

Instructions for Form 1023

(Rev. October 2004)



Department of the Treasury
Internal Revenue Service

Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code

Note: Retain a copy of the completed Form 1023 in the organization's permanent records. See page 5 for information regarding public inspection of approved applications.

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What's New

- Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, has been redesigned to ensure that all information needed to make an accurate determination is available to the IRS.
- The automatic 27-month retroactive exemption rule pursuant to Rev. Proc. 92-85, 1992-42 I.R.B. 32 has been incorporated into the application.
- You can no longer submit Form SS-4, Application for Employer Identification Number, with the application. You must have an Employer Identification Number (EIN) prior to filing Form 1023. See *Part I, line 4*.
- Form 8718, User Fee for Exempt Organization Determination Letter Request, has been incorporated into Form 1023. When filing Form 1023, you will no longer need to file Form 8718 to pay the user fee. User fee information has been incorporated into *Part XI*.
- *Part II, Organizational Structure* has added limited liability companies as a type of organization eligible to apply for exemption.
- Questions about compensation and other financial arrangements with officers, directors, trustees, highest compensated employees, and highest compensated independent contractors aimed at determining whether benefits are appropriate have been added to *Part V*.
- Form 872-C, Consent Fixing Period of Limitation Upon Assessment of Tax Under Section 4940 of the Internal

- Revenue Code, has been obsolete and the required information has been incorporated into *Part X*.
- The **prior revision's Schedule E, Private Operating Foundations** was deleted and the information required on this schedule was incorporated into *Part X*.
 - A **new Schedule E, Organizations Not Filing Form 1023 Within 27 Months of Formation** was created. The purpose of this schedule is to consolidate questions and financial data in one place that relates to whether an exemption can be made retroactive to the organization's date of formation.
 - The prior revision's *Schedule G, Child Care Organizations* was deleted and the information required by this schedule was incorporated into *Part VIII*.
 - *Schedule H, Organizations Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Advance Approval of Individual Grant Procedures* incorporates advance ruling procedures for private foundations requesting advance approval of individual grant procedures.
 - The *Checklist* is required to be submitted with the application.
 - Form 5768, Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation, is now part of Package 1023.
 - The Instructions for Form 1023 include *Appendix A, Sample Conflict of Interest Policy*, *Appendix B, States with Statutory Provisions Satisfying the Requirements of Internal Revenue Code Section 508(e)*, and *Appendix C, Glossary of Terms*.

How To Get Forms and Publications

Personal Computer

- You can access the IRS website 24 hours a day, 7 days a week at www.irs.gov to:
- Order IRS products online.
 - Download forms, instructions, and publications.
 - Get answers to frequently asked tax questions.
 - Search publications online by topic or keyword.
 - Send us comments or request help by email.

- Sign up to receive local and national tax news by email.

CD-ROM

Order Pub. 1796, 2004 Federal Tax Products CD-ROM, and get:

- Current year forms, instructions, and publications.
- Prior year forms, instructions, and publications.
- Frequently requested tax forms that may be filled in electronically, printed out for submission, and saved for recordkeeping.
- The Internal Revenue Bulletin.

Buy the CD-ROM on the Internet at www.irs.gov/cdorders from the National Technical Information Service (NTIS) for \$22 (no handling fee), or call 1-877-CDFORMS (1-877-233-6767) toll free to buy the CD-ROM for \$22 (plus a \$5 handling fee).

By Phone and In Person

You can order forms and publications by calling **1-800-TAX-FORM** (1-800-829-3676). You can also get most forms and publications at your local IRS office.

Overview of Section 501(c)(3) Organizations

Who Is Eligible for Section 501(c)(3) Status?

Organizations organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals are eligible to file Form 1023 to obtain recognition of exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code.

Form 1023 not necessary. The following types of organizations may be considered tax exempt under section 501(c)(3) even if they do not file Form 1023.

- Churches, including synagogues, temples, and mosques.
- Integrated auxiliaries of churches and conventions or associations of churches.
- Any organization that has gross receipts in each taxable year of normally not more than \$5,000.

Even though the above organizations are not required to file Form 1023 to be tax exempt, these organizations may choose to file Form 1023 in order to receive a determination letter that recognizes their section 501(c)(3) status and specifies whether contributions to them are tax deductible.

Qualification of a Section 501(c)(3) Organization

There are two key requirements for an organization to be exempt from federal income tax under section 501(c)(3). A 501(c)(3) organization must be organized

and operated exclusively for one or more exempt purposes.

Organized. An organization must be organized as a corporation (including a limited liability company), trust, or unincorporated association. The organizing document (articles of incorporation if you are a corporation, articles of organization if you are a limited liability company, articles of association or constitution if you are an association, or trust agreement or declaration of trust if you are a trust) must limit the organization's purpose(s) and permanently dedicate its assets to exempt purposes.

Operated. An organization must be operated to further one or more of the exempt purposes stated in its organizing document. Certain other activities are prohibited or restricted, including, but not limited to, the following activities. A 501(c)(3) organization must:

- Absolutely refrain from participating in the political campaigns of candidates for local, state, or federal office.
- Absolutely ensure that its assets and earnings do not unjustly enrich board members, officers, key management employees, or other insiders.
- Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially.
- Not operate for the primary purpose of conducting a trade or business that is not related to its exempt purpose(s).
- Not engage in activities that are illegal or violate fundamental public policy.
- Restrict its legislative activities.

Legislative activity. An organization does not qualify for section 501(c)(3) status if a substantial part of its activities is attempting to influence legislation.

Form 5768. Most public charities are eligible to elect to make expenditures to influence legislation by filing Form 5768, Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation. By filing Form 5768, an eligible organization's legislative activities will be measured solely by an expenditure limit rather than by the "no substantial amount" limit. For additional information on the expenditure limit or the no substantial amount limit, see Publication 557, Tax-Exempt Status for Your Organization.

For this purpose, "legislation" includes action by Congress, a state legislature, a local council, or a similar governing body, with respect to acts, bills, resolutions or similar items (such as legislative confirmation of appointive offices). Legislation also includes action by the public in a referendum, ballot initiative, constitutional amendment, or similar procedure. Legislation generally does not

include actions by executive, judicial, or administrative bodies.

Organizations may involve themselves in issues of public policy without being engaged in legislative activity. For example, organizations may conduct educational meetings, prepare and distribute educational materials, or otherwise consider public policy issues. Similarly, an organization may appear before a governmental body to offer testimony about a decision that may affect the organization's existence.



A private foundation is not allowed to influence legislation.

Political campaign intervention. All 501(c)(3) organizations are absolutely prohibited from directly or indirectly participating or intervening in any political campaign on behalf of (or in opposition to) any candidate for elective public office. Non-partisan voter education activities (including public forums and voter education guides) are permitted. Similarly, non-partisan activities to encourage people to participate in the electoral process, such as voter registration and get-out-the-vote drives, are not prohibited political campaign activity. However, voter education or registration activities that (a) favor one candidate over another, (b) oppose a candidate in some manner, or (c) favor a group of candidates, are prohibited.

Public Charities and Private Foundations

Every organization that qualifies for tax-exempt status under section 501(c)(3) is further classified as either a public charity or a private foundation. For some organizations, the primary distinction between a public charity and a private foundation is an organization's source of financial support.

A public charity has a broad base of support, while a private foundation receives its support from a small number of donors. This classification is important because different tax rules apply to the operations of each entity.

Deductibility of contributions to a private foundation is more limited than contributions to a public charity. See Publication 526, Charitable Contributions, for more information on the deductibility of contributions. In addition, private foundations are subject to excise taxes that are not imposed on public charities.

Public charities. The following 501(c)(3) organizations are classified as public charities.

- Churches.
- Schools.
- Hospitals, medical research organizations, and cooperative hospital service organizations.
- Organizations that receive substantial support from grants, governmental units, and/or contributions from the general public.

- Organizations that normally receive more than one-third of their support from contributions, membership fees, and gross receipts from activities related to their exempt functions, and not more than one-third of their support from gross investment income and net unrelated business income.

- Organizations that support other public charities.

If an organization requests public charity classification based on receiving substantial public support, it must continue to seek significant and diversified public support contributions in later years. A new organization that cannot show it will receive enough public support may request an advance ruling of its status. After 5 years, it must file Form 8734, Support Schedule for Advance Ruling Period, showing its sources of support during the advance ruling period. If the organization does not meet the public support requirements during the 5-year advance ruling period, it could be reclassified as a private foundation.

Private foundation. A 501(c)(3) organization that cannot meet one of the specific exceptions to be classified as a public charity is a private foundation.

TIP *Classification as a private foundation has nothing to do with the name of the organization.*

*There are many organizations that include the word foundation in their names that are **not** private foundations for tax purposes.*

Private operating foundations. A private foundation that lacks general public support but actively conducts exempt programs (as opposed to making grants to other organizations to conduct exempt activities) may be treated as a private operating foundation. Private operating foundations are subject to more favorable rules than other private foundations in terms of charitable contribution deductions and attracting grants from private foundations. In order to be classified as a private operating foundation, an organization must meet certain support tests.

State Registration Requirements

Tax exemption under section 501(c)(3) is a matter of federal law. After receiving federal tax exemption, you may also be required to register with one or more states to solicit for contributions or to obtain exemption from state taxes. The National Association of State Charity Officials (NASCO) maintains a website that provides informational links to the various states for these purposes. It can be accessed at www.nasconet.org.

General Instructions

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

“You” and “Us”. Throughout these instructions and Form 1023, the terms “you” and “your” refer to the organization that is applying for tax-exempt status. The

terms “us” and “we” refer to the Internal Revenue Service.

Definitions. Terms in bold type in Form 1023 are defined throughout these instructions and in *Appendix C*.

Answers

Answer items completely. Where a “Yes” or “No” reply is not requested, you may answer “Not Applicable” where appropriate. If you believe you have previously answered the item, you may refer to your previous answer.



Your answers must provide sufficient detail about your past, present, and planned activities to prove that you are an exempt organization. We will not be able to recognize you as tax exempt based on generalizations. Therefore, we need to understand the specific activities you will undertake to reach your charitable goals.

Financial data. Form 1023 asks you to answer a series of questions and provide information to assist us in determining if you meet the requirements for tax exemption under section 501(c)(3). One of the key pieces of information requested is financial data. This data, whether budgeted or actual, should be consistent with other information presented in the application.

For example, if you are requesting public charity status under one of the public support tests, the financial data should show contributions from the public or receipts from providing exempt services. Budgeted financial data should be prepared based upon your current plans. We recognize that the organization’s actual financial results may vary from the budgeted amounts.

Past, present, and planned activities.

Many items on Form 1023 are written in the present tense; however, your answers should be based on your past, present, and planned activities.

Language and currency requirements.

Prepare Form 1023 and attachments in English. Provide an English translation if the articles of organization or bylaws are in any other language.

We may ask you to provide English translations of foreign language publications you submit with your Form 1023.

Report financial information in U.S. dollars (specify the conversion rate used). Combine amounts from within and outside the United States and report the total for each line on the financial statements.

Purpose of Form

Completed Form 1023 required for section 501(c)(3) exemption. Form 1023 is filed by organizations to apply for recognition of exemption from federal income tax under section 501(c)(3). Upon approval, we will issue a determination letter that provides written assurance

about the organization’s tax-exempt status, and its qualification to receive tax-deductible charitable contributions. Every organization qualifying for exemption under section 501(c)(3) will also be classified as either a “public charity” or a “private foundation.”

Other organizations that may file

Form 1023. Other organizations that apply for tax-exempt status under section 501(c)(3) by filing Form 1023 include section 501(e) and (f) cooperative service organizations, section 501(k) childcare organizations, and section 501(n) charitable risk pools.

Obtaining Tax-Exempt Status

To apply for tax-exempt status, file Form 1023 and pay the appropriate user fee.

Expedite Requests

We will only approve expedited processing of an application where a request is made in writing and contains a compelling reason for processing the application ahead of others.

Circumstances generally warranting expedited processing include:

- A grant to the applicant is pending and the failure to secure the grant may have an adverse impact on the organization’s ability to continue operations.
- The purpose of the newly created organization is to provide disaster relief to victims of emergencies such as flood and hurricane.
- There have been undue delays in issuing a letter caused by problems within the IRS.

User Fee

The law requires payment of a user fee with each application. Submit the appropriate user fee based on your average annual gross receipts as indicated on Form 1023. Enclose payment with your application. **DO NOT STAPLE** or otherwise attach your check or money order to your application.

You may pay your user fee with a personal or certified check, bank check, or cashier’s check. Processing your application will not be delayed by the form of payment unless your check is returned to us for insufficient funds.

Generally, a user fee will be refunded only if we decline to issue a determination. Additional guidance regarding user fees is available in Rev. Proc. 2004-8, 2004-1 I.R.B. 240, or later revision (revised in the first Internal Revenue Bulletin (I.R.B.) issued each year).

For additional information on the user fee, see *Part XI*.

Group Exemption

Form 1023 is not used to apply for a group exemption. A group exemption is issued to a central organization that recognizes on a group basis the exemption of subordinate organizations on whose behalf the central organization

has applied. See Publication 557 for information on how to apply for a group exemption.

Leaving a group exemption. If a subordinate organization in an existing group exemption wishes to apply for an individual exemption, it should notify its parent organization of its intention to leave the group ruling before filing Form 1023.

What to File

All applicants, unless otherwise noted, must complete Parts I through XI of Form 1023, plus any required schedules and attachments.

The following organizations must complete additional schedules to Form 1023.

IF your organization is a(n) . . .	THEN you must file Schedule . . .
Church	A
School, College, or University	B
Hospital or Medical Research Organization . .	C
Section 509(a) Supporting Organization	D
Organization Not Filing Form 1023 Within 27 Months of Formation	E
Home for the Elderly or Handicapped and Low-Income Housing	F
Successor to Other Organizations	G
Organization Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Approval of Individual Grant Procedures	H

Assembly of Application Package

To assist us in processing the application, documents should be submitted in the following order.

- User fee enclosed but not attached to the application form.
- Form 1023 Checklist.
- Form 2848, Power of Attorney and Declaration of Representative (if needed).
- Form 8821, Tax Information Authorization (if needed).
- Expedite request (if needed).
- Application (Form 1023, Checklist, and Schedules A through H, as required).
- Organizing document.
- Amendments to organizing document in chronological order.
- Bylaws or other rules of operation and amendments.

- Documentation of nondiscriminatory policy for schools, as required by *Schedule B*.
- Form 5768, Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation (if filing).
- All other attachments, including explanations, financial data, and printed materials or publications.

Attachments

Use an attachment where there is insufficient space on the form for you to legibly and accurately respond to a question. For any attachments submitted with your Form 1023:

- Use 8½ x 11 inch paper.
- Provide your name and Employer Identification Number (EIN) at the top of each page.
- Identify the Part and line number to which the attachment relates.

Include any court decisions, rulings, opinions, or any other documents that will assist us in processing your Form 1023.

Generally, attachments in the form of tape, recordings or other electronic media are not acceptable unless accompanied by a transcript.

Attachments must be in English.

When to File

If you file Form 1023 within 27 months after the end of the month in which you were legally formed, and we approve the application, the legal date of formation will be the effective date of your exempt status.

If you do not file Form 1023 within 27 months of formation, you may not qualify for exempt status before the date we receive Form 1023. The date considered to be the date we receive Form 1023 is generally the postmark date. For exceptions and special rules, including automatic extensions, see *Schedule E* of Form 1023.

Where To File



Send the completed Form 1023 application, with all required information, and the applicable user fee to:

Internal Revenue Service
P.O. Box 192
Covington, KY 41012-0192

If you are using express mail or a delivery service, send the completed Form 1023 application, with all required information and user fee to:

Internal Revenue Service
201 West Rivercenter Blvd.
Attn: Extracting Stop 312
Covington, KY 41011

Private Delivery Services

In addition to the United States mail, you can use certain private delivery services designated by the IRS to meet the “timely

mailing as timely filing/paying” rule for tax returns and payments. The most recent list of designated private delivery services includes only the following:

- DHL Express (DHL): DHL “Same Day” Service; DHL Next Day 10:30 AM; DHL Next Day 12:00 PM; DHL Next Day 3:00 PM; and DHL 2nd Day Service.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, and FedEx International First.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

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

Filing Assistance

For help in completing this form or general questions relating to an exempt organization, call the Exempt Organization Customer Account Services toll free at 1-877-829-5500. You may also access information on our website at www.irs.gov/eo.

Listed below are a number of publications that may be helpful to your organization.

- Publication 517, Social Security and Other Information for Members of the Clergy and Religious Workers
- Publication 526, Charitable Contributions
- Publication 557, Tax-Exempt Status for Your Organization
- Publication 578, Tax Information for Private Foundations and Foundation Managers
- Publication 598, Tax on Unrelated Business Income of Exempt Organizations
- Publication 1771, Charitable Contributions Substantiation and Disclosure Requirements
- Publication 1828, Tax Guide for Churches and Religious Organizations
- Publication 3079, Gaming Publication for Tax-Exempt Organizations
- Publication 3833, Disaster Relief: Providing Assistance through Charitable Organizations
- Publication 4220, Applying for 501(c)(3) Tax-Exempt Status
- Publication 4221, Compliance Guide for 501(c)(3) Tax-Exempt Organizations
- Publication 78, Cumulative List of Organizations Described in Section 170(c) of the Internal Revenue Code of 1986 (searchable online at www.irs.gov/eo)

Philanthropic Research, Inc., aka GuideStar, a 501(c)(3) nonprofit organization, maintains information about specific section 501(c)(3) organizations (searchable online at www.guidestar.org).

Signature Requirements

An officer, director, trustee, or other official who is authorized to sign for the organization must sign Form 1023 at the end of *Part XI*. The signature must be accompanied by the title or authority of the signer and the date. Please clearly print the accompanying information.

Representation

Form 2848. Attach a completed Form 2848 if you want to authorize a representative to represent you regarding your application. An individual authorized by Form 2848 may not sign the application unless that person is also an officer, director, trustee, or other official who is authorized to sign the application.



A centralized authorization file (CAF) number is not required to be listed on Form 2848.

Form 8821. Form 8821 authorizes us to discuss your application with the person you have appointed.

Form 8821 does not authorize your appointee to advocate your position with respect to the Federal tax laws; to execute waivers, consents, or closing agreements; or to otherwise represent you before the IRS. If you want to authorize an individual to represent you, use Form 2848.

After You Submit Form 1023

We will acknowledge receiving your application in writing. You may expect to receive this notice within 21 days of the postmark date of the Form 1023. Read the notice thoroughly because it will provide further information about the processing of your Form 1023.

No additional information needed. If our initial review shows that you qualify, we will send you a letter stating that you are exempt under section 501(c)(3) and whether you are a public charity or a private foundation.

Additional information needed. If the initial review shows that we need additional information or changes, we will assign Form 1023 to a specialist who will call or write you. Generally, we assign applications in the order we receive them. Unless the application is approved for expedited processing, it will be worked in the order received.

If the additional information indicates that you qualify, we will send you a letter stating that you are exempt under section 501(c)(3) and whether you are a public charity or a private foundation. If we conclude that you do not qualify for exemption, we will send you a letter that explains our position and your appeal rights.

Annual Filing Requirements

If an annual information return or tax return is due while the Form 1023 is pending, complete the return, mark "Application Pending" in the heading, and

send the return to the address indicated in the instructions.

Information on return filing requirements and exceptions may be found in Publications 557 and 598 and in the instructions to the annual returns listed in Figure 1.



You may also be required to file other returns, such as employment tax returns or benefit plan returns, which are not discussed here.

Public Inspection

Information available for public inspection. If we approve exempt status under section 501(c)(3), the following information will be open for public inspection.

- Your complete Form 1023 and any supporting documents.
- All correspondence between you and the IRS concerning Form 1023, including Form 2848.
- The letter we issue approving your exemption.
- Annual information returns (Forms 990, 990-EZ, or 990-PF).
- Schedule A, included with Forms 990 or 990-EZ.
- Schedule B, included with Forms 990 or 990-EZ, except the names and addresses of contributors and other identifying information about contributors.
- Schedule B, included with Form 990-PF, including names, addresses and other identifying information about contributors.

Information not available for public inspection. The following items will not be open for public inspection.

- Any information relating to a trade secret, patent, style of work, or apparatus that, if released, would adversely affect

you. (We must approve withholding this information.)

- Any other information that would adversely affect the national defense. (We must approve withholding this information.)
- User fee check.
- Information only applications from the United States Virgin Islands, Bureau of Internal Revenue (BIR) and related supporting documents.
- Contributors' names and addresses and identifying information about contributors included with Forms 990 or 990-EZ and the Schedule B, filed with these forms.
- Form 990-T, Exempt Organization Business Income Tax Return.

When applying for tax-exempt status, you must clearly identify any information that is not open for public inspection by separately marking it as "NOT SUBJECT TO PUBLIC INSPECTION" and attaching an explanation of why you are asking for the information to be withheld. We will decide whether to withhold the identified information from public inspection.

Making documents available for public inspection. Both you and the IRS must make the information that is subject to disclosure available for public inspection. The public may contact us toll-free at 1-877-829-5500 to request public inspection or copies of the information. The public may also request inspection of the information or a copy of the information directly from you.

An exempt organization may post the documents required to be available for public inspection on its own website. The information return and exemption application materials must be posted exactly as filed with the IRS. Only the information that is not open for public inspection may be deleted.

Figure 1. Table of Annual Returns

Type of Annual Return	Who Should File
Form 990, Return of Organization Exempt from Income Tax	Section 501(c)(3) public charities
Form 990-EZ, Short Form Return of Organization Exempt from Income Tax	Section 501(c)(3) public charities whose gross receipts during the year were less than \$100,000 and total assets at the end of the year were less than \$250,000
Schedule A (Form 990 or 990-EZ), Organization Exempt under Section 501(c)(3)	Section 501(c)(3) public charities
Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors	All section 501(c)(3) organizations
Form 990-PF, Return of Private Foundation	Private foundations, including private operating foundations
Form 990-T, Exempt Organization Business Income Tax Return	Public charities and private foundations that have gross unrelated business income of \$1,000 or more

If an exempt organization posts the documents on its website, it must provide notice of the website address where the documents may be found, but it need not provide copies of the information. However, documents posted on an organization's website must still be made available for public inspection without charge at its main office during regular business hours.

Documents are not considered available for public inspection on a website if the otherwise disclosable information is edited or subject to editing by a third party when posted. To date, the IRS has not approved any third party websites for posting.

See Publication 557 for additional guidance on public inspection.

Foreign Organizations in General

Foreign organizations are those that were created in countries other than the United States, its territories, or its possessions. Foreign organizations may apply for tax-exempt status on income earned in the United States in the same way that domestic organizations apply for exempt status. See, *Language and currency requirements*.

A foreign organization applying for exempt status should complete all required parts of Form 1023. There are, however, special rules below for some Canadian organizations.

TIP Contributions by U.S. residents to foreign organizations generally are not deductible. Tax treaties between the U.S. and certain foreign countries provide specific limited exceptions.

Annual returns for foreign organizations.

A foreign organization that obtains exemption as a public charity must file an information return annually (Form 990 or Form 990-EZ). A foreign organization that is a private foundation must file Form 990-PF annually. However, a foreign organization, other than a private foundation, may be relieved from filing Form 990 or Form 990-EZ in any year in which it has gross receipts from U.S. source income of \$25,000 or less and has not conducted significant activity in the United States. See the Instructions for Form 990 and Form 990-EZ, and the Instructions for Form 990-PF for further information. A foreign organization that is subject to unrelated business income tax must file Form 990-T.

Canadian Organizations

Canadian organizations that have received a Notification of Registration from the Canada Customs and Revenue Agency (formerly, Revenue Canada), and whose registrations have not been revoked ("Canadian registered charities"), are automatically recognized as section 501(c)(3) organizations and are not required to file Form 1023. Canadian

registered charities are also presumed to be private foundations. A Canadian registered charity may complete certain portions of the Form 1023 in order to be listed as a section 501(c)(3) organization in IRS Publication 78, or to request classification as a public charity, rather than a private foundation. A Canadian registered charity should only complete and submit the following documents.

- Copy of its Notification of Registration.
- Part I of Form 1023.
- Part X of Form 1023 (if requesting public charity classification).
- Signature line in Part XI of Form 1023.
- Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b).
- No user fee is required.

Organizations Created in United States Territories and Possessions

Organizations created in possessions and territories of the United States are generally treated as domestic organizations. These organizations complete all required parts of Form 1023 to apply for exempt status under section 501(c)(3). Special rules, discussed below, apply to some Virgin Islands organizations.

Charitable contributions to organizations created in United States possessions and territories are deductible by the donors if the organization qualifies for exempt status under section 501(c)(3).

Virgin Islands Organizations

The United States Virgin Islands, Bureau of Internal Revenue (BIR) may request an information only letter concerning the exempt status under section 501(c)(3) of an organization formed in the Virgin Islands. The organization itself does not seek U.S. recognition of exempt status. The information only procedure requires the BIR to complete Form 1023 and supporting documents for the organization, but does not require a user fee payment. The application and supporting documents are not open for public inspection (see *Public Inspection*, for more information).

All other Virgin Islands organizations that seek U.S. recognition of exempt status under section 501(c)(3) must follow the normal application process.

Specific Instructions

Part I. Identification of Applicant

Line 1. Full name of organization.

Enter your complete name exactly as it appears in your organizing document, including amendments.

Line 2. c/o Name. If you have an "in care of" name, enter it here.

Line 3. Mailing address. Enter your complete address where all

correspondence will be sent. If mail is not delivered to the street address and you have a P.O. Box, show the box number instead of the street address.

For a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice in placing the postal code in the address. Do not abbreviate the country name.

Line 4. Employer Identification Number (EIN). Enter the nine-digit EIN assigned to you.



Do not submit this application until you have obtained an EIN.

An EIN is your account number with us and is required regardless of whether you have employees. If you need an EIN, you can apply for one by:

1. Calling 1-800-829-4933.
2. Calling 1-215-516-6999, if you are located outside the United States.
3. Mailing Form SS-4 to the IRS.
4. Faxing Form SS-4 to a location provided in the Instructions for Form SS-4.

You can get Form SS-4 online at www.irs.gov, or by calling 1-800-829-3676, to order IRS tax forms and publications.

If you previously applied for an EIN and have not yet received it, or you are unsure whether you have an EIN, please call our toll-free customer account services number, 1-877-829-5500, for assistance.

Line 5. Month the annual accounting period ends (01-12).

Enter the month that your annual accounting period ends, using a two-digit number format. For example, if your annual accounting period ends December 31, enter "12." Your annual accounting period is the 12-month period on which your annual financial records are based. Your first tax year could be less than 12 months.

Check your bylaws or other rules of operation for consistency with the annual accounting period entered in line 5.

Line 6a. Primary contact. Your primary contact person may be an officer, director, trustee, or other individual who is permitted to speak with us according to your bylaws or other rules of operation. Your primary contact person may also be an "authorized representative," such as an attorney or certified public accountant for whom you have submitted a completed Form 2848, with the Form 1023.

Line 7. If you wish to be represented by an authorized representative, a completed Form 2848 must be attached to the Form 1023.

Line 8. Provide information about persons, other than your officers, directors, trustees, employees, or authorized representative(s), whom you paid, or promised to pay, to assist you in establishing your organization, developing

programs to solicit funds, or otherwise advising you about organizational, financial, or tax matters.

For example, provide information about a paid consultant who advised you about obtaining tax exemption.

Line 9a. Organization's website. Enter your complete website address if you have one. Also, list any websites maintained on your behalf. The information on your website should be consistent with the information in your Form 1023.

Line 9b. Email (optional). Enter your email address to receive educational information from us in the future. Because of security concerns, we cannot send confidential information via email. However, we can use a fax to contact you.

Line 10. Generally, organizations not required to file Form 990 (or Form 990-EZ) include churches, certain church affiliated organizations, certain affiliates of a governmental unit, and organizations with annual gross receipts normally not more than \$25,000. For more information, see the Instructions for Form 990 and Form 990-EZ.



Private foundations must file Form 990-PF regardless of the amount of their gross receipts.

Line 11. List the date you were legally created by month, day, and year (for example, 02/01/2004). The date should be consistent with your organizing document described in *Part II*.

Line 12. For purposes of completing this application, you are formed under the laws of a foreign country if you are not formed under the laws of (1) the United States, its territories and possessions, (2) federally recognized Indian tribal or Alaska Native governments, or (3) the District of Columbia.

Part II. Organizational Structure

Only trusts, unincorporated associations, or corporations (including limited liability companies) are eligible for tax-exempt status under section 501(c)(3) of the Code. Sole proprietorships, partnerships, or loosely affiliated groups of individuals are not eligible.

To qualify for tax-exempt status, you must check "Yes" on either line 1, 2, 3, or 4 and submit a copy of your organizing document.

Line 1. A "corporation" is an entity organized under a Federal or state statute, or a statute of a federally recognized Indian tribal or Alaskan native government. A corporation's organizing document is its "articles of incorporation."

Certification of filing. If formed under state statute, your articles of incorporation must show certification of filing. This means your articles show evidence that on a specific date they were filed with and

approved by an appropriate state authority. The document must be an exact copy of what is on file with your state.

If you do not have a copy of your articles of incorporation showing evidence of having been filed and approved by an appropriate state official, you may submit a substitute copy of your articles of incorporation. This substitute copy may be handwritten, typed, printed, or otherwise reproduced. It must be accompanied by a declaration, signed by an officer authorized to sign for you, that it is a complete and correct copy of the articles of incorporation and that it contains all the powers, principles, purposes, functions, and other provisions by which you currently govern yourself.

Line 2. A "limited liability company (LLC)" that files its own exemption application is treated as a corporation rather than a partnership. Instead of articles of incorporation, an LLC's organizing document is its state-approved "articles of organization." If it has adopted an "operating agreement," then this document is also part of its organizing document.

An LLC may only have 501(c)(3) member(s) to qualify for an exemption. An LLC should not file an exemption application if it wants to be treated as a disregarded entity by its tax-exempt member.

Line 3. An "unincorporated association" formed under state law must have at least two members who have signed a written document for a specifically defined purpose.

The articles of organization of an unincorporated association must include the name of your organization, your purpose, the date the document was adopted, and the signatures of at least two individuals. If your copy does not contain the proper signatures and date of adoption, you may submit a written declaration that states your copy is a complete and accurate copy of the signed and dated original. Your declaration should clearly indicate the original date of adoption.



Bylaws may be considered an organizing document only if they are properly structured (includes name, purpose, signatures, and intent to form an organization).

Line 4a. A trust may be formed by a trust agreement or declaration of trust. A trust may also be formed through a will.

If your trust agreement copy does not contain the proper signatures, you may submit a written declaration that states your copy is a complete and accurate copy of the signed and dated original. Your declaration should clearly indicate the original date that it was signed.

Trust created by a will. For trusts created by a will, include a copy of the death certificate or a statement indicating

the date of death, and a copy of the relevant portions of the will.

Trust agreement and non-charitable interests. If your trust agreement provided for distributions for non-charitable interests, indicate the date on which these interests expired. If your trust agreement continues to provide for these interests, you will not qualify for tax-exempt status.

Line 4b. Generally, a trust must be funded with property, such as money, real estate, or personal property to be legally created.

Line 5. "Bylaws" are generally the internal rules and regulations of an organization. If you have bylaws, you should submit a current copy.

Bylaws do not need to be signed unless they are the organizing document as described in line 3 above.

Part III. Required Provisions in Your Organizing Document

Line 1. Purpose clause. Your organizing document must limit your purposes to those described in section 501(c)(3). Those purposes are: charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals.

The generally accepted legal definition of "charitable" includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency. Therefore, the phrase "relief of the poor" in your organizing document properly limits your purposes.

If your purposes are limited in some way by referring to section 501(c)(3), your organizing document also properly limits your purposes. For example, the phrase "relief of the elderly within the meaning of section 501(c)(3)" in your organizing document also properly limits your purposes.

However, if the purposes listed in your organizing document are broader than those listed in section 501(c)(3), you should amend your organizing document before applying. A reference to section 501(c)(3) will not ensure that your purposes are limited to those described in section 501(c)(3). All of the language in your organizing document must be considered. The following is an example of an acceptable purpose clause:

The organization is organized exclusively for charitable, religious, educational, and scientific purposes under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code.

See Publication 557 for further information and examples of how to limit your purposes.

Any amendment to your articles of organization you submit should show evidence that it was signed, dated, and certified as described in Part II.

Line 2a. Dissolution clause. Your organizing document must permanently dedicate your assets for a section 501(c)(3) purpose. This means that if you dissolve your organization in the future, your assets must be distributed for an exempt purpose described in section 501(c)(3), or to the federal government, or to a state or local government for a public purpose.

If your organizing document states that your assets would be distributed to members or private individuals or for any purpose other than those provided in section 501(c)(3), you must amend your organizing document to remove such statements.

If multiple amendments are required, they may be done at the same time. For example, if you are a corporation and are required to amend both your purpose and dissolution clauses, you may file a single amending document with your appropriate government authority.

The following is an example of an acceptable dissolution clause:

Upon the dissolution of this organization, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose.

Naming a specific organization to receive your assets upon dissolution will only be acceptable if your articles state that the specific organization must be exempt under section 501(c)(3) at the time your dissolution takes place and your articles provide for an acceptable alternative if the specific organization is not exempt. See Publication 557 for further information and examples of acceptable language for dedication of assets in your organizing document.

Line 2c. Operation of state law. If you are a corporation formed in the following states, then you do not need a specific provision in your articles of incorporation providing for the distribution of assets upon dissolution.

Arkansas
California
Louisiana
Massachusetts

Minnesota
Missouri
Ohio
Oklahoma

If you are a testamentary charitable trust formed in the following states, then you do not need a specific provision in your trust agreement or declaration of trust providing for the distribution of assets upon dissolution.

Alabama
Louisiana
Pennsylvania

South Dakota
Virginia

If you are a testamentary charitable trust formed in the states listed below and the language of your trust instrument provides for a general intent to benefit charity, then you do not need a specific provision in your trust agreement or declaration of trust providing for the distribution of assets upon dissolution.

Arkansas
California
Colorado
Connecticut
Delaware
District of Columbia
Florida
Georgia
Illinois
Indiana
Iowa
Kansas
Kentucky
Maine
Maryland
Massachusetts
Michigan

Minnesota
Mississippi
Missouri
Nebraska
New Hampshire
New Jersey
North Carolina
Ohio
Oklahoma
Oregon
Rhode Island
Tennessee
Texas
Vermont
Washington
Wisconsin

Operation of state law is based on Rev. Proc. 82-2, 1982-1 C.B. 367.

Foreign organizations. Foreign organizations may be able to rely upon the applicable laws of their jurisdiction in a similar manner. You must provide a copy of the applicable law with an English translation.

Part IV. Narrative Description of Your Activities

Describe completely and in detail your past, present, and planned activities. Do not refer to or repeat the purposes in your organizing document. You may refer to other parts of the application rather than repeat information provided elsewhere.

For each past, present, or planned activity, include information that answers the following questions.

- What is the activity?
- Who conducts the activity?
- When is the activity conducted?
- Where is the activity conducted (for example: Los Angeles and San Francisco, California)?
- How does the activity further your exempt purposes?

- What percentage of your total time is allocated to the activity?
- How is the activity funded? (This should agree with the financial data in Part IX.)
- List any alternate names under which you operate, including any "aka" (also known as) or "dba" (doing business as) names.

If you have a website, you may attach a paper copy to support your narrative description of activities.

Part V. Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors

Compensation. For purposes of Part V, compensation includes salary or wages, deferred compensation, retirement benefits, whether in the form of a qualified or non-qualified employee plan (pensions or annuities), fringe benefits (personal vehicle, meals, lodging, personal and family educational benefits, low interest loans, payment of personal travel, entertainment, or other expenses, athletic or country club membership, and personal use of your property), and bonuses.

Example. Assume an organization compensates its director as follows:

Wages	
Director Compensation	\$ 2,500
Salary as Chief Executive Officer	40,000
Deferred retirement	2,000
Health insurance policy	5,000
Use of a vehicle	5,000
Total Compensation	<u>\$ 54,500</u>

Information in Part V must be consistent with the information provided in Part IX. *Financial Data.*

Line 1a. For each person listed, state their total annual compensation, or proposed compensation, for all services to the organization, whether as an officer, employee, or other position. Use actual figures, if available. Officers, directors, and trustees may use the organization's address for mailing.

Line 1b. Employees may use the organization's address for mailing. Report total compensation. For employees who are also officers, directors, or trustees, their compensation as employees and for all other services should be reported in line 1a.

Line 1c. "Independent contractors" are persons who are not treated as employees for employment tax purposes. For information on determining if an individual is an employee or an independent contractor, see Publication 15-A, Employer's Supplemental Tax Guide.

Line 2a. Describe family or business relationships between your officers, directors, or trustees. "Related" refers to both family and business relationships.

- "Family relationships" include the individual's spouse, ancestors, children, grandchildren, great grandchildren, siblings (whether by whole or half blood), and the spouses of children, grandchildren, great grandchildren, and siblings.

- "Business relationships" include employment and contractual relationships, and common ownership of a business where any officers, directors, or trustees, individually or together, possess more than a 35% ownership interest in common. "Ownership" means voting power in a corporation, profits interest in a partnership, or beneficial interest in a trust.

Line 2b. Describe family or business relationships between you and any of your officers, directors, or trustees other than their position with you as an officer, director, or trustee.

Line 2c. Describe family or business relationships between your officers, directors, or trustees and your five highest compensated employees or five highest compensated independent contractors who will receive more than \$50,000 in taxable or non-taxable compensation per year.

Line 3b. "Common control" means that you and one or more other organizations have (1) a majority of your governing boards or officers appointed or elected by the same organization(s), or (2) a majority of your governing boards or officers consist of the same individuals. Common control also occurs when you and one or more commonly controlled organizations have a majority ownership interest in a corporation, partnership, or trust. See the instructions for line 2a, above, for a definition of ownership.

Line 4. By adopting these recommended compensation-setting practices, such as by resolution of your governing board, you will be establishing procedures aimed at helping to prevent your top officials from receiving excess compensation benefits.

Line 4e. "Similarly situated organizations" means tax-exempt or taxable organizations of a comparable size, purpose, and resources. Adjustments due to geographic area, and other specific conditions are appropriate, but should be documented. The source(s) of comparable compensation data, both taxable and non-taxable, should be documented and copies retained in your permanent records.

Line 4g. "Reasonable compensation" is the amount that would ordinarily be paid for like services by like organizations under like circumstances as of the date the compensation arrangement is made. Establishing and documenting reasonable compensation is important because excessive compensation may result in

excise taxes on both the individual and the organization. In addition, this may jeopardize the organization's tax exemption.

Line 5a. A "conflict of interest" arises when a person in a position of authority over an organization, such as a director, officer, or manager, may benefit personally from a decision he or she could make. A *Sample Conflict of Interest Policy* is included as *Appendix A*.

Adoption of a conflict of interest policy is not required to obtain tax-exempt status. However, by adopting the sample policy or a similar policy, you will be choosing to put in place procedures that will help you avoid the possibility that those in positions of authority over you may receive an inappropriate benefit.

Line 6a. A "fixed payment" means a payment that is either a set dollar amount or fixed through a specific formula where the amount does not depend on discretion. For example, a base salary of \$200,000 that is adjusted annually based on the increase in the Consumer Price Index is a fixed payment.

A "non-fixed payment" means a payment that depends on discretion. For example, a bonus of up to \$100,000 that is based on an evaluation of performance by the governing board is a non-fixed payment because the governing body has discretion over whether the bonus is paid and the amount of the bonus.

Line 7a. Do not include purchases of goods and services in your normal course of operations that are available to the general public under similar terms and conditions.

Arm's length. An arm's length standard exists where the parties have an adverse (or opposing) interest. For example, a seller wants to sell his goods at the highest possible price, while a buyer wants to buy at the lowest possible price. These are adverse interests.

In negotiating with a person, an adverse interest is assumed if that person is otherwise unrelated to you in the sense of not being in a position to exercise substantial influence over you or your affairs. If the person is in a position to exercise substantial influence over your affairs, then an arm's length standard requires additional precautions to eliminate the effect of the relationship.

Using a conflict of interest policy, information about comparable transactions between unrelated parties, and reliable methods for evaluating the transaction, are examples of precautions that would help make the negotiation process equivalent to one between unrelated persons.

Fair market value. This is the price at which property or the right to use property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy, sell, or transfer property or the right to use property, and both having reasonable knowledge of relevant facts.

Line 7b. Do not include sales of goods and services in your normal course of operations that are available to the general public under similar terms and conditions.

Line 9a. Answer "Yes" if any of your officers, directors, or trustees:

- Is an officer, director, or trustee in another organization (other than a section 501(c)(3) organization) that has a lease, contract, loan, or other agreement with you.

- Possess more than a 35% ownership interest in any organization that has a lease, contract, loan, or other agreement with you. For example, you would answer "Yes" if one of your directors were an officer for a section 501(c)(4) organization with whom you had a lease for office space. You would also answer "Yes" if one of your directors owns more than 35% of the voting stock of a corporation to which you made a loan.

Part VI. Your Members and Other Individuals, and Organizations That Receive Benefits From You

Line 1a. Benefits to individuals.

Describe any programs where you provide goods, services, or funds to individuals. For example, describe programs by which you provide food to the homeless, employment counseling to senior citizens, or grants to victims of a disaster.

Line 1b. Benefits to organizations.

Describe any programs where you provide goods, services, or funds to organizations. For example, programs where you provide equipment, accounting assistance, or grants to other organizations.

Line 2. For programs that are available only for members, include a sample membership application and a schedule of membership dues. Also, describe any different membership levels and the benefits each membership level receives.

Line 3. Describe any business or family relationship between individuals who receive goods, services, or funds through your programs with any officer, director, trustee, or with any of the five-highest compensated employees or independent contractors listed in *Part V*, lines 1a, 1b, or 1c.

Part VII. Your History

Line 1. You are a "successor" if you have:

- Substantially taken over all of the assets or activities of another organization,
- Been converted or merged from another organization, or
- Installed the same officers, directors, or trustees as another organization that no

longer exists and that had purpose(s) similar to your purpose(s).



The predecessor organization may be or may not have been a tax-exempt or non-exempt organization.

Part VIII. Your Specific Activities

Line 1. You participate in a political campaign if you promote or oppose the candidacy of an individual for public office. Your explanation should include representative copies of your political literature, brochures, pamphlets, etc. Candidate debates and nonpartisan voter education are permitted.



Organizations described in section 501(c)(3) are prohibited from supporting or opposing candidates for public office in any political campaign. If you answer "Yes," you are not qualified for tax exemption under section 501(c)(3) and should reconsider whether the filing of application Form 1023 is appropriate for your organization. See Publication 557 for a description of other Internal Revenue Code sections under which you may qualify.

Line 2a. You are attempting to "influence legislation" if you directly contact or urge the public to contact members of a legislative body for the purpose of proposing, supporting, or opposing legislation. You are also attempting to influence legislation if you advocate the adoption or rejection of legislation. If you answer "Yes," your explanation should include the percentage of your total time and total funds spent on such legislative activities. Also, submit representative copies of your legislative literature, brochures, pamphlets, etc.

Organizations described in section 501(c)(3) are prohibited from engaging in a substantial amount of legislative activities. Whether you are engaged in substantial legislative activities depends on all of the facts and circumstances.

Line 2b. By filing Form 5768 your legislative activities will be measured solely by expenditure limits under section 501(h) rather than by whether legislative activity is considered substantial. Form 5768 is included in Package 1023 for your convenience. It describes the types of organizations that are eligible to make an election. For a discussion of the requirements of section 501(h), see Publication 557. If you are an organization that elects to use expenditure limits in influencing legislation:

- Attach a copy of Form 5768 that has already been separately filed with us, or
- Provide a completed Form 5768 with your exemption application.



Churches and private foundations are not eligible to make this election.

Line 3a. For purposes of this application, "bingo" is a game of chance played with cards that are generally printed with 5 rows of 5 squares each on which participants place markers to form a preselected pattern to win the game. Other gaming activities include pull-tabs, raffles, keno, split-the-pot, and other games of chance.

Describe these activities, including how often your bingo or other gaming activities are conducted, where they are conducted, and who conducts them. Also describe whether your workers are compensated. If workers are compensated, describe who receives compensation and how the amount is determined.

Revenue associated with these activities means gross revenue amounts.

Expenses associated with these activities means direct and indirect expenses. The dollar value of prizes should be included in expenses.



Gaming may be subject to unrelated business income tax. See Publication 3079 for further information about gaming.

Line 3c. Local jurisdictions include cities, counties, towns, municipalities, and similar government jurisdictions within a state. A local jurisdiction also includes an Indian Reservation.

Line 4a. "Fundraising" includes efforts to raise funds through appeals for financial support. Fundraising may be conducted by your employees or volunteers, through an agent, or through an independent contractor. If you answer "Yes," check all the boxes that apply and complete lines 4b through 4e.

Line 4d. Local jurisdictions include cities, counties, towns, municipalities, and similar government jurisdictions within a state. A local jurisdiction also includes an Indian Reservation.

Line 4e. This line is intended to obtain information from you regarding donor-advised funds that you may maintain. A "donor-advised fund" is maintained if you establish separate accounts for a donor whereby the donor may exercise a right to make a recommendation on either uses of the account, such as providing advice about how to invest, or distributions from the account, such as providing advice about how to make expenditures.

Line 5. You are "affiliated" with a governmental unit if you were created by, controlled by, or closely related to a governmental unit. Identify each governmental unit and describe your relationship with it. Include details of any financial reports or audits required by the governmental unit. Also, describe any power or authority given to you by the governmental unit.

For purposes of this question, a "governmental unit" includes a State, a possession of the United States, or any political subdivision of a State or a

possession of the United States, or the United States, or the District of Columbia.

A governmental unit would generally not qualify for exemption under section 501(c)(3). Also, if you can exercise certain sovereign powers, such as the power to tax or police powers, you would generally not qualify for exemption under section 501(c)(3).

Line 6a. "Economic development" organizations are generally formed to combat community deterioration by assisting businesses located in a particular geographic area whose economy is economically depressed or deteriorating. Their varieties of activities include grants, loans, provision of information and expertise, or creation of industrial parks. Economic development organizations may also be formed to eliminate prejudice and discrimination or lessen the burdens of government through involvement with business development.

If your exempt purpose is to combat community deterioration, describe whether the area or areas in which you will operate have been declared blighted or economically depressed by a government finding. If the area has not been declared blighted or economically depressed, a more suitable exemption may be under sections 501(c)(4) or 501(c)(6). See Publication 557 for more information.

If your exempt purpose is to eliminate prejudice and discrimination, describe how your activities further this purpose.

If your exempt purpose is to lessen the burdens of government, describe whether the government has recognized your activities as those for which it would otherwise be responsible, and any involvement you have with governmental entities that demonstrates that you are actually lessening governmental burdens.

Line 7a. "Develop" means the planning, financing, construction, or provision of similar services involved in the acquisition of real property, such as land or a building. For example, you should provide information regarding the services of a consultant who puts together an arrangement for you to acquire a nursing home through the issuance of tax-exempt bonds.

Line 7b. "Manage" means to direct or administer. For example, you would provide information about an organization hired to administer a museum gift shop. See the instructions for *Part V*, line 2a, for a description of the term business or family relationships.

Line 7c. See the instructions for *Part V*, line 2a, for a description of the term business or family relationships. See the instructions for *Part V*, line 7a, for a description of the term arm's length.

Line 8. A "joint venture" is a legal agreement in which the persons jointly undertake a transaction for mutual profit. Generally, each person contributes assets and shares risks. Like a

partnership, joint ventures can involve any type of business transaction and the persons involved can be individuals, groups of individuals, companies, or corporations.

Line 9a. Childcare services provide care for children away from their homes. An organization providing childcare services may qualify for tax-exempt status as either a:

- School under IRC 170(b)(1)(A)(ii).
- Childcare organization under IRC 501(k).

Refer to the instructions for *Part VII*, line 19, to determine if you qualify as a school.

A childcare organization qualifies under IRC 501(k) if it provides care for children away from their homes; substantially all of the childcare enables individuals to be gainfully employed; and the services provided by the organization are available to the general public.

Line 9b. “Gainfully employed” includes enabling individuals to work or to seek work.

Line 9c. Section 501(k) states that to qualify as a childcare organization, substantially all of the care you provide should be to permit individuals to be gainfully employed. If less than 85% of your services are for children of working parents or caretakers:

- Describe the percentage of the children for whom you provide services to permit parents or caretakers to work, and
- Describe any efforts you are taking to increase the percentage of the children for whom you provide services to permit parents or caretakers to work.

Line 9d. Describe any eligibility requirements, such as employment with a particular employer.

Line 10. “Intellectual property” includes:

- Patents (for inventions).
- Copyrights (for literary and artistic works such as novels, poems, plays, films, musical works, drawings, paintings, photographs, sculptures, architectural designs, performances, recordings, film, and radio or television programs).
- Trade names, trade marks, and service marks (for symbols, names, images, and designs).
- Formulas, know-how, and trade secrets.

Line 12a. A “foreign country” is a country other than the United States, its territories and possessions, and the District of Columbia.

Line 13d. A “relationship” between you and the recipient organization includes the following situations:

- You control the recipient organization or it controls you through common officers, directors, or trustees, or through authority to approve budgets or expenditures.
- You and the recipient organization were created at approximately the same time and by the same persons.
- You and the recipient organization operate in a coordinated manner with

respect to facilities, programs, employees, or other activities.

- Persons who exercise substantial influence over you also exercise substantial influence over the other organization.

Line 14a. Answer “Yes” if you make grants, loans, or other distributions, such as goods, to a foreign organization. For purposes of completing this application, a domestic organization is one that is formed under the laws of the United States, its territories and possessions, federally recognized Indian Tribal and Alaska Native governments (including political subdivisions), or the District of Columbia. A “foreign organization” is one that is not a domestic organization.

A list of federally recognized Indian tribes is provided in Rev. Proc. 2002-64, 2002-2 C.B. 717. A list of entities that are treated as political subdivisions of Indian tribal governments is provided in Rev. Proc. 86-17, 1986-1 C.B. 550 and Rev. Proc. 84-36, 1984-1 C.B. 510.

Line 15. A “close connection” between you and another organization includes the following situations:

- You control the organization or it controls you through common officers, directors, or trustees, or through authority to approve budgets or expenditures.
- You and the organization were created at approximately the same time and by the same persons.

For example, you were formed within months of the time that a social welfare organization and a political action committee were established by the same persons who were instrumental in your formation.

- You and the organization operate in a coordinated manner with respect to facilities, programs, employees, or other activities.

For example, you share rental expenses for office space and employees with a for-profit corporation.

- Persons who exercise substantial influence over you also exercise substantial influence over the other organization and (1) you either conduct activities in common or (2) have a financial relationship.

For example, a voting member of your governing body is also a voting member of the governing body of a business league with which you intend to cooperate in planning an advertising campaign that will inform the public about the benefits of a particular program.

For example, a voting member of your governing body is also a voting member of the governing body of a business league that has made a loan to you.

Line 16. A “cooperative hospital service organization” described in section 501(e) is organized and operated on a cooperative basis to provide its section 501(c)(3) hospital members one or more of the following activities.

- Data processing.
- Purchasing (including purchasing insurance on a group basis).

- Warehousing.
- Billing and collection (including purchasing patron accounts receivable on a recourse basis).
- Food.
- Clinical.
- Industrial engineering.
- Laboratory.
- Printing.
- Communications.
- Record center.
- Personnel (including selecting, testing, training, and educating personnel) services.

A cooperative hospital service organization must also meet certain other requirements specified in section 501(e). For additional information, see Publication 557.

Line 17. A cooperative service organization of operating educational organizations described in section 501(f) is organized and operated to provide investment services to its members. Those members must be organizations described in section 170(b)(1)(A)(ii) or (iv), and either tax exempt under section 501(a) or whose income is excluded from taxation under section 115(a).

See Publication 557 for additional information.

Line 18. A “charitable risk pool” described in section 501(n) is organized and operated to pool insurable risks of its section 501(c)(3) members (other than risks related to medical malpractice). A section 501(n) organization must be organized under state law provisions authorizing risk pooling arrangements for charitable organizations and also meet certain other requirements provided by section 501(n).

See Publication 557 for additional information.

Line 19. “A school” is an educational organization whose primary function is the presentation of formal instruction and which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on. A school may include a:

- Primary, secondary, preparatory, or high school.
- College or university.
- Trade or technical school.
- Nursery or pre-school.
- School that you operate as an activity, such as a school that is operated as an activity of a museum, historical society, or church.

If you are a nursery or pre-school that meets the description of a school, you would answer “Yes” to line 19 and complete *Schedule B*. You would also answer “No” to *Part VIII*, line 9a.

If you are a nursery or pre-school that does not meet the description of a school, you would answer “No” to line 19. You would answer “Yes” to *Part VIII*, line 9a, if

you are applying for exemption as a childcare organization.

See Publication 557 for additional information.

Line 20. "Hospital or medical care" includes the treatment of any physical or mental disability or condition, whether as an inpatient or outpatient. A hospital includes:

- Hospitals and rehabilitation institutions, outpatient clinics, or community mental health or drug treatment centers if the principal purpose or function is the providing of medical or hospital care or medical education or research.
- Medical research organizations, if the principal purpose or function is the continuous active conduct of medical research in conjunction with a hospital.

See Publication 557 for additional information.

Line 21. "Low-income housing" refers to rental or ownership housing provided to persons based on financial need. "Elderly housing" refers to rental or ownership housing provided to persons based on age, including retirement, assisted-living, independent living, continuous care, and life care arrangements. "Handicapped housing" refers to rental or ownership housing provided to persons based on physical or mental disabilities, including nursing homes.

If you are a skilled nursing facility, you should also complete *Schedule C*.

Line 22. Answer "Yes" if you pay monies to an individual as a scholarship, fellowship, or educational loan, for travel, study, or other similar purposes. Also answer "Yes" if you pay such amounts on behalf of an individual to a school or a tuition or educational savings program.

Travel, study, or other similar purposes include payments made to enhance a literary, artistic, musical, scientific, teaching or other similar capacity, skill, or talent of the individual recipient. For example amounts paid to:

- Vocational high school students to be used to purchase basic tools.
- Teachers to induce them to teach in an economically depressed, public school system.
- A scientific researcher to underwrite that individual's research project.

Educational grants do not include amounts you pay to an individual as compensation, such as payments made to a consultant for personal services or to produce a report for you.

Educational grants do not include amounts paid to another organization that distributes your funds as a scholarship to an individual if you have no role in the selection process.

If you are a "private foundation" as described in *Part X*, you can request advance approval of your grant-making procedures by completing *Schedule H* and avoid the possible imposition of excise taxes under section 4945.

Part IX. Financial Data

A. Statement of Revenues and Expenses

Existed 4 years or more. If you have been in existence for 4 or more years, complete the *A. Statement of Revenues and Expenses* for your most recently completed year and each of the three years immediately before it for a total of four years of financial information. Place financial information for your most recently completed year in the column marked *Current tax year*.



We may request financial information for more than four years if necessary.

Existed more than one year, less than 4 years. If you have been in existence for more than 1 year and less than 4 years, provide your actual income and expenses for each completed year you have existed and projections of your likely income and expenses based on a reasonable and good faith estimate of your future finances for your current year and each year you have not existed for a total of 3 years of financial information. Place financial information for the year you are filing this application in the column marked *Current tax year*.

Existed less than 1 year. If you have existed for less than 1 year, you must provide projections of your likely income and expenses for your current year and projections of your likely income and expenses for the next 2 years based on a reasonable and good faith estimate of your future finances. Place financial information for the year you are filing this application in the column marked *Current tax year*.

Preparing the statement. Prepare the statements using the method of accounting you use in keeping your books and records. If you use a method other than the cash receipts and disbursements method, attach a statement explaining the method used. For example, state whether you used the accrual method of accounting to prepare the financial statements included with this application.

Prepare the statements using the accounting period entered on *Part I*, line 5. Financial information should reflect projected activities reported elsewhere in this application.

Line 1. Include funds or other items of value that you receive as gifts, grants, or contributions. For example, if one of your activities is a food drive, the value of the donated food must be included on this line. Also include on this line payments a governmental unit makes to enable you to both:

- Accomplish your exempt purpose(s), and
- Provide a service or facility directly to the general public.

See the instructions to line 9 if you are uncertain whether revenue should be included as a grant in line 1 or as gross

receipts in line 9. Unusual grants are not included on this line, but are included on line 12.

Examples

1. A city pays the symphony orchestra to provide free music programs in the public schools. The programs are open to the public. This income received from a governmental unit accomplishes the orchestra's exempt purpose and directly provides a service to the general public. The income is a grant to the symphony orchestra that should be listed on line 1.

2. The symphony orchestra sells tickets to the public for its fall season. Such income is gross receipts received from the general public in performance of the orchestra's exempt function and should be listed on line 9.

3. The public school system pays the symphony orchestra to create several musical pieces suitable for the school system's elementary music curriculum. This payment by a governmental unit for the music compositions is primarily for its (the school system's) own use, not for the direct benefit of the public. Therefore, this income is gross receipts received from a governmental unit in performance of the orchestra's exempt function that should be listed on line 9.

Line 2. Include amounts received from members to provide support to the organization. Do not include payments from members or on behalf of members to purchase admissions, merchandise, services, or use of facilities.

Line 3. Include gross income from dividends, interest, payments received on securities, loans, rents, and royalties that are held for investment purposes.

Line 4. Net income from unrelated business activities generally includes income from any trade or business activity that is regularly carried on, not conducted with substantially all (at least 85%) volunteer labor, and not related to your exempt purposes. (This amount can be taken from Form 990-T, if filed.)

Report on line 9 income from activities that are not related to the accomplishment of your exempt purposes, but are not considered unrelated business activities. For example, income from the sale of merchandise by volunteers that is not treated as an unrelated trade or business is reported on line 9.

See Publication 598 for additional information regarding unrelated business income.

Line 5. Include the amount collected by any local tax authority from the public on your behalf.

Line 6. To determine the value of services or facilities furnished by a governmental unit, use the fair market value of the services or facilities furnished to you. Do not include the value of services or facilities generally provided to the public without charge.

Line 7. Enter the total income from all sources not reported on lines 1 through 6, or lines 9, 11, and 13. Submit an itemized list showing each type and amount of income included on this line. Also, briefly describe each type of income.

Line 8. Add lines 1 through 7 and enter the amount.

Line 9. "Gross receipts" is income from activities that you conduct to further your exempt purposes (excluding amounts listed on other lines). It includes payments by a governmental unit that may be called a "grant," but that is actually payment for a service or facility for the use of the government payer, rather than for the direct benefit of the public.

Example: The state government gives a conservation group a grant to study the consequences to an ecologically significant woodland area of a new sewage treatment plan. Although the payment is called a grant, it is actually gross receipts that should be included on line 9. The payment is by a governmental unit (state) for a study for its own use, not for the direct benefit of the general public. The study could have been done by a for-profit consulting company rather than by the tax-exempt conservation group.

Submit an itemized list of payments by any governmental units showing:

- Payer (governmental unit or bureau).
- Purpose of payment.
- Amount.

Include as gross receipts the income from activity conducted:

- Intermittently (not regularly carried on), such as an occasional auction.
- With substantially all (at least 85%) volunteer labor, such as a car wash.
- For the convenience of members, students, patients, officers, or employees, such as a parking lot for a school's students and employees.
- With substantially all contributed merchandise, such as a thrift store.

See Publication 598 for additional information regarding income that is not from an unrelated trade or business.

Line 10. Add lines 8 and 9 and enter the amount.

Line 11. Attach a schedule with total amounts entered (rather than each individual transaction) for each category using the format in Figure 2.

Line 12. "Unusual grants" generally are substantial contributions and bequests from disinterested persons that by their size adversely affect classification as a public charity. They are unusual, unexpected, and received from an unrelated party.

You must fully describe your unusual grants in *Part X*, line 7. For additional information about unusual grants and a description of public charity classification see Publication 557.

Line 13. Add lines 10 through 12 and enter the amount.

Line 14. Fundraising expenses include the total expenses incurred by you for soliciting gifts, grants, and contributions included on line 1. Where you allocate a portion of your other expenses to fundraising, submit an itemized list describing the amounts allocated. Include fees paid to professional fundraisers for soliciting gifts, grants, and contributions.

Line 15. If distributions have been made, submit an itemized list showing the name of each recipient, a brief description of the purposes or conditions of payment, and the amount paid.

Colleges, universities, and other educational institutions and agencies subject to the Family Educational Rights and Privacy Act (20 U.S.C. 1232g) need not list the names of individuals who were provided scholarships or other financial assistance where such disclosure would violate the privacy provisions of the law. Instead, such organizations should group each type of financial aid provided, indicate the number of individuals who received the aid, and specify the aggregate dollar amount.

Line 16. If payments have been made, submit an itemized list showing the name of each recipient, a brief description of the

purposes or condition of payment, and amount paid. Do not include any amounts on line 15.

Line 17. Enter the total amount of compensation. Be consistent with information provided in *Part V*, lines 1a, 1b, and 1c.

Line 18. Enter the total amount of employees' salaries and wages not reported on line 17, above.

Line 19. Enter the total interest expense for the year, excluding mortgage interest treated as an occupancy expense on line 20.

Line 20. Enter the amount paid for the use of office space or other facilities, heat, light, power, and other utilities, outside janitorial services, mortgage interest, real estate taxes, and similar expenses.

Line 21. If you record depreciation, depletion, and similar expenses, enter the total amount.

Line 22. Professional fees are those charged by individuals and entities that are not your employees. They include fees for professional fundraisers (other than fees listed on line 14, above), accounting services, legal counsel, consulting services, contract management, or any independent contractors.

Line 23. Submit an itemized list showing the type and amount of each significant expense for which a separate line is not provided.

Line 24. Add lines 14 through 23 and enter the amount on line 24.

B. Balance Sheet

Complete the following for your most recently completed tax year. If you have not completed a full tax year, use the most current information available. Be sure to enter the year-end date for the information provided and not the date the form is prepared.

Line 1. Enter the total cash in checking and savings accounts, temporary cash investments (money market funds, CDs, treasury bills, or other obligations that mature in less than one year), and petty cash funds.

Line 2. Enter the total accounts receivable that arose from the sale of goods and/or performance of services, less any reserve for bad debt.

Line 3. Enter the amount of materials, goods, and supplies you purchased or manufactured and held to be sold or used in some future period.

Line 4. Enter the total amount of bonds or notes that you issued that will be repaid to you. Submit an itemized list that shows the name of each borrower, a brief description of the obligation, the rate of return, the due date, and the amount due.

Line 5. Enter the total fair market value (FMV) of corporate stocks you hold. Submit an itemized list of your corporate stock holdings. For stock of closely held corporations, the statement should show

Figure 2. Part IX–A. Statement of Revenues and Expenses
Line 11. Net Gain or (Loss)

	Categories		
	(A) Real Estate	(B) Securities	(C) Other
1. Gross sales price of assets (other than inventory) by category.			
2. Less: Cost or other basis and sales expenses.			
3. Gain or (loss). Subtract line 2 from line 1.			
4. Net gain or (loss) – Add line 3 of columns (A), (B), and (C). Enter here and on Form 1023, <i>Part IX - A. Statement of Revenues and Expenses</i> , line 11.			

the name of the corporation, a brief summary of the corporation's capital structure, the number of shares held, and their value as carried on your books. If such valuation does not reflect current fair market value, also include fair market value.

For stock traded on an organized exchange or in substantial quantities over the counter, the statement should show the name of the corporation, a description of the stock and the principal exchange on which it is traded, the number of shares held, and their value as carried on your books and their fair market value.

Line 6. Enter the total amount of loans (personal and mortgage loans) receivable. Submit an itemized list that shows each borrower's name, purpose of loan, repayment terms, interest rate, and original amount of loan. Report each loan separately, even if more than one loan was made to the same person.

Line 7. Enter the total book value of other investments. Include the total book value of government securities (federal, state, or municipal), and buildings and equipment held for investment purposes. Submit an itemized list identifying and reporting the book value of each building/item of equipment held for investment purposes.

Line 8. Enter the total book value of buildings and equipment not held for investment. This includes facilities you own and equipment you use in conducting your exempt activities. Submit an itemized list of these assets held at the end of the current tax year/period, including the cost or other basis.

Line 9. Enter the total book value of land not held for investment.

Line 10. Enter the total book value of any other category of assets not reported on lines 1 through 9. For example, you would include patents, copyrights, or other intangible assets. Submit an itemized list of each asset.

Line 11. Add lines 1 through 10 and enter the amount.

Line 12. Enter the total amount of accounts payable to suppliers and others, such as salaries payable, accrued payroll taxes, and interest payable.

Line 13. Enter the total unpaid portion of grants and contributions you have committed to pay to other organizations or individuals.

Line 14. Enter the total of mortgages and other notes payable outstanding at the end of the current tax year/period. Submit an itemized list that shows each note separately, including the lender's name, purpose of loan, repayment terms, interest rate, and original amount.

Line 15. Enter the total amount of any other liabilities not reported on lines 12 through 14. Submit an itemized list of these liabilities, including the amounts owed.

Line 16. Add lines 12 through 15 and enter the amount.

Line 17. Under fund accounting, an organization segregates its assets, liabilities, and net assets into separate funds according to restrictions on the use of certain assets. Each fund is like a separate entity in that it has a self-balancing set of accounts showing assets, liabilities, equity (fund balance), income, and expenses. If you do not use fund accounting, report only the "net assets" account balances, which include capital stock, paid-in capital, retained earnings or accumulated income, and endowment funds.

Line 18. Add lines 16 and 17 and enter the amount.

Line 19. If you answer "Yes," describe the change and explain what caused it.

Part X. Public Charity Status

Line 1a. Organizations that are exempt under section 501(c)(3) are private foundations *unless* they are:

- Churches, schools, hospitals, governmental units, entities that undertake testing for public safety; organizations that have broad financial support from the general public; or
- Organizations that support one or more other organization(s) that are themselves classified as public charities.

Section 501(c)(3) organizations excepted from private foundation status are public charities. See the instructions for *Part X*, lines 5a through 5i for a more detailed description of public charities.

Unless you meet one of the exceptions above, you are a private foundation and must answer, "Yes," on line 1a.

Line 1b. Section 508(e) provides that a private foundation is not tax exempt unless its organizing document contains specific provisions. These specific provisions require that you operate to avoid liability for excise taxes under sections 4941(d), 4942, 4943(c), 4944, and 4945(d). You can also meet these provisions by reliance on state law.

See Publication 557, Chapter 3, *Section 501(c)(3) Organizations: Private Foundations*, for samples of provisions that will meet section 508(e). Also, see *Appendix B* for a list of states that have enacted statutory provisions that satisfy the requirements of section 508(e), subject to notations. *Appendix B* is based on Revenue Ruling 75-38, 1975-1 C.B. 161.

Line 2. Some private foundations are private operating foundations. These are types of private foundations that lack general public support, but make qualifying distributions directly for the active conduct of their educational, charitable, and religious purposes. "Directly for the active conduct" means that the distributions are used by the foundation itself to carry out the programs for which it is organized and operated. Grants made to assist other organizations

or individuals are normally considered indirect.

See Publication 578 for additional information about private operating foundations.

Line 3. If you have existed for one year or more, you must provide financial information that demonstrates you meet the requirements to be classified as a private operating foundation.

Line 4. If you have existed for less than one year, you must ordinarily provide an affidavit or opinion of counsel that sets forth facts concerning your operations and projected support to demonstrate that you are likely to satisfy the requirements to be classified as a private operating foundation. If you have not provided an affidavit or opinion of counsel, you may provide a narrative statement that provides sufficient information to demonstrate that you are likely to satisfy the requirements to be classified as a private operating foundation.

Line 5a. Check this box if your primary purpose is operating a church or a convention or association of churches. The term "church" includes mosques, temples, synagogues, etc. If you select this box, complete and submit *Schedule A*.

Line 5b. Check this box if your primary purpose is operating a school. If you select this box, complete and submit *Schedule B*.

If you operate a school but it is not your primary purpose, do not check this box. However, you must still complete and submit *Schedule B*.

Be sure your response is consistent with *Part VIII*, line 19.

Line 5c. Check this box if your primary purpose is providing medical or hospital care, or medical education or research (performed in association with a hospital). If you select this box, complete and submit *Schedule C*.

A hospital includes a rehabilitation institution, outpatient clinic, community mental health clinic, drug treatment center, or skilled nursing facility.

A hospital does not include convalescent homes, homes for children or the aged, or institutions whose principal purpose or function is to train handicapped individuals to pursue some vocation.

Cooperative hospital service organizations described in section 501(e) should also check this box, but do not complete *Schedule C*.

Line 5d. Check this box if you are organized and operated to support organizations described in lines 5a through 5c, 5f, 5g, or 5h, or an organization that is tax exempt under section 501(c)(4), (5), or (6). If you select this box, complete and submit *Schedule D*.

The organization(s) you support should have a significant influence over your operations.

Line 5e. Check this box if your primary purpose is to test products to determine their acceptability for use by the general public.

Contributions to organizations of this type are not deductible under section 170(c). Also, organizations that primarily test for specific manufacturers do not qualify for exemption under section 501(c)(3).

Line 5f. Check this box if you are organized and operated exclusively to benefit a college or university owned or operated by a governmental unit. You must also normally receive a substantial part of your support from a governmental unit or from contributions from the general public.

Organizations that qualify under this category would generally also qualify under section 509(a)(3), line 5d, which would be an easier public charity status to maintain.

Line 5g. Check this box if you normally receive a substantial part of your support from grants from governmental units or from contributions from the general public, or a combination of these sources. Typically, a substantial part of your income would be shown on *Part IX-A. Statement of Revenues and Expenses*, lines 1 and 2.



If you select this public charity status, you must request either an advance ruling or a definitive ruling by completing Part X, line 6.

Under this public charity status, you must meet the one-third public support test or the 10% facts and circumstances test.

Public support test. An organization must receive either (1) at least one-third of its total support from governmental agencies, contributions from the general public, and contributions or grants from other public charities, or (2) at least 10% of its total support from governmental agencies, contributions from the general public, and contributions or grants from other public charities and also satisfy a facts and circumstances test.

Facts and circumstances test. Facts and circumstances include (1) the amount of support you received from the general public, governmental units, or public charities, (2) whether you have a continuous and bona fide program for solicitation of funds from the general public, governmental units, or public charities, and (3) all other facts and circumstances, including the public nature of your governing board, the extent to which your facilities or programs are publicly available, the extent to which your dues encourage membership, and whether your activities are likely to appeal to persons having a broad common interest or purpose. For additional information about the 10% facts and circumstances test, see Publication 557 and Treas. Regs. section 1.170A-9(e)(3).

Line 5h. Check this box if you normally receive more than one-third of your support from contributions, membership fees, and gross receipts from activities related to your exempt functions, or a combination of these sources, and not more than one-third of your support from gross investment income and net unrelated business income. Typically, a substantial part of your income would be shown on *Part IX-A. Statement of Revenues and Expenses*, lines 1, 2, and 9.

Under this public charity status, you must meet both the “one-third public support test” and the “not-more-than-one-third investment income and net unrelated business income test”. Before checking this box, consider the types of income you listed on *Part IX-A. Statement of Revenues and Expenses*, lines 1 through 13. If you select this public charity status, you must request either an advance ruling or a definitive ruling by completing *Part X*, line 6. See Publication 557 for additional information about these tests.

Line 5i. Check this box if you are unsure whether you are better described in box 5g or 5h. By checking this box, you agree to let us choose the best public charity status for you.

Request For Advance Ruling Or Definitive Ruling

If you checked the box for line 5g, 5h, or 5i, you must check either line 6a or 6b. Your request for an “advance ruling” or a “definitive ruling” depends on the following factors:

- The date you were formed or other date that your exemption would be effective;
- Whether you have completed at least one tax year (consisting of at least 8 full months) from the date you were formed or other date that your exemption would be effective; and
- The amount and type of income you have received.

Line 6a. Request for Advance Ruling. By checking the box on line 6a, you are requesting an advance ruling for your public charity status. The advance ruling gives you a 5-year period in which you can get the financial support needed to meet one of the public support tests described in line 5g or 5h. Generally, the financial information for the 5-year period is submitted at the end of your advance ruling period and a final determination is made as to whether you are a public charity or a private foundation.

When your advance ruling period ends in 5 years, we will ask that you provide updated information about your public support by completing Form 8734.

Statute extension. To receive an advance ruling, you must agree to extend the statute of limitations for any of the 5 tax years in the advance ruling period. This agreement allows us additional time to assess federal taxes under section

4940 if you do not qualify as a public charity for any of the 5 tax years in the advance ruling period. You are not required to agree to the extension requested. However, in this situation, we will not be able to issue an advance ruling. If you agree to the extension, the statute will extend 8 years, 4 months, and 15 days beyond the end of your first tax year. By signing the consent, you are agreeing to the statute extension. If, at the end of your 5-year advance ruling period, we determine that you do not meet the public support tests and you are a private foundation, we will assess the tax under section 4940 for that 5-year period.

If you requested an advance ruling, we will return a copy of *Part X* of your application with your signed consent, also signed by an IRS official. Keep this signed document in your permanent records.

First tax year not completed. If you have not yet completed your first tax year consisting of at least 8 full months, you must check the box for line 6a to request an advance ruling. For example, if you were formed on May 15, 2003, with an accounting period that ends December 31, and you submitted your application on August 15, 2004, you must request an advance ruling since your first tax year consisted of only 7½ months and you have not completed your second tax year.

Completed first tax year. If you have completed your first tax year consisting of at least 8 full months but cannot currently meet one of the required public charity support tests, you may still wish to request an advance ruling. This request should only be made if you reasonably expect to meet the required public charity support tests within the 5-year advance ruling period.

Completed more than 5 tax years. If you have completed more than 5 tax years from the date your exemption would be effective, do not request an advance ruling.

Line 6b. Request for Definitive Ruling. By checking line 6b, you are requesting a definitive ruling for your public charity status. The definitive ruling is given to you when you apply if you have existed at least one tax year of 8 months or more, and meet one of the public support tests described in these instructions and Publication 557.

A definitive ruling must be based on your public support computed on the cash method of accounting. Therefore, if you use the accrual method of accounting, please use a worksheet to convert your revenue accounts from the accrual to the cash basis. Such a worksheet is provided in Instructions for Schedule A (Form 990 or 990-EZ), *Part IV-A. Support Schedule*.

If you have completed your first tax year consisting of at least 8 full months and can meet one of the required public charity support tests, you should check the box for line 6b.

To show that you meet one of the required public charity support tests, complete lines 6b(i) and/or 6b(ii).

Line 6b(i)(a). From *Part IX-A. Statement of Revenues and Expenses*, add the line 8 amounts from completed tax years only. Multiply the total by 2% (0.02) and enter the amount in the space provided.

Line 6b(ii)(b). The required list for this line should include the name of and amounts paid by each individual or organization included on line 9, *Part IX-A. Statement of Revenues and Expenses*, that were greater than the larger of 1% of line 10, of the *Part IX-A. Statement of Revenues and Expenses* or \$5,000 for any completed tax year. Your list for each payer must show a year-by-year breakdown of the amounts reported for completed tax years on *Part IX-A. Statement of Revenues and Expenses*, line 9.



Do not include disqualified persons in this list. Disqualified persons should be listed in line 6b(ii)(a).

If you did not receive such payments, check the box for this line.

For purposes of this application, a “disqualified person” is any individual or organization that is:

1. A “substantial contributor” to you (defined below).
2. An officer, director, trustee, or any other individual who has similar powers or responsibilities.
3. An individual who owns more than 20% of the total combined voting power of a corporation that is a substantial contributor.
4. An individual who owns more than 20% of the profits interest of a partnership that is a substantial contributor.
5. An individual who owns more than 20% of the beneficial interest of a trust or estate that is a substantial contributor.
6. A member of the family of any individual described in 1, 2, 3, 4, or 5 above.
7. A corporation in which any individuals described in 1, 2, 3, 4, 5, or 6 above, hold more than 35% of the total combined voting power.
8. A trust or estate in which any individuals described in 1, 2, 3, 4, 5, or 6 above, hold more than 35% of the beneficial interests.
9. A partnership in which any individuals described in 1, 2, 3, 4, 5, or 6 above, hold more than 35% of the profits interest.

Substantial contributor. A “substantial contributor” is any individual or organization that gave more than \$5,000 to you from the date you were formed or other date that your exemption would be effective, to the end of the year in which the contributions were received. This total amount contributed must also be more than 2% of all the contributions you received. A creator of a trust is

treated as a substantial contributor regardless of the amount contributed.

A “member of the family” includes the spouse, ancestors, children, grandchildren, great grandchildren, and their spouses.

See Publication 578 for additional information about disqualified persons, substantial contributors, and members of the family.

Line 7. “Unusual grants” generally are substantial contributions and bequests from disinterested persons that by reason of their size adversely affect classification as a public charity. They are unusual, unexpected, and received from an unrelated party. If you answer “Yes” to line 7, submit a statement for each grant. The statement should include the name of the contributor, the date and amount of the grant, a brief description of the grant, and an explanation of why it is unusual. You should include details of any additional funds you expect to receive from the contributors listed. If they qualify for unusual grant treatment, these amounts should be reported on *Part IX-A. Statement of Revenues and Expenses*, line 12.

See Publication 557 for additional information about unusual grants.

Part XI. User Fee Information



Your application will not be processed without payment of the proper user fee.

Your user fee may be paid by a personal or certified check, bank check, or cashier’s check. Your check should be made payable to the United States Treasury.

Gross receipts. The total amount listed on *Part IX-A. Statement of Revenues and Expenses*, line 10 is your gross receipts for purposes of determining your user fee.

Line 1. Compute the average of your gross receipts for a 4-year period based on either (1) the gross receipts you expect to receive over your first four years if you have not completed a 4-year period, or (2) the gross receipts you actually received for the immediately preceding 4 years if you have completed a 4-year period.

Schedule A. Churches

General Information:

There is no single definition of the word “church” for tax purposes. When determining whether a section 501(c)(3) religious organization is also a church, we will consider characteristics generally attributed to churches and the facts and circumstances of each organization applying for public charity status as a church.

The characteristics generally attributed to churches are as follows.

- A distinct legal existence.

- A recognized creed and form of worship.
- A definite and distinct ecclesiastical government.
- A formal code of doctrine and discipline.
- A distinct religious history.
- A membership not associated with any other church or denomination.
- Ordained ministers ministering to the congregation.
- Ordained ministers selected after completing prescribed courses of study.
- A literature of its own.
- Established places of worship.
- Regular congregations.
- Regular religious services.
- Sunday schools for the religious instruction of the young.
- Schools for the preparation of ministers.

Although it is not necessary that each of the above criteria be met, a congregation or other religious membership group is generally required. A church includes mosques, temples, synagogues, and other forms of religious organizations. For more information, see Publication 1828.

The practices and rituals associated with your religious beliefs or creed must not be illegal or contrary to clearly defined public policy.

Specific Line Items

Line 1a. Provide a copy of your written creed, statement of faith, or summary of beliefs.

Line 1b. A “form of worship” refers to religious practices that express your devotion to your creed, faith, or beliefs.

Line 2a. A “code of doctrine and discipline” refers to a body of laws or rules that govern behavior.

Line 2b. Your “religious history” includes the story of your establishment and major events in your past.

Line 2c. Your literature includes any writings about your beliefs, rules, or history.

Line 3. A “religious hierarchy or ecclesiastical government” refers to people or institutions that exercise significant influence or authority over you.

Line 4a. Indicate the regular days and times of your religious services. Describe the order of events during your regular worship service and explain how the activities conducted as part of your services further your religious purposes. Also include sample copies of church bulletins, pamphlets, or flyers that are distributed to your members or the general public.

Line 4b. Enter on the line provided, the average number of members and non-members who attend your regularly scheduled religious services.

Line 5a. An “established place of worship” is a place where you hold regularly scheduled religious services. It may be a place that you own, rent, or which is provided freely for your use. If

you answer “Yes,” go to line 5b. If you answer “No,” describe where you meet to hold regularly scheduled religious services.

Line 6. An “established congregation” or “other religious membership group” includes individuals who regularly attend and take part in the religious services of your organization at an established location. An established congregation generally does not include members of only one family. If you answer “No” because you do not have an established congregation or other religious membership, you may be a religious organization that does not qualify as a church. If you do not qualify as a church, you will need to go back to *Part X*, line 5, to reconsider your public charity status.



You may request classification as a church at a later date after you establish a congregation or other religious membership group. For information about this option, contact our customer account service representatives at 1-877-829-5500 (toll-free).

Line 7. Enter the total number of your current members in the line provided. If you have no members, enter zero.

Line 8a. Answer “Yes” if you have a prescribed way to become a member. Answer “Yes” even if you just keep records of who is currently a member. Describe any actions required for individuals to become members. Submit copies of any application forms used.

Line 8b. Describe any rights and benefits of members. You should include details of any levels of membership and the rights and/or benefits associated with each level.

Line 8c. If your members may be associated with another denomination or church, describe the circumstances in which your members would be members of your church and another church.

Line 8d. See *Glossary, Appendix C*, for a description of the word “family.”

Line 9. Answer “Yes” if you conduct baptisms, weddings, funerals, or other religious rites.

Line 10. A school for the religious instruction of the young refers to any regularly scheduled religious, educational activities for youth, such as a “Sunday school.”

Line 11a. A “prescribed course of study” refers to formal or informal training. It does not include self-ordination or paying a fee for an ordination certificate without completing a course of study. Describe the course of study completed by your religious leader.

Line 12. Answer “Yes” if your religious leader is listed in *Part V*, line 1a.

Line 14. Answer “Yes” if you are part of a group of churches with similar beliefs and structures, such as a convention, association, or union of churches.

Line 16. If you answer “Yes,” submit a copy of your church charter. Identify the organization that issued the charter and describe the requirements you met to receive it. Do not describe organizational charters you received from your state’s Secretary of State, Franchise Tax Board, or similar administrative office.

Line 17. Attach any additional information you would like us to consider that would help us classify you as a church.

Schedule B. Schools, Colleges, and Universities

General Information:

An organization is a school if it:

- Presents formal instruction as its primary function.
- Has a regularly scheduled curriculum.
- Has a regular faculty of qualified teachers.
- Has a regularly enrolled student body.
- Has a place where educational activities are regularly carried on.

The term “school” includes primary, secondary, preparatory, high schools, colleges, and universities. It does not include organizations engaged in both educational and non-educational activities, unless the latter are merely incidental to the educational activities. Non-traditional schools such as an outdoor survival school or a yoga school may qualify.

The term “school” does not include home schools.

Section I. Operational Information

Line 1a. Answer “Yes” if you have a regularly scheduled curriculum, a regular faculty of qualified teachers, a regularly enrolled student body, and facilities where your educational activities are regularly carried on. Submit evidence establishing that you meet these factors, as described below:

- Evidence that you have a regularly scheduled curriculum includes a list of required courses of study, dates and times courses are offered, and other information about how to complete required courses.
- Evidence that you have a regular faculty of qualified teachers, includes certifications by the appropriate state authority or successful completion of required training.
- Evidence of a regularly enrolled student body includes records of regular attendance by students at your facility.
- Evidence of a place where your exclusively educational activities are regularly carried on includes a lease agreement or deed for your facility.

If you answer “No,” do not complete *Schedule B*. You do not meet the requirements of a school and you will

need to go back to *Part X*, line 5, to reconsider your public charity status.

Line 1b. Answer “Yes” if your primary function is the presentation of formal instruction. If you answer “No,” do not complete *Schedule B*. You do not meet the requirements of a school and you will need to go back to *Part X*, line 5, to reconsider your public charity status.

Line 2a. Answer “Yes” if you are a public school. Submit documentation of your status as a public school. If you answer “Yes,” do not complete the remainder of *Schedule B*.

Line 2b. Answer “Yes” if you have a signed contract or agreement with a state or local government under which you operate and receive funding. Submit a signed and dated copy of your contract or agreement. If you answer “Yes,” do not complete the remainder of *Schedule B*.

Line 3. Enter the name of the public school district and county where you operate.

Line 4. Answer “Yes” if you were formed or substantially expanded during a period of time when public schools in your district or county were desegregated by court order.



If you are unsure whether to answer “Yes,” contact an appropriate public school official.

Line 5. Answer “Yes” if a state or federal administrative agency or judicial body ever determined your organization to be racially discriminatory. Identify the parties involved and the forum in which the case was presented. Explain the reason for the action, the decision reached, and provide legal citations (if any) for the decision. Also, explain in detail any changes made in response to the action against your organization or the decision reached.

Line 7. In responding to this line, you may reference information previously provided in response to *Part VIII*, line 7a, 7b, or 7c, along with any additional information to fully respond.

Line 8. Answer “Yes” if you manage or intend to manage your programs through your own employees or by using volunteers. Answer “No” if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in *Part VIII*, line 7b. In responding to this line, you may reference information previously provided in response to *Part VIII*, line 7a, 7b, or 7c, along with any additional information to fully respond.

Section II. Establishment of Racially Nondiscriminatory Policy

A section 501(c)(3) organization that is a school must publish a notice of its racially nondiscriminatory policy as to students as follows.

The M school admits students of any race, color, national origin, and ethnic origin to all the rights, privileges, programs, and activities generally accorded or made available to students at the school. It does not discriminate on the basis of race, color, national origin, and ethnic origin in administration of its educational policies, admission policies, scholarship and loan programs, and athletic and other school-administered programs.

Every private school is subject to the provisions of Revenue Procedure 75-50, 1975-2 C.B. 587 (Rev. Proc. 75-50). See Publication 557, which sets forth the requirements of Rev. Proc. 75-50 under the section for *Private Schools*.

A private school must also certify annually that it meets the requirements of Rev. Proc. 75-50. This can be accomplished by filing Schedule A (Form 990, Form 990-EZ) Organization Exempt Under Section 501(c)(3).

Schools that do not file Form 990 must file Form 5578, Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax.

Line 1. Answer "Yes" if your organizing document or bylaws contain a nondiscriminatory statement as to students similar to the one shown above.

Answer "No" if the nondiscrimination statement is not included. If the statement is not included in your organizing document or bylaws, you may submit a copy of your signed and dated resolution that was adopted according to your internal rules or regulations. Your resolution should approve a nondiscriminatory policy similar to the one shown above.

Line 2. Answer "Yes" if your brochures, application forms, advertisements, and catalogues dealing with student admissions, programs, and scholarships contain a statement similar to the following.

The M school admits students of any race, color, and national or ethnic origin.

Submit representative copies of each document.

If you answer "No," to line 2, but checked the box on line 2b, you are agreeing that all future printed materials, including Internet content, will contain a statement of nondiscriminatory policy as to students similar to the one provided above.

Line 3. You must demonstrate that you have made your nondiscriminatory policy known to all segments of the general community served by the school. One way of meeting this requirement is to publish the school's nondiscriminatory policy annually. If you have already

published your notice, submit the actual page of the newspaper on which the notice appears. We cannot accept a photocopy, other electronic reproduction, or partial page of the newspaper.

Answer "No," if you have not attached your notice and describe how you meet the publicity requirement of Rev. Proc. 75-50.

See Publication 557 or Rev. Proc. 75-50 for guidance on the format and content of the required notice and whether any exceptions may apply to you.



A notice published in the legal notices section or classified advertisements of your local newspaper is generally not acceptable.

Line 5. Enter the racial composition of your student body, faculty, and administrative staff in the spaces provided. Enter actual numbers, rather than percentages, for the current year and projected numbers for the next academic year. If the number is zero, then enter "0."



Do not identify students, faculty, and staff by name.

If you are completing the table based on estimates, submit documentation that supports how you arrived at the estimated numbers. For example, if your estimates are based on the racial composition of the community in which you operate, submit current census data of the racial composition for the area. If your numbers and the census numbers differ greatly, explain why.

Line 6. Enter the racial composition of students to whom you award loans and scholarships in the spaces provided. Enter actual numbers, rather than percentages, for the current year and projected numbers for the next academic year. If the number is zero, then enter "0."



Do not identify students by name.

Line 7a. Submit a list that identifies each individual or organization by name. Your list must include your incorporators, founders, board members, donors of land, and donors of buildings.

Line 7b. Answer "Yes" if any individuals or organizations on your list have an objective to keep public or private school education segregated by race. Explain how these individuals or organizations promote segregation in public or private schools.

Line 8. Answer "Yes" if on a continuing basis, you will maintain for a minimum period of three years the following records.

- Your racial composition (similar to the information requested in *Schedule B, Section II*, line 5).
- Evidence that your scholarships and loans are awarded on a racially nondiscriminatory basis (similar to the

information requested in *Schedule B, Section II*, line 6).

- Copies of all materials used by you or on your behalf to solicit contributions.
- Copies of brochures, application forms, advertisements, and catalogues dealing with student admissions, programs, and financial aid.

Answer "No" if you do not maintain records and explain how you meet the recordkeeping requirements under Rev. Proc. 75-50.



Failure to maintain these records or produce them upon the proper request, will create a presumption that you have not complied with the requirements of Rev. Proc. 75-50.

Schedule C. Hospitals and Medical Research Organizations

General Information:

An organization qualifies as a hospital if it is a:

- Hospital.
- Cooperative hospital service organization (*Schedule C* not required).
- Medical research organization operated in conjunction with a hospital.

Hospital. An organization is a "hospital" if its principal purpose or function is providing medical or hospital care or medical education or research. Medical care includes treatment of any physical or mental disability or condition, on an inpatient or outpatient basis. Thus, if an organization is a rehabilitation institution, outpatient clinic, or community mental health or drug treatment center, it is a hospital if its principal function is providing treatment services as described above.

A hospital does not include convalescent homes, homes for children or the aged, or institutions whose principal purpose or function is to train handicapped individuals to pursue a vocation.

Medical research organization. An organization is a "medical research organization" if its principal purpose or function is the direct, continuous, and active conduct of medical research in conjunction with a hospital. The hospital with which the organization is affiliated must be described in section 501(c)(3), a federal hospital, or an instrumentality of a governmental unit, such as a municipal hospital.

"Medical research" means investigations, experiments, and studies to discover, develop, or verify knowledge relating to the causes, diagnosis, treatment, prevention, or control of human physical or mental diseases and impairments. For more information, see Treas. Regs. section 1.170A-9(c)(2).

If you are a hospital, check the first box on *Schedule C* and complete *Section I*.

If you are a medical research organization, check the second box on *Schedule C* and complete *Section II*.

Section I. Hospitals

Line 1. Answer “Yes” if all doctors in your community are eligible for staff privileges at your facility. You may answer “Yes” if staff privileges at your facility are limited by capacity.

Answer “No” if all doctors in your community are not eligible for staff privileges at your facility.

If you answer “No,” describe in detail how you limit eligibility for staff privileges at your facility. Include details of your eligibility criteria and selection procedures for your courtesy staff of doctors.

Line 2a. Answer “Yes” if you admit all patients in your community who can pay for themselves or through private health insurance.

Answer “No” if you limit admission for these individuals in any way. If you answer “No,” describe your admission policy in detail. You should explain how and why you restrict patient admission.

Line 2b. Answer “Yes” if you admit all patients in your community who participate in Medicare.

Answer “No” if you limit admission in any way for these individuals. If you answer “No,” describe your admission policy in detail. You should explain how and why you restrict patient admission to exclude persons who participate in Medicare.

Line 2c. Answer “Yes” if you admit all patients in your community who participate in Medicaid.

Answer “No” if you limit admission in any way for these individuals. If you answer “No,” describe your admission policy in detail. You should explain how and why you restrict patient admission to exclude persons who participate in Medicaid.

Line 3a. Answer “Yes” if you require a deposit from Medicare and/or Medicaid patients before admission. If you answer “Yes,” describe in detail how you determined the amount required and explain why a deposit is needed.

Line 3b. Answer “Yes” if you require a deposit for other patients before admission and the requirement is the same as for Medicare and/or Medicaid patients.

Answer “No” if you require a deposit, but deposits for Medicare/Medicaid patients and other patients differ as to: (1) the way the amount is determined, or (2) the reason for the deposit. If you answer “No,” describe the differences in detail.

Line 4a. Answer “Yes” if you offer emergency medical or hospital care at your facility on a 24-hour basis, seven days a week. If “No,” explain why you do not offer an emergency room. For example, emergency care may be inappropriate for the type of services you

provide. Also, describe any emergency services that you provide.

Line 4b. Answer “Yes” if you have a specific written plan or policy to accept all patients in need of emergency care without considering their ability to pay.

If you answer “Yes,” submit a copy of your plan or policy.

Line 4c. Answer “Yes” if you have specific arrangements with any police, fire, or ambulance service providers to bring emergency cases to your facility.

If you answer “Yes,” describe each specific agreement. For written agreements, you may submit a copy of each agreement. If it is oral, explain fully the agreement. For any oral agreements, include details of how and when the agreement was arranged.

Line 5a. Answer “Yes” if you provide free or low cost medical or hospital care services to the poor. If you answer “Yes,” answer lines 5b through 5e. Do not answer 5b through 5e if you answer “No.”

Line 5b. Submit a copy of your written policy or explain fully the understanding under which you operate regarding the admission and/or treatment of charity cases. Explain how you distinguish between charity care and bad debts.

TIP *Include details of how you inform the general public about your policy. Submit copies of any documents or agreements you require charity patients to sign before being admitted and/or treated.*

Line 5c. Submit information that shows the amounts you expend for treating charity care patients and the types of services you provide. Include an explanation that distinguishes charity care patient expenditures from uncollected bad debts.

Line 5d. Submit copies of any written agreements you have with municipalities or government agencies to subsidize the cost of admitting or treating charity patients.

Line 5e. A sliding fee scale establishes payments depending on financial ability to pay.

Line 6a. Answer “Yes” if you have a formal program of medical training and research. If you answer “Yes,” describe your program in detail, including its length and criteria for acceptance into your program.

Line 6b. Answer “Yes” if you have a formal program of community educational programs. If you answer “Yes,” describe your program in detail.

Line 7. Answer “Yes” if you provide office space to physicians conducting their own medical practices.

Line 8. Answer “Yes” if you have a board of directors that is representative of the community you serve. Include a list of each board member with the individual’s name and employment affiliation. Also, for each board member, describe how that individual represents the community.

Generally, hospital employees and staff physicians are not individuals considered to be community representatives.

TIP *Answer “Yes” if an organization described in section 501(c)(3) with a community board exercises rights or powers over you, such as the right to appoint members to your governing board of directors and the power to approve certain transactions. Describe these rights and powers. In addition, describe how each of that organization’s board of directors represents the community.*

Answer “Yes” if you are subject to a state corporate practice of medicine law that requires your governing board to be composed solely of physicians licensed to practice medicine in the state. If you answer “Yes” on this basis, also provide the following information.

- Describe whether a hospital described in section 501(c)(3) exercises any rights or powers over you.
- Identify the corporate practice of medicine law under which you operate.
- Explain how the section 501(c)(3) hospital exercises any rights or powers over you, such as the right to appoint members to your governing board of directors and the right to approve certain transactions.
- Explain what services you provide to the section 501(c)(3) hospital.

Line 10. Answer “Yes” if you manage or intend to manage your programs through your own employees or by using volunteers. Answer “No” if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in *Part VIII*, line 7b.

Line 11. Recruitment incentives may be offered to attract or retain physicians as employees or to serve the community in which the hospital is located. Such incentives are generally offered when there is an acute shortage of such physicians in your hospital or within the community.

Line 12. Physicians who have a financial or professional relationship with you include physicians with whom you have a business relationship, such as employees, staff physicians, participants in joint ventures, or physicians with whom you contract for services.

Line 13. A business relationship includes employment, contractual relationship, or status as a member of your board of directors.

Line 14. Answer “Yes” if you have adopted a conflict of interest policy consistent with the sample conflict of interest policy provided in these instructions or you are subject to similar conflict of interest policies under state law. Provide copies of the policies to which you are subject. Although a conflict of interest policy is not required as a matter of tax law, we encourage adoption of a substantive conflict of interest policy because it makes it more likely that you

will operate for the benefit of the community and not for private interests.

An example of a substantive conflict of interest policy is available in *Appendix A*, in these instructions.

Answer “No” if you have not adopted a conflict of interest policy or you are not subject to conflict of interest policies under state law.

Section II. Medical Research Organizations

Line 1. Attach a list of hospitals with which you have relationships relating to the conduct of medical research. Describe in detail the relationship you have with each hospital. Submit copies of any written agreements.

Line 2. Describe in detail all activities that directly accomplish your conduct of medical research.

Making grants to other organizations does not directly accomplish the conduct of medical research.

Line 3. Your schedule should explain how you determine the fair market value of your assets.

Schedule D. Section 509(a)(3) Supporting Organizations

General Information:

A section 509(a)(3) organization is commonly referred to as a “supporting organization.” An organization that a supporting organization benefits is commonly referred to as a “supported organization.” A supporting organization may support more than one supported organization.

An organization qualifies for public charity status as a supporting organization under section 509(a)(3) if:

- It is organized and at all times thereafter is operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more public charities described in section 509(a)(1) or 509(a)(2);
- It meets one of three required relationship tests with the supported organization(s); and
- It is not controlled directly or indirectly by “disqualified persons.” See specific instructions for *Part X*, line 6b(ii)(b), for a definition of a “disqualified persons.”

A supporting organization can also support the charitable purposes of organizations that are exempt under sections 501(c)(4), (5), or (6).

Section I. Identifying Information About Supported Organization(s)

Line 1. Enter the name, address, and EIN of each organization you support.

Line 2. Answer “Yes” if each supported organization has received a letter from the IRS recognizing it as a public charity under section 509(a)(1) or 509(a)(2). Then, go to *Section II*, line 1.

Answer “No” if any supported organization has not received a letter from us recognizing it as a public charity under section 509(a)(1) or 509(a)(2). Then, go to line 3.

Line 3. Answer “Yes” if any supported organization you listed in line 1 received a letter from us stating that it is exempt under section 501(c)(4), (5), or (6). Also, to show how the organization meets the public support test, submit the amounts and sources of revenue for the last four completed tax years for the supported organization(s). You should provide the requested financial data in the format shown on *Part IX-A. Statement of Revenues and Expenses*, for each supported organization. You must then submit the lists requested by *Part X*, line 6b(ii), which is applicable to the public support test under section 509(a)(2).

Answer “No” if no supported organization listed in line 1 has been recognized as tax-exempt under section 501(c)(4), (5), or (6).



If any organization you intend to support has not received a letter from us recognizing it as a public charity under section 509(a)(1) or 509(a)(2), or has not received a determination recognizing that it is tax-exempt under section 501(c)(4), (5), or (6), you must demonstrate, in writing, that each organization you support is described in section 509(a)(1) or 509(a)(2). For example, if you support a church or foreign organization, you should describe how this organization qualifies as a public charity under section 509(a)(1) or 509(a)(2).

Section II. Relationship with Supported Organization(s) – Three Tests

To qualify under section 509(a)(3), you must show that you meet one of three relationship tests with the supported organization(s).

- Test 1. Operated, supervised, or controlled by (comparable to a parent-subsidiary relationship);
- Test 2. Supervised or controlled in connection with (comparable to a brother-sister relationship); or
- Test 3. Operated in connection with (responsive to the needs or demands of, and having significant involvement in the affairs of, the supported organization(s)).

Line 1. Answer “Yes” if your governing document, bylaws, or other internal rules and regulations show that the majority of your governing board or officers is elected or appointed by the supported organization(s). Then, go to *Section III*.

Answer “No” if your governing document, bylaws, or other internal rules and regulations do not show that the majority of your governing board or officers is elected or appointed by the supported organization(s). If you answer “No” but still believe you satisfy this test, explain and go to *Section III*. Otherwise, go to line 2 because you do not meet the

“operated, supervised, or controlled by” relationship test.

Line 2. Answer “Yes” if your governing document, bylaws, or other internal rules and regulations show that a majority of your governing board consists of individuals who also serve on the governing board of the supported organization(s). Then, go to *Section III*.

Answer “No” if your governing document, bylaws, or other internal rules and regulations do not show that a majority of your governing board consists of individuals who also serve on the governing board of the supported organization(s). If you answer “No” but still believe you satisfy this test, explain and go to *Section III*. Otherwise, go to line 3 because you do not meet the “supervised or controlled in connection with” relationship test.

Line 3. Answer “Yes” if you are a charitable trust under state law, you name each specified publicly supported organization as a beneficiary in your trust agreement, and each beneficiary organization has the power to enforce the trust and compel an accounting under state law. Then, go to *Section II*, line 5.

Line 4a. Answer “Yes” if the officers, directors, trustees, or members of the supported organization(s) elect or appoint any of your officers, directors, or trustees. If your governing document, bylaws, or other internal rules and regulations do not provide for this, explain how your officers, directors, or trustees are elected or appointed. Then, go to line 4d.

Line 4b. Answer “Yes” if any members of the governing body of the supported organization(s) also serve as your officers, directors, trustees, or hold another important office for your organization. Describe the position held and whether the position is ongoing. Then, go to line 4d.

Line 4c. Answer “Yes” if your officers, directors, or trustees maintain a close and continuous working relationship with the officers, directors, or trustees of the supported organization(s). Explain the continuous relationship in detail. Then, go to line 4d.

TIP *If you answer “No,” on line 4c and your answer to lines 3, 4a, and 4b were “No,” you do not meet the “operated in connection with” relationship test. You must establish a different relationship with the supported organization or go back to Part X, to reconsider your public charity status.*

Line 4d. Answer “Yes” if the supported organization has a significant involvement in your investment policies, making and timing of grants, and directing the use of your income and assets. Explain how the supported organization is involved in these matters.

Line 5. An applicant for tax exemption as a supporting organization under the “operated in connection with” relationship must satisfy either the integral part test or the alternative integral part test. If you are

requesting supporting organization status by meeting the “operated in connection with” relationship, you must satisfy either the integral part test or the alternative integral part test. If you satisfy the integral part test described in line 5, then you do not have to complete line 6.

Answer “Yes” if you conduct activities that the supported organization would otherwise conduct. Describe the activities that you conduct, other than distributing funds. Then, go to *Section III*.

Line 6a. To satisfy the alternative integral part test as a supporting organization, you must distribute at least 85% of your annual “net income” to the organization(s) you support. See the *Glossary* for a description of “net income” to be used in calculating whether you meet the 85% distribution threshold.

Answer “Yes” if you distribute at least 85% of your net income to the supported organization(s). For purposes of this schedule, “net income” has the same meaning as the term “adjusted net income,” which is applicable to private operating foundations.

In general, “adjusted net income” is the excess of gross income, including gross income from any unrelated trade or business, determined with certain modifications, reduced by total deductions. Gross income does not include gifts, grants, or contributions.

If you answer line 6a “No,” and your answer to line 5 was “No,” unless you establish that the supported organization(s) will be attentive to your operations, you do not meet the “operated in connection with” relationship test. Go back to *Part X*, to reconsider your public charity status.

Line 6b. Submit a list that shows the total amount distributed annually to each supported organization. Also, indicate how each amount will vary from year to year.

Line 6c. Submit a list that shows the total annual income for each supported organization.

Line 6d. Answer “Yes” if your funds are “earmarked” for a particular program or activity.

If you distribute your income to, or for the use of, a particular department or program of an organization, list the total annual revenue of the supported department or program in line 6c.

Line 7a. The “operated in connection with” test requires that you specify the supported organization(s) by name in your organizing document unless there has been an historic and continuing relationship between you and the supported organization(s).

Line 7b. An historic and continuing relationship depends on all the facts and circumstances that would demonstrate a substantial identity of interests between you and the supported organization.

If you answer “No” to lines 7a and 7b, you may consider amending your

organizing document to specify the supported organization(s) by name so you can answer “Yes” to line 7a. Otherwise, you will need to go back to *Part X* to reconsider your public charity status.

Section III. Organizational Test

Line 1a. If you answered “No” to line 1a, you must amend your organizing document to specify the supported organization(s) by name, purpose, or class. Otherwise, you will not meet the operational test under section 509(a)(3) and you will need to go back to *Part X* to reconsider your public charity status.

Line 1b. If you answered “No” to line 1b, you must amend your organizing document to specify the supported organization(s) by name. Otherwise you will not meet the operational test under section 509(a)(3) and you will need to go back to *Part X* to reconsider your public charity status.

Section IV. Disqualified Person Test

Control. As a section 509(a)(3) supporting organization, you may not be controlled directly or indirectly by disqualified persons. You are controlled if disqualified persons can exercise 50% or more of the total voting power of your governing body. You are also controlled if disqualified persons have authority to affect significant decisions, such as power over your investment decisions, or power over your charitable disbursement decisions. You are also controlled if disqualified persons can exercise veto power. Although control is generally demonstrated where disqualified persons have the authority over your governing body to require you to take an action or refrain from taking an action, indirect control by disqualified persons will also disqualify you as a supporting organization.

See the instructions for *Part X*, line 6b for a description of the term “disqualified person.”

A public charity is not a disqualified person.

A “foundation manager” means your:

- Officers, directors, or trustees, or
- An individual having powers or responsibilities similar to those of your officers, directors, or trustees.

Line 1b. See the instructions for *Part V*, line 2a, for a description of the terms “family or business relationship.”

Schedule E. Organizations Not Filing Form 1023 Within 27 Months of Formation

General Information:

The questions in this schedule will help us determine the effective date of exemption for an organization that filed its application more than 27 months after the

end of the month in which it was legally formed.

- If you meet exceptions for late filing, your exemption under section 501(c)(3) will be effective from the date you were legally formed.
- If you do not meet any exceptions, your exemption under section 501(c)(3) will be effective from the date you filed your application.
- Although you do not meet any exceptions, you may, nevertheless, qualify for tax exemption as an organization described in section 501(c)(4) for the period beginning with the date you were legally formed and ending with the date you are recognized under section 501(c)(3). Generally, contributions made to a section 501(c)(4) organization are not tax deductible.

Line 1. Answer “Yes” if you are a church or an association of churches. You should have also checked *Part X*, line 5a, and completed *Schedule A*. If you qualify as a church or an association of churches, your exemption will be effective from the date of your legal formation.

Answer “Yes” if you are an integrated auxiliary of a church. If you qualify as an integrated auxiliary of a church, your exemption will be effective from the date of your legal formation.

An “integrated auxiliary of a church” refers to a class of organizations that are related to a church or convention or association of churches, but are not such organizations themselves. In general, you must:

- Be described as both tax exempt under section 501(c)(3) and a public charity described in sections 509(a)(1), (2), or (3); and
- Receive financial support primarily from internal church sources as opposed to public or governmental sources.

Men’s and women’s organizations, seminaries, mission societies, and youth groups that satisfy the above referenced sections 501(c)(3) and 509(a)(1), (2), or (3) requirements are considered integrated auxiliaries whether or not they meet the internal support requirements. More guidance as to the types of organizations that qualify as integrated auxiliaries can be found in Treas. Regs. section 1.6033-2(h).

Line 2a. Answer “Yes” if you are a public charity and your annual gross receipts are normally \$5,000 or less. For information about whether your annual gross receipts are normally \$5,000 or less, see Publication 557. If you qualify as an organization with annual gross receipts of normally \$5,000 or less, your exemption would be effective from the date of your legal formation.

Answer “No” if you are a private foundation, regardless of your gross receipts.

Line 2b. Answer “Yes” if:

- Your gross receipts were normally less than \$5,000 for years before your last completed tax year,

- Your gross receipts normally exceeded \$5,000 for your last completed tax year, and
- You filed this application within 90 days from the end of your last completed tax year.

Line 3. Lines 3a, 3b, and 3c are applicable to subordinates included in a group exemption application. See Publication 557 for information regarding group exemptions. If you were a subordinate of a group exemption that was timely filed and you are filing for exemption within 27 months from the date you were notified by the organization holding the group exemption letter that either (1) you are no longer covered by the group exemption letter, or (2) the group exemption request was denied, answer "Yes" and do not complete the remainder of this schedule.

Line 4. Answer "Yes" if you were formed on or before October 9, 1969. If you are a corporation, your formation date is the date your articles of incorporation were filed with and approved by your state officials. If you are an association, your formation date is the date you adopted your organizing document. If you are a trust, your formation date is generally the date your trust was both adopted and funded.



If you answer "Yes," do not complete the rest of this schedule. As an organization formed on or before October 9, 1969, your exemption would be effective from the date of your legal formation. Answer "No" if you were formed after October 9, 1969.

Line 5. You may receive an extension of time to file Form 1023 beyond the 27-month period if you can establish that you acted reasonably and in good faith, and that granting an extension will not prejudice the interests of the government.

- You filed Form 1023 before we discovered your failure to file.
- You failed to file because of intervening events beyond your control.
- You exercised reasonable diligence but you were not aware of the filing requirements. (The complexity of your filing and experience in these matters is taken into consideration.)
- You reasonably relied on written advice from us.
- You reasonably relied on the advice of a qualified tax professional who failed to file or advise you to file Form 1023.

Answer "Yes" if you wish to request an extension of time to file under these provisions. If you answer "Yes," describe in detail the reasons for filing late based on the factors listed above. Do not complete the rest of this schedule.

Answer "No" if you do not wish to request an extension under these provisions and go to line 6a.

Line 6a. By checking "Yes," and completing *Part X*, line 6a, you are eligible for an advance ruling to be classified as a public charity from the postmark date of your application.

Do not complete line 6a, 6b, or 7 if you checked the boxes in *Part X*, lines 5a, 5b, 5c, 5d, or 5e.

Line 6b. If you anticipate significant changes in your sources of support in the future, answer "Yes," and we will base your qualification for an advance ruling on the financial information you provide in line 7. If you check "Yes," complete the financial information requested in line 7 of Schedule E.

If you answer "No," we will base your qualification for an advance ruling on the financial information you provided in *Part IX*. If you answer "No," do not complete line 7 of Schedule E.

Line 7. Complete projected budgets of income for the first two full tax years after the date you mailed your Form 1023. See the specific instructions for *Part IX-A, Statement of Revenues and Expenses*, lines 1 through 13, if you need guidance on what to include in the various categories.

Line 8. Check the box if you wish to request exemption under section 501(c)(4) for the period before the postmark date of your Form 1023. If you check the box, attach page 1 of Form 1024. Form 1024 is available on the IRS website at www.irs.gov or by calling 1-800-829-3676.

If you qualify for exemption under section 501(c)(4), you will not be liable for income tax returns as a taxable entity, but you will need to file any exempt organization returns for which you may be responsible. Contributions to section 501(c)(4) organizations are generally not deductible by donors.

Do not check the box if you do not wish to be tax exempt under section 501(c)(4) for the period before the postmark date of your Form 1023. If you do not request and obtain exemption under section 501(c)(4) for the period before the postmark date of your Form 1023, you may be liable for income tax returns as a taxable entity for that time period.

Schedule F. Homes for the Elderly or Handicapped and Low Income Housing

General Information:

Homes for the elderly or handicapped are eligible for tax exemption as charitable organizations only if they meet the special needs of the elderly or handicapped for residential facilities designed to meet their physical, social, recreation, health care, and transportation needs. Homes for the elderly or handicapped must also be within the financial reach of a significant segment of the elderly or handicapped in the community. Once admitted to the elderly or handicapped housing facility, the organization must have an established policy to maintain them as residents, to the extent possible, even if

the residents subsequently become unable to pay the monthly charges.

Low-income housing must provide affordable housing for a significant segment of individuals in your community with low incomes. Your housing may serve a combination of purposes, such as for poor, frail, and elderly persons.

Section I. General Information about Your Housing

Line 1. The type of housing you provide should include both a description of the type of facility provided, such as apartment complex, condominium, cooperative, or private residence, and the nature of your facility, such as assisted-living facility, continuing-care facility, nursing home, low-income facility, etc.

Line 7. See the instructions for *Part V*, line 7a, for a description of the terms arm's length and fair market value.

Line 8. Answer "Yes" if you manage or intend to manage your programs through your own employees or by using volunteers. Answer "No" if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in *Part VIII*, line 7b.

Line 9. Government programs include federal, state, or local government programs.

Section II. Homes for the Elderly or Handicapped

Line 2a. Answer "Yes" if you charge a one-time fee for admission to your facility.

Line 2b. Answer "Yes" if you charge daily, weekly, monthly, or annual fees or maintenance charges.

Line 2c. A "community" refers to the area that will be served by your facility. For example, a community may be a local area or a region.

Line 3a. Describe what happens to individuals if they become unable to pay your regular charges. For example, you may have a policy whereby you have a reserve fund for maintaining residents who are having trouble in paying their regular charges. You may also have a policy of keeping residents who are having trouble in paying their regular charges in place for a period of time to permit them to find alternative housing. Include a copy of any printed materials that informs the public about your policy.

Line 3b. Describe any arrangements you have or expect to have with welfare agencies, sponsoring organizations, or others to assist residents who become unable to afford to remain residents.

Line 4. Describe how you provide for the health care needs of residents, including the services provided. This can include providing for the activities of daily living of residents at your facilities and transporting residents to other facilities for medical services.

Line 5. Describe how living units and common areas are designed to meet the physical needs of residents (such as grab bars in bathrooms, wide doorways and hallways, design of kitchens and bathrooms, etc.). Also, include information about facilities and programs designed to meet some combination of physical, emotional, recreational, social, religious, and similar needs of residents.

Section III. Low-Income Housing

Line 2. Answer "Yes" if you charge daily, weekly, monthly, or annual fees or maintenance charges.

Schedule G. Successors to Other Organizations

General Information:

You should complete this schedule as a successor organization if any of the following situations pertain to you.

- You have taken or will take over the activities that were previously conducted by another.
- You have taken or will take over 25 percent or more of the fair market value of the net assets of another organization.
- You were established upon the conversion of an organization from for-profit to non-profit status.

The other organization is the predecessor organization. You should complete this schedule regardless of whether the predecessor (other organization) was exempt or not exempt from federal income tax.

Line 1a. For purposes of this schedule, a "for-profit" organization is one in which persons are permitted to have an ownership or partnership interest, such as corporate stock. It includes sole proprietorships, corporations, and other entities that provide for ownership interests.

Schedule H. Organizations Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Advance Approval of Individual Grant Procedures

General Information:

Complete this schedule if you provide scholarships, fellowships, grants, loans, or other distributions to individuals for educational purposes. When answering the questions on this schedule, you should demonstrate how these distributions further your exempt purposes.

Generally, distributions made to individuals may advance educational purposes if selection is made:

- In a non-discriminatory fashion in terms of racial preference,
- Based on need and/or merit, and
- To a charitable class in terms of being available to an open-ended group, rather than to pre-selected individuals.

A scholarship or fellowship is tax free to the recipient only if he or she is:

- A candidate for a degree at an eligible educational institution; and
- Uses the scholarship or fellowship to pay qualified education expenses.

Qualified education expenses include tuition and fees; and course-related expenses such as books, supplies, and equipment. Room and board, travel, research, clerical help, and non-required equipment are not qualified education expenses. See Publication 970, Tax Benefits for Education, for additional information.

Selection of individuals using a lottery system generally has not been approved by the IRS.

Section I

Line 1b. If you have different grant programs, describe the purpose and amount of each program.

Line 1c. If you award educational loans, describe the terms of the loan (for example, interest rate, duration, forgiveness provision, etc.). Also, describe how any other loan institutions are involved in your program.

Line 1d. Explain how you will publicize your program and whether you publicize to the general public or to another group of possible recipients. Include specific information about the geographic area in which your program will be publicized and the means you will use, such as through newspaper advertisements, school district announcements, or community groups.

Line 1e. Submit sample copies of your solicitation material for applicants or materials announcing the awards. If solicitation is done orally through school counselors or others, explain fully.

Line 2. Organizations that make grants to individuals must maintain adequate records and case histories showing the name and address of each recipient pursuant to Revenue Ruling 56-304, 1956-2 C.B. 306. If you answer "No," explain how you will be able to demonstrate that your distributions serve exempt purposes.

Section II

Line 1a. Only complete lines 1a through 4 if you are a private foundation based on your answers to Part X, line 1a. Answer "Yes" if you are a private foundation and you are requesting advance approval of your grant-making procedures under section 4945(g). Answer "No" if you are a private foundation but do not wish to request advance approval of your grant-making procedures under section

4945(g). If you answer "No," the amounts you distribute as educational grants provided to individuals may be considered taxable expenditures under section 4945.

Answer "N/A" if you are requesting public charity status in Part X.

See Publication 578 for more information about taxable expenditures and advance approval of grant-making procedures of a private foundation.

Line 1b. Check the box for section "4945(g)(1)" if your award qualifies as a scholarship or fellowship grant that is awarded on an objective and nondiscriminatory basis and is used for study at a school (see the *Schedule B, General Information* for what is considered a school).

Check the box for section "4945(g)(3)" if the purpose of your award is to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the recipient. Include your educational loan program under this section. You may check more than one box.

If your award qualifies as a prize or award that is subject to the provisions of section 74(b) and your recipient is selected from the general public, you do not have to request advance approval of your grant-making procedures since a prize or award is not subject to the advance approval procedure requirements because it is not a grant for travel, study, or other similar purposes. See Revenue Rulings 77-380, 1977-2 C.B. 419; 76-460, 1976-2 C.B. 371, and 75-393, 1975-2 C.B. 451.

Line 4. See Publication 578, Chapter VI, *Taxable Expenditures: Advance approval of grant-making procedure*, for additional information regarding private foundations requesting advance approval of individual grant procedures.

Line 4a Answer "Yes" if you award scholarships on a preferential basis because you require, as an initial qualification, that the individual be an employee or be related to an employee of a particular employer.

Line 4c. Answer "N/A" if you do not provide scholarships, fellowships, or educational loans to employees of a particular employer.

Line 4d. Answer "N/A" if you do not provide scholarships, fellowships, or educational loans to children of employees of a particular employer.

Line 4e. Answer "N/A" if your answer to line 4d is "N/A."



For purposes of this schedule, a program for children of employees of a particular employer includes children and family members of employees.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. If you want your organization to be recognized as tax exempt by the IRS, you are required to give us this information. We need it to determine whether the organization meets the legal requirements for tax-exempt status.

The organization is not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. The rules governing the confidentiality of the Form 1023 application are covered in Code section 6104.

The time needed to complete and file these forms will vary depending on individual circumstances. The estimated average times are:

	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to the IRS
Parts I to XI	89 hrs. 26 mins.	5 hrs. 10 mins.	9hrs. 39 mins.	48 mins.
1023 Sch. A	10 hrs. 2 mins.	6 mins.	16 mins.	—
1023 Sch. B	15 hrs. 18 mins.	12 mins.	27 mins.	—
1023 Sch. C	11 hrs. 14 mins.	12 mins.	23 mins.	—
1023 Sch. D	9 hrs. 48 mins.	42 mins.	53 mins.	—
1023 Sch. E	14 hrs. 35 mins.	1 hrs. 9 mins.	2 hrs. 22 mins.	16 mins.
1023 Sch. F	11 hrs. 28 mins.	12 mins.	23 mins.	—
1023 Sch. G	6 hrs. 42 mins.	6 mins.	12 mins.	—
1023 Sch. H	7 hrs. 53 mins.	42 mins.	51 mins.	—

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

DO NOT send the application to this address. Instead, see *Where to File* on page 4.

Appendix A: Sample Conflict of Interest Policy

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

Article I Purpose

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

Article II Definitions

1. Interested Person

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

[Hospital Insert – for hospitals that complete Schedule C

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

2. Financial Interest

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

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

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

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

Article III Procedures

1. Duty to Disclose

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

2. Determining Whether a Conflict of Interest Exists

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

3. Procedures for Addressing the Conflict of Interest

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

4. Violations of the Conflicts of Interest Policy

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

Article IV **Records of Proceedings**

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

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

Article V **Compensation**

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

[Hospital Insert – for hospitals that complete Schedule C

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

Article VI **Annual Statements**

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

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

Article VII **Periodic Reviews**

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

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

Article VIII **Use of Outside Experts**

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

Appendix B: States with Statutory Provisions Satisfying the Requirements of Internal Revenue Code Section 508(e)

The following states have adopted legislation satisfying the requirements of section 508(e) relating to private foundation governing instruments. Information derived from Revenue Ruling 75-38, 1975-1 C.B. 161.

ALABAMA — except where otherwise provided by a decree of a court of competent jurisdiction or by a provision in the private foundation's governing instrument which in either case has been entered or made after October 1, 1971, and expressly limits the applicability of State law.

ALASKA — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Alaska law do not apply to them.

ARKANSAS — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Arkansas law do not apply to them and except in the case of trusts where otherwise provided by decree of a court of competent jurisdiction.

CALIFORNIA — except where otherwise provided by a court of competent jurisdiction.

COLORADO — with respect to trusts that are private foundations except where otherwise provided by a court of competent jurisdiction.

CONNECTICUT — except where otherwise provided by a court of competent jurisdiction.

DELAWARE — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Delaware law do not apply to them.

DISTRICT OF COLUMBIA — except for such corporations which expressly provide in their governing instruments that the applicable sections of District of Columbia law do not apply to them and except in the case of trusts where otherwise provided by a court of competent jurisdiction. (For purposes of this statute, corporations include corporations organized under any Act of Congress applicable to the District of Columbia as well as corporations organized under the laws of the District of Columbia.)

FLORIDA — except for such trusts which file a proper election not to be subject to the applicable provisions of Florida law and for such corporations as to which a court of competent jurisdiction has otherwise determined.

GEORGIA — except for such private foundations which file a proper election not to be subject to such law.

HAWAII — no exceptions.

IDAHO — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Idaho law do not apply to them.

ILLINOIS — except for such corporations which have express provisions to the contrary in their articles of incorporation and except for trusts where it is otherwise provided by a court of competent jurisdiction.

INDIANA — except where otherwise determined by a court of competent jurisdiction with respect to private foundations organized before January 1, 1970.

IOWA — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Iowa law do not apply to them.

KANSAS — except where otherwise provided by a court of competent jurisdiction.

KENTUCKY — except, with respect to corporations in existence on July 1, 1972, to the extent that such a corporation provides to the contrary by amendment to its articles of incorporation adopted after July 1, 1972, and, with respect to trusts in existence on July 1, 1972, where action is properly commenced on or before December 31, 1972, in a court of competent jurisdiction to excuse the trust from compliance with the requirements of section 508(e) of the Code.

LOUISIANA — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Louisiana law do not apply to them.

MAINE — except where otherwise provided by a court of competent jurisdiction.

MARYLAND — except where otherwise provided by a court of competent jurisdiction.

MASSACHUSETTS — except where otherwise provided by a court of competent jurisdiction.

MICHIGAN — with respect to trusts that are private foundations except for such private foundations which file a notice of inconsistency under Michigan law.

MINNESOTA — except for private foundations that have been held by a court of competent jurisdiction not to be affected by such State statute.

MISSISSIPPI — except where otherwise provided by a court of competent jurisdiction.

MISSOURI — except for private foundations that have been held by a court of competent jurisdiction not to be affected by such State statute.

MONTANA — except in the case of trusts where otherwise provided by court decree entered after March 28, 1974, and except in the case of a corporation which has an express provision to the contrary in its articles of incorporation.

NEBRASKA — except for such trusts which effectively elect to be excluded from the applicable sections of Nebraska law, for such corporations which have governing instruments expressly providing to the contrary, and except as a court of competent jurisdiction has otherwise determined in any given case.

NEVADA — no exceptions.

NEW HAMPSHIRE — except where it is otherwise provided by a court of competent jurisdiction.

NEW JERSEY — except for such private foundations which expressly provide in their governing instruments that the applicable sections of New Jersey law do not apply to them.

NEW YORK — except where such law conflicts with any mandatory direction of an instrument by which assets were transferred prior to June 1, 1971, and such conflicting direction has not been removed legally.

NORTH CAROLINA — except for such private foundations which expressly provide in their governing instruments that the applicable sections of North Carolina law do not apply to them and except for trusts that have their governing instruments reformed by a decree of the Superior Court of North Carolina.

NORTH DAKOTA — with respect to trusts that are private foundations except where otherwise provided by a court of competent jurisdiction.

OHIO — except in the case of trusts where it is provided otherwise by a court of competent jurisdiction and except in the case of corporations in existence on September 17, 1971, which expressly adopt contrary provisions in their governing instruments after September 17, 1971.

OKLAHOMA — except for such private foundations which file a proper election not to be subject to such law.

OREGON — no exceptions.

PENNSYLVANIA — except where otherwise provided by a court of competent jurisdiction.

RHODE ISLAND — except where otherwise provided by a court of competent jurisdiction.

SOUTH CAROLINA — except for private foundations which expressly provide in their governing instruments that the applicable sections of South Carolina law do not apply to them.

SOUTH DAKOTA — except where otherwise provided by a court of competent jurisdiction.

TENNESSEE — except where otherwise provided by a court of competent jurisdiction.

TEXAS — except for such private foundations which file a proper election not to be subject to such law.

UTAH — with respect to trusts that are private foundations except where otherwise provided by a court of competent jurisdiction.

VERMONT — except where otherwise provided by a court of competent jurisdiction.

VIRGINIA — except for private foundations whose governing instruments contain express provisions to the contrary or which have filed a proper election not to be subject to such law.

WASHINGTON — except for such private foundations which expressly provide in their governing instruments that the applicable sections of Washington law do not apply to them.

WEST VIRGINIA — with respect to trusts that are private foundations except for such trusts which provide in their governing instruments that the applicable sections of West Virginia law do not apply to them.

WISCONSIN — except as may otherwise be provided by decree of a court of competent jurisdiction.

WYOMING — except where otherwise provided by a court of competent jurisdiction.

Appendix C: Glossary of Terms

Adjusted net income (for Schedule D)	<p>Adjusted net income includes: gross income from any unrelated trade or business; gross income from functionally related businesses; interest payments received on loans; amounts received or accrued as repayments of amounts taken as qualifying distributions for any tax year; amounts received or accrued from the sale or other disposition of property to the extent acquisition of the property was treated as a qualifying distribution for any tax year; any amounts set aside for a specific project to the extent the full set aside was not necessary for the project; interest on government obligations normally excluded under section 103 of the Code; net short-term capital gains on sale or other disposition of property; and income received from an estate if the estate is considered terminated for income tax purposes because of a prolonged administration period.</p> <p>It does not include: gifts, grants, and contributions received; long-term capital gains or losses; net section 1231 gains; capital gain dividends; the excess of fair market value over adjusted basis of property distributed to the U.S. or a possession or political subdivision, a state or its political subdivision, a charitable trust or corporation for public purposes, or income received from an estate during the administration period.</p> <p>In computing adjusted net income, deduct the following: ordinary and necessary expenses paid or incurred for the production or collection of gross income, or for the management, conservation, or collection of gross income (includes operating expenses such as compensation of officers, employee wages and salaries, interest, rent, and taxes); straight-line depreciation and depletion (not percentage depletion); and expenses and interest paid or incurred to carry tax-exempt obligations. Do not deduct net short-term capital losses for the year in which they occur (these losses cannot be carried back or carried over to earlier or later tax years); the excess of expenses for property used for exempt purposes over the income received from the property; charitable contributions made by you; net operating losses; and special deductions for corporations.</p>
Advance ruling	<p>A written determination by us on your public charity status that treats you as a publicly supported organization during a 5-year period beginning, generally, from the date of your formation. At the end of the 5-year period, you will qualify for a definitive ruling (defined below) if you were publicly supported based on the support you received during the 5-year period.</p>
Affiliated	<p>Created by, controlled by, or closely related to a governmental unit, including a State, a possession of the United States, or any political subdivision of a State or a possession of the United States, or the United States, or the District of Columbia.</p>
Arm's length	<p>A transaction between parties having adverse (or opposing) interests; where none of the participants are in a position to exercise substantial influence over the transaction because of business or family relationship(s) with more than one of the parties.</p>
Authorized representative	<p>By submitting Form 2848, an attorney or certified public accountant who is permitted to represent you before us regarding your application for tax-exempt status.</p>
Bingo	<p>A game of chance played with cards that are generally printed with 5 rows of 5 squares each, on which participants place markers to form a pre-selected pattern to win the game. Bingo is gambling.</p>

Business relationships	Employment and contractual relationships, and common ownership of a business where any officers, directors, or trustees, individually or together, possess more than a 35% ownership interest in common. Ownership means voting power in a corporation, profits interest in a partnership, or beneficial interest in a trust.
Bylaws	The internal rules and regulations of an organization.
Certification of filing	Articles of incorporation for your organization showing evidence that on a specific date they were filed with and approved by an appropriate state authority.
Charitable risk pool	An organization described in section 501(n), which is organized and operated to pool insurable risks (other than medical malpractice) of its section 501(c)(3) members.
Close connection	A relationship between organizations that may include: control of one organization by another through common governance or through authority to approve budgets or expenditures; coordination of operations as to facilities, programs, employees, or other activities; or common persons exercising substantial influence over all of the organizations.
Common control	You and one or more other organizations have (1) a majority of your governing boards or officers appointed or elected by the same organization(s), or (2) a majority of your governing boards or officers consist of the same individuals. Common control also occurs when you and one or more commonly controlled organizations have a majority ownership interest in a corporation, partnership, or trust. Ownership means voting power in a corporation, profits interest in a partnership, or beneficial interest in a trust.
Community	The local or regional geographic area to be served by an organization.
Compensation	All forms of income from working, including salary or wages; deferred compensation; retirement benefits, whether in the form of a qualified or non-qualified employee plan (for example: pensions or annuities); fringe benefits (for example: personal vehicle, meals, lodging, personal and family educational benefits, low interest loans, payment of personal travel, entertainment, or other expenses, athletic or country club membership, and personal use of your property); and bonuses.
Conflict of interest policy	A conflict of interest arises when a person in a position of authority over an organization, such as a director, officer, or manager, may benefit personally from a decision he or she could make. A conflict of interest policy consists of a set of procedures to follow to avoid the possibility that those in positions of authority over an organization may receive an inappropriate benefit.
Controlled by disqualified persons	As a section 509(a)(3) supporting organization, you may not be controlled directly or indirectly by disqualified persons. You are controlled if disqualified persons can exercise 50% or more of the total voting power of your governing body. You are also controlled if disqualified persons have authority to affect significant decisions, such as power over your investment decisions, or power over your charitable disbursement decisions. You are also controlled if disqualified persons can exercise veto power. Although control is generally demonstrated where disqualified persons have the authority over your governing body to require you to take an action or refrain from taking an action, indirect control by disqualified persons will also disqualify you as a supporting organization.

Cooperative hospital service organization	An organization described in section 501(e) is organized and operated on a cooperative basis to provide its section 501(c)(3) hospital members one or more of the following activities: data processing, purchasing (including purchasing insurance on a group basis), warehousing, billing and collection (including purchasing patron accounts receivable on a recourse basis), food, clinical, industrial engineering, laboratory, printing, communications, record center, and personnel (including selecting, testing, training, and educating personnel) services.
Cooperative service organization of operating educational organizations	An organization described in section 501(f) is organized and operated to provide investment services to its members. Those members must be organizations described in section 170(b)(1)(A)(ii) or (iv), and either tax exempt under section 501(a) or whose income is excluded from taxation under section 115(a).
Corporation	An entity organized under a Federal or state statute, or a statute of a federally recognized Indian tribal or Alaskan native government.
Definitive ruling	A written determination by us on your public charity status that classifies you as a publicly supported organization if you have completed your first tax year, consisting of at least 8 full months, and you meet one of the public support tests. A definitive ruling may also be issued at the end of your 5-year advance ruling period if you were issued an advance ruling and you meet one of the public support tests.
Develop	Develop means the planning, financing, construction, or provision of similar services involved in the acquisition of real property, such as land or a building.
Disqualified person	Any individual or organization that is: <ul style="list-style-type: none"> a. A substantial contributor to you (see <i>substantial contributor</i>). b. An officer, director, trustee, or any other individual who has similar powers or responsibilities. c. An individual who owns more than 20% of the total combined voting power of a corporation that is a substantial contributor to you. d. An individual who owns more than 20% of the profits interest of a partnership that is a substantial contributor to you. e. An individual who owns more than 20% of the beneficial interest of a trust or estate that is a substantial contributor to you. f. A member of the family of any individual described in a, b, c, d, or e above; g. A corporation in which any individuals described in a, b, c, d, e, or f above hold more than 35% of the total combined voting power; h. A trust or estate in which any individuals described in a, b, c, d, e, or f above hold more than 35% of the beneficial interests; and i. A partnership in which any individuals described a, b, c, d, e, or f above hold more than 35% of the profits interest.
Earmark	Donations or other contributions given to you to assist particular individuals or specific identified groups.
Economic development	Organizations formed to combat community deterioration by assisting businesses located in a particular geographic area whose economy is economically depressed or deteriorating. Economic development activities include grants, loans, provision of information and expertise, or creation of industrial parks. Economic development organizations may also be formed to eliminate prejudice and discrimination or lessen the burdens of government through involvement with business development.

Elderly housing	Generally, the primary beneficiaries of the tax-exempt housing are age 62 and older. The elderly are treated as appropriate charitable beneficiaries for certain purposes regardless of socio-economic status because, as a group, they face many barriers to their basic needs as they age. The elderly, as a class, face forms of distress other than financial, such as the need for suitable housing, physical and mental health care, civic, cultural, and recreational activities, and an overall environment conducive to dignity and independence.
Expenses	Financial burdens or outlays; costs (of doing business); business outlays chargeable against revenues. For purposes of this form, expenses mean direct and indirect expenses.
Fair market value	The price at which property or the right to use property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy, sell, or transfer property or the right to use property, and both having reasonable knowledge of relevant facts.
Family	Includes an individual's spouse, ancestors, children, grandchildren, great grandchildren, siblings (whether by whole or half blood), and the spouses of children, grandchildren, great grandchildren, and siblings.
Foreign country	A country other than the United States, its territories and possessions, and the District of Columbia.
For-profit	A business entity whose activities are conducted or maintained to make a profit (e.g. revenues greater than expenses).
Foundation manager	Officers, directors, or trustees, or an individual having powers or responsibilities similar to those of a foundation's officers, directors, or trustees.
Fundraising	The organized activity of raising funds, whether by volunteers, employees, or paid independent contractors.
Gainfully employed	Employed or actively looking for work.
Gaming	The term gaming includes activities such as Bingo, Beano, lotteries, pull-tabs, pari-mutuel betting, Calcutta wagering, pickle jars, punch boards, tip boards, tip jars, certain video games, 21, raffles, keno, split-the-pot, and other games of chance.
Gross investment income	As defined in section 509, gross investment income means the gross amount of income from interest, dividends, payments with respect to securities loans, rents, and royalties, but not including any such income to the extent included in computing the tax imposed by section 511.
Gross receipts	For purposes of <i>Part IX-A. Statement of Revenues and Expenses</i> , gross receipts includes monies earned from activities related to your charitable or other section 501(c)(3) activities, such as selling admissions or merchandise, performing services, or furnishing facilities.
Handicapped	Persons with physical or mental disabilities with special needs for suitable housing, physical and mental health care, civic, cultural, and recreational activities, transportation, and an overall environment conducive to dignity and independence.

Hospital	Hospital or medical care includes the treatment of any physical or mental disability or condition, whether on an inpatient or outpatient basis. A hospital includes: <ul style="list-style-type: none"> a. Hospitals and rehabilitation institutions, outpatient clinics, or community mental health or drug treatment centers if the principal purpose or function is the providing of medical or hospital care or medical education or research. b. Medical research organizations, if the principal purpose or function is the continuous active conduct of medical research in conjunction with a hospital.
Independent contractors	Persons who are not treated as employees for employment tax purposes.
Influence legislation	The act of directly contacting or urging the public to contact members of a legislative body for the purpose of proposing, supporting, or opposing legislation. You are also attempting to influence legislation if you advocate the adoption or rejection of legislation.
Intellectual property	A type of property (distinct from real or personal property) which includes: <ul style="list-style-type: none"> a. Patents (for inventions). b. Copyrights (for literary and artistic works such as novels, poems, plays, films, musical works, drawings, paintings, photographs, sculptures, architectural designs, performances, recordings, film, and radio or television programs). c. Trade names, trade marks, and service marks (for symbols, names, images, and designs). d. Formulas, know-how, and trade secrets.
Joint ventures	A legal agreement in which the parties jointly undertake a transaction for mutual profit. Generally, each person contributes assets and shares risks. Like a partnership, joint ventures can involve any type of business transaction and the “persons” involved can be individuals, groups of individuals, companies, or corporations.
Limited liability company	A limited liability company (LLC) combines attributes of both corporations and partnerships (or, for one-person LLCs, sole proprietorships). The corporation’s protection from personal liability for business debts and the pass-through tax structure of partnerships and sole proprietorships.
Low-income housing	Rental or ownership housing provided to persons based on financial need.
Mailing address	Address where you wish all correspondence to be sent.
Manage	Manage means to direct or administer.
Medical care	The treatment of any physical or mental disability or condition, whether on an inpatient or outpatient basis.
Medical research organization	An organization whose principal purpose or function is the continuous active conduct of medical research in conjunction with a hospital.
Net income (for Schedule D)	See <i>adjusted net income</i> .
Non-fixed payments	A non-fixed payment means a payment that depends on discretion. For example, a bonus of up to \$100,000 that is based on an evaluation of performance by the governing board is a non-fixed payment because the governing body has discretion over whether the bonus is paid and the amount of the bonus.

Organizing document	The organizing document depends on the form of the organization. For a corporation, the document is the articles of incorporation. For a limited liability company (LLC), the document is the articles of organization. For an unincorporated association, the document is the articles of association or constitution. The organizing document of a trust is the trust agreement.
Political	You participate in a political campaign if you promote or oppose, through political literature, brochures, pamphlets, hosting or participating in events, etc., the candidacy of an individual for public office. Debates and nonpartisan voter education are not considered political.
Predecessor	An organization whose activities or assets were taken over by another organization.
Private foundations	Organizations that are exempt under section 501(c)(3) are private foundations unless they are: churches, schools, hospitals, governmental units, entities that undertake testing for public safety; organizations that have broad financial support from the general public; or organizations that support one or more other organizations that are themselves classified as public charities.
Private operating foundation	A type of private foundation that lacks general public support, but makes qualifying distributions directly for the active conduct of its educational, charitable, and religious purposes. "Directly for the active conduct" means that the distributions are used by the foundation itself to carry out the programs for which it is organized and operated. Grants made to assist other organizations or individuals are normally considered indirect.
Public charity	Organizations that are exempt under section 501(c)(3) and are not private foundations because they are: churches, schools, hospitals, governmental units, entities that undertake testing for public safety; organizations that have broad financial support from the general public; or organizations that support one or more other organizations that are themselves classified as public charities. Public charity status is a more favorable tax status than private foundation status.
Reasonable compensation	Reasonable compensation is the amount that would ordinarily be paid for like services by like organizations under like circumstances as of the date the compensation arrangement is made. Reasonable compensation is important because excessive benefits in the form of compensation to disqualified persons may result in the imposition of excise taxes and jeopardize the organization's tax-exempt status.
Related	The family or business relationships between persons.
Relationship	A relationship between you and the recipient organization includes the following situations: <ul style="list-style-type: none"> a. You control the organization or it controls you through common officers, directors, or trustees, or through authority to approve budgets or expenditures. b. You and the organization were created at approximately the same time and by the same persons. c. You and the organization operate in a coordinated manner with respect to facilities, programs, employees, or other activities. d. Persons who exercise substantial influence over you also exercise substantial influence over the other organization.
Revenue	Revenue means gross revenue amounts.

Revenue Procedure	An official statement of a procedure published in the IRS Cumulative Bulletin that either affects the rights or duties of taxpayers or other members of the public under the Internal Revenue Code and related statutes, treaties, and regulations or, although not necessarily affecting the rights and duties of the public, should be a matter of public knowledge.
Revenue Ruling	An official interpretation by the IRS of the Internal Revenue laws and related statutes, treaties, and regulations, that has been published in the Cumulative Bulletin. Revenue Rulings are issued only by the National Office and are published for the information and guidance of taxpayers, IRS officials, and others concerned.
SS-4	Application for Employer Identification Number.
School	A school is an educational organization whose primary function is the presentation of formal instruction and which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on. A school may include a: <ul style="list-style-type: none"> a. Primary, secondary, preparatory, or high school. b. College or university. c. Trade or technical school. d. Nursery or preschool. e. School that you operate as an activity, such as school that is operated as an activity of a museum, historical society, or church.
Similarly situated	Similarly situated organizations means tax-exempt or taxable organizations of a comparable size, purpose, and resources.
Substantial contributor	Any individual or organization that gave more than \$5,000 to you from the date you were formed or other date that your exemption would be effective, to the end of the year in which the contributions were received. This total amount contributed must also be more than 2% of all the contributions you received. A creator of a trust is treated as a substantial contributor regardless of the amount contributed.
Successor	An organization that took over: <ul style="list-style-type: none"> a. More than a negligible amount of the activities that were previously conducted by another organization; b. Twenty-five percent or more of the fair market value of the net assets of another organization; or c. Was established upon the conversion of an organization from for-profit to non-profit status.
Trust	A trust is an entity that may be formed by a trust agreement or declaration of trust. A trust may also be formed through a will.
Unincorporated association	An unincorporated association formed under state law must have at least two members who have signed a written document for a specifically defined purpose.
Unusual grants	Substantial contributions and bequests from disinterested persons that by their size adversely affect classification as a public charity. They are: <ul style="list-style-type: none"> a. Unusual; b. Unexpected; and c. Received from an unrelated party.

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