity until the determination of exemption is revoked and the LLC subsequently files a Form 8832 electing disregarded entity status. Similarly, a single-member LLC that claims exemption but has not been determined to be exempt is not eligible to be treated as disregarded until the claim is withdrawn or rejected and the LLC files a Form 8832 electing disregarded entity status. See Reg. section 301.7701-3(c)(1)(v)(A).

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 can, 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 statements.** The organization should not answer "Yes," to this question merely because it received audited financial statements of one or more disregarded entities, if the audited financial statements of the organization were not audited.

5. **Part IV, lines 31–32. Liquidation or significant disposition of assets.** See the *Appendix F* instructions for Schedule N (Form 990 or 990-EZ) in this Appendix, later.

6. **Part IV, lines 35–36. Transactions with related organizations.** See *Appendix F* instructions for Schedule R (Form 990) in this Appendix, later.

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, whether or not the disregarded entity has a separate **EIN** for employment tax and information reporting purposes.

8. **Part V, line 7. Organizations that can 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, lines 1a-9.** 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 a person can be 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*, earlier.

10. **Part VI, Section B, lines 10a–16b. Policies.** The organization should check "Yes," or "No," based on the filing organization's policies, but for each "Yes" response they must report on Schedule O (Form 990 or 990-EZ) 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.** An officer, director, trustee, and employee of a disregarded entity can 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 XII, lines 2a-2b. Financial statements.** If the organization included financial information from its disregarded entity or entities in its financial statements, but did not consolidate any other entity's information in its financial statements, it should check the box for "Separate basis" but not the box for "Consolidated basis" or "Both consolidated and separate basis".

13. **Part XII, 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.

14. **Schedule L (Form 990 or 990-EZ). 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.

15. **Schedule N (Form 990 or 990-EZ). Liquidation or significant disposition of assets.** The organization should not 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.

16. **Schedule R (Form 990), 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 (Form 990), 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, and report the joint venture's revenue, expenses, and assets, 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 (Form 990 or 990-EZ), 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, according to the organization's proportionate share in each of the joint ventures.

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 in this Appendix, later.

2. **Part I, line 7. Unrelated business income.** Include the organization's distributive 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 in this Appendix, later.

4. **Part IV, line 7. Conservation easements.** See instructions for Schedule D in this Appendix, later.

5. **Part IV, lines 14–16. Activities outside the United States.** See instructions for Schedule F in this Appendix, later.

6. **Part IV, lines 17–19. Fundraising and gaming.** See instructions for Schedule G in this Appendix, later.

7. **Part IV, line 20. Hospitals.** See instructions for Schedule H in this Appendix, later.

8. **Part IV, lines 21–22. Grants in the United States.** See instructions for Schedule I in this Appendix, later.

9. **Part IV, lines 26–28. Loans, grants, and business transactions involving interested persons.** See instructions for Schedule L in this Appendix, later.

10. **Part IV, line 32. Disposition of 25% of assets.** See instructions for Schedule N in this Appendix, later.

11. **Part IV, lines 34–37. Related organizations and unrelated partnerships.** See instructions for Schedule R in this Appendix, later.

12. **Part V, line 3a. Unrelated business income.** Include the organization's distributive 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 lines 16a and 16b).

14. **Part VII. Compensation.** See instructions for Schedule J in this Appendix, later.

15. **Parts VIII, IX, and X, Financial statements.** Report in accordance with the organization's books and records.

16. **Part XII. Financial statements and reporting.** Disregard a joint venture.

17. **Schedule C (Form 990 or 990-EZ). Political campaign and lobbying activities.** Report the organization's share of political campaign or lobbying activities conducted by a joint venture.

18. **Schedule D (Form 990), Part II. Conservation easements.** Include conservation easements held by a joint venture formed for the purpose of holding the easements.

19. **Schedule F (Form 990). Activities outside the United States.** Include activities of a joint venture, including grants to organizations or individuals outside the United States.

20. **Schedule G (Form 990 or 990-EZ). Fundraising and gaming.** Include activities of a joint venture and the organization's share of revenues and expenses. On Part III, line 12, check "Yes" if the joint venture was formed to administer charitable gaming.

21. **Schedule H (Form 990). Hospitals.** Report activities, expenses, and revenue of **hospital facilities** and other programs operated by any joint venture, to the extent of the organization's proportionate interest in the joint venture. See the instructions for Schedule H, Part IV, to determine how to report an organization's interest in joint ventures and management companies in Part IV.

22. **Schedule I (Form 990). Grants in the United States.** Include grants from a joint venture to organizations, governments, or individuals in the United States.

23. **Schedule J (Form 990). 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 (Form 990), Part III, line 1. Private business use.** Report certain joint ventures that owned property financed by **tax-exempt bonds**.

25. **Schedule L (Form 990 or 990-EZ), 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 (Form 990 or 990-EZ), 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 (Form 990). 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 can 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), 501(c)(4), and 501(c)(29) organizations. An **applicable tax-exempt organization** is a section 501(c)(3), 501(c)(4), or 501(c)(29) organization that is tax exempt under section 501(a), or was 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), and
- Certain **foreign organizations**.

An organization is not treated as a section 501(c)(3), 501(c)(4), or 501(c)(29) 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

Most section 501(c)(3), 501(c)(4), or 501(c)(29) organization **employees** and **independent 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 for the following organizations, along with certain family members and 35% controlled entities associated with them:

- for a transaction involving a **donor advised fund**, a donor or **donor advisor** of that donor advised fund,
- for a **donor advised fund** sponsoring organization, an investment advisor of the **sponsoring organization**, and
- for a **supported organization** of a section 509(a)(3) supporting organization, the disqualified persons of the section 509(a)(3) **supporting organization**.

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 2008, $105,000 in 2009, $110,000 in 2010-2011, and $115,000 in 2012 and 2013) 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 for transactions engaged in with other section 501(c)(4) organizations.

Who else can 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) for 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 for more than one organization 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 the benefit, but see the special rules below for **donor advised funds** and **supporting organizations**. 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 (FMV)**. 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.

For these transactions, the excess benefit is defined as 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 the 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 for these payments occurs on the last day of the disqualified person'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, except that taxes on certain transactions between supporting organizations and their substantial contributors apply to transactions occurring on or after July 25, 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?* in this Appendix, 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; and
- 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 before 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 before 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 before 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* can, 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 can be terminated or canceled 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 can cause the contract to fall outside the initial contract exception, and it thus would be tested under the FMV 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 **FMV**, 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. Before 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 can 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 IRS can 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 can 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. In those 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 the 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 can 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 can 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 cannot exceed $20,000 for 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 can 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 the 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 for 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 can 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 IRS can be held in a donor advised fund.

Property. With the agreement of the applicable tax-exempt organization, a disqualified person can 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 FMV of the property on the date the property is returned to the organization, or
- The FMV 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 can make a cash payment to the disqualified person equal to that 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), 501(c)(4), or 501(c)(29), 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

How To Get Forms and Publications

Internet. You can access the IRS website at IRS.gov 24 hours a day, 7 days a week to:

- Download forms, including talking tax forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- Use the online Internal Revenue Code, Regulations, or other official guidance.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Sign up to receive local and national tax news by email.

Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call 1-800-TAX FORM (1-800-829-3676) to order current-year forms, instructions, and publications, and prior-year forms and instructions. You should receive your order within 10 days.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications. The TTY/TDD number is for individuals who are deaf, hard of hearing, or have a speech disability.

Mail. You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

Other Forms That May Be Required

Schedule A (Form 990 or 990-EZ). Public Charity Status and 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 United States.

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 or 990-EZ). Supplemental Information to Form 990 or 990-EZ.

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 720. Quarterly Federal Excise Tax Return.

CAUTION *A fee is imposed on each applicable self-insured health plan providing accident or health coverage for each policy year ending after September 30, 2012, payable by the plan sponsor. See Form 720 and section 4376 for more information.*

Form 926. Return by a U.S. Transferor of Property to a Foreign Corporation.

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.

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 990-EZ. However, if the trust does not have any taxable income under Subtitle A of the Code, it can file Form 990 or 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 990-EZ, and do not file Form 1041.

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 3520. Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts.

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 Under Chapters 41 and 42 of the Internal Revenue Code.

Form 5471. Information Return of U.S. Persons for Certain Foreign Corporations.

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 Certain Business Income Tax, Information, and Other Returns.

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-B. Change of Address or Responsible Party-Business. 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. 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 8940. Request for Miscellaneous Determination, under Section 507, 509(a), 4940, 4942, 4945, and 6033 of the Internal Revenue Code.

Form 8963. Report of Health Insurance Provider Information.

Form SS-4. Application for Employer Identification Number.

Form FinCEN Form 114. Report of Foreign Bank and Financial Accounts.

Helpful Publications

Pub. 15. (Circular E), Employer's Tax Guide.

CAUTION

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, the trust fund recovery penalty can apply. The trust fund recovery penalty can 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.

Pub. 15-A. Employer's Supplemental Tax Guide (Fringe Benefits).

Pub. 463. Travel, Entertainment, Gift, and Car Expenses.

Pub. 525. Taxable and Nontaxable Income.

Pub. 526. Charitable Contributions.

Pub. 538. Accounting Periods and Methods.

Pub. 557. Tax-Exempt Status for Your Organization.

Pub. 561. Determining the Value of Donated Property.

Pub. 598. Tax on Unrelated Business Income of Exempt Organizations.

Pub. 892. How to Appeal an IRS Decision on Tax Exempt Status

Pub. 910. IRS Guide to Free Tax Services.

Pub. 946. How To Depreciate Property.

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

Pub. 1828. Tax Guide for Churches and Religious Organizations.

Pub. 3079. Gaming Publication for Tax-Exempt Organizations.

Pub. 3386. Tax Guide for Veterans Organizations.

Pub. 3833. Disaster Relief, Providing Assistance Through Charitable Organizations.

Pub. 4220. Applying for 501(c)(3) Tax-Exempt Status.

Pub. 4221-PC. Compliance Guide for 501(c)(3) Public Charities.

Pub. 4221-PF. Compliance Guide for 501(c)(3) Private Foundations.

Pub. 4302. A Charity's Guide to Vehicle Donations.

Pub. 4303. A Donor's Guide to Vehicle Donations.

Pub. 4386. Compliance Checks.

Pub. 4573. Group Exemptions.

Pub. 4630. Exempt Organizations Products and Services Navigator.

Appendix I. Use of Form 990 or 990-EZ To Satisfy State Reporting Requirements

Some states and local **governmental 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 can 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 can 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 can 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 $50,000 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 can 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 can require the additional material to be presented on forms they provide. The additional information should not be submitted with the Form 990 or 990-EZ filed with the IRS, unless included in Schedule O (Form 990 or 990-EZ).

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 in this Appendix, 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 that 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, similar amounts, and functional expenses be reported according to the AICPA Audit and Accounting Guide, Not-for-Profit Entities (2010), supplemented, as applicable, by the Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations issued jointly by the National Health Council, Inc., the National Assembly of Voluntary Health and Social Welfare Organizations, and the United Way of America (1998).

Donated services and facilities. Even though donated services and facilities may be reported as items of revenue and expense in certain circumstances, many states and the IRS do not permit the inclusion of those amounts in Parts VIII and IX of Form 990, Part I of Form 990-EZ, or (except for donations by a governmental unit) in Schedule A (Forms 990 and 990-EZ). The optional reporting of donated services and facilities is discussed in the instructions for Part III for Form 990.

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 can 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 can differ from that made available by the states.

Appendix J. Contributions

This Appendix discusses certain federal tax rules that apply to exempt organizations and donors for contributions. See also Pub. 526, *Charitable Contributions*, and Pub. 1771, *Charitable Contributions: Substantiation and Disclosure Requirements*.

Schedule B (Form 990, 990-EZ, or 990-PF). Many organizations that file Form 990, 990-EZ, or 990-PF must file Schedule B to report on tax-deductible and non-tax-deductible contributions. See Schedule B and its instructions to determine whether Schedule B must be filed. See also the Schedule B instructions for the public inspection rules applicable to that form.

Solicitation of Nondeductible Contribution. See the instructions to Form 990, Part V, line 6, for rules on public notice of non-deductibility when soliciting nondeductible contributions.

Keeping Fundraising Records for Tax-Deductible Contributions. A section 501(c) organization that is eligible to receive tax-deductible contributions under section 170(c) must keep sample copies of its fundraising materials, such as:

- Dues statements,
- Fundraising solicitations,

- Tickets,
- Receipts, or
- Other evidence of payments received in connection with fundraising activities.

IF....	THEN....
The organization advertises its fundraising events,	It must keep samples of the advertising copy.
The organization uses radio, television, or Internet to solicit contributions,	It must keep samples of scripts, transcripts, printouts of e-mails and Web pages, or other evidence of solicitations in the media.
The organization uses outside fundraisers,	It must keep samples of the fundraising materials used by the outside fundraisers.

For each fundraising event, the organization must keep records to show the portion of any payment received from patrons that is not deductible; that is, the retail value of the goods or services received by the patrons. See *Disclosure statement for quid pro quo contributions*, later.

Noncash Contributions.

Form 990 Schedules. An organization may be required to file Schedule M to report certain noncash (property) contributions; see the instructions for Schedule M on who must file. Also, an organization that files Schedule B must report certain information on noncash contributions.

Dispositions of donated property. If an organization receives a charitable contribution of property and within three years sells, exchanges, or otherwise disposes of the property, the organization may need to file Form 8282, *Donee Information Return*. See Form 990, Part V, lines 7c and 7d.

Donated property over $5,000. If the organization received from a donor a partially completed Form 8283, *Noncash Charitable Contributions*, the donee organization generally should complete the Form 8283 and return it so the donor can get a charitable contribution deduction. The organization should keep a copy for its records. See Form 8283 for more details.

Qualified intellectual property. An organization described in section 170(c) (except a private foundation) that receives or accrues net income from a qualified intellectual property contribution must file Form 8899, *Notice of Income from Donated Intellectual Property*. See Form 990, Part V, line 7g. The organization must file Form 8899 for any tax year that includes any part of the 10-year period beginning on the date of contribution but not for any tax years in which the legal life of the qualified intellectual property has expired or the property failed to produce net income.

A donee organization reports all income from donated qualified intellectual property as income other than contributions (for example, royalty income from a patent). A donee is not required to report as contributions on Form 990 (including schedules) any of the additional deductions claimed by donors under section 170(m)(1). See Pub. 526, *Charitable Contributions*.

Motor vehicles, boats, and airplanes. Special rules apply to charitable contributions of motor vehicles, boats, or airplanes with a claimed value of more than $500. See Form 990, Part V, line 7h; section 170(f)(12); Pub. 4302, *A Charity's Guide to Vehicle Donations*; and the Instructions for Form 1098-C, *Contributions of Motor Vehicles, Boats, and Airplanes*.

Substantiation and Disclosure Requirements for Charitable Contributions.

Recordkeeping for cash, check, or other monetary charitable gifts. To deduct a contribution of a cash, check, or other monetary gift (regardless of the amount), a donor must maintain a bank record or a written communication from the donee organization showing the donee's name, date, and amount of the contribution. See section 170(f)(17). In the case of a lump-sum contribution (rather than a contribution by payroll deduction) made through the Combined Federal Campaign or a similar program such as a United Way Campaign, the written communication must include the name of the donee organization that is the ultimate recipient of the charitable contribution. In the case of a text message contribution, the donor's phone bill meets the section 170(f)(17) recordkeeping requirement of a reliable written record if it shows the name of the donee organization and the date and amount of contribution.

Acknowledgment to substantiate charitable contributions. A donee organization should be aware that a donor of a charitable contribution of $250 or more (including a contribution of unreimbursed expenses) cannot take an income tax deduction unless the donor obtains the organization's acknowledgment to substantiate the charitable contribution. See section 170(f)(8) and Regulations section 1.170A-13(f). A charitable organization that receives a payment made as a contribution is treated as the donee organization for this purpose even if the organization (according to the donor's instructions or otherwise) distributes the amount received to one or more charities.

The organization's acknowledgment must:

1. Be written.
2. Be contemporaneous.
3. State the amount of any cash it received.
4. State:

a. Whether the organization gave the donor any intangible religious benefits (no valuation needed).

b. Whether the organization gave the donor any goods or services in return for the donor's contribution (a quid pro quo contribution).

5. Describe goods or services the organization:

a. Received (no valuation needed).

b. Gave (good faith estimate of value needed).

If the organization accepts a contribution in the name of one of its activities or programs, then indicate the organization's name in the acknowledgment as well as the program's name. For example: "Thank you for your contribution of $300 to (organization's name) made in the name of our Special Relief Fund program. No goods or services were provided in exchange for your contribution."

Similarly, if a domestic organization owns and controls a domestic disregarded entity, and the disregarded entity receives a contribution, then indicate the organization's name in the acknowledgment as well as the relationship with the disregarded entity. For example: "Thank you for your contribution of $300 to (organization's name) made in the name of (name of disregarded entity), which is treated as a disregarded entity of (organization's name) for federal tax purposes. No goods or services were provided in exchange for your contribution." See Notice 2012-52, 2012-35 I.R.B. 317.

Exception. The written acknowledgment need not include a good faith estimate of value for goods or services given to the donor if they are:

1. Goods or services with insubstantial value.
2. Certain membership benefits.
3. Goods or services described in (1) or (2) given to the employees of a donor organization or the partners of a donor partnership.
4. Intangible religious benefits.

These exceptions are defined below.

Disclosure statement for *quid pro quo* contributions. If the organization

receives a *quid pro quo* contribution of more than $75, the organization must provide a disclosure statement to the donor. See section 6115.

The organization's disclosure statement must:

1. Be written.

2. Estimate in good faith the value of the organization's goods or services given in return for the donor's contribution.

3. Describe, but need not value, certain goods or services given to the donor's employees or partners.

4. Inform the donor that a charitable contribution deduction is limited as follows:

Donor's contribution
Less
The organization's money, goods, and services given in return
Equals
Donor's deductible charitable contribution.

Exceptions: No disclosure statement is required if the organization gave only the following:

1. Goods or services with insubstantial value,

2. Certain membership benefits,

3. Goods or services described in (1) or (2) given to the employees of a donor organization or the partners of a donor partnership, or

4. Intangible religious benefits.

These exceptions are defined below. See also Regulations sections 1.170A-1, 1.170A-13, and 1.6115-1.

Certain goods or services disregarded for substantiation and disclosure purposes.

Goods or services with insubstantial value. Generally, under section 170, the deductible amount of a contribution is determined by taking into account the **fair market value (FMV)**, not the cost to the charity, of any benefits that the donor received in return. However, the cost to the charity may be used in determining whether the benefits are insubstantial. See below.

Cost basis. If a taxpayer makes a payment of $51.00 or more to a charity and receives only token items in return, the items have insubstantial value if they:

- Bear the charity's name or logo, and
- Have an aggregate cost to the charity of $10.20 or less (low-cost article amount of section 513(h)(2)).

Fair market value basis. If a taxpayer makes a payment to a charitable organization in a fundraising campaign and receives benefits with a **FMV** of not more than 2% of the amount of the payment, or $102, whichever is less, the benefits received have insubstantial value in determining the taxpayer's contribution.

The dollar amounts given above are applicable to tax year 2013 under Rev. Proc. 2012-41, 2012-45 I.R.B. 539. They are adjusted annually for inflation.

When a donee organization provides a donor only with goods or services having insubstantial value under Rev. Proc. 2012-41 (and any successor documents), the contemporaneous written acknowledgment may indicate that no goods or services were provided in exchange for the donor's payment.

Certain membership benefits. Other goods or services that are disregarded for substantiation and disclosure purposes are annual membership benefits offered to a taxpayer in exchange for a payment of $75 or less per year that consist of:

1. Any rights or privileges that the taxpayer can exercise frequently during the membership period such as:

a. Free or discounted admission to the organization's facilities or events,

b. Free or discounted parking.

2. Admission to events that are:

a. Open only to members, and

b. Within the *low-cost article* limitation, per person.

Example 1. E offers a basic membership benefits package for $75. The package gives members the right to buy tickets in advance, free parking, and a gift shop discount of 10%. E's $150 preferred membership benefits package also includes a $20 poster. Both the basic and preferred membership packages are for a 12-month period and include about 50 productions. E offers F, a patron of the arts, the preferred membership benefits in return for a payment of $150 or more. F accepts the preferred membership benefits package for $300. E's written acknowledgment satisfies the substantiation requirement if it describes the poster, gives a good faith estimate of its FMV ($20), and disregards the remaining membership benefits.

Example 2. In *Example 1*, if F received only the basic membership package for its $300 payment, E's acknowledgment need state only that no goods or services were provided.

Example 3. G Theater Group performs four plays. Each play is performed twice. Non-members can purchase a ticket for $15. For a $60 membership fee, however, members are offered free admission to any of the performances. H makes a payment of $350 and accepts this membership benefit. Because of the limited number of performances, the membership privilege cannot be exercised frequently. Therefore, G's acknowledgment must describe the free admission benefit and estimate its value in good faith.

Certain goods or services provided to donor's employees or partners. Certain goods or services provided to employees of donor organizations or partners of donor partnerships may be disregarded for substantiation and disclosure purposes. Nevertheless, the donee organization's disclosure statement must describe the goods or services. A good faith estimate of value is not needed.

Example. Museum J offers a basic membership benefits package for $40. It includes free admission and a 10% gift shop discount. Corporation K makes a $50,000 payment to J and in return, J offers K's employees free admission, a t-shirt with J's logo that costs J $4.50, and a 25% gift shop discount. Because the free admission is a privilege that can be exercised frequently and is offered in both benefit packages, and the value of the t-shirts is insubstantial, Museum J's disclosure statement need not value or mention the free admission benefit or the t-shirts. However, because the 25% gift shop discount to K's employees differs from the 10% discount offered in the basic membership benefits package, J's disclosure statement must describe the 25% discount, but need not estimate its value.

Definitions.

Substantiation. It is the responsibility of the donor:

- To value a donation, and
- To obtain an organization's written acknowledgment substantiating the donation.

There is no prescribed format for the organization's written acknowledgment of a donation. Letters, postcards, or computer generated forms may be acceptable. The acknowledgment must, however, provide sufficient information to substantiate the amount of the deductible contribution. The organization may either:

- Provide separate statements for each contribution of $250 or more, or
- Furnish periodic statements substantiating contributions of $250 or more.

Separate contributions of less than $250 are not subject to the requirements of section 170(f)(8), whether or not the sum of the contributions made by a taxpayer to a donee organization during a tax year equals $250 or more.

Contemporaneous. A written acknowledgment is contemporaneous if the donor obtains it on or before the earlier of:

- The date the donor files the original return for the tax year in which the contribution was made; or
- The due date (including extensions) for filing the donor's original return for that year.

Substantiation of payroll contributions. An organization may substantiate an employee's contribution by deduction from its payroll by:

- A pay stub, Form W-2, or other document showing a contribution to a donee organization, together with
- A pledge card or other document from the donee organization that shows its name. For contributions of $250 or more, the document must state that the donee organization provides no goods or services for any payroll contributions. The amount withheld from each payment of wages to a taxpayer is treated as a separate contribution.

Substantiation of payments to a college or university for the right to purchase tickets to athletic events. The right to purchase tickets for an athletic event is valued at 20% of the payment.

Example. When a taxpayer pays $312.50 for the right to purchase tickets for an athletic event, the right is valued at $62.50. The remaining $250 is a charitable contribution that the taxpayer must substantiate.

Substantiation of matched payments. If a taxpayer's payment to a donee organization is matched by another payor, and the taxpayer receives goods or services in consideration for its payment and some or all of the matching payment, those goods or services will be treated as provided in consideration for the taxpayer's payment and not in consideration for the matching payment.

Disclosure statement. An organization must provide a written disclosure statement to donors who make a "quid pro quo contribution" in excess of $75 (section 6115). This requirement is separate from the written substantiation acknowledgment a donor needs for deductibility purposes. While, in certain circumstances, an organization may be able to meet both requirements with the same written document, an organization must be careful to satisfy the section 6115 written disclosure statement requirement in a timely manner because of the penalties involved.

Quid pro quo contribution. A *quid pro quo contribution* is a payment that is made both as a contribution and as a payment for goods or services provided by the donee organization.

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.

Good faith estimate. An organization may use any reasonable method in making a good faith estimate of the value of goods or services provided by that organization in consideration for a taxpayer's payment to that organization. A good faith estimate of the value of goods or services that are not generally available in a commercial transaction may be determined by reference to the **FMV** of similar or comparable goods or services. Goods or services may be similar or comparable even though they do not have the unique qualities of the goods or services that are being valued.

Goods or services. Goods or services include:

- Cash,
- Property,
- Services,
- Benefits, and
- Privileges.

In consideration for. A donee organization provides goods or services in consideration for a taxpayer's payment if, at the time the taxpayer makes the payment to the donee organization, the taxpayer receives, or expects to receive, goods or services in exchange for that payment.

Goods or services a donee organization provides in consideration for a payment by a taxpayer include goods or services provided in a year other than the year in which the donor makes the payment to the donee organization.

Intangible religious benefits. Intangible religious benefits are provided only by organizations organized exclusively for religious purposes. Examples include:

- Admission to a religious ceremony, and
- *De minimis* tangible benefits, such as wine provided in connection with a religious ceremony.

Penalties. A charity that knowingly provides a false substantiation acknowledgment to a donor may be subject to the penalties under section 6701 and/or section 7206(2) for aiding and abetting an understatement of tax liability.

Charities that fail to provide the required disclosure statement for a quid pro quo contribution of more than $75 will incur a penalty of $10 per contribution, not to exceed $5,000 per fundraising event or mailing. The charity may avoid the penalty if it can show that the failure was due to reasonable cause (section 6714).

Appendix K. Business Activity Codes

The codes listed in this Appendix K (see next page) are a selection from the North American Industry Classification System (NAICS) that should be used in completing Form 990, Part VIII, lines 2 and 11. If you do not see a code for the activity you are trying to categorize, select the appropriate code from the NAICS website at *http://www.census.gov/eos/www/naics/reference_files_tools/2007/naics07_6.txt.html*. Select the most specific 6-digit code available that describes the activity producing the income being reported. Note that most codes describe more than one type of activity. Avoid using codes that describe the organization rather than the income-producing activity.

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.

Business Activity Codes

AGRICULTURE, FORESTRY, HUNTING, AND FISHING

Code
110000 Agriculture, forestry, hunting, and fishing
111000 Crop production

MINING

Code
211110 Oil and gas extraction
212000 Mining (except oil and gas)

UTILITIES

Code
221000 Utilities

CONSTRUCTION

Code
230000 Construction
236000 Construction of buildings

MANUFACTURING

Code
310000 Manufacturing
323100 Printing and related support activities
339110 Medical equipment and supplies manufacturing

WHOLESALE TRADE

Code
423000 Merchant wholesalers, durable goods
424000 Merchant wholesalers, nondurable goods

RETAIL TRADE

Code
441100 Automobile dealers
442000 Furniture and home furnishings stores
443120 Computer and software stores
444100 Building materials and supplies dealers
445100 Grocery stores
445200 Specialty food stores
446110 Pharmacies and drug stores
446199 All other health and personal care stores
448000 Clothing and clothing accessories stores
451110 Sporting goods stores
451211 Book stores
452000 General merchandise stores
453000 Miscellaneous store retailers
453220 Gift, novelty, and souvenir stores
453310 Used merchandise stores
454110 Electronic shopping and mail-order houses

TRANSPORTATION AND WAREHOUSING

Code
480000 Transportation
485000 Transit and ground passenger transportation
493000 Warehousing and storage

INFORMATION

Code
511110 Newspaper publishers (except Internet)
511120 Periodical publishers (except Internet)
511130 Book publishers (except Internet)
511140 Directory and mailing list publishers (except Internet)
511190 Other publishers (except Internet)
512000 Motion picture and sound recording industries
515100 Radio and television broadcasting (except Internet)
517000 Telecommunications (including paging, cellular, satellite, cable, other telecommunications, and internet service providers)
519130 Internet Publishing and Broadcasting

DATA PROCESSING SERVICES

Code
518210 Data Processing, Hosting, and Related Services
519100 Other information services (including news syndicates and libraries, Internet publishing and broadcasting)

FINANCE AND INSURANCE

Code
522100 Depository credit intermediation (including commercial banking, savings institutions, and credit unions)
522200 Nondepository credit intermediation (including credit card issuing and sales financing)
522210 Credit card issuing
522220 Sales financing
522291 Consumer lending
522292 Real estate credit
522299 Other nondepository credit intermediation
523000 Securities, commodity contracts, and other financial investments and related activities
523920 Portfolio management
523930 Investment advice
524113 Direct life insurance carriers
524114 Direct health and medical insurance carriers
524126 Direct property and casualty insurance carriers
524292 Third-party administration of insurance and pension funds
524298 All other insurance-related activities
525100 Insurance and employee benefit funds
525920 Trusts, estates, and agency accounts
525990 Other financial vehicles (including mortgage REITs)

REAL ESTATE AND RENTAL AND LEASING

Code
531110 Lessors of residential buildings and dwellings (including equity REITs)
531120 Lessors of nonresidential buildings (except miniwarehouses) (including equity REITs)
531190 Lessors of other real estate property (including equity REITs)
531310 Real estate property managers
531390 Other activities related to real estate
532000 Rental and leasing services
532420 Office machinery and equipment rental and leasing
533110 Lessors of nonfinancial intangible assets (except copyrighted works)

PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES

Code
541100 Legal services
541200 Accounting, tax preparation, bookkeeping, and payroll services
541300 Architectural, engineering, and related services
541380 Testing laboratories
541511 Custom computer programming services
541519 Other computer-related services
541610 Management consulting services
541700 Scientific research and development services
541800 Advertising and related services
541860 Direct mail advertising
541900 Other professional, scientific, and technical services
541990 Consumer credit counseling services

MANAGEMENT OF COMPANIES AND ENTERPRISES

Code
551111 Offices of bank holding companies
551112 Offices of other holding companies

ADMINISTRATIVE AND SUPPORT AND WASTE MANAGEMENT AND REMEDIATION SERVICES

Administrative and Support Services

Code
561000 Administrative and support services
561300 Employment services
561439 Other business service centers (including copy shops)
561499 All other business support services
561500 Travel arrangement and reservation services
561520 Tour operators
561700 Services to buildings and dwellings

Waste Management and Remediation Services

Code
562000 Waste management and remediation services (sanitary services)

EDUCATIONAL SERVICES

Code
611420 Computer training
611430 Professional and management development training
611600 Other schools and instruction (other than elementary and secondary schools or colleges and universities, which should select a code to describe their activities)
611710 Educational support services

HEALTHCARE AND SOCIAL ASSISTANCE

Code
621110 Offices of physicians
621300 Offices of other health practitioners
621400 Outpatient care centers
621500 Medical and diagnostic laboratories
621610 Home health care services
621910 Ambulance services
621990 All other ambulatory health care services
623000 Nursing and residential care facilities
623990 Other residential care facilities
624100 Individual and family services
624110 Community centers (except rec. only), youth Adoption agencies
624200 Community food and housing, and emergency and other relief services
624210 Meal delivery programs
Soup kitchens
Food banks
624310 Vocational rehabilitation services
624410 Child day care services

ARTS, ENTERTAINMENT, AND RECREATION

Code
711110 Theater companies and dinner theaters
711120 Dance companies
711130 Musical groups and artists
711190 Other performing art companies
711210 Spectator sports (including sports clubs and racetracks)
711300 Promoters of performing arts, sports, and simiilar events
713110 Amusement and theme parks
713200 Gambling industries
713910 Golf courses and country clubs
713940 Fitness and recreational sports centers
713990 All other amusement and recreation industries (including skiing facilities, marinas, and bowling centers)

ACCOMMODATION AND FOOD SERVICES

Code
721000 Accomodation
721110 Hotels (except casino hotels) and motels
721210 RV (recreational vehicle) parks and recreational camps
721310 Rooming and boarding houses
722100 Full-service restaurants
722210 Limited-service eating places
722320 Caterers
722410 Drinking places (alcoholic beverages)

OTHER SERVICES

Code
811000 Repair and maintenance
812300 Drycleaning and laundry services
812900 Other personal services
812930 Parking lots and garages

OTHER

Code
900001 Investment activities of section 501(c)(7), (9), or (17) organizations
900002 Rental of personal property
900003 Passive income activities with controlled organizations
900004 Exploited exempt activities
900099 Other activity

$10,000–per-item exception 27
$10,000–per-related organization exception 27
35% controlled entity 17, 51

A
Accountable plan 19, 51
Accountant 49
Accounting:
Fees 44
Period 5
Accounting fees 44
Accounting method 49
Accounting period 5, 8
Accounts payable 47
Accounts receivable 46
Accrual 5
Activities 11
Activities conducted outside the United States 51
Activities outside the United States 51
Address:
Change in 9
Website 10
Address Change 8
Administrative 19
Advance ruling period 5
Advertising 44
Affiliate/affiliates 45, 81
Expenses 45
Payments 45
Purchases 45
State or national organizations 45
Affiliated organizations 83
Allocations:
Grants, and 11
Alternate test 75
Amended Return 9
Description of amendment 6
Name change amendment 6
Annual information return 76
Anti-abuse rule 75
Appendix:
Appendix :
Appendix A, Exempt Organizations Reference Chart 73
Appendix B, How to Determine Whether an Organization's Gross Receipts Are Normally $50,000 (or $5,000) or Less 74
Appendix C, Special Gross Receipts Tests for Determining Exempt Status of Section 501(c)(7) and 501(c)(15) Organizations 74
Appendix D, Public Inspection of Returns 75
Appendix E, Group Returns—Reporting Information on Behalf of the Group 79
Appendix F, Disregarded Entities and Joint Ventures—Inclusion of Activities and Items 80
Appendix G, Section 4958 Excess Benefit Transactions 82
Appendix H, Forms and Publications to File or Use 87
Appendix I, Use of Form 990 or 990-EZ To Satisfy State Reporting Requirements 89
Appendix J, Contributions 89
Appendix K, Business Activity Codes 92
Applicable tax-exempt organization 51, 82
Application for recognition of exemption 87
Application pending 9
Art 12, 51
Articles of incorporation 21
ASC 740 51
Assessments 37
Asset(s):
Net 48
Total 48
Assistance to individuals 43
Attachments 8
Attorney 11
Audit 51, 81
Audit committee 19, 51
Audited financial statements 13, 51
Audit guides 89
Automatic revocation 7

B
Backup withholding 15
Balance sheet 46
Bank account 16
Bank or financial institution trustee Exception 30
Benefits:
Disregarded 30
Employee 44
Members 43, 84
Membership 39
Bingo 41, 51
Black lung benefit trust 5
Board-designated endowment 52
Bond issue 39, 52
Bonds, tax-exempt 47
Bonus 85
Books and records 5
Books of account 6
Book value 47
Business activities 38
Business code 39
Business relationship 20, 52

C
Calendar year 5
Capital contributions 17
Capital gains 39
Capital stock accounts 48
Capital surplus 48
Cash 46
Cash contributions 52
Cash receipts and disbursements 6
Central organization 7, 52
CEO 20
CEO, executive director, or top management official 52
Certified historic structure 52
Change of address 8, 88
Change of name (see "name change") 8
Changes in net assets 89
Charitable risk pools 3
Child care organizations 3
Children 92
Church 3, 52
Church-affiliated organization 4
Closely held stock 53
Club 17
Code(s) 4
Collectibles 53
Collections of works of art, historical treasures, and other similar assets 53
College 75
Committee 4
Compensation 13, 25, 35, 53, 79
Current officers 43
Disqualified persons 25, 43
Former officers 25
Other persons 25
Reasonable 84
Reportable 27
Table 31
Compilation (compiled financial statements) 13, 53
Completing the heading 8
Conflict of interest policy 53
Conflicts of interest policy 21, 23
Conservation easement 12, 53
Consolidated financial statement 13, 80
Contemporaneous 84
Contracts 85
Contributing employer 60, 68
Contributions 12, 36, 38, 54
Disclosure statement 16
Donation of services 37
Donor advised funds 83
Government 37
Government grants 37
Membership dues 11, 37

Contributions *(Cont.)*
Noncash 38
Nondeductible 16
Quid pro quo 16
Contributor 2
Contributors, Schedule of 38
Control 14, 54
Controlled entity 14, 55
Controlling organization:
Section 512(b)(13) 3
Controlling organization under section 512(b)(13) 55
Cooperative service organizations 3
Copies 8
Core form 55
Corporation 10
Credit counseling 12
Credit counseling services 55
Current year 55

D
Debt management plan services 12, 55
Defeasance escrow 39, 55
Deferred charges 47
Deferred compensation 55
Deferred revenue 47
Defined benefit plan 30
Nonqualified 31
Qualified 30
Defined contribution plan:
Qualified 30
De minimis fringe benefit 84
Dependent care assistance 32
Depreciation 45
Determination letter 4
Direct expenses 40
Director 13, 55
Director or trustee 25, 55
Disclosure 16
Conflict of interest 23
Disqualified person(s) 20
Excess business holdings 17
Statement 16
Disclosure of excess business holdings 17
Disqualified person 56
Disqualified persons 82
Disregarded benefits 30, 31
Disregarded entities 8, 28, 80
Disregarded entity or entities 57
Dissolution 81
Distributions 43
Dividends 38
Document retention and destruction policy 23
Domestic individual 57
Domestic organization 57
Donations 37
Of services 37
Of use of materials, equipment or facilities 37
Of vehicles 16
Donor advised fund 57
Donor advised fund(s):
Disqualified person 83
Donor advisor 17
Exceptions 86
Excess benefit transaction 83
Grants 83
Sponsoring organization 3
Donor advisor 57
Donor contributions:
Acknowledgment 16
Dues 37
Club 32
Membership 39, 45
Paid to affiliates 45

E
Economic benefit 83
Disregarded 84
Nontaxable fringe benefits 84
EIN 57
Electronic filing 6
Email subscription 2
Employee 57
Employee(s) 26
Employee benefit plan 5
Employee benefits 44
Employees, key 26
Employer identification number (EIN):
Disregarded entities 81
Section 501(c)(9) organizations 9
Employment tax return 6
Endowment 12, 57
EO Determinations 11
e-Postcard (see also Form 990–N) 74
Equipment 47
Escrow or custodial account 48, 58
Estates 36
Estimate, reasonable 10
Excess benefit transaction 58, 82–84
Churches 86
Correction 86
Donor advised funds 86
Excess payment 86
Excise tax 85
Insufficient payment 86
Revenue sharing transactions 86
Revocation of exemption 86
Section 4958 82
Excess business holdings 17
Excise taxes 85
Executive director 23
Exempt bond 58
Exempt function 38
Exempt organizations, types of 73
Exempt purposes 11, 21, 41
Expenses 39
Allocating indirect 42
Direct 40
Functional 41
Fundraising 40, 42
Indirect expenses 42
Management and general 42
Occupancy 45
Political 12
Postage 44
Printing 44
Program service 41, 46
Shipping 44
Supplies 44
Telephone 44
Extension of time to file 6

F
Facility/facilities 11
Facts and circumstances 78
Fair market value 83
Fair market value (FMV) 58
Family:
Family member 83
Family member, family relationship 58
Federal unemployment tax (FUTA) 87
Federated fundraising agencies 37
Federated fundraising organizations 43
Fees 44
Accounting 44
Copies 77
Fundraising 44
Government agencies 38
Initiation 75
Legal 44
Membership 74
Registration 38
Figuring gross receipts 74
FIN 48 80
FIN 48 (ASC 740) 59
Final return 6, 9
Financial account 16
Financial statements 49, 59
Fiscal year 5, 59
Five highest compensated employees 25
Fixed payment 85
Foreign 16
Accounts 16
Organization 4
Foreign government 59
Foreign individual 59
Foreign organization 59
Form 8963, Report of Health Insurance Provider Information 88
Forms:
FinCEN Form 114, formerly known as Form TD F 90–22.1, Report of Foreign Bank and Financial Accounts 88
Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) 87
Form 1024, Application for Recognition of Exemption Under Section 501(a) 87

Forms ***(Cont.)***
Form 1040, U.S. Individual Income Tax Return 87
Form 1041, U.S. Income Tax Return for Estates and Trusts 87
Form 1065, U.S. Return of Partnership Income 5
Form 1096, Annual Summary and Transmittal of U.S. Information Returns 87
Form 1098 series 87
Form 1120–POL, U.S. Income Tax Return for Certain Political Organizations 87
Form 1128, Application To Adopt, Change or Retain a Tax Year 87
Form 2848, Power of Attorney and Declaration of Representative 87
Form 3115, Application for Change in Accounting Method 87
Form 3520, Annual Return To Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts 88
Form 4506, Request for Copy of Tax Return 88
Form 4506–A, Request for Public Inspection or Copy of Exempt or Political Organization IRS Form 88
Form 4562, Depreciation and Amortization 88
Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code 88
Form 5471, Information Return of U.S. Persons for Certain Foreign Corporations 88
Form 5500, Annual Return/Report of Employee Benefit Plan 88
Form 5578, Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal income Tax. 88
Form 5768, Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation 88
Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns 88
Form 720, Quarterly Federal Excise Tax Return 87
Form 8038 series, Tax Exempt Bonds 88
Form 8274, Certification by Churches and Qualified Church-Controlled Organizations Electing Exemption from Employer Social Security and Medicare Taxes 88
Form 8282, Donee Information Return 88
Form 8283, Noncash Charitable Contributions 88
Form 8300, Report of Cash Payments Over $10,000 Received in a Trade or Business 88
Form 8328, Carryfoward Election of Unused Private Activity Bond Volume Cap 88
Form 8718, User Fee for Exempt Organization Determination Letter Request 88
Form 8821, Tax Information Authorization 88
Form 8822-B, Change of Address or Responsible Party 88
Form 8868, Application for Extension of Time to File an Exempt Organization Return 88
Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts 88
Form 8871, Political Organization Notice of Section 527 Status 88
Form 8872, Political Organization Report of Contributions and Expenditures 88
Form 8886, Reportable Transaction Disclosure Statement 88
Form 8886–T, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction 88
Form 8899, Notice of Income From Donated Intellectual Property 88
Form 8940, Request for Miscellaneous Determination, Request for Miscellaneous Determination, under Section 507, 509(a), 4940, 4942, 4945, and 6033 of the Internal Revenue Code 88
Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation 87
Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return 87
Form 941, Employer's Quarterly Federal Tax Return 87
Form 943, Employer's Annual Tax Return for Agricultural Employees 87
Form 990–BL, Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons 5
Form 990–EZ, Short Form Return of Organization Exempt From Income Tax 10
Form 990–N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required To File Form 990 or 990–EZ 3
Form 990–PF, Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation 4
Form 990–T, Exempt Organization Business Income Tax Return 87
Form 990–W, Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations 87
Form SS-4, Application for Employer Identification Number 88
Form W-2, Wage and Tax Statement 87
Forms and publications 15
Foundations 26
Fringe benefits 84
De minimis 84
Nontaxable 84
Functional expenses 41
Allocating indirect 42
Fundraising 42
Management and general 42
Program service 41
Fund Balances 48, 49
Fundraising 37, 59
Activities 13
Events 37
Expenses 42
Fees 44
Records for tax deductible contributions 8
Fundraising activities 59
Fundraising events 40, 59
Funds 48

G
GAAP 59
Gaming 40, 60
GEN (Group exemption number) 10
Generally accepted accounting principles 12
Generally accepted accounting principles/GAAP 60
Gifts 36, 38
Goods 40
Goods or services 40
Goods sold, cost of 41
Governance 82
Governing body 60, 81
Governing documents 22
Government:
Agency 38
Contracts 38
Contributions 37
Fees 38
Grants 37, 42
Official 45
Organization 4

Governmental issuer 39, 60
Governmental unit 47, 60
Governmental Unit 60
Government official 60
Grants 11, 36, 43
Allocations, and 11
Contributions 11
Government contributors 37
Payable 47
Receivable 46
Grants and other assistance 60
Grants and other assistance outside the United States 13
Gross proceeds 60
Gross receipts 60, 74
$50,000 or less 74
Acting as agent 74
Figuring 74
Gross receipts test:
$5,000 74
$50,000 74
Gross rents 39
Gross revenue 15
Gross sales price 39
Group exemption 60, 77
Central/parent organization 77
Group exemption number (GEN) 10
Subordinate organization 10
Group return 61, 79

H
Heading 8
Health benefits 30
Helpful hints 2
Highest compensated employee 61, 81
Historical treasure 12, 61
Hospital 80
Hospital/hospital facility 61
Hospital (or cooperative hospital service organization) 61
Hospital organization 61
Hours per week 29
Household goods 61

I
Income:
Exempt function 11
Investment 39
Rental 38
Unrelated business 15
Incomplete return 7
Independent contractor 36, 61
Independent voting member of governing body 19, 62
Indoor tanning services 18
Information return 76
Information technology 44
Initial contract 62, 85
Instant bingo 41, 62
Institutional trustee 26, 62
Insurance 45
Insurance contract 75
Integrated auxiliary 3
Intellectual property 16
Interest 39, 45
Mortgage 45
Tax-exempt 18
Interested persons 81
Interest income 38, 39
Notes and loans receivable 39
Securities 39
Inventory 41
Investment 39
Committee 19
Dividend 39
Income 74
Interest 39
Management 21
Program-related 39
Rents 39
Savings and temporary cash 46
Investments 47

J
Joint costs 46
Joint venture 62, 81

K
Key employee 26, 63

L
Land 47
Late filing 7
Leasing company 28
Legal fees 44
Legislation 63
Liabilities, total 48
Liquidation 80
List of states 5
Loans:
Receivable 47
Lobbying 63
Activity/Activities 12
Expenses 80
Grassroots 44
In-house expenditures 44
Joint ventures 81
Lobbying activities 63
Lobbying expenditures 80
Local governmental unit 47
Lotteries 40

M
Maintaining offices, employees, or agents 63
Management 81
Management and general expenses 42
Management company 21, 63
Medicaid 38
Medical research 63, 76
Medicare 87
Meetings 45
Member of the governing body 19, 63
Membership 45
Assessments 37
Benefits 39
Dues 37, 45
Merger, articles of 8
Miscellaneous 5
Expenses 46
Mission 4
Mission society 4
Money market funds 46
Mutual or cooperative electric companies 18

N
Name:
Name and address 8
Name change 8
Name change 9
Net assets 48
Noncash contribution 38
Noncash contributions 64
Nonexempt charitable trust 64
Nonfixed payments 85
Nonprofit health insurance issuer 4
Nonqualified deferred compensation 64
Nonqualified defined benefit plan 31
Nonqualified defined contribution plan 31, 33
Nontaxable fringe benefit 84
Notes receivable 47
Number of employees 81
Nursing homes 38

O
Occupancy 45
Expense 45
Officer 25, 64
Offices 76
OMB Circular A-133 49
“On behalf of” issuer 64
Ordinary course of business 20
Organization(s) 4, 85
Affiliated 83
Form of 10
Not required to file 4
Organizational documents 79
Organization manager 64, 85
Organizations:
Foreign countries, in 4
Other assets 47
Other compensation 27
Ownership 14

P
Paid-in capital 48
Paid preparer 10

Paperwork Reduction Act Notice 50
Partnership 81
Payables 47
Payments:
Cash 88
Compensation 84
Nonfixed 85
Severance 43
To affiliates 45
Payroll taxes 44
Penalties 7, 16
Failure to file 7
Perjury 7
Pension plan contributions 43
Permanent (true) endowment 64
Personal benefit contracts 16
Phone help 2
Photographs of Missing Children 92
Pledges receivable 46
Policies:
Conflicts of interest 21
Document retention and destruction 23
Joint venture 24
Nondiscrimination 88
Whistleblower 23
Political:
Expenses 80
Political campaign activities 64
Political organization 4
Penalties 76
Public inspection 75
Section 527 3
State or local 4
Political subdivision 65
Possession of the United States 65
Postage cost 76
Power of attorney 87
Premiums 75
Prepaid expenses 47
Principal officer 65
Printing 44
Private business use 65, 82
Private delivery services 6
Private foundation 65, 82
Privileged relationship 20
Proceeds 39, 65
Professional fundraising services 44, 65
Program-related investment 38, 65
Program service 11
Program service accomplishments, statement of 11
Program service expenses 41
Program service revenue 38
Government agency 38
Insurance premiums 38
Interest income 38
Medicaid 38
Medicare 38
Membership fees 39
Program-related investments 38
Rental income 38
Section 501(c)(9) organization 38
Unrelated trade or business activities 38
Prohibited tax shelter transactions 16
Proxy tax 12
PTIN 10
Pub. 3079, Tax-Exempt Organizations and Gaming 60
Publications 15
Compliance Checks 89
Group Exemptions 89
Pub. 15, (Circular E) Employer's Tax Guide 88
Pub. 15–A, Employer's Supplemental Tax Guide (Fringe Benefits) 88
Pub. 1771, Charitable Contributions–Substantiation and Disclosure Requirements 88
Pub. 1779, Independent Contractor or Employee 36
Pub. 1828, Tax Guide for Churches and Religious Organizations 88
Pub. 3079, Tax-Exempt Organizations and Gaming 88
Pub. 3386, Tax Guide for Veterans Organizations 89
Pub. 3833, Disaster Relief, Providing Assistance Through Charitable Organizations 89
Pub. 4220, Applying for 501(c)(3) Tax-Exempt Status 89
Pub. 4221–PC, Compliance Guide for 501(c)(3) Public Charities 89
Pub. 4221–PF, Compliance Guide for 501(c)(3) Private Foundations 89
Pub. 4302, A Charity's Guide to Vehicle Donations 89
Pub. 4303, A Donor's Guide to Vehicle Donations 89
Pub. 463, Travel, Entertainment, Gift, and Car Expenses 88
Pub. 4630, Exempt Organizations Products and Services Navigator 89
Pub. 525, Taxable and Nontaxable Income 88
Pub. 526, Charitable Contributions 88
Pub. 538, Accounting Periods and Methods 88
Pub. 557, Tax-Exempt Status for Your Organization 88
Pub. 561, Determining the Value of Donated Property 88
Pub. 598, Tax on Unrelated Business Income of Exempt Organizations 88
Pub. 892, How to Appeal an IRS Decision on Tax Exempt Status 88
Pub. 910, IRS Guide to Free Tax Services 88
Pub. 946, How To Depreciate Property 88
Pub. 947, Practice Before the IRS and Power of Attorney 11
Public charity 65, 80
Public Inspection 75
Public interest law firm 12
Publicly traded securities 47, 66
Public support 87
Pull tabs 66
Pull-tabs 41
Purchases from affiliates 45
Purpose of Form 2

Q

Qualified 501(c)(3) bond 66
Qualified conservation contribution 66
Qualified defined benefit plan 30
Qualified defined contribution plan 30
Qualified intellectual property 16
Qualified state or local political organization 4, 67
Quasi-endowment 67
Quid pro quo contribution:
Disclosure statement 16

R

Racial nondiscrimination 88
Raffles 40
Reasonable:
Amount 76
Belief 79
Burden 77
Cause 7
Compensation 19
Effort 20, 21, 30
Estimate 10
Fee 76
Knowledge 83
Relationship 39
Reasonable compensation 67
Reasonable effort 67
Reasonableness, rebuttable presumption of 85
Receivable 14
Account 46
Grants 46
Pledges 46
Reconciliation 6
Reconciliation of net assets 49
Recordkeeping 8
Refunding escrow 14, 67
Refunding issue 67
Reimbursement:
Of expenses 19
Of taxes 84
Related organization 19, 25, 68
Religious order 19, 68
Rent/rental 39
Expense 39
Income 38
Reportable compensation 13, 68

Reporting information from third parties 8
Requirements for a properly completed Form 990 7
Research 42
Retained earnings 48
Returns and allowances 41
Revenue 41, 47
Deferred 47
Gross 15
Program service 38
Special events 40
Sweepstakes, raffles, and lotteries 40
Revenue-sharing transactions 86
Review of financial statement 68
Review of financial statements 13
Revocation of exemption 86
Rounding off to whole dollars 8
Royalties 39

S

Salaries 43
Sales 41
Of inventory 38
Sarbanes-Oxley 23
Savings 46
Savings accounts 46
Schedule of contributors 12
Scholarships 12
School 68
Section 4947(a)(1) trusts 11, 18
Section 4958 82, 85, 86
Section 4958, excise taxes:
Disqualified persons 82
Organization managers 85
Section 501(c)(12) 17
Section 501(c)(15) 3, 74
Section 501(c)(3) 3
Applicable organization 82
Disclosure of transactions and relationships 18
Section 501(c)(4):
Applicable organization 82
Section 501(c)(5):
Lobbying expenses 12
Membership dues 39
Section 501(c)(6):
Lobbying expenses 12
Membership dues 39
Section 501(c)(7) 17, 81
Section 501(c)(9) 9
Section 6033(e) 12
Securities 47
Security/Securities 39
Security/securities 69
Sequencing list to complete the form and schedules 5
Severance payments 43
SFAS 116 69
SFAS 116, Accounting for Contributions Received and Contributions Made 5, 36
SFAS 117 69
SFAS 117, Financial Statements of Not-for-Profit Organizations 13
Shipping 44
Short accounting period 5, 69
Short period 69
Short year and final returns 30
Short year and final returns. 31
Signature 10
Signature block 10
Significant disposition of assets 81
Significant disposition of net assets 69
Social club 17
Social security:
Tax 44
Solicitations of nondeductible contributions 16
SOP 98-2 46
Special events 40
Specific instructions for Form 990 8
Sponsoring organization 3, 70
State:
Filing requirement 89
Reporting requirements 6
Statement(s) 89
Activities outside of United States 13
Audited financial 80
Financial 49
Financial Accounting Standards (SFAS 116) 5
Functional expenses 41
Position 98–2 46
Program service accomplishments 11
Revenue 36
State of legal domicile 10, 70
Subordinate organization 70, 77
Substantial contributor 58, 83
Substantial influence 83
Supported organization 70, 83
Supporting organization 17, 70, 83
Sweepstakes 40

T

Tax-exempt bond 70
Tax shelter transaction 16
Tax year 26, 70
TE/GE EO Determinations 75
Telephone number 9
Temporarily restricted endowment 13, 70
Terminated 9
Text message contribution 90
Top financial official 26, 70
Top management official 26, 70
Total assets 47, 70
Total liabilities 48
Transfers 14
Personal benefit contracts 16
To controlled entities 14
Travel expense 45
Trust 9
Trustee 71
Trustee(s) 10, 13, 19, 25
Institutional 26
Trust fund recovery penalty:
Penalties 88
Tuition assistance 31

U

U.S. possession 3, 71
U.S. Treasury bills 46
Uncollectible pledges 36
Uniform Prudent Management of Institutional Funds Act (UPMIFA) 48
Unincorporated association 9
United States 10, 71
University/universities 13
Unrelated business 15, 71
Income 36
Income tax 76
Revenue 39
Unrelated business gross income 71
Unrelated business income 42, 71
Unrelated organization 14, 71
Unrelated trade or business 71
Activities 38
Gross income 82

V

Vehicle donations 90
Voluntary employees' beneficiary association 9
Volunteer 10, 71
Volunteer exception 30
Voting member of the governing body 71
Voting member of the governing body/board 19

W

Wages 43
Website address 10
Whistleblower policy 23
Who must file 3
Widely available 78
Withholding:
Backup 15
Works of art 12, 71

Y

Year of formation 10, 71