Annotated Form 990

California Nonprofit Public Benefit Corporation

Made possible through the support of the **Annenberg Foundation**

About the Annotated Form 990: It has been 30 years since the IRS last made major changes to Form 990, the information return that many tax exempt organizations must annually file and make available to the public. Because the revised Form 990 is significantly different in both content and format from that of previous years, Public Counsel's Community Development Project has developed this Annotated Form 990 to aid California nonprofit public benefit corporations in collecting and disclosing the requested information.

Selected portions of the Form 990, its schedules and instructions are annotated with explanatory notes, including citations to applicable federal laws, filing tips and recommended practices. Where appropriate, the annotations also discuss how California law governing nonprofit public benefit corporations relates to the revised Form 990.

Important Notes: In using this Annotated Form 990, please keep in mind that it was developed for educational purposes only. The annotations in this resource refer to the 2010 IRS Form 990. These annotations do not replace the instructions provided by the IRS, but rather act as a supplement and should be referred to after carefully reading the form, its schedules and instructions. Public Counsel will update this resource periodically for changes in law, recommended practices and available resources. For the latest version, see *www.publiccounsel.org/practice_areas/community_development*.

This resource should not be construed as legal or tax advice. Please contact an attorney or accountant for legal or tax advice about your organization's specific situation. Some organizations may be subject to laws and regulations not specifically discussed in this resource.

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Public Counsel's **Community Development Project** builds strong foundations for healthy, vibrant and economically stable communities through its comprehensive legal and capacity building services for nonprofits that assist low income neighborhoods in Los Angeles County. If your organization needs legal assistance, or to access the latest version of this document, visit *www.publiccounsel.org/practice_areas/community_development* or call (213) 385-2977, x 200.

ANNOTATED FORM 990 (2010)

FOR A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION

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OVERVIEW

The IRS has identified three guiding principles in redesigning the Form 990: promoting compliance, enhancing transparency, and to the extent consistent with the first two principles, reducing the burden of preparing the form for the reporting organization. The consequence is a form that focuses much more space on a narrative description of the activities of a nonprofit while still requiring disclosure of the "numbers." The new return has been expanded from a core form of nine pages to a core form of twelve pages. More significantly, the new form eliminates "unstructured attachments" and replaces them with sixteen possible schedules. There are a lot of new features, beginning with a cover summary page that portrays a financial snapshot of the reporting organization and permits donors and other members of the public to easily compare one organization with another. The form also directs more attention to executive compensation, foreign activities, related organizations and board governance practices and policies.

Though the new form is longer and takes more time to complete, there are significant burden reduction elements embodied in its redesign. One is the upward adjustment of the filing threshold for the Form 990-EZ. This change alone made eligible for filing the short form for tax year 2008 nearly two hundred thousand nonprofits that had been required to file the Form 990 in 2007. Additionally, the IRS views its redesign as a more logical presentation of material and the schedules as a clarifying improvement over unstructured attachments. The elimination of attachments also permits organizations to file Form 990 electronically.

Finally, the IRS has tried to make it easier to navigate through the new form by issuing comprehensive "plain English" instructions that include a glossary of more than one hundred key terms, a sequencing checklist, a schedules checklist, a compensation matrix, appendices for certain types of filers, such as those that file a group return or who have joint ventures, and educational appendices that deal with issues such as state reporting requirements or excess benefit transactions.

Organizations That Previously Filed the 2009 Form 990: The 2010 Form 990, schedules and instructions have been revised to modify and clarify certain reporting requirements. Some, but not all of the 2010 changes are the subject of further discussion in this Annotated Form 990. Organizations that have previously filed the 2009 Form 990 should review the summary of significant changes, available at *www.irs.gov/charities/article/0,,id=236550,00.html*, before filling out the 2010 version of the form.

Important Note: In using this Annotated Form 990, please keep in mind that it was developed for educational purposes only, and is not intended to be legal or tax advice. The annotations below refer to the IRS Form 990 (2010), including its schedules and instructions. These annotations do not replace the instructions provided by the IRS, but rather act as a supplement and should be referred to after carefully reading the form, schedules, and instructions. The annotations are targeted to public charities that are exempt under section 501(c)(3) of the Internal Revenue Code. Though other exempt entities are also required to file Form 990, the information in the annotations may not be relevant to those entities. Where appropriate, these annotations discuss how the Form 990 relates to California law governing charitable nonprofit public benefit corporations (see comments regarding "Who Must File," below, and Notes 3, 15, 16, 17, 19, 24, 25, 26, 28, 29, 31, 33, 36 and 40). The annotations do not cover laws of any other states.

WHO MUST FILE

Most tax-exempt organizations other than churches are required to file an annual information return (Form 990 or Form 990-EZ) or an annual electronic notice (Form 990-N), depending upon the organization's gross receipts and total assets. The IRS requires that a tax-exempt organization file some version of the Form 990 if its gross receipts are over $50,000. If the organization's gross receipts are $50,000 or below, only IRS Form 990-N need be filed.

As mentioned above, the filing threshold for the simpler Form 990-EZ was upwardly adjusted for a three year transition period. This has allowed organizations with adjusted gross income between $200,000 and $500,000 and assets between $500,000 and $1.25 million to put off filing the redesigned Form 990 until tax year 2010.

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

Organizations that file at least 250 returns (including Forms W-2, 1099-MISC, etc.) during the calendar year and have total assets of $10 million or more at the end of the tax year ***must*** file Form 990 electronically.

California Law: Users of this form should note that California charitable nonprofit corporations may sometimes be required to file a Form 990 or 990-EZ, as applicable, with the California Attorney General even when there is no requirement to file a Form 990 or 990-EZ with the IRS. All California charities, regardless of gross revenues or total assets, must annually file Form RRF-1, the Annual Registration Renewal Fee Report. Any California charity with total gross revenue or assets of $25,000 or more must attach a copy of

the Form 990 or 990-EZ. A charity must also file a Form 990 or 990-EZ with the Attorney General if any of the following conditions apply:

1. It has not filed a Form 990 or 990-EZ for 10 years;
2. The corporation was dissolved or merged, all or substantially all of the assets of the corporation were sold or transferred, or the corporate articles were amended to change the charitable purposes of the corporation;
3. The charitable purposes of the corporation were abandoned by the directors; or
4. There were any self-dealing transactions, as defined in California Corporations Code section 5233, or any transactions described in Probate Code section 16004, or any loans made by the corporation to a director or officer.

For more information about these filing requirements visit the Attorney General's Form 990 webpage, available at *http://ag.ca.gov/charities/content/new_990.php*.

IRS RESOURCES

The IRS has several resources to assist organizations preparing for and filing the new Form 990.

- **Case Study:** This case study includes a set of facts describing organizational and financial aspects of a hypothetical reporting organization and a completed Form 990, including Schedules A and O, based on those facts. A video series walks the filer through key reporting issues common to most organizations required to file Form 990.
  - *www.irs.gov/charities/article/0,,id=210357,00.html*
- **Filing Tips:** This set of IRS responses to various frequently asked questions includes topics such as reporting executive compensation, governance, related organizations, reporting foreign activities, the use of attachments, Schedule A (Public Charity Status and Public Support) and Schedule L (Transactions with Interested Persons).
  - *www.irs.gov/charities/article/0,,id=206699,00.html*
- **Online Mini-Courses:** These online presentations provide an overview of the changes to the form, general instructions for completing the form and a walkthrough of Parts I-IV.
  - *www.irs.gov/charities/article/0,,id=212597,00.html*
- **Background Paper – Form 990, Moving From the Old to the New:** This background paper provides an overview of changes to the 2007 Form 990, a comparison of the 2008 Core Form to the 2007 Form, and a discussion of each section's purpose, rationale and key points.
  - *www.irs.gov/pub/irs-tege/moving_from_old_to_new.pdf*
- **Significant Changes to the 2009 Form 990:** This table summarizes significant changes to the Form 990, schedules and instructions for 2009.
  - *www.irs.gov/charities/article/0,,id=218938,00.html*

NOTE: THE NUMBERS BELOW CORRESPOND TO ANNOTATIONS CONTAINING A LINK TO THE IRS INSTRUCTIONS FOR THE SPECIFIED LINE AS WELL AS ADDITIONAL INFORMATION AND FILING TIPS.

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning , 2010, and ending , 20

B Check if applicable:
☐ Address change
☐ Name change
☐ Initial return
☐ Terminated
☐ Amended return
☐ Application pending

C Name of organization
Doing Business As
Number and street (or P.O. box if mail is not delivered to street address) | Room/suite
City or town, state or country, and ZIP + 4

D Employer identification number

E Telephone number

G Gross receipts $

F Name and address of principal officer:

H(a) Is this a group return for affiliates? ☐ Yes ☐ No
H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list. (see instructions)
H(c) Group exemption number ▶

I Tax-exempt status: ☐ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527

J Website: ▶

K Form of organization: ☐ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation:

M State of legal domicile:

1

Part I Summary

2

1 Briefly describe the organization's mission or most significant activities:

3

Activities & Governance

2 Check this box ▶ ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets.

3	Number of voting members of the governing body (Part VI, line 1a)	3	
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	
6	Total number of volunteers (estimate if necessary)	6	
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	
b	Net unrelated business taxable income from Form 990-T, line 34	7b	

		Prior Year	Current Year
Revenue	8 Contributions and grants (Part VIII, line 1h)		
	9 Program service revenue (Part VIII, line 2g)		
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)		
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)		
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)		
	14 Benefits paid to or for members (Part IX, column (A), line 4)		
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)		
	16a Professional fundraising fees (Part IX, column (A), line 11e)		
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ _____		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)		
	18 Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25)		
	19 Revenue less expenses. Subtract line 18 from line 12		

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	20 Total assets (Part X, line 16)		
	21 Total liabilities (Part X, line 26)		
	22 Net assets or fund balances. Subtract line 21 from line 20		

4

Part II Signature Block

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

▶ Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name | Preparer's signature | Date | Check ☐ if self-employed | PTIN

Firm's name ▶ | Firm's EIN ▶

Firm's address ▶ | Phone no.

May the IRS discuss this return with the preparer shown above? (see instructions) ☐ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11282Y Form **990** (2010)

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Part III **Statement of Program Service Accomplishments**

Check if Schedule O contains a response to any question in this Part III . . . . . ☐

6

1 Briefly describe the organization's mission:

7

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☐ No

7

If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☐ No

8

If "Yes," describe these changes on Schedule O.

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

4a (Code: _____) (Expenses $ _____ including grants of $ _____) (Revenue $ _____)

4b (Code: _____) (Expenses $ _____ including grants of $ _____) (Revenue $ _____)

4c (Code: _____) (Expenses $ _____ including grants of $ _____) (Revenue $ _____)

4d Other program services. (Describe in Schedule O.)
(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶

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Part IV Checklist of Required Schedules

			Yes	No
10	1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1		
11	2	Is the organization required to complete Schedule B, Schedule of Contributors? (see instructions)	2		
12	3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		
13	4	**Section 501(c)(3) organizations.** 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*	4		
	5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
	6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		
	7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		
	8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		
	9	Did the organization report an amount in Part X, line 21; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		
	10	Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		
	11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.			
	a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI*	11a		
	b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		
	c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		
	d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d		
	e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e		
	f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f		
14	12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		
14	b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b		
	13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		
	14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		
	b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		
	15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Parts II and IV*	15		
	16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Parts III and IV*	16		
15	17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		
15	18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		
15	19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		
	20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a		
	b	If "Yes" to line 20a, did the organization attach its audited financial statements to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b		

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Part IV Checklist of Required Schedules *(continued)*

			Yes	No
21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23		
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25*	24a		
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	25b		
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26		
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	27		
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28a		
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b		
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	28c		
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? *If "Yes," complete Schedule R, Part I*	33		
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34		
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35		
a	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," complete Schedule R, Part V, line 2* ☐ Yes ☐ No			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37		
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	38		

16 17 18 19 20 21 21

Part V **Statements Regarding Other IRS Filings and Tax Compliance**

Check if Schedule O contains a response to any question in this Part V . . . . . ☐

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c		
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		2b		
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file*. (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?		3a		
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b		
4a	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)?		4a		
b	If "Yes," enter the name of the foreign country: ▶ _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a		
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?		6a		
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?		7a		
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f		
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?		9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		9b		
10	**Section 501(c)(7) organizations.** Enter:				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter:				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?		12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state?		13a		
	Note. See the instructions for additional information the organization must report on Schedule O.				
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?		14a		
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*		14b		

22

23

Part VI **Governance, Management, and Disclosure** *For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.*

Check if Schedule O contains a response to any question in this Part VI . . . . . ☐

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . .	1a		
b	Enter the number of voting members included in line 1a, above, who are independent .	1b		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . .	3		
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	5		
6	Does the organization have members or stockholders?	6		
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a		
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b		
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:			
a	The governing body?	8a		
b	Each committee with authority to act on behalf of the governing body?	8b		
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	9		

Section B. Policies *(This Section B requests information about policies not required by the Internal Revenue Code.)*

			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization? .	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a		
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990.			
12a	Does the organization have a written conflict of interest policy? *If "No," go to line 13*	12a		
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b		
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this is done*	12c		
13	Does the organization have a written whistleblower policy?	13		
14	Does the organization have a written document retention and destruction policy?	14		
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a		
b	Other officers or key employees of the organization	15b		
	If "Yes" to line 15a or 15b, describe the process in Schedule O. (See instructions.)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ▶ _____

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.

☐ Own website ☐ Another's website ☐ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ▶ _____

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

Check if Schedule O contains a response to any question in this Part VII . . . . . ☐

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

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1)										
(2)										
(3)										
(4)										
(5)										
(6)										
(7)										
(8)										
(9)										
(10)										
(11)										
(12)										
(13)										
(14)										
(15)										
(16)										

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees *(continued)*

(A) Name and title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(17)										
(18)										
(19)										
(20)										
(21)										
(22)										
(23)										
(24)										
(25)										
(26)										
(27)										
(28)										
1b **Sub-total** ▶										
c **Total from continuation sheets to Part VII, Section A** ▶										
d **Total (add lines 1b and 1c)** ▶										

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶

		Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual* 3		
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual* 4		
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person* 5		

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Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization.

(A) Name and business address	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f: $					
	h	**Total.** Add lines 1a–1f ▶					
Program Service Revenue			**Business Code**				
	2a						
	b						
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f ▶					
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) ▶					
	4	Income from investment of tax-exempt bond proceeds ▶					
	5	Royalties ▶					
			(i) Real / (ii) Personal				
	6a	Gross Rents					
	b	Less: rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss) ▶					
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory					
	b	Less: cost or other basis and sales expenses					
	c	Gain or (loss)					
	d	Net gain or (loss) ▶					
	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c). See Part IV, line 18 a					
	b	Less: direct expenses b					
	c	Net income or (loss) from fundraising events ▶					
	9a	Gross income from gaming activities. See Part IV, line 19 a					
	b	Less: direct expenses b					
	c	Net income or (loss) from gaming activities ▶					
	10a	Gross sales of inventory, less returns and allowances a					
	b	Less: cost of goods sold b					
	c	Net income or (loss) from sales of inventory ▶					
		Miscellaneous Revenue	**Business Code**				
	11a						
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d ▶					
	12	**Total revenue.** See instructions. ▶					

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Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

	Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21				
2	Grants and other assistance to individuals in the U.S. See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees				
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages				
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)				
9	Other employee benefits				
10	Payroll taxes				
11	Fees for services (non-employees):				
a	Management				
b	Legal				
c	Accounting				
d	Lobbying				
e	Professional fundraising services. See Part IV, line 17				
f	Investment management fees				
g	Other				
12	Advertising and promotion				
13	Office expenses				
14	Information technology				
15	Royalties				
16	Occupancy				
17	Travel				
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest				
21	Payments to affiliates				
22	Depreciation, depletion, and amortization				
23	Insurance				
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24f. If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O.)				
a	_____				
b	_____				
c	_____				
d	_____				
e	_____				
f	All other expenses _____				
25	**Total functional expenses.** Add lines 1 through 24f				
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720). Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		1	
	2	Savings and temporary cash investments		2	
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net		4	
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions)		6	
	7	Notes and loans receivable, net		7	
	8	Inventories for sale or use		8	
	9	Prepaid expenses and deferred charges		9	
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D — 10a			
	b	Less: accumulated depreciation — 10b		10c	
	11	Investments—publicly traded securities		11	
	12	Investments—other securities. See Part IV, line 11		12	
	13	Investments—program-related. See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets. See Part IV, line 11		15	
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		16	
Liabilities	17	Accounts payable and accrued expenses		17	
	18	Grants payable		18	
	19	Deferred revenue		19	
	20	Tax-exempt bond liabilities		20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23	Secured mortgages and notes payable to unrelated third parties		23	
	24	Unsecured notes and loans payable to unrelated third parties		24	
	25	Other liabilities. Complete Part X of Schedule D		25	
	26	**Total liabilities.** Add lines 17 through 25		26	
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☐ and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets		27	
	28	Temporarily restricted net assets		28	
	29	Permanently restricted net assets		29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building, or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances		33	
	34	Total liabilities and net assets/fund balances		34	

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Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI . . . . . ☐

1	Total revenue (must equal Part VIII, column (A), line 12)	1	
2	Total expenses (must equal Part IX, column (A), line 25)	2	
3	Revenue less expenses. Subtract line 2 from line 1	3	
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	
5	Other changes in net assets or fund balances (explain in Schedule O)	5	
6	Net assets or fund balances at end of year. Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII . . . . . ☐

			Yes	No
1	Accounting method used to prepare the Form 990: ☐ Cash ☐ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		
b	Were the organization's financial statements audited by an independent accountant?	2b		
c	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.	2c		
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both: ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b		

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1

Part I – Summary

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=11

The Part I summary of key information is a new feature of the redesigned Form 990 that allows the reporting organization to frame the context for the other information reported on the form. It was added to the front page of the return to provide an easy-to-use snapshot of the organization's key financial, governance, and operational information, including a two-year comparison of key financial results. In addition to the brief statement of program activities, the initial "snapshot" of the organization includes the total number of voting board members (see Note 25 to Part VI, Line 1a), independent board members (see Note 26 to Part VI, Line 1b), employees and volunteers. Part I also includes summary financial information for both the prior year and the current year. This summary section permits donors and other members of the public to quickly review key information and easily compare one organization with another. Because Part I pulls information from other sections of the form, only features that are not otherwise cross-referenced will be annotated here.

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Line 1 – Organization's mission or most significant activities

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=11

Filing Tip: The first substantive item on the new form, probably the first information that will catch a reader's eye, provides the reporting organization a choice – to describe its mission or its most significant activities. This is a marketing opportunity. The choice of what information to include should be driven by awareness that potential funders, the media, individuals, potential partner organizations, and others will read this description and possibly compare it with the description submitted by competing organizations. Because Part III, Line 1 specifically asks for a description of the organization's mission, the organization should carefully consider the value of putting different information here, rather than merely repeating information available on the next page of the form. This section should be well-drafted, but remember that the form requests a brief description. That being said, further elaboration on any narrative point in the form can always be accomplished by continuing the answer on Schedule O.

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Line 2 – Discontinued operations or disposal of more than 25% of the organization's assets

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=11

If the answer to this question is "Yes" the reporting organization will also have to complete Schedule N, Part I or Part II. An organization contemplating any action reportable on Schedule N (i.e., liquidation, termination, dissolution, significant disposition of assets or merger) should consult with legal counsel.

California Law: For more information about the dissolution process for a California nonprofit public benefit corporation, see the Attorney General's guide, available at *http://ag.ca.gov/charities/publications/dissolving.pdf*, and IRS Publication 4778, "Facts About Terminating or Merging Your Exempt Organization," available at *www.irs.gov/pub/irs-pdf/p4779.pdf*.

Note that under California law, any disposition of all or substantially all of a nonprofit public benefit corporation's assets will require:

(a) Approval by the board of directors;
(b) If not in the usual and regular course of activities, approval by the members and any other person whose approval is required by the articles of incorporation; and
(c) Notification to the Attorney General's office.

In addition, such disposition must be made upon terms and conditions and for consideration that the board deems in the best interests of the corporation. *[Cal. Corp. Code § 5911]*

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Part II – Signature Block

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=11

The signature block was moved from the back of the return to the first page in order for a reader "to easily determine which persons signed the return certifying under penalties of perjury they have examined the return and believe it to be true, correct, and complete."

See IRS Background Paper – Form 990, Moving From the Old to the New, available at *www.irs.gov/pub/irs-tege/moving_from_old_to_new.pdf*.

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5 Part III – Statement of Program Service Accomplishments

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=12

Filing Tip: Part III, which requires the reporting organization to provide a descriptive narrative of its activities and to break down certain direct revenue and expense information about its largest program services, can be a significant marketing tool for an organization. Donors, foundations, volunteers, and other interested parties will want to see the organization's specific accomplishments, how many individuals it served, and how it benefitted the community. Accordingly, the organization should assist in the preparation of the narrative that will be included in this section to be certain that it accurately reflects the organization's activities.

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6 Line 1 – Organization's mission

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=12

According to the instructions, the reporting organization should insert in this line its mission as articulated in its mission statement or as otherwise adopted by the organization's board of directors. There is no requirement that an organization adopt a mission statement, so if the organization does not have a mission statement, the answer to this question should be "None."

Filing Tip: This line should prompt an organization that does not have a mission statement to consider whether it should formally adopt one. If the organization has a mission statement in place, then completion of this line may prompt the board of directors to review that statement and ascertain its relevancy on an annual basis. As with Part I, Line 1, the choice of what information to include here should be driven by awareness that potential funders, the media, individuals, potential partner organizations, and others will read this description and possibly compare it with the description submitted by competing organizations. This section should be well-drafted, but remember that the form requests a brief description. However, further elaboration on any narrative point can be always be accomplished by continuing the answer on Schedule O.

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Lines 2-3 – Description of new program services and significant changes in program operation

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=12

The reporting organization is asked to identify new programs, significant changes in methods of program operation and programs that have been terminated which were not reported in a previous annual return. These questions allow the form to serve as the means to update the exemption application on an on-going basis. Changes in program services should be closely monitored by the board of directors to ensure that the organization is fulfilling its exempt purposes through its activities. Note that such new services or significant changes must be reported on the Form 990, rather than in a letter to the IRS Exempt Organization Determinations unit. The Determinations unit no longer issues letters confirming the tax exempt status of organizations that report such new services or significant changes.

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Line 4 – Description of three largest program services by expense

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=12

Filing Tip: This section provides another marketing opportunity for a reporting organization to tout its achievements for each of its three largest program services as measured by total expenses incurred. The determination of what constitutes a "program" will be solely within the organization's discretion. The organization may report on Schedule O additional activities that it considers of comparable or greater importance, although smaller in terms of expenses incurred (such as activities conducted with volunteer labor).

The organization is instructed to include specific measurements such as clients served, days of care provided, number of sessions or events held, or publications issued, and to describe the activity's objective, for both this time period and its longer range goal. The request for information regarding program revenue is a new feature of the redesign and should reflect program service dollars generated directly from the activity, such as fees for services or from the sale of goods that directly relate to the listed activity. This may require an organization that has not done so previously to expand its chart of accounts so that it can allocate revenue to specific programs.

Because expenses related to a specific program will not include general and administrative expenses that are normally associated with running the program, in some cases a program that generates fees for services may appear to be generating more revenues than expenses. This may cause some confusion, as readers of the form may erroneously conclude that the program is not

charitable, or that it does not require funding. An organization should consider explaining in Schedule O that there are also general and administrative costs associated with the program that are not reflected in the stated program expenses.

Note that filling in a number for a program "Code" is not required for the 2010 tax year, but may be required in later years. When effectuated, this feature will provide reviewers with an opportunity for data-mining among all organizations as to the size and efficiency of various types of charitable activities.

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9 **Part IV – Checklist of Required Schedules**

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=13

An aspect of the redesigned form that has been identified by the IRS as a "burden reduction" feature is the list of prompts comprising Part IV of the form. This "red flag" checklist allows the reporting organization to identify which of the sixteen schedules that it needs to complete and also providers a reviewer with a snapshot of the organization based on which topics of concern to the IRS have been triggered by the organization's activities.

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10 **Line 1 – 501(c)(3) organizations (Schedule A)**

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=13

All 501(c)(3) organizations must file Schedule A, which is dedicated to a determination of whether the organization continues to qualify for public charity status or should be reclassified as a private foundation (and therefore subject to additional excise taxes and restrictions). This annual calculation in the revised form replaces the previous IRS practice of issuing to a new 501(c)(3) organization an advance ruling determination letter with the expectation that at the end of five years it would need to complete IRS Form 8734 to prove that it meets one of the public support tests.

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Line 2 – Schedule of Contributors (Schedule B)

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=13

Responsibility to complete Schedule B is triggered whenever a 501(c)(3) organization receives during the tax year $5,000 or more in money or property from one contributor. The name, address and aggregate contribution of each contributor of $5,000 or more must be listed on the schedule. A special rule applies to organizations that meet the 33 1/3% support test, permitting such organizations to raise the contribution threshold for reporting donors to the greater of $5,000 or 2% of total contributions received. If the reporting organization is a 501(c)(3) public charity, even though the Form 990 in general is open to the public for inspection, the names and addresses of contributors are not required to be made open to public inspection. However, all other information on Schedule B, including the amount of contributions, the description of noncash contributions, and any other information provided, must be open to public inspection unless it clearly identifies the contributor.

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Line 3 – Political campaign activities (Schedule C)

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=13

This trigger question for Schedule C asks whether the reporting organization has engaged in any political campaign activities. **CAUTION: A "Yes" answer to this question by a 501(c)(3) public charity indicating that it has engaged in political campaign activities is grounds for revocation of the organization's tax exempt status. A 501(c)(3) public charity may not spend any time on political campaign activities for or opposing a candidate for any elected office (whether or not it is a nonpartisan office).**

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Line 4 – Lobbying activities (Schedule C)

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=13

This trigger question for Schedule C asks whether the reporting organization engaged in any lobbying activities or had a section 501(h) election in effect during the tax year. In contrast to political campaign activities, a 501(c)(3) public charity may legally engage in lobbying without threat to its tax exempt status as long as its efforts to influence legislation do not constitute a "substantial part" of its overall activities. The determination of what constitutes "substantial" is not defined in the Internal Revenue Code (the "Code") and can be very subjective. Because there is no definitive judicial guidance on this point and because the "substantial part" test

focuses on the entire scope of an organization's activities, including the lobbying activities of volunteers, many organizations find that their tax exempt status compliance and Form 990 reporting efforts with respect to lobbying require both complicated and time-consuming record-keeping and analysis.

Fortunately, 501(c)(3) organizations do have an alternative. They may elect, under section 501(h) of Code, to have their lobbying activities measured by the more precise and objective "expenditure test."

Section 501(h) of the Code permits an electing organization to measure the substantiality of its lobbying activities in terms of specific dollar limits, calculated as a percentage of an organization's total exempt purpose expenditures. Organizations that have elected the expenditure test must complete Schedule C, Part II-A, regardless of whether they engaged in lobbying activities during the tax year. Non-electing organizations that engaged in lobbying activity report such activity on Schedule C, Part II-B.

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14 **Lines 12a-12b – Audited financial statement (Schedule D)**

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=13

Schedule D serves as the collecting point for disclosures about certain kinds of assets that the IRS is monitoring for possible future regulatory or enforcement action: donor advised funds, conservation easements, works of art and historic treasures, escrow and custodian accounts and endowments. It also collects in one place the traditional attachments that were used to detail assets such as land, building, and equipment and less traditional investments. In Line 12a of Part IV, the reporting organization is asked if it obtained an audited financial statement for the year that was prepared in accordance with generally accepted accounting principles (see Note 40 to Part XII, Line 2 for more information regarding California's requirement for obtaining such a statement). If so, the organization is to complete Parts XI-XIII of Schedule D in order to reconcile the net assets, revenue and expenses reported elsewhere on the form with the audited financial statements.

Organizations that have been audited as part of a consolidated group are required to indicate "No" to the question in Line 12a unless they have received a separate audited financial statement for their individual operations. (Line 12b asks if the organization was included in a consolidated, independent audited financial statement.) An organization that has prepared for the year for

which it is completing the return a financial statement that was not audited can, but is not required to, complete Parts XI-XIII of Schedule D.

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Lines 17-19 – Fundraising and Gaming Activities

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=14

Schedule G requires organizations to report supplemental information on fundraising and gaming activities. An organization must file Schedule G if it reports (i) more than $15,000 in professional fundraising fees, (ii) more than $15,000 in contributions and gross income from fundraising events or (iii) more than $15,000 in income from gaming activities (e.g., bingo, poker, raffles, etc.).

Note that Schedule G requires the disclosure of detailed financial information on an organization's two largest fundraising events with gross receipts greater than $5,000, as well as aggregate revenue and expense information on all other events with gross receipts exceeding the $5,000 threshold, if any. Thus, an organization should make sure it records this information at the conclusion of every reportable event to facilitate year-end filing.

California Law: Although California law generally prohibits many forms of gambling, charitable nonprofit organizations meeting certain eligibility requirements may conduct a limited number of bingo, raffle, and "poker night" fundraisers, but only if these games are conducted according to detailed rules and after appropriate registration.

CAUTION: Schedule G, Part III requests information that will indicate whether the organization is in compliance with applicable California and local laws. For instance, the total value of prizes awarded at a poker night may not exceed a cash value of $5,000 and cash prizes cannot be awarded (see Schedule G, Part III, Lines 2-3). Similarly, at least 90 percent of the gross receipts from raffle ticket sales must be used by the organization to benefit or support charitable or beneficial purposes in California (see Schedule G, Part III, Line 17b). The following discussion summarizes California rules applicable to bingo, raffles and poker nights that will impact the information requested on Schedule G. For additional information about fundraising issues for California charitable organizations, including registration, reporting and other requirements related to gaming activities, see Public Counsel's "Fundraising Alert," available at *www.publiccounsel.org/tools/publications/files/fundraising.pdf*.

Bingo: Tax-exempt charitable organizations may conduct games of bingo for fundraising purposes, as long as the city or county in which the bingo is to occur has implemented an

authorizing ordinance and the bingo games are operated consistent with that local ordinance and with the California Penal Code. For example, in the City of Los Angeles, a charitable organization may legally conduct bingo games if it obtains a license from the Los Angeles Police Commission Charitable Services Section. Prizes for bingo are limited to $250 per game of bingo and funds from bingo games must deposited into a separate bingo bank account. The funds in this account may not be commingled with other funds and must be used only for charitable purposes. For a complete listing of the rules related to bingo in the City of Los Angeles, see the Los Angeles Police Commission Charitable Services Section website, *www.lapdonline.org/police_commission/content_basic_view/9147*.

Raffles: Tax-exempt charitable organizations that have been registered in California for at least one year may legally conduct raffles. An organization may conduct a raffle only if it registers annually (at least 90 days before the raffle is held) by filing Form CT-NRP-1 with the California Attorney General's Registry of Charitable Trusts. Prize winners must be determined by draw, not by the use of a gaming machine or device such as a slot machine. Additionally, at least 90 percent of the gross receipts from raffle ticket sales must be used by the organization to benefit or support charitable or beneficial purposes in California. A raffle cannot be advertised, operated, or conducted over the internet. However, the organization conducting the raffle may place an announcement of a raffle on its website. For more information about the requirements for conducting raffles, see the California Attorney General's website, *http://ag.ca.gov/charities/raffles.php*.

Poker Nights: Tax-exempt charitable organizations that have been in existence for at least three years may register with the California Attorney General's Bureau of Gambling Control to conduct one "poker night" fundraiser each year. Winners' prizes at these events must be donated, and cash prizes may not be awarded. No individual prize awarded may exceed a cash value of $500, and the total value of prizes awarded may not exceed a cash value of $5,000. At least 90 percent of revenues generated at these events must go directly to the organization, and no more than 10 percent of gross receipts may be paid as compensation to the entity or persons conducting the fundraiser, excluding a facility rental fee. For more detailed information about the requirements for conducting charity poker night fundraisers, visit the California Attorney General's Bureau of Gambling Control website, *http://ag.ca.gov/gambling/charitable.php*.

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Line 25 – Excess benefit transaction with a disqualified person

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=14

A reportable transaction responsive to this question is one in which an economic benefit was provided by the reporting 501(c)(3) organization directly or indirectly to an officer, director,

highly compensated employee or contractor, major donor, or other person who had substantial influence over the affairs of the organization (each a "disqualified person"), and the economic benefit provided exceeded the value of the consideration (including the performance of services) received for providing such benefit.

The ominous phrasing of the question telegraphs to the organization that a "Yes" answer is going to require an explanation. As stated in the instructions, "[a]n excess benefit transaction can have serious implications for the disqualified person that entered into the transaction with the organization, any organization managers that knowingly approved of the transaction, and the organization itself."

CAUTION: A "Yes" response to this line (i.e., indicating that an excess benefit transaction occurred) is grounds for revocation of the organization's tax exempt status. However, unless such transactions are egregious and ongoing it is unlikely that the IRS will take such an extreme action. It is more likely that the IRS will instead impose the "intermediate sanction" of excise taxes. Under section 4958 of the Code, if a 501(c)(3) organization provides an excess benefit to certain defined insiders, **the insider who receives the excess benefit is subject to excise taxes, as are any corporate managers who approved the excess benefit.** Part I of Schedule L requests details concerning the name of the disqualified person, the nature of the excess benefit transaction, whether it has been corrected, and the amount of excess tax that was paid.

An excess benefit transaction does not include reasonable payments for services, other payments that further tax-exempt purposes, or payments for the fair market value of real or personal property. However, any compensation in excess of a reasonable fair market amount can give rise to these excise taxes. As a result, it is extremely important that any salaries, benefits and other compensation paid to anyone who is an officer, director or other insider, be reasonable and based on what a similarly situated employer would pay to a similar employee for similar services. Not only is this a best practice for maintaining federal tax exempt status; California charitable corporations are statutorily required to have their board of directors (or an authorized board committee) review and approve the compensation of the chief executive officer or president, and the compensation of the chief financial officer or treasurer, to ensure that the payment is "just and reasonable." *[Cal. Gov. Code § 12586(g)]* See Part VI, Line 15 (Note 33) regarding the actions a board should take with respect to setting reasonable compensation.

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Line 26 – Loan to or by a current or former officer, director, trustee, key employee, highly compensated employee or disqualified person

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=14

This question enquires whether any loan to or by a current or former officer, director, trustee, key employee, highly compensated employee or disqualified person was outstanding at the end of the reporting organization's tax year. If so, details concerning the original and current loan amount, whether it was the subject of a written agreement and whether it was approved by the board are requested in Part II of Schedule L. Short-term loans that are made and repaid within the organization's tax year would not need to be reported.

CAUTION: California nonprofit public benefit corporation law prohibits loans to directors and officers unless approved by the Attorney General. There are a few limited exceptions to this rule, including for advancement of expenses, payment of life insurance premiums or a secured loan to help the director or officer finance the purchase of a principal residence (only if this is necessary to retain the director or officer's services). *[Cal. Corp. Code § 5236(a)]*

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Line 27 – Grant or other assistance to an officer, director, trustee, key employee, substantial contributor and their family members

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=14

A reporting organization that extends grants or other assistance to an officer, director, trustee, key employee, substantial contributor or to a person related to such an individual must provide details in Part III of Schedule L. Examples of grants are scholarships, fellowships, taxable and nontaxable fringe benefits, internships, prizes, and awards.

Because this question includes a request for information about persons indirectly related to the organization, such as family members of substantial contributors, the instructions make clear that an organization need only make a "reasonable effort" to obtain the requested information. An annual questionnaire distributed by the organization to its officers, directors, and key employees requesting information about grants and assistance is cited as an example of a reasonable effort (see Appendix A for a questionnaire that satisfies the reasonable effort requirement of Part VI, Line 1b).

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Line 28 – Business relationships with current or former officers, directors, trustees, key employees and their family members

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=14

These questions explore whether current or former officers, directors, trustees, key employees or their respective family members had a direct or indirect business relationship with the reporting organization. If so, details concerning the interested person, their relationship to the organization, and the value and nature of the transaction must be disclosed in Schedule L, Part IV. Such transactions, even if innocent, trigger increased scrutiny by the IRS because of the potential for breach of the fiduciary duty of loyalty allowing a person in a position of authority over a charitable organization to financially benefit from that relationship.

Self-dealing Transactions Under California Law: California nonprofit corporation law governs transactions to which the corporation is a party and any director (volunteer or paid) has a material financial interest ("self-dealing transactions"). Self-dealing transactions are allowed only if statutory provisions are followed that require (i) full disclosure to the board of the director's financial interest, (ii) a determination in good faith by the board that the corporation could not obtain a more advantageous arrangement elsewhere, (iii) that the corporation enters into the transaction for its own benefit, (iv) that the transaction is fair and reasonable to the corporation and (v) that the transaction is approved in good faith by a majority vote of directors who have no financial interest in the transaction. *[Cal. Corp. Code § 5233(a)]*

The IRS strongly suggests that a 501(c)(3) organization adopt a conflict of interest policy to make sure that any transactions where a director or officer or other insider has a material financial interest will be approved by the disinterested directors. The kind of information requested by this question would typically be gathered through a conflict of interest policy annual questionnaire. In its new governance section, the redesigned Form 990 specifically inquires whether the organization has adopted such a policy (see Note 32 to Part VI, Line 12).

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Line 29 – Receipt of non-cash contributions

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=15

Charitable contributions of real and personal property pose an enforcement challenge to the IRS because of questions related to value. In its 2009 listing of Dirty Dozen Tax Scams, the IRS included abuse of charitable deductions and noted its investigatory focus on various schemes involving the donation of non-cash assets, including easements on property, closely-held

corporate stock and real property. It is not surprising that these issues are reflected in the redesigned Form 990. Line 29 requires the reporting organization to complete a detailed Schedule M if it receives more than $25,000 in non-cash contributions. Schedule M requires disclosure of the types of property received, ranging from securities to art to easements to cars to taxidermy, and the value and method of valuation. It seeks to confirm that the organization properly completed the donee acknowledgment on IRS Form 8283, the form that the donor must file with his or her personal tax return in order to take a deduction for a non-cash charitable gift.

It also asks whether the organization has a gift acceptance policy that requires review of non-standard contributions before acceptance. This recommended good governance practice creates organizational discipline in gift acceptance and administration by outlining the rules and procedures by which an organization will evaluate whether it can accept a non-cash contribution. The purpose of the policy is to prevent acceptance of gifts that ultimately may cost the organization more than the gift is worth. When accepting gifts, the organization should keep in mind its mission, any restrictions and conditions of the gift, any liabilities that are attached to the gift, and how the nature of the gift or the identity of the donor may affect the organization's reputation.

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21 **Lines 31-32 – Discontinued operations or disposal of more than 25% of the organization's assets**

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=15

For information about the reporting obligations of an organization that is ceasing operation or transferring a significant percentage of its assets, see Part I, Line 2 (Note 3).

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Part V – Statements Regarding Other IRS Filings and Tax Compliance

22 **Line 3 – Unrelated Business Income**

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=16

To qualify as tax-exempt, an organization must be organized and operated primarily in furtherance of exempt purposes. Only an insubstantial amount of the organization's activities may be unrelated to its exempt purpose. Any such unrelated activities may be subject to unrelated business income tax (UBIT), and if a substantial part of an organization's activities are in furtherance of non-exempt purposes, it may lose its tax exemption.

Organizations that have more than $1,000 of unrelated business income (UBI) during the tax year are required to file an additional tax return, IRS Form 990-T, in order to calculate the applicable tax. California requires a parallel state tax return, FTB Form 109 (*www.ftb.ca.gov/forms/search/index.aspx*). For a discussion of the UBIT rules, see the IRS article "Unrelated Business Income Tax – Special Rules," available at *www.irs.gov/charities/article/0,,id=96106,00.html*. For additional information, see IRS Publication 598, "Tax on Unrelated Business Income of Exempt Organizations," available at *www.irs.gov/pub/irs-pdf/p598.pdf*.

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23 **Line 7h – Receipt of vehicle contributions**

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=17

In order to claim a deduction of more than $500 for donating a motor vehicle (car, motorcycle, boat, or airplane) to charity, a donor must include Copy B of the IRS Form 1098-C with his or her individual return. Form 1098-C must be issued by the charity to the donor within 30 days of either the date of the contribution or the date of the disposition of the vehicle by the charity. This question simply seeks affirmation of tax compliance by the charity recipient of the vehicle with respect to reporting obligations. A reporting organization should leave this line blank if the question is not applicable.

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24 **Part VI – Governance, Management, and Disclosure**

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=18

Part VI requests information regarding the reporting organization's governing body and management, governance policies, and disclosure practices. Although federal tax law generally does not mandate particular management structures, operational policies, or administrative practices, every organization is required to answer each question in Part VI. The IRS has repeatedly stated that it considers such policies and procedures to generally improve tax compliance and limit the risk of excess benefit transactions, inurement, operation for non-exempt purposes, or other activities inconsistent with exempt status.

However, whether a particular policy, procedure, or practice should be adopted by an organization will depend on the organization's size, type, and culture. It is important that each organization consider the policies and practices that are most appropriate for that organization. Accordingly, there are no "right" or "wrong" answers to many of the questions in this section. In

fact, the IRS encourages the use of Schedule O to provide any additional information that the organization considers relevant to answering any part of this section.

California nonprofit public benefit corporations should keep in mind, however, that California law differs in some respects from the federal tax law and often establishes standards of conduct that are not required under the Internal Revenue Code. As indicated in the annotations below, various questions in Part VI serve as a reminder of specific requirements that, while absent from federal tax law, must be followed by California nonprofit corporations (see Notes 25, 26, 28, 29, 31, 33 and 36).

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SECTION A. GOVERNING BODY AND MANAGEMENT

25 **Line 1a – Voting members of the board**

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=19

Line 1a asks the reporting organization to enter the number of voting members (i.e., directors) of its governing body (i.e., the board of directors), as of the end of the year. The organization must explain any material differences in voting rights among directors on Schedule O. If the reporting organization's board of directors delegated authority to act on its behalf to an executive committee or similar committee with broad authority to act on behalf of the board, the organization must describe on Schedule O (i) the composition of the committee, (ii) whether any of the committee's members are not on the board, and (iii) the scope of the committee's authority. The organization is not required to describe delegations of authority that are limited in scope to particular areas or matters, such as delegations to an audit committee, investment committee, or compensation committee.

Material Differences in Voting Rights: Generally, all directors have the same rights and duties, including the right to vote, unless there is a clear limitation of such right in the organization's articles of incorporation or bylaws. **CAUTION: Recently enacted California nonprofit corporation law clarified that a person who does not have the authority to act as a member of the board of directors, including through voting rights as a member of the board, is not considered a director.** ***[AB 1233 amends Cal. Corp. Code § 5047, effective January 1, 2010; for a detailed discussion of AB 1233, please visit www.publiccounsel.org/tools/publications/files/ab1233.pdf]*** **Thus, as of January 1, 2010, any nonprofit public benefit corporation that had any participants who were given the title of "non-voting directors" should be aware that such persons are not directors and should not**

be treated as directors for any purpose under California law. Organizations that have provided for non-voting directors will need to decide whether to grant such persons full voting rights, or stop treating them as directors.

Delegation of Authority to Executive Committee: California nonprofit corporation law permits a board to appoint committees made up of two or more directors, which can be delegated the authority to act on behalf of the board. *[Cal. Corp. Code §§ 5210, 5212]* **CAUTION: Note that although the form asks whether any committee with the authority to act on behalf of the board has members that are not on the board, California law does not authorize this type of delegation to a committee with members who are not directors. Recently enacted California law clarified this rule by expressly prohibiting any committee exercising the authority of the board from including persons who are not directors.** ***[AB 1233 amends Cal. Corp. Code § 5212, effective January 1, 2010]*** Thus, an executive committee or other board committee of a California corporation that includes "non-voting directors" or other non-directors cannot be delegated authority to act on behalf of the board. Actions taken by such committees would only be deemed advisory under California law. For more information about committees, please refer to Public Counsel's Annotated Bylaws, available at *www.publiccounsel.org/tools/publications/files/Annotated_Bylaws.pdf*.

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Line 1b – Independent directors

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=19

Line 1b asks the reporting organization to enter the number directors that are independent. A director is considered "independent" only if all three of the following circumstances applied at all times during the organization's tax year (please see the instructions to Form 990 for the complete definition):

(a) The director was not compensated as an officer or other employee of the organization or of a related organization;
(b) The director did not receive total compensation or other payments exceeding $10,000 during the organization's tax year from the organization or from related organizations as an independent contractor, other than reimbursement of expenses under an accountable plan or reasonable compensation for services provided in the capacity as a director; and
(c) Neither the director, nor any family member of the director, was directly or indirectly involved in a transaction with the organization that is required to be reported on the organization's (or related organization's) Schedule L (e.g., loans to and/or from interested persons).

CAUTION: While there is no federal tax law restriction on the number of non-"independent" directors serving on a board, California law does place a limit on the number of similarly-defined "interested persons" that can serve on a nonprofit corporation's board. Although California's definition of an "interested person" (see next paragraph) does not exactly match the IRS' definition of an "independent" director, there is enough overlap such that having a large percentage of non-independent directors may indicate the organization is not in compliance with California law.

California's 49% Rule: California law provides that not more than 49% of persons serving on the board of directors may be interested persons. An "interested person" for this purpose is (i) any person currently being compensated by the corporation for services rendered to the corporation as an officer, employee, independent contractor or otherwise within the 12 previous months, excluding reasonable compensation paid to a director as a director, and (ii) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of any such person. *[Cal. Corp. Code § 5227]*

Reasonable Effort: The instructions state that the organization need not engage in more than a "reasonable effort" to determine the independence of directors and may rely on information obtained in response to an annual questionnaire sent to each director containing certain information. Though this standard presumably implies reasonable follow-up by the organization to collect the responses, the process will qualify as a "reasonable effort" even if the organization does not attain a 100% response rate (see IRS Form 990 Part VI Governance Filing Tip #7, available at *www.irs.gov/charities/article/0,,id=208485,00.html*). A sample annual questionnaire that an organization can use to meet this "reasonable effort" requirement is attached as **APPENDIX A**.

For more information about the conflict of interest issues that may arise when directors are directly or indirectly involved in transactions with the organization, see the Annotated Conflict of Interest Policy, available at *www.publiccounsel.org/tools/publications/files/coi_policy.pdf*.

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Line 2 – Family and business relationships between current officers, directors, trustees and key employees

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=19

Reasonable Effort: The instructions state that the reporting organization need not engage in more than a "reasonable effort" to obtain information about a family or business relationship between two current officers, directors, trustees, or key employees (as reported in Part VII,

Section A). The organization can rely on information obtained in response to an annual questionnaire sent to each such person containing certain information. Though this standard presumably implies reasonable follow-up by the organization to collect the responses, the process will qualify as a "reasonable effort" even if the organization does not attain a 100% response rate (see IRS Form 990 Part VI Governance Filing Tip #7, available at *www.irs.gov/charities/article/0,,id=208485,00.html*). A sample annual questionnaire that an organization can use to meet this "reasonable effort" requirement is attached as **APPENDIX B**.

For more information about the conflict of interest issues that may arise when family or business relationships exist between officers, directors, trustees, or key employees, see the Annotated Conflict of Interest Policy, at *www.publiccounsel.org/tools/publications/files/coi_policy.pdf*.

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Line 5 – Significant diversion of assets

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=21

The form asks if the reporting organization became aware during the year of a significant diversion of its assets, whether or not the diversion occurred during that year. If "Yes," the organization must explain the nature of the diversion, the amounts or property involved, the corrective actions taken to address the matter (e.g., steps taken to recover the assets to make the organization whole, new internal controls instituted to prevent future diversions, etc.), and any other pertinent circumstances. The instructions define a diversion of assets as any unauthorized conversion or use of the organization's assets other than for the organization's authorized purposes, including but not limited to embezzlement or theft. A "significant" diversion involves total amounts (without taking into account restitution, insurance or similar recoveries) exceeding the lesser of (i) 5% of the organization's gross receipts, (ii) 5% of the organization's total assets as of the end of the year, or (iii) $250,000. A diversion of assets may also in some cases constitute private inurement of organization's net earnings or an excess benefit transaction, which must be disclosed on Schedule L. An organization that suspects or is aware of a significant diversion of its assets should contact legal counsel and take corrective actions immediately. It is important to document and report all corrective actions taken as they could impact the extent and severity of penalties assessed to the organization's managers and the other individual(s) involved in the diversion of assets, as well as the IRS's determination of whether to continue to recognize the organization's tax-exempt status.

Private Inurement/Excess Benefit Transaction: The term "private inurement" is used to describe a private benefit to a person who is an "insider" to the organization. Section 501(c)(3) of the Code states that no part of an organization's net earnings may inure to (be used for the advantage of) the benefit of a private shareholder or individual. Unlike private benefits to

unrelated persons, which may occur to an incidental degree, providing a private benefit to insiders is absolutely prohibited. An "insider" is a person who has a personal and private interest in the activities of the organization (e.g., directors, officers and key employees and independent contractors, and persons who have substantial influence on the organization, such as major donors). For example, the organization may not pay dividends or unreasonable compensation (compensation in excess of the fair value of services rendered) to insiders, and cannot transfer property to insiders for less than fair market value.

The prohibition of inurement to insiders under section 501(c)(3) of the Code is absolute. The IRS may revoke an organization's tax-exempt status if any amount of private inurement occurs. However, unless cases of private inurement are egregious and ongoing it is likely that the IRS will not revoke tax exempt status, and will instead impose the "intermediate sanction" of excise taxes. Under section 4958 of the Code, if a 501(c)(3) organization provides an excess benefit to certain defined insiders, **the insider who receives the excess benefit is subject to excise taxes, as are any organization managers who approved the excess benefit**. As with the concept of private benefit, prohibited inurement does not include reasonable payments for services, other payments that further tax-exempt purposes, or payments for the fair market value of real or personal property. However, any compensation in excess of a reasonable fair market amount can give rise to these excise taxes. As a result, it is extremely important that any salaries, benefits and other compensation paid to anyone who is an officer, director or other insider, must be reasonable based on what a similarly situated employer would pay to a similar employee for similar services (see Note 33 to Part VI, Line 15). *[Treas. Reg. § 53-4958]*

Reporting Embezzlement/Theft on California Form RRF-1: Part B, Line 2 of Form RRF-1 (*http://ag.ca.gov/charities/forms/charitable/rrf1_form.pdf*) asks whether there was any theft, embezzlement, diversion or misuse of the organization's charitable property or funds during the applicable reporting period. Unlike the Form 990, this question requires a response regardless of the amount of diverted funds. If "Yes," the organization must explain the nature of the diversion, the date and the amount of the loss, a description of the steps the organization took to recover the loss, and a description of the procedures the organization implemented to prevent a recurrence of the situation (Form RRF-1 instructions, available at *http://ag.ca.gov/charities/forms/charitable/rrf1_instructs_05.pdf#page=2*).

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Line 8 – Contemporaneous documentation of board and committee meetings

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=21

Line 8 asks whether the reporting organization contemporaneously documented by any means permitted by state law every meeting held or written action undertaken during the year by the governing body and each committee with authority to act on behalf of the governing body.

CAUTION: Every California nonprofit public benefit corporation is required to maintain minutes of its board and committee meetings in written form or any form that can be converted into clearly legible tangible form. *[Cal. Corp. Code § 6320]* Thus, a "No" response to this question will indicate a violation of California law that should be corrected and fully explained on Schedule O.

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SECTION B. POLICIES

The questions in this section request information on a variety of internal policies and procedures which the IRS believes are indicative of a well-governed tax-exempt organization. Although not all of these policies and procedures are required and/or appropriate for every organization, all organizations should make a well thought-out decision regarding whether or not they should be adopted or modified. If an organization finds that a specific policy would be appropriate, then the organization should consult with its legal counsel to prepare and adopt that policy. Keep in mind that in creating any governance policy, it is very important that an organization institute procedures that the organization is likely to be able to comply with consistently in the long term. A governance policy will not protect an organization from liability if it is not followed, and in some cases, a failure to consistently follow a written policy may more likely result in a finding of liability for the organization than if no written policy existed.

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Lines 11a-11b – Review of Form 990

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=22

Line 11a asks whether the complete Form 990, as ultimately filed with the IRS, was provided, whether in paper or electronic form, to the reporting organization's board of directors before it was filed. The organization is then instructed in Line 11b to describe on Schedule O the process,

if any, the organization uses to review the Form 990 whether before or after it was filed with the IRS, including specifics regarding who conducted the review, when they conducted it, and the extent of any such review.

While federal tax law does not require a process for the review of the Form 990 by the board or a committee prior to its filing, it is generally a good idea for an organization to develop and implement such a process. The review process should allow directors to meet the duty of care, which, in part, requires a director to be well informed (see below).

Duty of Care: Directors should be well informed about all relevant information needed to discharge their duties to the corporation. The duty of care requires a director to act in a reasonable and informed manner when participating in the board's decisions and its oversight of the corporation's management. The duty of care requires first, a director be informed; and second, a director discharge his duties in good faith, with the care that an ordinarily prudent person in a like position would reasonably believe appropriate under similar circumstances. *[Cal. Corp. Code § 5231]*

To meet the duty of care, a director should: (i) regularly attend meetings; (ii) exercise independent and informed judgment on all corporate decisions; (iii) judge what is in the corporation's best interest, irrespective of other entities with which the director is affiliated or sympathetic, or to which the director owes his board appointment; (iv) have adequate information and assure the adequacy and clarity of information.

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Lines 12-14 – Conflict of interest policy; Whistleblower policy; Document retention and destruction policy

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=22

Filing Tip: The form asks whether, as of the end of the reporting organization's tax year, the organization had adopted a written conflict of interest policy, a whistleblower policy, and a document retention and destruction policy. An organization that did not have a written policy in place on such date must answer "No." However, if the organization adopted a written policy after the close of the tax year but before it filed its return, it should describe doing so in Schedule O. Similarly, the organization should use Schedule O to describe any plans to consider and possibly adopt a written policy, or the reasoning behind a decision not to adopt a written policy.

Public Counsel's Community Development Project has designed a sample conflict of interest policy, whistleblower policy and document retention policy for California

nonprofit public benefit corporations seeking to adopt or amend such policies and the *pro bono* attorneys who represent them. These samples are annotated with explanatory endnotes, including citations to applicable laws, alternatives and recommended practices. To access these sample policies, please click on the links below.

- Conflict of Interest Policy -*www.publiccounsel.org/tools/publications/files/coi_policy.pdf*
- Whistleblower Policy - *www.publiccounsel.org/tools/publications/files/wb_policy.pdf*
- Records Management and Retention Policy - *www.publiccounsel.org/tools/publications/files/records_policy.pdf*

Editable Microsoft Word versions of these policies are available for download at *www.publiccounsel.org/pages/?id=0022*.

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33 **Line 15 – Process for determining compensation**

IRS Instructions - *http://www.irs.gov/pub/irs-pdf/i990.pdf#page=22*

Filing Tip: An organization's bylaws often contain the procedures the organization must follow in setting executive compensation. For an example, please see Public Counsel's Annotated Bylaws, available at *www.publiccounsel.org/tools/publications/files/Annotated_Bylaws.pdf*.

In Line 15 the form solicits information about the method the reporting organization uses in setting compensation. The question asks if the process for determining compensation for the organization's top management official (i.e., the CEO or executive director) includes a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision. The IRS believes these recommended compensation-setting practices help prevent an organization's top officials from receiving excess compensation benefits.

In order to maintain 501(c)(3) tax exempt status, an organization must ensure that all compensation paid to any person, especially officers and other insiders, is reasonable and does not constitute private inurement (see Note 28 to Part VI, Line 5 for a discussion of private inurement and excess benefit). Thus, as a best practice a board of directors should establish procedures to ensure that all salaries paid are reasonable, such as setting salary ranges, or requiring the chief executive to set salaries based on comparable salaries paid by other organizations and share those comparables with the board. The requirements for the rebuttable presumption of reasonableness (see below) should be the minimum standard an organization incorporates into a compensation policy that is followed for setting the compensation of the organization's top management official, officers and key employees.

Rebuttable Presumption of Reasonableness: Organizations often rely on Treasury Regulation section 53.4958-6 as a safe harbor when setting compensation for certain defined insiders. The principles of the safe harbor, known as the "rebuttable presumption of reasonableness," are also useful when establishing a process for determining executive compensation. The presumption arises if all of the following conditions are met:

1. The compensation arrangement is approved in advance by an authorized body (i.e., the board of directors or an authorized committee) of the organization composed of individuals who do not have a conflict of interest with respect to the arrangement;
2. The authorized body obtains and relies upon appropriate comparable data prior to making the determination; and
3. The authorized body contemporaneously documents the basis for the determination at the time the decision is made.

A member of the authorized body has a conflict of interest with respect to a compensation arrangement if any of the following circumstances apply:

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

Appropriate comparable data for determining reasonableness of compensation may include compensation levels paid by similarly situated organizations, both taxable and tax-exempt, for functionally comparable positions; the availability of similar services in the organization's geographic area; current compensation surveys compiled by independent firms; and actual written offers from similar institutions competing for the person's services. The authorized body of an organization with annual gross receipts of less than one million dollars is considered to have appropriate comparable data if it has data on compensation paid by three comparable organizations in the same or similar communities for similar services. *[Treas. Reg. § 53.4958-6(c)(2)]* Many organizations obtain comparable data from information found on Forms 990 filed by similar organizations (available free of charge on *www.guidestar.org*) or compensation surveys compiled by nonprofit consultants.

Adequate documentation of the decision includes written or electronic records of the authorized body that note the following information:

1. The terms of the approved transaction and the date of approval;
2. The members of the authorized body present during the debate on the approved transaction and those who voted on it;
3. The comparability data obtained and relied upon by the authorized body and how the data was obtained; and
4. Any actions taken with respect to consideration of the transaction by a member of the authorized body who had a conflict of interest with respect to the transaction.

Furthermore, if the authorized body determines that reasonable compensation for a specific arrangement is higher or lower than the range of comparability data obtained, the authorized body must record the basis for its determination. *[Treas. Reg. § 53.4958-6(c)(3)]*

However, keep in mind that even if the organization creates a rebuttable presumption of reasonableness, the IRS may still impose penalty excise taxes if it develops sufficient contrary evidence to rebut the comparability data relied upon by the authorized body (e.g., the compensation data was not for functionally comparable positions). *[Treas. Reg. § 53.4958-6(b)]*

California Nonprofit Integrity Act: California charitable corporations must have their board (or an authorized committee) review and approve the compensation of the chief executive officer or president, and the compensation of the chief financial officer or treasurer, to ensure that the payment is "just and reasonable." *[Cal. Gov. Code § 12586(g)]* This review must be performed (i) once the officer is hired, (ii) upon any extension or renewal of the officer's term of employment, and (iii) when the officer's compensation is modified (unless all employees are subject to the same general modification of compensation). For further information about this requirement, see the Attorney General's FAQs (17 and 18) on the Nonprofit Integrity Act, available at *http://ag.ca.gov/charities/faq.php#nonprofit*.

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Line 16 – Joint venture with a taxable entity

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=23

The form requires the reporting organization to disclose whether it participated in a joint venture or similar arrangement with a taxable entity during the reporting year. For these purposes, a "joint venture or similar arrangement" means any joint ownership or contractual arrangement

through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity without regard to: (1) whether the organization controls the venture or arrangement, (2) the legal structure of the venture or arrangement, or (3) whether the venture or arrangement is taxed as a partnership or as an association or corporation for federal income tax purposes. If the organization has conducted such investments or activities, then the form asks whether the organization has adopted a written policy with respect to the negotiation and oversight of such activities. An organization contemplating a joint venture with a taxable entity should consult with legal counsel and strongly consider adopting appropriate policies and procedures to safeguard its tax-exempt status.

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SECTION C. DISCLOSURE

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Line 17 – States with which a copy of the Form 990 is required to be filed

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=23

Line 17 asks the reporting organization to list the states in which a copy of the Form 990 is required to be filed. Federal tax law does not require organizations to file a copy of the Form 990 with states in which they conduct their activities. **CAUTION: However, as discussed in the introduction to this resource, California charitable nonprofit corporations are required to file a copy of the Form 990 with the California Attorney General. Thus, such filers should make sure to include "California" in the list of states.**

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Line 19 – Availability of governing documents, conflict of interest policy, and financial statements to the public

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=23

The form instructs the reporting organization to describe on Schedule O whether, and if so, how, it makes its governing documents, conflicts of interest policy, and financial statements available to the public. Federal tax law does not require that these documents be made available to the public, other than as attachments filed as part of the Form 1023. **CAUTION: However, under California's Nonprofit Integrity Act, a California charitable organization's audited financial statements must be made available to the public in the same manner that is prescribed for the Form 990.** ***[Cal. Govt. Code § 12586(e)(1)]*** **Thus, an organization with audited financial statements should include on Schedule O a description of how it makes such**

statements available to the public. See Part XII, Line 2 (Note 40) for more information about when California law requires audited financial statements.

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

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=23

Three inquiries that run through many sections of the redesigned Form 990 ask the reporting organization to disclose "Who is in charge?" "How much are they paid?" and "Is the pay reasonable?" Part VII serves all of these purposes by requiring reporting organizations to name and disclose the compensation of current trustees, directors, officers, key employees and the top five other highest compensated employees. The organization must also disclose compensation information concerning former holders of these positions in any of the previous five years if the compensation paid to them passes certain thresholds. Further, Part VII requests the disclosure of contributions to retirement plans, payments for health benefits and deferred compensation. The disclosure requirements are summarized in the following chart extracted from the IRS instructions (available at *www.irs.gov/pub/irs-pdf/i990.pdf#page=33*):

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

Disclosure on Schedule J for more highly compensated individuals requires a greater level of detail about benefits (e.g., first class travel permitted, health or social club dues paid, maid or chauffeur provided), and also asks about how the organization establishes the compensation of the CEO/Executive Director. See Part VI, Line 15 (Note 33) for a detailed discussion about the process for establishing executive compensation and the requirements of the California Nonprofit Integrity Act.

To permit easier comparison of the compensation data of several organizations with different tax years, the redesigned form now requires that all compensation amounts be the same as reported on the identified individual's W-2 or 1099 ending in or with the filer's tax year. Further, reportable compensation must include not only amounts paid to the persons holding the identified positions by the reporting organization, but also by any related organization.

Filing Tip: The IRS provides an extensive explanation about the filing requirements of Part VII and Schedule J in a May 2009 publication entitled Reporting Executive Compensation, available at *www.irs.gov/charities/article/0,,id=206636,00.html*.

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SECTION B. INDEPENDENT CONTRACTORS

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Line 1 – Five highest compensated independent contractors that received more than $100,000 of compensation

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=34

The reporting organization must disclose the name, address, service provided and compensation paid to its five highest compensated independent contractors who received $100,000 or more. Independent contractors can include organizations as well as individuals, and examples include professional fundraisers, law firms, accounting firms, publishing companies, management companies and investment managers.

Filing Tip: In the calculation of the amount of compensation paid, it is important to differentiate compensation paid for services as opposed to purchases or expense reimbursement. For example, if an organization purchased a fundraising software system that included a consulting contract with a skilled technician to train staff in its use, only amounts paid for the consultant's time should be disclosed. However, an organization must disclose the gross amount paid if the fees, expenses and purchases are not separately reported to the organization.

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39 Part IX – Statement of Functional Expenses

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=38

Filing Tip: This section of the redesigned form is organized to group expenses into three categories: (1) program services, (2) management and general and (3) fundraising expenses. It provides readers of the form (including watchdog organizations and prospective funders) with a rough gauge to judge the relative efficiency of the reporting organization in providing program services. Program services are mainly those activities that further the organization's exempt purposes, and it is a common expectation of donors that a 501(c)(3) organization will allocate most of its budget to this category (according to Charity Navigator, seven out of ten charities it evaluates spend at least 75% of their budget on program, and nine out of ten spend at least 65%). Therefore, a reporting organization should work closely with its financial staff to make sure that it is appropriately allocating expenses by functional expense category throughout the tax year, including functional expense tracking of what is typically its largest cost, salaries. If the organization's normal accounting system does not allocate expenses, the organization should use a reasonable method of allocation and maintain documentation supporting its method of allocation.

Most of new Part IX is the same as old Part II of the pre-2008 Form 990. The fact that functional expense disclosure is now positioned at the back of the core form rather than on page two supports the philosophical shift of the IRS to transform what was a report that emphasized financials into a report about relationships.

There are a few new sub-categories of reporting that may require the organization to change its practice of internal accounting in order to break out management services, lobbying services and, investment management services. Other new categories or areas where the definition provided in the instructions may be different than in the past include advertising and promotion, office expenses, information technology, royalties, and travel or entertainment for federal, state or local public officials.

501(c)(3) organizations with expenditures listed in this latter category or under Line 11d, lobbying fees, should be prepared to reconcile these entries with its disclosure of lobbying activities and expenditures as disclosed in Schedule C.

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Part XII – Financial Statements and Reporting

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Line 2 – Audited financial statements; audit committee

IRS Instructions - www.irs.gov/pub/irs-pdf/i990.pdf#page=45

Line 2 asks whether the organization's financial statements were compiled or reviewed by an independent accountant or audited by an independent accountant and, if so, if there is an audit committee. Federal tax law does not require a "Yes" response to any of these questions. However, as described in the next paragraph, a "No" response by certain California charitable organizations may indicate a violation of California law.

CAUTION: California's Nonprofit Integrity Act requires a California charitable organization with gross revenues of two million dollars or more (excluding grants from, and contracts for services with, governmental entities for which the governmental entity requires an accounting of the funds received) to (i) prepare annual financial statements using generally accepted accounting principles that are audited by an independent certified public accountant and (ii) establish an audit committee. *[Cal. Govt. Code § 12586(e)]* Additionally, the organization must make the audited financial statements available to the public (see Note 36 to Part VI, Line 19 for more information).

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ANNOTATED FORM 990 FOR A
CALIFORNIA NONPROFIT PUBIC BENEFIT CORPORATION

Note: To download this form, click here.

*** * ***

APPENDIX A: INDEPENDENT DIRECTORS QUESTIONNAIRE

*** * ***

[NAME OF CORPORATION]
ANNUAL INDEPENDENT DIRECTORS QUESTIONNAIRE FOR [TAX YEAR]

The IRS Form 990 requires [**Name of Corporation]** (the "Corporation") to disclose certain relationships, arrangements, and transactions involving the voting members ("directors") of its governing body (the "board of directors"). By completing this questionnaire, you assist us in accurately completing the Form 990.

INSTRUCTIONS: After reviewing the IRS definition of "independence" below, please answer the following questions to the best of your knowledge and ability and sign and date the questionnaire at the end.

A director is considered "independent" only if all three of the following circumstances applied at all times during the Corporation's tax year.

1. *The director was not compensated as an officer or other employee of the Corporation or of a related organization.*

2. *The director did not receive total compensation or other payments exceeding $10,000 during the Corporation's tax year from the Corporation or from related organizations as an independent contractor, other than reimbursement of expenses under an accountable plan or reasonable compensation for services provided in the capacity as a director.*

3. *Neither the director, nor any family member of the director, was involved in a transaction with the Corporation (whether directly or indirectly through affiliation with another organization) that is required to be reported on Schedule L of the Form 990 for the Corporation's tax year, or in a transaction with a related organization of a type and amount that would be reportable on Schedule L if required to be by the related organization. Transactions reported on Schedule L include excess benefit transactions, loans to and from interested persons, grants or assistance benefiting interested persons, and business transactions involving interested persons.*

The family of an individual includes only his or her spouse, ancestors, brothers and sisters (whether whole or half blood), children (whether natural or adopted), grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren, and great-grandchildren.

NOTE: See Exhibit A for a list of organizations that are considered "related organizations" during the tax year in question.

1. As per the IRS definition above, are you "independent"? (circle one) Yes No

2. If "No," please explain why you are not "independent" in the space provided below (attach an additional sheet if necessary). The Corporation may request additional clarifying information as a result of your response to make a final determination prior to filing the Form 990.

To the best of my knowledge and belief, the above information is true and accurate.

_____ Date: _____

Name: _____

Title: Director

[NAME OF CORPORATION]
ANNUAL INDEPENDENT DIRECTORS QUESTIONNAIRE FOR [TAX YEAR]

EXHIBIT A

LIST OF RELATED ORGANIZATIONS

[To be filled in by Corporation]

ANNOTATED FORM 990 FOR A
CALIFORNIA NONPROFIT PUBIC BENEFIT CORPORATION

Note: To download this form, click here.

*** * ***

APPENDIX B: FAMILY AND BUSINESS RELATIONSHIPS QUESTIONNAIRE

*** * ***

[NAME OF CORPORATION]
ANNUAL FAMILY AND BUSINESS RELATIONSHIPS QUESTIONNAIRE
FOR [TAX YEAR]

The IRS Form 990 requires [**Name of Corporation]** (the "Corporation") to disclose certain relationships, arrangements, and transactions involving its officers, directors, trustees and key employees. By completing this questionnaire, you assist us in accurately completing the Form 990.

INSTRUCTIONS: After reviewing the IRS definitions of family and business relationships below, please answer the following questions to the best of your knowledge and ability and sign and date the questionnaire at the end.

Family Relationship

The family of an individual includes only his or her spouse, ancestors, brothers and sisters (whether whole or half blood), children (whether natural or adopted), grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren, and great-grandchildren.

Business Relationship

Business relationships between two persons include any of the following.

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

2. *One person is transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of $10,000 in the aggregate during the Corporation's tax year. (Indirect transactions are*

transactions with an organization with which the one person is associated as a trustee, director, officer, key employee, or greater-than-35% owner).

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

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

Privileged relationship exception: a "business relationship" does not include a relationship between an attorney and client, a medical professional (including psychologist) and patient, or a priest/clergy and penitent/communicant.

NOTE: See Exhibit A for a list of individuals who were officers, directors or key employees of the Corporation during the tax year in question.

1. During the tax year in question, did you have a family relationship with any other officer, director or key employee of the Corporation? (circle one) Yes No

2. If "Yes," please list the family relationship(s) in the space provided below. The Corporation may request additional clarifying information as a result of your response to make a final determination prior to filing the Form 990.

3. During the tax year in question, did you have a "business relationship" with any other officer, director or key employee of the Corporation? (circle one) Yes No

4. If "Yes," describe the business relationship(s) in the space provided below (attach an additional sheet if necessary). The Corporation may request additional information as a result of your response to make a final determination prior to filing the Form 990.

To the best of my knowledge and belief, the above information is true and accurate.

_____ Date: _____

Name: _____

Title: _____

[NAME OF CORPORATION]
ANNUAL FAMILY AND BUSINESS RELATIONSHIPS QUESTIONNAIRE
FOR [TAX YEAR]

EXHIBIT A

LIST OF OFFICERS, DIRECTORS AND KEY EMPLOYEES

The following is a list of individuals who were officers, directors or key employees of the Corporation during the tax year in question.

Officers:

Directors:

Key Employees: