

b. *Not intended to exclude individuals of a particular race or color.*

Line 10a. Enter the amount of initiation fees, capital contributions, and unusual amounts of income included in Part VIII. *Statement of Revenue*, line 12, *Total Revenue*, but not included in the definition of **gross receipts** for section 501(c)(7) exemption purposes as discussed in Appendix C. However, if the organization is a college fraternity or sorority that charges membership initiation fees but not annual dues, do not include such initiation fees.

Line 10b. Enter the amount of **gross receipts** included in Part VIII. *Statement of Revenue*, line 12, *Total Revenue*, derived from the general public for use of the organization's facilities, that is, from persons other than members or their spouses, dependents, or guests.

TIP *Include the income shown on line 10b on the club's Form 990-T if required to be filed. Investment income earned by a section 501(c)(7) organization is not tax-exempt income unless set aside for the following purposes: religious, charitable, scientific, literary, educational, or prevention of cruelty to children or animals.*

*If the combined amount of an organization's gross investment income and other **unrelated business income** exceeds \$1,000, it must report the investment income and other unrelated business income on Form 990-T.*

Line 11. Answer lines 11a and 11b only if the organization is exempt under section 501(c)(12).

One of the requirements that an organization must meet to qualify under section 501(c)(12) is that at least 85% of its gross income consists of amounts collected from members for the sole purpose of meeting losses and expenses. For purposes of section 501(c)(12), the term *gross income* means **gross receipts** without reduction for any cost of goods sold.

Gross income for mutual or cooperative electric companies is figured by excluding any income received or accrued from the following.

1. Qualified pole rentals.
2. Any provision or sale of electric energy transmission services or ancillary services if the services are provided on a nondiscriminatory open access basis under an open access transmission tariff; approved or accepted by the Federal Energy Regulatory Commission (FERC) or under an independent transmission provider agreement approved or accepted by FERC (other than income received or accrued directly or indirectly from a member).
3. The provision or sale of electric energy distribution services or ancillary services, if the services are provided on a nondiscriminatory, open-access basis to distribute electric energy not owned by the mutual or electric cooperative company:
 - a. To end-users who are served by distribution facilities not owned by the company or any of its members (other than income received or accrued directly or indirectly from a member), or
 - b. Generated by a generation facility not owned or leased by the company or any of its members and which is directly connected to distribution facilities owned by such company or any of its members (other than income received or accrued directly or indirectly from a member).
4. From any nuclear decommissioning transaction.
5. From any asset exchange or conversion transaction.

For a mutual or cooperative telephone company, *gross income* does not include amounts received or accrued either from another telephone company for completing long distance calls to or from or between the telephone company's members, from qualified pole rentals, from the sale of display listings in a directory furnished to the telephone company's members, or from prepayment of a loan under section 306A, section 306B, or section 311 of the Rural Electrification Act of 1936 (as in effect on January 1, 1987).

Line 12. All organizations that are not section 4947(a)(1) trusts are to leave line 12 blank.

If a section 4947(a)(1) **nonexempt charitable trust** has no taxable income under Subtitle A, its filing of Form 990 may be used to meet its income tax return filing requirement under section 6012. Such a trust must, if it answers "Yes" on line 12a, report its tax-exempt interest received or accrued (if reporting under the accrual method) during the **tax year** on line 12b.

Part VI. Governance, Management, and Disclosure

All organizations must complete Part VI. Use Schedule O (Form 990) to provide required supplemental information as described below, and to provide any additional information that the organization considers relevant to this part.

Part VI requests information regarding an organization's **governing body** and management, governance policies, and disclosure practices. Although federal tax law generally does not mandate particular management structures, operational policies, or administrative practices, every organization is required to answer each question in Part VI. For example, all organizations must answer line 10, which asks about the organization's process, if any, it uses to review Form 990, even though the governing body is not required by federal tax law to review Form 990.

Even though governance, management, and disclosure policies and procedures generally are not required under the Internal Revenue Code, the IRS considers such policies and procedures to generally improve tax compliance. The absence of appropriate policies and procedures may lead to opportunities for **excess benefit transactions**, inurement, operation for non-exempt purposes, or other activities inconsistent with exempt status. Whether a particular policy, procedure, or practice should be adopted by an organization may depend on the organization's size, type, and culture. Accordingly, it is important that each organization consider the governance policies and practices that are most appropriate for that organization in assuring sound operations and compliance with tax law. For more governance information relating to charities, see www.irs.gov/eo and click on *life cycle*.

Section A. Governing Body and Management

Line 1a. The **governing body** is the group of persons authorized under state law to make governance decisions on behalf of the organization and its shareholders or members, if applicable. The governing body is, generally speaking, the board of **directors** (sometimes referred to as board of **trustees**) of a corporation or association, or the board of trustees of a trust (sometimes referred to simply as the trustees, or trustee, if only one trustee).

State the number, as of the end of the organization's tax year, of **members of the governing body** of the organization with power to vote on all matters that may come before the governing body (other than when a conflict of interest disqualifies the member from voting). If members of the governing body do not all have the same voting rights, explain material differences on Schedule O (Form 990).

If the organization's governing body delegated authority to act on its behalf to an executive committee or similar committee with broad authority to act on behalf of the governing body, and the committee held such authority at any time during the organization's tax year, describe on Schedule O (Form 990) the composition of the committee, whether any of the committee's members are not on the governing body, and the scope of the committee's authority. The organization need not describe on Schedule O (Form 990) delegations of authority that are limited in scope to particular areas or matters, such as delegations to an audit committee, investment committee, or compensation committee of the governing body.

Line 1b. State the number of independent voting members of the organization's **governing body** as of the end of the organization's tax year. A **member of the governing body** is

considered “independent” only if all three of the following circumstances applied at all times during the organization’s tax year.

1. The member was not compensated as an **officer** or other employee of the organization or of a **related organization** (see the instructions for Schedule R (Form 990)) except as provided in the religious exception discussed below.

2. The member did not receive total **compensation** or other payments exceeding \$10,000 during the organization’s tax year from the organization or from related organizations as an **independent contractor**, other than reimbursement of expenses under an **accountable plan** or **reasonable compensation** for services provided in the capacity as a member of the governing body. For example, a person who receives reasonable expense reimbursements and reasonable compensation as a director of the organization does not cease to be independent merely because he or she also receives payments of \$7,500 from the organization for other arrangements.

3. Neither the member, nor any **family member** of the member, was involved in a transaction with the organization (whether directly or indirectly through affiliation with another organization) that is required to be reported on Schedule L (Form 990 or 990-EZ) for the organization’s tax year, or in a transaction with a related organization of a type and amount that would be reportable on Schedule L (Form 990 or 990-EZ) if required to be filed by the related organization.

A **member of the governing body** is not considered to lack independence merely because of the following circumstances.

1. The member is a donor to the organization, regardless of the amount of the contribution.

2. Religious exception: The member has taken a *bona fide* vow of poverty and either (a) receives **compensation** as an agent of a **religious order** or a section 501(d) religious or apostolic organization, but only under circumstances in which the member does not receive taxable income (see Rev. Rul. 77-290, 1977-2 C.B. 26 and Rev. Rul. 80-332, 1980-2 C.B. 34) or (b) belongs to a religious order that receives sponsorship or payments from the organization which do not constitute taxable income to the member.

3. The member receives financial benefits from the organization solely in the capacity of being a member of the charitable or other class served by the organization in the exercise of its exempt function, such as being a member of a section 501(c)(6) organization, so long as the financial benefits comply with the organization’s terms of membership.

Example 1. B is a voting member of the organization’s board of directors. B is also a partner with a profits and capital interest greater than 5% in a law firm, C, that charged \$120,000 to the organization for legal services in a court case. The transaction between C and the organization must be reported on Schedule L (Form 990 or 990-EZ) because it is a transaction between the organization and an entity of which B is a more than 5% owner, and because the payment to C from the organization exceeded \$100,000 (see the instructions to Schedule L (Form 990 or 990-EZ), Part IV, regarding both factors). Accordingly, B is not an independent member of the governing body because the \$120,000 payment must be reported on Schedule L (Form 990 or 990-EZ) as an indirect business transaction with B. If B were an associate attorney (an employee) but not an officer, director, trustee, key employee, or owner of the law firm, the transaction would not affect B’s status as an independent member of the organization’s governing body.

Example 2. D is a voting member of both the organization’s governing body and the governing body of C, a related organization. D’s daughter, E, received \$40,000 in taxable compensation as a part-time employee of C. D is not an independent member of the governing body, because E received compensation from C, a related organization to D, and the compensation was of a type (compensation to a family member of a member of C’s governing body) and amount (over \$10,000) that would be reportable on Schedule L (Form 990 or

990-EZ) if the related organization, C, were required to file Schedule L (Form 990 or 990-EZ).

See also *Examples 2 and 3* in the Instructions for Form 990, Part VII, Section A, line 5, later.

Reasonable effort. The organization need not engage in more than a reasonable effort to obtain the necessary information to determine the independence of **members of the governing body** and may rely on information provided by such members. For instance, the organization may rely on information it obtains in response to a questionnaire sent annually to each member of the governing body that includes the name, title, date, and signature of each person reporting information, and containing the pertinent instructions and definitions for line 1b, to determine whether the member is or is not independent.

Line 2. Answer “Yes” if any of the organization’s **officers, directors, trustees, or key employees**, as reported in Part VII, Section A, had a **family relationship** or business relationship with another of the organization’s officers, directors, trustees, or key employees, as reported in Part VII, Section A, at any time during the organization’s tax year. For each family and business relationship, identify the persons and describe their relationship on Schedule O (Form 990). It is sufficient to state “family relationship” or “business relationship” without greater detail.

Business relationship. Business relationships between two persons include any of the following.

1. One person is employed by the other in a sole proprietorship or by an organization with which the other is associated as a **trustee, director, officer, key employee, or greater-than-35% owner**.

2. One person is transacting business with the other (other than in the ordinary course of either party’s business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of \$10,000 in the aggregate during the organization’s tax year. (*Indirect transactions* are transactions with an organization with which the one person is associated as a trustee, director, officer, key employee, or greater-than-35% owner).

3. The two persons are each a director, trustee, officer, or greater than 10% owner in the same business or investment entity.

Ownership is measured by stock ownership (either voting power or value) of a corporation, profits or capital interest in a partnership or limited liability company, membership interest in a nonprofit organization, or beneficial interest in a trust. Ownership includes indirect ownership (for example, ownership in an entity that has ownership in the entity in question); there may be ownership through multiple tiers of entities.

Privileged relationship exception. For purposes of line 2, a “business relationship” does not include a relationship between an attorney and client, a medical professional (including psychologist) and patient, or a priest/clergy and penitent/communicant.

Example 1. B is an officer of the organization, and C is a member of the organization’s governing body. B is C’s brother-in-law. The organization must report that B and C have a family relationship.

Example 2. D and E are officers of the organization. D is also a partner in an accounting firm with 300 partners (with a $\frac{1}{300}$ interest in the firm’s profits and capital) but is not an officer, director, trustee, or key employee of the accounting firm. D’s accounting firm provides services to E in the ordinary course of the accounting firm’s business, on terms generally offered to the public, and receives \$100,000 in fees during the year. The relationship between D and E is not a reportable business relationship, either because (1) it is in the ordinary course of business on terms generally offered to the public, or because (2) D does not hold a greater-than-35% interest in the accounting firm’s profits or capital.

Example 3. F and G are trustees of the organization. F is the owner and CEO of an automobile dealership. G purchased a \$45,000 car from the dealership during the organization's tax year in the ordinary course of the dealership's business, on terms generally offered to the public. The relationship between F and G is not a reportable business relationship because the transaction was in the ordinary course of business on terms generally offered to the public.

Example 4. H and J are members of the organization's board of directors. Both are CEOs of publicly traded corporations and serve on each other's boards. The relationship between H and J is a reportable business relationship because each is a director or officer in the same business entity.

Example 5. K is a key employee of the organization, and L is on its board of directors. L is a greater-than-35% partner of a law firm that charged \$60,000 during the organization's tax year for legal services provided to K that were worth \$600,000 at the law firm's ordinary rates. Thus, the ordinary course of business exception does not apply. However, the relationship between K and L is not a reportable business relationship, because of the privileged relationship of attorney and client.

Reasonable effort. The organization is not required to provide information about a family or business relationship between two **officers, directors, trustees, or key employees** if it is unable to secure the information after making a reasonable effort to obtain it. An example of a reasonable effort would be for the organization to distribute a questionnaire annually to each such person that includes the name, title, date, and signature of each person reporting information and contains the pertinent instructions and definitions for line 2.

Line 3. Answer "Yes" if at any time during the organization's tax year the organization used a management company or other person to perform any management duties customarily performed by or under the direct supervision of **officers, directors, trustees, or key employees**. Such management duties include, but are not limited to, hiring, firing, and supervising personnel, planning or executing budgets or financial operations, or supervising exempt operations or unrelated trades or businesses of the organization. Management duties do not include administrative services (such as payroll processing) that do not involve significant managerial decision-making. Management duties also do not include investment management unless the filing organization conducts investment management services for others.

Line 4. The organization must report significant changes to its organizing or enabling document by which it was created (articles of incorporation, association, or organization; trust instrument; constitution; or similar document), and to its rules governing its affairs commonly known as bylaws (or regulations, operating agreement, or similar document). Report changes made since the prior Form 990 was filed, or that were not reported on any prior Form 990. Do not report changes to policies described or established outside of the organizing or enabling document and bylaws (or similar documents), such as adoption of, or change to, a policy adopted by resolution of the **governing body** that does not entail a change to the organizing document or bylaws.

Examples of significant changes to the organizing or enabling document or bylaws include changes to:

- The organization's exempt purposes or mission;
- The number, composition, qualifications, authority, or duties of the governing body's voting members;
- The number, composition, qualifications, authority, or duties of the organization's **officers or key employees**;
- The role of the stockholders or membership in governance;
- The distribution of assets upon dissolution;
- The provisions to amend the organizing or enabling document or bylaws;
- The quorum, voting rights, or voting approval requirements of the governing body members or the organization's stockholders or membership;
- The policies or procedures contained within the organizing documents or bylaws regarding **compensation** of officers,

directors, trustees, or key employees, conflicts of interest, whistleblowers, or document retention and destruction; and

- The composition or procedures contained within the organizing document or bylaws of an audit committee.

Example. Organization X has a written conflicts of interest policy that is not contained within the organizing document or bylaws. The policy is changed by board resolution. The policy change does not need to be reported on line 4.

Examples of insignificant changes made to organizing or enabling documents or bylaws that are not required to be reported here include changes to the organization's registered agent with the state and to the required or permitted number or frequency of governing body or member meetings.

Describe significant changes on Schedule O (Form 990), but do not attach a copy of the amendments or amended document to Form 990 (or recite the entire amended document verbatim), unless such amended documents reflect a change in the organization's name. See the instructions for *Item B* under *Entity section. Items A–M*, regarding attachments required in the event of a change in the organization's name.

TIP If an exempt organization changes its legal structure, such as from a trust to a corporation, then a new exemption application is required to establish that the new legal entity qualifies for exemption.

Line 5. Answer "Yes" if the organization became aware during the organization's tax year of a material diversion of its assets, whether or not the diversion occurred during the year. If "Yes," explain the nature of the diversion, amounts or property involved, corrective actions taken to address the matter, and pertinent circumstances on Schedule O (Form 990), although the person or persons who diverted the assets should not be identified by name.

A *diversion of assets* includes any unauthorized conversion or use of the organization's assets other than for the organization's authorized purposes, including but not limited to embezzlement or theft. Report diversions by the organization's **officers, directors, trustees, employees, volunteers, independent contractors, grantees** (diverting grant funds), or any other person, even if not associated with the organization other than by the diversion. A diversion of assets does not include an authorized transfer of assets for fair market value consideration, such as to a **joint venture** or for-profit subsidiary in exchange for an interest in the joint venture or subsidiary. For this purpose, a diversion is considered material if the gross dollar amount (not taking into account restitution, insurance, or similar recoveries) exceeds the lesser of (1) \$250,000 or (2) 5% of the organization's **gross receipts** for its tax year or **total assets** as of the end of its tax year.

Note. A diversion of assets may in some cases constitute inurement of the organization's net earnings. In the case of section 501(c)(3) and section 501(c)(4) organizations, it also may be an **excess benefit transaction** taxable under section 4958 and reportable on Schedule L (Form 990 or 990-EZ).

Line 6. Answer "Yes" if the organization is organized as a stock corporation, a joint-stock company, a partnership, a **joint venture**, or a limited liability company. Also answer "Yes" if the organization is organized as a non-stock, nonprofit, or not-for-profit corporation or association with members. For purposes of Form 990, Part VI, *member* means (without regard to what a person is called in the governing documents) any person who, pursuant to a provision of the organization's governing documents or applicable state law, has the right to participate in the organization's governance or to receive distributions of income or assets from the organization. For instance, for purposes of Part VI, a membership organization includes members with the following kinds of rights.

1. The members elect the members of the **governing body** (but not if the persons on the governing body are the organization's only members) or their delegates.
2. The members approve significant decisions of the governing body.

3. The members may receive a share of the organization's profits or excess dues or a share of the organization's net assets upon the organization's dissolution.

Answer "No" if the organization is a trust for federal tax purposes. Describe on Schedule O (Form 990) the classes of members or stockholders with the rights described above.

Line 7a. Answer "Yes" on line 7a if at any time during the organization's tax year there were one or more persons (other than the organization's **governing body** itself, acting in such capacity) that had the right to elect or appoint one or more members of the organization's governing body, whether periodically, or as vacancies arise, or otherwise. If "Yes," describe on Schedule O (Form 990) the class or classes of such persons and the nature of their rights.

Line 7b. Answer "Yes" on line 7b if at any time during the organization's tax year there were one or more persons (whether members, stockholders, or otherwise) who had the right to approve or ratify decisions of the organization's **governing body**, such as approval of the governing body's election or removal of members of the governing body, or approval of the governing body's decision to dissolve the organization. If "Yes," describe on Schedule O (Form 990) the class or classes of such persons, the decisions that require their approval, and the nature of their voting rights.

Line 8. Answer "Yes" on lines 8a and 8b if the organization contemporaneously documented by any means permitted by state law every meeting held and written action taken during the organization's tax year by its **governing body** and committees with authority to act on behalf of the governing body (which ordinarily do not include advisory boards). Documentation permitted by state law may include approved minutes, strings of emails, or similar writings that explain the action taken, when it was taken, and who made the decision. For this purpose, *contemporaneous* means by the later of (1) the next meeting of the governing body or committee (such as approving the minutes of the prior meeting), or (2) 60 days after the date of the meeting or written action. If "No," explain on Schedule O (Form 990) the organization's practices or policies, if any, regarding documentation of meetings and written actions of its governing body and committees with authority to act on its behalf.

Line 9a. Answer "Yes" if the organization had during its tax year any local chapters, branches, lodges, units, or similar affiliates. These terms include organizations over which the organization has the legal authority to exercise supervision and control (whether or not in a group exemption) and local units that are not separate legal entities under state law over which the organization has such authority.

Line 9b. *Written policies and procedures governing the activities of chapters, branches, and affiliates to ensure their consistency with activities of the organization* are documents used by the organization and its local units to address the policies, practices, and activities of the local unit. Such policies and procedures may include required provisions in the chapter's articles of organization or bylaws, a manual provided to chapters, a constitution, or similar documents. If "No," explain on Schedule O (Form 990) how the organization ensures that the local unit's activities are consistent with its own.

Note. The **central organization** (parent organization) of a **group exemption** ruling is required to exercise oversight over its **subordinate organizations** as a condition of the group exemption.

Line 10. Answer "Yes" only if a copy of the organization's final Form 990 (including required schedules), as ultimately filed with the IRS, was provided to each **voting member of the organization's governing body**, whether in paper or electronic form, prior to its filing with the IRS. Also describe on Schedule O (Form 990) the process, if any, by which any of the organization's **officers, directors, trustees**, board committee members, or management reviewed the prepared Form 990, whether before or after it was filed with the IRS, including specifics regarding who conducted the review, when they conducted it, and the extent of any such review. If no review

was or will be conducted, state "No review was or will be conducted."

Example. The return preparer emails a copy of the final version of Form 990 to each board member before it was filed. However, no board member undertakes any review of the form either before or after filing. Because a copy of the final version of the form was provided to each voting member of the organization's governing body before it was filed, the organization may answer "Yes" even though no review took place. The organization must describe its Form 990 review process (or lack thereof) on Schedule O (Form 990).

Line 11. The IRS needs a mailing address to contact the organization's **officers, directors, trustees, and key employees**. The organization may use its official mailing address stated on the first page of Form 990 as the mailing address for such persons. Otherwise, state on Schedule O (Form 990) the mailing addresses for such persons that are to be contacted at a different address. Such information will be available to the public.

Section B. Policies

Line 12a. State whether, as of the end of the organization's tax year, the organization had a written **conflict of interest policy**. A conflict of interest policy defines conflicts of interest, identifies the classes of individuals within the organization covered by the policy, facilitates disclosure of information that may help identify conflicts of interest, and specifies procedures to be followed in managing conflicts of interest. A *conflict of interest* arises when a person in a position of authority over an organization, such as an **officer, director**, or manager, may benefit financially from a decision he or she could make in such capacity, including indirect benefits such as to family members or businesses with which the person is closely associated. For this purpose, a conflict of interest does not include questions involving a person's competing or respective duties to the organization and to another organization, such as by serving on the boards of both organizations, that do not involve a material financial interest of, or benefit to, such person.

Example. B is a member of the governing body of X Charity and of Y Charity, both of which are section 501(c)(3) public charities with different charitable purposes. X Charity has taken a public stand in opposition to a specific legislative proposal. At an upcoming board meeting, Y Charity will consider whether to publicly endorse the same specific legislative proposal. While B may have a conflict of interest in this decision, the conflict does not involve a material financial interest of B's merely as a result of Y Charity's position on the legislation.

Line 12b. Answer "Yes" if the organization's **officers, directors, trustees, and key employees**, and those of family members, are required to disclose or update annually (or more frequently) their interests that could give rise to conflicts of interest, such as a list of **family members**, substantial business or investment holdings, and other transactions or affiliations with businesses and other organizations and those of family members.

Line 12c. If "Yes," describe on Schedule O (Form 990) the organization's practices for monitoring proposed or ongoing transactions for conflicts of interest and dealing with potential or actual conflicts, whether discovered before or after the transaction has occurred. The description should include an explanation of which persons are covered under the policy, the level at which determinations of whether a conflict exists are made, and the level at which actual conflicts are reviewed. Also explain any restrictions imposed on persons with a conflict, such as prohibiting them from participating in the **governing body's** deliberations and decisions in the transaction.

Lines 13 and 14. A whistleblower policy encourages staff and volunteers to come forward with credible information on illegal practices or violations of adopted policies of the organization, specifies that the organization will protect the individual from retaliation, and identifies those staff or board members or outside parties to whom such information can be reported. A

document retention and destruction policy identifies the record retention responsibilities of staff, **volunteers**, board members, and outsiders for maintaining and documenting the storage and destruction of the organization's documents and records. Answer "Yes" if the organization had these policies in place as of the last day of the organization's **tax year**.



Certain federal or state laws may provide protection against whistleblower retaliation and prohibit destruction of certain documents. For instance, while the federal Sarbanes-Oxley legislation generally does not pertain to tax-exempt organizations, it does impose criminal liability on tax-exempt as well as other organizations for (1) retaliation against whistleblowers that report federal offenses, and (2) for destruction of records with the intent to obstruct a federal investigation. See 18 U.S.C. sections 1513(e) and 1519. Also note that an organization is required to keep books and records relevant to its tax exemption and its filings with the IRS. Some states provide additional protection for whistleblowers.

Line 15. Answer "Yes" on line 15a if the organization used a process for determining **compensation** (reported in Part VII or Schedule J (Form 990)) of the CEO, executive director, or other person who is the **top management official**, that included all of the following elements.

- Review and approval by a **governing body** or compensation committee, provided that persons with a conflict of interest with respect to the compensation arrangement at issue were not involved. For purposes of this question, use the definition of "conflict of interest" set forth in Regulations section 53.4958-6(c)(1)(iii).
- Use of data as to comparable compensation for similarly qualified persons in functionally comparable positions at similarly situated organizations.
- Contemporaneous documentation and recordkeeping with respect to deliberations and decisions regarding the compensation arrangement.

Answer "Yes" on line 15b if the process for determining compensation of one or more **officers** or **key employees** other than the **top management official** included all of the elements listed above.

If the answer was "Yes" on line 15a or 15b, describe the process on Schedule O (Form 990), identify the offices or positions for which the process was used to establish compensation of the persons who served in those offices or positions, and state the year in which this process was last undertaken for each such person.

Line 16. Answer "Yes" on line 16a if at any time during its tax year the organization invested in, contributed assets to, or otherwise participated in a joint venture or similar arrangement with one or more taxable persons. For purposes of line 16, a joint venture or similar arrangement (or a "venture or arrangement") means any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity without regard to (1) whether the organization controls the venture or arrangement, (2) the legal structure of the venture or arrangement, or (3) whether the venture or arrangement is treated as a partnership for federal income tax purposes, or as an association, or corporation for federal income tax purposes. Disregard ventures or arrangements that meet both of the following conditions.

1. 95% or more of the venture's or arrangement's income for its tax year ending with or within the organization's **tax year** is described in sections 512(b)(1)–(5) (including unrelated debt-financed income).
2. The primary purpose of the organization's contribution to, or investment or participation in, the venture or arrangement is the production of income or appreciation of property.

Answer "Yes" on line 16b if, as of the end of the organization's tax year, the organization had both:

1. adopted a written policy or procedure that requires the organization to negotiate, in its transactions and arrangements

with other members of the venture or arrangement, such terms and safeguards as are adequate to ensure that the organization's exempt status is protected, and

2. taken steps to safeguard the organization's exempt status with respect to the venture or arrangement.

Some examples of safeguards include the following:

- Control over the venture or arrangement sufficient to ensure that the venture furthers the exempt purpose of the organization.
- Requirements that the venture or arrangement give priority to exempt purposes over maximizing profits for the other participants.
- The venture or arrangement not engage in activities that would jeopardize the organization's exemption (such as political intervention or substantial lobbying for a section 501(c)(3) organization).
- All contracts entered into with the organization be on terms that are at arm's length or more favorable to the organization.

Section C. Disclosure

Line 17. Use Schedule O (Form 990) if additional space is necessary.



Some states require or permit the filing of Form 990 to fulfill state exempt organization or charitable solicitation reporting requirements.

Line 18. Explain on Schedule O (Form 990) if the organization does not make publicly available upon request any of Forms 1023, 1024, 990, or 990-T, if such disclosure is required by law. Exempt organizations must make publicly available their Form 1023 or 1024 application for recognition of exemption. Applications filed before July 15, 1987, need not be made publicly available unless the organization had a copy on July 15, 1987. Organizations that file Form 990 must make it publicly available for a period of three years from the date it is required to be filed (including extensions) or, if later, is actually filed. Organizations are not required to make publicly available the names and addresses of contributors (as set forth on Schedule B (Form 990, 990-EZ, or 990-PF), and on Form 1023 or 1024). Section 501(c)(3) organizations that file Form 990-T also are required to make their Form 990-T publicly available for the corresponding three-year period, for forms filed after August 17, 2006 (unless the form was filed solely to request a refund of telephone excise taxes). See Appendix D for more information on public inspection requirements.

Line 19. Explain on Schedule O (Form 990) whether the organization makes its governing documents, **conflict of interest policy**, and **financial statements** (whether or not audited) available to the general public, and if so, how it makes them available to the public (for example, posting on the organization's website, posting on another website, providing copies on request, inspection at an office of the organization, etc.). If the organization does not make any of these documents available to the public, state "No documents available to the public."

Federal tax law does not require that such documents be made publicly available unless they were included on a form that is publicly available (such as Form 1023 or 1024).

Line 20. Provide the name of the person who possesses the organization's books and records, and the business address and telephone number of such person (or of the organization if the books and records are kept by such person at a personal residence). If the books and records are kept at more than one location, provide the name, business address, and telephone number of the person responsible for coordinating the maintenance of the books and records. The organization is not required to provide the address or telephone number of a personal residence of an individual. If provided, however, such information will be available to the public.