

Internal Revenue Service
Tax-Exempt & Government Entities Division
Office of Exempt Organizations
Draft Form 990 Redesign – Schedule A
June 14, 2007

Rationale

The 2006 Form 990 Schedule A must be completed by all public charities and requires information regarding numerous unrelated topics. These include information about compensation of independent contractors and highly compensated employees, specified activities posing compliance concerns, the basis for an organization's public charity status, a private school's discriminatory practices, lobbying expenditures, and transactions and relationships with non-charitable exempt organizations. The redesigned Schedule A converts the schedule into one that focuses exclusively on the public charity status of a section 501(c)(3) organization.

Overview

Schedule A must be filed by all section 501(c)(3) organizations.

- Part I – changed 2006 Part IV by renumbering to move supporting organizations to the end and adding additional questions for supporting organizations
- Parts II and III
 - o created separate public support test schedules for 509(a)(1)/170(b)(1)(A)(vi) and 509(a)(2) organizations
 - o changed public support computation period to five years to provide consistency with advance ruling period public support test
 - o eliminated requirement to use cash method
- NOTE:
The Service is considering using this schedule to issue definitive rulings of public charity status in lieu of the Form 8734 process. Comments are requested on how to implement this change

Where did it go?

- Compensation of Five Highest Paid Employees Other Than Officers, Directors, and Trustees – moved to Form 990, Part II, Section A
- Compensation of Independent Contractors for Professional Services and Compensation of Independent Contractors for Other Services – combined and moved to Form 990, Part II, Section B
- Statement of Activities
 - o question 1 moved to Form 990 Part VIII, question 2
 - o question 2 moved to Form 990, Part II, Section B, question 5
 - o questions 3a and 3b eliminated
 - o question 3c moved to Form 990, Part VII, question 2
 - o question 3d moved to Form 990, Part VII, question 3

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- o question 4 moved to Form 990, Part VII, question 4 and Schedule D, Part IX
- Private School Questionnaire – inserted question 10 on Form 990, Part VII and moved questionnaire to Schedule E
- Lobbying Activities – moved to Schedule C
- Information Regarding Transfers To and Transactions and Relationships with Noncharitable Exempt Organizations – moved to Schedule R and limited to related organizations

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20XX Instructions for Schedule A

Who Must File

The following organizations must complete and attach Schedule A to its Form 990:

- all organizations described in section 501(c)(3)
- nonexempt charitable trusts described in section 4947(a)(1)

If the organization is not required to file Form 990, it is not required to file Schedule A.

Period Covered

The filing organization's Schedule A (Form 990) covers the same period as the Form 990 with which it is filed.

Part I. Reason for Public Charity Status

Lines 1 through 11. Reason for Public Charity Status. Check one of the boxes on these lines to indicate the reason the organization is not a private foundation. The organization's exemption letter states this reason.

Line 2. School. Check the box on line 2 for a school whose primary function is the presentation of formal instruction, and which regularly has a faculty, a curriculum, an enrolled body of students, and a place where educational activities are regularly conducted.

TIP: An organization that checks this box must also complete Schedule E, *Schools*.

Line 3. Hospital or Cooperative Hospital Service Organization. Check the box on line 3 for an organization whose main purpose is to provide hospital or medical care. A rehabilitation institution or an outpatient clinic may qualify as a hospital, but the term does not include medical schools, medical research organizations, convalescent homes, homes for the aged, or vocational training institutions for the handicapped.

Check the box on line 3 also for a cooperative hospital service organization described in section 501(e).

TIP: Organizations that check this box must also complete Schedule H, *Hospitals*.

Line 4. Medical Research Organization. Check the box on line 4 for a medical research organization operated in conjunction with a hospital. The hospital must be described in section 501(c)(3) or operated by the Federal government, a state or its political subdivision, a U.S. possession or its political subdivision, or the District of Columbia.

Medical research means studies and experiments done to increase or verify information about physical or mental diseases and disabilities and their causes, diagnosis, prevention, treatment, control. The organization must conduct the research directly and continuously. If it primarily gives funds to other organizations (or grants and scholarships to individuals) for them to do the research, the organization is not a medical research organization.

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The organization is not required to be an affiliate of the hospital, but there must be an understanding that there will be close and continuous cooperation in any joint-effort medical research.

Assets test/Expenditure test. An organization qualifies as a medical research organization if its principal purpose is medical research, and it devotes more than half its assets, or spends at least 3.5% of the fair market value of its endowment, in conducting medical research directly.

Either test may be met based on a computation period consisting of the immediately preceding tax year or the immediately preceding 4 tax years.

If an organization does not satisfy either the assets test or the expenditure test, it may still qualify as a medical research organization, based on the circumstances involved.

These tests are discussed in Regulations sections 1.170A-9(c)(2)(v) and (vi). Value the organization's assets as of any day in its tax year but use the same day every year. Value the endowment at fair market value, using commonly accepted valuation methods. (See Regulations section 20.2031.)

Line 5. Organization Operated for the Benefit of a College or University. Check the box on line 5 and complete the Part II *Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)* if the organization receives and manages property for and expends funds to benefit a college or university that is owned or operated by one or more states or their political subdivisions. The school must be as described in the instructions for line 2.

Expending funds to benefit a college or university includes acquiring and maintaining the campus, its buildings, and equipment, granting scholarships and student loans, and making any other payments in connection with the normal functions of colleges and universities.

The organization must meet essentially the same public support test described below for lines 7 and 8. See Rev. Rul. 82-132, 1982-2 C.B. 107.

Lines 7 and 8. Organization Meeting the Section 509(a)(1) Public Support Test. Check the box on either line 7 or 8 and complete the Part II *Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)* if the organization meets the section 509(a)(1) public support test.

Line 9. Organization Meeting the Section 509(a)(2) Public Support Tests. Check the box on line 9 and complete the Part III *Support Schedule for Organizations Described in IRC 509(a)(2)* to determine whether the organization meets both of the section 509(a)(2) support tests.

Line 10. Organization Operated to Test for Public Safety. Check the box on line 10 only if the organization has received a ruling from the IRS that it is organized and operated primarily to test for public safety.

Line 11. Supporting organization.

Check the box on line 11 if the organization is a supporting organization.

A *supporting organization* is an organization that is operated only for the benefit of and in connection with organizations listed in lines 1 through 9, or with organizations described in sections 501(c)(4), (5), or (6) that meet the tests of section 509(a)(2) (described in line 9). For more information about supporting organizations see Regulations section 1.509(a)-4.

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If the organization is a supporting organization, it must also check either box 11a, 11b, 11c or 11d to show the type of supporting organization it is. The organization must also complete lines 11e through 11i. Line 11i requires information about the organizations the organization supports.

Lines 11a-d. Type of supporting organization.

Use the information below to determine the type of supporting organization the organization is.

- **Type I.** A Type I organization is operated, supervised or controlled by one or more publicly supported organizations. If the organization can answer "Yes" to the following question, check the box for "Type I."

Does the governing body, officers or membership of the supported public charity(ies) select a majority of the supporting organization's officers, directors or trustees?

- **Type II.** A Type II supporting organization is supervised or controlled in connection with one or more publicly supported organizations. If the organization can answer "Yes" to the following question, check the box for "Type II."

Do the same persons supervise or control the supported organization(s) and the supporting organization, such as directors, trustees, and officers?

- **Type III-Functionally Integrated.**

Check this box if:

1. The organization is not described in Type I or Type II above,
2. The organization's activities engaged in for, or on behalf of, the publicly supported organizations, are activities to perform the functions of, or to carry out the purposes of, the publicly supported organizations, and
3. But for the organization's involvement, such activities would normally be engaged in by the publicly supported organizations themselves.

See Regulation section 1.509(a)-4(i)(3)(ii), Notice 2006-109, and any further related guidance for more information.

- **Type III – Other.** Check this box if the organization is not described as a *Type I*, *Type II*, or *Type III-Functionally Integrated* organization.

Line 11i – Information Regarding Supported Organizations. All organizations checking a box on line 11 must complete the line 11i table.

- **Columns (i) and (ii).** List the name and employer identification number for each supported organization even if no monetary support was provided to the supported organization.
- **Column (iii).** For each supported organization, show which line number (from lines 1 through 9) best describes the supported organization. For example, if the organization supported a hospital, enter "3" in column (iii).

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- **Column (iv).** Check “Yes” if the supported organization is specifically named as a supported organization in the organization’s Declaration of Trust, articles of incorporation, or other governing document.
- **Column (v).** Check “Yes” if the organization notified the supported organization(s) of its support.
- **Column (vii).** Enter the total amount of monetary support paid to, or for the benefit of, each supported organization during the tax year. Enter “-0-” if no monetary support was provided during the tax year.

See Schedule D in Form 1023, and its related instructions and Regulations section 1.509(a)-4 for more information.

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

Caution: Complete this section only if the organization

- checked a box on line 5, 7, or 8 of Part I.
- is terminating its private foundation status under section 507(b)(1)(B) to establish that it qualified as a publicly supported organization under section 509(a)(1) during the 60-month termination period.

All other organizations may disregard this section.

Public Support Test. To qualify as a 509(a)(1) publicly supported organization, an organization must receive either (1) at least 33-1/3% 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. However, an organization will not meet the public support test if it is dependent primarily on gross receipts from activities that are related to its tax-exempt purpose (e.g. almost all of its support is received from gross receipts from related activities and an insignificant amount of its support is received from governmental agencies, contributions from the general public, and contributions or grants from other public charities).

Public support is measured over five years. If the organization was not in existence for the entire period covered by this table, report information only for the years the organization was in existence. Column (e) is the year for which the organization is completing the Form 990 to which Schedule A will be attached.

Line 1. Gifts, grants and contributions received. (Do not include any “unusual grants.”)

Support from a Governmental Unit. Include on this line support received from a governmental unit. This includes any amounts received from a governmental unit, including donations or contributions and amounts received in connection with a contract entered into with a governmental unit for the performance of services or in connection with a government research grant, unless they are amounts received from exercising or performing the organization’s tax-exempt purpose or function. An amount received from a governmental unit is not treated as

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received from exercising or performing the organization's tax-exempt purpose or function if the payment is to enable the organization to provide a service to, or maintain a facility for, the direct benefit of the public, as for example, to maintain library facilities that are open to the public.

Unusual Grants. For an organization that received any unusual grants during the five-year period, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the grant. In the list, show only the amounts the organization actually received during the applicable year. (Do not file this list with the organization's return.) An example of such a list is given below.

Line 1 Example

Year → 2007	Description Undeveloped land
Name → Mr. Distinguished Donor	
Date of Grant → January 15, 2007	
Amount of Grant → \$6,000	

Attach a schedule to the return showing the amount of each unusual grant actually received each year, but do not include the names of the grantors.

Unusual grants generally are substantial contributions and bequests from disinterested persons and are:

1. Attracted because of the organization's publicly supported nature,
2. Unusual and unexpected because of the amount, and
3. Large enough to endanger the organization's status as normally meeting the public support test.

A grant that meets these terms may be treated as an unusual grant even if the organization receives the funds over a period of years.

Do not treat gross investment income items as unusual grants. Instead, include all investment income on line 8.

See Rev. Rul. 76-440, 1976-2 C.B. 58 and Regulations sections 1.170A-9(e)(6)(ii) and 1.509(a)-3(c)(3) and (4) for details about unusual grants.

Line 5. Amounts Exceeding 2%. Prepare a list for the organization's files to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for during the four preceding years exceeded 2% of the amount shown in line 12 column (f). (Do not file this list with your return.) Enter the total of all these excess amounts on line 5 column (f). An example of such a list for line 5 is given below.

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Line 5 Example

2% of amount on line 12 column (f) of Part II \$12,000							
Contributors whose total gifts from 20XX through 20XX were in excess of the 2% limitation							
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Name	20XX	20XX	20XX	20XX	20XX	Total	Excess contribution s (col. (f) less the 2% limitation
XYZ Foundation			\$59,000	\$3,000	\$18,000	\$80,000	\$68,000
Apple Office Supply	\$12,000			3,000	1,000	\$16,000	4,000
Plum Corporation			15,000	15,000		30,000	18,000
John Smith	5,000	\$5,000	5,000	1,000		16,000	4,000
Sue Adams		10,000		10,000	10,000	30,000	18,000
Apple Trade Assoc.			20,000	7,000		27,000	15,000
Total	Enter the total of column (g) on line 5 column (f) of Part II						\$127,000

Line 8. Passive Income. Include on this line the gross amount of income from interest, dividends, payments received on securities loans (section 512(a)(5)), rents, royalties and income from similar sources.

Line 10. Gross Receipts from Activities Not an Unrelated Trade or Business Under Section 513. Enter on line 10 gross receipts the organization received from activities that are not treated as an unrelated trade or business under section 513. (However, include on line 1 any contributions the organization received as part of these activities.)

Examples include income from:

1. Qualified public entertainment activities conducted at certain fairs or expositions and qualified convention and trade show activities (section 513(d)); certain bingo games (section 513(f)); certain pole rentals (section 513(g)); certain distributions of low cost articles (section 513(h)); and certain sponsorship payments (section 513(i)).
2. Fundraising events, income from which is not taxable as unrelated business income because:

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- Substantially all the work is performed without compensation (section 513(a)(1)), or
- They are carried on by the organization primarily for the convenience of its members (section 513(a)(2)), or
- They consist of selling merchandise, substantially all of which has been received by the organization as gifts or contributions (section 513(a)(3)).

Line 11. Other Income. Include on this line all support as defined in section 509(d) that is not otherwise reported on this schedule.

Line 18. 33-1/3% or More. If the organization did not check the box on line 17 and the Public Support Percentage on either line 14 or 15 is 33-1/3% or more, **check the box on this line and do not complete the rest of this schedule.** The organization meets the section 509(a)(1) public support test as either a 170(b)(1)(A)(iv) or 170(b)(1)(A)(vi) organization and qualifies as a 509(a)(1) publicly supported organization for the current year and for the subsequent year.

Line 19. 10% Facts and Circumstances Test. If the organization did not check the boxes on line 17 and 18, it may qualify as a publicly supported organization if it receives at least 10% of its support from the general public for the five-year period listed on the Support Schedule and it meets the “facts and circumstances” test. If the organization meets this test, **check the box on this line and do not complete the rest of this schedule.** The organization qualifies as a 509(a)(1) publicly supported organization for the current year and for the subsequent year. **Attach a schedule** explaining how the organization meets the “facts and circumstances” test in Reg. 1.170A-9(e)(3). Include the following information in this schedule:

- Whether the organization maintains a continuous and bona fide program for solicitation of funds from the general public, community, membership group involved, governmental units or other public charities.
- All other facts and circumstances, including the sources of support, whether the organization has a governing board which represents the broad interests of the public, and whether the organization generally provides facilities or services directly for the general benefit of the general public on a continuing basis.
- If the organization is a membership organization, whether the solicitation for dues-paying members is designed to enroll a substantial number of persons in the community, whether dues for individual members have been fixed at rates designed to make membership available to a broad cross section of the interested public, and whether the activities of the organization will be likely to appeal to persons having some broad common interest or purpose.

Line 20. Private Foundation. If the organization did not check the box on either line 17, 18 or 19, it does not qualify as a publicly supported organization under section 509(a)(1). Complete the *Support Schedule* in Part III to determine if the organization qualifies as a publicly supported organization under section 509(a)(2). If not, the organization is a private foundation and should file Form 990-PF for the current year.

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

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Caution: Complete Part III only if the organization checked the box on line 9 of Part I.

Part III should also be used by an organization terminating its private foundation status under section 507(b)(1)(B) to establish that it qualified as a publicly supported organization under section 509(a)(2) during the 60-month termination period. All other organizations may disregard Part III.

Public Support Test. To qualify as a section 509(a)(2) publicly supported organization, an organization must receive more than 33-1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions, and no more than 33-1/3% of its support from gross investment income and net unrelated business income (less section 511 tax) from businesses acquired by the organization after June 30, 1975.

Public support is measured over five years. If the organization was not in existence for the entire period covered by this table, report information only for the years the organization was in existence. Column (e) is the year for which the organization is completing the Form 990 to which Schedule A will be attached.

Line 1. Gifts, grants, contributions and membership fees received. (Do not include any “unusual grants.”)

Support from a Governmental Unit. Include on this line support received from a governmental unit. This includes any amounts received from a governmental unit, including donations or contributions and amounts received in connection with a contract entered into with a governmental unit for the performance of services or in connection with a government research grant, unless they are amounts received from exercising or performing the organization's tax-exempt purpose or function. An amount received from a governmental unit is not treated as received from exercising or performing the organization's tax-exempt purpose or function if the payment is to enable the organization to provide a service to, or maintain a facility for, the direct benefit of the public, as for example, to maintain library facilities that are open to the public.

See also Regulations section 1.509(a)-3 for the:

1. Distinction between gross receipts from gifts and contributions, grants, and gross investment income, and
2. Definition of membership fees and a bureau or similar agency of a governmental unit.

Unusual Grants. For an organization that received any unusual grants during the five-year period, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the grant. In the list, show only the amounts the organization actually received during the applicable year. (Do not file this list with the organization's return.) An example of such a list is given below.

Line 1 Example

Year → 2009	Description
Name → Mr. Distinguished Donor	
Date of Grant → January 15, 2009	
Amount of Grant → \$6,000	

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Attach a schedule to the return showing the amount of each unusual grant actually received each year, but do not include the names of the grantors.

Unusual grants generally are substantial contributions and bequests from disinterested persons and are:

1. Attracted because of the organization's publicly supported nature,
2. Unusual and unexpected because of the amount, and
3. Large enough to endanger the organization's status as normally receiving more than one-third of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions.

A grant that meets these terms may be treated as an unusual grant even if the organization receives the funds over a period of years.

Do not treat gross investment income items as unusual grants. Instead, include all investment income on line 10a.

See Rev. Rul. 76-440, 1976-2 C.B. 58 and Regulations sections 1.170A-9(e)(6)(ii) and 1.509(a)-3(c)(3) and (4) for details about unusual grants.

Line 2. Gross Receipts From Activities Related to Organization's Tax-Exempt Purpose.

Include on line 2 income generated by the organization's exempt function activities (charitable, educational, etc.).

Line 3. Gross Receipts from Activities Not an Unrelated Trade or Business Under Section 513. Enter on line 3 gross receipts the organization received from activities that are not treated as an unrelated trade or business under section 513. (Include on line 10a the gross amount of income from interest, dividends, payments received on securities loans (section 512(a)(5)), rents, royalties and income from similar sources.)

Examples include income from:

1. Qualified public entertainment activities conducted at certain fairs or expositions and qualified convention and trade show activities (section 513(d)); certain bingo games (section 513(f)); certain pole rentals (section 513(g)); certain distributions of low cost articles (section 513(h)); and certain sponsorship payments (section 513(i)).
2. Fundraising events, income from which is not taxable as unrelated business income because:
 - Substantially all the work is performed without compensation (section 513(a)(1)), or
 - They are carried on by the organization primarily for the convenience of its members (section 513(a)(2)), or
 - They consist of selling merchandise, substantially all of which has been received by the organization as gifts or contributions (section 513(a)(3)).

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Line 7a. Amounts Included on Lines 1, 2 and 3 from Disqualified Persons. Enter on line 7a the amounts that are included on lines 1, 2 and 3 that the organization received from a disqualified person (section 4946).

A disqualified person is:

1. A substantial contributor. A substantial contributor is any person who gave an aggregate amount of more than \$5,000, if that amount is more than 2% of the total contributions the foundation or organization received from its inception through the end of the year in which that person's contributions were received. If the organization is a trust, a substantial contributor includes the creator of the trust (without regard to the amount of contributions the trust received from the creator and related persons).
 - Any person who is a substantial contributor at any time generally remains a substantial contributor for all future periods even if later contributions by others push that person's contributions below the 2% figure discussed above.
 - Gifts from the contributor's spouse are treated as gifts from the contributor.
 - Gifts are generally valued at fair market value as of the date the organization received them.
2. An officer, director, or trustee of the organization or any individual having powers or responsibilities similar to those of officers, directors, or trustees.
3. An owner of more than 20% of the voting power of a corporation, profits interest of a partnership, or beneficial interest of a trust or an unincorporated enterprise that is a substantial contributor to the organization.
4. A family member of an individual in the first three categories. A *family member* includes only a person's spouse, ancestors, children, grandchildren, great grandchildren, and the spouses of children, grandchildren, and great grandchildren.
5. A corporation, partnership, trust, or estate in which persons described in 1 through 4 above own more than 35% of the voting power, profits interest, or beneficial interest.

For amounts included in lines 1, 2, and 3 that were received from a disqualified person, prepare a list for your records to show the name of, and total amounts received in each year from each disqualified person. (Do not file this list with your return.) **Enter the total of such amounts for each year on line 7a.** An example of such a list for line 7a is given below.

Line 7a Example

Disqualified Person	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(f) Total
David Smith	\$7,000	\$6,000			\$2,000	\$15,000
Anne Parker			\$5,000	\$7,000	\$4,000	\$16,000
Total	\$7,000	\$6,000	\$5,000	\$7,000	\$6,000	\$31,000

Line 7b. Excess Amounts Included on Lines 2 and 3. For any gross receipts included on lines 2 and 3 from related activities received from any person, or from any bureau or similar

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agency of a governmental unit, other than from a disqualified person, that exceed the greater of 1% of line 13 for the applicable year or \$5,000, enter the excess on line 7b.

Prepare a list for your records to show, for each year, the name of the person or government agency, the amount received during the applicable year, the larger of 1% of line 13 for the applicable year or \$5,000, and the excess, if any. (Do not file this list with your return.) An example of such list is given below.

Line 7b Example
Year 2009

(a) Name	(b) Amount Received in 2009	(c) 1% of Amount on Line 13 for 2009	(d) Enter the Larger of column (c) or \$5,000	(e) 2009 Excess (column (b) less column (d))
Word Processing, Inc.	\$25,000	\$2,000	\$5,000	\$20,000
Enter the total for column (e) on line 7b for 2009				\$20,000

Line 10a. Passive Income. Include on this line the gross amount of income from interest, dividends, payments received on securities loans (section 512(a)(5)), rents, royalties and income from similar sources.

Line 12. Other Income. Include on this line all support as defined in section 509(d) that is not otherwise reported on this schedule.

Line 18. 33-1/3% Tests – Current Year. If the organization did not check the box on line 17 and (i) the Public Support Percentage on line 14a is more than 33-1/3% and (ii) the Investment Income Percentage on line 15a is not more than 33-1/3%, **check the box on this line and do not complete the rest of this schedule.** The organization meets both section 509(a)(2) public support tests and qualifies as a publicly supported organization for the current year and for the subsequent year.

Line 19. 33-1/3% Tests – Prior Year. If the organization did not check the boxes on lines 17 and 18 and (i) the Public Support Percentage on line 14b is more than 33-1/3%, and (ii) the Investment Income Percentage on line 15b is not more than 33-1/3%, **check the box on this line and do not complete the rest of this schedule.** The organization meets both section 509(a)(2) public support tests and qualifies as a publicly supported organization for the current year.

Line 20. Private Foundation. If the organization did not check the box on either line 17, 18 or 19, it does not qualify as a publicly supported organization under section 509(a)(2). Complete the *Support Schedule* in Part II to determine if the organization qualifies as a publicly supported organization under section 509(a)(1). If not, the organization is a private foundation and should file Form 990-PF for the current year.