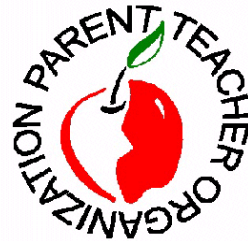


Financial Management Handbook

For

Parent Organizations

(PTO's & Booster Clubs)



**Klein Independent School District
2022-2023**



Dear Klein ISD Parents and Families:

On behalf of the Klein Independent School District, please accept my gratitude for all you do in support of our afterschool activities and extracurricular programs. Developing the whole student is part of our commitment to every student and is reflected in the many hours you selflessly give to enhance the opportunities our students have to succeed and to grow through our many fine arts, athletics, and other programs. I am so grateful for your steadfast dedication to these students and to these programs.

To assist you in understanding the District policies and guidelines, University Interscholastic League (UIL) guidelines, and state and federal regulatory guidelines governing Parent Organizations, we have provided this handbook.

The Board of Trustees and I value your partnership and endorsement of our students so that they may achieve excellence in both extracurricular and co-curricular activities. We appreciate your commitment to helping students develop and showcase their talents in keeping with a long tradition of excellence and innovation through quality programs. Thank you for partnering with the District to achieve the vision that every student enters with a promise and exits with a purpose.

Gratefully,

Dr. Jenny McGown
Superintendent

Financial Management Handbook
For Parent Organizations
Summary of Important Dates and Information Requirements

Parent Organizations are **NOT** permitted to use the District's EIN or its Texas Sales Tax Permit Number.

A copy of the completed items listed below must be forwarded to **both** the principal of your organization's campus **and** the Central Office. You may upload documents on the Parent Support Organization website at www.kleinisd.net/psa.

- 1) Completed Bylaws (if changes have been made)
- 2) Copy of completed 990/990EZ/990N
- 3) Completed Sales Tax Return
- 4) Completed Year-End Information Sheet (GASB 39)

A copy of the parent organization's Annual Financial Report **and** the Audit Report **MUST** be provided to the campus principal as soon as they are completed.

August 1 – The Year-End Information Sheet (GASB 39) is due to central office

October 15 – Requests for fundraisers must be submitted to the principal on the appropriate form no later than October 15 of the current school year. (These can be turned in sooner, this is just the deadline.)

November 15 - Form 990, 990EZ and 990N are due on the 15th day of the fifth month after the end of the fiscal year of the parent organization. For parent organizations that are part of the group exemption, the due date is November 15th each year. (June 30 year-end)

January 20 – Annual sales tax reports are due January 20th each year. Quarterly and monthly sales tax reports are due on the 20th of the month immediately following the end of the quarter or month, respectively.

Calendar Year – (January – December) Parent Organizations are allowed two one-day tax-free days per calendar year by the State if they have obtained exempt status from the IRS and exemption from sales and use taxes from the State.

School Year – (July – June) There is a limit of three (3) fund-raisers for each organization per school year and the school principal must grant advance approval.

Financial Year – (July - June) The revenue and expenditure (fundraiser income/expense) reporting year is July 1 – June 30, (if you are part of the group exemption, if not these dates may vary slightly).

Ex. Although the School Year has not started, the parent organization may decide to conduct fundraising in July and August.

Introduction

Parent Organizations are established to promote school programs or complement student groups or activities. A Parent Organization's purpose may be to support a student group or program at a particular school or various student groups or programs at various schools. Students enrich their education and expand their horizons when they participate in school activities and programs. Therefore, the District greatly appreciates the time, effort, and financial support that the Parent Organizations provide to our students.

Even though a Parent Organization works very closely with the District, it is a separate entity from the District. However, the formation of a Parent Organization must be approved by the appropriate District Principal or Administrator. In addition, a Parent Organization must adhere to various District policies and guidelines, University Interscholastic League (UIL) guidelines, and state and federal regulatory guidelines.

Parent Organizations support a particular student group or program through a Sponsor. The Sponsor is a District employee who serves as the liaison between the Parent Organization and the District. In addition, the pertinent Principal or other appropriate Administrator must approve various activities of both the student group and the related Parent Organization. The main responsibilities of a Parent Organization, a Sponsor, and a Principal or Administrator are indicated below:

Parent Organization - A Parent Organization is responsible for supporting a student group, activity, or program. Support may be as simple as providing support at games or an event as complex as raising money for an out-of-state competition. The Parent Organization works through the Sponsor to provide assistance for the planned activities of the student group. The Parent Organization decides the type and amount of assistance they will provide; however, the Parent Organization does not have the authority to decide the activities or trips in which the student group will participate. The parents and the Parent Organization may provide suggestions about particular activities; however, the Sponsor is responsible for the final decision with the Principal's or Administrator's approval.

Sponsor - A designated Sponsor of a student group serves as the liaison between the Parent Organization and the District, under the supervision of the Principal or Administrator. The Sponsor is responsible for determining the various activities and trips in which the student group will participate with the approval of the Principal or Administrator. The Sponsor does not have the authority to control the amount of support a Parent Organization provides.

Principal or Administrator - The Principal or Administrator is responsible for approving the activities of the student group and some activities of the related Parent Organization. In addition, the Principal or Administrator should approve the constitution and bylaws of the Parent Organization.

The information in this handbook is provided to assist Parent Organizations in following the pertinent policies and regulations and to provide suggestions for their organization.

Parent Organizations are **NOT** permitted to use the District's EIN or its Texas Sales Tax Permit Number.

This includes the District's Group Exemption EIN!!

Every Parent Organization has their own identification number to identify their particular organization.



DO NOT USE THIS NUMBER, Please.



Parent Organization Checklist



Parent Organization Checklist

The following checklist serves as a guide to help ensure that your Parent Organization has complied with the District's Board Policies and guidelines and federal and state regulations governing Parent Organizations. In addition, information you document here will help future officers continue your compliance efforts.

General

- ☐ 1. Provide the District's Office (on Year-End Info Sheet) and the School Principal with a list of the Parent Organization officers at the beginning of each school year and as officer's change. The list should include:

- Name
- Office Held
- Home Phone Number
- Work Phone Number
- Cell Phone Number
- E-mail Address

- ☐ 2. Provide the School Principal with the Parent Organization's constitution and bylaws, when they are originated. In addition, provide updated copies as changes are made.

- ☐ 3. The Parent Organization's official mailing address is:

Official Name _____
PO Box / Street _____
City, State and Zip Code _____

Insurance

- ☐ 4. The Parent Organization should consider purchasing a general liability policy, event liability, and/or fidelity (bond) insurance coverage policies.

Fund-Raisers

- ☐ 5. For the fund-raisers planned for the current school year, submit the request to fund-raise on the appropriate form to the Principal (or designee) for approval no later than October 15. *Forms found on www.kleinisd.net/psa.*

Parent Organization Checklist

- ☐ 6. The Parent Organization cannot require members or students to fund-raise or raise a certain amount. For example, a student's ability to attend a trip cannot be based on raising a certain amount of money. If your Club is currently requiring fund-raising, discontinue this requirement.

The Parent Organization cannot use individual accounts to credit an individual for funds raised. If your Club is using individual accounts currently, discontinue this practice.

Fund-raising is an opportunity to generate revenue for the Parent Organization as a group, not individuals. Therefore, revenues should be recorded in a group account where all members or students have the same opportunity to **benefit equally** from the revenues.

One member or student should not receive a larger benefit from fund-raising than another. In addition, if a member or student chooses not to participate in the fund-raiser, that person still **receives an equal benefit** from the revenues generated.

Financial Matters

General

- ☐ 7. The bank accounts used by the Parent Organization include:

<u>Bank Name</u>	<u>Account Number</u>
_____	_____
_____	_____
_____	_____
_____	_____

- ☐ 8. Determine the identification number used for the bank accounts. The Parent Organization's Employee Identification Number (EIN) should be used. Do not use an individual's social security number, and **do not use the District's Group Exemption EIN or the District's EIN.**

The identification number used for the bank accounts is as follows:

Parent Organization Checklist

- ☐ 9. Update the authorized signers on your bank accounts as officer's change.

The current authorized signers include the following Parent Organization officers:

	<u>Name of Person</u>	<u>Officer Position Held /</u> <u>District Employee? (Yes/No)</u>
<i>Example:</i>	<i>June Bugg</i>	<i>President / No</i>
	_____	_____ _____
	_____	_____ _____
	_____	_____ _____
	_____	_____ _____

IMPORTANT

A District employee may serve a parent organization as a general member or as a member of its executive board, except for the position of treasurer. A District employee shall not serve in a capacity over the organization's financial affairs, including an authorized signer on the bank account.

- ☐ 10. Determine whether your organization is in good standing with the Texas Comptroller's Office by calling their office.
- ☐ 11. Determine whether your organization is in good standing with the IRS by calling the Exempt Organization Section of the IRS.
- ☐ 12. Present a written Treasurer's Report at every meeting that includes the general membership.

Parent Organization Checklist

- ☐ 13. File the Parent Organization's Texas Sales Tax Reports as required.

The Texas Comptroller's Office determines how often the report needs to be filed and is subject to change.

The Parent Organization files its Texas Sales Tax Report:

- ☐ Monthly
- ☐ Quarterly
- ☐ Seasonal (Semi-Annually) (Not available for new Parent Organizations)
- ☐ Annually

- ☐ 14. Provide a copy of the written Parent Organization Financial Report for the applicable school year to the School Principal by June 15, of each year.

- ☐ 15. Provide a copy of the Parent Organization Audit Report that indicates the results of the review of the organization's financial information to the Sponsor or to the School Principal by September 15, of each year.

- ☐ 16. Provide a copy of the financial report and audit report at a meeting that includes the Parent Organization's general membership by October 31, of each year.

- ☐ 17. Issue 1099 forms to applicable individuals or businesses by January 31, of each year. If 1099 forms are issued, send information to the IRS by January 31, of each year.

Note: Request a W-9 form from the individual or business before issuing them a check.

Parent Organization Checklist

- ☐ 18. File the IRS Form 990, 990-EZ, or 990-N, Return of Organization Exempt from Income Tax, each year. **If this annual return is not submitted for three consecutive years, the IRS will revoke the organization's public 501(c)(3) status.** (For the Parent Organizations included in the District's Group Exemption, the due date is November 15.)

The return is due by the 15th day of the 5th month after the organization's accounting period ends (due 4 ½ months after your official year-end).

Official Year-end: ____/____/____ Due Date for Return: ____/____/____

State Regulatory Information

The following items need to be done only once since the origination of the Parent Organization.

- ☐ 19. Determine whether your organization has obtained a Texas Sales Tax Permit.

The Parent Organization's sales tax permit number is _____

- ☐ 20. Determine whether your organization has obtained a sales tax-exemption from the Texas Comptroller's Office.

The Parent Organization has received a tax-exemption from the Texas Comptroller's Office:

- ☐ Yes
☐ No

Reminder: Only those organizations with a tax-exemption from the Texas Comptroller's Office are entitled to the two (2) "one-day, tax-free" sales/auction days.

- ☐ 21. The Parent Organization is incorporated (obtained by Klein ISD, if part of the group exemption):

- ☐ Yes
☐ No

If the Parent Organization is incorporated, an exemption from Texas franchise tax was obtained from the Texas Comptroller's Office (obtained by Klein ISD, if part of the group exemption):

- ☐ Yes
☐ No

Parent Organization Checklist

Federal Regulatory Information

The following items need to be done only once since the origination of the Parent Organization.

- ☐ 22. Obtain an Employer Identification Number (EIN) from the Internal Revenue Service (IRS), (obtained by Klein ISD, if part of the group exemption).

The EIN for the Parent Organization

is: _____

- ☐ 23. Determine whether the Parent Organization has received tax-exempt status as a public 501(c)(3) organization from the IRS. If the IRS has approved the Clubs' tax-exempt status, a Determination Letter would have been received from the IRS, (obtained by Klein ISD, if part of the group exemption).

The Parent Organization received its tax-exempt status as a public 501(c)(3) organization from the IRS:

- ☐ Yes
☐ No

The Parent Organization has remitted the tax-exempt determination letter to the Sponsor or the Principal and the District Controller.

- ☐ Yes
☐ No

If you have not applied for the tax-exempt status, complete the IRS Form 1023, Application for Recognition of Exemption, and the Form 8718, User Fee for Tax-Exempt Organization Determination Letter Request. Submit these forms and the applicable fee to the IRS.

If you have applied for the tax-exempt status but you have not received your Determination Letter, you should receive an Acknowledgment of Your Request. Call the IRS to determine the status of your application.

- ☐ 24. **As your Parent Organization President or Treasurer changes, give the applicable *Financial Management Handbook for Parent Organizations* to the new officer(s).**

If you have any questions concerning the above items, please refer to the applicable sections of this handbook.

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Financial Management Handbook
For Parent Organizations
Section 1
General Information

1.0 General Guidelines

- 1.1 In the Klein Independent School District (KISD), we encourage the participation and involvement of parents in the education of their children. One way parents can be involved is through participation in voluntary parent organizations such as Parent Teacher Organizations (PTO's) and booster clubs.
 - 1.1.1 A PTO is formed to promote the general welfare of the entire student body at a particular school.
 - 1.1.2 A booster club is formed to enrich the school's participation in extracurricular activities and normally involves an individual student group (band, football, after prom, etc.).
- 1.2 The principal must approve the formation of all parent organizations.
- 1.3 Parent organizations operate autonomously of the school district as separate parent organizations even though they generally exist solely to support school activities.
- 1.4 This *Financial Management Handbook* for parent organizations is a consolidation of updated guidelines and previously issued documents designed to provide parent organizations, principals and sponsors with financial procedures that are mandated by state law, the Internal Revenue Service (IRS), Board policy, administrative directives and/or good business practices.
- 1.5 The responsibility for accounting, safeguarding, and disbursement of funds rests with the parent organization officers. The principal may act in an advisory capacity only.
- 1.6 Sections of this handbook will provide general, not specific and/or all-inclusive tax information as it relates to parent organizations. It is each parent organization's sole responsibility to seek competent professional tax assistance for its own tax reporting requirements.
- 1.7 Parent organizations should strive to remain in good standing with all federal and state agencies. This includes paying all taxes and other debts incurred by the organization.

- 1.8 A parent organization may not represent the District nor bind the District or any of its employees to a third party with which the organization may conduct business.
- 1.9 All meetings of parent organizations must be public meetings.
- 1.10 Minutes of all parent organization meetings should be kept in writing in the permanent records of the organization.
- 1.11 Each parent organization shall operate under bylaws and shall submit a copy to the school principal and the KISD business office.
- 1.12 All parent organizations must obtain a unique tax identification number/Employer Identification Number (EIN). **Parent organizations are not permitted to use the District's EIN or its Texas Sales Tax Permit Number.**
- 1.13 Principals should inform sponsors so that they are aware of the guidelines that may pertain to their particular area.

2.0 Helpful Websites, Addresses and Phone Numbers

- 2.1 General questions as it relates to the financial matters of parent organizations and assistance with becoming part of the group exemption.

Klein Independent School District
Attn: Executive Director-Business Services
7200 Spring-Cypress Road
Klein, TX 77379-3215

jgossett3@kleinisd.net
(832)249-4655 (phone)
(832)249-4034 (fax)

- 2.2 Secretary of State – check corporate name, questions on articles of incorporation and submission of articles of incorporation.

Corporations Section
Statutory Filings Division
Office of the Secretary of State
P.O. Box 13697
Austin, TX 78711-3697

www.sos.state.tx.us
(512)463-5555 (phone)

2.3 IRS – obtain EIN.

EIN Operation
Cincinnati, OH 45999

<http://www.irs.gov/>
(800)829-4933 (phone)
(859)669-5760 (fax)

2.4 IRS – apply for recognition of exemption and related questions.

Internal Revenue Service
P.O. Box 12192
Covington, KY 41012-0192

(877)829-5500 (phone)

2.5 State Comptroller – request exempt status from sales and franchise taxes and related questions.

Texas Comptroller of Public Accounts
Exempt Organizations Section
P.O. Box 13258
Austin, TX 78711

<http://www.window.state.tx.us/taxinfo/taxforms/ap-205.pdf>
(800)252-5555 (phone)

2.6 State Comptroller – apply for State Sales and Use Tax Permit and related questions.

Comptroller of Public Accounts
111 E. 17th Street
Austin, TX 78774-0100

Fillable form: <http://www.window.state.tx.us/taxinfo/taxforms/ap-201.pdf>
Apply online: <http://www.window.state.tx.us/taxpermit/>

(800)252-5555 (phone)

2.7 IRS – assistance with Form 990/990EZ/990N and general questions regarding exempt organizations.

(800)829-4933 (phone)

2.8 IRS – forms and publications (i.e. – Form 990/990EZ/990N).

www.irs.gov/formspubs/
(877)829-5500 (phone)

2.9 State Comptroller – complete sales tax report online.

<http://www.window.state.tx.us/webfile/salestax.html>

2.10 University Interscholastic League (UIL) – booster club guidelines.

<http://www.uil.utexas.edu/>

Financial Management Handbook
For Parent Organizations
Section 2
Tax-Exempt Non-Profit Organization

1.0 District Requirements

- 1.1 All parent organizations must obtain a unique Employer Identification Number (EIN). Parent organizations are not permitted to use the district's EIN or its Texas Sales Tax Permit Number.
- 1.2 All parent organizations shall obtain federal tax-exempt status as a public 501(c)(3) charitable organization by applying for and obtaining a Letter of Determination from the Internal Revenue Service (IRS) that states the organization is tax-exempt.
- 1.3 A parent organization may request through the business office at the central office to be a part of the group exemption obtained for parent organizations of the District versus filing for individual tax-exempt status.
- 1.4 If a parent organization is new, the organization shall apply for and receive its tax-exempt status from the IRS within one year from the date the organization is formed.
- 1.5 If an organization loses its public 501(c)(3) tax-exempt status or if it expires, the organization shall take the necessary steps to regain the tax-exempt status within one year from the date of notification from the IRS of the loss of exemption or within one year from the expiration date.

2.0 Individual Tax-Exempt Status for Parent Organizations

- 2.1 If a parent organization has not obtained tax-exempt status as a nonprofit organization, it may follow the steps below to obtain individual exempt status.
 - 2.1.1 Obtain information on tax-exempt status (see check list with Form 1023)
 - 2.1.2 Prepare articles of incorporation (see Exhibits 2-1 & 2-2)
 - Call Secretary of State (512)463-5555 for OK on corporate name
 - Approval by majority vote at membership meeting
 - Mail articles of incorporation and filing fee (\$25) to:
Corporations Section
Statutory Filings Division
Office of the Secretary of State
P.O. Box 13697
Austin, TX 78711-3697

2.1.3 File for EIN for new organization

- Complete Form SS-4 online at <http://www.irs.gov/>
 - o Select Online EIN Application on left-hand side or
- Fill out Form SS-4 completely and fax to (859)669-5760 or
- Call IRS office (800)829-4933:
 - o Give information on Form SS-4 as requested by operator
 - o Operator will give you the EIN to be recorded on the form

2.1.4 Prepare bylaws (see Exhibits 2-3 through 2-6)

- Approval by majority vote at membership meeting (held after incorporation is complete)

2.1.5 Prepare application for recognition of exemption (Form 1023)

- See check list with Form 1023 packet
- Complete Schedule D
- Fill out Form 8718, User Fee for Exempt Organization Determination Letter Request
- Check (a) if your average gross proceeds for the last 4 years is less than \$10,000 (filing fee is \$400)
- Check (b) if your average gross proceeds for the last 4 years is more than \$10,000 (filing fee is \$850)
- Mail Form 8718, check for filing fee, Form 1023, copy of Certificate of Incorporation from Secretary of State, Articles of Incorporation and copy of signed bylaws to:
Internal Revenue Service
P.O. Box 192
Covington, KY 41012-0192

2.2 After your organization receives a Determination Letter from the IRS indicating your organization qualifies as a public 501(c)(3) charitable organization, request exempt status from State sales and use taxes (to purchase items to be used in an exempt manner) and franchise taxes as follows:

- Go to Texas State Comptroller's website at <http://www.window.state.tx.us/taxinfo/taxforms/ap-205.pdf> and complete form per instructions.
- Print above form and enclose copy of Articles of Incorporation and IRS Determination Letter and mail to:
Texas Comptroller of Public Accounts
Exempt Organizations Section
P.O. Box 13528
Austin, TX 78711

- 2.3 After your organization receives a letter from the State Comptroller approving an exemption from State sales and use taxes, apply for a State Sales & Use Tax Permit if your organization will be selling taxable items on days other than your two (2) one-day tax-free days.
- Complete Application for Sales and Use Tax Permit (if needed for resale purposes) by going to Texas State Comptroller's website at <http://www.window.state.tx.us/taxinfo/taxforms/ap-201.pdf> and complete form per instructions.
 - Mail to: Comptroller of Public Accounts
111 E. 17th Street
Austin, TX 78774-0100
 - If your organization currently has a permit number (prior to becoming a public 501(c)(3) charitable organization), indicate the number on the form so that the old account can be closed when the new permit is issued.

3.0 Group Exemption for Parent Organizations

- 3.1 A parent organization may request to be a part of the group exemption obtained for parent organizations of the District versus filing for individual exempt status as outlined above.
- 3.2 Send a letter to the business office at the central office requesting to be part of the group exemption. Include a list of all parent organization officers, their addresses, a contact person and contact's phone number.
- 3.3 If your organization decides to take the route of group exemption versus applying for individual exempt status, the business office at the central office will handle the following for your organization:
- Prepare and notarize the articles of incorporation, and forward to your organization with a pre-addressed envelope to the Secretary of State and detailed instructions (organization will need to attach \$25 check for filing fee)
 - Complete Form SS-4 to file for your organization's EIN
 - Provide your organization with sample bylaws via e-mail that can be customized to your organization
 - Request exemption for your organization from State sales, use and franchise taxes
 - Provide your organization with a completed application for a Sales and Use Tax Permit that can be sent to the Comptroller if your organization determines a Permit is needed.
- 3.4 Your organization will not be required to complete a Form 1023 (application for recognition of exemption) with the IRS or pay a user fee to obtain exempt status as this part of the process was handled by the KISD in applying for the group exemption.

4.0 To Open a Bank Account

- 4.1 Once an EIN has been received, use it to open a bank account. Each parent organization must have a separate bank account at a facility in proximity to the school.
- 4.2 A member's social security number should not be used as the organization's EIN for banking and/or other business purposes.

5.0 Federal Tax Information

- 5.1 Upon approval by the IRS of exempt status, the organization will receive a determination letter from the IRS stating the organization is considered to be an exempt organization. At that time, within certain guidelines that apply to what is received by a contributor in return for a contribution, contributions made to the organization will be deductible on contributors' federal income tax returns.
- 5.2 Once the IRS recognizes an organization as "exempt," the organization must file the appropriate Form 990 on an annual basis.
- 5.3 Form 990 is simply an informational return that the IRS requires to determine that the tax-exempt organization is operating in the tax-exempt manner as indicated when they filed for exempt status with the IRS.
- 5.4 The type of Form 990 (990, 990EZ or 990N) is dependent on the organization's annual gross receipts.
 - 5.4.1 Gross receipts are defined as the total of all amounts received/collected from all sources (i.e. – dues, donations, fund-raisers, etc.), without subtracting any costs or expenses. In other words, it is not just profit.
 - 5.4.2 Effective for fiscal years ending in 2011, the Form 990N must be completed if gross receipts are normally less than \$50,000. This form is not optional and must be completed online or a penalty will be assessed and the organization could lose its exempt status. There is no paper form.
 - 5.4.3 The Form 990 or 990 EZ must be completed if gross receipts normally exceed \$200,000 or \$50,000, respectively.
- 5.5 An organization's gross receipts are considered normally to be \$50,000 or less if gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed) averaged \$50,000 or less.

- 5.6 The Form 990, 990EZ and 990N are due on the 15th day of the fifth month after the end of the fiscal year of the parent organization. For parent organizations that are part of the group exemption, the due date is November 15th each year (June 30 year-end).
- 5.6.1 Mail Form 990 or 990EZ to:
Department of the Treasury
Internal Revenue Service Center
Ogden, Utah 84201-0027
(877)829-5500 (phone)
- 5.6.2 If you do not receive the IRS Form 990 package, you still need to complete a Form 990 or 990EZ if you fall into the gross receipts criteria. The form and instructions can be obtained by going to www.irs.gov/formspubs/ .
- 5.6.3 The Form 990N must be completed online at the website www.irs.gov/990n .
- 5.7 The IRS will impose a financial penalty if you fail to complete a Form 990, 990EZ or 990N.**
- 5.8 It is important that next year's incoming officers are made aware of this and all other financial requirements.
- 5.9 A copy of the completed Form 990/990EZ/990N should be kept in the organization's permanent files .
- 5.10 A copy of the completed Form 990/990EZ/990N must be forwarded to **both** the principal and the business office central office. You may upload to Central Office at www.kleinisd.net/psa and click on Submit Documents.

**Articles of Incorporation
of
[INSERT NAME OF BOOSTER CLUB HERE]
(A Non-Profit Corporation)**

The undersigned natural person of the age of eighteen (18) years or more, acting as incorporator of a corporation under the Texas Non-Profit Corporation Act (“Act”), does hereby adopt the following Articles of Incorporation for such Corporation:

Article One
Name

The name of the Corporation is **[INSERT NAME OF BOOSTER CLUB HERE]** (“Corporation”).

Article Two
Nonprofit Corporation

The Corporation is a nonprofit corporation and will qualify as a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist or as they may be amended by becoming a subordinate under the IRS group exemption of Klein Support Groups, Inc.

Article Three
Duration

The Corporation shall continue in perpetuity.

Article Four
Purposes

The Corporation is organized exclusively for charitable, literary, and educational purposes as defined in Section 501(c)(3) of the Internal Revenue Code. The activities of the Corporation include, but are not limited to:

1. Raising funds and purchasing personal property and services to be used by **[NAME OF CAMPUS SERVICED OR (KLEIN ISD)]**;
2. Providing volunteers for educational and/or extracurricular activities at **NAME OF CAMPUS**;
3. Engaging in other charitable, civic, or educational activities that contribute to the public education of the community; and
4. Exercising other powers conferred by the laws of Texas on nonprofit corporations.

Article Five Powers

Except as otherwise provided in these Articles, the Corporation shall have all of the powers provided in the Act. Moreover, the Corporation shall have all implied powers necessary and proper to carry out its express powers. The Corporation may pay reasonable compensation for services rendered to or for the Corporation in furtherance of one or more of its purposes set forth above.

Article Six Restrictions and Requirements

No part of the net earnings of the Corporation shall inure to the benefits of, or be distributable to its directors, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article Four hereof. The Corporation shall have no power to take any action prohibited by the Act, or to engage in any activities, except to an insubstantial degree, that are not in furtherance of the purposes set forth in Article Four. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these Articles, the Corporation shall not carry on any other activities not permitted to be carried on by (a) a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or a corresponding section of any future federal tax code.

Article Seven Membership

The Corporation shall have one class of members and is a non-stock corporation. The Corporation shall not practice discrimination on the basis of race, color, sex, age, national or ethnic origin, or creed in any of its activities, or violate the terms of any applicable Federal or Texas state law pertaining to discrimination. The Board of Directors shall receive periodic reports containing such information as may be reasonably necessary to ascertain and ensure compliance with this policy.

Article Eight Initial Registration Office and Agent

The street address of the initial registered office of the Corporation is 7200 Spring-Cypress Road, Klein, Texas 77379-3215, and the name of the initial registered agent at such address is Tonya Little.

Article Nine
Dissolution

In the event of the dissolution of the Corporation, the Board of Directors of the Corporation shall cause the assets of the Corporation to be distributed as follows:

- (a) All liabilities of the Corporation shall be paid or adequate provision shall be made for payment;
- (b) Assets held by the Corporation upon a condition which requires such assets be returned or specifically conveyed to a third party upon dissolution of the Corporation shall be returned or conveyed in accordance with such requirements;
- (c) All of the remaining assets of the Corporation shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, (or corresponding section of any future federal tax code) or government, for a public purpose. Any such assets not so disposed of shall be disposed of by the District Court of the county in which the principal office of the Corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

Article Ten
Directors

The qualifications, manner of selection, duties, terms and other matters relating to the Board of Directors shall be provided by the bylaws. The initial Board of Directors shall consist of three (3) persons. The number of Directors may be increased or decreased by adoption or amendment of the bylaws. The initial Board of Directors shall consist of the following persons at the following addresses:

Name of Director

Address

[INSERT NAME OF DIRECTOR]

[INSERT DIRECTOR'S ADDRESS]

[INSERT NAME OF DIRECTOR]

[INSERT DIRECTOR'S ADDRESS]

[INSERT NAME OF DIRECTOR]

[INSERT DIRECTOR'S ADDRESS]

Article Eleven
Limitation on Liability of Director

A director of the Corporation shall not be liable to the Corporation for monetary damages for an act or omission in the director's capacity as a director, except that this Article Eleven does not eliminate or limit the liability of a director to the extent the director is found liable for:

1. A breach of the director's duty of loyalty to the Corporation;
2. An act or omission not in good faith that constitutes a breach of duty of the director to the Corporation or an act or omission that involves intentional misconduct or a knowing violation of the law;
3. A transaction from which the director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office; and
4. An act or omission for which the liability of a director is expressly provided by an applicable statute.

In addition to the circumstances in which a director of the Corporation is not liable as set forth above, the director shall not be liable to the fullest extent permitted by any provision of the statutes hereinafter enacted that further limit the liability of a director.

Article Twelve
Indemnification

The Corporation may not indemnify or provide for the defense of any person who was or is a party, or is threatened to be made a party to any threatened pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than action by or in behalf of the Corporation) by reason of the fact that he or she is or was a director, officer, or employee of the Corporation, to the full extent permitted under Texas law, as in effect from time to time.

Article Thirteen
Amendments

All references in the Articles of Incorporation to statutes, regulations or other sources or legal authority shall refer to the authorities cited, or their successors, as they may be amended from time to time.

Article Fourteen
Incorporator

The name and street address of the incorporator is:

Exhibit 2-2

Article Five Powers

Except as otherwise provided in these Articles, the Corporation shall have all of the powers provided in the Act. Moreover, the Corporation shall have all implied powers necessary and proper to carry out its express powers. The Corporation may pay reasonable compensation for services rendered to or for the Corporation in furtherance of one or more of its purposes set forth above.

Article Six Restrictions and Requirements

No part of the net earnings of the Corporation shall inure to the benefits of, or be distributable to its directors, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article Four hereof. The Corporation shall have no power to take any action prohibited by the Act, or to engage in any activities, except to an insubstantial degree, that are not in furtherance of the purposes set forth in Article Four. No substantial part of the activities of the Corporation shall be the carrying on or propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these Articles, the Corporation shall not carry on any other activities not permitted to be carried on by (a) a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or a corresponding section of any future federal tax code.

Article Seven Members

The Corporation shall have no members and is a non-stock corporation.

Article Eight Initial Registration Office and Agent

The street address of the initial registered office of the Corporation is 7200 Spring Cypress Road, Klein, TX 77379, and the name of the initial registered agent at such address is Tonya Little.

Name of Incorporator

Street Address

Tara Tims

7200 Spring-Cypress Road
Klein, Texas 77379-3215

I, the undersigned have executed these Articles this _____ day of _____, 2019.

Tara Tims

State of Texas §

§

County of Harris §

On this _____ day of _____, 2019, before a Notary Public in and for Harris County, Texas, personally appeared Tara Tims to me known to be the person named in and who executed the foregoing Articles of Incorporation, and who acknowledged that she executed the same as her free act or deed for the purposes therein expressed.

Typed Name:

Notary Public in and for the State of Texas

My Commission Expires:

**Articles of Incorporation
of
[INSERT NAME OF PTO HERE]
(A Non-Profit Corporation)**

The undersigned natural person of the age of eighteen (18) years or more, acting as incorporator of a corporation under the Texas Non-Profit Corporation Act (“Act”), does hereby adopt the following Articles of Incorporation for such Corporation:

Article One
Name

The name of the Corporation is **[INSERT NAME OF BOOSTER CLUB HERE]**
 (“Corporation”).

Article Two
Nonprofit Corporation

The Corporation is a nonprofit corporation.

Article Three
Duration

The Corporation shall continue in perpetuity.

Article Four
Purposes

The Corporation is organized exclusively for charitable, literary, and educational purposes as defined in Section 501(c)(3) of the Internal Revenue Code. The activities of the Corporation include, but are not limited to:

1. Promoting the welfare of children in school, home, and community;
2. Promoting close communication, understanding, and cooperation among students, parents, and faculty;
3. Enriching the education of children;
4. Engaging in other charitable, civic, or educational activities that contribute to the public education of the community; and
5. Exercising other powers conferred by the laws of Texas on nonprofit corporations.

Exhibit 2-2

Article Nine
Dissolution

In the event of the dissolution of the Corporation, the Board of Directors of the Corporation shall cause the assets of the Corporation to be distributed as follows:

- (a) All liabilities of the Corporation shall be paid or adequate provision shall be made for payment;
- (b) Assets held by the Corporation upon a condition which requires such assets be returned or specifically conveyed to a third party upon dissolution of the Corporation shall be returned or conveyed in accordance with such requirements;
- (c) All of the remaining assets of the Corporation shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, (or corresponding section of any future federal tax code) or government, for a public purpose. Any such assets not so disposed of shall be disposed of by the District Court of the county in which the principal office of the Corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

Article Ten
Directors

The qualifications, manner of selection, duties, terms and other matters relating to the Board of Directors shall be provided by the bylaws. The initial Board of Directors shall consist of three (3) persons. The number of Directors may be increased or decreased by adoption or amendment of the bylaws. The initial Board of Directors shall consist of the following persons at the following addresses:

Name of Director

Address

[INSERT NAME OF DIRECTOR]

[INSERT DIRECTOR'S ADDRESS]

[INSERT NAME OF DIRECTOR]

[INSERT DIRECTOR'S ADDRESS]

[INSERT NAME OF DIRECTOR]

[INSERT DIRECTOR'S ADDRESS]

Exhibit 2-2

Article Eleven Limitation on Liability of Director

A director of the Corporation shall not be liable to the Corporation for monetary damages for an act or omission in the director's capacity as a director, except that this Article Ten does not eliminate or limit the liability of a director to the extent the director is found liable for:

1. A breach of the director's duty of loyalty to the Corporation;
2. An act or omission not in good faith that constitutes a breach of duty of the director to the Corporation or an act or omission that involves intentional misconduct or a knowing violation of the law;
3. A transaction from which the director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office; and
4. An act or omission for which the liability of a director is expressly provided by an applicable statute.

In addition to the circumstances in which a director of the Corporation is not liable as set forth above, the director shall not be liable to the fullest extent permitted by any provision of the statutes hereinafter enacted that further limit the liability of a director.

Article Twelve Indemnification

The Corporation may indemnify and provide for the defense of any person who was or is a party, or is threatened to be made a party to any threatened pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than action by or in behalf of the Corporation) by reason of the fact that he or she is or was a director, officer, or employee of the Corporation, to the full extent permitted under Texas law, as in effect from time to time.

Article Thirteen Amendments

All references in the Articles of Incorporation to statutes, regulations or other sources or legal authority shall refer to the authorities cited, or their successors, as they may be amended from time to time.

Article Fourteen Incorporator

The name and street address of the incorporator is:

Exhibit 2-2

Name of Incorporator

Street Address

Tara Tims

7200 Spring Cypress Road
Klein, TX 77379-3215

I, the undersigned have executed these Articles this _____ day of _____, 2019.

Tara Tims

State of Texas §

§

County of Harris §

On this _____ day of _____, 2019, before a Notary Public in and for Harris County, Texas, personally appeared Tara Tims, to me known to be the person named in and who executed the foregoing Articles of Incorporation, and who acknowledged that she executed the same as her free act or deed for the purposes therein expressed.

Typed Name:

Notary Public in and for the State of Texas

My Commission Expires:

**Bylaws
of
[NAME OF BOOSTER CLUB HERE]**

**Article One
Name and Location**

Section 1. Name. The name of this organization shall be **[BOOSTER CLUB NAME]**.

Section 2. Location. All meetings of the Directors may be held at such places within the Klein Independent School District as the Directors may designate.

**Article Two
Purposes and Structure**

Section 1. Purposes. This corporation is organized exclusively for charitable, literary, and educational purposes as defined in Section 501(c)(3) of the Internal Revenue Code. The purposes of the Corporation include raising funds and purchasing personal property and services to be used by students and faculty at **[INSERT NAME OF SCHOOL OR GROUP]**; providing volunteers for educational and/or extracurricular activities that will contribute to the public education of the community; engaging in other charitable, civic, or educational activities that will contribute to the public education of the community; and exercising other powers conferred by the laws of Texas on nonprofit corporations.

This Corporation shall be self-governing, self-supporting, non-commercial, non-sectarian, nonprofit and nonpartisan, and shall seek neither to direct the administrative activities of the Klein Independent School District nor to control its policies.

No part of the net earnings of the Corporation shall inure to the benefit of any director or the Corporation, officer of the Corporation, or any private individual (except that reasonable compensation may be paid for services rendered to or for the Corporation affecting one or more of its purposes); and no director, officer or any private individual shall be entitled to share in the distribution of any of the corporate assets on the dissolution of the Corporation. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publication or distribution of statements) any political campaign on behalf of any candidate for public office.

The Corporation shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist or as they may hereafter be amended, or by an organization, contributions to which are deductible under 170(c)(2) of the Internal Revenue Code and Regulations as they now exist or as they may hereafter be amended.

The Corporation shall observe the following regulations: Klein Independent School District Booster Club Guidelines, University Interscholastic League Booster Club Guidelines, and all local, state and federal laws which apply to nonprofit organizations.

Upon dissolution of the Corporation or the winding up of its affairs, the assets of the Corporation shall be distributed exclusively to the organization or campus in which the booster club supports.

The Corporation is organized pursuant to the Texas Nonprofit Corporation Act and does not contemplate pecuniary gain or profit and is organized for nonprofit purposes which are consistent with the provisions of Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exists or as they may be hereafter amended.

Article Three **Membership**

Section 1. Membership. Membership in this organization is open to any person who is a parent, guardian, or adult relative of a child or children who participate in the **[INSERT NAME OF GROUP SUPPORTED BY BOOSTERS]**, and who will uphold the policies of this organization and agree to its Bylaws. A maximum of one membership shall be granted to each family unit.

Section 2. Qualification. Eligible persons shall become members by paying the prescribed membership dues per family per school year. Upon payment of such dues, a member shall be considered in good standing and be entitled to any and all rights and privileges of membership.

Section 3. Membership Drive. An annual membership drive shall be conducted as early in the school year as possible, with additional members accepted at any time.

Section 4. Dues. Annual dues shall be assessed in such amounts as determined by a 2/3 majority of the members present at the organizational meeting for the upcoming year. Dues shall be payable at the beginning of each fiscal year.

Article Four **Directors**

Section 1. Qualification. Any member in good standing is eligible to serve on the Board of Directors.

Section 2. Powers. The Board shall be the governing body of the organization and shall manage, control, and direct the affairs and property of the organization.

Section 3. Compensation. No Director shall receive compensation for any service he or she may render to the organization. Board members may be reimbursed for actual expenses incurred in the performance of their duties.

Section 4. Officers. Officers shall be elected at the last general business meeting at the end of each season and will take office immediately. The nominating committee will name a slate of officers and the floor will also be open for nominations. The officers will be elected by simple majority of the membership present. Vacancies of offices of unexpired terms shall be

filled by appointment by a majority of the remaining officers. The officers and their respective duties are as follows:

- a. The President shall:
 1. Preside at all meetings of the Directors;
 2. Coordinate the work of the Directors and/or committees in order that the objectives may be promoted;
 3. Coordinate the work so that the necessary reports are timely made to the appropriate State and Federal agencies;
 4. Co-sign checks along with Treasurer;
 5. Perform such other duties as deemed necessary by the Directors.
- b. The Vice President shall:
 1. Assume the duties of the President in the event of the President's inability to serve or resignation;
 2. Chair membership and banquet committees;
 3. Perform such other duties as deemed necessary by the Directors.
- c. The Secretary shall:
 1. Record the minutes of all meetings of the Directors, and furnish a copy of such minutes to the President within one (1) week following the meeting;
 2. Coordinate all correspondence relating to the Corporation;
 3. Maintain a roll of all members of the organization;
 4. Publish all notices of meetings or other matters, as required by the provisions in these Bylaws;
 5. Perform such other duties as deemed necessary by the Directors.
- d. The Treasurer shall:
 1. Be the financial officer of the Corporation;
 2. Prepare the budget and provide financial reports as requested;
 3. Receive all monies of the Corporation and deposit said monies in a bank designated by the Directors of the Corporation;
 4. Keep an accurate record of receipts and expenditures;
 5. Pay out funds with proper vouchers in accordance with the approved budget and co-sign checks with President;
 6. Perform such other duties as deemed necessary by the Directors.

Section 5. Term. Each elected officer shall serve a term of one (1) year or until a successor has been duly elected or appointed.

Section 6. Resignation. A member of the Board may resign at any time by giving written notice to the President or Secretary. Such resignation shall take effect on the date of receipt of such notice or at a time specified in the notice; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 7. Removal. The Board may remove a Board member when, in the judgment of the Board, the best interests of the organization would be served thereby. Any such removal by the Board requires two-thirds (2/3) vote of the other Board members.

Section 8. Vacancy. In the event of death, resignation or removal of a member of the Executive Board, the remaining Board members may appoint any member in good standing as successor. A successor so appointed shall serve for the remainder of the replaced Board member's term.

Article Five **General Provisions**

Section 1. Fiscal Year. The fiscal year of this organization shall be July 1 through June 30 of the following calendar year.

Section 2. Operating Funds. Operating funds shall be maintained in a general fund, and an accounting of such funds shall be presented at all meetings.

Section 3. Fiscal Responsibility. All directors having fiscal responsibility shall be bonded.

Section 4. Annual Statement. The directors shall present at each annual meeting, or when called by vote of the members at any meeting, a full and clear statement of the condition of the organization.

Section 5. Group Exemption. This nonprofit organization will qualify as a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist or as they may be amended by becoming a subordinate under the IRS group exemption of Klein Support Groups, Inc.

Article Six **Meetings**

Section 1. Meetings. The Board of Directors shall provide for by resolution the time and place for the holding of at least one annual meeting of the Board, and of the additional regular meetings of the Board, without other notice than such resolution.

Section 2. Notice. Notice of any special meeting of the Board of Directors shall be given at least two days previously thereto by oral or written notice delivered personally or sent by mail or facsimile to each Director at his or her business address. Any Director may waive notice of any meeting, and the attendance of a Director at any meeting shall constitute a waiver or notice of such meeting.

Section 3. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board; but if less than a quorum of the Directors is present at said meeting, a majority of the Directors present may adjourn the meeting from time

to time without further notice. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 4. Voting. Each qualified family unit, as described in Article Three, Section 2 of these Bylaws, shall have the right to cast one vote in any matter at particular meeting. The decision of a majority of the voting members present at a meeting at which a quorum is established will be binding on the organization, unless provisions of these Bylaws require greater vote.

Section 5. Proxy. No voting by proxy will be allowed.

Article Seven **Standing Committees**

Section 1. Nominating Committee. Meet to receive nominations for the elected offices of the organization and to prepare a slate of nominees and a ballot for the election of officers. The committee shall be made up of the President, the head coach and one at-large person appointed by the President.

Section 2. Banquet Committee. Responsible for organizing and coordinating the planning and implementation of all activities associated with the annual awards banquet. The Vice President shall chair the committee and name its members as needed, including the head coach.

Section 3. Fund Raising Committee. Responsible for developing and managing fund raising projects. The President will chair the committee and name its members as needed, including the head coach.

Section 4. Membership Committee. Distribute membership information and coordinate membership drive. The Vice President shall chair the committee and name it members as needed.

Article Eight **Amendments**

Section 1. Amendments to Bylaws. These Bylaws may be altered, amended, or repealed and new Bylaws may be adopted by a majority of the Directors, provided that such alterations, amendments, or proposed substitute Bylaws have been read or distributed to all Directors present at the previous regular meeting or such action may be made at a special meeting held at least ten days after the regular meeting at which the reading or distribution was made.

Section 2. Amendments to the Articles of Incorporation. The Directors shall adopt a resolution setting forth any proposed amendment to the Articles of Incorporation, which, if approved by a majority of the Directors, shall be again submitted for a vote at the next regular meeting of the Directors.

CERTIFICATE OF SECRETARY

I certify that I am the duly elected and acting secretary of the **[NAME OF BOOSTER CLUB]** and that these Bylaws constitute the corporation's Bylaws. The Bylaws were duly adopted at a meeting of the board of directors held on _____2022.

Dated: _____

Secretary of the Corporation

**Bylaws
of
[NAME OF PTO HERE]**

**Article One
Name and Location**

Section 1. Name. The name of this organization shall be [PTO NAME].

Section 2. Location. All meetings of the Executive Board may be held at such places within the Klein I.S.D. as the Board may designate.

**Article Two
Purposes and Structure**

Section 1. Purposes. This corporation is organized exclusively for charitable, literary, and educational purposes as defined in Section 501(c)(3) of the Internal Revenue Code. The purposes of the Corporation include raising funds and purchasing personal property and services to be used by students and faculty of local schools; providing volunteers for educational activities at local schools; engaging in other charitable, civic, or educational activities that will contribute to the public education of the community; and exercising other powers conferred by the laws of Texas on nonprofit corporations.

This Corporation shall be self-governing, self-supporting, non-commercial, non-sectarian, nonprofit and nonpartisan, and shall seek neither to direct the administrative activities of the Klein Independent School District nor to control its policies.

No part of the net earnings of the Corporation shall inure to the benefit of any director of the Corporation, officer of the Corporation, or any private individual (except that reasonable compensation may be paid for services rendered to or for the Corporation affecting one or more of its purposes); and no director, officer or any private individual shall be entitled to share in the distribution of any of the corporate assets on the dissolution of the Corporation. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publication or distribution of statements) any political campaign on behalf of any candidate for public office.

The Corporation shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist or as they may hereafter be amended, or by an organization, contributions to which are deductible under 170(c)(2) of the Internal Revenue Code and Regulations as they now exist or as they may hereafter be amended.

The Corporation shall observe the following regulations: Klein Independent School District Parent Organization Guidelines and all local, state and federal laws which apply to nonprofit organizations.

Upon dissolution of the Corporation or the winding up of its affairs, the assets of the Corporation shall be distributed exclusively to the campus the organization supports.

The Corporation is organized pursuant to the Texas Nonprofit Corporation Act and does not contemplate pecuniary gain or profit and is organized for nonprofit purposes which are consistent with the provisions of Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exists or as they may be hereafter amended.

Article Three

Membership

Section 1. Membership. Membership in this organization is open to any person who is a parent, guardian, or adult relative of a child or children enrolled at [**NAME OF SCHOOL SUPPORTED BY PTO**] or a faculty or staff member of the school, and who will uphold the policies of this organization and agree to its Bylaws. A maximum of one membership shall be granted to each family unit.

Section 2. Qualification. Eligible persons shall become members by paying the prescribed membership dues per family per school year. Upon payment of such dues, a member shall be considered in good standing and be entitled to any and all rights and privileges of membership.

Section 3. Membership Drive. An annual membership drive shall be conducted as early in the school year as possible, with additional members accepted at any time.

Section 4. Dues. Annual dues shall be assessed in such amounts as determined by the Executive Board. Dues shall be payable at the beginning of each fiscal year.

Article Four

Membership Meetings

Section 1. General Membership Meetings. There shall be at least two (2) general membership meetings each year. The annual budget shall be presented for approval at the first such meeting.

Section 2. Special Membership Meetings. Special membership meetings may be called by the Executive Board, or upon written request of ten percent (10%) of the members in good standing.

Section 3. Annual Meeting. The last general membership meeting shall be designated as the annual meeting for the purpose of electing new officers and receiving reports from officers and committees, as necessary, and for such other business as may properly come before the meeting.

Section 4. Notice. Advance written notice of any general or special meeting shall be given to all members of the organization.

Section 5. Quorum. A majority of the Executive Board shall constitute a quorum for the transaction of business at any meeting of the Board; but if less than a quorum of the Board is

present at said meeting, a majority of the Board present may adjourn the meeting from time to time without further notice. The act of a majority of the Executive Board present at a meeting at which a quorum is present shall be the act of the Board.

Section 6. Voting. Each qualified family unit, as described in Article Three, Section 2 of these Bylaws, shall have the right to cast one vote in any matter at particular meeting. The decision of a majority of the voting members present at a meeting at which a quorum is established will be binding on the organization, unless provisions of these Bylaws require greater vote.

Section 7. Proxy. No voting by proxy will be allowed.

Section 8. Procedure. All membership meetings shall be conducted in accordance with the current edition of *Robert's Rules of Order*.

Article Five **Executive Board**

Section 1. Qualification. Any member in good standing is eligible to serve on the Executive Board.

Section 2. Powers. The Board shall be the governing body of the organization and shall manage, control, and direct the affairs and property of the organization.

Section 3. Composition. The Board shall have as voting members the elected officers (as set forth in Article Six), the organization's appointed committee coordinators (as set forth in Article Nine), and the ex officio Board members (as set forth in Article Ten).

Section 4. Duties. The duties of the Executive Board shall include, but are not limited to, the following:

1. Transact any business necessary to establish and administer the programs of the organization;
2. Present a report of the work of the organization at the general membership meetings;
3. Set the amount of annual membership dues;
4. Approve and submit an annual budget to the membership for approval;
5. Attend all regular and properly called Board meetings;
6. Deliver all official material to their successors on or before the thirtieth (30th) day of June; and
7. Perform such other duties applicable to their positions that may be prescribed in these Bylaws or assigned by the Board.

Section 5. Term. Each elected officer shall serve a term of one (1) year or until a successor has been duly elected or appointed. No elected officer may serve in the same position for more than two (2) consecutive years. No one shall serve as a member of the Executive Board for more than four (4) years during any six (6) consecutive year period.

Section 6. Compensation. No Director shall receive compensation for any service he or she may render to the organization. Board members may be reimbursed for actual expenses incurred in the performance of their duties.

Section 7. Resignation. A member of the Board may resign at any time by giving written notice to the President or Secretary. Such resignation shall take effect on the date of receipt of such notice or at a time specified in the notice; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 8. Removal. The Board may remove a Board member when, in the judgment of the Board, the best interests of the organization would be served thereby. Any such removal by the Board requires two-thirds (2/3) vote of the other Board members.

Section 9. Vacancy. In the event of death, resignation or removal of a member of the Executive Board, the remaining Board members may appoint any member in good standing as successor. A successor so appointed shall serve for the remainder of the replaced Board member's term.

Article Six **Elected Officers**

- a. The President shall:
 - 1. Preside at all meetings of the Executive Board;
 - 2. Coordinate the work of the Board and/or committees in order that the objectives may be promoted;
 - 3. Create special committees and appoint chairpersons of same, subject to the approval of the Board;
 - 4. Coordinate the work so that the necessary reports are timely made to the appropriate State and Federal agencies;
 - 5. Perform such duties as deemed necessary by the Executive Board.
- b. The Vice President shall:
 - 1. Assume the duties of the President in the event of the President's inability to serve or resignation;
 - 2. Maintain a roll of all members of the organization;
 - 3. Perform such other duties as deemed necessary by the Executive Board.
- c. The 2nd Vice President shall:
 - 1. Organize all fundraising activities for the organization;
 - 2. Supervise all committees and programs which may be established for fundraising purposes;
 - 3. Perform such other duties as deemed necessary by the Executive Board.
- d. The Secretary shall:

1. Record the minutes of all meetings of the membership and the Executive Board, and furnish a copy of such minutes to the President within one (1) week following the meeting;
 2. Coordinate all correspondence relating to the Corporation;
 3. Catalogue and supervise the property of the Corporation;
 4. Publish all notices of meetings or other matters, as required by the provisions in these Bylaws;
 5. Perform such other duties as deemed necessary by the Executive Board.
- e. The Treasurer shall:
1. Be the financial officer of the Corporation;
 2. Prepare the budget and provide financial reports as requested;
 3. Receive all monies of the Corporation and deposit said monies in a bank designated by the Executive Board of the Corporation;
 4. Keep an accurate record of receipts and expenditures;
 5. Pay out funds with proper vouchers in accordance with the approved budget;
 6. Prepare all required tax returns on behalf of the Corporation;
 7. Perform such other duties as deemed necessary by the Executive Board.
- f. The Volunteer Coordinator shall:
1. Coordinate volunteers and volunteer activities;
 2. Track volunteer hours monthly and report totals to the Executive Board and KISD;
 3. Perform such other duties as deemed necessary by the Executive Board.
- g. The Parliamentarian shall:
1. Advise the presiding officer in matters of parliamentary procedure;
 2. Review annually the membership policies to ensure compliance with the non-discriminatory membership requirement set forth in Article Seven of the Articles of Incorporation and shall report all findings to the Board;
 3. Perform such other duties as deemed necessary by the Executive Board.

Article Seven

Executive Board Meetings

Section 1. Regular Meetings. Regular meetings of the Executive Board shall be held during the year at times fixed by the Board at its first meeting.

Section 2. Special Meetings. Special meetings of the Executive Board may be called by the President or by a majority of the members of the Board. Such meetings may take place after every member of the Board has given at least twenty-four (24) hours notice. Such notice may be waived at the special meeting by unanimous vote of all Board members.

Section 3. Cancellation. If a regularly scheduled meeting is cancelled, the Executive Board shall reschedule the meeting.

Section 4. Quorum. A majority of the Executive Board shall constitute a quorum for the transaction of business at any meeting of the Board; but if less than a quorum of the Board is

present at said meeting, a majority of the Board present may adjourn the meeting from time to time without further notice. The act of a majority of the Executive Board present at a meeting at which a quorum is present shall be the act of the Board.

Section 5. Attendance. A member of the Executive Board may be removed for failure to attend three (3) regularly scheduled Board meetings without good cause.

Section 6. Procedure. All meetings of the Executive Board shall be conducted in accordance with the current edition of *Robert's Rules of Order*.

Article Eight **Nomination and Election of Officers**

Section 1. Nominations.

- a. There shall be a Nomination Committee, consisting of two or three members, formed at least thirty (30) days prior to the end of the year general membership meeting. One shall be selected by the Executive Board from its body, one shall be selected from the general membership, and one may be selected by the school faculty and staff from its body.
- b. The Nominating Committee shall select one nominee for each office. Every effort shall be made to include representatives from each feeder area. This slate shall be presented at the end of year general membership meeting.
- c. Following the presentation of the slate at the general membership meeting, an opportunity will be given for nominations from the floor. Only members in good standing who have consented to serve if elected shall be eligible for nomination, whether from the Nominating Committee or from the floor.

Section 2. Election. Elections shall be held at the end of the year general membership meeting. Elections shall be by ballot unless there is only one nominee for any office, in which case election for that office may be by voice.

Article Nine **Committees**

Section 1. Nominating Committee. There will be a nominating each year as described in Article Eight of these Bylaws.

Section 2. Other Committees. The Executive Board shall appoint other committees as deemed appropriate to carry out its purpose. Membership on such committees may be, but need not be, limited to members of the Board.

Section 3. Authority. No committee shall have or exercise the authority of the Executive Board in the management of the organization. Committees may make recommendations to the Board for its consideration.

Article Ten

Ex-Officio Board Members

Section 1. Definition. Ex-officio members of the Board shall be the school principal, or a representative appointed by the principal.

Section 2. Duties and Obligations. The principal is the administrative and instructional leader of the school and shall act in an advisory capacity to the organization. It is incumbent upon the principal or appointed representative to maintain a position of impartiality during Board meetings. Ex-officio members shall not have the privilege of making nominations or voting.

Article Eleven

General Provisions

Section 1. Fiscal Year. The fiscal year of this organization shall be July 1 through June 30 of the following calendar year.

Section 2. Operating Funds. Operating funds shall be maintained in a general fund, and an accounting of such funds shall be presented at all meetings.

Section 3. Fiscal Responsibility. All directors having fiscal responsibility shall be bonded.

Section 4. Authority to Sign Checks. Only the president, treasurer and secretary shall have authority to sign checks for the expenses of the Corporation. Two (2) signatures are required on corporation checks.

Section 5. Annual Statement. The Executive Board shall present at each annual meeting, or when called by vote of the members at any meeting, a full and clear statement of the condition of the organization.

Section 6. Group Exemption. This nonprofit organization will qualify as a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist or as they may be amended by becoming a subordinate under the IRS group exemption of Klein Support Groups, Inc.

Article Twelve

Amendments

Section 1. Amendments to Bylaws. These Bylaws may be altered, amended, or repealed and new Bylaws may be adopted at any general membership meeting of the organization by a two-thirds (2/3) vote of the members present.

Section 2. Amendments to the Articles of Incorporation. The Executive Board shall adopt a resolution setting forth any proposed amendment to the Articles of Incorporation, which,

if approved by a majority of the Board, shall be again submitted for a vote at the next general membership meeting of the organization.

Section 3. Notice. Written notice setting forth proposed amendments shall be given to all members of the organization not less than ten (10) days prior to the meeting at which such amendment is to be considered.

CERTIFICATE OF SECRETARY

I certify that I am the duly elected and acting secretary of the [NAME OF PTO] and that these Bylaws constitute the corporation's Bylaws. The Bylaws were duly adopted at a meeting of the board of directors held on _____ 2007.

Dated: _____

Secretary of the Corporation

[NAME OF PARENT SUPPORT ORG HERE]
Conflict of Interest Policy

Section 1. Purpose.

The purpose of the conflict of interest policy is to protect this tax exempt Corporation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Corporation or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Section 2. Definitions.

- a. Interested Person. Any director, principal officer, or member of a committee with governing executive board-delegated powers who has a direct or indirect financial interest, as defined below, is an interested person.
- b. Financial Interest. A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
 - i. An ownership or investment interest in any entity with which the Corporation has a transaction or arrangement;
 - ii. A compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement; or
 - iii. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement.
- c. Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. A financial interest is not necessarily a conflict of interest. Under Section 3b, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

Section 3. Procedures.

- a. Duty To Disclose. In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing executive board-delegated powers who are considering the proposed transaction or arrangement.
- b. Determining Whether a Conflict of Interest Exists. After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing executive board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide whether a conflict of interest exists.

c. Procedures for Addressing the Conflict of Interest.

- i. An interested person may make a presentation at the governing executive board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- ii. The chairperson of the governing executive board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- iii. After exercising due diligence, the governing executive board or committee shall determine whether the Corporation can obtain, with reasonable efforts, a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- iv. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing executive board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

d. Violations of the Conflict of Interest Policy.

- i. If the governing executive board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- ii. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines that the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Section 4. Records of Proceedings.

The minutes of the governing Executive Board and all committees with board delegated powers shall contain:

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest; the nature of the financial interest; any action taken to determine whether a conflict of interest was present; and the governing Executive Board's or committee's decision as to whether a conflict of interest in fact existed.
- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement; the content of the discussion; including any alternatives to the proposed transaction or arrangement; and a record of any votes taken in connection with the proceedings.

Section 5. Compensation.

- a. A voting member of the governing Executive Board who receives compensation,

directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.

b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.

c. No voting member of the governing Executive Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Section 6. Annual Statements.

Each director, principal officer, and member of a committee with governing board-delegated powers shall annually sign a statement which affirms that such person:

- Has received a copy of the conflict of interest policy;
- Has read and understood the policy;
- Has agreed to comply with the policy; and
- Understands that the organization is charitable and that in order to maintain its federal tax exempt status it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Section 7. Periodic Reviews.

To ensure that the Corporation operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, are based on competent survey information, and are the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Corporation's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes, and do not result in inurement, impermissible private benefit, or an excess benefit transaction.

Section 8. Use of Outside Experts.

When conducting the periodic reviews as provided for in Section 7, the Corporation may, but need not, use outside advisers. If outside experts are used, their use shall not relieve the governing executive board of its responsibility for ensuring that periodic reviews are conducted.

Financial Management Handbook
For Parent Organizations
Section 3
Sample Financials and Prepared Tax Forms

1.0 Prepared Tax Forms

Section 3 is a copy of the financial workshop presentation to parent organizations by a tax expert that is knowledgeable in tax-related matters associated with nonprofit organizations. The information provided as well as the sample financials and prepared tax forms are not meant to be all-inclusive.

**PREPARING FORM 990-EZ
and
RELATED TOPICS**

Presented by

**REIMER, McGUINNESS & ASSOCIATES, P.C.
6610 MALIBU DRIVE
HOUSTON, TX 77092
Phone: (713) 590-3000
Fax: (713) 590-3020**

**Narrator: Merle Shefstad, CPA
(email: mshefstad@rma-cpa.com)**

Topics

Handout Material

Filing requirements

W-9 – Request for Taxpayer Identification Number and Certification

Form 1099 – Miscellaneous Income

Donation receipts

Form 8282 – Donee Information Return

Individual Accounts

Disqualified Person

Donor Advised Fund

**Form 990-T – Exempt Organization Business Income Tax Return
(Unrelated Business Income – UBI)**

Conflicts of Interest

Vehicle Donations

Booster club example

Form 990-EZ – Return of Organization Exempt from Income Tax

Schedule A – Organization Exempt Under Section 501(c)(3)

Schedule B – Schedule of Contributors

Schedule G – Supplemental Information Regarding Fundraising or Gaming Activities

Filing Requirements for IRC 503(c)(3) Organizations

Returns are due by the 15th day of the fifth month after organization's year end. For example, if yearend is June 30, 2011, return due by November 15, 2011. Form 990 and Form 990EZ can file two ninety day extensions using Form 8868. There is no extensions for Form 990N.

Form 990N – Gross receipts normally less than \$50,001 must file online with IRS at <http://epostcard.form990.org>. There is no paper form.

Form 990N Information

Organization's employer identification number

Organization's legal name

Any other names the organization uses

Organization's mailing address

Name and address of principal officer of the organization

Organization's year end

Verify that organization's annual gross receipts are less than \$50,001

Some indication the organization has not ceased operations or terminated

Form 990EZ – Gross receipts less than \$200,000 and total assets less than \$500,000.

Form 990 – Gross receipts greater than \$199,999 and total assets greater than or equal to \$500,000.

FAILURE TO FILE FORM 990-N, 990-EZ OR 990 FOR THREE CONSECUTIVE YEARS, THE ORGANIZATION'S STATUS AS AN EXEMPT ORGANIZATION UNDER IRC 503(C)(3) WILL AUTOMATICALLY BE REVOKED. FROM THE DATE OF REVOCATION, THE ORGANIZATION WILL BE A TAXABLE CORPORATION OR ASSOCIATION AND WILL OWE INCOME TAXES ON ITS NET INCOME. REVENUE PROCEDURE 2014-11 GIVES STEPS NECESSARY FOR ORGANIZATION TO REGAIN EXEMPT STATUS THE ORGANIZATION WILL HAVE TO RE-FILE FORM 1023 AND APPLY FOR 501(C)(3) STATUS WITHIN 15 MONTHS OF THE DATE OF REVOCATION.

Form W-9

Form W-9, Request for Taxpayer Identification Number and Certification, should be obtained from all vendors, donors of property of \$500 or more and prize winners of \$600 for more.

Form 1099-MISC

Report rents and non-employee compensation (i.e. payments to vendors) on a calendar year of \$600 or more. Report name, address and federal identification number (i.e. social security number or employer identification number) and amount paid to such person/entity. Generally payments to corporations are not reportable, payments to all other persons or entities are reportable. Exception, all payments to attorneys/law firms of \$600 or more are reportable. Form 1099 is also required for prizes of \$600 or more awarded to an individual.

Penalties for failure to file Form 1099

\$50 per Form 1099 if filed within 30 days of due date (January 31 for Form 1099-MISC, Box 7) (February 28 for other Form 1099)

\$100 per Form 1099 if filed after 30 days of due date and before August 2

\$260 per Form 1099 if filed after August 1 or not filed as required

Donation Receipts

Organizations must provide written receipts to the donor for donations of property and cash.

1. For the purposes of acknowledging the receipt of property donations, the term "property" does not include services (I.R.C. section 1.170A-1(g)). As a general rule, for a "donation" to be considered a charitable contribution, the donated property must have some cost basis in the hands of the donor. Donations such as coupons for services or discounts on services or goods have no such cost basis in the hands of the donor and therefore do not qualify as a charitable contribution and should not be acknowledged as such (Rev. Rul. 79-431, 1979-2 CB 108).
 - a. Donation receipt is required for donations of \$250 or more of cash or property received during the year.
 - b. Under the quid pro quo rules the organization must provide a receipt if it receives a payment of more than \$75 that is partly for goods or services and partly a contribution.

DONATION OF CASH

(Donor Name)

(Donor Address, if known)

Thank you for your contribution of \$_____ in cash on [Date]. Your gift will be devoted to our organization's objectives and we will not provide benefits or services required to be valued in consideration for this gift.

(Organization's Name)

Authorized Signature

Donations from Fundraisers

Organizations use various fundraising events (ie golf tournaments, galas, raffles, etc) to raise money during the year. In each case, except raffles, there probably is a quid pro quo element to the fundraising event. It is the organization's responsibility to determine the fair market value of the non-charitable benefits received by the participants and disclose the charitable and non-charitable portion of each fundraiser to the participants.

1. Use best estimate to determining the fair market value of non-charitable benefits of a fundraiser.
2. If donated property is auctioned or given as a prize the donor should provide a reasonable estimate of its fair market value.
3. No part of the purchase of a raffle ticket is considered a charitable contribution.

Quid pro Quo Donations (Payment of \$75.01 or More)

(Donor Name)

(Donor Address, if known)

Thank you for your contribution of \$ _____ in cash and/or [Describe Property] on [Date]. We estimate the fair market value of the benefits we provided to you consideration for this donation was \$ _____. We are a I.R.C. section 501(c)(3) organization and you may claim a donation deduction for the difference between the cash and/or property given to the organization and the value of the benefits you received. The organization assumes no responsibility for determining the fair market value of the donated property.

(Organization's Name)

Authorized Signature

Form 8282 - Disposal of Donated Property

If the organization within three years of receipt, disposes of donated property (ie sells, transfers or assigns) with a fair market value of \$500 or more, the organization is required to complete Form 8282 and file the form with IRS within 125 days of the disposal of such property and send a copy to the donor.

1. Does not apply to marketable securities or cash.
2. Does not apply if the donated property is consumed or distributed in fulfilling exempt purpose. For example, athletic booster club receives donated football equipment and distributes such equipment to high school athletes.
3. In some cases, Form 8282 may be required for dispositions of donated property of \$500 or more.

Individual Accounts

The IRS generally does not like individual accounts within a charitable organization. An example of an individual account is Johnny sells more coupon books than the rest of the kids in the organization and for this Johnny gets a \$100 credit to his account than he can use to pay for the next field trip. This can be considered an individual receiving a personal benefit from a charitable organization, which is contrary to the general purpose of a charitable organization. Therefore, IRS does not condone "Individual Accounts" and can assess penalties on the organization for maintaining such accounts.

Disqualified Person

A disqualified person is any officer, director or trustee of the organization and any person who donates more than \$5,000 to the organization provided such donation exceeds 2% of the organization's total donations. In the example, Schedule A, Part III, Section A, line 1 total donations are \$118,020, 2% of the total donations is \$2,360. Thus a donor who donates more than \$5,000 would be a disqualified person. Family members of the aforementioned persons are also considered disqualified persons.

Donor Advised Fund

Form 990EZ, Part V, line 44a asks if the organization maintains any "donor advised funds." If the organization answers yes, it cannot file Form 990EZ but must instead file Form 990, the long form. The IRS describes "Donor Advised Fund" as a fund in which the donor has or reasonably expects to have advisory privileges in the disbursement of the fund because of the donor's status as a donor. Example, a donor donates \$500 to the organization and stipulates the organization has to buy student John football equipment with the funds. Donor advised funds do not include the following.

- Fund directed to be disbursed to a single identifiable organization or government entity ie a school
- All grants, disbursements from the fund are made on an objective and nondiscriminatory basis following procedures approved in advance by the board of directors. For example, a donor donates to be disbursed exclusively for scholarship and the organization has an established procedure for awarding such scholarship, these are not donor advised funds.
- The above two exceptions are applicable only if the donors do not control the board of directors or committee that awards or disburses such funds.

Unrelated Business Income (UBI)

UBI arises if an organization engages in a trade or business that is regularly carried on and the activity is not substantially related to the performance of the organization's exempt purpose. Unrelated business income (UBI) is subject to income taxes at the corporate tax rates and is reported on Form 990-T.

1. Advertising.
2. Travel tours (non-educational).
3. Sales of mailing lists.
4. Subscription revenue for publications (ie journals, periodicals, directories, etc).
5. Rental of personal property.
6. Rental of real property when the organization provides significant services to the lessee.
7. Any activity that is "regularly" carried on can potentially be considered UBI.

IRC Section 513 defines "unrelated trade or business" but states unrelated trade or business income does not included income "in which substantially all the work in carrying on such trade or business is performed by the organization without compensation."

This most common issue in this area is advertising revenue received in publishing sports programs or yearbooks. If the organization hires a third party to solicit advertising for its yearbook and/or sport programs, this would probably make this advertising revenue "unrelated business income" subject to income taxes.

Local booster clubs and PTO's generally do not have income that can be considered unrelated business income from fundraisers for example because the officers and members are not paid compensation. Thus the selling of programs, concessions, school supplies, etc is not unrelated business income as no one the organization receives compensation.

Conflicts of Interest

Officers, directors and large contributors are generally considered "disqualified" persons and any transactions or business dealings with these individuals, their family members or their related entities are subject to disclosure and scrutiny by the IRS.

1. Compensation and benefits.
2. Purchase of assets.
3. Leasing transactions.
4. Payments for goods or services.
5. Grants or scholarships.

Vehicle Donations

Special rules apply beginning after December 31, 2004 regarding the donation of vehicles to charitable organizations if the vehicle has a fair market value of more than \$500 or is sold for more than \$500.

1. Generally the donation amount is limited to the sales price of the vehicle by the organization, not its "fair market value."
2. The organization must file Form 8282 if the vehicle is disposed of within three years.
3. Organization must provide the donor Form 1098-C within 30 days of the disposal of the vehicle and with the IRS by February 28 of the next year.

**School Booster Club
Balance Sheet
As of June 30, 2019**

ASSETS

Checking Account	\$ 3,250	
Savings Account	<u>15,250</u>	
		<u><u>18,500</u></u>

LIABILITIES & FUND BALANCE

Fund Balance 06/30/2018	\$ 7,400	A	
Net Income 06/30/2019	<u>11,100</u>	B	
			<u><u>18,500</u></u> C

School Booster Club
Income Statement
For the Fiscal Year Ended June 30, 2019

INCOME	Total	Program Revenue	Fundraisers	Investment Income	Donations	Note
Catalog Fundraiser	Q 13,600		13,600			
Other Fundraiser	R 5,100		5,100			
Golf Tournament	P 17,500		5,000		D 12,500	Note (1)
Raffle (at golf tournament)	500		500			
Donated Texans Football Tickets for Raffle	100				S 100	Note (2)
Donation - Cash	O 5,000				5,000	
Interest	10			10		
Membership Dues (50 members @ \$20)	1,000				W 1,000	Note (3)
Educational Trip Income (from students)	10,425	10,425				
Total Income	53,235	E 10,425	F 24,200	G 10	H 18,600	I
Form 990-EZ / 990		Line 2	Line 6a	Line 4	Line 1	
EXPENSES	Total	Program Expenses	Fundraisers	Admin Expenses		
Catalog Fundraiser	U 6,800		6,800			
Other Fundraiser	V 3,300		3,300			
Golf Tournament Costs	T 3,500		3,500			
Donated Texans Football Tickets for Raffle	S 100		100			
Scholarship	J 3,000	3,000				
School Donation	11,000	11,000				
Professional fees	K 500			500		
Supplies	680	300		380		
Bank Service Charges	L 80			80		
Telephone	350	250		100		
Travel	400	300		100		
Educational Trip	12,425	12,425				
Total Expenses	42,135	M 27,275	N 13,700	1,160		
		Line 17	Line 6b	Line 17		
NET INCOME (LOSS)	11,100	B				

Note (1): Assumed 50 players and FMV of round of golf \$100 which is the net fundraising revenue

Note (2): Based on fair market value on date of donation

Note (3): Assumed members receive no benefit for their membership dues

Short Form**Return of Organization Exempt From Income Tax**

OMB No. 1545-1150

2018**Open to Public Inspection**Department of the Treasury
Internal Revenue Service▶ **Do not enter social security numbers on this form as it may be made public.**▶ **Go to www.irs.gov/Form990EZ for instructions and the latest information.****A For the 2018 calendar year, or tax year beginning** 07/01 , 2018, and ending 06/30 , 20 19**B** Check if applicable:

- ☐ Address change
☐ Name change
☐ Initial return
☐ Final return/terminated
☐ Amended return
☐ Application pending

C Name of organization

SCHOOL BOOSTER CLUB

Number and street (or P.O. box, if mail is not delivered to street address)

Room/suite

123 MAIN STREET

City or town, state or province, country, and ZIP or foreign postal code

HOUSTON TX 77001

D Employer identification number

76-1234567

E Telephone number

713-555-5555

F Group Exemption

Number ▶

G Accounting Method: ☒ Cash ☐ Accrual Other (specify) ▶**I** Website: ▶ WWW.SCHOOLBOOSTER.COM**J** Tax-exempt status (check only one) — ☒ 501(c)(3) ☐ 501(c) () ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527**H** Check ☐ if the organization is **not** required to attach Schedule B (Form 990, 990-EZ, or 990-PF).**K** Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other**L** Add lines 5b, 6c, and 7b to line 9 to determine gross receipts. If gross receipts are \$200,000 or more, or if total assets

(Part II, column (B)) are \$500,000 or more, file Form 990 instead of Form 990-EZ ▶ \$ 53,235

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (see the instructions for Part I)Check if the organization used Schedule O to respond to any question in this Part I ☐

Revenue	1	Contributions, gifts, grants, and similar amounts received	1	18,600	G N
	2	Program service revenue including government fees and contracts	2	10,425	
	3	Membership dues and assessments	3		
	4	Investment income	4	10	
	5a	Gross amount from sale of assets other than inventory	5a		
	5b	Less: cost or other basis and sales expenses	5b		
	5c	Gain or (loss) from sale of assets other than inventory (Subtract line 5b from line 5a)	5c		
	6	Gaming and fundraising events:			
	a	Gross income from gaming (attach Schedule G if greater than \$15,000)	6a		
	b	Gross income from fundraising events (not including \$ D 12,500 of contributions from fundraising events reported on line 1) (attach Schedule G if the sum of such gross income and contributions exceeds \$15,000)	6b	24,200	
c	Less: direct expenses from gaming and fundraising events	6c	13,700		
d	Net income or (loss) from gaming and fundraising events (add lines 6a and 6b and subtract line 6c)	6d	10,500	G-N	
Expenses	7a	Gross sales of inventory, less returns and allowances	7a		J K L B A C
	b	Less: cost of goods sold	7b		
	c	Gross profit or (loss) from sales of inventory (Subtract line 7b from line 7a)	7c		
	8	Other revenue (describe in Schedule O)	8		
	9	Total revenue. Add lines 1, 2, 3, 4, 5c, 6d, 7c, and 8 ▶	9	39,535	
	10	Grants and similar amounts paid (list in Schedule O)	10	14,000	
	11	Benefits paid to or for members	11		
12	Salaries, other compensation, and employee benefits	12			
13	Professional fees and other payments to independent contractors	13	500		
14	Occupancy, rent, utilities, and maintenance	14			
15	Printing, publications, postage, and shipping	15			
16	Other expenses (describe in Schedule O)	16	13,935		
17	Total expenses. Add lines 10 through 16 ▶	17	28,435		
Net Assets	18	Excess or (deficit) for the year (Subtract line 17 from line 9)	18	11,100	B A C
	19	Net assets or fund balances at beginning of year (from line 27, column (A)) (must agree with end-of-year figure reported on prior year's return)	19	7,400	
	20	Other changes in net assets or fund balances (explain in Schedule O)	20		
	21	Net assets or fund balances at end of year. Combine lines 18 through 20 ▶	21	18,500	

For Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 106421

Form **990-EZ** (2018)

Part V Other Information (Note the Schedule A and personal benefit contract statement requirements in the instructions for Part V.) Check if the organization used Schedule O to respond to any question in this Part V ☐

	Yes	No
33 Did the organization engage in any significant activity not previously reported to the IRS? If "Yes," provide a detailed description of each activity in Schedule O	33	✓
34 Were any significant changes made to the organizing or governing documents? If "Yes," attach a conformed copy of the amended documents if they reflect a change to the organization's name. Otherwise, explain the change on Schedule O. See instructions	34	✓
35a Did the organization have unrelated business gross income of \$1,000 or more during the year from business activities (such as those reported on lines 2, 6a, and 7a, among others)?	35a	✓
b If "Yes" to line 35a, has the organization filed a Form 990-T for the year? If "No," provide an explanation in Schedule O	35b	✓
c Was the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization subject to section 6033(e) notice, reporting, and proxy tax requirements during the year? If "Yes," complete Schedule C, Part III	35c	✓
36 Did the organization undergo a liquidation, dissolution, termination, or significant disposition of net assets during the year? If "Yes," complete applicable parts of Schedule N	36	✓
37a Enter amount of political expenditures, direct or indirect, as described in the instructions ▶ 37a		
b Did the organization file Form 1120-POL for this year?	37b	✓
38a Did the organization borrow from, or make any loans to, any officer, director, trustee, or key employee or were any such loans made in a prior year and still outstanding at the end of the tax year covered by this return?	38a	✓
b If "Yes," complete Schedule L, Part II and enter the total amount involved 38b		
39 Section 501(c)(7) organizations. Enter:		
a Initiation fees and capital contributions included on line 9 39a		
b Gross receipts, included on line 9, for public use of club facilities 39b		
40a Section 501(c)(3) organizations. Enter amount of tax imposed on the organization during the year under: section 4911 ▶ ; section 4912 ▶ ; section 4955 ▶		
b Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year, or did it engage in an excess benefit transaction in a prior year that has not been reported on any of its prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I	40b	✓
c Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Enter amount of tax imposed on organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 ▶		
d Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Enter amount of tax on line 40c reimbursed by the organization ▶		
e All organizations. At any time during the tax year, was the organization a party to a prohibited tax shelter transaction? If "Yes," complete Form 8886-T	40e	✓
41 List the states with which a copy of this return is filed ▶ NONE		
42a The organization's books are in care of ▶ BETTY BAKER Telephone no. ▶ 281-555-5555 Located at ▶ 123 MAIN STREET ZIP + 4 ▶ 77001		
b At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? If "Yes," enter the name of the foreign country ▶ See the instructions for exceptions and filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR).	42b	✓
c At any time during the calendar year, did the organization maintain an office outside the United States? If "Yes," enter the name of the foreign country ▶	42c	✓
43 Section 4947(a)(1) nonexempt charitable trusts filing Form 990-EZ in lieu of Form 1041 —Check here ▶ <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year ▶ 43		
44a Did the organization maintain any donor advised funds during the year? If "Yes," Form 990 must be completed instead of Form 990-EZ	44a	✓
b Did the organization operate one or more hospital facilities during the year? If "Yes," Form 990 must be completed instead of Form 990-EZ	44b	✓
c Did the organization receive any payments for indoor tanning services during the year?	44c	✓
d If "Yes" to line 44c, has the organization filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	44d	✓
45a Did the organization have a controlled entity within the meaning of section 512(b)(13)?	45a	✓
b Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," Form 990 and Schedule R may need to be completed instead of Form 990-EZ. See instructions	45b	✓

46 Did the organization engage, directly or indirectly, in political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I

	Yes	No
46		<input checked="" type="checkbox"/>

Part VI Section 501(c)(3) Organizations Only

All section 501(c)(3) organizations must answer questions 47–49b and 52, and complete the tables for lines 50 and 51.

Check if the organization used Schedule O to respond to any question in this Part VI ☐

47 Did the organization engage in lobbying activities or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II

	Yes	No
47		<input checked="" type="checkbox"/>

48 Is the organization a school as described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E

48		<input checked="" type="checkbox"/>
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49a Did the organization make any transfers to an exempt non-charitable related organization?

49a		<input checked="" type="checkbox"/>
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b If "Yes," was the related organization a section 527 organization?

49b		<input checked="" type="checkbox"/>
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50 Complete this table for the organization's five highest compensated employees (other than officers, directors, trustees, and key employees) who each received more than \$100,000 of compensation from the organization. If there is none, enter "None."

(a) Name and title of each employee	(b) Average hours per week devoted to position	(c) Reportable compensation (Forms W-2/1099-MISC)	(d) Health benefits, contributions to employee benefit plans, and deferred compensation	(e) Estimated amount of other compensation

f Total number of other employees paid over \$100,000 ▶

51 Complete this table for the organization's five highest compensated independent contractors who each received more than \$100,000 of compensation from the organization. If there is none, enter "None."

(a) Name and business address of each independent contractor	(b) Type of service	(c) Compensation

d Total number of other independent contractors each receiving over \$100,000 ▶

52 Did the organization complete Schedule A? **Note:** All section 501(c)(3) organizations must attach a completed Schedule A ☒ **Yes** ☐ **No**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer		Date
	SHERYL JONES PRESIDENT Type or print name and title		

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶ THIS TAX RETURN			Firm's EIN ▶	
	Firm's address ▶ PREPARED BY A NON-PAID PREPARER			Phone no. ▶	

May the IRS discuss this return with the preparer shown above? See instructions ☐ **Yes** ☐ **No**

SCHEDULE A
(Form 990 or 990-EZ)Department of the Treasury
Internal Revenue Service**Public Charity Status and Public Support**

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2018**Open to Public
Inspection**

Name of the organization

SCHOOL BOOSTER CLUB

Employer identification number

76-1234567**Part I Reason for Public Charity Status** (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)

- 1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E (Form 990 or 990-EZ).)
- 3 ☐ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state: _____
- 5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)
- 6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
- 8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
- 9 ☐ An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university: _____
- 10 ☒ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)
- 11 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**
- 12 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2).** See **section 509(a)(3).** Check the box in lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
- a ☐ **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**
- b ☐ **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**
- c ☐ **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**
- d ☐ **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**
- e ☐ Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.
- f Enter the number of supported organizations _____
- g Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1–10 above (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
(A)						
(B)						
(C)						
(D)						
(E)						
Total						

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule A (Form 990 or 990-EZ) 2018

Part II**Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2014	(b) 2015	(c) 2016	(d) 2017	(e) 2018	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2014	(b) 2015	(c) 2016	(d) 2017	(e) 2018	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
11 Total support. Add lines 7 through 10						
12 Gross receipts from related activities, etc. (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here ▶ <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

14 Public support percentage for 2018 (line 6, column (f) divided by line 11, column (f))	14	%
15 Public support percentage from 2017 Schedule A, Part II, line 14	15	%
16a 33 1/3% support test—2018. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶ <input type="checkbox"/>		
b 33 1/3% support test—2017. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶ <input type="checkbox"/>		
17a 10%-facts-and-circumstances test—2018. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ <input type="checkbox"/>		
b 10%-facts-and-circumstances test—2017. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ <input type="checkbox"/>		
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶ <input type="checkbox"/>		

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 10 of Part I or if the organization failed to qualify under Part II.
If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2014	(b) 2015	(c) 2016	(d) 2017	(e) 2018	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")	26,000	26,500	24,920	22,000	I 18,600	118,020
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose	39,500	37,000	35,380	35,000	F+G 34,625	181,505
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5	65,500	63,500	60,300	57,000	53,225	299,525
7a Amounts included on lines 1, 2, and 3 received from disqualified persons					X 5,450	5,450
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b					5,450	5,450
8 Public support. (Subtract line 7c from line 6.)						294,075

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2014	(b) 2015	(c) 2016	(d) 2017	(e) 2018	(f) Total
9 Amounts from line 6	65,500	63,500	60,300	57,000	53,225	299,525
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources	10	10	10	10	H 10	50
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b	10	10	10	10	10	50
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)	65,510	63,510	60,310	57,010	53,235	299,575
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

15 Public support percentage for 2018 (line 8, column (f), divided by line 13, column (f))	15	98.16%
16 Public support percentage from 2017 Schedule A, Part III, line 15	16	98.16%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2018 (line 10c, column (f), divided by line 13, column (f))	17	%
18 Investment income percentage from 2017 Schedule A, Part III, line 17	18	%
19a 33 1/3% support tests—2018. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization <input checked="" type="checkbox"/>		
b 33 1/3% support tests—2017. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions <input type="checkbox"/>		

Part IV**Supporting Organizations**

(Complete only if you checked a box in line 12 on Part I. If you checked 12a of Part I, complete Sections A and B. If you checked 12b of Part I, complete Sections A and C. If you checked 12c of Part I, complete Sections A, D, and E. If you checked 12d of Part I, complete Sections A and D, and complete Part V.)

Section A. All Supporting Organizations

- 1 Are all of the organization's supported organizations listed by name in the organization's governing documents? *If "No," describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.*
- 2 Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? *If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).*
- 3a Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? *If "Yes," answer (b) and (c) below.*
- b Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? *If "Yes," describe in Part VI when and how the organization made the determination.*
- c Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? *If "Yes," explain in Part VI what controls the organization put in place to ensure such use.*
- 4a Was any supported organization not organized in the United States ("foreign supported organization")? *If "Yes," and if you checked 12a or 12b in Part I, answer (b) and (c) below.*
- b Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? *If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.*
- c Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? *If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.*
- 5a Did the organization add, substitute, or remove any supported organizations during the tax year? *If "Yes," answer (b) and (c) below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).*
- b **Type I or Type II only.** Was any added or substituted supported organization part of a class already designated in the organization's organizing document?
- c **Substitutions only.** Was the substitution the result of an event beyond the organization's control?
- 6 Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? *If "Yes," provide detail in Part VI.*
- 7 Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (as defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? *If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).*
- 8 Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? *If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).*
- 9a Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? *If "Yes," provide detail in Part VI.*
- b Did one or more disqualified persons (as defined in line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? *If "Yes," provide detail in Part VI.*
- c Did a disqualified person (as defined in line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? *If "Yes," provide detail in Part VI.*
- 10a Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? *If "Yes," answer 10b below.*
- b Did the organization have any excess business holdings in the tax year? *(Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)*

	Yes	No
1		
2		
3a		
3b		
3c		
4a		
4b		
4c		
5a		
5b		
5c		
6		
7		
8		
9a		
9b		
9c		
10a		
10b		

Part IV Supporting Organizations (continued)

	Yes	No
11 Has the organization accepted a gift or contribution from any of the following persons?		
a A person who directly or indirectly controls, either alone or together with persons described in (b) and (c) below, the governing body of a supported organization?		
b A family member of a person described in (a) above?		
c A 35% controlled entity of a person described in (a) or (b) above? If "Yes" to a, b, or c, provide detail in Part VI.		

Section B. Type I Supporting Organizations

	Yes	No
1 Did the directors, trustees, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's directors or trustees at all times during the tax year? If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove directors or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.		
2 Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.		

Section C. Type II Supporting Organizations

	Yes	No
1 Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).		

Section D. All Type III Supporting Organizations

	Yes	No
1 Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?		
2 Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).		
3 By reason of the relationship described in (2), did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.		

Section E. Type III Functionally-Integrated Supporting Organizations

1 Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions).		
a <input type="checkbox"/> The organization satisfied the Activities Test. Complete line 2 below.		
b <input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete line 3 below.		
c <input type="checkbox"/> The organization supported a governmental entity. Describe in Part VI how you supported a government entity (see instructions).		
2 Activities Test. Answer (a) and (b) below.		
a Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? If "Yes," then in Part VI identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.		
b Did the activities described in (a) constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? If "Yes," explain in Part VI the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.		
3 Parent of Supported Organizations. Answer (a) and (b) below.		
a Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? Provide details in Part VI.		
b Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? If "Yes," describe in Part VI the role played by the organization in this regard.		

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations

- 1 ☐ Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970 (explain in Part VI). See instructions. All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

Section A - Adjusted Net Income		(A) Prior Year	(B) Current Year (optional)
1	Net short-term capital gain	1	
2	Recoveries of prior-year distributions	2	
3	Other gross income (see instructions)	3	
4	Add lines 1 through 3.	4	
5	Depreciation and depletion	5	
6	Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	6	
7	Other expenses (see instructions)	7	
8	Adjusted Net Income (subtract lines 5, 6, and 7 from line 4)	8	

Section B - Minimum Asset Amount		(A) Prior Year	(B) Current Year (optional)
1	Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year):		
a	Average monthly value of securities	1a	
b	Average monthly cash balances	1b	
c	Fair market value of other non-exempt-use assets	1c	
d	Total (add lines 1a, 1b, and 1c)	1d	
e	Discount claimed for blockage or other factors (explain in detail in Part VI):		
2	Acquisition indebtedness applicable to non-exempt-use assets	2	
3	Subtract line 2 from line 1d.	3	
4	Cash deemed held for exempt use. Enter 1-1/2% of line 3 (for greater amount, see instructions).	4	
5	Net value of non-exempt-use assets (subtract line 4 from line 3)	5	
6	Multiply line 5 by .035.	6	
7	Recoveries of prior-year distributions	7	
8	Minimum Asset Amount (add line 7 to line 6)	8	

Section C - Distributable Amount			Current Year
1	Adjusted net income for prior year (from Section A, line 8, Column A)	1	
2	Enter 85% of line 1.	2	
3	Minimum asset amount for prior year (from Section B, line 8, Column A)	3	
4	Enter greater of line 2 or line 3.	4	
5	Income tax imposed in prior year	5	
6	Distributable Amount. Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions).	6	
7	<input type="checkbox"/> Check here if the current year is the organization's first as a non-functionally integrated Type III supporting organization (see instructions).		

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations (continued)

Section D - Distributions			Current Year
1	Amounts paid to supported organizations to accomplish exempt purposes		
2	Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity		
3	Administrative expenses paid to accomplish exempt purposes of supported organizations		
4	Amounts paid to acquire exempt-use assets		
5	Qualified set-aside amounts (prior IRS approval required)		
6	Other distributions (describe in Part VI). See instructions.		
7	Total annual distributions. Add lines 1 through 6.		
8	Distributions to attentive supported organizations to which the organization is responsive (provide details in Part VI). See instructions.		
9	Distributable amount for 2018 from Section C, line 6		
10	Line 8 amount divided by line 9 amount		

Section E - Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2018	(iii) Distributable Amount for 2018
1 Distributable amount for 2018 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2018 (reasonable cause required-explain in Part VI). See instructions.			
3 Excess distributions carryover, if any, to 2018			
a From 2013			
b From 2014			
c From 2015			
d From 2016			
e From 2017			
f Total of lines 3a through e			
g Applied to underdistributions of prior years			
h Applied to 2018 distributable amount			
i Carryover from 2013 not applied (see instructions)			
j Remainder. Subtract lines 3g, 3h, and 3i from 3f.			
4 Distributions for 2018 from Section D, line 7: \$			
a Applied to underdistributions of prior years			
b Applied to 2018 distributable amount			
c Remainder. Subtract lines 4a and 4b from 4.			
5 Remaining underdistributions for years prior to 2018, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, explain in Part VI. See instructions.			
6 Remaining underdistributions for 2018. Subtract lines 3h and 4b from line 1. For result greater than zero, explain in Part VI. See instructions.			
7 Excess distributions carryover to 2019. Add lines 3j and 4c.			
8 Breakdown of line 7:			
a Excess from 2014			
b Excess from 2015			
c Excess from 2016			
d Excess from 2017			
e Excess from 2018			

Part VI

Supplemental Information. Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; Part III, line 12; Part IV, Section A, lines 1, 2, 3b, 3c, 4b, 4c, 5a, 6, 9a, 9b, 9c, 11a, 11b, and 11c; Part IV, Section B, lines 1 and 2; Part IV, Section C, line 1; Part IV, Section D, lines 2 and 3; Part IV, Section E, lines 1c, 2a, 2b, 3a, and 3b; Part V, line 1; Part V, Section B, line 1e; Part V, Section D, lines 5, 6, and 8; and Part V, Section E, lines 2, 5, and 6. Also complete this part for any additional information. (See instructions.)

Schedule B(Form 990, 990-EZ,
or 990-PF)Department of the Treasury
Internal Revenue Service**Schedule of Contributors**

OMB No. 1545-0047

2018▶ Attach to Form 990, Form 990-EZ, or Form 990-PF.
▶ Go to www.irs.gov/Form990 for the latest information.

Name of the organization

Employer identification number

SCHOOL BOOSTER CLUB**76-1234567**

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

☒ 501(c)(**3**) (enter number) organization☐ 4947(a)(1) nonexempt charitable trust not treated as a private foundation☐ 527 political organization

Form 990-PF

☐ 501(c)(3) exempt private foundation☐ 4947(a)(1) nonexempt charitable trust treated as a private foundation☐ 501(c)(3) taxable private foundationCheck if your organization is covered by the **General Rule** or a **Special Rule**.**Note:** Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.**General Rule**

- ☒
- For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions.

Special Rules

- ☐ For an organization described in section 501(c)(3) filing Form 990 or 990-EZ that met the 33¹/₃% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), that checked Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions of the greater of (1) \$5,000; or (2) 2% of the amount on (i) Form 990, Part VIII, line 1h; or (ii) Form 990-EZ, line 1. Complete Parts I and II.
- ☐ For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 *exclusively* for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Complete Parts I (entering "N/A" in column (b) instead of the contributor name and address), II, and III.
- ☐ For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions *exclusively* for religious, charitable, etc., purposes, but no such contributions totaled more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Don't complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions totaling \$5,000 or more during the year ▶ \$

Caution: An organization that isn't covered by the General Rule and/or the Special Rules doesn't file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on its Form 990-PF, Part I, line 2, to certify that it doesn't meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

For Paperwork Reduction Act Notice, see the instructions for Form 990, 990-EZ, or 990-PF.

Schedule B (Form 990, 990-EZ, or 990-PF) (2018)

Name of organization

SCHOOL BOOSTER CLUB

Employer identification number

76-1234567

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1	DAVID JOHNSON 1000 ELM STREET HOUSTON TX 77001	\$ 5,000	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
			Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
			Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
			Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
			Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
			Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
			Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

**SCHEDULE G
(Form 990 or 990-EZ)**

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" on Form 990, Part IV, line 17, 18, or 19, or if the organization entered more than \$15,000 on Form 990-EZ, line 6a.

▶ Attach to Form 990 or Form 990-EZ.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2018

Open to Public
Inspection

Name of the organization

SCHOOL BOOSTER CLUB

Employer identification number

76-1234567

Part I

Fundraising Activities. Complete if the organization answered "Yes" on Form 990, Part IV, line 17. Form 990-EZ filers are not required to complete this part.

1 Indicate whether the organization raised funds through any of the following activities. Check all that apply.

- | | |
|---|--|
| <input type="checkbox"/> a Mail solicitations | <input type="checkbox"/> e Solicitation of non-government grants |
| <input type="checkbox"/> b Internet and email solicitations | <input type="checkbox"/> f Solicitation of government grants |
| <input type="checkbox"/> c Phone solicitations | <input type="checkbox"/> g Special fundraising events |
| <input type="checkbox"/> d In-person solicitations | |

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees, or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☐ Yes ☐ No

b If "Yes," list the 10 highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization.

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col. (i)	(vi) Amount paid to (or retained by) organization
		Yes	No			
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
Total ▶						

3 List all states in which the organization is registered or licensed to solicit contributions or has been notified it is exempt from registration or licensing.

Part II Fundraising Events. Complete if the organization answered "Yes" on Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other events	(d) Total events
		GOLF TOURNAMENT (event type)	CATALOG SALES (event type)	1 (total number)	(add col. (a) through col. (c))
Revenue	1 Gross receipts	P 18,000	Q 13,600	R 5,100	36,700
	2 Less: Contributions	D 12,500			12,500
	3 Gross income (line 1 minus line 2)	5,500	13,600	5,100	24,200
Direct Expenses	4 Cash prizes				
	5 Noncash prizes	S 100			100
	6 Rent/facility costs	T 3,500			3,500
	7 Food and beverages				
	8 Entertainment				
	9 Other direct expenses		U 6,800	V 3,300	10,100
	10 Direct expense summary. Add lines 4 through 9 in column (d)				13,700
	11 Net income summary. Subtract line 10 from line 3, column (d)				10,500

Part III Gaming. Complete if the organization answered "Yes" on Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col. (a) through col. (c))
Revenue	1 Gross revenue				
Direct Expenses	2 Cash prizes				
	3 Noncash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	<input type="checkbox"/> Yes <input type="checkbox"/> No %	<input type="checkbox"/> Yes <input type="checkbox"/> No %	<input type="checkbox"/> Yes <input type="checkbox"/> No %	
	7 Direct expense summary. Add lines 2 through 5 in column (d)				
	8 Net gaming income summary. Subtract line 7 from line 1, column (d)				

9 Enter the state(s) in which the organization conducts gaming activities: _____
a Is the organization licensed to conduct gaming activities in each of these states? ☐ Yes ☐ No
b If "No," explain: _____

10a Were any of the organization's gaming licenses revoked, suspended, or terminated during the tax year? ☐ Yes ☐ No
b If "Yes," explain: _____

- 11 Does the organization conduct gaming activities with nonmembers? ☐ Yes ☐ No
- 12 Is the organization a grantor, beneficiary or trustee of a trust, or a member of a partnership or other entity formed to administer charitable gaming? ☐ Yes ☐ No
- 13 Indicate the percentage of gaming activity conducted in:
- | | | |
|-------------------------------|-----|---|
| a The organization's facility | 13a | % |
| b An outside facility | 13b | % |
- 14 Enter the name and address of the person who prepares the organization's gaming/special events books and records:

Name ▶

Address ▶

- 15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? ☐ Yes ☐ No
- b If "Yes," enter the amount of gaming revenue received by the organization ▶ \$ and the amount of gaming revenue retained by the third party ▶ \$
- c If "Yes," enter name and address of the third party:

Name ▶

Address ▶

16 Gaming manager information:

Name ▶

Gaming manager compensation ▶ \$

Description of services provided ▶

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions:

- a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? ☐ Yes ☐ No
- b Enter the amount of distributions required under state law to be distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ \$

Part IV Supplemental Information. Provide the explanations required by Part I, line 2b, columns (iii) and (v); and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also provide any additional information. See instructions.

SCHEDULE O
(Form 990 or 990-EZ)Department of the Treasury
Internal Revenue Service**Supplemental Information to Form 990 or 990-EZ**Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.▶ Attach to Form 990 or 990-EZ.
▶ Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2018Open to Public
Inspection

Name of the organization

SCHOOL BOOSTER CLUB

Employer identification number

76-1234567

FORM 990-EZ, PART I, LINE 10 - GRANTS/SIMILAR AMTS PAID TO ORGANIZATIONS

CLASS OF ACTIVITY: EDUCATION

NAME: LOCAL HIGH SCHOOL

ADDRESS: 5656 SPRING DRIVE

HOUSTON, TX 77001

CASH CONTRIBUTION: 11,000

FORM 990-EZ, PART I, LINE 16 - OTHER EXPENSES

DESCRIPTION

AMOUNT

EXPENSES

SUPPLIES

\$ 680

EDUCATIONAL TRIP

\$ 12,425

BANK SERVICE CHARGES

\$ 80

TELEPHONE

\$ 350

TRAVEL

\$ 400

TOTAL \$ 13,935

L

SCH4567 SCHOOL BOOSTER CLUB
76-1234567
FYE: 6/30/2019

4/8/2019 10:43 AM

Federal Statements

Schedule A, Part III, Line 1(e)

Description	Amount	
OTHER	\$ 1,100	S+W
DAVID JOHNSON		
CASH CONTRIBUTION	5,000	O
GOLF TOURNAMENT		
CASH CONTRIBUTION	12,500	D
TOTAL	\$ 18,600	I

Schedule A, Part III, Line 2(e)

Description	Amount	
PROGRAM SERVICE REVENUE	\$ 10,425	F
GOLF TOURNAMENT	5,500	P-D
CATALOG SALES	13,600	Q
OTHER	5,100	R
TOTAL	\$ 34,625	

Schedule A, Part III, Line 7a - Support from Disqualified Persons

Donor Name	2014	2015	2016	2017	2018	
SHERYL JONES	\$	\$	\$	\$	\$ 350	
BETTY BAKER					100	
DAVID JOHNSON					5,000	
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,450	X

SCH4567 SCHOOL BOOSTER CLUB
76-1234567
FYE: 6/30/2019

Federal Statements

4/8/2019 10:43 AM

Schedule A, Part III, Line 10a(e)

Description

INTEREST INCOME
TOTAL

Amount

\$	10	
\$	10	H

Federal Statements**CATALOG SALES****Other Direct Fundraising or Gaming Expenses**

<u>Description</u>	<u>Amount</u>	
OTHER EXPENSES	\$ 6,800	U
TOTAL	<u>\$ 6,800</u>	

Federal Statements**OTHER****Other Direct Fundraising or Gaming Expenses**

<u>Description</u>	<u>Amount</u>	
OTHER EXPENSES	\$ 3,300	V
TOTAL	<u>\$ 3,300</u>	

Financial Management Handbook
For Parent Organizations
Section 4
Fundraising
Sales Tax Rules and Reporting, Food Guidelines, Incentives

1.1 Purchases

- 1.1 If a parent organization has obtained an exemption from the State for Texas sales and use taxes, it simply means that the organization can purchase items for the organization's exclusive use (further exempt purpose) or for resale (once the items are sold, they are taxable) without paying sales taxes. However, the organization must still collect sales taxes for taxable items sold. Sales taxes are essentially a transaction tax.
- 1.2 The remainder of Section 4 is based on the assumption that the parent organization has obtained tax-exempt status from the IRS as a public 501(c)(3) charitable organization and an exemption from the State for Texas sales and use taxes.
- 1.3 All purchases made for the exclusive use (necessary to the organization's exempt function) of a parent organization should be made tax-exempt
 - 1.3.1 A Texas Sales and Use Tax Exemption Certificate form should be issued to the vendor.
 - 1.3.2 Sales and use tax exemption numbers do not exist. Exemption forms require no number to be valid. The Certificate authorizes the vendor to make the sale tax-exempt.
 - 1.3.3 The vendor should keep the certificate on file to show State Comptroller auditors if they are audited.
- 1.4 All items purchased to *resell* during a fund-raising event such as T-shirts, spirit items, etc. should be made as tax-free purchases from the vendor.
 - 1.4.1 A Texas Sales Tax Resale Certificate showing the organization's Sales Tax Permit Number (11 digits) should be given to the vendor unless the vendor already has one on file. If the organization is not required to have a sales tax permit, it may issue an exemption certificate when purchasing taxable items for resale.
 - 1.4.2 It is not allowable to pay the vendor for sales taxes in an attempt to avoid collecting and remitting sales taxes to the State.

2.0 Reporting and Remitting Sales Taxes to the State

- 2.1 Sales taxes are due to the State and must be collected when taxable items (i.e. – caps and t-shirts) are sold to others.
- 2.2 Sales taxes are due regardless of whether a parent organization has obtained tax.-exempt status from the IRS and regardless of whether sales taxes were charged as part of the sales price when the items were sold.
- 2.3 There is a requirement to file at least one sales tax report per calendar year (January – December) with the State Comptroller's office. The State Comptroller will inform the parent organization after filing their first sales tax report if sales taxes must be remitted more frequently (based on taxable sales in one year).
 - 2.3.1 The State Comptroller's office will generally mail the required reporting forms and information to the organization after it has obtained a Sales Tax Permit. If you did not receive the sales tax reporting forms, the organization is still required to complete the appropriate sales tax report.
 - 2.3.2 If an organization has a Sales Tax Permit, the State requires that a sales tax report be filed annually even if the organization did not sell anything taxable (zero sales/no tax due tax report).
 - 2.3.2 The sales tax report can be completed online, if preferred, by going to the State Comptroller's website at:
http://www.window.state.tx.us/taxinfo/sales/webfile_sales.html.
 Select either "File Tax Due" or "File No Tax Due" (zero tax report).
- 2.4 Annual sales tax reports are due January 20th each year. Quarterly and monthly sales tax reports are due on the 20th of the month immediately following the end of the quarter or month, respectively.
- 2.5 All KISD locations are currently located in a 8.25% sales tax rate area.
- 2.6 When completing the sales tax report, verify that the amount listed as total taxable sales reflects the sales price before tax. It should not be the total amount collected including tax or your organization will be paying sales taxes twice.
 - 2.6.1 For example if the total amount collected including tax for a T-shirt is \$15.00, the sales price would be \$13.99 (\$15.00/1.0825).

3.0 One-day Tax-free Sales

- 3.1 Parent organizations are allowed two one-day tax-free days per **calendar year** by the State if they have obtained exempt status from the IRS and exemption from sales and use taxes from the State.
- 3.2 A one-day tax-free day is a day (24 consecutive hours) a parent organization can sell taxable items and not have to collect and consequently remit the normal sales taxes due to the State.
- 3.3 In order to be fair to those taking over the next year, it is recommended that parent organizations use one of these tax-free days during the fall semester and one in the spring semester (unless the nature of a particular organization is to have all fund-raisers in the same semester). This will allow the next parent organization to still have one tax-free day left for that calendar year. It is important to communicate this information to the next officers.
- 3.4 The criteria for a one-day tax-free sale have to do with when possession goes from the parent organization (which is tax exempt) to the buyer (which is not tax exempt). Orders and/or collections could be taken over an extended period before delivery is made. The delivery just has to be advertised as one day (the tax-free day).
- 3.5 If your organization has a sales tax permit, it will need to report the one-day tax-free day on the sales tax report in "total sales", not "taxable sales".

4.0 List of Common Taxable Items

- 4.1 The following list of items or activities have been identified as being taxable when sold or sponsored by a parent organization. This list is not all-inclusive.
 - Athletic equipment and uniforms
 - Balloons
 - Band equipment and supplies - reeds, recorders
 - Books, workbooks, etc.
 - Candles
 - Catered dinners/banquet, if not part of fund-raiser
 - Clothing - T-shirts, all other clothing items
 - Concessions, if not part of a fund-raiser
 - Copies - collections from coin or manual copiers
 - Cups - glass, plastic, paper, etc.
 - Directories - student
 - Drafting supplies
 - Flower sales
 - Garage sales
 - Gift-wrap paper
 - Handicrafts

- Horticulture items
- Magazine subscriptions (< 6 months)
- Musical supplies
- Pennants
- Pictures/photographs
- Plant sales
- Programs - athletic, music, etc.
- Recorders - musical
- Retirement plaque
- Rings - school
- School Store - all items sold by school stores
- Silent Auctions (if not part of one-day tax-free day and is for items such as free golf round, membership to a health club, other recreational-type items, etc.)
- Spirit Items - ribbons, banners, pom poms, pennants, cups, bracelets, etc.
- Stationery
- T-Shirts, all other clothing items
- Uniforms - PE, cheerleader (when student property)
- Vending - pencils and other non-edible supplies
- Yearbooks, if not part of one-day tax-free day

5.0 List of Common Non-taxable Items

5.1 The following list of items or activities have been identified as being **non-taxable** when sold or sponsored by a parent organization. This list is not all-inclusive.

- Advertisements sold for school newspapers, athletic & booster club programs, etc.
- Bake/food sales
- Car wash
- Catalog sales (organization is acting as agent of seller & receives a commission-see 6.0 below)
- Concessions, if part of a fund-raiser
- Dinners – when prepared by parents or catered as part of a fund-raiser of a parent organization and not in direct competition of local vendors
- Discount cards
- Dues
- Gold-C and Entertainment coupon books
- Golf tournament entry fees
- Fees -clinics and workshops
- Jog-a-than
- Magazine subscriptions (6 months or more)
- Memory books or Yearbooks
- Raffle tickets

- Silent auctions (all if part of one-day tax-free day; if not part of one-day tax-free day and is for items such as gift certificates for dinner, manicure, facials, haircuts, stay at a hotel, etc.)
- Tickets for admission to athletic events, drama productions, dances, school carnivals and other similar entertainment events (including tickets sold to play a game at a booth for a prize)

6.0 Criteria to Determine if Seller or Agent

- 6.1 If a parent organization engages in a fund-raiser where they take orders, collect money on the sales, retain a commission and then forwards the sales proceeds to the fund-raising company, the parent organization is not responsible for remitting sales taxes. The parent organization is merely acting as an agent for the seller (fund-raising company). The fund-raising company is actually responsible for remitting the sales taxes from the proceeds.
- 6.1.1 Parent organization is considered the seller and **is responsible for remitting sales taxes** when it purchases inventory (i.e. - t-shirts, spirit items, etc.) from a retailer for a certain price and then resells the taxable items at its own profit or loss at a price the parent organization determined.
- 6.1.2 The parent organization is considered an agent for the seller (collects on behalf of vendor) and **is not responsible for remitting sales taxes** (fund-raising company is responsible) when it "contracts" with a fund-raising company to sell items (i.e. - certain catalog type sales, etc.) at a price determined by the fund-raising company, retains a commission and forwards the remaining sales proceeds to the fund-raising company.



JULY 2009

TAX TOPICS

SALES AND USE TAX

Texas Comptroller of
Public Accounts

School Fundraisers and Texas Sales Tax

Texas school districts, public schools, qualified exempt private schools and each bona fide chapter within a qualifying school are exempt from the payment of Texas sales and use tax on purchases of taxable items for their use, if the purchases are related to the organization's exempt function.

The organization must obtain a sales tax permit and collect and remit sales tax on taxable items it sells unless one of the exemptions listed below applies. An organization does not have to register for a sales tax permit if all its sales are of exempt items or if its sales take place through tax-free fundraisers.

Two One-Day Tax-Free Sales

School districts, public schools, qualified exempt private schools and bona fide chapters within a qualifying school may conduct two one-day tax-free sales or auctions each calendar year. For the purposes of this exemption, one day is counted as 24 consecutive hours and a calendar year is the 12-month period from January through December. See subsection (h) of Rule 3.322, "Exempt Organizations."

For example, a school may sell taxable items such as t-shirts, hats, uniforms, school supplies or crafts tax-free on a designated tax-free sale day. These days should be designated in advance so that purchasers are aware that the sales are not subject to tax. The organization may not collect tax on the transactions and keep the tax under the "tax-free" sale provision. The exemption does not apply to any item sold for more than \$5,000 unless it is manufactured by the organization or donated to the organization and not sold back to the donor.

Either the date on which the items are delivered by the vendor to the school organization or the day on which the school organization delivers the items to its customers may be designated as the one-day tax-free sale day. Persons buying from surplus inventory on the designated date do not owe tax. Those buying on subsequent dates owe tax unless the purchase occurs on the organization's other tax-free sale day.

For example, a school group selling yearbooks may accept pre-orders without collecting tax if the day the yearbooks will be delivered to customers is designated as one of the group's tax-free fundraisers. Surplus yearbooks sold during the same day also qualify for the exemption. Surplus yearbooks sold on other days are taxable unless sold at the group's other tax-free fundraiser.

If two or more groups hold a one-day tax-free sale together, the event counts as one tax-free sale for each participating organization. Each of those organizations then is limited to one additional tax-free sale during the remainder of the calendar year.

If an exempt organization is purchasing taxable items for resale during its designated tax-free sale days and it holds a sales tax permit, the organization may either give the retailer a resale certificate, Form 01-339 (front), or an exemption certificate, Form 01-339 (back) to purchase the items tax-free. A

FOR MORE INFORMATION,
SEARCH OUR WEBSITE AT
Comptroller.Texas.Gov

OR CALL
1-800-252-5555.

This publication is intended as a general guide and not as a comprehensive resource on the subjects covered.
It is not a substitute for legal advice.

SALES AND USE TAX

Texas Comptroller of
Public Accounts



SCHOOL FUNDRAISERS AND TEXAS SALES TAX

non-permitted exempt organization, however, may purchase items for resale tax-free by issuing an exemption certificate to the vendor for items sold during its two one-day, tax-free sales.

SCHOOLS AND BONA FIDE CHAPTERS

To qualify as a bona fide chapter of a school, a group of students must be organized for an activity other than instruction or to have a tax-free sale. Bona fide chapters include student groups recognized by the school and organized by electing officers, holding meetings and conducting business. There is no limit on the number of bona fide chapters a school can have. Bona fide chapters can include whole grade levels (e.g. senior class, junior class or freshmen), but cannot be limited to specific classes (e.g. Senior English or Biology II). Various other school groups such as a student council, science club or drama club can qualify if they are composed of students and school staff.

A department of a school, such as a purchasing, accounting, maintenance or IT department, is not a bona fide chapter even though it is part of the school or school district.

Groups that are not considered bona fide chapters, unless otherwise qualified to hold the two one-day tax-free sales, must obtain a sales tax permit and collect and remit sales tax on all taxable items sold at fundraisers. Non-student organizations such as booster clubs and PTAs/PTOs cannot qualify as bona fide chapters of a school, but may qualify for the tax-free sale days under other provisions of the Tax Code. See the "Nonstudent Nonprofit Organizations" section in this publication for more information.

NON-QUALIFYING FUNDRAISERS – ACTING AS AN AGENT OR SALES REPRESENTATIVES

When a school, school group, PTA/PTO, booster club or other exempt organization raises funds by acting as a sales representative or commissioned sales agent for a for-profit retailer, the group is not responsible for reporting and remitting sales and use tax. As a result, however, the exempt organization is not considered to be the seller and cannot use a tax-free sale day for

this type of event. In these cases, the group receives a commission for holding a book fair or for selling candy, gift wrap, holiday ornaments, candles or similar items.

When an exempt organization acts as a commissioned sales agent or representative for a for-profit seller, the seller should provide instructions and information regarding the proper collection of tax. The for-profit retailer may advertise in the sales catalog or state on each invoice that tax is included or require that tax be calculated and collected based on the selling price of each taxable item. The for-profit retailer is then responsible for remitting the tax collected or backed out to the Comptroller. Similarly, sales of taxable items made through the Web site of a for-profit retailer are also taxable and may not be sold tax-free in connection with a fundraiser.

NONSTUDENT NONPROFIT ORGANIZATIONS

Nonstudent nonprofit organizations that are not bona fide chapters of schools may qualify for two one-day tax-free sales or auctions on their own.

A **booster club** for a band, football team or similar group may hold two one-day tax-free sales or auctions once it has obtained a sales tax exemption from the Comptroller's office on its purchases.

A nonprofit organization with an Internal Revenue Service (IRS) exemption under Section 501(c)(3), (4), (8), (10) or (19) is exempt from sales and franchise taxes. A booster club that has a 501(c) federal exemptions should complete AP-204 and submit it, along with a copy of its IRS exemption letter, to the Comptroller's office. After the Comptroller's office notifies the club of its exempt status, the club can hold two one-day tax-free sales or auctions each calendar year.

Parent-teacher associations (PTAs) affiliated with the Texas state PTA or the national PTA are exempt as educational organizations and can hold two one-day tax-free sales or auctions each calendar year.

Parent-teacher organizations (PTOs), as well as **parent-teacher-student associations** (PTSAs) and **organizations** (PTSOs), are also exempt from sales tax as educational organizations.

PTAs *not* affiliated with the Texas state PTA or the national PTA, parent-teacher organizations

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SCHOOL FUNDRAISERS AND TEXAS SALES TAX

(PTOs) and parent-teacher-student associations (PTSA) and organizations (PTSOs) are also eligible for exemption from sales tax as educational organizations. These organizations should complete form AP-207 and submit it to the Comptroller's office. Once the exemption has been granted, these organizations can also hold two one-day tax-free sales or auctions each calendar year.

Sales of taxable items by PTAs, PTOs, PTSAs, and PTSOs made at other times of the year are subject to tax.

Internet Sales

Sales of taxable items over the Internet are treated the same as sales of taxable items made at the school or at any other sales location. Schools, school groups and other non-student, nonprofit organizations that accept online orders through a Web site must collect sales tax on taxable items they sell online. An online sale occurring during a one-day tax-free sale, however, would qualify for the exemption.

Food and Beverage Sales

A public or private elementary or secondary school, school group or PTA/PTO does not have to collect tax on sales of meals and food products (including candy and soft drinks) if the sales are made during the regular school day and by agreement with the proper school authorities. This exemption includes food, soft drinks and candy sold through vending machines.

PTAs/PTOs and other qualifying groups associated with a specific public or private elementary or secondary school or school group may also sell meals, food, candy or soft drinks tax-free outside of the school day if the sales are part of the organization's fundraising drive and all net proceeds go to the group for its exclusive use.

CONCESSION STANDS

Concession-stand food sales are exempt from tax when made by a school group, PTA/PTO or other group (such as a booster club) associated with a public or private elementary or secondary school, if the sales are part of the organization's fundraising drive and all net proceeds go to the organization for its exclusive use. The exemp-

tion applies to sales of soft drinks and candy, but does not include sales of alcoholic beverages. The group can issue an exemption certificate in lieu of paying tax on purchases of candy, sodas, gum and other taxable food items sold at its concession stand. The exemption certificate should state that the group will sell the items as a fundraiser.

ANNUAL BANQUETS AND ANNUAL FOOD FUNDRAISERS

All volunteer nonprofit organizations can hold a tax-free annual banquet or other food sale provided the event is not professionally catered; is not held in a restaurant, hotel or similar place of business; is not in competition with a retailer required to collect tax; and the food is prepared, served and sold by members of the organization. The exemption does not apply to the sale or purchase of alcoholic beverages. To qualify for exemption, the food sale must:

- be an annual event;
- last no more than one week;
- be a fundraising project exclusively provided by the volunteers of the participating nonprofit organizations;
- be non-commercial in every respect (that is, the food and beverages cannot be prepared or served by a caterer or a restaurant, and must be prepared and served by the participating organizations' volunteers, without pay); and
- not be held in competition with a retailer at the same event who must collect tax on food and beverage sales.

The annual food sale or banquet exemption does not apply to sales of alcoholic beverages or non-food items (e.g., arts, crafts or t-shirts). Alcoholic beverages are not food products and are taxable. The type of tax due (sales tax or mixed beverage gross receipts tax) depends upon the type of permit held by the selling organization. As of January 1, 2014, sales of alcoholic beverages, including beer, wine and mixers, made by the holders of a mixed beverage permit are subject to two taxes:

- The 6.7 percent mixed beverage gross receipts tax assessed on the seller, and
- The 8.25 percent mixed beverage sales tax assessed on the purchaser.

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SALES AND USE TAX

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SCHOOL FUNDRAISERS AND TEXAS SALES TAX

Sales of beer and wine made by the holder of a beer and wine only permit are subject to sales tax.

Nontaxable Sales

Some items are not subject to sales tax no matter who sells them.

NONTAXABLE FOOD ITEMS

Sales tax is not due on nontaxable food items. Examples of such items include cookie dough, pizza kits, cheese spreads, meat sticks, jelly, salsa, fresh fruit and mixes packaged for preparation at home.

MAGAZINE SUBSCRIPTIONS

Subscriptions to magazines entered as periodicals-class (formerly called second-class) mail and sold for six months or more are exempt from sales tax. Single issues and subscriptions for fewer than six months are taxable, however.

BAKERY ITEMS

Bakery products (including but not limited to pies, cakes, cookies, bagels and muffins) are exempt unless sold with plates or eating utensils.

GIFT CERTIFICATES AND PASSBOOKS

Sales of intangibles such as gift certificates and coupon passbooks are not subject to sales tax. Instead, retailers should collect tax when the certificate or coupon is redeemed for the purchase of taxable merchandise or services. The tax is based on the item's actual retail selling price less any cash discount given at the time of the sale (e.g., a deduction for a coupon). Of course, if the gift certificate is for a nontaxable service such as a haircut, manicure or facial, no sales tax is due when the certificate is redeemed. Taxable services are listed in "Taxable Services" (Tax Publication 96-259.)

CAR WASHES

Washing a car is not a taxable service under the Texas Tax Code. Groups holding car washes are not required to collect tax on their charges for this service.

Amusement Services

The sale of an amusement service provided exclusively by a nonprofit organization, other than an IRS Section

501(c)(7) organization, is exempt from sales tax. For example, the sale of an admission ticket to a school carnival, dance, athletic event or musical concert is exempt.

Periodicals and Writings

Periodicals and writings (reading materials including those presented on audio tape, videotape and computer disk) are exempt from tax if published and distributed by a religious, philanthropic, charitable, historical, scientific or other similar organization not operated for profit. A "similar" organization must be organized for a benevolent purpose and must not be operated for profit. Similar organizations include PTAs, PTOs, PTSAs and PTSOs, but exclude all public and private educational organizations.

This means that PTAs, PTOs, PTSAs and PTSOs may publish and sell printed reading materials such as yearbooks, books, calendars, directories, magazines, brochures and newsletters without collecting sales tax. The qualifying organization may issue a properly completed resale certificate to the printer in lieu of paying tax on charges for printing, binding and item placement.

Items that contain printed materials that can be read but primarily serve other purposes or functions, such as school logo t-shirts, bookmarks, photographs and novelties, are subject to sales tax *unless* sold during a qualifying and designated tax-free sale or auction.

School districts, schools and school groups, however, must collect tax on sales of printed reading materials unless the sale is designated as one of the organization's tax-free fundraisers.

Donations

A purchaser using personal funds may give an exemption certificate to vendors when buying taxable items that will be donated to a qualifying organization, such as a school, before the individual makes any use of the items. The exemption certificate must state that the taxable item is being purchased by the individual for donation to an exempt organization and must clearly identify the organization accepting the a donation (see Tax Code Section 151.155[b]). If the purchaser makes use of the item before it is donated, the purchaser is

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SALES AND USE TAX

SCHOOL FUNDRAISERS AND TEXAS SALES TAX

responsible for paying or accruing tax on the item's purchase price.

Donations (gifts) of cash or taxable items or services made to an organization are not taxable sales unless the exempt organization gives the donor a taxable item in exchange for the donation, and the item is of proportionate or equal value to the donation.

Sales to Students

Generally, other than the exemptions previously identified, schools and associated groups must collect, report and remit sales tax on taxable items that they sell or taxable services they provide to others, including sales made to students.

Schools may issue a resale certificate in lieu of paying tax to suppliers when purchasing taxable

items to sell. Schools may issue an exemption certificate in lieu of paying tax when purchasing taxable items for their use or for giving away to students or others as part of a course of instruction. A district must collect tax on the sales price of taxable items when selling them to students or to others.

For example, if a school sells uniforms, gloves and shoes to drill team members, it must collect tax on the sales unless it designates their sale as one of its two one-day tax-free sales. The school may purchase the uniforms tax-free for resale to the drill team members.

The table at the bottom of the page is a short list of examples of taxable and nontaxable sales.

TAXABLE	NONTAXABLE
Rental of tangible personal property such as locks, musical instruments, calculators and computers	Rental of real property such as a gymnasium, auditorium, library or cafeteria
Horticultural products such as flower arrangements, roses, carnations, holiday greenery and poinsettias	Agricultural products (plants and seeds), the products of which ordinarily constitute food for human consumption
Cosmetology products such as shampoo, conditioner and nail polish sold to customers	Cosmetology services such as haircuts, shampoo, manicures and pedicures
Parking permits for the general public	Parking permits for public school students, faculty and staff
Animals that do not ordinarily constitute food or food products, such as hamsters, mice, cats and dogs	Farm animals such as pigs, cows, chickens and other livestock
Publications such as football, basketball or volleyball programs	Sales of advertising space in athletic programs, yearbooks, newspapers
Automobile repair parts (a separately stated charge for parts is taxable; a separately stated charge for repair labor is not taxable)	Automobile repair (a lump-sum charge for parts and labor)
Car carpet shampooing	Car washes
Magazines (single issue or subscription less than six months)	Magazine subscriptions for six months or longer

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SCHOOL FUNDRAISERS AND TEXAS SALES TAX

Need More Information?

For more information, see:

- Rule 3.286, "Seller's and Purchaser's Responsibilities"
- Rule 3.322, "Exempt Organizations"
- Rule 3.293, "Food; Food Products; Meals; Food Service"
- Rule 3.298, "Amusement Services"
- Rule 3.299, "Newspapers, Magazines, Publishers, Exempt Writings"
- Tax Publication 96-122, "Exempt Organizations - Sales and Purchases" – Frequently Asked Questions section provides information about school organizations applying for exemption from state taxes.
- Tax Publication 96-259, "Taxable Services"

Please use our Texas Online Sales Tax Registration System to apply for a sales tax permit. An application also can be downloaded from our Tax Forms Online page. You can also obtain an application by calling 1-800-252-5555 or by visiting one of our enforcement field offices.

For questions about an organization's Texas tax-exempt status, please use our Texas Tax-Exempt Entity Search, write to exempt.orgs@cpa.texas.gov, or call Tax Assistance at 1-800-252-5555.

For information on how to apply for federal exemptions, contact the U.S. Internal Revenue Service at 1-877-829-5500 or online at <http://www.irs.gov/>.

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OR CALL
1-800-252-5555.

In compliance with the Americans with Disabilities Act, this document may be requested in alternative formats by calling **1-800-252-5555**, or by sending a fax to **512-475-0900**.



Sign up to receive email updates on the Comptroller topics of your choice at comptroller.texas.gov/subscribe/.

Texas Sales and Use Tax Resale Certificate

Name of purchaser, firm or agency as shown on permit	Phone (Area code and number)
Address (Street & number, P.O. Box or Route number)	
City, State, ZIP code	
Texas Sales and Use Tax Permit Number (must contain 11 digits)	
<div style="border: 1px solid black; width: 250px; height: 20px; margin: 0 auto;"></div>	
Out-of-state retailer's registration number or Federal Taxpayers Registry (RFC) number for retailers based in Mexico	
<div style="border: 1px solid black; width: 250px; height: 20px; margin: 0 auto;"></div> (Retailers based in Mexico must also provide a copy of their Mexico registration form to the seller.)	

I, the purchaser named above, claim the right to make a non-taxable purchase (for resale of the taxable items described below or on the attached order or invoice) from:

Seller: _____

Street address: _____

City, State, ZIP code: _____


Description of items to be purchased on the attached order or invoice:

Description of the type of business activity generally engaged in or type of items normally sold by the purchaser:

The taxable items described above, or on the attached order or invoice, will be resold, rented or leased by me within the geographical limits of the United States of America, its territories and possessions or within the geographical limits of the United Mexican States, in their present form or attached to other taxable items to be sold.

I understand that if I make any use of the items other than retention, demonstration or display while holding them for sale, lease or rental, I must pay sales tax on the items at the time of use based upon either the purchase price or the fair market rental value for the period of time used.

I understand that it is a criminal offense to give a resale certificate to the seller for taxable items that I know, at the time of purchase, are purchased for use rather than for the purpose of resale, lease or rental, and depending on the amount of tax evaded, the offense may range from a Class C misdemeanor to a felony of the second degree.

 Purchaser	Title	Date
--	-------	------

This certificate should be furnished to the supplier.

Do not send the completed certificate to the Comptroller of Public Accounts.

Texas Sales and Use Tax Exemption Certification

This certificate does not require a number to be valid.

Name of purchaser, firm or agency	
Address (Street & number, P.O. Box or Route number)	Phone (Area code and number)
City, State, ZIP code	

I, the purchaser named above, claim an exemption from payment of sales and use taxes (for the purchase of taxable items described below or on the attached order or invoice) from:

Seller: _____


Street address: _____ City, State, ZIP code: _____

Description of items to be purchased or on the attached order or invoice:

Purchaser claims this exemption for the following reason:

I understand that I will be liable for payment of all state and local sales or use taxes which may become due for failure to comply with the provisions of the Tax Code and/or all applicable law.

I understand that it is a criminal offense to give an exemption certificate to the seller for taxable items that I know, at the time of purchase, will be used in a manner other than that expressed in this certificate, and depending on the amount of tax evaded, the offense may range from a Class C misdemeanor to a felony of the second degree.

 Purchaser	Title	Date
--	-------	------

NOTE: This certificate cannot be issued for the purchase, lease, or rental of a motor vehicle.

THIS CERTIFICATE DOES NOT REQUIRE A NUMBER TO BE VALID.

Sales and Use Tax "Exemption Numbers" or "Tax Exempt" Numbers do not exist.

This certificate should be furnished to the supplier.
Do not send the completed certificate to the Comptroller of Public Accounts.

Texas Sales and Use Tax Return - Short Form

Who May File the Short Form - You may file the short form if you meet all of the following criteria:

- your business has a single location in Texas;
- you report applicable local taxes only to the entities (city, transit authority, county or special purpose district) in which your business is located;
- you do not prepay your state and local taxes;
- you do not have a credit to take on this return for taxes you paid in error on your purchases; and
- you do not have customs broker refunds to report.

You must file the long form (Form 01-114) if any of these statements do not apply to your business. You must file a long form if you are responsible for out-of-state use tax and have no in-state locations.

If you have a credit to take on this return for taxes you paid in error or customs broker refunds to report, you are required to complete Form 01-114 Sales and Use Tax Return and Form 01-148 Texas Sales and Use Tax Return Credits and Customs Broker Schedule.

When to File - Returns must be filed or postmarked on or before the 20th day of the month following the end of each reporting period. If the due date falls on a Saturday, Sunday or legal holiday, the next business day will be the due date.

Business Changes - If you are out of business or if your mailing or outlet address has changed, you can make these changes online at www.comptroller.texas.gov/taxes/sales/, "Sales Tax Permit and Account Updates (Web-Change)," or blacken the box to the right of the signature line on this return.

Instructions for Filing an Amended Texas Sales and Use Tax Return -

1. Make a copy of the original return you filed or download a blank return from our website at www.comptroller.texas.gov/taxes/forms/.
2. Write "AMENDED RETURN" on the top of the form.
3. If you're using a copy of your original return, cross out the amounts that are wrong and write in the correct amounts. If you're using a blank return, enter the amounts as they should have appeared on the original return.
4. Sign and date the return.

If the amended return shows you **underpaid** your taxes, please send the additional tax due plus any penalties and interest that may apply.

If the amended return shows you **overpaid** your taxes and you are requesting a refund, you must meet all of the requirements for a refund claim. Refer to Sales Tax Refunds on the Comptroller's website at www.comptroller.texas.gov/taxes/sales/refunds/.

Whom to Contact for Assistance - If you have any questions regarding sales tax, you may contact the Texas State Comptroller's field office in your area or call 1-800-252-5555 or 512-463-4600.

General Instructions

- Please do not write in shaded areas.
- If any preprinted information on this return is incorrect, OR if you do not qualify to file this return, contact the Comptroller's office.
- Do not leave Items 1, 2, 3 or 4 blank. Enter "0" if the amount is zero.
- You must file a return even if you had no sales.
- If any amounts entered are negative, bracket them as follows: <xx,xxx.xx>.

- If **hand printing**, please enter all numbers within the boxes, as shown. Use black ink.

0 1 2 3 4 5 6 7 8 9

- If **typing**, numbers may be typed consecutively.

0123456789



ONLINE TAX FILING AND PAYMENT 24/7 WITH WebFile!

www.comptroller.texas.gov/taxes/file-pay/

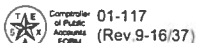
Have this form available when you file your short form electronically using WebFile.

Payment options are credit card or Web EFT (electronic check).

No-tax-due filing is also available through TeleFile at 1-888-434-5464.

You have certain rights under Chapters 552 and 559, Government Code, to review, request and correct information we have on file about you. Contact us at the address or phone numbers indicated in the instructions.

PLEASE DETACH AND RETURN BOTTOM PORTION ONLY



TEXAS SALES AND USE TAX RETURN

HHH

I. OUT OF BUSINESS DATE
DO NOT ENTER UNLESS
no longer in business.



a. **26140** • Do not fold, staple or paper clip • Write only in white areas.

c. Taxpayer number	d. Filing period
	g. Due date
f. Outlet no./ location	
k. Outlet address (Do not use a P.O. box address)	
Taxpayer name and mailing address	

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.

sign here Taxpayer or duly authorized agent

Date Daytime phone (Area code & no.)

Blacken this box if out of business or address has changed.

*** INTERNET ***

1. TOTAL SALES ■ (Whole dollars only).....	.00
2. TAXABLE SALES ■ (Whole dollars only).....	.00
3. TAXABLE PURCHASES + ■ (Whole dollars only).....	.00
4. Total amount subject to tax ■ (Item 2 plus Item 3).....	.00
5. Tax due - Multiply Item 4 by the combined tax rate (Include state & local).....	
6. Timely filing discount (0.005).....	-
7. Prior payments.....	-
8. Net tax due (Subtract Items 6 and 7 from Item 5.).....	=
9. Penalty & Interest (See instructions).....	+
10. TOTAL AMOUNT DUE AND PAYABLE ■ (Item 8 plus Item 9).....	=

Instructions for Completing Texas Sales and Use Tax Return - *Short Form* (continued)

Item c. Enter the taxpayer number shown on your sales tax permit. If you have not received your sales tax permit, and you are a sole owner, enter your Social Security number. For other types of organizations, enter the Federal Employer Identification Number (FEIN) assigned to your organization.

Disclosure of your social security number is required and authorized under law, for the purpose of tax administration and identification of any individual affected by applicable law. 42 U.S.C. sec. 405(c)(2)(C)(i); Tex. Govt. Code secs. 403.011 and 403.078. Release of information on this form in response to a public information request will be governed by the Public Information Act, Chapter 552, Government Code, and applicable law.

Item d. Enter the filing period of this report (month, quarter or year) and the last day of the period in the space provided.

Examples: "Month Ending 12-31-07"
"Quarter Ending 09-30-07"
"Year Ending 12-31-07."

Item f. If the location indicated in Item f is no longer in business, enter the out-of-business date.

Item 1. Enter the total amount (not including tax) of ALL services and sales, leases and rentals of tangible personal property including all related charges made during the reporting period. Report whole dollars only. Enter "0" if you have no sales to report.

Item 2. Enter the total amount (not including tax) of all *TAXABLE* services and *TAXABLE* sales, leases and rentals of tangible personal property including all *TAXABLE* related charges made during the reporting period. Report whole dollars only. Enter "0" if you have no taxable sales to report.

Item 3. Enter the total amount of taxable purchases that you made for your own use. Taxable purchases are those taxable items purchased, leased or rented for personal or business use on which sales or use tax was not paid. This includes purchases from Texas or out-of-state sellers, or items taken out of inventory for use, items given away, and items purchased for an exempt use but actually used in a taxable manner. Taxable purchases do not include inventory items being held exclusively for resale. Report whole dollars only. Enter "0" if you have no taxable purchases to report.

Item 4. Add the totals of Item 2 (Taxable Sales) and Item 3 (Taxable Purchases) and enter on Item 4. Enter "0" if you have no amount subject to tax. **DO NOT INCLUDE ITEM 1 (Total Sales) IN THIS TOTAL.**

Item 5. The tax rate is a combined rate of tax types indicated: state, city, transit authority, county and/or special purpose district. Please call the Comptroller's office if the rate is incorrect or if you have a question about the tax rate. Multiply Item 4 by the tax rate and enter in Item 5.

Item 6. Timely Filing Discount - If you are filing your return and paying the tax due on or before the due date, multiply the Tax Due in Item 5 by .005 and enter the result in Item 6.

Item 7. If you requested that a prior payment and/or an overpayment be designated to this specific period, the amount is preprinted in Item 7 as of the date this return was printed.

Item 9. Penalty and Interest:

- 1-30 days late: Enter penalty of 5% (.05).
- 31-60 days late: Enter penalty of 10% (.10).
- Over 60 days late: Enter penalty of 10% (.10) plus interest calculated at the rate published on Pub. 98-304, by telephone at 1-877-447-2834, or online at www.comptroller.texas.gov.

(Texas Tax Code Ann. Sec. 111.060 and 111.061)

Note: An additional \$50 late filing penalty will be assessed each time a return is filed after the due date.

Item 10. Add Item 8 plus Item 9, if applicable, and enter in Item 10.

Make total amount of Item 10 payable in one check to:

State Comptroller

Mail your return and payment to:

Comptroller of Public Accounts
P.O. Box 149355
Austin, TX 78714-9355

DO NOT WRITE ON THE BACK OF THIS FORM

Food and Fundraisers

Klein Board Policy

FFA (Local) STUDENT WELFARE, WELLNESS AND HEALTH SERVICES

Pg.2

NUTRITION STANDARDS

Schools shall, at a minimum, follow USDA and TDA guidelines for all foods sold to students during the school day.

Fundraisers: The sale of food to students, as a fundraiser, during the school day must meet USDA Smart Snack guidelines or must be approved by the campus principal for up to six exemption days per school year.

What does this mean?

If fundraising involves food and/or beverages that do not meet the Competitive Foods Nutritional Standards, each campus gets 6 days for the entire year that it can sell this type of food and/or beverage. The campuses MUST know your fundraisers in advance in order to coordinate these days and remain in compliance with the law.

*Texas Department of Agriculture—August 26, 2015
Competitive Food Nutritional Standards 20.14*

A competitive food is defined as

Foods and/or beverages sold to students that compete with the school's operation of the NSLP and/or SBP. This definition includes, but is not limited to, food and/or beverages sold a la carte in a meal service line, in vending machines, in school stores, or as part of fundraisers.

Exempt Fundraiser

A fundraising event where the Competitive Food Nutritional Standards do not apply. Each campus may have up to six exempt fundraising days per year. Food and beverage items sold for exempt fundraisers cannot be sold in competition with school meal service or consumed in areas designated for school meal service.

Fundraisers

Activities where food or nonfood items may be sold by school administrators or staff, students or student groups, parents or parent groups, or any other person, company or organization to raise money for school or non-school needs. For more information, see the definition for exempt fundraiser.

School Day

The period from the midnight before the beginning of the official instructional day to 30 minutes after the end of the official instructional day.

(NOTE: The school day requirement does not include the afterschool meal and snack programs, events, or other activities as long as food service for these activities does not occur during the 30 minutes after the end of the official instructional day.)

Fundraisers

A fundraiser is an event that includes any activity during which currency, tokens, tickets, donation for, or other forms of payment are exchanged for the sale or purchase of a product. This includes payment that is made toward a future purchase. There is no limit on fundraisers that meet the Competitive Food and Beverage Nutrition Standards. Any food and/or beverage item that meets the standards may be sold on the school campus during the school day. School Districts may define what types of food and/or beverages are allowed to be sold on campus in their local wellness policy.

Exempt Fundraisers. *Texas public, charter, and private schools that participate in NSLP or SBP may sell food and/or beverages as part a fundraiser that does not meet the Competitive Foods Nutritional Standards during the school day for up to six (6) days per school year on each school campus. Food and/or beverages sold during an exempt fundraiser must not be sold in competition with school meals service or consumed in the school meal service area.*

CEs should include information on exempt fundraisers in their local wellness policies to ensure that students, parents, and staff understand when fundraising exemptions apply.

Food Sold During the School Day Not Intended for Consumption in Schools. *Competitive Food and Beverage Nutrition Standards do not apply to fundraising activities that include the ordering and distribution of food and/or beverages not intended to be consumed during the school day on the school campus. This includes ordering food items that will be picked up a later time in the future. Typically, these food items need further preparation before they can be served.*

For Example: Cookie dough or frozen sausage.

Concession Stands or Other Events Where Food and/or beverages Are Sold During the School Day. *Foods and/or beverages sold to students at concession stands or other events must meet the Competitive Food and Beverage Nutrition Standards if the sale occurs during the school day on the school campus as defined in this section.*

COMMUNITY RELATIONS
ADVERTISING AND FUND RAISING IN THE SCHOOLS
(Below is the fundraising section only of GKB (Local))

GKB
(LOCAL)

PROMOTIONAL
ACTIVITIES

School facilities shall not be used to advertise, promote, sell tickets, or collect funds for any nonschool-related purpose without prior approval of the Superintendent or designee. Nonschool-related organizations may use school facilities only in accordance with GKD.

FUND-RAISING

A limited number of fund-raising activities conducted by classes, organizations, and affiliated parent groups shall be permitted on each campus, as authorized by the principal.

Parent/teacher committees or faculty/student committees shall work in cooperation with the principal in conducting any activity that involves the raising of money.

The following requirements shall be followed by all groups and organizations:

1. Prior approval of the principal is required for all campus fund-raising activities.
2. All requests shall be submitted on the form provided to the principal for approval in the spring semester of the preceding school year and no later than October 15 of the current school year.
3. There shall be a limit of three activities per school year for each official club, organization, or affiliated parent group, and three activities per year for activity funds (school pictures, paper drives, book fairs, and the like).
4. All projects that are routinely spread throughout the school year shall count as one activity; i.e., the sale of advertisements for either football programs or the yearbook, paper drives, the sale of either wearing apparel or school supplies, and the like.
5. A class membership fee or assessment in grades 9–12 or the sale of food at a contest hosted by the school shall not be considered a money-raising activity.
6. All student groups shall deposit proceeds in the school's activity account.
7. Commingling of organization and school activity funds shall not be permitted. All parent organization accounts shall be subject to audit by the District.
8. Students in kindergarten–grade 5 shall not participate in any door-to-door sales projects.

COMMUNITY RELATIONS
ADVERTISING AND FUND RAISING IN THE SCHOOLS
(Below is the fundraising section only of GKB (Local))

GKB
(LOCAL)

9. Programs of educational value shall be given preference by the principal over activities primarily for the raising of funds.
10. Students cannot be charged for paid entertainment programs during school hours.

Coercion should not be exercised in fund-raising activities. Students and teachers shall not be required to raise any particular minimum of money, to sell any minimum number of tickets, or the like. Under no circumstances should pressure be brought to bear on pupils through competition or by special recognition for sales.

Incentives by companies may be used at the principal's discretion to reward students for achievement that meets the District's goals.

Incentives for Money-Raising Activities

Per Klein Policy.....

No coercion should be exercised in fund-raising activities and no student or teacher is required to raise any particular minimum of money or to sell any minimum number of tickets, etc. Under no circumstances should pressure be brought to bear on pupils through competition or by special recognition for sales with individual prizes.

Financial Management Handbook
For Parent Organizations
Section 5
Officer Responsibilities and Duties

1.0 Responsibility Guidelines

- 1.1 The responsibility for the proper collection, disbursement, and safeguarding of all money and all other parent organization assets and the proper reporting of each parent organization's activities to the Internal Revenue Service, State Comptroller, and to the Klein ISD rests solely with each parent organization's officers, jointly and severally, not the school district or any of its employees.
 - 1.1.1 When an officer's term expires or becomes vacant due to resignation or other reason, it is the vacating officer's responsibility to ensure that the above officer responsibility statement is fulfilled.
- 1.2 The commingling of parent organization money with school money is not permitted.
- 1.3 School employees may not accept loans of funds from parent organizations.
- 1.4 A parent organization should be absolutely sure it has or will have the money necessary to meet its financial commitments. A parent organization does not have the authority to commit or to represent in any way that the KISD is responsible for any of its obligations in the way of paying bills and/or fulfilling any other agreement.
- 1.5 Parent organizations should seek competent tax and legal advice on their own and at their expense on an as needed basis to assist and to advise them on legal and tax matters.
- 1.6 **According to the IRS, revenues generated from fund-raising by tax-exempt organizations should benefit the organization as a whole, not individuals.** In addition, benefits given by a parent organization cannot be distributed based on participation in a fund-raiser or based on revenues individually generated in a fund-raiser. Therefore, an individual cannot be denied the opportunity to receive a benefit because of lack of participation in a fund-raiser or because a specified amount of revenue was not raised.
- 1.7 Each parent organization must complete the "Parent, Employee and Other Klein ISD Related Organizations Information Sheet" when requested by the business office at the central office.

- 1.8 Payment from parent organization funds may not be made to employees for any services rendered to that organization unless the transaction is processed through the KISD business office.
- 1.9 Parent organization funds and/or assets that are donated to a school must be coordinated with the school's principal.
 - 1.9.1 Property purchased with parent organization funds becomes the property of the school district.
 - 1.9.2 Special district guidelines apply to computer hardware/software purchases and must be coordinated with the Klein ISD technology department prior to purchase to ensure compatibility with the District's infrastructure.
 - 1.9.3 Special guidelines apply when donations involve construction (including playground equipment and/or fall surface or any other permanently installed item) on District property, and must be approved by the principal and the appropriate level of District administration prior to committing or incurring any costs.
 - 1.9.3.1 All permanently installed items must be installed by the vendor, manufacturer, supplier or their agent that is licensed to install a particular item and must meet the complete approval of the appropriate level of District administration.
- 1.10 "Petty cash" or miscellaneous funds for a teacher, coach or sponsor to use at his/her discretion may not be established.
- 1.11 The direction of the teacher, coach or sponsor, scheduling of contests, rules of participation, method of earning letters, and all other criteria dealing with interschool programs are the responsibility of school administration.
- 1.12 A parent organization or any other outside organization cannot give a teacher, coach or sponsor a gift in excess of the limits imposed by the KISD Board of Trustees' Policy, which is the same as the school district can spend for a letter jacket awarded to a student.
- 1.13 There is a limit of three (3) fund-raisers for each organization per school year and the school principal must grant advance approval.
 - 1.13.1 Parent organizations should work in full cooperation with the principal in conducting any activity that involves the raising of money.
 - 1.13.2 All requests to fund-raise must be submitted to the principal on the appropriate form no later than October 15 of the current school year.

- 1.14 Comply with all UIL guidelines, if applicable, and all District procedures.
- 1.15 Incoming officers should never accept financial records without having them audited.

2.0 Officer Duties

- 2.1 Listed below are general duties of the president of a parent organization.
 - 2.1.1 Make a year-end financial report to the school principal not later than June 15th.
 - 2.1.2 Responsible for all financial affairs of the organization and associated reporting thereof including any duties that may be delegated.
 - 2.1.3 Submit all fund-raiser requests on the form provided by administration to the principal for his/her approval in the spring semester of the preceding school year and no later than October 15th, of the current school year.
 - 2.1.4 Preside at all meetings of the Directors.
 - 2.1.5 Coordinate the work of the Directors and/or committees in order that the organization's objectives may be promoted.
 - 2.1.6 Coordinate the work so that the necessary reports are timely made to the appropriate State and Federal agencies.
 - 2.1.7 Co-sign checks along with Treasurer.
 - 2.1.8 Ensure annual audit is performed.
 - 2.1.9 Perform such other duties as deemed necessary by the Directors.
- 2.2 Listed below are general duties of the vice president of a parent organization.
 - 2.2.1 Assume the duties of the President in the event of the President's inability to serve or resignation.
 - 2.2.2 Chair organization committees.
 - 2.2.3 Maintain a roll of all members of the organization.
 - 2.2.4 Perform such other duties as deemed necessary by the Directors.

- 2.3 Listed below are general duties of the secretary of a parent organization.
 - 2.3.1 Record the minutes of all meetings of the Directors, and furnish a copy of such minutes to the President within one (1) week following the meeting.
 - 2.3.1.1 Minutes should include attended/unattended members, description of reports from directors and committees, fund-raising updates, financial update, any new business/action items, etc.
 - 2.3.2 Coordinate all correspondence relating to the organization.
 - 2.3.3 Catalogue and supervise the property of the organization.
 - 2.3.4 Publish all notices of meetings or other matters.
 - 2.3.5 Perform such other duties as deemed necessary by the Directors.
- 2.4 Listed below are general duties of the treasurer (**cannot be a district employee**) of a parent organization.
 - 2.4.1 Maintain financial records (keep an accurate record of receipts and expenditures).
 - 2.4.2 Prepare the budget and provide financial reports as requested.
 - 2.4.3 Receive all funds for the organization and promptly deposit said monies in a bank designated by the Directors.
 - 2.4.4 Pay out funds with proper vouchers in accordance with the approved budget and co-sign checks with President.
 - 2.4.5 Prepare all required tax returns (Form 990/990EZ/990N and sales tax) on behalf of the organization.
 - 2.4.6 Establish good accounting procedures.
 - 2.4.7 Establish permanent file for financial related records.
 - 2.4.8 Turn over all financial records to the new treasurer.
 - 2.4.9 Perform such other duties as deemed necessary by the Directors.

Financial Management Handbook
For Parent Organizations
Section 6
Accounting Procedures

1.0 General Accounting Procedures

- 1.1 Accounting records should be limited at all times to only those persons whose duties require access.
- 1.2 There should be written instructions on the recording of accounting transactions, preferably in the organization's bylaws.
 - 1.2.1 All funds (receipts and disbursements) must be accounted for and a written record of each transaction must be kept.
 - 1.2.2 Other records, which include checkbook, bank statement, meeting minutes and other written documents used to record parent organization activity, must be saved.
 - 1.2.3 These records should be reviewed periodically and audited annually to help ensure all parent organization activity is recorded properly and financial controls are in place.
 - 1.2.4 Permanent storage and an appropriate filing system must be maintained.
- 1.3 The parent organization's books should be reconciled to the bank statement monthly, preferably by someone other than the treasurer.
 - 1.3.1 If it is not possible for someone other than the treasurer to handle the reconciliation process, the president should review and initial the reconciliation.
 - 1.3.2 The bank statement should be addressed to the president and mailed to the school. The president should open the bank statement, review it and initial it prior to turning it over to the treasurer.
- 1.4 There should be adequate separation of duties for as many of the following duties as possible:
 - 1.4.1 Cash receipting
 - 1.4.2 Cash disbursements
 - 1.4.3 Authorization of disbursements

- 1.4.4 Accounting records and entries
- 1.4.5 Bank statement reconciliation
- 1.4.6 Deposits
- 1.4.7 Petty cash fund
- 1.4.8 Receiving purchased goods
- 1.5 Funds should always be raised for the approved purpose and spent for that purpose.
- 1.6 ATM cards for the organization's checking account and organization credit cards are not permitted.

2.0 Cash Receipts

- 2.1 The cashing of checks out of cash receipts or petty cash is prohibited.
- 2.2 Incoming checks should be restrictively endorsed immediately upon receipt with an endorsement stamp that has the parent organization's name, the bank's name, and the bank account number.
- 2.3 Funds must always be deposited into the authorized bank account for the organization and never commingled with personal or school funds.
- 2.4 Any monies received should be deposited on a daily basis (within 24 hours of receipt) and never held in a school nor taken home.
- 2.5 All monies should be immediately receipted utilizing a cash receipts book or the *Cash Receipt Sheet* in Exhibit 6-1.
- 2.6 Receipt numbers and/or range of receipt numbers should be written on all deposit slips.
- 2.7 The bank validated deposit slip should be returned to the treasurer to verify each deposit.
- 2.8 All monies should be counted and receipted in the presence of the individual turning in the money. In other words, two people should always be involved in the counting of money. See Exhibit 6-2 for a *Cash Count Sheet* that can facilitate this process and serves as excellent documentation.
- 2.9 All checks for deposit should be listed separately on the deposit slip.

- 2.10 Post-dated checks should never be accepted.
 - 2.10.1 A post-dated check is a check that has been dated after the date the check is given to the payee.
- 2.11 Returned checks should be redeposited immediately or otherwise promptly collected.
 - 2.11.1 Accounting entries for each returned (hot) check should be made upon receipt of the returned check from the bank.
- 2.12 All copies of voided cash receipts should be retained in the cash receipts book.

3.0 Cash Disbursements

- 3.1 All unused checks should be kept safe and secure at all times.
- 3.2 Checks should never be pre-signed.
- 3.3 "Blank" checks should never be issued.
- 3.4 A *Purchase Authorization/Check Request* (Exhibit 6-3) should be required to authorize purchases, checks and/or to receive reimbursement.
- 3.5 Each check or petty cash disbursement must be supported by an original invoice or sales slip/register tape.
- 3.6 Two officers **must** sign each disbursement/check. Both signers must be parents and may **not** be school district employees. School district employees cannot be the treasurer.
- 3.7 Issuing checks to the order of "Cash" is prohibited.
- 3.8 The sequence of check numbers should be accounted for when reconciling the bank statement to the books.
- 3.9 All voided checks should be retained in the organization's records. The reason for voiding the check should be indicated, "void" should be written across the face of the check and the signature line should be cut out.

Record Retention

PTOs / booster clubs should establish a record file that is passed to the new officers each year. Some items need to be kept indefinitely while other items only need to be kept for a certain length of time.

Permanent Records

Internal Records:

- Articles of Incorporation
- Bylaws
- Minutes from meetings

State Records:

- Sales Tax Permit Application (if applicable)
- Sales Tax Permit (if applicable)
- Certificate of Formation of Nonprofit Corporation from the State of Texas
- State Sales Tax Exemption Notification
- State Franchise Tax Exemption Notification

Federal Records:

- Copy of IRS Form SS-4, Application for Employer Identification Number
- Copy of Subordinate Letter (if under group exemption)
- Copy of IRS Form 1023 (if not under group exemption)
- Determination Letter

For non-permanent records, the Texas Comptroller's Office and the IRS have different retention periods as discussed below. In addition, certain circumstances, such as fraud, would allow the retention period to be extended beyond the normal requirement.

According to the Texas Comptroller's Office, this office has four (4) years from the date the tax becomes due and payable in which to assess the liability. This statute of limitations may be extended beyond the four (4) years, if an agreement is made in writing between the Texas Comptroller's Office and the PTO / booster club. In cases of fraud, or if the sales tax returns have not been filed, the statute of limitations does not apply and the Texas Comptroller's Office may assess and collect taxes, penalties, and interest at any time.

The statute of limitations does not apply when information contained in the sales tax report contains a gross error and the amount of tax due and payable after the error is corrected is 25% or more than the amount initially reported. In addition, other exceptions to the statute of limitations may apply.

According to the IRS, PTOs / booster clubs must keep each annual information return (i.e., Form 990, Form 990-EZ, or 990-N) for 3 years from the date the form is required to be filed or from the date the form is actually filed, whichever is later. However, if fraud is suspected or if returns have not been filed as applicable, the IRS could request information prior to the 3-year period discussed above.

In considering the requirements of the Texas Comptroller's Office and the IRS, the record file should contain at least the following items for a minimum of five (5) years (current year and the four (4) previous years).

Non-permanent Records

Internal Records

- Financial Reports and Audit Reports
- All financial backup including checkbook and banks records
- Information related to contributions received by a PTO / Booster Club from individuals or businesses

State Records

- Sales Tax Reports Filed
- Copy of correspondence with the Texas Secretary of State and the Texas Comptroller's Office

Federal Records

- Copy of IRS Forms 990, 990-EZ, or 990-N filed
- Copy of correspondence with the IRS

Before discarding any records, confirm with the Texas Comptroller's Office and the IRS that your organization is in good-standing and that no open items or issues exist related to the time period involving the records that you would like to discard.

According to IRS disclosure requirements, if someone requests to view any of your tax applications, forms filed, or tax returns, you must provide complete copies of the material.

EXHIBIT 6-1

KLEIN INDEPENDENT SCHOOL DISTRICT CASH RECEIPT SHEET

 School Name

 Organization or Account Name

 Purpose for Collecting Money

	Student Name	Student Signature or Initials	Date Paid	Amount Paid	Cash	Check	Collector's Initials
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
Financial Secretary Use: Date Received: _____ Amount Received: \$ _____ Receipt Number: _____ _____ Financial Secretary Signature		<div style="display: flex; justify-content: space-between;"> <div> Total \$ _____ Taxable: ____ Yes ____ No _____ Signature of Person Turning in Money </div> </div>					

EXHIBIT 6-2
CASH COUNT SHEET

School / Dept: _____ Date: _____

☐ Petty Cash ☐ Change Fund _____

CATEGORY FOR DEPOSIT:

Bills			
		Quantity	Total
\$	1.00		0.00
\$	2.00		0.00
\$	5.00		0.00
\$	10.00		0.00
\$	20.00		0.00
\$	50.00		0.00
\$	100.00		0.00

Total Bills \$ 0.00

Rolled Coin			
(1Roll =)		Quantity	Total
1¢	.50		0.00
5¢	2.00		0.00
10¢	5.00		0.00
25¢	10.00		0.00
50¢	10.00		0.00
\$1	25.00		0.00

Total Rolled Coins \$ 0.00

Loose Coin			
		Quantity	Total
1¢	.01		0.00
5¢	.05		0.00
10¢	.10		0.00
25¢	.25		0.00
50¢	.50		0.00
\$1	1.00		0.00

Total Loose Coins \$ 0.00

Total Checks: _____ \$ _____

Total Petty Cash Disbursement Vouchers: _____ \$ _____

Other: _____ \$ _____

Total Cash & Vouchers: _____ \$ 0.00

Total to Account For: _____ \$ _____

Overage or (Shortage): _____ \$ _____

First Person Making Count: _____
(signature)

Second Person Making Count: _____
(signature)

Date: _____

Person Requesting Check: _____ **Telephone:** _____

--

Quantity	Description	Price	Total
			Total \$

Preparer Signature _____

Parent Organization Officer Approval

Teacher / Sponsor Approval (if necessary)

Check Delivery Instructions:

- ☐ Check will be picked up by: _____
- ☐ Mail check to payee _____
- ☐ Other: _____

Financial Management Handbook
For Parent Organizations
Section 7
Annual Audit of Financial Records

1.0 General Requirements

- 1.1 Each parent organization should select a qualified individual or group to conduct an annual audit, which must be permanently maintained in the organization's records with a copy provided to the school principal.
 - 1.1.1 It is recommended that an audit be conducted when there is a change during the year of the treasurer or any officer that signs a parent organization check.
- 1.2 An audit is an examination of the financial records of the parent organization.
 - 1.2.1 An audit helps ensure that income and expenditures are accounted for and that they are in accordance with the budget and the organization's goals for the year.
 - 1.2.2 The audit is to protect the parent organization officers and the organization.
- 1.3 All financial records should be reviewed in the audit.
- 1.4 A CPA or accountant may perform the audit at the organization's expense.
- 1.5 A parent organization may instead establish a review committee to perform the audit.
 - 1.5.1 A review committee includes officers and club members; however, the committee should have at least one non-officer member review the information.
 - 1.5.2 The treasurer is prohibited from being on the review committee. This does not prohibit the treasurer from meeting with the review committee to explain their records or answer questions.
 - 1.5.3 A sponsor, sponsor's spouse or officer's spouse cannot be designated as the non-officer member of the review committee.
- 1.6 The audit should be documented in a written report that communicates an assessment of the records that were audited as well as the results of the audit to

the parent organization and signed by the individual(s) performing the audit. Some report examples include:

1.6.1 Review was performed with no exceptions noted; therefore, the Financial Report appears proper and correct.

1.6.2 Review was performed with immaterial exception(s) being noted. The Financial Report was either corrected or exceptions did not have a material effect. Except for these minor exceptions, the Financial Report appears proper and correct. Any exceptions, poor or lacking documentation, poor or lacking internal controls, etc. should be provided as part of the report. Some examples of exceptions are listed below:

- Check #1234 did not have 2 authorized signatures.
- Six checks did not have the related invoices as documentation for the expenditures.
- The checking account was not reconciled during the year.
- No documentation exists showing sales for the Christmas Cards sold in order to determine whether the amount recorded in the Financial Report is correct.

1.6.3 Review was performed with material exception(s) being noted. Because of the material exception(s), the Financial Report is not proper and correct. Any exceptions, poor or lacking documentation, poor or lacking internal controls, etc. should be provided as part of the report.

1.6.4 In some instances, due to the material exception(s), the committee may not be able to determine whether the Financial Report is proper and correct. When this situation occurs, the committee should state that the status of the Financial Report could not be determined because of material exceptions and **the school principal must be informed immediately.**

1.6.5 Some examples of items needed for the audit are:

- A copy of last audit report
- Current checkbook and cancelled checks
- Bank statements and validated deposit slips
- Any bank corrections (debits/credits)
- Monthly bank reconciliations
- Copy of budget
- Copy of Financial Report and 990/990EZ/990N (if applicable) from last year
- Ledger or similar record of transactions
- Disbursement support (check request and original invoice/sales slip/register receipt)

- Record of approved fund-raisers
- Cash receipt book and cash receipt sheets
- Copies of minutes
- Current bylaws

2.0 Sample Review Committee Guidelines

- 2.1 The following suggested guidelines are designed to assist the parent organization Audit Review Committee in conducting a thorough review of the organization's Financial Report and the financial activity for the applicable fiscal year. The checklist in Exhibit 7-1 may be utilized to facilitate the review.
- 2.2 Have the treasurer prepare the Financial Report (written report of revenues and expenditures) for your organization. The report should include information for the **full applicable year**.
- 2.3 The review must cover the period beginning with the reconciled cash balance from the previous written Financial Report and ending with the reconciled cash balance from the last day of the time period reported by the parent organization. If the organization is using a retained earnings account, then the beginning retained earnings should equal the prior year's ending retained earnings balance plus/(minus) net income/(loss).
- 2.4 Review the reconciled bank statements and canceled checks to determine that:
 - 2.4.1 Disbursements have been properly documented with an invoice or receipt.
 - 2.4.2 Disbursements have been properly approved.
 - 2.4.3 Checks have been properly signed by two officers.
 - 2.4.4 Checks have been deposited or cashed by the payee indicated and that no information on the face of the check has been altered.
 - 2.4.5 Checks have been accounted for in the proper sequence (no missing checks).
- 2.5 Check addition and subtraction on cash receipts and deposits.
- 2.6 Compare cash receipts and deposits to the bank statement.
- 2.7 Verify that receipts and disbursements were recorded to the correct account on the organization's books.
- 2.8 Review the treasurer's monthly reports and check them for accuracy. Review the beginning and ending balances on reports to verify that correct ending balances were carried forward as beginning balances on subsequent reports.
- 2.9 Determine that only appropriate parent organization officers are authorized signers on the bank account. Former officers should not remain on the account as authorized signers. **In addition, District employees cannot be an authorized signer on the organization's bank account.**

- 2.10 Determine that the coaches and directors of UIL academics, athletics, and fine arts were not given more than the amount that the school district can spend for a letter jacket awarded to a student in product(s) or gift(s) in recognition for coaching, directing, or sponsoring UIL activities during a calendar year.
- 2.11 Obtain proof that all applicable sales tax reports were submitted to the Texas State Comptroller's Office and that the related taxes were paid.
- 2.12 Determine which two fund-raisers were chosen to be the "one-day tax-free" sales, if applicable. **Only parent organizations that have received an exemption from the Texas State Comptroller's Office are allowed two (2) "one-day tax-free" sales per calendar year.**
- 2.13 Review the tax-exempt status of the parent organization to determine that the organization has received and maintained its federal tax-exempt status as a public 501(c)(3) charitable organization or other tax-exempt status deemed by the IRS.
- 2.14 Determine that Form 990, 990EZ, or 990N has been filed properly with the IRS based on gross receipts.
- 2.15 Determine that the parent organization has not used individual accounts, which credit funds raised to individual students or parents.
- 2.16 Verify that 1099s were issued, if applicable. In general, a parent organization may have to issue a 1099-MISC (Miscellaneous Income) for each person to whom they have paid at least \$600 in rents, services, prizes & awards, attorney fees, etc. in a calendar year.
 - 2.16.1 The funds can be donated to the school and they will handle the 1099 reporting.
- 2.17 If exceptions are noted during the audit, consult with the organization's treasurer and president (if necessary) to resolve the exception(s). The treasurer is responsible for making any corrections to the records, checkbook, and Financial Report.
- 2.18 If material exceptions have been noted, prepare recommendations to prevent the future occurrence of these exceptions.
- 2.19 The organization's treasurer and president are responsible for acting upon the recommendations made by the Audit Review Committee.
- 2.20 After the review is complete, prepare the applicable report.
- 2.21 Retain the **original** written Financial Report and the **original** Audit Review Committee Report in the organization's permanent files.
- 2.22 Submit one **copy** of your organization's Financial Report along with the Audit Review Committee's Report to the school principal.

**PTO/Booster Club Financial Report
for the 20__-20__ School Year**

Organization Name

Campus Affiliation

Financial information should be presented as of June 30th, or end of the school year

Balance Sheet Information

\$ _____
Current Assets

\$ _____
Current Liabilities & Fund Balance

Income Statement Information (also called Profit/Loss Statement)

Summary of Revenues

Fundraiser 1	\$
Fundraiser 2	\$
Fundraiser 3	\$
Membership Dues	\$
Donations	\$
Other Income	\$ _____
TOTAL REVENUE	\$

Summary of Expenditures

Fundraiser 1	\$
Fundraiser 2	\$
Fundraiser 3	\$
School Donations	\$
Other Expenses	\$ _____
TOTAL EXPENDITURES	\$

*This chart is provided as an example only. It is provided to give
an indication of the level of detail expected in reporting.*

Definitions Legend:

Current Assets – cash short-term investments, or other assets easily convertible to cash

Current Liabilities – amounts owed to other organizations, individuals, or vendors

Revenues – incoming funds from sales of products/services, donations, and/or income from other sources

Expenditures – outgoing funds to pay for fundraising products, events, donations to school, and/or other expenses

Name of President

Signature

Date

Name of Treasurer

Signature

Date

Financial Audit Reconciliation Report

Organization: _____

Date: _____

Balance per Books/Financial Report:

Beginning Balance on Hand (beginning of fiscal year _____) \$ _____

Receipts (from date of last audit) \$ _____

Disbursements (from date of last audit) \$ _____

Ending Balance on Hand (end of fiscal year _____) \$ _____

Balance per Bank Statement:

Balance per Bank Statement (checking account) @ end of fiscal year \$ _____

Add: Deposits in Transit (on books at year end, but not bank statement) \$ _____

Less: Total Outstanding Checks (on books, but have not cleared the bank) \$ _____

Checks Outstanding

<u>Check No.</u>	<u>Payee</u>	<u>Amount</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Adjusted Bank Balance (must equal end of fiscal year balance per books) \$ _____

Date of Audit: _____

We have examined the Financial Report of the _____
as of the year ended _____. The review was performed with: (select one)

- _____ no exceptions noted; therefore, the Financial Report appears proper and correct.
- _____ immaterial exception(s) being noted. Except for these minor exceptions, the Financial Report appears proper and correct. See attached listing of exceptions.
- _____ material exception(s) being noted. Because of the material exception(s), the Financial Report is not proper and correct. See attached listing of exceptions.
- _____ material exception(s) being noted to the extent that the committee was unable to determine the status of the Financial Report. See attached listing of exceptions.

Exhibit 7-1

AUDIT CHECKLIST FOR PARENT ORGANIZATIONS

	<u>Yes</u>	<u>No</u>
<u>Cash Receipts</u>		
1. Are cash receipt books or cash receipt sheets used in acknowledging the receipt of cash and checks?	_____	_____
2. Are copies of voided receipts retained?	_____	_____
3. Are issuances of receipt books, cash receipt sheets, etc. to individuals properly recorded and controlled?	_____	_____
4. Are monies turned in by the individuals collecting the funds?	_____	_____
5. Are all cash receipts recorded promptly when received?	_____	_____
6. Is there enough documentation either on the cash receipt or attached to the receipt to fully determine the purpose of the receipt?	_____	_____
7. Are funds deposited within 24 hours of receipt (excluding weekends)?	_____	_____
8. Are cash receipts from fund-raising activities reconciled to the anticipated income from the fund-raiser?	_____	_____
9. Are all receipts recorded on the books?	_____	_____
10. Are all cash receipts accounted for in the proper sequence (no missing receipts)?	_____	_____
11. Are all cash receipts deposited without removing cash to make purchases?	_____	_____

Cash Disbursements

1. Are expenditures in accordance with the intentions of the organization?	_____	_____
2. Are expenditures properly approved?	_____	_____
3. Are expenditures supported by an original invoice, register receipt or sales slip?	_____	_____
4. Is there notation on invoices indicating receipt of materials/services prior to payment?	_____	_____
5. Are disbursements by check signed by two authorized officers?	_____	_____
6. Are orders that have never been received reviewed for current status?	_____	_____
7. Are voided checks retained?	_____	_____
8. Are all expenditures recorded on the books?	_____	_____
9. Are proper controls in place to prevent expenditures in excess of funds?	_____	_____
10. Are payments made in a timely manner?	_____	_____
11. Are all checks accounted for in the proper sequence (no missing checks)?	_____	_____
12. Is there an unauthorized petty cash fund?	_____	_____

Financial Statements/Reconciliations

1. Are monthly reports of financial transactions prepared and submitted to the officers?	_____	_____
2. Do ending balances on reports carry forward as beginning balances on subsequent reports?	_____	_____
3. Is bank account reconciled monthly?	_____	_____

Yes **No**

4. Are bank account reconciliations either done by the president or reviewed and approved by the president of the organization?
5. Is there a ledger that shows all transactions?
6. Is an annual budget adopted by the organization?
7. Is an annual financial report prepared and submitted to the officers and principal?

_____	_____
_____	_____
_____	_____
_____	_____

Exemption and Reporting

1. Is the organization a 501(c)(3)?
2. Is the organization operating properly in order to retain their 501(c)(3) status?
3. Are sales taxes being collected, if required?
4. Does the organization have a sales tax permit, if required?
5. Have sales tax returns been filed timely, if required?
6. Were one-day tax-free days properly utilized?
7. Has the IRS Form 990/990EZ been prepared and submitted, if required?
8. Were 1099's properly issued, if required?

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Operations

1. Are revenue producing activities in accordance with those approved by the District?
2. Are complete minutes prepared for all meetings?
3. Are complete minutes prepared on a timely basis?
4. Do the minutes properly reflect approval of sales and revenue producing activities?
5. Do the minutes properly reflect approval of expenditures?
6. Are organization monies spent to further the purpose of the organization?
7. Has the organization properly followed UIL guidelines?
8. Are gifts to coaches/sponsors documented in minutes and within allowable guidelines?
9. Has the organization refrained from using individual accounts?

_____	_____
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_____	_____
_____	_____

_____	_____	_____	_____
Printed Name	Officer Title/Member	Signature	Date
_____	_____	_____	_____
Printed Name	Officer Title/Member	Signature	Date
_____	_____	_____	_____
Printed Name	Officer Title/Member	Signature	Date
_____	_____	_____	_____
Printed Name	Officer Title/Member	Signature	Date

Financial Management Handbook
For Parent Organizations
Section 8
UIL Guidelines for Booster Clubs

1.0 Requirements

- 1.1 It is the responsibility of the parent organization officers to ensure that they operate within the guidelines of University Interscholastic League (UIL).
- 1.2 The organization officers should get with the coach, sponsor or principal if they have questions related to the UIL.
- 1.3 Booster clubs do not have the authority to direct the duties of a school district employee. The scheduling of contests, rules for participation, methods of earning letters and all other criteria dealing with the inter-school programs are under the jurisdiction of the District.
- 1.4 Booster clubs may make recommendations on the handling of donations to a school or the District, but cash or other valuable consideration must be given to the school or the District to use at its discretion.
- 1.5 The UIL guidelines provided are for your reference and are not meant to be all-inclusive.

Please go to <https://www.uil texas.org/policy/guidelines-for-booster-clubs> for the most up to date UIL guidelines.

~ BOOSTER CLUB GUIDELINES ~

Role of Competition

Participation teaches that it is a privilege and an honor to represent one's school. Students learn to win without boasting and to lose without bitterness.

Self-motivation and intellectual curiosity are essential to the best academic participants. Artistic commitment and a desire to excel are traits found in music participants. Physical training and good health habits are essential to the best athletes. Interscholastic competition is a fine way to encourage youngsters to enrich their education and expand their horizons.

Leadership and citizenship experiences through interschool activities help prepare students for a useful and wholesome life. Plus, competition is fun!

Superintendent Responsible for UIL Activities

Member schools make UIL rules and determine policies regarding penalties to schools, school district personnel and student participants. The superintendent is solely responsible for the entire UIL program. All school activities, organizations (including the booster club), events and personnel are under the jurisdiction of the superintendent. Booster clubs must recognize this authority and work within a framework prescribed by the school administration.

Role of Booster Clubs

Neighborhood patrons form booster clubs to help enrich the school's participation in extracurricular activities. The fundraising role of booster clubs is particularly crucial in today's economic climate. Positive and direct communication can prevent most problems. Keep the superintendent informed of all activities.

- Have a chain of command for communication with the administration.
- Clear all activities through your administration.
- The superintendent or a designee who does not coach or direct a UIL contest but has approval authority over booster clubs should be invited to all meetings. All meetings should be open to the public.
- Booster clubs should apprise school administrators of all club activities. Make sure your local administration has a copy of all booster club publications. Invite administrators to all booster club meetings. Have an officer meet with the school administration regularly.
- School administration should apprise booster clubs of all school activities.
- Booster clubs do not have authority to direct the duties of a school district employee. The scheduling of contests, rules for participation, methods of earning letters and all other criteria dealing with inter-school programs are under the jurisdiction of the local school administration.
- Minutes should be taken at each meeting and kept on file at the school.
- Periodic financial statements itemizing all receipts and expenditures should be made to the general club membership and kept on file at the school.

Additional information regarding Booster Club guidelines can be found on our website: <http://www.uiltxas.org/policy/guidelines-for-booster-clubs>



Booster Club Guidelines

Updated July 2016

ROLE OF BOOSTER CLUBS

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- Have a chain of command for communication with the administration.
- Clear all activities through your administration.
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- School administration should apprise booster clubs of all school activities.
- Booster clubs do not have authority to direct the duties of a school district employee. The scheduling of contests, rules for participation, methods of earning letters and all other criteria dealing with inter-school programs are under the jurisdiction of the local school administration.
- Minutes should be taken at each meeting and kept on file at the school.
- Periodic financial statements itemizing all receipts and expenditures should be made to the general club membership and kept on file at the school.

WRITTEN POLICIES

Booster clubs should develop and annually review policies to cover:

- how to obtain administrative approval before beginning projects;
- how to plan and publicize meetings;
- bookkeeping and fund administration including process to obtain superintendent's approval prior to raising or spending funds;
- election of officers (suggestion: one president; one secretary; one treasurer; and three vice-presidents: one vice-president to oversee fall, winter and spring sports);
- taking, distributing and filing minutes;
- public communication;
- proper interaction with music and theatre directors and academic and athletic coaches through the lines of authority as established by the school board;
- a sportsmanship code governing behavior of booster club members and fans at contests, treatment of officials, guests, judges, etc.; and
- plans to support the school regardless of success in competition, keeping the educational goals of competition at the forefront of all policies.

ROLE OF THE SUPERINTENDENT

Member schools make UIL rules and determine policies regarding penalties to schools, school district personnel and student participants. The superintendent is solely responsible for the entire UIL program. All school activities, organizations (including the booster club), events and personnel are under the jurisdiction of the superintendent. Booster clubs must recognize this authority and work within a framework prescribed by the school administration.

PARENTS

- Remember: The classroom comes first!
- Help conduct fair and equitable competition: adhere to rules, uphold the law and respect authority.
- Remember that officials are human. Respect their decisions.
- Delegate authority to the school, and then support its decisions.
- Set standards by which you expect children to conduct themselves, and live by those standards yourself.
- Be aware of capabilities and limitations of young people. Don't have unrealistic expectations.
- Allow your children to live their own lives.
- Be involved in areas in which your own child is not involved, thus contributing to school unity and spirit.
- Show respect to the opponents of your children.
- Praise. Don't criticize. Urge others to do the same.
- Help your children and their friends develop integrity through the intensity of competitive activity.

COACHES AND DIRECTORS

- Be sure your booster club wish list has been approved by your supervisor before it goes to the booster club.
- Work with your administration to determine what your club can provide.
- Make your request to the club benefit as many students as possible.
- Attend the booster club meetings and/or know what the club is doing.
- Understand that your advisory role to the boosters is without vote.
- Support other programs within your district.
- Meet with parents regularly and make them aware of relevant rules.
- Involve your staff with your booster club. Let the booster club know who your staff is and what duties they perform.

CLUB FINANCES

Fundraising | Spending | Stipends | Gifts to Coaches

Fund-raising projects maybe subject to state law. Be sure that your club is in compliance with applicable law. For example, Texas has a law governing raffles. Also, consider seeking nonprofit or tax-exempt status. Consult the Texas Secretary of State's website as well as the IRS to determine if seeking designation as a non-profit that is tax exempt is appropriate for your booster club. http://www.sos.state.tx.us/corp/nonprofit_org.shtml

Generally speaking, earnings by a properly organized booster club may not benefit any private shareholder or individual.

- Community-wide sales campaigns should be coordinated through the school administration to minimize simultaneous sales campaigns.
- Sales campaigns should be planned carefully to insure that the projects provide dollar value for items sold, and that most of the money raised stays at home. Otherwise donations are often more rewarding than letting the major part of the money go to outside promoters.
- Fund-raising activities should support the educational goals of the school and should not exploit students. Activities and projects should be investigated carefully before committing the school's support.
- Individuals who actively coach or direct a UIL activity should serve in an advisory capacity only to the booster club and should not have control or signature authority over booster club funds, including petty cash or miscellaneous discretionary funds.
- Coach's wish lists should have received prior approval from school administration before submission to boosters.
- Coaches and directors of UIL academics, athletics and fine arts may not accept more than \$500 in money, product or service from any source in recognition of or appreciation for coaching, directing or sponsoring UIL activities. The \$500 limit is cumulative for a calendar year and is not specific to any one particular gift. See Section 481, *UIL Constitution and Contest Rules*.
- Schools shall not pay to coaches, and coaches shall not accept, funds gathered by a high school booster club or other sources within the school district. See Section 1202(b), *UIL Constitution and Contest Rules*.
- Funds are to be used to support school activities. To provide such funding for non-school activities could violate UIL rules and the public trust through which funds are earned.

ATHLETIC BOOSTERS

Individuals should be informed of the seriousness of violating the athletic amateur rule found in Section 441 and the awards rule found in Section 480 of the *UIL Constitution and Contest Rules*. Check with school administrators before giving anything to a student, school sponsor or coach. The penalty to a student-athlete is forfeiture of varsity athletic eligibility in the sport for which the violation occurred for one calendar year from the date of the violation. If a team violates the amateur rule, the penalty shall be assessed against the team and not against each individual. See Section 441(d), *UIL Constitution and Contest Rules*. All fans, not just members of the booster club, should be aware of these rules. It affects the entire community.

- Athletic booster club funds shall not be used to support athletic camps, clinics, private instruction or any activity outside of the school.
- The local school district determines when, how and from whom student athletes can receive meals and snacks. See Section 441(b)(9), *UIL Constitution and Contest Rules*.
- Schools must give prior approval for any banquet or get-together given for students.
- Students may not accept money or other valuable consideration from school booster club funds for any non-school purpose. See Section 441(A)(3), *UIL Constitution and Contest Rules*.
- Student athletes are prohibited from accepting valuable consideration for participation in school athletics - anything that is not given or offered to the entire student body on the same basis that it is given or offered to an athlete. See Section 441(a), *UIL Constitution and Contest Rules*. *Valuable consideration is defined as tangible or intangible property or service including anything that is usable, wearable, salable or consumable.*
- Booster groups or individuals may donate money or merchandise to the school with prior approval of the administration. These kinds of donations are often made to cover the cost of commercial transportation and to cover costs for meals. It would be a violation for booster groups or individuals to pay for such costs directly, without prior approval from the local school administration. See Section 441(b)(9) and Section 840 (a)(2)(A)(iv).
- Student athletes may accept small "goodie bags" consisting of cookies, candy and symbolic gifts from their classmates, if allowed by local school policy. See Section 441(B)(7), *UIL Constitution and Contest Rules*.



ACADEMIC BOOSTERS

We encourage academic booster clubs, whether they cover UIL academic competition in general or specific programs such as theatre, speech/debate, journalism or math/ science. A great need exists for parental involvement and support.

The rules for athletics are different than the rules for academics and music. Athletes are restricted by the athletic amateur rule, which states that athletes cannot accept money or valuable consideration for participating in a UIL sport or for allowing their names to be used in promoting a product, plan or service related to a UIL contest. Academics has no amateur rule. Journalism participants may work for a newspaper and be paid. Actors may work summer stock and be paid. Students may win calculators and software for participating in invitational math contests.

UIL academic students are restricted by the awards rule. See Section 480, *UIL Constitution and Contest Rules*. So, as a general practice, booster clubs should not give gifts or awards to students for their participation in UIL contests that count toward district, region or state standing without prior school district approval. School booster clubs may raise money to purchase letter jackets, provided the funds are given to the school without designation to buy jackets for particular students and the school determines criteria for awarding the jackets. Parents may purchase jackets for their own children provided the school designates the student as being qualified to receive the jacket.

Booster Clubs may raise money to provide an annual banquet for academic participants and coaches.

EXAMPLES OF ACADEMIC BOOSTER CLUB CONTRIBUTIONS THAT ARE NOT PROHIBITED BY UIL RULE, WITH LOCAL ADMINISTRATIVE APPROVAL, ARE:

- Purchase equipment for programs such as computers or software for yearbook or computer science.
- Organize and chaperone trips and assist with expenses for travel to academic competitions or educational trips such as journalism conventions or speech tournaments. Booster club funds may be used to provide food and refreshments for students on these trips. A purely recreational trip would not meet the definition of an educational field trip and could be considered a violation of the Awards Rule. See Section 480(2)(d), *UIL Constitution and Contest Rules*.
- Run tournaments, organize fund-raising efforts, recruit corporate donors, raise money for scholarships and arrange for tutors and professional trainers to work with students.
- Fund academic workshop scholarships provided selection of the recipients is not based solely on their success in interscholastic competition. Selection could be based on grade point average or the student's selection of high school courses. All students meeting the conditions for scholarship assistance should be notified and eligible for financial assistance. Funds should be monitored to ensure that they are expended for camp or workshop purposes.

MUSIC BOOSTERS

In addition to the general procedures outlined, the following guidelines apply to Music Booster Club activities.

- Be mindful of the fact that there is no Music Amateur Rule. Therefore, limitations established in athletics intended to ensure compliance with the Athletic Amateur Rule do not apply to music programs and related activities.
- Some music booster clubs assist with expenses for travel to various music-related activities such as UIL contests and performances at away athletic events. Such financial support violates no UIL rules provided that it is approved and coordinated by the local school district.
- Many music groups schedule educational field trips with the approval of the local school administration and under local school district policies. For such trips, specific educational components must be included such as performing for a music festival, an adjudicated contest or a concert tour. Marching performances such as the Macy's Thanksgiving Day Parade, the Rose Bowl Parade or other similar ceremonial appearances also qualify. However, educational components need not be limited to performances. Concert attendance, visiting university/conservatory music facilities and other music related, non-performing opportunities would also be appropriate if approved by the local school district.
- A recreational trip, on the other hand, would not meet the definition of an educational field trip as provided in Section 480(f) of the *UIL Constitution and Contest Rules*. Students receiving the benefits of a purely recreational trip would likely be in violation of the Awards Rule.
- Booster Clubs may also fund scholarships for private lessons and summer music camps provided the selection of the recipients is not based on success in interscholastic competition. Funds for such activities should be carefully monitored to ensure that they are expended for educational rather than recreational activities.
- The awarding of patches, T-shirts or other items for achievement in interscholastic competition would be subject to the UIL Awards Rule. See Section 480(2)(A), *UIL Constitution and Contest Rules*. In order to protect all music students' eligibility, such awards should be approved and administrated by the local school district in accordance with school district policies.



Financial Management Handbook
For Parent Organizations
Section 9
Attorney General of Texas - Raffles

1.0 Requirements

- 1.1 It is the responsibility of the parent organization officers to ensure that they operate within the guidelines of the Attorney General of Texas.
- 1.2 The organization officers should get with the principal if they have questions related to raffles.
- 1.3 If a raffle is conducted, it will count as one of the three (3) money-raising activities allowed for an organization.
- 1.4 Students may not assist in the sale of raffle tickets.
- 1.5 The item(s) to be raffled must be approved by the associate superintendent for school administration's office.
- 1.6 The item(s) awarded for the winning raffle ticket(s) may be presented on the school campus.
- 1.7 The organization is restricted to selling raffle tickets at one school activity/event. In addition, the sale may be conducted only at an event in which the student group it represents is performing or participating.
- 1.8 The Attorney General of Texas raffle guidelines provided are for your reference and are not meant to be all-inclusive.

THE ATTORNEY GENERAL OF TEXAS

KEN PAXTON

Charities & Nonprofits: Charitable Raffles

The Charitable Raffle Enabling Act, effective January 1, 1990, permits "qualified organizations" to hold up to two raffles per calendar year, with certain specified restrictions.

A raffle is defined as the award of one or more prizes by chance at a single occasion among a single pool or group of persons who have paid or promised a thing of value for a ticket that represents a chance to win a prize.

In general, a qualified organization is:

- a. A nonprofit association organized primarily for religious purposes that has been in existence in Texas for at least 10 years;
- b. A nonprofit volunteer emergency medical service that does not pay its members other than nominal compensation;
- c. A nonprofit volunteer fire department that operates fire-fighting equipment, provides fire-fighting services, and does not pay its members other than nominal compensation; or
- d. A nonprofit organization that has existed for at least three preceding years and is exempt from federal income tax under Section 501(c), Internal Revenue Code; does not distribute any of its income to its members, officers or governing body; does not devote a substantial part of its activities to attempting to influence legislation; and does not participate in any political campaign.

The language of the law is very technical. If your organization is considering holding a raffle you should check the [statute](#) to be sure it qualifies.

Prizes Offered and Proceeds from Ticket Sales

A qualified organization may offer any prize except money. "Money" is defined as coins, paper currency, or a negotiable instrument that represents and is readily convertible to coins or paper currency. If the raffle organizers offer a prize which they have purchased or have given other consideration for, the value of the prize may not exceed \$50,000, or \$250,000 if the purchased prize is a residential dwelling. There is no value limit on prizes donated to the organization.

Texas lottery tickets may be purchased and offered as prizes, even though the tickets' payoff may exceed \$50,000. The organization must have each raffle prize in its possession or ownership or must post a bond for the full amount of the value of the prize with the county clerk of the county where the raffle will be held.

Proceeds from ticket sales must be used only for the charitable purposes of the qualified organization.

Restrictions

A qualified organization is not required to register with the State before conducting a raffle. However certain restrictions apply.

- A qualified organization may hold only two raffles per calendar year and only one raffle at a time.
- Raffle tickets may not be advertised statewide or through paid advertisements. Each raffle ticket must state: 1) the name of the organization conducting the raffle; 2) the address of the organization or of a named officer of the organization; 3) the ticket price; 4) a general description of each prize having a value of more than \$10; and 5) the date on which the raffle prize(s) will be awarded.
- No one may be compensated directly or indirectly for organizing or conducting a raffle or for selling raffle tickets.

Penalties and Enforcement

Only raffles held according to the terms of the Charitable Raffle Enabling Act are authorized raffles. The law is Chapter 2002, Occupations Code, Texas Codes Annotated.

An unauthorized raffle is considered gambling under the Texas Penal Code. Conducting such a raffle is a Class A misdemeanor. Participating in an unauthorized raffle is a Class C misdemeanor.

A county attorney, district attorney or the attorney general may bring an action in state court to stop a violation or potential violation of the Charitable Raffle Enabling Act.

Please understand that this office cannot advise you about whether a proposed raffle would be authorized under the law. If you have specific questions about the law, you should consult a private attorney.

ADDITIONAL LINKS

ACCESSIBILITY

T H E A T T O R N E Y G E N E R A L O F T E X A S

Ken Paxton

Raffles and Casino/Poker Nights in Texas Frequently Asked Questions

The Charitable Raffle Enabling Act, Chapter 2002 of the Occupations Code (CREA) establishes the guidelines for raffles in Texas. See Tex. Occ. Code Ann. Ch. 2002 (Vernon 2004). The statute is very technical and should be consulted before advising an organization regarding the legality of a proposed raffle. There are numerous Attorney General Opinions regarding both raffles and casino/poker nights. The Attorney General is not permitted to give specific legal advice to members of the general public, and the following represents only guidelines for suggested responses to frequently asked questions.

Raffles What is a raffle?

CREA defines a raffle as "the award of one or more prizes by chance at a single occasion among a single pool or group of persons who have paid or promised a thing of value for a ticket that represents a chance to win a prize."

Who may conduct raffles?

Only a qualified religious society that has been in existence in Texas for at least 10 years; a qualified volunteer fire department that operates fire fighting equipment, provides fire-fighting services and that does not pay its members other than nominal compensation; a qualified volunteer emergency medical service that does not pay its members other than nominal compensation; or a qualified 501(c) tax-exempt, nonprofit organization that has been in existence for at least three years may hold raffles in Texas. Individuals and for profit businesses may not hold raffles.

Do I have to register or obtain a permit to conduct a raffle?

No. You just have to qualify under the law.

How many raffles may be held?

Each qualified organization is allowed two raffles per calendar year.

What if a raffle cannot be held on the date scheduled?

The organization may set another date not later than 30 days from the original date. If the prizes are not awarded within 30 days of the original date, the organization must refund the ticket money to the purchasers.

For what may the money raised be used?

All proceeds from raffles must be used for the charitable purposes of the organization as defined by CREA 2002.002(1).

How may a raffle be promoted?

Paid advertising through a medium of mass communication is prohibited. Donated advertising is permissible.

Can I advertise and sell tickets on the Internet?

CREA states that the organization may not promote or advertise a raffle statewide or sell or offer to sell tickets statewide. The term statewide has not been defined or interpreted in any known court proceeding or Attorney General Opinion, but it is generally thought that statewide would include Internet promotion.

Who can sell tickets?

The organization's members or anyone who is authorized by the organization may sell tickets.

Can I hire people to sell tickets? Can I give a prize to the person who sells the most tickets?

No. The organization may not compensate a person directly or indirectly for selling tickets.

May I hire someone to organize and conduct the raffle?

No. The organization may not compensate a person directly or indirectly for organizing or conducting a raffle.

What must be printed on the tickets?

Five items must be on each ticket: 1) the name of the organization conducting the raffle; 2) the address of the organization or of a named officer of the organization; 3) the ticket price; 4) a general description of each prize having a value of more than \$10 to be awarded in the raffle and 5) the date on which the raffle prize or prizes will be awarded.

Can I give cash prizes?

No. Cash prizes are strictly prohibited. "Money" is defined by CREA as "coins, paper currency, or a negotiable instrument that represents and is readily convertible to coins or paper currency." See 2002.002(1-a). A certificate of deposit is a prohibited prize. See Tex. Att'y Gen. Op. No. JC-0111 (1999). A U.S. savings bond and a prepaid, or "stored-value," credit card is not prohibited. See Tex. Att'y Gen. Op. No. GA-0341 (2005). The question of the prohibition of a gift certificate has not been addressed in an AG Opinion, but it has been suggested that as long as it is not readily convertible to cash, it would likely not be prohibited.

Is there a limit on the value of prizes?

Yes. For purchased prizes, the value of each prize may not exceed \$50,000. For a purchased residential dwelling, the value may not exceed \$250,000. There is no limit on the value of donated prizes

Do I need to have the prize on hand at the time of the drawing?

CREA states that the organization must have the prize in its possession or ownership or it must post a bond with the county clerk of the county in which the raffle is to be held for the full amount of the money value of the prize.

How do I post a bond with the county clerk?

The statute is very vague on this, but it is assumed that it must be some sort of surety bond. Many county clerks are unaware of the required procedure, so it is suggested that a surety bond be obtained from a bond company and the county clerk's office then asked to keep it on file until the prize is awarded. Refer the clerk's office to CREA 2002.056(d)(2).

Poker/Casino Nights Can my nonprofit hold a poker tournament or casino night fundraiser?

Unlike raffles and bingo, there is NO exception to the gambling law in Texas for nonprofits to hold poker or casino night fundraising events. The gambling law, Chapter 47 of the Penal Code, applies to nonprofits and to for profits equally. See Tex. Pen. Code Ann. §47 (Vernon 2003). Basically, there are three parts to an activity that could make it illegal gambling: 1) money or anything of value is paid to enter the game; 2) the winners are decided by a game of chance and 3) prizes of value are awarded. If all three of those conditions are met, then it's probably gambling and illegal. If the game is free to enter, then prizes of value may be awarded. If an entry fee is charged, then prizes of value may not be awarded. There are some exceptions to this rule, including certain carnival contests in which prizes with a value of less than \$25 are awarded and mechanical devices for amusement purposes in which prizes with a value of less than \$5 are awarded. If your organization is considering conducting an event involving a game of chance, you should consult Chapter 47 of the Penal Code to determine its legality.

What if the poker tournament or casino night is held in a private place?

It is legal for individuals to play poker or other casino activities in a private place, defined as "a place to which the public does not have access." They can bet money and win money. However, all money must be redistributed to the participants. The "house" cannot keep a cut, thus it would obviously be difficult for a nonprofit to raise funds in this way.

ADDITIONAL LINKS

ACCESSIBILITY

PRIVACY & SECURITY

REPORT FRAUD

SITE POLICY

DATA SETS

SITE INDEX

CONTRACTS

CAREERS

OCCUPATIONS CODE

TITLE 13. SPORTS, AMUSEMENTS, AND ENTERTAINMENT

SUBTITLE A. GAMING

CHAPTER 2002. CHARITABLE RAFFLES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2002.001. SHORT TITLE. This chapter may be cited as the Charitable Raffle Enabling Act.

Acts 1999, 76th Leg., ch. 388, Sec. 1, eff. Sept. 1, 1999.

Sec. 2002.002. DEFINITIONS. In this chapter:

(1) "Charitable purposes" means:

(A) benefitting needy or deserving persons in this state, indefinite in number, by:

(i) enhancing their opportunities for religious or educational advancement;

(ii) relieving them from disease, suffering, or distress;

(iii) contributing to their physical well-being;

(iv) assisting them in establishing themselves in life as worthy and useful citizens; or

(v) increasing their comprehension of and devotion to the principles on which this nation was founded and enhancing their loyalty to their government;

(B) initiating, performing, or fostering worthy public works in this state; or

(C) enabling or furthering the erection or maintenance of public structures in this state.

(1-a) "Money" means coins, paper currency, or a negotiable instrument that represents and is readily convertible to coins or paper currency.

(2) "Qualified organization" means a qualified religious society, qualified volunteer fire department, qualified volunteer emergency medical service, or qualified nonprofit organization.

(3) "Qualified religious society" means a church, synagogue, or other organization or association organized primarily for religious purposes that:

(A) has been in existence in this state for at least 10 years; and

(B) does not distribute any of its income to its members, officers, or governing body, other than as reasonable compensation for services or for reimbursement of expenses.

(4) "Qualified volunteer emergency medical service" means an association that:

(A) is organized primarily to provide and actively provides emergency medical, rescue, or ambulance services;

(B) does not pay its members compensation other than nominal compensation; and

(C) does not distribute any of its income to its members, officers, or governing body other than for reimbursement of expenses.

(5) "Qualified volunteer fire department" means an association that:

(A) operates fire-fighting equipment;

(B) is organized primarily to provide and actively provides fire-fighting services;

(C) does not pay its members compensation other than nominal compensation; and

(D) does not distribute any of its income to its members, officers, or governing body, other than for reimbursement of expenses.

(6) "Raffle" means the award of one or more prizes by chance at a single occasion among a single pool or group of persons who have paid or promised a thing of value for a ticket that represents a chance to win a prize.

(7) "Reverse raffle" means a raffle in which the last ticket or tickets drawn are considered the winning tickets.

Acts 1999, 76th Leg., ch. 388, Sec. 1, eff. Sept. 1, 1999.

Amended by:

Acts 2005, 79th Leg., Ch. 929 (H.B. 541), Sec. 1, eff. June 18, 2005.

Acts 2005, 79th Leg., Ch. 1006 (H.B. 659), Sec. 1, eff. September 1, 2005.

Sec. 2002.003. QUALIFIED NONPROFIT ORGANIZATION. (a) An organization incorporated or holding a certificate of authority under the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes) is a qualified nonprofit organization for the purposes of this chapter if the organization:

(1) does not distribute any of its income to its members, officers, or governing body, other than as reasonable compensation for services;

(2) has existed for the three preceding years;

(3) does not devote a substantial part of its activities to attempting to influence legislation and does not participate or intervene in any political campaign on behalf of any candidate for public office in any manner, including by publishing or distributing statements or making campaign contributions;

(4) qualifies for and has obtained an exemption from federal income tax from the Internal Revenue Service under Section 501(c), Internal Revenue Code of 1986; and

(5) does not have or recognize any local chapter, affiliate, unit, or subsidiary organization in this state.

(b) An organization that is formally recognized as and that operates as a local chapter, affiliate, unit, or subsidiary organization of a parent organization incorporated or holding a certificate of authority under the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes) is a qualified nonprofit organization if:

(1) neither the local organization nor the parent organization distributes any of its income to its members, officers, or governing body, other than as reasonable compensation for services;

(2) the local organization has existed for the three preceding years and during those years has been formally recognized

as a local chapter, affiliate, unit, or subsidiary organization of the parent organization;

(3) neither the local organization nor the parent organization:

(A) devotes a substantial part of its activities to attempting to influence legislation; or

(B) participates or intervenes in any political campaign on behalf of any candidate for public office in any manner, including by publishing or distributing statements or making campaign contributions; and

(4) either the local organization or the parent organization qualifies for and has obtained an exemption from federal income tax from the Internal Revenue Service under Section 501(c), Internal Revenue Code of 1986.

(b-1) An organization that is formally recognized as and that operates as a local chapter, affiliate, unit, or subordinate lodge of a grand lodge or other institution or order incorporated under Title 32, Revised Statutes, as authorized by Article 1399, Revised Statutes, is a qualified nonprofit organization if:

(1) neither the local organization nor the incorporated grand lodge or other institution or order distributes any of its income to its members, officers, or governing body, other than as reasonable compensation for services;

(2) the local organization has existed for the three preceding years and during those years:

(A) has had a governing body or officers elected by a vote of its members or by a vote of delegates elected by its members; or

(B) has been formally recognized as a local chapter, affiliate, unit, or subordinate lodge of the grand lodge or other institution or order;

(3) neither the local organization nor the incorporated grand lodge or other institution or order:

(A) devotes a substantial part of its activities to attempting to influence legislation; or

(B) participates or intervenes in any political campaign on behalf of any candidate for public office in any manner,

including by publishing or distributing statements or making campaign contributions; and

(4) either the local organization or the incorporated grand lodge or other institution or order qualifies for and has obtained an exemption from federal income tax from the Internal Revenue Service under Section 501(c), Internal Revenue Code of 1986, or other applicable provision.

(c) An unincorporated organization, association, or society is a qualified nonprofit organization if it:

(1) does not distribute any of its income to its members, officers, or governing body, other than as reasonable compensation for services;

(2) for the three preceding years has been affiliated with a state or national organization organized to perform the same purposes as the unincorporated organization, association, or society;

(3) does not devote a substantial part of its activities to attempting to influence legislation and does not participate or intervene in any political campaign on behalf of any candidate for public office in any manner, including by publishing or distributing statements or making campaign contributions; and

(4) qualifies for and has obtained an exemption from federal income tax from the Internal Revenue Service under Section 501(c), Internal Revenue Code of 1986.

(d) An organization, association, or society is considered to devote a substantial part of its activities to attempting to influence legislation for purposes of this section if, in any 12-month period in the preceding three years, more than 10 percent of the organization's expenditures were made to influence legislation.

(e) A nonprofit wildlife conservation association and its local chapters, affiliates, wildlife cooperatives, or units are qualified nonprofit organizations under this chapter if the parent association meets the eligibility criteria under this section other than the requirement prescribed by Subsection (a)(3), (b)(3), (b-1)(3), or (c)(3), as applicable. An association or a local chapter, affiliate, wildlife cooperative, or unit that is eligible under this subsection may not use any proceeds from a raffle conducted under this chapter to attempt to influence legislation or participate or intervene in a political campaign on behalf of a candidate for public office in any

manner, including by publishing or distributing a statement or making a campaign contribution. A nonprofit wildlife conservation association may conduct two raffles each year and each local chapter, affiliate, wildlife cooperative, or unit may conduct two raffles each year under this chapter. For purposes of this section, a nonprofit wildlife conservation association includes an association that supports wildlife, fish, or fowl.

Acts 1999, 76th Leg., ch. 388, Sec. 1, eff. Sept. 1, 1999.

Amended by:

Acts 2005, 79th Leg., Ch. 34 (S.B. 766), Sec. 1, eff. May 9, 2005.

Acts 2005, 79th Leg., Ch. 929 (H.B. 541), Sec. 2, eff. June 18, 2005.

Acts 2009, 81st Leg., R.S., Ch. 936 (H.B. 3113), Sec. 1, eff. June 19, 2009.

Sec. 2002.004. IMPUTED ACTIONS OF ORGANIZATION. For purposes of this chapter, an organization performs an act if a member, officer, or agent of the organization performs the act with the consent or authorization of the organization.

Acts 1999, 76th Leg., ch. 388, Sec. 1, eff. Sept. 1, 1999.

SUBCHAPTER B. OPERATION OF RAFFLE

Sec. 2002.051. RAFFLE AUTHORIZED. A qualified organization may conduct a raffle subject to the conditions imposed by this subchapter.

Acts 1999, 76th Leg., ch. 388, Sec. 1, eff. Sept. 1, 1999.

Sec. 2002.052. TIME AND FREQUENCY RESTRICTIONS. (a) In this section, "calendar year" means a period beginning January 1 and ending on the succeeding December 31.

(b) A raffle is not authorized by this chapter if the organization sells or offers to sell tickets for or awards prizes in the raffle in a calendar year in which the organization has

previously sold or offered to sell tickets for or awarded prizes in two or more other raffles.

(c) The organization may not sell or offer to sell tickets for a raffle during a period in which the organization sells or offers to sell tickets for another raffle. If an organization violates this subsection, neither of the raffles is authorized.

(d) Before selling or offering to sell tickets for a raffle, a qualified organization shall set a date on which the organization will award the prize or prizes in a raffle. The organization must award the prize or prizes on that date unless the organization becomes unable to award the prize or prizes on that date.

(e) A qualified organization that is unable to award a prize or prizes on the date set under Subsection (d) may set another date not later than 30 days from the date originally set on which the organization will award the prize or prizes.

(f) If the prize or prizes are not awarded within the 30 days as required by Subsection (e), the organization must refund or offer to refund the amount paid by each person who purchased a ticket for the raffle.

Acts 1999, 76th Leg., ch. 388, Sec. 1, eff. Sept. 1, 1999. Amended by Acts 2003, 78th Leg., ch. 597, Sec. 1, eff. Sept. 1, 2003.

Sec. 2002.053. USE OF RAFFLE PROCEEDS. All proceeds from the sale of tickets for a raffle must be spent for the charitable purposes of the qualified organization.

Acts 1999, 76th Leg., ch. 388, Sec. 1, eff. Sept. 1, 1999.

Amended by:

Acts 2005, 79th Leg., Ch. 929 (H.B. 541), Sec. 3, eff. June 18, 2005.

Sec. 2002.054. RESTRICTIONS ON RAFFLE PROMOTION AND TICKET SALES. (a) The organization may not:

(1) directly or indirectly, by the use of paid advertising, promote a raffle through a medium of mass communication, including television, radio, or newspaper;

(2) promote or advertise a raffle statewide, other than on the organization's Internet website or through a publication or solicitation, including a newsletter, social media, or electronic mail, provided only to previously identified supporters of the organization; or

(3) sell or offer to sell tickets for a raffle statewide.

(b) Except as provided by this subsection, the organization may not compensate a person directly or indirectly for organizing or conducting a raffle or for selling or offering to sell tickets to a raffle. A member of the organization who is employed by the organization may organize and conduct a raffle, but the member's work organizing or conducting a raffle may not be more than a de minimis portion of the member's employment with the organization.

(c) Except as provided by Section 2002.0541, the organization may not permit a person who is not authorized by the organization to sell or offer to sell raffle tickets.

Acts 1999, 76th Leg., ch. 388, Sec. 1, eff. Sept. 1, 1999.

Amended by:

Acts 2005, 79th Leg., Ch. 929 (H.B. 541), Sec. 4, eff. June 18, 2005.

Acts 2005, 79th Leg., Ch. 1006 (H.B. 659), Sec. 2, eff. September 1, 2005.

Acts 2007, 80th Leg., R.S., Ch. 921 (H.B. 3167), Sec. 12.003, eff. September 1, 2007.

Acts 2011, 82nd Leg., R.S., Ch. 124 (H.B. 457), Sec. 1, eff. May 27, 2011.

Sec. 2002.0541. REVERSE RAFFLE. (a) A qualified organization may conduct a reverse raffle as provided by this section.

(b) Notwithstanding Section 2002.056(a), a refund of the purchase price of a ticket may be awarded as a raffle prize in a reverse raffle.

(c) Notwithstanding Section 2002.055(3), after the drawing of tickets in a reverse raffle has begun, the qualified organization conducting the raffle may auction off additional tickets to persons who are present at the drawing for a price other than the price printed on the ticket.

(d) After the drawing of tickets in a reverse raffle has begun, the qualified organization may permit a ticket holder present at the drawing to resell the ticket to another person present at the drawing for an amount greater than the original purchase price of the ticket. The sale must be made through a designated representative of the organization, and not less than 10 percent of the sale proceeds must be retained by the organization.

(e) Notwithstanding Section 2002.055(3), after the drawing of tickets in a reverse raffle has begun, the qualified organization may permit the holder of a previously drawn ticket:

(1) to purchase additional chances for the ticket to be selected to win a prize; or

(2) to purchase additional tickets for the raffle.

(f) Only the portion of the proceeds from the resale of a ticket under Subsection (d) retained by the organization are subject to Section 2002.053. All proceeds from the sale of additional chances for a ticket under Subsection (e) are considered to be proceeds from the sale of the ticket for purposes of Section 2002.053.

Added by Acts 2005, 79th Leg., Ch. 1006 (H.B. 659), Sec. 3, eff. September 1, 2005.

Sec. 2002.055. TICKET DISCLOSURES. The following information must be printed on each raffle ticket sold or offered for sale:

(1) the name of the organization conducting the raffle;

(2) the address of the organization or of a named officer of the organization;

(3) the ticket price;

(4) a general description of each prize having a value of more than \$10 to be awarded in the raffle; and

(5) the date on which the raffle prize or prizes will be awarded.

Acts 1999, 76th Leg., ch. 388, Sec. 1, eff. Sept. 1, 1999. Amended by Acts 2003, 78th Leg., ch. 597, Sec. 2, eff. Sept. 1, 2003.

Sec. 2002.056. RESTRICTIONS ON PRIZES. (a) A prize offered or awarded at a raffle may not be money.

(b) Except as provided by Subsections (b-1) and (c), the value of a prize offered or awarded at a raffle that is purchased by the organization or for which the organization provides any consideration may not exceed \$50,000.

(b-1) The value of a residential dwelling offered or awarded as a prize at a raffle that is purchased by the organization or for which the organization provides any consideration may not exceed \$250,000.

(c) A raffle prize may consist of one or more tickets in the state lottery authorized by Chapter 466, Government Code, with a face value of \$50,000 or less, without regard to whether a prize in the lottery game to which the ticket or tickets relate exceeds \$50,000.

(d) A raffle is not authorized by this chapter unless the organization:

(1) has the prize to be offered in the raffle in its possession or ownership; or

(2) posts bond with the county clerk of the county in which the raffle is to be held for the full amount of the money value of the prize.

Acts 1999, 76th Leg., ch. 388, Sec. 1, eff. Sept. 1, 1999.

Amended by:

Acts 2005, 79th Leg., Ch. 929 (H.B. 541), Sec. 5, eff. June 18, 2005.

Sec. 2002.057. TICKET SALE ON UNIVERSITY PROPERTY. An institution of higher education, as defined by Section 61.003, Education Code, shall allow a qualified organization that is a student organization recognized by the institution to sell raffle tickets at any facility of the institution, subject to reasonable restrictions on the time, place, and manner of the sale.

Acts 1999, 76th Leg., ch. 388, Sec. 1, eff. Sept. 1, 1999.

Sec. 2002.058. INJUNCTIVE ACTION AGAINST UNAUTHORIZED RAFFLE.

(a) A county attorney, district attorney, criminal district

attorney, or the attorney general may bring an action in county or district court for a permanent or temporary injunction or a temporary restraining order prohibiting conduct involving a raffle or similar procedure that:

(1) violates or threatens to violate state law relating to gambling; and

(2) is not authorized by this chapter or other law.

(b) Venue for an action under this section is in the county in which the conduct occurs or in which a defendant in the action resides.

Acts 1999, 76th Leg., ch. 388, Sec. 1, eff. Sept. 1, 1999.

Charitable Raffles: Know the Law



By Greg Abbott
Attorney General of Texas

My office receives numerous calls from Texans across the state who are hoping to raise money for a good cause. Many Texans decide they want to do a raffle.

But is it legal to raise funds with a raffle?

It depends. The Charitable Raffle Enabling Act which has been in effect since September 1, 1999, establishes the guidelines for conducting a legal raffle in the State of Texas. The Act was established to provide certain charitable and non-profit membership organizations a means to generate income to support their causes.

The Act defines the types of organizations that can hold raffles. In general a qualified organization is defined as:

- An association organized primarily for religious purposes that has been in existence in Texas for at least ten years.
- A voluntary emergency medical service that does not pay its members other than nominal compensation.
- A volunteer fire department that operates fire fighting equipment and does not pay its members other than nominal compensation.

Other organizations may qualify. You can hold a raffle if your non-profit organization:

- is at least three years old;
- elects its governing body;
- has a 501(c) tax exemption;
- has members;
- does not distribute income to its members; and
- does not participate in any political campaign.

These are the **ONLY** organizations allowed to hold raffles in Texas. Any other type of organization, business or individual conducting a raffle in Texas would be doing so illegally.

The law also regulates what types of prizes may be offered. Qualified organizations may offer any prize except money. There is no value limit on prizes donated to the organization. However, if raffle organizers offer a prize they have bought or given other consideration for, the value of the prize may not exceed \$50,000.

There are a few other restrictions. For example, a qualified organization may only hold two raffles per year. Raffle tickets may not be advertised state wide or through paid advertisements. Each ticket must provide the name and address of the organization holding the raffle or the address of an officer of the organization. Tickets may only be sold by members of the organization. Additionally, the ticket must include

the price of the ticket and a general description of each prize that has a value of more than \$10.

A raffle that violates the Charitable Raffle Enabling Act is considered illegal gambling under the Texas Penal Code. Conducting an illegal raffle is a Class A misdemeanor and participation is a Class C misdemeanor.

My office would not be permitted to advise you about whether your particular organization, or any particular proposed raffle, would be legal. We can only provide these general guidelines. If you have doubts about the legality of a raffle, consult a private attorney.

For information on conducting a legal raffle in Texas, read Chapter 2002, Charitable Raffles, Occupations Code, Texas Codes Annotated. We also offer an online brochure on charitable raffles that can be found on our Web site at www.oag.state.tx.us.

This column was originally issued May 4, 2004 and contains outdated information and is included here only as historical reference. It has been revised and reissued on May 04, 2010 and can be seen on the next page of this 2-page PDF.

POINTS TO REMEMBER

CHARITABLE RAFFLES

Registration and Taxation requirements for nonprofit organizations in Texas:

Secretary of State
Post Office Box 12697
Austin, TX 78711
(800) 648-9642
www.sos.state.tx.us

Comptroller of Public Accounts
Post Office Box 13528
Austin, TX 78711
(800) 463-4600
www.cpa.state.tx.us

For a copy of the
Charitable Raffle Enabling Act:
Texas Legislature Online
www.capitol.state.tx.us
State Law Library
(512) 463-1722

Online brochure:
Charitable Raffles
www.oag.state.tx.us
or call for a free copy:
800 252-8011



ATTORNEY GENERAL OF TEXAS
GREG ABBOTT

Information on this and other topics is available on the
Attorney General's Web site at www.oag.state.tx.us.



CHARITABLE RAFFLES: KNOW THE LAW

by Texas Attorney General Greg Abbott

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It depends. The Charitable Raffle Enabling Act which has been in effect since January 1, 1990, establishes the guidelines for conducting a legal raffle in the State of Texas. The Act was established to provide certain charitable and nonprofit organizations a means to generate income to support their causes.

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Each raffle ticket must state: 1) the name of the organization conducting the raffle; 2) the address of the organization or of a named officer of the organization; 3) the ticket price; 4) a general description of each prize having a value of more than \$10; and 5) the date on which the raffle prize(s) will be awarded.

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My office would not be permitted to advise you about whether your particular organization, or any particular proposed raffle, would be legal. We can only provide these general guidelines. If you have doubts about the legality of a raffle, consult a private attorney.

For more information on conducting a legal raffle in Texas, read Chapter 2002, Charitable Raffles, Occupations Code, Texas Codes Annotated. We also offer an online brochure on charitable raffles that can be found on our website at www.oag.state.tx.us.

*Originally released May 5, 2004.
Updated May 5, 2010.*

POINTS TO REMEMBER



CHARITABLE RAFFLES

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Online brochure:
Charitable Raffles
www.texasattorneygeneral.gov
or call for a free copy:
(800) 252-8011



ATTORNEY GENERAL OF TEXAS
GREG ABBOTT

Financial Management Handbook
For Parent Organizations
Section 10
Tax Exempt Status – Lost, Reinstatement

1.0 Documents from IRS.gov

Section 10 is information taken from the IRS website to assist parent organizations in tax-related matters associated with nonprofit organizations and loss of tax exempt status. The information provided is not meant to be all-inclusive.

The following information can be found on the IRS website: www.irs.gov

Automatic Exemption Revocation for Non-Filing: Frequently Asked Questions

The IRS provides answers to questions about automatic loss of tax exemption for not filing annually as required, in the following categories:

1. [The Basics](#)
2. [Consequences of Revocation](#)
3. [Group Exemption Subordinates](#)
4. [You Think Your Organization Was Erroneously Listed as Revoked](#)
5. [Regaining Your Exempt Status - Applying for Reinstatement](#)

THE BASICS

1. What is automatic revocation?

Automatic revocation occurs when an exempt organization that is required to file an annual return (e.g., Form 990, 990-EZ or 990-PF) or submit an annual electronic notice (Form 990-N, or e-Postcard) does not do so for three consecutive years. Under the law, the organization's federal tax-exempt status is automatically revoked.

Updated: 14-Apr-2017

2. What organizations are subject to automatic revocation?

All exempt organizations required to file an annual return or submit an annual electronic notice are subject to automatic revocation for failure to file for three consecutive years. Exempt organizations not required to file an annual return or notice are not subject to automatic revocation. For a list of organizations (e.g., churches, conventions or associations of churches, and integrated auxiliaries of churches) that are not required to file a return or notice, see [Annual Exempt Organization Return: Who Must File](#).

Updated: 14-Apr-2017

3. How does my organization know that it has been automatically revoked?

A list (the Auto-Revocation List) of automatically revoked organizations, updated monthly, is on the [IRS website](#). For each organization, the Auto-Revocation List provides the name, last known address, employer identification number (EIN), subsection of exemption, effective date of revocation, date the name is published on the Auto-Revocation List, and the exemption reinstatement date.

In addition, the IRS sends a letter to each organization, at its last known address, stating that its exempt status has been automatically revoked because it has not filed a required annual return or notice for three consecutive years.

Updated: 04-Apr-2017

4. On what date is automatic revocation effective?

The effective date of automatic revocation for an organization that does not file a required annual return or notice for three consecutive years is the filing due date of the third year's return. The due date for a return is the 15th day of the 5th month after the end of the organization's taxable year (May 15th for organizations filing based on a calendar year). However, if the 15th falls on a Saturday, Sunday or legal holiday, the actual due date is the next business day that is not a Saturday, Sunday or legal holiday. Because of system limitations, the effective date of revocation on the Auto-Revocation List is the unadjusted due date, not taking into account Saturday, Sunday or legal holiday dates. Therefore, if the unadjusted due date fell on a Saturday, Sunday or legal holiday, then the actual effective date of revocation is the next business day that is not a Saturday, Sunday or legal holiday. For example, May 15, 2010, fell on a Saturday so the actual due date for returns was May 17, 2010. Therefore, where the list states the effective date of revocation is May 15, 2010, the actual effective date of revocation is May 17, 2010.

Updated: 14-Apr-2017

5. Will the IRS publish the names of all automatically revoked section 501(c)(3) organizations in the Internal Revenue Bulletin?

No. The names of organizations will be published only on the Auto-Revocation List, which will be maintained and updated monthly on the IRS website.

Names of section 501(c)(3) organizations revoked pursuant to an audit will continue to appear in the Internal Revenue Bulletin.

Updated: 05-Apr-2017

6. My organization never applied for recognition of tax-exempt status, and has not filed a required return or notice for three consecutive years. Is our tax-exempt status automatically revoked even if our name does not appear on the Auto-Revocation List?

Yes. An organization that initially did not have to file an application to be treated as tax-exempt (e.g., a section 501(c)(4) organization or a subordinate included in a group ruling), but that is nevertheless required to file an annual information return (990, 990-EZ) or notice (990-N), automatically loses its federal tax exemption as of the due date of the third non-filed return or notice. This is true even if the organization is not on the Auto-Revocation List.

Updated: 08-Dec-2016

CONSEQUENCES OF REVOCATION

1. What is the effect of automatic revocation on an organization?

An organization that has lost its tax-exempt status through automatic revocation may be required to file one of the following federal income tax returns and pay any applicable income taxes:

- [Form 1120](#), *U.S. Corporation Income Tax Return*, due by the 15th day of the 3rd month after the end of an organization's [tax year](#), or
- [Form 1041](#), *U.S. Income Tax Return for Estates and Trusts*, due by the 15th day of the 4th month after the end of an organization's [tax year](#).

In addition, a section 501(c)(3) organization that loses its tax-exempt status cannot receive tax-deductible contributions and will not be identified in the IRS Business Master File extract as eligible to receive tax-deductible contributions, or be included in [Exempt Organizations Select Check \(Pub 78 database\)](#).

To have its tax-exempt status reinstated, the organization must [file an application](#) for exemption. An organization may also request [retroactive reinstatement](#) as part of its application.

Updated: 14-Apr-2017

2. My organization is a private foundation and appears on the list of automatically revoked organizations (Auto-Revocation List). Is the organization still treated as a private foundation? Is the organization required to continue filing Form 990PF?

A private foundation listed on the [Automatic Revocation of Exemption List](#) for failure to file [Form 990-PF](#) for three consecutive years [automatically loses its tax-exempt status](#), but remains classified as a private foundation. A nonexempt private foundation must continue to file Form 990-PF every year, and remains subject to [excise taxes](#). A nonexempt, or taxable, private foundation may also be required to file a federal income tax return ([Form 1120](#) or [Form 1041](#)) and [pay any applicable income taxes](#).

A nonexempt private foundation can only terminate its private foundation status under the provisions of section 507 of the Internal Revenue Code. See [Terminating Private Foundation Status](#).

Additional information

- [Revoked? Reinstated? Learn More](#)

Updated: 31-Mar-2017

3. Will automatic revocation affect an organization's status in the states in which it conducts activities or solicits contributions?

Because the IRS does not enforce and cannot give advice concerning state laws, organizations on the Auto-Revocation List should contact the [appropriate state agencies](#) to

determine whether their rights and obligations in any state are affected by automatic revocation. For example, under the laws of some states, organizations on the list of automatically revoked organizations (Auto-Revocation List) may not be entitled to exemptions from real property, sales or other taxes or they may be required to provide state authorities or the public with information concerning their changed federal tax status.

Updated: 31-Mar-2017

4. Will a 501(c)(3) organization on the Auto-Revocation List be eligible to receive tax-deductible charitable contributions?

No. A 501(c)(3) organization that is automatically revoked is not eligible to receive tax-deductible contributions. It will be deleted from [Exempt Organizations Select Check \(Pub 78 database\)](#) and the IRS Business Master File extract will no longer indicate that the organization is eligible to receive tax-deductible contributions. Tax-deductible contributions may be made to an organization whose tax-exempt status is subsequently reinstated.

Updated: 14-Apr-2017

5. When are a donor's contributions to an automatically revoked section 501(c)(3) organization no longer tax deductible?

Contributions may be deducted by persons unaware of a change in an organization's status until the IRS publishes an announcement that contributions to the organization are no longer deductible.

Publication of an organization's name on the list of automatically revoked organizations (Auto-Revocation List) serves as notice to donors and others that the organization is no longer eligible to received tax-deductible contributions under section 170 and that donors and others may no longer rely on an IRS determination letter dated before the effective date of revocation and may no longer rely on a prior listing in [Exempt Organizations Select Check \(Pub 78 database\)](#) or in the IRS Business Master File extract for purposes of claiming tax-deductible contributions.

Tax deductible contributions may be made to an organization whose tax-exempt status is subsequently reinstated.

Updated: 14-Apr-2017

6. Does my organization have to pay the excise, income or other taxes the IRS assessed before it appeared on the Auto-Revocation List as automatically revoked?

Yes. Your organization is liable for all income, excise or other taxes and penalties that may have been owed at the time it was automatically revoked. Your organization will also be responsible for any future tax liabilities that accrue as a result of your organization's loss of exemption.

Updated: 14-Apr-2017

7. Will the IRS assess late filing penalties for the three years my organization failed to file its return or notice, or for any other earlier year we didn't file?

The IRS has decided not to impose any late filing penalties against organizations on the list of automatically revoked organizations (Auto Revocation List) for any of the three consecutive years they failed to file, or for any prior periods. Further, an automatically revoked organization does not need to file any Form 990, Form 990-EZ, or Form 990-N that was delinquent at the time of automatic revocation. It must, however, comply with all filing requirements after automatic revocation to avoid incurring penalties in the future.

Certain larger organizations seeking retroactive reinstatement, however, must submit with their applications for reinstatement all delinquent annual information returns beginning with the three-year period for which they were automatically revoked. For more information, see [Notice 2011-44](#).

Updated: 31-Mar-2017

GROUP EXEMPTION SUBORDINATES

1. My organization is a subordinate in a non-church group ruling and was automatically revoked for failing to file for three consecutive years. Can my organization get its tax-exempt status reinstated by having the group ruling holder add it back onto their group exemption roster filed with the IRS?

No. Under the *Pension Protection Act of 2006*, if an organization's tax-exempt status is revoked for failure to file for three years, the only way it can get that status reinstated is to apply for exemption. That rule applies regardless of whether the organization originally was required to apply for exemption.

Updated: 14-Apr-2017

2. My organization was a subordinate in a group ruling but was automatically revoked for failing to file for three consecutive years. We applied for and received reinstatement of our tax-exempt status. Do we need to ask the group ruling holder to add us back into its group exemption?

No. For tax exemption purposes, you do not need to be put back into the group exemption ruling because your organization now has its own individual tax exemption.

Updated: 14-Apr-2017

3. My organization is a subordinate in a group exemption and has filed all of its returns. My parent/central organization was automatically revoked for failing to file for three years. Does that affect my exemption?

When a parent/central organization is automatically revoked, the group exemption letter ceases to have effect regardless of whether the subordinates filed their own returns or the parent/central organization filed a group return on behalf the subordinates. The continued

effectiveness of a group exemption letter as to a particular subordinate is based on continued qualification of the parent/central organization for exemption.

Now that the group exemption is no longer in effect, the subordinates may be required to file income tax returns. A subordinate that wishes to be recognized as tax-exempt by the IRS must file an application for exemption.

Updated: 04-Apr-2017

YOU THINK YOUR ORGANIZATION WAS ERRONEOUSLY LISTED AS REVOKED

1. Can the IRS “undo” my organization’s automatic revocation?

No. If an organization does not file an annual return or notice for three consecutive years, the organization is automatically revoked by operation of law, and not by a determination made by the IRS. To have its tax-exempt status reinstated, the organization must [file an application](#) for exemption. An organization may also request [retroactive reinstatement](#) as part of its application.

Updated: 05-Apr-2017

2. May my organization appeal its automatic revocation?

No, the law provides no appeals process for automatic revocations. To have its tax-exempt status reinstated, the organization must [file an application for exemption](#). An organization may also request [retroactive reinstatement](#) as part of its application.

Updated: 14-Apr-2017

3. If an organization on the Auto-Revocation List has documentation that it met its filing requirement for one or more years during the three year period, what should it do?

An organization possessing documentation (an IRS receipt for a filed return, for example) that shows it has *not* failed to file for three consecutive years should contact [Customer Account Services](#), or send the documentation directly to the Exempt Organizations Account Unit:.

By Mail:
Internal Revenue Service
1973 North Rulon White Blvd.
M/S 6552
Ogden, UT 84404

By Fax:
(801) 620-5555

If the organization submits documentation that it met its Form 990-series filing requirement for one or more of the years during the three-year period, the IRS will remove your name from the Auto-Revocation List.

Updated: 05-Apr-2017

4. If an organization on the Auto-Revocation List has a letter from the IRS stating that it does not have an annual filing requirement, what should it do?

An organization with a ruling or determination letter from the IRS stating that it does not have an annual filing requirement should send a copy of the ruling or determination letter, along with a written request to be removed from the Auto-Revocation List, to:

Internal Revenue Service - TEGE
P.O. Box 2508
Cincinnati, OH 45201

Or by fax to: 855-204-6184 (not a toll-free number).

If the organization submits a ruling or determination letter from the IRS stating that it did not have a Form 990-series filing requirement, and if the organization's filing requirement has not changed since the date of that ruling or determination letter, the IRS will remove its name from the Auto-Revocation List.

Updated: 14-Apr-2017

5. If an organization on the Auto-Revocation List has been legally formed for less than three years, what should it do?

The filing requirements for a tax-exempt organization generally start with the tax year in which it was legally formed. When an organization applies for an EIN, the IRS considers it legally formed and a filing requirement is established. If the organization doesn't satisfy that filing requirement for three consecutive years after the formation date, its exemption will be automatically revoked. If an organization on the Auto-Revocation List was not legally formed in the same tax year it requested its EIN, or if the organization believes it was erroneously revoked because the IRS used the EIN application date for purposes of automatic revocation, it should send a statement indicating its legal formation date directly to the Exempt Organizations Entity Unit.

By Mail:
Internal Revenue Service
1973 North Rulon White Blvd.
M/S 6273
Ogden, UT 84404

By Fax:
(855) 214-7520

The statement of legal formation date must be signed over the following statement: "Under penalties of perjury, to the best of my knowledge, the information in this form is correct and complete." If the organization submits the signed statement that it did not legally form until after one or more of the years during the three-year period, the IRS will remove your name from the Auto-Revocation List.

Updated: 16-Dec-2016

REGAINING YOUR EXEMPT STATUS – APPLYING FOR REINSTATEMENT

1. How do I get my organization's tax-exempt status reinstated if it was automatically revoked?

An organization must apply to have its tax-exempt status reinstated, even if it was not originally required to file an application for exemption. It must:

- Apply for recognition of tax exemption by filing [Form 1023](#) or [Form 1023-EZ](#), as applicable (if applying under section 501(c)(3)), or [Form 1024](#) or a letter (if applying under a different Code section), regardless of whether the organization was originally required to apply for exemption; and
- Pay the appropriate user fee.

An organization may also request [retroactive reinstatement](#) as part of its application.

For more information, see [Automatic Revocation – How to have your tax-exempt status retroactively reinstated](#).

Updated: 31-Jan-2017

2. Do I need to get a new employer identification number (EIN) for my organization to apply for reinstatement of tax-exempt status?

No. You must apply using the EIN assigned previously to your organization. See [Publication 1635, Understanding Your EIN](#), for more information on when you are required to get a new EIN.

Updated: 31-Jan-2017

3. Will the IRS expedite my organization's application for reinstatement of tax-exempt status?

The IRS will not expedite the review of applications of automatically revoked organizations requesting reinstatement of tax-exempt status. Any organization, whether new or automatically revoked, may request expedited processing of their application if it meets the [existing criteria](#) for such treatment.

If you are applying for reinstatement of tax-exempt status, you should write "Revenue Procedure 2014-11, Retroactive Reinstatement" on top of the Application. Small organizations eligible for streamlined reinstatement should write "Revenue Procedure 2014-11, Streamlined Retroactive Reinstatement" on top of the Application. See [Revenue Procedure 2014-11](#).

Updated: 14-Apr-2017

4. I am applying for reinstatement of exemption after my organization's exemption was automatically revoked for failure to file. When I fill out Form 1023, do I have to complete Schedule E?

No, you should not complete Schedule E, *Organizations Not Filing Form 1023 Within 27 Months of Formation*. An organization that applied for and receives reinstatement of its tax-exempt status after automatic revocation will normally have an [effective date of reinstated exemption](#) as of the date the exemption application was filed unless the organization applied for and received [retroactive reinstatement](#).

Updated: 14-Apr-2017

5. My organization has applied for reinstatement of its tax-exempt status. Am I required to start filing annual returns?

An organization that is eligible to submit an [annual electronic notice](#) (Form 990-N) because its annual receipts are normally \$50,000 or less is not required to submit Form 990-N until after its application for reinstatement of tax-exempt status has been approved.

An organization seeking reinstatement of its tax-exempt status that has a filing requirement and is not eligible to file a Form 990-N must file an annual information return (Form 990, Form 990-EZ or Form 990-PF) for each taxable year that ends while the application for reinstatement is pending. The organization should check the "application pending" block on the top of page 1 of the return. For more information about filing requirements while an application for exemption is pending, see [Publication 557, Tax-Exempt Status for Your Organization](#).

Organizations not eligible to file Form 990-N who are seeking retroactive reinstatement must submit with their applications for reinstatement all delinquent annual information returns beginning with the first year of the three-year period for which they were automatically revoked. For more information and a list of other requirements, see [Revenue Procedure 2014-11](#).

Additional information

[Revoked? Reinstated? Learn More](#)

Updated: 14-Apr-2017

6. If my organization's tax-exempt status is reinstated, what is the effective date?

If an organization successfully [applies for reinstatement](#), the effective date of its reinstated tax-exempt status usually will be the date the organization filed its application. An organization may [request](#) to have its tax-exempt status reinstated back to the date of automatic revocation.

Updated: 14-Apr-2017

7. How do I request that my organization's tax-exempt status be reinstated effective as of the date its status was automatically revoked?

To request reinstatement back to the [date of automatic revocation](#), attach a letter to your application for reinstatement of exemption explaining why your organization failed to file required returns or notices for three consecutive years. Your request will be granted only if the IRS determines that the organization had [reasonable cause](#) for not filing an annual return or notice for three consecutive years and approves the organization's exemption application.

Updated: 14-Apr-2017

8. What is "reasonable cause" for failure to file an annual return or notice?

See [Notice 2011-44](#) for an explanation of "reasonable cause" and information on how to request reinstatement of exemption back to the effective date of automatic revocation.

Updated: 31-Jan-2017

9. Will my organization remain on the Automatic Revocation List if our tax-exempt status is reinstated?

Yes. The Automatic Revocation List is an IRS official record of organizations whose tax-exempt status has been automatically revoked for failing to file a required return or notice for three consecutive years. For organizations that applied for and received reinstatement, the list gives the date of reinstatement.

Updated: 14-Apr-2017

10. How do I confirm an organization's tax-exempt status has been reinstated, if organizations that have had their tax-exempt status revoked remain on the Auto-Revocation List?

An organization whose tax-exempt status has been automatically revoked for failing to file a required return or notice for three consecutive years will remain on the Auto-Revocation List (List). The List is a historical record of organizations whose tax-exempt status has been revoked for non-filing.

There are three ways to determine if an organization's tax-exempt status has been reinstated:

1. The organization's determination letter from the IRS granting reinstatement of tax-exempt status will show an effective exemption date that is the same as or later than the effective revocation date as shown on the List;
2. The organization is listed on the SOI Tax Stats - Exempt Organizations: IRS Master File Data state-by-state listing, with a **Ruling Date** that is after the effective revocation date as shown on the List; or
3. You may call our Customer Account Services line (toll-free) at (877) 829-5500.

Updated: 14-Apr-2017

11. My organization's tax-exempt status was automatically revoked, and I paid income taxes or received a delinquency or penalty notice for the period that my organization was no longer exempt. Now that the IRS has reinstated my organization's tax-exempt status, how do I request an abatement of the penalties or refund of tax paid with respect to an income tax return?

The organization should send a letter requesting a removal of the tax and/or abatement of the penalty, explaining that it was not liable because the organization's tax-exempt status was reinstated for part or all of the period covered by the income tax return or delinquency or penalty notice. The organization should include with the letter a copy of its new determination letter reinstating its tax exemption. If the organization already filed the taxable return and paid the tax or penalty, it should file an amended income tax return and request a refund.

The organization should send the letter to the IRS address where the organization filed, or should have filed, its original income tax return. The address will be indicated on the notice the organization received regarding the tax or penalty.

Include the organization's contact information in case the IRS has any questions.

Updated: 05-Apr-2017



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Revoked? Reinstated? Learn More

Most tax-exempt organizations other than churches and certain church-related organizations are required to file an annual information return or notice with the IRS.

Organizations that do not file for three consecutive years automatically lose their tax-exempt status. An automatic revocation is effective on the original filing due date of the third annual return or notice. (Section 6033(j) of the Internal Revenue Code)

Automatic Revocation of Exemption List

The IRS publishes the [list](#) of organizations whose tax-exempt status was automatically revoked because of failure to file a required Form 990, 990-EZ, 990-PF or Form 990-N (*e-Postcard*) for three consecutive years.

The list gives the name, employer identification number (EIN), organization type, last known address the organization provided to the IRS, effective date of revocation and the date the organization was added to the list. For organizations that applied for and received reinstatement, the list gives the date of reinstatement. IRS updates the list monthly.

[AUTOMATIC REVOCATION OF EXEMPTION LIST](#)

Effect of Losing Tax-Exempt Status

If an organization's tax-exempt status is automatically revoked, it is no longer exempt from federal income tax. Consequently, it may be required to file one of the following federal income tax returns and pay applicable income taxes:

- [Form 1120, U.S. Corporation Income Tax Return](#), due by the 15th day of the 3rd month after the end of the organization's [tax year](#)
- [Form 1041, U.S. Income Tax Return for Estates and Trusts](#), due by the 15th day of the 4th month after the end of your organization's [tax year](#)

An automatically revoked organization is not eligible to receive tax-deductible contributions and will be removed from the cumulative list of tax-exempt organizations, [Publication 78](#). The IRS will also send a letter informing the organizations of the revocation.

Donors can deduct contributions made before an organization's name appears on the Automatic Revocation List. State and local laws may affect an organization that loses its tax-exempt status as well.

Reinstating Tax-Exempt Status

The law prohibits the IRS from undoing a proper automatic revocation and does not provide for an appeal process. An automatically revoked organization must apply to have its status reinstated, even if the organization was not originally required to file an application for exemption.

There are [four ways to](#) be reinstated.

If the IRS determines that the organization meets the requirements for tax-exempt status, it will issue a new determination letter. The IRS also will include the reinstated organization in the next update of Exempt Organizations Select Check (Pub. 78 database), and indicate in the IRS Business Master File (BMF) extract that the organization is eligible to receive tax-deductible contributions. Donors and others may rely upon the new IRS determination letter as of its stated effective date and on the updated Exempt Organizations Select Check and BMF extract listings.

Additional information

- [Basics of automatic revocation](#)
- [Consequences of automatic revocation](#)
- [You think your organization was mistakenly revoked](#)
- [How to have your tax-exempt status retroactively reinstated](#)
- [Applying for reinstatement FAQs](#)
- [Group exemption subordinates](#)
- [Effect on bonds and retirement plans](#)
- [Information for state and federal credit unions](#)
- [Churches, integrated auxiliaries, and conventions and associations of churches](#)
- [Printable Fact Sheet - automatic revocation of tax-exempt status](#)

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Automatic Revocation of Exemption List

The IRS publishes a list of organizations that have had their federal tax-exempt status automatically revoked for failing to file an annual information return or notice with the IRS for three consecutive years. This Automatic Revocation of Exemption List may be viewed and searched on [Exempt Organizations Select Check \(EO Select Check\)](#).

The list gives the name, employer identification number (EIN), organization type, last known address the organization provided to the IRS, effective date of revocation and the date the organization was added to the list. For organizations that applied for and received reinstatement, the list gives the date of reinstatement. The IRS updates the list monthly.

Searching the List

The easiest way to search the list is by using the organization's Employer Identification Number (EIN)

When using a name search, because of system limitations, the name field may capture only the first few words of a long organizational name. For example, if the organization's full name is XXXXX YYYYY ZZZZZ University, Alumni Association Chapter 214, the name field may only display XXXXX YYYYY ZZZZZ University. For best search results, be sure to enter the exact legal name of the organization.

You can also use *EO Select Check* to search for automatically revoked organizations by state.

**Exempt Organizations
Select Check Tool** >

[Search Tips](#) for *Exempt Organizations Select Check*

What does it mean if an organization is on the list?

Because the list is an official IRS record of organizations that lost their exempt status for failing to file for three consecutive years, an automatically revoked organization whose exempt status is reinstated remains on the list. But for organizations that applied for and received reinstatement, the list gives the date of reinstatement. If you think your organization was erroneously listed as revoked, see our [frequently asked questions](#).

Publication of an organization's name on the Auto-Revocation List is notice that the organization is **no longer eligible to receive tax-deductible contributions** under section 170. For purposes of claiming tax-deductible contributions, donors and others may **not** rely on:

- an IRS determination letter dated before the effective date of revocation,
- or on a prior listing in either *Exempt Organizations Select Check* (Pub. 78 data),
- or the IRS Business Master File extract.

Additional information

- [Revoked? Reinstated? Learn more.](#)
- [How to get an organization's tax-exempt status reinstated](#)
- [Annual filing requirements for tax-exempt organizations](#)

Page Last Reviewed or Updated: 01-May-2017



Exempt Organizations Select Check: Timing of Database Updates for Organizations Whose Exempt Status Is Reinstated

My organization's tax-exempt status was reinstated, but I can't find my organization on Exempt Organizations Select Check (Pub. 78 Data) or the Exempt Organizations Business Master File extract (EO BMF). Why not?

Select Check (Pub. 78 Data) has been a major improvement in our search function, including monthly updates instead of the old Pub. 78 quarterly version. There still will be a delay between the time your organization is reinstated (or receives its initial exemption determination) and the time it shows up on *Select Check* (Pub. 78 Data) and EO BMF.

Here's why. *Select Check* (Pub. 78 Data) and EO BMF information is drawn from the IRS Master File. Once a month an automatic computer program pulls updated data from the Master File and transfers it to *Select Check* (Pub. 78 Data) and EO BMF. So, if your organization's record was updated in the Master File prior to the date the program is run, that information will appear in that month's update of *Select Check* (Pub. 78 Data) and EO BMF. If, on the other hand, your organization's information is updated in the Master File after the date the program is run, that information won't be included in *Select Check* (Pub. 78 Data) and EO BMF until the following month's update.

Between updates to *Select Check* (Pub. 78 Data) and EO BMF, donors can rely on your organization's determination letter from the IRS as proof of your exempt status. Even if your organization remains on the list of automatically revoked organizations, donors can rely on an IRS determination letter dated on or after the effective revocation date. Donors also can confirm an organization's status by calling the IRS (toll-free) at 1-877-829-5500.

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EO Select Check

Exempt Organizations Select Check is an online search tool that allows users to search for and select an exempt organization and check certain information about its federal tax status and filings. It consolidates three former search sites into one, providing expanded search capability and a more efficient way to search for organizations that:


- **Are eligible to receive tax-deductible charitable contributions (Publication 78 data).** Users may rely on this list in determining deductibility of their contributions (just as they did when Publication 78 was a separate electronic publication rather than part of *Select Check*).
Updated data posting date: 08-15-2017

Please be aware of the following when searching for organizations in this database:

1. *Certain eligible donees (i.e., churches, group ruling subordinates, and governmental units) may not be listed in this database. See [Other Eligible Donees](#) for more information.*
 2. *"Doing business as" (also known as DBA) names of organizations are not listed in this database. See [Search Tips](#) for additional guidance.*
- **Have had their tax-exempt status automatically revoked** under the law because they have not filed Form 990 series returns or notices annually as required for three consecutive years (**Auto-Revocation List**)
Updated data posting date: 08-16-2017
 - **Have filed a Form 990-N (e-Postcard)** annual electronic notice. (Most small exempt organizations whose annual gross receipts are normally \$50,000 or less are required to electronically submit Form 990-N, unless they choose instead to file a completed Form 990 or Form 990-EZ.)
Updated data posting date: 08-14-2017

[A tip for organizations and donors about the timing of data updates.](#)

In addition to searching for a particular organization, users may download a complete list of each of the three types of organizations through *Exempt Organizations Select Check*.

**Exempt Organizations
Select Check Tool** 

[Search Tips](#) for *Exempt Organizations Select Check*

Additional information

- [Frequently asked questions - Exempt Organizations Select Check](#)
- [Organizations eligible to receive tax-deductible charitable contributions](#)
- [Automatic revocation of tax exemption](#)
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- [Revocations of 501\(c\)\(3\) Determinations](#)
- [Suspensions Pursuant to Code Section 501\(p\)](#)
- [Exempt Organizations Business Master File Extract \(EO BMF\): a list of organizations recognized as exempt by the IRS](#)

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Exempt Organizations Select Check – Search Tips

Exempt Organizations Select Check (EO Select Check) provides access to three different IRS databases with information about tax-exempt organizations. Each database is produced from computer records and is subject to certain limitations, particularly in the format and arrangement of the entries.

Doing business as

Organizations are listed under the legal name or a "doing business as" name (dba) that is on file with the IRS. No separate listings of common or popular names of organizations are included. Some exceptions to the general rule may appear, however. In the "are eligible to receive tax-deductible charitable contributions" database (formerly called Publication 78), dba names of organizations are not listed.

Searching by name generally produces results where either the organization's legal name or dba includes any of the search terms. For example, a search for **Exempt Organization** would return organizations with either "Exempt" or "Organization" in their name. To search by phrase, include the phrase in quotation marks ("Exempt Organization"). DbA names and names of group ruling subordinates are not listed in the "are eligible to receive tax-deductible charitable contributions" (Pub. 78) database. Search by the legal name of the organization.

Searching - in general

1. You may only search one database at a time.
2. You must enter some information in one of the fields to start a search.
3. Hyperlinks on the search page explain the labeled terms in the application.
4. The search engine uses an includes search logic; it will search for records in the selected field that include the search term.
5. To pinpoint a particular organization more precisely, include the name, or part of the name, in quotation marks. For example, to search for Anytown General Hospital, enter "Anytown General Hospital" or "Anytown General".
6. In the results pages, clicking on the link for each column heading will provide a pop-up explanation for the information in that column. Clicking on the arrow next to the column heading will reorder the results of that column either alphabetically or numerically.
7. Fields are not case-sensitive.
8. When entering an employer identification number, the dash after the first two digits is optional.

Effective searching tips

1. Avoid common words such as *the* or *Foundation*.
2. Searching for less information may produce better results than searching for a lot of information. If your search is not producing good results, search using fewer terms or fields and then sort your results to pinpoint the result you need. For example, you can focus your search results by sorting by city, state or zip code.
3. If conducting a series of searches in succession, clear your search screen after each one.
4. When searching for organizations on the Auto-Revocation List, you can narrow your search to organizations whose names were added to the list during a particular time frame. You can enter the date information in the required DD-MON-YYYY format or by selecting the date range on a calendar. (Note: When you enter the date range, the search results are not inclusive. Accordingly, if you want to search for organizations whose revocation was posted 12/MON/YYYY you would have to enter a search range of 11/MON/YYYY to 13/MON/YYYY. Similarly, if you wanted to find organizations with revocation posting dates 10/MON/YYYY, 11/MON/YYYY and 12/MON/YYYY your search range should be 10/MON/YYYY to 13/MON/YYYY.)
5. If an organization is listed on the Auto-Revocation List, you can search organizations eligible to receive tax-deductible contributions (Pub. 78 data) to see if its tax exemption has been reinstated.
6. Due to the different structure of foreign addresses, data is sometimes found in an unexpected location. For example, the province or country in which the organization is located is sometimes in the **City** field in the Auto-Revocation database. Thus, if you are not obtaining expected results, trying searching for information in a different way.

Page Last Reviewed or Updated: 12-Apr-2017



Exempt Organizations Select Check: Reinstatement of Automatically Revoked Tax-Exempt Status

Our organization's tax exemption was auto-revoked. We applied for and received reinstatement of exemption, but the IRS reinstated our tax-exempt status just after the last monthly update of Exempt Organizations Select Check (EO Select Check). What should we do if a donor requests proof of our reinstatement before the next update?

With the monthly updates, *EO Select Check* will offer much more timely information on an organization's status. To give donors assurance of the organization's recognition of tax exemption and public charity status between updates, provide the donor with the organization's recent exemption determination letter, which will show the effective exemption date.

Page Last Reviewed or Updated: 21-Apr-2017



Internal Revenue Bulletin: 2011-25

June 20, 2011

Notice 2011-44

Application for Reinstatement and Retroactive Reinstatement for Reasonable Cause Under Internal Revenue Code § 6033(j)

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SECTION 1. PURPOSE

This notice provides guidance with respect to applying for reinstatement of tax-exempt status and requesting retroactive reinstatement under sections 6033(j)(2) and (3) of the Internal Revenue Code ("Code") for an organization that has had its tax-exempt status automatically revoked under section 6033(j)(1) of the Code. The Treasury Department ("Treasury") and the Internal Revenue Service ("IRS") intend to issue regulations under section 6033(j) that will prescribe rules relating to the application for reinstatement of tax-exempt status under section 6033(j)(2) and the request for retroactive reinstatement under section 6033(j)(3). To assist in the drafting of these regulations, Treasury and the IRS solicit comments on the issues addressed in this notice.

In this Bulletin, the IRS has also published Notice 2011-43, which provides transitional relief for certain small organizations (those that normally have annual gross receipts of not more than \$50,000 in their most recently completed taxable year) that have lost their tax-exempt status because they failed to file an annual electronic notice for taxable years beginning in 2007, 2008, and 2009. Notice 2011-43 sets forth the criteria for qualifying for the transitional relief and instructions on how qualifying organizations can apply for reinstatement of tax-exempt status retroactive to the date such status was automatically revoked.

SECTION 2. BACKGROUND

In general, section 6033(a)(1) requires an organization exempt from taxation under section 501(a) to file an annual information return, such as a Form 990, *Return of Organization Exempt from Income Tax*, a Form 990-EZ, *Short Form Return of Organization Exempt from Income Tax*, or a Form 990-PF, *Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation*. Several categories of tax-exempt organizations, including most organizations (other than private foundations or section 509(a)(3) supporting organizations) whose annual gross receipts are normally not more than \$50,000 (\$25,000 for taxable years beginning before January 1, 2010), are not required to file an annual information return. See I.R.C. § 6033(a)(3); Rev. Proc. 2011-15, 2011-3 I.R.B. 322.

The Pension Protection Act of 2006, Pub. L. No. 109-280, 120 Stat. 780, § 1223 (2006) ("PPA"), added sections 6033(i) and (j) to the Code, both of which became effective for taxable years beginning after 2006. Section 6033(i) added an annual notification requirement for tax-exempt organizations that, pursuant to section 6033(a)(3)(A)(ii) or (a)(3)(B), are not required to file an annual information return under section 6033(a)(1) because their gross receipts fall below certain thresholds. An organization satisfies the annual notification requirement under section 6033(i) by filing an annual electronic notice, also known as a Form 990-N e-Postcard. The annual notification requirement is also deemed satisfied if an organization files a complete Form 990 or Form 990-EZ. See Treas. Reg. § 1.6033-6(c)(4).

Section 6033(j)(1) automatically revokes the tax-exempt status of any organization described in section 6033(a)(1) that fails to file a required annual return for three consecutive years or any organization described in section 6033(i) that fails to file an annual return or notice for three consecutive years. Revocation under section 6033(j)(1) is effective on and after the date set by the Secretary for the filing of the third annual return or notice.

Section 6033(j)(1) also requires the Secretary to publish and maintain a list of all organizations that have had their tax-exempt statuses revoked under section 6033(j)(1) ("revocation list"). The IRS is publishing such a revocation list on the IRS website (<http://www.irs.gov>), which it will update monthly. The IRS is also mailing a letter to the last known address of each organization on the revocation list to notify the organization that its tax-exempt status has been revoked under section 6033(j)(1) ("IRS revocation letter").

Section 7428(b)(4), as added by the PPA, provides that an organization may not bring a declaratory judgment action challenging automatic revocation under section 6033(j)(1).

Section 6033(j)(2) provides that any organization that has had its tax-exempt status automatically revoked under section 6033(j)(1) must apply with the IRS in order to obtain reinstatement of its tax-exempt status, regardless of whether the organization was originally required to apply for recognition of its tax exemption. If the application for reinstatement of tax-exempt status is approved, the effective date of the organization's reinstated tax-exempt status generally will be the date the organization filed its application for reinstatement. However, section 6033(j)(3) provides that if, upon application for reinstatement, an organization "can show to the satisfaction of the Secretary evidence of reasonable cause for the failure described in [section 6033(j)(1)], the organization's exempt status may, in the discretion of the Secretary, be reinstated effective from the date of the revocation."

SECTION 3. EFFECTIVE DATE OF AUTOMATIC REVOCATION

For taxable years beginning after December 31, 2006, the tax-exempt status of any organization that fails to file an annual information return required under section 6033(a)(1) or an electronic notice required under section 6033(i) for three consecutive years is automatically revoked pursuant to section 6033(j)(1) on and after the date set by regulation for the filing of the third annual return or notice, without regard to any extension of time for filing. Sections 1.6033-2(e) and 1.6033-6(f) of the Treasury Regulations generally require annual returns and notices, respectively, to be filed on or before the 15th day of the fifth month following the close of the period for which the return or notice is required to be filed. When the filing deadline falls on a Saturday, Sunday, or legal holiday the deadline may be timely satisfied if the filing is made on the next business day that is not a Saturday, Sunday, or a legal holiday. See I.R.C. § 7503. Thus, for example, in the case of an organization reporting on a calendar-year basis that did not file a required annual return or notice for 2007, 2008, or 2009, the revocation under section 6033(j)(1) would be effective as of May 17, 2010, given that May 15, 2010 fell on a Saturday.

SECTION 4. APPLICATION FOR REINSTATEMENT OF TAX-EXEMPT STATUS

An organization seeking reinstatement of its tax-exempt status under section 6033(j)(2) must apply using the same forms that are filed by all other applicants for tax exemption. Thus, an organization seeking reinstatement of its tax-exempt status under section 501(c)(3) must submit Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*. Most other organizations seeking reinstatement of tax-exempt status must submit Form 1024, *Application for Recognition of Exemption Under Section 501(a)*. Any organization that seeks reinstatement of its tax-exempt status must submit the appropriate application regardless of whether the organization was originally required to apply with the IRS for recognition of tax exemption. For example, if the tax-exempt status of a subordinate organization included in a group exemption letter is automatically revoked under section 6033(j)(1), the subordinate organization must submit an application for reinstatement of its tax-exempt status on its own behalf. In addition, all organizations seeking reinstatement of tax-exempt status must pay the appropriate user fee. See Rev. Proc. 2011-8, 2011-1 I.R.B. 237, section 6.07 or its successor. (Small tax-exempt organizations described in Notice 2011-43 are eligible for a reduced user fee described in Rev. Proc. 2011-36, this Bulletin.)

To facilitate processing of applications for reinstatement of tax-exempt status, organizations should write "automatically revoked" on the top of the application form and on the envelope. For information on where to mail the application for reinstatement of tax-exempt status, see the Instructions for Form 1023 or Form 1024 (whichever is applicable).

SECTION 5. RETROACTIVE REINSTATEMENT**.01 Request for Retroactive Reinstatement**

An organization (other than a small organization that qualifies for the transitional relief described in Notice 2011-43) seeking to have its tax-exempt status reinstated effective from the date of automatic revocation pursuant to section 6033(j)(3) must submit a request for retroactive reinstatement with its application for reinstatement of tax-exempt status. The request for retroactive reinstatement must include the following:

- (1) A written statement setting forth all of the facts that support its claim for reasonable cause for failing to file a required return or notice in each of the three consecutive years and over the entire consecutive three-year period, including a detailed description of all the facts and circumstances that led to each failure and the continuous failure, the discovery of the failures, and the steps taken to avoid or mitigate the failures;
- (2) A written statement describing the safeguards the organization has put into place to ensure that the organization will not fail to file returns or notices in the future;
- (3) Evidence to substantiate all material aspects of the written statements described in paragraphs (1) and (2) of this section;
- (4) Properly completed and executed paper annual information returns (Forms 990, Forms 990-EZ, or Forms 990-PF, whichever is applicable) for all taxable years during and after the consecutive three-year period that the organization was required, but failed, to file an annual information return;
- (5) Properly completed and executed Forms 990-EZ for all taxable years during and after the consecutive three-year period that the organization was eligible to file a Form 990-N e-Postcard but failed to file either a Form 990-N e-Postcard or an annual information return; and
- (6) An original declaration, dated and signed under penalties of perjury by an officer, director, trustee, or other official who is authorized to sign for the organization in the following form:

I, (Name), (Title) declare, under penalties of perjury, that I am authorized to sign this request for retroactive reinstatement on behalf of [Name of Organization], and I further declare that I have examined this request for retroactive reinstatement, including the written explanation of all the facts and information pertaining to the claim for reasonable cause and the evidence to substantiate the claim for reasonable cause, and to the best of my knowledge and belief, this request is true, correct, and complete.

.02 Reasonable Cause Standard

Because the failure described in section 6033(j)(1) involves a repeated and continuous failure to file annual returns or notices for a consecutive three-year period, an organization seeking retroactive reinstatement under section 6033(j)(3) must demonstrate that it had reasonable cause for failing to file a return or notice not only for each of the three years but also over the entire three-year period. Thus, for example, showing reasonable cause for failing to file a required return or notice for the first of the three years by the date it was due would be insufficient; an organization also would have to show reasonable cause for not filing that return or notice at any later time during the three-year period and for not filing required returns or notices for the second and third years of the three-year period.

In order to establish reasonable cause under section 6033(j)(3), an organization requesting retroactive reinstatement must provide evidence that it exercised ordinary business care and prudence in determining and attempting to comply with its reporting requirements under section 6033 for each of the three years and over the entire three-year period, but was nevertheless unable to file the required returns or notices for three consecutive years. In determining whether the organization establishes reasonable cause, the IRS will take into account all pertinent facts and circumstances, including, but not limited to, the following factors that weigh in favor of finding reasonable cause (with no single factor being either necessary or determinative):

- (1) The organization's failure was due to its reasonable, good faith reliance on erroneous written information from the IRS, stating that the organization was not required to file a return or notice under section 6033, provided the IRS was made aware of all relevant facts.
- (2) The failure to file the returns or notices arose from events beyond the organization's control ("impediment") that made it impossible for the organization to file returns or notices for each of the three years at issue and over the entire three-year period.
- (3) The organization acted in a responsible manner by undertaking significant steps to avoid or mitigate the failure to file the required returns or notices and to prevent similar failures in the future, including, but not limited to—
 - (a) Attempting to prevent an impediment or a failure, if it was foreseeable;
 - (b) Acting as promptly as possible to remove an impediment or the cause of the reporting failure, once the failure was discovered; and
 - (c) After the failure was discovered, implementing sufficient safeguards to ensure future compliance with the reporting requirements under section 6033.
- (4) Aside from the three consecutive years in which the organization failed to file returns or notices, the organization has an established history of complying with its reporting requirements (if any) under section 6033 and/or any other applicable reporting or other requirements under the Code.

In determining whether reasonable cause exists, the IRS will only consider a factor on the above list or any other factor (such as the fact that substantially all of an organization's activities are performed by volunteers) if the organization shows to the satisfaction of the IRS evidence to substantiate the factor.

.03 Timing of Request for Retroactive Reinstatement

Except for small organizations that qualify for the transitional relief described in Notice 2011-43, the IRS will, in exercising the discretion granted under section 6033(j)(3), consider an organization's request for retroactive reinstatement only if it submits such a request, together with a properly completed and executed application for reinstatement of its tax-exempt status, within 15 months of the later of the date of the IRS revocation letter or the date on which the IRS posts the name of the organization on the revocation list available on the IRS website (or otherwise provides notice of the revocation to the public).

SECTION 6. SUBSEQUENT AUTOMATIC REVOCATIONS

An organization whose tax-exempt status has been automatically revoked and reinstated may have its tax-exempt status automatically revoked a second time under section 6033(j)(1) only if it fails to file returns or notices for another three consecutive taxable years, beginning with the taxable year the IRS approves its application for reinstatement of tax-exempt status. For example, if an organization reporting on a calendar year basis has its tax-exempt status automatically revoked for failing to file required returns or notices for 2007, 2008, and 2009 and receives a determination letter recognizing the reinstatement of its tax-exempt status dated September 1, 2011, the organization's tax-exempt status will not be automatically revoked a second time for failing to timely file a return or notice for 2008, 2009, and 2010. However, the organization's tax-exempt status will be automatically revoked a second time if the organization fails to timely file a return or notice for 2011, 2012, and 2013.

SECTION 7. PAPERWORK REDUCTION ACT

The collection of information contained in this notice has been submitted to the Office of Management and Budget in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)) and approved under OMB control number 1545-2206.

The collection of information in this notice is in section 5. In order to have its tax-exempt status retroactively reinstated under section 6033(j)(3), an organization must show to the satisfaction of the IRS evidence that it exercised ordinary business care and prudence in determining and attempting to comply with its reporting obligations under section 6033 for each of the three years (and over the entire three-year period) that it failed to meet such requirements. This information is necessary for inspection by the IRS in determining whether reasonable cause exists. The collection of information is required to meet the reasonable cause standard under section 6033(j)(3). The likely respondents providing the information required in section 5 of this notice are tax-exempt organizations that have had their tax-exempt statuses automatically revoked under section 6033(j)(1), have applied for reinstatement of such status under section 6033(j)(2), and are seeking that such reinstatement be made retroactive to the date of revocation under section 6033(j)(3).

Estimated total annual reporting burden: 2,917 hours.

Estimated average annual burden per respondent: 1 hour.

Estimated number of respondents over the next three years: 8,750.

Additional collection of information is proposed in section 4 of the notice, which will be reported and approved through Forms 1023 and 1024 (OMB approval numbers 1545-0056 and 1545-0057, respectively).

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

SECTION 8. REQUEST FOR COMMENTS

Treasury and the IRS request comments regarding this notice and suggestions for future guidance regarding the provisions of section 6033(j). Comments should be submitted on or before August 19, 2011. Please include "Notice 2011-44" on the cover page. Comments should be sent to the following address:

Internal Revenue Service
CC:PA:LPD:PR (Notice 2011-44),
Room 5203
P.O. Box 7604
Ben Franklin Station
Washington, D.C. 20224.

Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to:

Internal Revenue Service
Courier's Desk,
1111 Constitution Avenue, N.W.
Washington, D.C. 20224
Attn: CC:PA:LPD:PR
(Notice 2011-44)

Submissions may also be sent electronically to the following e-mail address:

NoticeComments@irs.counsel.treas.gov.

Please include "Notice 2011-44" in the subject line.

All comments will be available for public inspection and copying.

SECTION 9. DRAFTING INFORMATION

The principal authors of this notice are Monice Rosenbaum and Preston Quesenberry of the Office of Division Counsel/Associate Chief Counsel (Tax Exempt and Government Entities) and Matthew Giuliano of the Tax Exempt and Government Entities Division of the IRS. However, other personnel from the IRS and Treasury Department participated in developing this notice. For further information regarding this notice, contact Ms. Rosenbaum at (202) 622-6070, Mr. Quesenberry at (202) 622-1124, or Mr. Giuliano at (202) 283-8917 (not toll-free numbers).

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Form 1023 – Frequently Asked Questions

A - General Information – Part 1

What is included in the Form 1023 package?

The Form 1023 package includes (1) [Form 1023](#), (2) Checklist for Form 1023, (3) [Instructions for Form 1023](#) and (4) [Form 5768, Election/Revocation of Election by an Eligible Section 501\(c\)\(3\) Organization To Make Expenditures To Influence Legislation](#).

Page Last Reviewed or Updated: 27-Jan-2017

Must an organization obtain an Employer Identification Number to apply for exemption?

An organization may not file Form 1023 unless it already has an Employer Identification Number (EIN).

An organization can obtain an EIN [over the telephone, via fax, or through the mail](#). You can also apply [on-line](#).

Page Last Reviewed or Updated: 05-Jan-2017

Can an organization use a *mailing address* on its application?

Yes. An organization may use a *mailing address* in Part I, Line 3, instead of a street address. This may be desirable to protect its privacy and that of its employees and clients, given that Form 1023 is subject to [public disclosure](#) (for a battered women's shelter, for example).

Page Last Reviewed or Updated: 24-Jan-2017

What requirements apply if an organization will be represented by an attorney or other authorized representative?

Someone other than an attorney of record, officer, director, or employee may represent an organization in connection with its application for exemption. The IRS cannot discuss an application with such a person, however, unless the organization submits [Power of Attorney and Declaration of Representative" title="Form 2848, Power of Attorney and Declaration of Representative">Form 2848, Power of Attorney and Declaration of Representative](#), or [Tax Information Authorization" title="Form 8821, Tax Information Authorization">Form 8821, Tax Information Authorization](#).

Page Last Reviewed or Updated: 26-Jan-2017

Why does Form 1023 ask for information about payments to third parties for assistance in creating the organization?

Obtaining information about potential tax avoidance transactions is one of the goals of Form 1023. These transactions may include improper business dealings between the applicant and its top officials, excessive compensation arrangements, fundraising involving such areas as vehicle donations and conservation easements, and foreign grants and operations.

Tax advisors who promote abusive tax avoidance transactions are subject to [penalties](#).

Page Last Reviewed or Updated: 27-Jan-2017

Why does Form 1023 request a fax number and e-mail address?

A fax number provides an alternative means for contacting an organization or its representative about a pending application. In addition, the IRS sometimes offers educational materials and programs for tax-exempt organizations, and may use e-mail to distribute this information. Providing this information on Form 1023 is optional, however.

Page Last Reviewed or Updated: 26-Jan-2017

Does it matter if an organization is formed in a country other than the United States?

An organization may qualify for exemption under section 501(c)(3) even if it is formed and/or conducts its activities in a country other than the United States. Note, however, that contributions to an organization formed in a foreign country are generally not deductible as charitable contributions for federal income tax purposes except pursuant to a treaty between the other country and the United States. (For example, contributions to Canadian charities may be deductible, while contributions to charities based in most other countries are not.)

Form 1023 asks whether an organization was formed in a country other than the United States to help identify charities based or operating in countries that may present tax risk issues.

Page Last Reviewed or Updated: 07-Feb-2017

Can you modify the fillable portion of the electronic Form 1023 file so we can add the phrase *see attachment*?

Many organizations simply write or type in the words *see attachment*. Others provide attachments keyed to the Form 1023 numbering system.

Page Last Reviewed or Updated: 24-Jan-2017

B - Organizational Structure and Organizing Documents

What kinds of organizations can file Form 1023?

Organizations that may qualify for exemption under section 501(c)(3) include corporations, unincorporated associations and trusts. A partnership may not qualify for exemption and therefore may not file Form 1023.

Page Last Reviewed or Updated: 05-Jan-2017

Can a limited liability company file Form 1023?

A limited liability company that files Form 1023 is treated as a corporation rather than a partnership. As a corporation, it may file Form 1023. Note, however, that a limited liability company should not file an exemption application if it wants to be treated as a disregarded entity by its tax-exempt parent. The IRS will only recognize a limited liability company under section 501(c)(3) if all its members are section 501(c)(3) organizations.

Page Last Reviewed or Updated: 24-Jan-2017

How does the IRS process an application submitted by an organization that does not have the required organizational structure?

If an organization does not have the required organizational structure, the IRS will return its application (the user fee is generally not refundable, however). If the organization can create the required structure within the time specified by the IRS, it can resubmit the application without penalty or paying an additional user fee.

Page Last Reviewed or Updated: 27-Jan-2017

What provisions must be in an organization's organizing documents for it to qualify for exemption?

A charity's organizing document must limit the organization's purposes to exempt purposes set forth in section 501(c)(3) and must not expressly empower it to engage, other than as an insubstantial part of its activities, in activities that do not further those purposes. This requirement may be met if the purposes stated in the organizing document are limited by reference to section 501(c)(3).

In addition, an organization's assets must be permanently dedicated to an exempt purpose. This means that if an organization dissolves, its assets must be distributed for an exempt purpose described in section 501(c)(3), or to the federal government or to a state or local government for a public purpose.

To establish that an organization's assets will be permanently dedicated to an exempt purpose, the organizing document should contain a provision insuring their distribution for an exempt purpose if the organization dissolves. For examples of provisions that meet these requirements, see [Sample Articles](#). In certain situations, reliance may be placed upon state law to establish permanent dedication of assets for exempt purposes.

This [page](#) can provide more information about when reliance can be placed upon state law. If the organizing document does not contain these provisions, an organization should amend it before submitting its exemption application. [State officials](#) can provide more information about how to amend organizing documents.

Page Last Reviewed or Updated: 11-Apr-2017

C - Narrative of Activities

What activities should be described in Part IV of Form 1023?

An organization must describe completely and in detail its past, present and planned activities, that are substantial. It can refer to other parts of the application rather than repeat information provided elsewhere.

An organization should describe either actual or planned activities, rather than possible or speculative programs. For example, an organization may *plan* to operate an after-school homework club, and should describe that activity in its application. The organization's director may have brainstormed about possible scholarship programs or creating a youth orchestra. The application need not describe the scholarship or orchestra program because these are *speculative*.

Page Last Reviewed or Updated: 27-Jan-2017

How much detail should be provided in the narrative description of activities?

The narrative description, including information referenced in other parts of the application, should include information that answers the following questions:

- What is the activity?
- Who conducts the activity?
- When is the activity conducted?
- Where is the activity conducted?
- How does the activity further the organization's exempt purposes?
- What percentage of the organization's total time is allocated to the activity?
- How is the activity funded?

If an organization has a website, it may attach paper copies of relevant materials to support the narrative description of activities.

Page Last Reviewed or Updated: 27-Jan-2017

D - Compensation and Other Financial Arrangements with Officers, Directors, Trustees, Employees, and Independent Contractors

Why does Form 1023 request detailed information about compensation and other financial arrangements with officers, directors, trustees, employees and independent contractors?

Part V of Form 1023 asks questions about compensation and other financial arrangements with officers, directors, trustees, highly compensated employees and highly compensated independent contractors (including certain related parties). These questions are aimed at determining whether benefits paid to such individuals are appropriate, that is, whether they are consistent with exempt status under section 501(c)(3).

Page Last Reviewed or Updated: 26-Jan-2017

What information must be submitted about compensation of key individuals?

Tracking the current [Return of Organization Exempt from Income Tax" title="Form 990, Return of Organization Exempt from Income Tax">Form 990, Return of Organization Exempt from Income Tax](#), Form 1023 asks the applicant to list the name, title, mailing address and total compensation for officers, directors and trustees; employees receiving more than \$50,000 annually; and independent contractors receiving more than \$50,000 annually. It defines *compensation* as all income including salary, wages, deferred compensation, retirement benefits, fringe benefits, educational benefits, low interest loans, payment of personal expenses, and bonuses. It asks about family and business relationships and transactions that could indicate impermissible private benefit. It inquires about conflict of interest policies or practices and references the sample policy in Appendix A. It asks the applicant to disclose transactions with related parties, and how compensation is determined to be *reasonable*.

Page Last Reviewed or Updated: 27-Jan-2017

What type of information is expected to be provided when describing the “qualifications” and “duties” of officers, directors, trustees, five highest compensated employees, and five highest compensated independent contractors?

Volunteer officers, directors and trustees may serve because they believe in an organization's mission without having a specific area of expertise. In this situation, the individual's history relevant to his or her involvement with the organization would be appropriate. Other volunteer officers, directors and trustees may bring specific expertise. In this situation, you should describe specific expertise. We ask for information about the qualifications and duties of volunteer officers, directors and trustees to help inform us about whether the organization is likely to serve impermissible private interests.

The following are examples of descriptions of qualifications and duties for volunteers:

- Mr. Jones is a volunteer director. He is a recently retired high school English teacher. He is keenly interested in learning about environmental issues and in helping us to accomplish our mission of protecting our local community's water resources. Mr. Smith is the organization's recording secretary. His duties are spelled out in our bylaws, and include attending meetings of our board of directors and voting on board decisions.
- Ms. Smith is a volunteer director. She is a partner in the for-profit XYZ firm that specializes in analyzing and reporting on water quality issues for local governments in our state. Ms. Smith has extensive knowledge about water quality issues. Her training includes undergraduate and graduate work in water quality issues at ABC College. Ms. Smith is the organization's vice president. Her

duties are spelled out in our bylaws, and include attending meetings of our board of directors and voting on board decisions. Pursuant to our conflict of interest policy, Ms. Smith has agreed that she will not vote on any matter involving a conflict of interest between her duties as a director and her position with XYZ.

Organizations should provide information about the qualifications and duties of paid officers, directors, trustees, five highest compensated employee and five highest compensated independent contractors who receive or will receive compensation of more than \$50,000 per year. In this situation, a description of the specific training or other history that resulted in employment of these individuals together with the duties they are expected to perform would be appropriate to help inform us about whether the organization is likely to be overcompensating any of these individuals.

- Mr. Ortiz is a member of the board of directors. He is also our president. His qualifications include graduating with a BS degree in general science from ABC College. He served as a fireman for ten years with the City of X during which time he rose to the rank of assistant fire chief and attended numerous clinics on fire prevention. He held the position of executive assistant to the president of the Y nonprofit organization immediately before joining our organization. His duties are spelled out in our bylaws, and include attending meetings of our board of directors and voting on board decisions.

Summaries of relevant qualifications and duties are usually sufficient for volunteers or paid officers, directors, or trustees. However, if an organization has an unusual compensation arrangement in terms of amounts or methods of computing compensation, descriptions of qualifications and duties would include the special circumstances that explain the arrangements.

Page Last Reviewed or Updated: 07-Feb-2017

What is the purpose of the conflict of interest policy?

Charitable organizations are frequently subject to intense public scrutiny, especially where they appear to have inappropriately benefited their officers, directors or trustees. The IRS also has an oversight role with respect to charitable organizations. An important part of this oversight is providing organizations with strategies that will help avoid the appearance or actuality of private benefit to individuals who are in a position of substantial authority. The recommended conflict of interest policy is a strategy we encourage organizations to adopt as a means to establish procedures that will offer protection against charges of impropriety involving officers, directors or trustees.

A conflict of interest occurs where individuals' obligation to further the organization's charitable purposes is at odds with their own financial interests. For example, a conflict of interest would occur where an officer, director or trustee votes on a contract between the organization and a business that is owned by the officer, director or trustee. Conflicts of interest frequently arise when setting compensation or benefits for officers, directors or trustees. A conflict of interest policy is intended to help ensure that when actual or potential conflicts of interest arise, the organization has a process in place under which the affected individual will advise the governing body about all the relevant facts concerning the situation. A conflict of interest policy is also intended to establish procedures under which individuals who have a conflict of interest will be excused from voting on such matters.

Apart from any appearance of impropriety, organizations will lose their tax-exempt status unless they operate in a manner consistent with their charitable purposes. Serving private interests more than insubstantially is inconsistent with accomplishing charitable purposes. For example, paying an individual who is in a position of substantial authority excessive compensation serves a private interest. Providing facilities, goods or services to an individual who is in a position of substantial authority also serves a private interest unless the benefits are part of a reasonable compensation arrangement or they are available to the public on equal terms and conditions.

Page Last Reviewed or Updated: 27-Jan-2017

Are bonuses provided through retirement plans considered non-fixed payments?

Bonuses provided through retirement plans, such as those provided under Code sections 403(b) or 457, are treated as non-fixed payments for purposes of lines 6a and 6b (Part V, Form 1023).

Page Last Reviewed or Updated: 05-Jan-2017

What does an organization that does not pay compensation report in Part V?

The questions in Part V are aimed at determining whether benefits provided to officers, directors and trustees are consistent with exempt status. If no compensation is paid, then the answer to Part V, Question 1a is *None*. If individuals are reimbursed for expenses, however, then this information must be provided. The remainder of Part V asks about various types of relationships between the organization and its governing members. Answer these questions even if no compensation is provided; we are concerned that an organization informs us about the possibility of private benefit to persons who are in a position of control.

Page Last Reviewed or Updated: 24-Jan-2017

E - Members and Individuals/Organizations that Receive Benefits

Why does Form 1023 request detailed information about an organization's members and other individuals and organizations that receive benefits from it?

Form 1023, Part VI, asks whether in conducting its exempt functions, an organization limits its programs to certain groups. It also asks whether individuals related to key individuals are eligible to receive benefits from the organization. The purpose of these questions is to verify that an organization operates for public purposes and not for the private benefit of an organization's members or other private individuals or organizations.

Page Last Reviewed or Updated: 26-Jan-2017

What information must be submitted about benefits to members and other individuals/organizations that receive benefits from an organization?

In addition to describing the benefits it provides to members, an organization must describe its requirements for membership and the relationship between individuals receiving benefits and key individuals within the organization.

Page Last Reviewed or Updated: 27-Jan-2017

F - Organization's History

Why does Form 1023 ask for information about successor organizations?

Line 1, Part VII, asks whether an organization is a *successor* (as defined in the instructions) to another organization, for-profit or non-profit. If an organization answers *yes*, it must complete Schedule G, which requests detailed information about the predecessor organization, transfers of assets and any continuing relationship. Generally speaking, the purpose of Schedule G is to obtain information about whether a transaction creating a successor organization resulted in benefit to private shareholders or individuals associated with the predecessor organization.

Page Last Reviewed or Updated: 26-Jan-2017

Why does Form 1023 ask for information about an organization applying more than 27 months after the month it was legally formed?

In general, an organization must file its exemption application within 27 months from the end of the month in which it was formed. If it does so, it may be recognized as exempt back to the date of formation. If an organization files its exemption application after the 27-month deadline, exempt status may only be recognized from the filing date forward.

Exceptions to this general rule apply. If an organization answers *yes* to Line 2, Part VII, indicating that it filed late, it is directed to Schedule E, which asks questions to establish if it is excepted from the general rule.

Page Last Reviewed or Updated: 26-Jan-2017

G - Specific Activities

What is the purpose of the questions about specific activities in Part VIII of Form 1023?

Form 1023 consolidates in one section all questions regarding past, current, or planned activities in commonly recurring areas. These questions ask for information about prohibited and restricted activities, including impermissible private benefit; information to help the organization establish that its activities will otherwise further exempt purposes; and information relating to the requirement to file annual returns or other tax compliance responsibilities. They then ask the applicant to explain responses, or complete a schedule providing additional details.

Specific activities covered in Part VIII are the following:

- Political campaign intervention (Line 1)
- Legislative activities (Line 2)
- Gaming activities, including bingo (Line 3)
- Certain fundraising activities (Line 4)
- Affiliation with governmental units (Line 5)
- Economic development activities (Line 6)
- Third party development or management contracts (Line 7)
- Joint ventures with persons other than section 501(c)(3) organizations (Line 8)
- Childcare activities (Line 9)
- Ownership or other rights in intellectual property (Line 10)
- Accepting contributions of real property, conservation easements, closely held securities, intellectual property, vehicles or collectibles (Line 11)
- Activities in foreign countries (Line 12)
- Making grants, loans or other distributions to organizations (Line 13)
- Making grants, loans or other distributions to foreign organizations (Line 14)
- Close connections with any organizations (Line 15)
- Applying for exemption as a cooperative hospital service organization under Code section 501(e) (Line 16)
- Applying for exemption as a cooperative service organization of operating educational organizations under Code section 501(f) (Line 17)
- Applying for exemption as a charitable risk pool under Code section 501(n) (Line 18)
- Operating a school (Line 19 and Schedule B)
- Providing hospital or medical care (Line 20 and Schedule C)
- Providing low income housing or housing for the elderly or handicapped (Line 21 and Schedule F)
- Providing scholarships, fellowships, educational loans, or other educational grants to individuals (Line 22 and Schedule H)

Page Last Reviewed or Updated: 05-Jan-2017

How far in the future do we need to project fundraising efforts?

Organizations must describe their actual or planned fundraising programs rather than possible or speculative programs, on line 4a.

Page Last Reviewed or Updated: 27-Jan-2017

Must organizations report contracts for fundraising activities with their own employees?

No. The intent of this question is to provide information about fundraising agreements with individuals (or organizations) other than fundraising undertaken by employees of the organization. However, if an employee of the organization provides fundraising services apart from his or her duties as an employee then information about that fundraising agreement must be provided.

Page Last Reviewed or Updated: 05-Jan-2017

What is the purpose of asking about fundraising efforts in states and local jurisdictions, including whether efforts are for the applicant or another organization?

This question is part of a series of questions aimed at having an organization provide information about where, how and with whom it conducts fundraising. The intent of this question is for organizations to describe their actual or planned fundraising efforts rather than possible or speculative programs. Although fundraising provides an important opportunity for organizations to inform the public about their programs and gather financial support, it also provides opportunities for abuses. Being informed of the entire range of fundraising efforts in which an organization is involved, the IRS can exercise appropriate oversight as part of the application process.

Fundraising efforts conducted on websites may be described as not being limited to any particular state or local jurisdiction.

Page Last Reviewed or Updated: 27-Jan-2017

How far reaching is the question about whether an organization has a close connection with any organizations?

This question is aimed at developing information about separately established organizations that have (or plan to have) a relationship involving sharing or coordinating finances, employees or activities.

For example, an organization filing Form 1023 that was created by a section 501(c)(6) business league (at the same time the business league created a section 527 political action committee) to perform the business league's charitable activities would answer Yes. It must then describe its relationship with the business league and the political action committee, including precautions it will undertake to ensure that its conduct remains consistent with its exempt status.

Where there are no current or planned relationships between the organization and another organization (other than the fact that one or more individuals created or exercise substantial influence over both organizations), the organization would answer *No*.

Page Last Reviewed or Updated: 24-Jan-2017

Part VIII, Question 10, asks about intellectual property. This question is very broad - as written, it could include even a charity's brochures or donor list. What do you want?

We expect a general explanation about an organization's involvement in intellectual property, defined in the instructions as including patents, copyrights, trade names, and formulas. We don't necessarily want the actual material, especially if you do not want it available to the general public, because approved application materials are subject to public disclosure.

We are specifically interested in situations where an organization intends to exploit its intellectual property commercially. For example, if you intend to develop a smoking cessation program that will be marketed to the public, you should explain the ownership and rights, including sharing of revenues with private

parties. If an organization intends to develop brochures and other materials relating to its fund raising efforts, this type of general explanation would be sufficient.

Page Last Reviewed or Updated: 26-Jan-2017

H - Financial Data

Why does Form 1023 request detailed financial data about an organization applying for exemption?

Part IX of Form 1023 serves several purposes, including securing the information needed to determine whether an organization is (or will be) publicly supported, and therefore not a private foundation. A complete picture of an organization's past, current, and future activities and purposes must include both narrative and financial descriptions.

Page Last Reviewed or Updated: 27-Jan-2017

What financial data is requested by Form 1023?

Part IX-A (*Statement of Revenue and Expenses*) requires the organization to provide actual or projected financial information (*e.g.*, budget) for three or four years (depending on how many years it has existed). Part IX-B requires a balance sheet for the organization's most recently completed tax year. A balance sheet is a snapshot of assets, liabilities and fund balances (net assets) on a particular date. If an organization has not completed a tax year, it should provide a statement of actual assets, liabilities and fund balances (net assets) based on its most current information.

Page Last Reviewed or Updated: 05-Jan-2017

For what periods must the *Statement of Revenue and Expenses* in Part IX be completed?

The tax years for which financial information must be provided for the *Statement of Revenues and Expenses* in Part IX depends on the number of tax years an applicant has completed since it was formed. An organization's tax year is its annual accounting period.

The following examples explain how to determine the number of years an organization has completed since it was incorporated or formed.

Example 1: X was incorporated as a nonprofit organization on June 4, 2010. It selected an annual accounting period that ends December 31. Therefore, its first tax year is June 4, 2010 through December 31, 2010. Its second tax year is January 1, 2011 through December 31, 2011. Its third tax year is January 1, 2012 through December 31, 2012. Its fourth tax year is January 1, 2013 through December 31, 2013.

Example 2: Y was formed as a trust on June 4, 2010. It selected an annual accounting period that ends June 30. Therefore, its first tax year is June 4, 2010 through June 30, 2010. Its second tax year is July 1, 2010 through June 30, 2011. Its third tax year is July 1, 2011 through June 30, 2012. Its fourth tax year is July 1, 2012 through June 30, 2013.

If an organization has been in existence for less than 5 years, it must complete the schedule in Part IX for each year in existence and provide projections of likely revenues and expenses based on a reasonable and good faith estimate of future finances for a total of:

1. Three years of financial information if it has not completed one tax year, or
2. Four years of financial information if it has completed one tax year.

If in existence for 5 years or more, it must complete the schedule for the most recent 5 tax years. It will need to provide a separate statement that includes information about the most recent 5 years because the data table in Part IX does not provide for the 5th year.

I - Public Charity Status

What information is requested in Part X of Form 1023?

Part X of [Form 1023](#) combines in one place information needed to rule on several related issues:

- Classification of the organization as a [private foundation or public charity](#) ; and
- Request for classification as a private operating foundation.

For organizations that are private foundations, Part X secures information needed to verify that organizing documents comply with requirements relating to the [private foundation excise taxes](#). For organizations requesting public charity status, Part X cross-references required schedules.

Page Last Reviewed or Updated: 26-Jan-2017

Is there such a thing as an “advance ruling?”

Federal tax law used to provide an advance ruling process whereby new section 501(c)(3) organizations could qualify as publicly supported organizations even though they had not existed long enough to establish a record of public support. This process was eliminated in 2008. A new organization now can be treated as a publicly supported organization for its first five years, and must establish that it meets the test beginning with its sixth taxable year.

Page Last Reviewed or Updated: 05-Jan-2017

J - Signature Block and User Fee Information

How much is the user fee for an exemption application?

The amount of the user fee depends on the applying organization's average annual gross receipts. If the organization's average annual gross receipts have exceeded or will exceed \$10,000 annually over a four-year period, the fee is \$850. If gross receipts have not exceeded or will not exceed \$10,000 annually over a four-year period, the user fee is \$400. An applicant must certify its gross receipts in Part XI.

If the organization is eligible to submit Form 1023-EZ, the user fee is \$275. The fee must be paid through www.pay.gov when the application is filed. Payment can be made directly from your bank account or by credit/debit card.

These amounts are [subject to change](#); the IRS publishes the latest user fee information at www.irs.gov, keyword "user fee"; you can also contact [Customer Account Services](#) for the latest information.

Page Last Reviewed or Updated: 21-Mar-2017

How can the user fee for an exemption application be paid?

If the organization is submitting Form 1023, the fee may be paid by check or money order payable to United States Treasury.

If the organization is eligible to submit Form 1023-EZ, the fee must be paid through www.pay.gov when the application is filed. Payment can be made directly from your bank account or by credit/debit card.

The IRS will not process an application until the user fee has been paid.

May an authorized representative sign Form 1023?

No. Form 1023 instructions state that an individual authorized by Form 2848 may not sign the application unless that person is also an officer, director, trustee, or other individual who is authorized to sign the application. Form 1023 is an application for the issuance of a determination letter or ruling letter by the IRS that recognizes an organization's exemption from federal income tax. [Revenue Procedure 2016-4](#) (or latest update), requires that a letter ruling or determination letter request be accompanied by a penalties of perjury statement signed by the taxpayer, not the taxpayer's representative. This requirement is based on the concept that by signing the application, an official of the organization is assuming responsibility for the accuracy of the information. Generally, an authorized representative would not be in a position to verify the accuracy of the information provided by the organization.

K - Processing Applications

How can my application for tax-exempt status be expedited?

In general, applications are [processed](#) in the order received by the IRS. Sometimes, however, the IRS will work a case outside the regular order. For expedited processing to be granted, however, there must be a *compelling reason* to process the case ahead of others. *Compelling reasons* include the following:

- A pending grant, where failure to secure the grant will have an adverse impact on the organization's ability to continue operating.
- A newly created organization providing disaster relief to victims of emergencies.
- IRS errors have caused undue delays in issuing a determination letter.

For a pending grant, the following specific information would help support a request for expedited processing:

- The name of the person or organization committed to giving the grant or asset,
- The amount of the grant or the value of the asset,
- The date the grant will be forfeited or permanently redirected to another organization,
- The impact on the organization's operations if it does not receive the grant/asset, and
- The signature of a principal officer or authorized representative.

A request for expedited processing must be made in writing and must fully explain the *compelling reason*. Granting expedited processing is at the discretion of the IRS.

An organization may not request expedited handling of a Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code* submitted under [Revenue Procedure 2016-5](#).

Note: An [optional expedited process](#) is available for certain 501(c)(4) applicants.

Additional information

- **Examples**
 - [Qualifying for expedited treatment](#)
 - [Not qualifying for expedited treatment](#)
- [Where to send request](#)

L - Additional Information

Additional Information

- [Exempt organizations forms and instructions](#) - get a copy of an application form
- [On-Line Minicourse, Applying for Tax Exemption](#)
- [Frequently asked questions about Form 1023](#)
- [Publication 4220, Applying for 501\(c\)\(3\) Tax-Exempt Status](#)
- [Publication 557, Tax-Exempt Status for Your Organization](#)
- [Publication 4573, Group Exemptions](#)
- [Publication 1635, Understanding Your EIN](#)
- [Application for Recognition of Exemption](#) (501(c)(3))
- [Application for Recognition of Exemption](#) (non-501(c)(3))
- [Application Process](#): A step-by-step review of what an organization needs to know and to do in order to apply for recognition by the IRS of tax-exempt status.

Page Last Reviewed or Updated: 07-Feb-2017

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Department of the Treasury Internal Revenue Service

Notice 1382

(Rev. October 2013)

Changes for Form 1023

- Mailing address
- Parts IX, X, and XI

Reminder: Do Not Include Social Security Numbers on Publicly Disclosed Forms

Because the IRS is required to disclose approved exemption applications and information returns, exempt organizations should not include Social Security numbers on these forms. Documents subject to disclosure include supporting documents filed with the form, and correspondence with the IRS about the filing.

Changes for Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code

Change of Mailing Address

The mailing address shown on Form 1023 Checklist, page 28, the first address under the last checkbox; and in the Instructions for Form 1023, page 4 under *Where To File*, has been changed to:

Internal Revenue Service
P.O. Box 12192
Covington, KY 41012-0192

To file using a private delivery service, mail to:

201 West Rivercenter Blvd.
Attn: Extracting Stop 312
Covington, KY 41011

Changes for Parts IX and X

Changes to Parts IX and X are necessary to comply with new regulations that eliminated the advance ruling process. Until Form 1023 is revised to reflect this change, please follow the directions on this notice when completing Part IX and Part X of Form 1023. For more information about the elimination of the advance ruling process, visit us at IRS.gov. In the top right "Search" box, type "Elimination of the Advance Ruling Process" (exactly as written) and select "Search."

Part IX. Financial Data

The instructions at the top of Part IX on page 9 of Form 1023 are now as follows. For purposes of this schedule, years in existence refer to completed tax years.

1. If in existence less than 5 years, complete the statement for each year in existence and provide projections of your likely revenues and expenses based on a reasonable and good faith estimate of your future finances for a total of:
 - a. Three years of financial information if you have not completed one tax year, or
 - b. Four years of financial information if you have completed one tax year.

(Continued)

2. If in existence 5 or more years, complete the schedule for the most recent 5 tax years. You will need to provide a separate statement that includes information about the most recent 5 tax years because the data table in Part IX has not been updated to provide for a 5th year.

Part X. Public Charity Status

Do not complete line 6a on page 11 of Form 1023, and do not sign the form under the heading "Consent Fixing Period of Limitations Upon Assessment of Tax Under Section 4940 of the Internal Revenue Code."

Only complete line 6b and line 7 on page 11 of Form 1023, if in existence 5 or more tax years.

Part XI. Increase in User Fees

User fee increases are effective for all applications postmarked after January 3, 2010.

1. \$400 for organizations whose gross receipts do not exceed \$10,000 or less annually over a 4-year period.
2. \$850 for organizations whose gross receipts exceed \$10,000 annually over a 4-year period.

For the current user fee amounts, go to IRS.gov and in the "Search" box at the top right of the page, enter "Exempt Organizations User Fees." You can also call 1-877-829-5500.

Application for reinstatement and retroactive reinstatement. An organization must apply to have its tax-exempt status reinstated if it was automatically revoked for failure to file a return or notice for three consecutive years. The organization must:

- (1) Complete and file Form 1023 if applying under section 501(c)(3) or Form 1024 if applying under a different Code section;
- (2) Pay the appropriate user fee and enclose it with the application;
- (3) Write "Automatically Revoked" at the top of the application and mailing envelope; and
- (4) Submit a written statement supporting its request if applying for retroactive reinstatement.

If the application is approved, the date of reinstatement generally will be the postmark date of the application, unless the organization qualifies for retroactive reinstatement. Alternate submissions and standards apply for retroactive reinstatement back to the date of automatic revocation. See Notice 2011-44, 2011-25 I.R.B. 883, at http://www.irs.gov/irb/2011-25_IRB/ar10.html, for details.

Changes for the Instructions for Form 1023

- Change to Part III. Required Provisions in Your Organizing Documents
- Clarification to Appendix A. Sample Conflict of Interest Policy

(Continued)

Changes to Instructions for Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code (Rev. June 2006)

Part III. Required Provisions in Your Organizing Document

Applicable to organizations in the state of New York. Changes are necessary to comply with Rev. Proc. 82-2, 1982-1 C.B. 367, to incorporate the state of New York as a jurisdiction that complies with the *cy pres* doctrine to keep a charitable testamentary trust from failing the requirement for a dissolution clause under Regulations section 1.501(c)(3)-1(b)(4), when the language of the trust instrument demonstrates a general intent to benefit charity. Therefore, the instructions on page 8, line 2c, after the third paragraph now include the state of New York in the state listing as an authorized state. Since the state of New York allows testamentary charitable trusts formed in that state and the language in the trust instruments provides for a general intent to benefit charity, you do not need a specific provision in your trust agreement or declaration of trust providing for the distribution of assets upon dissolution.

Appendix A. Sample Conflict of Interest Policy

Appendix A, Sample Conflict of Interest Policy, is only intended to provide an example of a conflict of interest policy for organizations. The sample conflict of interest policy does not prescribe any specific requirements. Therefore, organizations should use a conflict of interest policy that best fits their organization.

Application for Recognition of Exemption
Under Section 501(c)(3) of the Internal Revenue Code

(00)

OMB No. 1545-0056

Note: If exempt status is approved, this application will be open for public inspection.

► (Use with the June 2006 revision of the Instructions for Form 1023 and the current Notice 1382)

Use the instructions to complete this application and for a definition of all **bold** items. For additional help, call IRS Exempt Organizations Customer Account Services toll-free at 1-877-829-5500. Visit our website at **www.irs.gov** for forms and publications. If the required information and documents are not submitted with payment of the appropriate user fee, the application may be returned to you.

Attach additional sheets to this application if you need more space to answer fully. Put your name and EIN on each sheet and identify each answer by Part and line number. Complete Parts I - XI of Form 1023 and submit only those Schedules (A through H) that apply to you.

Part I Identification of Applicant

1 Full name of organization (exactly as it appears in your organizing document)		2 c/o Name (if applicable)	
3 Mailing address (Number and street) (see instructions)		Room/Suite	4 Employer Identification Number (EIN)
City or town, state or country, and ZIP + 4		5 Month the annual accounting period ends (01 - 12)	
6 Primary contact (officer, director, trustee, or authorized representative) a Name:		b Phone:	
		c Fax: (optional)	
7 Are you represented by an authorized representative, such as an attorney or accountant? If "Yes," provide the authorized representative's name, and the name and address of the authorized representative's firm. Include a completed Form 2848, <i>Power of Attorney and Declaration of Representative</i> , with your application if you would like us to communicate with your representative.		<input type="checkbox"/> Yes <input type="checkbox"/> No	
8 Was a person who is not one of your officers, directors, trustees, employees, or an authorized representative listed in line 7, paid, or promised payment, to help plan, manage, or advise you about the structure or activities of your organization, or about your financial or tax matters? If "Yes," provide the person's name, the name and address of the person's firm, the amounts paid or promised to be paid, and describe that person's role.		<input type="checkbox"/> Yes <input type="checkbox"/> No	
9a Organization's website:			
b Organization's email: (optional)			
10 Certain organizations are not required to file an information return (Form 990 or Form 990-EZ). If you are granted tax-exemption, are you claiming to be excused from filing Form 990 or Form 990-EZ? If "Yes," explain. See the instructions for a description of organizations not required to file Form 990 or Form 990-EZ.		<input type="checkbox"/> Yes <input type="checkbox"/> No	
11 Date incorporated if a corporation, or formed, if other than a corporation. (MM/DD/YYYY)		/ /	
12 Were you formed under the laws of a foreign country ? If "Yes," state the country.		<input type="checkbox"/> Yes <input type="checkbox"/> No	

Part II Organizational Structure

You must be a corporation (including a limited liability company), an unincorporated association, or a trust to be tax exempt. (See instructions.) **DO NOT file this form unless you can check "Yes" on lines 1, 2, 3, or 4.**

- 1** Are you a **corporation**? If "Yes," attach a copy of your articles of incorporation showing **certification of filing** with the appropriate state agency. Include copies of any amendments to your articles and be sure they also show state filing certification. ☐ **Yes** ☐ **No**
- 2** Are you a **limited liability company (LLC)**? If "Yes," attach a copy of your articles of organization showing certification of filing with the appropriate state agency. Also, if you adopted an operating agreement, attach a copy. Include copies of any amendments to your articles and be sure they show state filing certification. Refer to the instructions for circumstances when an LLC should not file its own exemption application. ☐ **Yes** ☐ **No**
- 3** Are you an **unincorporated association**? If "Yes," attach a copy of your articles of association, constitution, or other similar organizing document that is dated and includes at least two signatures. Include signed and dated copies of any amendments. ☐ **Yes** ☐ **No**
- 4a** Are you a **trust**? If "Yes," attach a signed and dated copy of your trust agreement. Include signed and dated copies of any amendments. ☐ **Yes** ☐ **No**
- b** Have you been funded? If "No," explain how you are formed without anything of value placed in trust. ☐ **Yes** ☐ **No**
- 5** Have you adopted **bylaws**? If "Yes," attach a current copy showing date of adoption. If "No," explain how your officers, directors, or trustees are selected. ☐ **Yes** ☐ **No**

Part III Required Provisions in Your Organizing Document

The following questions are designed to ensure that when you file this application, your organizing document contains the required provisions to meet the organizational test under section 501(c)(3). Unless you can check the boxes in both lines 1 and 2, your organizing document does not meet the organizational test. **DO NOT file this application until you have amended your organizing document.** Submit your original and amended organizing documents (showing state filing certification if you are a corporation or an LLC) with your application.

- 1** Section 501(c)(3) requires that your organizing document state your exempt purpose(s), such as charitable, religious, educational, and/or scientific purposes. Check the box to confirm that your organizing document meets this requirement. Describe specifically where your organizing document meets this requirement, such as a reference to a particular article or section in your organizing document. Refer to the instructions for exempt purpose language. Location of Purpose Clause (Page, Article, and Paragraph): ☐
- 2a** Section 501(c)(3) requires that upon dissolution of your organization, your remaining assets must be used exclusively for exempt purposes, such as charitable, religious, educational, and/or scientific purposes. Check the box on line 2a to confirm that your organizing document meets this requirement by express provision for the distribution of assets upon dissolution. If you rely on state law for your dissolution provision, do not check the box on line 2a and go to line 2c. ☐
- 2b** If you checked the box on line 2a, specify the location of your dissolution clause (Page, Article, and Paragraph). Do not complete line 2c if you checked box 2a. _____
- 2c** See the instructions for information about the operation of state law in your particular state. Check this box if you rely on operation of state law for your dissolution provision and indicate the state: ☐ _____

Part IV Narrative Description of Your Activities

Using an attachment, describe your *past*, *present*, and *planned* activities in a narrative. If you believe that you have already provided some of this information in response to other parts of this application, you may summarize that information here and refer to the specific parts of the application for supporting details. You may also attach representative copies of newsletters, brochures, or similar documents for supporting details to this narrative. Remember that if this application is approved, it will be open for public inspection. Therefore, your narrative description of activities should be thorough and accurate. Refer to the instructions for information that must be included in your description.

Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors

- 1a** List the names, titles, and mailing addresses of all of your officers, directors, and trustees. For each person listed, state their total annual **compensation**, or proposed compensation, for all services to the organization, whether as an officer, employee, or other position. Use actual figures, if available. Enter "none" if no compensation is or will be paid. If additional space is needed, attach a separate sheet. Refer to the instructions for information on what to include as compensation.

Name	Title	Mailing address	Compensation amount (annual actual or estimated)

Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors (Continued)

- b** List the names, titles, and mailing addresses of each of your five highest compensated employees who receive or will receive compensation of more than \$50,000 per year. Use the actual figure, if available. Refer to the instructions for information on what to include as compensation. Do not include officers, directors, or trustees listed in line 1a.

Name	Title	Mailing address	Compensation amount (annual actual or estimated)

- c** List the names, names of businesses, and mailing addresses of your five highest compensated **independent contractors** that receive or will receive compensation of more than \$50,000 per year. Use the actual figure, if available. Refer to the instructions for information on what to include as compensation.

Name	Title	Mailing address	Compensation amount (annual actual or estimated)

The following "Yes" or "No" questions relate to *past, present, or planned* relationships, transactions, or agreements with your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed in lines 1a, 1b, and 1c.

- 2a** Are any of your officers, directors, or trustees **related** to each other through **family or business relationships**? If "Yes," identify the individuals and explain the relationship. ☐ **Yes** ☐ **No**

- b** Do you have a business relationship with any of your officers, directors, or trustees other than through their position as an officer, director, or trustee? If "Yes," identify the individuals and describe the business relationship with each of your officers, directors, or trustees. ☐ **Yes** ☐ **No**

- c** Are any of your officers, directors, or trustees related to your highest compensated employees or highest compensated independent contractors listed on lines 1b or 1c through family or business relationships? If "Yes," identify the individuals and explain the relationship. ☐ **Yes** ☐ **No**

- 3a** For each of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed on lines 1a, 1b, or 1c, attach a list showing their name, qualifications, average hours worked, and duties.

- b** Do any of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed on lines 1a, 1b, or 1c receive compensation from any other organizations, whether tax exempt or taxable, that are related to you through **common control**? If "Yes," identify the individuals, explain the relationship between you and the other organization, and describe the compensation arrangement. ☐ **Yes** ☐ **No**

- 4** In establishing the compensation for your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed on lines 1a, 1b, and 1c, the following practices are recommended, although they are not required to obtain exemption. Answer "Yes" to all the practices you use.

- a** Do you or will the individuals that approve compensation arrangements follow a conflict of interest policy? ☐ **Yes** ☐ **No**
b Do you or will you approve compensation arrangements in advance of paying compensation? ☐ **Yes** ☐ **No**
c Do you or will you document in writing the date and terms of approved compensation arrangements? ☐ **Yes** ☐ **No**

Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors (Continued)

- d** Do you or will you record in writing the decision made by each individual who decided or voted on compensation arrangements? ☐ Yes ☐ No
- e** Do you or will you approve compensation arrangements based on information about compensation paid by **similarly situated** taxable or tax-exempt organizations for similar services, current compensation surveys compiled by independent firms, or actual written offers from similarly situated organizations? Refer to the instructions for Part V, lines 1a, 1b, and 1c, for information on what to include as compensation. ☐ Yes ☐ No
- f** Do you or will you record in writing both the information on which you relied to base your decision and its source? ☐ Yes ☐ No
- g** If you answered "No" to any item on lines 4a through 4f, describe how you set compensation that is **reasonable** for your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed in Part V, lines 1a, 1b, and 1c.

- 5a** Have you adopted a **conflict of interest policy** consistent with the sample conflict of interest policy in Appendix A to the instructions? If "Yes," provide a copy of the policy and explain how the policy has been adopted, such as by resolution of your governing board. If "No," answer lines 5b and 5c. ☐ Yes ☐ No
- b** What procedures will you follow to assure that persons who have a conflict of interest will not have influence over you for setting their own compensation?
- c** What procedures will you follow to assure that persons who have a conflict of interest will not have influence over you regarding business deals with themselves?

Note: A conflict of interest policy is recommended though it is not required to obtain exemption. Hospitals, see Schedule C, Section I, line 14.

- 6a** Do you or will you compensate any of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed in lines 1a, 1b, or 1c through **non-fixed payments**, such as discretionary bonuses or revenue-based payments? If "Yes," describe all non-fixed compensation arrangements, including how the amounts are determined, who is eligible for such arrangements, whether you place a limitation on total compensation, and how you determine or will determine that you pay no more than reasonable compensation for services. Refer to the instructions for Part V, lines 1a, 1b, and 1c, for information on what to include as compensation. ☐ Yes ☐ No
- b** Do you or will you compensate any of your employees, other than your officers, directors, trustees, or your five highest compensated employees who receive or will receive compensation of more than \$50,000 per year, through non-fixed payments, such as discretionary bonuses or revenue-based payments? If "Yes," describe all non-fixed compensation arrangements, including how the amounts are or will be determined, who is or will be eligible for such arrangements, whether you place or will place a limitation on total compensation, and how you determine or will determine that you pay no more than reasonable compensation for services. Refer to the instructions for Part V, lines 1a, 1b, and 1c, for information on what to include as compensation. ☐ Yes ☐ No

- 7a** Do you or will you purchase any goods, services, or assets from any of your officers, directors, trustees, highest compensated employees, or highest compensated independent contractors listed in lines 1a, 1b, or 1c? If "Yes," describe any such purchase that you made or intend to make, from whom you make or will make such purchases, how the terms are or will be negotiated at **arm's length**, and explain how you determine or will determine that you pay no more than **fair market value**. Attach copies of any written contracts or other agreements relating to such purchases. ☐ Yes ☐ No
- b** Do you or will you sell any goods, services, or assets to any of your officers, directors, trustees, highest compensated employees, or highest compensated independent contractors listed in lines 1a, 1b, or 1c? If "Yes," describe any such sales that you made or intend to make, to whom you make or will make such sales, how the terms are or will be negotiated at arm's length, and explain how you determine or will determine you are or will be paid at least fair market value. Attach copies of any written contracts or other agreements relating to such sales. ☐ Yes ☐ No

- 8a** Do you or will you have any leases, contracts, loans, or other agreements with your officers, directors, trustees, highest compensated employees, or highest compensated independent contractors listed in lines 1a, 1b, or 1c? If "Yes," provide the information requested in lines 8b through 8f. ☐ Yes ☐ No
- b** Describe any written or oral arrangements that you made or intend to make.
- c** Identify with whom you have or will have such arrangements.
- d** Explain how the terms are or will be negotiated at arm's length.
- e** Explain how you determine you pay no more than fair market value or you are paid at least fair market value.
- f** Attach copies of any signed leases, contracts, loans, or other agreements relating to such arrangements.

- 9a** Do you or will you have any leases, contracts, loans, or other agreements with any organization in which any of your officers, directors, or trustees are also officers, directors, or trustees, or in which any individual officer, director, or trustee owns more than a 35% interest? If "Yes," provide the information requested in lines 9b through 9f. ☐ Yes ☐ No

Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors (Continued)

- b Describe any written or oral arrangements you made or intend to make.
- c Identify with whom you have or will have such arrangements.
- d Explain how the terms are or will be negotiated at arm's length.
- e Explain how you determine or will determine you pay no more than fair market value or that you are paid at least fair market value.
- f Attach a copy of any signed leases, contracts, loans, or other agreements relating to such arrangements.

Part VI Your Members and Other Individuals and Organizations That Receive Benefits From You

The following "Yes" or "No" questions relate to goods, services, and funds you provide to individuals and organizations as part of your activities. Your answers should pertain to *past, present, and planned* activities. (See instructions.)

- 1a In carrying out your exempt purposes, do you provide goods, services, or funds to individuals? If "Yes," describe each program that provides goods, services, or funds to individuals. ☐ Yes ☐ No
- b In carrying out your exempt purposes, do you provide goods, services, or funds to organizations? If "Yes," describe each program that provides goods, services, or funds to organizations. ☐ Yes ☐ No
- 2 Do any of your programs limit the provision of goods, services, or funds to a specific individual or group of specific individuals? For example, answer "Yes," if goods, services, or funds are provided only for a particular individual, your members, individuals who work for a particular employer, or graduates of a particular school. If "Yes," explain the limitation and how recipients are selected for each program. ☐ Yes ☐ No
- 3 Do any individuals who receive goods, services, or funds through your programs have a family or business relationship with any officer, director, trustee, or with any of your highest compensated employees or highest compensated independent contractors listed in Part V, lines 1a, 1b, and 1c? If "Yes," explain how these related individuals are eligible for goods, services, or funds. ☐ Yes ☐ No

Part VII Your History

The following "Yes" or "No" questions relate to your history. (See instructions.)

- 1 Are you a **successor** to another organization? Answer "Yes," if you have taken or will take over the activities of another organization; you took over 25% or more of the fair market value of the net assets of another organization; or you were established upon the conversion of an organization from for-profit to non-profit status. If "Yes," complete Schedule G. ☐ Yes ☐ No
- 2 Are you submitting this application more than 27 months after the end of the month in which you were legally formed? If "Yes," complete Schedule E. ☐ Yes ☐ No

Part VIII Your Specific Activities

The following "Yes" or "No" questions relate to specific activities that you may conduct. Check the appropriate box. Your answers should pertain to *past, present, and planned* activities. (See instructions.)

- 1 Do you support or oppose candidates in **political campaigns** in any way? If "Yes," explain. ☐ Yes ☐ No
- 2a Do you attempt to **influence legislation**? If "Yes," explain how you attempt to influence legislation and complete line 2b. If "No," go to line 3a. ☐ Yes ☐ No
- b Have you made or are you making an **election** to have your legislative activities measured by expenditures by filing Form 5768? If "Yes," attach a copy of the Form 5768 that was already filed or attach a completed Form 5768 that you are filing with this application. If "No," describe whether your attempts to influence legislation are a substantial part of your activities. Include the time and money spent on your attempts to influence legislation as compared to your total activities. ☐ Yes ☐ No
- 3a Do you or will you operate bingo or **gaming** activities? If "Yes," describe who conducts them, and list all revenue received or expected to be received and expenses paid or expected to be paid in operating these activities. **Revenue and expenses** should be provided for the time periods specified in Part IX, Financial Data. ☐ Yes ☐ No
- b Do you or will you enter into contracts or other agreements with individuals or organizations to conduct bingo or gaming for you? If "Yes," describe any written or oral arrangements that you made or intend to make, identify with whom you have or will have such arrangements, explain how the terms are or will be negotiated at arm's length, and explain how you determine or will determine you pay no more than fair market value or you will be paid at least fair market value. Attach copies or any written contracts or other agreements relating to such arrangements. ☐ Yes ☐ No
- c List the states and local jurisdictions, including Indian Reservations, in which you conduct or will conduct gaming or bingo.

Part VIII Your Specific Activities (Continued)

4a Do you or will you undertake **fundraising**? If "Yes," check all the fundraising programs you do or will conduct. (See instructions.) ☐ **Yes** ☐ **No**

- | | |
|---|--|
| <input type="checkbox"/> mail solicitations | <input type="checkbox"/> phone solicitations |
| <input type="checkbox"/> email solicitations | <input type="checkbox"/> accept donations on your website |
| <input type="checkbox"/> personal solicitations | <input type="checkbox"/> receive donations from another organization's website |
| <input type="checkbox"/> vehicle, boat, plane, or similar donations | <input type="checkbox"/> government grant solicitations |
| <input type="checkbox"/> foundation grant solicitations | <input type="checkbox"/> Other |

Attach a description of each fundraising program.

b Do you or will you have written or oral contracts with any individuals or organizations to raise funds for you? If "Yes," describe these activities. Include all revenue and expenses from these activities and state who conducts them. Revenue and expenses should be provided for the time periods specified in Part IX, Financial Data. Also, attach a copy of any contracts or agreements. ☐ **Yes** ☐ **No**

c Do you or will you engage in fundraising activities for other organizations? If "Yes," describe these arrangements. Include a description of the organizations for which you raise funds and attach copies of all contracts or agreements. ☐ **Yes** ☐ **No**

d List all states and local jurisdictions in which you conduct fundraising. For each state or local jurisdiction listed, specify whether you fundraise for your own organization, you fundraise for another organization, or another organization fundraises for you.

e Do you or will you maintain separate accounts for any contributor under which the contributor has the right to advise on the use or distribution of funds? Answer "Yes" if the donor may provide advice on the types of investments, distributions from the types of investments, or the distribution from the donor's contribution account. If "Yes," describe this program, including the type of advice that may be provided and submit copies of any written materials provided to donors. ☐ **Yes** ☐ **No**

5 Are you **affiliated** with a governmental unit? If "Yes," explain. ☐ **Yes** ☐ **No**

6a Do you or will you engage in **economic development**? If "Yes," describe your program. ☐ **Yes** ☐ **No**

b Describe in full who benefits from your economic development activities and how the activities promote exempt purposes.

7a Do or will persons other than your employees or volunteers **develop** your facilities? If "Yes," describe each facility, the role of the developer, and any business or family relationship(s) between the developer and your officers, directors, or trustees. ☐ **Yes** ☐ **No**

b Do or will persons other than your employees or volunteers **manage** your activities or facilities? If "Yes," describe each activity and facility, the role of the manager, and any business or family relationship(s) between the manager and your officers, directors, or trustees. ☐ **Yes** ☐ **No**

c If there is a business or family relationship between any manager or developer and your officers, directors, or trustees, identify the individuals, explain the relationship, describe how contracts are negotiated at arm's length so that you pay no more than fair market value, and submit a copy of any contracts or other agreements.

8 Do you or will you enter into **joint ventures**, including partnerships or **limited liability companies** treated as partnerships, in which you share profits and losses with partners other than section 501(c)(3) organizations? If "Yes," describe the activities of these joint ventures in which you participate. ☐ **Yes** ☐ **No**

9a Are you applying for exemption as a childcare organization under section 501(k)? If "Yes," answer lines 9b through 9d. If "No," go to line 10. ☐ **Yes** ☐ **No**

b Do you provide child care so that parents or caretakers of children you care for can be **gainfully employed** (see instructions)? If "No," explain how you qualify as a childcare organization described in section 501(k). ☐ **Yes** ☐ **No**

c Of the children for whom you provide child care, are 85% or more of them cared for by you to enable their parents or caretakers to be gainfully employed (see instructions)? If "No," explain how you qualify as a childcare organization described in section 501(k). ☐ **Yes** ☐ **No**

d Are your services available to the general public? If "No," describe the specific group of people for whom your activities are available. Also, see the instructions and explain how you qualify as a childcare organization described in section 501(k). ☐ **Yes** ☐ **No**

10 Do you or will you publish, own, or have rights in music, literature, tapes, artworks, choreography, scientific discoveries, or other **intellectual property**? If "Yes," explain. Describe who owns or will own any copyrights, patents, or trademarks, whether fees are or will be charged, how the fees are determined, and how any items are or will be produced, distributed, and marketed. ☐ **Yes** ☐ **No**

Part VIII Your Specific Activities (Continued)

- 11** Do you or will you accept contributions of: real property; conservation easements; closely held securities; intellectual property such as patents, trademarks, and copyrights; works of music or art; licenses; royalties; automobiles, boats, planes, or other vehicles; or collectibles of any type? If "Yes," describe each type of contribution, any conditions imposed by the donor on the contribution, and any agreements with the donor regarding the contribution. ☐ **Yes** ☐ **No**
-
- 12a** Do you or will you operate in a **foreign country or countries**? If "Yes," answer lines 12b through 12d. If "No," go to line 13a. ☐ **Yes** ☐ **No**
- b** Name the foreign countries and regions within the countries in which you operate.
- c** Describe your operations in each country and region in which you operate.
- d** Describe how your operations in each country and region further your exempt purposes.
-
- 13a** Do you or will you make grants, loans, or other distributions to organization(s)? If "Yes," answer lines 13b through 13g. If "No," go to line 14a. ☐ **Yes** ☐ **No**
- b** Describe how your grants, loans, or other distributions to organizations further your exempt purposes.
- c** Do you have written contracts with each of these organizations? If "Yes," attach a copy of each contract. ☐ **Yes** ☐ **No**
- d** Identify each recipient organization and any **relationship** between you and the recipient organization.
- e** Describe the records you keep with respect to the grants, loans, or other distributions you make.
- f** Describe your selection process, including whether you do any of the following:
- (i) Do you require an application form? If "Yes," attach a copy of the form. ☐ **Yes** ☐ **No**
- (ii) Do you require a grant proposal? If "Yes," describe whether the grant proposal specifies your responsibilities and those of the grantee, obligates the grantee to use the grant funds only for the purposes for which the grant was made, provides for periodic written reports concerning the use of grant funds, requires a final written report and an accounting of how grant funds were used, and acknowledges your authority to withhold and/or recover grant funds in case such funds are, or appear to be, misused. ☐ **Yes** ☐ **No**
- g** Describe your procedures for oversight of distributions that assure you the resources are used to further your exempt purposes, including whether you require periodic and final reports on the use of resources.
-
- 14a** Do you or will you make grants, loans, or other distributions to foreign organizations? If "Yes," answer lines 14b through 14f. If "No," go to line 15. ☐ **Yes** ☐ **No**
- b** Provide the name of each foreign organization, the country and regions within a country in which each foreign organization operates, and describe any relationship you have with each foreign organization.
- c** Does any foreign organization listed in line 14b accept contributions earmarked for a specific country or specific organization? If "Yes," list all earmarked organizations or countries. ☐ **Yes** ☐ **No**
- d** Do your contributors know that you have ultimate authority to use contributions made to you at your discretion for purposes consistent with your exempt purposes? If "Yes," describe how you relay this information to contributors. ☐ **Yes** ☐ **No**
- e** Do you or will you make pre-grant inquiries about the recipient organization? If "Yes," describe these inquiries, including whether you inquire about the recipient's financial status, its tax-exempt status under the Internal Revenue Code, its ability to accomplish the purpose for which the resources are provided, and other relevant information. ☐ **Yes** ☐ **No**
- f** Do you or will you use any additional procedures to ensure that your distributions to foreign organizations are used in furtherance of your exempt purposes? If "Yes," describe these procedures, including site visits by your employees or compliance checks by impartial experts, to verify that grant funds are being used appropriately. ☐ **Yes** ☐ **No**

Part VIII Your Specific Activities *(Continued)*

- | | | | |
|-----------|--|-------------------------------------|------------------------------------|
| 15 | Do you have a close connection with any organizations? If "Yes," explain. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 16 | Are you applying for exemption as a cooperative hospital service organization under section 501(e)? If "Yes," explain. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 17 | Are you applying for exemption as a cooperative service organization of operating educational organizations under section 501(f)? If "Yes," explain. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 18 | Are you applying for exemption as a charitable risk pool under section 501(n)? If "Yes," explain. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 19 | Do you or will you operate a school ? If "Yes," complete Schedule B. Answer "Yes," whether you operate a school as your main function or as a secondary activity. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 20 | Is your main function to provide hospital or medical care ? If "Yes," complete Schedule C. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 21 | Do you or will you provide low-income housing or housing for the elderly or handicapped ? If "Yes," complete Schedule F. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 22 | Do you or will you provide scholarships, fellowships, educational loans, or other educational grants to individuals, including grants for travel, study, or other similar purposes? If "Yes," complete Schedule H. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

Note: **Private foundations** may use Schedule H to request advance approval of individual grant procedures.

Part IX Financial Data

For purposes of this schedule, years in existence refer to completed tax years. If in existence 4 or more years, complete the schedule for the most recent 4 tax years. If in existence more than 1 year but less than 4 years, complete the statements for each year in existence and provide projections of your likely revenues and expenses based on a reasonable and good faith estimate of your future finances for a total of 3 years of financial information. If in existence less than 1 year, provide projections of your likely revenues and expenses for the current year and the 2 following years, based on a reasonable and good faith estimate of your future finances for a total of 3 years of financial information. (See instructions.)

A. Statement of Revenues and Expenses

	Type of revenue or expense	Current tax year	3 prior tax years or 2 succeeding tax years				(e) Provide Total for (a) through (d)
		(a) From To	(b) From To	(c) From To	(d) From To		
Revenues	1 Gifts, grants, and contributions received (do not include unusual grants)						
	2 Membership fees received						
	3 Gross investment income						
	4 Net unrelated business income						
	5 Taxes levied for your benefit						
	6 Value of services or facilities furnished by a governmental unit without charge (not including the value of services generally furnished to the public without charge)						
	7 Any revenue not otherwise listed above or in lines 9–12 below (attach an itemized list)						
	8 Total of lines 1 through 7						
	9 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to your exempt purposes (attach itemized list)						
	10 Total of lines 8 and 9						
Expenses	11 Net gain or loss on sale of capital assets (attach schedule and see instructions)						
	12 Unusual grants						
	13 Total Revenue Add lines 10 through 12						
	14 Fundraising expenses						
	15 Contributions, gifts, grants, and similar amounts paid out (attach an itemized list)						
	16 Disbursements to or for the benefit of members (attach an itemized list)						
	17 Compensation of officers, directors, and trustees						
	18 Other salaries and wages						
	19 Interest expense						
	20 Occupancy (rent, utilities, etc.)						
	21 Depreciation and depletion						
	22 Professional fees						
	23 Any expense not otherwise classified, such as program services (attach itemized list)						
	24 Total Expenses Add lines 14 through 23						

Part IX Financial Data (Continued)**B. Balance Sheet (for your most recently completed tax year)**

Year End:

(Whole dollars)

Assets		
1	Cash	1
2	Accounts receivable, net	2
3	Inventories	3
4	Bonds and notes receivable (attach an itemized list)	4
5	Corporate stocks (attach an itemized list)	5
6	Loans receivable (attach an itemized list)	6
7	Other investments (attach an itemized list)	7
8	Depreciable and depletable assets (attach an itemized list)	8
9	Land	9
10	Other assets (attach an itemized list)	10
11	Total Assets (add lines 1 through 10)	11
Liabilities		
12	Accounts payable	12
13	Contributions, gifts, grants, etc. payable	13
14	Mortgages and notes payable (attach an itemized list)	14
15	Other liabilities (attach an itemized list)	15
16	Total Liabilities (add lines 12 through 15)	16
Fund Balances or Net Assets		
17	Total fund balances or net assets	17
18	Total Liabilities and Fund Balances or Net Assets (add lines 16 and 17)	18

19 Have there been any substantial changes in your assets or liabilities since the end of the period shown above? If "Yes," explain. ☐ Yes ☐ No

Part X Public Charity Status

Part X is designed to classify you as an organization that is either a **private foundation** or a **public charity**. Public charity status is a more favorable tax status than private foundation status. If you are a private foundation, Part X is designed to further determine whether you are a **private operating foundation**. (See instructions.)

1a Are you a private foundation? If "Yes," go to line 1b. If "No," go to line 5 and proceed as instructed. If you are unsure, see the instructions. ☐ Yes ☐ No

b As a private foundation, section 508(e) requires special provisions in your organizing document in addition to those that apply to all organizations described in section 501(c)(3). Check the box to confirm that your organizing document meets this requirement, whether by express provision or by reliance on operation of state law. Attach a statement that describes specifically where your organizing document meets this requirement, such as a reference to a particular article or section in your organizing document or by operation of state law. See the instructions, including Appendix B, for information about the special provisions that need to be contained in your organizing document. Go to line 2. ☐

2 Are you a private operating foundation? To be a private operating foundation you must engage directly in the active conduct of charitable, religious, educational, and similar activities, as opposed to indirectly carrying out these activities by providing grants to individuals or other organizations. If "Yes," go to line 3. If "No," go to the signature section of Part XI. ☐ Yes ☐ No

3 Have you existed for one or more years? If "Yes," attach financial information showing that you are a private operating foundation; go to the signature section of Part XI. If "No," continue to line 4. ☐ Yes ☐ No

4 Have you attached either (1) an affidavit or opinion of counsel, (including a written affidavit or opinion from a certified public accountant or accounting firm with expertise regarding this tax law matter), that sets forth facts concerning your operations and support to demonstrate that you are likely to satisfy the requirements to be classified as a private operating foundation; or (2) a statement describing your proposed operations as a private operating foundation? ☐ Yes ☐ No

5 If you answered "No" to line 1a, indicate the type of public charity status you are requesting by checking one of the choices below. You may check only one box.

The organization is not a private foundation because it is:

a 509(a)(1) and 170(b)(1)(A)(i)—a church or a convention or association of churches. Complete and attach Schedule A. ☐

b 509(a)(1) and 170(b)(1)(A)(ii)—a **school**. Complete and attach Schedule B. ☐

c 509(a)(1) and 170(b)(1)(A)(iii)—a **hospital**, a cooperative hospital service organization, or a medical research organization operated in conjunction with a hospital. Complete and attach Schedule C. ☐

d 509(a)(3)—an organization supporting either one or more organizations described in line 5a through c, f, g, or h or a publicly supported section 501(c)(4), (5), or (6) organization. Complete and attach Schedule D. ☐

Part X Public Charity Status (Continued)

- e** 509(a)(4)—an organization organized and operated exclusively for testing for public safety. ☐
- f** 509(a)(1) and 170(b)(1)(A)(iv)—an organization operated for the benefit of a college or university that is owned or operated by a governmental unit. ☐
- g** 509(a)(1) and 170(b)(1)(A)(vi)—an organization that receives a substantial part of its financial support in the form of contributions from publicly supported organizations, from a governmental unit, or from the general public. ☐
- h** 509(a)(2)—an organization that normally receives not more than one-third of its financial support from gross **investment income** and receives more than one-third of its financial support from contributions, membership fees, and gross receipts from activities related to its exempt functions (subject to certain exceptions). ☐
- i** A publicly supported organization, but unsure if it is described in 5g or 5h. The organization would like the IRS to decide the correct status. ☐

6 If you checked box g, h, or i in question 5 above, you must request either an **advance** or a **definitive ruling** by selecting one of the boxes below. Refer to the instructions to determine which type of ruling you are eligible to receive.

- a Request for Advance Ruling:** By checking this box and signing the consent, pursuant to section 6501(c)(4) of the Code you request an advance ruling and agree to extend the statute of limitations on the assessment of excise tax under section 4940 of the Code. The tax will apply only if you do not establish public support status at the end of the 5-year advance ruling period. The assessment period will be extended for the 5 advance ruling years to 8 years, 4 months, and 15 days beyond the end of the first year. You have the right to refuse or limit the extension to a mutually agreed-upon period of time or issue(s). Publication 1035, *Extending the Tax Assessment Period*, provides a more detailed explanation of your rights and the consequences of the choices you make. You may obtain Publication 1035 free of charge from the IRS web site at www.irs.gov or by calling toll-free 1-800-829-3676. Signing this consent will not deprive you of any appeal rights to which you would otherwise be entitled. If you decide not to extend the statute of limitations, you are not eligible for an advance ruling.

Consent Fixing Period of Limitations Upon Assessment of Tax Under Section 4940 of the Internal Revenue Code

For Organization

.....
(Signature of Officer, Director, Trustee, or other
authorized official)

.....
(Type or print name of signer)

.....
(Date)

.....
(Type or print title or authority of signer)

For IRS Use Only

.....
IRS Director, Exempt Organizations

.....
(Date)

- b Request for Definitive Ruling:** Check this box if you have completed one tax year of at least 8 full months and you are requesting a definitive ruling. To confirm your public support status, answer line 6b(i) if you checked box g in line 5 above. Answer line 6b(ii) if you checked box h in line 5 above. If you checked box i in line 5 above, answer both lines 6b(i) and (ii). ☐
- (i) (a)** Enter 2% of line 8, column (e) on Part IX-A. Statement of Revenues and Expenses. _____ ☐
- (b)** Attach a list showing the name and amount contributed by each person, company, or organization whose gifts totaled more than the 2% amount. If the answer is "None," check this box. ☐
- (ii) (a)** For each year amounts are included on lines 1, 2, and 9 of Part IX-A. Statement of Revenues and Expenses, attach a list showing the name of and amount received from each **disqualified person**. If the answer is "None," check this box. ☐
- (b)** For each year amounts are included on line 9 of Part IX-A. Statement of Revenues and Expenses, attach a list showing the name of and amount received from each payer, other than a disqualified person, whose payments were more than the larger of (1) 1% of line 10, Part IX-A. Statement of Revenues and Expenses, or (2) \$5,000. If the answer is "None," check this box. ☐

- 7** Did you receive any unusual grants during any of the years shown on Part IX-A. Statement of Revenues and Expenses? If "Yes," attach a list including the name of the contributor, the date and amount of the grant, a brief description of the grant, and explain why it is unusual. ☐ Yes ☐ No

Part XI User Fee Information

You must include a user fee payment with this application. It will not be processed without your paid user fee. If your average annual gross receipts have exceeded or will exceed \$10,000 annually over a 4-year period, you must submit payment of \$850. If your gross receipts have not exceeded or will not exceed \$10,000 annually over a 4-year period, the required user fee payment is \$400. See instructions for Part XI, for a definition of **gross receipts** over a 4-year period. Your check or money order must be made payable to the United States Treasury. *User fees are subject to change. Check our website at www.irs.gov and type "User Fee" in the keyword box, or call Customer Account Services at 1-877-829-5500 for current information.*

- 1** Have your annual gross receipts averaged or are they expected to average not more than \$10,000? ☐ **Yes** ☐ **No**
 If "Yes," check the box on line 2 and enclose a user fee payment of \$400 (Subject to change—see above).
 If "No," check the box on line 3 and enclose a user fee payment of \$850 (Subject to change—see above).
- 2** Check the box if you have enclosed the reduced user fee payment of \$400 (Subject to change). ☐
- 3** Check the box if you have enclosed the user fee payment of \$850 (Subject to change). ☐

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge It is true, correct, and complete.

**Please
Sign
Here**

(Signature of Officer, Director, Trustee, or other
authorized official)

(Type or print name of signer)

(Date)

(Type or print title or authority of signer)

Reminder: Send the completed Form 1023 Checklist with your filled-in-application.

Form **1023** (Rev. 12-2013)

Schedule A. Churches

1a	Do you have a written creed, statement of faith, or summary of beliefs? If "Yes," attach copies of relevant documents.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	Do you have a form of worship? If "Yes," describe your form of worship.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2a	Do you have a formal code of doctrine and discipline? If "Yes," describe your code of doctrine and discipline.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	Do you have a distinct religious history? If "Yes," describe your religious history.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
c	Do you have a literature of your own? If "Yes," describe your literature.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
3	Describe the organization's religious hierarchy or ecclesiastical government.		
4a	Do you have regularly scheduled religious services? If "Yes," describe the nature of the services and provide representative copies of relevant literature such as church bulletins.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	What is the average attendance at your regularly scheduled religious services? _____		
5a	Do you have an established place of worship? If "Yes," refer to the instructions for the information required.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	Do you own the property where you have an established place of worship?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
6	Do you have an established congregation or other regular membership group? If "No," refer to the instructions.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
7	How many members do you have? _____		
8a	Do you have a process by which an individual becomes a member? If "Yes," describe the process and complete lines 8b-8d, below.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	If you have members, do your members have voting rights, rights to participate in religious functions, or other rights? If "Yes," describe the rights your members have.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
c	May your members be associated with another denomination or church?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
d	Are all of your members part of the same family?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
9	Do you conduct baptisms, weddings, funerals, etc.?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
10	Do you have a school for the religious instruction of the young?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
11a	Do you have a minister or religious leader? If "Yes," describe this person's role and explain whether the minister or religious leader was ordained, commissioned, or licensed after a prescribed course of study.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	Do you have schools for the preparation of your ordained ministers or religious leaders?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
12	Is your minister or religious leader also one of your officers, directors, or trustees?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
13	Do you ordain, commission, or license ministers or religious leaders? If "Yes," describe the requirements for ordination, commission, or licensure.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
14	Are you part of a group of churches with similar beliefs and structures? If "Yes," explain. Include the name of the group of churches.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
15	Do you issue church charters? If "Yes," describe the requirements for issuing a charter.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
16	Did you pay a fee for a church charter? If "Yes," attach a copy of the charter.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
17	Do you have other information you believe should be considered regarding your status as a church? If "Yes," explain.	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Schedule B. Schools, Colleges, and Universities

If you operate a school as an activity, complete Schedule B

Section I Operational Information

1a Do you normally have a regularly scheduled curriculum, a regular faculty of qualified teachers, a regularly enrolled student body, and facilities where your educational activities are regularly carried on? If "No," do not complete the remainder of Schedule B. ☐ Yes ☐ No

b Is the primary function of your school the presentation of formal instruction? If "Yes," describe your school in terms of whether it is an elementary, secondary, college, technical, or other type of school. If "No," do not complete the remainder of Schedule B. ☐ Yes ☐ No

2a Are you a public school because you are operated by a state or subdivision of a state? If "Yes," explain how you are operated by a state or subdivision of a state. Do not complete the remainder of Schedule B. ☐ Yes ☐ No

b Are you a public school because you are operated wholly or predominantly from government funds or property? If "Yes," explain how you are operated wholly or predominantly from government funds or property. Submit a copy of your funding agreement regarding government funding. Do not complete the remainder of Schedule B. ☐ Yes ☐ No

3 In what public school district, county, and state are you located?

4 Were you formed or substantially expanded at the time of public school desegregation in the above school district or county? ☐ Yes ☐ No

5 Has a state or federal administrative agency or judicial body ever determined that you are racially discriminatory? If "Yes," explain. ☐ Yes ☐ No

6 Has your right to receive financial aid or assistance from a governmental agency ever been revoked or suspended? If "Yes," explain. ☐ Yes ☐ No

7 Do you or will you contract with another organization to develop, build, market, or finance your facilities? If "Yes," explain how that entity is selected, explain how the terms of any contracts or other agreements are negotiated at arm's length, and explain how you determine that you will pay no more than fair market value for services. ☐ Yes ☐ No

Note. Make sure your answer is consistent with the information provided in Part VIII, line 7a.

8 Do you or will you manage your activities or facilities through your own employees or volunteers? If "No," attach a statement describing the activities that will be managed by others, the names of the persons or organizations that manage or will manage your activities or facilities, and how these managers were or will be selected. Also, submit copies of any contracts, proposed contracts, or other agreements regarding the provision of management services for your activities or facilities. Explain how the terms of any contracts or other agreements were or will be negotiated, and explain how you determine you will pay no more than fair market value for services. ☐ Yes ☐ No

Note. Answer "Yes" if you manage or intend to manage your programs through your own employees or by using volunteers. Answer "No" if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in Part VIII, line 7b.

Section II Establishment of Racially Nondiscriminatory PolicyInformation required by **Revenue Procedure 75-50.**

1 Have you adopted a racially nondiscriminatory policy as to students in your organizing document, bylaws, or by resolution of your governing body? If "Yes," state where the policy can be found or supply a copy of the policy. If "No," you must adopt a nondiscriminatory policy as to students before submitting this application. See Publication 557. ☐ Yes ☐ No

2 Do your brochures, application forms, advertisements, and catalogues dealing with student admissions, programs, and scholarships contain a statement of your racially nondiscriminatory policy? ☐ Yes ☐ No

a If "Yes," attach a representative sample of each document.

b If "No," by checking the box to the right you agree that all future printed materials, including website content, will contain the required nondiscriminatory policy statement. ▶ ☐

3 Have you published a notice of your nondiscriminatory policy in a newspaper of general circulation that serves all racial segments of the community? (See the instructions for specific requirements.) If "No," explain. ☐ Yes ☐ No

4 Does or will the organization (or any department or division within it) discriminate in any way on the basis of race with respect to admissions; use of facilities or exercise of student privileges; faculty or administrative staff; or scholarship or loan programs? If "Yes," for any of the above, explain fully. ☐ Yes ☐ No

Schedule B. Schools, Colleges, and Universities (Continued)

- 5** Complete the table below to show the racial composition for the current academic year and projected for the next academic year, of: (a) the student body, (b) the faculty, and (c) the administrative staff. Provide actual numbers rather than percentages for each racial category.

If you are not operational, submit an estimate based on the best information available (such as the racial composition of the community served).

Racial Category	(a) Student Body		(b) Faculty		(c) Administrative Staff	
	Current Year	Next Year	Current Year	Next Year	Current Year	Next Year
Total						

- 6** In the table below, provide the number and amount of loans and scholarships awarded to students enrolled by racial categories.

Racial Category	Number of Loans		Amount of Loans		Number of Scholarships		Amount of Scholarships	
	Current Year	Next Year	Current Year	Next Year	Current Year	Next Year	Current Year	Next Year
Total								

- 7a** Attach a list of your incorporators, founders, board members, and donors of land or buildings, whether individuals or organizations.

- b** Do any of these individuals or organizations have an objective to maintain segregated public or private school education? If "Yes," explain.

☐ **Yes** ☐ **No**

- 8** Will you maintain records according to the non-discrimination provisions contained in Revenue Procedure 75-50? If "No," explain. (See instructions.)

☐ **Yes** ☐ **No**

Schedule C. Hospitals and Medical Research Organizations

Check the box if you are a **hospital**. See the instructions for a definition of the term "hospital," which includes an organization whose principal purpose or function is providing **hospital** or **medical care**. Complete Section I below. ☐

Check the box if you are a **medical research organization** operated in conjunction with a hospital. See the instructions for a definition of the term "medical research organization," which refers to an organization whose principal purpose or function is medical research and which is directly engaged in the continuous active conduct of medical research in conjunction with a hospital. Complete Section II. ☐

Section I Hospitals

- | | |
|---|--|
| 1a Are all the doctors in the community eligible for staff privileges? If "No," give the reasons why and explain how the medical staff is selected. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 2a Do you or will you provide medical services to all individuals in your community who can pay for themselves or have private health insurance? If "No," explain. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| b Do you or will you provide medical services to all individuals in your community who participate in Medicare? If "No," explain. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| c Do you or will you provide medical services to all individuals in your community who participate in Medicaid? If "No," explain. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 3a Do you or will you require persons covered by Medicare or Medicaid to pay a deposit before receiving services? If "Yes," explain. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| b Does the same deposit requirement, if any, apply to all other patients? If "No," explain. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 4a Do you or will you maintain a full-time emergency room? If "No," explain why you do not maintain a full-time emergency room. Also, describe any emergency services that you provide. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| b Do you have a policy on providing emergency services to persons without apparent means to pay? If "Yes," provide a copy of the policy. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| c Do you have any arrangements with police, fire, and voluntary ambulance services for the delivery or admission of emergency cases? If "Yes," describe the arrangements, including whether they are written or oral agreements. If written, submit copies of all such agreements. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 5a Do you provide for a portion of your services and facilities to be used for charity patients? If "Yes," answer 5b through 5e. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| b Explain your policy regarding charity cases, including how you distinguish between charity care and bad debts. Submit a copy of your written policy. | |
| c Provide data on your past experience in admitting charity patients, including amounts you expend for treating charity care patients and types of services you provide to charity care patients. | |
| d Describe any arrangements you have with federal, state, or local governments or government agencies for paying for the cost of treating charity care patients. Submit copies of any written agreements. | |
| e Do you provide services on a sliding fee schedule depending on financial ability to pay? If "Yes," submit your sliding fee schedule. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 6a Do you or will you carry on a formal program of medical training or medical research? If "Yes," describe such programs, including the type of programs offered, the scope of such programs, and affiliations with other hospitals or medical care providers with which you carry on the medical training or research programs. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| b Do you or will you carry on a formal program of community education? If "Yes," describe such programs, including the type of programs offered, the scope of such programs, and affiliation with other hospitals or medical care providers with which you offer community education programs. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 7 Do you or will you provide office space to physicians carrying on their own medical practices? If "Yes," describe the criteria for who may use the space, explain the means used to determine that you are paid at least fair market value, and submit representative lease agreements. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 8 Is your board of directors comprised of a majority of individuals who are representative of the community you serve? Include a list of each board member's name and business, financial, or professional relationship with the hospital. Also, identify each board member who is representative of the community and describe how that individual is a community representative. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 9 Do you participate in any joint ventures? If "Yes," state your ownership percentage in each joint venture, list your investment in each joint venture, describe the tax status of other participants in each joint venture (including whether they are section 501(c)(3) organizations), describe the activities of each joint venture, describe how you exercise control over the activities of each joint venture, and describe how each joint venture furthers your exempt purposes. Also, submit copies of all agreements. | <input type="checkbox"/> Yes <input type="checkbox"/> No |

Note. Make sure your answer is consistent with the information provided in Part VIII, line 8.

Schedule C. Hospitals and Medical Research Organizations (Continued)**Section I Hospitals (Continued)**

- 10 Do you or will you manage your activities or facilities through your own employees or volunteers? If "No," attach a statement describing the activities that will be managed by others, the names of the persons or organizations that manage or will manage your activities or facilities, and how these managers were or will be selected. Also, submit copies of any contracts, proposed contracts, or other agreements regarding the provision of management services for your activities or facilities. Explain how the terms of any contracts or other agreements were or will be negotiated, and explain how you determine you will pay no more than fair market value for services. ☐ Yes ☐ No
- Note.** Answer "Yes" if you do manage or intend to manage your programs through your own employees or by using volunteers. Answer "No" if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in Part VIII, line 7b.
- 11 Do you or will you offer recruitment incentives to physicians? If "Yes," describe your recruitment incentives and attach copies of all written recruitment incentive policies. ☐ Yes ☐ No
- 12 Do you or will you lease equipment, assets, or office space from physicians who have a financial or professional relationship with you? If "Yes," explain how you establish a fair market value for the lease. ☐ Yes ☐ No
- 13 Have you purchased medical practices, ambulatory surgery centers, or other business assets from physicians or other persons with whom you have a business relationship, aside from the purchase? If "Yes," submit a copy of each purchase and sales contract and describe how you arrived at fair market value, including copies of appraisals. ☐ Yes ☐ No
- 14 Have you adopted a **conflict of interest policy** consistent with the sample health care organization conflict of interest policy in Appendix A of the instructions? If "Yes," submit a copy of the policy and explain how the policy has been adopted, such as by resolution of your governing board. If "No," explain how you will avoid any conflicts of interest in your business dealings. ☐ Yes ☐ No

Section II Medical Research Organizations

- 1 Name the hospitals with which you have a relationship and describe the relationship. Attach copies of written agreements with each hospital that demonstrate continuing relationships between you and the hospital(s).
- 2 Attach a schedule describing your present and proposed activities for the direct conduct of medical research; describe the nature of the activities, and the amount of money that has been or will be spent in carrying them out.
- 3 Attach a schedule of assets showing their fair market value and the portion of your assets directly devoted to medical research.

Schedule D. Section 509(a)(3) Supporting Organizations**Section I Identifying Information About the Supported Organization(s)**

- 1** State the names, addresses, and EINs of the supported organizations. If additional space is needed, attach a separate sheet.

Name	Address	EIN
	-----	—
	-----	—

- 2** Are all supported organizations listed in line 1 public charities under section 509(a)(1) or (2)? If "Yes," go to Section II. If "No," go to line 3. ☐ **Yes** ☐ **No**

- 3** Do the supported organizations have tax-exempt status under section 501(c)(4), 501(c)(5), or 501(c)(6)? ☐ **Yes** ☐ **No**

If "Yes," for each 501(c)(4), (5), or (6) organization supported, provide the following financial information:

- Part IX-A. Statement of Revenues and Expenses, lines 1–13 and
- Part X, lines 6b(ii)(a), 6b(ii)(b), and 7.

If "No," attach a statement describing how each organization you support is a public charity under section 509(a)(1) or (2).

Section II Relationship with Supported Organization(s)—Three Tests

To be classified as a supporting organization, an organization must meet one of three relationship tests:

Test 1: "Operated, supervised, or controlled by" one or more publicly supported organizations, or

Test 2: "Supervised or controlled in connection with" one or more publicly supported organizations, or

Test 3: "Operated in connection with" one or more publicly supported organizations.

- 1** Information to establish the "operated, supervised, or controlled by" relationship (Test 1)
Is a majority of your governing board or officers elected or appointed by the supported organization(s)? If "Yes," describe the process by which your governing board is appointed and elected; go to Section III. If "No," continue to line 2. ☐ **Yes** ☐ **No**

- 2** Information to establish the "supervised or controlled in connection with" relationship (Test 2)
Does a majority of your governing board consist of individuals who also serve on the governing board of the supported organization(s)? If "Yes," describe the process by which your governing board is appointed and elected; go to Section III. If "No," go to line 3. ☐ **Yes** ☐ **No**

- 3** Information to establish the "operated in connection with" responsiveness test (Test 3)
Are you a trust from which the named supported organization(s) can enforce and compel an accounting under state law? If "Yes," explain whether you advised the supported organization(s) in writing of these rights and provide a copy of the written communication documenting this; go to Section II, line 5. If "No," go to line 4a. ☐ **Yes** ☐ **No**

- 4** Information to establish the alternative "operated in connection with" responsiveness test (Test 3)
- a** Do the officers, directors, trustees, or members of the supported organization(s) elect or appoint one or more of your officers, directors, or trustees? If "Yes," explain and provide documentation; go to line 4d, below. If "No," go to line 4b. ☐ **Yes** ☐ **No**
- b** Do one or more members of the governing body of the supported organization(s) also serve as your officers, directors, or trustees or hold other important offices with respect to you? If "Yes," explain and provide documentation; go to line 4d, below. If "No," go to line 4c. ☐ **Yes** ☐ **No**
- c** Do your officers, directors, or trustees maintain a close and continuous working relationship with the officers, directors, or trustees of the supported organization(s)? If "Yes," explain and provide documentation. ☐ **Yes** ☐ **No**
- d** Do the supported organization(s) have a significant voice in your investment policies, in the making and timing of grants, and in otherwise directing the use of your income or assets? If "Yes," explain and provide documentation. ☐ **Yes** ☐ **No**
- e** Describe and provide copies of written communications documenting how you made the supported organization(s) aware of your supporting activities.

Schedule D. Section 509(a)(3) Supporting Organizations (Continued)**Section II Relationship with Supported Organization(s)—Three Tests (Continued)**

- 5** Information to establish the "operated in connection with" integral part test (Test 3)
Do you conduct activities that would otherwise be carried out by the supported organization(s)? If "Yes," explain and go to Section III. If "No," continue to line 6a. ☐ **Yes** ☐ **No**
- 6** Information to establish the alternative "operated in connection with" integral part test (Test 3)
a Do you distribute at least 85% of your annual **net income** to the supported organization(s)? If "Yes," go to line 6b. (See instructions.) ☐ **Yes** ☐ **No**
If "No," state the percentage of your income that you distribute to each supported organization. Also explain how you ensure that the supported organization(s) are attentive to your operations.
b How much do you contribute annually to each supported organization? Attach a schedule.
c What is the total annual revenue of each supported organization? If you need additional space, attach a list.
d Do you or the supported organization(s) **earmark** your funds for support of a particular program or activity? If "Yes," explain. ☐ **Yes** ☐ **No**
- 7a** Does your organizing document specify the supported organization(s) by name? If "Yes," state the article and paragraph number and go to Section III. If "No," answer line 7b. ☐ **Yes** ☐ **No**
b Attach a statement describing whether there has been an historic and continuing relationship between you and the supported organization(s).

Section III Organizational Test

- 1a** If you met relationship Test 1 or Test 2 in Section II, your organizing document must specify the supported organization(s) by name, or by naming a similar purpose or charitable class of beneficiaries. If your organizing document complies with this requirement, answer "Yes." If your organizing document does not comply with this requirement, answer "No," and see the instructions. ☐ **Yes** ☐ **No**
- b** If you met relationship Test 3 in Section II, your organizing document must generally specify the supported organization(s) by name. If your organizing document complies with this requirement, answer "Yes," and go to Section IV. If your organizing document does not comply with this requirement, answer "No," and see the instructions. ☐ **Yes** ☐ **No**

Section IV Disqualified Person Test

You do not qualify as a supporting organization if you are **controlled** directly or indirectly by one or more **disqualified persons** (as defined in section 4946) other than **foundation managers** or one or more organizations that you support. Foundation managers who are also disqualified persons for another reason are disqualified persons with respect to you.

- 1a** Do any persons who are disqualified persons with respect to you, (except individuals who are disqualified persons only because they are foundation managers), appoint any of your foundation managers? If "Yes," (1) describe the process by which disqualified persons appoint any of your foundation managers, (2) provide the names of these disqualified persons and the foundation managers they appoint, and (3) explain how control is vested over your operations (including assets and activities) by persons other than disqualified persons. ☐ **Yes** ☐ **No**
- b** Do any persons who have a family or business relationship with any disqualified persons with respect to you, (except individuals who are disqualified persons only because they are foundation managers), appoint any of your foundation managers? If "Yes," (1) describe the process by which individuals with a family or business relationship with disqualified persons appoint any of your foundation managers, (2) provide the names of these disqualified persons, the individuals with a family or business relationship with disqualified persons, and the foundation managers appointed, and (3) explain how control is vested over your operations (including assets and activities) in individuals other than disqualified persons. ☐ **Yes** ☐ **No**
- c** Do any persons who are disqualified persons, (except individuals who are disqualified persons only because they are foundation managers), have any influence regarding your operations, including your assets or activities? If "Yes," (1) provide the names of these disqualified persons, (2) explain how influence is exerted over your operations (including assets and activities), and (3) explain how control is vested over your operations (including assets and activities) by individuals other than disqualified persons. ☐ **Yes** ☐ **No**

Schedule E. Organizations Not Filing Form 1023 Within 27 Months of Formation

Schedule E is intended to determine whether you are eligible for tax exemption under section 501(c)(3) from the postmark date of your application or from your date of incorporation or formation, whichever is earlier. If you are not eligible for tax exemption under section 501(c)(3) from your date of incorporation or formation, Schedule E is also intended to determine whether you are eligible for tax exemption under section 501(c)(4) for the period between your date of incorporation or formation and the postmark date of your application.

- | | | | |
|---|---|------------------------------|-----------------------------|
| 1 | Are you a church, association of churches, or integrated auxiliary of a church? If "Yes," complete Schedule A and stop here. Do not complete the remainder of Schedule E. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 2a | Are you a public charity with annual gross receipts that are normally \$5,000 or less? If "Yes," stop here. Answer "No" if you are a private foundation, regardless of your gross receipts. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| b | If your gross receipts were normally more than \$5,000, are you filing this application within 90 days from the end of the tax year in which your gross receipts were normally more than \$5,000? If "Yes," stop here. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 3a | Were you included as a subordinate in a group exemption application or letter? If "No," go to line 4. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| b | If you were included as a subordinate in a group exemption letter, are you filing this application within 27 months from the date you were notified by the organization holding the group exemption letter or the Internal Revenue Service that you cease to be covered by the group exemption letter? If "Yes," stop here. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| c | If you were included as a subordinate in a timely filed group exemption request that was denied, are you filing this application within 27 months from the postmark date of the Internal Revenue Service final adverse ruling letter? If "Yes," stop here. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 4 | Were you created on or before October 9, 1969? If "Yes," stop here. Do not complete the remainder of this schedule. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 5 | If you answered "No" to lines 1 through 4, we cannot recognize you as tax exempt from your date of formation unless you qualify for an extension of time to apply for exemption. Do you wish to request an extension of time to apply to be recognized as exempt from the date you were formed? If "Yes," attach a statement explaining why you did not file this application within the 27-month period. Do not answer lines 6, 7, or 8. If "No," go to line 6a. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 6a | If you answered "No" to line 5, you can only be exempt under section 501(c)(3) from the postmark date of this application. Therefore, do you want us to treat this application as a request for tax exemption from the postmark date? If "Yes," you are eligible for an advance ruling. Complete Part X, line 6a. If "No," you will be treated as a private foundation. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Note. Be sure your ruling eligibility agrees with your answer to Part X, line 6. | | | |
| b | Do you anticipate significant changes in your sources of support in the future? If "Yes," complete line 7 below. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

Schedule E. Organizations Not Filing Form 1023 Within 27 Months of Formation (Continued)

- 7** Complete this item only if you answered "Yes" to line 6b. Include projected revenue for the first two full years following the current tax year.

Type of Revenue	Projected revenue for 2 years following current tax year		
	(a) From To	(b) From To	(c) Total
1 Gifts, grants, and contributions received (do not include unusual grants)			
2 Membership fees received			
3 Gross investment income			
4 Net unrelated business income			
5 Taxes levied for your benefit			
6 Value of services or facilities furnished by a governmental unit without charge (not including the value of services generally furnished to the public without charge)			
7 Any revenue not otherwise listed above or in lines 9–12 below (attach an itemized list)			
8 Total of lines 1 through 7			
9 Gross receipts from admissions, merchandise sold, or services performed, or furnishing of facilities in any activity that is related to your exempt purposes (attach itemized list)			
10 Total of lines 8 and 9			
11 Net gain or loss on sale of capital assets (attach an itemized list)			
12 Unusual grants			
13 Total revenue. Add lines 10 through 12			

- 8** According to your answers, you are only eligible for tax exemption under section 501(c)(3) from the postmark date of your application. However, you may be eligible for tax exemption under section 501(c)(4) from your date of formation to the postmark date of the Form 1023. Tax exemption under section 501(c)(4) allows exemption from federal income tax, but generally not deductibility of contributions under Code section 170. Check the box at right if you want us to treat this as a request for exemption under 501(c)(4) from your date of formation to the postmark date.



Attach a completed Page 1 of Form 1024, Application for Recognition of Exemption Under Section 501(a), to this application.

Schedule F. Homes for the Elderly or Handicapped and Low-Income Housing**Section I General Information About Your Housing**

1 Describe the type of housing you provide.

2 Provide copies of any application forms you use for admission.

3 Explain how the public is made aware of your facility.

4a Provide a description of each facility.

b What is the total number of residents each facility can accommodate?

c What is your current number of residents in each facility?

d Describe each facility in terms of whether residents rent or purchase housing from you.

5 Attach a sample copy of your residency or homeownership contract or agreement.

6 Do you participate in any joint ventures? If "Yes," state your ownership percentage in each joint venture, list your investment in each joint venture, describe the tax status of other participants in each joint venture (including whether they are section 501(c)(3) organizations), describe the activities of each joint venture, describe how you exercise control over the activities of each joint venture, and describe how each joint venture furthers your exempt purposes. Also, submit copies of all joint venture agreements.

☐ Yes ☐ No

Note. Make sure your answer is consistent with the information provided in Part VIII, line 8.

7 Do you or will you contract with another organization to develop, build, market, or finance your housing? If "Yes," explain how that entity is selected, explain how the terms of any contract(s) are negotiated at arm's length, and explain how you determine you will pay no more than fair market value for services.

☐ Yes ☐ No

Note. Make sure your answer is consistent with the information provided in Part VIII, line 7a.

8 Do you or will you manage your activities or facilities through your own employees or volunteers? If "No," attach a statement describing the activities that will be managed by others, the names of the persons or organizations that manage or will manage your activities or facilities, and how these managers were or will be selected. Also, submit copies of any contracts, proposed contracts, or other agreements regarding the provision of management services for your activities or facilities. Explain how the terms of any contracts or other agreements were or will be negotiated, and explain how you determine you will pay no more than fair market value for services.

☐ Yes ☐ No

Note. Answer "Yes" if you do manage or intend to manage your programs through your own employees or by using volunteers. Answer "No" if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in Part VIII, line 7b.

9 Do you participate in any government housing programs? If "Yes," describe these programs.

☐ Yes ☐ No

10a Do you own the facility? If "No," describe any enforceable rights you possess to purchase the facility in the future; go to line 10c. If "Yes," answer line 10b.

☐ Yes ☐ No

b How did you acquire the facility? For example, did you develop it yourself, purchase a project, etc. Attach all contracts, transfer agreements, or other documents connected with the acquisition of the facility.

c Do you lease the facility or the land on which it is located? If "Yes," describe the parties to the lease(s) and provide copies of all leases.

☐ Yes ☐ No

Schedule F. Homes for the Elderly or Handicapped and Low-Income Housing (Continued)**Section II Homes for the Elderly or Handicapped**

- 1a** Do you provide housing for the elderly? If "Yes," describe who qualifies for your housing in terms of age, infirmity, or other criteria and explain how you select persons for your housing. ☐ Yes ☐ No
- b** Do you provide housing for the handicapped? If "Yes," describe who qualifies for your housing in terms of disability, income levels, or other criteria and explain how you select persons for your housing. ☐ Yes ☐ No
-
- 2a** Do you charge an entrance or founder's fee? If "Yes," describe what this charge covers, whether it is a one-time fee, how the fee is determined, whether it is payable in a lump sum or on an installment basis, whether it is refundable, and the circumstances, if any, under which it may be waived. ☐ Yes ☐ No
- b** Do you charge periodic fees or maintenance charges? If "Yes," describe what these charges cover and how they are determined. ☐ Yes ☐ No
- c** Is your housing affordable to a significant segment of the elderly or handicapped persons in the community? Identify your **community**. Also, if "Yes," explain how you determine your housing is affordable. ☐ Yes ☐ No
-
- 3a** Do you have an established policy concerning residents who become unable to pay their regular charges? If "Yes," describe your established policy. ☐ Yes ☐ No
- b** Do you have any arrangements with government welfare agencies or others to absorb all or part of the cost of maintaining residents who become unable to pay their regular charges? If "Yes," describe these arrangements. ☐ Yes ☐ No
-
- 4** Do you have arrangements for the healthcare needs of your residents? If "Yes," describe these arrangements. ☐ Yes ☐ No
-
- 5** Are your facilities designed to meet the physical, emotional, recreational, social, religious, and/or other similar needs of the elderly or handicapped? If "Yes," describe these design features. ☐ Yes ☐ No

Section III Low-Income Housing

- 1** Do you provide low-income housing? If "Yes," describe who qualifies for your housing in terms of income levels or other criteria, and describe how you select persons for your housing. ☐ Yes ☐ No
-
- 2** In addition to rent or mortgage payments, do residents pay periodic fees or maintenance charges? If "Yes," describe what these charges cover and how they are determined. ☐ Yes ☐ No
-
- 3a** Is your housing affordable to low income residents? If "Yes," describe how your housing is made affordable to low-income residents. ☐ Yes ☐ No
- Note.** Revenue Procedure 96-32, 1996-1 C.B. 717, provides guidelines for providing low-income housing that will be treated as charitable. (At least 75% of the units are occupied by low-income tenants or 40% are occupied by tenants earning not more than 120% of the very low-income levels for the area.)
- b** Do you impose any restrictions to make sure that your housing remains affordable to low-income residents? If "Yes," describe these restrictions. ☐ Yes ☐ No
-
- 4** Do you provide social services to residents? If "Yes," describe these services. ☐ Yes ☐ No

Schedule G. Successors to Other Organizations

1a Are you a **successor** to a **for-profit organization**? If "Yes," explain the relationship with the **predecessor** organization that resulted in your creation and complete line 1b. ☐ **Yes** ☐ **No**

b Explain why you took over the activities or assets of a for-profit organization or converted from for-profit to nonprofit status.

2a Are you a successor to an organization other than a for-profit organization? Answer "Yes" if you have taken or will take over the activities of another organization; or you have taken or will take over 25% or more of the fair market value of the net assets of another organization. If "Yes," explain the relationship with the other organization that resulted in your creation. ☐ **Yes** ☐ **No**

b Provide the tax status of the predecessor organization.

c Did you or did an organization to which you are a successor previously apply for tax exemption under section 501(c)(3) or any other section of the Code? If "Yes," explain how the application was resolved. ☐ **Yes** ☐ **No**

d Was your prior tax exemption or the tax exemption of an organization to which you are a successor revoked or suspended? If "Yes," explain. Include a description of the corrections you made to re-establish tax exemption. ☐ **Yes** ☐ **No**

e Explain why you took over the activities or assets of another organization.

3 Provide the name, last address, and EIN of the predecessor organization and describe its activities.

Name: _____ **EIN:** -

Address: _____

4 List the owners, partners, principal stockholders, officers, and governing board members of the predecessor organization. Attach a separate sheet if additional space is needed.

Name	Address	Share/Interest (If a for-profit)

5 Do or will any of the persons listed in line 4, maintain a working relationship with you? If "Yes," describe the relationship in detail and include copies of any agreements with any of these persons or with any for-profit organizations in which these persons own more than a 35% interest. ☐ **Yes** ☐ **No**

6a Were any assets transferred, whether by gift or sale, from the predecessor organization to you? If "Yes," provide a list of assets, indicate the value of each asset, explain how the value was determined, and attach an appraisal, if available. For each asset listed, also explain if the transfer was by gift, sale, or combination thereof. ☐ **Yes** ☐ **No**

b Were any restrictions placed on the use or sale of the assets? If "Yes," explain the restrictions. ☐ **Yes** ☐ **No**

c Provide a copy of the agreement(s) of sale or transfer.

7 Were any debts or liabilities transferred from the predecessor for-profit organization to you? If "Yes," provide a list of the debts or liabilities that were transferred to you, indicating the amount of each, how the amount was determined, and the name of the person to whom the debt or liability is owed. ☐ **Yes** ☐ **No**

8 Will you lease or rent any property or equipment previously owned or used by the predecessor for-profit organization, or from persons listed in line 4, or from for-profit organizations in which these persons own more than a 35% interest? If "Yes," submit a copy of the lease or rental agreement(s). Indicate how the lease or rental value of the property or equipment was determined. ☐ **Yes** ☐ **No**

9 Will you lease or rent property or equipment to persons listed in line 4, or to for-profit organizations in which these persons own more than a 35% interest? If "Yes," attach a list of the property or equipment, provide a copy of the lease or rental agreement(s), and indicate how the lease or rental value of the property or equipment was determined. ☐ **Yes** ☐ **No**

Schedule H. Organizations Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Advance Approval of Individual Grant Procedures**Section I** *Names of individual recipients are not required to be listed in Schedule H.*

Public charities and private foundations complete lines 1a through 7 of this section. See the instructions to Part X if you are not sure whether you are a public charity or a private foundation.

- 1a** Describe the types of educational grants you provide to individuals, such as scholarships, fellowships, loans, etc.
- b** Describe the purpose and amount of your scholarships, fellowships, and other educational grants and loans that you award.
- c** If you award educational loans, explain the terms of the loans (interest rate, length, forgiveness, etc.).
- d** Specify how your program is publicized.
- e** Provide copies of any solicitation or announcement materials.
- f** Provide a sample copy of the application used.
-
- 2** Do you maintain case histories showing recipients of your scholarships, fellowships, educational loans, or other educational grants, including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you? If "No," refer to the instructions. ☐ Yes ☐ No
-
- 3** Describe the specific criteria you use to determine who is eligible for your program. (For example, eligibility selection criteria could consist of graduating high school students from a particular high school who will attend college, writers of scholarly works about American history, etc.)
-
- 4a** Describe the specific criteria you use to select recipients. (For example, specific selection criteria could consist of prior academic performance, financial need, etc.)
- b** Describe how you determine the number of grants that will be made annually.
- c** Describe how you determine the amount of each of your grants.
- d** Describe any requirement or condition that you impose on recipients to obtain, maintain, or qualify for renewal of a grant. (For example, specific requirements or conditions could consist of attendance at a four-year college, maintaining a certain grade point average, teaching in public school after graduation from college, etc.)
-
- 5** Describe your procedures for supervising the scholarships, fellowships, educational loans, or other educational grants. Describe whether you obtain reports and grade transcripts from recipients, or you pay grants directly to a school under an arrangement whereby the school will apply the grant funds only for enrolled students who are in good standing. Also, describe your procedures for taking action if the terms of the award are violated.
-
- 6** Who is on the selection committee for the awards made under your program, including names of current committee members, criteria for committee membership, and the method of replacing committee members?
-
- 7** Are relatives of members of the selection committee, or of your officers, directors, or **substantial contributors** eligible for awards made under your program? If "Yes," what measures are taken to ensure unbiased selections? ☐ Yes ☐ No
- Note.** If you are a private foundation, you are not permitted to provide educational grants to **disqualified persons**. Disqualified persons include your substantial contributors and foundation managers and certain family members of disqualified persons.

Section II **Private foundations complete lines 1a through 4f of this section. Public charities do not complete this section.**

- 1a** If we determine that you are a private foundation, do you want this application to be considered as a request for advance approval of grant making procedures? ☐ Yes ☐ No ☐ N/A
- b** For which section(s) do you wish to be considered?
- 4945(g)(1)—Scholarship or fellowship grant to an individual for study at an educational institution ☐
 - 4945(g)(3)—Other grants, including loans, to an individual for travel, study, or other similar purposes, to enhance a particular skill of the grantee or to produce a specific product ☐
-
- 2** Do you represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring? ☐ Yes ☐ No
-
- 3** Do you represent that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants described in line 2? ☐ Yes ☐ No

Schedule H. Organizations Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Advance Approval of Individual Grant Procedures (Continued)

Section II Private foundations complete lines 1a through 4f of this section. Public charities do not complete this section. (Continued)

- 4a** Do you or will you award scholarships, fellowships, and educational loans to attend an educational institution based on the status of an individual being an *employee of a particular employer*? If "Yes," complete lines 4b through 4f. ☐ Yes ☐ No
- b** Will you comply with the seven conditions and either the percentage tests or facts and circumstances test for scholarships, fellowships, and educational loans to attend an educational institution as set forth in Revenue Procedures 76-47, 1976-2 C.B. 670, and 80-39, 1980-2 C.B. 772, which apply to inducement, selection committee, eligibility requirements, objective basis of selection, employment, course of study, and other objectives? (See lines 4c, 4d, and 4e, regarding the percentage tests.) ☐ Yes ☐ No
- c** Do you or will you provide scholarships, fellowships, or educational loans to attend an educational institution to employees of a particular employer? ☐ Yes ☐ No ☐ N/A
- If "Yes," will you award grants to 10% or fewer of the eligible applicants who were actually considered by the selection committee in selecting recipients of grants in that year as provided by Revenue Procedures 76-47 and 80-39? ☐ Yes ☐ No
- d** Do you provide scholarships, fellowships, or educational loans to attend an educational institution to children of employees of a particular employer? ☐ Yes ☐ No ☐ N/A
- If "Yes," will you award grants to 25% or fewer of the eligible applicants who were actually considered by the selection committee in selecting recipients of grants in that year as provided by Revenue Procedures 76-47 and 80-39? If "No," go to line 4e. ☐ Yes ☐ No
- e** If you provide scholarships, fellowships, or educational loans to attend an educational institution to children of employees of a particular employer, will you award grants to 10% or fewer of the number of employees' children who can be shown to be eligible for grants (whether or not they submitted an application) in that year, as provided by Revenue Procedures 76-47 and 80-39? ☐ Yes ☐ No ☐ N/A
- If "Yes," describe how you will determine who can be shown to be eligible for grants without submitting an application, such as by obtaining written statements or other information about the expectations of employees' children to attend an educational institution. If "No," go to line 4f.
- Note.** Statistical or sampling techniques are not acceptable. See Revenue Procedure 85-51, 1985-2 C.B. 717, for additional information.
- f** If you provide scholarships, fellowships, or educational loans to attend an educational institution to *children of employees of a particular employer* without regard to either the 25% limitation described in line 4d, or the 10% limitation described in line 4e, will you award grants based on facts and circumstances that demonstrate that the grants will not be considered compensation for past, present, or future services or otherwise provide a significant benefit to the particular employer? If "Yes," describe the facts and circumstances that you believe will demonstrate that the grants are neither compensatory nor a significant benefit to the particular employer. In your explanation, describe why you cannot satisfy either the 25% test described in line 4d or the 10% test described in line 4e. ☐ Yes ☐ No

Form 1023 Checklist

(Revised December 2013)

Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code

Note. Retain a copy of the completed Form 1023 in your permanent records. Refer to the General Instructions regarding Public Inspection of approved applications.

Check each box to finish your application (Form 1023). Send this completed Checklist with your filled-in application. If you have not answered all the items below, your application may be returned to you as incomplete.

- ☐ Assemble the application and materials in this order:
- Form 1023 Checklist
 - Form 2848, *Power of Attorney and Declaration of Representative* (if filing)
 - Form 8821, *Tax Information Authorization* (if filing)
 - Expedite request (if requesting)
 - Application (Form 1023 and Schedules A through H, as required)
 - Articles of organization
 - Amendments to articles of organization in chronological order
 - Bylaws or other rules of operation and amendments
 - Documentation of nondiscriminatory policy for schools, as required by Schedule B
 - Form 5768, *Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation* (if filing)
 - All other attachments, including explanations, financial data, and printed materials or publications. Label each page with name and EIN.
- ☐ User fee payment placed in envelope on top of checklist. DO NOT STAPLE or otherwise attach your check or money order to your application. Instead, just place it in the envelope.
- ☐ Employer Identification Number (EIN)
- ☐ Completed Parts I through XI of the application, including any requested information and any required Schedules A through H.
- You must provide specific details about your past, present, and planned activities.
 - Generalizations or failure to answer questions in the Form 1023 application will prevent us from recognizing you as tax exempt.
 - Describe your purposes and proposed activities in specific easily understood terms.
 - Financial information should correspond with proposed activities.
- ☐ Schedules. Submit only those schedules that apply to you and check either "Yes" or "No" below.
- | | | | |
|------------|------------------|------------|------------------|
| Schedule A | Yes ____ No ____ | Schedule E | Yes ____ No ____ |
| Schedule B | Yes ____ No ____ | Schedule F | Yes ____ No ____ |
| Schedule C | Yes ____ No ____ | Schedule G | Yes ____ No ____ |
| Schedule D | Yes ____ No ____ | Schedule H | Yes ____ No ____ |

- ☐ An exact copy of your complete articles of organization (creating document). Absence of the proper purpose and dissolution clauses is the number one reason for delays in the issuance of determination letters.
- Location of Purpose Clause from Part III, line 1 (Page, Article and Paragraph Number) _____
 - Location of Dissolution Clause from Part III, line 2b or 2c (Page, Article and Paragraph Number) or by operation of state law _____
- ☐ Signature of an officer, director, trustee, or other official who is authorized to sign the application.
- Signature at Part XI of Form 1023.
- ☐ Your name on the application must be the same as your legal name as it appears in your articles of organization.

Send completed Form 1023, user fee payment, and all other required information, to:

Internal Revenue Service
P.O. Box 192
Covington, KY 41012-0192

If you are using express mail or a delivery service, send Form 1023, user fee payment, and attachments to:

Internal Revenue Service
201 West Rivercenter Blvd.
Attn: Extracting Stop 312
Covington, KY 41011

Instructions for Form 1023

(Rev. June 2006)



Department of the Treasury
Internal Revenue Service

Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code

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

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What's New

The user fee for the initial application for recognition of exemption under IRC Section 501(c)(3) has been increased. Part XI of Form 1023 has been revised to reflect the new fee. See Rev. Proc. 2006-8, 2006-1 I.R.B. 245 for more information about user fees that may be applicable to tax-exempt organizations.

How To Get Forms and Publications

Personal Computer

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

- Order IRS products online.
- Download forms, instructions, and publications.
- Get answers to frequently asked tax questions.
- Search publications online by topic or keyword.
- Send us comments or request help by email.
- Sign up to receive local and national tax news by email.

CD-ROM

You can order Publication 1796, IRS Tax Products CD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Bonus: Historical Tax Products DVD — Ships with the final release.

- Tax Map: an electronic research tool and finding aid.
- Tax Law frequently asked questions (FAQs).
- Tax Topics from the IRS telephone response system.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- The CD is released twice during the year.
 - o The first release will ship the beginning of January 2007.
 - o The final release will ship the beginning of March 2007.

Purchase the CD from National Technical Information Service at www.irs.gov/cdorders \$25 (no handling fee) or call 1-877-CDFORMS (1-877-233-6767) toll-free to buy the CD for \$25 (plus a \$5 handling fee). Price is subject to change.

By Phone and In Person

You can order forms and publications by calling **1-800-TAX-FORM** (1-800-829-3676). You can also get most forms and publications at your local IRS office.

Overview of Section 501(c)(3) Organizations

Who Is Eligible for Section 501(c)(3) Status?

Organizations organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals are eligible to file Form 1023 to obtain recognition of exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code.

Form 1023 not necessary. The following types of organizations may be considered tax exempt under section 501(c)(3) even if they do not file Form 1023.

- Churches, including synagogues, temples, and mosques.
- Integrated auxiliaries of churches and conventions or associations of churches.
- Any organization that has gross receipts in each taxable year of normally not more than \$5,000.

Even though the above organizations are not required to file Form 1023 to be tax exempt, these organizations may choose to file Form 1023 in order to receive a determination letter that recognizes their section 501(c)(3) status and specifies whether contributions to them are tax deductible.

Qualification of a Section 501(c)(3) Organization

There are two key requirements for an organization to be exempt from federal income tax under section 501(c)(3). A 501(c)(3) organization must be organized and operated exclusively for one or more exempt purposes.

Organized. An organization must be organized as a corporation (including a limited liability company), trust, or unincorporated association. The organizing document (articles of incorporation if you are a corporation, articles of organization if you are a limited liability company, articles of association or constitution if you are an association, or trust agreement or declaration of trust if you are a trust) must limit the organization's purpose(s) and permanently dedicate its assets to exempt purposes.

Operated. An organization must be operated to further one or more of the exempt purposes stated in its organizing document. Certain other activities are prohibited or restricted, including, but not limited to, the following activities. A 501(c)(3) organization must:

- Absolutely refrain from participating in the political campaigns of candidates for local, state, or federal office.
- Absolutely ensure that its assets and earnings do not unjustly enrich board members, officers, key management employees, or other insiders.
- Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially.
- Not operate for the primary purpose of conducting a trade or business that is not related to its exempt purpose(s).
- Not engage in activities that are illegal or violate fundamental public policy.
- Restrict its legislative activities.

Legislative activity. An organization does not qualify for section 501(c)(3) status if a substantial part of its activities is attempting to influence legislation.

Form 5768. Most public charities are eligible to elect to make expenditures to influence legislation by filing Form 5768, Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation. By filing Form 5768, an eligible organization's legislative activities will be measured solely by an expenditure limit rather than by the "no substantial amount" limit. For additional information on the expenditure limit or the no

substantial amount limit, see Publication 557, Tax-Exempt Status for Your Organization.

For this purpose, "legislation" includes action by Congress, a state legislature, a local council, or a similar governing body, with respect to acts, bills, resolutions or similar items (such as legislative confirmation of appointive offices). Legislation also includes action by the public in a referendum, ballot initiative, constitutional amendment, or similar procedure. Legislation generally does not include actions by executive, judicial, or administrative bodies.

Organizations may involve themselves in issues of public policy without being engaged in legislative activity. For example, organizations may conduct educational meetings, prepare and distribute educational materials, or otherwise consider public policy issues. Similarly, an organization may appear before a governmental body to offer testimony about a decision that may affect the organization's existence.

TIP *A private foundation is not allowed to influence legislation.*

Political campaign intervention. All 501(c)(3) organizations are absolutely prohibited from directly or indirectly participating or intervening in any political campaign on behalf of (or in opposition to) any candidate for elective public office. Non-partisan voter education activities (including public forums and voter education guides) are permitted. Similarly, non-partisan activities to encourage people to participate in the electoral process, such as voter registration and get-out-the-vote drives, are not prohibited political campaign activity. However, voter education or registration activities that (a) favor one candidate over another, (b) oppose a candidate in some manner, or (c) favor a group of candidates, are prohibited.

Public Charities and Private Foundations

Every organization that qualifies for tax-exempt status under section 501(c)(3) is further classified as either a public charity or a private foundation. For some organizations, the primary distinction between a public charity and a private foundation is an organization's source of financial support.

A public charity has a broad base of support, while a private foundation receives its support from a small number of donors. This classification is important because different tax rules apply to the operations of each entity.

Deductibility of contributions to a private foundation is more limited than contributions to a public charity. See Publication 526, Charitable Contributions, for more information on the deductibility of contributions. In addition, private foundations are subject to excise taxes that are not imposed on public charities.

Public charities. The following 501(c)(3) organizations are classified as public charities.

- Churches.
- Schools.
- Hospitals, medical research organizations, and cooperative hospital service organizations.
- Organizations that receive substantial support from grants, governmental units, and/or contributions from the general public.
- Organizations that normally receive more than one-third of their support from contributions, membership fees, and gross receipts from activities related to their exempt functions, and not more than one-third of their support from gross investment income and net unrelated business income.
- Organizations that support other public charities.

If an organization requests public charity classification based on receiving substantial public support, it must continue to seek significant and diversified public support contributions in later years. A new organization that cannot show it will receive enough public support may request an advance ruling of its status. After 5 years, it must file Form 8734, Support Schedule for Advance Ruling Period, showing its sources of support during the advance ruling period. If the organization does not meet the public support requirements during the 5-year advance ruling period, it could be reclassified as a private foundation.

Private foundation. A 501(c)(3) organization that cannot meet one of the specific exceptions to be classified as a public charity is a private foundation.

TIP *Classification as a private foundation has nothing to do with the name of the organization. There are many organizations that include the word foundation in their names that are **not** private foundations for tax purposes.*

Private operating foundations. A private foundation that lacks general public support but actively conducts exempt programs (as opposed to making grants to other organizations to conduct exempt activities) may be treated as a private operating foundation. Private operating foundations are subject to more favorable rules than other private foundations in terms of charitable contribution deductions and attracting grants from private foundations. In order to be classified as a private operating foundation, an organization must meet certain support tests.

State Registration Requirements

Tax exemption under section 501(c)(3) is a matter of federal law. After receiving federal tax exemption, you may also be required to register with one or more states to solicit for contributions or to obtain exemption from state taxes. The National Association of State Charity Officials (NASCO) maintains a website

that provides informational links to the various states for these purposes. It can be accessed at www.nasconet.org.

General Instructions

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

"You" and "Us". Throughout these instructions and Form 1023, the terms "you" and "your" refer to the organization that is applying for tax-exempt status. The terms "us" and "we" refer to the Internal Revenue Service.

Definitions. Terms in bold type in Form 1023 are defined throughout these instructions and in *Appendix C*.

Answers

Answer items completely. Where a "Yes" or "No" reply is not requested, you may answer "Not Applicable" where appropriate. If you believe you have previously answered the item, you may refer to your previous answer.



CAUTION Your answers must provide sufficient detail about your past, present, and planned activities to prove that you are an exempt organization. We will not be able to recognize you as tax exempt based on generalizations. Therefore, we need to understand the specific activities you will undertake to reach your charitable goals.

Financial data. Form 1023 asks you to answer a series of questions and provide information to assist us in determining if you meet the requirements for tax exemption under section 501(c)(3). One of the key pieces of information requested is financial data. This data, whether budgeted or actual, should be consistent with other information presented in the application.

For example, if you are requesting public charity status under one of the public support tests, the financial data should show contributions from the public or receipts from providing exempt services. Budgeted financial data should be prepared based upon your current plans. We recognize that the organization's actual financial results may vary from the budgeted amounts.

Past, present, and planned activities. Many items on Form 1023 are written in the present tense; however, your answers should be based on your past, present, and planned activities.

Language and currency requirements. Prepare Form 1023 and attachments in English. Provide an English translation if the articles of organization or bylaws are in any other language.

We may ask you to provide English translations of foreign language publications you submit with your Form 1023.

Report financial information in U.S. dollars (specify the conversion rate used). Combine amounts from within and outside the United States and report the

total for each line on the financial statements.

Purpose of Form

Completed Form 1023 required for section 501(c)(3) exemption. Form 1023 is filed by organizations to apply for recognition of exemption from federal income tax under section 501(c)(3). Upon approval, we will issue a determination letter that provides written assurance about the organization's tax-exempt status, and its qualification to receive tax-deductible charitable contributions. Every organization qualifying for exemption under section 501(c)(3) will also be classified as either a "public charity" or a "private foundation."

Other organizations that may file Form 1023. Other organizations that apply for tax-exempt status under section 501(c)(3) by filing Form 1023 include section 501(e) and (f) cooperative service organizations, section 501(k) childcare organizations, and section 501(n) charitable risk pools.

Obtaining Tax-Exempt Status

To apply for tax-exempt status, file Form 1023 and pay the appropriate user fee.

Expedite Requests

We will only approve expedited processing of an application where a request is made in writing and contains a compelling reason for processing the application ahead of others.

Circumstances generally warranting expedited processing include:

- A grant to the applicant is pending and the failure to secure the grant may have an adverse impact on the organization's ability to continue operations.
- The purpose of the newly created organization is to provide disaster relief to victims of emergencies such as flood and hurricane.
- There have been undue delays in issuing a letter caused by problems within the IRS.

User Fee

The law requires payment of a user fee with each application. Submit the appropriate user fee based on your average annual gross receipts as indicated on Form 1023. Enclose payment with your application. **DO NOT** STAPLE or otherwise attach your check or money order to your application.

You may pay your user fee with a personal or certified check, bank check, or cashier's check. Processing your application will not be delayed by the form of payment unless your check is returned to us for insufficient funds.

Generally, a user fee will be refunded only if we decline to issue a determination. Additional guidance regarding user fees is available in Rev. Proc. 2006-8, 2006-1 I.R.B. 245, or later revision (revised in the first Internal

Revenue Bulletin (I.R.B.) issued each year).

For additional information on the user fee, see *Part XI*.

Group Exemption

Form 1023 is not used to apply for a group exemption. A group exemption is issued to a central organization that recognizes on a group basis the exemption of subordinate organizations on whose behalf the central organization has applied. See Publication 557 for information on how to apply for a group exemption.

Leaving a group exemption. If a subordinate organization in an existing group exemption wishes to apply for an individual exemption, it should notify its parent organization of its intention to leave the group ruling before filing Form 1023.

What to File

All applicants, unless otherwise noted, must complete Parts I through XI of Form 1023, plus any required schedules and attachments.

The following organizations must complete additional schedules to Form 1023.

IF your organization is a(n) . . .	THEN you must file Schedule . . .
Church	A
School, College, or University	B
Hospital or Medical Research Organization	C
Section 509(a) Supporting Organization	D
Organization Not Filing Form 1023 Within 27 Months of Formation	E
Home for the Elderly or Handicapped and Low-Income Housing	F
Successor to Other Organizations	G
Organization Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Approval of Individual Grant Procedures	H

Assembly of Application Package

To assist us in processing the application, documents should be submitted in the following order.

- User fee enclosed but not attached to the application form.
- Form 1023 Checklist.
- Form 2848, Power of Attorney and Declaration of Representative (if needed).

- Form 8821, Tax Information Authorization (if needed).
- Expedite request (if needed).
- Application (Form 1023, Checklist, and Schedules A through H, as required).
- Organizing document.
- Amendments to organizing document in chronological order.
- Bylaws or other rules of operation and amendments.
- Documentation of nondiscriminatory policy for schools, as required by *Schedule B*.
- Form 5768, Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation (if filing).
- All other attachments, including explanations, financial data, and printed materials or publications.

Attachments

Use an attachment where there is insufficient space on the form for you to legibly and accurately respond to a question. For any attachments submitted with your Form 1023:

- Use 8½ x 11 inch paper.
- Provide your name and Employer Identification Number (EIN) at the top of each page.
- Identify the Part and line number to which the attachment relates.

Include any court decisions, rulings, opinions, or any other documents that will assist us in processing your Form 1023.

Generally, attachments in the form of tape, recordings or other electronic media are not acceptable unless accompanied by a transcript.

Attachments must be in English.

When to File

If you file Form 1023 within 27 months after the end of the month in which you were legally formed, and we approve the application, the legal date of formation will be the effective date of your exempt status.

If you do not file Form 1023 within 27 months of formation, you may not qualify for exempt status before the date we receive Form 1023. The date considered to be the date we receive Form 1023 is generally the postmark date. For exceptions and special rules, including automatic extensions, see *Schedule E* of Form 1023.

Where To File



Send the completed Form 1023 application, with all required information, and the applicable user fee to:

Internal Revenue Service
P.O. Box 192
Covington, KY 41012-0192

If you are using express mail or a delivery service, send the completed Form 1023

application, with all required information and user fee to:

Internal Revenue Service
201 West Rivercenter Blvd.
Attn: Extracting Stop 312
Covington, KY 41011

Private Delivery Services

In addition to the United States mail, you can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. The most recent list of designated private delivery services includes only the following:

- DHL Express (DHL): DHL "Same Day" Service; DHL Next Day 10:30 AM; DHL Next Day 12:00 PM; DHL Next Day 3:00 PM; and DHL 2nd Day Service.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, and FedEx International First.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

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

Filing Assistance

For help in completing this form or general questions relating to an exempt organization, call the Exempt Organization Customer Account Services toll free at 1-877-829-5500. You may also access information on our website at www.irs.gov/eo.

Listed below are a number of publications that may be helpful to your organization.

Figure 1. Table of Annual Returns

Type of Annual Return	Who Should File
Form 990, Return of Organization Exempt from Income Tax	Section 501(c)(3) public charities
Form 990-EZ, Short Form Return of Organization Exempt from Income Tax	Section 501(c)(3) public charities whose gross receipts during the year were less than \$100,000 and total assets at the end of the year were less than \$250,000
Schedule A (Form 990 or 990-EZ), Organization Exempt under Section 501(c)(3)	Section 501(c)(3) public charities
Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors	All section 501(c)(3) organizations
Form 990-PF, Return of Private Foundation	Private foundations, including private operating foundations
Form 990-T, Exempt Organization Business Income Tax Return	Public charities and private foundations that have gross unrelated business income of \$1,000 or more

- Publication 517, Social Security and Other Information for Members of the Clergy and Religious Workers
- Publication 526, Charitable Contributions
- Publication 557, Tax-Exempt Status for Your Organization
- Publication 598, Tax on Unrelated Business Income of Exempt Organizations
- Publication 1771, Charitable Contributions Substantiation and Disclosure Requirements
- Publication 1828, Tax Guide for Churches and Religious Organizations
- Publication 3079, Gaming Publication for Tax-Exempt Organizations
- Publication 3833, Disaster Relief: Providing Assistance through Charitable Organizations
- Publication 4220, Applying for 501(c)(3) Tax-Exempt Status
- Publication 4221, Compliance Guide for 501(c)(3) Tax-Exempt Organizations
- Publication 78, Cumulative List of Organizations Described in Section 170(c) of the Internal Revenue Code of 1986 (searchable online at www.irs.gov/efo)

Philanthropic Research, Inc., aka GuideStar, a 501(c)(3) nonprofit organization, maintains information about specific section 501(c)(3) organizations (searchable online at www.guidestar.org).

Signature Requirements

An officer, director, trustee, or other official who is authorized to sign for the organization must sign Form 1023 at the end of *Part XI*. The signature must be accompanied by the title or authority of the signer and the date. Please clearly print the accompanying information.

Representation

Form 2848. Attach a completed Form 2848 if you want to authorize a representative to represent you regarding your application. An individual authorized by Form 2848 may not sign the application unless that person is also an officer, director, trustee, or other official who is authorized to sign the application.



A centralized authorization file (CAF) number is not required to be listed on Form 2848.

Form 8821. Form 8821 authorizes us to discuss your application with the person you have appointed.

Form 8821 does not authorize your appointee to advocate your position with respect to the Federal tax laws; to execute waivers, consents, or closing agreements; or to otherwise represent you before the IRS. If you want to authorize an individual to represent you, use Form 2848.

After You Submit Form 1023

We will acknowledge receiving your application in writing. You may expect to receive this notice within 21 days of the postmark date of the Form 1023. Read the notice thoroughly because it will provide further information about the processing of your Form 1023.

No additional information needed. If our initial review shows that you qualify, we will send you a letter stating that you are exempt under section 501(c)(3) and whether you are a public charity or a private foundation.

Additional information needed. If the initial review shows that we need additional information or changes, we will assign Form 1023 to a specialist who will call or write you. Generally, we assign applications in the order we receive them. Unless the application is approved for expedited processing, it will be worked in the order received.

If the additional information indicates that you qualify, we will send you a letter stating that you are exempt under section 501(c)(3) and whether you are a public charity or a private foundation. If we conclude that you do not qualify for exemption, we will send you a letter that explains our position and your appeal rights.

Annual Filing Requirements

If an annual information return or tax return is due while the Form 1023 is pending, complete the return, mark "Application Pending" in the heading, and send the return to the address indicated in the instructions.

Information on return filing requirements and exceptions may be found in Publications 557 and 598 and in the instructions to the annual returns listed in Figure 1.

Instructions for Form 1023



You may also be required to file other returns, such as employment tax returns or benefit plan returns, which are not discussed here.

Public Inspection

Information available for public inspection. If we approve exempt status under section 501(c)(3), the following information will be open for public inspection.

- Your complete Form 1023 and any supporting documents.
- All correspondence between you and the IRS concerning Form 1023, including Form 2848.
- The letter we issue approving your exemption.
- Annual information returns (Forms 990, 990-EZ, or 990-PF).
- Schedule A, included with Forms 990 or 990-EZ.
- Schedule B, included with Forms 990 or 990-EZ, except the names and addresses of contributors and other identifying information about contributors.
- Schedule B, included with Form 990-PF, including names, addresses and other identifying information about contributors.

Information not available for public inspection. The following items will not be open for public inspection.

- Any information relating to a trade secret, patent, style of work, or apparatus that, if released, would adversely affect you. (We must approve withholding this information.)
- Any other information that would adversely affect the national defense. (We must approve withholding this information.)
- User fee check.
- Information only applications from the United States Virgin Islands, Bureau of Internal Revenue (BIR) and related supporting documents.
- Contributors' names and addresses and identifying information about contributors included with Forms 990 or 990-EZ and the Schedule B, filed with these forms.
- Form 990-T, Exempt Organization Business Income Tax Return.

When applying for tax-exempt status, you must clearly identify any information that is not open for public inspection by separately marking it as "NOT SUBJECT TO PUBLIC INSPECTION" and attaching an explanation of why you are asking for the information to be withheld. We will decide whether to withhold the identified information from public inspection.

Making documents available for public inspection. Both you and the IRS must make the information that is subject to disclosure available for public inspection. The public may contact us toll-free at 1-877-829-5500 to request public inspection or copies of the information. The public may also request inspection of

the information or a copy of the information directly from you.

An exempt organization may post the documents required to be available for public inspection on its own website. The information return and exemption application materials must be posted exactly as filed with the IRS. Only the information that is not open for public inspection may be deleted.

If an exempt organization posts the documents on its website, it must provide notice of the website address where the documents may be found, but it need not provide copies of the information. However, documents posted on an organization's website must still be made available for public inspection without charge at its main office during regular business hours.

Documents are not considered available for public inspection on a website if the otherwise disclosable information is edited or subject to editing by a third party when posted. To date, the IRS has not approved any third party websites for posting.

See Publication 557 for additional guidance on public inspection.

Foreign Organizations in General

Foreign organizations are those that were created in countries other than the United States, its territories, or its possessions. Foreign organizations may apply for tax-exempt status on income earned in the United States in the same way that domestic organizations apply for exempt status. See, *Language and currency requirements*.

A foreign organization applying for exempt status should complete all required parts of Form 1023. There are, however, special rules below for some Canadian organizations.



Contributions by U.S. residents to foreign organizations generally are not deductible. Tax treaties between the U.S. and certain foreign countries provide specific limited exceptions.

Annual returns for foreign organizations.

A foreign organization that obtains exemption as a public charity must file an information return annually (Form 990 or Form 990-EZ). A foreign organization that is a private foundation must file Form 990-PF annually. However, a foreign organization, other than a private foundation, may be relieved from filing Form 990 or Form 990-EZ in any year in which it has gross receipts from U.S. source income of \$25,000 or less and has not conducted significant activity in the United States. See the Instructions for Form 990 and Form 990-EZ, and the Instructions for Form 990-PF for further information. A foreign organization that is subject to unrelated business income tax must file Form 990-T.

Canadian Organizations

Canadian organizations that have received a Notification of Registration from the Canada Customs and Revenue Agency (formerly, Revenue Canada), and whose registrations have not been revoked ("Canadian registered charities"), are automatically recognized as section 501(c)(3) organizations and are not required to file Form 1023. Canadian registered charities are also presumed to be private foundations. A Canadian registered charity may complete certain portions of the Form 1023 in order to be listed as a section 501(c)(3) organization in IRS Publication 78, or to request classification as a public charity, rather than a private foundation. A Canadian registered charity should only complete and submit the following documents.

- Copy of its Notification of Registration.
- *Part I* of Form 1023.
- *Part X* of Form 1023 (if requesting public charity classification).
- Signature line in *Part XI* of Form 1023.
- Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b).
- No user fee is required.

Organizations Created in United States Territories and Possessions

Organizations created in possessions and territories of the United States are generally treated as domestic organizations. These organizations complete all required parts of Form 1023 to apply for exempt status under section 501(c)(3). Special rules, discussed below, apply to some Virgin Islands organizations.

Charitable contributions to organizations created in United States possessions and territories are deductible by the donors if the organization qualifies for exempt status under section 501(c)(3).

Virgin Islands Organizations

The United States Virgin Islands, Bureau of Internal Revenue (BIR) may request an information only letter concerning the exempt status under section 501(c)(3) of an organization formed in the Virgin Islands. The organization itself does not seek U.S. recognition of exempt status. The information only procedure requires the BIR to complete Form 1023 and supporting documents for the organization, but does not require a user fee payment. The application and supporting documents are not open for public inspection (see *Public Inspection*, for more information).

All other Virgin Islands organizations that seek U.S. recognition of exempt status under section 501(c)(3) must follow the normal application process.

Specific Instructions

Part I. Identification of Applicant

Line 1. Full name of organization.

Enter your complete name exactly as it appears in your organizing document, including amendments.

Line 2. c/o Name. If you have an "in care of" name, enter it here.

Line 3. Mailing address. Enter your complete address where all correspondence will be sent. If mail is not delivered to the street address and you have a P.O. Box, show the box number instead of the street address.

For a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice in placing the postal code in the address. Do not abbreviate the country name.

Line 4. Employer Identification Number (EIN). Enter the nine-digit EIN assigned to you.



Do not submit this application until you have obtained an EIN.

An EIN is your account number with us and is required regardless of whether you have employees. If you need an EIN, you can apply for one by:

1. Calling 1-800-829-4933.
2. Calling 1-215-516-6999, if you are located outside the United States.
3. Mailing Form SS-4 to the IRS.
4. Faxing Form SS-4 to a location provided in the Instructions for Form SS-4.

You can get Form SS-4 online at www.irs.gov, or by calling 1-800-829-3676, to order IRS tax forms and publications.

If you previously applied for an EIN and have not yet received it, or you are unsure whether you have an EIN, please call our toll-free customer account services number, 1-877-829-5500, for assistance.

Line 5. Month the annual accounting period ends (01-12). Enter the month that your annual accounting period ends, using a two-digit number format. For example, if your annual accounting period ends December 31, enter "12." Your annual accounting period is the 12-month period on which your annual financial records are based. Your first tax year could be less than 12 months.

Check your bylaws or other rules of operation for consistency with the annual accounting period entered in line 5.

Line 6a. Primary contact. Your primary contact person may be an officer, director, trustee, or other individual who is permitted to speak with us according to your bylaws or other rules of operation. Your primary contact person may also be an "authorized representative," such as

an attorney or certified public accountant for whom you have submitted a completed Form 2848, with the Form 1023.

Line 7. If you wish to be represented by an authorized representative, a completed Form 2848 must be attached to the Form 1023.

Line 8. Provide information about persons, other than your officers, directors, trustees, employees, or authorized representative(s), whom you paid, or promised to pay, to assist you in establishing your organization, developing programs to solicit funds, or otherwise advising you about organizational, financial, or tax matters.

For example, provide information about a paid consultant who advised you about obtaining tax exemption.

Line 9a. Organization's website. Enter your complete website address if you have one. Also, list any websites maintained on your behalf. The information on your website should be consistent with the information in your Form 1023.

Line 9b. Email (optional). Enter your email address to receive educational information from us in the future. Because of security concerns, we cannot send confidential information via email. However, we can use a fax to contact you.

Line 10. Generally, organizations not required to file Form 990 (or Form 990-EZ) include churches, certain church affiliated organizations, certain affiliates of a governmental unit, and organizations with annual gross receipts normally not more than \$25,000. For more information, see the Instructions for Form 990 and Form 990-EZ.



Private foundations must file Form 990-PF regardless of the amount of their gross receipts.

Line 11. List the date you were legally created by month, day, and year (for example, 02/01/2004). The date should be consistent with your organizing document described in *Part II*.

Line 12. For purposes of completing this application, you are formed under the laws of a foreign country if you are not formed under the laws of (1) the United States, its territories and possessions, (2) federally recognized Indian tribal or Alaska Native governments, or (3) the District of Columbia.

Part II. Organizational Structure

Only trusts, unincorporated associations, or corporations (including limited liability companies) are eligible for tax-exempt status under section 501(c)(3) of the Code. Sole proprietorships, partnerships, or loosely affiliated groups of individuals are not eligible.

To qualify for tax-exempt status, you must check "Yes" on either line 1, 2, 3, or

4 and submit a copy of your organizing document.

Line 1. A "corporation" is an entity organized under a Federal or state statute, or a statute of a federally recognized Indian tribal or Alaskan native government. A corporation's organizing document is its "articles of incorporation."

Certification of filing. If formed under state statute, your articles of incorporation must show certification of filing. This means your articles show evidence that on a specific date they were filed with and approved by an appropriate state authority. The document must be an exact copy of what is on file with your state.

If you do not have a copy of your articles of incorporation showing evidence of having been filed and approved by an appropriate state official, you may submit a substitute copy of your articles of incorporation. This substitute copy may be handwritten, typed, printed, or otherwise reproduced. It must be accompanied by a declaration, signed by an officer authorized to sign for you, that it is a complete and correct copy of the articles of incorporation and that it contains all the powers, principles, purposes, functions, and other provisions by which you currently govern yourself.

Line 2. A "limited liability company (LLC)" that files its own exemption application is treated as a corporation rather than a partnership. Instead of articles of incorporation, an LLC's organizing document is its state-approved "articles of organization." If it has adopted an "operating agreement," then this document is also part of its organizing document.

An LLC may only have 501(c)(3) member(s) to qualify for an exemption. An LLC should not file an exemption application if it wants to be treated as a disregarded entity by its tax-exempt member.

Line 3. An "unincorporated association" formed under state law must have at least two members who have signed a written document for a specifically defined purpose.

The articles of organization of an unincorporated association must include the name of your organization, your purpose, the date the document was adopted, and the signatures of at least two individuals. If your copy does not contain the proper signatures and date of adoption, you may submit a written declaration that states your copy is a complete and accurate copy of the signed and dated original. Your declaration should clearly indicate the original date of adoption.



TIP Bylaws may be considered an organizing document only if they are properly structured (includes name, purpose, signatures, and intent to form an organization).

Line 4a. A trust may be formed by a trust agreement or declaration of trust. A trust may also be formed through a will.

If your trust agreement copy does not contain the proper signatures, you may submit a written declaration that states your copy is a complete and accurate copy of the signed and dated original. Your declaration should clearly indicate the original date that it was signed.

Trust created by a will. For trusts created by a will, include a copy of the death certificate or a statement indicating the date of death, and a copy of the relevant portions of the will.

Trust agreement and non-charitable interests. If your trust agreement provided for distributions for non-charitable interests, indicate the date on which these interests expired. If your trust agreement continues to provide for these interests, you will not qualify for tax-exempt status.

Line 4b. Generally, a trust must be funded with property, such as money, real estate, or personal property to be legally created.

Line 5. "Bylaws" are generally the internal rules and regulations of an organization. If you have bylaws, you should submit a current copy.

Bylaws do not need to be signed unless they are the organizing document as described in line 3 above.

Part III. Required Provisions in Your Organizing Document

Line 1. Purpose clause. Your organizing document must limit your purposes to those described in section 501(c)(3). Those purposes are: charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals.

The generally accepted legal definition of "charitable" includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency. Therefore, the phrase "relief of the poor" in your organizing document properly limits your purposes.

If your purposes are limited in some way by referring to section 501(c)(3), your organizing document also properly limits your purposes. For example, the phrase "relief of the elderly within the meaning of section 501(c)(3)" in your organizing document also properly limits your purposes.

However, if the purposes listed in your organizing document are broader than those listed in section 501(c)(3), you should amend your organizing document before applying. A reference to section 501(c)(3) will not ensure that your purposes are limited to those described in section 501(c)(3). All of the language in your organizing document must be considered. The following is an example of an acceptable purpose clause:

The organization is organized exclusively for charitable, religious, educational, and scientific purposes under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code.

See Publication 557 for further information and examples of how to limit your purposes.

Any amendment to your articles of organization you submit should show evidence that it was signed, dated, and certified as described in Part II.

Line 2a. Dissolution clause. Your organizing document must permanently dedicate your assets for a section 501(c)(3) purpose. This means that if you dissolve your organization in the future, your assets must be distributed for an exempt purpose described in section 501(c)(3), or to the federal government, or to a state or local government for a public purpose.

If your organizing document states that your assets would be distributed to members or private individuals or for any purpose other than those provided in section 501(c)(3), you must amend your organizing document to remove such statements.

If multiple amendments are required, they may be done at the same time. For example, if you are a corporation and are required to amend both your purpose and dissolution clauses, you may file a single amending document with your appropriate government authority.

The following is an example of an acceptable dissolution clause:

Upon the dissolution of this organization, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose.

Naming a specific organization to receive your assets upon dissolution will only be acceptable if your articles state that the specific organization must be exempt under section 501(c)(3) at the time your dissolution takes place and your articles provide for an acceptable alternative if the specific organization is

not exempt. See Publication 557 for further information and examples of acceptable language for dedication of assets in your organizing document.

Line 2c. Operation of state law. If you are a corporation formed in the following states, then you do not need a specific provision in your articles of incorporation providing for the distribution of assets upon dissolution.

Arkansas	Minnesota
California	Missouri
Louisiana	Ohio
Massachusetts	Oklahoma

If you are a testamentary charitable trust formed in the following states, then you do not need a specific provision in your trust agreement or declaration of trust providing for the distribution of assets upon dissolution.

Alabama	South Dakota
Louisiana	Virginia
Pennsylvania	

If you are a testamentary charitable trust formed in the states listed below and the language of your trust instrument provides for a general intent to benefit charity, then you do not need a specific provision in your trust agreement or declaration of trust providing for the distribution of assets upon dissolution.

Arkansas	Minnesota
California	Mississippi
Colorado	Missouri
Connecticut	Nebraska
Delaware	New Hampshire
District of Columbia	New Jersey
Florida	North Carolina
Georgia	Ohio
Illinois	Oklahoma
Indiana	Oregon
Iowa	Rhode Island
Kansas	Tennessee
Kentucky	Texas
Maine	Vermont
Maryland	Washington
Massachusetts	Wisconsin
Michigan	

Operation of state law is based on Rev. Proc. 82-2, 1982-1 C.B. 367.

Foreign organizations. Foreign organizations may be able to rely upon the applicable laws of their jurisdiction in a similar manner. You must provide a copy of the applicable law with an English translation.

Part IV. Narrative Description of Your Activities

Describe completely and in detail your past, present, and planned activities. Do not refer to or repeat the purposes in your organizing document. You may refer to other parts of the application rather than repeat information provided elsewhere.

For each past, present, or planned activity, include information that answers the following questions.

- What is the activity?
- Who conducts the activity?
- When is the activity conducted?
- Where is the activity conducted (for example: Los Angeles and San Francisco, California)?
- How does the activity further your exempt purposes?
- What percentage of your total time is allocated to the activity?
- How is the activity funded? (This should agree with the financial data in *Part IX*.)
- List any alternate names under which you operate, including any "aka" (also known as) or "dba" (doing business as) names.

If you have a website, you may attach a paper copy to support your narrative description of activities.

Part V. Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors

Compensation. For purposes of *Part V*, compensation includes salary or wages, deferred compensation, retirement benefits, whether in the form of a qualified or non-qualified employee plan (pensions or annuities), fringe benefits (personal vehicle, meals, lodging, personal and family educational benefits, low interest loans, payment of personal travel, entertainment, or other expenses, athletic or country club membership, and personal use of your property), and bonuses.

Example. Assume an organization compensates its director as follows:

Wages	
Director Compensation	\$ 2,500
Salary as Chief Executive Officer	40,000
Deferred retirement	2,000
Health insurance policy	5,000
Use of a vehicle	5,000
Total Compensation	\$ 54,500

Information in *Part V* must be consistent with the information provided in *Part IX. Financial Data*.

Line 1a. For each person listed, state their total annual compensation, or proposed compensation, for all services to the organization, whether as an officer, employee, or other position. Use actual figures, if available. Officers, directors, and trustees may use the organization's address for mailing.

Line 1b. Employees may use the organization's address for mailing. Report total compensation. For employees who are also officers, directors, or trustees,

their compensation as employees and for all other services should be reported in line 1a.

Line 1c. "Independent contractors" are persons who are not treated as employees for employment tax purposes. For information on determining if an individual is an employee or an independent contractor, see Publication 15-A, Employer's Supplemental Tax Guide.

Line 2a. Describe family or business relationships between your officers, directors, or trustees. "Related" refers to both family and business relationships.

- "Family relationships" include the individual's spouse, ancestors, children, grandchildren, great grandchildren, siblings (whether by whole or half blood), and the spouses of children, grandchildren, great grandchildren, and siblings.

- "Business relationships" include employment and contractual relationships, and common ownership of a business where any officers, directors, or trustees, individually or together, possess more than a 35% ownership interest in common. "Ownership" means voting power in a corporation, profits interest in a partnership, or beneficial interest in a trust.

Line 2b. Describe family or business relationships between you and any of your officers, directors, or trustees other than their position with you as an officer, director, or trustee.

Line 2c. Describe family or business relationships between your officers, directors, or trustees and your five highest compensated employees or five highest compensated independent contractors who will receive more than \$50,000 in taxable or non-taxable compensation per year.

Line 3b. "Common control" means that you and one or more other organizations have (1) a majority of your governing boards or officers appointed or elected by the same organization(s), or (2) a majority of your governing boards or officers consist of the same individuals. Common control also occurs when you and one or more commonly controlled organizations have a majority ownership interest in a corporation, partnership, or trust. See the instructions for line 2a, above, for a definition of ownership.

Line 4. By adopting these recommended compensation-setting practices, such as by resolution of your governing board, you will be establishing procedures aimed at helping to prevent your top officials from receiving excess compensation benefits.

Line 4e. "Similarly situated organizations" means tax-exempt or taxable organizations of a comparable size, purpose, and resources. Adjustments due to geographic area, and other specific conditions are appropriate, but should be documented. The source(s) of comparable compensation data, both

taxable and non-taxable, should be documented and copies retained in your permanent records.

Line 4g. "Reasonable compensation" is the amount that would ordinarily be paid for like services by like organizations under like circumstances as of the date the compensation arrangement is made. Establishing and documenting reasonable compensation is important because excessive compensation may result in excise taxes on both the individual and the organization. In addition, this may jeopardize the organization's tax exemption.

Line 5a. A "conflict of interest" arises when a person in a position of authority over an organization, such as a director, officer, or manager, may benefit personally from a decision he or she could make. A *Sample Conflict of Interest Policy* is included as *Appendix A*.

Adoption of a conflict of interest policy is not required to obtain tax-exempt status. However, by adopting the sample policy or a similar policy, you will be choosing to put in place procedures that will help you avoid the possibility that those in positions of authority over you may receive an inappropriate benefit.

Line 6a. A "fixed payment" means a payment that is either a set dollar amount or fixed through a specific formula where the amount does not depend on discretion. For example, a base salary of \$200,000 that is adjusted annually based on the increase in the Consumer Price Index is a fixed payment.

A "non-fixed payment" means a payment that depends on discretion. For example, a bonus of up to \$100,000 that is based on an evaluation of performance by the governing board is a non-fixed payment because the governing body has discretion over whether the bonus is paid and the amount of the bonus.

Line 7a. Do not include purchases of goods and services in your normal course of operations that are available to the general public under similar terms and conditions.

Arm's length. An arm's length standard exists where the parties have an adverse (or opposing) interest. For example, a seller wants to sell his goods at the highest possible price, while a buyer wants to buy at the lowest possible price. These are adverse interests.

In negotiating with a person, an adverse interest is assumed if that person is otherwise unrelated to you in the sense of not being in a position to exercise substantial influence over you or your affairs. If the person is in a position to exercise substantial influence over your affairs, then an arm's length standard requires additional precautions to eliminate the effect of the relationship.

Using a conflict of interest policy, information about comparable transactions between unrelated parties, and reliable methods for evaluating the transaction, are examples of precautions

that would help make the negotiation process equivalent to one between unrelated persons.

Fair market value. This 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.

Line 7b. Do not include sales of goods and services in your normal course of operations that are available to the general public under similar terms and conditions.

Line 9a. Answer "Yes" if any of your officers, directors, or trustees:

- Is an officer, director, or trustee in another organization (other than a section 501(c)(3) organization) that has a lease, contract, loan, or other agreement with you.
- Possess more than a 35% ownership interest in any organization that has a lease, contract, loan, or other agreement with you. For example, you would answer "Yes" if one of your directors were an officer for a section 501(c)(4) organization with whom you had a lease for office space. You would also answer "Yes" if one of your directors owns more than 35% of the voting stock of a corporation to which you made a loan.

Part VI. Your Members and Other Individuals, and Organizations That Receive Benefits From You

Line 1a. Benefits to individuals. Describe any programs where you provide goods, services, or funds to individuals. For example, describe programs by which you provide food to the homeless, employment counseling to senior citizens, or grants to victims of a disaster.

Line 1b. Benefits to organizations. Describe any programs where you provide goods, services, or funds to organizations. For example, programs where you provide equipment, accounting assistance, or grants to other organizations.

Line 2. For programs that are available only for members, include a sample membership application and a schedule of membership dues. Also, describe any different membership levels and the benefits each membership level receives.

Line 3. Describe any business or family relationship between individuals who receive goods, services, or funds through your programs with any officer, director, trustee, or with any of the five-highest compensated employees or independent contractors listed in *Part V*, lines 1a, 1b, or 1c.

Part VII. Your History

Line 1. You are a "successor" if you have:

- Substantially taken over all of the assets or activities of another organization,
- Been converted or merged from another organization, or
- Installed the same officers, directors, or trustees as another organization that no longer exists and that had purpose(s) similar to your purpose(s).

TIP The predecessor organization may be or may not have been a tax-exempt or non-exempt organization.

Part VIII. Your Specific Activities

Line 1. You participate in a political campaign if you promote or oppose the candidacy of an individual for public office. Your explanation should include representative copies of your political literature, brochures, pamphlets, etc. Candidate debates and nonpartisan voter education are permitted.

TIP Organizations described in section 501(c)(3) are prohibited from supporting or opposing candidates for public office in any political campaign. If you answer "Yes," you are not qualified for tax exemption under section 501(c)(3) and should reconsider whether the filing of application Form 1023 is appropriate for your organization. See Publication 557 for a description of other Internal Revenue Code sections under which you may qualify.

Line 2a. You are attempting to "influence legislation" if you directly contact or urge the public to contact members of a legislative body for the purpose of proposing, supporting, or opposing legislation. You are also attempting to influence legislation if you advocate the adoption or rejection of legislation. If you answer "Yes," your explanation should include the percentage of your total time and total funds spent on such legislative activities. Also, submit representative copies of your legislative literature, brochures, pamphlets, etc.

Organizations described in section 501(c)(3) are prohibited from engaging in a substantial amount of legislative activities. Whether you are engaged in substantial legislative activities depends on all of the facts and circumstances.

Line 2b. By filing Form 5768 your legislative activities will be measured solely by expenditure limits under section 501(h) rather than by whether legislative activity is considered substantial. Form 5768 is included in Package 1023 for your convenience. It describes the types of organizations that are eligible to make an election. For a discussion of the requirements of section 501(h), see Publication 557. If you are an organization that elects to use

expenditure limits in influencing legislation:

- Attach a copy of Form 5768 that has already been separately filed with us, or
- Provide a completed Form 5768 with your exemption application.



Churches and private foundations are not eligible to make this election.

Line 3a. For purposes of this application, "bingo" is a game of chance played with cards that are generally printed with 5 rows of 5 squares each on which participants place markers to form a preselected pattern to win the game. Other gaming activities include pull-tabs, raffles, keno, split-the-pot, and other games of chance.

Describe these activities, including how often your bingo or other gaming activities are conducted, where they are conducted, and who conducts them. Also describe whether your workers are compensated. If workers are compensated, describe who receives compensation and how the amount is determined.

Revenue associated with these activities means gross revenue amounts.

Expenses associated with these activities means direct and indirect expenses. The dollar value of prizes should be included in expenses.



Gaming may be subject to unrelated business income tax. See Publication 3079 for further information about gaming.

Line 3c. Local jurisdictions include cities, counties, towns, municipalities, and similar government jurisdictions within a state. A local jurisdiction also includes an Indian Reservation.

Line 4a. "Fundraising" includes efforts to raise funds through appeals for financial support. Fundraising may be conducted by your employees or volunteers, through an agent, or through an independent contractor. If you answer "Yes," check all the boxes that apply and complete lines 4b through 4e.

Line 4d. Local jurisdictions include cities, counties, towns, municipalities, and similar government jurisdictions within a state. A local jurisdiction also includes an Indian Reservation.

Line 4e. This line is intended to obtain information from you regarding donor-advised funds that you may maintain. A "donor-advised fund" is maintained if you establish separate accounts for a donor whereby the donor may exercise a right to make a recommendation on either uses of the account, such as providing advice about how to invest, or distributions from the account, such as providing advice about how to make expenditures.

Line 5. You are "affiliated" with a governmental unit if you were created by, controlled by, or closely related to a governmental unit. Identify each governmental unit and describe your

relationship with it. Include details of any financial reports or audits required by the governmental unit. Also, describe any power or authority given to you by the governmental unit.

For purposes of this question, a "governmental unit" includes a State, a possession of the United States, or any political subdivision of a State or a possession of the United States, or the United States, or the District of Columbia.

A governmental unit would generally not qualify for exemption under section 501(c)(3). Also, if you can exercise certain sovereign powers, such as the power to tax or police powers, you would generally not qualify for exemption under section 501(c)(3).

Line 6a. "Economic development" organizations are generally formed to combat community deterioration by assisting businesses located in a particular geographic area whose economy is economically depressed or deteriorating. Their varieties of activities include grants, loans, provision of information and expertise, or creation of industrial parks. Economic development organizations may also be formed to eliminate prejudice and discrimination or lessen the burdens of government through involvement with business development.

If your exempt purpose is to combat community deterioration, describe whether the area or areas in which you will operate have been declared blighted or economically depressed by a government finding. If the area has not been declared blighted or economically depressed, a more suitable exemption may be under sections 501(c)(4) or 501(c)(6). See Publication 557 for more information.

If your exempt purpose is to eliminate prejudice and discrimination, describe how your activities further this purpose.

If your exempt purpose is to lessen the burdens of government, describe whether the government has recognized your activities as those for which it would otherwise be responsible, and any involvement you have with governmental entities that demonstrates that you are actually lessening governmental burdens.

Line 7a. "Develop" means the planning, financing, construction, or provision of similar services involved in the acquisition of real property, such as land or a building. For example, you should provide information regarding the services of a consultant who puts together an arrangement for you to acquire a nursing home through the issuance of tax-exempt bonds.

Line 7b. "Manage" means to direct or administer. For example, you would provide information about an organization hired to administer a museum gift shop. See the instructions for *Part V*, line 2a, for a description of the term business or family relationships.

Line 7c. See the instructions for *Part V*, line 2a, for a description of the term business or family relationships. See the instructions for *Part V*, line 7a, for a description of the term arm's length.

Line 8. A "joint venture" is a legal agreement in which the persons jointly undertake a transaction for mutual profit. Generally, each person contributes assets and shares risks. Like a partnership, joint ventures can involve any type of business transaction and the persons involved can be individuals, groups of individuals, companies, or corporations.

Line 9a. Childcare services provide care for children away from their homes. An organization providing childcare services may qualify for tax-exempt status as either a:

- School under IRC 170(b)(1)(A)(ii).
- Childcare organization under IRC 501(k).

Refer to the instructions for *Part VII*, line 19, to determine if you qualify as a school.

A childcare organization qualifies under IRC 501(k) if it provides care for children away from their homes; substantially all of the childcare enables individuals to be gainfully employed; and the services provided by the organization are available to the general public.

Line 9b. "Gainfully employed" includes enabling individuals to work or to seek work.

Line 9c. Section 501(k) states that to qualify as a childcare organization, substantially all of the care you provide should be to permit individuals to be gainfully employed. If less than 85% of your services are for children of working parents or caretakers:

- Describe the percentage of the children for whom you provide services to permit parents or caretakers to work, and
- Describe any efforts you are taking to increase the percentage of the children for whom you provide services to permit parents or caretakers to work.

Line 9d. Describe any eligibility requirements, such as employment with a particular employer.

Line 10. "Intellectual property" includes:

- Patents (for inventions).
- Copyrights (for literary and artistic works such as novels, poems, plays, films, musical works, drawings, paintings, photographs, sculptures, architectural designs, performances, recordings, film, and radio or television programs).
- Trade names, trade marks, and service marks (for symbols, names, images, and designs).
- Formulas, know-how, and trade secrets.

Line 12a. A "foreign country" is a country other than the United States, its territories and possessions, and the District of Columbia.

Line 13d. A "relationship" between you and the recipient organization includes the following situations:

- You control the recipient organization or it controls you through common officers, directors, or trustees, or through authority to approve budgets or expenditures.
- You and the recipient organization were created at approximately the same time and by the same persons.
- You and the recipient organization operate in a coordinated manner with respect to facilities, programs, employees, or other activities.
- Persons who exercise substantial influence over you also exercise substantial influence over the other organization.

Line 14a. Answer "Yes" if you make grants, loans, or other distributions, such as goods, to a foreign organization. For purposes of completing this application, a domestic organization is one that is formed under the laws of the United States, its territories and possessions, federally recognized Indian Tribal and Alaska Native governments (including political subdivisions), or the District of Columbia. A "foreign organization" is one that is not a domestic organization.

A list of federally recognized Indian tribes is provided in Rev. Proc. 2002-64, 2002-2 C.B. 717. A list of entities that are treated as political subdivisions of Indian tribal governments is provided in Rev. Proc. 86-17, 1986-1 C.B. 550 and Rev. Proc. 84-36, 1984-1 C.B. 510.

Line 15. A "close connection" between you and another organization includes the following situations:

- You control the organization or it controls you through common officers, directors, or trustees, or through authority to approve budgets or expenditures.
- You and the organization were created at approximately the same time and by the same persons.

For example, you were formed within months of the time that a social welfare organization and a political action committee were established by the same persons who were instrumental in your formation.

- You and the organization operate in a coordinated manner with respect to facilities, programs, employees, or other activities.

For example, you share rental expenses for office space and employees with a for-profit corporation.

- Persons who exercise substantial influence over you also exercise substantial influence over the other organization and (1) you either conduct activities in common or (2) have a financial relationship.

For example, a voting member of your governing body is also a voting member of the governing body of a business league with which you intend to cooperate in planning an advertising campaign that will inform the public about the benefits of a particular program.

For example, a voting member of your governing body is also a voting member

of the governing body of a business league that has made a loan to you.

Line 16. A "cooperative hospital service organization" described in section 501(e) is organized and operated on a cooperative basis to provide its section 501(c)(3) hospital members one or more of the following activities.

- Data processing.
- Purchasing (including purchasing insurance on a group basis).
- Warehousing.
- Billing and collection (including purchasing patron accounts receivable on a recourse basis).
- Food.
- Clinical.
- Industrial engineering.
- Laboratory.
- Printing.
- Communications.
- Record center.
- Personnel (including selecting, testing, training, and educating personnel) services.

A cooperative hospital service organization must also meet certain other requirements specified in section 501(e). For additional information, see Publication 557.

Line 17. A cooperative service organization of operating educational organizations described in section 501(f) is organized and operated to provide investment services to its members. Those members must be organizations described in section 170(b)(1)(A)(ii) or (iv), and either tax exempt under section 501(a) or whose income is excluded from taxation under section 115(a).

See Publication 557 for additional information.

Line 18. A "charitable risk pool" described in section 501(n) is organized and operated to pool insurable risks of its section 501(c)(3) members (other than risks related to medical malpractice). A section 501(n) organization must be organized under state law provisions authorizing risk pooling arrangements for charitable organizations and also meet certain other requirements provided by section 501(n).

See Publication 557 for additional information.

Line 19. "A school" is an educational organization whose primary function is the presentation of formal instruction and which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on. A school may include a:

- Primary, secondary, preparatory, or high school.
- College or university.
- Trade or technical school.
- Nursery or pre-school.
- School that you operate as an activity, such as a school that is operated as an

activity of a museum, historical society, or church.

If you are a nursery or pre-school that meets the description of a school, you would answer "Yes" to line 19 and complete *Schedule B*. You would also answer "No" to *Part VIII*, line 9a.

If you are a nursery or pre-school that does not meet the description of a school, you would answer "No" to line 19. You would answer "Yes" to *Part VIII*, line 9a, if you are applying for exemption as a childcare organization.

See Publication 557 for additional information.

Line 20. "Hospital or medical care" includes the treatment of any physical or mental disability or condition, whether as an inpatient or outpatient. A hospital includes:

- Hospitals and rehabilitation institutions, outpatient clinics, or community mental health or drug treatment centers if the principal purpose or function is the providing of medical or hospital care or medical education or research.
- Medical research organizations, if the principal purpose or function is the continuous active conduct of medical research in conjunction with a hospital.

See Publication 557 for additional information.

Line 21. "Low-income housing" refers to rental or ownership housing provided to persons based on financial need. "Elderly housing" refers to rental or ownership housing provided to persons based on age, including retirement, assisted-living, independent living, continuous care, and life care arrangements. "Handicapped housing" refers to rental or ownership housing provided to persons based on physical or mental disabilities, including nursing homes.

If you are a skilled nursing facility, you should also complete *Schedule C*.

Line 22. Answer "Yes" if you pay monies to an individual as a scholarship, fellowship, or educational loan, for travel, study, or other similar purposes. Also answer "Yes" if you pay such amounts on behalf of an individual to a school or a tuition or educational savings program.

Travel, study, or other similar purposes include payments made to enhance a literary, artistic, musical, scientific, teaching or other similar capacity, skill, or talent of the individual recipient. For example amounts paid to:

- Vocational high school students to be used to purchase basic tools.
- Teachers to induce them to teach in an economically depressed, public school system.
- A scientific researcher to underwrite that individual's research project.

Educational grants do not include amounts you pay to an individual as compensation, such as payments made to a consultant for personal services or to produce a report for you.

Educational grants do not include amounts paid to another organization that distributes your funds as a scholarship to an individual if you have no role in the selection process.

If you are a "private foundation" as described in *Part X*, you can request advance approval of your grant-making procedures by completing *Schedule H* and avoid the possible imposition of excise taxes under section 4945.

Part IX. Financial Data

A. Statement of Revenues and Expenses

Existed 4 years or more. If you have been in existence for 4 or more years, complete the A. *Statement of Revenues and Expenses* for your most recently completed year and each of the three years immediately before it for a total of four years of financial information. Place financial information for your most recently completed year in the column marked *Current tax year*.



We may request financial information for more than four years if necessary.

Existed more than one year, less than 4 years. If you have been in existence for more than 1 year and less than 4 years, provide your actual income and expenses for each completed year you have existed and projections of your likely income and expenses based on a reasonable and good faith estimate of your future finances for your current year and each year you have not existed for a total of 3 years of financial information. Place financial information for the year you are filing this application in the column marked *Current tax year*.

Existed less than 1 year. If you have existed for less than 1 year, you must provide projections of your likely income and expenses for your current year and projections of your likely income and expenses for the next 2 years based on a reasonable and good faith estimate of

your future finances. Place financial information for the year you are filing this application in the column marked *Current tax year*.

Preparing the statement. Prepare the statements using the method of accounting you use in keeping your books and records. If you use a method other than the cash receipts and disbursements method, attach a statement explaining the method used. For example, state whether you used the accrual method of accounting to prepare the financial statements included with this application.

Prepare the statements using the accounting period entered on *Part I*, line 5. Financial information should reflect projected activities reported elsewhere in this application.

Line 1. Include funds or other items of value that you receive as gifts, grants, or contributions. For example, if one of your activities is a food drive, the value of the donated food must be included on this line. Also include on this line payments a governmental unit makes to enable you to both:

- Accomplish your exempt purpose(s), and
- Provide a service or facility directly to the general public.

See the instructions to line 9 if you are uncertain whether revenue should be included as a grant in line 1 or as gross receipts in line 9. Unusual grants are not included on this line, but are included on line 12.

Examples

1. A city pays the symphony orchestra to provide free music programs in the public schools. The programs are open to the public. This income received from a governmental unit accomplishes the orchestra's exempt purpose and directly provides a service to the general public. The income is a grant to the symphony orchestra that should be listed on line 1.

2. The symphony orchestra sells tickets to the public for its fall season. Such income is gross receipts received from the general public in performance of

the orchestra's exempt function and should be listed on line 9.

3. The public school system pays the symphony orchestra to create several musical pieces suitable for the school system's elementary music curriculum. This payment by a governmental unit for the music compositions is primarily for its (the school system's) own use, not for the direct benefit of the public. Therefore, this income is gross receipts received from a governmental unit in performance of the orchestra's exempt function that should be listed on line 9.

Line 2. Include amounts received from members to provide support to the organization. Do not include payments from members or on behalf of members to purchase admissions, merchandise, services, or use of facilities.

Line 3. Include gross income from dividends, interest, payments received on securities, loans, rents, and royalties that are held for investment purposes.

Line 4. Net income from unrelated business activities generally includes income from any trade or business activity that is regularly carried on, not conducted with substantially all (at least 85%) volunteer labor, and not related to your exempt purposes. (This amount can be taken from Form 990-T, if filed.)

Report on line 9 income from activities that are not related to the accomplishment of your exempt purposes, but are not considered unrelated business activities. For example, income from the sale of merchandise by volunteers that is not treated as an unrelated trade or business is reported on line 9.

See Publication 598 for additional information regarding unrelated business income.

Line 5. Include the amount collected by any local tax authority from the public on your behalf.

Line 6. To determine the value of services or facilities furnished by a governmental unit, use the fair market value of the services or facilities furnished to you. Do not include the value of services or facilities generally provided to the public without charge.

Line 7. Enter the total income from all sources not reported on lines 1 through 6, or lines 9, 11, and 13. Submit an itemized list showing each type and amount of income included on this line. Also, briefly describe each type of income.

Line 8. Add lines 1 through 7 and enter the amount.

Line 9. "Gross receipts" is income from activities that you conduct to further your exempt purposes (excluding amounts listed on other lines). It includes payments by a governmental unit that may be called a "grant," but that is actually payment for a service or facility for the use of the government payer, rather than for the direct benefit of the public.

Figure 2. Part IX—A. Statement of Revenues and Expenses
Line 11. Net Gain or (Loss)

	Categories		
	(A) Real Estate	(B) Securities	(C) Other
1. Gross sales price of assets (other than inventory) by category.			
2. Less: Cost or other basis and sales expenses.			
3. Gain or (loss). Subtract line 2 from line 1.			
4. Net gain or (loss) — Add line 3 of columns (A), (B), and (C). Enter here and on Form 1023, <i>Part IX - A. Statement of Revenues and Expenses</i> , line 11.			

Example: The state government gives a conservation group a grant to study the consequences to an ecologically significant woodland area of a new sewage treatment plan. Although the payment is called a grant, it is actually gross receipts that should be included on line 9. The payment is by a governmental unit (state) for a study for its own use, not for the direct benefit of the general public. The study could have been done by a for-profit consulting company rather than by the tax-exempt conservation group.

Submit an itemized list of payments by any governmental units showing:

- Payer (governmental unit or bureau).
- Purpose of payment.
- Amount.

Include as gross receipts the income from activity conducted:

- Intermittently (not regularly carried on), such as an occasional auction.
- With substantially all (at least 85%) volunteer labor, such as a car wash.
- For the convenience of members, students, patients, officers, or employees, such as a parking lot for a school's students and employees.
- With substantially all contributed merchandise, such as a thrift store.

See Publication 598 for additional information regarding income that is not from an unrelated trade or business.

Line 10. Add lines 8 and 9 and enter the amount.

Line 11. Attach a schedule with total amounts entered (rather than each individual transaction) for each category using the format in Figure 2.

Line 12. "Unusual grants" generally are substantial contributions and bequests from disinterested persons that by their size adversely affect classification as a public charity. They are unusual, unexpected, and received from an unrelated party.

You must fully describe your unusual grants in *Part X*, line 7. For additional information about unusual grants and a description of public charity classification see Publication 557.

Line 13. Add lines 10 through 12 and enter the amount.

Line 14. Fundraising expenses include the total expenses incurred by you for soliciting gifts, grants, and contributions included on line 1. Where you allocate a portion of your other expenses to fundraising, submit an itemized list describing the amounts allocated. Include fees paid to professional fundraisers for soliciting gifts, grants, and contributions.

Line 15. If distributions have been made, submit an itemized list showing the name of each recipient, a brief description of the purposes or conditions of payment, and the amount paid.

Colleges, universities, and other educational institutions and agencies subject to the Family Educational Rights and Privacy Act (20 U.S.C. 1232g) need not list the names of individuals who were

provided scholarships or other financial assistance where such disclosure would violate the privacy provisions of the law. Instead, such organizations should group each type of financial aid provided, indicate the number of individuals who received the aid, and specify the aggregate dollar amount.

Line 16. If payments have been made, submit an itemized list showing the name of each recipient, a brief description of the purposes or condition of payment, and amount paid. Do not include any amounts on line 15.

Line 17. Enter the total amount of compensation. Be consistent with information provided in *Part V*, lines 1a, 1b, and 1c.

Line 18. Enter the total amount of employees' salaries and wages not reported on line 17, above.

Line 19. Enter the total interest expense for the year, excluding mortgage interest treated as an occupancy expense on line 20.

Line 20. Enter the amount paid for the use of office space or other facilities, heat, light, power, and other utilities, outside janitorial services, mortgage interest, real estate taxes, and similar expenses.

Line 21. If you record depreciation, depletion, and similar expenses, enter the total amount.

Line 22. Professional fees are those charged by individuals and entities that are not your employees. They include fees for professional fundraisers (other than fees listed on line 14, above), accounting services, legal counsel, consulting services, contract management, or any independent contractors.

Line 23. Submit an itemized list showing the type and amount of each significant expense for which a separate line is not provided.

Line 24. Add lines 14 through 23 and enter the amount on line 24.

B. Balance Sheet

Complete the following for your most recently completed tax year. If you have not completed a full tax year, use the most current information available. Be sure to enter the year-end date for the information provided and not the date the form is prepared.

Line 1. Enter the total cash in checking and savings accounts, temporary cash investments (money market funds, CDs, treasury bills, or other obligations that mature in less than one year), and petty cash funds.

Line 2. Enter the total accounts receivable that arose from the sale of goods and/or performance of services, less any reserve for bad debt.

Line 3. Enter the amount of materials, goods, and supplies you purchased or manufactured and held to be sold or used in some future period.

Line 4. Enter the total amount of bonds or notes that you issued that will be repaid to you. Submit an itemized list that shows the name of each borrower, a brief description of the obligation, the rate of return, the due date, and the amount due.

Line 5. Enter the total fair market value (FMV) of corporate stocks you hold. Submit an itemized list of your corporate stock holdings. For stock of closely held corporations, the statement should show the name of the corporation, a brief summary of the corporation's capital structure, the number of shares held, and their value as carried on your books. If such valuation does not reflect current fair market value, also include fair market value.

For stock traded on an organized exchange or in substantial quantities over the counter, the statement should show the name of the corporation, a description of the stock and the principal exchange on which it is traded, the number of shares held, and their value as carried on your books and their fair market value.

Line 6. Enter the total amount of loans (personal and mortgage loans) receivable. Submit an itemized list that shows each borrower's name, purpose of loan, repayment terms, interest rate, and original amount of loan. Report each loan separately, even if more than one loan was made to the same person.

Line 7. Enter the total book value of other investments. Include the total book value of government securities (federal, state, or municipal), and buildings and equipment held for investment purposes. Submit an itemized list identifying and reporting the book value of each building/item of equipment held for investment purposes.

Line 8. Enter the total book value of buildings and equipment not held for investment. This includes facilities you own and equipment you use in conducting your exempt activities. Submit an itemized list of these assets held at the end of the current tax year/period, including the cost or other basis.

Line 9. Enter the total book value of land not held for investment.

Line 10. Enter the total book value of any other category of assets not reported on lines 1 through 9. For example, you would include patents, copyrights, or other intangible assets. Submit an itemized list of each asset.

Line 11. Add lines 1 through 10 and enter the amount.

Line 12. Enter the total amount of accounts payable to suppliers and others, such as salaries payable, accrued payroll taxes, and interest payable.

Line 13. Enter the total unpaid portion of grants and contributions you have committed to pay to other organizations or individuals.

Line 14. Enter the total of mortgages and other notes payable outstanding at the end of the current tax year/period. Submit

an itemized list that shows each note separately, including the lender's name, purpose of loan, repayment terms, interest rate, and original amount.

Line 15. Enter the total amount of any other liabilities not reported on lines 12 through 14. Submit an itemized list of these liabilities, including the amounts owed.

Line 16. Add lines 12 through 15 and enter the amount.

Line 17. Under fund accounting, an organization segregates its assets, liabilities, and net assets into separate funds according to restrictions on the use of certain assets. Each fund is like a separate entity in that it has a self-balancing set of accounts showing assets, liabilities, equity (fund balance), income, and expenses. If you do not use fund accounting, report only the "net assets" account balances, which include capital stock, paid-in capital, retained earnings or accumulated income, and endowment funds.

Line 18. Add lines 16 and 17 and enter the amount.

Line 19. If you answer "Yes," describe the change and explain what caused it.

Part X. Public Charity Status

Line 1a. Organizations that are exempt under section 501(c)(3) are private foundations *unless* they are:

- Churches, schools, hospitals, governmental units, entities that undertake testing for public safety; organizations that have broad financial support from the general public; or
- Organizations that support one or more other organization(s) that are themselves classified as public charities.

Section 501(c)(3) organizations excepted from private foundation status are public charities. See the instructions for *Part X*, lines 5a through 5i for a more detailed description of public charities.

Unless you meet one of the exceptions above, you are a private foundation and must answer, "Yes," on line 1a.

Line 1b. Section 508(e) provides that a private foundation is not tax exempt unless its organizing document contains specific provisions. These specific provisions require that you operate to avoid liability for excise taxes under sections 4941(d), 4942, 4943(c), 4944, and 4945(d). You can also meet these provisions by reliance on state law.

See Publication 557, Chapter 3, *Section 501(c)(3) Organizations: Private Foundations*, for samples of provisions that will meet section 508(e). Also, see *Appendix B* for a list of states that have enacted statutory provisions that satisfy the requirements of section 508(e), subject to notations. *Appendix B* is based on Revenue Ruling 75-38, 1975-1 C.B. 161.

Line 2. Some private foundations are private operating foundations. These are types of private foundations that lack general public support, but make qualifying distributions directly for the active conduct of their educational, charitable, and religious purposes. "Directly for the active conduct" means that the distributions are used by the foundation itself to carry out the programs for which it is organized and operated. Grants made to assist other organizations or individuals are normally considered indirect.

For additional information about private operating foundations, log on to www.irs.gov/charities/foundations/article/0,,id=136358,00.html.

Line 3. If you have existed for one year or more, you must provide financial information that demonstrates you meet the requirements to be classified as a private operating foundation.

Line 4. If you have existed for less than one year, you must ordinarily provide an affidavit or opinion of counsel that sets forth facts concerning your operations and projected support to demonstrate that you are likely to satisfy the requirements to be classified as a private operating foundation. If you have not provided an affidavit or opinion of counsel, you may provide a narrative statement that provides sufficient information to demonstrate that you are likely to satisfy the requirements to be classified as a private operating foundation.

Line 5a. Check this box if your primary purpose is operating a church or a convention or association of churches. The term "church" includes mosques, temples, synagogues, etc. If you select this box, complete and submit *Schedule A*.

Line 5b. Check this box if your primary purpose is operating a school. If you select this box, complete and submit *Schedule B*.

If you operate a school but it is not your primary purpose, do not check this box. However, you must still complete and submit *Schedule B*.

Be sure your response is consistent with *Part VIII*, line 19.

Line 5c. Check this box if your primary purpose is providing medical or hospital care, or medical education or research (performed in association with a hospital). If you select this box, complete and submit *Schedule C*.

A hospital includes a rehabilitation institution, outpatient clinic, community mental health clinic, drug treatment center, or skilled nursing facility.

A hospital does not include convalescent homes, homes for children or the aged, or institutions whose principal purpose or function is to train handicapped individuals to pursue some vocation.

Cooperative hospital service organizations described in section 501(e)

should also check this box, but do not complete *Schedule C*.

Line 5d. Check this box if you are organized and operated to support organizations described in lines 5a through 5c, 5f, 5g, or 5h, or an organization that is tax exempt under section 501(c)(4), (5), or (6). If you select this box, complete and submit *Schedule D*.

The organization(s) you support should have a significant influence over your operations.


Line 5e. Check this box if your primary purpose is to test products to determine their acceptability for use by the general public.

Contributions to organizations of this type are not deductible under section 170(c). Also, organizations that primarily test for specific manufacturers do not qualify for exemption under section 501(c)(3).

Line 5f. Check this box if you are organized and operated exclusively to benefit a college or university owned or operated by a governmental unit. You must also normally receive a substantial part of your support from a governmental unit or from contributions from the general public.

Organizations that qualify under this category would generally also qualify under section 509(a)(3), line 5d, which would be an easier public charity status to maintain.

Line 5g. Check this box if you normally receive a substantial part of your support from grants from governmental units or from contributions from the general public, or a combination of these sources. Typically, a substantial part of your income would be shown on *Part IX-A, Statement of Revenues and Expenses*, lines 1 and 2.

 If you select this public charity status, you must request either an advance ruling or a definitive ruling by completing *Part X*, line 6.

Under this public charity status, you must meet the one-third public support test or the 10% facts and circumstances test.

Public support test. An organization must receive either (1) at least one-third of its total support from governmental agencies, contributions from the general public, and contributions or grants from other public charities, or (2) at least 10% of its total support from governmental agencies, contributions from the general public, and contributions or grants from other public charities and also satisfy a facts and circumstances test.

Facts and circumstances test. Facts and circumstances include (1) the amount of support you received from the general public, governmental units, or public charities, (2) whether you have a continuous and bona fide program for solicitation of funds from the general public, governmental units, or public

charities, and (3) all other facts and circumstances, including the public nature of your governing board, the extent to which your facilities or programs are publicly available, the extent to which your dues encourage membership, and whether your activities are likely to appeal to persons having a broad common interest or purpose. For additional information about the 10% facts and circumstances test, see Publication 557 and Treas. Regs. section 1.170A-9(e)(3).

Line 5h. Check this box if you normally receive more than one-third of your support from contributions, membership fees, and gross receipts from activities related to your exempt functions, or a combination of these sources, and not more than one-third of your support from gross investment income and net unrelated business income. Typically, a substantial part of your income would be shown on *Part IX-A. Statement of Revenues and Expenses*, lines 1, 2, and 9.

Under this public charity status, you must meet both the "one-third public support test" and the "not-more-than-one-third investment income and net unrelated business income test". Before checking this box, consider the types of income you listed on *Part IX-A. Statement of Revenues and Expenses*, lines 1 through 13. If you select this public charity status, you must request either an advance ruling or a definitive ruling by completing *Part X*, line 6. See Publication 557 for additional information about these tests.

Line 5i. Check this box if you are unsure whether you are better described in box 5g or 5h. By checking this box, you agree to let us choose the best public charity status for you.

Request For Advance Ruling Or Definitive Ruling

If you checked the box for line 5g, 5h, or 5i, you must check either line 6a or 6b. Your request for an "advance ruling" or a "definitive ruling" depends on the following factors:

- The date you were formed or other date that your exemption would be effective;
- Whether you have completed at least one tax year (consisting of at least 8 full months) from the date you were formed or other date that your exemption would be effective; and
- The amount and type of income you have received.

Line 6a. Request for Advance Ruling. By checking the box on line 6a, you are requesting an advance ruling for your public charity status. The advance ruling gives you a 5-year period in which you can get the financial support needed to meet one of the public support tests described in line 5g or 5h. Generally, the financial information for the 5-year period is submitted at the end of your advance ruling period and a final determination is

made as to whether you are a public charity or a private foundation.

When your advance ruling period ends in 5 years, we will ask that you provide updated information about your public support by completing Form 8734.

Statute extension. To receive an advance ruling, you must agree to extend the statute of limitations for any of the 5 tax years in the advance ruling period. This agreement allows us additional time to assess federal taxes under section 4940 if you do not qualify as a public charity for any of the 5 tax years in the advance ruling period. You are not required to agree to the extension requested. However, in this situation, we will not be able to issue an advance ruling. If you agree to the extension, the statute will extend 8 years, 4 months, and 15 days beyond the end of your first tax year. By signing the consent, you are agreeing to the statute extension. If, at the end of your 5-year advance ruling period, we determine that you do not meet the public support tests and you are a private foundation, we will assess the tax under section 4940 for that 5-year period.

If you requested an advance ruling, we will return a copy of *Part X* of your application with your signed consent, also signed by an IRS official. Keep this signed document in your permanent records.

First tax year not completed. If you have not yet completed your first tax year consisting of at least 8 full months, you must check the box for line 6a to request an advance ruling. For example, if you were formed on May 15, 2003, with an accounting period that ends December 31, and you submitted your application on August 15, 2004, you must request an advance ruling since your first tax year consisted of only 7½ months and you have not completed your second tax year.

Completed first tax year. If you have completed your first tax year consisting of at least 8 full months but cannot currently meet one of the required public charity support tests, you may still wish to request an advance ruling. This request should only be made if you reasonably expect to meet the required public charity support tests within the 5-year advance ruling period.

Completed more than 5 tax years. If you have completed more than 5 tax years from the date your exemption would be effective, do not request an advance ruling.

Line 6b. Request for Definitive Ruling. By checking line 6b, you are requesting a definitive ruling for your public charity status. The definitive ruling is given to you when you apply if you have existed at least one tax year of 8 months or more, and meet one of the public support tests described in these instructions and Publication 557.

A definitive ruling must be based on your public support computed on the cash

method of accounting. Therefore, if you use the accrual method of accounting, please use a worksheet to convert your revenue accounts from the accrual to the cash basis. Such a worksheet is provided in Instructions for Schedule A (Form 990 or 990-EZ), *Part IV-A. Support Schedule*.

If you have completed your first tax year consisting of at least 8 full months and can meet one of the required public charity support tests, you should check the box for line 6b.

To show that you meet one of the required public charity support tests, complete lines 6b(i) and/or 6b(ii).

Line 6b(i)(a). From *Part IX-A. Statement of Revenues and Expenses*, add the line 8 amounts from completed tax years only. Multiply the total by 2% (0.02) and enter the amount in the space provided.

Line 6b(ii)(b). The required list for this line should include the name of and amounts paid by each individual or organization included on line 9, *Part IX-A. Statement of Revenues and Expenses*, that were greater than the larger of 1% of line 10, of the *Part IX-A. Statement of Revenues and Expenses* or \$5,000 for any completed tax year. Your list for each payer must show a year-by-year breakdown of the amounts reported for completed tax years on *Part IX-A. Statement of Revenues and Expenses*, line 9.



Do not include disqualified persons in this list. Disqualified persons should be listed in line 6b(ii)(a).

If you did not receive such payments, check the box for this line.

For purposes of this application, a "disqualified person" is any individual or organization that is:

1. A "substantial contributor" to you (defined below).
2. An officer, director, trustee, or any other individual who has similar powers or responsibilities.
3. An individual who owns more than 20% of the total combined voting power of a corporation that is a substantial contributor.
4. An individual who owns more than 20% of the profits interest of a partnership that is a substantial contributor.
5. An individual who owns more than 20% of the beneficial interest of a trust or estate that is a substantial contributor.
6. A member of the family of any individual described in 1, 2, 3, 4, or 5 above.
7. A corporation in which any individuals described in 1, 2, 3, 4, 5, or 6 above, hold more than 35% of the total combined voting power.
8. A trust or estate in which any individuals described in 1, 2, 3, 4, 5, or 6 above, hold more than 35% of the beneficial interests.
9. A partnership in which any individuals described in 1, 2, 3, 4, 5, or 6

above, hold more than 35% of the profits interest.

Substantial contributor. A "substantial contributor" is any individual or organization that gave more than \$5,000 to you from the date you were formed or other date that your exemption would be effective, to the end of the year in which the contributions were received. This total amount contributed must also be more than 2% of all the contributions you received. A creator of a trust is treated as a substantial contributor regardless of the amount contributed.

For more information regarding substantial contributors, log on to the IRS website at www.irs.gov/charities/foundations/article/0,,id=136935,00.html.

Family members. A "member of the family" includes the spouse, ancestors, children, grandchildren, great grandchildren, and their spouses.

For additional information concerning members of the family, go to www.irs.gov/charities/foundations/article/0,,id=136955,00.html.

Further information about disqualified persons, can be obtained at www.irs.gov/charities/foundations/article/0,,id=136927,00.html.

Line 7. "Unusual grants" generally are substantial contributions and bequests from disinterested persons that by reason of their size adversely affect classification as a public charity. They are unusual, unexpected, and received from an unrelated party. If you answer "Yes" to line 7, submit a statement for each grant. The statement should include the name of the contributor, the date and amount of the grant, a brief description of the grant, and an explanation of why it is unusual. You should include details of any additional funds you expect to receive from the contributors listed. If they qualify for unusual grant treatment, these amounts should be reported on *Part IX-A, Statement of Revenues and Expenses*, line 12.

See Publication 557 for additional information about unusual grants.

Part XI. User Fee Information



Your application will not be processed without payment of the proper user fee.

Your user fee may be paid by a personal or certified check, bank check, or cashier's check. Your check should be made payable to the United States Treasury.

Gross receipts. The total amount listed on *Part IX-A, Statement of Revenues and Expenses*, line 10 is your gross receipts for purposes of determining your user fee.

Line 1. Compute the average of your gross receipts for a 4-year period based on either (1) the gross receipts you expect to receive over your first four years

if you have not completed a 4-year period, or (2) the gross receipts you actually received for the immediately preceding 4 years if you have completed a 4-year period.

Schedule A. Churches

General Information:

There is no single definition of the word "church" for tax purposes. When determining whether a section 501(c)(3) religious organization is also a church, we will consider characteristics generally attributed to churches and the facts and circumstances of each organization applying for public charity status as a church.

The characteristics generally attributed to churches are as follows.

- A distinct legal existence.
- A recognized creed and form of worship.
- A definite and distinct ecclesiastical government.
- A formal code of doctrine and discipline.
- A distinct religious history.
- A membership not associated with any other church or denomination.
- Ordained ministers ministering to the congregation.
- Ordained ministers selected after completing prescribed courses of study.
- A 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 ministers.

Although it is not necessary that each of the above criteria be met, a congregation or other religious membership group is generally required. A church includes mosques, temples, synagogues, and other forms of religious organizations. For more information, see Publication 1828.

The practices and rituals associated with your religious beliefs or creed must not be illegal or contrary to clearly defined public policy.

Specific Line Items

Line 1a. Provide a copy of your written creed, statement of faith, or summary of beliefs.

Line 1b. A "form of worship" refers to religious practices that express your devotion to your creed, faith, or beliefs.

Line 2a. A "code of doctrine and discipline" refers to a body of laws or rules that govern behavior.

Line 2b. Your "religious history" includes the story of your establishment and major events in your past.

Line 2c. Your literature includes any writings about your beliefs, rules, or history.

Line 3. A "religious hierarchy or ecclesiastical government" refers to

people or institutions that exercise significant influence or authority over you.

Line 4a. Indicate the regular days and times of your religious services. Describe the order of events during your regular worship service and explain how the activities conducted as part of your services further your religious purposes. Also include sample copies of church bulletins, pamphlets, or flyers that are distributed to your members or the general public.

Line 4b. Enter on the line provided, the average number of members and non-members who attend your regularly scheduled religious services.

Line 5a. An "established place of worship" is a place where you hold regularly scheduled religious services. It may be a place that you own, rent, or which is provided freely for your use. If you answer "Yes," go to line 5b. If you answer "No," describe where you meet to hold regularly scheduled religious services.

Line 6. An "established congregation" or "other religious membership group" includes individuals who regularly attend and take part in the religious services of your organization at an established location. An established congregation generally does not include members of only one family. If you answer "No" because you do not have an established congregation or other religious membership, you may be a religious organization that does not qualify as a church. If you do not qualify as a church, you will need to go back to *Part X*, line 5, to reconsider your public charity status.

TIP You may request classification as a church at a later date after you establish a congregation or other religious membership group. For information about this option, contact our customer account service representatives at 1-877-829-5500 (toll-free).

Line 7. Enter the total number of your current members in the line provided. If you have no members, enter zero.

Line 8a. Answer "Yes" if you have a prescribed way to become a member. Answer "Yes" even if you just keep records of who is currently a member. Describe any actions required for individuals to become members. Submit copies of any application forms used.

Line 8b. Describe any rights and benefits of members. You should include details of any levels of membership and the rights and/or benefits associated with each level.

Line 8c. If your members may be associated with another denomination or church, describe the circumstances in which your members would be members of your church and another church.

Line 8d. See *Glossary, Appendix C*, for a description of the word "family."

Line 9. Answer "Yes" if you conduct baptisms, weddings, funerals, or other religious rites.

Line 10. A school for the religious instruction of the young refers to any regularly scheduled religious, educational activities for youth, such as a "Sunday school."

Line 11a. A "prescribed course of study" refers to formal or informal training. It does not include self-ordination or paying a fee for an ordination certificate without completing a course of study. Describe the course of study completed by your religious leader.

Line 12. Answer "Yes" if your religious leader is listed in *Part V*, line 1a.

Line 14. Answer "Yes" if you are part of a group of churches with similar beliefs and structures, such as a convention, association, or union of churches.

Line 16. If you answer "Yes," submit a copy of your church charter. Identify the organization that issued the charter and describe the requirements you met to receive it. Do not describe organizational charters you received from your state's Secretary of State, Franchise Tax Board, or similar administrative office.

Line 17. Attach any additional information you would like us to consider that would help us classify you as a church.

Schedule B. Schools, Colleges, and Universities

General Information:

An organization is a school if it:

- Presents formal instruction as its primary function.
- Has a regularly scheduled curriculum.
- Has a regular faculty of qualified teachers.
- Has a regularly enrolled student body.
- Has a place where educational activities are regularly carried on.

The term "school" includes primary, secondary, preparatory, high schools, colleges, and universities. It does not include organizations engaged in both educational and non-educational activities, unless the latter are merely incidental to the educational activities. Non-traditional schools such as an outdoor survival school or a yoga school may qualify.

The term "school" does not include home schools.

Section I. Operational Information

Line 1a. Answer "Yes" if you have a regularly scheduled curriculum, a regular faculty of qualified teachers, a regularly enrolled student body, and facilities where your educational activities are regularly carried on. Submit evidence establishing that you meet these factors, as described below:

- Evidence that you have a regularly scheduled curriculum includes a list of required courses of study, dates and times courses are offered, and other information about how to complete required courses.

- Evidence that you have a regular faculty of qualified teachers, includes certifications by the appropriate state authority or successful completion of required training.
- Evidence of a regularly enrolled student body includes records of regular attendance by students at your facility.
- Evidence of a place where your exclusively educational activities are regularly carried on includes a lease agreement or deed for your facility.

If you answer "No," do not complete *Schedule B*. You do not meet the requirements of a school and you will need to go back to *Part X*, line 5, to reconsider your public charity status.

Line 1b. Answer "Yes" if your primary function is the presentation of formal instruction. If you answer "No," do not complete *Schedule B*. You do not meet the requirements of a school and you will need to go back to *Part X*, line 5, to reconsider your public charity status.

Line 2a. Answer "Yes" if you are a public school. Submit documentation of your status as a public school. If you answer "Yes," do not complete the remainder of *Schedule B*.

Line 2b. Answer "Yes" if you have a signed contract or agreement with a state or local government under which you operate and receive funding. Submit a signed and dated copy of your contract or agreement. If you answer "Yes," do not complete the remainder of *Schedule B*.

Line 3. Enter the name of the public school district and county where you operate.

Line 4. Answer "Yes" if you were formed or substantially expanded during a period of time when public schools in your district or county were desegregated by court order.



If you are unsure whether to answer "Yes," contact an appropriate public school official.

Line 5. Answer "Yes" if a state or federal administrative agency or judicial body ever determined your organization to be racially discriminatory. Identify the parties involved and the forum in which the case was presented. Explain the reason for the action, the decision reached, and provide legal citations (if any) for the decision. Also, explain in detail any changes made in response to the action against your organization or the decision reached.

Line 7. In responding to this line, you may reference information previously provided in response to *Part VIII*, line 7a, 7b, or 7c, along with any additional information to fully respond.

Line 8. Answer "Yes" if you manage or intend to manage your programs through your own employees or by using volunteers. Answer "No" if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in *Part VIII*, line 7b. In responding to this line, you may

reference information previously provided in response to *Part VIII*, line 7a, 7b, or 7c, along with any additional information to fully respond.

Section II. Establishment of Racially Nondiscriminatory Policy

A section 501(c)(3) organization that is a school must publish a notice of its racially nondiscriminatory policy as to students as follows.

The M school admits students of any race, color, national origin, and ethnic origin to all the rights, privileges, programs, and activities generally accorded or made available to students at the school. It does not discriminate on the basis of race, color, national origin, and ethnic origin in administration of its educational policies, admission policies, scholarship and loan programs, and athletic and other school-administered programs.

Every private school is subject to the provisions of Revenue Procedure 75-50, 1975-2 C.B. 587 (Rev. Proc. 75-50). See Publication 557, which sets forth the requirements of Rev. Proc. 75-50 under the section for *Private Schools*.

A private school must also certify annually that it meets the requirements of Rev. Proc. 75-50. This can be accomplished by filing Schedule A (Form 990, Form 990-EZ) Organization Exempt Under Section 501(c)(3).

Schools that do not file Form 990 must file Form 5578, Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax.

Line 1. Answer "Yes" if your organizing document or bylaws contain a nondiscriminatory statement as to students similar to the one shown above.

Answer "No" if the nondiscrimination statement is not included. If the statement is not included in your organizing document or bylaws, you may submit a copy of your signed and dated resolution that was adopted according to your internal rules or regulations. Your resolution should approve a nondiscriminatory policy similar to the one shown above.

Line 2. Answer "Yes" if your brochures, application forms, advertisements, and catalogues dealing with student admissions, programs, and scholarships contain a statement similar to the following.

The M school admits students of any race, color, and national or ethnic origin.

Submit representative copies of each document.

If you answer "No," to line 2, but checked the box on line 2b, you are agreeing that all future printed materials,

including Internet content, will contain a statement of nondiscriminatory policy as to students similar to the one provided above.

Line 3. You must demonstrate that you have made your nondiscriminatory policy known to all segments of the general community served by the school. One way of meeting this requirement is to publish the school's nondiscriminatory policy annually. If you have already published your notice, submit the actual page of the newspaper on which the notice appears. We cannot accept a photocopy, other electronic reproduction, or partial page of the newspaper.

Answer "No," if you have not attached your notice and describe how you meet the publicity requirement of Rev. Proc. 75-50.

See Publication 557 or Rev. Proc. 75-50 for guidance on the format and content of the required notice and whether any exceptions may apply to you.



A notice published in the legal notices section or classified advertisements of your local newspaper is generally not acceptable.

Line 5. Enter the racial composition of your student body, faculty, and administrative staff in the spaces provided. Enter actual numbers, rather than percentages, for the current year and projected numbers for the next academic year. If the number is zero, then enter "0."



Do not identify students, faculty, and staff by name.

If you are completing the table based on estimates, submit documentation that supports how you arrived at the estimated numbers. For example, if your estimates are based on the racial composition of the community in which you operate, submit current census data of the racial composition for the area. If your numbers and the census numbers differ greatly, explain why.

Line 6. Enter the racial composition of students to whom you award loans and scholarships in the spaces provided. Enter actual numbers, rather than percentages, for the current year and projected numbers for the next academic year. If the number is zero, then enter "0."



Do not identify students by name.

Line 7a. Submit a list that identifies each individual or organization by name. Your list must include your incorporators, founders, board members, donors of land, and donors of buildings.

Line 7b. Answer "Yes" if any individuals or organizations on your list have an objective to keep public or private school education segregated by race. Explain how these individuals or organizations promote segregation in public or private schools.

Line 8. Answer "Yes" if on a continuing basis, you will maintain for a minimum period of three years the following records.

- Your racial composition (similar to the information requested in *Schedule B, Section II, line 5*).
- Evidence that your scholarships and loans are awarded on a racially nondiscriminatory basis (similar to the information requested in *Schedule B, Section II, line 6*).
- Copies of all materials used by you or on your behalf to solicit contributions.
- Copies of brochures, application forms, advertisements, and catalogues dealing with student admissions, programs, and financial aid.

Answer "No" if you do not maintain records and explain how you meet the recordkeeping requirements under Rev. Proc. 75-50.



Failure to maintain these records or produce them upon the proper request, will create a presumption that you have not complied with the requirements of Rev. Proc. 75-50.

Schedule C. Hospitals and Medical Research Organizations

General Information:

An organization qualifies as a hospital if it is a:

- Hospital.
- Cooperative hospital service organization (*Schedule C* not required).
- Medical research organization operated in conjunction with a hospital.

Hospital. An organization is a "hospital" if its principal purpose or function is providing medical or hospital care or medical education or research. Medical care includes treatment of any physical or mental disability or condition, on an inpatient or outpatient basis. Thus, if an organization is a rehabilitation institution, outpatient clinic, or community mental health or drug treatment center, it is a hospital if its principal function is providing treatment services as described above.

A hospital does not include convalescent homes, homes for children or the aged, or institutions whose principal purpose or function is to train handicapped individuals to pursue a vocation.

Medical research organization. An organization is a "medical research organization" if its principal purpose or function is the direct, continuous, and active conduct of medical research in conjunction with a hospital. The hospital with which the organization is affiliated must be described in section 501(c)(3), a federal hospital, or an instrumentality of a governmental unit, such as a municipal hospital.

"Medical research" means investigations, experiments, and studies to discover, develop, or verify knowledge

relating to the causes, diagnosis, treatment, prevention, or control of human physical or mental diseases and impairments. For more information, see Treas. Regs. section 1.170A-9(c)(2).

If you are a hospital, check the first box on *Schedule C* and complete *Section I*.

If you are a medical research organization, check the second box on *Schedule C* and complete *Section II*.

Section I. Hospitals

Line 1. Answer "Yes" if all doctors in your community are eligible for staff privileges at your facility. You may answer "Yes" if staff privileges at your facility are limited by capacity.

Answer "No" if all doctors in your community are not eligible for staff privileges at your facility.

If you answer "No," describe in detail how you limit eligibility for staff privileges at your facility. Include details of your eligibility criteria and selection procedures for your courtesy staff of doctors.

Line 2a. Answer "Yes" if you admit all patients in your community who can pay for themselves or through private health insurance.

Answer "No" if you limit admission for these individuals in any way. If you answer "No," describe your admission policy in detail. You should explain how and why you restrict patient admission.

Line 2b. Answer "Yes" if you admit all patients in your community who participate in Medicare.

Answer "No" if you limit admission in any way for these individuals. If you answer "No," describe your admission policy in detail. You should explain how and why you restrict patient admission to exclude persons who participate in Medicare.

Line 2c. Answer "Yes" if you admit all patients in your community who participate in Medicaid.

Answer "No" if you limit admission in any way for these individuals. If you answer "No," describe your admission policy in detail. You should explain how and why you restrict patient admission to exclude persons who participate in Medicaid.

Line 3a. Answer "Yes" if you require a deposit from Medicare and/or Medicaid patients before admission. If you answer "Yes," describe in detail how you determined the amount required and explain why a deposit is needed.

Line 3b. Answer "Yes" if you require a deposit for other patients before admission and the requirement is the same as for Medicare and/or Medicaid patients.

Answer "No" if you require a deposit, but deposits for Medicare/Medicaid patients and other patients differ as to: (1) the way the amount is determined, or (2) the reason for the deposit. If you answer "No," describe the differences in detail.

Line 4a. Answer "Yes" if you offer emergency medical or hospital care at your facility on a 24-hour basis, seven days a week. If "No," explain why you do not offer an emergency room. For example, emergency care may be inappropriate for the type of services you provide. Also, describe any emergency services that you provide.

Line 4b. Answer "Yes" if you have a specific written plan or policy to accept all patients in need of emergency care without considering their ability to pay.

If you answer "Yes," submit a copy of your plan or policy.

Line 4c. Answer "Yes" if you have specific arrangements with any police, fire, or ambulance service providers to bring emergency cases to your facility.

If you answer "Yes," describe each specific agreement. For written agreements, you may submit a copy of each agreement. If it is oral, explain fully the agreement. For any oral agreements, include details of how and when the agreement was arranged.

Line 5a. Answer "Yes" if you provide free or low cost medical or hospital care services to the poor. If you answer "Yes," answer lines 5b through 5e. Do not answer 5b through 5e if you answer "No."

Line 5b. Submit a copy of your written policy or explain fully the understanding under which you operate regarding the admission and/or treatment of charity cases. Explain how you distinguish between charity care and bad debts.

TIP Include details of how you inform the general public about your policy. Submit copies of any documents or agreements you require charity patients to sign before being admitted and/or treated.

Line 5c. Submit information that shows the amounts you expend for treating charity care patients and the types of services you provide. Include an explanation that distinguishes charity care patient expenditures from uncollected bad debts.

Line 5d. Submit copies of any written agreements you have with municipalities or government agencies to subsidize the cost of admitting or treating charity patients.

Line 5e. A sliding fee scale establishes payments depending on financial ability to pay.

Line 6a. Answer "Yes" if you have a formal program of medical training and research. If you answer "Yes," describe your program in detail, including its length and criteria for acceptance into your program.

Line 6b. Answer "Yes" if you have a formal program of community educational programs. If you answer "Yes," describe your program in detail.

Line 7. Answer "Yes" if you provide office space to physicians conducting their own medical practices.

Line 8. Answer "Yes" if you have a board of directors that is representative of the community you serve. Include a list of each board member with the individual's name and employment affiliation. Also, for each board member, describe how that individual represents the community. Generally, hospital employees and staff physicians are not individuals considered to be community representatives.

TIP Answer "Yes" if an organization described in section 501(c)(3) with a community board exercises rights or powers over you, such as the right to appoint members to your governing board of directors and the power to approve certain transactions. Describe these rights and powers. In addition, describe how each of that organization's board of directors represents the community.

Answer "Yes" if you are subject to a state corporate practice of medicine law that requires your governing board to be composed solely of physicians licensed to practice medicine in the state. If you answer "Yes" on this basis, also provide the following information.

- Describe whether a hospital described in section 501(c)(3) exercises any rights or powers over you.
- Identify the corporate practice of medicine law under which you operate.
- Explain how the section 501(c)(3) hospital exercises any rights or powers over you, such as the right to appoint members to your governing board of directors and the right to approve certain transactions.
- Explain what services you provide to the section 501(c)(3) hospital.

Line 10. Answer "Yes" if you manage or intend to manage your programs through your own employees or by using volunteers. Answer "No" if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in *Part VIII*, line 7b.

Line 11. Recruitment incentives may be offered to attract or retain physicians as employees or to serve the community in which the hospital is located. Such incentives are generally offered when there is an acute shortage of such physicians in your hospital or within the community.

Line 12. Physicians who have a financial or professional relationship with you include physicians with whom you have a business relationship, such as employees, staff physicians, participants in joint ventures, or physicians with whom you contract for services.

Line 13. A business relationship includes employment, contractual relationship, or status as a member of your board of directors.

Line 14. Answer "Yes" if you have adopted a conflict of interest policy consistent with the sample conflict of

interest policy provided in these instructions or you are subject to similar conflict of interest policies under state law. Provide copies of the policies to which you are subject. Although a conflict of interest policy is not required as a matter of tax law, we encourage adoption of a substantive conflict of interest policy because it makes it more likely that you will operate for the benefit of the community and not for private interests.

An example of a substantive conflict of interest policy is available in *Appendix A*. In these instructions.

Answer "No" if you have not adopted a conflict of interest policy or you are not subject to conflict of interest policies under state law.

Section II. Medical Research Organizations

Line 1. Attach a list of hospitals with which you have relationships relating to the conduct of medical research. Describe in detail the relationship you have with each hospital. Submit copies of any written agreements.

Line 2. Describe in detail all activities that directly accomplish your conduct of medical research.

Making grants to other organizations does not directly accomplish the conduct of medical research.

Line 3. Your schedule should explain how you determine the fair market value of your assets.

Schedule D. Section 509(a)(3) Supporting Organizations

General Information:

A section 509(a)(3) organization is commonly referred to as a "supporting organization." An organization that a supporting organization benefits is commonly referred to as a "supported organization." A supporting organization may support more than one supported organization.

An organization qualifies for public charity status as a supporting organization under section 509(a)(3) if:

- It is organized and at all times thereafter is operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more public charities described in section 509(a)(1) or 509(a)(2);
- It meets one of three required relationship tests with the supported organization(s); and
- It is not controlled directly or indirectly by "disqualified persons." See specific instructions for *Part X*, line 6b(ii)(b), for a definition of a "disqualified persons."

A supporting organization can also support the charitable purposes of organizations that are exempt under sections 501(c)(4), (5), or (6).

Section I. Identifying Information About Supported Organization(s)

Line 1. Enter the name, address, and EIN of each organization you support.

Line 2. Answer "Yes" if each supported organization has received a letter from the IRS recognizing it as a public charity under section 509(a)(1) or 509(a)(2). Then, go to *Section II*, line 1.

Answer "No" if any supported organization has not received a letter from us recognizing it as a public charity under section 509(a)(1) or 509(a)(2). Then, go to line 3.

Line 3. Answer "Yes" if any supported organization you listed in line 1 received a letter from us stating that it is exempt under section 501(c)(4), (5), or (6). Also, to show how the organization meets the public support test, submit the amounts and sources of revenue for the last four completed tax years for the supported organization(s). You should provide the requested financial data in the format shown on *Part IX-A. Statement of Revenues and Expenses*, for each supported organization. You must then submit the lists requested by *Part X*, line 6b(ii), which is applicable to the public support test under section 509(a)(2).

Answer "No" if no supported organization listed in line 1 has been recognized as tax-exempt under section 501(c)(4), (5), or (6).



If any organization you intend to support has not received a letter from us recognizing it as a public charity under section 509(a)(1) or 509(a)(2), or has not received a determination recognizing that it is tax-exempt under section 501(c)(4), (5), or (6), you must demonstrate, in writing, that each organization you support is described in section 509(a)(1) or 509(a)(2). For example, if you support a church or foreign organization, you should describe how this organization qualifies as a public charity under section 509(a)(1) or 509(a)(2).

Section II. Relationship with Supported Organization(s) – Three Tests

To qualify under section 509(a)(3), you must show that you meet one of three relationship tests with the supported organization(s).

- Test 1. Operated, supervised, or controlled by (comparable to a parent-subsidiary relationship);
- Test 2. Supervised or controlled in connection with (comparable to a brother-sister relationship); or
- Test 3. Operated in connection with (responsive to the needs or demands of, and having significant involvement in the affairs of, the supported organization(s)).

Line 1. Answer "Yes" if your governing document, bylaws, or other internal rules and regulations show that the majority of your governing board or officers is elected or appointed by the supported organization(s). Then, go to *Section III*.

Answer "No" if your governing document, bylaws, or other internal rules and regulations do not show that the majority of your governing board or officers is elected or appointed by the supported organization(s). If you answer "No" but still believe you satisfy this test, explain and go to *Section III*. Otherwise, go to line 2 because you do not meet the "operated, supervised, or controlled by" relationship test.

Line 2. Answer "Yes" if your governing document, bylaws, or other internal rules and regulations show that a majority of your governing board consists of individuals who also serve on the governing board of the supported organization(s). Then, go to *Section III*.

Answer "No" if your governing document, bylaws, or other internal rules and regulations do not show that a majority of your governing board consists of individuals who also serve on the governing board of the supported organization(s). If you answer "No" but still believe you satisfy this test, explain and go to *Section III*. Otherwise, go to line 3 because you do not meet the "supervised or controlled in connection with" relationship test.

Line 3. Answer "Yes" if you are a charitable trust under state law, you name each specified publicly supported organization as a beneficiary in your trust agreement, and each beneficiary organization has the power to enforce the trust and compel an accounting under state law. Then, go to *Section II*, line 5.

Line 4a. Answer "Yes" if the officers, directors, trustees, or members of the supported organization(s) elect or appoint any of your officers, directors, or trustees. If your governing document, bylaws, or other internal rules and regulations do not provide for this, explain how your officers, directors, or trustees are elected or appointed. Then, go to line 4d.

Line 4b. Answer "Yes" if any members of the governing body of the supported organization(s) also serve as your officers, directors, trustees, or hold another important office for your organization. Describe the position held and whether the position is ongoing. Then, go to line 4d.

Line 4c. Answer "Yes" if your officers, directors, or trustees maintain a close and continuous working relationship with the officers, directors, or trustees of the supported organization(s). Explain the continuous relationship in detail. Then, go to line 4d.



*If you answer "No," on line 4c and your answer to lines 3, 4a, and 4b were "No," you do not meet the "operated in connection with" relationship test. You must establish a different relationship with the supported organization or go back to *Part X*, to reconsider your public charity status.*

Line 4d. Answer "Yes" if the supported organization has a significant involvement in your investment policies, making and

timing of grants, and directing the use of your income and assets. Explain how the supported organization is involved in these matters.

Line 5. An applicant for tax exemption as a supporting organization under the "operated in connection with" relationship must satisfy either the integral part test or the alternative integral part test. If you are requesting supporting organization status by meeting the "operated in connection with" relationship, you must satisfy either the integral part test or the alternative integral part test. If you satisfy the integral part test described in line 5, then you do not have to complete line 6.

Answer "Yes" if you conduct activities that the supported organization would otherwise conduct. Describe the activities that you conduct, other than distributing funds. Then, go to *Section III*.

Line 6a. To satisfy the alternative integral part test as a supporting organization, you must distribute at least 85% of your annual "net income" to the organization(s) you support. See the *Glossary* for a description of "net income" to be used in calculating whether you meet the 85% distribution threshold.

Answer "Yes" if you distribute at least 85% of your net income to the supported organization(s). For purposes of this schedule, "net income" has the same meaning as the term "adjusted net income," which is applicable to private operating foundations.

In general, "adjusted net income" is the excess of gross income, including gross income from any unrelated trade or business, determined with certain modifications, reduced by total deductions. Gross income does not include gifts, grants, or contributions.

If you answer line 6a "No," and your answer to line 5 was "No," unless you establish that the supported organization(s) will be attentive to your operations, you do not meet the "operated in connection with" relationship test. Go back to *Part X*, to reconsider your public charity status.

Line 6b. Submit a list that shows the total amount distributed annually to each supported organization. Also, indicate how each amount will vary from year to year.

Line 6c. Submit a list that shows the total annual income for each supported organization.

Line 6d. Answer "Yes" if your funds are "earmarked" for a particular program or activity.

If you distribute your income to, or for the use of, a particular department or program of an organization, list the total annual revenue of the supported department or program in line 6c.

Line 7a. The "operated in connection with" test requires that you specify the supported organization(s) by name in your organizing document unless there has been an historic and continuing

relationship between you and the supported organization(s).

Line 7b. An historic and continuing relationship depends on all the facts and circumstances that would demonstrate a substantial identity of interests between you and the supported organization.

If you answer "No" to lines 7a and 7b, you may consider amending your organizing document to specify the supported organization(s) by name so you can answer "Yes" to line 7a. Otherwise, you will need to go back to *Part X* to reconsider your public charity status.

Section III. Organizational Test

Line 1a. If you answered "No" to line 1a, you must amend your organizing document to specify the supported organization(s) by name, purpose, or class. Otherwise, you will not meet the operational test under section 509(a)(3) and you will need to go back to *Part X* to reconsider your public charity status.

Line 1b. If you answered "No" to line 1b, you must amend your organizing document to specify the supported organization(s) by name. Otherwise you will not meet the operational test under section 509(a)(3) and you will need to go back to *Part X* to reconsider your public charity status.

Section IV. Disqualified Person Test

Control. As a section 509(a)(3) supporting organization, you may not be controlled directly or indirectly by disqualified persons. You are controlled if disqualified persons can exercise 50% or more of the total voting power of your governing body. You are also controlled if disqualified persons have authority to affect significant decisions, such as power over your investment decisions, or power over your charitable disbursement decisions. You are also controlled if disqualified persons can exercise veto power. Although control is generally demonstrated where disqualified persons have the authority over your governing body to require you to take an action or refrain from taking an action, indirect control by disqualified persons will also disqualify you as a supporting organization.

See the instructions for *Part X*, line 6b for a description of the term "disqualified person."

A public charity is not a disqualified person.

A "foundation manager" means your:

- Officers, directors, or trustees, or
- An individual having powers or responsibilities similar to those of your officers, directors, or trustees.

Line 1b. See the instructions for *Part V*, line 2a, for a description of the terms "family or business relationship."

Schedule E. Organizations Not Filing Form 1023 Within 27 Months of Formation

General Information:

The questions in this schedule will help us determine the effective date of exemption for an organization that filed its application more than 27 months after the end of the month in which it was legally formed.

- If you meet exceptions for late filing, your exemption under section 501(c)(3) will be effective from the date you were legally formed.
- If you do not meet any exceptions, your exemption under section 501(c)(3) will be effective from the date you filed your application.
- Although you do not meet any exceptions, you may, nevertheless, qualify for tax exemption as an organization described in section 501(c)(4) for the period beginning with the date you were legally formed and ending with the date you are recognized under section 501(c)(3). Generally, contributions made to a section 501(c)(4) organization are not tax deductible.

Line 1. Answer "Yes" if you are a church or an association of churches. You should have also checked *Part X*, line 5a, and completed *Schedule A*. If you qualify as a church or an association of churches, your exemption will be effective from the date of your legal formation.

Answer "Yes" if you are an integrated auxiliary of a church. If you qualify as an integrated auxiliary of a church, your exemption will be effective from the date of your legal formation.

An "integrated auxiliary of a church" refers to a class of organizations that are related to a church or convention or association of churches, but are not such organizations themselves. In general, you must:

- Be described as both tax exempt under section 501(c)(3) and a public charity described in sections 509(a)(1), (2), or (3); and
- Receive financial support primarily from internal church sources as opposed to public or governmental sources.

Men's and women's organizations, seminaries, mission societies, and youth groups that satisfy the above referenced sections 501(c)(3) and 509(a)(1), (2), or (3) requirements are considered integrated auxiliaries whether or not they meet the internal support requirements. More guidance as to the types of organizations that qualify as integrated auxiliaries can be found in Treas. Regs. section 1.6033-2(h).

Line 2a. Answer "Yes" if you are a public charity and your annual gross receipts are normally \$5,000 or less. For information about whether your annual gross receipts are normally \$5,000 or less, see Publication 557. If you qualify as an

organization with annual gross receipts of normally \$5,000 or less, your exemption would be effective from the date of your legal formation.

Answer "No" if you are a private foundation, regardless of your gross receipts.

Line 2b. Answer "Yes" if:

- Your gross receipts were normally less than \$5,000 for years before your last completed tax year,
- Your gross receipts normally exceeded \$5,000 for your last completed tax year, and
- You filed this application within 90 days from the end of your last completed tax year.

Line 3. Lines 3a, 3b, and 3c are applicable to subordinates included in a group exemption application. See Publication 557 for information regarding group exemptions. If you were a subordinate of a group exemption that was timely filed and you are filing for exemption within 27 months from the date you were notified by the organization holding the group exemption letter that either (1) you are no longer covered by the group exemption letter, or (2) the group exemption request was denied, answer "Yes" and do not complete the remainder of this schedule.

Line 4. Answer "Yes" if you were formed on or before October 9, 1969. If you are a corporation, your formation date is the date your articles of incorporation were filed with and approved by your state officials. If you are an association, your formation date is the date you adopted your organizing document. If you are a trust, your formation date is generally the date your trust was both adopted and funded.



If you answer "Yes," do not complete the rest of this schedule. As an organization formed on or before October 9, 1969, your exemption would be effective from the date of your legal formation. Answer "No" if you were formed after October 9, 1969.

Line 5. You may receive an extension of time to file Form 1023 beyond the 27-month period if you can establish that you acted reasonably and in good faith, and that granting an extension will not prejudice the interests of the government.

- You filed Form 1023 before we discovered your failure to file.
- You failed to file because of intervening events beyond your control.
- You exercised reasonable diligence but you were not aware of the filing requirements. (The complexity of your filing and experience in these matters is taken into consideration.)
- You reasonably relied on written advice from us.
- You reasonably relied on the advice of a qualified tax professional who failed to file or advise you to file Form 1023.

Answer "Yes" if you wish to request an extension of time to file under these provisions. If you answer "Yes," describe

in detail the reasons for filing late based on the factors listed above. Do not complete the rest of this schedule.

Answer "No" if you do not wish to request an extension under these provisions and go to line 6a.

Line 6a. By checking "Yes," and completing *Part X*, line 6a, you are eligible for an advance ruling to be classified as a public charity from the postmark date of your application.

Do not complete line 6a, 6b, or 7 if you checked the boxes in *Part X*, lines 5a, 5b, 5c, 5d, or 5e.

Line 6b. If you anticipate significant changes in your sources of support in the future, answer "Yes," and we will base your qualification for an advance ruling on the financial information you provide in line 7. If you check "Yes," complete the financial information requested in line 7 of Schedule E.

If you answer "No," we will base your qualification for an advance ruling on the financial information you provided in *Part IX*. If you answer "No," do not complete line 7 of Schedule E.

Line 7. Complete projected budgets of income for the first two full tax years after the date you mailed your Form 1023. See the specific instructions for *Part IX-A, Statement of Revenues and Expenses*, lines 1 through 13, if you need guidance on what to include in the various categories.

Line 8. Check the box if you wish to request exemption under section 501(c)(4) for the period before the postmark date of your Form 1023. If you check the box, attach page 1 of Form 1024. Form 1024 is available on the IRS website at www.irs.gov or by calling 1-800-829-3676.

If you qualify for exemption under section 501(c)(4), you will not be liable for income tax returns as a taxable entity, but you will need to file any exempt organization returns for which you may be responsible. Contributions to section 501(c)(4) organizations are generally not deductible by donors.

Do not check the box if you do not wish to be tax exempt under section 501(c)(4) for the period before the postmark date of your Form 1023. If you do not request and obtain exemption under section 501(c)(4) for the period before the postmark date of your Form 1023, you may be liable for income tax returns as a taxable entity for that time period.

Schedule F. Homes for the Elderly or Handicapped and Low-Income Housing

General Information:

Homes for the elderly or handicapped are eligible for tax exemption as charitable

organizations only if they meet the special needs of the elderly or handicapped for residential facilities designed to meet their physical, social, recreation, health care, and transportation needs. Homes for the elderly or handicapped must also be within the financial reach of a significant segment of the elderly or handicapped in the community. Once admitted to the elderly or handicapped housing facility, the organization must have an established policy to maintain them as residents, to the extent possible, even if the residents subsequently become unable to pay the monthly charges.

Low-income housing must provide affordable housing for a significant segment of individuals in your community with low incomes. Your housing may serve a combination of purposes, such as for poor, frail, and elderly persons.

Section I. General Information about Your Housing

Line 1. The type of housing you provide should include both a description of the type of facility provided, such as apartment complex, condominium, cooperative, or private residence, and the nature of your facility, such as assisted-living facility, continuing-care facility, nursing home, low-income facility, etc.

Line 7. See the instructions for *Part V*, line 7a, for a description of the terms arm's length and fair market value.

Line 8. Answer "Yes" if you manage or intend to manage your programs through your own employees or by using volunteers. Answer "No" if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in *Part VIII*, line 7b.

Line 9. Government programs include federal, state, or local government programs.

Section II. Homes for the Elderly or Handicapped

Line 2a. Answer "Yes" if you charge a one-time fee for admission to your facility.

Line 2b. Answer "Yes" if you charge daily, weekly, monthly, or annual fees or maintenance charges.

Line 2c. A "community" refers to the area that will be served by your facility. For example, a community may be a local area or a region.

Line 3a. Describe what happens to individuals if they become unable to pay your regular charges. For example, you may have a policy whereby you have a reserve fund for maintaining residents who are having trouble in paying their regular charges. You may also have a

policy of keeping residents who are having trouble in paying their regular charges in place for a period of time to permit them to find alternative housing. Include a copy of any printed materials that informs the public about your policy.

Line 3b. Describe any arrangements you have or expect to have with welfare agencies, sponsoring organizations, or others to assist residents who become unable to afford to remain residents.

Line 4. Describe how you provide for the health care needs of residents, including the services provided. This can include providing for the activities of daily living of residents at your facilities and transporting residents to other facilities for medical services.

Line 5. Describe how living units and common areas are designed to meet the physical needs of residents (such as grab bars in bathrooms, wide doorways and hallways, design of kitchens and bathrooms, etc.). Also, include information about facilities and programs designed to meet some combination of physical, emotional, recreational, social, religious, and similar needs of residents.

Section III. Low-Income Housing

Line 2. Answer "Yes" if you charge daily, weekly, monthly, or annual fees or maintenance charges.

Schedule G. Successors to Other Organizations

General Information:

You should complete this schedule as a successor organization if any of the following situations pertain to you.

- You have taken or will take over the activities that were previously conducted by another.
- You have taken or will take over 25 percent or more of the fair market value of the net assets of another organization.
- You were established upon the conversion of an organization from for-profit to non-profit status.

The other organization is the predecessor organization. You should complete this schedule regardless of whether the predecessor (other organization) was exempt or not exempt from federal income tax.

Line 1a. For purposes of this schedule, a "for-profit" organization is one in which persons are permitted to have an ownership or partnership interest, such as corporate stock. It includes sole proprietorships, corporations, and other entities that provide for ownership interests.

Schedule H. Organizations Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Advance Approval of Individual Grant Procedures

General Information:

Complete this schedule if you provide scholarships, fellowships, grants, loans, or other distributions to individuals for educational purposes. When answering the questions on this schedule, you should demonstrate how these distributions further your exempt purposes.

Generally, distributions made to individuals may advance educational purposes if selection is made:

- In a non-discriminatory fashion in terms of racial preference,
- Based on need and/or merit, and
- To a charitable class in terms of being available to an open-ended group, rather than to pre-selected individuals.

A scholarship or fellowship is tax free to the recipient only if he or she is:

- A candidate for a degree at an eligible educational institution; and
- Uses the scholarship or fellowship to pay qualified education expenses.

Qualified education expenses include tuition and fees; and course-related expenses such as books, supplies, and equipment. Room and board, travel, research, clerical help, and non-required equipment are not qualified education expenses. See Publication 970, Tax Benefits for Education, for additional information.

Selection of individuals using a lottery system generally has not been approved by the IRS.

Section I

Line 1b. If you have different grant programs, describe the purpose and amount of each program.

Line 1c. If you award educational loans, describe the terms of the loan (for example, interest rate, duration, forgiveness provision, etc.). Also, describe how any other loan institutions are involved in your program.

Line 1d. Explain how you will publicize your program and whether you publicize to the general public or to another group of possible recipients. Include specific information about the geographic area in which your program will be publicized and the means you will use, such as through newspaper advertisements, school district announcements, or community groups.

Line 1e. Submit sample copies of your solicitation material for applicants or materials announcing the awards. If solicitation is done orally through school counselors or others, explain fully.

Line 2. Organizations that make grants to individuals must maintain adequate records and case histories showing the name and address of each recipient pursuant to Revenue Ruling 56-304, 1956-2 C.B. 306. If you answer "No," explain how you will be able to demonstrate that your distributions serve exempt purposes.

Section II

Line 1a. Only complete lines 1a through 4 if you are a private foundation based on your answers to *Part X*, line 1a. Answer "Yes" if you are a private foundation and you are requesting advance approval of your grant-making procedures under section 4945(g). Answer "No" if you are a private foundation but do not wish to request advance approval of your grant-making procedures under section 4945(g). If you answer "No," the amounts you distribute as educational grants provided to individuals may be considered taxable expenditures under section 4945.

Answer "N/A" if you are requesting public charity status in *Part X*.

For more information about advance approval of grant-making procedures of a private foundation, log on to www.irs.gov/charities/foundations/article/0,,id=137397,00.html.

Line 1b. Check the box for section "4945(g)(1)" if your award qualifies as a scholarship or fellowship grant that is awarded on an objective and

nondiscriminatory basis and is used for study at a school (see the *Schedule B, General Information* for what is considered a school).

Check the box for section "4945(g)(3)" if the purpose of your award is to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the recipient. Include your educational loan program under this section. You may check more than one box.

If your award qualifies as a prize or award that is subject to the provisions of section 74(b) and your recipient is selected from the general public, you do not have to request advance approval of your grant-making procedures since a prize or award is not subject to the advance approval procedure requirements because it is not a grant for travel, study, or other similar purposes. See Revenue Rulings 77-380, 1977-2 C.B. 419; 76-460, 1976-2 C.B. 371, and 75-393, 1975-2 C.B. 451.

Line 4. For additional information regarding private foundations requesting advance approval of individual grant procedures, go to www.irs.gov/charities/foundations/article/0,,id=137396,00.html.

Line 4a Answer "Yes" if you award scholarships on a preferential basis because you require, as an initial qualification, that the individual be an employee or be related to an employee of a particular employer.

Line 4c. Answer "N/A" if you do not provide scholarships, fellowships, or educational loans to employees of a particular employer.

Line 4d. Answer "N/A" if you do not provide scholarships, fellowships, or educational loans to children of employees of a particular employer.

Line 4e. Answer "N/A" if your answer to line 4d is "N/A."



For purposes of this schedule, a program for children of employees of a particular employer includes children and family members of employees.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. If you want your organization to be recognized as tax exempt by the IRS, you are required to give us this information. We need it to determine whether the organization meets the legal requirements for tax-exempt status.

The organization is not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. The rules governing the confidentiality of the Form 1023 application are covered in Code section 6104.

The time needed to complete and file these forms will vary depending on individual circumstances. The estimated average times are:

	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to the IRS
Parts I to XI	89 hrs. 26 mins.	5 hrs. 10 mins.	9hrs. 39 mins.	48 mins.
1023 Sch. A	10 hrs. 2 mins.	6 mins.	16 mins.	—
1023 Sch. B	15 hrs. 18 mins.	12 mins.	27 mins.	—
1023 Sch. C	11 hrs. 14 mins.	12 mins.	23 mins.	—
1023 Sch. D	9 hrs. 48 mins.	42 mins.	53 mins.	—
1023 Sch. E	14 hrs. 35 mins.	1 hrs. 9 mins.	2 hrs. 22 mins.	16 mins.
1023 Sch. F	11 hrs. 28 mins.	12 mins.	23 mins.	—
1023 Sch. G	6 hrs. 42 mins.	6 mins.	12 mins.	—
1023 Sch. H	7 hrs. 53 mins.	42 mins.	51 mins.	—

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Avenue, NW, IR-6406 Washington, DC 20224.

DO NOT send the application to this address. Instead, see *Where to File* on page 4.

Appendix A: Sample Conflict of Interest Policy

Note: Items marked *Hospital insert – for hospitals that complete Schedule C* are intended to be adopted by hospitals.

Article I Purpose

The purpose of the conflict of interest policy is to protect this tax-exempt organization's (Organization) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II Definitions

1. Interested Person

Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

[Hospital Insert – for hospitals that complete Schedule C

If a person is an interested person with respect to any entity in the health care system of which the organization is a part, he or she is an interested person with respect to all entities in the health care system.]

2. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
- b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

Article III Procedures

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

- a. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c. After exercising due diligence, the governing board or committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy

- a. If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV **Records of Proceedings**

The minutes of the governing board and all committees with board delegated powers shall contain:

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed.
- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Article V **Compensation**

- a. A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

[Hospital Insert – for hospitals that complete Schedule C

- d. Physicians who receive compensation from the Organization, whether directly or indirectly or as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.]

Article VI **Annual Statements**

Each director, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the conflicts of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII **Periodic Reviews**

To ensure the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Article VIII **Use of Outside Experts**

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

Appendix B: States with Statutory Provisions Satisfying the Requirements of Internal Revenue Code Section 508(e)

The following states have adopted legislation satisfying the requirements of section 508(e) relating to private foundation governing instruments. Information derived from Revenue Ruling 75-38, 1975-1 C.B. 161.

ALABAMA — except where otherwise provided by a decree of a court of competent jurisdiction or by a provision in the private foundation's governing instrument which in either case has been entered or made after October 1, 1971, and expressly limits the applicability of State law.

ALASKA — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Alaska law do not apply to them.

ARKANSAS — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Arkansas law do not apply to them and except in the case of trusts where otherwise provided by decree of a court of competent jurisdiction.

CALIFORNIA — except where otherwise provided by a court of competent jurisdiction.

COLORADO — with respect to trusts that are private foundations except where otherwise provided by a court of competent jurisdiction.

CONNECTICUT — except where otherwise provided by a court of competent jurisdiction.

DELAWARE — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Delaware law do not apply to them.

DISTRICT OF COLUMBIA — except for such corporations which expressly provide in their governing instruments that the applicable sections of District of Columbia law do not apply to them and except in the case of trusts where otherwise provided by a court of competent jurisdiction. (For purposes of this statute, corporations include corporations organized under any Act of Congress applicable to the District of Columbia as well as corporations organized under the laws of the District of Columbia.)

FLORIDA — except for such trusts which file a proper election not to be subject to the applicable provisions of Florida law and for such corporations as to which a court of competent jurisdiction has otherwise determined.

GEORGIA — except for such private foundations which file a proper election not to be subject to such law.

HAWAII — no exceptions.

IDAHO — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Idaho law do not apply to them.

ILLINOIS — except for such corporations which have express provisions to the contrary in their articles of incorporation and except for trusts where it is otherwise provided by a court of competent jurisdiction.

INDIANA — except where otherwise determined by a court of competent jurisdiction with respect to private foundations organized before January 1, 1970.

IOWA — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Iowa law do not apply to them.

KANSAS — except where otherwise provided by a court of competent jurisdiction.

KENTUCKY — except, with respect to corporations in existence on July 1, 1972, to the extent that such a corporation provides to the contrary by amendment to its articles of incorporation adopted after July 1, 1972, and, with respect to trusts in existence on July 1, 1972, where action is properly commenced on or before December 31, 1972, in a court of competent jurisdiction to excuse the trust from compliance with the requirements of section 508(e) of the Code.

LOUISIANA — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Louisiana law do not apply to them.

MAINE — except where otherwise provided by a court of competent jurisdiction.

MARYLAND — except where otherwise provided by a court of competent jurisdiction.

MASSACHUSETTS — except where otherwise provided by a court of competent jurisdiction.

MICHIGAN — with respect to trusts that are private foundations except for such private foundations which file a notice of inconsistency under Michigan law.

MINNESOTA — except for private foundations that have been held by a court of competent jurisdiction not to be affected by such State statute.

MISSISSIPPI — except where otherwise provided by a court of competent jurisdiction.

MISSOURI — except for private foundations that have been held by a court of competent jurisdiction not to be affected by such State statute.

MONTANA — except in the case of trusts where otherwise provided by court decree entered after March 28, 1974, and except in the case of a corporation which has an express provision to the contrary in its articles of incorporation.

NEBRASKA — except for such trusts which effectively elect to be excluded from the applicable sections of Nebraska law, for such corporations which have governing instruments expressly providing to the contrary, and except as a court of competent jurisdiction has otherwise determined in any given case.

NEVADA — no exceptions.

NEW HAMPSHIRE — except where it is otherwise provided by a court of competent jurisdiction.

NEW JERSEY — except for such private foundations which expressly provide in their governing instruments that the applicable sections of New Jersey law do not apply to them.

NEW YORK — except where such law conflicts with any mandatory direction of an instrument by which assets were transferred prior to June 1, 1971, and such conflicting direction has not been removed legally.

NORTH CAROLINA — except for such private foundations which expressly provide in their governing instruments that the applicable sections of North Carolina law do not apply to them and except for trusts that have their governing instruments reformed by a decree of the Superior Court of North Carolina.

NORTH DAKOTA — with respect to trusts that are private foundations except where otherwise provided by a court of competent jurisdiction.

OHIO — except in the case of trusts where it is provided otherwise by a court of competent jurisdiction and except in the case of corporations in existence on September 17, 1971, which expressly adopt contrary provisions in their governing instruments after September 17, 1971.

OKLAHOMA — except for such private foundations which file a proper election not to be subject to such law.

OREGON — no exceptions.

PENNSYLVANIA — except where otherwise provided by a court of competent jurisdiction.

RHODE ISLAND — except where otherwise provided by a court of competent jurisdiction.

SOUTH CAROLINA — except for private foundations which expressly provide in their governing instruments that the applicable sections of South Carolina law do not apply to them.

SOUTH DAKOTA — except where otherwise provided by a court of competent jurisdiction.

TENNESSEE — except where otherwise provided by a court of competent jurisdiction.

TEXAS — except for such private foundations which file a proper election not to be subject to such law.

UTAH — with respect to trusts that are private foundations except where otherwise provided by a court of competent jurisdiction.

VERMONT — except where otherwise provided by a court of competent jurisdiction.

VIRGINIA — except for private foundations whose governing instruments contain express provisions to the contrary or which have filed a proper election not to be subject to such law.

WASHINGTON — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Washington law do not apply to them.

WEST VIRGINIA — with respect to trusts that are private foundations except for such trusts which provide in their governing instruments that the applicable sections of West Virginia law do not apply to them.

WISCONSIN — except as may otherwise be provided by decree of a court of competent jurisdiction.

WYOMING — except where otherwise provided by a court of competent jurisdiction.

Appendix C: Glossary of Terms

Adjusted net income (for Schedule D)	<p>Adjusted net income includes: gross income from any unrelated trade or business; gross income from functionally related businesses; interest payments received on loans; amounts received or accrued as repayments of amounts taken as qualifying distributions for any tax year; amounts received or accrued from the sale or other disposition of property to the extent acquisition of the property was treated as a qualifying distribution for any tax year; any amounts set aside for a specific project to the extent the full set aside was not necessary for the project; interest on government obligations normally excluded under section 103 of the Code; net short-term capital gains on sale or other disposition of property; and income received from an estate if the estate is considered terminated for income tax purposes because of a prolonged administration period.</p> <p>It does not include: gifts, grants, and contributions received; long-term capital gains or losses; net section 1231 gains; capital gain dividends; the excess of fair market value over adjusted basis of property distributed to the U.S. or a possession or political subdivision, a state or its political subdivision, a charitable trust or corporation for public purposes, or income received from an estate during the administration period.</p> <p>In computing adjusted net income, deduct the following: ordinary and necessary expenses paid or incurred for the production or collection of gross income, or for the management, conservation, or collection of gross income (includes operating expenses such as compensation of officers, employee wages and salaries, interest, rent, and taxes); straight-line depreciation and depletion (not percentage depletion); and expenses and interest paid or incurred to carry tax-exempt obligations. Do not deduct net short-term capital losses for the year in which they occur (these losses cannot be carried back or carried over to earlier or later tax years); the excess of expenses for property used for exempt purposes over the income received from the property; charitable contributions made by you; net operating losses; and special deductions for corporations.</p>
Advance ruling	<p>A written determination by us on your public charity status that treats you as a publicly supported organization during a 5-year period beginning, generally, from the date of your formation. At the end of the 5-year period, you will qualify for a definitive ruling (defined below) if you were publicly supported based on the support you received during the 5-year period.</p>
Affiliated	<p>Created by, controlled by, or closely related to a governmental unit, including a State, a possession of the United States, or any political subdivision of a State or a possession of the United States, or the United States, or the District of Columbia.</p>
Arm's length	<p>A transaction between parties having adverse (or opposing) interests; where none of the participants are in a position to exercise substantial influence over the transaction because of business or family relationship(s) with more than one of the parties.</p>
Authorized representative	<p>By submitting Form 2848, an attorney or certified public accountant who is permitted to represent you before us regarding your application for tax-exempt status.</p>
Bingo	<p>A game of chance played with cards that are generally printed with 5 rows of 5 squares each, on which participants place markers to form a pre-selected pattern to win the game. Bingo is gambling.</p>

Business relationships	Employment and contractual relationships, and common ownership of a business where any officers, directors, or trustees, individually or together, possess more than a 35% ownership interest in common. Ownership means voting power in a corporation, profits interest in a partnership, or beneficial interest in a trust.
Bylaws	The internal rules and regulations of an organization.
Certification of filing	Articles of incorporation for your organization showing evidence that on a specific date they were filed with and approved by an appropriate state authority.
Charitable risk pool	An organization described in section 501(n), which is organized and operated to pool insurable risks (other than medical malpractice) of its section 501(c)(3) members.
Close connection	A relationship between organizations that may include: control of one organization by another through common governance or through authority to approve budgets or expenditures; coordination of operations as to facilities, programs, employees, or other activities; or common persons exercising substantial influence over all of the organizations.
Common control	You and one or more other organizations have (1) a majority of your governing boards or officers appointed or elected by the same organization(s), or (2) a majority of your governing boards or officers consist of the same individuals. Common control also occurs when you and one or more commonly controlled organizations have a majority ownership interest in a corporation, partnership, or trust. Ownership means voting power in a corporation, profits interest in a partnership, or beneficial interest in a trust.
Community	The local or regional geographic area to be served by an organization.
Compensation	All forms of income from working, including salary or wages; deferred compensation; retirement benefits, whether in the form of a qualified or non-qualified employee plan (for example: pensions or annuities); fringe benefits (for example: personal vehicle, meals, lodging, personal and family educational benefits, low interest loans, payment of personal travel, entertainment, or other expenses, athletic or country club membership, and personal use of your property); and bonuses.
Conflict of interest policy	A conflict of interest arises when a person in a position of authority over an organization, such as a director, officer, or manager, may benefit personally from a decision he or she could make. A conflict of interest policy consists of a set of procedures to follow to avoid the possibility that those in positions of authority over an organization may receive an inappropriate benefit.
Controlled by disqualified persons	As a section 509(a)(3) supporting organization, you may not be controlled directly or indirectly by disqualified persons. You are controlled if disqualified persons can exercise 50% or more of the total voting power of your governing body. You are also controlled if disqualified persons have authority to affect significant decisions, such as power over your investment decisions, or power over your charitable disbursement decisions. You are also controlled if disqualified persons can exercise veto power. Although control is generally demonstrated where disqualified persons have the authority over your governing body to require you to take an action or refrain from taking an action, indirect control by disqualified persons will also disqualify you as a supporting organization.

Cooperative hospital service organization	An organization described in section 501(e) is organized and operated on a cooperative basis to provide its section 501(c)(3) hospital members one or more of the following activities: data processing, purchasing (including purchasing insurance on a group basis), warehousing, billing and collection (including purchasing patron accounts receivable on a recourse basis), food, clinical, industrial engineering, laboratory, printing, communications, record center, and personnel (including selecting, testing, training, and educating personnel) services.
Cooperative service organization of operating educational organizations	An organization described in section 501(f) is organized and operated to provide investment services to its members. Those members must be organizations described in section 170(b)(1)(A)(ii) or (iv), and either tax exempt under section 501(a) or whose income is excluded from taxation under section 115(a).
Corporation	An entity organized under a Federal or state statute, or a statute of a federally recognized Indian tribal or Alaskan native government.
Definitive ruling	A written determination by us on your public charity status that classifies you as a publicly supported organization if you have completed your first tax year, consisting of at least 8 full months, and you meet one of the public support tests. A definitive ruling may also be issued at the end of your 5-year advance ruling period if you were issued an advance ruling and you meet one of the public support tests.
Develop	Develop means the planning, financing, construction, or provision of similar services involved in the acquisition of real property, such as land or a building.
Disqualified person	Any individual or organization that is: <ul style="list-style-type: none"> a. A substantial contributor to you (see <i>substantial contributor</i>). b. An officer, director, trustee, or any other individual who has similar powers or responsibilities. c. An individual who owns more than 20% of the total combined voting power of a corporation that is a substantial contributor to you. d. An individual who owns more than 20% of the profits interest of a partnership that is a substantial contributor to you. e. An individual who owns more than 20% of the beneficial interest of a trust or estate that is a substantial contributor to you. f. A member of the family of any individual described in a, b, c, d, or e above; g. A corporation in which any individuals described in a, b, c, d, e, or f above hold more than 35% of the total combined voting power; h. A trust or estate in which any individuals described in a, b, c, d, e, or f above hold more than 35% of the beneficial interests; and i. A partnership in which any individuals described a, b, c, d, e, or f above hold more than 35% of the profits interest.
Earmark	Donations or other contributions given to you to assist particular individuals or specific identified groups.
Economic development	Organizations formed to combat community deterioration by assisting businesses located in a particular geographic area whose economy is economically depressed or deteriorating. Economic development activities include grants, loans, provision of information and expertise, or creation of industrial parks. Economic development organizations may also be formed to eliminate prejudice and discrimination or lessen the burdens of government through involvement with business development.

Elderly housing	Generally, the primary beneficiaries of the tax-exempt housing are age 62 and older. The elderly are treated as appropriate charitable beneficiaries for certain purposes regardless of socio-economic status because, as a group, they face many barriers to their basic needs as they age. The elderly, as a class, face forms of distress other than financial, such as the need for suitable housing, physical and mental health care, civic, cultural, and recreational activities, and an overall environment conducive to dignity and independence.
Expenses	Financial burdens or outlays; costs (of doing business); business outlays chargeable against revenues. For purposes of this form, expenses mean direct and indirect expenses.
Fair market value	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	Includes an individual's spouse, ancestors, children, grandchildren, great grandchildren, siblings (whether by whole or half blood), and the spouses of children, grandchildren, great grandchildren, and siblings.
Foreign country	A country other than the United States, its territories and possessions, and the District of Columbia.
For-profit	A business entity whose activities are conducted or maintained to make a profit (e.g. revenues greater than expenses).
Foundation manager	Officers, directors, or trustees, or an individual having powers or responsibilities similar to those of a foundation's officers, directors, or trustees.
Fundraising	The organized activity of raising funds, whether by volunteers, employees, or paid independent contractors.
Gainfully employed	Employed or actively looking for work.
Gaming	The term gaming includes activities such as Bingo, Beano, lotteries, pull-tabs, pari-mutuel betting, Calcutta wagering, pickle jars, punch boards, tip boards, tip jars, certain video games, 21, raffles, keno, split-the-pot, and other games of chance.
Gross investment income	As defined in section 509, gross investment income means the gross amount of income from interest, dividends, payments with respect to securities loans, rents, and royalties, but not including any such income to the extent included in computing the tax imposed by section 511.
Gross receipts	For purposes of <i>Part IX-A. Statement of Revenues and Expenses</i> , gross receipts includes monies earned from activities related to your charitable or other section 501(c)(3) activities, such as selling admissions or merchandise, performing services, or furnishing facilities.
Handicapped	Persons with physical or mental disabilities with special needs for suitable housing, physical and mental health care, civic, cultural, and recreational activities, transportation, and an overall environment conducive to dignity and independence.

Hospital	<p>Hospital or medical care includes the treatment of any physical or mental disability or condition, whether on an inpatient or outpatient basis. A hospital includes:</p> <ul style="list-style-type: none"> a. Hospitals and rehabilitation institutions, outpatient clinics, or community mental health or drug treatment centers if the principal purpose or function is the providing of medical or hospital care or medical education or research. b. Medical research organizations, if the principal purpose or function is the continuous active conduct of medical research in conjunction with a hospital.
Independent contractors	Persons who are not treated as employees for employment tax purposes.
Influence legislation	The act of directly contacting or urging the public to contact members of a legislative body for the purpose of proposing, supporting, or opposing legislation. You are also attempting to influence legislation if you advocate the adoption or rejection of legislation.
Intellectual property	<p>A type of property (distinct from real or personal property) which includes:</p> <ul style="list-style-type: none"> a. Patents (for inventions). b. Copyrights (for literary and artistic works such as novels, poems, plays, films, musical works, drawings, paintings, photographs, sculptures, architectural designs, performances, recordings, film, and radio or television programs). c. Trade names, trade marks, and service marks (for symbols, names, images, and designs). d. Formulas, know-how, and trade secrets.
Joint ventures	A legal agreement in which the parties jointly undertake a transaction for mutual profit. Generally, each person contributes assets and shares risks. Like a partnership, joint ventures can involve any type of business transaction and the "persons" involved can be individuals, groups of individuals, companies, or corporations.
Limited liability company	A limited liability company (LLC) combines attributes of both corporations and partnerships (or, for one-person LLCs, sole proprietorships). The corporation's protection from personal liability for business debts and the pass-through tax structure of partnerships and sole proprietorships.
Low-income housing	Rental or ownership housing provided to persons based on financial need.
Mailing address	Address where you wish all correspondence to be sent.
Manage	Manage means to direct or administer.
Medical care	The treatment of any physical or mental disability or condition, whether on an inpatient or outpatient basis.
Medical research organization	An organization whose principal purpose or function is the continuous active conduct of medical research in conjunction with a hospital.
Net income (for Schedule D)	See <i>adjusted net income</i> .
Non-fixed payments	A non-fixed payment means a payment that depends on discretion. For example, a bonus of up to \$100,000 that is based on an evaluation of performance by the governing board is a non-fixed payment because the governing body has discretion over whether the bonus is paid and the amount of the bonus.

Organizing document	The organizing document depends on the form of the organization. For a corporation, the document is the articles of incorporation. For a limited liability company (LLC), the document is the articles of organization. For an unincorporated association, the document is the articles of association or constitution. The organizing document of a trust is the trust agreement.
Political	You participate in a political campaign if you promote or oppose, through political literature, brochures, pamphlets, hosting or participating in events, etc., the candidacy of an individual for public office. Debates and nonpartisan voter education are not considered political.
Predecessor	An organization whose activities or assets were taken over by another organization.
Private foundations	Organizations that are exempt under section 501(c)(3) are private foundations unless they are: churches, schools, hospitals, governmental units, entities that undertake testing for public safety; organizations that have broad financial support from the general public; or organizations that support one or more other organizations that are themselves classified as public charities.
Private operating foundation	A type of private foundation that lacks general public support, but makes qualifying distributions directly for the active conduct of its educational, charitable, and religious purposes. "Directly for the active conduct" means that the distributions are used by the foundation itself to carry out the programs for which it is organized and operated. Grants made to assist other organizations or individuals are normally considered indirect.
Public charity	Organizations that are exempt under section 501(c)(3) and are not private foundations because they are: churches, schools, hospitals, governmental units, entities that undertake testing for public safety; organizations that have broad financial support from the general public; or organizations that support one or more other organizations that are themselves classified as public charities. Public charity status is a more favorable tax status than private foundation status.
Reasonable compensation	Reasonable compensation is the amount that would ordinarily be paid for like services by like organizations under like circumstances as of the date the compensation arrangement is made. Reasonable compensation is important because excessive benefits in the form of compensation to disqualified persons may result in the imposition of excise taxes and jeopardize the organization's tax-exempt status.
Related	The family or business relationships between persons.
Relationship	A relationship between you and the recipient organization includes the following situations: <ul style="list-style-type: none"> a. You control the organization or it controls you through common officers, directors, or trustees, or through authority to approve budgets or expenditures. b. You and the organization were created at approximately the same time and by the same persons. c. You and the organization operate in a coordinated manner with respect to facilities, programs, employees, or other activities. d. Persons who exercise substantial influence over you also exercise substantial influence over the other organization.
Revenue	Revenue means gross revenue amounts.

Revenue Procedure	An official statement of a procedure published in the IRS Cumulative Bulletin that either affects the rights or duties of taxpayers or other members of the public under the Internal Revenue Code and related statutes, treaties, and regulations or, although not necessarily affecting the rights and duties of the public, should be a matter of public knowledge.
Revenue Ruling	An official interpretation by the IRS of the Internal Revenue laws and related statutes, treaties, and regulations, that has been published in the Cumulative Bulletin. Revenue Rulings are issued only by the National Office and are published for the information and guidance of taxpayers, IRS officials, and others concerned.
SS-4	Application for Employer Identification Number.
School	A school is an educational organization whose primary function is the presentation of formal instruction and which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on. A school may include a: <ul style="list-style-type: none"> a. Primary, secondary, preparatory, or high school. b. College or university. c. Trade or technical school. d. Nursery or preschool. e. School that you operate as an activity, such as school that is operated as an activity of a museum, historical society, or church.
Similarly situated	Similarly situated organizations means tax-exempt or taxable organizations of a comparable size, purpose, and resources.
Substantial contributor	Any individual or organization that gave more than \$5,000 to you from the date you were formed or other date that your exemption would be effective, to the end of the year in which the contributions were received. This total amount contributed must also be more than 2% of all the contributions you received. A creator of a trust is treated as a substantial contributor regardless of the amount contributed.
Successor	An organization that took over: <ul style="list-style-type: none"> a. More than a negligible amount of the activities that were previously conducted by another organization; b. Twenty-five percent or more of the fair market value of the net assets of another organization; or c. Was established upon the conversion of an organization from for-profit to non-profit status.
Trust	A trust is an entity that may be formed by a trust agreement or declaration of trust. A trust may also be formed through a will.
Unincorporated association	An unincorporated association formed under state law must have at least two members who have signed a written document for a specifically defined purpose.
Unusual grants	Substantial contributions and bequests from disinterested persons that by their size adversely affect classification as a public charity. They are: <ul style="list-style-type: none"> a. Unusual; b. Unexpected; and c. Received from an unrelated party.

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