

2013

Instructions for Form 990-PF

**Return of Private Foundation or Section
4947(a)(1) Nonexempt Charitable Trust
Treated as a Private Foundation**

Volume 3 of 3



Instruction 990-PF (Rev. 2013) Catalog Number 47962J
Department of the Treasury **Internal Revenue Service** www.irs.gov



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Line 1b. If you answered “Yes” to any of the questions in 1a, you should answer “Yes” to 1b unless all of the acts engaged in were “excepted” acts. Excepted acts are described in Regulations sections 53.4941(d)-3 and 4 or appear in Notices published in the Internal Revenue Bulletin relating to disaster assistance.

Line 2b. Taxes on failure to distribute income. If you answer “No” to the question on line 2b, attach a statement explaining:

- All the facts regarding the incorrect valuation of assets, and
- The actions taken (or planned) to comply with section 4942(a)(2)(B), (C), and (D) and the related regulations.

Foreign foundations described in section 4948(b) need not complete line 2.

Line 3a. A private foundation generally is subject to tax under section 4943 if it owns any excess business holdings. In general, the holdings of a private foundation, combined with the holdings of related foundations and other disqualified persons, cannot exceed

20% of the voting stock of a corporation, the profits interest in a partnership, or the beneficial remainder interest in a trust. (See “disqualified person” under *General Instruction C.*) Regardless of the holdings of disqualified persons, however, a foundation is permitted to own holdings that do not exceed 2% of either the voting stock or value of all outstanding shares of all classes of stock in a corporation. A similar exception applies to a beneficial or profits interest in any business enterprise that is a trust or partnership.

For more information about excess business holdings, see the Instructions for Form 4720.

Line 4. Taxes on investments that jeopardize charitable purposes. In general, an investment that jeopardizes any of the charitable purposes of a private foundation is one for which a foundation manager did not exercise ordinary business care to provide for the long-and short-term financial needs of the foundation in carrying out its charitable purposes. For more details, see the regulations under section 4944.

Line 5. Taxes on taxable expenditures and political expenditures. In general, payments made for the activities described on lines 5a(1)–(5) are taxable expenditures. Go to

[http://www.irs.gov/charities/foundations/Taxable Expenditures of Private Foundations](http://www.irs.gov/charities/foundations/Taxable%20Expenditures%20of%20Private%20Foundations).

Except as discussed below, a grant by a private foundation to a public charity is not a taxable expenditure if the private foundation does not earmark the grant for any of the activities described in lines 5a(1)–(5), and there is no oral or written agreement by which the grantor foundation may cause the grantee to engage in any such prohibited activity or to select the grant recipient.

Grants made to exempt operating foundations (as defined in section 4940(d)(2) and the instructions to Part VI) are not subject to the expenditure responsibility provisions of section 4945.

A grant from a nonoperating foundation may be a taxable expenditure if made to a Type III supporting organization (as defined in 4943(f)(5)) that is not a functionally

integrated supporting organization (as defined in 4943(f)(5)(B)). Check "Yes" on Line 5a(4) if you made such a grant. See Regulations section 1.509(a)-4 and Notice 2006-109, 2006-51 I.R.B. 1121, for more information.

A grant from a nonoperating foundation may be a taxable expenditure if made to any other supporting organization (including a functionally integrated Type III), if a disqualified person of the private foundation controls the supporting organization or any of its supported organizations. Check "Yes" on line 5a(4) if you made such a grant. See Notice 2006-109, 2006-51 I.R.B. 1121, for more information.

Under section 4955, a section 501(c)(3) organization must pay an excise tax for any amount paid or incurred on behalf of or opposing any candidate for public office. The organization must pay an additional excise tax if it does not correct the expenditure timely.

A manager of a section 501(c)(3) organization who knowingly agrees to a political expenditure must pay an excise tax

unless the agreement is not willful and there is reasonable cause. A manager who does not agree to a correction of the political expenditure may have to pay an additional excise tax.

A section 501(c)(3) organization will lose its exempt status if it engages in political activity.

A political expenditure that is treated as an expenditure under section 4955 is not treated as a taxable expenditure under section 4945.

For purposes of the section 4955 tax, when an organization promotes a candidate for public office (or is used or controlled by a candidate or prospective candidate), amounts paid or incurred for the following purposes are political expenditures:

- Remuneration to the individual (or candidate or prospective candidate) for speeches or other services,
- Travel expenses of the individual,

- Expenses of conducting polls, surveys, or other studies, or preparing papers or other material for use by the individual,
- Expenses of advertising, publicity, and fundraising for such individual, and
- Any other expense that has the primary effect of promoting public recognition or otherwise primarily accruing to the benefit of the individual.

See the regulations under section 4945 for more information.

Line 5b. If you answered “Yes” to any of the questions in 5a, you should answer “Yes” to 5b unless all of the transactions engaged in were “excepted” transactions. Excepted transactions are described in Regulations section 53.4945 and appear in Notices published in the Internal Revenue Bulletin relating to disaster assistance. For example, see Pub. 3833, Disaster Relief.

Line 6b. Check “Yes” if, in connection with any transfer of funds to a private foundation, the foundation directly or indirectly pays premiums on any personal benefit contract,

or there is an understanding or expectation that any person will directly or indirectly pay these premiums.

Report the premiums it paid and the premiums paid by others, but treated as paid by the private foundation, on Form 8870 and pay the excise tax (which is equal to premiums paid) on Form 4720.

For more information, see Form 8870 and Notice 2000-24, 2000-17 I.R.B. 952.

Line 7a. Answer “Yes” if the foundation was a party to a prohibited tax shelter transaction (“PTST”) as described in section 4965(e) at any time during the tax year.

Prohibited tax shelter transaction. In general, prohibited tax shelter transaction means any listed transaction and any prohibited reportable transaction.

Listed transaction. A listed transaction, within the meaning of section 6707A(c)(2), is a transaction that is the same as, or substantially similar to, any transaction that has been specifically identified by the Secretary in published guidance as a tax

avoidance transaction for purposes of section 6011.

Prohibited reportable transaction.

Prohibited reportable transaction means any confidential transaction or any transaction with contractual protection (as defined under regulations prescribed by the Secretary) (see Regulations section 1.6011-4(b)(3) and (4)) which is a reportable transaction (as defined in section 6707A(c)(1)).

If the answer to this question is **“Yes,”** the foundation **must also** file Form 8886-T.

Line 7b. Answer “Yes” if the foundation answered “Yes” to 7a, and it had net income or received proceeds attributable to the PTST during the tax year.

If the foundation answers “Yes” to both lines 7a and 7b, it may be required to file Form 4720 and pay tax with respect to each PTST. The foundation's managers also may be required to file Form 4720 and pay tax with respect to the relevant PTSTs.

Part VIII. Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors

Line 1. List of officers, directors, trustees, etc. List the names, addresses, and other information requested for those who were officers, directors, and trustees (or any person who had responsibilities or powers similar to those of officers, directors, or trustees) of the foundation at any time during the year. Each must be listed whether or not they receive any compensation from the foundation. Give the address at which officers, etc., prefer the Internal Revenue Service to contact them.

Also include on this list any officers or directors (or any person who had responsibilities or powers similar to those of officers or directors) of a disregarded entity owned by the foundation who are not officers, directors, etc., of the foundation.

If the foundation (or disregarded entity) pays any other person, such as a management

services company, for the services provided by any of the foundation's officers, directors, or trustees (or any person who had responsibilities or powers similar to those of officers, directors, or trustees), report the compensation and other items on Part VIII as if you had paid the officers, etc., directly. Also, see Announcement 2001-33, 2001-17 I.R.B. 1137.

Show all forms of compensation earned by each listed officer, etc. In addition to completing Part VIII, if you want to explain the compensation of one or more officers, directors, and trustees, you may provide an attachment describing the person's entire 2013 compensation package.

Enter zero in columns (c), (d), and (e) if no compensation was paid. Attach a schedule if more space is needed.

Column (b). A numerical estimate of the average hours per week devoted to the position is required for the answer to be considered complete.



Phrases such as “as needed” or “as required” are unacceptable entries for column (b).

Column (c). Enter salary, fees, bonuses, and severance payments received by each person listed. Include current year payments of amounts reported or reportable as deferred compensation in any prior year.

Column (d). Include all forms of deferred compensation and future severance payments (whether or not funded or vested, and whether or not the deferred compensation plan is a qualified plan under section 401(a)). Include payments to welfare benefit plans (employee welfare benefit plans covered by Part I of Title 1 of ERISA, providing benefits such as medical, dental, life insurance, apprenticeship and training, scholarship funds, severance pay, disability, etc.) on behalf of the officers, etc. Reasonable estimates may be used if precise cost figures are not readily available.

Unless the amounts are reported in column (c), report, as deferred compensation in column (d), salaries and other compensation

earned during the period covered by the return, but not yet paid by the date the foundation files its return.

Column (e). Enter both taxable and nontaxable fringe benefits, expense account and other allowances (other than *de minimis* fringe benefits described in section 132(e)). See Pub.525, Taxable and Nontaxable Income, for more information. Examples of allowances include amounts for which the recipient did not account to the organization or allowances that were more than the payee spent on serving the organization. Include payments made in connection with indemnification arrangements, the value of the personal use of housing, automobiles, or other assets owned or leased by the organization (or provided for the organization's use without charge).

Line 2. Compensation of five high-est-paid employees. Fill in the information requested for the five employees (if any) of the foundation (or disregarded entity that the foundation owns) who received the greatest amount of annual compensation over

\$50,000. Do not include employees listed on line 1. Also enter the total number of other employees who received more than \$50,000 in annual compensation.

Show each listed employee's entire compensation package for the period covered by the return. Include all forms of compensation that each listed employee received in return for his or her services.

See the line 1 instructions for more details on includible compensation.

Line 3. Five highest-paid independent contractors for professional services. Fill in the information requested for the five highest-paid independent contractors (if any), whether individuals or professional service corporations or associations, to whom the organization paid more than \$50,000 for the year to perform personal services of a professional nature for the organization (for example, attorneys, accountants, and doctors). Also show the total number of all other independent contractors who received more than \$50,000 for the year for performing professional services.

Part IX-A. Summary of Direct Charitable Activities

List the foundation's four largest programs as measured by the direct and indirect expenses attributable to each that consist of the direct active conduct of charitable activities.

Whether any expenditure is for the direct active conduct of a charitable activity is determined, generally, by the definitions and special rules of section 4942(j)(3) and the related regulations, which define a private operating foundation.

Except for significant involvement grant programs, described below, do not include in Part IX-A any grants or expenses attributable to administering grant programs, such as reviewing grant applications, interviewing or testing applicants, selecting grantees, and reviewing reports relating to the use of the grant funds.

Include scholarships, grants, or other payments to individuals as part of an active program in which the foundation maintains some significant involvement. Related

administrative expenses should also be included. Examples of active programs and definitions of the term “significant involvement” are provided in Regulations sections 53.4942(b)-1(b)(2) and 53.4942(b)-1(d).

Do not include any program-related investments (reportable in Part IX-B) in the description and expense totals, but be sure to include qualified set-asides for direct charitable activities reported on line 3 of Part XII. Also, include in Part IX-A amounts paid or set aside to acquire assets used in the direct active conduct of charitable activities.

Expenditures for direct charitable activities include, among others, amounts paid or set aside to:

1. Acquire or maintain the operating assets of a museum, library, or historic site or to operate the facility;
2. Provide goods, shelter, or clothing to indigent or disaster victims if the foundation maintains some significant involvement in the activity rather than

merely making grants to the recipients;

3. Conduct educational conferences and seminars;
4. Operate a home for the elderly or disabled;
5. Conduct scientific, historic, public policy, or other research with significance beyond the foundation's grant program that does not constitute a prohibited attempt to influence legislation;
6. Publish and disseminate the results of such research, reports of educational conferences, or similar educational material;
7. Support the service of foundation staff on boards or advisory committees of other charitable organizations or on public commissions or task forces;
8. Provide technical advice or assistance to a governmental body, a governmental committee, or

subdivision of either, in response to a written request by the governmental body, committee, or subdivision;

9. Conduct performing arts performances; or
10. Provide technical assistance to grantees and other charitable organizations. This assistance must have significance beyond the purposes of the grants made to the grantees and must not consist merely of monitoring or advising the grantees in their use of the grant funds. Technical assistance involves the furnishing of expert advice and related assistance regarding, for example:
 - a. Compliance with governmental regulations,
 - b. Reducing operating costs or increasing program accomplishments,
 - c. Fundraising methods, and

- d. Maintaining complete and accurate financial records.

Report both direct and indirect expenses in the expense totals. Direct expenses are those that can be specifically identified as connected with a particular activity. These include, among others, compensation and travel expenses of employees and officers directly engaged in an activity, the cost of materials and supplies utilized in conducting the activity, and fees paid to outside firms and individuals in connection with a specific activity.

Indirect (overhead) expenses are those that are not specifically identified as connected with a particular activity but that relate to the direct costs incurred in conducting the activity. Examples of indirect expenses include:

- Occupancy expenses;
- Supervisory and clerical compensation;
- Repair, rental, and maintenance of equipment;

- Expenses of other departments or cost centers (such as accounting, personnel, and payroll departments or units) that service the department or function that incurs the direct expenses of conducting an activity; and
- Other applicable general and administrative expenses, including the compensation of top management, to the extent reasonably allocable to a particular activity.

No specific method of allocation is required. The method used, however, must be reasonable and must be used consistently.

Examples of acceptable allocation methods include:

- Compensation allocated on a time basis,
- Employee benefits allocated on the basis of direct salary expenses,
- Travel, conference, and meeting expenses charged directly to the activity that incurred the expense,

- Occupancy expenses allocated on a space-utilized basis, and
- Other indirect expenses allocated on the basis of direct salary expenses or total direct expenses.

Part IX-B. Summary of Program-Related Investments

Program-related investment. Section 4944(c) and corresponding regulations define a program-related investment as one that is made primarily to accomplish a charitable purpose of the foundation and no substantial purpose of which is to produce investment income or a capital gain from the sale of the investment. Examples of program-related investments include educational loans to individuals and low-interest loans to other section 501(c)(3) organizations.

General instructions. Report all program-related investments made in the current tax year. Do not report any investments made in a prior year even if they were still held by the foundation in the current tax year.

Report in the amount column only the amounts of program-related investments that may be treated as qualifying distributions. Do not report in the amount column (1) the amount of a loan guarantee except to the extent that the foundation makes a guarantee payment that would be a qualifying distribution, or (2) the amount of a program-related investment in an organization described in the exceptions set forth in the Part I, line 25, column (d) instructions. If an amount is not reportable in the amount column, then report it in the column describing the program-related investment.

Investments consisting of loans to individuals (such as educational loans) are not required to be listed separately but may be grouped with other program-related investments of the same type. Loans to other section 501(c)(3) organizations and all other types of program-related investments must be listed separately on lines 1 through 3 or on an attachment.

Lines 1 and 2. List the two largest program-related investments made by the foundation

in 2013, whether or not the investments were still held by the foundation at the end of the year.

Line 3. Combine all other program-related investments and enter the total on the line 3 Amount column. List the individual investments or groups of investments included (attach a schedule if necessary).



The total of lines 1 through 3 in the Amount column must equal the amount reported on line 1b of Part XII.

Part X. Minimum Investment Return

Who must complete this section? All domestic foundations must complete Part X.

Foreign foundations that checked Item D2 in the Heading do not have to complete Part X unless claiming status as a private operating foundation.

Private operating foundations described in section 4942(j)(3) or 4942(j)(5) must

complete Part X in order to complete Part XIV.

Overview. A private foundation that is not a private operating foundation must pay out, as qualifying distributions, its minimum investment return. This is generally 5% of the total fair market value of its non-charitable assets, subject to further adjustments as explained in the instructions for Part XI. The amount of this minimum investment return is figured in Part X and is used in Part XI to figure the amount required to be paid out (the distributable amount).

Minimum investment return. In figuring the minimum investment return, include only those assets that are not actually used or held for use by the organization for a charitable, educational, or other similar function that contributed to the charitable status of the foundation. Cash on hand and on deposit is considered used or held for use for charitable purposes only to the extent of the

reasonable cash balances reported in Part X, line 4. See the instructions for lines 1b and 4 below.

Assets held for the production of income or for investment are not considered to be used directly for charitable functions even though the income from the assets is used for charitable functions. It is a factual question whether an asset is held for the production of income or for investment rather than used or held for use directly by the foundation for charitable purposes.

For example, an office building used to provide offices for employees engaged in managing endowment funds for the foundation is not considered an asset used for charitable purposes.

Dual-use property. When property is used both for charitable and other purposes, the property is considered used entirely for charitable purposes if 95% or more of its total use is for that purpose. If less than 95% of its total use is for charitable purposes, a reasonable allocation must be made between charitable and non-charitable use.

Excluded property. Certain assets are excluded entirely from the computation of the minimum investment return. These include pledges of grants and contributions to be received in the future and future interests in estates and trusts.

Line 1a. Average monthly fair market value of securities. If market quotations are readily available, a foundation may use any reasonable method to determine the average monthly fair market value of securities such as common and preferred stock, bonds, and mutual fund shares, as long as that method is consistently used. For example, a value for a particular month might be determined by the closing price on the first or last trading days of the month or an average of the closing prices on the first and last trading days of the month. Market quotations are considered readily available if a security is any of the following:

- Listed on the New York or American Stock Exchange or any city or regional exchange in which quotations appear on a daily basis, including foreign securities listed on

a recognized foreign national or regional exchange,

- Regularly traded in the national or regional over-the-counter market for which published quotations are available, or
- Locally traded, for which quotations can be readily obtained from established brokerage firms.

If securities are held in trust for, or on behalf of, a foundation by a bank or other financial institution that values those securities periodically using a computer pricing system, a foundation may use that system to determine the value of the securities. The system must be acceptable to the IRS for federal estate tax purposes.

The foundation may reduce the fair market value of securities only to the extent that it can establish that the securities could only be liquidated in a reasonable period of time at a price less than the fair market value because of:

- The size of the block of the securities,

- The fact that the securities held are securities in a closely held corporation, or
- The fact that the sale of the securities would result in a forced or distress sale.

Any reduction in value allowed under these provisions may not be more than 10% of the fair market value (determined without regard to any reduction in value).

Also, see Regulations sections 53.4942(a)-2(c)(4)(i)(b), (c), and (iv)(a).

Line 1b. Average of monthly cash balances. Compute cash balances on a monthly basis by averaging the amount of cash on hand on the first and last days of each month. Include all cash balances and amounts that may be used for charitable purposes (see line 4 below) or set aside and taken as a qualifying distribution (see *Part XII*).

Line 1c. Fair market value of all other assets. The foundation must report on line 1c the value of all assets other than charitable-use assets, publicly traded securities, cash, and assets described in Regulations section

53.4942(a)-2(c)(2). The foundation must value the assets reported on line 1c annually, except that real estate may be valued every 5 years if the procedures discussed under 5-year valuation are followed. The annual valuation may be made by private foundation employees or by any other person even if that person is a disqualified person. If the IRS accepts the valuation, it is valid only for the tax year for which it is made. A new valuation is required for the next tax year.

5-year valuation. A written, certified, and independent appraisal of the fair market value of any real estate, including any improvements, may be determined on a 5-year basis by a qualified person.

The qualified person may not be a disqualified person (see *General Instruction C*) with respect to the private foundation or an employee of the foundation.

Commonly accepted valuation methods must be used in making the appraisal. A valuation based on acceptable methods of valuing property for federal estate tax purposes will be considered acceptable.

The appraisal must include a closing statement that, in the appraiser's opinion, the appraised assets were valued according to valuation principles regularly employed in making appraisals of such property, using all reasonable valuation methods. The foundation must keep a copy of the independent appraisal for its records. If a valuation is reasonable, the foundation may use it for the tax year for which the valuation is made and for each of the 4 following tax years.

Any valuation of real estate by a certified independent appraisal may be replaced during the 5-year period by a subsequent 5-year certified independent appraisal or by an annual valuation as described above. The most recent valuation should be used to compute the foundation's minimum investment return.

If the valuation is made according to the above rules, the IRS will continue to accept it during the 5-year period for which it applies even if the actual fair market value of the property changes during the period.

Valuation date. An asset required to be valued annually may be valued as of any day in the private foundation's tax year, provided the foundation values the asset as of that date in all tax years. However, a valuation of real estate determined on a 5-year basis by a certified, independent appraisal may be made as of any day in the first tax year of the foundation to which the valuation applies.

Assets held for less than a tax year. To determine the value of an asset held less than 1 tax year, divide the number of days the foundation held the asset by the number of days in the tax year. Multiply the result by the fair market value of the asset.

Line 1e. Reduction claimed for block-age or other factors. If the fair market value of any securities, real estate holdings, or other assets reported on lines 1a and 1c reflects a blockage discount, marketability discount, or other reduction from full fair market value because of the size of the asset holding or any other factor, enter on line 1e the aggregate amount of the discounts claimed. Attach an explanation that includes the

following information for each asset or group of assets involved:

1. A description of the asset or asset group (for example, 20,000 shares of XYZ, Inc., common stock),
2. For securities, the percentage of the total issued and outstanding securities of the same class that is represented by the foundation's holding,
3. The fair market value of the asset or asset group before any claimed blockage discount or other reduction,
4. The amount of the discount claimed, and
5. A statement that explains why the claimed discount is appropriate in valuing the asset or group of assets for section 4942 purposes.

In the case of securities, there are certain limitations on the size of the reduction in value that can be claimed. See the instructions for Part X, line 1a.

Line 2. Acquisition indebtedness. Enter the total acquisition indebtedness that applies to assets included on line 1. For details, see section 514(c)(1).

Line 4. Cash deemed held for charitable activities. Foundations may exclude from the assets used in the minimum investment return computation the reasonable cash balances necessary to cover current administrative expenses and other normal and current disbursements directly connected with the charitable, educational, or other similar activities. The amount of cash that may be excluded is generally 1½ % of the fair market value of all assets (minus any acquisition indebtedness) as computed in Part X, line 3. However, if under the facts and circumstances an amount larger than the deemed amount is necessary to pay expenses and disbursements, then you may enter the larger amount instead of 1½ % of the fair market value on line 4. If you use a larger amount, attach an explanation.

Line 6. Short tax periods. If the foundation's tax period is less than 12

months, determine the applicable percentage by dividing the number of days in the short tax period by 365 (or 366 in a leap year). Multiply the result by 5%. Then multiply the modified percentage by the amount on line 5 and enter the result on line 6.

Part XI. Distributable Amount

If the organization is claiming status as a private operating foundation described in section 4942(j)(3) or (j)(5) or if it is a foreign foundation that checked Item D2 in the Heading on page 1, check the box in the heading for Part XI. You do not need to complete this part. See the Part XIV instructions for more details on private operating foundations.

Section 4942(j)(5) foundations are classified as private operating foundations for purposes of section 4942 only if they meet the requirements of Regulations section 53.4942(b)-1(a)(2).

The distributable amount for 2013 is the amount that the foundation must distribute by the end of 2014 as qualifying distributions

to avoid the 30% tax on the undistributed portion.

Line 4. Enter the total of recoveries of amounts treated as qualifying distributions for any year under section 4942(g). Include recoveries of part or all (as applicable) of grants previously made, proceeds from the sale or other disposition of property whose cost was treated as a qualifying distribution when the property was acquired, and any amount set aside under section 4942(g) to the extent it is determined that this amount is not necessary for the purposes of the set-aside.

Line 6. Deduction from distributable amount. If the foundation was organized before May 27, 1969, and its governing instrument or any other instrument continues to require the accumulation of income after a judicial proceeding to reform the instrument has terminated, then the income required to be accumulated must be subtracted from the distributable amount beginning with the first tax year after the tax year in which the

judicial proceeding was terminated. (See the instructions for Part VII-A, line 6.)

Part XII. Qualifying Distributions

“Qualifying distributions” are amounts spent or set aside for religious, educational, or similar charitable purposes. The total amount of qualifying distributions for any year is used to reduce the distributable amount for specified years to arrive at the undistributed income (if any) for those years. Foreign foundations described in section 4948(b) not claiming operating foundation status need not complete this part.

Line 1a. Expenses, contributions, gifts, etc. Enter the amount from Part I, line 26, column (d). However, if the borrowed funds election applies, add the total of the repayments during the year to the amount from Part I, line 26, column (d), and enter it on line 1a.

Borrowed funds. If the foundation borrowed money in a tax year beginning before January 1, 1970, or later borrows money under a written commitment binding on December 31,

1969, the foundation may elect to treat any repayments of the loan principal after December 31, 1969, as qualifying distributions at the time of repayment, rather than at the earlier time that the borrowed funds were actually distributed, only if:

1. The money is used to make expenditures for a charitable or similar purpose, and
2. Repayment on the loan did not start until a year beginning after 1969.

On these loans, deduct any interest payment from gross income to compute adjusted net income in the year paid.

Election. To make this election, attach a statement to Form 990-PF for the first tax year beginning after 1969 in which a repayment of loan principal is made and for each tax year after that in which any repayment of loan principal is made. The statement should show:

- The lender's name and address,
- The amount borrowed,

- The specific use of the borrowed funds, and
- The private foundation's election to treat repayments of loan principal as qualifying distributions.

Line 1b. Program-related investments.

Enter the total of the "Amount" column from Part IX-B. See the Part IX-B instructions for the definition of program-related investments.

Line 3. Amounts set aside. Amounts set aside may be treated as qualifying distributions only if the private foundation establishes to the satisfaction of the IRS that the amount will be paid for the specific project within 60 months from the date of the first set-aside and meets 1 or 2 below.

1. The project can be better accomplished by a set-aside than by the immediate payment of funds (suitability test).
2. The private foundation meets the requirements of section 4942(g)(2)(B)(ii) (cash distribution test).

Set-aside under item 1. For any set-aside under 1 above, the private foundation must apply for IRS approval by the end of the tax year in the amount of the set- aside. The request for approval is submitted with Form 8940, Request for Miscellaneous Determination, under sections 507, 509(a), 4940, 4942, 4945, and 6033. The instructions to Form 8940 provide what information is required to be included with the set-aside ruling request. Send completed Form 8940, user fee payment, and all other required information to:

Internal Revenue Service
P.O. Box 12192
Covington, KY 41012-0192

If you are using express mail or a delivery service, send Form 8940, user fee payment, and all other required information to:

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

The application for approval must give all of the following information:

- The nature and purposes of the specific project and the amount of the set-aside for which approval is requested,
- The amounts and approximate dates of any planned additions to the set-aside after its initial establishment,
- The reasons why the project can be better accomplished by the set-aside than by the immediate payment of funds,
- A detailed description of the project, including estimated costs, sources of any future funds expected to be used for completion of the project, and the location(s) (general or specific) of any physical facilities to be acquired or constructed as part of the project, and
- A statement of an appropriate foundation manager that the amounts set aside will actually be paid for the specific project within a specified period of time ending within 60 months after the date of the first set-aside, or a statement explaining

why the period for paying the amount set aside should be extended and indicating the extension of time requested. (Include in this statement the reason why the proposed project could not be divided into two or more projects covering periods of no more than 60 months each.)

Set-aside under item 2. For any set-aside under 2 above, the private foundation must attach a schedule to its annual information return showing how the requirements are met. A schedule is required for the year of the set-aside and for each subsequent year until the set-aside amount has been distributed. See Regulations section 53.4942(a)-3(b)(7)(ii) for specific requirements.

Line 5. Reduced tax on investment income under section 4940(e). If the organization does not qualify for the 1% tax under section 4940(e), enter zero. See Parts V and VI of the instructions.

Part XIII. Undistributed Income

If you checked Item D2 in the Heading on page 1, do not fill in this part.

If the organization is a private operating foundation for any of the years shown in Part XIII, do not complete the portions of Part XIII that apply to those years. If there are excess qualifying distributions for any tax year, do not carry them over to a year in which the organization is a private operating foundation or to any later year. For example, if a foundation made excess qualifying distributions in 2011 and became a private operating foundation in 2013, the excess qualifying distributions from 2011 could be applied against the distributable amount for 2012 but not to any year after 2012.

The purpose of this part is to enable the foundation to comply with the rules for applying its qualifying distributions for the year 2013. In applying the qualifying distributions, there are three basic steps.

1. Reduce any undistributed income for 2012 (but not below zero).
2. The organization may use any part or all remaining qualifying distributions for 2013 to satisfy elections. For example, if undistributed income

remained for any year before 2012, it could be reduced to zero or, if the foundation wished, the distributions could be treated as distributions out of corpus.

3. If no elections are involved, apply remaining qualifying distributions to the 2013 distributable amount on line 4d. If the remaining qualifying distributions are greater than the 2013 distributable amount, the excess is treated as a distribution out of corpus on line 4e.

If for any reason the 2013 qualifying distributions do not reduce any 2012 undistributed income to zero, the amount not distributed is subject to a 30% tax. If the 2012 income remains undistributed at the end of 2014, it could be subject again to the 30% tax. Also, see section 4942(b) for the circumstances under which a second-tier tax could be imposed.

Excess distribution carryovers. An excess of qualifying distributions is created for a particular tax year (and available as a

carryover for the five succeeding years) if the total qualifying distributions treated as made out of the undistributed income for the year or out of corpus with respect to the year (other than amounts distributed in satisfaction of sections 170(b)(1)(F)(ii) or 4942(g)(3) or applied to a prior tax year by election) exceeds the distributable amount for the year. See Regulations section 53.4942(a)-3(e)(2). Thus, in no case does the excess for the particular tax year exceed the qualifying distributions for the year less the distributable amount for the year.

Example. X Foundation has an excess distribution carryover of \$100,000 from 5 years ago that will expire to the extent that it is not used in its current tax year. For its current tax year, X Foundation has a distributable amount of \$110,000, qualifying distributions also of \$90,000, and no undistributed income from prior years. X Foundation does not elect to distribute any part of its qualifying distributions in satisfaction of section 170(b)(1)(F)(ii) or 4942(g)(3). Under these circumstances, X Foundation has no excess distributions for its

current tax year. X Foundation may apply \$20,000 of its \$100,000 carryover from 5 years ago to its undistributed income in the current tax year, but the remaining \$80,000 must expire. X Foundation cannot create an excess distribution for its current tax year by electing to treat all or part of its qualifying distributions for the current year as made out of corpus and applying the \$100,000 carryover from the prior year in satisfaction of its distributable amount for the current year.

Line 1. Distributable amount. Enter the distributable amount for 2013 from Part XI, line 7.

Line 2. Undistributed income. Enter the distributable amount for 2012 and amounts for earlier years that remained undistributed at the beginning of the 2013 tax year.

Line 2b. Enter the amount of undistributed income for years before 2012.

Line 3. Excess distributions carryover to 2013. If the foundation has made excess distributions out of corpus in prior years, which have not been applied in any year,

enter the amount for each year. Do not enter an amount for a particular year if the organization was a private operating foundation for any later year.

Lines 3a through 3e. Enter the amount of any excess distribution made on the line for each year listed. Do not include any amount that was applied against the distributable amount of an earlier year or that was already used to meet pass-through distribution requirements. (See the instructions for line 7.)

Line 3f. This amount can be applied in 2013.

Line 4. Qualifying distributions. Enter the total amount of qualifying distributions made in 2013 from Part XII, line 4. The total of the amounts applied on lines 4a through 4e is equal to the qualifying distributions made in 2013.

Line 4a. The qualifying distributions for 2013 are first used to reduce any undistributed income remaining from 2012. Enter only enough of the 2013 qualifying distributions to

reduce the 2012 undistributed income to zero.

Lines 4b and 4c. If there are any 2013 qualifying distributions remaining after reducing the 2012 undistributed income to zero, one or more elections can be made under Regulations section 53.4942(a)-3(d)(2) to apply all or part of the remaining qualifying distributions to any undistributed income remaining from years before 2012 or to apply to Corpus.



A foundation may make a corpus election on line 4c in order to qualify under section 170(b)(1)(F)(ii) for the benefit of its contributors, or in order for a foundation grantor to the foundation to obtain a qualifying distribution under section 4942(g)(3), as described in the Part XIII, line 7 instructions. A foundation cannot make a corpus election on line 4c in an attempt to create or increase an excess distributions carryover for the current year on line 10e by applying excess distribution carryovers to its current-year distributable amount on line 5. See Regulations section 53.4942(a)-3(e)(2).

Elections. To make these elections, the organization must file a statement with the IRS or attach a statement, as described in the above regulations section, to Form 990-PF. An election made by filing a separate statement with the IRS must be made within the year for which the election is made. Otherwise, attach a statement to the Form 990-PF filed for the year the election was made.

Where to enter. If the organization elected to apply all or part of the remaining amount to the undistributed income remaining from years before 2012, enter the amount on line 4b.

If the organization elected to treat those qualifying distributions as a distribution out of corpus, enter the amount on line 4c.



Entering an amount on line 4b or 4c without submitting the required statement is not considered a valid election.

Line 4d. Treat as a distribution of the distributable amount for 2013 any qualifying

distributions for 2013 that remain after reducing the 2012 undistributed income to zero and after electing to treat any part of the remaining distributions as a distribution out of corpus or as a distribution of a prior year's undistributed income. Enter only enough of the remaining 2013 qualifying distributions to reduce the 2013 distributable amount to zero.

Line 4e. Any 2013 qualifying distributions remaining after reducing the 2013 distributable amount to zero should be treated as an excess distribution out of corpus. This amount may be carried over and applied to later years.

Line 5. Excess qualifying distributions carryover applied to 2013. The foundation may apply excess qualifying distribution carryovers from its five prior years to its current-year undistributed income, but only to the extent that the undistributed income exceeds its qualifying distributions for the year. For example, if for the tax year X Foundation has a distributable amount of \$1,000, qualifying distributions of \$800 which it elects to treat as made out of corpus, prior-

year carryovers of \$700, and no undistributed income for prior years, then it may apply only \$200 of the carryovers to its current-year undistributed income. See Regulations section 53.4942(a)-3(e)(1).

Enter any excess qualifying distributions from line 3, which were applied to 2013, in both the Corpus column and the 2013 column.

Apply the oldest excess qualifying distributions first. Thus, the organization will apply any excess qualifying distributions carried forward from 2008 before those from later years.

Line 6a. Add lines 3f, 4c, and 4e. Subtract line 5 from the total. Enter the net total in the Corpus column.

Line 6c. Enter only the undistributed income from 2011 and prior years for which either a notice of deficiency under section 6212(a) has been mailed for the section 4942(a) first-tier tax, or on which the first-tier tax has been assessed because the organization filed a Form 4720 for a tax year that began before 2012.

Lines 6d and 6e. These amounts are taxable under the provisions of section 4942(a), except for any part that is due solely to improper valuation of assets to which the provisions of section 4942(a)(2) are being applied (see *Part VII-B, line 2b*). Report the taxable amount on Form 4720. If the exception applies, attach an explanation.

Line 6f. In the 2013 column, enter the amount by which line 1 is more than the total of lines 4d and 5. This is the undistributed income for 2013. The organization must distribute the amount shown by the end of its 2014 tax year so that it will not be liable for the tax on undistributed income.

Line 7. Distributions out of corpus for 2013 pass-through distributions. If the foundation is the donee and receives a contribution from another private foundation, the donor foundation may treat the contribution as a qualifying distribution only if the donee foundation makes a distribution equal to the full amount of the contribution and the distribution is a qualifying distribution that is treated as a distribution of corpus. The

donee foundation must, no later than the close of the first tax year after the tax year in which it receives the contributions, distribute an amount equal in value to the contributions received in the prior tax year and have no remaining undistributed income for the prior year. For example, if private Foundation X received \$1,000 in tax year 2012 from Foundation Y, Foundation X would have to distribute the \$1,000 as a qualifying distribution out of corpus by the end of 2013 and have no remaining undistributed income for 2012.

If a private foundation receives a contribution from an individual or a corporation and the individual is seeking the 50% contribution base limit on deductions for the tax year (or the individual or corporation is not applying the limit imposed on deductions for contributions to the foundation of capital gain property), the foundation must comply with certain distribution requirements.

By the 15th day of the 3rd month after the end of the tax year in which the foundation received the contributions, the donee

foundation must distribute as qualifying distributions out of corpus:

- a. An amount equal to 100% of all contributions received during the year in order for the individual contributor to receive the benefit of the 50% limit on deductions, and
- b. Distribute all contributions of property only so that the individual or corporation making the contribution is not subject to the section 170(e)(1)(B)(ii) limitations.

If the organization is applying excess distributions from prior years (for instance, any part of the amount in Part XIII, line 3f) to satisfy the distribution requirements of section 170(b)(1)(F) or 4942(g)(3), it must make the election under Regulations section 53.4942(a)-3(c)(2) by attaching a statement in accordance with that section. Also, see Regulations section 1.170A-9(h)(2).

Enter on line 7 the total distributions out of corpus made to satisfy the restrictions on

amounts received from donors described above.

Line 8. Outdated excess distributions carryover. Because of the 5-year carryover limitation under section 4942(i)(2), the organization must reduce any excess distributions carryover by any amounts from 2008 that were not applied in 2013.

Line 9. Excess distributions carryover to 2014. Enter the amount by which line 6a is more than the total of lines 7 and 8. This is the amount the organization may apply to 2014 and following years. Line 9 can never be less than zero.

Line 10. Analysis of line 9. In the space provided for each year, enter the amount of excess distributions carryover from that year that has not been applied as of the end of the 2013 tax year. If there is an amount on the line for 2009, it must be applied by the end of the 2014 tax year since the 5-year carryover period for 2009 ends in 2014.

Part XIV. Private Operating Foundations

All organizations that claim status as private operating foundations under section 4942(j)(3) or (5) for 2013 must complete Part XIV.

Certain elderly care facilities (section 4942(j)(5)). For purposes of section 4942 only, certain elderly care facilities may be classified as private operating foundations. To be so classified, they must be operated and maintained for the principal purpose explained in section 4942(j)(5) and also meet the endowment test described below.

If the foundation is a section 4942(j)(5) organization, complete only lines 1a, 1b, 2c, 2d, 2e, and 3b. Enter "N/A" on all other lines in the Total column for Part XIV.

Private operating foundation (section 4942(j)(3)). The term "private operating foundation" means any private foundation that spends at least 85% of the smaller of its adjusted net income or its minimum investment return directly for the active

conduct of the exempt purpose or functions for which the foundation is organized and operated (the Income Test) and that also meets one of the three tests below.

1. Assets test. 65% or more of the foundation's assets are devoted directly to those activities or functionally related businesses, or both; or 65% or more of the foundation's assets are stock of a corporation that is controlled by the foundation, and substantially all of the assets of the corporation are devoted to those activities or functionally related businesses.
2. Endowment test. The foundation normally makes qualifying distributions directly for the active conduct of the exempt purpose or functions for which it is organized and operated in an amount that is two-thirds or more of its minimum investment return.
3. Support test. The foundation normally receives 85% or more of its support (other than gross investment income

as defined in section 509(e)) from the public and from five or more exempt organizations that are not described in section 4946(a)(1)(H) with respect to each other or the recipient foundation. Not more than 25% of the support (other than gross investment income) normally may be received from any one of the exempt organizations and not more than one-half of the support normally may be received from gross investment income.

See regulations under section 4942 for the meaning of “directly for the active conduct” of exempt activities for purposes of these tests.

Complying with these tests. A foundation may meet the income test and either the assets, endowment, or support test by satisfying the tests for any 3 years during a 4-year period consisting of the tax year in question and the 3 immediately preceding tax years. It may also meet the tests based on the total of all related amounts of income or assets held, received, or distributed during that 4-year period. A foundation may not use

one method for satisfying the income test and another for satisfying one of the three alternative tests. Thus, if a foundation meets the income test on the 3-out-of-4-year basis for a particular tax year, it may not use the 4-year aggregation method for meeting one of the three alternative tests for that same year.

In completing line 3c(3) of Part XIV under the aggregation method, the largest amount of support from an exempt organization will be based on the total amount received for the 4-year period from any one exempt organization.

A new private foundation must use the aggregation method to satisfy the tests for its first tax year in order to be treated as a private operating foundation from the beginning of that year. It must continue to use the aggregation method for its 2nd and 3rd tax years to maintain its status for those years.

Part XV. Supplementary Information

Complete this part only if the foundation had assets of \$5,000 or more at any time during the year. This part does not apply to a foreign foundation that during its entire period of existence received substantially all (85% or more) of its support (other than gross investment income) from sources outside the United States.

Line 2. In the space provided (or in an attachment, if necessary), furnish the required information about the organization's grant, scholarship, fellowship, loan, etc., programs. In addition to restrictions or limitations on awards by geographical areas, charitable fields, and kinds of recipients, indicate any specific dollar limitations or other restrictions applicable to each type of award the organization makes. This information benefits the grant seeker and the foundation. The grant seekers will be aware of the grant eligibility requirements, and the foundation should receive only applications that adhere to these grant application requirements.

If the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited applications for funds, check the box on line 2.

Line 3. If necessary, attach a schedule for lines 3a and 3b that lists separately amounts given to individuals and amounts given to organizations.

See Regulations section 1.509(a)-4, Notice 2006-109, and Rev. Proc. 2011-33 for guidance on determining whether a grantee is a type I, type II, type III functionally integrated, or type III non-functionally integrated supporting organization.

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Foundation Status of Recipient

Use the following codes:

NC	Non-charity (not 501(c)(3))
PF	Private non-operating foundation (section 509(a))
POF	Private operating foundation (section 4942(j)(3)) other than an EOF
EOF	Exempt operating foundation (section 4940(d))
PC	Public charity described in section 509(a)(1) or (2)
SO-DP	Type I, type II, or type III functionally integrated supporting organization if a disqualified person of the private foundation controls the supporting organization or a supported organization (sections 509(a)(3) and 4942(g)(4))
SO I	Type I supporting organization (sections 509(a)(3) and 509(a)(3)(B)(i)) other than an SO-DP
SO II	Type II supporting organization (sections 509(a)(3) and 509(a)(3)(B)(ii)) other than an SO-DP
SO III FI	Functionally integrated type III supporting organization (sections 509(a)(3), 509(a)(3)(B)(iii), and 4943(f)(5)(B)) other than an SO-DP
SO III NFI	Non-functionally integrated type III supporting organization (sections 509(a)(3), 509(a)(3)(B)(iii), and 4943(f)(5)(B))
TPS	Testing for public safety organization (section 509(a)(4))

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Purpose of grant or contribution. Entries under this column should reflect the grant's or contribution's purpose and should be in greater detail than merely classifying them as charitable, educational, religious, or scientific activities.

For example, use an identification such as payments:

- For nursing service,
- For fellowships, or
- For assistance to indigent families.



Entries such as "grant" or "contribution" under the column titled Purpose of grant or contribution are unacceptable.

Line 3a. Paid during year. List all contributions, grants, etc., actually paid during the year, including grants or contributions that are not qualifying distributions under section 4942(g). Include current year payments of set-asides treated as qualifying distributions in the current tax year or any prior year.

Line 3b. Approved for future payment.

List all contributions, grants, etc., approved during the year but not paid by the end of the year, including the unpaid portion of any current year set-aside. Do not report contributions and grants approved or set aside in a prior tax year but still unpaid as of the end of the tax year.

Part XVI-A. Analysis of Income-Producing Activities

In Part XVI-A, analyze revenue items that are also entered in Part I, lines 3–11, column (a), and on line 5b. Contributions reported on line 1 of Part I are not entered in Part XVI-A. For information on unrelated business income, see the Instructions for Form 990-T and Pub. 598.

Columns (a) and (c). In column (a), enter a 6-digit business code, from the list in the Instructions for Form 990-T, to identify any income reported in column (b). In column (c), enter an exclusion code, from the list later, to identify any income reported in column (d). If more than one exclusion code is applicable to

a particular revenue item, select the lowest numbered exclusion code that applies. Also, if nontaxable revenues from several sources are reportable on the same line in column (d), use the exclusion code that applies to the largest revenue source.

Columns (b), (d), and (e). For amounts reported in Part XVI-A on lines 1–11, enter in column (b) any income earned that is unrelated business income (see section 512). In column (d), enter any income earned that is excluded from the computation of unrelated business taxable income by section 512, 513, or 514. In column (e), enter any related or exempt function income; that is, any income earned that is related to the organization's purpose or function which constitutes the basis for the organization's exemption.

Also enter in column (e) any income specifically excluded from gross income other than by section 512, 513, or 514, such as interest on state and local bonds that is excluded from tax by section 103. You must explain in Part XVI-B any amount shown in column (e).

Comparing Part XVI-A with Part I. The sum of the amounts entered on each line of lines 1–11 of columns (b), (d), and (e) of Part XVI-A should equal corresponding amounts entered on Part I, lines 3–11, column (a), and on line 5b as shown below:

Amounts in Part XVI-A on line . . .	Correspond to Amounts in Part I, column (a), line . . .
1a–g	11
2	11
3	3
4	4
5 and 6	5b (description column)
7	11
8	6
9	11 minus any special event expenses included on lines 13 through 23 of Part I, column (a)
10	10c
11a–e	11

Line 1. Program service revenue. On lines 1a–g, list each revenue-producing program service activity of the organization. For each program service activity listed, enter the gross revenue earned for each activity, as well as identifying business and exclusion codes, in the appropriate columns. For line 1g, enter amounts that are payments for services rendered to governmental units. Do not include governmental grants that are reportable on Part I, line 1.

Report the total of lines 1a–g on line 11 of Part I, along with any other income reportable on line 11.

Program services are mainly those activities that the reporting organization was created to conduct and that, along with any activities begun later, form the basis of the organization's current exemption from tax.

Program services can also include the organization's unrelated trade or business activities. Program service revenue also includes income from program-related

investments (such as interest earned on scholarship loans) as defined in the instructions for Part IX-B.

Line 11. On lines 11a–e, list each “Other revenue” activity not reported on lines 1 through 10. Report the sum of the amounts entered for lines 11a–e, columns (b), (d), and (e), on Part I, line 11.

Line 13. On line 13, enter the total of columns (b), (d), and (e) of line 12.

You may use the following worksheet to verify your calculations.

Line 13,	Part XVI-A	_____
Minus:	Part I, Line 5b	_____
	Note: <i>If Part I, line 5b, reflects a loss, add that amount here instead of subtracting.</i>	
Plus:	Part I, Line 1	_____
Plus:	Part I, Line 5a	_____
Plus:	Expenses of special events deducted in computing Part XVI-A, line 9	_____
Equal:	Part I, Line 12, column (a)	_____

Part XVI-B. Relationship of Activities to the Accomplishment of Exempt Purposes

To explain how each amount in column (e) of Part XVI-A was related or exempt function

income, show the line number of the amount in column (e) and give a brief description of how each activity reported in column (e) contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes). Activities that generate exempt-function income are activities that form the basis of the organization's exemption from tax.

Also, explain any income entered in column (e) that is specifically excluded from gross income other than by section 512, 513, or 514. If no amount is entered in column (e), do not complete Part XVI-B.

Example. M, a performing arts association, is primarily supported by endowment funds. It raises revenue by charging admissions to its performances. These performances are the primary means by which the organization accomplishes its cultural and educational purposes.

M reported admissions income in column (e) of Part XVI-A and explained in Part XVI-B that these performances are the primary means

by which it accomplishes its cultural and educational purposes.

Because M also reported interest from state bonds in column (e) of Part XVI-A, M explained in Part XVI-B that such interest was excluded from gross income by section 103.

Part XVII. Information Regarding Transfers To and Transactions and Relationships With Non-charitable Exempt Organizations

Part XVII is used to report direct and indirect transfers to (line 1a) and direct and indirect transactions with (line 1b) and relationships with (line 2) any other non-charitable exempt organization. A “non-charitable exempt organization” is an organization exempt under section 501(c) (that is not exempt under section 501(c)(3)), or a political organization described in section 527.

For purposes of these instructions, the section 501(c)(3) organization completing Part XVII is referred to as the “reporting organization.”

A non-charitable exempt organization is “related to or affiliated with” the reporting organization if either:

- The two organizations share some element of common control, or
- A historic and continuing relationship exists between the two organizations.

A non-charitable exempt organization is unrelated to the reporting organization if:

- The two organizations share no element of common control, and
- A historic and continuing relationship does not exist between the two organizations.

An “element of common control” is present when one or more of the officers, directors, or trustees of one organization are elected or appointed by the officers, directors, trustees, or members of the other. An element of common control is also present when more than 25% of the officers, directors, or trustees of one organization serve as officers, directors, or trustees of the other organization.

A “historic and continuing relationship” exists when two organizations participate in a joint effort to achieve one or more common purposes on a continuous or recurring basis rather than on the basis of one or more isolated transactions or activities. Such a relationship also exists when two organizations share facilities, equipment, or paid personnel during the year, regardless of the length of time the arrangement is in effect.

Line 1. Reporting of certain transfers and transactions. Generally, report on line 1 any transfer to or transaction with a non-charitable exempt organization even if the transfer or transaction constitutes the only connection with the non-charitable exempt organization.

Related organizations. If the non-charitable exempt organization is related to or affiliated with the reporting organization, report all direct and indirect transfers and transactions except for contributions and grants it received.

Unrelated organizations. All transfers to an unrelated non-charitable exempt organization must be reported on line 1a. All transactions between the reporting organization and an unrelated non-charitable exempt organization must be shown on line 1b unless they meet the exception in the specific instructions for line 1b.

Line 1a. Transfers. Answer “Yes” to lines 1a(1) and 1a(2) if the reporting organization made any direct or indirect transfers of any value to a non-charitable exempt organization.

A “transfer” is any transaction or arrangement whereby one organization transfers something of value (cash, other assets, services, use of property, etc.) to another organization without receiving something of more than nominal value in return. Contributions, gifts, and grants are examples of transfers.

If the only transfers between the two organizations were contributions and grants made by the non-charitable exempt

organization to the reporting organization, answer "No."

Line 1b. Other transactions. Answer "Yes" for any transaction described on line 1b(1)–(6), regardless of its amount, if it is with a related or affiliated organization.

Unrelated organizations. Answer "Yes" for any transaction between the reporting organization and an unrelated non-charitable exempt organization, regardless of its amount, if the reporting organization received less than adequate consideration. There is adequate consideration when the fair market value of the goods and other assets or services furnished by the reporting organization is not more than the fair market value of the goods and other assets or services received from the unrelated non-charitable exempt organization. The exception described below does not apply to transactions for less than adequate consideration.

Answer "Yes" for any transaction between the reporting organization and an unrelated non-charitable exempt organization if the "amount

involved" is more than \$500. The "amount involved" is the fair market value of the goods, services, or other assets furnished by the reporting organization.

Exception. If a transaction with an unrelated non-charitable exempt organization was for adequate consideration and the amount involved was \$500 or less, answer "No" for that transaction.

Line 1b(3). Answer "Yes" for transactions in which the reporting organization was either the lessor or the lessee.

Line 1b(4). Answer "Yes" if either organization reimbursed expenses incurred by the other.

Line 1b(5). Answer "Yes" if either organization made loans to the other or if the reporting organization guaranteed the other's loans.

Line 1b(6). Answer "Yes" if either organization performed services or membership or fundraising solicitations for the other.

Line 1c. Complete line 1c regardless of whether the non-charitable exempt organization is related to or closely affiliated with the reporting organization. For purposes of this line, “facilities” includes office space and any other land, building, or structure whether owned or leased by, or provided free of charge to, the reporting organization or the non-charitable exempt organization.

Line 1d. Use this schedule to describe the transfers and transactions for which “Yes” was entered on lines 1a–c above. You must describe each transfer or transaction for which the answer was “Yes.” You may combine all of the cash transfers (line 1a(1)) to each organization into a single entry. Otherwise, make a separate entry for each transfer or transaction.

Column (a). For each entry, enter the line number from line 1a–c. For example, if the answer was “Yes” to line 1b(3), enter “b(3)” in column (a).

Column (d). If you need more space, write “see attached” in column (d) and use an attached sheet for the description. If making

more than one entry on line 1d, specify on the attached sheet which transfer or transaction you are describing.

Line 2. Reporting of certain relationships. Enter on line 2 each non-charitable exempt organization that the reporting organization is related to or affiliated with, as defined above. If the control factor or the historic and continuing relationship factor (or both) is present at any time during the year, identify the organization on line 2 even if neither factor is present at the end of the year.

Do not enter unrelated non-charitable exempt organizations on line 2 even if transfers to or transactions with those organizations were entered on line 1. For example, if a one-time transfer to an unrelated non-charitable exempt organization was entered on line 1a(2), do not enter the organization on line 2.

Column (b). Enter the exempt category of the organization; for example, "501(c)(4)."

Column (c). In most cases, a simple description, such as "common directors" or

“auxiliary of reporting organization” will be sufficient. If you need more space, write “see attached” in column (c) and use an attached sheet to describe the relationship. If you are entering more than one organization on line 2, identify which organization you are describing on the attached sheet.

Signature

The return must be signed by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer (such as tax officer) who is authorized to sign. A receiver, trustee, or assignee must sign any return that he or she is required to file for a corporation. If the return is filed for a trust, it must be signed by the authorized trustee or trustees. Sign and date the form and fill in the signer's title.

If an officer or employee of the organization prepares the return, the *Paid Preparer Use Only* area should remain blank. If someone prepares the return without charge, that person should not sign the return.

Note. A paid preparer must sign original or amended return by rubber stamp, mechanical device, or computer software program.

Paid Preparer

Generally, anyone who is paid to prepare the return must sign the return and fill in the other blanks in the *Paid Preparer Use Only* area. An employee of the filing organization is not a paid preparer.

The paid preparer must:

- Sign the return in the space provided for the preparer's signature,
- Enter the preparer information,
- Enter the preparer tax identification number (PTIN), and
- Give a copy of the return to the organization, in addition to the copy to be filed with the IRS.



Enter the paid preparer's PTIN, not his or her Social Security number (SSN), in the "PTIN" box in the paid preparer's block. Because this form is publicly

disclosable, any information entered in this block will be publicly disclosed. For more information about PTINs, visit the IRS website at www.irs.gov/ptin.

Paid Preparer Authorization

On the "Sign Here" line, check "Yes" if the IRS can contact the paid preparer who signed the return to discuss the return. This authorization applies only to the individual whose signature appears in the *Paid Preparer Use Only* section of Form 990-PF. It does not apply to the firm, if any, shown in that section.

By checking "Yes," to this box, the organization is authorizing the IRS to contact the paid preparer to answer any questions that arise during the processing of the return. The organization is also authorizing the paid preparer to:

- Give the IRS any information missing from the return,
- Call the IRS for information about processing the return, and

- Respond to certain IRS notices about math errors, offsets, and return preparation.

The organization is not authorizing the paid preparer to bind the organization to anything or otherwise represent the organization before the IRS.

The authorization will automatically end no later than the due date (excluding extensions) for filing of the organization's 2014 Form 990-PF. If the organization wants to expand the paid preparer's authorization or revoke it before it ends, see Pub. 947, Practice Before the IRS and Power of Attorney.

Check "No" if the IRS should contact the organization listed in the *Heading* rather than the paid preparer.

How To Get Forms and Publications

Internet

You can access the IRS website at IRS.gov 24 hours a day, 7 days a week to:

- *E-file* returns, including Form 990-PF.
- Download forms, including talking tax forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions.
- Search publications online by topic or keyword.
- Use the Internal Revenue Code, regulations, or other official guidance.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a private foundation.

By Phone and In Person

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

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

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The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping 140 hr., 37 min.

**Learning about the law or
the form. 28 hr., 15 min.**

Preparing the form 33 hr., 39 min.

**Copying, assembling,
and sending the form to
the IRS 32 min.**

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can send your comments to Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the tax form to this address. Instead, see *When, Where, and How To File*, earlier.

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Exclusion Codes		
<p>General Exceptions</p> <p>01— Income from an activity that is not regularly carried on (section 512(a)(1))</p> <p>02— Income from an activity in which labor is a material income-producing factor and substantially all (at least 85%) of the work is performed with unpaid labor (section 513(a)(1))</p> <p>03— Section 501(c)(3) organization— Income from an activity carried on primarily for the convenience of the organization’s members, students, patients, visitors, officers, or employees (hospital parking lot or museum cafeteria, for example) (section 513(a)(2))</p> <p>04— Section 501(c)(4) local association of employees organized before May 27, 1969— Income from the sale of work-related clothes or equipment and items normally sold through vending machines; food dispensing facilities; or snack bars for the convenience of association members at their usual places of employment (section 513(a)(2))</p> <p>05— Income from the sale of merchandise, substantially all of which (at least 85%) was donated to the organization (section 513(a)(3))</p> <p>Specific Exceptions</p> <p>06— Section 501(c)(3), (4), or (5) organization conducting an agricultural or educational fair or exposition— Qualified public entertainment activity income (section 513(d)(2))</p> <p>07— Section 501(c)(3), (4), (5), or (6) organization—Qualified convention and trade show activity income (section 513(d)(3))</p> <p>08— Income from hospital services described in section 513(e)</p> <p>09— Income from noncommercial bingo games that do not violate state or local law (section 513(f))</p> <p>10— Income from games of chance conducted by an organization in North Dakota (section 311 of the Deficit Reduction Act of 1984, as amended)</p> <p>11— Section 501(c)(12) organization— Qualified pole rental income (section 513(g)) and/or member income (described in section 501(c)(12)(H))</p> <p>12— Income from the distribution of low-cost articles in connection with the solicitation of charitable contributions (section 513(h))</p> <p>13— Income from the exchange or rental of membership or donor list with an organization eligible to receive charitable contributions by a section 501(c)(3) organization; by a war veterans’ organization; or an auxiliary unit or society of, or trust or foundation for, a war veterans’ post or organization (section 513(h))</p> <p>Modifications and Exclusions</p> <p>14— Dividends, interest, payments with respect to securities loans, annuities, income from notional principal contracts, other substantially similar income from ordinary and routine investments, and loan commitment fees, excluded by section 512(b)(1)</p> <p>15— Royalty income excluded by section 512(b)(2)</p> <p>16— Real property rental income that does not depend on the income or profits derived by the person leasing the property and is excluded by section 512 (b)(3)</p>	<p>17— Rent from personal property leased with real property and incidental (10% or less) in relation to the combined income from the real and personal property (section 512(b)(3))</p> <p>18— Gain or loss from the sale of investments and other non-inventory property and from certain property acquired from financial institutions that are in conservatorship or receivership (sections 512(b)(5) and (16)(A))</p> <p>19— Gain or loss from the lapse or termination of options to buy or sell securities or real property, and on options and from the forfeiture of good-faith deposits for the purchase, sale, or lease of investment real estate (section 512(b)(5))</p> <p>20— Income from research for the United States; its agencies or instrumentalities; or any state or political subdivision (section 512(b)(7))</p> <p>21— Income from research conducted by a college, university, or hospital (section 512(b)(8))</p> <p>22— Income from research conducted by an organization whose primary activity is conducting fundamental research, the results of which are freely available to the general public (section 512(b)(9))</p> <p>23— Income from services provided under license issued by a federal regulatory agency and conducted by a religious order or school operated by a religious order, but only if the trade or business has been carried on by the organization since before May 27, 1959 (section 512 (b)(15))</p> <p>Foreign Organizations</p> <p>24— Foreign organizations only—Income from a trade or business NOT conducted in the United States and NOT derived from United States sources (patrons) (section 512(a)(2))</p> <p>Social Clubs and VEBAs</p> <p>25— Section 501(c)(7), (9), or (17) organization—Non-exempt function income set aside for a charitable, etc., purpose specified in section 170(c)(4) (section 512(a)(3)(B)(i))</p> <p>26— Section 501(c)(7), (9), or (17) organization—Proceeds from the sale of exempt function property that was or will be timely reinvested in similar property (section 512(a)(3)(D))</p> <p>27— Section 501(c)(9) or (17) organization— Nonfunction income set aside for the payment of life, sick, accident, or other benefits (section 512(a)(3)(B)(ii))</p> <p>Veterans’ Organizations</p> <p>28— Section 501(c)(19) organization— Payments for life, sick, accident, or health insurance for members or their dependents that are set aside for the payment of such insurance benefits or for a charitable, etc., purpose specified in section 170(c)(4) (section 512(a)(4))</p> <p>29— Section 501(c)(19) organization— Income from an insurance set-aside (see code 28 above) that is set aside for payment of insurance benefits or for a charitable, etc., purpose specified in section 170(c)(4) (Regs. 1.512(a)–4(b)(2))</p>	<p>Debt-Financed Income</p> <p>30— Income exempt from debt-financed (section 514) provisions because at least 85% of the use of the property is for the organization’s exempt purposes. (Note: <i>This code is only for income from the 15% or less non-exempt purpose use.</i>) (section 514(b)(1)(A))</p> <p>31— Gross income from mortgaged property used in research activities described in section 512(b)(7), (8), or (9) (section 514(b)(1)(C))</p> <p>32— Gross income from mortgaged property used in any activity described in section 513(a)(1), (2), or (3) (section 514(b)(1)(D))</p> <p>33— Income from mortgaged property (neighborhood land) acquired for exempt purpose use within 10 years (section 514(b)(3))</p> <p>34— Income from mortgaged property acquired by bequest or devise (applies to income received within 10 years from the date of acquisition) (section 514(c)(2)(B))</p> <p>35— Income from mortgaged property acquired by gift where the mortgage was placed on the property more than 5 years previously and the property was held by the donor for more than 5 years (applies to income received within 10 years from the date of gift (section 514(c)(2)(B))</p> <p>36— Income from property received in return for the obligation to pay an annuity described in section 514(c)(5)</p> <p>37— Income from mortgaged property that provides housing to low and moderate income persons, to the extent the mortgage is insured by the Federal Housing Administration (section 514(c)(6)). (Note: <i>In many cases, this would be exempt function income reportable in column (e). It would not be so in the case of a section 501(c)(5) or (6) organization, for example, that acquired the housing as an investment or as a charitable activity.</i>)</p> <p>38— Income from mortgaged real property owned by: a school described in section 170(b)(1)(A)(ii); a section 509(a)(3) affiliated support organization of such a school; a section 501(c)(25) organization; or by a partnership in which any of the above organizations owns an interest if the requirements of section 514(c)(9)(B)(vi) are met (section 514(c)(9))</p> <p>Special Rules</p> <p>39— Section 501(c)(5) organization—Farm income used to finance the operation and maintenance of a retirement home, hospital, or similar facility operated by the organization for its members on property adjacent to the farm land (section 1951(b)(8)(B) of Public Law 94-455)</p> <p>40— Annual dues, not exceeding \$148 (subject to inflation), paid to a section 501(c)(5) agricultural or horticultural organization (section 512(d))</p> <p>Trade or Business</p> <p>41— Gross income from an unrelated activity that is regularly carried on but, in light of continuous losses sustained over a number of tax periods, cannot be regarded as being conducted with the motive to make a profit (not a trade or business)</p> <p>Other</p> <p>42— Receipt of qualified sponsorship payments described in section 513(i)</p> <p>43— Exclusion of any gain or loss from the qualified sale, exchange, or other disposition of any qualifying brownfield property (section 512(b)(19))</p>

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