

HOWARD & JOHNSON, LLC

Attorneys at Law

906 OLIVE STREET, SUITE 200

SAINT LOUIS, MISSOURI 63101

Phone: (314) 454-1722

Fax: (314) 454-1911

vjohnson@howardandjohnsonlaw.com

To: All AIS Subordinate Organizations Requesting IRS Group
Exemption

RE: Application for IRS Section 501(c)(3) Group Tax Exemption

General

Several years ago, Bob Plank completed the legal groundwork with the IRS that allows all qualifying subordinate organizations to become recognized as a group for tax exemption under Section 501 (c) (3) of the Internal Revenue Code. Each successive year, he included as many of the remaining regions, sections, and affiliates as were interested. It is my intent to continue that work. This is a free service authorized by the AIS Board of Directors and is provided to all subordinate organizations of the AIS at no cost to them or to the AIS. Timing is critical. Each year, the deadline for getting a package of information to me that includes all of the necessary information is June 15. My deadline to the IRS is July 1. For those that can not make it this year, next year's deadline is June 15. The IRS usually approves the annual update to the group exemption by sometime in November.

Benefits

A number of dollar-saving benefits results from Section 501(c)(3) recognition by the IRS. In general, all cash donations and the fair market value of goods (but not the donor's labor or personal services) donated to a recognized organization are deductible when itemizing federal personal income tax, as are non-reimbursed, out of pocket expenses in support of the organization's objectives. Deductible expenses by include, but are not limited to, travel and per diem for attendance at an organization's activities away from home. Additionally, bequests, legacies, devises, transfers, or gifts are deductible for federal estate and gift tax purposes when making estate plans. The IRS recognition also makes the organization eligible for a nonprofit mailing permit. A third-class nonprofit mailing permit enables an organization to benefit from available lower rates on mailings, since the nonprofit rate is considerably lower than the regular third-class rate.

Most states impose an annual income, franchise, or other tax based on the net earnings of an organization. In many states, obtaining the state income tax exemption is a formality and is based exclusively or primarily on filing with the state the federal 501 (c) (3) tax exemption determination letter. There also may be additional state and local exemptions, such as estate, gift, business, sales, use, excise, and property tax exemptions.

A Section 501(c)(3) recognition also enables an organization to bring its unpaid directors, officers, and volunteer workers clearly within the ambit of the Volunteer Protection Act of 1997. This act, in general, limits the personal liability risks assumed by such persons in connection with their participation in nonprofit, public benefit organizations. Before the act, such protection was available in all states only by incorporation.

How to Proceed

1. Appoint someone to serve as a point of contact with me for the purposes of the IRS 501(c)(3) exemption application. This should be someone I can contact by e-mail. My address is: vjohnson@howardandjohnsonlaw.com.
2. Change your organization's bylaws. Typically, this is the most time consuming of the tasks because of the notice requirements before your entire membership can vote on the necessary bylaws changes. Before publishing notice to the membership, I suggest you send me by e-mail the final draft of your proposed changes so that I can review them and perhaps suggest any necessary changes.
3. If incorporated, handle any necessary changes to your articles of incorporation in accordance with your state's procedures. I am not in a position to help with state incorporation matters.
4. Obtain an EIN in accordance with federal procedures.
5. Start assembling the entire package, including your written authorization for me to proceed, the financial data, the description of your activities, and the compilation of representative publications. Please hold back this package until it is 100% complete.
6. Please send me the final, complete package (including the bylaws and articles of incorporation, if applicable) by June 15, so that I can make my deadline to the IRS by July 1.

Required Information for Your Organization to be Included

If you would like me to include your organization in the next annual updating of the roster of AIS subordinates qualifying for tax exemption under Section 501(c)(3) of the Internal Revenue Service Code, I need the following data regarding your organization for my files: (1) written authorization requesting that its name be added to the roster; (2) your Employer Identification Number; (3) a completed Financial Data Form for the current and three prior years; (4) a description of your activities; (5) a set of representative publications; (6) a copy of your bylaws that comply with the requirements for 501 (c) (3) tax exemption; and (7) only if presently incorporated, a copy of your articles of incorporation that also comply with the requirements for 501 (c) (3) tax exemption.

1. Written Authorization

I need a letter signed by an authorized officer of your organization requesting me to add the name of your organization to the roster of AIS subordinates qualifying for the tax exemption. The letter merely needs to say, "The [name of organization] requests to be included in a group exemption letter as a subordinate organization sponsored by the American Iris Society."

2. Employer Identification Number

Before this process can be completed, I need to know your Employer Identification Number, or EIN. Never mind that your organization may not have any employees. EINs are used by the IRS to keep track of separate tax reporting entities. If your organization presently does not have an EIN, you will have to apply for one. In either case, I will need to know your EIN before I can submit your organization for the exemption. You can apply for an EIN online by going to the IRS website (irs.gov) and searching for EIN Online. You can also apply by submitting IRS Form SS-4, provided here as Attachment 1.

Whichever way you chose, in filling out the application be sure to check box 9a, Other nonprofit organization, and specify "Educational and Scientific" Check box 10, Other, and specify "501(c)(3) group exemption." In box 16, check Other and state that your principal activity is "Education of members of the public regarding the genus iris."

3. Financial Data

Your treasurer should provide the requested financial data on IRS Form 1023, page 9 (part A) and page 10 (part B). The form can be downloaded at <http://www.irs.gov/pub/irs-pdf/f1023.pdf>. Be sure to specify the ending month of your tax year (generally December). A copy of pages 9 and 10 of the form and the guiding instructions are provided as Attachment 2.

4. Description of Activities

You should task an effective writer to compose a 1-2 page narrative description of actual, past or present activities of your organization, with particular emphasis on the following types of activities: conduct of, or financial support to, scientific investigations related to iris or other plants, directly or by donations to the Foundation; various AIS Funds for research scholarships and grants, treatises related to any aspect of iris or other plants; development of primarily scientific criteria for judging; educational programs (speaker programs, slide programs, judges training programs, etc.) for members, also open to the general public; youth outreach activities; public display gardens; garden treks for members, also open to the general public; iris shows, featuring well grown specimens of irises and the use of irises in floral arrangements open to the general public; newsletters and other publications for members, also available to the general public, regarding iris and other plants.

5. Compilation of Representative Publications

I need a sampling of publications that supports your description of activities in ¶ 4 above.

6. Bylaws

In order to qualify for the 501 (c) (3) exemption, your bylaws must incorporate, at a minimum, certain special provisions, as listed below. These provisions need not be in any particular order, or numbered in any particular fashion, but must appear somewhere within the document.

Heading and Purposes

BYLAWS
of
[Name of Your Organization] A Nonprofit
[Section/Affiliate (choose one)] of the American Iris Society

[or]
Region [_] of the American Iris Society
A Nonprofit [Corporation/Organization (choose one)]

NAME

The name of this [section/affiliate/region (choose one)] is

[_____].

PURPOSES

The purposes of this [section/affiliate/region (choose one)] are
[_____]-

Here you must state rather specific objectives that emphasize public benefit, education, and scientific orientation, as contrasted with mutual benefit, socialization, and purely aesthetic appreciation. Tailor as many of the words and phrases from the AIS Bylaws as possible to fit your situation. For example,

Section 1. This corporation shall be organized and operated exclusively for purposes described in Section 501(c)(3) of the Internal Revenue Code, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501 (c) (3) of the Internal Revenue Code, or corresponding section of any future federal tax code.

(The above provision is required.)

Section 2. The purposes of the [name of your organization] shall be to develop the science of horticulture and any activities related to the study, propagation, and culture of the genus *Iris*; to stimulate and foster interest in horticultural pursuits; conservation and protection of these plants; to cooperate with other organizations, public and private, in education in the science of horticulture of all those interested in learning any phase of the genus *Iris*, by any and all means which may be determined from time to time by the Board of Directors [of your organization]. These shall include but are not limited to:

- (a) Encouragement and support of scientific research, including those pertaining to the solution of diseases related to, but not necessarily exclusive to the genus *Iris*, and investigation and conservation of the genus in the wild;
- (b) Collection, compilation, and publication of data concerning the history, classification, breeding, hybridizing, and culture of *Irises*; and
- (c) Education of the public through exhibitions, public display gardens, published standards for judging, and local, area, regional and national meetings open to the public.

Other Provisions

DISSOLUTION

Upon the dissolution of this organization, its assets remaining after payment, or provision for payment, of all debts and liabilities of this organization shall be distributed for one or more exempt purposes within the meaning of section 501 (c) (3) of the Internal Revenue Code or shall be distributed to the federal government, or to a state or local government, for a public purpose.

The above provision is required. As an option, you could specify the American Iris Society in addition to, or in lieu of, the governmental entities.

LIMITATION ON POLITICAL ACTIVITIES

No substantial part of the activities of this organization shall consist of carrying on propaganda, or otherwise attempting to influence legislation except as otherwise provided by Section 501 (h) of the Internal Revenue Code, and this organization shall not participate in, or intervene in (including the publishing or distribution of statements),

any political campaign on behalf of, or in opposition to,
any candidate for public office.

The above provision is optional, but recommended.

LIMITATION ON PRIVATE INUREMENT

No part of the net earnings of this organization shall inure to the benefit of, or be distributable to, its members, directors, officers, or other private persons, except that this organization shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in these articles.

The above provision is optional, but I highly recommend it because it reminds members of the authorized, oftentimes overlooked exceptions in the Code, e.g., reimbursement of travel and expenses of members to attend meetings and conventions, purchase of rhizomes from members for plant sales, providing door prizes for attendance, rewarding meritorious service, etc.

GENERAL LIMITATION ON ACTIVITIES

Notwithstanding any other provisions of these bylaws, this organization shall not carry on any other activities not permitted to be carried on (1) by an organization exempt from federal income tax under section 501 (c) (3) of the Internal Revenue Code or (2) by an organization contributions to which are deductible under section 170 (c) (2) of the Internal Revenue Code.

The above obscure provision is also recommended because it fulfills certain minimum legal requirements.

Words and Phrases to Avoid

To qualify under section 501 (c) (3) of the Code, your organization must have and maintain a focused scientific and educational orientation and be dedicated exclusively to the benefit of the public. Any formerly existing wording in your bylaws that may suggest any of the following states of mind, objectives, or activities should be avoided entirely, or qualified so as to be clearly incidental, or to exist only to a very insubstantial degree: love of all things iris, social fellowship; promotion of good will among the membership; mutual (as opposed to public) benefit; appreciation of the purely aesthetic beauty of irises; or purely agricultural and horticultural pursuits. These latter two objectives constitute a separate, less favored category [IRS 501 (c) (5)] of tax exempt mutual benefit organizations, donations to which are not deductible). Bingo is a red flag no-no.

Other Provisions and Format

There are no additional specific requirements as to format, headings, paragraph numbering, sequencing, or other mandatory provisions for your bylaws to conform to section 501 (c) (3) of the Code.

7. If Your Organization Is Presently Incorporated

If your organization is presently incorporated, and if your articles of incorporation presently include all of the required provisions outlined above for your bylaws, I simply need to have a copy for my files, in addition to the other information stated above.

If presently incorporated, and if your articles of incorporation presently do not include all of the required provisions outlined above, there is a problem. Before I can process your request for the exemption as a subordinate organization of the AIS, you must also amend your articles in accordance with the requirements of your state of incorporation.

8. If Your Organization Is Contemplating Incorporation

Similarly, if your organization is contemplating incorporation, I am not in a position to process your request for the exemption as a subordinate organization of the AIS until you have complied with the procedures of your state of incorporation.

A model bylaws suitable for tailoring by any newly-formed iris society is provided below. If there are any further questions, please feel free to contact me at any of the following addresses:

E-mail: vjohnson@howardandjohnsonlaw.com

Phone: 314.454.1722

Fax: 314.454.1911

USPS: Veronica Johnson
Howard & Johnson, LLC
906 Olive Street, Suite 200
St. Louis, MO 63101

**BYLAWS
OF ABCD IRIS SOCIETY OF THE AMERICAN IRIS SOCIETY**

**BYLAWS
OF
ABCD IRIS SOCIETY OF THE AMERICAN IRIS SOCIETY**

I.

The name of this organization is ABCD Iris Society of the American Iris Society.

II.

This organization is a nonprofit public benefit affiliate/ section/ region (*select one*) of the American Iris Society and is not organized for the private gain of any person.

III.

The specific purpose of this organization shall be to develop the science of horticulture and any activities related to the study, propagation, and culture of the genus *Iris*; to stimulate and foster interest in horticultural pursuits, conservation and protection of these plants in the wild; to cooperate with other organizations, public and private, in the scientific and horticultural education of all those interested in learning any phase of the genus *Iris*, by any and all means which may be determined from time to time by the board of directors of this organization. These shall include, but are not limited to:

(a) Encouragement and support of scientific research, including that pertaining to the solution of disease related to, but not necessarily exclusive to the genus *Iris*, and investigation and conservation of the genus *Iris* in the wild;

(b) Collection, compilation, and publication of data concerning the history, classification, breeding, and culture of irises; and

(c) Education of the public through exhibitions, public display gardens, published standards for judging, and local, area, regional, and national meetings open to the public.

IV.

ABCD Iris Society of the American Iris Society is organized and operated exclusively for public purposes within the meaning of Section 501 (c) (3) of the Internal Revenue Code.

V.

Notwithstanding any other provisions of these bylaws, the organization shall not carry on any other activities not permitted to be carried on (a) by an organization exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code, or (b) by an organization contributions which are deductible under Section 170 (c) (2) of the Internal Revenue Code.

VI.

No substantial part of the activities of this organization shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the organization shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

VII.

The property of this organization is irrevocably dedicated to public purposes, and no part of the net earnings of the organization shall inure to the benefit of any director, officer, or member thereof, or to the benefit of any private person. Upon dissolution or winding up of the organization, its assets remaining after payment, or provisions for

payment, of all debts or liabilities of this organization shall be distributed to a nonprofit fund, foundation, or organization that is organized and operated exclusively for educational and scientific purposes, and which has established and maintains its tax exempt status under Section 501 (c) (3) of the Internal Revenue Code.

VIII.

MEMBERSHIP

MEMBERSHIP shall be open to any person or organization.

IX.

OFFICERS

The OFFICERS of this Society shall be: President, First Vice-President, Second Vice-President, Secretary and Treasurer.

X.

BOARD OF DIRECTORS

The BOARD OF DIRECTORS shall be the governing body of the Society and shall be comprised of all the elective officers and the immediate Past-President, together with three persons from the membership-at-large.

XI.

MEETINGS

(a) The meeting place of the ABCD Iris Society will be as established from time to time by the Board of Directors. Regular and special meetings and events will be noticed in the bulletin prior to the next meeting or event.

(b) Regular business meetings of the Society shall be held on the (fourth Tuesday) of each month at (7:00) p.m.

(c) A quorum shall consist of ten members of the Society, two of whom shall be elected officers.

(d) Special meetings, garden tours or other activities may be called at the pleasure of the President.

(e) The Board of Directors shall meet when called by the President, at least two times a year.

(f) Committee meetings shall be called by the Chairman of each committee.

XII.

BUSINESS PROCEDURES

(a) The current edition of *Roberts Rules of Order, Newly Revised*, shall be used in all meetings of the Society to cover questions not provided for in these bylaws.

(b) The order of BUSINESS at regular meetings shall include President's Remarks, Program, approval of the previous meeting's minutes which were printed in the monthly bulletin, Treasurer's Report, Reports of Committees, Unfinished and New Business, and Adjournment. The order shall be at the pleasure of the President.

XIII.

MEMBERSHIP

Any person or organization may have MEMBERSHIP in this Society by complying with the following:

(a) Membership is automatic upon payment of dues to the Treasurer. Loss of membership is automatic upon failure to renew after March 1st.

(b) Full dues must be paid beginning January 1 of each year. Any new member paying dues July 1 or later in any given year shall pay only one-half the annual dues.

(c) Members shall be encouraged to attend meetings and activities of the Society and shall be entitled to vote at all regular and special meetings.

(d) Charter members shall consist of those who were members during the first year of formation of this Society. This Society was chartered .

XIV.

DUES

(a) DUES for membership in this Society shall be:

(1) Individual membership — \$ __ per year

(2) Family membership — \$ _ per year

(b) Dues shall be payable January 1 of each year and shall be past due on March 1 that same year.

(c) Family membership consists of any and all members of a family residing at the same address.

(d) Annual membership shall run from January 1 to December 31 of each year.

XV.

ELECTED OFFICERS

The OFFICERS of this Society shall be: President, First Vice-President, Second Vice-President, Secretary, and Treasurer. All officers are required to belong to the American Iris Society (AIS) (and their yearly dues will be paid by the society).

(a) The PRESIDENT shall be the chief executive officer of the Society; shall preside at regular and special meetings of the Society and at meetings of the Board of Directors; and shall appoint any Standing Committee Chairmen subject to the ratification of the Board of Directors. The President shall be an ex-officio member of all Committees except the Nominating Committee and (may/shall) cast the deciding vote in the event of a tie.

(b) The FIRST VICE-PRESIDENT shall perform the duties of the President in his/her absence and shall act as chairman of the Show Committee during his/her tenure of office.

(c) The SECOND VICE-PRESIDENT shall perform the duties of the First Vice-President in his/her absence and shall also act as Program Chairman.

(d) The SECRETARY shall keep a full and complete record of the activities of the Society, including reports, have charge of the files, maintain a current membership list, and keep a list of Committees, their Chairmen and Members, and assist the President in any Society correspondence.

(e) The TREASURER shall handle all receipts and expenditures of the Society. The Treasurer shall make financial reports at regular meetings, shall submit the books for review in November to a committee appointed by the President, and shall present an Annual Report at the January meeting.

XVI.

BOARD OF DIRECTORS

The BOARD OF DIRECTORS shall be the governing body of the Society and shall be comprised of all the elective officers, the immediate Past-President, together with three persons to serve as members-at-large. All shall be members in good standing of the American Iris Society. They shall serve for a term of one year, serving no more than a maximum of three consecutive years in any one position.

Positions on the Board of Directors shall be filled as follows:

(a) At the November regular meeting of the Society, the nominating committee shall present a slate of officers to the membership. The nominating committee shall consist of no less than three and no more than five members. After the committee has presented its report, nominations for officers may be made from the floor. Nominations shall also be made from the membership at large for three additional board members-at-large. The election of all board members, by majority vote of the membership present and voting, shall take place during that meeting.

(b) In the event of vacancies on the Board of Directors, or an officer of the Society, the vacancy shall be filled by the recommendation of the Board of Directors, subject to a majority vote from the floor at any regular meeting.

XVII.

STANDING COMMITTEES

The STANDING COMMITTEE CHAIRMEN appointed by the President and subject to ratification by the Board of Directors shall be: Membership, Ways and Means, Publication, Library, and Hospitality.

Each chairman will pick his/her committee from the membership.

XVIII. AMENDMENTS TO BYLAWS

The Society may amend the BYLAWS by majority vote of the membership present and voting at any regulation meeting, providing:

- (a) A proposal is made at the previous regular meeting.
- (b) A quorum, as defined in the bylaws, is present to vote.

DECLARATION

These bylaws were approved by the Board of Directors on _____, 200_, and by the members on _____, 20__.

Signature of President

Date: _____, 20__

Signature of Secretary

Date: _____, 20__

Application for Employer Identification Number

(For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.)

OMB No. 1545-0003

EIN

▶ See separate instructions for each line. ▶ Keep a copy for your records.

Type or print clearly.	1 Legal name of entity (or individual) for whom the EIN is being requested	
	2 Trade name of business (if different from name on line 1)	3 Executor, administrator, trustee, "care of" name
	4a Mailing address (room, apt., suite no. and street, or P.O. box)	5a Street address (if different) (Do not enter a P.O. box.)
	4b City, state, and ZIP code (if foreign, see instructions)	5b City, state, and ZIP code (if foreign, see instructions)
	6 County and state where principal business is located	
	7a Name of responsible party	
8a Is this application for a limited liability company (LLC) (or a foreign equivalent)? <input type="checkbox"/> Yes <input type="checkbox"/> No		8b If 8a is "Yes," enter the number of LLC members ▶
8c If 8a is "Yes," was the LLC organized in the United States? <input type="checkbox"/> Yes <input type="checkbox"/> No		
9a Type of entity (check only one box). Caution. If 8a is "Yes," see the instructions for the correct box to check.		
<input type="checkbox"/> Sole proprietor (SSN) _____		
<input type="checkbox"/> Partnership _____		
<input type="checkbox"/> Corporation (enter form number to be filed) ▶ _____		
<input type="checkbox"/> Personal service corporation _____		
<input type="checkbox"/> Church or church-controlled organization _____		
<input checked="" type="checkbox"/> Other nonprofit organization (specify) ▶ Educ & Science		
<input type="checkbox"/> Other (specify) ▶ _____		
<input type="checkbox"/> Estate (SSN of decedent) _____		
<input type="checkbox"/> Plan administrator (TIN) _____		
<input type="checkbox"/> Trust (TIN of grantor) _____		
<input type="checkbox"/> National Guard <input type="checkbox"/> State/local government		
<input type="checkbox"/> Farmers' cooperative <input type="checkbox"/> Federal government/military		
<input type="checkbox"/> REMIC <input type="checkbox"/> Indian tribal governments/enterprises		
Group Exemption Number (GEN) if any ▶ 3686		
9b If a corporation, name the state or foreign country (if applicable) where incorporated		State Foreign country
10 Reason for applying (check only one box)		
<input type="checkbox"/> Started new business (specify type) ▶ _____		
<input type="checkbox"/> Banking purpose (specify purpose) ▶ _____		
<input type="checkbox"/> Changed type of organization (specify new type) ▶ _____		
<input type="checkbox"/> Purchased going business		
<input type="checkbox"/> Hired employees (Check the box and see line 13.)		
<input type="checkbox"/> Created a trust (specify type) ▶ _____		
<input type="checkbox"/> Compliance with IRS withholding regulations		
<input checked="" type="checkbox"/> Other (specify) ▶ 501(c)(3) group exemption		
<input type="checkbox"/> Created a pension plan (specify type) ▶ _____		
11 Date business started or acquired (month, day, year). See instructions.		12 Closing month of accounting year
13 Highest number of employees expected in the next 12 months (enter -0- if none). If no employees expected, skip line 14.		14 If you expect your employment tax liability to be \$1,000 or less in a full calendar year and want to file Form 944 annually instead of Forms 941 quarterly, check here. (Your employment tax liability generally will be \$1,000 or less if you expect to pay \$4,000 or less in total wages.) If you do not check this box, you must file Form 941 for every quarter. <input type="checkbox"/>
Agricultural Household Other		
15 First date wages or annuities were paid (month, day, year). Note. If applicant is a withholding agent, enter date income will first be paid to nonresident alien (month, day, year) ▶		
16 Check one box that best describes the principal activity of your business.		
<input type="checkbox"/> Construction <input type="checkbox"/> Rental & leasing <input type="checkbox"/> Transportation & warehousing <input type="checkbox"/> Health care & social assistance <input type="checkbox"/> Wholesale-agent/broker		
<input type="checkbox"/> Real estate <input type="checkbox"/> Manufacturing <input type="checkbox"/> Finance & insurance <input type="checkbox"/> Accommodation & food service <input type="checkbox"/> Wholesale-other <input type="checkbox"/> Retail		
<input checked="" type="checkbox"/> Other (specify) Education		
17 Indicate principal line of merchandise sold, specific construction work done, products produced, or services provided.		
18 Has the applicant entity shown on line 1 ever applied for and received an EIN? <input type="checkbox"/> Yes <input type="checkbox"/> No		
If "Yes," write previous EIN here ▶		

Third Party Designee	Complete this section only if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.	
	Designee's name	Designee's telephone number (include area code)
	Address and ZIP code	Designee's signature
Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.		Applicant's signature
Name and title (type or print clearly) ▶		Applicant's telephone number (include area code)
Signature ▶		Date ▶

Part IX Financial Data

For purposes of this schedule, years in existence refer to completed tax years. If in existence 4 or more years, complete the schedule for the most recent 4 tax years. If in existence more than 1 year but less than 4 years, complete the statements for each year in existence and provide projections of your likely revenues and expenses based on a reasonable and good faith estimate of your future finances for a total of 3 years of financial information. If in existence less than 1 year, provide projections of your likely revenues and expenses for the current year and the 2 following years, based on a reasonable and good faith estimate of your future finances for a total of 3 years of financial information. (See instructions.)

A. Statement of Revenues and Expenses

	Type of revenue or expense	Current tax year	3 prior tax years or 2 succeeding tax years				(e) Provide Total for (a) through (d)
		(a) From To	(b) From To	(c) From To	(d) From To		
Revenues	1 Gifts, grants, and contributions received (do not include unusual grants)						
	2 Membership fees received						
	3 Gross investment income						
	4 Net unrelated business income						
	5 Taxes levied for your benefit						
	6 Value of services or facilities furnished by a governmental unit without charge (not including the value of services generally furnished to the public without charge)						
	7 Any revenue not otherwise listed above or in lines 9-12 below (attach an itemized list)						
	8 Total of lines 1 through 7						
	9 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to your exempt purposes (attach itemized list)						
	10 Total of lines 8 and 9						
Expenses	11 Net gain or loss on sale of capital assets (attach schedule and see instructions)						
	12 Unusual grants						
	13 Total Revenue Add lines 10 through 12						
	14 Fundraising expenses						
	15 Contributions, gifts, grants, and similar amounts paid out (attach an itemized list)						
	16 Disbursements to or for the benefit of members (attach an itemized list)						
	17 Compensation of officers, directors, and trustees						
	18 Other salaries and wages						
	19 Interest expense						
	20 Occupancy (rent, utilities, etc.)						
	21 Depreciation and depletion						
	22 Professional fees						
	23 Any expense not otherwise classified, such as program services (attach itemized list)						
	24 Total Expenses Add lines 14 through 23						

EXHIBIT**2**

Part IX Financial Data (Continued)**B. Balance Sheet (for your most recently completed tax year)**

Year End: _____

Assets		(Whole dollars)
1	Cash	1
2	Accounts receivable, net	2
3	Inventories	3
4	Bonds and notes receivable (attach an itemized list)	4
5	Corporate stocks (attach an itemized list)	5
6	Loans receivable (attach an itemized list)	6
7	Other investments (attach an itemized list)	7
8	Depreciable and depletable assets (attach an itemized list)	8
9	Land	9
10	Other assets (attach an itemized list)	10
11	Total Assets (add lines 1 through 10)	11
Liabilities		
12	Accounts payable	12
13	Contributions, gifts, grants, etc. payable	13
14	Mortgages and notes payable (attach an itemized list)	14
15	Other liabilities (attach an itemized list)	15
16	Total Liabilities (add lines 12 through 15)	16
Fund Balances or Net Assets		
17	Total fund balances or net assets	17
18	Total Liabilities and Fund Balances or Net Assets (add lines 16 and 17)	18
19	Have there been any substantial changes in your assets or liabilities since the end of the period shown above? If "Yes," explain. <input type="checkbox"/> Yes <input type="checkbox"/> No	

Part X Public Charity Status

Part X is designed to classify you as an organization that is either a **private foundation** or a **public charity**. Public charity status is a more favorable tax status than private foundation status. If you are a private foundation, Part X is designed to further determine whether you are a **private operating foundation**. (See instructions.)

- 1a** Are you a private foundation? If "Yes," go to line 1b. If "No," go to line 5 and proceed as instructed. ☐ Yes ☐ No
If you are unsure, see the instructions.
- b** As a private foundation, section 508(e) requires special provisions in your organizing document in addition to those that apply to all organizations described in section 501(c)(3). Check the box to confirm that your organizing document meets this requirement, whether by express provision or by reliance on operation of state law. Attach a statement that describes specifically where your organizing document meets this requirement, such as a reference to a particular article or section in your organizing document or by operation of state law. See the instructions, including Appendix B, for information about the special provisions that need to be contained in your organizing document. Go to line 2. ☐
- 2** Are you a private operating foundation? To be a private operating foundation you must engage directly in the active conduct of charitable, religious, educational, and similar activities, as opposed to indirectly carrying out these activities by providing grants to individuals or other organizations. If "Yes," go to line 3. If "No," go to the signature section of Part XI. ☐ Yes ☐ No
- 3** Have you existed for one or more years? If "Yes," attach financial information showing that you are a private operating foundation; go to the signature section of Part XI. If "No," continue to line 4. ☐ Yes ☐ No
- 4** Have you attached either (1) an affidavit or opinion of counsel, (including a written affidavit or opinion from a certified public accountant or accounting firm with expertise regarding this tax law matter), that sets forth facts concerning your operations and support to demonstrate that you are likely to satisfy the requirements to be classified as a private operating foundation; or (2) a statement describing your proposed operations as a private operating foundation? ☐ Yes ☐ No
- 5** If you answered "No" to line 1a, indicate the type of public charity status you are requesting by checking one of the choices below. You may check only one box.
- The organization is not a private foundation because it is:
- a** 509(a)(1) and 170(b)(1)(A)(i)—a church or a convention or association of churches. Complete and attach Schedule A. ☐
- b** 509(a)(1) and 170(b)(1)(A)(ii)—a **school**. Complete and attach Schedule B. ☐
- c** 509(a)(1) and 170(b)(1)(A)(iii)—a **hospital**, a cooperative hospital service organization, or a medical research organization operated in conjunction with a hospital. Complete and attach Schedule C. ☐
- d** 509(a)(3)—an organization supporting either one or more organizations described in line 5a through c, f, g, or h or a publicly supported section 501(c)(4), (5), or (6) organization. Complete and attach Schedule D. ☐

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

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

Part IX. Financial Data

A. Statement of Revenues and Expenses

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



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

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

Existed less than 1 year. If you have existed for less than 1 year, you must provide projections of your likely income and expenses for your current year and projections of your likely income and expenses for the next 2 years based on a reasonable and good faith estimate of

your future finances. Place financial information for the year you are filing this application in the column marked *Current tax year*.

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

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

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

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

See the instructions to line 9 if you are uncertain whether revenue should be included as a grant in line 1 or as gross receipts in line 9. Unusual grants are not included on this line, but are included on line 12.

Examples

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

2. The symphony orchestra sells tickets to the public for its fall season. Such income is gross receipts received from the general public in performance of

the orchestra's exempt function and should be listed on line 9.

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

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

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

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

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

See Publication 598 for additional information regarding unrelated business income.

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

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

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

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

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

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

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

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

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

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

Include as gross receipts the income from activity conducted:

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

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

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

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

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

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

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

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

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

Colleges, universities, and other educational institutions and agencies subject to the Family Educational Rights and Privacy Act (20 U.S.C. 1232g) need not list the names of individuals who were

provided scholarships or other financial assistance where such disclosure would violate the privacy provisions of the law. Instead, such organizations should group each type of financial aid provided, indicate the number of individuals who received the aid, and specify the aggregate dollar amount.

Line 16. If payments have been made, submit an itemized list showing the name of each recipient, a brief description of the purposes or condition of payment, and amount paid. Do not include any amounts on line 15.

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

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

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

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

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

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

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

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

B. Balance Sheet

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

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

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

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

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

Line 5. Enter the total fair market value (FMV) of corporate stocks you hold. Submit an itemized list of your corporate stock holdings. For stock of closely held corporations, the statement should show the name of the corporation, a brief summary of the corporation's capital structure, the number of shares held, and their value as carried on your books. If such valuation does not reflect current fair market value, also include fair market value.

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

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

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

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

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

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

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

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

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

Line 14. Enter the total of mortgages and other notes payable outstanding at the end of the current tax year/period. Submit

an itemized list that shows each note separately, including the lender's name, purpose of loan, repayment terms, interest rate, and original amount.

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

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

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

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

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

Part X. Public Charity Status

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

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

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

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

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

See Publication 557, Chapter 3, *Section 501(c)(3) Organizations: Private Foundations*, for samples of provisions that will meet section 508(e). Also, see Appendix B for a list of states that have enacted statutory provisions that satisfy the requirements of section 508(e), subject to notations. Appendix B is based on Revenue Ruling 75-38, 1975-1 C.B. 361.

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

For additional information about private operating foundations, log on to www.irs.gov/charities/foundations/article/0,,id=136358,00.html.

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

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

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

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

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

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

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

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

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

Cooperative hospital service organizations described in section 501(e)

should also check this box, but do not complete *Schedule C*.

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

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

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

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

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

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

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



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

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

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

Facts and circumstances test. Facts and circumstances include (1) the amount of support you received from the general public, governmental units, or public charities, (2) whether you have a continuous and bona fide program for solicitation of funds from the general public, governmental units, or public