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**Subject:** Re: IR-2007-117  
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**Attachments:** [AICPA 990 COVER.pdf](#)  
[AICPA 990 COMMENTS](#)

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September 13, 2007

Theresa Pattara, IRS Project Manager  
Internal Revenue Service  
Form 990 Redesign, SE:T:EO  
1111 Constitution Avenue, NW  
Washington, DC 20224

Re: IR-2007-117

Dear Ms. Pattara:

Pursuant to the request for comments in IR-2007-117, enclosed are comments prepared by the American Institute of Certified Public Accountants (AICPA) regarding the new draft Return of Organization Exempt From Income Tax (Form 990). The AICPA is the national, professional association of CPAs, with approximately 350,000 members, including CPAs in business and industry, public practice, government, and education; student affiliates; and international associates. Our members provide audit and tax services to thousands of not-for-profit organizations. These comments were developed by the 990 Task Force of the AICPA's Not-for-Profit Organizations Expert Panel and Exempt Organizations Taxation Technical Resource Panel.

The Task Force commends the IRS for undertaking the comprehensive project of redesigning the Form 990. The importance of the Form 990 has increased significantly in recent years as it is used by regulators, nonprofit organization stakeholders and the general public to monitor organizational performance. The users of the Form 990 are diverse in many respects: sophistication, areas of interest, objective. The integrity of the information presented in the Form 990 is compromised if reporting among similar organizations is not complete and consistent. As such, we believe the Form 990 and related instructions must be clear as to reporting requirements. However, this objective should be balanced by the fact that the administrative burdens of compliance must be reasonable.

Attached to this letter are detailed observations on the draft redesigned Form 990 along with our recommendations for improvements. Our primary focus in the recent weeks has been on the forms themselves; however, we have noted opportunities for improving instructions and details of the forms which we believe are important but less urgent to the overall redesign process as we understand it. Some of our more fundamental recommendations are summarized below:

### ***Keys to Success in Implementation***

The proposed changes to Form 990 are significant for tax-exempt organizations of all sizes as well as for advisors, stakeholders and regulators (IRS and others). The changes offer many improvements to transparency of reporting which is valuable in performance assessment and oversight. We believe successful implementation of the redesigned Form 990 extends far beyond issuing final forms and instructions including:

- Timely, two-way communications with Form 990 users throughout the development process to ensure the reporting framework achieves stated objectives and to offer assurance that concerns have been heard, understood and addressed reasonably. This process can be critical to developing user understanding of the value of the requirements thereby encouraging compliance.
- Developing and testing systems to process new reported information, including strategizing on creative alternatives to the status quo to improve enforcement effectiveness.
- Communicating reporting requirements to software developers to allow them to develop and test reporting systems to accommodate reporting and electronic filing.
- Seeking feedback from other regulatory agencies on the reporting changes and opportunities for simplification and/or coordination of effort.
- Educating reporting organizations and their advisors regarding the reporting requirements before the time at which the reporting becomes effective to allow them to implement internal reporting changes to gather required information.
- Assisting in education of stakeholders and other users in appropriate interpretations of the reported data.

We encourage IRS representatives to be thoughtful and deliberate in proceeding with steps necessary to implementation, even if it means delaying the effective date of some or all parts of the form. Managing the change will require the investment of significant resources for tax-exempt organizations under pressure to control administrative costs. Advance preparation will be critical to their successful implementation of the change. Rushing implementation of the change may result in significant costs to taxpayers as well as to the IRS and may be a deterrent to taxpayers' efforts to improve the quality of overall tax reporting.

### ***Add Executive Summary***

With the volume of information required to be reported, the complexity of the reporting requirements and the diversity of users of Form 990, a clear "Executive Summary" of key information for the reporting organization can be very valuable. The Task Force is pleased to see that concept reflected in the proposed Part I. However, we are extremely concerned by the current interpretation of important elements to include in the summary. We are particularly troubled by the limited information on tax-exempt purpose, by the use of performance metrics that do not have significant industry-wide acceptance and the level of emphasis on compensation.

Exempt purpose and program accomplishments are the most important information to review in assessing an organization's performance. The qualitative nature of the disclosure should not minimize its importance to IRS and other users of the Form 990.

Performance metrics offer the advantage of clarity in the amount reported on a particular line. However, they do not provide meaningful information on an organization's real performance without context and deeper analysis. Unsophisticated users of Form 990 are likely to misinterpret data reported, to limit review to the summary and to view reported metrics as an IRS endorsement of information which is relevant to their review. In addition, some of the proposed metrics are not particularly relevant to all types of organizations required to file Form 990. We believe the summary instead should be used to highlight key information on performance (including exempt purpose accomplishments) which is widely accepted as relevant and to direct readers to more detailed information which may be valuable to their analysis.

### ***Taxpayer Burden***

With the significant diversity in the tax-exempt organization sector, it is very difficult to define the change to taxpayer burden resulting from the redesigned Form 990. We believe most organizations will experience a significant increase in burden and more complex organizations may at least double the time required to complete the returns. Some of the areas which contribute most to the additional burden are new Schedule H for hospitals, new Schedule K for exempt bond details, new Schedule M for noncash contributions, new Schedule F for foreign grant reporting and gathering additional detail for compensation and governance disclosures. We have made a number of detailed suggestions in our comments for ways to mitigate the burden on these and other areas without, we believe, compromising transparency. The additional burden might be mitigated to some degree by having adequate time to prepare for the change. As such, we recommend taxpayers be given at least a year after the reporting requirements are finalized and published to implement changes needed to comply. In addition, implementation of new schedules creating the most significant burden should be deferred further to reflect the time needed to build systems to gather and present required information.

### ***Clarity and Comparability in Compensation Reporting***

Compensation reporting has historically been one of the most controversial aspects of Form 990 reporting. Compensation is only one of a number of elements which are important in oversight of an organization's use of its available resources. However, the volume of compensation information reported, the reporting redundancies and the potential for negative inferences are troubling to many tax-exempt organizations which struggle to compete with the for-profit world for top talent.

IRS and others have acknowledged the need for more clarity and consistency in compensation reporting. We make a number of detailed suggestions regarding compensation reporting in the attached analysis based on the same objectives. Some of the fundamental concerns we have are:

- Reporting requirements should be abundantly clear to encourage compliance with requirements and comparability of reported data. We make a number of suggestions for simplifying and clarifying proposed requirements.

- Amounts required to be reported should be fair, reflecting economic value the individual received for services provided. Reporting requirements should avoid unnecessarily inflating compensation amounts. We believe this occurs with requirements to report nontaxable expense reimbursements and fringe benefits and the potential double reporting requirements of Part II and Schedule J. Intermediate Sanctions, while not applicable to all exempt organizations, does provide an objective standard for defining compensation. The Task Force believes economic benefits reportable as compensation in Form 990 should be consistent with those which are considered under Intermediate Sanctions.
- Appropriateness of arrangements can not be assessed without consideration of qualitative data. Benchmarks or arbitrary reporting thresholds should be avoided due to their potential use in place of thoughtful consideration of the arrangements in their entirety. If arbitrary benchmarks or reporting thresholds are retained, they should be combined with prominently displayed qualitative data to provide necessary context on arrangements.

The Task Force recognizes what a truly momentous task implementation of the new Form 990 represents. Please understand that the enclosed comments are offered in the spirit of further improving a reporting framework which has clearly been thoughtfully developed to this point.

Thank you for this opportunity to share our suggestions on improving the new Form 990. If you would like to discuss these comments, please contact Naomi Horsager (Chair, 990 Task Force) at (952)540-4053, or [nhorsager@frontiernet.net](mailto:nhorsager@frontiernet.net), or George White, AICPA Technical Manager, at (202) 434-9268, or [gwhite@aicpa.org](mailto:gwhite@aicpa.org).

Sincerely,



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**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS**

**Comments on New Form 990**

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September 13, 2007

**American Institute of Certified Public Accountants  
Form 990 Task Force  
Comments on the New Draft Return of Organization Exempt from Income Tax (Form 990)**

**September 14, 2007**

Background on presentation of comments

With each comment, we have assessed our sense of the Importance and Urgency for each issue. The Importance column conveys our assessment of the significance or implication of the issue. The Urgency column reflects our assessment of urgency based on our understanding of IRS' redesign process and timing based on its public comments.

***Bold italics*** indicates the comment is relevant to taxpayer burden.

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Section	Importance	Urgency	Comment	Recommendation
<b>Form 990 Core Form</b>				
Overall	High	High	We want to compliment the IRS on several aspects of the overall approach - Executive summary as the first page, use of schedules to provide supplemental information and additional detail when needed, increased trigger levels for reporting compensation and other types of disclosure.	
Form 990 Glossary	High	High	The idea of a Glossary is an excellent addition to the process.	To add to its value, any “term of art” that is defined in the Glossary should be highlighted in some way on the face of the Forms and in the Instructions (bolded, italicized, etc.) to alert preparers and users to look for the definition. In addition, the Instructions should be reviewed to verify that all terms that are “defined” in the Instructions are also consistently defined in the Glossary.
Overall – Forms flow	High	High	We understand that the Form is first and foremost a document used by the IRS to determine an organization’s compliance with the tax laws. However, the Form is also used by others for a variety of other purposes, not the least of which is fundraising. The current ordering of the Form appears to discount or even ignore the non-IRS users of the Form, possibly to the reporting organization’s detriment. For example, the first non-summary page summarizes compensation. While many use the Form 990 to review compensation, that review should be made within the larger context of the organization’s operations, accomplishments, assets, etc. The current placement may suggest to an average user that the IRS has determined compensation is the most important area that defines the organization and its tax compliance. Equally troubling is placement of Program Service Accomplishments as the last page of the Core Form, implying that this is the “least important” information being presented. We are concerned that users, especially donors and grantmakers, will not read this critical information simply because of its placement in the Form.	A better flow of the forms based on relevance is: Part I - Summary Part II – Statement of Program Service Accomplishments Part III – Statement of Revenues Part IV – Statement of Functional Expenses Part V – Balance Sheet Part VI - Statements Regarding Governance, Management, and Financial Reporting Part VII – Compensation and Other Financial Arrangements with Officers, Directors, Trustees, Key Employees, Highly Compensated Employees, and Independent Contractors Part VIII – Statements about General Activities Part IX – Statements Regarding Other IRS Filings Schedule A – Public Charity Status Schedule B – Contributors and Non-Cash Contributions Schedule C – Supplemental Financial Statements Schedule D – Supplemental Information Regarding Fundraising Activities Schedule E – Gaming Schedule F - Supplemental Information on Grants and Other Assistance to Orgs, Govts, and Individuals in U.S. Schedule G - Supplemental Compensation Information Schedule H - Supplemental Information on Loans Schedule I - Hospitals Schedule J – Schools Schedule K – Political Campaign and Lobbying Activities Schedule L - Statement of Activities Outside the U.S.

Section	Importance	Urgency	Comment	Recommendation
Group returns	High	High	<p><b>The IRS has requested comments on the elimination of the “group” return filing. Group returns serve an important purpose to many organizations as they allow related organizations to share the significant administrative burden associated with tax reporting. Group return reporting also leads to more consistent reporting among included organizations. We believe existing guidance on proper completion of group returns is poor and does not adequately address the filing requirements.</b></p>	<p>Schedule M - Related Organizations  Schedule N - Supplemental Information on Tax Exempt Bonds (if not removed from Form as recommended below)  Schedule O - Liquidation, Termination, Dissolution or Significant Disposition of Assets</p> <p><b>We recommend that the group return filing option be retained and incorporated into the new Form 990. Failure to do so will create a significant burden on many organizations currently filing a group return. We also recommend that the IRS provide additional guidance on proper completion of group returns. With proper reporting, group returns offer a filing option consistent with IRS objectives in the 990 redesign – good transparency, good compliance and minimized administrative burden.</b></p>
Overall	High	High	<p>The proposed Form includes questions regarding organizational policies and procedures that may be considered good governance practice, but go well beyond technical compliance requirements for tax exemption. These questions arguably support better governance practices which “should” result in a greater likelihood of compliance. However, the lack of these practices does not necessarily equate to non-compliance. In addition, many of the answers are based on the adoption of written policies which may or may not be fully implemented or followed.</p> <p>The “yes/no” approach for many of these questions has no information about what is actually required or how the answers should be interpreted by users. It is also of concern that, although these policies are not “required”, they all become a “de facto” requirement as having the “wrong” answer may be interpreted in a negative fashion that will be detrimental to an organization even though it is in compliance with federal tax laws.</p>	<p>Throughout this document we suggest ways to educate both the organization and users about options to promote strong governance and compliance and to provide information to the IRS for use in enforcement.</p> <p>Since one goal is enhanced transparency, reporting organizations should be encouraged to provide additional qualitative information that would allow users to make an accurate assessment of the organization's operations. For example, the Form should include areas designed for qualitative explanation and should not be left to attached statements which users often overlook. If space limitations will not allow such “face disclosure”, at a minimum a “Stmt Attached” Checkbox should be included on the face of the forms. This would allow the organization to alert users that they should review the answer in conjunction with the information included on the statement. This will increase the transparency and usefulness of the information presented.</p> <p><b><i>Finally, we suggest that selected questions be directed to those organizations above a stated threshold of income or assets. This will be discussed in more detail as the specific governance areas are reviewed later in the document.</i></b></p>

Section	Importance	Urgency	Comment	Recommendation
Overall	High	High	<b><i>A stated objective of the revision was to minimize the administrative burden of preparing the Form 990, yet quite the opposite has occurred. The time and cost to prepare the Form as proposed may more than double for medium sized tax-exempt organizations and could easily be substantially more than that for large tax-exempt organizations.</i></b>	<b><i>Observations and recommendations regarding burden are discussed throughout the document and key areas of the Form contributing to burden are shown in bold italics.</i></b>
Overall	High	High	Many tax-exempt entities are not required to issue financial statements prepared in conformity with generally accepted accounting principles (GAAP). Therefore, it is problematic to propose that GAAP disclosures (e.g., collection and FIN 48 disclosures) be presented on Schedule D because GAAP is not required. If the disclosure is required only for those tax-exempt organizations that follow GAAP, this would create an unfairness because not all non-profit entities will have the same requirement. Additionally, without the complete financial statements, such disclosures will lack context and may confuse readers of Form 990.	We suggest that in lieu of mandating these disclosures on Form 990, the IRS request them as part of its normal review process. There may be other issues related to requiring FIN 48 disclosures as part of a tax return, and the IRS may wish to discuss these more thoroughly with return filers and preparers before mandating them on Form 990.
Overall	High	Low - Instructions	Organizations and preparers need guidance as to how to treat financial statements that are prepared and audited on a consolidated or combined entity basis. There are various financial and descriptive disclosures that appear to be derived from an organization's audited financial statements. For example, in reconciling financial statement revenue and expenses it is unclear what number, if any should be used. Likewise, when footnote information is requested it is unclear whether the footnote included in the financial statements, prepared on a consolidated or combined basis, should be included in a separate company tax filing as the contained information may not be relevant to that separate filing company.	The Instructions should be clarified to provide guidance to organizations and preparers regarding how audited financial statement information should be reflected when the audited financial statements are prepared on a consolidated or combined basis.
Overall	Medium	Low - Instructions	Preparers would value perspective on where the tax Form presentations can follow book accounting treatment and where adjustments are needed.	Develop and insert a "GAAP" warning where there could be a difference between GAAP or book accounting and tax reporting, similar to the TIP or !Caution icons. Areas where this may apply include: scholarships, hospital free services, netting for GAAP and not tax, house seats for performing arts organizations, non-cash contributions or grants program revenue vs. contributions.

Section	Importance	Urgency	Comment	Recommendation
Overall	High	High	<p><b><i>A significant amount of information is being requested that is not routinely captured or maintained in a typical tax-exempt organization's records. This will necessarily involve more people and/or training to provide input to prepare the return and increase the risk and occurrence of inadvertent noncompliance.</i></b></p> <p><b><i>There are a number of schedules that request new and detailed information that is not readily maintained in a tax-exempt organization's general ledger or other records. Specifically, the following Parts and Schedules request significant information not previously requested:</i></b></p> <ul style="list-style-type: none"> <li>• <b><i>Form 990, Part III</i></b></li> <li>• <b><i>Schedule D</i></b></li> <li>• <b><i>Schedule F</i></b></li> <li>• <b><i>Schedule G</i></b></li> <li>• <b><i>Schedule H</i></b></li> <li>• <b><i>Schedule K</i></b></li> <li>• <b><i>Schedule J (accountable plan expense reimbursements)</i></b></li> <li>• <b><i>Schedule M</i></b></li> <li>• <b><i>Schedule R</i></b></li> </ul> <p><b><i>In addition, there is detailed information that is currently requested that is commonly not provided, particularly by large organizations. Specifically, the balance sheet detailed listing of assets requested in Schedule D and grant expense detail requested in Schedule I (for certain organizations particularly those granting a large number of small scholarships). Historically, this detail has not been provided because of its questionable utility to the user of the Form. With the addition of e-filing, the level of detail requested imposes a large burden on organizations.</i></b></p> <p><b><i>Finally, there are certain disclosures, such as information requested on Schedule F and the disclosure of officer, director, trustee, key employee and top five most highly-compensated employee addresses that imposes a burden other than a time burden – that is, a burden to the safety and/or privacy of the individuals involved.</i></b></p>	<p><b><i>Every effort should be made to request information in a form that would be most readily available from an organization's existing records.</i></b></p> <p><b><i>Specific recommendations regarding burden are discussed throughout the document. In addition, areas of the comments which address burden are show in bold italics.</i></b></p>

Section	Importance	Urgency	Comment	Recommendation
Overall	High	High	<b><i>Much of the information being requested seems to go well beyond that which is required to comply with existing tax laws and regulations. For example, the governance questions, information regarding the public disclosure of documents not required to be publicly disclosed, information on foreign operations, information on Schedule M, etc..</i></b>	<b><i>The Core Form and all the Schedules should be carefully reviewed to make sure that all requested information is really of value and appropriate to ask.</i></b>
Overall	Low	Medium – Forms Detail	<b><i>A number of areas of the Form request information which appears to be otherwise available to the IRS (e.g. number of forms filed for a variety of tax forms). The number of certain returns filed by an organization is important in determining whether the organization must comply with the electronic filing mandate. In addition, requiring the taxpayer to report the number of forms filed results in unnecessary burden.</i></b>	<b><i>We recommend questions regarding number of forms filed with the IRS be eliminated and that IRS use existing data regarding the number of forms filed in enforcement of the electronic filing mandate.</i></b>

Section	Importance	Urgency	Comment	Recommendation
<b>Form 990 Part I</b> Form 990, Part I	High	High	<p>Overall, the "Summary" is a good idea. It presents key information on the organization's programs and financial activity in a "snapshot" format. Unfortunately, the summary necessarily lacks contextual information to allow full understanding. Therefore, organizations should be afforded a mechanism for providing additional information and explaining the information presented.</p> <p>Many types of tax-exempt organizations conducting a wide range of activities with very different sources of revenue file this Form. The suggested summary contains performance measures that will undoubtedly be misinterpreted and may replace thoughtful evaluation of an organization's overall performance.</p> <p>We are troubled by the current "efficiency metrics" proposed on lines 8, 19b, 24b, 25 and 26 as well as other performance metrics (lines 6 and 7) for numerous reasons:</p> <ul style="list-style-type: none"> <li>• A single year calculation is misleading and only a sophisticated user would realize that.</li> <li>• By their nature, the metrics provide a very limited perspective (quantitative only) and are prone to manipulation.</li> <li>• The metrics used are not widely accepted, neither by the nonprofit industry as a whole nor by sub sectors of the industry. Even organizations which rely on metrics to evaluate nonprofit organizations do not agree on appropriate metrics.</li> <li>• Inclusion of these metrics suggests that these are the metrics that <i>should</i> be evaluated. However, due to the diverse nature of the organizations that file Form 990 (some will not have the metrics to provide -- e.g. 501(c)(6) would not have the information necessary to complete line 8b percentage) and the lack of context around which to interpret the results, there is a significant risk that the information becomes confusing or misleading to many users rather than helpful.</li> </ul> <p>If the metrics remain, they should be specifically focused on providing information regarding governance and operations meaningful to the user with space provided for the organization to provide context it deems necessary for full understanding of the information being presented.</p>	<p>Consider expanding the "snapshot" to 2 pages to provide more room for the filer to explain reported information. At a minimum a "Stmt. Attach." Checkbox could be added to page one to signal users that a statement specific to the information is available.</p> <p>The key information elements to include in the executive summary are (illustrated in the pro forma attached in Exhibit I):</p> <p>Exempt purpose -- this information should describe the organization's basis for exemption. As such, the focus should be on "exempt purpose" vs. "mission". In addition, in the interest of using Part I as an executive summary, the reporting organization should be able to provide further information on its response on the Form itself without referring to a statement attached (e.g. the response could be limited to 250 words).</p> <p>Sources of support -- No change to categories of revenue are recommended.</p> <p>We believe 2-year comparative financial information should be presented. The line totals easily carryover from and are referenced to Parts IV and V to provide context. We believe this information is more relevant as it provides valuable comparisons (similar to what is typically provided in audited financial statements) rather than showing percentages calculated on the face of the return. Users can easily calculate percentages from the information provided if desirable.</p> <p>Summary of expenses by functional class -- Again, we believe utilizing a multi-year approach provides more transparency and better information for users of the Form. We suggest eliminating line 19b that compares fundraising expenses to donated money since this metric on the face of the return implies that there is a "correct" answer or range of acceptable metrics. The result will widely vary based on the type of organization, the year of a particular fund-raising campaign, etc. In addition, all necessary information is included that will allow a user to easily make any calculations or comparisons they deem appropriate for their own purposes in reviewing the return.</p>

Section	Importance	Urgency	Comment	Recommendation
Form 990, Part I, Line 2	Medium	Medium -- Forms Detail	It is unclear what "Activity codes" are to be used here. We are aware of two different code systems: Activity Code Numbers of Exempt Organizations (a three digit code) from "Financial & Strategic Management for Nonprofit Organizations" Herrington Bryce, 2000 and the National Taxonomy of Exempt Entities - Core Codes (NTEE-CC) Classification System (rev. May 2005), National Center for Charitable Statistics, Urban Institute.	<p>We suggest that additional space be provided to summarize the significant program activities (possibly expanding the "snapshot" to a two-page summary). If the current approach is maintained, we recommend the IRS use NTEE codes.</p> <p>We also recommend the e-filing logic tests do not include a logic test which verifies that the reported NTEE code matches that in the IRS master file due to past problems in maintaining the master file. In addition, many</p>
			Details needed for IRS enforcement are present in other areas of the Form.	<p>We suggest that the calculation on line 24b, expenses as a percent of net assets, be eliminated. See further discussion for that line later in this document.</p> <p>We recommend that the "efficiency metrics" and other performance metrics noted be eliminated from the summary. In the event performance metrics are included in the Form 990, we recommend:</p> <ul style="list-style-type: none"> <li>• Metrics be removed from the Summary to avoid the appearance that the metrics are a valid substitute for thoughtful analysis of the organization's overall performance reflected throughout the return. If this recommendation is not followed, we suggest including only key metrics that provide a user of the Form 990 some key operating information that would generally be useful in understanding the operations and oversight of the organization. We have included those we believe would be most useful in the proforma attached as Exhibit I.</li> <li>• Metrics should only be required to be reported when the Form includes areas on the face of the Form contiguous to the reported metric to give organizations the option of explaining the amount reported (e.g. to explain that significant program services are rendered by volunteers but the value of those services is not reflected in program service expenses). If space is not available, at a minimum a "Stmt Attach." Checkbox should be included to allow the organization to alert the user that a statement specific to this metric should be reviewed in conjunction with the information provided.</li> </ul>

Section	Importance	Urgency	Comment	Recommendation
				<p>organizations do not know which NTEE code they may have been assigned. In light of this, we are concerned that such an edit check would cause a large number of organizations to be unable to e-file their returns.</p> <p>We recommend that IRS instruct taxpayers to review the NTEE code assigned and change it if the code reflected in IRS records is not accurate. These self-reported changes to the NTEE code should be reflected in IRS records.</p>
Form 990, Part I, Lines 3 and 4	High	Low -- Instructions	The proposed Form and Instructions do not make clear at what point in time the Board Members are counted for purposes of this reporting. In addition, the Board listing that is included in the Form 990 includes all individuals that served at any point during the year. However, this seems inconsistent with a goal of determining how independent a Board was on average during the year.	We recommend measuring the number of board members and the number of independent board members at a single point in time. Alternatively, the Form should provide that an organization average the numbers as of the beginning and end of the year. It should be noted in the Instructions that the number presented for this purpose may be more or less than the total number of individuals that are required to be listed in Part II.
Form 990, Part I, Line 5	High	Medium -- Forms Detail	<p>It is unclear as to what point in time this measure (number of employees) should be determined. It should be noted that using the W-3 may not provide a complete picture of the organization. For example, some organizations use a high number of part-time and intermittent employees (short term) and few full time employees. Under the W-3 approach, it could appear that the organization has a large staff. Using the Form 941 report at a particular "point in time" may give a much lower number. However, the Form 941 approach may provide skewed data for any organization that has seasonal fluctuations in its staffing.</p> <p>The summary does not currently include information regarding volunteer effort. Many feel it is important to understand the number of volunteers since they represent a source of resource input for an organization and they require oversight. Since volunteer time/value is often not included in the financial measurements, its value is often overlooked.</p>	<p>It should be made clear on what basis and at what point in time the determination of number of employees is to be made for purposes of this question. We suggest that the most meaningful information would be the organization's "Average Full-Time-Equivalents" for the year. The Instructions should make it clear that this is to be a "best estimate" on a "reasonable basis" to avoid the considerable amount of work that could be required to do a detailed accounting to support this calculation.</p> <p>We suggest that a line be added to capture the "estimated number of volunteers the organization had during the year" or alternatively "the estimated number of volunteer hours the organization had during the year".</p>
Form 990, Part I, Line 6	High	High	This question implies that \$100,000 is a "magic threshold" over which users should be concerned about the compensation paid by an organization. This may also be distorted since, as drafted, it is based on W-2 compensation which may not track to an organization's financial results if it reports on a fiscal year basis (see recommendation below re: reporting timeframes). It could include amounts related to deferred compensation payouts, etc. There is no opportunity	We recommend eliminating this line. Most users of the Form 990 are likely to review the more detailed compensation schedules if compensation is an area of interest. We believe it is particularly important that the entire compensation arrangement be reviewed within context to ensure appropriate transparency and understanding. Thus we find the summary line to be concerning.

Section	Importance	Urgency	Comment	Recommendation
Form 990, Part I, Line 7	High	High	<p>to provide additional detail. A user may not go to the effort to understand the overall arrangements by looking at Part II, then Schedule J, and then to any explanations attached.</p> <p>This line appears to apply regardless of the level of compensation and, as previously discussed, may result in a distorted view. What is highlighted is a mathematical result (answering what is highest amount of compensation any one individual receives in total W-2/1099 compensation paid between filer and all related organizations) that will be clearly discernible to any user in Part II. Prominently highlighting the compensation paid again here serves no apparent public purpose.</p>	<p>If this line is retained, we suggest the definition of “highly compensated” for other purposes of the Code be utilized as the threshold for the metric.</p> <p>We recommend eliminating this line. Most users of the Form 990 are likely to review the more detailed compensation schedules if compensation is of interest. We believe it is particularly important that the entire compensation arrangement be reviewed within context to ensure appropriate transparency and understanding. Thus, we find this disclosure to be concerning. At a minimum, any reporting on this page should be limited to amounts paid by the reporting organization. We also suggest that only those paid more than the amount for a “highly compensated” individual per the previous discussion be reported.</p>
Form 990, Part I, Line 8a and b	High	High	<p>This line appears to calculate a ratio of officer, etc. compensation for program services to total program service expenses. First, it is unclear whether this type of calculation provides useful information. There will likely be very diverse answers among reporting organizations, depending on who serves in these roles at any particular time and the nature of the organization’s activities. As such, this measure may become something that can and will be manipulated. A charity providing program services with a large number of volunteers could look very different than one making grants, while both are appropriately pursuing their exempt purposes. Likewise, a large organization such as a hospital or a museum may have officers that appropriately spend most of their time managing the organization, rather than on program services. It is unclear whether a user would perceive a high percentage to be “good” or would want to see a “lower” percentage. Does a high percentage mean that the officers are compensated too much or just very involved in an organization’s programs? In other words, is it a good thing that the officers/directors/key employees are spending a great deal of time in the program-related areas, or is it better for them to be focused on the overall running of the organization? Organizations that rely heavily on volunteers could get a distorted ratio.</p> <p>In addition, the ratio calculated on Line 8b is flawed as the draft Form would have it compare calendar year compensation data to fiscal year expenses.</p>	<p>We recommend eliminating these lines. If a form of this measure is to be retained, we recommend comparing total book compensation expense for these individuals (from Part V, line 5, column (A)) to total expenses for the year (line 20 currently). Alternatively, if Part V, line 5 is eliminated per our later recommendations, we suggest comparing total compensation reported on Schedule J (if that schedule is prepared on the basis of the organization’s accounting period) to the total expenses for the year.</p>

Section	Importance	Urgency	Comment	Recommendation
Form 990, Part I, Lines 11 – 15 & 17 -19	High	High	The Form requires organizations to calculate selected revenue and expense percentages but there is no context for interpreting the results. In addition, by formatting in this manner, it appears use of this type of percentage analysis is being endorsed by IRS as a “correct” manner of evaluation. There is no actual “outcome” information provided which should be an integral part of the measure of an organization’s effectiveness.	As previously stated, we suggest these percentages be replaced with prior year information which will provide additional context for the user of the information as they review the organization’s operations. All information necessary for the calculation of the percentages is readily available in the “snapshot” for two-years as well.
Form 990, Part I, Line 11 - 15	Medium	High	These lines contain grouped categories of income from Part IV. The current line 14 Investment income includes some items of income which should not be considered investment income and excludes other income which should be included. In addition, the parenthetical for Part I, Line 15 Other income erroneously includes Part IV, Line 3 (membership dues) which has already been reported on Line 13 of Part I. Finally, the parenthetical instructions to complete line 15 of Part I now reflected on the summary page indicate Rents and Royalties are to be treated as “Other revenue.” Such revenues normally represent either exempt function income or investment income.  Part I. line 11 references Part IV, line 1g noncash contributions.	We recommend these amounts flow more simply from Part IV by regrouping the lines in Part IV and adding subtotals which correlate to these lines. Details are provided in the recommendation for Part IV below.  Part I, line 11 should reference Part IV, line 1h (total contributions) rather than line 1g (noncash contributions). The same is true for Part IV, line 14 calculation directions.
Form 990, Part I, Lines 19b and 26(iv)	High	High	These ratios (fundraising divided by contributions, and, fundraising divided by fundraising revenue) are not fair representations of efforts to results.	As previously suggested, these ratios should be eliminated from the Summary page as they will often present a misleading and inaccurate metric for the filing organization. Instead the Form should require two years of financial results with information to enable calculation of the metrics by those that find them useful.

Section	Importance	Urgency	Comment	Recommendation
Form 990, Part I, Line 24b	High	High	<p>There is no context to this measure (total expenses divided by net assets). It provides a distorted view of organizations that expend resources in procuring volunteered resources or which have a significant endowment. A high percentage would seem to suggest the organization is spending funding currently. However, users would have to review other details elsewhere in the Form to determine the level of program related expenses to total assets. Some organizations annually expend an amount that exceeds their ending net asset balance (so line 24b percentage would be greater than 100%). Whether that was a good thing or a bad thing would depend on many factors that should be analyzed carefully. For example, an organization may be spending in a manner that is depleting its resources and threatening its long term viability. Organizations with endowments (not apparent in summary) would be expected to have lower results under this measure. This metric may create an unfair disadvantage for such organizations competing for donor funding.</p>	<p>We recommend eliminating this line. This is a calculation that can be easily made by users of the statement if they determine it is relevant for the analysis they are performing. However, requiring the percentage to be presented in the Summary implies that the IRS has determined this is a metric that has a "right answer". At a minimum, should this metric be retained, the filer should be provided space to explain its result. If space can not be provided, a "Stmt Attach" Checkbox should be included to alert the Form 990 user that a statement specific to this metric should be reviewed in conjunction with the information provided.</p>

Section	Importance	Urgency	Comment	Recommendation
<b>Form 990, Part II</b> Form 990, Part II and Schedule J Overall and Part V	High	High	<p>The Instructions for Part II and Schedule J require that compensation be reported on a calendar year basis. Compensation of officers, directors and key employees will be disclosed in the aggregate in Part V based on the organization's fiscal year, which in many cases is other than the calendar year. While we believe that organizations should not be able to switch from fiscal to calendar year reporting or vice versa, we believe that they should be able to make a one-time election to select the period for reporting compensation. While we laud the Service's objective of making compensation comparable from one organization to the next, we believe that lack of agreement between the amounts reported in Part V and Part II will lead to confusion. Further, the use of calendar year information by organizations the fiscal year of which ends late within a calendar year and which typically file Form 990 on extension, will lead to the reporting of compensation information that is almost two years old.</p> <p>The Instructions to Schedule J do not indicate whether organizations should report amounts listed for benefits on a calendar or fiscal year basis.</p> <p><b><i>Part V asks reporting organizations to break out compensation for officers, directors, trustees and key employees, other disqualified persons, and other employees. Completing this disclosure on a fiscal year basis when compensation details are presented on a calendar year basis results in a significant administrative burden.</i></b></p>	<p>The Form 990 should reflect the option of reporting "reportable compensation" on a fiscal year basis on the Form and Instructions. The Form should require the reporting organization to clearly indicate which method of reporting has been elected by the organization (e.g. check-box) and the Instructions should make it clear that the organization must use the chosen method on a consistent basis.</p> <p>If organizations are not given the option to use fiscal year reporting, Part II and Schedule J should clearly indicate on their face, that the amounts shown are calendar year amounts. This would help put users on alert to not try to reconcile these amounts with Part V amounts.</p> <p>If the calendar year amounts are used for both Part II and Schedule J, the benefits reported on those forms should be calendar year amounts. In that way, the total compensation package will be reflected in a consistent manner.</p>
Form 990, Part II, Section A	High	High	<p>The Form requires the organization to list aggregate loans owed to the organization and related organizations. These disclosures enhance transparency of overall arrangements. However, we believe that this information would present a clearer picture if it were included on Schedule J with other detailed information related to an individual.</p>	<p>This disclosure should be removed from Part II.</p> <p>We recommend that the space currently used to show loans be used to list total benefits provided by the organization and related organizations. In that way, those users looking for comparative compensation packages can see the whole picture for all listed employees, not just those on Schedule J.</p> <p>We also recommend using a trigger question in Section B regarding loans and including the loan information from Part II, Section A in Schedule J instead.</p>

Section	Importance	Urgency	Comment	Recommendation
Form 990, Part II, Section A & B, and Schedule J	High	High	<b>Part II, Section A generally increases the reporting threshold to \$100,000 for highest compensated employees and for former officers, key employees and highest compensated. We commend this increase, as well as the five year look-back period for the "formers." Section B uses various thresholds in identifying persons to report on Schedule J. The use of thresholds is appropriate. However, the varying amounts are likely to cause confusion among organizations, preparers and users of the Form 990.</b>	<b>We suggest that one threshold be used on Part II, Section A and Schedule J. In addition the threshold should be indexed annually for inflation. We suggest that the threshold be tied to an otherwise annually published amount, such as the section 414(q) definition of "highly compensated employee" limitation for qualified plans or the DOL level 2 executive salary amount. Thus, the trigger for all reporting on Schedule J would be this amount.</b>
Form 990, Part II, Section A	High	Medium – Forms Detail	<b>The Form asks for name plus city and state of residence for all listed persons with no ability to use the organization's address. This raises concerns regarding invasion of privacy, and identity theft. This question may limit recruiting for voluntary Board service.</b>	<b>We suggest that the Form not require any address or at a minimum allow the organization to use its address consistent with current practice. We do not believe home address information is generally valuable. Alternatively, consider requiring a summary of states represented by Board members.</b>
Form 990, Part II, Section A	Low	Low - Instructions	The third paragraph of the Instructions to this question indicates that if an individual trustee or officer received or accrued more than \$10,000 in reportable compensation, amounts reported on Forms 1099-MISC should be aggregated and reported on the schedule. Form 1099-MISC reporting is on the cash basis.	Form 1099 is always on the cash basis, so the Instructions should not mention "accrue".
Form 990, Part II, Section A	High	Low - Instructions	Identifying "related organizations" can be difficult in nonprofit, non-stock environments. Overall, this information is important to adding to the transparency of compensation arrangements.	The Instructions should refer the preparer to the Glossary for a definition of "related organizations" for this purpose. In addition, some taxable organizations do not have stock. Rather than defining taxable and exempt organizations separately, we recommend the definitions differentiate between stock organizations and non-stock organizations.
Form 990, Part II, Section B	High	High	The questions asked in Part II, Section B and Schedule J contribute to the overall goal of increased transparency and compliance. The questions asked should not be burdensome to the organization. However, some of the questions in the current Schedule A, Part III are not replicated in the draft Form. These questions deal with sales and leasing of property, furnishing of goods, services, and facilities, and the transfer of income or assets to insiders and related persons. We believe that this is important information and promotes compliance.	We suggest that some form of the questions in the current Schedule A Part III be incorporated into Part II, Section B or Schedule J.

Section	Importance	Urgency	Comment	Recommendation
Form 990, Part II, Section B	Low	High	Currently, Part II has a significant amount of detailed information. Rather, it should be used to highlight key elements for arrangements with details of specific arrangements provided on Schedule J.	We suggest that Part II, Section B Questions 3 - 5 be moved to Schedule J so that all relevant detailed information is contained in one place.
Form 990, Part II, Section B, Line 3	High	High	<p><b>Line 3 asks about the rebuttable presumption in IRC § 4958, as applied to the CEO, Executive Director, Treasurer and CFO listed in Section A. This is a voluntary provision that organizations can use if they desire; it is not a requirement.</b></p> <p><b><i>This question may cause small organizations to feel pressure to take on the burden of following details of these procedures to avoid a “No” answer even if they believe their salaries are at or below fair market value.</i></b></p> <p><b><i>In addition, the question is applicable to all organizations, not just those exempt under § 501(c)(3) and (4) which are subject to § 4958. This could cause other types of organizations to answer the question negatively which may raise unwarranted questions in the minds of users.</i></b></p>	<p><b><i>By asking the question, the Form will place pressure on organizations, especially smaller ones, to voluntarily comply with all of the requirements of the rebuttable presumption. While we understand the purpose of the question, we recommend that it be eliminated, or that it only be applied to organizations with gross receipts of \$1 million or more.</i></b></p> <p>It is important that organizations be provided an opportunity on the face of the Form to qualitatively elaborate on the response, if desired. In addition, we recommend that the Instructions be expanded to reiterate the rebuttable presumption requirements, including the various forms of comparable data beyond formal independent compensation studies which could be used, especially for smaller organizations.</p> <p><b><i>We further recommend that this question be limited to those organizations exempt under § 501(c)(3) and (4).</i></b></p>
Form 990, Part II, Section B, Line 4	Low	Low – Instructions	Line 4 asks about “non-qualified deferred compensation,” but does not define the term. The term is not defined in either the Instructions or the Glossary.	We suggest that a definition for “non-qualified deferred compensation” be added to the Glossary. If it is intended to refer only to IRC § 457(f) plans, it should say so. Also, the question should add the phrase “Not included in box 5 of Form W-2” to the wording of the question.

Section	Importance	Urgency	Comment	Recommendation
Form 990, Part II, Section B, Line 5	High	Medium – Forms Detail	<p><b><i>Line 5 asks about various relationships among persons listed in Section A, or who have been an officer, director, trustee or key employee during the past 5 years. This includes only officers, directors, trustees, key employees and some highly-compensated employees. It does not include independent contractors, as they are not listed in Section A, an improvement over current reporting requirements. The questions, especially 5b could have a wide scope, due to the look-back for 5 years. For example, attorney A, who was on the Board of Organization O within the last 5 years, currently does \$6,000 of legal work for the CFO. It would appear this transaction should be disclosed, although the attorney is not currently on the Board. Therefore, the individuals will have to know who has been an insider for the last 5 years. It is unclear why “within the past 5 years is relevant. The Instructions limit reportable relationships to those exceeding \$5,000, but the question itself doesn’t make that clear.</i></b></p> <p><b><i>This line is extremely daunting and will be incredibly difficult for organizations to monitor.</i></b></p> <p><b><i>It is good that questions about relationships of officers, trustees, key employees and highest paid employees with highest paid independent contractors has been eliminated.</i></b></p>	<p><b><i>We suggest the phrase “in excess of \$5,000” be added to sub-questions b, c, d and e. This will eliminate the need to repetitiously make the point in the Instructions. It could also be added to the introductory question, so it only need appear once.</i></b></p> <p><b><i>We suggest that the business relationships that have to be disclosed be limited to those among persons listed on the current Form. Requiring a person to know everyone who has been an officer, director, trustee or key employee during the last five years imposes a difficult burden on organizations and insiders, many of whom are volunteers. For example, should an organization have to disclose that an attorney who was on the Board 4 years previously did legal work for a current volunteer director amounting to more than \$5,000? It will be extremely difficult for organizations to generate appropriate information to completely respond to this question.</i></b></p>

Section	Importance	Urgency	Comment	Recommendation
Form 990, Part II, Section B, Line 8	High	High	<b>Line 8 asks about total compensation, including deferred compensation and non-taxable fringe benefits. It uses the phrase “receive or accrue.” The Instructions refer to amounts included in columns (D) and (E) of Section A, which only include taxable compensation on a calendar year basis. They do not indicate the relevant period for measuring other benefits. It is unclear whether it is the calendar year or the organization’s reporting year. Also, it is not clear what is meant by the term “accrue.” This term could refer to routine accruals at year end, or to non-qualified deferred compensation that has been earned but not vested.</b>	<b>As we indicated in our comments above on Section A, it is not clear to us what measuring period is appropriate for items not included in box 5 of Form W-2. We recommend that the Instructions make clear whether the organization should use calendar year amounts or reporting year amounts. Either decision is problematic. If calendar year amounts are used, organizations that report on a fiscal year will have to make decisions about proper accruals as of December 31. If the reporting year is used for earned but unvested amounts, the compensation and benefits will be included for different periods. Also, if the calendar year amount is used, we suggest replacing the term “accrue” with the term “earn” to better reflect presumed intent and to eliminate the need for organizations to compute routine accruals at December 31 that they might not otherwise compute.</b>
Form 990, Part II, Section B, Line 9	High	Low – Instructions	Line 9 asks whether any person listed in Section A received or accrued compensation from any source other than the organization or a related organization. The question appears to target more formal relationships designed to avoid reporting the individual’s full compensation. However, the question could be interpreted to include a situation where a volunteer’s employer allows him or her to engage in reporting organization business during work hours. Arguably such situations might have to be reported but it is unclear how an organization would actually know.	The Instructions should limit the question to formal relationships between the employee and the unrelated organization. Situations in which a volunteer officer of an organization is compensated by his or her employer for work done for the organization during regular working hours should not be reported.
Form 990, Part II, Section B, Line 10a	Low	Low – Instructions	It is currently unclear how organizations should report if an affiliate makes the payment through, for example a withholding agency arrangement, and the expense is “charged back” through an intercompany account.	The Instructions should explain how to treat such a situation.

Section	Importance	Urgency	Comment	Recommendation
<b>Form 990, Part III</b>				
Form 990, Part III	High	High	<i>While good governance is important to compliance, requiring organizations to answer a series of “yes” or “no” questions does not ensure compliance nor does lack of some of the policies and procedures included in the questions indicate an organization is out of compliance. In fact, answering these various questions is not necessarily indicative of either good governance or bad governance. For example, answering the question regarding the number of conflict of interest issues with a higher number could indicate very good governance (conflicts were all disclosed) or bad governance (the organization entered into all sorts of arrangements with organizations that board members were involved with). Many smaller organizations may address these areas and conclude that their level of operation does not warrant adoption of formal written policies.</i>	<i>Generally, we suggest that Part III be ordered to include a section that all organizations must answer and another section that only organizations above a threshold of revenue and/or assets are required to answer. For example, (subject to the other suggestions included below) understanding the number of Board members and their independence, meeting documentation practices and person who prepares the financial statements should be addressed for all organizations regardless of size. Formal conflicts of interest policies, whistleblower policies, document retention and destruction policies, etc. questions should be required only for those organizations in excess of the stated thresholds. In addition, we suggest that the Instructions provide guidance on obtaining further information for governance practices.</i>
Form 990, Part III, Line 1a and b	High	Low – Instructions	No Instructions are included for these lines but there are some definitions in the Glossary. Based on the definitions, all members of a board are counted including those with no voting powers. These questions are to provide information regarding what portion of the Board is independent. If the organization has a significant number of nonvoting or ex-officio Board members, the ratio of independent members to total number of Board members may not truly represent how the organization is controlled.	We recommend that only voting members of the Governing Board be included in the count provided. We also recommend “independent” be defined in the Glossary.
Form 990, Part III	Low	Low - Instructions	Currently, “significant” changes to organizing or governing documents (articles/bylaws/trust documents) must be disclosed and a copy sent to the IRS. This question now states that only “significant” changes must be reported. The Instructions use the term “significant” in defining what is “significant” and then provides examples. The examples include changes to policies and procedures (rather than organizing documents) as changes that must be disclosed. This implies that the IRS is expanding the definition of “organizing and/or governing” documents to include Board level policies.	We recommend revising Instructions to further define “significant” and clarify that the reporting requirement is limited to changes in organizing documents. We recommend that additional reporting requirements should not apply to changes to policies and procedures as this would likely result in information that cannot be readily included in the return and will require extensive definitions regarding when this requirement will be applicable including specific policies and procedures and definitions of “significant changes” applicable to each.
Form 990, Part III, Line 3 a and b	High	High	There is no context for conflict of interest information and the same information will likely be interpreted differently by users. For example reporting transactions that were reviewed could be interpreted by some users as an	We suggest eliminating this question or alternatively requiring only organizations over a stated threshold to complete it. If it is to be retained, we recommend changing the question to read “How many times were

Section	Importance	Urgency	Comment	Recommendation
			<p>indication of an organizational problem while other users may consider this an indication that the policy is working effectively. Alternatively, reporting “none” could indicate either that there are no potential conflicts or that the policy has not been implemented appropriately. It is also unclear as to what is meant regarding the number of transactions “reviewed under the policy”. One could argue that all transactions an organization enters into are reviewed pursuant to the policy with those where a potential conflict is disclosed receiving a higher level of scrutiny.</p>	<p>items of potential conflict of interest identified and disclosed to the governing body pursuant to the policy and related procedures?”</p>
Form 990, Part III, Lines 4 and 5	High	Low – Instructions	<p>The Instructions include a “TIP” that states that Sarbanes Oxley (SOX) “requires certain tax-exempt organizations to adopt whistleblower protection and document retention and destruction policies”. The word “certain” is troubling regarding which organizations are actually required to adopt such policies (those receiving federal funds) and which organizations are not so required. In addition, this assertion is an overstatement as SOX makes it a crime if there is retaliation against a whistle blower or when documents are inappropriately destroyed. It does not require that such a policy be adopted. Most advisors recommend that appropriate policies be adopted; however, it is not accurate to emphatically state that SOX requires written policies.</p>	<p>We suggest IRS clarify Instructions language to describe what is actually required or state adopting policies is only a best practice.</p>
Form 990, Part III, Line 6	Low	Low – Instructions	<p>It is unclear what is required in many cases. It is likely that most meetings are documented but a few may not be documented be in a formal manner. Also, “contemporaneously” is a term of art which is defined in the Instructions in this case rather than in the Glossary. Finally, the Instructions refer to minutes that were “approved.” It is common for minutes to be handled by some organizations in a “consent agenda” form or they may be circulated to Board members for comment, but may not receive an actual separate “approval” vote.</p>	<p>We suggest that the Instructions make clear that the question relates to “normally” or on a “general basis” so an organization is not precluded from answering “Yes” if there are a minimal number of meetings that may not have formalized minutes. Examples could be provided.</p> <p>We recommend that the word “contemporaneously” be added to the Glossary and identified in the Form (bolded/italicized) to clearly indicate it is a term of art that is included in the Glossary.</p> <p>The Instructions should make it clear that for this purpose, “approval” includes circulating the minutes to members for their consent whether or not there is a separate formal “approval” vote.</p>
Form 990, Part III, Line 7a	Low	Medium – Forms Detail	<p>Affiliates do not necessarily have the same operations as other entities and therefore would not have (or need) procedures to ensure their operations are consistent with the filing organization’s. Further the term “affiliate” is not defined in the Instructions or the Glossary.</p>	<p>The term “affiliate” should be defined in the Instructions and the Glossary. Further, the question should be reworded to add at the end “if the actual operations are conducted in conjunction with the filing organization”.</p>

Section	Importance	Urgency	Comment	Recommendation
Form 990, Part III, Line 8	Medium	High	It is not clear whether this refers to internal financial reporting or external reporting. The financial statements may be prepared by members of the “finance” team; it is uncommon that one person would complete the entire process in a moderate sized organization. It would seem this question would always have a “yes” answer unless the organization contracts with an independent contractor or doesn’t prepare any financial statements. Typically auditors might assist in preparation of the financial statements from information provided by management. It is unclear how this question should be answered in that case.	The purpose of the question is unclear. If it is to determine who is preparing the internal financial statements on a regular basis, we suggest that a better approach would be to ask the organization to indicate via a Checkbox approach who prepares them: a paid employee; an independent contractor; or a volunteer.
Form 990, Part III, Line 9	Medium	Low – Instructions	In many cases, the committee identified as the “Finance Committee” performs the role of Audit Committee as described in the Glossary. It is unclear whether the IRS is suggesting through this question that organizations should implement a separate Audit Committee. Establishing such a separate committee with knowledgeable and independent board members will likely be difficult for many smaller organizations.	The Instructions should clarify that a separate audit committee is not required and the questions may be answered “yes” if a finance committee is providing financial oversight.
Form 990, Part III, Line 10	High	High	<p><b><i>This question seems to indicate the IRS wants the entire governing body to review the 990. Most organizations do not wish to use limited Board volunteer time to complete this process at the full governing board level but may do so at a committee level. An organization may make its Form 990 available to its Board, but it would be difficult to represent that the governing body had in fact reviewed it before filing unless this review is actually done at a board meeting (where there are many important competing agenda items).</i></b></p> <p><b><i>Timing of such a review could become problematic for an organization as well. It is clear that the Form should be available to the Board (and may be posted on the organization’s website), but a specific review prior to filing is often not practical.</i></b></p> <p><b><i>Finally, it is unclear what is meant by “review”. Is it anticipated that the governing body (or a committee thereof) looks at every line as if it were signing the Form? Or is it sufficient that each member of the governing body has been given a copy of the return and persons knowledgeable of the Form are available to answer questions?</i></b></p>	<b><i>We recommend the question be reworded to read “governing body or committee of the governing body”. Instructions should specifically provide that providing access to Board Members through posting on the organization’s website or other post-filing review is adequate.</i></b>

Section	Importance	Urgency	Comment	Recommendation
Form 990, Part III, Line 11	Medium	High	There is currently no requirement that an organization's organizing/governing documents be made available to the general public unless they are part of a Form 990 or 1023 filing. Similarly, financial statements and the audit report are not required to be made available to the general public under current federal tax law. Through this question, the IRS seems to be taking a position that all of these reports should be made available to the general public. It is unclear what compliance, transparency and bearable burden on the organization would be furthered through this requirement.	We suggest these questions be eliminated. If they are included, there should be a distinction made in the questions about those required to be made available (the Form 990 and 990-T, in some cases) and those that are not required to be made available under current federal tax law.
Form 990, Part III. Line 12	Low	High	No space is included for listing of states. This question appears to require a listing of only those states where the Form 990 is provided to that state. States where separate returns are filed would not be required to be included pursuant to this instruction.	We suggest the question be modified to request a list of all states where a filing of the Form 990 or a similar state reporting Form is required and then include space for that listing. The Instructions should include some information that makes it clear that state filings may be required for either income tax reporting purposes or state solicitation purposes but that only Form 990 filings are relevant for this purpose.

Section	Importance	Urgency	Comment	Recommendation
<b>Form 990, Part IV</b>				
Form 990, Part IV and V	Medium	Low	<b><i>We support the elimination of lines applicable to donor advised fund receipts and distributions. This change reduces taxpayer burden without compromising transparency.</i></b>	<b><i>None</i></b>
Form 990, Part IV, Line 10	High	Low	<b><i>We applaud eliminating the requirement to provide detail of gains and losses with the return. The information was cumbersome to gather and thus compliance with the requirement may have been inconsistent.</i></b>	<b><i>None</i></b>
Form 990, Part IV	Medium	High	<p>Subtotals should be provided in Part IV for “Investment income” and “Other revenue” in order to tie to the totals on the Summary. The Part I revenue section currently requires preparer to combine certain lines from Part IV on various summary revenue lines in Part I. This adds to the complexity of the revenue description on Part I.</p> <p>Line 10d currently reads “net gain or (loss) from investments” even though it includes gain or loss on sales of fixed assets which are not necessarily investments. The Instructions and the Form require sales of assets other than inventory and other than securities (e.g. sales of fixed assets) to be included in column (ii).</p>	<p>We recommend Part IV be reorganized to clarify reporting and simplify correlations to the Summary:</p> <ul style="list-style-type: none"> <li>• Add Rents from exempt function properties as Line 2d. Alternatively, Instructions for Line 2c (Revenue from related investments) should be expanded to clarify that exempt function rental income is reportable on that line.</li> <li>• Add some sort of demarcation after line 3 (membership fees) to help clarify that investment income starts with Line 4 (Interest).</li> <li>• Change line description for proposed Line 10d to “Net gain or (loss) from sale of assets” (rather than investments). Also, to be more accurate, sales of securities (column i) should be changed to “Investments” because not all investment assets are in the form of securities.</li> <li>• Move Other investment income (proposed Line 8) after Net gain or (loss) from sale of assets to help illustrate it is the last line in the investment income section.</li> <li>• Add new subtotal for investment income (line 11) after Other investment income (line 10 after above changes) and a new subtotal for other revenue after line 13 (line 15).</li> <li>• Revise Line references on Summary to match lines of this part.</li> </ul>

Section	Importance	Urgency	Comment	Recommendation
Part IV	High	Low - Instructions	The revised Form does not require organizations to indicate via an exclusion code what code section exempts the income from UBIT. The exclusion codes were helpful; however, leaving them off of the face of the Form is a good reduction in burden.	The descriptions of the statutory exclusions should be added back to the Instructions. Removing these descriptions may result in organizations not seeking to understand the individual income streams and why they are or are not subject to income tax. We think it is still a good idea for organizations to understand why the revenue is not unrelated – either as related to its exempt purpose and therefore not UBI or statutorily excluded from UBI.
Form 990, Part IV	High	High	Revenue is divided into three categories: related (Column B), unrelated (Column C) and statutorily excluded income (Column D). The critical distinction to make for users is whether revenue is taxable or exempt. Separating related and statutorily excluded income does not add to the transparency of the reporting.	We recommend combining the related (Column B) and statutorily excluded (Column D) income into one column.
Form 990, Part IV	Medium	Medium – Forms Detail	There have been varying views on reporting of qualified sponsorships in the existing Form 990 for many years which should be addressed in the redesign. In the existing Form there is an exclusion code which some would argue indicates the IRS wants these amounts reported somewhere other than contributions (e.g. on "other" income or special events income). However, now that there are no exclusion codes, and the regulations continue to make clear that qualified sponsorships are considered contributions for calculating public support, arguably these amounts are properly reportable on Part IV, Line 1f. It would be helpful to include reporting clarification either on the face of the Form or in the Instructions. It would make sense to have qualified sponsorships on line 1 as these are treated as contributions for public support purposes.	Add Qualified Corporate Sponsorships as an additional line item relating to Line 1 and/or clarify Instructions to show that qualified sponsorships should be reported as contributions in Part IV.
Form 990, Part IV Business Codes	High	High	Using for-profit business codes to describe tax-exempt activities is not necessarily appropriate and/or relevant for tax-exempt organizations. Perhaps the Instructions were meant to require that a business code should be entered if an amount is entered in column (C) Unrelated Business Revenue, not column (A) Total Revenue.	We recommend removing business codes from Part IV. If an organization has UBI over \$1,000 it will complete a Form 990-T which has the business codes on the first page. In the case of 501(c)(3) organizations the 990-T is also open to public disclosure. Duplicating this information on the 990 does not add to transparency.
Form 990, Part IV, Line 1d	Medium	Medium	There is not a clear definition of related organizations in the Instructions.	As noted elsewhere, clarifications to the Glossary definition of "related organization" would be helpful.

Section	Importance	Urgency	Comment	Recommendation
Form 990, Part IV, line 1g	Medium	Medium – Form details	<b><i>The Form currently requires completion of Schedule M where the organization receives noncash contributions of \$5,000. The threshold should be raised to eliminate most organizations which do not accept non-cash charitable contributions on a regular basis.</i></b>	<b><i>Consider increasing the level of non-cash contributions that trigger Schedule M as described in Schedule M comments below. The amount that triggers the requirement to attach Schedule M on the Form 990 should be included on the face of the Form.</i></b>
Form 990, Part IV, line 1g	Medium	Low – Instructions	The Instructions do not address the fact that contributions of services or use of facilities are not included in revenue. If the Instructions do not clearly exclude these items, there could be increased errors in revenue reporting.	Include a statement in the Instructions as follows: “Noncash contributions do not include donated services, facilities ...”
Form 990, Part IV, new line for non-cash contributions	Medium	High	For some organizations the value of contributed services and use of facilities is significant and if this information is not included on the Form 990 in some fashion, the user of the 990 does not gather a clear picture of the strength of the organization. Also use of facilities and contributed services from governmental entities are included in revenue for calculating public support.	Consider adding a separate line item for organizations to indicate the total for contributions of donated services, facilities etc. with the option to include them on Schedule M in a new part, (e.g. Part II) along with a Checkbox if the facilities use or services are received from a governmental entity.
Form 990, Part IV Line 2	High	High	Program service revenue does not provide very many lines for a large or complex organization to adequately report various streams of program revenue.	Add an "other income not reported above" at line g on the bottom before the sub-total of program income.
Form 990, Part IV, Line 2 - Instructions	Low	Low - Instructions	Currently the Instructions require all inventory sales, even if from an exempt activity, to be reported on Lines 12 a - c. This is different than the reporting approach used for related rental, dividend and interest revenue	A more consistent approach to reporting related income that also has a specific line described on lines 3 through 12 is to include all program related income on line 2 and only UBI or statutorily excluded income on lines 3 through 12. We suggest including language to this effect in the Instructions would be helpful to preparers.
Form 990, Part IV, Line 3	Medium	Medium	Some "memberships" such as to museums or other arts organizations are actually contributions. These membership organizations like to show separately what their "member" revenue is but these amounts may technically be contributions in many situations. We believe it would be helpful to show these amounts in parenthesis that are reported on line 1f, in a manner similar to the reporting for special events on line 11 and 1c.	Add a parenthetical to line 3 similar to line 11a for organizations that have “membership” payments that qualify as contributions. Alternatively, the Form could add a line for contribution memberships to Line 1.
Form 990, Part IV, Line 11a	Low	Low-Instructions	The Instructions provide an example on generating both contributions and income related to an annual fundraising dinner saying to report \$400 FMV of goods and services as “gaming” in line 11a. It appears “gaming” was not intended and should have referred to “fundraising event revenue” instead.	Change “gaming” to “fundraising event revenue” in the Instructions related to line 11a example on contributions and income related to annual fundraising event dinner.

Section	Importance	Urgency	Comment	Recommendation
<b>Form 990, Part V</b>				
Form 990, Part V	High	Low - Instructions	Ambiguities in the existing Instructions regarding the functional expense allocation lead to inconsistent reporting among similarly situated organizations. We believe there is opportunity for additional clarity and consistency within the Instructions for not only the three main functional categories, but also for direct and indirect expenses.	The Instructions should be re-developed so as to provide more appropriate guidance including examples. Note: This group will provide more specific suggestions after the initial comments on the Form itself. A draft of potential new Instructions for this Part is in preparation and will be forthcoming.
Form 990, Part V, Line 11	Low	Medium – Forms Detail	Another subcategory should be added to include professionals such as contract doctors, nurses, and other similar service providers. This would provide additional information to the users instead of aggregating such individuals in “other”.	We recommend adding a field next to line 11g to allow the organization to briefly describe other significant categories of non-employee services.  Suggested wording: Other _____
Form 990, Part V, Line 12	Low	Low - Instructions	<i>The Instructions state that both advertising and sponsorship expenses are included on this line. There is no definition of “sponsorship” for purposes of this line. In addition, requiring organizations to separately report Internet site link costs and signage costs will be a burden to most organizations. They do not have the mechanisms to provide this level of cost detail. In many cases, this cost is built into the information technology contract or the fund development contract and is not separated for cost purposes.</i>	<i>Clarify Instructions, including provision of a definition of “sponsorship” for this line.</i>
Form 990, Part V, Line 23	Medium	Medium – Forms Detail	Insurance (liability, D&O, etc.) can be significant in most organizations. This should be detailed out so the user can ascertain the organization has taken the appropriate risk management steps.	Line 23 should become line 24 and a new line item titled “Insurance” should be added.
Form 990, Part V, Lines 5 and 6	Medium	Low Instructions	See comments on Part I, Part II and Schedule J regarding consistency of compensation reporting. In addition, two of the examples given for this line in the Instructions address allocation methodology as opposed to explaining what expenses should be included in the line.	See comments on Part I, Part II and Schedule J regarding consistency of compensation reporting.  Also, we recommend moving the two examples to general Instructions to illustrate allocation methodologies.
Form 990, Part V, Line 18	Medium	Low Instructions	The Instructions currently call for a calculation to be made to determine the amount to be included on this line. The filer then has an option of including the balance of the travel expenses in one of two lines. Given the requirement that the documentation relating to these expenses must be maintained by the filer, having all like expenses included in one line will provide a more transparent approach to disclosing the total amount paid to government officials.	We recommend Instructions require including all like expenses in one line.

Section	Importance	Urgency	Comment	Recommendation
Form 990, Part V, Line 3	Low	Low Instructions	While Lines 1 and 2 reference the corresponding Schedule I, Line 3 does not reference Schedule F or the threshold for filing.	Add wording to the Form and Instructions indicating that Schedule F, Statement of Activities Outside the US must be completed for amounts over a trigger level.
Form 990, Part V, Line 5	Low	Low Instructions	The Instructions to line 5, example 3, seem to indicate that payments made for fringe benefits and pension plan contributions to current officers, directors, trustees and key employees should be included in line 5, rather than lines 8 and 9. This is not clearly stated in the second paragraph of the Instructions for line 5.	As noted earlier, we recommend this line be eliminated if compensation reporting in Part II and Schedule J are completed on the calendar year basis. If that recommendation is not adopted, it should be clearly indicated on Part V, line 5 of the Form 990 that payments made for fringe benefits and pension plan contributions to current officers, directors, trustees and key employees should be included in line 5. Perhaps the description of the line should be "Compensation, fringe benefit payments, and pension plan contributions of current officers, directors, and key employees." Line 6 attempts to identify compensation arrangements with other disqualified persons as defined in applicable sections of 4958 of the IRC. This question should add transparency of such arrangements. Lines 8 and 9 of Part V of the Form 990 should indicate that these lines should not include amounts reported on lines 5 and 6.

Section	Importance	Urgency	Comment	Recommendation
<b>Form 990, Part VI</b>				
Form 990, Part VI, Line 1	Low	Low - Instructions	<b>Cash held in investment accounts restricted for long-term use or endowments is normally aggregated with investments. Following the Instructions will require additional analysis of underlying investment accounts without providing any additional benefit to users of the tax return. This will be a burden on filing organizations with little or no return to the users of the Form.</b>	<b>Allow cash in investment accounts to continue to be reported as part of long-term investments, when applicable.</b>
Form 990, Part VI, Line 2	Low	Low - Instructions	<b>Deposits-in-transit are typically reflected as a component of reported cash balances and are most often associated with non-interest bearing accounts. Suggesting deposits-in-transit be classified differently from the accounts in which they are deposited will provide limited information to users of the Form and will impose a burden on reporting organizations.</b>	<b>Delete reference to deposits-in-transit from the Instructions</b>
Form 990, Part VI, Line 5 & 6	Low	Low - Instructions	It is unclear whether pledge receivables related to contributions from officers, directors, trustees, key employees and other disqualified persons should be reported on lines 5 and 6 or included on line 3	All pledges receivable including those from officer, directors, trustees, key employees and other disqualified persons should be aggregated on a single line. Only other types of receivables from officers, directors, trustees, key employees and other disqualified persons reported on lines 5 and 6.
Form 990, Part VI, Line 5 & 6	Low	Medium – Forms Detail	Lines 5 and 6 both address receivables from key individuals, although not all are necessarily disqualified persons. These lines could be combined to reduce complexity and confusion without diminishing information made available to users of the Form 990	Lines 5 and 6 should be combined into “Non-pledge receivables due from officers, directors, trustees, key employees and other disqualified persons”. As a result, the total reported on Schedule L will agree to the total reported on this line.
Form 990, Part VI, Line 14 & 15	Low	Medium – Forms Detail	The term "Program related" is used on the Core Form but not defined in the Instructions to the Core Form. Preparers and users may not understand what is included on these lines based on a simple reading of the Form’s caption.	Define the term "Program related" in the Glossary or, in the alternative, revise the caption to read "land, buildings and equipment not held for investment."
Form 990, Part VI, Line 24	Low	Low - Instructions	If a director of a tax-exempt organization works for or serves on a board of a financial institution from which the nonprofit borrows, it is not clear whether the indebtedness should be reported on line 24 or 25, as applicable, or line 23 as if the loan was from the director.	The Instructions should be clarified to describe how these loans should be reported.

Section	Importance	Urgency	Comment	Recommendation
Form 990, Part VI, Line 24 a & b	Low	Low - Instructions	It is unclear whether debt related to investment land, building and equipment should be reported on line 12 (i.e. income producing debt-financed property) on line 24b as indicated on the Form, or on line 24a with other indebtedness related to debt-financed property.	Instructions to lines 24a and b on the Form should be modified to indicate debt related to investment property reported on line 12 should be reported on line 24a. The Instructions should make it clear that reporting debt on this line does not necessarily mean that the debt creates debt-financed income.
Form 990, Part VI, Lines 5 and 23	Low	Medium – Forms Detail	The Instructions include highly-compensated employees who are listed in Part II of Form 990 as included within these lines. The Form currently refers to “current officers, directors, trustees, key employees or other related parties” on line 5 and “current and former officers, directors, trustees, or key employees” on line 23. We support the changes made to this area and the advent of Schedule L.	The Form should be consistent with the Instructions. We believe that lines 5 and 23 should refer to “individuals listed in Part II and related parties.”

Section	Importance	Urgency	Comment	Recommendation
<b>Form 990, Part VII</b>				
Form 990, Part VII, Overall	Medium	High	Some of the questions will be “N/A” to many organizations or portions of questions are “N/A” due to the answer to a previous question. A “No” answer may be viewed as negative by many users of the information.	Include a column for “N/A” as an option for at least those questions where such an option would be relevant.
Form 990, Part VII, overall	Medium	High	Certain questions in Part VII are more suitably asked on other parts. Additionally, the questions that prompt attachment of Schedules are presented in random order. For example, it begins with questions regarding Schedule F (Question 1), next to Schedule D and M (Question 2); on to Schedule K (Question 6); Question 9 refers to Schedule H; Question 10 refers to Schedule E; last question (Question 17) asks about Schedule B.	We recommend a revision of Part VII that presents in alphabetical order the attachment of the Schedules prompted by the answer to the question. Our revision of this Part is attached at Exhibit II. Also included are suggestions for revision of Part VIII (see discussion below).
Form 990, Part VII, Lines 6b – 6d	Low	Medium – Forms Detail	These questions ask detailed additional questions regarding tax-exempt bonds which will not be applicable to many organizations.	We recommend moving these questions to Form 8038-T or alternatively to Schedule K if our recommendation on replacing Schedule K with Form 8038-T is not adopted.
Form 990, Part VII, Line 6a and 6b	Medium	Low-Instructions	The Instructions say to include bonds where the filing organization has \$100,000 in bonds outstanding. The Instructions further say “include bonds no longer on its financial statements as a result of a “Legal Defeasance”. It is unclear whether the intent is to ensure that refinanced debt is reported.  Line 6b asks if the filing organization has invested bond proceeds beyond the temporary period exception.	We recommend this question be moved to Schedule K to simplify the Core Form. Whether the question is included on Schedule K or in Part VII, we believe some clarification in the Instructions is needed. Perhaps IRS intended to say “Refinanced” rather than “Defeased” and the wording should be changed accordingly.  The “temporary period exception” should be defined in the Instructions and the Glossary.
Form 990, Part VII, Lines 8a-c	Medium	Medium – Forms Detail	Line 8a refers to a “substantial part” but substantial is not defined in the Instructions or the Glossary. It appears that the goal is to require those organizations to report arrangements where the entity is not “related”, but the activity is “significant”.	The term “substantial” should be defined in the Glossary. We suggest that it be defined consistent with the use of the term “substantial” for other purposes– e.g. if more than 85% of the gross revenue or assets used in the organization’s activities. In addition, the question should make it clear that for purposes of this question, all such partnerships, etc. should be aggregated to make the determination of whether reporting here is required. This should preclude the use of multiple entities.
Form 990, Part VII, Line 8c	Medium	Medium – Forms Detail	As currently worded, it appears question 8c could apply to many alternative investments. That would result in many “yes” answers with no other clarifying information provided. It is likely that this question is meant to be answered in conjunction with Questions 8a and 8b rather than in isolation.	We recommend that question 8c include the phrase “If yes...” such that it is being answered within the overall context of a “yes” answer to Question 8a.

Section	Importance	Urgency	Comment	Recommendation
Form 990, Part VII, Lines 11 and 12	High	High	<p>These questions appear to steer organizations to adopt policies so as to answer these questions “yes”. It is unclear what compliance and transparency objectives would be demonstrated or furthered by having filers pushed to adopt such “written policies/procedures”. Organizations are always required to safeguard their tax-exempt status regardless of whether their operations result in transactions with related or unrelated organizations.</p> <p>It is unclear why an organization would have a written policy related to safeguarding its exempt status with respect to transactions with “related” organizations (and not others more generally). If IRS is only concerned about “related” organizations, consider including this question on Schedule R which specifically addresses organizations that are reporting related entities.</p> <p>As currently drafted, Question 12 may be answered “no” by many organizations because they have no related organizations. This may not be apparent to a user of the Form.</p>	<p>We recommend these questions be eliminated.</p> <p>If the questions are retained, options for addressing the reporting issues noted include:</p> <ul style="list-style-type: none"> <li>• Relocate questions such that questions are included with other Governance questions (e.g. Current Part III or a Governance Checklist) or included with other related information (e.g. Schedule R)</li> <li>• Provide “N/A” as an option in addition to “Yes” and “No”</li> </ul>
Form 990, Part VII, Line 16	Low	Low - Instructions	<p>The meaning of the phrase “assets held in term or permanent endowment” is not clear, even in light of the Glossary definition.</p>	<p>See Schedule D discussion below.</p>

Section	Importance	Urgency	Comment	Recommendation
<b>Form 990, Part VIII</b> Form 990, Part VIII	High	High	Certain questions in Part VIII are more suitably asked on other parts. Additionally the questions that ask if other IRS forms have been filed are presented in random order.	We recommend a revision of Part VIII that begins with the always important disclosure questions and then presents in numerical order other forms that the filer may need to submit to the IRS. Our revision of this Part is attached as Exhibit III. <ul style="list-style-type: none"> <li>• The tax compliance questions in Part VIII are listed in IRS Form number order and the list has been expanded.</li> <li>• The questions pertaining to issues of concern for particular categories of tax-exempt organizations are drawn together and listed in code section order on Part VII which is attached as Exhibit II.</li> </ul>

Section	Importance	Urgency	Comment	Recommendation
<b>Form 990, Part IX</b>				
Form 990 Part IX, Line 1	Low	Low - Instructions	The word "method" is still in the new Form with no additional explanation of what the IRS is looking for.	Additional guidance on what the IRS is looking for would be helpful. For example, it is unclear whether the addition of on-line resources to an organization's tutoring program in addition to one on one in-person tutoring, would be a change in method for which the IRS is requiring disclosure.
Form 990, Part IX	High	Medium	<p>Line 2 asks for "most significant program service accomplishment". It is unclear whether this is the same as "most significant activities" on Part 1. If so, it is unclear why the information is being requested a second time. It is unlikely that exempt organizations will follow any consistent methodology in providing answers here. Indeed, 501(c)(3) charities which rely on funding from grantmakers and individual donors may be pushed to provide a synopsis of what is most appealing to those funders.</p> <p>It would be virtually impossible for an organization that provides multiple programs all within one corporation to decide which one is the most significant. For example, there are organizations that have a school, exempt radio programming, low income housing, domestic and foreign disaster relief, rehabilitation services, care for elderly, day care services and more. Being forced to "pick one" to disclose here would be meaningless and could be detrimental to the organization with potential funders, negatively impact employee morale (they value others more than my efforts), etc.</p>	We recommend organizations be asked to provide a statement of program services and that they be given discretion in describing program accomplishments without requirement to show preference to one program over another.
Form 990, Part IX Line 3e – Instructions	Low	Low – instruction	The Instructions indicate that an organization may include donated services and use of facilities in amounts reported on the narrative lines.	It would be more informative if an organization includes these amounts in the numerical columns. If organizations include amounts in the numerical columns the totals will not tie to Part V, Line 24 column B as the Form indicates that it must. To solve this, there could be a box to check if these amounts are included and then the total on line 3e will not tie to Part V, line 24. There appears to be room in the box that has "***Total must equal Part V, line 24, column (B)." This change would be helpful to organizations with audited financial statements because, pulling these amounts out of the functional expense schedule can be difficult.

Section	Importance	Urgency	Comment	Recommendation
Form 990, Part IX, Line 3	Low	Medium – Forms Detail	Line 3 needs a heading. Also the heading for Column (A) may cause confusion, e.g. preparer may attempt to allocate charitable contributions among programs shown, despite Instructions language to the contrary.	Add “program service accomplishments” to line 3 heading and change Column (A) description from “Direct revenue” to “Program Service Revenue”.
Form 990, Part IX	High	Medium- Instructions and Form Detail	The information presented in the part of the return is important for use in evaluating organization effectiveness. Some organizations continue to include very brief information on programs. The Instructions for lines 3a – 3c require the organization to complete the disclosure without using an attachment.	Both the Form and Instructions language should be expanded to encourage reporting organization to include both quantitative and qualitative information on accomplishments. Organizations should not be prohibited from using statements attached to communicate accomplishments to users.

Section	Importance	Urgency	Comment	Recommendation
<b>Form 990, Part X</b> Form 990, Part X	High	Medium – Forms Detail	We applaud the addition of the third party designee. This change will allow organizations to address routine notices more quickly and efficiently -- a benefit to all involved (IRS, taxpayer and paid preparers). However, we have a concern that the public nature of the Form 990 creates potential for abuse when designee's phone number and PIN are published.	The phone number and PIN should be eliminated from Part X or, at a minimum, should not be subject to public disclosure.

Section	Importance	Urgency	Comment	Recommendation
<b>Schedule A</b> Schedule A, General Comment	High	High	<p>We commend numerous improvements the proposed schedule provides including:</p> <ul style="list-style-type: none"> <li>• The separation of the two public support tests into Part II for 509(a)(1) organizations and Part III for 509(a)(2) organizations is very helpful. Two separate calculations will help charities understand the technical requirements for these two distinct tests.</li> <li>• <b><i>The option of using either the cash or accrual method of accounting in Part II will help reduce taxpayer burden. It is important to realize that using the accrual versus cash method of accounting will require restatement of prior years for those making that choice. Additionally those organizations that receive major pledges required to be reported as revenue under the accrual method might prefer to continue to use the cash method rather than accrual. The same flexibility is appropriate for 509(a)(2) organizations.</i></b></li> <li>• <b><i>The elimination of the Form 8734 (if pursued) in favor of the revised Schedule A reporting with the increase to five years to match the advance ruling period reduces taxpayer burden and reduces the risk of inadvertently missed filings.</i></b></li> <li>• The addition of the 10% Facts &amp; Circumstances test to Part II should remind reporting organizations of this important aspect of the technical requirements and is expected to lead to improved compliance.</li> <li>• The conversion of Schedule A to focus exclusively on the public charity status requirements -- narrowing the focus of Schedule A will emphasize the important role that broad public support plays in maintaining public charity status for organizations completing Part II or Part III.</li> </ul>	<p>We commend these changes and support regulatory changes needed to implement these and the additional changes noted below.</p> <p><b><i>We recommend that the Form and Instructions clarify that organizations described in Section 509(a)(2) also have the option of using either the cash or accrual method to complete Part III.</i></b></p> <p>We recognize the importance of using a method of accounting consistently in preparing support test calculations. To ensure accounting methods are used consistently, we recommend that Schedule A utilize a check-the-box approach and that the following line be added at the top of Part II and III:</p> <p style="padding-left: 40px;">"Indicate Accounting Method: [ ] Cash [ ] Accrual."</p> <p><b><i>Burden could be reduced for some organizations by allowing a change in accounting method. We recommend Instructions be clarified to state that the method used can be changed periodically if the prior years information is restated to the same method.</i></b></p>
Schedule A, Part I, Line 7	Medium	Low -- Glossary	<p>Some 170(b)(1)(A)(vi) organizations may be confused on which public support test to select because the language in Line 7 appears to emphasize "governmental" support, while making no mention of gifts, grants and contributions.</p>	<p>We recommend highlighting the word "Support" in Line 7 to indicate that it is included in the Glossary where a more detailed definition of support can be found.</p>

Section	Importance	Urgency	Comment	Recommendation
Schedule A, Part I, Line 11(h)	High	Medium – Form Detail and Instructions	<b><i>Some types of supporting organizations are able to specify supported organizations by class or purpose rather than by specific name. For example, the supporting organization regulations provide an example of an organization which operates for the benefit of institutions of higher learning or educational organizations in the State of Y. Those organizations would have a very hard time identifying specific entity information for every potential supported organization.</i></b>	<b><i>We recommend the Form and Instructions be changed to clarify that question (h) is only required for Type III supporting organizations. Alternatively, the Instructions should be expanded to allow organizations which designate supported organizations by class or purpose to combine all organizations within a particular class or purpose for this reporting. This would lead to entries of “various” in columns like EIN, type of organization, and country.</i></b>
Schedule A, Part I, Line 11(h)(v)	Medium	Medium – Form Detail & Instructions	<b><i>Line 11(h)(v) asks whether the supporting organization notified each listed supported organization of “your support”. This appears to ask for verification that the supporting organization made the supported organization aware of payments made to it or for its benefit. Users may expect the supported organization to already be aware of such amounts. Instead, this question may be better designed to inquire whether a Type III supporting organizations provided information to its supported organizations as required by provisions of the Pension Protection Act.</i></b>	<b><i>We recommend the Form and Instructions be modified to clarify the request for information. In addition, we recommend that the question be limited to Type III supporting organizations and that it focus on the requirement to provide information to supported organizations.</i></b>
Schedule A, Part II, Line 1	Medium	Low – Instructions	The removal of "membership fees" from the text of Part II may confuse the charity into thinking that all membership fees are no longer includable in public support, but this is contrary to Reg. 1.170A-9(e)(7)(iii) and 1.509(a)-3(h).	We recommend adding an example to the Instructions so that it is clear that Line 1 support shall include membership fees defined in Reg. 1.170A-9(e)(7)(iii)
Schedule A, Part II, Line 9 and Part III, Line 11	Medium	Low – Instructions	Most support is reported as gross revenue; however some support from unrelated business activities is reported net of expenses. This creates some confusion in completing the support test.	The Instructions should clarify which expenses are allowed in calculating net income. They should also clarify how losses are to be reported; e.g. whether “0” should be reported instead.
Schedule A, Part II, Line 10	High	High	Gross receipts from activities that are not an unrelated trade or business under Section 513 should not be included in the total support calculation. Such revenue comes from the sale of donated goods and low-cost articles; fees for food service, housing, and other amenities provided for the convenience of its members, students, patients, officers, and employees; bingo; conventions; fairs and expositions and certain sponsorship payments. For many tax-exempt organizations, this type of revenue represents a substantial portion of their total support. These amounts are not included in the definition of total support under current regulations.	The Instructions should clarify that gross receipts from activities that are not an unrelated trade or business under section 513 should be reported as part of line 13.

Section	Importance	Urgency	Comment	Recommendation
Schedule A, Part II, Line 11 and Part III, Line 12	Medium	Low-- Instructions	It is not clear what amounts are reported here and the reference to 509(d) in the Instructions may confuse preparers with limited experience.	Clarify Instructions and add examples of what is and is not included.
Schedule A, Part II, Line 13	Medium	Medium - Form Detail	The Form does not make clear whether the amount to be reported is for a single year or for the five-year test period.	We recommend the Form and Instructions be clarified to require reporting of the total amount for the test period.
Schedule A, Part II and III, Line 16	Medium	Medium - Form Detail	The text on the Form for the entry for "effective date of exemption" does not state whether this relates solely to Section 501(c)(3) exemption qualification. Furthermore, many organizations that have been tax-exempt for many years may not know the effective date of their exemption. The entry here may be most relevant for filers whose "effective date" ties to the initiation of a five year advance ruling period.	Clarify on the face of the Form and/or the related Instructions what is meant by "effective date of exemption". The Instructions should permit organizations to "estimate" the date, if they do not know the exact date.
Schedule A, Part II and III, Line 17	Medium	Medium - Form Detail	The lack of any Instruction for these lines leaves unclear whether an organization checking the box is required to complete lines 1-15 of these Parts.	The text on the Form and/or the related Instructions should be altered to indicate lines 1-15 are to be completed by organizations checking the box.
Schedule A, Part II, Line 19	High	High	The wording of this line appears to be inconsistent with regulations which take into consideration a two year period, the current year and the succeeding year (Regs. 1.170A-9(e)(4)(ii)).	Line 19 should read as follows: "If the organization did not check the boxes on line 17 and line 18, and line 14 or line 15 are 10% or more..."
Schedule A, Part II, Line 20	High	Medium	We support the Instructions to Line 20 which allow organizations failing the Part II test to attempt to pass the Part III test, (and vice versa).	We recommend that a change be recorded in the IRS Master File for the organization if it successfully passes a test different from the status they hold in their exemption letter.

Section	Importance	Urgency	Comment	Recommendation
<b>Schedule B</b>				
Schedule B	High	High	<i>The reporting of contributions on Schedule B offers the opportunity for coordination with the proposed Schedule M reporting of noncash contributions. The combination of names with codes on Schedule B would provide a better auditing technique than the display of information on Schedule M.</i>	<i>A column to enter codes identifying the type of property donated can easily be added to Schedule B, Part II. Column (c) of Part II of Schedule B could be revised to add a description of valuation method. If indeed the information is used to evaluate the need to audit the organization and its donors, connecting the object donated with the donor is preferred.</i>
Schedule B	Medium	Low - Instructions	Organizations and tax return preparers may be preparing the current Form inconsistently due to ambiguities in the Instructions and/or differing interpretations. A number of clarifications to the Instructions may improve reporting consistency.	<p>Suggestions include:</p> <ul style="list-style-type: none"> <li>• Clarify whether the same method of accounting followed in the Core Form should be used for the schedule (cash vs. accrual).</li> <li>• Note on Schedule B that the totals are not required to tie to Form 990 Line 1d.</li> <li>• Clarify that grants from governmental entities should not be included on the Form as Under IRC Section 7701 "person" does not include governmental entities.</li> <li>• Confirm in the Instructions that the total of all amounts listed on Schedule B does not need to tie to total contributions.</li> <li>• Clarify in the Instructions that donated services and use of facilities are not included.</li> </ul>

Section	Importance	Urgency	Comment	Recommendation
<b>Schedule C</b>				
Schedule C, Parts I-A and I-B	Medium	High	The schedule currently has political expenditures listed first. Many preparers may unintentionally enter lobbying expenses in as political expenses. This is particularly concerning since political expenses are detrimental to the exempt status of IRC Section 501(c)(3) organizations.	We recommend changing the order to place lobbying questions first. Also add a reminder for IRC Section 501(c)(3) organizations of the distinction between lobbying and political activities and the prohibition against engaging in political activities.
Schedule C, Part I-A, Line 1	Medium	High	<b><i>The question requests the total number of volunteer hours spent in the conduct of the organization's political campaign activities. Smaller organizations generally do not compile this information and may not have the resources available to do so.</i></b>	<b><i>We recommend IRS reconsider the need for the information.</i></b>
Schedule C, Part I-C, Question 5	High	High	<b><i>This information is already being reported to the FEC. Reporting the same information to two government agencies results in increased administrative burden without corresponding increase in compliance .</i></b>	<b><i>We recommend IRS reconsider whether this is necessary given that the information is already reported through FEC filings</i></b>
Schedule C, Definitions	High	Low -- Instructions	The definition section of the Instructions is very helpful. It would be beneficial, however, to expand and perhaps reorder this section to ensure higher compliance in answering all questions.	Separate all political activity definitions under a heading for the applicable Part. Add definitions for all terms used in the line items. Examples include: separate segregated funds, Section 527 organizations, political action committee, direct and indirect political activities (provide examples), taxable political expenditures, etc. For Part II-B the definition of the substantial part test would be helpful.
Schedule C, Instructions	Medium	Low -- Instructions	The Instructions reference Revenue Ruling 2007-41 when discussing the scope of the tax law prohibition of campaign activities by section 501(c)(3) organizations. The Instructions for the 2006 Form provide a much more strongly worded caution for this prohibition. Smaller organizations may benefit from the more strongly worded alternative.	Provide more guidance on this topic in the Instructions. As an alternative provide the link to the IRS site for Revenue Ruling 2007-41.

Section	Importance	Urgency	Comment	Recommendation
<b>Schedule D</b>				
Schedule D, Overall	High	High	<i>Schedule D requests detail on numerous balance sheet disclosures. We acknowledge that much of this detail was requested in the current Form 990 (attached as a statement). In practice, many organizations, particularly large organizations, summarized the requested information rather than provide immense volumes of data that might have limited relevance to a user of the Form 990. This became especially true with mandated e-filing.</i>	<i>We encourage the IRS to consider what detail information is vital to include in the Schedule D. Detail of a large number of non-publicly traded investments, program related assets, etc. will cause large organizations such as hospitals and universities a significant burden without a corresponding increase in transparency.</i>
Schedule D Part I	High	Medium – Form Detail	<i>A listing of individual "other securities" is not appropriate. Privacy issues are a concern; these types of securities are not publicly traded (by definition) and as such there could be competitive disadvantages to disclosing this information. The information itself could be hundreds of pages long, depending on the type of entity. From a disclosure standpoint, this becomes unwieldy and not useful, not to mention onerous to prepare, particularly when e-filing. These files cannot simply be copied and attached to the return. We note that the current 990 requires a schedule to be attached providing a listing of these types of securities, but believe that this redesign is an opportunity to change this requirement given the advent of e-filing which limits the ability to have attachments to the Form 990.</i>	<i>Listing these investments by group basis would be more practical (LPs, LLCs, etc).</i>
Schedule D Part I	Low	Low - Instructions	<i>Organizations that have multiple money managers and investments may be unaware whether they hold more than 5% of the outstanding shares of a publicly traded security; we do not see a noticeable benefit from the disclosure given the potential cost to provide it.</i>	<i>The 5% requirement should be eliminated. While diversification of investments may be good stewardship, it isn't relevant to a tax compliance form.</i>
Schedule D Part I	Low	Low - Instructions	Column (b) refers to "book value" which is confusing.	Column (b) should be revised to read "the method used to maintain the accounting records", as the term "book value" can be confusing. This alerts the preparer that either method is appropriate, as long as the method is disclosed in column (c).
Schedule D, Part IX	High	Low - Instructions	The definition of "funds and other accounts" is unclear.	Provide definition and example in the Instructions and the Glossary.

Section	Importance	Urgency	Comment	Recommendation
Schedule D Part X Line 2	High	Medium – Form Detail	<b><i>It is unclear why an organization should be required to determine what it did in prior periods in order to answer this question ("did the organization capitalize contributions from this year or other years...")? Due to changes in personnel, volunteers, etc. an organization may not have the necessary information to correctly complete this.</i></b>	<b><i>This question should be revised to ask only about the current year. Alternatively, request information on a prospective basis and transition to the disclosure over a 4-year period (start with the first year, and add a year going forward) to ensure records are maintained.</i></b>
Schedule D Part XI	High	Medium – Form Detail	We are unclear as to what the IRS is looking for here, and suggest this question be better defined.	We recommend that the Instructions clarify what should be disclosed, including examples, and that relevant terms be defined in the Instructions and the Glossary.
Schedule D, Part XII	High	Low - Instructions	"Endowment funds" on Part VII Line 16 of the Core Form refers to "term" or "permanent" endowments, which are also defined in the Glossary using part of the SFAS 117 definition. Part XII of Schedule D refers to "endowment", which is not defined in the Glossary. It is unclear what type of endowment funds should therefore be reflected here.	Define "endowment fund" using the complete definition from the Glossary in SFAS 117, which explains the various types of endowments that an organization can have. Clarify that Part XII of Schedule D should reflect the changes in temporary and permanent endowment funds, not the unrestricted funds (which might also be held as part of the endowment)
Schedule D Part XII	Low	Medium – Form Detail	Part XII refers to Form 990, Part VII, Line 6. Line 6 is a question about tax-exempt bonds. It appears that this is a typo, and it should have read "Form 990 Part VII Line 16".	We recommend that the reference be changed.
Schedule D Part XII	High	High –	<b><i>Including four prior years of data will present an undue burden on many tax-exempt organizations. In most cases completing the prior year columns would require extensive research of historical data in order to identify and classify annual activity to conform to the schedule.</i></b>	<b><i>This needs clarification (see above comments). We suggest the table be eliminated. If it is not, we recommend that the IRS request information on a prospective basis and transition to the disclosure over a 4-year period(start with the first year, and add a year going forward).</i></b>
Schedule D Part XII	Low	Medium – Form Detail	<b><i>It is unclear why this information is relevant for non-Section 501(c)(3) organizations, that don't necessarily have contributions.</i></b>	<b><i>This should only be required for Section 501(c)(3) organizations.</i></b>
Schedule D Part XIII	High	High	<b><i>The Schedule, as it is provided on the redesigned Form 990, is hard to follow and mathematically confusing. The IRS asked for comment on an appropriate method of making this information clear and meaningful.</i></b>	<b><i>Revise the schedule (see attached Exhibit IV). This will eliminate the confusion regarding Tax versus Book Income. This would be required for all organizations, so the information would be provided regardless of whether an audit is performed. The Instructions should include direction that the reconciliation should be done on a separate company basis, e.g. for the reporting organization only.</i></b>

Section	Importance	Urgency	Comment	Recommendation
Schedule D Part XIV	High	High	<b><i>With the implementation of our suggested revisions to Part XIII, this would no longer be needed.</i></b>	<b><i>Eliminate this schedule.</i></b>
Schedule D Part XIV	High	Low - Instructions	In the event that this Part is not eliminated, organizations and preparers have significant confusion over the completion of the Audit Financial Statement to Tax Return reconciliation in the current Form 990. We expect this confusion to continue with the redesigned Form.	We recommend that the Instructions be clarified to specify where the schedule should begin. It is unclear whether the starting point should be the consolidated financials of the smallest group the entity is involved in, or the separate company data that is sometimes contained in consolidating schedules attached to the audited financial statements We recommend providing guidance as to whether revenue, gains and other support include non-operating gains or losses. In addition, we recommend that the treatment of changes in temporarily restricted and permanent restricted assets be prescribed in the Instructions. Specifically, it is unclear whether "Revenue per the Financial Statements" mean Unrestricted Operating Revenue, or all revenue regardless of source.
Schedule D Part XV	High	High	<b><i>With the implementation of our suggested revisions to Part XIII, this would no longer be needed.</i></b>	<b><i>Eliminate this schedule.</i></b>
Schedule D Part XV	High	Low - Instructions	In the event that this Part is not eliminated, organizations and preparers have significant confusion over the completion of the Audit Financial Statement to Tax Return reconciliation in the current Form 990. We expect this confusion to continue with the redesigned Form.	We suggest that the Instructions be clarified to specify where the schedule should begin See above discussion regarding Part XIV.

Section	Importance	Urgency	Comment	Recommendation
<b>Schedule F</b>				
Schedule F, General	High	High	The rationale states “[t]he schedule is designed to ensure the safety of overseas aid workers.” This seems an odd purpose for a tax statement and we would submit this approach actually increases the risk for those workers. It requires significant information about operations on the ground in foreign countries, some of which may be hostile to US and/or religious interests. It will make it much easier for the information to be identified and organizations that may have been successful in keeping a somewhat low profile in some “dangerous” areas of the world will be put at risk by having to disclose their number of employees, activities, and expenditures on a country-by-county basis.	It is imperative to the safety of overseas aid workers that this Form not be made available to the public in its current form. Implementation of this schedule should be delayed until Congressional and/or regulatory approval necessary to prevent public inspection is in place or modifications should be made to the Form whereby the countries are not required to be identified.
Schedule F, Overall	High	High	<b><i>Overall, we think it will be great burden to complete this Form. Compliance with this Form may be especially burdensome for those organizations that are first-responders to disaster areas. This burden may be somewhat mitigated due to the \$5,000 threshold. However, it will be necessary to monitor expenditures and this may in fact encourage organizations to limit their assistance to the threshold so as to minimize the reporting burden.</i></b>	<b><i>We suggest that the threshold to trigger reporting be increased from \$5,000 to \$25,000.</i></b>
Schedule F, General	High	High	<b><i>Trigger question on Core Form is very general – Part VII 1(a)-(c) - “Did the organization conduct any of the following outside the U.S.? Grantmaking, fundraising, trade, business or program service activities. Instructions provide no additional detail. Schedule F says the Form is to be filed by anyone who answered yes to VII 1(a)-(c). The specific instruction “Grantmaking” includes as a part of its definition “a grant to an organization if more than one-half of its activities are conducted in a foreign country or directed to persons in a foreign country”. It is unclear how an organization would know whether these limits have been met. In fact, whether a grant to a particular recipient triggered the Schedule F reporting requirement for the filer could change from year-to-year. It is also unclear how “activities” are defined (e.g. expenditures, assets, numbers of people, etc.)</i></b>	<b><i>There should be consistency in the language used. Consider changing the trigger questions in Part VII to read “Did the organization conduct any foreign activities?”. Then identify the term “foreign activities” on the face of the Form as a term of art that is defined in the Glossary. In the Glossary, the term would be defined in a manner consistent with the Instructions that are provided for Schedule F.</i></b>  <b><i>We suggest that the definition of “foreign activities” not include grantmaking to an organization if more than one-half of its activities are conducted in a foreign country as this determination will be very difficult for many organizations. If this requirement is retained, additional definitions should be provided regarding what constitutes an “activity” for this purpose and what an organization may rely on for purposes of making this determination (e.g. request a representation from the grant recipient or include a declaration in their grant transmittal stating that “we understand that not more than one-half of your</i></b>

Section	Importance	Urgency	Comment	Recommendation
Schedule F, Part II, Lines 1(b)	High	High	Line 1, column (b) requests IRS Code and EIN (if tax-exempt). Most “foreign” organizations will not have such a code or EIN. On the face of the return this could be seen to imply that grants to such organizations are problematic. The Instructions make it clear that this column may be “not applicable”; however, many users of the Form will not refer to the Instructions and may conclude that the organization is making grants to organizations that are not fulfilling a charitable mission. They may not understand that a foreign based organization can be fulfilling a charitable mission but has not chosen to request and receive “tax-exempt” status under US law.	<b><i>activities are conducted in a foreign country or directed to persons in a foreign country. If this is not the case, please notify us immediately so we may meet Form 990 filing requirements.”)</i></b>  We recommend that the label for column (b) of Part II be modified to read “If applicable, IRS code and EIN”. Delete the word “if tax-exempt” as that may be confusing to users of the Form. Preparers of the Form are likely to refer to the Instructions for more detail.
Schedule F	Medium	Low - Instructions	<b><i>An exception to the filing requirement of TD F 90-22.1 appears in the Instructions to Form TD F 90-22.1 for an officer or employee of a US corporation whose equity securities are listed upon national securities exchanges or which has assets exceeding \$10 million and 500 or more shareholders of record. Such an officer or employee need not file Form TD F 90-22.1 concerning signature authority over a foreign financial account of the corporation if the officer or employee has no personal financial interest in the account and has been advised in writing by the chief financial officer of the corporation that the corporation has filed a current report which includes that account</i></b>	<b><i>Since the new Schedule F (Form 990) requires reporting of the organization’s foreign accounts, we recommend that the IRS and Treasury adopt a similar policy for exempt organizations to not require officers and employees of the exempt organization to file a Form TD F 90-22.1 for accounts disclosed on Schedule F and in which the person has no personal financial interest</i></b>

Section	Importance	Urgency	Comment	Recommendation
<b>Schedule G</b>				
Schedule G trigger, part IV, line 11a and Part V, line 11e	High	Medium -- Forms Detail	<b><i>The gross income trigger of \$10,000 for being required to complete Schedule G and the professional fundraising expense trigger of \$10,000 are too low. A \$10,000 threshold will impose a recordkeeping and reporting burden that many small organizations are ill-equipped to maintain.</i></b>	<b><i>A threshold of \$50,000 would strike a better balance of burden versus meaningful information for compliance assessments.</i></b>
Schedule G, Part I, Line 1	High	Low -- Instructions	<b><i>As written, the requirement to report individuals in Part I, 1(b)(i) appears overly broad. The Instructions utilize the term fundraiser to describe all those required to be listed in Part I, b(i). However, many jurisdictions differentiate between professional fundraisers and fundraising counsel. A common definition of a professional fundraiser is one who solicits contributions from the public on behalf of a charitable organization, and has access to contributions or receipts. A fundraising counsel is typically defined as one who assists, advises or manages a solicitation from the public, but does not have access to contributions or receipts.</i></b>	<b><i>We recommend the language of the instruction for line 1b, Col. (iii) be interpreted to apply only to professional fundraisers who are compensated for services and have access to contributions or receipts. We recommend that the Instructions be clarified to assure that the appropriate amounts are entered. In addition, definitions of professional fundraiser and fundraising counsel should be included in the Instructions and the Glossary. IRS definition of fundraising activity expense should not include grantwriting/making activities to obtain re-occurring government grants.</i></b>
Schedule G, Part I, Line 1	Low	Medium – Forms Detail or Instructions	The Instructions provide that the total amounts from columns (iii), (iv) and (v) are to be entered on Form 990, Part I, line 26 columns (i), (ii) and (iii) respectively. However, there are no instructions providing a crosswalk to Form 990, Part V, line 11e-Fees for services-professional fundraising.	The Form or the Instructions should clarify how a fundraiser's reimbursed expenses are to be reflected. The Instructions should also provide a crosswalk to Form 990, Part V, line 11e with respect to fees for services – professional fundraising.
Schedule G, Part I, line 3	Medium	Medium – Form Detail	This question is ambiguous. The term "authorized" is not defined in the Instructions. Organizations often receive de minimus contributions from jurisdictions where they have no physical presence, and where they have not conducted direct mail campaigns. It is also not yet settled to what extent Internet fundraising requires state registration. Furthermore, the question uses the term "authorized to solicit" whereas the Instructions utilizes the term "authorized to conduct fundraising." It should also be noted that state laws may vary in defining the term "solicit."	Since the terms "authorized" and "solicit" are functions of state law, and are not defined by federal law, the question should be eliminated. If the question is retained, it should be revised by asking in which states the organization is registered and whether it is filing in accordance with the laws of the respective jurisdictions.
Schedule G, Part I	Low	Medium - Forms Detail	Line 1b - reference to Form 990, Part III appears to be a typo.  Also, column (iv) references individuals or organizations listed in (a).	Should refer to Part II.  Should reference column (i) instead of (a).

Section	Importance	Urgency	Comment	Recommendation
Schedule G, Part I, Line 2	High	Low - Instructions	<b><i>In many instances it will be difficult to determine whether any of the described persons have a business or family relationship with any individual or organization listed in Part I, Line 1b.</i></b>	<b><i>The Instructions should include the Tip set forth in the Instructions for Part II, Line 5 with respect to the dissemination of a questionnaire.</i></b>
Schedule G, Part II, Line 9	Medium	Medium -- Forms Detail	Users of the Form 990 may find information on specific event net performance to be important.	Recommend Including line 9 amounts in columns (a), (b) and (c) as well as in column (d)
Schedule G, Part III	High	Low - Instructions	IRS Publication 3079, Gaming Publication for Tax-Exempt Organizations, provides helpful information for organizations engaged in gaming.	Instructions should refer to the publication.
Schedule G, Part III, Line 10a	Low	Low - Instructions	The question asks whether workers were provided with awards, bonuses, or gifts (other than non-cash items of nominal value) but neither the Instructions nor the Glossary provide a definition of the term nominal.	Consider defining "nominal value" in the Instructions.
Schedule G- Part II, Line 3	Medium	Medium- Form Details	It is not clear that charitable contributions on Line 2 are to be subtracted from Line 1. Line 3 is described as Gross Revenue but Part IV, Line 11a of the Core Form utilizes the term Gross Income.	Line 3 should include an indication that it is arrived at by subtracting Line 2 from Line 1. The terminology in Part IV and schedule G should be identical.
Schedule G- Part II-Lines 4 and 5	Medium	Medium- Form Details	It is unclear as to what is intended to be included on these lines and how they add to transparency or compliance.	If the intent is to report door prizes awarded and /or raffles conducted in conjunction with a special event that should be made clear. If non-cash prizes include gift bags, in most instances the value of such items would be de minimus and should not be required to be accounted for.
Schedule G- Part II- Line 6	Medium	Medium- Form details	Rent/Facility costs may not be a major expense of a substantial number of special events. This may be as a result of contributed facilities or a type of event that does not involve the use of a facility	Part II should be revised to provide for additional expense categories or consideration should be given to deleting Line 6 and retaining the description of " direct expenses other than fundraising expenses " that appears on line 9b of the current Form 990. If the current format is retained, consider including food as a line item or clarify that facility costs include food purchases in connection with a catered event.
Schedule G- Part II-Lines 2 and 9	Medium	Medium- Form details	No reference is provided with respect to where the amounts are to be entered on Part IV.	Schedule G, Part II, Line 2, Column (d) should include a reference to Part IV, line 11a, and Line 9 should include a reference to Part IV, Line 11c.
Schedule G, Part III	Low	High	Issues related to gaming are unique and somewhat complex.	We recommend gaming activities be reflected on a separate schedule.
Schedule G, Part III. Line 9a	Low	Low - Instructions	The term "proper identification" is not clear from the Form and current Instructions.	Recommend adding clarification in the Instructions on the specific requirement and the meaning of the term "proper identification".

Section	Importance	Urgency	Comment	Recommendation
<b>Schedule H</b>				
Schedule H	High	High	<b><i>Schedule H is a new report for Hospitals and other healthcare providers. There is a significant amount of information that is being requested, not all of which may be readily available to the reporting organization. Organizations will need time to develop the systems to gather and accurately report the information requested on this Schedule. The additional burden of accurately completing Schedule H will be significant due to the volume of information requested.</i></b>	<b><i>To ease the burden and allow time to implement accurate and consistent reporting systems, Schedule H should be phased in to be completed three years after the Form is released in final form.</i></b>
Schedule H- Who must complete	High	High	The definition of “hospital” is too broad; it currently could encompass a tax-exempt practice group of physicians, an infirmary of a school, home healthcare and hospice care, among others. These activities and corresponding requirements for exemption do not necessarily fit with the schedule.	While we do not disagree that a broad section of healthcare organizations perhaps should complete some information about charity care and community benefit, many of the questions are not relevant and the organizations do not normally maintain the information necessary to complete some of the questions. Another alternative would be to have only IRC Section 170(b)(1)(A)(iii) organizations complete Schedule H.
Schedule H - Required Disclosures	High	High	<b><i>Certain items requested on the Form such as written collection practices are not required under the Internal Revenue Code as a condition of obtaining or retaining tax-exempt status as a hospital. Their inclusion on Schedule H may lead a user to infer otherwise.</i></b>	<b><i>We recommend that the Form clearly indicate that this is not a requirement for tax-exempt status as a hospital or other healthcare provider.</i></b>
Schedule H - Definition of Charity Care	High	High	AHA has a more comprehensive definition of charity care than the one suggested by CHA. In particular, it allows for an inclusion of Medicare shortfalls and for certain bad debts. Many times due to the information systems used at hospitals and the requirement to provide care in a timely manner – a patient may be coded as “other than charity care” until proper paperwork determines qualification for charity care. Most information systems do NOT allow a reclassification of status after admission. Thus, to not include a provision for the inclusion of certain bad debts would not be appropriate.	While we do not wish to advocate for a particular methodology of calculating charity care, we do advocate that the methodology used include Medicare shortfall and certain bad debts especially due to the information systems limitations.
Schedule H - Inclusion of data only for reporting entity	High	High	Many community benefit programs take place at an affiliated organization. For example, research may be done by an affiliated research organization rather than by the reporting hospital.	Consideration should be given to whether Schedule H should be completed on an affiliated group basis. In the alternative, there should be space provided to allow the reporting organization to comment on community benefit provided by affiliates that are attributable to the hospital’s existence.

Section	Importance	Urgency	Comment	Recommendation
Schedule H, Part II, Section A - Billing Information,	Medium	Low - Instructions	<b>Revenues for physician clinics are not routinely kept in a format that allows for the ready completion of Part II, Section A. Rather they are tracked and monitored on a physician by physician basis. Gathering the information requested would be extremely time intensive and create a burden on organizations with physician clinics.</b>	<b>We suggest that if this information is required for physician clinics, compliance should be phased in over a period of time.</b>
Schedule H, Part II, Section A - Billing Information - Discounts	High	High	In the healthcare context, hospitals negotiate with payors for certain rates. The Form currently asks for the discount based on various categories of payors. Such information is not necessarily relevant to exempt status.	We recommend removal of this schedule.
Schedule H, Part IV - Emergency Room Policies and Procedures	Medium	Low - Instructions	Neither the Form nor the Instructions explain what type of policies and procedures are relevant – presumably the IRS wants to know if an organization accepts all patients regardless of ability to pay. Without further definition – hospitals may be inclined to attach numerous irrelevant policies.	The Instructions should clarify which policies are relevant to this question.
Schedule H, Part IV - Emergency Room Policies and Procedures	High	High	Not all organizations required to complete Schedule H are required to have emergency rooms. For example, it would be very unusual for a skilled nursing center to have one. These organizations may have other programs designed to provide community access to services.	The Form should make it clear to the lay user that having and operating an emergency room is not required in order for an organization to be qualified for tax exemption. In addition, the Form and Instructions should be expanded to ask for information on programs designed to provide community access to services in addition to emergency rooms.
Schedule H, Part V - Facility Information	Low	Low-Instructions	<b>The Instructions state to list facilities where medical care services are performed. This would presumably include blood drawing stations and/or physician clinics. Many hospitals have numerous such locations throughout a community.</b>	<b>We recommend that all blood drawing stations, clinics and other similar facilities be grouped and reported on one line (one line for each type of facility).</b>
Schedule H, Part V - Facility Information	Medium	Medium	Depending upon how the previous item is resolved, the space provided may not be sufficient for a complete listing of all an organization's healthcare facilities.	If the suggestion above is not followed, we recommend additional space to list facilities be provided.

Section	Importance	Urgency	Comment	Recommendation
<b>Schedule I</b> Schedule I, General Comment re Filing Threshold	High	High	<b>Organizations will greatly appreciate not having to report small grants (&lt;\$5,000). This has been a significant administrative burden in the past.</b>	<b>However, we recommend raising the threshold to \$25,000, not only for the grants to be reported in Parts II and III, but also for purposes of the trigger for filing Schedule I in the Core Form, Part V, lines 1 and 2. We also recommend limiting the number of grants reported in Part II to the 25 largest grants made by the organization and then adding a question to Part II asking for the total number of grants made. As noted below in our comments for Part II, additional space or an additional page for the reporting of grants in Part II is needed.</b>
Schedule I, Part 1, Line 2a	Medium	Low – Instructions	The question asks whether any recipient of a grant or assistance was <u>related</u> to certain parties, including a donor. It is not clear what “related” means for this purpose. For example, is the IRS looking for common board membership? Is the relationship test met if a donor of the filing organization is on the board of a grantee organization? Or if an officer or director of the filing organization is also a donor to the grantee organization?	The Instructions will need to define the term “related” for this purpose.
Schedule I, Part 1, Line 2a	High	Medium – Form Detail	<b>Identifying relationships between grant/assistance recipients and any donor would be very burdensome. Many organizations have a large number of donors. In order to respond to this question, the filing organization would likely have to send a questionnaire to each donor with a list of all grantees (individuals and organizations) and ask them to describe any relationships they might have with any grantee.</b>	<b>We recommend the form be changed to replace the term “donor” with “substantial contributor”.</b>
Schedule I, Part 1, Line 2a	Medium	Medium – Form Detail	The word “organization” is used twice in this line, once referring to a grantee and once referring to the grantor/filing organization.	It would be helpful to add grantor and grantee before “organization” as follows: Was any grantee (individual or organization) related to any person with an interest in the grantor/filing organization, such as a substantial contributor, officer, director, trustee, creator, highly compensated employee, or member of the selection committee?”

Section	Importance	Urgency	Comment	Recommendation
Schedule I, Part II	High	Medium – Form Detail	<b><i>There are not enough lines for this section of the form especially if one of the goals is to limit the number of attachments. Currently, there is room to list only four grants. It would appear that the relationship questions in Part I would provide the necessary signal to the IRS for a need to audit the information and would reduce the need for detailed information for all grants over \$5,000 required by Part II.</i></b>	<b><i>As noted above in our General Comments for this Schedule, consider raising the threshold for detailed grant reporting to require detail only for the top 25 grants over \$25,000. Alternatively, add more lines or a supplemental form for the additional grant reporting.</i></b>
Schedule I, Part II, Columns b and c	Low	High	<b><i>This is going to put a burden on the accounting and finance department of organizations. Grants are usually made and administered in a different department. Organizations will need to set up procedures for collecting this additional information at the time the grant is made in a reportable format.</i></b>	<b><i>We recommend removing these columns due to additional burden created for little or no perceived benefit.</i></b>
Schedule I, Part II, column h	Low	Low – Instructions	This column is open to a great deal of interpretation. If the IRS is interested in consistency and comparability more guidance is needed.	Consider including examples of the types of descriptions sought or consider using key words or codes to achieve some consistency in the characterization of the grants paid by discipline or cause.

Section	Importance	Urgency	Comment	Recommendation
<b>Schedule J</b> Schedule J, Overall	High	High	Members of the public and the press as well as regulators rightly take a great interest in the disclosures of compensation arrangements. In the past, organizations have included explanations of the arrangements in “statements attached”. The explanatory information can provide valuable context on the arrangements – providing background on processes used to approve the arrangement that protect the organization or to explain amounts that may appear unusual (e.g. compensation shown was for partial year of service). Unfortunately, users often overlook the explanatory information, at least in part, because it is difficult to find in the statement attached.	Space should be provided on the face of the Form for organizations to provide explanations on the context of the arrangement. If space is not available, at a minimum a “Stmnt Attach” Checkbox should be included to alert the Form 990 user that a statement should be reviewed in conjunction with the information provided.
Schedule J, Line 1, Column B(i)	Low	Low – Instructions	The Instructions provide that base compensation “typically” means non-discretionary payments agreed upon in advance, contingent only on the payee’s performance of agreed upon services. However, the Instructions do not include any commentary with respect to the meaning of the terms “typically”, or “discretionary”.	The Instructions provide for the inclusion of non-discretionary payments as part of base compensation. However, by utilizing the term “typically,” without providing examples, a note of ambiguity is introduced. The term “non-discretionary” is not defined in either the Instructions or the Glossary. Reg. §53.4958-4(a)(3)(ii)(A) provides that “ the term <u>fixed payment</u> means an amount of cash or other property specified in the contract, or determined by a fixed formula specified in the contract.” Since the term “fixed’ and “non-fixed “ are defined in the aforementioned Regulation, and are utilized in the Instructions for Line 6, we recommend that those terms be utilized instead of the term “discretionary”, with reference to the Regulation in the Instructions and/ or the Glossary.
Schedule J, Line 1, Column B(ii)	Low	Low – Instructions	The Instructions characterize bonus and incentive compensation as including discretionary payments based on satisfaction of a performance target that was not pre-established or communicated to the listed person, or the outcome of which is substantially certain.	The term “discretionary” is not defined in either the Instructions or the Glossary. For the reasons set forth in the proposed comment with respect to Column B(i), we recommend the substitution of the terms fixed and non-fixed.

Section	Importance	Urgency	Comment	Recommendation
Schedule J, Line 1, Column B(iii)	Low	Low	The Instructions require the reporting of payments pursuant to a severance or change of control arrangement. It provides that a severance plan or arrangement is in connection with termination of employment. A change-of-control plan is described as a plan or arrangement in connection with a change in the terms of employment, or termination of employment that occurs as a direct result of a change in control of the organization.	Severance and change of control arrangements are distinguished by payments predicated on the uncertainty of future events. Because severance arrangements do not require a substantial risk of forfeiture as do §457(f) plans, the IRS has scrutinized certain arrangements. Since IRS CPE articles have focused on the issue, we recommend that either the Instruction and/or the Glossary provide more fulsome guidance to better distinguish between severance and §457(f) plans. We also recommend that reference to IRC § 280G (Golden Parachutes Payments) and the regulations there under be included with respect to change-of-control payments. Although §280G is not applicable to §501(c) organizations subject to an express statutory prohibition against private inurement , Reg. §1.280G-1,Q and A -22 and 23 describe when payments are and are not treated as contingent on a change of ownership or control.
Schedule J, Line 1, Column C	High	Low – Instructions	<p>The Instructions direct that all deferrals of compensation under a nonqualified plan or nongovernmental §457(b) plan be reported in this column. The Instructions refer to deferrals under a “nonqualified plan” but does not define the term.</p> <p>The Instructions include examples that are helpful with respect to the timing of reporting. However, they do not address more complex arrangements. For example, in some circumstances the balance of deferred compensation accrued and reported in a prior period decreases during the current year. This could occur when prior period accruals are forfeited due to circumstances occurring in the current year. The instructions do not provide information on how this change in the accrual should be reported.</p>	<p>If the Instructions intend to refer to §457(f), such reference should be added to the Instructions.</p> <p>The Instructions should be expanded to clarify measurement and reporting principles.</p>
Schedule J, Line 1, Column D	High	Low – Instructions	Many organizations and others use compensation reported on Form 990 to make salary comparisons and for other purposes. Therefore, the exclusion of benefits under qualified plans prevents a user from determining the total compensation package received by a listed individual.	We recommend that benefits earned under qualified plans be included in Column (D). This will provide a complete picture of the listed individual's compensation.

Section	Importance	Urgency	Comment	Recommendation
Schedule J, Line 1, Column D	High	Low – Instructions	<b><i>Among the nontaxable benefits to be included are those described in IRC section 132. Many of those benefits involve insignificant amounts not routinely tracked by organizations. Accounting for these small amounts will be very burdensome. Furthermore, such benefits are disregarded for Intermediate Sanctions purposes (IRC section 4958 and Reg. section 53.4958-4(a)(4)(i)).</i></b>	<b><i>Remove reporting of nontaxable benefits as described in IRC section 132.</i></b>
Schedule J, Line 1, Column E	High	High	<b><i>Employee expense reimbursements under an accountable plan require that the expense meet the criteria for an ordinary and necessary business expense and that the employee adequately account to the employer, in order to avoid taxation. Given the diversity of reporting organizations and the nature of their activities, there inevitably will be substantial variance in the amounts reported. Employees of national and international institutions with multiple locations, as well as institutions engaged in major capital campaigns, may have significantly greater expense reimbursements. This disparity may lead to the conclusion that such reimbursements are extravagant, even though they are caused by structural situations. The proposed reporting portrays expense reimbursements as part of a compensation package. When the expense reimbursements meet accountable plan requirements, they should not be described, directly or indirectly as compensation. Gathering this data will also result in significant new taxpayer burdens without a corresponding improvement in transparency.</i></b>	<b><i>We recommend eliminating reporting of employee expense reimbursements under an accountable plan. As all other expense reimbursements will show up in compensation, we recommend that Column E be eliminated.</i></b>
Schedule J, Line 1, Column G	Low	Low – Instructions	The Instructions require the answer to be yes if a listed person participated in any supplemental nonqualified retirement plan. The Instructions also describe such a plan as a retirement plan that is not generally available to all employees. Rather, it is available only to a certain class of management or highly compensated employees.	Inasmuch as the description of a supplemental retirement plan is one which is described by IRC §457(f), we suggest that the instruction include specific reference to that section.

Section	Importance	Urgency	Comment	Recommendation
Schedule J, Question 3	High	High	Question 3 asks whether the organization paid for or reimbursed first class travel, club dues or use of a personal residence. This question links very different types of reimbursements in a single item. It is very typical for presidents and others at colleges and universities to receive housing as a condition of their employment. Linking housing provided by an organization with first class travel and club dues may leave the impression that these three reimbursements are somehow of an equivalent nature.	If the IRS requires disclosure of these items, it should include space for organizations to explain the types and amounts of benefits that are included.
Schedule J, Questions 4 & 5	High	High	Questions 4 and 5 ask whether the organization paid compensation based on the revenues or net earnings of the organization or a related organization. Organizations are attempting to link compensation with performance. E.g. it is typical for chief investment officers and development officers to receive incentive compensation based on their performance. Without further disclosure, it is impossible for a user of Form 990 to assess whether such compensation plan is reasonable.	Organizations should be required to further explain the terms of any variable compensation.
Schedule J, Question 6	High	Low – Instructions	The Instructions requires a “yes” answer if the organization provided any non-fixed payments, not described in question 4 (compensation determined in whole or in part by the organization’s revenues) and question 5 (compensation determined in whole or in part by the organization’s earnings).	The Instructions refer to non-fixed payments, a term that is defined in Reg. §53.4958-4(a)(3)(ii)(A). We recommend that the Instructions include a reference to the Regulation as a means of providing additional clarity.
Schedule J, Template	Low	Low – Instructions	Contributions (employee deferrals) to qualified retirement plans - Such amounts would include employee deferrals under a §401(k) plan but not a §403(b) plan. Employees of §501(c)(3) organizations are commonly participants in §403(b) plans. Inasmuch as §403(b) plans are not qualified plans, employee §403(b) deferrals would not be included and thus must be reported.	If it is intended that deferrals with respect to §403(b) plans are to be treated similarly to §401(k) deferrals, the language should be modified to reflect the inclusion of such deferrals. Alternatively, an additional line for such deferrals should be added to the template.

Section	Importance	Urgency	Comment	Recommendation
<b>Schedule K</b>				
Schedule K	High	High	<i>Since the Form 990 is prepared on a single entity basis, it may not be the ideal place in which to require information on a bond issuance, particularly an issuance for an affiliated or obligated group of borrowers.</i>	<i>We believe that it would be appropriate to remove Schedule K from the annual Form 990 (especially as the Form 990 is a publicly available document) and to combine Schedule K and Form 8038-T that is filed every five years to report arbitrage rebate. Currently, the 8038-T is required only where there is a positive arbitrage rebate amount that needs to be remitted. Filing of Form 8038-T should be mandatory for all organizations with tax-exempt debt issued in amounts in excess of \$10,000,000 with a filing required once every five years. It should be expanded to include questions about record keeping and private use.</i>
Schedule K	High	High	<i>Due to the burden and increased recordkeeping that will be necessary to accurately complete the information requested regarding bonds, it will be extremely difficult to complete Schedule K in addition to the new Core Form and the other applicable schedules.</i>	<i>We recommend that implementation of Schedule K or the moving of the Schedule K questions to Form 8038-T be delayed for 3 years beyond implementation of the Core Form to allow organizations to develop the appropriate procedures for tracking the required information. Furthermore, we recommend that the information be required only for those bond issues in excess of \$10,000,000.</i>
Schedule K	High	High	<i>In many circumstances where borrowings are done on an affiliated/obligated group basis, allocation of proceeds is done at the affiliated/obligated group level. Many of the details requested are not available at the individual entity level (which appears to be the perspective intended for use of the draft Form.)</i>	<i>Directions and guidance should be provided to inform issuers who belong to large organizations where borrowings are made on an affiliated/obligated group basis as to the intended applicability of the details requested on the Form. Where there is an obligated group, organizations should be permitted to report the use of bond proceeds based on the uses by the group rather than on an individual entity basis.</i>
Schedule K	Medium	Low – Instructions	Instructions need to guide to where the information needed to complete this schedule may be found. Further, many terms require definition – such as temporary period exception.	Add to Instructions

Section	Importance	Urgency	Comment	Recommendation
Schedule K, Lines 2a - 3b	High	High	<p><b>Rev. Proc. 97-13 (management contracts) and Rev. Proc. 97-14 as superseded by Rev. Proc. 2007-47 (research contracts) set forth safe harbors that if met provide that the contract will not result in private use. Failure to meet the safe harbors does not equate to private use. Even if an agreement does not comply with the safe harbor, it does not automatically follow that there was private use. The 990 is a public document and providing the percentage of proceeds subject to a management and/or research agreements may lead the user to the conclusion that there is private business use where none exists.</b></p> <p><b>Further, the questions look at only a one year period and not the use over the life of the bond. Rather, if the IRS is interested in gathering information with respect to the percentage of private use of bond financed property, the Form should ask for the amount of private use from the date of issuance through the end of the reporting year.</b></p> <p><b>Asking for the highest percentage of use under one of these provisions implies that there is private use. Agreements that meet the safe harbor of Rev. Proc. 97-13 or Rev. Proc. 97-14 (as superseded by Rev. Proc. 2007-47) clearly do not result in private use. Organizations do not currently track the use of proceeds subject to qualified management and research agreements and the rules do not require them to track such use.</b></p>	<p><b>We suggest that these questions be eliminated. At a minimum, the Form should provide space to explain a "no" answer.</b></p> <p><b>If the intent is to determine the percentage of private use of bond proceeds, the question should be so directed. Calculating the amount of proceeds subject to management and research contracts that qualify for safe harbor treatment would be particularly difficult at large organizations where there are numerous contracts and the use of proceeds associated with such contracts is not tracked. The question could be changed to simply ask whether the organization reviews and monitors outstanding management and research contracts.</b></p> <p><b>Furthermore, if the percentage calculations are retained in some fashion, at a minimum they should be modified to ask for the percentage of nonqualified use from all sources from the date of issuance through the end of the reporting year as that would be the more correct measurement period as previously discussed.</b></p>
Schedule K, Part III, Lin 3b	Medium	Medium – Forms Detail	The question should reference the most recent Revenue Procedure.	Part III line 3b should be updated from the reference to Rev. Proc. 97-14 which was superseded by Rev. Proc. 2007-47.
Schedule K, Part IV	High	High	The compensation section suggests that the IRS anticipates that all professional services result from a bidding process. Such application extends beyond current guidance.	Alignment of reporting and regulatory guidance would be very beneficial. Accordingly, either the Form should be changed to permit the reporting organization to describe the process used to establish that the compensation is at fair market value rather than “Selection through formal process”, or this question should be eliminated.

Section	Importance	Urgency	Comment	Recommendation
<b>Schedule M</b>				
Schedule M	High	High	<b>Consider potential redundancy with Schedule B in which certain non-cash contributions are already reported as discussed above.</b>	<b>Consider modifying Schedule B as described above to address the Services' stated concerns and completely delete Schedule M.</b>
Schedule M	Medium	High	<b>Revenue recognized by a charity does not necessarily (and usually does not) agree to the donor's valuation. This Form will only reflect the donee's estimated aggregate value of contributed property (based on its valuation methods, policies, and practices), not the donor's estimated fair market value. Accordingly, we question whether it will provide meaningful information for enforcement, especially in light of the associated taxpayer burden. See the Services' Rationale for Schedule M on Page 1 of 6 (i.e., overvaluation of non-cash donations).</b>	<b>Consider deleting Schedule M in its entirety or at least substantially modifying the requirement for completing this schedule to include only those organizations that receive noncash contributions in excess of the lesser of i) \$1,000,000 or ii) the greater of \$25,000 or 2% of total contributions.</b>
Schedule M	High	High	<b>This Schedule will result in an onerous administrative burden associated with providing the information requested. Furthermore, we believe the information so provided will be of questionable value to the IRS and the public. The detailed information required to compete this Form (e.g., number of items received, valuation method of each, dollar amount still on hand at end of the year) either does not currently exist or is not readily available by category or in the format necessary. To complete some of the information, organizations will need to hire additional administrative staff and complex computer software to manage inventory.</b>	<b>Consider deleting Schedule M in its entirety or at least substantially modifying the requirement for completing this schedule to include only those organizations that receive noncash contributions in excess of the lesser of i) \$1,000,000 or ii) the greater of \$25,000 or 2% of total contributions.</b>
Schedule M	Medium	High	<b>If the Form focuses primarily on the receipt of larger non-cash contributions, the volume of reportable information for organizations would be substantially reduced and therefore, more manageable for both IRS and other users of Form 990.</b>	<b>Consider only requiring this Form to report certain summary information from certain 8283 forms; (e.g., number of 8283 forms, appraised value indicated by donors, amounts of revenue shown by the donee, etc.)</b>
Schedule M, Column (a)	Medium	Medium – Forms Detail	The Instructions refer to the "number of items" but this may not work well for organizations that may measure receipts of certain items under other units of measure (e.g., pounds). In the e-filing context, we assume the software will require a numeric entry however, many non e-filers will probably opt to use the word "numerous" (or a similar word) for many of their entries.	Should allow the organization to choose its unit of measure and allow entries of either words or numbers.

Section	Importance	Urgency	Comment	Recommendation
Schedule M, Column (b)	Medium	Medium – Forms Detail	Users of the Form 990 often do not understand how the various parts fit together. Schedule M reporting should include a total line that correlates back to Core Form reporting.	We recommend that Schedule M be eliminated through combination with Schedule B or that thresholds be applied to limit details required to be reported. If those recommendations are not adopted, we recommend adding a total line for column (b) that ties to line 1g, Form 990, Part IV. This will improve accuracy as the individual entries in this column should agree to the corresponding total in the Core Form.
Schedule M, Column (b)	High	High	As discussed above, donor and donee value normally do not agree. In addition, there are likely to be different methods for the valuation of different types of property included in each line entry. For example, a culturally significant collection of books may be valued under a different valuation method than would apply for a donation of books which have no value as a collection. Therefore, entries into this column are likely to become collectively “various”. Accordingly taxpayer responses are expected to be of limited value to the Service or the public.	Eliminate column C or in the alternative accept “various” as an acceptable entry. Also see the comment regarding thrift store donations below.
Schedule M, instructions to (c)	Medium	Low - Instructions	IRS Publication 561 is not necessarily applicable to a donee’s reporting requirements. Including a reference to this publication may cause confusion as to whether reporting should reflect donee values or donor values.	Eliminate the reference to IRS Publication 561.
Schedule M, Column (d)	High	High	<b><i>The administrative burden to maintain inventories is likely to be overwhelming in many cases because so many items are fungible. Moreover, there is no correlation to balance sheet reporting and little apparent value to IRS for use in enforcement.</i></b>	<b><i>Strongly consider deleting this column.</i></b>
Schedule M, Lines 5 & 6	Medium	Mediums – Forms Detail	<b><i>Clothing and household goods are often combined when donated by donors. Organizations would need to create new systems to separately account for these items for tax return reporting.</i></b>	<b><i>Combine lines 5 and 6 to minimize taxpayer burden.</i></b>
Schedule M, Lines 23-26	High	Mediums – Forms Detail	<b><i>According to the Instructions, these lines should include substandard items, self created items, etc. Currently, most organizations receiving goods in this category do not separately track these gifts. It will be very difficult for organizations to develop new systems to capture the data necessary to complete these lines. Further, the items on these lines are subsets of the lines above information which will require separate or additional inventory systems to track the flow of these items.</i></b>	<b><i>We recommend eliminating lines 23 – 26.</i></b>

Section	Importance	Urgency	Comment	Recommendation
Schedule M, Line 28b	High	Mediums – Forms Detail	<b>Line 28b asks how many Forms 1098-C were filed but does not provide a line for the response.</b>	<b>We recommend eliminating Line 28 as discussed above or, alternatively, including a line for a numerical entry.</b>
Schedule M, new line	Medium	Medium – Form Detail	<b>Organizations conducting thrift store operations receive a variety of goods and often do not have systems in place to track donations according to the categories shown on Schedule M.</b>	<b>We recommend adding a specific line to Schedule M for reporting all items donated to thrift stores. This would provide useful information to IRS regarding nature of noncash contributions without creating undue administrative burden. This line and the charity auction line discussed below should appear early in the list of categories with clarification to avoid double counting when completing the remainder of the Form.</b>
Schedule M, new line	Medium	Medium – Forms Detail	<b>Small organizations which conduct charity auctions may not understand current reporting requirements resulting from the conduct of the auction (e.g., who is the contributor to be reported -- the donor of the property or the purchaser at the auction?). These organizations also may find it burdensome to bifurcate noncash donations received for the auction into the various categories on Schedule M.</b>	<p><b>We recommend adding a specific line to Schedule M for reporting all items contributed for charity auctions and providing additional information in the Instructions to clarify required reporting for charity auctions. This change would achieve a number of objectives:</b></p> <ul style="list-style-type: none"> <li>- <b>Provide relevant information to users on the source of the noncash contributions,</b></li> <li>- <b>Improve understanding of reporting requirements resulting from charity auctions, resulting in improved consistency in reporting, and</b></li> <li>- <b>Ease administrative burden in completing Schedule M</b></li> </ul> <p><b>This line and the thrift store line discussed above should appear early in the list of categories with clarification to avoid double counting when completing the remainder of the Form.</b></p>
Schedule M, new part, e.g., Part II	Medium	High – forms flow	For some organizations the value of contributed services and use of facilities is significant and if this information is not included on the Form 990 in some fashion, the user of the 990 does not gather a clear picture of the strength of the organization.	We recommend adding a separate optional part to Schedule M (e.g., Part II) to support a line on the Core Form where an organization has the option of listing contributions of donated services, facilities etc.

Section	Importance	Urgency	Comment	Recommendation
<b>Schedule R</b>				
Schedule R, Part I	Medium	Medium - Form Detail	Column b requests the EIN of the disregarded entities; many do not have EINs.	We suggest adding "if applicable" to Part I, column B heading or removing the column entirely as many disregarded entities do not have a separate EIN.
Schedule R, Part I	Medium	Medium - Form Detail	<b>Many organizations may not separately track the total revenue and end of year assets of the disregarded entities. The inclusion of this information serves no apparent purpose and is inconsistent with treating an entity as disregarded.</b>	<b>We recommend removal of the total revenue and end of year assets columns for disregarded entities.</b>
Schedule R, Part II	Medium	Low-Instructions	In the definitions for Part II of Schedule R, the Instructions refer to "nonprofit organizations" rather than "tax-exempt" organizations. This terminology in the Instructions is also inconsistent with the terminology used in the Glossary which is "tax-exempt" organizations.	The Instructions, the Form and the Glossary should use consistent terminology. A nonprofit organization is not necessarily a tax-exempt organization.
Schedule R, Part II	Medium	Medium - Form Detail	We are pleased that only related tax-exempt organizations need be disclosed. This is a simplification from the 2006 Form 990, Schedule A, Part VII. However, this is an expansion of what is currently reported on Form 990 Question 80.	None.
Schedule R, Part II, column F	Medium	Low-Instructions	It is unclear why the fourth sentence of the Instructions for Part II, Column F (starting out "If the related organization is a governmental unit...") is necessary. It would seem that you would get to the same point with the first sentence of the Instructions for this column. Specifically, it would appear that the Schedule A number code would always be 6.	Need clarification
Schedule R, Part III, column H	High	Medium - Form Detail	<b>We are concerned that the filing organization would not necessarily know if there are disproportionate allocations with respect to all the other partners.</b>	<b>Remove this requirement as it creates an additional burden to the organization.</b>
Schedule R, Part III, column I	High	Medium - Form Detail	Tying the question specifically to Schedule K-1, Box 20 reporting may result in inconsistencies for a number of reasons: <ul style="list-style-type: none"> <li>• Some organizations need to complete and file Form 990 prior to receipt of final Schedule K-1s.</li> <li>• The Schedule K-1 may address UBI in a footnote rather than in Box 20.</li> <li>• The Schedule K-1 may not properly address UBI.</li> </ul>	The Form and Instructions should clarify that the organization should report UBI information based on Schedule K-1 reporting from the partnership, noting that UBI information should be reported in Box 20 but may also be disclosed in footnotes. The Instructions should also indicate that if the K-1 has not been received by the time of filing Form 990, estimates may be used.

Section	Importance	Urgency	Comment	Recommendation
Schedule R, Part IV, columns F and G	Medium	Medium - Form Detail	Columns F and G may be problematic if the entity is a trust. In fact, one would have to ask whether it is even appropriate to include trusts in this schedule if the filing organization is only a beneficiary and does not have any control over the management of the trust itself, including such things as timing of distributions, the investment of trust assets, etc.	We recommend listing only those trusts in which the organization has both a beneficial interest and serves as trustee.
Schedule R, Part V	Medium	Medium - Form Detail	It is unclear why "Noncharitable Exempt Organizations" appears in the Title of Part V. Only transactions with related entities listed in Parts I-IV are reportable, including those with noncharitable exempt organizations listed in Part II. This part of the title seems unnecessary and is confusing.	The title of the Part should be changed.
Schedule R, Part V	High	Low - Instructions	It is unclear whether accruals and imputed amounts are reportable or only actual transfer of cash or property is reported. It is unclear whether this is a cash basis schedule only or whether intercompany transfers that are merely book entries to receivables and payables rather than cash transfers must be included. A transfer is defined as "any conveyance", but "conveyance" is not defined.	We recommend clarifying the Instructions as to whether accruals and imputed amounts are reportable or only actual transfers of cash or property. The Instructions and the Glossary should define "conveyance".
Schedule R, Part V	High	Low—Instructions	<b><i>It is quite common for exempt organizations which are "related" to centralize certain administrative functions to allow them to focus efficiently on programs. The volume of inter-company transactions which arise under these centralized functions are significant. In our experience, organizations do not generally track information needed to complete the proposed tax return disclosure. As such, the tax reporting required by PPA changes creates a significant burden for the reporting organization. This burden can be alleviated somewhat by allowing aggregation of certain similar transactions for reporting purpose. This aggregation will also result in more meaningful information to the user of the Form.</i></b>	<b><i>Please clarify in Instructions that it is appropriate to aggregate transactions of a particular type and what constitutes a "particular type." It is unclear whether the "particular types" are those listed in line 1a through p. To simplify reporting, we suggest that such items as "purchased services" be aggregated on a single line with a transaction type of "k" and all expense reimbursements be aggregated and coded "m" rather than requiring detailed transaction listings.</i></b>
Schedule R, Part V, Col E	High	High	Column E involves a third definition of control by invoking the Section 512(b)(13) definitions. This column is likely to be misinterpreted with the assumption being that such a transaction should be reported as UBI which is not necessarily the case.	If the IRS is going to include this column, the Section 512(b)(13) definition should be included in the Instructions and distinguished from the other definitions of control used in the Form. Consistency in terminology and clarity and consistency of definitions is extremely important.

Section	Importance	Urgency	Comment	Recommendation
Schedule R, Part VII, questions 7a and b and Schedule R	High	Low-Instructions	The definitions for related parties and "control" contained in the Glossary (presumably applicable to questions 7a and b of Part VII) and Schedule R are not consistent. Under the definitions of control in the case of taxable organizations, Schedule R, in the bullet point relating to being a managing partner or managing member in a partnership or limited liability company adds the phrase "which has three or fewer managing partners or managing members." Similarly, in the bullet point, relating to being a general partner in a limited partnership, Schedule R adds the phrase "which has three or fewer general partners."	We recommend that the definitions and terminology be identical in the Form, the Glossary and the Schedule R Instructions.If the limiting language in the Schedule R Instructions remains (i.e. the language regarding three or fewer managing partners or managing members and three or fewer general partners), definitions of managing partners and managing members should be provided.

## Exhibit I Pro Forma Part I Summary

# Return of Organization Exempt From Income Tax

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

# 20XX

Department of the Treasury  
Internal Revenue Service (77)

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

**Open to Public Inspection**

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

<b>B</b> Check if applicable: <input type="checkbox"/> Address Change <input type="checkbox"/> Name Change <input type="checkbox"/> Initial Return <input type="checkbox"/> Termination <input type="checkbox"/> Amended Return <input type="checkbox"/> Application pending	<b>C</b> Name of organization Number and street (or P.O. box if mail is not delivered to street address). Room/suite City or town, state or country, and ZIP + 4	<b>D</b> Employer identification number .....
		<b>E</b> Telephone Number ( )
		Please use IRS label or print or type. See Specific Instructions

<b>F</b> Website:	<b>H</b> Accounting Method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other	<b>I</b> Books In care of Located at Telephone Number ( )
<b>G</b> Enter amount of gross receipts \$	<b>J</b> Organization type (check only one) <input type="checkbox"/> 501(c) ( ) (insert no.) <input type="checkbox"/> 4947 (a)(1) or <input type="checkbox"/> 527	<b>L</b> State of legal domicile
<b>K</b> Year of Formation:		

## Part I Summary

**1** Briefly describe the organization's exempt purpose and accomplishments. (See Part IX for details).  
 .....  
 .....  
 .....  
 .....  
 .....

**2** Check this box  if the organization discontinued its operations or disposed of more than 25% of its assets and attach Schedule N. **See Att.**

	Prior year	This year	See Att.
<b>3</b> Contributions and grants (Part IV, line 1h, column (A))			<input type="checkbox"/>
<b>4</b> Program service revenue (Part IV, line 2g, column (A))			<input type="checkbox"/>
<b>5</b> Membership dues and assessments (Part IV, line 3, column (A))			<input type="checkbox"/>
<b>6</b> Investment income (Part IV, line 11, column (A))			<input type="checkbox"/>
<b>7</b> Other revenue (Part IV, line 15, column (A))			<input type="checkbox"/>
<b>8</b> Total revenue (add lines 4 through 8, must equal Part IV, line 16, column (A)) (See Part IV for analysis of income-producing activities and Schedule G for Gaming and Fundraising Activity)			<input type="checkbox"/>
<b>9</b> Program service expenses (Part V, line 24, column (B))			<input type="checkbox"/>
<b>10</b> Management and general expenses (Part V, line 24, column (C))			<input type="checkbox"/>
<b>11</b> Fundraising expenses (Part V, line 24, column (D))			<input type="checkbox"/>
<b>12</b> Total expenses (must equal Part V, line 24, column (A)) See Part V.			<input type="checkbox"/>
<b>13</b> Excess/(Deficit) of revenue over expenses (line 8 minus line 12)			<input type="checkbox"/>
<b>14</b> Other changes in net assets:			<input type="checkbox"/>
<b>15</b> Net assets or fund balances at beginning of year (line 19, col (a))			<input type="checkbox"/>
<b>16</b> Net assets or fund balances at end of year (combine lines 13-15, should equal line 19 col(b))			<input type="checkbox"/>
	(a) Beginning of Year	(b) End of Year	
<b>17</b> Total assets (Part VI, line 17)			<input type="checkbox"/>
<b>18</b> Total liabilities (Part VI, line 27)			<input type="checkbox"/>
<b>19</b> Net assets or fund balances (line 17 minus line 18) See Part VI.			<input type="checkbox"/>
<b>20</b> Enter the number of members of the governing body (Part III, Line 1a)		<b>20</b>	<input type="checkbox"/>
<b>21</b> Enter the number of independent members of the governing body (Part III, Line 1b)		<b>21</b>	<input type="checkbox"/>
<b>22</b> Enter the total number of employees (Part VIII, Line 9a)		<b>22</b>	<input type="checkbox"/>
<b>23</b> Enter the estimated number of volunteers the organization had during the year		<b>23</b>	<input type="checkbox"/>
<b>24</b> Enter officer, director, trustee, and other key employee compensation (Part V, Line 5, column (A))		<b>24</b>	<input type="checkbox"/>
<b>25</b> Divide line 24 by line 12 (Also see Part II and Schedule J for details).		<b>25</b> %	<input type="checkbox"/>
<b>26</b> Enter total gross unrelated business revenue (Part IV, Line 14, column (C))		<b>26</b>	<input type="checkbox"/>
<b>27</b> Enter net unrelated business taxable income (Form 990-T, Line 34)		<b>27</b>	<input type="checkbox"/>
<b>28</b> See Parts VII and VIII for listings of schedules and returns that may be required plus general information.			<input type="checkbox"/>

## Exhibit II Pro Forma Part VII Statements Regarding Activities

**Part VII Statements Regarding Activities**

		Yes	No																
<b>1</b>	Is the organization exempt under 501(c)(3)? If "yes," complete Schedule A. ....																		
<b>2</b>	Is the organization required to attach Schedule B, Schedule of Contributors? .....																		
<b>3</b>	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "yes," complete Schedule C. ....																		
<b>4</b>	Did the organization engage in lobbying activities? If "yes," complete Schedule C. ....																		
<b>5</b>	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "yes," complete part VIII of Schedule D and Schedule M (if required). ....																		
<b>6</b>	Did the organization maintain any donor advised funds or any accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "yes," complete part IX of Schedule D. ....																		
<b>7</b>	Did the organization maintain collections of works of art, historical treasures, or other similar assets for public exhibition, education, or research in furtherance of public service rather than financial gain? If "yes," complete part X of Schedule D. ....																		
<b>8</b>	Did the organization provide credit counseling, debt management, credit repair, or debt negotiation services? If "yes," complete part XI of Schedule D. ....																		
<b>9</b>	Does the organization hold assets in term or permanent endowments? If "yes," complete part XII of Schedule D. ....																		
<b>10</b>	Is the organization a school as described in Section 170(b)(1)(A)(ii)? If "yes," complete Schedule E. ....																		
<b>11</b>	During the year, did the organization conduct any of the following outside the U.S.? <b>a</b> grantmaking, fundraising, trade, business, or program service activities? ..... <b>b</b> maintain an office, employees, or agents? ..... <b>c</b> maintain an interest in, or signature or other authority, over a financial account? ..... If "yes," to any of these questions, complete Schedule F. ....	<b>11a</b>	<b>11b</b>																
<b>12</b>	Did the organization operate, or maintain a facility to provide hospital or medical care? If "yes," complete Schedule H. ....																		
<b>13</b>	Did the organization have any tax-exempt bonds outstanding at any time during the year? If "yes," Complete Schedule K. ....																		
<b>14</b>	At any time during the year, <b>a</b> Did the organization own 100% of an entity disregarded as separate from the organization under Regulations Section 301.7701-2 and 301.7701-3? If "yes," complete Schedule R. .... <b>b</b> Was the organization related to any tax-exempt or taxable entity? If "yes," complete Schedule R. .... <b>c</b> Did the organization conduct all or a substantial part of its exempt activities through or using a partnership, LLC, or corporation? ..... <b>d</b> If "yes," identify below the name and primary activity of such partnership, LLC, or corporation in which the organization's ownership or control was 50% or less (attach additional pages if necessary):	<b>14a</b>	<b>14b</b>																
<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:30%;">Name</th> <th style="width:40%;">Primary Activity</th> <th style="width:10%;">Ownership %</th> <th style="width:20%;">Type of Entity</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>		Name	Primary Activity	Ownership %	Type of Entity														
Name	Primary Activity	Ownership %	Type of Entity																
<b>14e</b>	<b>e</b> Was the organization a partner in a partnership, member of an LLC, or shareholder of a corporation that was managed by a company that was controlled by taxable partners, members or shareholders? .....																		
<b>15</b>	<b>501(c)(3) and 501(c)(4) Organizations</b> Check box if not one of these organizations. <input type="checkbox"/>																		
<b>15a</b>	<b>a</b> During the year, did the organization engage in an excess benefit transaction with a disqualified person? .....																		
<b>15b</b>	<b>b</b> Did the organization become aware that it had engaged in an excess benefit transaction with a disqualified person during a prior year? .....																		
<b>15c</b>	<b>c</b> If "yes," to 15a or 15b, complete the table below (attach additional pages if necessary):																		
<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:30%;">Name of Disqualified Person</th> <th style="width:40%;">Description of Transaction</th> <th style="width:30%;">Corrected? (Y/N)</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>		Name of Disqualified Person	Description of Transaction	Corrected? (Y/N)															
Name of Disqualified Person	Description of Transaction	Corrected? (Y/N)																	
<b>15d</b>	<b>d</b> Enter the amount of tax imposed on the organization managers or disqualified persons during the year under Section 4958. ....																		
<b>15e</b>	<b>e</b> Enter the amount of tax on line 15d reimbursed by the organization. ....																		
<b>16</b>	<b>501(c)(7) Organization.</b> Enter:																		
<b>16a</b>	<b>a</b> Initiation fees and capital contributions included on Part IV, line 14 .....																		
<b>16b</b>	<b>b</b> Gross receipts, included on Part IV, for public use of club facilities .....																		
<b>17</b>	<b>501(c)(12) Organization.</b> Enter:																		
<b>17a</b>	<b>a</b> Gross income from members or shareholders .....																		
<b>17b</b>	<b>b</b> Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them) .....																		

## **Exhibit III Pro Forma Part VIII Statements Regarding Disclosures and Other IRS Filings**

**Part VIII Statements Regarding Disclosures and Other IRS Filings**

		Yes	No	N/A
<b>1 a</b>	Did the organization provide goods or services in exchange for any contribution of \$75 or more? .....	<b>1a</b>		
<b>b</b>	If "yes," did the organization notify the donor of the value of goods or services provided? .....	<b>1b</b>		
<b>2 a</b>	Did the organization solicit any contributions that were not tax deductible? .....	<b>2a</b>		
<b>b</b>	If "yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? .....	<b>2b</b>		
<b>3 a</b>	During the year, did the organization maintain a foreign bank account or have foreign investments? .....	<b>3a</b>		
<b>b</b>	If "yes," has it filed other forms related to such investment(s) for this year(TD F 90-22.1, 926, 5471, 8621, 8858, 8865)? .....	<b>3b</b>		
<b>4 a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return. <b>4a</b>			
<b>b</b>	If at least one, did the organization file all required employment tax returns? .....	<b>4b</b>		
<b>5 a</b>	Did the organization have gross unrelated business income of \$1,000 or more during the year covered by this return? .....	<b>5a</b>		
<b>b</b>	If "yes," has it filed a Form 990-T for this year? .....	<b>5b</b>		
<b>6 a</b>	Is the organization filing Form 990 in lieu of Form 1041? .....	<b>6</b>		
<b>b</b>	If "Yes," enter the amount of tax exempt interest received or accrued during the year. <b>6b</b>			
<b>7</b>	For all contributions of automobiles, did the organization file Form 1098-C as required? .....	<b>7</b>		
<b>8 a</b>	Did the organization file Forms 1099 as required? .....	<b>8a</b>		
<b>b</b>	If "yes," indicate the number filed <b>8b</b>			
<b>9 a</b>	During the year, did the organization have political organization taxable income under Section 527(f)(1)? .....	<b>9a</b>		
<b>b</b>	If "yes," has it filed a Form 1120-POL for this year? .....	<b>9b</b>		
<b>10 a</b>	During the year, did the organization engage in any transaction subject to excise tax under Chapter 41 or 42 of the Internal Revenue Code? .....	<b>10a</b>		
<b>b</b>	If "yes," did the organization file Form 4720 for this year? .....	<b>10b</b>		
<b>11 a</b>	Does the organization have any employee benefit plans? .....	<b>11a</b>		
<b>b</b>	If "yes," has it filed all required Forms 5500 for this year? .....	<b>11b</b>		
<b>12 a</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it filed Form 8282? .....	<b>12a</b>		
<b>b</b>	If "yes," how many Forms 8282 did the organization file during the tax year? <b>12b</b>			
<b>13 a</b>	During the year, did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? .....	<b>13a</b>		
<b>b</b>	During the year, did the organization pay premiums, directly or indirectly, on a personal benefit contract? .....	<b>13b</b>		
<b>c</b>	If "yes," to 13b, has it filed Form 8870 for this year? .....	<b>13c</b>		
<b>14</b>	<b>527 Organization</b> Was the organization required to file Form 8872? .....	<b>14</b>		
<b>15 a</b>	Was the organization party to a prohibited tax shelter transaction at any time during the tax year? .....	<b>15a</b>		
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? .....	<b>15b</b>		
<b>c</b>	If "yes," to 3a, did the organization file Form 8886-T? .....	<b>15c</b>		
<b>16</b>	For all contributions of qualified intellectual property, did the organization file Form 8899 as required? .....	<b>16</b>		

**Exhibit IV**

Part XIII Reconciliation of Tax-to-Book Change in Net Assets

- 1. Total Revenue (Part IV, line 14 column (A) ) \_\_\_\_\_
- 2. Total Expense (Part V, line 24, column (A) ) \_\_\_\_\_
- 3. Excess or (deficit) for the year (line 1 minus line 2) \_\_\_\_\_
- 4. Adjustments to arrive at Book change in net assets \_\_\_\_\_
- 5. Net unrealized gains/losses on investments \_\_\_\_\_
- 6. \* Donated services and use of facilities \_\_\_\_\_
- 7. Prior period adjustments \_\_\_\_\_
- 8. Other (specify) \_\_\_\_\_  
\_\_\_\_\_
- 9. Total adjustments (net) \_\_\_\_\_
- 10. Excess or (deficit) for the year per Books (Line 3 plus Line 9; Must  
equal Part VI Line 34(b) - 34(a)) \_\_\_\_\_

\* No net impact on net assets unless capitalized

**Supplemental information - no net impact on income**

Donated services and facilities \_\_\_\_\_