

NATIONAL BUSINESS INSTITUTE
Tax Exempt Organizations from Start to Finish

FORM 990: KEY COMPLIANCE POINTS AND DISCLOSURE CONSIDERATIONS

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According to the IRS's Exempt Organizations 2010 Annual Report and 2011 Work Plan, the redesigned "Form 990 is the IRS' primary tool to increase transparency and to promote and enforce compliance with Federal tax law. The recent design brings the Form 990 into the 21st century, reflecting changes in the tax-exempt sector and the tax law." The current Annual Report and Work Plan, for 2012 to 2013, reiterates that the IRS Exempt Organizations division is using reported data to develop potential indicators of non-compliance. Those indicators are then tested against other organizations' returns. The IRS accordingly plans to use the new form to develop more targeted compliance and education programs. A copy of Form 990 is attached.

I. Governing Body and Conflicts of Interest

A. Background

1. The Advisory Committee on Tax Exempt and Government Entities, better known as "ACT," is a body of experts that advises the IRS on EO issues. A 2008 ACT report that noted that the redesigned Form 990 asks numerous questions that are not closely tied to tax compliance. The ACT report recommended, among many other items, that any inquiries about governance should be made in as neutral a manner as possible.¹ The Form 990 should avoid implying that a set of practices is equally appropriate for all reporting organizations.
2. The ACT report also stated that the ACT did not find significant guidance as to how the IRS takes governance issues into account in the examination process.
3. In 2010, when performing examinations the EO Division began using a check sheet to capture governance practices and the related internal

¹ Advisory Committee on Tax Exempt and Government Entities, Report of Recommendations (June 2008), *The Appropriate Role of the Internal Revenue Service with Respect to Tax Exempt Organization Good Governance Issues*.

controls of the organizations being examined. As mentioned above, the EO Division will analyze the data over the long term to gain a better understanding of how governance practices work in relationship to tax compliance.² The 2012 Annual Report and 2013 Workplan stated that after analyzing 1,300 such checksheets, the EO Division came to associate the following governing practices with tax compliance:

- (a) Having a written mission statement;
- (b) Always using comparability data when making compensation decisions;
- (c) Having controls in place to ensure the proper use of charitable assets; and
- (d) Providing for Form 990 review by the entire board of directors before filing.

The existing data comes from public charities previously selected for examination. In 2013, the EO Division will broaden this study.³ IRS officials have said that they will also focus on responses in Section VI of the Form 990, which deals with governance, to identify which organizations may be noncompliant.

4. The check sheet is attached to this outline.

B. Instructions: The introduction to the Part VI instructions does acknowledge that no particular practices are generally mandated under the law. It also acknowledges that whether a certain procedure should be adopted depends on the organization's size, type and culture.

C. Part VI, Line 1: Identify the number of voting members of the governing body and those that are independent.

- 1. An independent member of the governing body is a true outsider. "Independence" depends on meeting all of the following criteria:
 - (a) The member was not compensated as an officer or other employee of the organization or a related organization.
 - (b) The member did not receive total compensation or other payments exceeding \$10,000 during the tax year from the EO and related organizations as an independent contractor, other than reasonable compensation for services performed as a member of the governing body.

² IRS Exempt Organizations 2010 Annual Report and 2011 Workplan, p. 27.

³ IRS Exempt Organizations 2012 Annual Report and 2012 Workplan.

- (c) Neither the member, nor any member of his or her family, was involved in a transaction that had to be reported on Schedule L, or was involved in such a transaction with a related organization that would be reportable on Schedule L if the related organization had to file one.
 - 2. The instructions state that if the governing body's authority has been delegated to a committee, then the composition of that that committee must be disclosed on a Schedule O supplemental information form.
 - 3. An IRS 2009 CPE on governance issues states "[t]here is no right answer to the question 'how many members should a board have?'" The appropriate sized depends on aspects including the age of the organization, the nature and geographic scope of mission and activities, the variety of expertise required, and the organization's fundraising needs.⁴
- D. Part VI, Line 2: Business Relationships: Did any officer, director, trustee, or key employee ("ODTKE") have a family or business relationship with another ODTKE?
- 1. What is a business relationship?
 - (a) One person is employed by the other in a sole proprietorship is employed by an organization in which the other is an ODTKE or a greater-than-35% owner.
 - (b) One person is entering into business with the other directly or indirectly through loans, leases, sale contracts, performance of services, or other transactions involving more than \$10,000 in the aggregate during the tax year. Indirect transactions involve an organization in which the other person is an ODTKE or a greater-than 35% owner. Entering into business with another is not reportable if it is in the ordinary course of business, on the same terms as are offered to the public.
 - (i) The instructions provide the following example: D and E are both officers in an organization. D is also a partner in an accounting firm, in which his profits interest is only 1/300. He is not an ODTKE of the accounting firm. The accounting firm provides services to the organization, collecting \$100,000 in fees on the same terms as are offered to the public.
 - (ii) D and E do not have a reportable business relationship. The services of D's firm are on terms generally available to the public in the ordinary course of business. Also, D is not an ODTKE and is not a 35% owner.

⁴ *Governance and Tax-Exempt Organizations*, 2009 CPE Training.

- (iii) Similarly, Example 3 of the instructions posits that F and G are trustees of the organization. G bought a \$45,000 car from F, who owns a car dealership, on the same terms applicable to the public and in the ordinary course of F's business. The relationship between F and G is therefore not a reportable business relationship, because the purchase was on market terms.
 - (c) Each of the two people is a director, trustee, officer, or greater-than-10% owner of the same business or investment entity.
 - (i) Assume that H and J are members of the organization's board. Both are CEOs of publicly traded organizations, and both serve on each other's boards.
 - 2. An organization normally obtains this information through a questionnaire. If an organization has tried to gather information about such relationships by distributing such a questionnaire (including the name, title, date and signature of the responding ODTKE) and instructions, then the organization need not report a relationship.
 - 3. Evidence that a family controls an EO has provided grounds for a refusal to recognize the tax exemption and as a factor for determining that private inurement is occurring.
 - 4. The instructions provide an exception for privileged relationships, like attorney-client relationships and doctor-patient relationships. The instructions provide this example: K is a key employee of the organization, and L is on the board. L is a greater-than-35% partner in a law firm that provided services to K on a discounted basis. Even though the services provided are not in the ordinary course of business or on terms provided to the public, the relationship between K and L is not reportable because it is privileged.
 - 5. "Family relationships" are defined as a spouse, ancestors, siblings, children, grandchildren and great grandchildren, as well as spouses of siblings, children, grandchildren and great grandchildren. The instructions provide the following example: B is an officer of the corporation and C is a member of the governing body. B is the spouse of C's sister, i.e., B is the brother-in-law of C. That is a family relationship that must be reported.
- E. Part VI, Line 3: Delegations: Did the organization delegate any duties customarily performed by or under the direct supervision of its ODTKEs to a management company or other person?
- 1. This does not include delegation of administrative duties, like payroll.

2. The instructions explicitly exclude investment management, unless the EO conducts these services for others.
 3. Examples of management duties are hiring, firing, budgeting, supervising EO programs, and supervising an unrelated trade or business
 4. The 2009 CPE points out that the purpose of line 3 is to show “who is running the organization.” Has the governing body effectively vested management in another organization or individual?⁵
- F. Part VI, Line 5: Diversion of Assets: Did the organization become aware of a significant diversion of the organization’s assets?
1. “Significant” means that the diversion exceeds the lesser of:
 - (a) 5% of the organization’s gross receipts;
 - (b) 5% of the organization’s total assets at year-end; or
 - (c) \$250,000.
 2. This could include knowledge of theft, embezzlement or fraud. Any organization responding “yes” to this question must complete a Schedule O supplemental response, as carefully and convincingly as possible. Corrective action should be detailed.
 3. This would also include knowledge of an excess benefit transaction, if the threshold was met.
 4. See below at Part X regarding the IRS’s targeted analysis of organizations that have reported significant diversions of assets.
- G. Part VI, Lines 6 and 7: Members or Stockholders: Does the organization have members or stockholders who may elect members of the governing body, and if so, which governing body decisions if any are subject to approval of the members or shareholders?
1. A member also includes any person who receives a share of the EO’s profits or a share of the EO’s net assets upon dissolution. This might be a social club or association.
 2. Should an EO have a shareholder level? Should directors be self-electing?
 3. The style of the question points out that trusts will not have members.

⁵*Governance and Tax-Exempt Organizations*, 2009 CPE Training, p. 40.

- H. Part VI, Line 9: Contact Information: This question asks only whether there are any ODTKEs listed in the compensation schedule who cannot be reached at the EO's mailing address. This is intended to protect the privacy and safety of the persons serving.
- I. Part VI, Line 11: Review of Form 990: Has the organization provided the Form 990 to all members of the governing board before filing the form?
1. Email delivery is sufficient as long as the email includes a complete copy of the return. Also, the organization may post the draft form on a password-protected website.
 2. The Form 990 also requires the organization to say what procedure, if any, is in place for the review of the Form 990 by any board member, officer, committee member or management.
 - (a) The instructions and IRS statements do not make it clear which of the officers should review it. Ideally a review by the CEO and CFO would suffice.
 - (b) Often there are time constraints because the Form 990 is not finalized until shortly before the filing deadline. If the Form 990 is emailed to the board shortly before filing, the EO can properly state that it disseminated the Form 990 to board members before filing. However, as to review, the EO would state: "No review was or will be conducted."
 - (c) The IRS's CPE on governance says the process for review will vary based on size, culture and type of organizations. Again, no one size will fit all. A large organization might use a committee, for example.
- J. Line 16: Joint Ventures: Given the increasing business interaction between EOs and for-profits, the Form 990 asks whether the EO engaged in a joint venture and had and followed a joint venture investment policy. The goal is to ensure that the EO implements safeguards to protect exempt assets and protect against inurement, private benefit, and prohibited activities like electioneering.⁶
- (a) A joint venture is an "agreement to jointly undertake a specific business enterprise, investment or exempt-purpose activity without regard to
 - (i) whether the organization controls the venture
 - (ii) what the legal structure is; or
 - (iii) whether the venture is treated as a partnership for federal tax purposes.

⁶ 2009 CPE Training.

- (b) The policy for evaluating a JV should include consideration of:
 - (i) Does the EO maintain sufficient control to ensure that the JV furthers the EO's exempt purposes?
 - (ii) Does the JV prioritize exempt purposes over profits?
 - (iii) Does the JV involve activities that would endanger the EO's exempt status?
 - (iv) Will the contract with the JV partner be arms-length?

K. Schedule L: Reporting of Transactions with Interested Persons (Attached)

1. An "interested person" generally includes:
 - (a) Current and former ODTKEs and highest compensated employees.
 - (b) For 501(c)(3) and 501(c)(4) organizations, this would also include persons defined as disqualified persons under section 4958. This includes:
 - (i) Any person who in the five years ending on the date of the transaction was in a position to exercise substantial influence over the organization's affairs.
2. Reportable transactions should not include a person's competing duties to the EO and another organization. Schedule L is not meant to capture "conflict of loyalty" issues but rather transactions with direct or indirect financial ramifications for the interested person.
3. Loans: In 2004, the IRS implemented the "Executive Compensation Compliance Initiative" for EOs. The report for that project raised concerns about substantial loans made by EOs to officers, directors, trustees and key employees. The report asked whether these transactions are being reported and whether excess benefits are being incurred.
 - (a) As a result, the EO division launched a loan project with 200 compliance checks and 50 single-issue examinations. This spurred additional examinations. From a mere 169 examinations, the IRS assessed over \$5.5 million in section 4958 excess benefit transactions excise taxes.
 - (b) The IRS also assessed more than \$480,000 in employment tax on items of income not previously reported for disqualified persons and employees.
 - (c) Similarly, there were more than \$400,000 in discrepancy adjustments for omitted income on those individuals' returns.

- (d) Only 22% of the examinations resulted in no change. Organizations are not handling or reporting these transactions correctly.

4. Grants or assistance benefiting interested persons:

- (a) A “grant” includes the provision of goods, services, the use of facilities, a scholarship, an award, a prize, a fellowship or an internship.
- (b) For purposes of this part of the Schedule L, the definition of “interested persons” is broadened. The grant is reportable if it is made to a current or former ODTKE, a substantial contributor, or a related person.
- (c) A substantial contributor contributed \$5,000 or more and is required to be listed on Schedule B.
- (d) Related persons include members of the grant committee, certain family members of ODTKEs or grant committee members, related entities, and employees of substantial contributors or related entities.
- (e) There is a long list of exceptions, including scholarships or grants to employees and their children made according to established criteria on a nondiscriminatory basis, and grants or assistance made to such persons because they are members of a charitable class whose needs are addressed by the EO’s charitable mission. An example of the latter exception would be disaster relief.
- (f) As in Part VI of the Form 990, the EO is not required to provide information about a grant or assistance if it has been unable to find out about it after making a reasonable effort to obtain information.

5. Business transactions:

- (a) A reportable transaction exists if:
 - (i) all payments for the tax year between the EO and the interested person exceeded \$100,000;
 - (ii) all payments for a single transaction exceeded \$10,000 or 1% of the EO’s total revenue;
 - (iii) compensation payments during the tax year by the organization to a family member exceeded \$10,000; or
 - (iv) in the case of a joint venture with an interested person, the EO has invested \$10,000 or more.

- (b) Again, who is an interested person for purposes of identifying a suspect business transaction is slightly different. Interested persons include:
 - (i) Current and former ODTKEs;
 - (ii) Family members of current or former ODTKEs;
 - (iii) An entity in which one or more current or former ODTKEs or family members own more than 35%;
 - (iv) An entity in which one or more ODTKEs or family members was an officer, director, trustee, key employee, or partner directly or indirectly owning 5% or more; and a shareholder directly or indirectly owning 5% or more in a professional corporation.
- (c) Management company transactions are also reportable here. These are payments to third party managers in which a former ODTKE of the EO is an ODTKE or a 35% owner.

L. **IRS Governance Checklist**

1. As mentioned above, the IRS as posted a Governance Check Sheet (attached) that its agents will use in audits of public charities. The check sheet highlights many of the issues that must be reported on the Form 990. Again, the purpose of the check sheet is to determine how governance practices interact with tax compliance.
2. The checklist includes questions that ask for the following information:
 - (a) Does the EO make its governing instruments available to the public and to the governing body?
 - (b) Did the number of times the governing board met exceed what was required under the bylaws??
 - (c) Does the EO require advance approval of compensation, by members of the board or a committee without a conflict of interest?
 - (d) Does the organization rely on comparability data in determining compensation?
 - (e) Is the organization effectively dominated by a few individuals?
 - (f) Does the EO have a written conflict of interest policy?
 - (g) Does the organization have a written mission statement that articulates its current purpose?

- (h) Did the organization comply with its own document retention policy, and if not, did lack of compliance hinder the audit?

II. Changes to Organizational Documents

- A. Any “significant” changes to the governing instruments must be reported pursuant to Line 4 of the Part VI governance and management portion of the Form 990.
- B. The list of reportable changes includes:
 - 1. The organization’s exempt purposes or mission;
 - 2. The organization’s name;
 - 3. The number, composition, qualifications, authority, or duties of the governing body’s voting members;
 - 4. The number, composition, qualifications, authority, or duties of the organization’s officers or key employees;
 - 5. The role of the stockholders or membership in governance;
 - 6. The distribution of assets upon dissolution;
 - 7. The provisions to amend the organizing or enabling document or bylaws;
 - 8. The quorum, voting rights, or voting approval requirements of the governing body members or the organization’s stockholders;
 - 9. The policies or procedures contained within the organizing documents or bylaws regarding compensation of officers, directors, trustees, or key employees, conflicts of interest, on whistleblowers, or document retention and destruction; and
 - 10. The composition or procedures contained within the organizing document or bylaws of an audit committee.
- C. EO Determinations will no longer issue letters confirming that an organization reporting significant will retain their tax-exempt status. Bear in mind that some changes in operations or purposes will require a new application for exempt status.
 - 1. Section 1.501(a)-1(a)(2) of the Treasury Regulations provides: “Subject only to the Commissioner’s inherent power to revoke rulings because of a change in the law or regulations or for other good cause, an organization that has been determined by the Commissioner or the district director to be exempt under section 501(a) or the corresponding provision of prior law

may rely upon such determination so long as there are no substantial changes in the organization's character, purposes, or methods of operation."

2. Conversely, Rev. Proc. 2011-9, which governs applications for tax exemption, states: "A determination letter or ruling recognizing exemption may not be relied upon if there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of the organization, or change in the applicable law."
 3. Changes to the EO's purposes or operations that falls short of a "material" or "substantial" change may be reported on the Form 990. These changes should also be documented with the understanding that the organization's donors and various watchdog groups may review the Form 990.
- D. Note that the organization's exempt purpose and the language dealing with distribution of assets upon dissolution are governing instrument requirements under the Code. Careful attention is required.

III. Documentation of Actions by the Board

- A. Part VI includes a question (Line 8) whether the organization contemporaneously documented the meetings held or written actions undertaken during the year by the governing body and any committees with authority to act on the governing body's behalf.
- B. "Contemporaneously" means the later of (i) 60 days after the current meeting or (ii) the next meeting of the governing board or committee.
- C. The IRS wants to know whether the organization is document (i) its decisions, (ii) the parties who make them and (iii) the rationale for decisions.⁷

IV. Written Policies

- A. Policy Regarding Local Chapters, Branches or Affiliates: Line 10 of Part VI on governance asks if the organization has such chapters, branches or affiliates, and if so, whether written policies exist to ensure that the operations of the branches and affiliates are consistent with those of the organization.
- B. Conflict of Interest
 1. Line 12 of Part VI request the organization to state whether it has a written conflict of interest policy in place. As with some other Part VI questions, this question seems to be a prompt.

⁷ 2009 CPE Training.

2. The IRS's proposed conflict of interest policy is attached. It is found in the instructions to Form 1023.
 - (a) Note that superficial adoption of the IRS's proposed policy was considered in *Ohio Disability Association v. Commissioner*, T.C. Memo 2009-261. The Tax Court refused to issue a declaratory judgment requiring the IRS to recognize the organization as exempt. On the record, the Tax Court could not conclude that the organization would operate exclusively for public benefit.
 - (b) Therefore, the organization should take a thoughtful approach to identifying conflicts of interest.
 - (c) To that effect, line 12c asks whether the EO regularly and consistently monitors and enforces compliance with the policy, and to describe the procedures it uses for monitoring and enforcement.
 - (d) To keep matters private, many organizations choose to monitor conflicts of interest by sending out a questionnaire that helps ODTKEs identify situations that raise a conflict or the appearance of one.
 - (e) Boards may also have the identification of conflicts as a standing agenda item.
3. Use of the IRS's form is certainly not required. A conflict-of-interest policy will normally define a conflict, identify the individuals covered, provide one or more methods to help the board members identify conflicts, and specify procedures to manage conflicts.

C. Document Retention Policy

1. One of the few applications of the Sarbanes-Oxley Act to EOs is that the Act uniformly imposes criminal liability on destruction of records with the intent to obstruct a federal investigation.
2. Any written policy should address what is required under tax law:
 - (a) An EO must keep permanent books of account or records sufficient to establish its gross income, receipts, disbursement, and to substantiate its reporting on Form 990.⁸ With respect to any UBIT return, the organization must substantiate its deductions, credits and other tax items.⁹

⁸ Treas. Reg. § 1.6001-1(c).

⁹ IRC § 6001.

- (b) Records must generally be maintained for at least three years after the later of the due date of the tax for the applicable period, or the date the tax was actually paid.¹⁰
- (c) It is nonetheless advisable to keep all EO financial records indefinitely because the IRS has the power to retroactively revoke an EO's exempt status as of the date of its formation.

D. Whistleblower Policy

1. These policies allow staff, volunteers and others to report suspected wrongdoing without retaliation. Reportable offenses might include:
 - (a) Theft;
 - (b) Misleading financial reporting;
 - (c) Undocumented transactions;
 - (d) Unreported conflict of interests;
 - (e) Destruction of records; and
 - (f) Improper spending or other financial procedures.
2. The policy should, at a minimum, encourage staff to come forward with credible information. It should inform the staff that the organization will protect the staff member from retaliation, and should identify persons to whom the staff member can report.
3. The Sarbanes Oxley Act also applies to EOs in this context. It is illegal to punish whistleblowers, whether the organization is an EO or for-profit.
4. Some states have whistleblower protection rules for EOs. In Illinois, an employer cannot make a rule preventing employees from reporting wrongdoing and cannot retaliate against employees who do so. The law carries civil penalties and requires reinstatement of the employee, back pay with interest, and damages including attorney's fees. 740 ILCS 174/1 *et seq.*

V. Executive Compensation Background

A. Form 990 Requirements:

¹⁰ Treas. Reg. 31.6001-1(e)(2).

1. All organizations are required to complete Part VII of the Form 990 and, when applicable, Schedule J.
2. Organizations must generally report “reportable compensation” for current and former ODTKEs, and their five most highly compensated employees.
 - (a) “Reportable compensation” is compensation reported on Form W-2, box 5, and Form 1099-MISC, box 7.
 - (b) “Former” refers to a five-year look back period.
3. Organizations must report the compensation that they pay to those individuals, along with the compensation paid from related organizations. These include parents, subsidiaries, supporting and supported organizations and “brother/sister” organizations.

B. Specific Thresholds:

1. Organizations must report all compensation for all current officers, directors, and trustees.
2. Compensation to the organization’s top 20 “key employees” is reportable. A person is considered a “key employee” if he or she earns more than \$150,000 in reportable compensation (for the calendar year that ends in the EO’s tax year) and satisfies one prong of a three-part “responsibility test.” The three prongs are:
 - (a) The employee has responsibilities or powers that on the whole are similar to those of an officer, director or trustee;
 - (b) The employee manages a segment or activity that represents 10% or more of the assets, income, or expenses of the organization; or
 - (c) The employee has or shares authority to control or determine 10% or more of the organizations capital expenditures, operating budget, or compensation for employees.
3. The organization must also list the current five highest compensated employees (other than those named above) who are earning more than \$100,000 of reportable compensation. This may include someone who earns more than \$150,000 but fails the responsibility test, or vice versa.
4. The organization must also report compensation to former officers, key employees and highly compensated employees who are still earning more than \$100,000 from the EO or related organizations.

5. Finally, the organization must report payments to former directors and trustees who continue to earn more than \$10,000 from the EO o related organizations.
- C. The organization must also report its top five highest compensated independent contractors that the organization paid more than \$100,000.
 - D. Schedule J, Compensation Information
 1. Schedule J must be filed if the organization answered “yes” to Part VII, Line 3, 4 or 5. This means that more information is required if:
 - (a) Compensation to a **former** ODTKE or highly compensated employee was reportable (\$100,000 to former officers, key employees or highly compensated employees, and \$10,000 to former directors or trustees).
 - (b) For any person listed on Line 1a of Part VII (all reportable persons and compensation), the total paid to the person from the EO and related organizations **exceeded \$150,000**.
 - (c) For any person listed on Line 1a of Part VII (all reportable persons and compensation), the person also received compensation from an **unrelated** organization or individual for services rendered to the EO.
 2. Only 19% of organizations filing Form 990 included Schedule J. If these returns are correct, this tends to show that the lion’s share of charitable organizations pay modestly.
 - E. Indirect Payments. In Announcement 2011-36, the IRS invited comments about the redesigned Form 990. Among other areas, the IRS asked for comments on whether or how fees paid to third-party service providers should be reported as compensation to officers, directors, trustees, or key employees, when the ODTKEs are related to the third-party provider.

VI. Independent Review of Executive Compensation

- A. Line 15 of Part VI asks whether the process used for determining the compensation of the CEO and other officers and key employees include (i) a review and approval of the compensation by independent persons, (ii) use of comparability data and (iii) contemporaneous documentation of the decision.
 1. The organization must provide details on Schedule O.
 2. Compensation information also comes up in Part VII of the Form 990 and on Schedule J.

- B. As background, section 4958 of the Code imposes intermediate sanctions – i.e., an excise tax and thus a penalty short of loss of exempt status – on certain disqualified persons who enter into excess benefit transactions with public charities. EO managers with knowledge of the excess benefit can also be subject to sanction.
- C. Payment of excessive salary is an excess benefit transaction. However, a board seeking to protect themselves and the EO may meet a three-prong safe harbor established under the Treasury Regulations.¹¹ If the board meets the following requirements, then the board has established a rebuttable presumption that the compensation paid is not excessive. An IRS Exempt Organization Executive Compensation Compliance Project commenced in 2004 found that of the organizations studied, 51% of them tried to comply with all three prongs in order to claim the protection of the rebuttable presumption.
1. The compensation is reviewed and approved by an independent governing body. The 2004 Compliance Project found that in that study, 95% of disqualified persons recused themselves from discussion and approval of their own compensation.
 2. The board commissions comparability studies and relies on that data in determining compensation. The 2004 Compliance Project found that 54% of the EOs studied commissioned these studies in determining compensation. Of the EOs that did so, 97% gathered information about EOs of similar type and size. Also, 97% of those organizations set the compensation at hand within the range of the commissioned data.
 3. The board adequately documents its decision-making process.
- D. Prong 1: The board, authorized body or authorized committee approving the compensation must be composed entirely of individuals who do not have a conflict of interest with respect to the compensation arrangement. These individuals cannot be:
1. A disqualified person economically benefiting from the compensation, or a member of the family of such a person.
 2. A person in an employment relationship subject to the control of such a disqualified person.
 3. A person who receives compensation or other payments subject to approval by the disqualified person.
 4. A person with a material financial interest affected by the compensation.

¹¹ Treas. Reg. § 53.4958-6.

5. A person who does not approve a compensation arrangement for the payee, who in turn has or will approve economic benefits to the person.¹²

E. Prong 2: Comparability studies can be commissioned, or board members may collect their own data. Organizations should focus on similarly situated organizations. Sources of applicable data include:

1. ERI (Economic Research Institute): This organization sells search software and also provides surveys. One of its sectors studied is the nonprofit sector.
2. GuideStar: This nonprofit resource publishes an annual survey that is drawn directly from IRS reporting. The organization classifies nonprofits according to the “National Taxonomy of Exempt Entities,” and then compares compensation across types of EOs, geographical areas, and size of EOs. Sample pages from the 2012 report are available at <http://www2.guidestar.org/ViewCmsFile.aspx?ContentID=4657>.
3. The Chronicle of Philanthropy frequently reports on nonprofit compensation issues and also provides an annual survey of compensation and benefits to subscribers.
4. The Council on Foundations reports to its members on compensation practices for grant making organizations.
5. Charity Navigator provides a free annual compensation survey on its website. This survey includes some specific and unfavorable information, like the highest paid executives in certain sectors, and other charities that report compensation payments to relatives of their CEOs.
6. Compensation Resources, Inc. released a 2011 report for the nonprofit sector.
7. Small organizations with gross receipts of \$1 million or less are considered to have appropriate data if the board gathers data on compensation paid by three comparable organizations in the same or similar communities for similar services.¹³
8. The IRS announced it intends to focus on the quality of comparables used, of both EO and for-profit organizations that appear in the compensation studies.

F. Prong 3: The documentation of salary or of a transaction must show:

1. The terms of a transaction and the date;

¹² Treas. Reg. § 53.4958-6(c)(1)(iii).

¹³ Treas. Reg. § 53.4958-6(c)(2).

2. The members of the authorized body who were present and those who voted on it;
3. The comparability data obtained and relied upon, and how it was obtained; and
4. Any actions taken with respect to the transaction by a person who was a member of the authorized body but who had a conflict of interest.¹⁴

VII. Disclosure Requirements

- A. EOs – specifically those EOs described in sections 501(c) or (d) of the Code and political organizations exempt under section 527(a) – must make available a copy of the annual return for inspection during regular business hours as the organization’s principal office and, if applicable, its regional offices.¹⁵
- B. If the organization does not maintain a permanent office, the organization may arrange for inspection at a reasonable location of its choice or mail a copy of the return to the requester in lieu of arranging an inspection.¹⁶
- C. The organization must make an annual return available for a three-year period following the later of (i) the actual filing date or (ii) the due date of the return, taking into account any extensions of time to file that were actually granted.
- D. Certain information need not be disclosed.
 1. For any EO that is not a private foundation, the EO may keep confidential the name and addresses of its contributors.¹⁷
 2. The amounts of contributions and bequests are to be made available for public inspection, unless the EO reasonably expects that this would lead to identification of a contributor.¹⁸
 3. Certain returns are not included in the definition of “annual information return.” Among others, this includes Schedule K-1 of Form 1065.¹⁹
- E. Upon request by a person at the EO’s principal, regional or district office, an EO must also supply a copy of the annual return, without charging more than a reasonable fee for photocopying costs.²⁰

¹⁴ Treas. Reg. § 53.4958-6(c)(3).

¹⁵ IRC § 6104(b), Treas. Reg. § 301.6104(d)-1(a).

¹⁶ Treas. Reg. § 301.6104(d)-1(c)(2).

¹⁷ IRC § 6104(b).

¹⁸ Treas. Reg. § 301.6104(b)-1(b)(2).

¹⁹ Treas. Reg. § 301.6104(d)-1(b)(4)(ii)

²⁰ IRC § 6104(d)(1)(B).

- F. A person may also request a photocopy of the annual return in writing. In that case, the EO has 30 days to provide the photocopy.²¹ A written request will be considered made as of seven days of the date of the postmark or, if emailed, on the date of delivery of the email.²²
- G. Copies of the annual return need not be provided if the EO has made the return “widely available.” This means that the EO has posted the return on its own website or the website of another organization. The image format must reflect exactly what was filed by the EO. Also, the public must be able to print the return without paying for a special program.²³ Making the return widely available by web posting it does not relieve an EO of the requirement to permit public inspection of the return.
- H. Note that the IRS provides all Forms 990 to GuideStar, an exempt 501(c)(3) organization that has a mission of increasing transparency, improving EO operations, and encouraging charitable giving. These Forms 990 can be viewed at www.guidestar.org. EOs also supply their Forms 990 directly to Guidestar. This should satisfy the “widely available” requirement.

VIII. Financial Statements

- A. Statement of Revenue. This page of the form divides revenue into (i) contributions, gifts, and grants, (ii) program service revenue, and (ii) other revenue, which includes investment income, royalties, rents, proceeds from asset sales, gross income from sales of inventory, and income from gaming activity.
- B. Statement of Functional Expenses. Column A reports total expenses, while Columns B, C, and D break out expenses related to (i) program services, (ii) management and general expenses, and (iii) fundraising expenses. Naturally, organizations may wish to report the greatest share of their expenses as program expenses, to the extent proper.
1. Program services are those activities that further the organization’s exempt purposes.
 2. For those organizations that lobby in order to satisfy their exempt purposes, lobbying expenses are included as program services.
 3. Program services can include activities that generate UBTI. The instructions give the example of expenses of producing a magazine that supports the organization’s exempt purpose. The magazine also sells advertising, which generates UBTI, but its production is a program service expense.

²¹ *Id.*

²² Treas. Reg. § 301.6104(d)-1(d)(2)(ii)(A).

²³ Treas. Reg. § 301.6104(d)-2.

4. If an organization applies for a grant or contract to enable it to carry out its exempt purposes or programs, the cost of that process is a program service expense, not a fundraising expense.
- C. Balance Sheet. The organization must report all of its assets, liabilities, and net assets or fund balances as of the beginning of the year and the end of the year.
- D. Schedule A – Public Charity Status and Public Support
1. Any section 501(c)(3) organization or section 4947(a) charitable trust that is not a private foundation must file Schedule A to characterize itself as a public charity.
 2. For those organizations that qualify as public charities because they receive one-third of their gross receipts as contributions from the public or from carrying out charitable activities, public support is now based on a five-year period. The form provides columns to show the five years of data and resulting calculations.
 3. For purpose of counting support, income will be determined under the accounting method that the EO normally uses in keeping its books.
- E. Schedule D – Supplemental Financial Statements. Schedule D includes reporting for various other specific assets and arrangements. EOs that maintain donor advised funds, charitable conservation easements, art collections, endowment funds, and program-related assets will file this Schedule.

IX. Using Form 990 to the EO’s Advantage

- A. Part III of the Form 990 appears on the second page of the return. It requires the organization to report its program services and exempt purpose achievements. This also enables the organization to state its mission in a positive way.
- B. The Section VI inquiry requiring reporting of new charitable purposes similarly allows the organization to publicize its goals and achievements.
- C. Note that the “Three Cups of Tea” scandal erupted in part because reporting on the Form 990 filed for the Central Asian Institute did not align with the organization’s stated mission and publicized activities.
 1. “Charities are under a magnifying glass like never before,” reported the Chronicle of Philanthropy’s story on the Central Asian Institute.²⁴

²⁴ ‘Three Cups of Tea Scandal’ Offers Lessons for Charities and Trustees, Chronicle of Philanthropy, April 25, 2011, by Emily Chan and Gene Takagi.

2. On the organization's Form 990 for 2009, "most" of the organization's program expenditures were for "domestic outreach." This constituted paying for the speaking engagements of and book advertising for founder Greg Mortenson. The Form 990 specifically reported \$1.7 million in "book-related expenses" and \$1.4 million in travel expenses. The Institute realized no part of the royalties or speaking fees.
 3. In contrast, the Institute's website did not mention domestic outreach and instead emphasized its international activities and school-building program.
 4. The authors argue that "the Form 990 should be considered an important part of the charity's public-relations strategy." They recommend having one member of the board review the Form 990 from the perspective of a critic.
- D. The Exempt Organizations 2012 Annual Report and 2013 Workplan reiterates that exempt organizations should make sure that the 990 as filed is complete and accurately reflects the organization's activities. The Report states, "The bottom-line message to organizations and practitioners alike: The IRS uses the Form 990 responses to select returns for examination, so a complete and accurate return is in your best interests."
- E. It may be true that the IRS should not be dictating governance in the guise of questions that appear on the Form 990 and which may not be closely tied to tax compliance. Nonetheless, dealing with these questions positively and accepting the guidance the IRS is clearly providing is unlikely to harm the EO's mission and is quite likely to create or improve an ethical work environment within the organization.

X. What's New and IRS Focus

- A. The Treasury Department Green Book for 2014 advocates making electronic filing mandatory for exempt organizations. Under current law, only very large charities and small charities that file a Form 990-N are required to file electronically. The Green Book states that expanding e-filing would speed public disclosure of EO data and would improve the quality of the data reported. The new requirement would apply to all organizations that file the 990 series.
- B. The Green Book also includes a proposal to penalize failure to comply with electronic filing requirements. The purpose is to increase the efficiency of tax administration. The penalty would be \$5,000 for a tax-exempt organization. If the organization failed to file any return at all, the penalty for non-filing would apply rather than the penalty for failure to file electronically.

- C. The IRS has cross-checked EOs that file state gaming permits to determine whether those organizations are filing Forms 990 with the IRS. There have been over 1,300 delinquent returns filed to date.
- D. Pursuant to the Pension Protection Act of 2006, all tax-exempts must file a Form 990, including those that previously had been free from any filing requirement because they were public charities with gross receipts of less than \$25,000. The IRS is now processing applications for tax-exempt status for thousands of organizations whose exempt status was revoked for non-filing.
- E. The EO Division 2012 Annual Report and 2013 Workplan states that EO has scrutinized the tax filings and publicly available information of 285 organization that reported a significant diversion of assets on their 2009 Forms 990. In 2013, EO will conduct examinations that will include a review of governance issues both before and after the diversion event. EO is seeking information on how other organizations may avoid these events and is also seeking more accurate indicators to identify potentially noncompliant organizations on this front.
- F. The 2013 Workplan also is scrutinizing community foundations using questionnaire responses and Form 990 reporting. The IRS is looking particularly closely in organizations in which donors appear to control significantly investments and grantmaking. EO found widespread compliance, but identified some organizations that were mischaracterizing fees earned from administrative, clerical or grant-related services to other organizations as related rather than unrelated income.
- G. The Workplan also reports a 2013 initiative examining organizations with high amounts of foreign grant expenditures. The goal is to ensure that assets and income of domestic charities are not diverted to non-charitable purposes when funds are sent abroad. EO has also focused on whether recordkeeping and reporting requirements are satisfied when organizations donate or operate directly overseas. This is a prompt for all foundations making foreign donations to reexamine or tighten their control and oversight regarding the foreign grants.
- H. Finally, the Workplan also describes a broad effort to use Form 990 information in governance and compliance efforts. The following areas are specifically listed:
 - 1. Examination of organizations reporting fundraising expenses that are out of proportion to charitable expenditures. EO will look at organizations with high fundraising expenses in relation to charitable expenditures and organizations that report high fundraising income but no fundraising expenses.
 - 2. The IRS will also look at compensation transparency. For example, EO will look at organizations that have high annual gross receipts and low compensation reported. The concern is that compensation is disguised.

EO has selected 200 organizations – both “stand-alone” and those reporting a relationship with another organization – for examination.

3. EO has used Form 990 data to identify potential indicators of organizations that are possibly engaging in impermissible campaign intervention. EO also tests reports from the public on campaign intervention against the indicators they have identified regarding Form 990s. This is to refine and improve those indicators.
4. EO is also completing checks of organizations that have reported taxable unrelated business activities but had not filed Forms 990-T. This resulted in substantial tax collections, but EO also found that one-quarter of the organizations examined had filed inaccurate returns, that, if filed accurately, would not have been selected for examination.

IRS rules require us to advise you that any opinion in this outline regarding a federal tax issue was not written to be used, and cannot be used, for the purpose of avoiding tax penalties. Thank you.

Governance Check Sheet

This check sheet is to be used by EO Revenue Agents in the examination of I.R.C. 501(c)(3) public charities. Please complete all parts of this check sheet.

Part 1 - Revenue Agent and Exempt Organization Information

1. Agent Name		Group Number	
2. Organization Name			
3. EIN			
4. Tax Period(s) Examined			
5. Form Being Examined			
6. Foundation Code			

Part 2 - Governing Body and Management

7. Does the organization have a written mission statement that articulates its current I.R.C. § 501(c)(3) purpose(s)? Select one of the options.

8. Do the organization's bylaws set forth the following information for the members of the governing body and the organization's officers? Select one of the options from each of the drop down boxes.

Composition	<input type="text"/>	Duties	<input type="text"/>	Qualifications	<input type="text"/>	Voting Rights	<input type="text"/>
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9. Have copies of the most recent versions of the organization's articles and bylaws been provided to the following? Select all that apply.
 All Board Members Only Voting Board Members General Public (by request) General Public (online) Not Provided

10. At the beginning of the primary year under examination, what was the number of board members with voting rights? Enter a whole number.

11a. How often did a quorum of voting board members meet during the primary year under examination? Enter a whole number.

11b. How often did the full board meet during the primary year under examination? Select one of the options.

12. Did the number of meetings referred in 11a and 11b meet or exceed the meeting requirements set forth in the organization's bylaws? Select one of the options.

Part 3 - Compensation

13. Are compensation arrangements for all officers, directors, trustees, and key employees approved in advance by an authorized body of the organization composed of individuals with no conflict of interest with respect to the compensation arrangement? Select one of the options.

14a. Does the authorized body rely upon comparability data in making compensation determinations? Select one of the options.

14b. If "Always" or "Sometimes" for 14a, select the comparability data considered by the organization? Select all that apply.
 Exempt Organizations Non-Profit Entities Not Exempt From Tax Governmental Entities For-Profit Entities Other

14c. If the "Other" box is checked for 14b, provide a brief explanation of the other source.

15. Is the basis for all compensation determinations contemporaneously documented. Select one of the options.

Part 4 - Organizational Control

16a. Did any of the organization's voting board members have a family relationship and/or outside business relationship with any other voting or non-voting board member, officer, director, trustee, or key employee? Select one of the options.

16b. If YES to 16a, list the number of relationships between the officers, directors, trustees, or key employees.

16c. Number with Family Relationships Number with Business Relationships Number with Both Relationships

Total Number of Relationships (should equal the amount listed in 16b) 0

17. Does effective control of the organization rest with a single or select few individuals? Select one of the options.

Part 5 - Conflict of Interest

- 18a. Does the organization have a written conflict of interest policy? Select one of the options.
- 18b. If YES to 18a, does the policy address recusals? Select one of the options.
- 18c. If YES to 18a, does the policy require annual written disclosures of conflicts of interest? Select one of the options.
- 18d. If YES to 18a, during the primary year under examination, if any actual or potential conflicts of interest were disclosed, was the organization's conflict of interest policy adhered to? Select one of the options.
-

Part 6 - Financial Oversight

19. Are there systems or procedures in place intended to make sure assets are properly used, consistent with the organization's mission? Select one of the options.
- 20a. How often did the organization provide board members with written reports of the organization's financial activities? Select one of the options.
- 20b. How often did the board discuss/consider reports of the organization's financial activities? Select one of the options.
21. Prior to filing, was the Form 990 reviewed by the full board and/or a designated committee? Select one of the options.
- 22a. During the primary year under examination, was an independent accountant's report prepared? Select one of the options.
- 22b. If YES to 22a, was the accountant's report discussed/considered by the full board and/or a designated committee? Select one of the options.
- 23a. Was a management letter prepared by the independent accountant? Select one of the options.
- 23b. If YES to 23a, was the management letter reviewed by the full board and/or a designated committee? Select one of the options.
- 23c. If YES to 23a, did the organization adopt any of the recommendations contained in the management letter? Select one of the options.
-

Part 7 - Document Retention

- 24a. Does the organization have a written policy for document retention and destruction? Select one of the options.
- 24b. If YES to 24a, does the organization adhere to its written policy for document retention and destruction? Select one of the options.
25. Does the board contemporaneously document its meetings and retain this documentation? Select one of the options.
26. Was your examination hindered by a lack of necessary documentation? Select one of the options.
-

Part 8 - Disposition

27. Examination Disposal Code for Primary Return

28. Principal Issue Codes for Primary Return

First Issue

Second Issue

Third Issue

Fourth Issue

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)

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

A For the 2012 calendar year, or tax year beginning , 2012, 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, town or post office, state, and ZIP code

D Employer identification number

E Telephone number

F Name and address of principal officer:

G Gross receipts \$

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:

Part I Summary

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

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 2012 (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
7b Net unrelated business taxable income from Form 990-T, line 34	7b

	Prior Year	Current Year
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)		
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–24e)		
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
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		

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

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i>	1	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	2	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>	3	
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? <i>If "Yes," complete Schedule C, Part II</i>	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? <i>If "Yes," complete Schedule C, Part III</i>	5	
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</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? <i>If "Yes," complete Schedule D, Part II</i>	7	
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>	8	
9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV</i>	9	
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>	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? <i>If "Yes," complete Schedule D, Part VI</i>	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? <i>If "Yes," complete Schedule D, Part VII</i>	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? <i>If "Yes," complete Schedule D, Part VIII</i>	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? <i>If "Yes," complete Schedule D, Part IX</i>	11d	
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	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)? <i>If "Yes," complete Schedule D, Part X</i>	11f	
12 a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>	12a	
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>	12b	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>	13	
14 a 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, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV.</i>	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? <i>If "Yes," complete Schedule F, Parts II and IV</i>	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? <i>If "Yes," complete Schedule F, Parts III and IV</i>	16	
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? <i>If "Yes," complete Schedule G, Part I (see instructions)</i>	17	
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>	18	
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>	19	
20 a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	20a	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b	

Part IV Checklist of Required Schedules *(continued)*

		Yes	No
21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>		
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? <i>If "Yes," complete Schedule I, Parts I and III</i>		
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? <i>If "Yes," complete Schedule J</i>		
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? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>		
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
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?		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
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? <i>If "Yes," complete Schedule L, Part I</i>		
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? <i>If "Yes," complete Schedule L, Part I</i>		
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>		
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>		
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? <i>If "Yes," complete Schedule L, Part IV</i>		
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>		
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? <i>If "Yes," complete Schedule L, Part IV</i>		
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>		
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>		
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>		
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>		
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? <i>If "Yes," complete Schedule R, Part I</i>		
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>		
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?		
b	If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>		
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>		
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? <i>If "Yes," complete Schedule R, Part VI</i>		
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O		

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

Table with columns for question ID, question text, and Yes/No response boxes. Rows include questions 1a through 14b regarding IRS filings and tax compliance.

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 If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.		
1b Enter the number of voting members included in line 1a, above, who are independent		
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?		
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?		
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		
5 Did the organization become aware during the year of a significant diversion of the organization's assets?		
6 Did the organization have members or stockholders?		
7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		
b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a The governing body?		
b Each committee with authority to act on behalf of the governing body?		
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		

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

	Yes	No
10a Did the organization have local chapters, branches, or affiliates?		
b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		
11a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?		
b Describe in Schedule O the process, if any, used by the organization to review this Form 990.		
12a Did the organization have a written conflict of interest policy? If "No," go to line 13		
b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?		
c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done		
13 Did the organization have a written whistleblower policy?		
14 Did the organization have a written document retention and destruction policy?		
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		
b Other officers or key employees of the organization 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?		
b If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?		

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 (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
 Own website Another's website Upon request Other (explain in Schedule O)
- 19** Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 20** State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ► _____

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 (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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)										

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

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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			
(15)										
(16)										
(17)										
(18)										
(19)										
(20)										
(21)										
(22)										
(23)										
(24)										
(25)										
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 of 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? <i>If "Yes," complete Schedule J for such individual</i>	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? <i>If "Yes," complete Schedule J for such individual</i>	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? <i>If "Yes," complete Schedule J for such person</i>	5	

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. Report compensation for the calendar year ending with or within the organization's tax year.

(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 of compensation from the organization ▶

Part VIII Statement of Revenue

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

			(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	2a	Business Code					
	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 ▶					
	6a	Gross rents	(i) Real				
			(ii) Personal				
	b	Less: rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss) ▶					
	7a	Gross amount from sales of assets other than inventory	(i) Securities				
			(ii) Other				
	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. ▶						

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).

Check if Schedule O contains a response to any question in this Part IX

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 United States. See Part IV, line 21				
2 Grants and other assistance to individuals in the United States. See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the United States. 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 accruals and contributions (include section 401(k) and 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. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.)				
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 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a -----				
b -----				
c -----				
d -----				
e All other expenses -----				
25 Total functional expenses. Add lines 1 through 24e				
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

Check if Schedule O contains a response to any question in this Part X

		(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	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L	5	
	6	Loans and other 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). Complete Part II of Schedule L	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	10c
	b	Less: accumulated depreciation	10b	
	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	Loans and other 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 (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). 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 (ASC 958), check here <input type="checkbox"/> 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 (ASC 958), check here <input type="checkbox"/> 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	

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	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	

Part XII Financial Statements and Reporting

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

- 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?
If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both:
 Separate basis Consolidated basis Both consolidated and separate basis
- b** Were the organization's financial statements audited by an independent accountant?
If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both:
 Separate basis Consolidated basis Both consolidated and separate basis
- 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.
- 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?
- 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

	Yes	No
2a		
2b		
2c		
3a		
3b		

Name of the organization

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.

▶ Attach to Form 990. ▶ See separate instructions.

Open to Public Inspection

Employer identification number

Part I Questions Regarding Compensation

1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.

- | | |
|--|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

b If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain.

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.

- | | |
|--|--|
| <input type="checkbox"/> Compensation committee | <input type="checkbox"/> Written employment contract |
| <input type="checkbox"/> Independent compensation consultant | <input type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input type="checkbox"/> Approval by the board or compensation committee |

4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:

- a** Receive a severance payment or change-of-control payment?
 - b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
 - c** Participate in, or receive payment from, an equity-based compensation arrangement?
- If "Yes" to any of lines 4a–c, list the persons and provide the applicable amounts for each item in Part III.

Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5–9.

5 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

- a** The organization?
 - b** Any related organization?
- If "Yes" to line 5a or 5b, describe in Part III.

6 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

- a** The organization?
 - b** Any related organization?
- If "Yes" to line 6a or 6b, describe in Part III.

7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

	(A) Name and Title	(B) Breakdown of W-2 and/or 1099-MISC compensation				(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation					
1	(i) (ii)								
2	(i) (ii)								
3	(i) (ii)								
4	(i) (ii)								
5	(i) (ii)								
6	(i) (ii)								
7	(i) (ii)								
8	(i) (ii)								
9	(i) (ii)								
10	(i) (ii)								
11	(i) (ii)								
12	(i) (ii)								
13	(i) (ii)								
14	(i) (ii)								
15	(i) (ii)								
16	(i) (ii)								

SCHEDULE L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions With Interested Persons

▶ Complete if the organization answered
"Yes" on Form 990, Part IV, line 25a, 25b, 26, 27, 28a, 28b, or 28c,
or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No. 1545-0047

2012

Open To Public Inspection

Name of the organization

Employer identification number

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b.

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

2 Enter the amount of tax incurred by the organization managers or disqualified persons during the year under section 4958. ▶ \$ _____

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ \$ _____

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a or Form 990, Part IV, line 26; or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22.

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?		(i) Written agreement?	
			To	From			Yes	No	Yes	No	Yes	No
(1)												
(2)												
(3)												
(4)												
(5)												
(6)												
(7)												
(8)												
(9)												
(10)												
Total						\$						

Part III Grants or Assistance Benefiting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				
(7)				
(8)				
(9)				
(10)				

Appendix A: Sample Conflict of Interest Policy

Note: Items marked *Hospital insert – for hospitals that complete Schedule C* are intended to be adopted by hospitals.

Article I Purpose

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

Article II Definitions

1. Interested Person

Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

[Hospital Insert – for hospitals that complete Schedule C

If a person is an interested person with respect to any entity in the health care system of which the organization is a part, he or she is an interested person with respect to all entities in the health care system.]

2. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
- b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

Article III Procedures

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

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

4. Violations of the Conflicts of Interest Policy

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

Article IV Records of Proceedings

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

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

Article V Compensation

- a. A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

[Hospital Insert – for hospitals that complete Schedule C

- d. Physicians who receive compensation from the Organization, whether directly or indirectly or as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.]

Article VI Annual Statements

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

- a. Has received a copy of the conflicts of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII Periodic Reviews

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

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

Article VIII Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.