

A Tour of the New Redesigned 2008 Form 990

Part IV: Schedules C, F, G, I, M and R

Part Four of a Four Part Mini Course
Produced by IRS
Exempt Organizations

Material provided in this presentation is for educational use only and is not intended to establish IRS position or practice and may not be relied on or cited as precedent. For more detailed information, please refer to the "Charities and Non-Profits" section at www.irs.gov/eo

1

Speaker 1: Welcome to the fourth and final part of our 4-part mini course on Form 990 for tax year 2008. In the first three parts of the course we walked through the core form. At the end of part 3, we looked at the first of the 16 schedules that accompany the core form, Schedule A.

Form 990 Schedules

- C: Political Campaign and Lobbying Activities
- F: Activities Outside the U.S.
- I: Grants to Organizations, Governments and Individuals in the U.S.
- G: Fundraising or Gaming Activities
- M: Non-Cash Contributions
- R: Related Organizations and Unrelated Partnerships

2

Speaker 1: In this final part of the course, we will look at six other schedules:

- Schedule C: Political Campaign and Lobbying Activities
- Schedule F: Statement of Activities Outside the United States
- Schedule I: Grants and Other Assistance to Organizations, Governments, and Individuals in the U.S.
- Schedule G: Supplemental Information Regarding Fundraising or Gaming Activities
- Schedule M: Non-Cash Contributions and
- Schedule R: Related Organizations and Unrelated Partnerships.

We chose these schedules because they cover fairly common situations, and it is likely you may have to fill out one or more of them.

Which Schedules Should I Complete?

- Look at Form 990 Part IV, *Checklist of Required Schedules*:
 - For each question you answered “Yes,” complete the schedule you are told to complete
 - Ignore all other schedules

3

Speaker 1: But remember that your duty to file a particular schedule rests entirely on your answers to the questions in Part IV of the core form, the *Checklist of Required Schedules*.

When you answer “Yes” to a question on the Checklist, you are told to complete a corresponding schedule. Complete only the schedules you are told to complete, and ignore the others.

-Go to: www.irs.gov/charities/article/0,,id=185561,00.html to download the **2008** Form 990 and instructions.

-The **2009** form and instructions are available at <http://www.irs.gov/charities/article/0,,id=218927,00.html>

es/article/0,,id=185561,00.html	
Appendix of Special Instructions to Form 990	
	Completing the Heading of Form 990
	Part I, Summary
	Part II, Signature Block
	Part III, Statement of Program Service Accomplishments
	Part IV, Checklist of Required Schedules
	Part V, Statements Regarding Other IRS Filings and Tax Compliance
Form 990 Core	Part VI, Governance, Management, and Disclosure
	Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors
	Schedule J-2, Continuation Sheet for Form 990, Part VII, Section A, Line 1a (Compensation information)
	Parts VIII-XI (Statement of Revenue, Statement of Functional Expenses, Balance Sheet, Financial Statements and Reporting)
Schedule A	Supplementary Information for Organizations Exempt Under Section 501(c)(3)
Schedule B	Schedule of Contributors
Schedule C	Political Campaign and Lobbying Activities
Schedule D	Supplemental Financial Statements
Schedule E	Schools
Schedule F	Statement of Activities Outside the United States
Schedule F-1	Continuation Sheet for Schedule F

Speaker 1: You may want to have the 2008 Form 990 and schedules in front of you as we go along. You can download the form, the schedules, and their instructions at the address shown on the slide.

Complete Schedule C if you ...

- Engaged in political campaign activities;
- Are a section 501(c)(3) organization and engaged in lobbying activities or had a 501(h) election in effect; or
- Are a section 501(c)(4),(5) or (6) organization, received membership dues and made political campaign or lobbying expenditures.

5

Speaker 2: Let's look first at Schedule C. The purpose of Schedule C is to gather information about an organization's political campaign or lobbying activities. You must complete Schedule C if you:

- Engaged in direct or indirect political campaign activities on behalf of or in opposition to a candidate for public office;
- Are a section 501(c)(3) organization and engaged in lobbying activities; or
- Are a section 501(c)(4), (5), or (6) organization that receives membership dues and makes political campaign or lobbying expenditures and, thus, are subject to the section 6033(e) notice and reporting requirement and proxy tax.

Schedule C is divided into four parts.

Schedule C, Part I Political Campaign Activity

- Complete Part I if your organization engaged in political campaign activities
- “Political campaign activity” –
 - Includes any activity that supports or opposes a candidate for elective federal, state or local public office
 - Does *not* include any activity to encourage participation in the electoral process, such as voter registration or voter education

6

Speaker 2: If your organization engaged in political campaign activities during the tax year, you must complete Part I and give a detailed description of those activities in Part IV.

Political campaign activity is any activity that supports or opposes a candidate for elective federal, state, or local public office, regardless of whether the candidate is ultimately elected.

However, political campaign activity does not include activity meant to encourage participation in the electoral process (such as voter registration and education activity), provided the activity does not directly or indirectly support or oppose a particular candidate.

Section 501(c)(3) Organizations and Political Campaign Activities

- Section 501(c)(3) organizations are *prohibited* from engaging in political campaign activities.
- See *Revenue Ruling 2007-41* for example of permissible and impermissible activities.

7

Speaker 2: Section 501(c)(3) organizations are prohibited from engaging in political campaign activities. For a discussion of permissible and impermissible activities, see Revenue Ruling 2007-41.

“Political Expenditure”

- Any expenditure for political campaign activities
- Includes a payment, distribution, loan, advance, deposit or gift
- Also includes a contract, promise or agreement to make an expenditure

8

Speaker 2: You should report your organization’s political expenditures on line 2 of Part I-A. A *political expenditure* is any expenditure for political campaign activities, including a payment, distribution, loan, advance, deposit, or gift, including any contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

Political Expenditures by Section 501(c)(3) Organizations

- Section 4955 imposes an excise tax on the organization and any manager who agreed to the expenditure
- File Form 4720 to pay the tax
- Disclose the tax on Schedule C, Part I-B

9

Speaker 1: Section 4955 imposes an excise tax on each political expenditure by a section 501(c)(3) organization. The tax is imposed both on the organization itself and on any manager who agreed to the expenditure knowing it to be a political expenditure. A section 501(c)(3) organization that incurs such tax during the year must file Form 4720 to report and pay the tax, and must disclose the tax and state whether it filed Form 4720 in Part I-B of Schedule C.

“Section 527 Exempt Function Activities”

All activities that influence or attempt to influence the selection, nomination, election or appointment of a person to any federal, state or local public office or office in a political organization, or the election of Presidential or Vice-Presidential electors

10

Speaker 1: A tax-exempt organization (other than a 501(c)(3) organization) must report amounts expended for section 527 exempt function activities in Part I-C, and state whether it filed Form 1120-POL. *Section 527 exempt function activities* are activities that attempt to influence the selection, nomination, election, or appointment of any individual to a federal, state, or local public office or office in a political organization, or the election of Presidential or Vice-Presidential electors.

“Lobbying Activities”

Activities intended to influence foreign, national, state or local legislation

11

Speaker 1: Let’s turn now from political campaign activities to legislative lobbying. *Lobbying activities* are all activities intended to influence foreign, national, state or local legislation.

“Legislation”

- Action by Congress, a state legislature, a local council, or similar governing body with respect to acts, bills, resolutions or similar items
- Action by the public in referenda, ballot initiatives, constitutional amendments or similar procedures
- *But not* actions by executive, judicial or administrative bodies

12

Speaker 2: *Legislation* includes action by Congress, a state legislature, or local council with respect to acts, bills, or resolutions, or action by the public in referenda, ballot initiatives, or constitutional amendments.

Legislation does not include actions by executive, judicial, or administrative bodies.

Types of Lobbying

- Direct lobbying: an attempt to influence legislation through communication with:
 - A member of legislative body
 - A government official who is participating in the drafting of legislation
- Grassroots lobbying: an attempt to influence public opinion either for or against a piece of legislation

13

Speaker 2: There are two types of lobbying, direct lobbying and grassroots lobbying. Direct lobbying is any attempt to influence legislation through communication with a member of a legislative body or with a government official who is participating in the formation of legislation.

Grassroots lobbying, on the other hand, is any attempt to influence public opinion either for or against a piece of legislation.

Lobbying by IRC 501(c)(3) Organizations

- If lobbying is a *substantial* activity, the organization will lose its tax-exempt status
- Section 501(h) allows certain public charities to make an election to limit their lobbying expenditures to permissible “lobbying nontaxable amounts”

14

Speaker 2: A section 501(c)(3) organization may lose its tax-exempt status if lobbying activities constitute a substantial part of its overall activities. However, section 501(h) allows certain types of section 501(c)(3) public charities to elect to make limited lobbying expenditures without jeopardizing their exemption. Sections 501(h) and 4911 establish a sliding scale of permissible “lobbying nontaxable amounts.”

Lobbying Nontaxable Amounts

- Separate “lobbying nontaxable amounts” for:
 - Grassroots lobbying
 - Total lobbying (direct + grassroots lobbying)
- Lobbying expenditures above the nontaxable amount are taxed under section 4911
- Lose tax-exempt status if lobbying expenditures exceed 150% of nontaxable amount over four years

15

Speaker 2: Nontaxable amounts are established for both grassroots lobbying and total lobbying—that is direct and grassroots lobbying combined. Those amounts are deemed insubstantial and expenditures that are less than the nontaxable amounts will not be taxed and will not put the organization’s exempt status at risk.

Expenditures in excess of those permissible amounts are “excess lobbying expenditures” upon which a 25% excise tax is imposed. In addition to the tax, an organization will lose its tax-exempt status if it spends more than 150% of the permissible amounts when averaged over a four-year period.

Making the Section 501(h) Election

- File Form 5768 within the first tax year to which the election applies
 - The election is retroactive to the beginning of the year
- The election remains in effective for subsequent years until revoked
 - You revoke an election by filing Form 5768
- An electing organization must report its lobbying expenditures in Part II-A

16

Speaker 1: A qualifying public charity makes the section 501(h) election by filing Form 5768. The election is effective from the beginning of the taxable year in which Form 5768 is filed.

The election applies to all subsequent years until the organization revokes the election by filing another Form 5768. If your organization has a section 501(h) election in effect in tax year 2008, you must report the actual and nontaxable amounts of your direct lobbying expenditures and grass roots expenditures in Part II-A of Schedule C and calculate whether you have excess expenditures subject to tax.

You must also calculate whether you exceeded expenditure limits for the four-year period ending with your 2008 tax year unless 2008 is your first year as a section 501(c)(3) organization.

Non-Electing Organizations

- Facts-and-circumstances test used to determine whether a non-electing organization engages in lobbying as a substantial activity
 - “Engages in lobbying”: contacts or urges the public to contact a legislator to propose, support or oppose legislation
- Must report lobbying expenditures in Part II-B of Schedule C

17

Speaker 1: A section 501(c)(3) organization that either did not make a section 501(h) election (or revoked a previous election) or is ineligible to make the election is subject to a facts-and-circumstances test to determine whether it engaged in lobbying as a substantial part of its activities.

A non-electing organization is considered to have engaged in lobbying if it either contacts, or urges the public to contact, members of a legislative body to propose, support, or oppose legislation, or otherwise advocates the adoption or rejection of legislation. If you are a non-electing organization that engaged in lobbying in tax year 2008, you must complete Part II-B of Schedule C.

Political and Lobbying Expenditures of Section 501(c)(4), (5), and (6) Organizations

- Section 501(c)(4), (5) and (6) organizations that make political or lobbying expenditures must:
 - Disclose portion of membership dues allocable to political and lobbying expenditures or be subject to proxy tax under section 6033(e)
 - Complete Part III of Schedule C

18

Speaker 2: Now let's look at Part III of Schedule C. Section 6033(e) requires certain section 501(c)(4) social welfare organizations, section 501(c)(5) labor and agricultural organizations, and section 501(c)(6) business leagues to tell their members what portion of their membership dues were allocable to the political and lobbying expenditures of the organization, because that portion is not deductible by the member as a trade or business expense under section 162(e).

If the organization does not give its members that information, it is subject to a proxy tax that must be reported on Form 990-T. An organization that is subject to section 6033(e) must complete Part III of Schedule C to, first, report its total section 162(e) non-deductible lobbying and political expenditures and the total amount of dues paid to the organization to which those expenditures are allocable, and, then, to calculate whether it owes the proxy tax.

That concludes our tour of Schedule C. Now let's turn to Schedule F.

Schedule F

Activities *Outside* the United States

“Activities” include grantmaking, fundraising, a trade or business, program services or maintaining offices, employees or agents that are engaged in such endeavors.

19

Speaker 2: The purpose of Schedule F, *Statement of Activities Outside the United States*, is used to gather information about an organization’s activities that are conducted outside the United States at any time during the tax year, whether those activities take the form of grant making, fundraising, running a trade or business, conducting program services, or maintaining offices for employees or agents engaged in such endeavors.

Schedule F, Part I

Activities Outside the United States

- Complete Part I if revenues or expenses for these activities exceeded \$10,000
- List activities by *region*
 - See schedule F instructions for list of regions
- For each region, report—
 - Number of offices, employees and agents
 - Activities, program services and total expenditures

20

Speaker 1: If your organization has aggregate revenues or expenses of more than \$10,000 from grant making, fundraising, business, and program service activities outside the United States, complete Part I of Schedule F. The Schedule F instructions divide the countries of the world into nine regions and in Part I you will report foreign activities by region. List each region in which your organization conducted activities during the tax year, and, for each, indicate the number of offices, employees, and agents in the region, the activities and types of program services conducted in the region, and total expenditures made in the region.

Schedule F, Part II Grants to Foreign Organizations

- Complete Part II if cash grants and non-cash assistance exceeded \$5,000
- For each organization that received more than \$5,000, report:
 - Region where principal office is located
 - Purpose of the grant
 - Amount of cash grants and manner of distribution
 - Amount, description, and valuation method of non-cash assistance

21

Speaker 1: If your organization reports more than \$5,000 in cash grants or noncash assistance to foreign *organizations* (including foreign governments) on the core form's Statement of Functional Expenses, you must complete Part II of Schedule F. Foreign organizations are entities that are not created or organized in, or under the laws of, the United States. If no single recipient received more than \$5,000, check the box at the top of Part II, but do not fill out the table. But if any foreign organization or entity received a grant or assistance of more than \$5,000, you must provide information about such grant or assistance. Use a separate line of the table for each organization.

Enter the region where the organization's principal office is located and details of the grant or other assistance – its purpose, the amount and manner of disbursement of cash grants, and the amount, description and valuation method of non-cash assistance – but do not identify the grantee organization by name, code section, or EIN.

Schedule F, Part III Grants to Foreign Individual

- Complete Part III if cash grants and non-cash assistance made *directly* to foreign individuals exceeded \$5,000
 - “Foreign individual”: someone (including a U.S. citizen) who lives or resides outside the United States at the time the grant is paid or distributed
- List by type of grant or assistance, subdivided by region

22

Speaker 2: Ok. Let's move on to Part III. If your organization reports more than \$5,000 in cash grants or non-cash assistance to foreign *individuals* on the core form's Statement of Functional Expenses, you must complete Part III of Schedule F.

A “foreign individual” is someone (including a U.S. citizen) who lives or resides outside the United States at the time the grant is paid or distributed. List each type of grant or assistance provided directly to foreign individuals, subdivided by region.

Do not include grants or assistance provided to individuals through another organization or entity; those belong in Part II of the Schedule. For each combination of grant and region that you list, report the number of recipients, the amount of cash grants and manner of their disbursement, and the amount, description, and method of valuation of noncash assistance.

Now let's look at Schedule I.

Schedule I

Grants to Organizations and Individuals Within the United States

- Complete Part I if grants to *organizations* and *individuals* within the U.S. exceeded \$5,000
 - Do you maintain records to substantiate the amount of each grant, the grantee’s eligibility, and the selection criteria?
 - How do you monitor the use of grant funds?

23

Speaker 2: Schedule I, *Grants and Other Assistance to Organizations, Governments, and Individual in the U.S.*, is the domestic counterpart to parts II and III of Schedule F. It must be completed by any organization that reports spending more than \$5,000 in grants or other assistance either to governments and organizations in the U.S. or to individuals in the U.S. on the core form’s Statement of Functional Expenses.

Every organization completing the schedule must indicate in Part I whether it maintains records to substantiate the amount of such grants, the grantees’ eligibility for the grants, and the selection criteria used to award the grants. In addition, it must describe its procedures for monitoring the use of grant funds to ensure that they are used for proper purposes and not diverted from the intended use.

For instance, the organization might explain that it required periodic reports from the grantee or conducted field investigations.

Schedule I, Part II

- Complete Part II if grants/assistance to *organizations* or *government entities* exceeded \$5,000
- List every recipient that received > \$5,000 (name, address, EIN, code section) plus—
 - Purpose of grant
 - Amount of cash grant
 - Amount, valuation method and description of non-cash assistance

24

Speaker 1: If your organization reported making more than \$5,000 in grants or other assistance to other *organizations* and *government entities* in the U.S., you must complete Part II of the schedule. If no single recipient received more than \$5,000, merely check the box affirming that fact, and you are finished with Part II.

But if any recipient received more than \$5,000, you must provide details about the recipient – its address, EIN, and code section – and about the grant or assistance – such as the amount of the grant or assistance and its purpose, and a description of any non-cash assistance and the method used to value it.

Schedule I, Part III

- Complete Part III if grants and assistance made directly to individuals exceeded \$5,000
- List the various types of cash grants or non-cash assistance provided, e.g.:
 - “Scholarships for students attending College X”
 - “Food, shelter, and clothing for victims of Hurricane Y”

25

Speaker 1: Next you'll complete Part III if your organization reported making over \$5,000 in grants or assistance directly to individuals in the U.S. But rather than listing the individual grantees by name, you should list the various types of grants or assistance or describe their purposes using specific descriptions such as “scholarships for students attending College X”, or “food, shelter, and clothing for immediate relief of Hurricane Y disaster victims.” Then, for each type of grant or assistance listed, indicate the number of recipients, the amount of cash grants and non-cash assistance, and a description of the non-cash assistance and the method used to value it.

Now, let's turn to Schedule G.

Schedule G

Fundraising and Gaming Activities

- *Fundraising activities*: activities undertaken to induce potential donors to contribute money, services, materials or facilities.
 - Includes fundraising campaigns and events, and direct solicitations
 - Does not include gaming or a trade or business regularly carried on

26

Speaker 2: The purpose of Schedule G, *Supplemental Information Regarding Fundraising or Gaming Activities*, is to gather information about an organization's fundraising activities and use of professional fundraising services, fundraising events, and gaming activities.

"Fundraising activities" are activities undertaken to induce potential donors to contribute money, services, materials, or facilities. They include fundraising campaigns and events, and other activities involved with soliciting contributions, but do not include gaming or the conduct of a trade or business that is regularly carried on.

Schedule G, Part I Fundraising Activities

- Complete Part I if professional fundraising expenses are greater than \$15,000
 - Types of fundraising activities engaged in
 - Ten highest paid fundraisers that were compensated at least \$5,000 for the year
 - States in which the organization is registered or licensed to solicit funds

27

Speaker 2: Schedule G is divided into three parts. Complete Part I, *Fundraising Activities* if your organization reports more than \$15,000 in professional fundraising expenses on the core form's statement of functional expenses. First, identify the fundraising methods used by your organization during the year from the list of activities in line 1, activities like "mail solicitation," "phone solicitations," and "special fundraising events." Then on line 2a, indicate whether the organization had a written or oral agreement with any individual or entity to provide professional fundraising services.

"Professional fundraising services" are services requiring the exercise of professional judgment in planning and preparing solicitation materials, advising and consulting on solicitation methods, and conducting direct solicitation campaigns. If the organization did enter into agreements for professional fundraising services, list the names of the ten highest paid fundraisers that were compensated at least \$5,000 in the taxable year. For each name listed, describe the fundraising services provided.

For instance, if you hired a fundraiser to advise on, and coordinate, all of your direct mail fundraising, you might say "consults on direct mail program." Then report the gross receipts from the activities conducted by the fundraiser and the amount paid to (or retained by) the fundraiser and the organization. Finally, on line 3, list those states in which your organization is registered or licensed to solicit funds and those states that have notified the organization that it is exempt from registration or licensing.

Schedule G, Part II Fundraising Events

- Complete Part II if contributions + gross income from fundraising is > \$15,000
- *Fundraising events*: dinners, dances, concerts, carnivals, sports events, auctions, casino nights, door-to-door sales of merchandise
 - *But not* sales of goods or services of nominal value, sweepstakes, lotteries or raffles, or solicitation campaigns that generate contributions

28

Speaker 1: Let's now look at Part II of Schedule G. You'll complete this part if the total of line 1c (contributions, gifts and grants) and line 8a (gross income from fundraising events) of the core form's statement of revenue is more than \$15,000.

"Fundraising events" include dinners and dances, door-to-door sales of merchandise, concerts, carnivals, sports events, auctions, and casino nights that are not regularly carried on. "Fundraising events" do not include sales of goods or services of only nominal value, sweepstakes, lotteries, or raffles, or solicitation campaigns that generate only contributions.

Part II Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than \$5,000.

	(a) Event #1	(b) Event #2	(c) Other Events	(d) Total Events (Add col. (a) through col. (c))
	(event type)	(event type)	(total number)	
Revenue				
1 Gross receipts				
2 Less: Charitable contributions				
3 Gross revenue (line 1 minus line 2)				
Direct Expenses				
4 Cash prizes				
5 Non-cash prizes				
6 Rent/facility costs				
7 Other direct expenses				
8 Direct expense summary. Add lines 4 through 7 in column (d)				()
9 Net income summary. Combine lines 3 and 8 in column (d)				()

Part III Gaming. Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

Speaker 1: You must report the gross receipts and direct expenses (such as prizes and rental costs), and calculate the gross revenue and net income, of each of the organization’s two largest fundraising events – largest, that is, in terms of gross receipts – so long as the event generated more than \$5,000 in gross receipts.

In addition, report the aggregate amounts of revenue and expenses from all other fundraising events that generated gross receipts greater than \$5,000.

Finally, calculate total net income from fundraising events.

Schedule G, Part III Gaming

- Complete Part III if gross income from gaming activities is greater than \$15,000
- Revenue and expenses from bingo, pull tabs, and other gaming; net gaming income
- Percentage of volunteer workers
- State where gaming is conducted
 - Licensed? Any licenses revoked?

30

Speaker 2: The last part of Schedule G (Part III) is where you report information about your organization's gaming activities if your organization reports more than \$15,000 in gross income from gaming activities on the core form's Statement of Revenue.

First, report revenue and expenses from bingo and pull tabs separately from other forms of gaming, and calculate net gaming income from all gaming activities combined.

Next, indicate whether volunteer labor was used in conducting gaming activities and, if so, state the percentage of all gaming workers that were volunteers.

Then, list the names of the states in which the organization operates gaming activities, indicate whether it is licensed to conduct gaming in each of those states, and, if not, explain why not.

Explain as well whether any of the organization's gaming licenses were revoked, suspended, or terminated during the year.

Gaming Contractors, Bookkeeper and Manager

- Identify—
 - Any contractor from whom the organization receives gaming revenue
 - The person who prepares the organization's gaming books and records
 - The gaming manager, i.e., the person who has overall supervision and management of gaming operations

31

Speaker 2: If the organization contracted with a third party to operate its gaming activities, provide the name and address of the contractor and state the amount of gaming revenue received by the organization and the amount retained by the contractor.

On line 14, provide the name and address of the person who prepares the organization's gaming books and records. On line 16, you must provide the name of your gaming manager, report the amount of compensation he or she received, describe the services he or she provided, and indicate whether he or she is a director, officer, or employee of the organization, or an independent contractor. A *gaming manager* is the person who has overall supervision and management of gaming operations and whose responsibilities generally include recordkeeping, money counting, hiring and firing of gaming workers, and making bank deposits of gaming income.

That completes our tour of Schedule G. Now let's turn to Schedule M.

Schedule M Non-Cash Contributions

- Complete Schedule M if you received:
 - Non-cash contributions of more than \$25,000
 - A work of art, historical treasure or qualified conservation contribution
- *Non-cash contribution*: a contribution of tangible or intangible property other than money
 - *But not* donations of services or the use of facilities

32

Speaker 1: The purpose of Schedule M, *Non-Cash Contributions*, is to gather information about the types of non-cash contributions received by an organization during its tax year. *Non-cash contributions* are contributions of property, whether tangible or intangible, other than money. Non-cash contributions do *not* include donations of services or the use of facilities.

You must complete Schedule M if your organization reports more than \$25,000 in non-cash contributions on the core form's Statement of Revenue or receives a contribution of a work of art, historical treasure, or qualified conservation contribution during the year regardless of its value or whether that value was reported in the Statement of Revenue. A *historical treasure* is a building, structure, area, or property, with recognized cultural, aesthetic, or historical value that is of historical, architectural, archaeological, or cultural significance to a country, state, or city.

Schedule M - Non-Cash Contributions

- From the list, check the types of contributed property received during the tax year
- For each type, report:
 - Number of contributions or number of items contributed (depending on recordkeeping practices)
 - Revenues attributable to contributions of that type
 - Method used to determine that revenue

33

Speaker 1: The table in Part I of the Schedule lists 24 types of property, with additional lines for describing still other types. You should check the box beside those types of property received during the year. For each property type checked, enter the number of contributions or the number of items contributed depending on the organization's recordkeeping practices.

In Part II of the Schedule, explain whether the numbers reported refer to number of contributions, number of items contributed, or a combination of both. If you received contributions of securities, such as publicly traded stock, report the number of contributions rather than the number of shares received.

After entering the number of contributions, enter the amount of the revenues reported on the core form's Statement of Revenue that is attributable to contributions of that property type and then describe the method used to determine that amount, for example "cost or selling price of the donated property," "sale of comparable properties," "replacement cost," or "opinion of experts." If you did not ascribe any revenue to those contributions, enter "0" [zero].

For more information on determining the value of donated property, see IRS Publication 561.

Schedule M Non-Cash Contributions

- How many Forms 8283 did the organization receive for its signature?
- Did the organization agree to hold property for at least three years without being required to use it for an exempt purpose?
- Is there a policy to review non-standard contributions?
- Was a third party used to solicit, process, or sell non-cash contributions?

34

Speaker 1: If a donor makes a noncash charitable contribution and intends to claim a charitable deduction of more than \$5,000, the donor must complete Section B of Form 8283 and attach the form to the return on which he or she claims the deduction. In completing Section B, the donor must get the donee charitable organization's signature acknowledging receipt of the noncash item. On line 29 of Schedule M, you must indicate how many Forms 8283 your organization received for its signature during the tax year.

A donor's deduction for a contribution of certain noncash property could be recaptured if the donee organization sells or disposes of the property within three years of the contribution and does not certify that it used the property for an exempt purpose. Line 30 of Schedule M asks whether your organization entered into any arrangement with a donor to hold donated property for three years without being required to use it for an exempt purpose. If so, you must describe the arrangement.

Line 31 asks whether your organization has a gift acceptance policy that requires the review of non-standard contributions. A *non-standard contribution* is the contribution of an item that is not expected to be used for an exempt purpose, whose value is highly speculative or difficult to ascertain, and for which there is no ready market for its sale.

If your organization hired or used a third party or related organization to solicit, process, or sell non-cash contributions, answer "Yes" on line 32 and describe the arrangement in Part II.

That's it for Schedule M. Let's look at one last schedule, Schedule R.

Schedule R Related Organizations and Unrelated Partnerships

- Schedule R gathers information about:
 - Transactions with related organizations
 - Certain unrelated partnerships through which your organization conducts significant activities
- For a definition of related organization, see the *Schedule R Instructions*

35

Speaker 2: The purpose of Schedule R, *Related Organizations and Unrelated Partnerships*, is to gather information on related organizations, on certain transactions with related organizations, and on certain unrelated partnerships through which the organization conducts significant activities. For a definition of related organization, see the Schedule R Instructions.

Schedule R, Part I

Disregarded Entities

- In Part I, identify any entity that is wholly owned by your organization and not treated as a separate entity for federal tax purposes:
 - Name, address, EIN and legal domicile
 - Primary activity
 - Total income and end-of-year assets
 - Name of directly controlling entity (if your organization does not exercise direct control)

36

Speaker 2: If your organization owns 100% of another organization that is treated as a disregarded entity for federal tax purposes, you must identify each such entity in Part I of Schedule R – its name, address, and EIN – and provide summary information about the entity, such as its primary activity, its place of legal domicile, its revenue for the year, and the value of its assets at year's end. If you control the disregarded entity indirectly through another entity, identify the entity that exercises direct control.

Schedule R, Part II Related Tax-Exempt Organizations

- In Part II, identify any related *tax-exempt* organization:
 - Name, address, EIN and legal domicile
 - Exempt code section
 - Public charity status (if exempt under IRC 501(c)(3))
 - Direct controlling entity (if your organization does not exercise direct control)
 - Whether organization is a section 512(b)(13)-controlled entity of the filing organization

37

Speaker 2: If your organization is related to any *tax-exempt* organization, you must identify each such organization in Part II of Schedule R and provide similar summary information about the related organization, including its exempt code status and – if that status is “501(c)(3)” – its public charity status.

Schedule R, Part III

Related Organizations Taxable as a Partnership

- In Part III, identify any related entity treated as a *partnership* for federal tax purposes:
 - Name, address, EIN and legal domicile
- If your organization is a partner or member of the partnership, report –
 - Predominant type of partnership income (related, unrelated or investment)
 - Share of total income and end-of-year assets
 - Unrelated business income received from the partnership

38

Speaker 1: Now let's look at Part III. If your organization is related to any organization that is treated as a *partnership* for federal tax purposes, you must identify each such partnership in Part III of Schedule R – its name, address, EIN, and legal domicile – and describe its primary activity. If your organization is a partner or member of the partnership, you must also indicate the predominate type of partnership income (such as, related, unrelated, or investment) and report such items as your distributable share of the partnership's total income and end-of-year total assets and the amount of unrelated business taxable income you received from the partnership.

Schedule R, Part IV Related Organizations Taxable as a Corporation or Trust

- In Part IV, identify any related organization treated as a *C or S corporation* or a *trust* for federal tax purposes
 - Name, address, EIN, legal domicile and type
- If your organization has an ownership interest in the entity, report:
 - Share of total income and end-of-year assets
 - Percentage of ownership interest

39

Speaker 1: Similarly, you must identify any related organization that is treated as a C or S corporation or a trust for federal tax purposes in Part IV of Schedule R. If your organization has an ownership interest in the corporation or trust, you must also report your share of the entity's income and end-of-year assets and state your percentage of stock ownership or interest in the entity at the end of the entity's tax year.

Schedule R, Part V

Transactions with Related Organizations

- In Part IV, indicate whether your organization engaged in any of the types of transactions listed
- Describe transactions with controlled entities involving—
 - Receipt of interest, annuities, royalties or rent
 - Payment of a loan
 - Any other transfer of funds
- Section 501(c)(3) organization describe transactions with related non-501(c)(3) exempt organizations

40

Speaker 1: Let's move on to Part V where you'll indicate whether your organization engaged in any of eighteen types of transactions with related organizations. The list includes transactions such as loans, the sale, purchase, or exchange of assets, and the lease or sharing of facilities or equipment.

You must report separately any transaction with a controlled entity (as defined in section 512(b)(13)) that involved the receipt of interest, annuities, royalties, or rent, the payment of a loan, or any other transfer of funds. If your organization is exempt under section 501(c)(3), you must also report transactions with related non-501(c)(3) exempt organizations, including section 527 organizations.

You need not report a transaction if the aggregate amounts involved during the tax year do not exceed \$50,000, unless the transaction involved the receipt of interest, annuities, royalties, or rent from a controlled entity.

Each entry must include the name of the related organization, the type of transaction and the amount involved.

Schedule R, Part VI Activities Conducted Through Unrelated Partnerships

- In Part VI, identify each unrelated partnership in which you were a partner or member and through which you conducted more than 5 percent of your activities:
 - Address, EIN, legal domicile, primary activity of the partnership
 - Share of partnership's end-of-year assets
 - Unrelated business income received from the partnership

41

Speaker 2: Finally, if your organization conducted more than 5 percent of its activities (as measured by its total assets or gross revenue for the year) through an unrelated partnership of which it was a member or partner, you must identify each such partnership in Part VI of Schedule R – its name, address, EIN, and place of domicile -- and provide information about the entity.

You must describe the partnership's primary activity and indicate whether all the partners are section 501(c)(3) organizations and whether your organization was a general or managing partner of the partnership at any time during the tax year. In addition, you must report your organization's distributable share of the partnership assets and the amount of unrelated business taxable income received from the partnership.

This completes
A Tour of the New
Redesigned Form 990
– Part IV

42

Speaker 2: That concludes our tour of Schedule R. And with that we have come to the end of our mini course on the 2008 Form 990. Be sure to consult the Instructions to Form 990 when completing the Form.