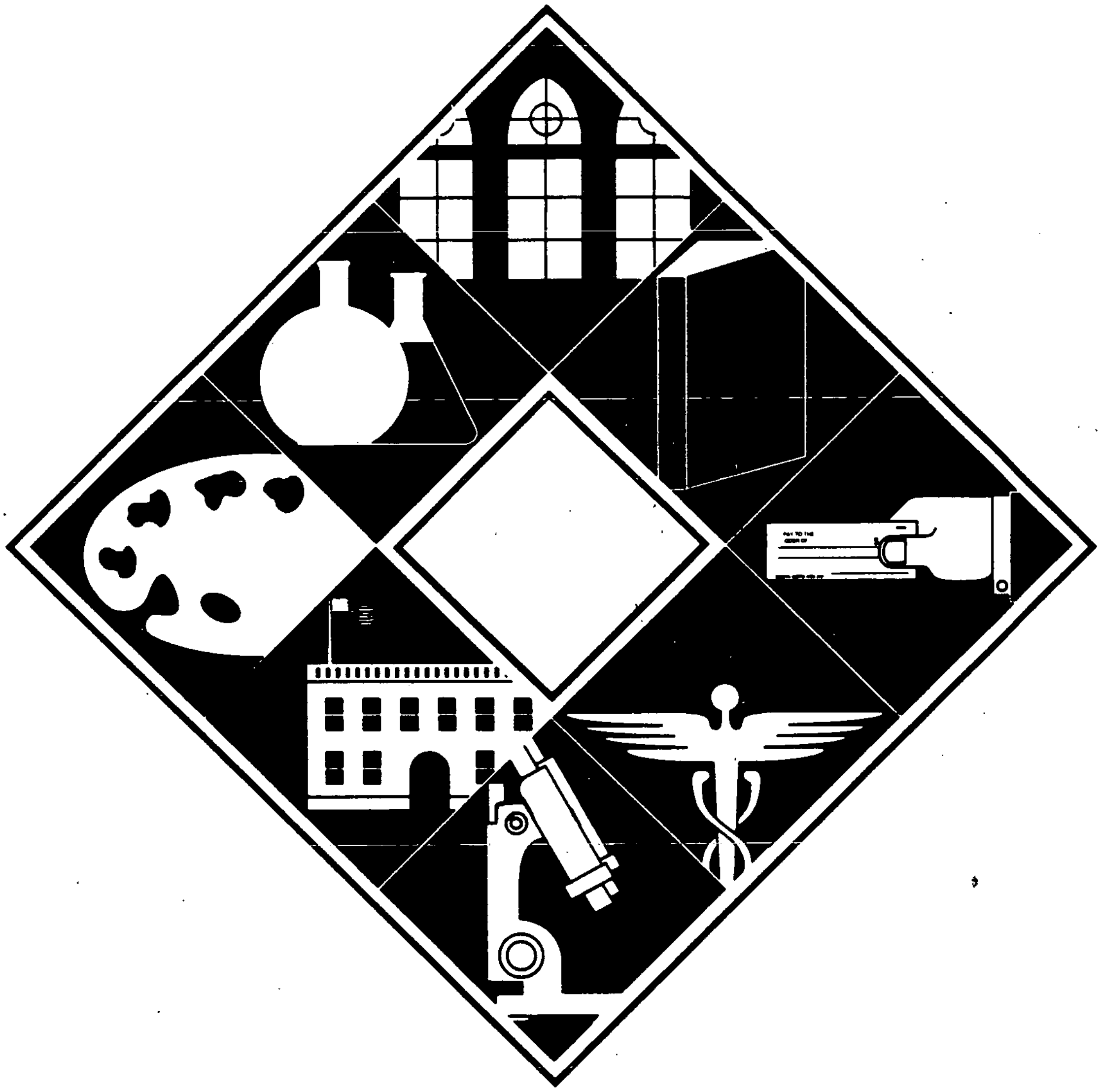
Statistics of Income

Compendium of Studies of Tax-Exempt Organizations, 1986-1992

Volume 2



Compendium of Studies of Tax-Exempt Organizations, 1986-1992

Second Volume in a Series of Statistics of Income Publications

Department of the Treasury
Internal Revenue Service

Margaret Milner Richardson
Commissioner

Michael P. Dolan
Deputy Commissioner

Phil Brand
Chief, Office of Compliance

Fritz Scheuren
Director, Statistics of Income Divsion

Dan Skelly
Chief, Foreign Statistics Branch

The *Compendium of Studies of Tax-Exempt Organizations, Volume 2, 1986-1992* presents data and articles on tax-exempt, nonprofit organizations. Included are analyses of nonprofit charitable organizations, particularly charitable, religious, educational and health organizations; private foundations and charitable trusts; charitable bequests; and nonprofit organizations exempt under subsections 501(c)(4)-(c)(9). The volume includes data covering 1986-1992, emphasizes important issues within the nonprofit sector, and includes previously published *Statistics of Income (SOI) Bulletin* articles, as well as papers prepared for the *Journal of Nonprofit Management and Leadership, Trusts and Estates*, the INDEPENDENT SECTOR Research Forum, the National Research Council's Committee on National Statistics, and the American Statistical Association.

Information on obtaining copies of SOI's microdata tapes, as well as supplemental information on both the topics included in this volume and on other SOI products and services, may be obtained by telephoning the SOI Statistical Information Services Office (202-874-0410), or by writing to the Director, Statistics of Income Division R:S, Internal Revenue Service, P.O. Box 2608, Washington, DC 20013-2608.

Alicia Meckstroth of the Statistics of Income Division was the technical editor of the *Compendium*. Paul Arnsberger made major contributions to the design and production of the volume, while Dr. Jeff Rosenfeld provided a great amount of technical support. Views expressed in the articles are those of the authors and do not necessarily represent the views of the Treasury Department or the Internal Revenue Service.

Compendium of Studies of Tax-Exempt Organizations, 1986-1992

Second Volume in a Series of Statistics of Income Publications

Contents

Forward

by Dr. Virginia Hodgkinson

This *Compendium* is the second in a series containing information on tax-exempt organizations from Internal Revneue Service studies as conducted by the Statistics of Income (SOI) staff. The data in this series covers from 1986 through 1990 and includes articles previously published in a variety of other publications and scholarly journals. The nonprofit or tax-exempt sector not only includes charitable organizations, such as educational, religious, health and human services organizations, but a whole group of other exempt organizations under the 501(c) code, including membership societies, civic, social, and fraternal organizations, and social welfare organizations, among others. Most of the articles in this *Compendium* cover charitable organizations, including foundations and charitable trusts, and special articles explaining the growth in federal data sets available for use by scholars. These data sets are produced by SOI. As such, this Compendium marks a great advance in the development of information about the nonprofit sector and particularly charitable organizations.

While nonprofit, and particularly charitable organizations, have been around since the colonial period, very little research attention has been given to this set of institutions by other scholars or federal statistical agencies. After an initial effort in the early 1970's, SOI has increased its effort since the 1980's to produce information about this sector, including annual samples of the finances of charitable organizations and foundations, or 501(c)(3) organizations. More recently SOI has expanded these samples to include exempt organizations from sections 501(c)(4) through (c)(9). Exempt organizations under these codes include civic and social welfare organizations, labor and agricultural organizations, business leagues, social and recreational clubs, fraternal beneficiary societies, and voluntary employees' beneficiary societies. The articles in this volume provide ample evidence of the kinds of new information now available about nonprofit organizations that begins to provide scholars and policymakers with information to measure the importance and contributions of these organizations to American society and its quality of life.

The nonprofit sector has grown in importance over the past few decades. The number of private, 501(c)(3) charitable organizations, including churches or what we call the "independent sector," has grown from about 739,000 organizations in 1977 to 983,000 in 1990. These organizations represented about 4.6 percent of all entities including business and government in 1977 and 4.2 percent in 1990. All 501(c) tax-exempt organizations or the nonprofit sector grew from 1.1 million organizations in 1977 to 1.4 million in 1990. The nonprofit sector represented 7.0 percent of all entities in 1977 and 5.9 percent of all entities in 1990. Most of the growth of the sector in the formation of new organizations took place previous to 1980.

The charitable sector has increased its importance as an employer over the past two decades [1]. In 1977, it employed 5.5 million full-time and part-time paid employees or 5.3 percent of total employment. By 1990, it employed 8.7 million paid employees or 6.3 percent of total employment. If the equivalent full-time employees represented by volunteer time were added to these figures, this sector increased its share of total employment from 8.5 percent in 1977 to 10.4 percent in 1990. It should be noted that volunteers provide over 40 percent of total employment in the independent sector. Throughout most of this period, employment grew faster in this sector than in business or government.

Total annual sources of funds for the private, nonprofit charitable sector were estimated at $408 billion in 1989 [2]. The two largest subsectors were health, 49 percent, and education, 22 percent. Total annual funds grew faster, however, between 1977 and 1982 than they did at any time after 1982. Subsectors varied in their growth. Not surprisingly, the health subsector, primarily hospitals, increased its share of annual funds from 44.9 percent in 1977 to 49.0 percent in 1989. Over this same period, the education subsector, primarily higher education, showed a decline in its proportion of total annual funds from 24.0 percent to 21.9 percent, as did the social and legal services subsector from 10.2 percent to 9.5 percent. The trends in sources of annual funds have shown change from 1977 to 1989, and particularly since 1982 with major federal budget cuts to certain types of nonprofit organizations.

Private contributions and particularly individual contributions have increased as a proportion of total annual funds as have income from dues, fees and charges, while support from government has declined. Private contributions were $110 billion in 1989, or 27.2 percent of total annual funds in 1989, up from 26.2 percent in 1982. Dues, fees and charges represented 37.9 percent of total annual funds for the sector in 1989 ($155 billion) compared with 36.4 percent in 1977. While the proportion of income increased somewhat in health and education, the greatest growth in income from dues and fees were experienced in social and legal service

Dr. Virginia Hodgkinson is the Executive Director of the National Center for Charitable Statistics at INDEPENDENT SECTOR.

organizations, which also experienced the greatest federal budget cuts.

Support from government represented less than 26 percent of total annual funds to charitable organizations in 1989, down from a high of 27 percent in 1982. The subsector that bore the brunt of the cuts was social services. In 1977, government support as a proportion of total annual funds for this subsector was 54 percent; by 1989, it was 42 percent.

While nonprofit organizations survived the 1980's with increased giving and by increasing income from dues, fees, and services, they also experienced increased demands. However, the growth rate in individual giving was slowed with the passage of the 1986 Tax Act and more recently as a result of a long recession.

The 1990's will bring increased challenges. Major increases in government support seem unlikely, except in a few areas, as the government tries to lower its deficit. Unless the economy improves, large increases in the growth rate of private support for the sector seem unlikely. On the other hand, oversight of charitable organizations is likely to increase unless better information can be provided about salaries and practices relating to unrelated business income. While our studies consistently show that average salaries in the nonprofit sector are about 72 percent of those paid in business and government, IRS collects only limited information on the top salaries of employees. While such information is necessary to determine whether excessive salaries are being paid, not collecting information on the number of total employees distorts the overall averages which reveal that this sector in general pays much lower salaries than the for-profit or government sectors.

Charitable institutions are dependent upon the public trust. More than business or government, they rely on voluntary contributions of time and money from individuals. Some recent incidents involving the exposure of charitable organizations engaging in paying excessive pay to executives, or not reporting openly to the public about the use of funds, have not only hurt individual organizations, but whole sets of organizations. In order to avoid such harm, there is a need for accurate information about charitable organizations, their finances and their expenses, and their willingness to comply with their obligations to report to government as well as to the general public.

In addition to more information provided on a timely and accurate basis about nonprofit organizations, the IRS will need the capacity to better distinguish among types and purposes of nonprofit organizations in the years ahead in order to provide scholars and policymakers with the potential for greater understanding of this sector and its diversity. With the IRS implementation of the National Taxonomy of Exempt Entities developed by the National Center for Charitable Statistics at INDEPENDENT SECTOR, researchers will be better able to break down SOI data into the diversity of organizations currently operating in the sector. Currently, SOI can only analyze its organizations by foundations, hospitals, schools, and other organizations. In the future, it will be able to analyze organizations across 26 major categories, ranging from arts and cultural organizations to religion-related organizations. With the current expansion of its annual samples to incorporate more types of exempt organizations, it will also be able to compare different types of exempt organizations, their sources of funds and their expenses. Such information will be absolutely critical for policymakers as they consider new regulations for tax exempt organizations. The SOI data to date is already showing us that most nonprofit charitable organizations are small, and that small organizations are far more reliant on private contributions than large ones. Understanding these differences and how these organizations relate to their communities is what all of us must do very quickly. This series of *Compendiums* is a very fine start.

Notes and References

[1] The charitable sector is defined generally as all organizations exempt under section 501(c)(3) of the Internal Revenue Code.

[2] Annual funds include private contributions; funds from government and the private sector; income from dues, fees, and charges; and income from other receipts, including endowment. Revenue data from SOI also includes interest on savings and temporary cash investments; sales of assets; sales from fundraising events; unrelated business income; and net rental income.

Overview of Tax-Exempt Sector Research

The tax-exempt, nonprofit sector, also commonly referred to as the "third sector," the "voluntary sector," or the "independent sector," represents an increasingly important force in the American economy. The organizations comprising this sector of the economy now represent almost 8 percent of the Gross Domestic Product, nearly double that of fifteen years ago [1]. Along with their economic impact, nonprofit organizations provide leadership and assistance in areas as varied as health care, education, social service delivery, environmental protection, and the arts. Through both indirect program services and direct grantmaking, nonprofits are playing an increasingly important role in shaping the substance and culture of the many diverse aspects of American society. Years ago de Tocqueville wrote, a "democracy's progress is directly related to (its peoples) ability to associate voluntarily in order to solve problems and meet needs." [2] This is a role largely filled by nonprofit organizations and the many individuals who donate their time and money to them.

The Compendium of Studies of Tax-Exempt Organizations: A Series of Publications

The *Compendium of Studies of Tax-Exempt Organizations, Volume II, 1986-1992,* represents a comprehensive source of data and analyses on the nonprofit sector. The Statistics of Income Division (SOI) of the Internal Revenue Service (IRS) conducts annual studies of different types of exempt organizations from sampled data which it obtains from the information and tax returns filed with the IRS. The *Compendium, Volume II* represents the second volume in a series of publications designed to consolidate previously published data and articles on exempt organizations. The *Compendium II* assembles 12 articles, over 30 comprehensive tables, and nearly 100 text tables and charts published by SOI for tax reporting years 1986 to 1990. This includes tax returns filed with the IRS through calendar year 1992.

Since the mid-1970s, SOI has studied those organizations classified as exempt from taxation under section 501(c)(3) of the Internal Revenue Code. The first volume in the series, The *Compendium of Studies of Tax-Exempt Organizations, 1974-1987,* consolidated SOI's earliest research on the nonprofit sector. It included over 20 reprinted articles and extensive data on nonprofit charitable organizations, private foundations, and charitable trusts. The *Compendium, Volume II* makes a unique contribution by also publishing data on charitable bequests and on organizations exempt under sections 501(c)(4) through (c)(9).

The *Compendium* is organized to include research grouped by the following subject areas:

* Overview of Tax-Exempt Sector Research
* Charities and Other Tax-Exempt Organizations
* Private Foundations
* Charitable Bequests

Of the articles in this volume, many appear in quarterly editions of the *Statistics of Income (SOI) Bulletin*; others represent special works originally prepared for the *Journal of Nonprofit Management and Leadership, Trusts and Estates*, the INDEPENDENT SECTOR Research Forum, the National Research Council's Committee on National Statistics, and the American Statistical Association. The data include, among other things, extensive reporting of income statements, balance sheets, and charitable activity. In addition to the information mentioned above, the *Compendium* provides a "Survey of Literature," which offers an extensive list of sources on exempt organizations. Also, a concise outline of significant tax reporting changes during the period 1986-1992 offers a useful complement to the facsimiles of tax forms and instructions which are displayed at the back of the volume.

The Growth and Importance of the Tax-Exempt, Nonprofit Sector

The first two articles in this *Compendium* raise methodological and substantive issues about the nonprofit sector. Gene Steuerle and Dan Skelly, in "The Nonprofit Sector and Taxes: Invaluable and Largely Untapped Research Bases," discuss the ways in which tax records have been used to research nonprofit organizations and charitable giving within the framework of tax policy. They supply an overview of research efforts and data sources in the nonprofit sector. In "Sources of IRS Data on Nonprofits and Charitable Giving," Skelly elaborates on the trends in the data that SOI provides on the nonprofit sector and charitable giving. His article highlights historical trends in the areas of nonprofit organizations, individual and corporate giving, and charitable bequests. This includes the role of exempt organizations in the U.S. economy, and the growth of exempt organizations and charitable giving relative to the Gross Domestic Product. For example, the revenue and assets of exempt organizations grew at a rate

Overview of Tax-Exempt Sector Research

3 times that of the Gross Domestic Product between 1975 and 1990.

The second section, "Charities and Other Tax-Exempt Organizations," presents data on organizations filing Form 990 and Form 990EZ for reporting years 1986 through 1989. The articles include information on nonprofit organizations such as schools and universities, hospitals and other health care organizations, religious organizations, and publicly-supported charities. Beginning with 1988 data, for the first time since 1975, SOI provides data on those organizations exempt under sections 501(c)(4) through (c)(9), including civic leagues and social welfare organizations, labor organizations, business leagues, recreational and social clubs, fraternal beneficiary associations, and voluntary employee beneficiary associations. In addition, the section includes an article comparing the financial performance of nonprofit and for-profit hospitals.

The third section, "Private Foundations," presents reporting year data from 1986 through 1990. Private foundations, which primarily provide grants to other nonprofit organizations, represent approximately 23 percent of the total number of 501(c)(3) organizations required to file information returns with the IRS. In addition to detailed reporting of financial statements, this section summarizes charitable payout rates, income yields, and rates of total return on assets. Additionally, the section provides data for reporting years 1989 and 1990 on those charitable trusts exempt under section 4947(a)(1) of the Internal Revenue Code.

Finally, the fourth section, "Charitable Bequests," highlights an article which examines social and economic factors that affect charitable giving, particularly those factors that may influence an individual's decision to make a charitable bequest. SOI will publish additional data and analyses relating to charitable giving in the *Compendium of Estate and Wealth Studies*, which includes estate and wealth data from the past two decades.

Statistical Research Efforts at SOI

Statistics of Income (SOI) of IRS, now commemorating its 80th Anniversary, produces annual financial statistics largely obtained from samples of the various tax and information returns filed with IRS. The statistical information provided by SOI includes data on individuals, corporations, wealth and estates, U.S. corporations with foreign activities, and tax-exempt organizations. These data are generally published, along with descriptive articles, in SOI publications. These publications are listed at the back of this volume under the heading "Publications and Tapes".

SOI collects data from samples of tax returns filed annually with the Internal Revenue Service. Statistical data on exempt organizations are collected from Form 990, *Return of Organization Exempt from Income Tax*, Form 990EZ, *Short Form: Return of Organization Exempt from Income Tax*, and Form 990-PF, *Return of Private Foundation (or Section 4947(a)(1) Trust Treated as a Private Foundation)*. In addition, Form 706, *Estate Tax Return*, provides information on charitable bequests, portfolio composition, and other data on decedents and their beneficiaries. Sampling procedures and data limitations are discussed in the SOI Bulletin articles in the *Compendium* under the subheading "Data Sources and Limitations." There is also an article outlining a "General Description of Statistics of Income Sample Procedures and Data Limitations," found in the Appendix to this volume.

A Statistical Plan for Tax-Exempt Organizations

SOI and the Internal Revenue Service are developing improved strategies for coding and sampling data on exempt organizations. The INDEPENDENT SECTOR'S National Center for Charitable Statistics (NCCS), one of the primary users of SOI's exempt organization data files, has played an important role in developing these strategies. Currently, NCCS and the IRS are working together to link data on nonprofit organizations from several different sources in order to obtain employment and payroll data. Also, at the request of NCCS, in the next few years the IRS will use NCCS's coding system, the National Taxonomy of Exempt Entities, to code exempt organizations. This will allow for more detailed analyses by type of organization.

In a more current statistical effort, by early 1994, SOI plans to release 1988, 1989, and 1990 data on the unrelated business income of exempt organizations. Unrelated business income (UBI) is the income that organizations earn which is not related to their tax-exempt mission. This information is collected from the Form 990-T, Exempt Organization Business Income Tax Return. As more nonprofit organizations earn UBI, often in response to fiscal pressures, this has become an increasingly important issue in the nonprofit sector. SOI plans to integrate the Form 990 and the Form 990-T samples in order to merge data from both of these forms for organizations that earn unrelated business income. This matching technique, which will begin with 1993 data, will increase the statistical reliability of both the Form 990 and the Form 990-T studies. A major revision of the Form 990-T for reporting year 1992 will allow SOI to sample returns based on gross unrelated business income. Previously this was not reported as a separate line item on the Form 990-T. Finally, beginning with tax reporting year 1994, at the request of several users, SOI will sample the private foundation returns based on the fair market, rather than the book value of total assets.

SOI Products and Services

Copies of SOI's microdata tapes for exempt organizations, both Form 990 and Form 990-PF filers, are available for purchase from both the Statistics of Income Division and the National Center for Charitable Statistics. Since these organizations must disclose their IRS information returns to the public, the data tapes are available and contain identifiable records. Annual published data on individual and corporate tax issues are also available from SOI. Select files of individual tax returns include data on charitable contributions. Data on estates, which include information on charitable bequests, are published periodically. Also, data on tax-exempt bonds used by different types of organizations, including nonprofit hospitals, are also available annually. To request any of the data or microdata tapes offered by SOI, contact SOI's Statistical Information Services Office at (202) 874-0410 or write to the Director, Statistics of Income, R:S, Internal Revenue Service, P.O. Box 2608, Washington, DC 20013-2608.

In addition to microdata tapes, Statistics of Income offers an Electronic Bulletin Board. Over 170 files from various studies, including organizations exempt under sections 501(c)(3) through (c)(9), private foundations, and charitable trusts, are currently available for public access on the SOI electronic bulletin board system. To access SOI's bulletin board dial either (202) 874-9574 (the analog for most users) or (202) 874-0408 (for Treasury digital system users). Or, to obtain additional information about the bulletin board, contact the Systems Administrator at (202) 874-0408.

Notes and References

[1] Dan Skelly, "Sources of IRS Data on Nonprofits and Charitable Giving," paper presented for the Committee on National Statistics: National Research Council, 1992, Figure D. This percentage represents 1990 data and includes organizations exempt under IRS section 501(c)(3).

[2] Alexis de Tocqueville, from "The Nonprofit World: Its Scope and Significance," from *The Third America: The Emergence of the Nonprofit Sector in the United States*, Jossey-Bass Publishers, San Francisco, pg.14.

RESEARCH REPORTS

The Nonprofit Sector and Taxes: Invaluable and Largely Untapped Research Bases

Dan Skelly, Eugene Steuerle

A SMALL but important body of research falls in the intersection between two fields: studies of the nonprofit sector and studies on public finance or taxation. Only a portion of this research is on the effects of tax policy on charitable giving and organizations. Tax returns also provide administrative records or data bases for research on other issues, such as the financial condition of foundations or individual rates of giving out of income. By the same token, research on taxes often makes use of data from other sources. For instance, data reported on surveys can be manipulated so that it is possible to estimate the value of deductions for charitable giving.

Much of the tax policy research on charitable activity is theoretical or involves historical, legal, or social analysis of relations between charitable giving and tax rules. The primary purpose of the current report is to acquaint the reader with some of the research made possible by tax returns themselves. The other types of charity/tax research will be mentioned briefly.

Opportunities and Constraints

A marriage between research on the nonprofit sector and on taxes is analogous to a marriage between Sleeping Beauty and the Beast. Each has tremendous potential waiting to be realized, but neither party has the capability of bringing that potential fully out of the other. The

Note: The opinions expressed are those of the authors and should not be attributed to the Internal Revenue Service or to the Urban Institute.

researcher needs to be aware of both the opportunities and the obstacles in dealing with the intersection between these two fields.

One major obstacle is lack of resources, not merely for would-be researchers but for the basic maintenance and development of administrative records and other data sets. There is probably less research in our society on the charitable sector than there is on how to sell beer and cosmetics, while tax and budget research pales relative to research on direct expenditures and other policies. Unlike expenditure agencies, tax agencies have very small research budgets. The lack of incentives, not goodwill, explains the limited amount of research in both areas. For instance, because most government involvement in the charitable sector proceeds through the I.R.S. and the Treasury, dealing with nonprofit organizations does not fit neatly with the primary function of any government agency. Correspondingly, there is no private charitable constituency that operates like those surrounding health, housing, labor, and other expenditure agencies.

There is probably less research on the charitable sector than there is on how to sell beer and cosmetics

There are two related constraints: access to data and quality of data. Some of the information reported here—in particular, information on individuals and businesses—cannot be released outside the government because tax records are confidential. Other information, such as that reported by charitable organizations, is required by law to be open to the public, but its quality is sometimes mixed. Because poor reporting of information has few tax consequences for charitable organizations, the information reported by charitable organizations is often incomplete and contradictory. Despite this major caveat, one should recognize that the data available from recent tax returns are more extensive and complete than they were even a few years ago, thanks to the efforts of both the I.R.S. Statistics Division and the National Center on Charitable Statistics.

Basic Sources of Information

Organizational Returns

The I.R.S. has two methods of data collection in the tax-exempt area. First, some data are gathered from the returns of all exempt organizations. Only limited information (for example, total assets, total receipts) is available to the public from this administrative file on a reimbursable basis. Data from this administrative file is subject to limited testing, so the quality is questionable. Another way to obtain current information on exempt organizations is by examining tax filings. Copies of tax returns can be obtained from the I.R.S. district office in the district in which the organization is located or through public inspection at the organization itself.

The second source of I.R.S. data is the annual statistics of income (SOI) program for exempt organizations. The studies in the program are based on samples of returns. Income statement, balance sheet, and other financial data as well as a great amount of nonfinancial information are collected in these SOI studies. The data are subject to comprehensive testing and correction procedures to ensure that they are of high quality.

There are three major studies in the SOI Division's exempt program: private foundations (Renz, 1991), nonprofit charitable organizations (Hodgkinson and Boris, 1990), and unrelated business income of exempt organizations.

A study of private foundations was first done in 1974, with subsequent studies in 1979 and 1982–1983 helped by financial support from the INDEPENDENT SECTOR (Skelly, 1991; Petska and Skelly, 1982; Petska, 1982; Riley, 1986). In 1985, SOI started an annual series; 1989 data will be available in early 1992.

The first I.R.S. study of nonprofit organizations was done in 1975 and included data on all nonprofits (Sullivan and Gilmour, 1991). Subsequent studies of nonprofit charitable organizations—that is, the organizations exempt under IRC section 501(c)(3)—were done in 1982–1983 (Hilgert and Mahler, 1991). SOI started an annual series on nonprofit charitable organizations in 1985. SOI data from Form 990 now allow researchers to focus on specific types of charitable organizations, for example, educational institutions and hospitals (Meckstroth, forthcoming).

The first I.R.S. study of nonprofit organizations was done in 1975

Until recently, only limited information from the I.R.S. administrative file referenced earlier was available on nonprofits other than 501(c)(3) organizations. In 1992, SOI will publish detailed data from its first sample of organizations exempt under subsections 501(c)(4) through (9), including business leagues, labor organizations, social clubs, fraternal societies, and voluntary employee beneficiary associations.

For all of the 1990 studies of organizations exempt under 501(c)(3) through (9), SOI will capture detailed data on related and unrelated sources of income. For the first time, researchers will be able to look at all sources of income for exempt organizations: income that is "substantially related" to the exempt purpose of the organization, unrelated business income, and income excluded by statute from the unrelated business income tax.

The third annual program is unrelated business income of exempt organizations. This annual study (Boroshok, 1991) focuses on the detailed sources of unrelated income and deductions—for example, gross profit, advertising, debt-financed income, rental income.

Information on all three of the major programs is published in the quarterly *Statistics of Income Bulletin*. In addition, a *Compendium of Studies of Tax-Exempt Organizations: 1974–1987* (1991) was recently released by the SOI Division containing more than twenty previously published articles on exempt organizations.

Copies of the microdata tapes for foundations and charitable organizations are available for purchase from the Statistics of Income

Division. These tapes contain identifiable records since the returns are open to public inspection. Data from the tax returns of exempt organizations on unrelated business are not available on tape since these returns are not open to the public. However, special tabulations can be prepared from all three sources on a reimbursable basis.

Merging data sets is an invaluable way of using tax information. For instance, the National Center for Charitable Statistics is sponsoring a national survey of nonprofit charitable organizations. Financial information provided in this survey will in many cases be based on the latest I.R.S. Form 990 filed by the organizations.

Past studies that made use of organizational returns have examined trends of changes in asset size, grant-making activity, administrative expenses, allocations of investments (Foundation Center *National Data Books*, various years), rates of return (Salamon and Voytek, 1991), and equity accumulation (Tuckman and Chang, 1991). Recent congressional debates over the charitable and business activities of nonprofit organizations have also relied on information on the so-called unrelated business income tax (UBIT) reported on Form 990-T. Useful references for any researcher are Weisbrod (1978, 1988), Rose-Ackerman (1986), Steinberg (1987), Hopkins (1987), and various publications from the Yale Program on Non-Profit Organizations.

Another major source of information is provided by individuals who itemize their tax returns and declare charitable deductions

Federal Individual Income Tax Returns

Another major source of tax information is provided by individuals who itemize their tax returns and declare charitable deductions. Information on total contributions, cash and noncash contributions, and carryovers of contributions from prior years, classified by size of adjusted gross income (AGI), is available for 1988 in the annual *Statistics of Income Individual Income Tax Returns* report. In addition to annual published data, the public can obtain access to select files of individual income tax returns. For example, a Statistics of Income public use file of 110,000 records for 1988 is now available for researchers on a reimbursable basis. A new public use file for 1988 will be based on a much larger sample size of 500,000 records. Some geographic detail will be available, but for individuals with more than $200,000 of AGI, records will be combined and shown only on an aggregated basis.

Archival files similar to the public use files just described are available with data on contributions. These files are available annually from 1972 forward and for odd-numbered years between 1960 and 1972. Formats and items of information are not always the same.

Much research using these data has centered on the effect of taxes on charitable giving (Feldstein and Clotfelter, 1976; Clotfelter and Steuerle, 1981; Auten and Rudney, 1985; Lindsey, 1985; Schiff, 1990; Steinberg, forthcoming). The studies simulated taxes by applying tax calculators to underlying data. These calculators allowed estimation of the tax rate that would apply to an additional dollar of charitable giving. While the tax variable is often given much public attention because it can be manipulated through policy, other variables, such as age and marital status, also turned up as important influences on giving. The public use files can also be used to examine variation in giving by state for other than high-income taxpayers. In addition, comparisons across years can be made by using multiple files.

An alternative way of examining changes over time is through the use of panel files of individual income tax returns (Auten and Rudney, 1985). The University of Michigan's Office of Tax Policy Research, under the direction of Joel Slemrod and through an arrangement with SOI, has constructed a panel file from the annual individual public use file. This Michigan panel file is available for 1979–1986, and by the middle of 1992, it will be available through 1988. It contains the same information on contributions as in the annual public use files. Unfortunately, other panel files of taxpayers have not been released.

Federal Estate Tax Returns and Wealth-Income Studies

Studies of charitable giving at death have been performed with the help of estate tax returns (Boskin, 1976; Johnson and Rosenfeld, 1991; Joulfaian, 1991). The SOI Division periodically publishes studies of estate tax returns, although the data files remain confidential. Estate data are invaluable because they provide information on the relationship between giving and wealth. In most studies, wealth, tax rates, age, and marital status are found to be among the significant influences on giving at death.

The SOI Division periodically publishes studies of estate tax returns

Periodically the I.R.S. has also matched estate tax returns with the income tax returns of decedents in years before death (1976, 1982, and 1989) and, in one case, of beneficiaries in years before and after the death of those who left the bequests (1976). These files are not available to the public and have only begun to be tapped. One study using these files found that there was much inconsistency among individuals between their lifetime and deathtime giving, that giving seemed to be influenced more by realized income than by real economic income, and that individuals do not take maximum advantage of the tax laws (Steuerle, 1987).

Other Important Data Sources

There are a number of other important tax sources of information on charitable giving. Such sources include state probate records. Researchers have already examined probate records in Ohio (Sussman, Cates, and Smith, 1970), New York, New Jersey (Friedman, 1964), California, and Pennsylvania (Shammas, Salmon, and Dahliz, 1987).

State income tax returns are a valuable but often neglected source. Martin David of the University of Wisconsin, with the cooperation of the Wisconsin Department of Revenue, has been innovative in merging different kinds of administrative records, including estate and income tax returns and income and property tax returns (David and Menchik, 1988).

The Internal Revenue Service has only recently opened up its Taxpayer Compliance Measurement Program (TCMP), which combines files of individual returns and changes made through audit or examination. TCMP studies of individual taxpayers are available for 1982 and 1985 and soon will be available for 1988. The 1988 data are based on a highly stratified sample (by income and tax schedule complexity) of 55,000 records. Individual researchers may apply in writing, on a competitive basis, for tabulations to be performed within the I.R.S. These tabulations must be approved by an outside review committee and cannot compromise I.R.S. audit functions, but the files contain unique information on the amounts by which charitable contributions are underreported and overreported and also on the size of large gifts to single charities. Only a few researchers have made use of these data (Broman, 1989).

Corporate giving by size of assets and detailed industry groups can be found in the annual *Statistics of Income Corporate Source Book.* Less detailed industry data on corporate contributions can be found in the annual Statistics of Income report, *Corporation Income Tax Returns.* In certain cases more detailed information on corporate giving is available from surveys (Conference Board).

Survey data can add variables not on tax returns

Any researcher should check with the Foundation Center, the National Center for Charitable Statistics at INDEPENDENT SECTOR, and similar organizations for tax data that have already been tabulated as well as with the various Statistics of Income tabulations published regularly by the I.R.S. (*Statistics of Income 1988: Corporate Income Tax Returns* and *Statistics of Income 1988: Individual Income Tax Returns*).

Other Tax Research (Without Tax Return Data)

Survey data are sometimes better, sometimes worse, than tax data themselves. In general, tax data are better reported, especially among high-income individuals, but survey data can be designed specifically to add variables not on tax returns, such as religion of giver or motivations for giving. Survey data also fill in information on charitable giving by those who do not itemize deductions on their tax returns.

Survey files that can be used to examine charitable giving include the *Survey of Consumer Finances* for 1989, one of the best of all surveys for wealth and property income issues. The *Consumer Expenditure Survey* also contains detailed information on charitable giving, although mostly for lower- and middle-income taxpayers. A tax calculator can be added to determine the approximate amount of tax owed and the marginal tax rate of the giver. These files, supplemented by tax calculators, have been used to study charitable giving (Reece and Zieschang, 1982).

Tax policy research often does not proceed from underlying microdata bases. For example, an analysis of the effect of a foundation's distribution or payout requirements on its ability to grow or maintain its relative stature required only some assumptions about rates of grant-making out of assets and giving to foundations (Steuerle, 1977). A New York University School of Law Conference in October 1991 examined the theories and history of tax exemption.

Much tax policy research toward charity is theoretical rather than empirical. For example, justifications of tax exemption often derive from theories of the optimal tax base and whether charitable giving reduces the ability to pay tax.

Most issues, of course, involve both empirical and theoretical research. Research on the "business" activities of charities proceeds partly from empirical examination of those activities (Boroshok, 1991) and partly from theoretical consideration of whether tax exemption really provides any competitive advantage for engaging in noncharitable activity (Hansmann, 1980; Rose-Ackerman, 1986; Steuerle, 1988). Research on the effect of taxes on volunteer giving involves theoretical and empirical considerations of such issues as the relative incentives for time and cash contributions (Long, 1977; Clotfelter, 1985).

Some of the most comprehensive information on giving patterns and the activities of charitable organizations can be found in tax returns

Conclusion

Much research on the charitable sector involves consideration of taxes. Taxes are one of many influences on giving behavior. At the same time, some of the most comprehensive information on the giving patterns of individuals and on the activities of charitable organizations can be found in tax returns. Even with the limited funding for charitable and tax research, restricted access, and incomplete data, the opportunities remain enormous, and the progress of recent years leaves us optimistic for the future.

DAN SKELLY heads the Program on Tax-Exempt Organizations and is chief of the Special Studies area in the Statistics Division of the Internal Revenue Service.

EUGENE STEUERLE is senior fellow at the Urban Institute and former deputy assistant secretary of the treasury for tax analysis.

References

American Association of Fund-Raising Counsel. *Giving U.S.A.* Annual reports. New York: American Association of Fund-Raising Counsel.
Auten, G., and Rudney, G. "Tax Policy and Its Impact on the High Income Giver." In *Spring Research Forum Working Papers.* Washington, D.C.: INDEPENDENT SECTOR and United Way Institute, 1985.
Boroshok, S. P. "Exempt Organization Business Income Tax Returns,

1987." In *Compendium of Studies of Tax-Exempt Organizations, 1974-1987.* Washington, D.C.: U.S. Government Printing Office, 1991.

Boskin, M. "Estate Taxation and Charitable Bequests." *Journal of Public Economics,* 1976, *5,* 27-56.

Broman, A. "Statutory Tax Rate Reform and Charitable Contributions: Evidence from a Recent Period of Reform." *Journal of American Tax Association,* 1989, *11.*

Clotfelter, C. T. *Federal Tax Policy and Charitable Giving.* Chicago: University of Chicago Press, 1985.

Clotfelter, C. T., and Steuerle, E. "Charitable Contributions." In H. Aaron and J. Pechman (eds.), *How Taxes Affect Economic Behavior.* Washington, D.C.: Brookings Institution, 1981.

Compendium of Studies of Tax-Exempt Organizations, 1974-1987. Washington, D.C.: Statistics of Income Division, 1991.

David, M., and Menchik, P. "Changes in Cohort Wealth over a Generation: Perspectives Gleaned from Life Tables and Mortality Differentials." *Journal of Demography,* 1988, *25,* 317-335.

Feldstein, M., and Clotfelter, C. "The Income Tax and Charitable Contributions in the United States: A Microeconomic Analysis." *Journal of Public Economics,* 1976, *5.*

Friedman, L. "Patterns of Testation in the Nineteenth Century: A Study of Essex County (New Jersey) Wills." *American Journal of Legal History,* 1964, *8,* 34-53.

Hansmann, H. "The Role of Non-Profit Enterprise." *Yale Law Journal,* 1980, *89,* 835-901.

Hilgert, C., and Mahler, S. J. "Nonprofit Charitable Organizations, 1986 and 1987." *Statistics of Income Bulletin, Internal Revenue Service,* Fall 1991.

Hodgkinson, V., and Boris, E. "Useful Data Bases for Practitioners and Scholars of Nonprofit Management." *Nonprofit Management and Leadership,* 1990, *1,* 79-85.

Hopkins, B. R. *The Law of Tax-Exempt Organizations.* (5th ed.) New York: Wiley, 1987.

Johnson, B., and Rosenfeld, J. "Examining the Factors That Affect Charitable Giving." *Trusts and Estates,* Aug. 1991, pp. 29-37.

Joulfaian, D. "Charitable Bequests and Estate Taxes." *National Tax Journal,* 1991, *44,* 169-180.

Lindsey, L. B. "Giving and Tax Cuts: Recent Experience." *Tax Notes,* 1985, *27,* 1399-1402.

Long, S. H. "Income Tax Effects on Donor Choice of Money and Time Contributions." *National Tax Journal,* 1977, *30,* 207-217.

Meckstroth, A. "Comparison of Non-Profit and For-Profit Hospitals, 1985-1987." *Proceedings of the American Statistical Association,* forthcoming.

Petska, T. B. "An Examination of Private Foundations for 1979." *Statistics of Income Bulletin, Internal Revenue Service,* Fall, 1982, 9-29.

Petska, T. B., and Skelly, D. "Private Foundations, Federal Tax Law, and Philanthropic Activity: An I.R.S. Perspective." In *1981 Proceed-*

ings of the American Statistical Association, Section on Survey Research Methods. Washington, D.C.: American Statistical Association, 1982.

Powell, W. (ed.). *The Nonprofit Sector: A Research Handbook.* New Haven, Conn.: Yale University Press, 1987.

Reece, W. S., and Zieschang, K. D. "Consistent Estimation of the Impact of Tax Deductibility on the Level of Charitable Contributions." Working paper, 1982.

Renz, L. "Researching Foundations: What We Know and How We Find Out." *Nonprofit Management and Leadership,* 1991, *1* (3), 293–300.

Riley, M. "A Survey of Private Foundations." In *1986 Working Papers of the Spring Research Forum.* Washington, D.C.: INDEPENDENT SECTOR, 1986.

Rose-Ackerman, S. *The Economics of Nonprofit Institutions: Studies in Structure and Policy.* New York: Oxford University Press, 1986.

Salamon, L., and Voytek, K. *Managing Foundation Assets: An Analysis of Foundation Investment and Payout Performance—An Update.* Washington, D.C.: Council on Foundations, 1991.

Schiff, G. *Charitable Giving and Government Policy: An Economic Analysis.* New York: Greenwood Press, 1990.

Shammas, C., Salmon, M., and Dahliz, M. *Inheritance in America from Colonial Times to the Present.* New Brunswick, N.J.: Rutgers University Press, 1987.

Skelly, D. "Private Foundations, 1974." In *Compendium of Studies of Tax-Exempt Organizations, 1974–1987.* Washington, D.C.: U.S. Government Printing Office, 1991.

Steinberg, R. "Nonprofit Organizations and the Market." In W. Powell (ed.), *The Nonprofit Sector: A Research Handbook.* New Haven, Conn.: Yale University Press, 1987.

Steinberg, R. "Taxes and Giving: New Findings." *Voluntas,* forthcoming.

Steuerle, C. E. "Payout Requirements for Foundations." In *Research Papers Sponsored by the Commission of Private Philanthropy and Public Needs.* Washington, D.C.: U.S. Treasury Department, 1977.

Steuerle, C. E. "The Charitable Giving Patterns of the Wealthy." In E. Boris and T. Odendahl (eds.), *America's Wealthy and the Future of Foundations.* New York: Foundation Center, 1987.

Steuerle, C. E. *The Issue of Unfair Competition.* Durham, N.C.: Center for Study of Philanthropy and Voluntarism, Duke University, Feb. 1988.

Sullivan, J. P., and Gilmour, K. "Nonprofit Organizations in America: An Examination of Information Return Filings with I.R.S." In *Compendium of Studies of Tax-Exempt Organizations, 1974–1987.* Washington, D.C.: U.S. Government Printing Office, 1991.

Sussman, M., Cates, J., and Smith, D. *Family and Inheritance.* New York: Russell Sage Foundation, 1970.

Tuckman, H., and Chang, C. "Nonprofit Equity Accumulation and the Public Interest." In *1991 Spring Research Forum Working Papers.* Washington, D.C.: INDEPENDENT SECTOR, 1991.

Weisbrod, B. *The Voluntary Nonprofit Sector: An Economic Analysis.* Lexington, Mass.: Lexington Books, 1978.

Weisbrod, B. *The Nonprofit Economy.* Cambridge, Mass.: Harvard University Press, 1988.

SOURCES OF IRS DATA ON NONPROFITS AND CHARITABLE GIVING

by

Dan Skelly

Paper presented for a Workshop Sponsored by
The Committee on National Statistics
National Research Council

May 21-22, 1992

INTRODUCTION

This paper discusses the various sources of IRS data on nonprofits and charitable giving. It examines historical trends and current data, including statistics on nonprofit charitable organizations, private foundations, charitable trusts, individual and corporate giving, and charitable bequests. It does this in the context of the growth of exempt organizations and charitable giving relative to Gross Domestic Product (GDP). There is also a discussion of the products and services the Statistics of Income (SOI) Division provides on the nonprofit sector and charitable giving.

The IRS has two methods of data collection in the tax-exempt area [1]. First, SOI, using sample data, conducts studies on tax exempt, nonprofit organizations. Second, selected data are gathered by IRS from the universe of exempt organization return filings. Only limited information (for example, total assets and total receipts) is available to the public from this administrative file. Data from this administrative file is subject to limited testing so that taxpayer filing errors may not always be corrected. Current information on exempt organizations can also be obtained by examining return filings. Copies of tax and information returns can be obtained from the IRS office responsible for the district in which the organization is located or through public inspection at the organization itself.

The Statistics of Income Division regularly conducts more than 40 studies of tax return data. While the basic studies of individual and corporation income tax returns are well known, the special studies are generally less well known. One of the major special studies programs in SOI is tax-exempt organizations. Income statement, balance sheet, and other financial data, as well as a great amount of nonfinancial information are collected in these SOI studies on nonprofit charitable organizations and private foundations. The data are subject to comprehensive testing and correction procedures to ensure that they are of high quality.

SOI PROGRAM ON TAX-EXEMPT ORGANIZATIONS

There are two major studies in the SOI Division's exempt program: private foundations and nonprofit charitable organizations. A study of private foundations was first done for 1974 with subsequent studies for 1979, and 1982-1983 [2,3,4]. Beginning with Reporting Year 1985, SOI started an annual series on private foundation data. The first IRS study of nonprofit charitable organizations was done for 1975 and included data on all nonprofits [5]. Subsequent studies of nonprofit charitable organizations--that is, the organizations exempt under Internal Revenue Code (IRC) 501(c)(3), excluding private foundations, were done for 1982-1983 [6]. SOI started an annual series on nonprofit charitable organizations beginning with Reporting Year 1985. Beginning with Reporting Year 1987 data, SOI initiated an annual study on the unrelated business income of exempt organizations. This study focuses on the detailed sources of unrelated income and deductions of exempt organizations, including gross profit, advertising, debt-financed income and rental income.

As is true of most SOI studies, the main users of the statistical data are the Office of Tax Analysis in the Office of the Secretary of Treasury and the Congressional Joint Committee on

Taxation. In addition, detailed information is provided to other governmental organizations, such as the Federal Reserve Board, and the Bureau of Economic Analysis in the Department of Commerce. Partial funding of the effort to compile statistics on tax exempt organizations was previously provided by the Independent Sector, a nonprofit coalition of corporations, foundations, and voluntary organizations.

SOI data indicate that the growth of nonprofit organizations during the past 15 years has exceeded the growth of the national economy as a whole (see Figures A and B). For example, while the real GDP grew by 50 percent in the period from 1974 to 1990, the revenue of private foundations, adjusted for inflation, increased by 124 percent. The total revenue and expenses of other charitable organizations exempt from income tax under IRC 501(c)(3), hereinafter referred to as nonprofit charitable organizations, each grew by 226 percent from 1975-1990, while GDP in real terms increased by 52 percent. During the 1975-1990 period, nonprofit organizations increased their relative role in the economy. Total revenues for all nonprofit charitable organizations (including private foundations) as a percent of GDP increased from 3.6 percent to 7.7 percent over the period 1975-1990 (see Figure C). Clearly the nonprofit sector has realized significant growth when compared to the entire U.S. economy.

PRIVATE FOUNDATIONS

Private foundations are nonprofit corporations, associations or trusts that are narrowly supported and controlled usually by an individual, family or corporation. They differ from other charitable organizations that receive broad support from many different sources. Between 1974 and 1990, the total revenue of foundations in real terms increased by 124 percent. Contributions to foundations rose by 102 percent in constant dollars while interest and dividends rose by 119 percent. The biggest gain was net gain from sale of assets which rose by 441 percent. Similarly, foundation assets in real terms increased by 105 percent over this period. Over this time period GDP in real terms increased by 50 percent.

Current SOI Foundation Data

Included in the annual samples are the returns of all private foundations with total assets (book value) of $10 million or more (for instance, 1,262 returns in 1988) [7]. These 1,262 returns represented approximately four percent of the population of returns but accounted for 77 percent of the total assets of all private foundations and approximately 25 percent of the 5,111 sample returns used for the study. As further evidence of the concentration of foundation assets, the top one-half of one percent of foundations accounted for more than 50 percent of assets while the top 10 foundations accounted for 21 percent of assets.

The 1989 SOI study showed that private foundations experienced a strong year as both total revenues and total assets increased markedly from 1988 [8]. Total foundation revenues increased by 22 percent, to $19.9 billion, thereby reversing the trend of declining revenues from 1986 to 1988. Increasing revenues resulted largely from significant increases in the amount of contributions received, 32 percent, and net gains from sales of assets, 30 percent. Total foundation assets increased from 1988 to 1989 at the highest annual rate of the past decade, 18 percent, to $151.7 billion. Assisted by a relatively strong stock market in 1989, the value of investments in securities, which represented 80 percent of total foundation assets, increased by 22 percent. Foundations maintained relatively consistent levels of charitable giving for 1989, with the amount of their contributions and grants increasing by 10 percent over 1988, to $8.1 billion. During the 1980's, the significant growth in assets of the larger foundations allowed them to increase charitable distributions through 1989 at a rate faster than the smaller foundation size groups.

Reporting year 1989 represented the first year since 1979 that Statistics of Income collected data on the 4947(a)(1) charitable trusts that file Form 990-PF. For 1989, over 2,600 4947(a)(1) charitable trusts held $2.9 billion in total assets, realized $404.6 million in total revenues and distributed $143.7 million in contributions and grants. An analysis of 1990 data for both private foundations and 4947(a)(1) charitable trusts will be included in the upcoming Winter 1993-1994 edition of the *Statistics of Income Bulletin.*

NONPROFIT CHARITABLE ORGANIZATIONS

Organizations receiving tax-exempt status under section 501(c)(3) represent charitable organizations and they are the largest group of tax-exempt organizations. These organizations are principally religious, educational, health-related, scientific, and literary organizations. They differ from private foundations because they derive their funds from the general public. Between 1975 and 1990 the number of nonprofit charitable organizations [501(c)(3)] required to file returns grew by 78 percent. The book value of total assets for charitable organizations in real terms went up by 170 percent over this period while total revenue in real terms grew by 227 percent. In contrast, real GNP over this period grew by 52 percent.

Current SOI Nonprofit Charitable Organization Data

The most recent complete financial data available for nonprofit charitable organizations are for 1988. Of the approximately 448,000 organizations recognized by the IRS as nonprofit charities in that year, an estimated 125,000 were required to file returns (Form 990). Organizations with gross receipts of $25,000 or less, and churches, were not required to file. The sample of returns used for the 1988 SOI study on nonprofit charitable organizations consisted of all organizations with total assets (book value) of $10 million or more (approximately 6,500), plus a random stratified sample of approximately 6,400 returns from the remaining population of 113,000 returns [9]. These 6,500 organizations accounted for 86 percent of total assets and 78 percent of total revenue. Organizations with $50 million or more in assets, while accounting for only 1.5 percent of returns, accounted for 69 percent of total assets and 60 percent of total revenue.

The 1988 SOI study showed that program service revenue (fees collected to administer charitable programs) was the largest component of total revenue for 1988, accounting for nearly two-thirds of total revenue of all nonprofit charitable organizations. However, while program service fees were the major source of revenue for the large nonprofit charities, contributions (received directly from the public, or indirectly through fund-raising campaigns and from

Government grants) comprised the major portion of the revenues of the smaller organizations.

Data on nonprofit organizations can also be classified by type of charitable organization, including hospitals and other health-related organizations, educational institutions and support organizations. Detailed financial information on these various types of organizations is available on an annual basis from 1982 forward (except 1984) [10].

For the first time, the Statistics of Income Division released detailed data on 501(c)(4)-(9) organizations [11]. The organizations exempt under these sections are diverse in both function and financial makeup and include: civic leagues and social welfare organizations [501(c)(4)]; labor, agricultural and horticultural organizations [501(c)(5)]; business leagues, chambers of commerce and real estate boards [501(c)(6)]; social and recreational clubs [501(c)(7)]; fraternal beneficiary associations [501(c)(8)]; and voluntary employees' beneficiary associations [501(c)(9)]. Labor, agricultural and horticultural organizations filed the largest number of returns for 1988, nearly 21,000, while civic leagues and social welfare organizations had the largest assets holdings, $31.6 billion (see Figure D). For each of these Code sections [501(c)(4) through (9)] the smaller organizations--those with assets of less than $500,000--accounted for a greater share of the total assets than did the smaller nonprofit charitable organizations. Sources of revenue also varied by Code section. Program service revenue was the primary source for voluntary employees' beneficiary associations, fraternal beneficiary associations, and civic leagues and social welfare organizations, representing two-thirds of their respective totals. Membership dues and assessments were the principal revenue source for labor, agricultural and horticultural organizations, social and recreational clubs, and business leagues, chambers of commerce and real estate boards. An analysis of 1989 data for the nonprofit charitable organizations, or 501(c)(3) organizations, as well as for the section 501(c)(4)-(c)(9) organizations will be included in the upcoming Winter 1993-1994 edition of the *Statistics of Income Bulletin.*

For all of the 1990 studies of the different types of exempt organizations, SOI will capture detailed data on sources of income related and unrelated to the organization's exempt purpose. Researchers will be able to look at different sources of income for exempt organizations: income that is "substantially related" to the exempt purpose of the organization, unrelated business income, and income excluded by statute from unrelated business income tax.

FEDERAL INDIVIDUAL INCOME TAX RETURNS

Another major source of tax information is provided by individuals who itemize their individual tax returns and declare charitable deductions. Information on total contributions, cash and noncash contributions, and carryovers of contributions from prior years classified by size of adjusted gross income (AGI) is available in the *Statistics of Income Bulletin* and the annual report, *Statistics of Income--Individual Income Tax Returns*. Total contributions as a percent of AGI over the period 1975-1990 reached a high in 1986, possibly in response to an expected tax law change (see Figure E). From 1986-1987, there was an 18-percent drop in this ratio and another 8-percent drop from 1987 to 1988 [12]. Much of the decline is probably attributable to the Tax Reform Act (TRA) of 1986. TRA of 1986 eliminated the charitable deduction for non-itemizers, raised the standard deduction (switching more taxpayers from itemizers to non-itemizers) and, by lowering marginal tax rates, decreased the relative tax benefit of making charitable contributions.

An alternative way of examining changes over time is through the use of panel files of individual income tax returns. The University of Michigan's Office of Tax Policy Research, under the direction of Joel Slemrod and through an arrangement with SOI, has constructed a panel file from the annual individual public use file [13]. This Michigan panel file is available for 1979 to 1988. It contains the same information on contributions as available in the annual public use files.

FEDERAL ESTATE TAX RETURNS

The SOI Division periodically publishes studies of estate tax returns, although the data files remain confidential. Estate data on charitable bequests and portfolio composition, among others, are invaluable because they provide information on the relationship between giving and wealth. In most studies, wealth, tax rates, age, and marital status are found to be among the significant influences on giving at death [14, 15].

In addition to providing statistics on the annual filings of estate tax returns, SOI captures data over a period of at least 3 reporting years in order to examine decedents dying in a single year. By collecting data for a complete death cohort, these year-of-death files provide an opportunity to examine the characteristics and bequest behavior of decedents without distortions from differences in the tax law and the economic environment. Based on data from these samples, charitable bequests as a percent of gross estate in the 1980's has remained in the range of 6 percent (see Figure F). Data on charitable bequests are published periodically in the *SOI Bulletin*.

OTHER IRS TAX SOURCES

The Internal Revenue Service has recently opened up its Taxpayer Compliance Measurement Program (TCMP) to researchers. The TCMP combines files of individual returns with changes made through audit or examination. TCMP studies of individual taxpayers are available for 1982 and 1985 and soon will be available for 1988. The 1988 data are based on a highly stratified sample (by income and tax schedule complexity) of 55,000 records. Individual researchers may apply in writing for tabulations to be performed within the IRS. These tabulations must be approved by an outside review committee and cannot compromise IRS audit functions. The files contain unique information on the amounts by which charitable contributions are underreported and overreported and also on the size of large gifts to single charities. Only a few researchers have made use of these data.

Corporate giving by size of assets and detailed industry groups can be found in the annual *Statistics of Income Corporate Source Book*. Less detailed industry data on corporate contributions can be found in the annual report, *Statistics of Income--Corporation Income Tax Returns*. Data on corporate contributions as a percent of net income (less deficit) reached a high of almost two percent in 1986 and then, in the two-year period following 1986, fell by 38 percent (see Figure G) [16]. This possibly can be attributed, in part, to the decline in corporate rates after the TRA of 1986, which decreased the relative benefit for corporations making contributions.

PRODUCTS AND SERVICES

Information on the major nonprofit programs is published in the quarterly *Statistics of Income Bulletin*. In addition, a *Compendium of Studies of Tax-Exempt Organizations: 1974 to 1987 (1991)* was recently released by the SOI Division [17]. The one-volume compendium was comprised chiefly of articles published in the *Statistics of Income Bulletin* and in the *Proceedings of the American Statistical Association*, along with facsimiles of tax forms and instructions and previously unpublished articles and tables. A new *Compendium* with updated articles on the exempt sector will be published in late 1993.

Copies of the microdata tapes for foundations and charitable organizations are available for purchase from the Statistics of Income Division. Since the returns are open to public inspection, these tapes contain identifiable records. Special tabulations can be prepared from these sources on a reimbursable basis.

Annual published data are available on individual and corporate tax returns and data on estates are published periodically. In addition, the public can obtain access to select files of individual income tax returns. For example, a Statistics of Income public use file of 110,000 records for 1988 is now available for researchers on a reimbursable basis. Archival files similar to the public use files just described are available and include data on contributions. Microdata files are not available for corporations or for estate filings because of disclosure considerations. Special tabulations can be prepared on a reimbursable basis from SOI files of individual, corporate and estate tax returns.

CONCLUSION

Statistics of Income provides an array of information and data sources on nonprofit organizations and charitable giving. SOI data indicate that the growth of nonprofit organizations during the past 15 years has exceeded the growth of the national economy as a whole. The total revenue and total expenses of nonprofit charitable organizations each grew by 226 percent from 1975-1990, while GDP in real terms increased by 52 percent. Similarly, the real revenue of private foundations increased by 124 percent from 1974-1990.

The amount of contributions received by charitable organizations over the period 1975-1990 rose by 106 percent. While the growth of contributions to the exempt sector has fallen off in recent years, exempt organizations still realized greater financial growth than the economy as a whole, mainly because program service revenue and investment income grew at above average rates. Organizations have tended to engage in more user-funding to support their charitable efforts and have exercised more care in managing their investment portfolios.

References

[1] Skelly, D. and Steuerle, E., "The Nonprofit Sector and Taxes: Invaluable and Largely Untapped Research Bases," *Journal of Nonprofit Management and Leadership*, Summer 1992.

[2] Skelly, D. "Private Foundations, 1974," In *Statistics of Income--Compendium of Studies of Tax-Exempt Organizations, 1974-1987*, Washington, DC: U.S. Government Printing Office, 1991.

[3] Petska, T. B. "An Examination of Private Foundations for 1979." *Statistics of Income Bulletin*, Internal Revenue Service, Fall 1982.

[4] Riley, M., "Private Foundation Information Returns, 1982," *Statistics of Income Bulletin*, Internal Revenue Service, Fall 1986.

[5] Sullivan, J. P., and Gilmour, K. "Nonprofit Organizations in America: An Examination of Information Return Filings with IRS." In *Statistics of Income--Compendium of Studies of Tax-Exempt Organizations, 1974-1987*, Washington, DC: U.S. Government Printing Office, 1991.

[6] Hilgert, C., "Nonprofit Charitable Organizations, 1983," *Statistics of Income Bulletin*, Internal Revenue Service, Spring 1987.

[7] Riley, M. and Meckstroth, A., "Private Foundation Returns, 1988," *Statistics of Income Bulletin*, Internal Revenue Service, Fall 1991.

[8] Meckstroth, A., "Private Foundations and Charitable Trusts, 1989," *Statistics of Income Bulletin*, Internal Revenue Service, Winter 1992-1993.

[9] Hilgert, C. and Arnsberger, P., "Charitable and Other Tax-Exempt Organizations, 1988." *Statistics of Income Bulletin*, Internal Revenue Service, Summer 1992.

[10] *Ibid.*

[11] *Ibid.*

[12] Internal Revenue Service, *Statistics of Income--Individual Income Tax Returns, 1988*, Washington, DC, U.S. Government Printing Office, 1991.

[13] Skelly and Steuerle, *op.cit.*

[14] Johnson, B., and Rosenfeld, J. "Examining the Factors That Affect Charitable Giving." *Trusts and Estates*, August 1991.

References - Continued

[15] Joulfaian, D. "Charitable Bequests and Estate Taxes," *National Tax Journal*, 1991.

[16] Internal Revenue Service, *Statistics of Income--Corporation Income Tax Returns, 1988*, Washington, DC, U.S. Government Printing Office, 1991.

[17] Internal Revenue Service, *Statistics of Income--Compendium of Studies of Tax-Exempt Organizations, 1974-1987*, Washington, DC; Statistics of Income Division, 1991.

Figure A

Selected Data for Nonprofit Charitable Organizations, in 1987 Constant Dollars

[All figures are estimates based on samples--money amounts are in millions of dollars]

Item	1975 (1)	1982 (2)	1985 (3)	1986 (4)	1987 (5)	1988 (6)	1990[2] (7)
Total assets	$220,546	$333,697	$448,670	$504,830	$529,514	$561,668	$597,058
Total revenue	110,057[1]	234,255	284,311	301,840	310,766	341,334	359,978
Contributions, gifts and grants	34,775	49,251	59,079	62,038	61,686	66,469	71,673
Dues and assessments	3,105	2,955	3,974	3,856	4,187	3,822	4,421
Program Service revenue	n.a.	148,417	177,858	193,946	211,404	230,311	n.a.
Investment income	n.a.	11,302	14,758	14,296	16,192	18,543	20,062
Total expenses	104,165[1]	216,347	258,701	271,897	288,681	318,397	343,268
Program service expenses	74,737	180,988	218,850	229,003	242,188	270,975	n.a.
Gross domestic product[3]	3,221,700	3,760,300	4,279,800	4,404,500	4,540,000	4,718,600	4,884,900

[1] Imputed estimate from 1975 SOI study of nonprofit organizations

[2] Preliminary data

[3] Gross Domestic Product Data from "Economic Report of the President, 1992."

n.a.: Data not available

Figure B

Selected Data for Private Foundations, in 1987 Constant Dollars

[All figures are estimates based on samples--money amounts are in millions of dollars]

Item	1974 (1)	1979 (2)	1982 (3)	1985 (4)	1986 (5)	1987 (6)	1988 (7)	1990[1] (8)
Fair market value of total assets	69,268[2]	$68,165	$75,044	$102,849	$116,797	$114,301	$124,051	$142,283
Investments in securities	55,337[2]	54,600[2]	59,455	79,481	89,799	87,352	95,833	n.a.
Total revenue	7,267	9,180	10,891	17,387	20,672	17,117	15,669	16,275
Contributions received	2,710	3,484	3,197	5,786	7,382	5,285	5,070	5,465
Interest and dividends[3]	3,151	3,696	4,499	5,117	5,312	5,577	6,213	6,903
Net gain (less loss) from sale of assets	659	1,157	2,129	5,432	7,218	5,567	3,514	3,570
Total expenses	7,100	5,398	6,962	7,671	8,539	9,072	9,389	10,705
Grants paid	4,350	4,276	5,344	5,717	6,504	7,061	7,303	n.a.
Gross Domestic Product	3,248,100	3,796,800	3,760,300	4,279,800	4,404,500	4,540,000	4,718,600	4,884,900

[1] Preliminary data

[2] This number, normally not available represents an estimate based on imputation.

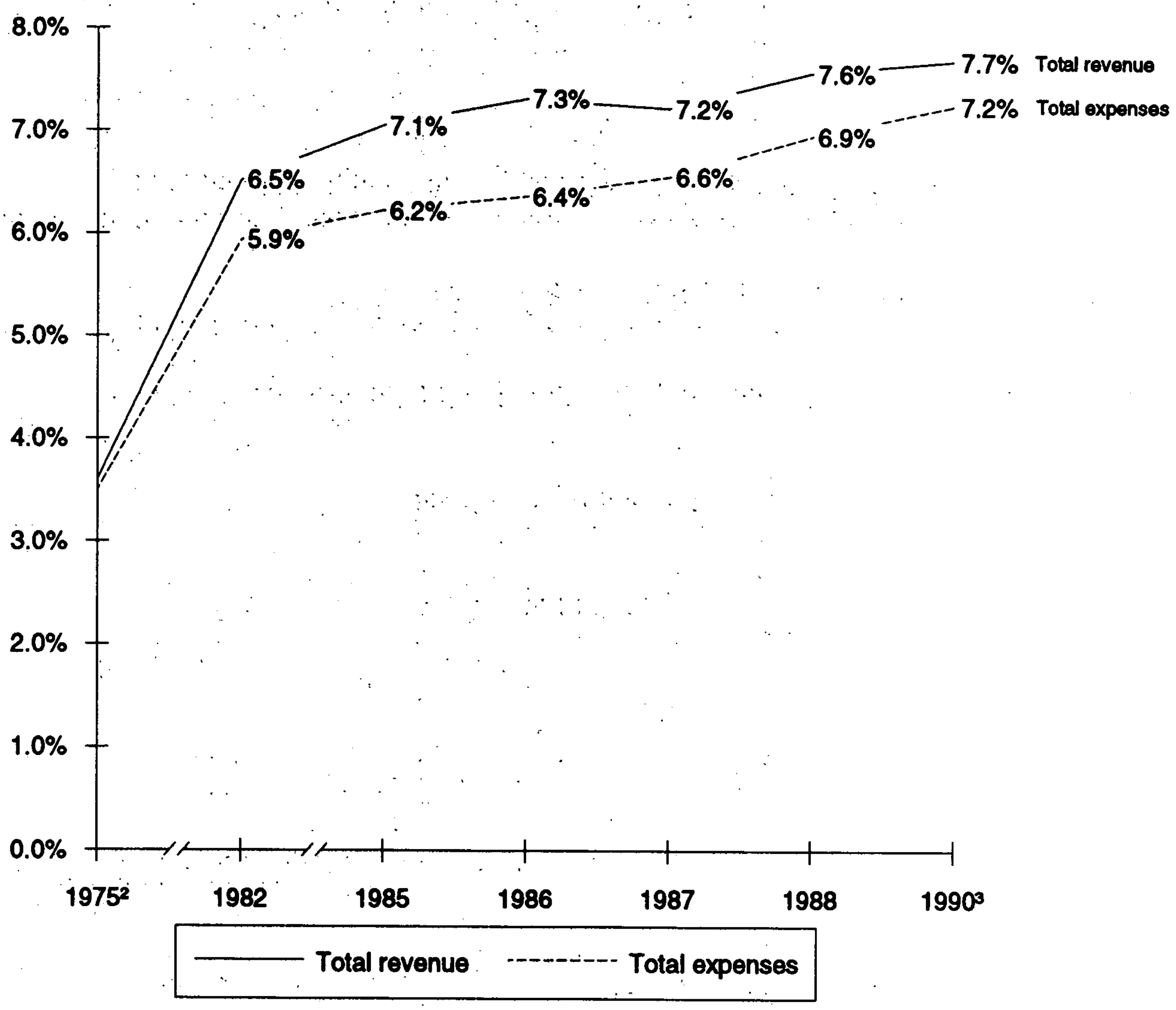
[3] This number represents the sum of "Interest on savings and temporary cash investments" and "Dividends and interest from securities."

[4] Gross Domestic Product (GDP) data are from the "Economic Report of the President;" Table B-2, February 1992.

n.a.: Data not available

Figure C

IRS Section 501(c)(3) Organizations[1]: Total Revenue and Total Expenses as a Percentage of Gross Domestic Product, 1975-1990



---

[1] Includes private foundations and nonprofit charitable organizations
[2] 1975 data for private foundations were imputed from 1974 SOI study
[3] Preliminary data

Figure D

Selected Balance Sheet and Income Statement Items, Specified for Organizations Tax-Exempt under Specified Internal Revenue Code Sections, 1988

[Money amounts are in millions of dollars]

Internal Revenue Code section	Number of returns (1)	Total assets (2)	Total liabilities (3)	Total revenue (4)	Program service revenue (5)	Total expenses (6)
501(c)(4)	19,279	$31,591	$22,853	$16,134	$10,190	$14,984
501(c)(5)	20,697	12,390	1,887	11,015	2,249	10,297
501(c)(6)	19,875	15,177	8,207	14,247	5,646	13,320
501(c)(7)	14,488	7,834	2,426	5,268	931	5,027
501(c)(8)	8,129	24,588	19,699	6,396	4,858	6,174
501(c)(9)	8,889	28,254	10,195	40,399	32,775	40,585

NOTES: Detail may not add to totals because of rounding. Nonprofit charitable organizations exclude foundations and religious organizations.

Figure E

Total Contributions Reported on Individual Income Tax Returns as a Percentag of Adjusted Gross Income, 1980-1990

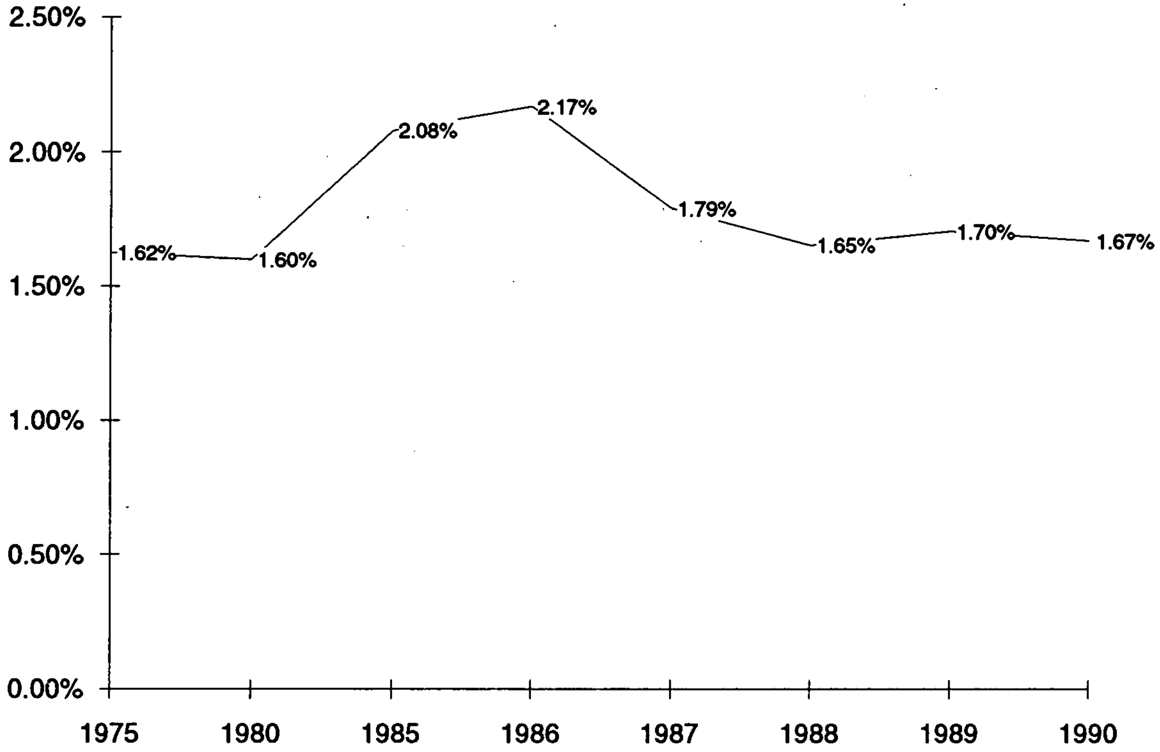


Figure F

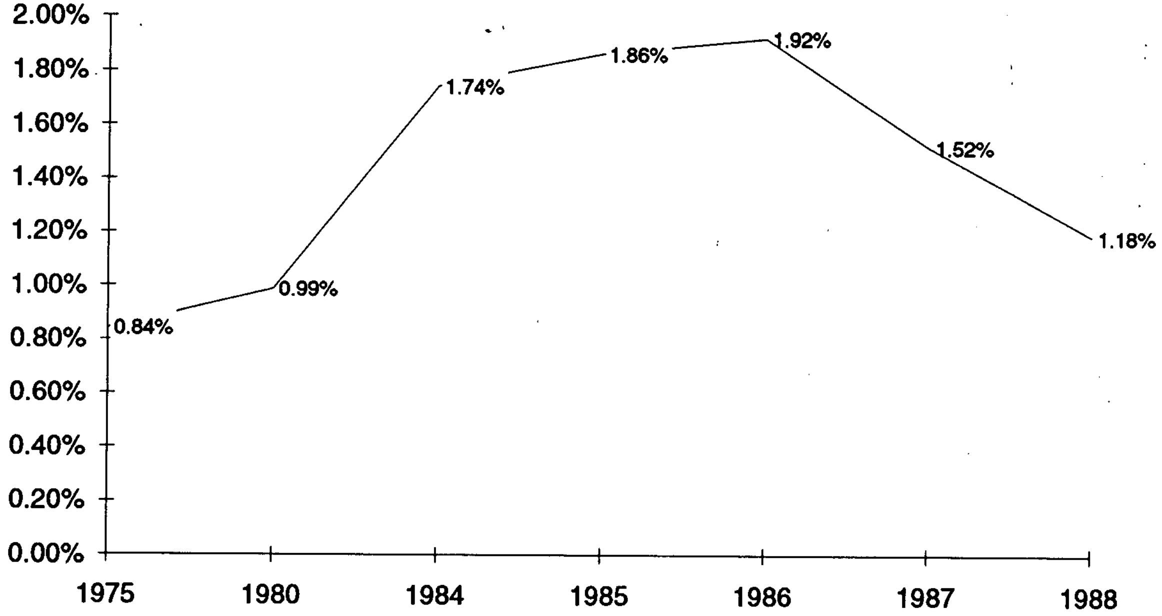
Charitable Bequests as a Percentage of Gross Estate, 1982-1990

Filing Year	Gross Estate	Charitable Beq.	Percent
1982	32,263,669	1,999,362	6.2
1986	59,851,599	3,573,298	6.0
1987	66,592,464	3,978,022	6.0
1988	70,625,351	4,822,104	6.8
1989	79,327,909	4,955,268	6.2
1990	87,116,955	5,527,490	6.3

Data for 1982-1989 are for returns with gross estate of at least $500,000 in current dollars.
Data for 1990 are for returns with gross estate of at least $600,000 in current dollars.
Amounts are in thousands of current dollars.

Figure G

Contributions Reported on Corporate Income Tax Returns as a Percentage of Net Income (Less Deficit), 1980-1988



Charities and Other Tax-Exempt Organizations

Nonprofit charitable organizations, those exempt under section 501(c)(3) of the Internal Revenue Code, include organizations whose purposes are religious, charitable, educational, scientific, or for the purpose of testing for public safety. These organizations can receive tax-deductible charitable contributions and must serve the public interest in a manner that supports their charitable mission. This group includes, among others, schools and universities, hospitals and other health-related organizations, religious organizations, and publicly-supported charities. Certain other tax-exempt organizations, particularly those exempt under sections 501(c)(4) through (c)(9), are included in the articles and tables of data beginning with reporting year 1988. This group includes civic leagues and social welfare organizations, labor organizations, business leagues, recreational and social clubs, fraternal beneficiary associations, and voluntary employee beneficiary associations. Unlike the organizations exempt under section 501(c)(3), these organizations, in most cases, are not eligible to receive tax-deductible contributions.

Over 133,000 section 501(c)(3) nonprofit charitable organizations held over $655 billion in total assets and earned nearly $399 billion in total revenue for 1989. As a group, organizations exempt under sections 501(c)(4) through (c)(9) represent a much smaller proportion of the nonprofit sector. They numbered over 96,000, held over $125 million in total assets, and earned over $100 million in total revenue for 1989. Articles and tables included in this section provide extensive income statement and balance sheet information for reporting years 1986 through 1989 as collected from a sample of Forms 990, *Return of Organization Exempt from Income Tax*, and Forms 990EZ, *Short Form: Return of Organization Exempt from Income Tax.* Form 990EZ was introduced with the 1989 reporting year. Detailed information on income-producing activities is also available beginning with 1989 data. In addition to previously published Statistics of Income Bulletin articles, this section includes a paper comparing the financial performance of nonprofit and for-profit hospitals. This paper was originally prepared as part of the INDEPENDENT SECTOR's 1993 Spring Research Forum.

Statistical Research Efforts

SOI is currently involved in several efforts designed to improve the sample estimates of nonprofit organizations filing the Forms 990 and 990EZ. The INDEPENDENT SECTOR's National Center for Charitable Statistics (NCCS), one of the primary users of SOI's exempt organization data, has played an important role in long-range planning efforts involving these data. Several years ago the SOI Form 990 sample was re-designed, at the request of NCCS, to increase the coverage of social welfare agencies and other organizations holding relatively small amounts of assets. Currently, NCCS and the IRS are working together to link data on nonprofit organizations from several different sources in order to obtain employment and payroll data. Also, at the request of NCCS, in the next few years the IRS has an arrangement to use NCCS's coding system, the National Taxonomy of Exempt Entities, to code exempt organizations on its comprehensive Business Master File. This will allow for more in-depth analyses of the different types of exempt organizations. And, in a more current statistical effort, SOI plans to integrate the sample from the Form 990 with the sample from the Form 990-T, *Exempt Organization Business Income Tax Return*, in order to merge data for organizations that earn unrelated business income. This matching technique, which will begin with reporting year 1993, will increase the statistical reliability of both studies.

Notes and References

[1] The 133,000 organizations include only those which were required to file information returns with the Internal Revenue Service. Those not required to file include religious organizations and organizations with gross receipts of less than $25,000. The 96,000 organizations include only those which were required to file information returns with the Internal Revenue Service. Those not required to file include organizations with gross receipts of less than $25,000.

Nonprofit Charitable Organizations, 1986 and 1987

By Cecelia Hilgert and Susan J. Mahler*

The total revenue and total assets of organizations exempt under Internal Revenue Code section 501(c)(3), except private foundations and religious organizations, increased for 1986 and 1987. Total revenue rose 9 percent from 1985 to $292.5 billion for 1986, and 6 percent from 1986 to $310.8 billion for 1987. The organizations' program activities provided more than two-thirds of total revenue ($211.9 billion) for 1987, while contributions, gifts, and grants provided 20 percent ($61.7 billion). These proportions were approximately the same for 1986. Total expenses were $263.5 billion for 1986 and $288.7 billion for 1987. For 1986 and 1987, 84 percent of total expenses were attributable to costs of conducting programs.

Figure A.--Selected Data for Nonprofit Charitable Organizations, Reporting Years 1985, 1986, and 1987

[All figures are estimates based on samples–money amounts are in billions of dollars]

Item	1985 (1)	1986 (2)	1987 (3)
Number of returns	106,449	113,072	122,018
Total assets	$423.5	$489.2	$529.5
Total revenue	268.4	292.5	310.8
Contributions, gifts and grants	55.8	60.1	61.7
Dues and assessments	3.8	3.7	4.2
Program service revenue	167.9	187.9	211.9
Total expenses	244.2	263.5	288.7
Program service expenses	206.6	221.9	242.2
Fundraising services	2.2	2.5	2.9
Management and general expenses	34.6	38.2	42.6

BACKGROUND

Statistics of Income Studies

The statistics presented in this article are based on data from Form 990, Return for Organization Exempt from Income Tax, the annual information return filed by organizations with annual gross receipts of more than $25,000 (Figure A). The statistics do not include private foundations, because they are required to file a separate return form, and they do not include religious organizations, because they are not required to file Form 990.

The Statistics of Income Division has conducted studies on nonprofit charitable organizations exempt under section 501(c)(3) for reporting years 1975, 1982, 1983, and 1985 through 1987. Data for 1985 and earlier years and highlights of the 1986 data have been published in the *Compendium of Studies of Tax-Exempt Organizations, 1974-87,* and the *Statistics of Income Bulletin* [1]. Some of the data discussed in this article are based on previously unpublished statistical tabulations from the Statistics of Income Division.

Organizations and Activities

Organizations that are tax-exempt under Code section 501(c)(3) include, for the most part, those with purposes that are religious, charitable, educational, or scientific. Their activities are restricted in that they must be in furtherance of one or more of these exempt purposes. Examples of the types of organizations that meet this criteria are nonprofit universities and schools, hospitals, Girl Scout/Boy Scout programs, United Way campaigns, community performing-arts associations, and environmental support groups. These organizations must serve the public (as opposed to private) interests. Under the Code, these organizations may not distribute net earnings to a private shareholder or individual. In addition, these organizations are restricted in their activities to influence legislation, and cannot participate in any political campaign on behalf of or in opposition to any candidate for political office.

The Internal Revenue Code classifies nonprofit organizations into 25 subsections, some of which may receive tax-deductible donations under section 170.

---

*Foreign Special Projects Section. Prepared under the direction of Michael Alexander, Chief.

Those organizations exempt under section 501(c)(3) receive the largest part of tax-deductible donations and are the largest providers of philanthropic goods and services.

FINANCIAL CHARACTERISTICS

The assets of the nonprofit charitable organizations increased from $423.5 billion for 1985 to $489.2 billion for 1986 and to $529.5 billion for 1987. These increases were 15 and 8 percent, respectively. Most of the assets (85 percent) for 1986 and 1987 were owned by organizations with holdings of $10 million or more (Figure B). These organizations also received three-quarters of the total revenue ($226.4 billion for 1986 and $238.9 billion for 1987). Revenue and asset data for the largest 501(c)(3) organizations are presented in Figures C and D, respectively.

A total of 113,072 of the 376,688 nonprofit charitable organizations recognized by the Internal Revenue Service (IRS) filed returns for 1986 and 122,018 of the 400,394 organizations recognized by the IRS filed returns for 1987 [2]. The number of returns filed increased by 15 percent from 1985 to 1986 and by 8 percent from 1986 to 1987. Over two-thirds of the returns for 1986 and 1987 were filed by organizations with assets of less than $500,000. The number of returns filed by organizations in this asset-size class increased by 8 percent between 1986 and 1987, and the number of returns filed by organizations with assets of $50 million or more increased by 11 percent from 1986 to 1987. Organizations in this asset-size class, however, filed less than 2 percent of the total number of returns. (Detailed financial data are provided by asset-size class in Table 1 and by State in Table 2 [3].)

Revenue

Program service revenue, which is generated through programs operated by nonprofit charitable organizations in support of their tax-exempt purposes, continued to grow both as a total amount and as a percentage of total revenue. This revenue was $187.9 billion for 1986 (64 percent of total revenue) and $211.9 billion for 1987 (68 percent of total revenue). Program service revenue increased by 12 percent between 1985 and 1986 and by 13 percent between 1986 and 1987. Some examples of program service revenue include tuition and fees at educational institutions, hospital patient care charges (including Medicare-Medicaid payments), admission fees collected by museums or community performing-arts groups, YMCA/YWCA activity fees, and payments received for insurance and retirement coverage by selected pension and annuity funds.

As shown in Figure E, program service revenue comprised nearly three-quarters of the total revenue of organizations with assets of $10 million or more. While program service revenue as a source of funding is less important to smaller organizations than contributions, it has increased as a percentage of total revenue over time. This increase reflects, in part, the need for nonprofit charitable organizations to raise additional funds through their own programs. For both 1986 and 1987, program service revenue represented 38 percent of total revenue of organizations with assets of less than $1 million, in contrast to 33 percent for 1985.

Contributions, gifts and grants increased to $61.7 billion for 1987 from $60.1 billion for 1986, less than a 3-percent increase (Figure F). The leveling-off in these revenues may be due to the 8-percent decline from 1986 to 1987 in the portion of those contributions, gifts, grants and bequests that were received directly from the public. This may have resulted, at least in part, from changes in the tax code as part of the Tax Reform Act of 1986, which lowered marginal tax rates for corporations and individuals and eliminated the charitable deduction for individuals who do not itemize their deductions. Direct public support was 54 percent of total contributions for

Figure B.--Nonprofit Charitable Organizations by Asset Size, Reporting Years 1986 and 1987

[All figures are estimates based on samples--money amounts are in millions of dollars]

Asset size	Number of returns		Percent		Total assets		Percent	
	1986	1987	1986	1987	1986	1987	1986	1987
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total	113,072	122,018	100.0	100.0	$489,180	$529,514	100.0	100.0
Under $100,000 1,2/	47,786	51,005	42.3	41.8	1,596	1,708	0.3	0.3
$100,000 under $500,000 1/	30,363	33,051	26.9	27.1	7,042	7,930	1.4	1.5
$500,000 under $1,000,000	9,925	10,693	8.8	8.8	7,020	7,576	1.4	1.4
$1,000,000 under $10,000,000	19,285	21,165	17.1	17.3	59,045	65,017	12.2	12.3
$10,000,000 under $50,000,000	4,077	4,290	3.6	3.5	92,097	94,685	18.8	17.9
$50,000,000 or more	1,637	1,813	1.5	1.5	321,579	352,599	65.7	66.6

1/ Estimates should be used with caution because of the small number of sample returns on which they are based.
2/ Includes also returns with zero assets or assets not reported.
Note: Detail may not add to total due to rounding.

Figure C--Top Ten Section 501(c)(3) Organizations Ranked by Total Revenue, Reporting Years 1987 and 1986

[Money amounts are in millions of dollars]

Name	Total Revenue 1987	Total Revenue 1986
1. Teachers Insurance and Annuity Association of America	$8,130	$6,160
2. Kaiser Foundation Health Plan	4,108	3,875
3. New York City Health and Hospitals Corporation	2,359	2,359
4. Kaiser Foundation Hospitals	2,141	2,034
5. California Institute of Technology	1,294	1,137
6. University of Pennsylvania	1,192	1,134
7. Harvard College	1,152	1,608
8. Massachusetts Institute of Technology	1,115	1,048
9. Sisters of Mercy Health Corporation	1,074	974
10. Stanford University	1,070	1,143

Figure D--Top Ten Section 501(c)(3) Organizations Ranked by Total Assets, Reporting Years 1987 and 1986

[Money amounts are in millions of dollars]

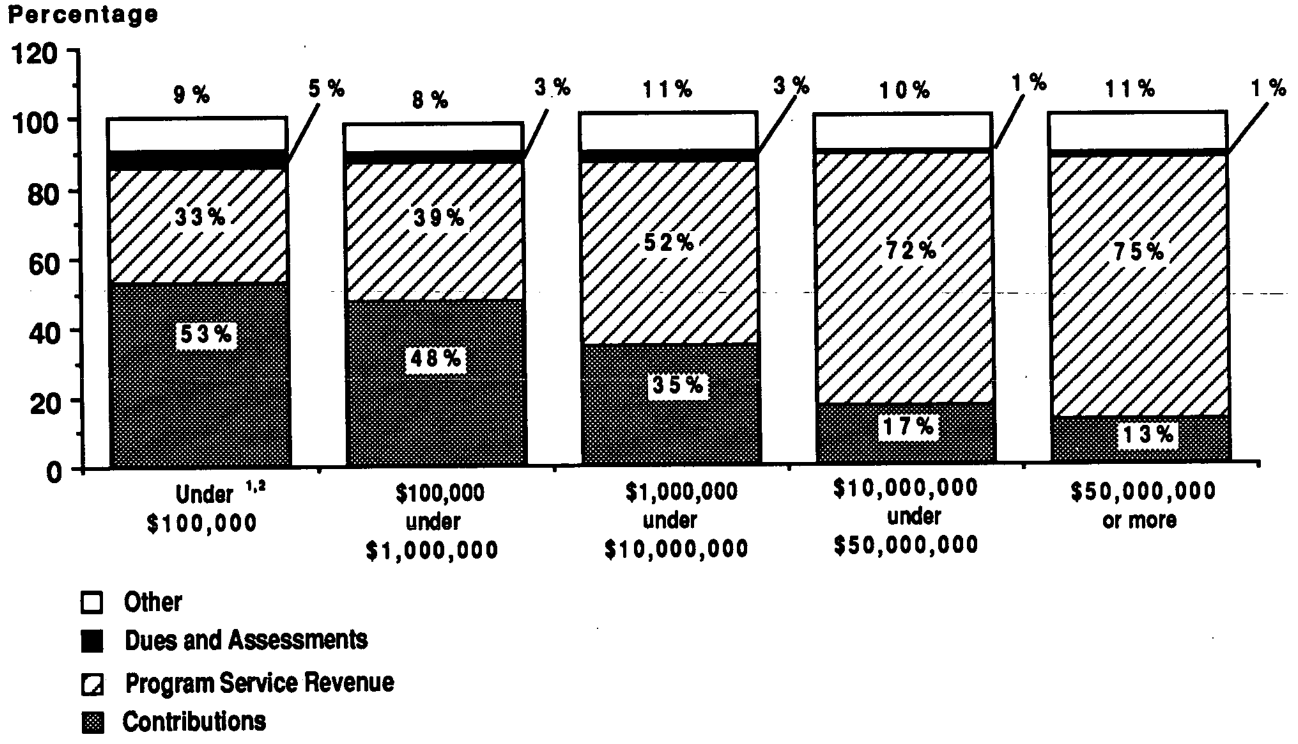
Name	Total Assets 1987	Total Assets 1986
1. Teachers Insurance and Annuity Association of America	$33,210	$27,887
2. College Retirement Equities Fund	27,913	30,498
3. Harvard College	6,213	6,177
4. Howard Hughes Medical Institute	5,188	5,274
5. Common Fund for Nonprofit Organizations	4,079	4,127
6. Stanford University	3,631	3,341
7. Yale University	3,434	3,468
8. Princeton University	2,721	2,436
9. Shriner's Hospital for Crippled Children	2,448	2,133
10. Kaiser Foundation Hospitals	2,371	2,314

1986 and 49 percent of contributions for 1987 (Figure F). However, direct public support represented 42 percent of total contributions to organizations with assets of less than $1 million for 1986 and 43 percent for 1987, up from 30 percent for 1985.

Contributions represented approximately the same proportion, 20 percent, of total revenue for all organizations for both 1986 and 1987. Contributions represented a larger source of revenue for smaller organizations than larger ones. They accounted for one-half of total revenue for organizations with assets of less than $1 million. By contrast, for organizations with assets between $10 million and $50 million, contributions represented 17 percent of total revenue, and for organizations with assets of $50,000,000 or more, contributions represented only 13 percent of total revenue.

Government grants increased from $22.3 billion for 1986 to $25.4 billion for 1987, which maintained the 1986 level as a proportion of total revenue. For both 1986 and 1987, these grants were 8 percent of total revenue, compared to 9 percent for 1985. Within the various asset-size classes, Government grants were 24 percent of total revenue for small organizations with assets of less than $1 million. This was a decline from 25 percent of the total for 1986 and 35 percent of the total for 1985. For organizations with assets of $10 million or more, Government grants represented 5 percent of total revenue for each of the 3 years -- 1985, 1986, and 1987.

Figure E
Components of Revenue, by Asset Size, 1987



[1] Estimates should be used with caution because of the small number of returns on which they are based.
[2] Includes also returns with zero assets or assets not reported.

Figure F.--Contributions Received by Nonprofit Charitable Organizations, by Asset Size, Reporting Years 1986 and 1987

[All figures are estimates based on samples--money amounts are in millions of dollars]

Asset size	Total contributions		Contributions received through direct support 1/		Contributions received through indirect support 2/		Contributions received through Government grants	
	1986	1987	1986	1987	1986	1987	1986	1987
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total	$60,115	$61,686	$32,398	$29,927	$5,403	$6,376	$22,315	$25,383
Under $100,000 3,4/	3,481	3,184	1,508	1,593	287	350	1,666	1,241
$100,000 under $500,000 3/	4,934	4,822	2,181	2,043	441	461	2,312	2,317
$500,000 under $1,000,000	3,868	4,383	1,422	1,659	329	361	2,117	2,363
$1,000,000 under $10,000,000	13,935	16,134	6,882	7,142	1,274	1,653	5,779	7,339
$10,000,000 under $50,000,000	9,758	10,619	6,832	6,490	1,025	1,543	1,900	2,587
$50,000,000 or more	24,140	22,544	13,573	11,000	2,046	2,008	8,521	9,536

1/ Includes contributions, gifts, grants and bequests received directly from the public.
2/ Includes contributions received indirectly from the public through solicitation campaigns conducted by fundraising agencies.
3/ Estimates should be used with caution because of the small number of sample returns on which they are based.
4/ Includes also returns with zero assets or assets not reported.
Note: Detail may not add to total because of rounding.

Expenses

Expenses of nonprofit charitable organizations, including such items as salaries and wages, pension plan contributions and other employee benefits, interest, rents, supplies, and travel totaled $263.5 billion for 1986 and $288.7 billion for 1987. The expenses that were attributable to specific program activities represented 84 percent of total expenses for both years. For 1987, expenses related to program activities ranged from $19.0 billion, representing 80 percent of total expenses for organizations with assets of less than $1 million, to $187.3 billion, representing 85 percent of the total expenses of organizations with assets of more than $10 million. Within these program activities, salaries and wages represented 30 percent of total expenses for both 1986 and 1987, totaling $79.9 billion and $88.6 billion, respectively.

Management and general expenses, which support the overall organization rather than specific programs, were $38.2 billion for 1986 and $42.6 billion for 1987, accounting for 14 percent of total expenses for 1986 and 15 percent for 1987. Fundraising expenses and payments to affiliates together comprised only 1 percent of total expenses. Payments to affiliates are payments to organizations closely related to the reporting organization, such as support and dues payments by local chapters to their State and national agencies.

Organizations with assets of $10 million or more accounted for more than three-quarters of all expenses, even though organizations with assets of less than $500,000 filed 70 percent of the returns for both 1986 and 1987. Detailed data on expenses for 1987 are presented in Table 3.

Assets and Liabilities

Assets increased to $489.2 billion for 1986 and to $529.5 billion for 1987, representing yearly increases of 15 percent and 8 percent, respectively. Land, buildings, and equipment represented the major asset holdings of nonprofit charitable organizations. These assets were $157.6 billion for 1986 and $172.6 billion for 1987, representing one-third of total assets for each year. These holdings grew annually by 10 percent from 1985 to 1987. For organizations with assets of $10,000,000 or more, land, buildings, and equipment represented nearly one-third of total holdings for both years. However, for organizations with assets of $50 million or more, investments in securities were the largest single component, $123.1 billion for 1987. These investments were 35 percent of the total assets of these organizations, which was less than the 37 percent that they had represented for 1986. For the smaller organizations -- those with assets of less than $500,000 -- total assets rose by 12 percent, largely from an increase in cash and savings. Together, these two assets represented 42 percent of total assets for both years.

Mortgages and other notes payable were the largest single liability item, totaling $85.7 billion for 1986 and $96.4 billion for 1987. Organizations with assets of $50 million or more accounted for approximately 60 percent of these totals for each year, and those with assets between $10 million and $50 million accounted for an additional 20 percent ($18.5 billion and $19.2 billion, respectively).

The balance sheet of a tax-exempt section 501(c)(3) organization does not have an owner's equity section; instead, earnings accrue to a net worth/fund balance. The net worth/fund balance total for nonprofit charitable organizations was $278.3 billion for 1986 and $297.7 billion for 1987, representing nearly three-fifths of total assets.

TYPES OF ORGANIZATIONS

Figures G, H, and I display information on the types of nonprofit charitable organizations that filed Form 990 for 1987. This information is based on responses to a question on the return identifying the reason that an organization was not classified as a private foundation [4].

Figure H shows that hospitals, educational institutions, and "publicly-supported organizations" were the major categories of nonprofit charities in terms of selected balance sheet and income statement items. Publicly-supported organizations are comprised of qualified organizations that are operated for purposes that are beneficial to the public interest and that receive support from a broad cross-section of the public. (Examples include the United Way, the YMCA's and YWCA's, and the American Heart Association. Other examples include community cultural organizations such as the Portland Repertory Theater, and community foundations such as the Cleveland Foundation [5].) Together, the assets of these three types of organizations totaled $402.0 billion for 1987 and their revenue, $281.1 billion. They represented 76 percent and 90 percent, respectively, of the totals for all the nonprofit charitable organizations. These percentages are up from 1986, when these three types of organizations had assets totaling $363.8 billion and revenues, $254.7 billion -- 74 percent and 87 percent, respectively, of the totals for all organizations.

Hospitals accounted for 46 percent of total revenue and 30 percent of total assets, but, just 5 percent of the number of returns filed and 6 percent of the contributions received. (Most of their revenue was program service revenue.) While publicly-supported organizations comprised 72 percent of the total returns, they accounted for only 27 percent of total revenue and 22 percent of asset holdings. Educational institutions accounted for only 9 percent of returns but ranked second in terms of assets and contributions received with 24 and 22 percent, respectively.

Figure G
Financial Data by Major Type of Nonprofit Charitable Organization, 1987

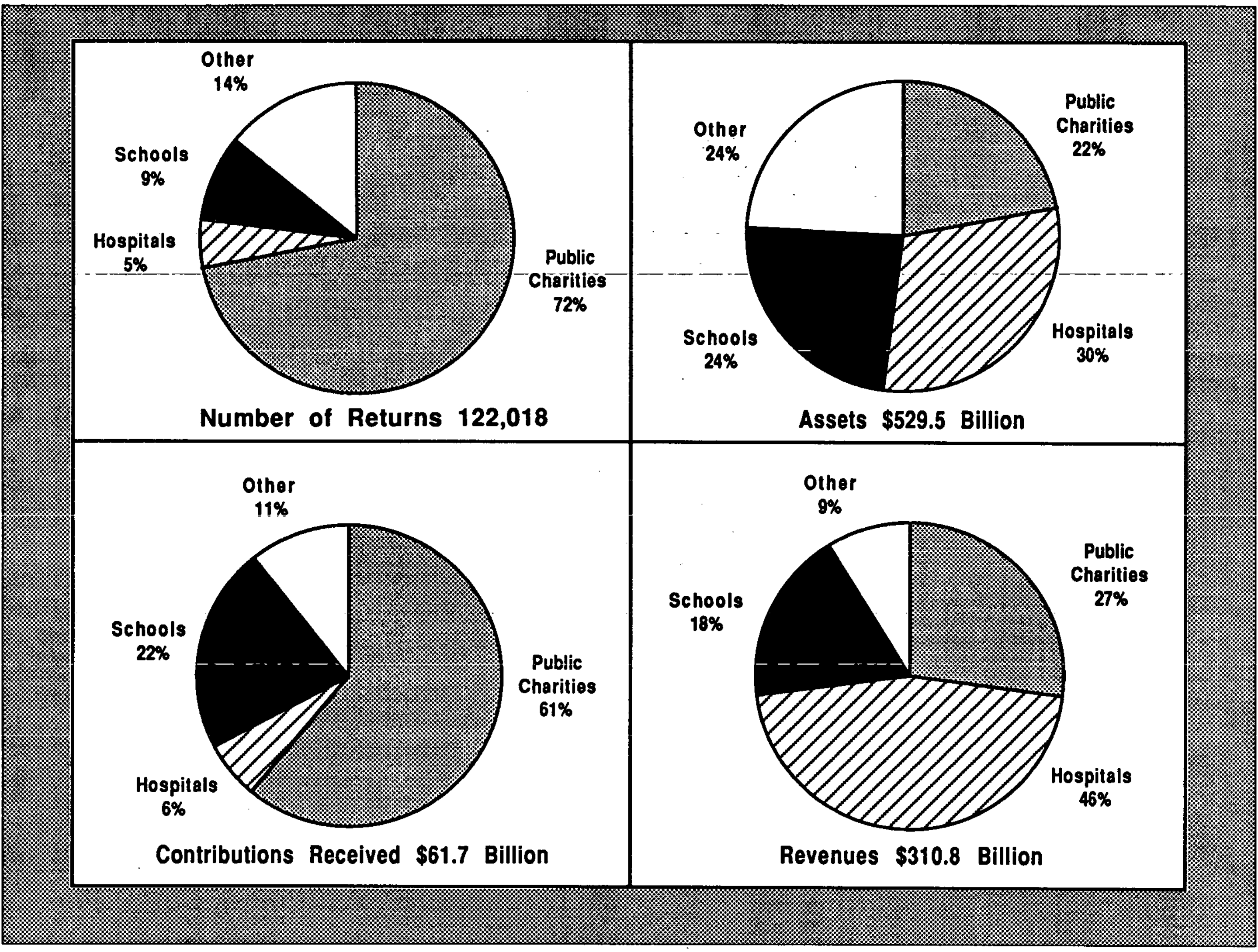


Figure H.--Selected Balance Sheet and Income Statement Items, by Type of Nonprofit Charitable Organization, Reporting Year 1987

[All figures are estimates based on samples--money amounts are in millions of dollars]

Type of organization	Total assets	Total liabilities	Total revenue	Program service revenue	Total expenses
	(1)	(2)	(3)	(4)	(5)
Total, nonprofit charitable organizations	$529,514	$231,765	$310,766	$211,904	$288,681
Church or religious-affiliated organization 1/	4,425	2,094	3,186	2,118	3,003
Educational institution or school	125,659	24,260	55,056	32,811	48,357
Hospital	159,937	79,877	141,960	129,543	136,336
Governmental unit	2,154	728	1,188	480	1,101
Hospital research organization	7,250	783	1,350	544	1,207
Organization supporting a public college	6,017	868	3,001	865	2,373
Publicly-supported organization	116,407	49,308	84,041	34,729	78,360
Organization supporting charitable organizations	107,386	73,746	20,716	10,565	17,684
Organization testing for public safety	194	29	163	159	149
Type not reported	86	73	106	89	111

1/ Churches are not required to file a Form 990. Most of the organizations in this category either filed voluntarily or misreported their type of organization. The estimate is, therefore, not inclusive of the majority of religious organizations.

Note: Detail may not add to total because of rounding.

Figure I.--Contributions Received, by Major Type of Recipient Nonprofit Charitable Organization, Reporting Year 1987
[All figures are estimates based on samples--money amounts are in millions of dollars]

Major type of organization	Total contributions		Direct support		Indirect support		Government grants	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total, nonprofit charitable organizations	$61,686	100.0	$29,927	100.0	$6,376	100.0	$25,383	100.0
Educational institution or school	13,530	21.9	6,259	20.9	805	12.6	6,466	25.5
Hospital	3,792	6.1	2,278	7.6	337	5.3	1,177	4.6
Publicly-supported organization	37,414	60.7	17,070	57.0	4,038	63.3	16,306	64.2
Organization supporting charitable organizations	3,494	5.7	2,443	8.2	745	11.7	305	1.2

The largest asset holdings for these three major types of organizations were in the form of land, buildings, and equipment, representing 40 percent of the total asset holdings for these groups. For hospitals, these assets represented 46 percent of total assets; for educational institutions, 40 percent; and for publicly-supported organizations, 33 percent. In contrast, another category of nonprofit charitable organization identified on Form 990 -- one that supports other charitable organizations -- held 59 percent of total assets in investment securities and only 6 percent in land, buildings, and equipment. Among the largest of these organizations are the Common Fund for Nonprofit Organizations, the Teachers Insurance and Annuity Association, and the American Cancer Society. Investment securities for this group were a slightly smaller proportion of assets than for 1986 (64 percent), possibly as a result of the stock market decline in October 1987.

Program service revenue represented an increasing share of total revenue for all organizations. For hospitals, it represented mainly charges to patients and comprised 91 percent of hospital revenue for both 1986 and 1987. For educational institutions, it comprised 61 percent of total revenue for 1986 and 60 percent for 1987, an increase from 55 percent for 1985. For publicly-supported organizations, program service revenue represented 41 percent of total revenue for both 1986 and 1987, up from 36 percent for 1985. For this latter group, contributions showed a decline as a proportion of total revenue -- from one-half of total revenue for 1985 to 44 percent for 1986 and 45 percent for 1987. Despite this, publicly-supported organizations received three-fifths of total contributions. Government grants to these organizations, after dropping by 15 percent from 1985 to 1986, rose from $14.2 billion for 1986 to $16.3 billion for 1987.

Another category of nonprofit charitable organizations -- those engaged in medical research -- reported assets of $1.6 billion for 1985, $6.8 billion for 1986 and $7.3 billion for 1987. The large increase from 1985 to 1986 was due to the inclusion of the Howard Hughes Medical Institute, whose nonprofit status was not affirmed by the IRS until 1986. It reported assets of $5.2 billion for both 1986 and 1987, with revenues of $269 million for 1986 and $212 million for 1987.

SUMMARY

For 1986 and 1987, nonprofit charitable organizations continued to report growth in their financial statistics. Revenue increased to $310.8 billion for 1987, up from $292.5 billion for 1986, a gain of 6 percent; assets were $529.5 billion for 1987, up from $489.2 billion for 1986, an increase of 8 percent. Hospitals, as a group, led all other types of organizations in both revenues and assets. The number of returns filed by nonprofit charitable organizations was 122,018 for 1987 and 113,072 for 1986, up from 106,449 for 1985.

Program service revenue -- the fees received for the programs conducted in support of the purposes for which the tax exemptions were granted -- was $187.9 billion for 1986 and $211.9 billion for 1987, representing 64 percent of total revenue for 1986 and 68 percent for 1987. Contributions remained relatively steady for the 2 years, $60.1 billion for 1986 and $61.7 billion for 1987. This source of revenue accounted for one-half of the revenue for organizations with asset holdings of less than $1 million, and a smaller share for the larger organizations. Expenses were $263.5 billion for 1986 and $288.7 billion for 1987, of which 84 percent was in support of the organizations' program services.

DATA SOURCES AND LIMITATIONS

The statistics in this article are based on samples of Form 990, Return of Organization Exempt from Income Tax, filed by organizations classified under Internal Revenue Code section 501(c)(3) for 1986 and 1987. The samples included only those organizations with receipts in excess of $25,000, the filing threshold. The samples did not include private foundations, which were required to file a separate return form. The 1986 sample included 8,731 returns, while the 1987 sample included 10,756 returns. The returns in the samples were unaudited.

The samples were stratified by the size of assets of the organizations. For both samples, all returns of organizations with assets of $50 million or more were selected. For 1986, 26 percent of the returns of organizations with assets of between $10 million and $50 million were in the sample, while for 1987, 96 percent of the returns of this asset-size were included. Lower sampling rates were used in the smaller asset classes.

NOTES AND REFERENCES

[1] Data for previous years were published in the *Compendium of Studies of Tax-Exempt Organizations, 1974-87,* Internal Revenue Service, Statistics of Income, U.S. Government Printing Office, Washington 1991. For selected financial data for 1986, see Hilgert, Cecelia, "Nonprofit Charitable Organizations: Highlights of Tax Year 1986 Data," pp. 167-8. For 1985 data, see Hilgert, Cecelia, and Mahler, Susan J., "Nonprofit Charitable Organizations, 1985," *Statistics of Income Bulletin,* Fall 1989, Volume 9, Number 2, pp. 53-65.

[2] The total number of tax-exempt organizations, including those not required to file Form 990, was obtained from the Internal Revenue Service Exempt Organizations Business Master File, Monthly Exempt Organizations Statistical Summary (unpublished).

[3] In Table 2, data for Puerto Rico are included in "Foreign."

[4] See Meckstroth, Alicia, and Riley, Margaret, "Private Foundation Returns, 1986 and 1987," *Statistics of Income Bulletin,* Spring 1991, Volume 10, Number 4.

[5] Community foundations are organizations with broad based public support that file Forms 990, as opposed to private foundations which have a narrower source of funding and file Forms 990-PF.

Table 1.--Returns of Tax-Exempt Section 501(c)(3) Organizations: Selected Income and Balance Sheet Items, by Size of Total Assets

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total	Size of total assets					
		Under $100,000 2,3/	$100,000 under $500,000 3/	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of 501(c)(3) returns 1/	**122,018**	**51,005**	**33,051**	**10,693**	**21,165**	**4,290**	**1,813**
Total assets	**529,514,044**	**1,707,652**	**7,929,741**	**7,575,773**	**65,016,825**	**94,685,309**	**352,598,743**
Cash (non-interest bearing):							
Number of returns	98,131	40,984	26,691	8,567	17,162	3,381	1,346
Amount	11,432,250	403,581	704,861	528,525	2,414,673	1,838,060	5,542,550
Savings and temporary cash investments:							
Number of returns	84,236	29,402	25,907	7,982	16,297	3,281	1,367
Amount	44,378,892	663,367	2,275,748	1,466,582	8,805,188	8,773,052	22,394,954
Accounts receivable (net):							
Number of returns	51,205	11,563	14,178	5,794	14,369	3,620	1,681
Amount	37,662,887	99,020	545,473	508,218	3,886,081	7,983,791	24,640,302
Pledges receivable (net):							
Number of returns	6,617	605	1,377	793	2,733	770	339
Amount	4,893,839	5,645	44,285	116,155	1,523,057	1,591,418	1,613,278
Grants receivable:							
Number of returns	9,643	2,643	2,698	1,382	2,126	483	311
Amount	2,644,755	44,142	103,888	173,517	796,004	565,472	961,732
Receivables due from officers, directors, trustees, and key employees:							
Number of returns	2,763	991	771	134	543	195	128
Amount	299,902	4,014	11,766	9,487	67,158	56,649	150,828
Other notes and loans receivable (net):							
Number of returns	13,341	1,432	2,656	1,570	4,810	1,885	989
Amount	13,479,040	4,800	172,374	148,024	1,571,921	2,476,389	9,105,531
Inventories for sale or use:							
Number of returns	24,698	4,845	6,442	2,585	6,767	2,640	1,419
Amount	4,034,131	38,391	135,264	103,220	646,802	964,695	2,145,759
Prepaid expenses and deferred charges:							
Number of returns	43,908	8,534	12,361	4,947	13,179	3,333	1,553
Amount	4,788,006	19,716	98,328	74,076	610,343	1,042,589	2,942,955
Investments-securities:							
Number of returns	22,890	1,541	5,354	3,255	8,799	2,693	1,246
Amount	155,173,185	18,118	702,258	996,174	10,570,017	19,833,558	123,053,061
Investments--land, buildings and equipment (minus accumulated depreciation):							
Number of returns	11,782	3,420	3,372	1,235	2,560	795	400
Amount	8,757,577	41,449	366,831	298,801	1,733,544	2,009,708	4,307,246
Investments--other:							
Number of returns	9,026	771	1,720	1,088	3,265	1,345	836
Amount	39,063,780	24,403	132,097	264,101	2,234,935	4,062,797	32,345,447
Land, buildings and equipment (minus accumulated depreciation):							
Number of returns	73,342	20,275	22,658	7,862	17,065	3,802	1,679
Amount	172,580,687	315,169	2,447,484	2,654,297	27,291,946	37,836,974	102,034,816
Other assets:							
Number of returns	42,166	9,966	10,626	4,745	12,024	3,256	1,549
Amount	30,325,100	25,832	189,079	234,595	2,865,155	5,650,156	21,360,284
Total liabilities and fund balance/net worth:							
Number of returns	**121,576**	**50,564**	**33,051**	**10,693**	**21,165**	**4,290**	**1,813**
Amount	**529,514,042**	**1,707,653**	**7,929,739**	**7,575,773**	**65,016,824**	**94,685,309**	**352,598,743**
Total liabilities	**231,764,942**	**583,417**	**2,224,906**	**2,345,514**	**26,552,348**	**35,824,675**	**164,234,083**
Accounts payable:							
Number of returns	73,194	21,603	20,345	7,713	17,804	3,968	1,761
Amount	31,411,479	235,381	662,754	566,338	4,097,438	6,447,080	19,402,487
Grants payable:							
Number of returns	4,752	991	1,542	659	1,104	326	131
Amount	2,909,470	22,186	55,603	88,154	564,217	766,887	1,412,422
Support and revenue designated for future periods:							
Number of returns	13,941	2,368	3,799	2,000	4,469	965	341
Amount	7,620,942	38,445	150,017	256,359	2,184,264	2,388,886	2,602,972
Loans from officers, directors, trustees, and key employees:							
Number of returns	4,426	2,588	1,156	174	445	53	10
Amount	503,704	31,687	41,300	14,905	140,790	62,233	212,789
Mortgages and other notes payable:							
Number of returns	38,275	7,158	10,724	4,597	11,573	2,808	1,415
Amount	96,353,323	165,571	1,008,053	1,054,120	15,455,897	19,176,002	59,493,680
Other liabilities:							
Number of returns	38,609	9,201	9,884	3,732	11,413	2,929	1,451
Amount	92,966,023	90,145	307,179	365,638	4,109,740	6,983,587	81,109,733
Total fund balance/net worth:							
Number of returns	**121,142**	**50,234**	**33,038**	**10,680**	**21,098**	**4,282**	**1,810**
Amount	**297,749,097**	**1,124,236**	**5,704,832**	**5,230,259**	**38,464,476**	**58,860,634**	**188,364,660**
Total revenue:							
Number of returns	**122,018**	**51,005**	**33,051**	**10,693**	**21,165**	**4,290**	**1,813**
Amount	**310,765,938**	**5,976,224**	**10,886,717**	**8,140,602**	**46,826,579**	**60,964,830**	**177,970,984**
Total contributions received:							
Number of returns	101,149	42,739	27,353	8,908	17,022	3,546	1,580
Amount	61,686,060	3,184,081	4,821,812	4,383,492	16,133,741	10,619,400	22,543,534
Contributions received from direct public support:							
Number of returns	91,739	38,431	25,150	8,157	15,290	3,285	1,425
Amount	29,927,466	1,593,144	2,043,169	1,659,229	7,141,694	6,489,839	11,000,392
Contributions received from indirect public support:							
Number of returns	24,470	9,209	6,788	2,606	4,710	751	406
Amount	6,375,864	350,308	461,241	361,143	1,652,751	1,542,916	2,007,505

Footnotes at end of table.

Nonprofit Charitable Organizations, 1987

Table 1.--Returns of Tax-Exempt Section 501(c)(3) Organizations: Selected Income and Balance Sheet Items, by Size of Total Assets --Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total	Size of total assets					
		Under $100,000 2,3/	$100,000 under $500,000 3/	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total revenue (continued):							
Government grants:							
Number of returns	35,476	14,274	9,814	3,444	5,898	1,294	751
Amount	25,382,730	1,240,629	2,317,402	2,363,121	7,339,296	2,586,645	9,535,638
Program service revenue:							
Number of returns	70,659	26,228	18,459	6,518	14,389	3,464	1,600
Amount	211,903,775	1,962,164	4,802,988	2,857,242	24,553,126	43,728,612	133,999,644
Membership dues and assessments:							
Number of returns	32,492	16,573	9,153	2,417	3,769	436	144
Amount	4,187,301	293,402	316,707	188,069	1,229,513	699,996	1,459,614
Interest on savings and temporary cash investments:							
Number of returns	96,769	37,936	27,767	9,083	17,282	3,295	1,406
Amount	4,570,969	50,367	158,907	125,452	849,204	949,113	2,437,926
Dividends and interest from securities:							
Number of returns	22,635	3,083	5,960	2,927	7,423	2,204	1,038
Amount	9,512,714	4,775	60,743	77,034	769,435	1,258,730	7,341,997
Net rental income (loss):							
Number of returns	16,273	2,918	3,910	1,993	5,378	1,364	710
Amount	772,173	18,274	41,652	28,471	283,808	136,164	263,804
Gross rents:							
Number of returns	16,497	3,029	4,020	1,993	5,378	1,368	708
Amount	1,736,713	39,039	79,110	54,116	641,788	297,320	625,340
Rental expenses:							
Number of returns	6,639	1,101	1,488	611	2,364	658	416
Amount	964,541	20,764	37,459	25,646	357,980	161,156	361,536
Other investment income (loss):							
Number of returns	3,653	220	771	443	1,415	489	315
Amount	2,108,333	366	10,503	5,945	101,181	143,639	1,846,700
Total gain (loss) from sales of assets:							
Number of returns	19,954	1,762	4,859	2,619	7,236	2,283	1,195
Amount	9,995,162	9,502	28,741	96,641	588,935	756,615	8,514,727
Gain (loss), sales of securities:							
Number of returns	11,874	605	2,546	1,625	4,809	1,565	723
Amount	8,859,690	5,927	29,621	39,486	378,046	576,159	7,830,450
Gross amount from sales:							
Number of returns	11,744	661	2,533	1,612	4,738	1,511	689
Amount	127,949,216	39,070	203,080	306,807	3,899,885	7,449,831	116,050,543
Cost or other basis and sales expenses:							
Number of returns	10,855	605	2,271	1,558	4,439	1,378	604
Amount	119,089,525	33,143	173,458	267,320	3,521,839	6,873,671	108,220,093
Gain (loss), sales of other assets:							
Number of returns	10,240	1,157	2,643	1,209	3,334	1,152	747
Amount	1,135,472	3,575	-880	57,155	210,889	180,456	684,277
Gross amount from sales of other assets:							
Number of returns	9,022	1,102	2,423	1,034	2,802	1,002	660
Amount	2,730,382	5,241	130,302	108,892	445,962	540,573	1,499,412
Cost or other basis and sales expenses:							
Number of returns	6,913	605	1,597	846	2,425	864	575
Amount	1,594,910	1,666	131,182	51,737	235,073	360,117	815,136
Net income (loss), fundraising:							
Number of returns	27,900	15,032	7,502	1,895	2,987	363	122
Amount	1,122,151	210,963	241,735	125,170	341,810	134,988	67,485
Gross revenue:							
Number of returns	28,315	15,142	7,612	1,962	3,086	381	133
Amount	2,569,399	530,774	423,869	253,518	619,091	233,011	509,135
Direct expenses:							
Number of returns	24,066	13,104	6,400	1,693	2,416	330	122
Amount	1,447,246	319,810	182,134	128,348	277,281	98,023	441,650
Gross profit (loss), sales of inventory:							
Number of returns	18,092	7,213	5,079	1,666	3,080	679	375
Amount	4,651,694	135,121	212,746	91,748	868,061	991,730	2,352,288
Gross sales minus returns and allowances:							
Number of returns	18,304	7,323	5,189	1,680	3,059	678	375
Amount	8,364,847	289,279	426,412	279,526	1,630,881	1,869,873	3,868,876
Cost of goods sold:							
Number of returns	14,996	6,002	3,923	1,438	2,663	620	350
Amount	3,713,151	154,157	213,665	187,779	762,820	878,143	1,516,588
Other revenue:							
Number of returns	50,617	16,408	13,255	5,040	11,647	2,904	1,363
Amount	255,592	107,201	190,179	161,339	1,107,763	1,545,843	-2,856,734
Total expenses:							
Number of returns	**121,042**	**50,620**	**32,886**	**10,559**	**20,895**	**4,271**	**1,810**
Amount	**288,681,058**	**5,883,130**	**10,322,996**	**7,630,056**	**44,040,182**	**56,925,454**	**163,879,240**
Program services:							
Number of returns	112,333	46,985	30,105	9,940	19,439	4,098	1,765
Amount	242,187,728	4,512,061	8,283,334	6,188,346	35,875,847	46,722,979	140,605,161
Management and general:							
Number of returns	97,599	38,452	26,361	9,231	18,288	3,698	1,569
Amount	42,629,142	1,174,805	1,792,717	1,192,483	7,277,974	9,242,173	21,948,991
Fundraising:							
Number of returns	32,962	12,609	8,259	3,275	6,509	1,601	709
Amount	2,877,750	159,954	229,200	163,868	690,221	662,767	971,739
Payments to affiliates:							
Number of returns	4,659	1,872	1,170	590	779	160	88
Amount	921,995	36,306	17,744	85,358	196,139	297,535	288,914

1/ Excludes Private Foundations.

2/ Includes zero assets or not reported.

3/ Estimates in this column should be used with caution because of the small number of sample returns on which they are based.

NOTE: Detail may not add to total due to rounding.

Nonprofit Charitable Organizations, 1987

Table 2.--Returns of Tax-Exempt Section 501(c)(3) Organizations: Selected Income and Balance Sheet Items, by State

[All figures are estimates based on samples--money amounts are in thousands of dollars]

State	Number of returns	Total revenue	Selected sources of revenue							
			Total contributions received		Direct public support		Indirect public support		Government grants	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
United States, total 1/	122,018	310,765,938	101,149	61,686,060	91,739	29,927,466	24,470	6,375,864	35,476	25,382,730
Alabama	1,763	2,566,776	1,560	598,756	1,346	275,825	381	65,185	514	257,745
Alaska	203	256,236	145	166,087	136	39,794	7	2,167	139	124,126
Arizona	1,511	3,084,984	1,258	424,233	1,024	205,067	325	63,110	312	156,056
Arkansas	509	1,313,654	432	368,030	370	157,465	51	18,991	220	191,573
California	14,727	35,197,455	12,516	6,749,042	11,388	3,389,957	2,449	538,531	2,854	2,820,555
Colorado	1,610	3,608,813	1,522	693,177	1,472	397,743	471	41,820	304	253,615
Connecticut	2,297	6,412,415	2,039	986,738	1,954	454,223	523	56,485	571	476,030
Delaware	219	1,116,577	208	145,379	208	58,762	106	17,850	146	68,767
District of Columbia	1,693	6,685,049	1,526	2,595,414	1,494	1,160,458	274	79,692	436	1,355,264
Florida	4,960	10,670,857	4,031	2,135,632	3,797	1,067,324	666	188,338	1,192	879,970
Georgia	2,181	5,283,595	1,839	1,571,077	1,755	909,948	383	292,966	430	368,163
Hawaii	599	1,271,983	541	312,629	537	76,630	248	65,963	386	170,036
Idaho	316	401,037	295	121,684	239	81,608	22	1,033	99	39,043
Illinois	4,951	16,421,105	4,324	3,085,146	3,948	1,412,337	999	394,552	1,899	1,278,257
Indiana	2,829	6,654,586	2,460	956,525	2,221	616,307	634	62,215	858	278,003
Iowa	1,586	2,364,323	1,444	359,664	1,332	237,666	342	37,835	470	84,163
Kansas	1,688	2,217,266	1,310	307,214	1,233	171,967	295	39,261	470	95,986
Kentucky	1,358	2,529,100	1,163	488,540	1,033	231,261	425	38,495	745	218,784
Louisiana	1,077	2,310,678	845	332,165	644	161,859	248	15,051	296	155,255
Maine	755	1,503,568	630	207,767	617	101,531	145	16,586	227	89,650
Maryland	2,532	5,296,422	1,813	787,864	1,661	460,011	530	107,365	568	220,487
Massachusetts	5,111	16,353,283	3,857	4,058,505	3,542	1,621,072	663	235,948	953	2,201,485
Michigan	3,012	11,210,842	2,528	1,534,504	2,295	810,134	779	146,811	999	577,559
Minnesota	3,042	5,382,220	2,505	932,096	2,327	562,025	466	95,887	683	274,184
Mississippi	743	1,463,220	657	177,238	392	79,756	250	16,795	351	80,688
Missouri	2,488	6,908,072	2,192	904,218	2,071	428,179	608	139,995	619	336,044
Montana	765	890,286	613	209,519	558	74,783	28	17,787	234	116,949
Nebraska	667	1,524,833	639	250,668	626	199,125	148	17,187	159	34,356
Nevada	413	376,728	303	77,651	295	65,794	27	2,742	28	9,116
New Hampshire	823	1,342,694	493	180,831	478	100,530	313	8,898	269	71,403
New Jersey	2,960	8,660,425	2,421	1,304,403	2,186	524,365	771	129,649	1,026	650,389
New Mexico	806	955,907	657	115,209	598	34,566	226	8,113	183	72,531
New York	10,280	44,258,814	8,648	10,612,661	7,844	5,044,254	1,822	1,552,995	4,597	4,015,412
North Carolina	3,540	5,853,297	2,986	1,332,810	2,701	700,705	946	95,296	1,595	536,808
North Dakota	407	1,001,264	364	155,309	336	31,263	146	2,550	131	121,497
Ohio	6,717	13,871,711	5,357	2,596,547	4,676	1,152,745	1,719	203,384	2,312	1,240,418
Oklahoma	1,018	2,184,015	912	375,038	842	275,667	197	19,305	221	80,065
Oregon	1,766	1,981,098	1,536	283,109	1,424	164,056	305	19,003	338	100,050
Pennsylvania	6,730	23,093,130	5,442	3,218,760	4,783	1,354,102	1,396	289,139	2,150	1,575,520
Rhode Island	800	2,131,267	567	446,113	460	241,746	94	100,414	227	103,953
South Carolina	1,075	1,746,576	867	227,206	735	130,630	237	32,609	293	63,966
South Dakota	415	1,073,832	391	95,653	323	41,682	42	1,188	134	52,783
Tennessee	2,520	4,803,326	1,933	1,033,988	1,730	571,016	391	114,265	795	348,706
Texas	6,426	12,063,597	5,063	2,547,717	4,599	1,526,413	1,248	329,240	1,338	692,064
Utah	304	1,388,921	231	272,236	230	20,834	70	175,057	76	76,345
Vermont	430	809,087	382	98,314	270	44,625	71	987	154	52,703
Virginia	2,933	7,312,060	2,394	1,956,645	2,215	1,231,719	273	362,591	771	362,336
Washington	2,649	4,450,956	1,963	585,766	1,828	245,729	517	29,590	661	310,447
West Virginia	848	1,647,738	802	193,760	642	119,815	175	7,675	395	66,269
Wisconsin	2,393	4,568,682	2,076	507,080	1,896	343,028	844	59,948	493	104,104
Wyoming	311	164,648	235	60,460	235	12,245	82	997	82	47,219
Foreign 2/	264	4,126,927	232	1,949,281	191	507,120	91	16,328	72	1,425,832

Footnote(s) at end of table.

Nonprofit Charitable Organizations, 1987

Table 2.--Returns of Tax-Exempt Section 501(c)(3) Organizations: Selected Income and Balance Sheet Items, by State--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

State	Selected sources of revenue--continued				Total expenses	Selected expenses			
	Program service revenue		Membership dues and assessments			Program service		Fundraising	
	Number of returns	Amount	Number of returns	Amount		Number of returns	Amount	Number of returns	Amount
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
United States, total 1/	70,659	211,903,775	32,492	4,187,301	288,681,058	112,333	242,187,728	32,962	2,877,750
Alabama	813	1,629,560	413	25,345	2,428,281	1,673	2,056,211	363	16,784
Alaska	120	66,295	74	4,230	249,519	202	201,220	69	2,986
Arizona	942	2,491,627	413	17,486	3,019,170	1,368	2,619,651	453	21,994
Arkansas	249	841,511	7	5,656	1,215,675	498	966,651	112	25,707
California	7,746	25,196,014	4,479	615,811	33,296,432	13,344	28,544,453	4,332	343,450
Colorado	997	2,585,248	326	77,459	3,351,474	1,568	2,778,797	477	50,099
Connecticut	1,326	4,102,991	761	168,946	5,640,558	2,259	4,721,531	623	56,624
Delaware	106	686,183	97	27,589	993,765	219	790,650	20	6,019
District of Columbia	999	2,824,762	653	579,564	6,185,216	1,633	5,308,013	601	87,515
Florida	2,887	7,206,637	1,590	70,303	9,672,079	4,330	8,216,033	1,051	94,495
Georgia	925	2,977,394	474	136,624	4,770,790	2,028	3,955,507	491	79,215
Hawaii	370	576,015	244	6,528	953,990	579	748,610	322	7,833
Idaho	98	246,074	110	1,517	339,422	235	254,545	33	1,426
Illinois	2,685	11,580,418	1,143	179,669	15,417,490	4,654	13,062,753	1,655	250,785
Indiana	1,691	4,956,866	914	84,363	6,023,620	2,622	5,013,476	805	49,311
Iowa	910	1,727,525	408	23,510	2,175,765	1,567	1,709,853	460	28,330
Kansas	853	1,638,414	697	42,244	2,070,653	1,447	1,727,786	509	12,960
Kentucky	778	1,809,789	425	11,576	2,356,808	1,085	2,049,822	308	19,866
Louisiana	391	1,591,396	128	54,558	2,183,694	951	1,682,507	212	8,820
Maine	543	1,180,785	137	4,210	1,401,865	630	1,137,172	77	7,607
Maryland	1,720	3,853,927	696	72,722	4,956,487	2,368	3,968,770	795	42,323
Massachusetts	3,176	10,253,147	1,137	100,954	15,330,663	4,787	12,753,680	1,421	140,442
Michigan	1,906	8,682,337	672	259,501	10,642,778	2,829	8,409,132	903	68,228
Minnesota	2,089	3,884,423	641	28,257	4,916,714	2,848	4,281,768	883	48,798
Mississippi	517	1,125,509	205	5,704	1,359,931	729	1,214,345	157	4,624
Missouri	1,536	5,367,190	605	33,011	6,316,233	2,194	5,430,246	600	34,156
Montana	430	605,187	125	6,555	863,082	738	746,540	124	6,831
Nebraska	230	992,996	224	84,866	1,318,078	613	1,079,303	194	36,453
Nevada	122	247,452	56	19	328,830	413	235,067	95	3,819
New Hampshire	748	943,975	164	17,836	1,187,593	823	953,241	175	11,555
New Jersey	1,716	6,165,514	876	76,226	8,031,452	2,689	6,444,284	1,076	75,640
New Mexico	583	755,958	227	1,581	924,042	792	761,044	139	697
New York	6,137	27,450,217	3,356	290,067	41,985,054	9,536	36,610,647	3,767	494,401
North Carolina	1,853	3,937,463	704	31,054	5,254,451	3,271	4,568,198	865	32,219
North Dakota	259	784,778	152	792	946,096	393	809,544	72	7,302
Ohio	4,222	9,801,637	1,792	110,970	12,839,037	6,010	9,831,565	1,442	101,847
Oklahoma	566	1,526,729	155	19,265	2,029,934	890	1,611,736	295	12,540
Oregon	1,209	1,541,774	536	11,182	1,854,248	1,703	1,529,799	481	16,302
Pennsylvania	4,451	17,685,011	1,829	155,874	21,519,805	6,106	18,280,844	1,459	139,113
Rhode Island	543	1,359,181	194	86,266	1,945,483	786	1,671,632	159	15,638
South Carolina	519	1,318,435	459	27,541	1,561,263	868	1,217,576	228	9,048
South Dakota	312	910,069	88	3,000	1,007,812	401	869,076	31	1,111
Tennessee	1,311	3,284,297	456	7,789	4,402,716	2,202	3,639,591	824	52,034
Texas	2,856	7,737,877	1,313	96,699	10,971,339	5,933	9,141,525	1,503	138,136
Utah	165	996,260	179	3,604	1,273,472	304	1,192,614	23	1,954
Vermont	421	653,480	138	9,620	773,652	413	638,497	146	6,624
Virginia	1,653	4,309,588	888	239,977	6,682,785	2,783	5,480,300	822	115,272
Washington	1,760	3,600,386	514	20,308	4,211,613	2,524	3,328,651	423	29,101
West Virginia	577	1,287,698	150	6,643	1,591,091	682	1,391,376	126	7,996
Wisconsin	1,349	3,555,029	409	94,158	4,230,675	2,255	3,521,533	605	30,990
Wyoming	153	69,374	13	2,122	140,134	298	109,220	98	2,868
Foreign 2/	143	1,301,372	45	145,951	3,538,247	257	2,921,145	57	17,862

Footnote(s) at end of table.

Nonprofit Charitable Organizations, 1987

Table 2.--Returns of Tax-Exempt Section 501(c)(3) Organizations: Selected Income and Balance Sheet Items, by State--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

State	Information items				
	Total assets		Total liabilities	Total liabilities and fund balance/net worth	
	Number of returns	Amount		Number of returns	Amount
	(20)	(21)	(22)	(23)	(24)
United States, total 1/	121,576	529,514,044	231,764,942	121,576	529,514,042
Alabama	1,763	4,044,019	1,839,569	1,763	4,044,019
Alaska	203	496,510	195,319	203	496,510
Arizona	1,456	4,025,693	2,605,989	1,456	4,025,693
Arkansas	509	2,001,093	773,236	509	2,001,093
California	14,561	44,030,955	19,504,744	14,561	44,030,954
Colorado	1,610	5,353,871	2,053,895	1,610	5,353,871
Connecticut	2,297	14,991,140	3,263,598	2,297	14,991,140
Delaware	219	2,865,696	1,121,474	219	2,865,696
District of Columbia	1,693	8,718,108	2,951,952	1,693	8,718,108
Florida	4,960	17,704,377	7,345,740	4,960	17,704,377
Georgia	2,181	8,245,341	2,469,746	2,181	8,245,341
Hawaii	599	2,394,779	536,857	599	2,394,779
Idaho	316	707,512	223,543	316	707,512
Illinois	4,896	24,493,737	8,631,917	4,896	24,493,737
Indiana	2,829	10,222,371	3,566,988	2,829	10,222,371
Iowa	1,586	3,906,072	1,528,989	1,586	3,906,072
Kansas	1,688	3,757,438	1,485,129	1,688	3,757,438
Kentucky	1,358	4,286,710	1,936,171	1,358	4,286,710
Louisiana	1,077	4,280,924	1,899,145	1,077	4,280,924
Maine	755	2,233,020	881,253	755	2,233,020
Maryland	2,532	11,851,787	2,761,594	2,532	11,851,787
Massachusetts	5,056	29,978,016	9,738,260	5,056	29,978,016
Michigan	3,012	14,531,816	6,004,401	3,012	14,531,816
Minnesota	3,042	7,960,620	3,054,316	3,042	7,960,620
Mississippi	743	2,224,262	848,396	743	2,224,260
Missouri	2,488	10,540,923	3,471,158	2,488	10,540,923
Montana	765	1,114,325	537,399	765	1,114,325
Nebraska	667	3,766,092	1,644,694	667	3,766,092
Nevada	413	629,700	259,428	413	629,700
New Hampshire	823	2,828,164	773,454	823	2,828,164
New Jersey	2,960	13,229,118	5,395,023	2,960	13,229,118
New Mexico	806	1,386,083	600,013	806	1,386,083
New York	10,280	112,653,652	79,990,909	10,280	112,653,651
North Carolina	3,540	9,765,417	2,489,193	3,540	9,765,419
North Dakota	407	1,182,918	593,213	407	1,182,918
Ohio	6,717	20,583,792	7,263,907	6,717	20,583,792
Oklahoma	1,018	4,585,161	1,256,911	1,018	4,585,161
Oregon	1,766	2,976,598	1,123,570	1,766	2,976,598
Pennsylvania	6,675	32,060,292	12,410,696	6,675	32,060,292
Rhode Island	800	2,985,140	859,459	800	2,985,140
South Carolina	1,075	3,072,198	1,039,833	1,075	3,072,198
South Dakota	415	1,850,101	1,087,508	415	1,850,101
Tennessee	2,520	7,560,719	2,450,598	2,520	7,560,719
Texas	6,426	22,613,427	8,988,262	6,426	22,613,427
Utah	304	1,835,116	612,053	304	1,835,116
Vermont	430	1,266,351	433,451	430	1,266,351
Virginia	2,878	11,348,044	3,504,322	2,878	11,348,044
Washington	2,649	5,979,216	2,571,529	2,649	5,979,216
West Virginia	848	2,181,699	914,674	848	2,181,699
Wisconsin	2,393	7,328,501	2,632,434	2,393	7,328,501
Wyoming	311	331,279	111,591	311	331,279
Foreign 2/	264	8,554,151	1,527,439	264	8,554,151

1/ Excludes Private Foundations.

2/ Includes entities organized outside the United States that have received tax-exempt recognition under Internal Revenue Code section 501(c)(3) and that conduct part of their activities in the United States. Also includes entities organized in Puerto Rico.

NOTE: Detail may not add to total because of rounding.

Nonprofit Charitable Organizations, 1987

Table 3.--Returns of Tax-Exempt Section 501(c)(3) Organizations: Functional Expenditures, by Size of Total Contributions Received

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total	Size of total contributions received						
		Contributions zero or unreported	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of 501(c)(3) returns 1/	**122,018**	**20,869**	**28,471**	**29,975**	**27,264**	**6,843**	**7,928**	**668**
Total functional expenditures:								
Number of returns	120,862	20,117	28,376	29,727	27,223	6,829	7,924	666
Amount	287,759,051	37,822,967	26,886,285	23,442,311	51,614,348	22,378,023	68,712,459	56,902,658
Total grants and allocations:								
Number of returns	28,099	4,733	6,742	5,977	5,759	1,818	2,688	382
Amount	13,994,150	939,964	388,935	318,220	865,380	697,762	4,381,048	6,402,842
Total specific assistance to individuals:								
Number of returns	9,490	628	1,762	2,049	3,238	737	1,025	51
Amount	9,606,642	163,721	7,922,797	34,994	142,775	60,882	786,066	495,407
Total benefits paid to or for members:								
Number of returns	2,277	655	537	531	426	39	77	12
Amount	986,290	403,398	206,036	43,827	79,722	52,002	58,491	142,814
Total compensation of officers and directors:								
Number of returns	33,636	5,374	5,448	8,045	8,840	2,301	3,250	377
Amount	3,249,540	556,838	325,136	279,103	786,753	273,828	798,683	229,198
Total other salaries and wages:								
Number of returns	82,272	10,890	15,397	19,815	22,068	6,148	7,341	613
Amount	104,390,802	10,801,527	7,092,620	9,052,382	20,183,650	9,258,757	26,786,894	21,214,971
Total pension plan contributions:								
Number of returns	18,827	2,617	1,878	3,278	5,545	1,782	3,329	398
Amount	2,824,671	309,107	135,695	148,359	364,597	168,798	685,667	1,012,448
Total other employee benefits:								
Number of returns	50,877	5,584	7,245	11,102	15,413	4,969	6,060	504
Amount	9,874,052	1,092,023	616,447	816,320	1,872,786	813,762	2,479,757	2,182,958
Total payroll taxes:								
Number of returns	71,072	9,621	12,832	17,460	19,533	5,195	5,949	482
Amount	6,674,489	652,009	507,918	592,575	1,342,768	620,431	1,688,995	1,269,794
Total professional fundraising fees:								
Number of returns	4,861	133	651	1,204	1,376	529	880	88
Amount	154,830	2,158	2,686	8,604	26,130	39,225	61,452	14,575
Total accounting fees:								
Number of returns	68,939	11,713	14,355	15,114	17,553	4,523	5,242	439
Amount	651,079	88,813	64,829	67,716	140,171	65,286	166,773	57,492
Total legal fees:								
Number of returns	29,116	5,538	5,248	5,070	7,090	2,227	3,547	395
Amount	738,492	107,352	57,039	55,209	159,279	47,479	206,849	105,284
Total supplies:								
Number of returns	96,491	13,598	22,160	24,277	23,037	5,876	6,985	558
Amount	23,298,785	2,596,486	1,818,311	2,339,802	5,118,967	2,181,897	5,556,599	3,686,724
Total telephone:								
Number of returns	86,600	11,809	17,858	22,336	21,857	5,623	6,595	523
Amount	1,784,504	177,082	119,936	131,063	303,578	139,683	471,538	441,624
Total postage and shipping:								
Number of returns	73,806	8,746	16,658	19,220	18,316	4,846	5,542	478
Amount	1,394,423	116,568	67,901	70,999	148,607	140,477	351,390	498,481
Total occupancy:								
Number of returns	76,619	9,860	15,728	18,672	19,801	5,569	6,462	527
Amount	7,666,231	865,016	578,224	597,781	1,358,254	651,317	2,142,342	1,473,297
Total equipment rental and maintenance:								
Number of returns	60,603	8,074	11,764	13,801	15,975	4,844	5,627	518
Amount	3,677,675	427,835	265,241	303,144	729,597	301,777	966,466	683,615
Total printing and publications:								
Number of returns	66,856	7,785	14,607	17,145	16,888	4,491	5,445	493
Amount	2,212,526	215,794	124,219	149,962	280,874	323,940	593,954	523,784
Total travel:								
Number of returns	68,649	7,583	11,665	18,140	18,667	5,473	6,601	521
Amount	2,226,726	209,072	109,877	126,350	275,213	150,667	689,973	665,573
Total conferences, conventions and meetings:								
Number of returns	50,306	6,444	11,159	12,185	12,675	3,422	4,073	348
Amount	825,216	96,329	83,038	79,431	143,677	61,999	218,023	142,720
Total interest:								
Number of returns	39,934	6,640	7,136	8,364	10,330	3,193	3,935	337
Amount	6,607,717	1,585,759	549,091	615,566	1,341,039	576,152	1,183,981	756,129
Total depreciation and depletion:								
Number of returns	65,035	9,718	12,204	14,426	17,876	4,830	5,543	438
Amount	9,845,757	1,403,654	881,414	1,079,420	2,383,812	951,866	2,170,587	975,003
Total other expenses:								
Number of returns	117,828	19,381	27,471	28,887	26,756	6,798	7,875	660
Amount	75,074,403	15,012,454	4,968,882	6,531,468	13,566,710	4,800,035	16,266,931	13,927,924

1/ Excludes Private Foundations.

NOTE: Detail may not add to total due to rounding.

Charities and Other Tax-Exempt Organizations, 1988

by Cecelia Hilgert and Paul Arnsberger

The total revenue of charitable organizations that are tax-exempt under Internal Revenue Code section 501(c)(3), excluding private foundations and religious organizations, increased to $354.6 billion for 1988, a 14-percent increase from 1987 [1,2]. Program activities provided more than two-thirds of total revenue ($239.3 billion), while contributions, gifts and grants provided about one-fifth ($69.1 billion). Total expenses rose by 15 percent to $330.8 billion for 1988; 85 percent of these expenses were attributable to costs of conducting programs (see Figure A). Additional data are presented in this article for organizations that are tax-exempt under Code sections 501(c)(4) through (9).

Organizations Exempt Under Code Section 501(c)(3)

Organizations that are tax-exempt under Internal Revenue Code section 501(c)(3) include those whose purposes are religious, charitable, educational or scientific, or are for the purpose of testing for public safety. Their activities are restricted in that they must further one or more of these exempt purposes. Examples of these organizations are nonprofit universities and schools, nonprofit hospitals, youth organizations, United Way campaigns, community performing-arts associations, and environmental support groups. These organizations must serve the public (as opposed to private) interests. Under the Code, these organizations may not distribute net earnings to a private shareholder or individual. In addition, they are restricted in activities that could influence legislation, and they cannot participate in any political campaign on behalf of or in opposition to any candidate for political office.

The Internal Revenue Code classifies nonprofit organizations into 25 subsections. Some of the organizations may be eligible for tax-deductible donations under section 170. Those organizations exempt under section 501(c)(3) receive the largest part of tax-deductible donations and are the largest providers of philanthropic goods and services. (Organizations that are exempt under certain other Code sections are discussed later in this article.)

Financial Characteristics of Nonprofit Charitable Organizations

A total of 124,232 of the 422,689 nonprofit charitable organizations recognized by the Internal Revenue Service (IRS) were required to file information returns on Form 990, *Return of Organization Exempt from Income Tax*, for 1988 [3]. The number of required returns filed continued to increase, but at a slower pace than previous years (less than 2 percent for 1988 compared with increases of 8 and 15 percent for 1987 and 1986, respectively). Over two-thirds of the returns for 1988 were filed by organizations with assets of less than $500,000. The number of returns filed by organizations in this asset-size class increased by less than 1 percent from 1987 to 1988, although the number filed by organizations with assets of $50 million or more increased by 8 percent from 1987. Organizations in this latter asset-size class, however, accounted for less than 2 percent of the total number of returns [4].

Figure A

Selected Data for Nonprofit Charitable Organizations, Reporting Years 1986-1988
[Money amounts are in billions of dollars]

Item	1986	1987	1988
	(1)	(2)	(3)
Number of returns	113,072	122,018	124,232
Total assets	$489.2	$529.5	$583.6
Total revenue	292.5	310.8	354.6
Program service revenue	187.9	211.9	239.3
Contributions, gifts and grants	60.1	61.7	69.1
Dues and assessments	3.7	4.2	4.0
Other	40.7	33.0	42.3
Total expenses	263.5	288.7	330.8
Program service expenses	221.9	242.2	281.6
Fundraising services	2.5	2.9	3.2
Management and general expenses	38.2	42.6	45.2
Payments to affiliates	.9	.9	.9

NOTES: Detail may not add to totals because of rounding. Nonprofit organizations exclude private foundations and religious organizations.

Assets of nonprofit charitable organizations (expressed in current dollars) increased by 10 percent, from $529.5 billion for 1987 to $583.6 billion for 1988. Most of these assets (86 percent) were owned by organizations with holdings of $10 million or more (see Figure B). These organizations also received over three-quarters of the total revenue ($276.9 billion). Revenue and asset data for the largest section 501(c)(3) organizations are presented in Figures C and D, respectively.

The tax code classifies nonprofit organizations into 25 subsections. Some organizations may be eligible for tax-deductible donations.

Assets and Liabilities

Assets registered a 10-percent gain from 1987, rising to $583.6 billion for 1988 from $529.5 billion for 1987. The major components of assets all showed significant increases. Investments in securities

---

Cecelia Hilgert and Paul Arnsberger are economists in the Foreign Special Projects Section. This article was prepared under the direction of Michael Alexander, Chief.

Figure B

Nonprofit Charitable Organizations by Asset Size, Reporting Year 1988

[Money amounts are in millions of dollars]

Asset size	Returns		Total assets		Total revenue	
	Number	Percent	Amount	Percent	Amount	Percent
	(1)	(2)	(3)	(4)	(5)	(6)
Total	**124,232**	**100.0%**	**$583,573**	**100.0%**	**$354,646**	**100.0%**
Under $100,000[1,2]	50,471	40.6	1,673	0.3	6,001	1.7
$100,000 under $500,000	34,415	27.7	8,232	1.4	12,521	3.5
$500,000 under $1,000,000	11,475	9.2	8,205	1.4	9,006	2.5
$1,000,000 under $10,000,000	21,457	17.3	66,130	11.3	50,202	14.2
$10,000,000 under $50,000,000	4,461	3.6	99,037	17.0	64,867	18.3
$50,000,000 or more	1,954	1.6	400,294	68.6	212,048	59.8

[1] Includes returns with zero assets or assets not reported.

[2] Estimates should be used with caution because of the small number of sample returns on which they are based.

NOTES: Detail may not add to totals because of rounding. Nonprofit charitable organizations exclude private foundations and religious organizations.

showed the largest annual gain, 13 percent, to $174.8 billion. Cash and savings rose by 10 percent to $61.1 billion. Land, buildings, and equipment continued to be the major asset holding, with a total of $185.2 billion. Land, buildings, and equipment represented almost one-third of the assets of all nonprofit charitable organizations; this category rose by 7 percent. (Detailed financial data by asset-size class are provided in Table 1.)

The type of asset holdings varied among the asset-size classes of the organizations. For small organizations—those with assets of less than $500,000—total assets rose by 3 percent. Cash and savings represented 43 percent of their total assets. For organizations with assets of between $10 million and $50 million, land, buildings and equipment accounted for the largest type of holding, $38.9 billion, or 39 percent of the total for this asset size-class. Investments in securities was the largest asset holding for organizations with assets of $50 million or more, representing 35 percent ($140.5 billion) of their total assets; this asset type rose by 14 percent for this asset size-class for 1988.

Total liabilities also increased, by 11 percent for 1988, to $257.6 billion. Mortgages and other notes payable were the largest item, totaling $106.0 billion, a 10-percent increase from 1987. This liability item represented 41 percent of the total, the same percentage as for 1987. Organizations with assets of $50 million or more accounted for 72.9 percent of total liabilities; those with assets of between $10 million and $50 million represented an additional 14.8 percent. These percentages were slightly greater than for 1987.

The balance sheet of a tax-exempt organization does not have an owner's equity section; instead, earnings accrue to a net worth/fund balance. The total balance for nonprofit charitable organizations was $325.9 billion, up from $297.7 billion for 1987.

Revenue

Program service revenue, which is generated through programs operated by nonprofit charitable organizations in support of their tax-exempt purposes, continued to grow as a total amount, but fell slightly as a percentage of total revenue. As shown in Figure E, program service revenue comprised nearly three-quarters of the total revenue of organizations with assets of $10 million or more. This revenue increased by 13 percent from $211.9 billion for 1987 to $239.3 billion for 1988. Program service revenue represented about two-thirds of total revenue for 1988. Some examples of program service revenue include tuition and fees at educational institutions, hospital patient care charges (including Medicaid-Medicare payments), admission fees collected by museums or community performing arts groups, YMCA/YWCA activity fees and payments received for insurance and retirement coverage by selected pension and annuity funds.

Contributions

Contributions, gifts and grants continued to represent about one-fifth of total revenue for all organizations, but, as shown in Figure E, contributions, gifts and grants represented a greater proportion of total revenue for smaller organizations than for larger ones. They accounted for one-half of total revenue for organizations with assets of less than $1 million, but 18 percent for organizations with assets between $10 million and $50 million and 12 percent for organizations with assets of $50 million or more. Direct public support represented 47 percent of the contributions total.

Contributions, gifts and grants registered a 12-percent increase from 1987, to $69.1 billion. In large part, this was due to the $5-billion increase in that portion represented by Government grants, which totaled $30.3 billion, up from $25.4 billion for 1987. Direct public support also

Figure C

Top Ten Nonprofit Charitable Organizations Ranked by Total Revenue, Reporting Year 1988
[Money amounts are in millions of dollars]

Name	Total revenue
1. Teachers Insurance and Annuity Association of America	$8,733
2. College Retirement Equities Fund	7,833
3. Kaiser Foundation Health Plan	4,594
4. New York City Health and Hospitals Corporation	2,582
5. Kaiser Foundation Hospitals	2,483
6. Harvard College	1,577
7. California Institute of Technology	1,300
8. University of Pennsylvania	1,275
9. Stanford University	1,250
10. Sisters of Mercy Health Corporation	1,224

NOTE: Nonprofit charitable organizations exclude private foundations and religious organizations.

increased, from $29.9 billion for 1987 to $32.5 billion for 1988, a gain of $2.6 billion. The third component, indirect public support, which is the revenue received through solicitation campaigns conducted by federated fundraising agencies, showed a decline for 1988—it totaled $6.2 billion, down from $6.4 billion for 1987 (see Figure F).

Government grants represented 44 percent of the contributions total and 9 percent of total revenue, both of which were slightly greater proportions than for 1987. This source of funding was 25 percent of the total revenue for small organizations (with assets less than $1 million). For organizations with assets of $10 million or more, it represented 5 percent of total revenue, the same as for previous years.

Expenses

Nonprofit charitable organizations report their expenses on Form 990 by object classification (salaries, pension plan contributions and other employee benefits, legal fees, supplies and the like) allocated into three functions: program services, management and general, and fundraising. Expenses totaled $330.8 billion for 1988, an increase of 15 percent over $288.7 billion for 1987.

Figure D

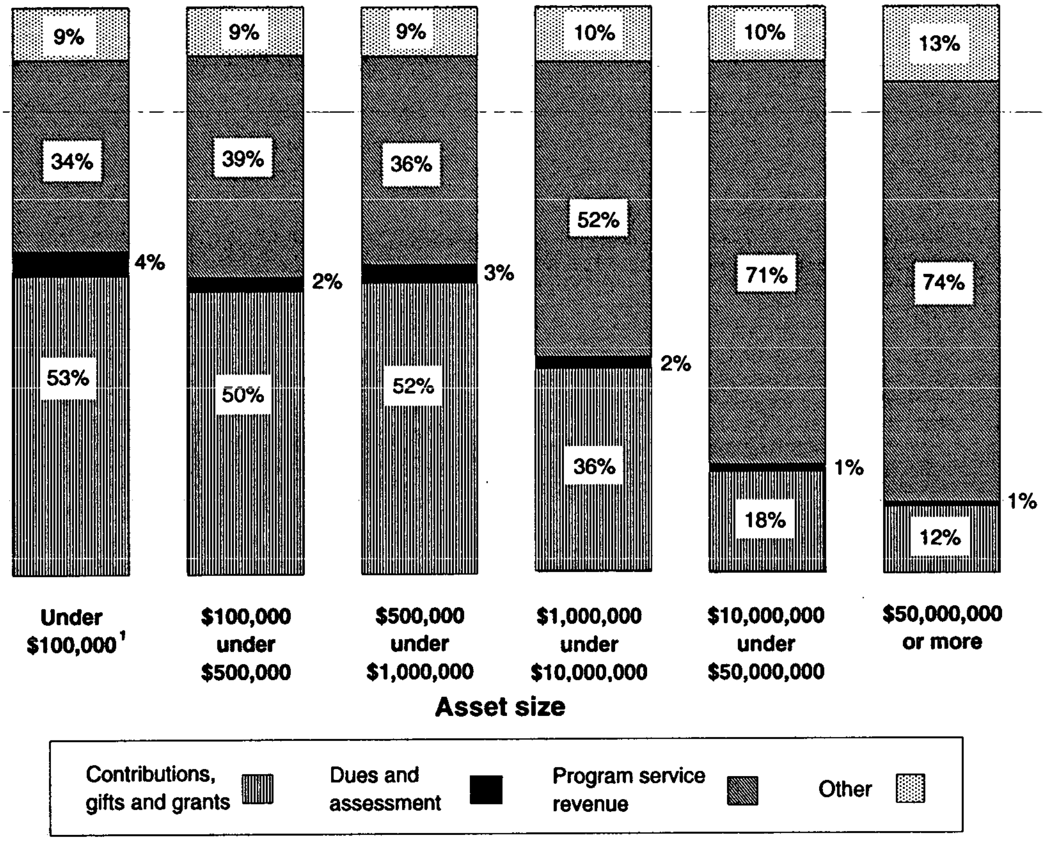
Top Ten Nonprofit Charitable Organizations Ranked by Total Assets, Reporting Year 1988
[Money amounts are in millions of dollars]

Name	Total assets
1. Teachers Insurance and Annuity Association of America	$38,631
2. College Retirement Equities Fund	32,360
3. Harvard College	6,594
4. Howard Hughes Medical Institute	6,432
5. Common Fund for Nonprofit Organizations	5,325
6. Yale University	3,956
7. Stanford University	3,840
8. Princeton University	2,912
9. Shriners' Hospitals for Crippled Children	2,626
10. Cornell University	2,597

NOTE: Nonprofit charitable organizations exclude private foundations and religious organizations.

Figure E

Components of Nonprofit Charitable Organization Revenue, by Asset Size, Reporting Year 1988



¹ Includes organizations with assets zero or not reported.

NOTE: Nonprofit charitable organizations exclude private foundations and religious organizations.

Expenses that were attributable to specific program activities represented 85 percent of the total. Salaries and wages were the leading component of expenses, $115.4 billion, accounting for one-third of the total.

Management and general expenses, which support the overall organization rather than specific programs, were $45.2 billion for 1988, rising by 6 percent from the 1987 total of $42.6 billion. Fundraising expenses and payments to affiliates together comprised only 1 percent of total expenses. Payments to affiliates are payments to organizations closely related to the reporting organizations, such as support and dues payments by local chapters to State and national agencies.

Organizations with assets of $10 million or more accounted for more than three-quarters of all expenses. Detailed data on expenses for 1988 are shown in Table 2.

Types of Nonprofit Charitable Organizations

Figures G, H and I display information on the types of nonprofit charitable organizations that filed Form 990 for 1988. This information is based on responses to a question on the return identifying the reason that an organization was not classified as a private foundation.

Figure H shows that hospitals, educational institutions and "publicly-supported organizations" were the major categories of nonprofit charities in terms of such selected balance sheet and income statement items as total assets, total liabilities, total revenue and total expenses. Publicly-supported organizations are comprised of qualified organizations that are operated for purposes that are beneficial to the public interest and that receive support from a broad cross-section of the public. Examples include the United Way, the American National Red

Figure F

Contributions Received by Nonprofit Charitable Organizations, by Asset Size, Reporting Year 1988

[Money amounts are in millions of dollars]

Asset size	Total contributions, gifts and grants		Contributions received through direct support		Contributions received through indirect support		Contributions received through Government grants	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total	**$69,062**	**100.0%**	**$32,486**	**100.0%**	**$6,246**	**100.0%**	**$30,330**	**100.0%**
Under $100,000[1,2]	3,172	4.6	1,549	4.8	300	4.8	1,323	4.4
$100,000 under $500,000	6,267	9.1	2,643	8.1	551	8.9	3,073	10.1
$500,000 under $1,000,000	4,648	6.7	1,707	5.3	353	5.7	2,587	8.5
$1,000,000 under $10,000,000	18,280	26.5	7,825	24.1	1,592	25.5	8,862	29.2
$10,000,000 under $50,000,000	11,607	16.8	7,264	22.4	1,628	26.1	2,715	9.0
$50,000,000 or more	25,089	36.3	11,496	35.4	1,821	29.2	11,771	38.9

[1] Includes returns with zero assets or assets not reported.

[2] Estimates should be used with caution because of the small number of sample returns on which they are based.

NOTES: Detail may not add to totals because of rounding. Nonprofit charitable organizations exclude private foundations and religious organizations.

Cross and the National Geographic Society. Other examples include cultural organizations, such as the Metropolitan Museum of Art; and community foundations, such as the New York Community Trust [5]. Together, the assets of the three categories of organizations totaled $437.1 billion for 1988 and their revenue, $313.9 billion [6]. The amounts represented 75 percent and 89 percent, respectively, of the totals for all nonprofit charitable organizations.

Hospitals accounted for 44 percent of total revenue and 29 percent of total assets, but just 5 percent of both the number of returns filed and the contributions received. Nearly all of their revenue, over 92 percent, was program service revenue. While publicly-supported organizations comprised 73 percent of the total returns, they accounted for only 27 percent of total revenue and 22 percent of total asset holdings. Educational institutions, such as colleges and universities accounted for only 8 percent of returns, but ranked second in terms of assets and contributions received, with 23 percent and 21 percent, respectively.

The largest asset holdings for these three major types of organizations took the form of land, buildings and equipment, which accounted for 40 percent of the total holdings for these groups. For hospitals, these assets represented 46 percent of total assets; for educational institutions, 39 percent; and for publicly-supported organizations, 32 percent. In contrast, another category of nonprofit charitable organizations identified on Form 990—one that supports other charitable organizations—held 59 percent of total assets in investment securities and only 6 percent in land, buildings and equipment. Among the largest of these organizations were the Common Fund for Nonprofit Organizations, the Teachers Insurance and Annuity Association, and the Student Loan Funding Corporation.

Program service revenue as a share of total revenue remained fairly constant for all types of organizations for 1988 compared with previous years. For hospitals, it represented mainly charges to patients and comprised 92 percent of hospital revenue, up slightly from 91 percent for 1987. For educational institutions, it comprised 60 percent of their total revenue for 1988, a drop of 1 percent from 1987. For publicly-supported organizations, program service revenue remained at 41 percent of total revenue.

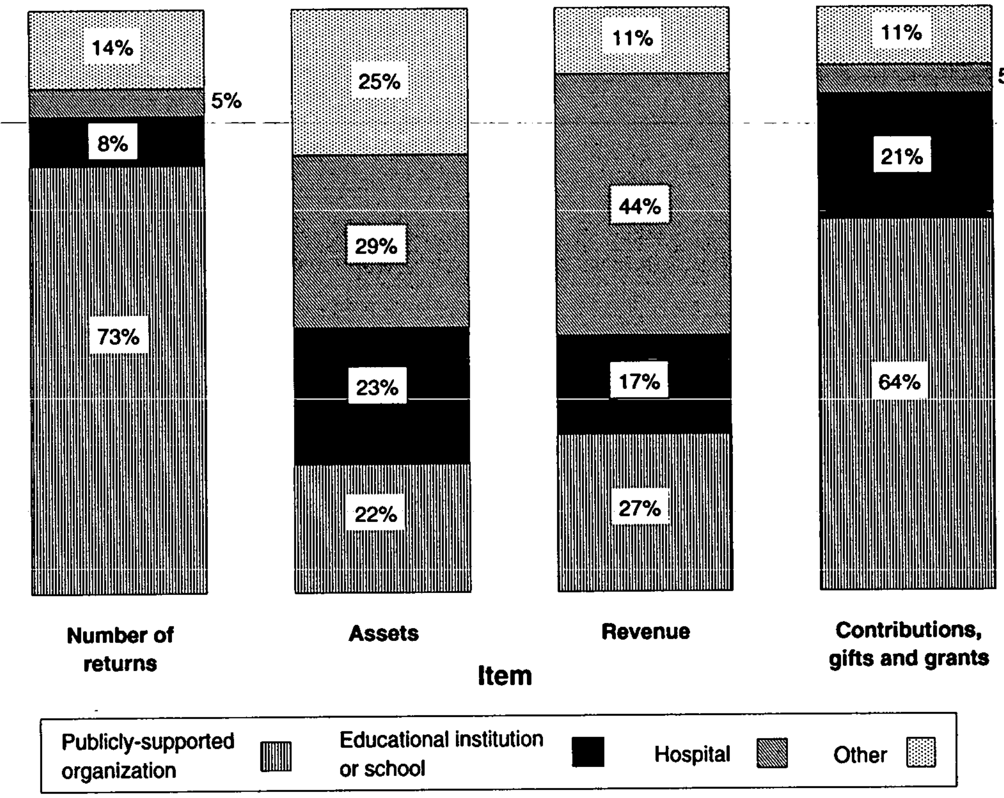
Another category of nonprofit charitable organizations —those engaged in hospital research—continued to grow in 1988. Total assets reached $8.5 billion, up from $7.3 billion for 1987, a gain of 16 percent. Total revenue for hospital research organizations increased by over one-half to $2.1 billion for 1988, up from $1.3 billion for 1987. These increases were largely due to growth by the Howard Hughes Medical Institute, whose public charity status was not affirmed by the Internal Revenue Service until 1986. This institute reported assets of $6.4 billion for 1988, up from $5.2 billion in 1987, and revenue of $724 million, up from $212 million.

Organizations Exempt Under Code Sections 501(c)(4) through (9)

The statistics presented in this section are also based on Form 990—organizations tax-exempt under Internal Revenue Code sections 501(c)(4) through (9). This is the first study of these organizations conducted by the Statistics of Income Division since 1975. Figure J provides general descriptions of the organizations included under these sections. Unlike the organizations that are exempt under Code section 501(c)(3), most of these organizations are not eligible for tax-deductible

Figure G

Selected Financial Data, by Major Type of Nonprofit Charitable Organization, Reporting Year 1988



NOTE: Nonprofit charitable organizations exclude private foundations and religious organizations.

contributions. In the information presented below, the appropriate Code section is shown following the type of organization. Financial data for organizations covered by these Code sections are presented in Tables 3 and 4.

Labor, agricultural and horticultural organizations (section 501(c)(5)) filed the largest number of returns for 1988, nearly 21,000. Business leagues, chambers of commerce, and real estate boards (section 501(c)(6)), and civic leagues and social welfare organizations (section 501(c)(4)) were second and third, with 19,875 returns and 19,279 returns, respectively. With the exception of voluntary employees' beneficiary associations (section 501(c)(9)), more than 80 percent of all returns for each Code section were filed by organizations with assets of less than $500,000. There was a greater percentage of returns filed by smaller organizations covered by these Code sections than by the nonprofit charitable organizations covered by section 501(c)(3), where two-thirds of the total returns were filed by organizations with assets of less than $500,000 (see Figure K). For the social and recreational clubs (section 501(c)(7)), one-half of the returns were filed by organizations with assets of less than $100,000 and less than one-half of 1 percent, by organizations with assets of $10 million or more.

For the voluntary employees' beneficiary associations (section 501(c)(9)), however, organizations with asset holdings of less than $500,000 represented less than 60 percent of the returns filed. Organizations with assets of $10 million or more under this Code section filed 5 percent of the returns, which was a greater proportion than the returns filed under the other Code sections. In terms of assets, organizations exempt under section 501(c)(9) had the largest holdings, $28.3 billion, and those with assets of $10 million or more accounted for more than 70 percent of the total assets (see Figure L). Civic leagues and social welfare organizations (section 501(c)(4)) ranked second with $27.4 billion in asset holdings. Organizations under this section with assets of

Figure H

Selected Balance Sheet and Income Statement Items, by Type of Nonprofit Charitable Organization, Reporting Year 1988

[Money amounts are in millions of dollars]

Type of organization	Total assets	Total liabilities	Total revenue	Program service revenue	Total expenses
	(1)	(2)	(3)	(4)	(5)
Total	$583,573	$257,645	$354,646	$239,292	$330,815
Church or religious-affiliated organization [1]	4,941	2,409	3,556	2,464	3,362
Educational institution or school	136,560	26,316	59,993	35,725	52,396
Hospital	170,806	85,803	157,263	145,159	151,378
Governmental unit	2,423	881	1,436	630	1,324
Hospital research organization	8,497	862	2,103	591	1,534
Organization supporting a public college	6,918	1,060	3,469	1,055	2,930
Publicly-supported organization	129,706	54,996	96,686	39,909	90,769
Organization supporting charitable organizations	123,277	85,233	29,744	13,425	26,753
Organization testing for public safety	214	31	175	170	157
Type not reported	231	56	222	164	272

[1] Churches are not required to file a Form 990. Most of the organizations in this category either filed voluntarily or misreported their type of organization. The estimate is, therefore, not inclusive of the majority of religious organizations.

NOTES: Detail may not add to totals because of rounding. Nonprofit charitable organizations exclude private foundations and most religious organizations.

$10 million or more accounted for three-quarters of the total holdings. Fraternal beneficiary societies (section 501(c)(8)) ranked third with $24.6 billion in assets, 89 percent of which were owned by the few organizations with assets of $10 million or more.

Generally, the smaller organizations under each of the Code sections—those with assets of less than $500,000—accounted for a greater share of total assets than did the smaller nonprofit charitable organizations exempt under section 501(c)(3). While organizations with assets of less than $500,000 accounted for less than 2 percent of the total assets of the nonprofit charitable organizations, this asset-size class accounted for 20 percent of the total assets of business leagues, chambers of commerce, and boards of trade (section 501(c)(6)); 16 percent of the total assets for social and recreational clubs (section 501(c)(7)); and 14 percent of the total assets for labor, agricultural and horticultural organizations (section 501(c)(5)).

Although the very large organizations—those with assets of $50 million or more—held more than two-thirds of the total assets of nonprofit charitable organizations (section 501(c)(3)), only for two of these other Code sections did they account for more than one-half of the total assets. They owned 85 percent of the total assets of fraternal beneficiary societies (section 501(c)(8)) and 60 percent in the case of civic leagues and social welfare organizations (section 501(c)(4)).

Revenues and Expenses

In terms of revenue, voluntary employees' beneficiary associations (section 501(c)(9)) had considerably more revenue for 1988, $40.4 billion, than organizations covered by the other Code sections presented here (see Figure M). These organizations operated in a manner similar to mutual insurance companies in that they provided life, sickness, accident and other benefits to members. Of the total revenue, $32.8 billion was received from program services, which, for these organizations,

Figure I

Contributions Received, by Major Type of Nonprofit Charitable Organization, Reporting Year 1988

[Money amounts are in millions of dollars]

Type of organization	Total contributions, gifts and grants		Contributions received through direct support		Contributions received through indirect support		Contributions received through Government grants	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total	$69,062	100.0%	$32,486	100.0%	$6,246	100.0%	$30,330	100.0%
Educational institution or school	14,727	21.3	6,818	21.0	619	9.9	7,290	24.0
Hospital	3,440	5.0	1,825	5.6	427	6.8	1,188	3.9
Publicly-supported organization	43,988	63.7	19,577	60.3	4,333	69.4	20,078	66.2
Organization supporting charitable organizations	3,094	4.5	2,730	8.4	484	7.7	240	0.8

NOTES: Detail may not add to totals because of rounding. Nonprofit charitable organizations exclude private foundations and religious organizations.

Figure J

Selected Types of Tax-Exempt Organizations, by Internal Revenue Code Section

Code section	Description of organization (1)	Type of activities (2)	Examples of organization (3)
501(c)(4)	Civic leagues, social welfare organizations, and local associations of employees	Promotion of community welfare, charitable, educational and recreational activities	Lions Clubs, Rotary Clubs, American Association of Retired Persons, and volunteer fire departments
501(c)(5)	Labor, agricultural and horticultural organizations	Educational or instructive, the purpose being to improve conditions of work, and to improve products and efficiency	National Association of Letter Carriers, Communication Workers of America, Air Line Pilots Association, and United Steelworkers of America
501(c)(6)	Business leagues, chambers of commerce, real estate boards, etc.	Improvement of business conditions of one or more lines of business	National Football League, U.S. Tennis Association, and State medical societies
501(c)(7)	Social and recreational clubs	Pleasure, recreational, and social activities	Army and Navy Club, Merion Golf Club, and San Diego Yacht Club
501(c)(8)	Fraternal beneficiary societies and associations	Lodge providing for payment of life, sickness, accident or other benefits to members	Loyal Order of Moose, BPOE lodges (Elks), and B'nai B'rith
501(c)(9)	Voluntary employees' beneficiary associations (including Federal employees' voluntary beneficiary associations formerly covered by 501(c)(10))	Provides for payment of life, sickness, accident or other benefits to members	Lutheran Brotherhood, IBM Medical & Dental Plan Trust, and Navy Mutual Aid Association

represented payments received from the participants and their employers for health and welfare benefits coverage. They also reported the highest level of expenses of any of the organizations covered by these section codes, $40.6 billion, 83 percent of which was in the form of benefits paid to members ($33.7 billion).

Civic leagues and social welfare organizations (section 501(c)(4)) were second in terms of revenue, with a total of $16.1 billion, of which about two-thirds was derived from their program activities. These organizations were required to report detailed data on their expenses. They reported $15.0 billion in total expenses, of which $12.6 billion was related to specific program activities, $2.1 billion for management and general overhead, and $138 million for fundraising. Data on functional expenses showed that the largest single expense item for these organizations was benefits paid to members, amounting to $5.6 billion (see Table 4 for data on functional expenses).

Membership dues and assessments were the principal source of revenue for labor, agricultural and horticultural organizations (section 501(c)(5)), ($7.0 billion); for business leagues, chambers of commerce and real estate boards (section 501(c)(6)), ($6.4 billion); and for social and recreational clubs (section 501(c)(7)), ($3.0 billion). This last group reported an additional $1.0 billion for profit from the sale of inventory items. For expenses, labor, agricultural and horticultural organizations (section 501(c)(5)) were the only type for which payments to affiliates were a significant proportion of total expenses; these payments totaled $1.2 billion, 12 percent of the total expenses for organizations under this Code section. Included were payments by the reporting organization to the parent national or international organization, federation or other organization as a condition or requirement of affiliation.

Revenue totals for organizations under these selected Code sections by asset size show that fraternal beneficiary societies (section 501(c)(8)) were the only type of organization for which those organizations with assets of $50 million or more predominated (see Figure N). Also, the revenue of the organizations with assets of less than $500,000 under each of these Code sections accounted for

Figure K

Returns Filed by Tax-Exempt Organizations, Selected Internal Revenue Code Sections, by Asset Size, Reporting Year 1988

Asset size	Organizations tax-exempt under Internal Revenue Code section--					
	501(c)(4)	501(c)(5)	501(c)(6)	501(c)(7)	501(c)(8)	501(c)(9)
	(1)	(2)	(3)	(4)	(5)	(6)
	Number of returns					
Total	**19,279**	**20,697**	**19,875**	**14,488**	**8,129**	**8,889**
Under $100,000 [1]	11,379	12,393	10,814	7,458	2,648	2,831
$100,000 under $500,000	4,943	5,718	5,827	4,203	4,078	2,395
$500,000 under $1,000,000	1,170	1,215	1,496	968	891	1,013
$1,000,000 under $10,000,000	1,530	1,250	1,561	1,805	420	2,167
$10,000,000 under $50,000,000	194	93	146	54	48	413
$50,000,000 or more	63	28	31	--	36	70
	Percent					
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Under $100,000 [1]	59.0	59.9	54.4	51.5	32.6	31.8
$100,000 under $500,000	25.6	27.6	29.3	29.0	50.2	26.9
$500,000 under $1,000,000	6.1	5.9	7.5	6.7	11.0	11.4
$1,000,000 under $10,000,000	7.9	6.0	7.9	12.5	5.2	24.4
$10,000,000 under $50,000,000	1.0	0.4	0.7	0.4	0.6	4.6
$50,000,000 or more	0.3	0.1	0.2	--	0.4	0.8

[1] Includes returns with zero assets or assets not reported.

NOTE: Detail may not add to totals because of rounding.

greater proportions of total revenue than the revenue of nonprofit charitable organizations of a similar size. These percentages ranged from 26 percent for labor, agricultural and horticultural organizations (section 501(c)(5)) to 10 percent for civic leagues and social welfare organizations (section 501(c)(4)). In contrast, the revenue of nonprofit charitable organizations (section 501(c)(3)) with assets of less than $500,000 had accounted for just 5 percent of the total.

Assets and Liabilities

Figures O and P present data on asset holdings. Organizations with assets of $10 million or more accounted for three-quarters of the total assets of organizations of two of the Code sections: fraternal beneficiary associations (section 501(c)(8)) and civic leagues and social welfare organizations (section 501(c)(4)). By comparison, this asset-size class included 86 percent of the total asset holdings of the nonprofit charitable organizations exempt under section 501(c)(3). The types of assets held by the organizations varied considerably by Code section. Investments in securities was the largest single component of the assets of fraternal beneficiary societies (section 501(c)(8)), representing nearly two-thirds of the total. This asset type was also the largest single holding of employees' voluntary beneficiary associations (section 501(c)(9)), with $13.5 billion, nearly one-half of the total for these organizations. In addition, these latter organizations held 31 percent of total assets in cash and savings ($8.7 billion).

Figure L

Selected Balance Sheet and Income Statement Items for Organizations Tax-Exempt under Specified Internal Revenue Code Sections, Reporting Year 1988

[Money amounts are in millions of dollars]

Internal Revenue Code section	Number of returns	Total assets	Total liabilities	Total revenue	Program service revenue	Total expenses
	(1)	(2)	(3)	(4)	(5)	(6)
501(c)(4)	19,279	$27,434	$18,696	$16,134	$10,190	$14,984
501(c)(5)	20,697	12,390	1,887	11,015	2,249	10,297
501(c)(6)	19,875	15,177	8,207	14,247	5,646	13,320
501(c)(7)	14,488	7,834	2,426	5,268	931	5,027
501(c)(8)	8,129	24,588	19,699	6,396	4,858	6,174
501(c)(9)	8,889	28,254	10,195	40,399	32,775	40,585

Figure M

Principal Sources of Tax-Exempt Organization Revenue, Specified Internal Revenue Code Sections, Reporting Year 1988

[Money amounts are in millions of dollars]

Internal Revenue Code section	Total revenue	Sources of revenue				
		Contributions, gifts, and grants	Program service revenue	Membership dues and assessments	Interest on savings and dividends from securities	Other
	(1)	(2)	(3)	(4)	(5)	(6)
501(c)(4)	$16,134	$1,229	$10,190	$1,830	$1,070	$1,815
501(c)(5)	11,015	272	2,249	7,001	604	889
501(c)(6)	14,247	678	5,646	6,351	627	945
501(c)(7)	5,268	32	931	2,965	85	1,255
501(c)(8)	6,396	78	4,858	481	504	476
501(c)(9)	40,399	1,090	32,775	3,267	1,713	1,554

NOTE: Detail may not add to totals because of rounding.

Civic leagues and social welfare organizations (section 501(c)(4)) ranked second in total assets, with $27.4 billion. The largest single component was notes and loans receivable—$6.7 billion, representing one-quarter of total assets. Together, cash and savings; land, buildings and equipment; and investments in securities, accounted for 49 percent.

Labor, agricultural and horticultural organizations (section 501(c)(5)) held one-third of their assets in investments in securities and one-third in cash and savings ($4.2 billion in each asset type). Social and recreational clubs (section 501(c)(7)) held two-thirds of their assets in land, buildings and equipment.

Mortgages and other notes payable were the largest single liability item for organizations under two of these sections. Civic leagues and social welfare organizations (section 501(c)(4)) included $10.7 billion in this category, representing 57 percent of their total liabilities. Social and recreational clubs (section 501(c)(7)) reported $1.3 billion in mortgages and other notes payable, accounting for 55 percent of their total liabilities. Labor, agricultural, and horticultural organizations (section 501(c)(5)) had the smallest amount of liabilities—$1.9 billion, of which accounts payable represented 40 percent.

Shown in Figure Q are the net worth/fund balance totals for the organizations in these Code sections. This item varied greatly as a percentage of total assets among the Code sections, from a low of 20 percent to a high of 85

Figure N

Total Revenue of Tax-Exempt Organizations, Specified Internal Revenue Code Sections, by Asset Size, Reporting Year 1988

[Money amounts are in millions of dollars]

Asset size	Organizations tax-exempt under Internal Revenue Code section--					
	501(c)(4)	501(c)(5)	501(c)(6)	501(c)(7)	501(c)(8)	501(c)(9)
	(1)	(2)	(3)	(4)	(5)	(6)
	Amount					
Total	$16,134	$11,015	$14,247	$5,268	$6,396	$40,399
Under $100,000 [1]	746	1,110	998	581	168	3,293
$100,000 under $500,000	797	1,789	1,918	631	536	1,940
$500,000 under $1,000,000	514	887	1,165	472	269	2,220
$1,000,000 under $10,000,000	2,793	3,006	4,268	3,275	268	12,062
$10,000,000 under $50,000,000	4,125	1,413	2,778	309	185	10,243
$50,000,000 or more	7,157	2,809	3,120	–	4,971	10,642
	Percent					
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Under $100,000 [1]	4.6	10.1	7.0	11.0	2.6	8.2
$100,000 under $500,000	4.9	16.2	13.5	12.0	8.4	4.8
$500,000 under $1,000,000	3.2	8.1	8.2	9.0	4.2	5.5
$1,000,000 under $10,000,000	17.3	27.3	30.0	62.2	4.2	29.9
$10,000,000 under $50,000,000	25.6	12.8	19.5	5.9	2.9	25.4
$50,000,000 or more	44.4	25.5	21.9	--	77.7	26.3

[1] Includes returns with zero assets or assets not reported.

NOTE: Detail may not add to totals because of rounding.

Figure O

Total Assets of Tax-Exempt Organizations, Specified Internal Revenue Code Sections, by Asset Size, Reporting Year 1988

[Money amounts are in millions of dollars]

Asset size	Organizations tax-exempt under Internal Revenue Code section--					
	501(c)(4)	501(c)(5)	501(c)(6)	501(c)(7)	501(c)(8)	501(c)(9)
	(1)	(2)	(3)	(4)	(5)	(6)
	Amount					
Total	$27,434	$12,390	$15,177	$7,834	$24,588	$28,254
Under $100,000 [1]	357	459	1,721	268	106	88
$100,000 under $500,000	1,205	1,265	1,318	1,013	998	581
$500,000 under $1,000,000	832	872	1,047	693	638	740
$1,000,000 under $10,000,000	4,266	3,023	4,138	5,080	1,018	6,922
$10,000,000 under $50,000,000	4,352	2,004	2,839	778	927	8,552
$50,000,000 or more	16,422	4,766	5,432	--	20,911	11,371
	Percent					
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Under $100,000 [1]	1.3	3.7	11.3	3.4	0.4	0.3
$100,000 under $500,000	4.4	10.2	8.7	12.9	4.1	2.1
$500,000 under $1,000,000	3.0	7.0	6.9	8.8	2.6	2.6
$1,000,000 under $10,000,000	15.6	24.4	27.3	64.8	4.1	24.5
$10,000,000 under $50,000,000	15.9	16.2	18.7	9.9	3.8	30.3
$50,000,000 or more	59.9	38.5	35.8	--	85.0	40.2

[1] Includes returns with zero assets or assets not reported.

NOTE: Detail may not add to totals because of rounding.

percent.

Summary

For 1988, nonprofit charitable organizations tax-exempt under section 501(c)(3) continued to report increased growth. Revenue increased to $354.6 billion, up from $310.8 billion for 1987, a gain of 14 percent; assets were $583.6 billion, up from $529.5 billion for 1987, an increase of 10 percent. Hospitals, as a group, led all other types of organizations in both revenues and assets. The number of returns filed by nonprofit charitable organizations was 124,232 for 1988, up slightly from 122,018 for 1987.

Program service revenue—the fees received for the programs conducted in support of the purposes for which the tax exemptions under section 501(c)(3) were granted—was $239.3 billion, or 67 percent of total revenue for 1988. Contributions increased to $69.1 billion, up from $61.7 billion for 1987. This source of revenue accounted for more than one-half of the revenue for organizations with asset holdings of less than $1 million, but a much smaller share for larger organizations. Expenses continued to rise, to $330.8 billion, of which 85 percent was in support of the organizations' program services.

Organizations that are exempt under sections 501(c)(4) through (9) are diverse in their purposes and in their financial characteristics, as reported on the Form 990. Labor, agricultural and horticultural organizations (section 501(c)(5)) filed the largest number of returns for 1988, nearly 21,000. Voluntary employees' beneficiary associations (section 501(c)(9)) had the largest asset holdings, $28.3 billion; civic leagues and social welfare organizations (section 501(c)(4)) were second with $27.4 billion. For each of these Code sections, the smaller organizations—those with assets of less than $500,000—accounted for a greater share of total assets than did the smaller nonprofit charitable organizations exempt under section 501(c)(3).

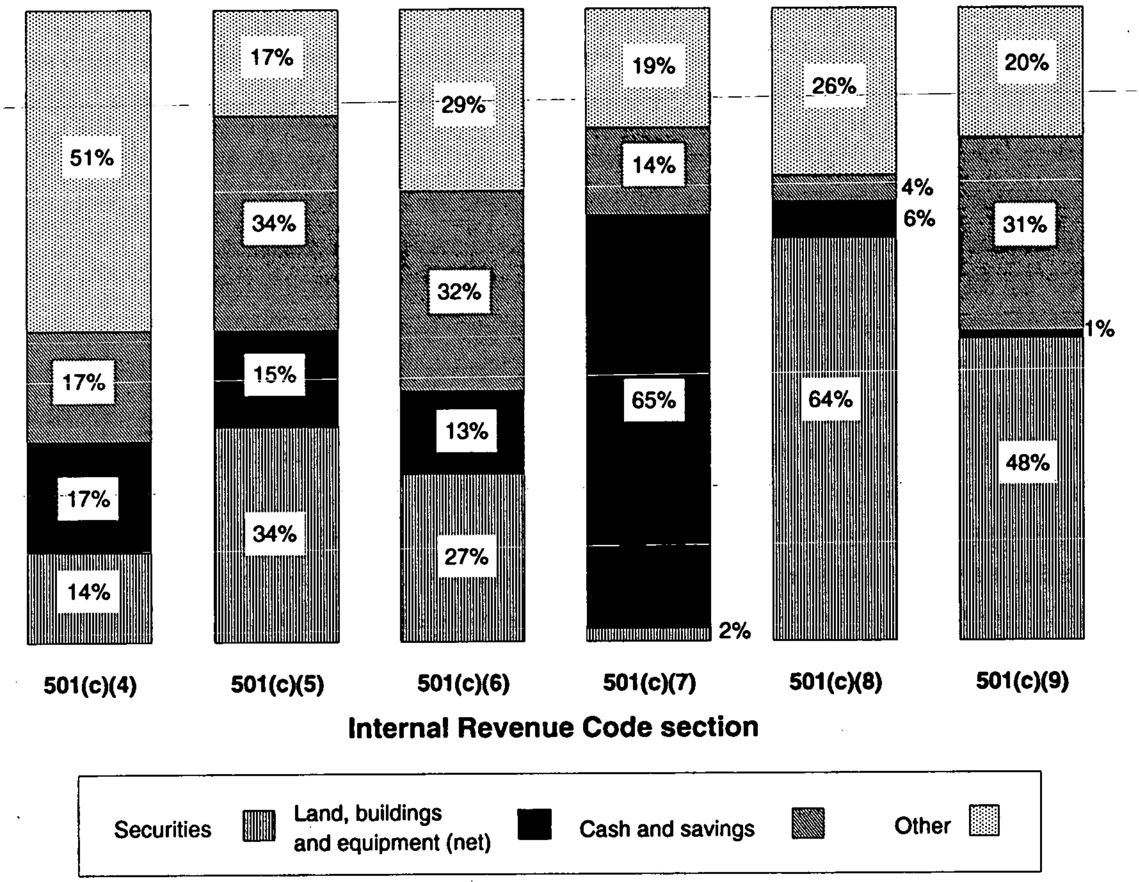
The sources of revenue also varied by Code section. Program service revenue was the major source for voluntary employees' beneficiary associations (section (501(c)(9)), fraternal beneficiary societies (501(c)(8)), and civic leagues and social welfare organizations (section 501(c)(4)), representing two-thirds of their respective totals. Membership dues and assessments were the principal revenue source for labor, agricultural and horticultural organizations (section 501(c)(5)), 64 percent of the total; for social and recreational clubs (section 501(c)(7)), 56 percent of the total; and for business leagues, chambers of commerce, and real estate boards section 501(c)(6)), 45 percent of the total.

Data Sources and Limitations

The statistics in this article are based on two samples of Form 990, *Return of Organization Exempt from Income Tax,* with accounting periods that ended December 1988 through November 1989, that were received and pro-

Figure P

Components of Total Assets, by Selected Internal Revenue Code Section, Reporting Year 1988



cessed by the Internal Revenue Service during 1989 and 1990. The samples did not include private foundations, which were required to file a separate form. The samples included only those returns with receipts of more than $25,000, the filing threshold. The sample design was split into two parts: the first included returns of organizations exempt under section 501(c)(3), and the second part included organizations exempt under sections 501(c)(4) through (9). Returns of organizations exempt under other sections were not included in the study.

Each part of the sample was classified into sample strata based on size of assets, each stratum being sampled at a separate rate. For section 501(c)(3) organizations, a sample of 12,869 returns was selected from a population of 125,718. All returns with assets of $10 million or more were selected. Lower sampling rates were used in the smaller asset classes. For sections 501(c)(4) through (9) organizations, a sample of 10,178 returns was selected from a population of 93,060.

Figure Q

Selected Data for Tax-Exempt Organizations, Reporting Years 1986-1988

[Money amounts are in millions of dollars]

Code section	Total assets	Net worth/ fund balance	Percent of assets
	(1)	(2)	(3)
501(c)(4)..........................	$27,434	$8,738	32%
501(c)(5)..........................	12,390	10,503	85
501(c)(6)..........................	15,177	6,970	46
501(c)(7)..........................	7,834	5,408	69
501(c)(8)..........................	24,588	4,890	20
501(c)(9)..........................	28,254	18,059	64

The data presented were obtained from returns as originally filed. In most cases, changes made to the original return as a result of either administrative processing or a taxpayer amendment were not incorporated into the data base. A discussion of the reliability of estimates based on samples and methods for evaluating both the magnitude of sampling and nonsampling error and the precision of sample estimates can be found in the general Appendix in this issue. More detailed information on the sample design and weights can be obtained by writing to the authors at the following address: Internal Revenue Service, Statistics of Income Division (R:S:F), P.O. Box 2608, Washington, DC 20013-2608.

Notes and References

[1] Religious organizations are not required to file Form 990, the source of information for this article. For information on private foundations, see Riley, Margaret, and Meckstroth, Alicia, "Private Foundations, 1988," *Statistics of Income Bulletin*, Winter 1991-92, Volume 11, Number 3, pp. 21-46.

[2] Data for the previous years were published in the *Compendium of Studies of Tax-Exempt Organizations, 1974-1987*, 1991. See also, Hilgert, Cecelia, and Mahler, Susan J., "Nonprofit Charitable Organizations, 1986 and 1987," *Statistics of Income Bulletin*, Fall 1991, Volume 11, Number 2, pp. 63- 76.

[3] The total number of tax-exempt organizations, including those not required to file Form 990, was obtained from the Internal Revenue Service Exempt Organizations Business Master File, *Monthly Exempt Organizations Statistical Summary*, unpublished.

[4] Data presented in this article are from Forms 990 filed for Reporting Year 1988 for accounting periods *beginning* in 1988. Therefore, the statistics for 1988 generally include organizations with accounting periods that ended within the period December 1988 through November 1989.

[5] Community foundations are organizations with broad-based public support that file Forms 990, as opposed to private foundations which have a narrower source of funding and file Forms 990-PF.

[6] Data on specific types of organizations are from unpublished *Statistics of Income* tabulations.

Table 1.--Returns of Tax-Exempt Section 501(c)(3) Organizations: Income Statement and Balance Sheet Items, by Size of Total Assets

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total [1]	Size of total assets					
		Under $100,000[2, 3]	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns	124,233	50,471	34,415	11,475	21,457	4,461	1,954
Total assets	583,573,213	1,673,388	8,232,707	8,205,085	66,130,508	99,037,586	400,293,939
Cash:							
Number of returns	99,287	40,156	27,571	9,239	17,429	3,470	1,424
Amount	11,913,224	389,490	809,558	480,209	2,336,156	1,913,342	5,984,469
Savings and temporary cash investments:							
Number of returns	84,127	28,026	25,955	8,538	16,711	3,420	1,477
Amount	49,232,764	657,197	2,396,740	1,691,238	9,312,240	9,262,216	25,913,134
Accounts receivable (net):							
Number of returns	52,759	11,812	14,580	6,235	14,627	3,711	1,795
Amount	43,258,364	98,558	582,724	548,690	4,167,527	8,370,206	29,490,658
Pledges receivable (net):							
Number of returns	7,288	894	1,457	870	2,936	804	327
Amount	5,132,401	13,264	64,085	132,189	1,547,605	1,892,388	1,482,868
Grants receivable:							
Number of returns	11,146	2,684	3,592	1,699	2,302	533	336
Amount	3,208,736	41,668	181,325	205,000	944,521	583,543	1,252,679
Receivables due from officers, directors, trustees, and key employees:							
Number of returns	2,757	775	717	316	617	194	138
Amount	297,913	1,743	9,337	11,354	72,812	43,404	159,263
Other notes and loans receivable:							
Number of returns	13,635	1,192	2,906	1,838	4,709	1,887	1,103
Amount	15,398,324	5,278	189,820	214,995	1,449,267	2,600,447	10,938,517
Inventories for sale or use:							
Number of returns	24,726	5,426	5,673	2,590	6,863	2,667	1,508
Amount	4,828,299	46,757	137,317	89,541	752,051	993,521	2,809,111
Prepaid expenses and deferred charges:							
Number of returns	45,078	7,991	12,344	5,613	13,913	3,535	1,682
Amount	5,326,331	17,293	102,968	87,289	653,941	1,085,896	3,378,945
Investments-securities:							
Number of returns	22,808	1,192	5,199	3,321	8,914	2,837	1,346
Amount	174,775,704	15,720	572,040	997,851	11,101,865	21,571,012	140,517,217
Investments-land, buildings and equipment minus accumulated depreciation:							
Number of returns	13,377	3,697	4,113	1,601	2,645	860	462
Amount	9,751,361	41,927	463,009	403,076	2,106,677	2,240,657	4,496,014
Investments-other:							
Number of returns	8,923	377	1,919	988	3,246	1,465	927
Amount	42,311,082	6,594	150,708	195,174	1,906,214	4,369,215	35,683,177
Land, buildings and equipment minus accumulated depreciation:							
Number of returns	74,113	19,579	22,545	8,637	17,617	3,915	1,821
Amount	185,176,519	310,769	2,404,856	2,886,118	27,306,018	38,948,367	113,320,390
Other assets:							
Number of returns	41,566	8,944	10,938	4,736	12,011	3,304	1,633
Amount	32,962,180	27,127	168,215	262,359	2,473,611	5,163,369	24,867,497
Total liabilities and fund balance/net worth:							
Number of returns	123,338	49,577	34,415	11,475	21,457	4,461	1,954
Amount	583,573,207	1,673,382	8,232,706	8,205,086	66,130,508	99,037,586	400,293,940
Total liabilities	257,645,458	589,441	2,323,453	2,507,655	26,120,311	38,216,213	187,888,383
Accounts payable:							
Number of returns	76,070	21,790	21,628	8,409	18,254	4,107	1,883
Amount	33,913,654	220,839	687,423	616,528	4,224,899	6,880,779	21,283,188
Grants payable:							
Number of returns	4,929	835	1,436	909	1,291	331	127
Amount	3,311,431	11,677	69,229	86,973	636,298	921,971	1,585,283
Support and revenue designated for future periods:							
Number of returns	16,450	3,239	4,374	2,430	4,989	1,040	377
Amount	8,325,251	45,947	260,923	271,742	2,300,178	2,510,137	2,936,324
Loans from officers, directors, trustees and key employees:							
Number of returns	4,914	2,922	1,217	277	429	51	19
Amount	528,716	52,499	37,196	18,005	71,102	33,936	315,977
Mortgages and other notes payable:							
Number of returns	38,489	6,286	10,994	5,029	11,710	2,921	1,549
Amount	106,034,115	162,685	910,116	1,198,290	14,986,771	20,068,039	68,708,215
Other liabilities:							
Number of returns	35,487	6,817	8,947	3,834	11,296	3,045	1,547
Amount	105,532,289	95,796	358,565	316,117	3,901,063	7,801,352	93,059,396
Total fund balance/net worth (end of year):							
Number of returns	123,195	49,578	34,335	11,475	21,405	4,453	1,950
Amount	325,927,750	1,083,942	5,909,253	5,697,431	40,010,196	60,821,372	212,405,557
Total revenue:							
Number of returns	124,233	50,471	34,415	11,475	21,457	4,461	1,954
Amount	354,646,576	6,000,674	12,521,421	9,006,480	50,202,763	64,867,216	212,048,022
Total contributions received:							
Number of returns	104,144	42,302	29,447	9,538	17,489	3,682	1,686
Amount	69,061,529	3,171,869	6,267,034	4,647,487	18,279,514	11,607,075	25,088,550
Contributions received from direct public support:							
Number of returns	94,614	38,188	26,971	8,767	15,729	3,435	1,524
Amount	32,485,686	1,549,246	2,642,967	1,707,472	7,825,374	7,264,369	11,496,258
Contributions received from indirect public support:							
Number of returns	25,441	9,780	6,969	2,668	4,790	800	434
Amount	6,245,988	299,717	551,492	353,354	1,592,111	1,628,018	1,821,295

Footnotes at end of table.

Table 1.--Returns of Tax-Exempt Section 501(c)(3) Organizations: Income Statement and Balance Sheet Items, by Size of Total Assets--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total[1]	Size of total assets					
		Under $100,000[2, 3]	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total revenue (continued):							
Total contributions received (continued):							
Government grants:							
Number of returns	36,332	14,073	10,250	3,684	6,203	1,296	826
Amount	30,329,854	1,322,906	3,072,574	2,586,661	8,862,029	2,714,688	11,770,997
Program service revenue:							
Number of returns	72,233	26,297	18,943	6,929	14,757	3,580	1,727
Amount	239,292,958	2,010,372	4,847,077	3,277,155	26,017,523	46,098,275	157,042,557
Membership dues and assessments:							
Number of returns	30,954	15,106	8,526	2,908	3,796	473	144
Amount	3,971,042	256,781	320,428	283,776	1,001,004	766,559	1,342,495
Interest on savings and temporary cash investments:							
Number of returns	98,505	36,912	29,029	9,726	17,848	3,480	1,511
Amount	5,556,501	53,117	187,916	151,196	950,203	1,148,095	3,065,971
Dividends and interest from securities:							
Number of returns	21,499	2,087	5,698	3,007	7,279	2,292	1,136
Amount	11,151,825	9,257	60,712	69,781	786,486	1,430,362	8,795,225
Net rental income (loss):							
Number of returns	16,361	2,684	4,422	1,801	5,272	1,411	772
Amount	837,023	9,686	41,885	31,365	289,791	157,441	306,854
Gross rents:							
Number of returns	16,561	2,862	4,442	1,801	5,277	1,408	771
Amount	2,231,696	45,138	86,839	57,071	622,767	316,255	1,103,626
Rental expenses:							
Number of returns	6,934	1,253	1,586	596	2,376	670	454
Amount	1,394,673	35,452	44,954	25,705	332,976	158,814	796,771
Other investment income:							
Number of returns	4,164	477	899	534	1,338	552	364
Amount	2,547,801	1,236	6,872	12,410	70,919	181,001	2,275,363
Total gain (loss) from sales of assets:							
Number of returns	19,185	1,789	4,158	2,176	7,380	2,400	1,282
Amount	6,435,260	13,552	17,218	15,421	353,153	684,535	5,351,380
Gain (loss), sales of securities:							
Number of returns	11,453	537	2,181	1,406	4,868	1,682	781
Amount	5,597,235	11,316	17,621	8,767	230,482	487,166	4,841,884
Gross amount from sales:							
Number of returns	11,190	537	2,110	1,366	4,773	1,640	764
Amount	126,282,098	598,514	174,104	197,829	3,172,825	7,515,287	114,623,540
Cost or other basis and sales expenses:							
Number of returns	10,358	477	2,110	1,268	4,433	1,434	636
Amount	120,684,863	587,199	156,482	189,062	2,942,343	7,028,121	109,781,656
Gain (loss), sales of other assets:							
Number of returns	9,841	1,253	2,237	988	3,404	1,178	782
Amount	838,024	2,237	-403	6,653	122,672	197,369	509,497
Gross amount from sales:							
Number of returns	8,729	1,133	1,958	869	3,029	1,036	704
Amount	2,913,902	11,288	39,016	22,552	363,098	689,454	1,788,494
Cost or other basis and sales expenses:							
Number of returns	6,905	537	1,558	790	2,484	917	619
Amount	2,075,878	9,053	39,419	15,899	240,426	492,085	1,278,997
Net income (loss), fundraising:							
Number of returns	29,315	14,908	8,387	2,295	3,194	387	145
Amount	1,314,533	243,492	312,274	154,654	401,386	132,381	70,343
Gross revenue:							
Number of returns	29,689	15,027	8,427	2,394	3,281	407	154
Amount	2,440,879	544,684	562,472	277,585	693,288	237,497	125,353
Direct expenses:							
Number of returns	25,271	12,881	7,130	2,058	2,708	354	140
Amount	1,126,345	301,191	250,197	122,930	291,902	105,116	55,009
Gross profit (loss), sales of inventory:							
Number of returns	17,461	6,499	4,868	1,801	3,243	668	381
Amount	4,627,496	138,468	163,410	120,677	825,460	1,075,564	2,303,917
Gross sales minus returns and allowances:							
Number of returns	17,454	6,499	4,868	1,801	3,236	668	381
Amount	8,639,199	281,684	421,569	265,270	1,875,456	1,980,891	3,814,330
Cost of goods sold:							
Number of returns	15,120	5,368	4,329	1,624	2,834	607	360
Amount	4,011,703	143,216	258,159	144,592	1,049,996	905,327	1,510,413
Other revenue:							
Number of returns	50,212	15,051	13,435	5,359	11,831	3,068	1,468
Amount	9,850,597	86,898	296,592	242,552	1,227,322	1,585,929	6,405,366
Total expenses:							
Number of returns	**123,445**	**50,293**	**34,196**	**11,393**	**21,170**	**4,441**	**1,953**
Amount	**330,814,869**	**5,946,496**	**12,037,157**	**8,450,743**	**47,359,737**	**60,247,104**	**196,773,631**
Program services:							
Number of returns	115,587	47,073	31,654	10,721	19,971	4,261	1,909
Amount	281,543,233	4,719,457	9,863,317	6,931,284	38,981,153	49,482,457	171,565,565
Management and general:							
Number of returns	98,896	37,944	27,159	9,744	18,421	3,915	1,714
Amount	45,169,003	1,076,204	1,907,967	1,342,721	7,358,653	9,676,739	23,806,719
Fundraising:							
Number of returns	34,952	12,284	9,942	3,459	6,837	1,653	778
Amount	3,215,319	123,521	224,655	143,583	842,780	713,690	1,167,089
Payments to affiliates:							
Number of returns	4,913	2,028	1,278	455	876	173	103
Amount	880,049	27,310	41,216	33,154	177,151	366,960	234,258

[1] Excludes private foundations and religious organizations.

[2] Includes assets zero or not reported.

[3] Estimates in this column should be used with caution because of the small number of sample returns on which they are based.

NOTE: Detail may not add to totals because of rounding.

Table 2.--Returns of Tax-Exempt Section 501(c)(3) Organizations: Total Functional Expenditures, by Size of Total Contributions Received

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total [1]	Size of total contributions received						
		No contributions received	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of returns	124,233	20,089	28,503	30,747	27,967	6,965	9,164	797
Total functional expenditures:								
Number of returns	123,384	19,622	28,367	30,607	27,914	6,942	9,142	791
Amount	329,934,808	50,665,684	28,733,697	24,166,743	51,149,746	28,484,325	79,434,651	67,299,962
Grants and allocations:								
Numberof returns	29,843	4,757	6,960	6,384	6,117	1,926	3,253	446
Amount	16,546,087	1,040,306	375,121	273,209	1,040,593	828,798	4,815,558	8,172,502
Specific assistance to individuals:								
Numberof returns	10,844	810	1,623	2,476	3,476	1,025	1,373	61
Amount	18,075,734	7,866,310	8,457,536	45,234	179,546	92,990	848,344	585,773
Benefits paid to or for members:								
Numberof returns	1,836	530	343	425	321	56	133	28
Amount	1,585,037	656,462	288,545	18,451	205,181	12,779	75,105	328,515
Compensation of officers, directors:								
Numberof returns	34,456	5,068	4,728	8,299	9,954	2,256	3,706	445
Amount	3,080,552	401,902	225,063	375,145	718,264	250,382	819,844	289,951
Other salaries and wages:								
Numberof returns	84,224	10,831	15,927	19,041	22,964	6,289	8,460	713
Amount	115,424,408	12,073,294	7,673,009	9,173,629	20,285,172	10,982,848	30,874,848	24,361,608
Pension plan contributions:								
Numberof returns	18,191	2,179	1,657	3,171	5,130	1,860	3,729	465
Amount	3,109,168	312,844	134,741	156,581	379,386	181,172	794,133	1,150,311
Other employee benefits:								
Numberof returns	51,759	5,684	7,560	10,323	15,428	5,007	7,108	649
Amount	11,685,206	1,314,158	671,518	926,473	1,975,322	1,079,607	3,043,556	2,674,572
Payroll taxes:								
Numberof returns	72,422	9,233	12,830	17,085	20,529	5,315	6,851	579
Amount	7,523,589	751,339	552,749	621,205	1,384,974	758,555	2,006,879	1,447,890
Accounting fees:								
Numberof returns	69,914	11,772	13,531	14,925	18,324	4,672	6,138	553
Amount	740,823	101,959	63,636	73,414	150,440	79,043	199,010	73,321
Legal fees:								
Numberof returns	30,241	5,392	5,550	5,518	6,899	2,310	4,079	493
Amount	867,376	123,364	69,491	70,903	169,712	59,912	240,095	133,899
Supplies:								
Numberof returns	99,801	13,552	22,181	25,063	23,963	6,234	8,129	679
Amount	26,474,069	3,024,527	2,005,382	2,494,321	5,187,082	2,832,635	6,436,602	4,493,519
Telephone:								
Numberof returns	87,609	11,199	17,828	22,394	22,115	5,850	7,603	619
Amount	1,865,150	182,177	125,100	140,964	285,770	168,718	505,970	456,450
Postage and shipping:								
Numberof returns	77,904	8,621	16,397	20,974	19,738	4,996	6,598	580
Amount	1,470,989	117,977	74,523	92,059	186,976	131,591	417,853	450,010
Occupancy:								
Numberof returns	82,061	10,717	16,496	19,407	21,058	5,920	7,805	657
Amount	8,956,363	1,007,212	669,992	623,363	1,439,648	852,134	2,534,390	1,829,624
Equipment rental and maintenance:								
Numberof returns	62,506	7,860	11,854	14,078	16,295	5,124	6,703	593
Amount	4,164,843	505,490	303,899	353,309	733,605	361,597	1,078,747	828,197
Printing and publications:								
Numberof returns	74,743	7,936	16,160	18,797	19,455	5,025	6,748	622
Amount	2,693,091	223,205	149,390	180,826	397,046	339,107	748,617	654,899
Travel:								
Numberof returns	71,278	7,411	12,184	18,127	19,535	5,617	7,738	666
Amount	2,610,497	225,882	122,436	157,458	313,164	177,732	823,575	790,250
Conferences, conventions and meetings:								
Numberof returns	53,212	5,900	12,282	12,020	13,993	3,825	4,744	447
Amount	955,860	126,295	97,125	94,315	153,656	70,459	246,001	168,010
Interest:								
Numberof returns	40,501	6,420	7,361	8,335	10,787	2,861	4,352	385
Amount	7,459,644	1,947,621	602,275	641,077	1,314,588	635,143	1,366,833	952,108
Depreciation, depletion:								
Numberof returns	66,270	9,624	12,537	13,463	18,624	5,112	6,391	518
Amount	10,968,281	1,604,596	915,172	1,136,634	2,380,809	1,160,754	2,528,218	1,222,098
Other expenses:								
Numberof returns	119,458	18,766	27,465	29,106	27,471	6,820	9,041	787
Amount	83,509,387	17,057,716	5,153,313	6,506,031	12,233,881	7,391,870	18,956,592	16,209,984

[1] Excludes private foundations and religious organizations.

NOTE: Detail may not add to totals because of rounding.

Table 3.--Returns of Organizations Tax-Exempt under Selected Subsections of Internal Revenue Code Section 501(c): Income Statement and Balance Sheet Items, by Subsections

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Organizations tax-exempt under Internal Revenue Code section--						
	501(c)(3) [1]	501(c)(4)	501(c)(5)	501(c)(6)	501(c)(7)	501(c)(8)	501(c)(9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns	**124,233**	**19,279**	**20,697**	**19,875**	**14,488**	**8,129**	**8,889**
Total assets	**583,573,213**	**27,434,290**	**12,390,161**	**15,177,018**	**7,833,604**	**24,588,444**	**28,253,702**
Cash:							
Number of returns	99,287	14,935	17,378	16,042	12,390	6,986	5,244
Amount	11,913,224	657,312	1,161,494	699,182	329,445	229,067	847,607
Savings and temporary cash investments:							
Number of returns	84,127	14,099	13,577	16,226	10,569	6,186	6,338
Amount	49,232,764	4,137,227	3,049,466	4,114,547	751,446	786,542	7,813,990
Accounts receivable (net):							
Number of returns	52,759	3,685	4,008	6,802	6,150	1,310	4,028
Amount	43,258,364	2,343,389	482,270	1,756,518	572,964	58,291	2,415,897
Pledges receivable (net):							
Number of returns	7,288	123	94	296	168	13	140
Amount	5,132,401	28,020	4,090	95,735	8,652	49	43,582
Grants receivable:							
Number of returns	11,146	396	24	160	7	7	46
Amount	3,208,736	90,603	4,859	17,367	947	643	10,750
Receivables due from officers, directors, trustees, and key employees:							
Number of returns	2,757	37	172	248	62	30	68
Amount	297,913	17,545	9,629	5,865	1,558	85	6,067
Other notes and loans receivable:							
Number of returns	13,635	1,216	1,054	1,512	810	260	301
Amount	15,398,324	6,729,463	220,402	363,019	96,677	810,478	88,211
Inventories for sale or use:							
Number of returns	24,726	2,382	699	1,808	5,716	4,456	62
Amount	4,828,299	72,166	18,698	178,548	103,422	31,999	15,861
Prepaid expenses and deferred charges:							
Number of returns	45,078	2,589	2,835	6,177	4,487	1,265	2,149
Amount	5,326,331	243,538	57,438	209,830	86,516	19,779	73,111
Investments-securities:							
Number of returns	22,808	1,649	2,605	2,480	676	1,521	2,409
Amount	174,775,704	3,940,566	4,212,640	4,038,775	172,881	15,680,933	13,940,242
Investments-land, buildings and equipment minus accumulated depreciation:							
Number of returns	13,377	1,745	1,403	1,587	1,154	719	240
Amount	9,751,361	1,434,975	200,245	359,620	412,307	457,140	224,111
Investments-other:							
Number of returns	8,923	501	1,526	1,163	456	317	544
Amount	42,311,082	1,046,864	575,779	605,507	46,876	4,134,862	1,331,908
Land, buildings and equipment minus accumulated depreciation:							
Number of returns	74,113	7,819	10,536	9,021	9,238	5,281	1,282
Amount	185,176,519	4,763,302	1,886,436	1,974,693	5,106,025	1,419,051	316,155
Other assets:							
Number of returns	41,566	4,251	5,410	5,396	3,254	2,129	2,505
Amount	32,962,180	1,929,319	506,715	757,812	143,889	959,524	1,126,210
Total liabilities and fund balance/net worth:							
Number of returns	**123,338**	**19,195**	**20,571**	**19,749**	**14,481**	**8,045**	**8,552**
Amount	**583,573,207**	**27,434,290**	**12,390,160**	**15,177,018**	**7,833,604**	**24,588,445**	**28,253,702**
Total liabilities	**257,645,458**	**18,695,905**	**1,886,916**	**8,207,247**	**2,425,740**	**19,698,792**	**10,194,916**
Accounts payable:							
Number of returns	76,070	5,947	8,271	10,442	7,190	4,409	4,345
Amount	33,913,654	1,890,956	759,641	1,229,489	474,898	166,966	3,041,936
Grants payable:							
Number of returns	4,929	437	64	137	152	145	49
Amount	3,311,431	117,265	17,086	64,622	3,101	23,329	76,503
Support and revenue designated for future periods:							
Number of returns	16,450	619	283	2,110	865	501	306
Amount	8,325,251	377,481	56,505	546,987	83,822	39,512	293,676
Loans from officers, directors, trustees and key employees:							
Number of returns	4,914	81	55	113	194	95	4
Amount	528,716	10,352	3,424	5,141	26,388	878	112
Mortgages and other notes payable:							
Number of returns	38,489	3,981	2,600	3,605	4,892	2,799	117
Amount	106,034,115	10,657,417	439,881	1,352,294	1,328,883	272,566	99,692
Other liabilities:							
Number of returns	35,487	3,668	3,966	5,969	4,692	3,026	2,940
Amount	105,532,289	5,642,433	610,379	5,008,714	508,648	19,195,539	6,682,996
Total fund balance/net worth (end of year):							
Number of returns	**123,195**	**19,003**	**20,512**	**19,799**	**14,451**	**8,045**	**8,334**
Amount	**325,927,750**	**8,738,385**	**10,503,245**	**6,969,771**	**5,407,863**	**4,889,653**	**18,058,787**
Total revenue:							
Number of returns	**124,233**	**19,277**	**20,697**	**19,875**	**14,488**	**8,129**	**8,889**
Amount	**354,646,576**	**16,134,295**	**11,015,270**	**14,246,526**	**5,268,359**	**6,396,219**	**40,399,254**
Total contributions received:							
Number of returns	104,144	8,738	1,832	4,545	2,508	4,138	366
Amount	69,061,529	1,229,205	271,593	677,893	31,782	77,097	1,089,979
Contributions received from direct public support:							
Number of returns	94,614	7,430	1,476	3,243	2,119	3,863	264
Amount	32,485,686	548,789	69,239	198,624	24,449	65,002	744,713
Contributions received from indirect public support:							
Number of returns	25,441	1,482	208	651	486	542	114
Amount	6,245,968	73,951	111,769	36,822	6,679	12,066	213,857

Footnotes at end of table.

Table 3.--Returns of Organizations Tax-Exempt under Selected Subsections of Internal Revenue Code Section 501(c): Income Statement and Balance Sheet Items, by Subsections--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Organizations tax-exempt under Internal Revenue Code section--						
	501(c)(3) [1]	501(c)(4)	501(c)(5)	501(c)(6)	501(c)(7)	501(c)(8)	501(c)(9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total revenue (continued):							
Total contributions received (continued):							
Government grants:							
Number of returns	36,332	2,371	413	1,306	3	2	49
Amount	30,329,854	606,465	90,585	442,447	654	28	131,409
Program service revenue:							
Number of returns	72,233	6,927	5,248	12,625	7,121	3,604	6,685
Amount	239,292,958	10,189,515	2,249,418	5,646,022	931,089	4,858,106	32,774,514
Membership dues and assessments:							
Number of returns	30,954	12,786	19,145	18,219	13,270	7,666	1,337
Amount	3,971,042	1,830,416	7,001,456	6,351,107	2,965,214	480,707	3,267,342
Interest on savings and temporary cash investments:							
Number of returns	98,505	16,381	17,936	17,936	12,185	6,789	7,142
Amount	5,556,501	768,228	369,405	408,011	72,761	74,080	843,098
Dividends and interest from securities:							
Number of returns	21,499	1,353	2,229	1,907	999	1,167	2,174
Amount	11,151,825	301,730	234,533	218,873	12,047	429,870	869,999
Net rental income (loss):							
Number of returns	16,361	3,303	3,704	2,028	3,037	2,052	114
Amount	837,023	202,802	29,590	20,597	36,544	28,648	1,563
Gross rents:							
Number of returns	16,561	3,299	3,714	2,035	3,015	2,052	115
Amount	2,231,696	319,373	96,928	94,996	70,763	60,910	6,014
Rental expenses:.							
Number of returns	6,934	1,482	1,272	825	1,266	666	74
Amount	1,394,673	116,572	67,338	74,399	34,219	32,261	4,451
Other investment income:							
Number of returns	4,164	338	516	260	287	302	325
Amount	2,547,801	30,367	19,149	11,975	3,100	27,306	41,871
Total gain (loss) from sales of assets:							
Number of returns	19,185	1,223	1,480	1,381	803	559	1,418
Amount	6,435,260	821,979	68,187	82,194	26,701	43,050	100,540
Gain (loss), sales of securities:							
Number of returns	11,453	415	442	450	155	329	1,355
Amount	5,597,235	820,362	39,032	11,938	4,702	30,578	95,062
Gross amount from sales:							
Number of returns	11,190	460	519	470	156	336	1,497
Amount	126,282,098	3,713,845	4,204,326	1,361,229	45,681	1,029,651	30,151,434
Cost or other basis and sales expenses:							
Number of returns	10,358	396	492	454	149	287	1,478
Amount	120,684,863	2,893,483	4,165,295	1,349,290	40,978	999,073	30,056,372
Gain (loss), sales of other assets:							
Number of returns	9,841	860	1,116	1,004	670	292	102
Amount	838,024	1,617	29,155	70,256	21,998	12,472	5,478
Gross amount from sales:							
Number of returns	8,729	826	1,140	915	597	316	153
Amount	2,913,902	94,942	62,077	156,808	68,774	31,377	386,137
Cost or other basis and sales expenses:							
Number of returns	6,905	600	655	787	471	119	150
Amount	2,075,878	93,325	32,922	86,552	46,776	18,905	380,659
Net income (loss), fundraising:							
Number of returns	29,315	7,934	1,030	3,196	2,208	3,124	85
Amount	1,314,533	177,833	15,310	85,615	25,785	115,509	2,872
Gross revenue:							
Number of returns	29,689	7,934	1,029	3,196	2,209	3,078	88
Amount	2,440,879	693,837	63,256	275,936	73,338	340,236	5,685
Direct expenses:							
Number of returns	25,271	7,023	859	2,977	1,874	2,744	81
Amount	1,126,345	516,005	47,946	190,321	47,552	224,728	2,813
Gross profit (loss), sales of inventory:							
Number of returns	17,461	3,069	1,333	1,649	6,122	3,125	32
Amount	4,627,496	117,873	22,477	85,980	999,667	185,031	2,143
Gross sales minus returns and allowances:							
Number of returns	17,454	3,035	1,497	1,642	6,122	3,125	32
Amount	8,639,199	460,254	46,293	303,577	2,090,201	437,977	46,818
Cost of goods sold:							
Number of returns	15,120	2,819	1,315	1,212	5,995	2,976	32
Amount	4,011,703	342,381	23,816	217,597	1,090,533	252,946	44,675
Other revenue:							
Number of returns	50,212	7,431	10,683	9,730	5,164	2,595	2,283
Amount	9,850,597	464,345	734,153	658,259	163,668	76,813	1,405,334
Total expenses:							
Number of returns	123,445	18,817	20,676	19,815	14,426	8,114	8,858
Amount	330,814,869	14,984,144	10,296,572	13,319,817	5,027,458	6,174,327	40,584,915
Program services:							
Number of returns	115,587	16,683	(2)	(2)	(2)	(2)	(2)
Amount	281,543,233	12,628,522	(2)	(2)	(2)	(2)	(2)
Management and general:							
Number of returns	98,896	13,858	(2)	(2)	(2)	(2)	(2)
Amount	45,169,003	2,148,938	(2)	(2)	(2)	(2)	(2)
Fundraising:							
Number of returns	34,952	2,638	(2)	(2)	(2)	(2)	(2)
Amount	3,215,319	137,609	(2)	(2)	(2)	(2)	(2)
Payments to affiliates:							
Number of returns	4,913	2,629	11,339	1,546	813	3,242	57
Amount	880,049	63,792	1,235,986	80,011	9,244	24,887	2,003

[1] Excludes private foundations and religious organizations.

[2] Not applicable.

NOTE: Detail may not add to totals because of rounding.

Table 4.--Returns of Organizations Tax-Exempt under Selected Subsections of Internal Revenue Code Section 501(c): Total Functional Expenditures, by Subsections

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Organizations tax-exempt under Internal Revenue Code section--						
	501(c)(3)[1]	501(c)(4)	501(c)(5)	501(c)(6)	501(c)(7)	501(c)(8)	501(c)(9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns	**124,233**	**19,279**	**20,697**	**19,875**	**14,488**	**8,129**	**8,889**
Total functional expenditures:							
Number of returns	**123,384**	**18,817**	**20,676**	**19,815**	**14,426**	**8,114**	**8,858**
Amount	**329,934,808**	**14,920,351**	**9,060,587**	**13,239,806**	**5,018,214**	**6,149,441**	**40,582,912**
Grants and allocations:							
Number of returns	29,843	6,022	4,497	3,886	1,128	4,475	147
Amount	16,546,087	335,478	112,479	216,228	6,729	128,811	439,141
Specific assistance to individuals:							
Number of returns	10,844	1,694	856	647	386	1,233	246
Amount	18,075,734	205,285	14,245	26,670	3,362	11,938	619,604
Benefits paid to or for members:							
Number of returns	1,836	2,073	6,103	1,035	971	1,987	7,272
Amount	1,585,037	5,559,922	861,744	434,245	19,866	3,571,469	33,681,731
Compensation of officers, directors:							
Number of returns	34,456	3,842	15,811	7,346	1,627	5,166	3,324
Amount	3,080,552	126,706	898,634	528,314	35,897	50,771	308,129
Other salaries and wages:							
Number of returns	84,224	6,428	14,210	11,588	8,678	5,542	1,559
Amount	115,424,408	1,517,945	1,678,193	2,492,333	1,626,100	511,393	389,815
Pension plan contributions:							
Number of returns	18,191	767	5,464	3,767	642	195	677
Amount	3,109,168	45,895	217,048	129,265	17,309	31,868	71,491
Other employee benefits:							
Number of returns	51,759	2,174	6,560	6,793	2,871	652	1,380
Amount	11,685,206	172,737	263,702	270,996	105,443	23,979	737,041
Payroll taxes:							
Number of returns	72,422	5,729	13,660	10,842	7,901	5,758	1,811
Amount	7,523,589	103,212	224,570	218,244	209,502	64,980	50,953
Accounting fees:							
Number of returns	69,914	8,773	11,083	13,415	7,285	4,079	4,295
Amount	740,823	32,538	50,657	69,994	35,166	14,592	59,365
Legal fees:							
Number of returns	30,241	3,932	7,430	7,392	2,531	1,317	3,195
Amount	867,376	48,617	191,643	255,481	14,708	13,754	72,063
Supplies:							
Number of returns	99,801	13,996	14,192	15,083	11,155	6,710	2,144
Amount	26,474,069	201,103	118,769	195,033	222,408	49,639	53,704
Telephone:							
Number of returns	87,609	9,076	12,611	15,089	9,807	5,304	1,612
Amount	1,865,150	72,176	90,604	130,171	47,518	28,349	12,547
Postage and shipping:							
Number of returns	77,904	9,156	10,066	15,280	6,705	5,251	2,106
Amount	1,470,989	154,850	68,309	223,409	23,436	17,358	26,018
Occupancy:							
Number of returns	82,061	10,018	13,118	13,235	11,707	6,581	2,171
Amount	8,956,363	385,532	269,864	501,902	642,130	156,342	139,469
Equipment rental and maintenance:							
Number of returns	62,506	6,702	6,446	8,489	6,968	3,501	711
Amount	4,164,843	102,784	56,290	135,347	173,352	32,495	21,725
Printing and publications:							
Number of returns	74,743	9,167	8,524	15,876	7,340	5,242	2,130
Amount	2,693,091	251,536	153,007	650,594	54,811	40,752	25,723
Travel:							
Number of returns	71,278	5,101	8,607	11,639	2,794	1,592	606
Amount	2,610,497	103,859	238,562	374,334	27,985	22,920	7,129
Conferences, conventions and meetings:							
Number of returns	53,212	8,948	12,955	16,352	3,271	5,256	2,081
Amount	955,860	85,594	181,235	827,860	33,459	35,395	12,522
Interest:							
Number of returns	40,501	4,782	3,232	4,339	5,428	2,910	360
Amount	7,459,644	950,508	30,784	64,086	109,356	22,858	10,256
Depreciation, depletion:							
Number of returns	66,270	5,883	7,781	9,082	7,214	2,878	1,364
Amount	10,968,281	250,613	117,581	209,367	344,135	51,304	33,585
Other expenses:							
Number of returns	119,458	18,103	20,275	19,552	14,194	7,910	7,306
Amount	83,509,387	4,207,193	3,222,666	5,285,930	1,265,540	1,268,470	3,810,901

[1] Excludes private foundations and religious organizations.

NOTE: Detail may not add to totals because of rounding.

Charities and Other Tax-Exempt Organizations, Highlights of 1989 Data

by Cecelia Hilgert and Paul Arnsberger

Organizations Exempt Under Code Section 501(c)(3)

The Internal Revenue Code classifies nonprofit organizations into 25 subsections, some of which may be eligible for tax-deductible donations under section 170. The organizations that are exempt under section 501(c)(3) receive the largest part of tax-deductible donations and services. They are organizations whose purposes are religious, charitable, scientific, or are for the purpose of testing for public safety. Their activities are restricted in that they must further one or more of these exempt purposes. Examples of these organizations include nonprofit hospitals, nonprofit universities and schools, youth organizations, community fundraising campaigns, public charities, and environmental support groups.They must serve the public good (as opposed to private) interests. Under the Code, these organizations may not distribute net earnings to a private shareholder or individual. In addition, they are restricted in activities that could influence legislation, and they cannot participate in any political campaign on behalf of or in opposition to any candidate for political office.

The revenue and assets of organizations exempt under Internal Revenue Code section 501(c)(3), except private foundations and religious organizations, showed continued increases for 1989. Total revenue rose by 12 percent to $398.6 billion, of which the organizations' program activities provided more than two-thirds of the total ($272.1 billion). Total assets grew by 12 percent also, to $655.4 billion (see Figure A). These statistics are based on data from Form 990, Return for Organization Exempt from Income Tax, and Form 990EZ, the Short Form of the Form 990. This latter form was introduced in 1989 for smaller organizations, those with gross receipts of less than $100,000 and end-of-year assets less than $250,000. Data from the Form 990EZ do not correspond on a line-by-line basis with the data from the Form 990; in this article, they are combined where applicable.

Figure A

Selected Data for Nonprofit Charitable Organizations, Reporting Years 1987-1989

[Money amounts are in billions of dollars]

Item	1987 (1)	1988 (2)	1989 (3)
Number of returns	122,018	124,232	133,157
Total assets	$529.5	$583.6	$655.4
Total revenue	310.8	354.6	398.6
Program service revenue	211.9	239.3	272.1
Contributions, gifts and grants	61.7	69.1	77.0
Dues and assessments	4.2	4.0	4.7
Other	33.0	42.3	44.8
Total expenses	288.7	330.8	371.5

NOTES: Detail may not add to totals because of rounding. Nonprofit organizations exclude private foundations and religious organizations.

A total of 133,157 of the 394,953 nonprofit charitable organizations recognized by IRS were required for file information returns on Forms 990 or 990EZ. The number of required returns filed showed a larger increase for 1989 (7 percent) than had been registered for 1988, when a 2-percent increase occurred. This overall increase in the number of returns was evident for both smaller-size organizations, those with assets of less than $500,000, and for the larger ones, those with assets in excess of $10 million—both of these size categories showed a gain of 7 percent in the number of returns filed for 1989 from 1988. Organizations with assets of less than $500,000 accounted for more than two-thirds of all the returns filed for 1989, while the larger organizations represented 5 percent. (See Tables 1 through 5 for complete data.)

Organizations Exempt under Code Sections 501(c)(4) through (9)

Organizations exempt under Internal Revenue Code sections 501(c)(4) through (9) are diverse in both their functions and financial makeup and, unlike the organizations exempt under Code section 501(c)(3), most are not eligible for tax-deductible contributions. Financial data for organizations covered by these Code sections, also based on IRS Forms 990 and 990EZ, are presented in Tables 3, 4 and 5. Figure B shows a comparison of selected data of organizations exempt under sections 501(c)(4) through (9) from 1988 to 1989.

Three types of organizations exempt under these sections—business leagues, chambers of commerce and real estate boards (section 501(c)(6)), civic leagues and social welfare organizations (section 501(c)(4)), and labor, agricultural and horticultural organizations (section 501(c)(5))—each filed over 20,000 Forms 990 and 990EZ. Civic leagues and social welfare organizations (section 501(c)(4)) reported the highest asset base ($33.0 billion) for 1989 followed by voluntary employees' beneficiary associations (section 501(c)(9)) and fraternal beneficiary associations (section 501(c)(8)). For each of these sections, smaller organizations (assets less than $500,000) accounted for a greater share of total assets than similar sized organizations exempt under section 501(c)(3).

Figure B

Selected Balance Sheet and Income Statement Items, Specified for Organizations Tax-Exempt under Specified Internal Revenue Code Sections, 1989

[Money amounts are in millions of dollars]

Internal Revenue Code section	Number of returns		Total assets		Total liabilities		Total revenue		Total expenses	
	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
501(c)(4)	19,279	21,223	$27,434	$33,029	$18,696	$24,235	$16,134	$16,546	$14,984	$15,756
501(c)(5)	20,697	20,659	12,390	13,243	1,887	2,189	11,015	12,024	10,297	11,649
501(c)(6)	19,875	21,545	15,177	17,270	8,207	10,129	14,247	15,921	13,320	15,962
501(c)(7)	14,488	14,877	7,834	8,621	2,426	2,717	5,268	5,634	5,027	5,384
501(c)(8)	8,129	8,543	24,588	25,162	19,699	20,109	6,396	6,310	6,174	5,935
501(c)(9)	8,889	9,591	28,254	29,378	10,195	10,428	40,399	45,304	40,585	44,274

NOTE: Detail may not add to totals because of rounding.

Half of the organizations exempt under these Code sections—civic leagues and social welfare organizations (section 501(c)(4)), fraternal beneficiary associations (section 501(c)(8)), and voluntary employees' beneficiary associations (section 501(c)(9))—reported program service revenue as their primary source of revenue. Labor, agricultural and horticultural organizations (section 501(c)(5)), business leagues, chambers of commerce and real estate boards (section 501(c)(6)), and social and recreational clubs (section 501(c)(7)), on the other hand, all received membership dues and assessments as their primary source of revenue in 1989.

Table 1.--Form 990 Returns of Tax-Exempt Section 501(c)(3) Organizations: Selected Income Statement and Balance Sheet Items, by Size of Total Assets, 1989

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total[1]	Size of total assets					
		Under $100,000[2, 3]	$100,000 under $500,000[3]	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns	114,724	37,932	34,237	12,549	23,118	4,756	2,133
Total assets	654,632,251	1,364,423	8,537,689	8,955,274	71,243,487	105,912,022	458,619,355
Cash:							
Number of returns	91,486	30,081	27,980	9,926	18,278	3,679	1,543
Amount	10,892,852	322,278	781,055	493,672	2,199,338	2,180,705	4,915,803
Savings and temporary cash investments:							
Number of returns	81,026	22,687	25,460	9,563	18,095	3,611	1,610
Amount	51,988,985	512,642	2,538,837	1,959,984	10,314,109	9,964,583	26,698,830
Accounts receivable (net):							
Number of returns	52,030	9,167	14,565	7,091	15,301	3,954	1,952
Amount	47,744,685	75,370	675,017	630,428	4,298,689	8,660,962	33,404,219
Pledges receivable (net):							
Number of returns	7,402	658	1,324	1,124	3,085	864	347
Amount	5,884,109	6,170	99,695	137,377	1,548,127	2,125,289	1,967,452
Grants receivable:							
Number of returns	12,027	2,329	4,109	1,658	2,994	540	396
Amount	3,452,787	44,994	207,095	161,086	1,019,312	582,598	1,437,702
Receivables due from officers, directors, trustees, and key employees:							
Number of returns	2,745	861	568	375	589	199	154
Amount	278,750	2,623	4,582	12,163	19,665	64,280	175,417
Other notes and loans receivable:							
Number of returns	12,977	962	2,478	1,632	4,779	1,957	1,169
Amount	17,852,017	7,098	152,224	180,281	1,686,677	2,685,350	13,140,388
Inventories for sale or use:							
Number of returns	24,021	3,596	6,311	2,783	6,916	2,790	1,624
Amount	4,628,426	32,649	146,704	76,330	734,205	1,016,217	2,622,321
Prepaid expenses and deferred charges:							
Number of returns	47,503	7,445	13,295	6,379	14,783	3,759	1,842
Amount	5,525,451	18,339	104,907	102,478	676,628	1,100,430	3,522,670
Investments-securities:							
Number of returns	23,406	1,215	4,773	3,426	9,472	3,021	1,499
Amount	203,163,956	23,882	572,306	1,008,273	12,411,046	23,783,706	165,364,743
Investments-land, buildings and equipment minus accumulated depreciation:							
Number of returns	17,699	5,470	4,949	2,007	3,795	973	504
Amount	17,338,135	71,733	550,692	583,326	4,072,268	3,008,103	9,052,013
Investments-other:							
Number of returns	8,803	305	1,481	1,070	3,445	1,506	996
Amount	49,029,476	10,321	170,845	185,306	2,080,279	4,578,894	42,003,832
Land, buildings and equipment minus accumulated depreciation:							
Number of returns	67,982	14,483	21,241	8,760	17,470	4,066	1,963
Amount	199,014,984	200,522	2,334,577	3,143,194	27,185,309	40,253,452	125,897,930
Other assets:							
Number of returns	39,656	6,280	10,750	4,993	12,390	3,454	1,790
Amount	37,837,634	35,811	199,152	281,354	2,997,834	5,907,450	28,416,034
Total liabilities and fund balance/net worth:							
Number of returns	114,014	37,222	34,237	12,549	23,118	4,756	2,133
Amount	654,632,298	1,364,457	8,537,694	8,955,270	71,243,499	105,912,023	458,619,355
Total liabilities	293,725,281	576,973	2,553,895	3,059,590	28,917,503	41,654,642	216,962,679
Accounts payable:							
Number of returns	74,915	16,966	22,624	9,365	19,488	4,397	2,075
Amount	48,193,766	208,723	763,816	735,965	4,948,672	8,517,210	31,019,379
Grants payable:							
Number of returns	4,790	810	1,453	829	1,217	334	146
Amount	3,685,295	35,118	89,413	79,972	518,438	977,015	1,985,337
Support and revenue designated for future periods:							
Number of returns	17,463	2,532	4,592	3,077	5,659	1,169	434
Amount	9,717,013	51,247	202,056	343,093	2,605,319	3,038,955	3,476,343
Loans from officers, directors, trustees and key employees:							
Number of returns	4,463	2,634	1,088	214	455	56	16
Amount	320,931	52,499	31,056	4,974	106,449	56,647	69,307
Mortgages and other notes payable:							
Number of returns	38,905	4,861	11,285	5,780	12,209	3,095	1,674
Amount	119,251,898	130,369	1,080,295	1,500,178	17,184,313	21,426,375	77,930,368
Other liabilities:							
Number of returns	35,838	6,127	9,142	4,657	11,195	3,083	1,634
Amount	114,556,362	99,008	387,254	395,407	3,554,310	7,638,439	102,481,944
Total fund balance/net worth (end of year):							
Number of returns	113,687	37,272	33,933	12,549	23,056	4,745	2,131
Amount	360,907,021	787,483	5,983,805	5,895,681	42,325,995	64,257,381	241,656,675
Total revenue:							
Number of returns	114,724	37,932	34,237	12,549	23,118	4,756	2,133
Amount	397,702,022	5,500,375	13,991,411	9,936,416	54,030,867	70,461,149	243,781,805
Total contributions received:							
Number of returns	95,663	31,549	29,290	10,515	18,531	3,930	1,847
Amount	76,509,728	2,838,809	7,594,760	4,849,345	19,732,156	13,054,328	28,440,330
Contributions received from direct public support:							
Number of returns	87,007	28,765	26,547	9,542	16,817	3,678	1,659
Amount	35,828,100	1,389,493	2,750,530	2,590,381	8,399,210	7,816,086	12,882,400
Contributions received from indirect public support:							
Number of returns	23,900	7,090	7,773	2,703	4,934	861	540
Amount	7,008,648	282,415	581,230	440,425	1,766,596	1,820,600	2,117,382

Footnotes at end of table.

Table 1.--Form 990 Returns of Tax-Exempt Section 501(c)(3) Organizations: Selected Income Statement and Balance Sheet Items, by Size of Total Assets, 1989--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total [1]	Size of total assets					
		Under $100,000 [2, 3]	$100,000 under $500,000 [3]	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total revenue (continued):							
Total contributions received (continued):							
Government grants:							
Number of returns	35,597	11,192	11,100	3,987	6,919	1,460	939
Amount	33,680,984	1,166,905	4,263,000	1,818,539	9,566,350	3,417,642	13,448,547
Program service revenue:							
Number of returns	68,986	18,992	18,238	8,135	15,881	3,852	1,887
Amount	271,902,487	1,957,420	4,900,625	3,978,799	28,189,385	50,022,358	182,853,901
Membership dues and assessments:							
Number of returns	27,008	11,647	7,605	3,193	3,903	492	167
Amount	4,625,743	232,788	446,118	220,604	1,130,676	975,300	1,620,257
Interest on savings and temporary cash investments:							
Number of returns	92,586	28,005	28,627	10,917	19,540	3,790	1,707
Amount	6,477,724	47,123	209,397	170,536	1,132,622	1,252,369	3,665,678
Dividends and interest from securities:							
Number of returns	22,166	2,026	5,612	3,212	7,529	2,505	1,284
Amount	12,577,298	3,710	64,157	88,054	837,219	1,630,721	9,953,436
Net rental income (loss):							
Number of returns	17,506	1,975	4,486	2,472	5,867	1,671	1,036
Amount	905,355	11,989	48,621	68,600	234,524	160,063	381,557
Gross rents:							
Number of returns	17,604	2,025	4,486	2,499	5,887	1,666	1,040
Amount	2,152,808	22,758	87,577	94,882	643,236	346,233	958,123
Rental expenses:							
Number of returns	7,217	658	1,657	749	2,804	766	562
Amount	1,247,453	10,767	38,956	26,282	408,711	186,170	576,565
Other investment income:							
Number of returns	4,487	405	999	588	1,453	600	441
Amount	2,865,143	872	9,096	6,229	85,839	186,604	2,576,504
Total gain (loss) from sales of assets:							
Number of returns	21,338	1,671	4,546	· 2,835	8,016	2,749	1,521
Amount	7,278,896	16,604	16,478	59,330	470,364	780,284	5,931,836
Gain (loss), sales of securities:							
Number of returns	12,296	659	2,082	1,739	5,084	1,829	903
Amount	6,183,548	-1,529	23,206	22,858	327,802	637,726	5,173,485
Gross amount from sales:							
Number of returns	12,055	659	2,086	1,685	4,976	1,779	870
Amount	143,277,849	44,374	133,277	211,320	3,465,481	8,562,216	130,861,180
Cost or other basis and sales expenses:							
Number of returns	11,052	659	1,927	1,632	4,568	1,531	736
Amount	137,094,302	45,903	110,071	188,464	3,137,678	7,924,490	125,687,695
Gain (loss), sales of other assets:							
Number of returns	11,043	1,012	2,569	1,257	3,784	1,446	974
Amount	1,095,347	20,133	-4,728	36,472	142,561	142,558	758,350
Gross amount from sales:							
Number of returns	9,705	911	2,359	1,097	3,215	1,240	882
Amount	3,436,496	28,750	66,169	73,267	418,075	765,714	2,084,522
Cost or other basis and sales expenses:							
Number of returns	7,931	658	1,828	802	2,789	1,078	775
Amount	2,341,143	8,617	70,892	36,792	275,515	623,155	1,326,171
Net income (loss), fundraising:							
Number of returns	26,845	11,750	8,251	2,488	3,702	482	173
Amount	1,373,120	205,777	328,353	134,726	461,835	160,299	82,131
Gross revenue:							
Number of returns	27,075	11,850	8,197	2,515	3,806	515	191
Amount	2,615,476	565,799	587,866	259,764	778,522	279,569	143,955
Direct expenses:							
Number of returns	22,507	9,977	6,477	2,193	3,235	454	171
Amount	1,242,358	360,022	259,515	125,039	316,687	119,270	61,824
Gross profit (loss), sales of inventory:							
Number of returns	15,783	4,761	4,656	2,024	3,342	655	346
Amount	3,651,744	106,337	138,811	80,179	729,724	685,030	1,911,663
Gross sales minus returns and allowances:							
Number of returns	15,788	4,710	4,757	1,998	3,320	657	347
Amount	7,393,975	241,655	364,209	177,899	1,744,265	1,555,058	3,310,870
Cost of goods sold:							
Number of returns	13,788	4,051	4,041	1,837	2,927	602	329
Amount	3,742,232	135,317	225,398	97,721	1,014,562	870,028	1,399,206
Other revenue:							
Number of returns	39,509	8,763	10,274	5,111	10,760	3,020	1,582
Amount	9,534,765	76,940	232,987	280,011	1,026,519	1,553,792	6,364,515
Total expenses:							
Number of returns	113,783	37,678	33,917	12,496	22,819	4,743	2,130
Amount	370,697,071	5,474,747	13,441,780	9,465,077	50,363,340	65,730,124	226,222,003
Program services:							
Number of returns	107,709	35,197	32,096	12,067	21,669	4,589	2,091
Amount	315,930,561	4,290,763	10,889,576	7,659,968	41,629,245	53,948,639	197,512,369
Management and general:							
Number of returns	93,851	29,171	28,014	10,739	19,787	4,233	1,908
Amount	50,000,019	981,260	2,293,735	1,574,823	7,733,933	10,503,079	26,913,189
Fundraising:							
Number of returns	32,765	9,722	8,948	4,148	7,303	1,802	841
Amount	3,505,846	173,740	213,343	180,759	821,305	832,855	1,283,844
Payments to affiliates:							
Number of returns	5,230	1,419	1,591	615	1,288	199	118
Amount	1,242,493	28,994	45,121	49,527	178,697	445,554	494,600

[1] Excludes private foundations.

[2] Includes assets zero or not reported. Estimates in this column should be used with caution because of the small number of sample returns on which they are based.

[3] Organizations with end-of-year total assets less than $250,000 and gross receipts less than $100,000 may file a form 990EZ.

NOTES: Detail may not add to totals because of rounding. Nonprofit charitable organizations exclude private foundations and religious organizations.

Table 2.--Form 990 Returns of Tax-Exempt Section 501(c)(3) Organizations: Total Functional Expenditures by Size of Total Contributions Received, 1989

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Total [1]	Size of total contributions received						
		No contributions received	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of returns	114,724	19,061	22,357	24,977	29,371	8,009	10,057	891
Total functional expenditures:								
Number of returns	113,781	18,535	22,145	24,849	29,329	7,996	10,036	891
Amount	369,436,571	53,509,562	30,589,310	25,439,061	56,716,491	28,914,569	94,320,766	79,946,812
Grants and allocations:								
Numberof returns	28,226	4,255	5,503	5,654	6,936	2,007	3,359	510
Amount	18,295,362	1,011,584	325,316	304,097	989,284	754,557	5,164,585	9,745,937
Specific assistance to individuals:								
Numberof returns	10,197	712	1,495	1,823	3,447	1,107	1,489	125
Amount	18,490,455	6,849,887	9,115,419	88,464	183,282	176,898	975,854	1,100,651
Benefits paid to or for members:								
Numberof returns	2,968	506	538	819	651	164	275	14
Amount	1,537,265	887,681	442,238	8,215	66,294	7,461	60,825	64,551
Compensation of officers, directors:								
Numberof returns	34,770	5,406	5,073	7,338	9,788	2,614	4,052	498
Amount	3,418,711	614,435	237,289	386,012	653,405	283,952	846,136	397,482
Other salaries and wages:								
Numberof returns	81,188	10,459	13,112	16,707	23,610	7,184	9,300	816
Amount	130,054,443	12,084,944	7,874,157	9,890,303	22,450,357	11,344,365	36,914,145	29,496,173
Pension plan contributions:								
Numberof returns	19,771	2,413	1,841	2,633	5,803	2,455	4,084	541
Amount	3,664,547	388,809	123,409	174,907	462,939	203,038	1,007,330	1,304,114
Other employee benefits:								
Numberof returns	53,667	6,707	6,869	10,137	15,512	6,005	7,713	724
Amount	13,808,068	1,404,334	769,942	1,028,059	2,383,690	1,197,179	3,714,528	3,310,336
Payroll taxes:								
Numberof returns	70,481	8,981	11,551	14,864	21,076	5,789	7,561	660
Amount	8,630,249	753,887	563,605	698,301	1,565,605	806,919	2,393,619	1,848,313
Accounting fees:								
Numberof returns	69,515	11,655	12,091	13,975	19,120	5,158	6,830	686
Amount	826,829	99,742	63,704	79,671	155,020	73,252	248,764	106,675
Legal fees:								
Numberof returns	30,061	6,216	4,268	4,830	7,417	2,317	4,392	622
Amount	910,698	179,831	54,759	70,958	147,964	69,905	231,182	156,100
Supplies:								
Numberof returns	90,813	12,121	17,180	19,859	24,800	7,220	8,857	777
Amount	29,208,152	3,096,726	1,806,157	2,596,583	5,819,080	2,631,284	7,676,507	5,581,815
Telephone:								
Numberof returns	80,378	10,211	13,573	17,404	23,682	6,620	8,172	716
Amount	1,990,334	190,033	120,702	138,747	290,454	147,710	578,118	524,571
Postage and shipping:								
Numberof returns	70,683	7,569	13,156	16,426	19,944	6,017	6,901	670
Amount	1,563,781	145,825	62,169	81,396	244,770	106,077	446,842	476,702
Occupancy:								
Numberof returns	81,314	10,956	14,441	16,619	23,140	6,636	8,773	749
Amount	10,527,978	1,173,415	762,951	761,201	1,668,878	847,842	3,010,986	2,302,705
Equipment rental and maintenance:								
Numberof returns	59,680	6,799	9,905	12,397	16,896	5,869	7,140	674
Amount	4,681,820	528,024	265,078	376,190	819,390	399,774	1,304,321	989,044
Printing and publications:								
Numberof returns	70,870	7,684	13,332	15,498	20,428	5,895	7,317	715
Amount	3,054,184	252,336	100,036	181,951	613,847	228,237	846,841	830,935
Travel:								
Numberof returns	64,330	6,455	8,886	14,102	19,839	6,209	8,111	729
Amount	2,752,529	236,564	103,913	159,653	322,101	181,399	841,152	907,746
Conferences, conventions and meetings:								
Numberof returns	49,619	5,495	8,883	10,919	14,121	4,462	5,217	522
Amount	1,089,428	126,475	81,621	90,701	193,061	91,263	279,171	227,136
Interest:								
Numberof returns	39,692	6,517	6,070	7,554	11,263	3,055	4,810	424
Amount	8,504,754	2,199,771	618,424	709,057	1,434,669	687,724	1,681,931	1,173,178
Depreciation, depletion:								
Numberof returns	65,945	9,658	10,423	12,531	19,904	5,623	7,278	528
Amount	12,301,193	1,672,881	922,025	1,200,925	2,581,289	1,175,312	3,184,148	1,564,613
Other expenses:								
Numberof returns	110,705	17,335	21,907	23,972	28,767	7,848	9,990	887
Amount	93,893,478	19,607,978	6,174,909	6,395,726	13,636,251	7,452,582	22,821,496	17,804,534

[1] Excludes private foundations.

NOTES: Detail may not add to totals because of rounding. Nonprofit charitable organizations exclude private foundations and religious organizations.

Table 3.–Form 990 Returns of Organizations Tax-Exempt under Selected Subsections of Internal Revenue Code Section 501(c): Selected Income Statement and Balance Sheet Items, by Selected Subsections, 1989

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Organizations tax-exempt under Internal Revenue Code section–						
	501(c)(3) [1]	501(c)(4)	501(c)(5)	501(c)(6)	501(c)(7)	501(c)(8)	501(c)(9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns	114,724	16,174	15,883	17,902	12,498	7,219	9,110
Total assets	654,632,251	32,792,055	13,026,283	17,147,617	8,466,600	25,052,687	29,361,580
Cash:							
Number of returns	91,486	12,901	13,310	14,647	10,598	6,459	4,797
Amount	10,892,852	601,629	1,169,991	691,637	291,730	223,477	797,299
Savings and temporary cash investments:							
Number of returns	81,026	11,913	10,187	15,191	9,016	5,162	6,662
Amount	51,988,985	4,671,388	3,304,739	4,500,461	797,623	792,759	8,027,097
Accounts receivable (net):							
Number of returns	52,030	3,322	3,512	6,764	5,766	1,182	4,248
Amount	47,744,685	2,315,837	512,098	2,308,523	612,124	37,895	2,854,357
Pledges receivable (net):							
Number of returns	7,402	82	106	178	108	29	107
Amount	5,884,109	36,813	23,866	61,986	5,838	1,875	34,806
Grants receivable:							
Number of returns	12,027	238	43	229	7	21	42
Amount	3,452,787	117,269	7,328	24,827	151	1,460	20,177
Receivables due from officers, directors, trustees, and key employees:							
Number of returns	2,745	115	227	252	138	22	48
Amount	278,750	22,592	29,834	7,666	1,588	40,032	1,454
Other notes and loans receivable:							
Number of returns	12,977	857	935	1,363	738	311	332
Amount	17,852,017	7,055,059	276,450	357,435	87,406	281,347	124,312
Inventories for sale or use:							
Number of returns	24,021	2,369	565	1,936	5,397	4,386	78
Amount	4,628,426	94,884	15,355	124,719	110,790	32,984	4,221
Prepaid expenses and deferred charges:							
Number of returns	47,503	2,838	2,466	6,372	4,429	1,248	2,234
Amount	5,525,451	150,007	95,214	238,136	96,514	15,271	75,788
Investments-securities:							
Number of returns	23,406	1,490	2,175	2,404	731	1,549	2,462
Amount	203,163,956	6,928,368	4,381,843	4,859,616	188,373	12,109,098	14,707,655
Investments-land, buildings and equipment minus accumulated depreciation:							
Number of returns	17,699	2,196	2,094	2,507	1,808	937	277
Amount	17,338,135	1,413,095	250,530	350,616	744,516	450,882	68,888
Investments-other:							
Number of returns	8,803	531	1,226	1,136	467	356	549
Amount	49,029,476	2,219,291	720,505	631,223	54,833	2,956,162	1,441,290
Land, buildings and equipment minus accumulated depreciation:							
Number of returns	67,982	6,736	8,271	8,084	7,416	4,811	1,259
Amount	199,014,984	4,338,992	1,902,175	2,112,118	5,243,801	1,733,144	291,090
Other assets:							
Number of returns	39,656	3,511	4,131	5,140	3,013	2,400	2,334
Amount	37,837,634	2,826,829	336,350	878,655	231,305	6,376,298	913,146
Total liabilities and fund balance/net worth:							
Number of returns	114,014	16,132	15,883	17,860	12,456	7,204	8,561
Amount	654,632,298	32,792,055	13,026,285	17,147,614	8,466,598	25,052,679	29,361,580
Total liabilities	293,725,281	24,213,829	2,165,613	10,121,949	2,695,296	20,099,902	10,427,039
Accounts payable:							
Number of returns	74,915	6,092	6,797	10,131	6,706	4,176	4,801
Amount	46,193,766	3,524,387	867,256	1,440,728	541,206	376,342	4,643,790
Grants payable:							
Number of returns	4,790	391	39	151	30	146	19
Amount	3,685,295	147,396	11,511	28,459	3,052	98,381	26,553
Support and revenue designated for future periods:							
Number of returns	17,463	516	236	2,299	905	680	262
Amount	9,717,013	414,151	70,029	665,474	104,629	31,449	231,883
Loans from officers, directors, trustees and key employees:							
Number of returns	4,463	74	15	97	66	46	11
Amount	320,931	6,126	528	9,122	7,183	120	1,317
Mortgages and other notes payable:							
Number of returns	38,905	3,568	2,077	3,139	4,757	2,499	87
Amount	119,251,898	10,901,905	531,111	1,436,398	1,521,480	290,332	75,893
Other liabilities:							
Number of returns	35,838	2,937	3,611	5,656	4,043	2,416	2,802
Amount	114,556,362	9,219,863	685,177	6,541,769	517,745	19,303,279	5,447,603
Total fund balance/net worth (end of year):							
Number of returns	113,687	15,988	15,793	17,760	12,427	7,204	8,252
Amount	360,907,021	8,578,225	10,860,668	7,025,667	5,771,304	4,952,777	18,934,542
Total revenue:							
Number of returns	114,724	16,170	15,883	17,902	12,498	7,219	9,110
Amount	397,702,022	16,349,325	11,766,198	15,733,194	5,530,596	6,255,369	45,277,550
Total contributions received:							
Number of returns	95,663	7,651	1,670	4,230	1,895	3,716	523
Amount	76,509,728	1,477,291	314,305	946,937	33,268	78,518	2,539,600
Contributions received from direct public support:							
Number of returns	87,007	6,496	1,260	2,896	1,561	3,503	429
Amount	35,828,100	740,971	77,481	284,364	21,335	60,388	2,398,991
Contributions received from indirect public support:							
Number of returns	23,900	1,204	202	787	462	467	111
Amount	7,008,648	71,946	133,499	56,931	10,346	17,441	117,326

Footnotes at end of table.

Table 3.--Form 990 Returns of Organizations Tax-Exempt under Selected Subsections of Internal Revenue Code Section 501(c): Selected Income Statement and Balance Sheet Items, by Selected Subsections, 1989--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Organizations tax-exempt under Internal Revenue Code section--						
	501(c)(3) [1]	501(c)(4)	501(c)(5)	501(c)(6)	501(c)(7)	501(c)(8)	501(c)(9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total revenue (continued):							
Total contributions received (continued):							
Government grants:							
Number of returns	35,597	2,243	502	1.172	25	22	84
Amount	33,680,984	664,374	103,325	605,643	1,587	690	23,283
Program service revenue:							
Number of returns	66,986	5,988	3,914	11,782	6,504	3,126	7,134
Amount	271,902,487	10,776,107	2,453,806	6,459,124	975,381	4,978,117	37,396,907
Membership dues and assessments:							
Number of returns	27,008	10,362	14,699	16,584	11,450	6,646	1,310
Amount	4.625.743	1.851.128	7.363.506	6.677.584	3.165.111	441.484	2.301.786
Interest on savings and temporary cash investments:							
Number of returns	92,586	13,551	13,704	16,270	10,875	6,162	7,400
Amount	6,477,724	833,795	439,847	531,135	80,126	75,313	905,749
Dividends and interest from securities:							
Number of returns	22,166	1,376	2,036	1,829	1,046	1,044	2,132
Amount	12,577,298	254,712	230,067	249,815	14,889	175,101	924,487
Net rental income (loss):							
Number of returns	17,506	2,964	3,127	2,219	2,606	2,207	140
Amount	905,355	190,479	31,631	20,502	37,481	23,533	1,213
Gross rents:							
Number of returns	17,604	2,991	3,150	2,266	2,628	2,223	141
Amount	2.152,808	329,134	103.921	104.368	72.437	55,369	10.138
Rental expenses:							
Number of returns	7,217	1,283	1,225	989	1.241	681	85
Amount	1,247,453	138,655	72,290	83,866	34,954	31,837	8,925
Other investment income:							
Number of returns	4.487	218	388	269	222	150	308
Amount	2,865,143	55,681	27,774	14,911	3,918	15,832	55,927
Total gain (loss) from sales of assets:							
Number of returns	21,338	1,065	1,317	1,274	939	731	1,442
Amount	7.278.896	132,791	108,361	70,566	24.108	97,188	182,209
Gain (loss), sales of securities:							
Number of returns	12,296	464	531	421	181	356	1,459
Amount	6.183.548	1.673.117	3.902.425	2.139.614	32.718	605,963	37.544.885
Gross amount from sales:							
Number of returns	12.055	435	526	363	170	330	1.448
Amount	143,277,849	1,590,301	3,827,082	2,116,447	29,344	538,970	37,369,670
Cost or other basis and sales expenses:							
Number of returns	11,052	458	475	441	182	346	1,344
Amount	137,094,302	82,817	75,344	23,167	3,374	66,993	175,216
Gain (loss), sales of other assets:							
Number of returns	11,043	649	1,011	852	683	403	193
Amount	1.095.347	214,805	61.263	111.788	72.832	56.056	1.482.151
Gross amount from sales:							
Number of returns	9.705	348	580	687	529	259	184
Amount	3,436,496	164,831	28,246	64,389	52,098	25,861	1,475,158
Cost or other basis and sales expenses:							
Number of returns	7,931	656	1.002	898	788	404	142
Amount	2,341,143	49,974	33,017	47,399	20,734	30,195	6,994
Net income (loss), fundraising:							
Number of returns	26,845	6,397	935	3,107	1,691	2,612	90
Amount	1,373,120	175,499	18,629	72,214	20,415	93,910	2,616
Gross revenue:							
Number of returns	27,075	6,400	935	3,105	1,698	2,615	90
Amount	2.615.476	747.447	51,278	238,387	63,708	294,605	5,331
Direct expenses:							
Number of returns	22,507	5,667	753	2,899	1.488	2.215	89
Amount	1,242,358	571,947	32,649	166,173	43,293	200,694	2,715
Gross profit (loss), sales of inventory:							
Number of returns	15,783	3,040	975	1,596	5,705	3,169	29
Amount	3,651,744	142,056	14,040	101,496	1,010,076	193,743	1,536
Gross sales minus returns and allowances:							
Number of returns	15,788	3,040	1,055	1,580	5,701	3,163	30
Amount	7,393,975	478,803	35,043	293,729	2.128.748	476,840	58,998
Cost of goods sold:							
Number of returns	13,788	2,866	934	1,229	5,556	3,084	28
Amount	3,742,232	336,746	21,003	192,231	1,118,670	283,096	57,462
Other revenue:							
Number of returns	39,509	5,323	7,949	7,695	4,042	2,236	1,911
Amount	9,534,765	459,784	764,233	588,908	165,821	82,624	965,519
Total expenses:							
Number of returns	113,783	15,844	15,857	17,902	12,392	7,162	9,102
Amount	370,697,071	15,572,285	11,403,133	15,785,336	5,284,766	5,888,517	44,249,177
Program services:							
Number of returns	107,709	14,337	–	–	–	–	–
Amount	315,930,561	13,006,480					
Management and general:							
Number of returns	93,851	11,945	–	–	–	–	–
Amount	50,000,019	2,327,300					
Fundraising:							
Number of returns	32,765	2,382	–	–	–	–	–
Amount	3,505,846	180,755					
Payments to affiliates:							
Number of returns	5,230	1,821	9,570	1,087	590	2,573	73
Amount	1,242,493	57,749	1,545,103	81,173	6,688	22,874	975

[1] Excludes private foundations.

[2] Includes zero assets or not reported.

[3] Estimates in this column should be used with caution because of the small number of sample returns on which they are based.

NOTES: Detail may not add to totals because of rounding. Nonprofit charitable organizations exclude private foundations and religious organizations.

Table 4.--Form 990 Returns of Tax-Exempt Selected Section 501(c) Organizations: Total Functional Expenditures, by Selected Internal Revenue Code Sections, 1989

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Organizations tax-exempt under Internal Revenue Code section--						
	501(c)(3)[1]	501(c)(4)	501(c)(5)	501(c)(6)	501(c)(7)	501(c)(8)	501(c)(9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns	114,724	16,174	15,883	17,902	12,498	7,219	9,110
Total functional expenditures:							
Number of returns	113,781	15,844	15,857	17,902	12,392	7,162	9,102
Amount	369,436,571	15,514,535	9,858,028	15,704,163	5,279,435	5,865,644	44,248,202
Grants and allocations:							
Numberof returns	28,226	4,597	3,895	4,023	800	3,459	272
Amount	18,295,362	260,164	86,750	315,100	5,050	139,966	506,689
Specific assistance to individuals:							
Numberof returns	10,197	1,366	374	601	149	858	256
Amount	18,490,455	134,819	6,056	29,824	530	12,672	255,231
Benefits paid to or for members:							
Numberof returns	2,968	1,792	5,077	926	694	1,702	7,542
Amount	1,537,265	5,444,829	1,027,163	506,258	18,698	3,590,487	37,539,751
Compensation of officers, directors:							
Numberof returns	34,770	3,268	11,888	6,660	1,490	4,760	1,491
Amount	3,418,711	128,381	905,251	557,984	35,863	53,113	151,162
Other salaries and wages:							
Numberof returns	81,188	5,966	11,200	10,942	7,815	5,024	1,548
Amount	130,054,443	1,584,546	1,883,151	2,634,092	1,699,567	459,720	326,354
Pension plan contributions:							
Numberof returns	19,771	770	4,795	3,771	645	246	719
Amount	3,664,547	46,767	226,158	136,432	15,793	28,216	77,480
Other employee benefits:							
Numberof returns	53,667	2,084	5,359	6,604	3,020	674	1,302
Amount	13,808,068	196,873	278,438	372,239	120,896	169,132	510,794
Payroll taxes:							
Numberof returns	70,481	5,617	11,547	10,121	7,264	5,059	1,831
Amount	8,630,249	110,624	264,022	230,662	223,009	67,609	44,715
Accounting fees:							
Numberof returns	69,515	8,251	9,369	12,974	6,920	4,125	4,465
Amount	826,829	33,742	51,723	64,458	35,031	14,053	64,083
Legal fees:							
Numberof returns	30,061	3,144	6,482	7,107	1,869	1,176	3,580
Amount	910,698	66,544	208,006	271,425	11,878	7,748	66,727
Supplies:							
Numberof returns	90,813	11,483	10,271	13,479	9,417	6,067	2,197
Amount	29,208,152	210,060	164,533	178,608	210,808	48,536	34,974
Telephone:							
Numberof returns	80,378	7,808	9,636	13,449	8,870	4,712	1,708
Amount	1,990,334	70,639	95,073	132,424	45,269	21,938	12,516
Postage and shipping:							
Numberof returns	70,683	7,592	7,776	13,965	6,240	4,836	2,160
Amount	1,563,781	164,325	67,274	227,711	25,250	21,123	26,542
Occupancy:							
Numberof returns	81,314	8,739	11,509	12,065	10,455	6,087	2,381
Amount	10,527,978	369,443	348,155	521,762	602,662	153,453	214,698
Equipment rental and maintenance:							
Numberof returns	59,680	6,272	5,067	8,409	6,279	3,263	796
Amount	4,681,820	97,297	64,299	151,797	157,682	25,178	16,146
Printing and publications:							
Numberof returns	70,870	7,104	6,361	14,337	6,067	4,645	2,133
Amount	3,054,184	256,990	158,900	645,140	56,028	39,534	25,135
Travel:							
Numberof returns	64,330	4,218	6,669	11,258	2,044	1,398	710
Amount	2,752,529	83,662	250,611	392,236	17,161	20,775	6,923
Conferences, conventions and meetings:							
Numberof returns	49,619	7,077	9,341	14,376	2,845	4,808	2,132
Amount	1,089,428	88,453	169,441	852,247	22,337	38,299	14,805
Interest:							
Numberof returns	39,692	3,987	2,512	4,027	4,866	2,590	333
Amount	8,504,754	1,061,378	42,465	71,762	124,568	22,109	11,164
Depreciation, depletion:							
Numberof returns	65,945	5,876	6,612	9,240	6,849	2,814	1,419
Amount	12,301,193	236,788	129,334	250,458	368,673	57,996	30,992
Other expenses:							
Numberof returns	110,705	15,145	15,568	17,518	12,224	6,981	7,595
Amount	93,893,478	4,852,428	3,431,195	7,161,534	1,482,673	873,974	4,311,320

[1] Excludes private foundations

NOTE: Detail may not add to totals because of rounding.

Table 5.--Form 990EZ Returns of Tax-Exempt Section 501(c)(3) Organizations: Selected Income Statement and Balance Sheet Items, by Size of Total Assets, 1989

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Organizations tax-exempt under Internal Revenue Code section--						
	501(c)(3) [1]	501(c)(4)	501(c)(5)	501(c)(6)	501(c)(7)	501(c)(8)	501(c)(9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns	**18,433**	**5,049**	**4,776**	**3,643**	**2,379**	**1,324**	**481**
Total assets:	**793,740**	**237,228**	**216,722**	**122,451**	**154,130**	**109,535**	**16,034**
Cash, savings and investments:							
Number of returns	17,927	4,923	4,691	3,559	2,337	1,251	354
Amount	501,502	162,998	158,474	110,883	54,492	53,193	12,503
Land and buildings:							
Number of returns	4,152	864	1,175	337	1,226	587	57
Amount	198,728	56,273	37,360	4,588	89,245	48,110	1,284
Other assets:							
Number of returns	7,090	1,622	2,073	1,168	1,048	602	129
Amount	93,512	17,958	20,889	6,981	10,392	8,236	2,247
Total liabilities:							
Number of returns	**6,533**	**1,120**	**1,594**	**1,069**	**998**	**614**	**99**
Amount	**94,017**	**21,481**	**23,080**	**6,619**	**22,066**	**9,557**	**853**
Total revenue:							
Number of returns	**18,433**	**5,049**	**4,776**	**3,643**	**2,379**	**1,323**	**481**
Amount	**926,388**	**196,596**	**258,049**	**188,113**	**103,458**	**55,051**	**26,608**
Contributions, gifts and grants:							
Number of returns	15,800	2,691	550	1,364	536	654	72
Amount	463,432	28,383	3,120	15,740	3,224	5,568	2,858
Program service revenue:							
Number of returns	8,659	1,400	1,141	2,039	850	582	283
Amount	232,364	31,958	15,239	47,643	20,599	18,048	14,460
Dues and assessments:							
Number of returns	7,647	3,821	4,605	3,390	2,194	1,239	211
Amount	83,557	68,809	200,237	98,262	56,595	13,436	6,397
Investment income:							
Number of returns	13,723	4,328	3,888	3,137	1,842	1,137	397
Amount	31,966	11,416	9,725	7,663	3,707	5,234	892
Gain (loss) from sale of assets:							
Number of returns	1,013	72	84	57	156	--	15
Amount	3,395	462	5	102	654		84
Gross amount from sale of assets:							
Number of returns	1,165	129	84	--	156	--	15
Amount	9,016	942	5		903		105
Cost or other basis and sales expense:							
Number of returns	810	129	--	57	42	--	15
Amount	5,623	481		102	249		189
Net income:							
Number of returns	6,938	2,844	367	1,307	917	565	--
Amount	65,440	27,854	2,977	10,007	6,899	7,125	
Gross fundraising revenue:							
Number of returns	6,938	2,886	409	1,307	917	565	--
Amount	125,995	68,134	5,930	29,121	21,454	20,283	
Direct expenses:							
Number of returns	5,621	2,547	283	1,138	719	550	--
Amount	60,554	40,280	2,952	19,114	14,555	13,157	
Gross profit (loss):							
Number of returns	3,494	890	367	253	721	230	--
Amount	21,897	10,536	3,162	924	7,101	3,013	
Gross sales minus returns and allowances:							
Number of returns	3,494	890	367	253	721	230	--
Amount	48,171	23,882	6,139	2,330	19,229	6,213	
Cost of goods sold:							
Number of returns	3,140	833	367	169	721	230	--
Amount	26,274	13,346	2,977	1,405	12,127	3,201	
Other revenue:							
Number of returns	5,874	2,122	2,789	1,153	810	300	183
Amount	24,329	17,177	23,583	7,975	4,678	2,626	2,086
Excess (or deficit):							
Number of returns	18,332	5,049	4,776	3,643	2,379	1,323	481
Amount	97,180	12,924	12,214	11,041	4,243	8,199	2,007

Footnotes at end of table.

Table 5.--Form 990EZ Returns of Tax-Exempt Section 501(c)(3) Organizations: Selected Income Statement and Balance Sheet Items, by Size of Total Assets, 1989--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Organizations tax-exempt under Internal Revenue Code section--						
	501(c)(3) [1]	501(c)(4)	501(c)(5)	501(c)(6)	501(c)(7)	501(c)(8)	501(c)(9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total expenses:							
Number of returns	**18,382**	**4,985**	**4,776**	**3,643**	**2,379**	**1,323**	**481**
Amount	**829,206**	**183,671**	**245,836**	**177,071**	**99,220**	**46,851**	**24,601**
Grants paid:							
Number of returns	5,672	2,745	1,999	1,069	536	1,165	--
Amount	105,769	31,195	40,285	6,523	2,844	11,428	
Benefits paid to or for members:							
Number of returns	1,114	820	1,522	436	253	369	409
Amount	8,333	13,711	22,975	6,897	6,129	1,828	16,974
Salaries and compensation:							
Number of returns	8,963	1,264	3,633	1,590	966	728	198
Amount	235,003	15,564	60,190	32,663	11,992	3,988	1,589
Professional fees:							
Number of returns	10,229	1,400	2,398	2,673	1,021	456	198
Amount	70,291	5,786	6,171	25,333	2,866	641	1,324
Occupancy, rent and utilities:							
Number of returns	12,255	2,278	3,199	2,264	1,844	1,068	57
Amount	87,522	17,119	15,983	10,043	30,171	7,746	428
Printing, publications and postage:							
Number of returns	14,382	3,838	3,521	3,348	1,559	1,080	183
Amount	59,861	7,078	9,426	20,454	3,791	2,243	171
Other expenses:							
Number of returns	17,066	4,675	4,480	3,516	2,139	1,209	354
Amount	262,419	93,217	90,804	75,159	41,426	18,977	4,116

[1] Excludes private foundations.

[2] Includes assets zero or not reported.

NOTES: Detail may not add to totals because of rounding.

WORKING DRAFT
Please do not quote, cite or reproduce without explicit permission from the author

PROVIDING HEALTH CARE IN AMERICA: A COMPARATIVE ANALYSIS OF NONPROFIT AND FOR-PROFIT HOSPITALS

by

Alicia Meckstroth
Economist
Statistics of Income
Internal Revenue Service

Prepared for the 1993 Spring Research Forum
"Transmitting the Tradition of A Caring Society
to Future Generations"

San Antonio, Texas
March 18-19, 1993

The views expressed do not necessarily reflect those of the Internal Revenue Service.

Costs within the health care sector have risen dramatically in the past decade. Total national health care expenditures currently represent over 12 percent of the United States' Gross Domestic Product (GDP), more than any other developed nation.[1] In spite of these large expenditures, approximately 37 million individuals remain uninsured by the American health care system[2] and another 56 million remain underinsured and lack appropriate health care.[3] Hospitals, which represent almost 40 percent of total health care expenditures, obviously play a significant role in providing quality health care.[4] The growth of for-profit hospitals has increased the level of competition in the health care field. The results of the increased competition between tax-exempt, nonprofit and corporate, for-profit hospitals have raised questions regarding the effectiveness and the appropriateness of these two types of health care providers. Through an examination of comparative financial indicators such as operating margins, debt-to-equity ratios, and returns on equity (net worth), this paper examines key differences between the two types of health care providers, including the advantage of tax-exemption for the nonprofits. Nonprofit hospitals, unlike for-profit hospitals, represent a type of voluntary organization having the purpose of operating primarily for the 'public good'. These hospitals fulfill their charitable missions by functioning for the benefit of their communities.

HOSPITAL TAX EXEMPTION AND COMMUNITY BENEFITS

The Internal Revenue Code currently exempts (nonprofit) hospitals from federal income tax under the 'charitable purpose clause' of subsection 501(c)(3). This section of the tax code, amplified by a 1969 ruling,[5] implies that nonprofit hospitals qualify for their exemption by providing health care goods and services in an effective manner that fosters the welfare and development of a community and allows the government to decentralize responsibility for medical care to the private, nonprofit sector.[6] It does not explicitly require that nonprofit hospitals provide charity or uncompensated care to indigent patients in exchange for tax exemption,[7] although these hospitals, by nature of their charitable function, most often do provide some type of charitable, uncompensated care. A hospital meets the "community benefit standard" for tax exemption if it provides health care to paying individuals, operates a full-time emergency room open to all individuals, regardless of ability to pay, and participates in the Medicare and Medicaid insurance programs for elderly and low-income individuals.

Along with the federal income tax exemption, nonprofit hospitals receive additional social subsidies due to their status as tax-exempt section 501(c)(3) organizations. These subsidies include tax-deductible contributions and the privilege of financing investments with tax-exempt bonds. Furthermore, depending on state and local variations, nonprofit hospitals most often receive exemptions from income, property, and sales tax, as well. The nonprofit hospitals can not distribute any of their earnings to private individuals. The for-profit hospitals, on the other hand, are taxed at corporate rates, distribute earnings to shareholders, and are not accountable to the "community benefit" standard of the nonprofits. Rudney and Copeland estimated that the total value of all subsidies and exemptions provided to nonprofit hospitals from the federal and from state and local governments equaled approximately $8.5 billion in 1986. Both the federal income tax exemption and the use of tax-exempt bond financing each equaled approximately 20 percent of the total subsidy.[8]

Medical treatment for those individuals who can not afford health insurance and are not eligible for public assistance (i.e. Medicaid) often involves costly emergency and long-term care, rather than less costly preventive treatment. It has been estimated that all hospitals, including both nonprofit and for-profit, provide an estimated total of $13 billion in uncompensated care each year.[9] Caring for the indigent increases the financial burden to hospitals and contributes to the escalating long-run health care costs. The subsidies and exemptions granted to the nonprofit hospitals increase their ability to fulfill their charitable purpose and effectively provide health care to all individuals. There is general agreement that nonprofit hospitals tend to provide a greater proportion of uncompensated and charity care than for-profit hospitals. This may result from the community benefit mission of the nonprofit hospitals and/or from the possibility that for-profit hospitals serve fewer low-income patients due to the clientele on which they focus and the areas in which they serve. Uncompensated care has been defined, in certain studies, as charity care plus bad debt expense from uncollected accounts.[10] A recent study by the GAO stated that approximately 80 percent of the nonprofit hospitals in its study provided an amount of uncompensated care that exceeded the estimated value of federal and state tax exemptions. When the amount of charity care was isolated, however, approximately 57 percent of nonprofit hospitals (in selected states studied) provided an amount of charity care that was less than the estimated value of their tax exemptions.[11] Nonprofit hospitals, however, provide many distinctive services, such as operating health-related programs and services in their communities, conducting medical research, and providing instruction for medical students.

These issues raise the questions, then, do nonprofit hospitals, supported by tax exemptions, provide a greater degree of charity care, better promote the public welfare, and operate more efficiently when compared to for-profit hospitals? All hospitals, particularly the nonprofits, can serve their communities not only through the provision of hospital care, but also through the use of preventive efforts and programs designed to cope with the problems that often lead to or exacerbate the need for hospital care. The community-oriented, charitable approach, which often distinguishes the nonprofits from the for-profits, proves difficult to quantify, but should not be ignored in the interpretation of the data that follows. Policymakers concerned with the standards for nonprofit hospital tax-exemption have attempted to distinguish the nonprofits from the for-profits in terms of the amount of uncompensated care provided and the prices charged. This analysis, unfortunately, can provide no substantive information on either of these important issues. This particular analysis will depict the financial abilities of both nonprofit and for-profit hospitals; factors very important to the provision of both present and future health care.

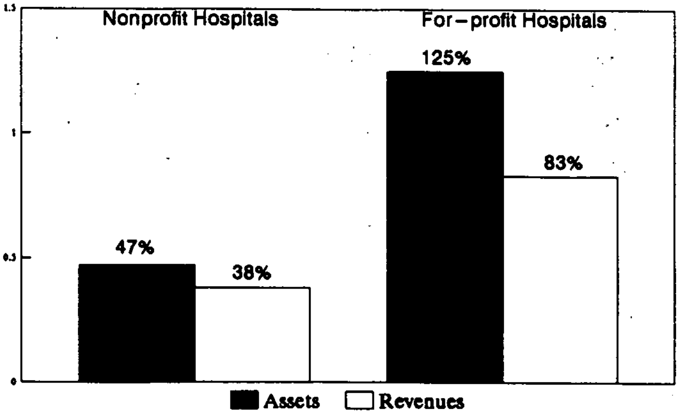
DATA SOURCES

This analysis is based on hospital data from 1987 and 1988 as collected by the Internal Revenue Service and as sampled and processed by the Statistics of Income Division (SOI). The data used is reported by the tax-exempt, nonprofit hospitals on the Form 990: "Return of Organization Exempt from Income Tax," and by the corporate, for-profit hospitals on the Form 1120: "U.S. Corporation Income Tax Return."[12] All public hospitals and other health-related organizations filing the Form 990 were omitted from the analysis. In addition, data for the nonprofit, university teaching hospitals were added.[13] In 1988, the American Hospital Association (AHA) identified nearly 6800 hospitals, 48 percent of which were nonprofit/nongovernment hospitals and 12 percent of which were investor-owned/for-profit hospitals.[14] Many of these hospitals comprise part of multi-hospital systems, which represent the fastest growing part of the hospital sector. Currently there are over 250 nonprofit hospital systems and 50 for-profit systems.[15] This paper represents a unique comparison of the SOI/IRS data on nonprofit and for-profit hospitals. The best use of these data involves a comparative analysis of the financial trends of both hospital types.

CHANGES IN HOSPITAL ASSETS, REVENUES AND EXPENSES

Nonprofit hospitals held over five times as many assets as for-profit hospitals in 1988. However, from 1982 to 1988 the assets of for-profit hospitals grew an estimated two-and-one-half times faster than the assets of nonprofit hospitals. For-profit assets grew to an estimated $31.7 billion, a constant dollar growth rate of 125 percent from 1982 to 1988. In contrast, nonprofit hospital assets grew by almost 50 percent during these years, to $164.1 billion. Total growth in assets exceeded growth in revenues for both types of hospitals. Like assets, total revenues of the for-profit hospitals grew over twice as fast as the revenues of the nonprofit hospitals from 1982 to 1988, 83 percent compared to 38 percent. Figure A depicts the differences in the growth rates of total assets

Figure A: Increases in Assets and Revenues: 1982 - 1988



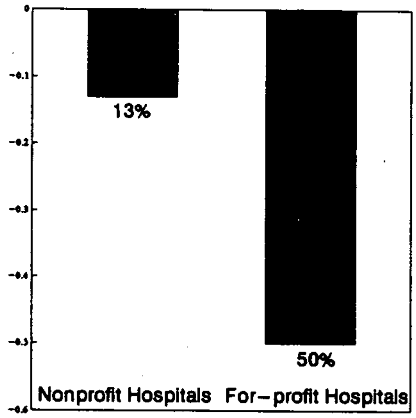
Note: Percentage changes were converted to constant dollars using the implicit price deflators for the Gross Domestic Product from the Council of Economic Advisors, *Economic Report of the President*, Feb. 1992, Table C-3.

and total revenues for both types of hospitals from 1982 to 1988. Overall, the growth in the hospital sector markedly exceeded the 25 percent growth rate of the Gross National Product from 1982 to 1988.[16] Much of the growth can be attributed to multi-hospital systems, or chains. A majority of the large for-profit hospitals comprise part of a system. All hospital systems grew in number by approximately 21 percent from 1981 to 1988, while the total number of independent hospitals actually declined during these years.[17]

Although significant, the growth in the hospital sector from 1982 to 1988 pales in comparison to the growth during the mid-1970s and early-1980s. During that time, hospitals benefited from the relatively liberal Medicare and Medicaid cost-based reimbursement systems that were designed to cover all "reasonable costs" incurred in the care of patients, including capital construction and acquisition costs. For-profit corporations capitalized on the potential for growth and profit in the health care market by acquiring hospitals or forming hospital systems. In 1983, however, a more competitive "prospective payment system" for Medicare reimbursement was enacted that reimbursed health care providers based on pre-determined amounts for specific treatments. This type of reimbursement decreased the dollar amount of reimbursements to hospitals, forced hospitals to focus on cost-cutting measures, and increased the level of competition in the hospital industry. In addition, state Medicaid programs also implemented more cost-effective pricing methods (i.e., per-capita payment systems and "managed care" efforts) that had similar effects. As the competition in the hospital industry increased, many nonprofits found it more difficult to fund charitable care than in the past, since subsidizing the care of nonpaying patients from the revenue received from paying patients was no longer possible to the same degree.

Total expenses for many hospitals of both types increased faster than revenues during these years, causing many hospitals to incur losses. Reimbursements from Medicare and Medicaid and private insurance companies tended to fall in relation to costs, sharpening the budgetary difficulties of many hospitals. Hospital expansion, rising health care costs, and reactions to the new pricing methods (i.e. Medicare's prospective payment system) all contributed to declining hospital occupancy rates during the mid-1980s. The total nonprofit hospital occupancy rate remained substantially higher than the for-profit rate, 68 percent compared to 51 percent in 1988.[18] Hospitals tended to increase the amount of care performed on an outpatient basis, thereby contributing to the lower occupancy rates. Due to many of the factors mentioned above, a large number of hospitals, especially the for-profits, realized losses. For instance, in 1988, an estimated 27 percent of nonprofit hospitals and 56 percent of for-profit hospitals incurred revenue losses. And, as shown in Figure B, only 13 percent of the large nonprofit hospitals, but half of the large for-profit hospitals incurred losses.[19] Oftentimes, in order to better compete, many nonprofit hospitals have begun to engage in business activity that generates income that is unrelated to their tax-exempt, charitable purpose. Nearly one-third of all nonprofit hospitals and over one-half of the large nonprofits reportedly paid a tax on "unrelated business gross income (UBI)" in 1988. The tax on UBI represents one way in which policy addresses the issue of unfair competition between nonprofit and for-profit organizations.

Figure B: Large Hospitals Incurring Revenue Losses, 1988
All hospitals holding $50 million or more in assets



OPERATING MARGINS

In order to determine the relationship of hospital revenues to expenses, median operating margins, or "profit margins," were calculated by dividing the result of total revenues less total expenses by total revenues.[20] A minimum or reasonable operating margin is necessary for a hospital to support a constant or increased service capacity for its patients and community. To adjust the total revenue of nonprofit hospitals for the sake of comparison with the for-profit hospitals, both the amount of contributions received and the amount of income earned through fundraising efforts were subtracted from total revenue.[21] Expenses attributed to fundraising were also factored out of the equation. As health care expenses have continued to rise, hospital operating margins tended to decline for many hospitals during much of the 1980s.[22] Figure C displays the median figures for operating margins for both types of hospitals for 1987 and

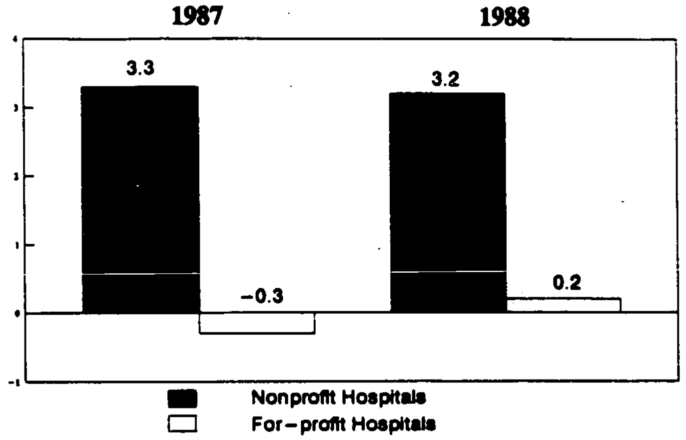
Figure C: Hospital Operating Margins[1]

Size of Assets	Median Operating Margins	
	1987	1988
	Percent	
Nonprofit Hospitals		
Total	2.0	2.2
$1,000,000 under $49,999,999	1.5	1.5
$50,000,000 or more	3.3	3.2
For-profit Hospitals		
Total	1.9	-0.1
$1,000,000 under $49,999,999	1.9	-0.1
$50,000,000 or more	-0.3	0.2

[1]Operating Margin = (Total Revenues - Total Expenses) / Total Revenues

1988.[23] The median operating margin for all nonprofit hospitals remained relatively constant over 1987 and 1988, equaling 2.0 and 2.2 percent, respectively. The median for-profit operating margin, 1.9 percent in 1987, dropped below the nonprofit margin in 1988, to -0.1 percent. One striking trend in the data shows that the large nonprofit hospitals tended to earn greater margins than the large for-profit hospitals. For instance, Figure D shows that in 1988 the large nonprofits realized a 3.2 percent margin, compared to only 0.2 percent for the large for-profits.[24]

Figure D: Median Operating Margins: Large Hospitals
All hospitals holding $50 million or more in assets



Nonprofit hospitals, unlike their for-profit counterparts, receive the benefit of tax-exempt bond financing, which, in effect, allows them to finance investments more cheaply. The large for-profit hospitals, not surprisingly, incur a larger percentage of total expenses as interest, 7 percent, compared to 3 percent for the nonprofits. This factor helps to explain, in part, the higher nonprofit hospital operating margins. Differences in depreciation expense, 8 percent of total expenses for the for-profits, compared to 5 percent for the nonprofits, also contributes somewhat to the difference. For-profit hospitals may tend to rely more heavily on accelerated depreciation methods compared to the nonprofits. A "revised" operating margin, calculated by adding interest expense back into the equation for both types of hospitals, shows different results.[25] By adding back interest expense, the formula attempts to neutralize the nonprofit advantage of tax-exempt bond financing. As displayed in Figure E, the large for-profit hospitals realized higher revised operating margins than the large nonprofits in both 1987 and 1988. Figure F, which displays the revised margins for the large hospitals, shows that in 1988 the large for-profits realized a 10.6 percent margin, compared to 6.0 percent margin for the large nonprofits. These figures show that after adjusting for the subsidy of tax-exempt bond financing, the nonprofits did not earn as much income relative to expenses as did the for-profits. However, the nonprofits may tend to provide greater amounts of charity and uncompensated care than the for-profits. Historically, the benefit of tax exemption has better enabled nonprofit hospitals to serve indigent patients and their communities.

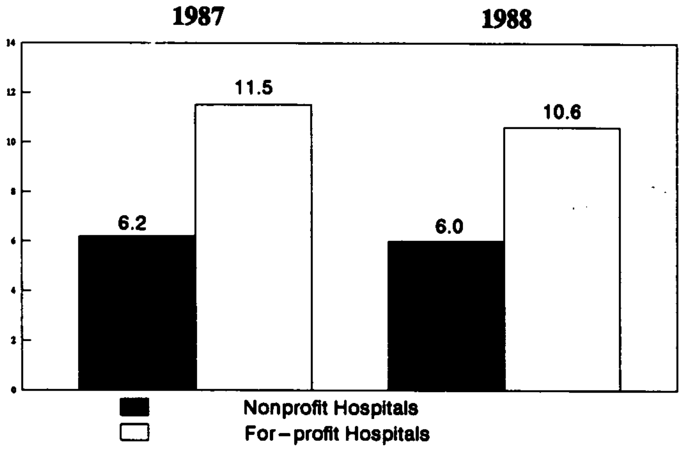
While the data in this analysis attempt to account for some of the differences in the two types of hospitals, any interpretation must also consider the unique characteristics and philosophy behind each type of organization.

Figure E: "Revised" Operating Margins[1]

Size of Assets	"Revised" Median Operating Margins	
	1987	1988
	Percent	
Nonprofit Hospitals		
Total	4.6	4.6
$1,000,000 under $49,999,999	3.7	3.7
$50,000,000 or more	6.2	6.0
For-profit Hospitals		
Total	5.7	3.1
$1,000,000 under $49,999,999	4.8	0.2
$50,000,000 or more	11.5	10.6

[1] Revised Operating Margin = ((Total Revenues - Total Expenses) + Interest Expense) / Total Revenues

Figure F: REVISED Median Operating Margins
Large hospitals holding $50 million or more in assets



ASSETS, DEBT AND EQUITY

The nonprofit and the for-profit hospitals tend to hold a relatively similar mix of assets. Both hold slightly less than one-half of all assets as land, buildings, and equipment (after allowances for accumulated depreciation) and over one-fifth as investment assets.[26] After considering liabilities, however, the for-profit hospitals, as a group, tend to incur much more debt (or liabilities) when compared to the nonprofits. To attract both physicians and patients in the competitive hospital market, hospitals often finance new investments in the form of buildings and equipment. Figure G depicts median debt-to-equity ratios for 1987 and 1988 for both types of hospitals.[27] Total equity, in this case, equals

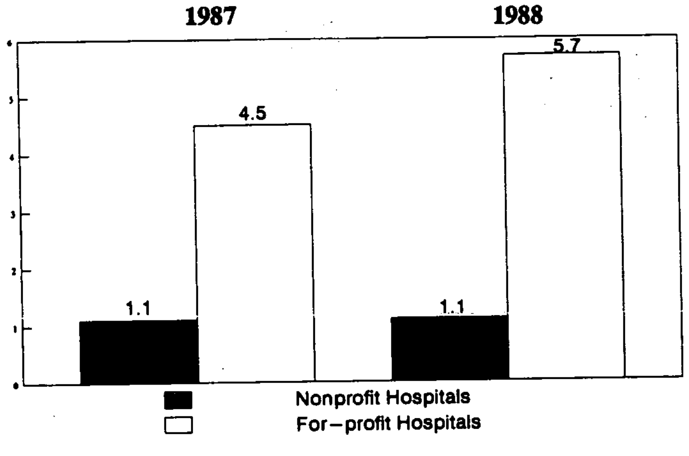
Figure G: Hospital Debt-to-Equity Ratios[1]

Size of Assets	Median Debt-to-Equity Ratios	
	1987	1988
Nonprofit Hospitals		
Total	1.0	1.0
$1,000,000 under $49,999,999	0.9	0.9
$50,000,000 or more	1.1	1.1
For-profit Hospitals		
Total	7.4	24.5
$1,000,000 under $49,999,999	8.5	28.7
$50,000,000 or more	4.5	5.7

[1] Debt/Equity Ratio (Nonprofit Hospitals) = Total Liabilities / Total Fund Balances (or Net Worth)
Debt/Equity Ratio (For-profit Hospitals) = Total Liabilities / Stockholder's Equity

total assets less total liabilities. The ratios were calculated for each hospital by dividing debt (or liabilities) by equity (or net worth). The median nonprofit hospital had a ratio of less than one, indicating that the amount of nonprofit "equity" (or net worth) actually exceeded the amount of debt. The median for-profit hospital, on the other hand, had well over 7 times as much debt than equity. Figure H, which focuses on the debt-to-equity ratios of the large hospitals, shows that the gap between the nonprofit and for-profit hospitals narrowed as the hospitals increased in size, although the for-profits still incurred a notably higher level of debt. In 1988, the large for-profits had a debt-to-equity ratio of 5.7 compared to 1.1 for the large nonprofits. Many factors have encouraged hospitals to incur debt. These include new technological advances, new health care needs and demands, competitive pressures between hospitals, and the lack of incentives to share costs and equipment with other hospitals.

Figure H: Median Debt-to-Equity Ratios: Large Hospitals
All hospitals holding $50 million or more in assets



As another measure of comparative financial performance, total returns on equity were calculated by dividing the amount of net revenue by the amount of equity (or net worth).[28] Figure I displays median figures for returns on equity for both nonprofit and for-profit hospitals for 1987 and 1988. While the returns for the two types of hospitals were comparable in 1987, the nonprofits earned a higher return in 1988. Isolating the large hospitals indicates that the nonprofits

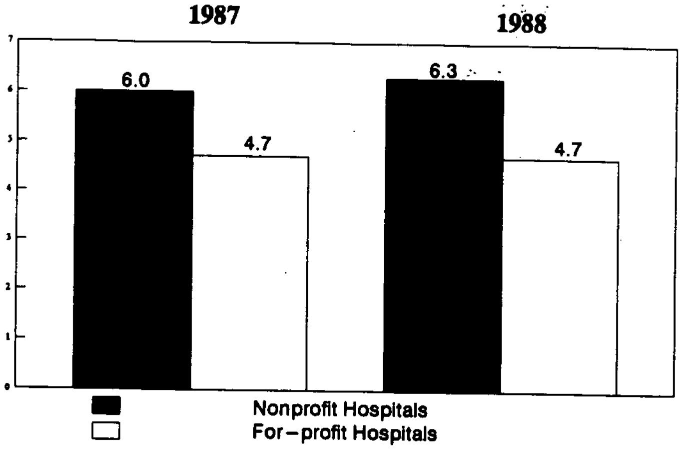
Figure I: Hospital Returns on Equity[1]

Size of Assets	Median Returns on Equity	
	1987	1988
	Percent	
Nonprofit Hospitals		
Total	4.3	4.6
$1,000,000 under $49,999,999	3.4	3.6
$50,000,000 or more	6.0	6.3
For-profit Hospitals		
Total	4.4	-0.4
$1,000,000 under $49,999,999	4.4	-0.4
$50,000,000 or more	4.7	4.7

[1] Return on Equity = Net Revenue / (Total Assets - Total Liabilities)

earned a greater return on equity than the for-profits in both years. Figure J, which depicts returns on equity for only the large hospitals, shows that in 1988 the large nonprofits realized a 6.3 percent return, while the large for-profits realized a 4.7 percent return. As in the case of the operating margins, when interest expense was added back in order to neutralize the nonprofit advantage of tax-exempt bond financing, the for-profit hospitals earned notably greater returns on equity than the nonprofits.[29]

Figure J: Median Returns on Equity: Large Hospitals
All hospitals holding $50 million or more in assets



HOSPITALS AS PROPONENTS OF A CARING SOCIETY

The comparative financial analysis shows that the nonprofit hospitals and hospital systems had greater operating margins, realized greater returns on equity, and had much lower debt-to-equity ratios compared to the for-profits. This analysis subtracted out the contributions and fundraising income of the nonprofit hospitals but did not account for the other social subsidies, such as tax-exempt bond financing. However, when the effect of tax-exempt bond financing was neutralized, the results differed. The for-profit hospitals, under this scenario, earned higher operating margins and returns on equity than the nonprofits. These results raise questions regarding the differences between the two types of hospitals. For instance, how do differences in uncompensated and Medicare and Medicaid care provided and prices charged affect the differences in the financial indicators? Does the hospital market present instances of unfair competition for either type of hospital? For example, are nonprofits hindered in the health care market due to issues such as restrictions on physician contractual agreements? From another angle, do the financial losses and low occupancy rates of many hospitals, particularly the for-profits, indicate possible under-utilization of assets and emphasize the importance of cost-sharing initiatives between hospitals? Or, do low occupancy rates indicate that hospitals are treating more patients on an out-patient basis due to an increased emphasis on either cost-cutting or preventive efforts? Many questions exist regarding the issues of hospital charity care and quality of care, capital investment, cost efficiency, and the reasons behind the differences in financial performance of the two types of hospitals. All of the issues, obviously, have not been discussed in the scope of this article.

Researchers need more effective means to collect detailed data from all hospitals in order to address the specific issues that relate to the unique nature of both the nonprofit and the for-profit hospitals. Health care policy must address many challenging questions. Specifically, how can the American health system best provide cost-effective care to everyone, adults and children alike? And, how can hospitals best help to provide this care? Hospitals and the rest of the health care system bear part of the burden of many other societal problems. The lack of appropriate health care for large segments of the population only aggravates other societal problems, thereby contributing to the cycle of increasing health care costs. Nonprofit hospitals, historically, have served their communities through the provision of hospital care and community health programs and services. Within the increasingly competitive hospital industry, these hospitals must carefully define and fulfill their charitable mission. Furthermore, policymakers must be careful not to stifle this important element of the American health care system. Hopefully, this analysis has provided a useful overview of the hospital sector.

Acknowledgments

The author would like to extend her thanks to the many individuals both inside and outside of *Statistics of Income* of IRS who made contributions to this paper and provided helpful comments and suggestions. Among these are Adrienne Bell, Nat Shaifer, Dan Skelly, Jim Hobbs, Mike Alexander, Peggy Riley, Cecelia Hilgert, Jonathan Shook, Kate Flaherty, T.J. Sullivan, and Jeff Rosenfeld. Questions and comments regarding this research are welcome.

NOTES

[1] "AMA Journal Calls for Health Care Overhaul: Special Issue Cites 'Moral Imperative' for Change," Spencer Rich, *The Washington Post*, May 14, 1991, p. A17.

[2] Charles N. Oberg and Cynthia Longseth-Polich, "Medicaid: Entering the Third Decade," *Health Affairs*, Fall 1988, p. 90.

[3] Emily Friedman, "The Uninsured from Dilemma to Crisis," *Journal of the American Medical Association*, May 15, 1991, Vol. 265, No. 19 p. 2492.

[4] John Copeland and Gabriel Rudney, "Federal Tax Subsidies for Not-for-Profit Hospitals," *Tax Notes*: Tax Analysts, Special Report, March 26, 1990, p. 1560.

[5] Revenue Ruling 69-545, Cumulative Bulletin 1969-2.

[6] H.R. Rep. No. 1860, 75th Congress, 3rd Session, 19(1938), accompanying the Revenue Act of 1938, reprinted in *Cumulative Bulletin* 1939-1 (Part II), 728, 742. Until this ruling, hospitals were required to provide 'charity care' to the indigent population to the extent of their financial ability, as described in the 1956 Revenue Ruling 56-185, *Cumulative Bulletin* 1956-1, 202.

[7] Revenue Ruling 69-545, Cumulative Bulletin 1969-2, 117.

[8] Copeland and Rudney, *Ibid.*, Table 6, p. 1565.

[9] Eli Ginsberg and Miriam Ostow, "Beyond Universal Health Insurance, *Journal of the American Medical Association*, May 15, 1991, Vol. 265, No. 19, p. 2561.

[10] "Nonprofit Hospitals: Better Standards Needed for Tax Exemption," U.S. General Accounting Office: Report to the Chairman, Select Committee on Aging, House of Representatives, May 1990, GAO/HRD-90-84, p.12. Note: Other studies, in defining uncompensated care, have included both contractual allowances and the amount by which Medicaid payments fall below cost.

[11] "Nonprofit Hospitals: Better Standards Needed for Tax Exemption," *Ibid.*, p.29.

[12] Samples of returns were taken in order to compile data from both of these sources. For the nonprofit hospitals, all hospitals and hospital systems holding $10 million or more in assets were included. The smaller hospitals were sampled at lower sampling rates ranging from 8 percent to 34 percent. For the for-profit hospitals, all hospitals and systems holding $50 million in assets were included in the sample. The smaller for-profit hospitals were sampled at lower sampling rates, ranging from 5 percent to 50 percent.

[13] These data were obtained from the National Center for Education Statistics, U.S. Department of Education, Office of Educational Research and Improvement,

"Integrated Postsecondary Education Data System," 1989/1990 Finance Survey. In addition, in terms of the for-profit category, the relatively small number of for-profit hospitals that file as partnerships were not incorporated into the analysis. There are over 60 hospitals that file partnership income tax returns. These hold less than an estimated 2.5 percent of total for-profit hospital assets.

[14] *American Hospital Association (AHA) Hospital Statistics: A Comprehensive Summary of U.S. Hospitals, 1990-91*, American Hospital Association, Chicago, IL., 1990, Table 1, pgs. 2-7. The IRS data correspond closely with these two categories. The remaining 40 percent of hospitals were comprised mostly of state and local government hospitals, with smaller numbers of federal and long-term care hospitals (both specialty and general).

[15] *American Hospital Association (AHA) Guide to the Health Care Field*, 1991 edition, American Hospital Association, Chicago, IL., p. B3. IRS filing requirements give multi-hospital systems the option of filing either separate or consolidated tax returns. Consolidated returns representing multiple hospitals are count as only one unit in the IRS statistics. For this reason, it is difficult to compare the actual number of hospitals identified by IRS files with the number of hospitals identified by the AHA. In addition, in this analysis only those hospitals, both nonprofit and for-profit, that hold $1,000,000 or more in total assets were considered. These hospitals hold approximately 99.7 percent of total hospital assets and earn approximately 99.4 percent of total hospital revenue, as reported to the IRS.

[16] *Economic Report of the President, Ibid.*, Table C-2.17

[17] *American Hospital Association (AHA) Guide to the Health Care Field*, 1988 and 1982 editions, American Hospital Association, Chicago, IL, p. B3 and 287-88, respectively.

[18] *American Hospital Association (AHA) Hospital Statistics: A Comprehensive Summary of U.S. Hospitals*, 1990-91, American Hospital Association, Chicago, IL., 1990, Table 1, p. 5.

[19] "Large hospitals," for purposes of this analysis, refer to those hospitals holding $50 million or more in assets. "Small hospitals," on the other hand, refer to those holding from $1 million to less than $50 million in assets.

[20] The net revenue amount used to calculate the for-profit operating margin represents revenue earned before taxes.

[21] Combined, these two revenue sources equaled only two percent of total revenue in 1988.

[22] This statement is based on preliminary *Statistics of Income* hospital data for the years 1982, 1983, 1985 and 1986.

[23] The mean operating margins were lower than the calculated medians for the

nonprofit hospitals and for the large for-profit hospitals. The means were greater than the medians for the small for-profits.

[24] In 1987, 95 percent of the large for-profit hospitals and 75 percent of the large nonprofit hospitals held the majority of assets.

[25] The revised calculation is based upon the sum of net revenue plus interest expense divided by total revenue.

[26] In order to best compare the two types of hospitals in terms of "investment assets," the following definitions were used: 1) Nonprofit hospital investment assets = savings and temporary cash investments + cash + investments in land, buildings, and equipment + investments in securities + other investments; and, 2) For-profit hospital investment assets = cash (including savings and temporary cash investments) + investments in government obligations + other current assets + loans to stockholders + mortgage and real estate loans + other investments.

[27] The mean debt-to-equity ratios were greater than the calculated medians for both types of hospitals in each of the years.

[28] As in the case of the operating margin calculation, the return on equity calculation was adjusted for the sake of comparison by subtracting from total revenue the amount of contributions and the amount of income earned through fundraising efforts and by factoring out expenses attributable to fundraising.

[29] Due to space considerations, a table showing a "revised" return on equity, which adds interest back into the equation, is not shown here.

SOURCES

American Hospital Association (AHA) Hospital Statistics: A Comprehensive Summary of U.S. Hospitals, 1990-91. American Hospital Association, Chicago, IL, 1990, Table 1, pgs. 2-7.

American Hospital Association (AHA) Hospital Statistics: Guide to the Health Care Field. American Hospital Association, 1991 edition, Chicago, IL, p. B3.

Cleverly, William O. and Harvey, Roger K. "Does Hospital Financial Performance Measure Up." *Healthcare Financial Management*, May 1992, pgs. 20-26.

Friedman, Emily. "The Uninsured from Dilemma to Crisis." *Journal of the American Medical Association*, May 15, 1991, Vol. 265, No. 19.

Ginsberg, Eli and Ostow, Miriam. "Beyond Universal Health Insurance." *Journal of the American Medical Association*, May 15, 1991, Vol.265, No. 19.

Gray, Bradford H., editor. *For-Profit Enterprise in Health Care.* Committee on Implications of For-Profit Enterprise in Health Care, Institute of Medicine, Wash. DC, National Academy Press, 1986.

Gray, Bradford H. Gray, editor. *The New Health Care for Profit: Doctors and Hospitals in a Competitive Environment.* Institute of Medicine, Wash. DC, National Academy Press, 1983.

Herzlinger, Regina E. and Krasker, William S. "Who Profits from Nonprofits?" *Harvard Business Review*, Jan-Feb, 1992, pgs. 93-106.

Kushman, John E. and Muckton, Carol F. "Further Evidence on the Relative Performance of Proprietary and Nonprofit Hospitals." *Medical Care*, Vol. 15 (March 1977), pgs. 189-204.

Oberg, Charles N. and Longseth-Polich, Cynthia. "Medicaid: Entering the Third Decade," *Health Affairs*, Fall 1988, p. 90.

Pattison, Robert V. and Katz, Hallie M. "Investor-Owned and Not-for-Profit Hospitals." *New England Journal of Medicine*, Vol. 309 (August 11, 1983), pgs. 347-353.

Peregrine, Michael W. and Broccolo, Bernadette M., editors. *The Health Care Industry.* Gardner, Carton, and Douglas, Chicago, IL., Commerce Clearing House, 1988.

Rudney, Gabriel and Copeland, John. "Federal Tax Subsidies for Not-for-Profit

Hospitals," *Tax Notes*: Tax Analysts, Special Report, March 26, 1990.

Sullivan, T.J. and Moore, V. "A Critical Look at Recent Developments in Tax-Exempt Hospitals." *Journal of Health and Hospital Law*, March 1990, Vol. 23 No. 3, pgs. 65-83.

U.S. General Accounting Office (GAO). "Nonprofit Hospitals: Better Standards Needed for Tax Exemption." Report to the Chairman, Select Committee on Aging, House of Representatives, May 1990, GAO/HRD-90-84.

Private Foundations and Charitable Trusts

A private foundation is a nonprofit corporation, association, or trust which typically is supported and controlled by an individual, family, or corporation. Primarily through extensive grantmaking, private foundations support programs in the areas of education, health, human services, the arts and humanities, and other charitable activities dedicated to improving society. In 1990 foundations donated $8.9 billion to organizations and individuals involved in these areas. Many nonprofit organizations rely on foundation grants as one source of financial support.

Over 40,000 private foundations held an estimated $164.8 billion in total assets in 1990. In this same year they represented approximately 23 percent of the 501(c)(3) exempt organizations required to file information returns with the IRS. Of these organizations, foundations held approximately 19 percent of total assets. Like publicly-supported charities, private foundations receive tax-exemption under section 501(c)(3) of the Internal Revenue Code. However, because of their centralized support and control, foundations are more strictly regulated than are other exempt organizations. The IRS subjects most private foundations to an annual "charitable payout requirement". Simply put, each year foundations must charitably distribute an amount equal to 5 percent of their investment assets.

The articles and tables included in this section provide extensive financial data collected from a sample of Forms 990-PF, *Return of Private Foundation (or Section 4947(a)(1) Trust Treated as a Private Foundation)*. The data represent reporting years 1986 to 1990 and include extensive information on assets and investments, income and expenses, and charitable distributions. This information is examined within the context of legislative and tax-policy changes affecting foundations. Charitable payout rates, income yields, and rates of total return on assets for the different sizes of foundations are also presented. The articles depict foundations in terms of the following classifications: nonoperating versus operating and grantmaking versus non-grantmaking.

With one exception, all of the articles contained in this section represent previously published Statistics of Income Bulletin articles. The article, "Private Foundations as Investors and Distributors of Tax-Exempt Charitable Dollars, 1974-1987" was published by the American Statistical Association (ASA). Separate tables and analyses of the 4947(a)(1) charitable trusts that file on the Form 990-PF are presented beginning with the 1989 study year.

Statistical Research Efforts

The 1989 study year represents the first time since 1979 that SOI has collected and published data on the 4947(a)(1) charitable trusts that file Form 990-PF. These trusts, representing only 6 percent of all Form 990-PF filers, have exclusively charitable interests, can receive tax-deductible charitable contributions, and are subject to the same regulations as foundations. However, unlike foundations, these trusts are not exempt from Federal income tax and must pay an annual tax on income (usually from investments) that is not distributed for charitable purposes. Trusts must report this income and tax on Form 1041, *U.S. Fiduciary Income Tax Return*. Other 4947(a)(1) charitable trusts, which receive the majority of their support from the public, rather than from a limited number of private sources, file on the Form 990, *Return of Organization Exempt from Income Tax*. Section 4947(a)(2) split-interest trusts, which have both charitable and noncharitable beneficiaries, file the Form 5227, *Split-Interest Trust Information Return*. At this time, SOI only collects data on those charitable trusts which file on the Form 990-PF.

An upcoming change to the sample stratifier will improve the accuracy of the estimates for both foundations and trusts. The sample is currently stratified based on book value of assets. Recently, the IRS, for purposes of its Business Master File system, began to fully validate amounts reported for fair market value of assets on the Form 990-PF. Due to this change, SOI will be able to reliably stratify the Form 990-PF sample by fair market, rather than book value of total assets beginning with reporting year 1994.

Private Foundation Returns, 1986 and 1987

By Alicia Meckstroth and Margaret Riley*

Between 1986 and 1987, the total revenue of private foundations dropped an estimated 14.5 percent, from $20.0 billion to $17.1 billion, while the fair market value of their total assets grew just short of 1 percent, from $113.2 billion to $114.3 billion [1,2,3]. In real terms, total revenue decreased by 17.2 percent and real asset values actually declined by 2.1 percent [4]. In comparison, between 1985 and 1986, revenue and assets grew by nominal rates of 22.0 percent and 16.6 percent, respectively [5].

CHANGES IN FOUNDATION REVENUE, ASSETS, AND GRANTS, 1986-1987

The decrease in total revenue from 1986 to 1987, coupled with a 9.6-percent increase in total expenses, resulted in a decline in "excess of revenue over expenses" of nearly 32 percent [6]. In fact, the amount of the excess of revenue over expenses was less for 1987 than it had been for each of the 2 preceding years. Figure A shows both real and nominal percentage changes in selected asset, revenue, and expense items, from 1985 to 1986 and from 1986 to 1987.

Figure A.—Percentage Changes in Selected Financial Items, 1986 to 1987

Item	Percentage change			
	Current dollars		Constant dollars[1]	
	1985 to 1986	1986 to 1987	1985 to 1986	1986 to 1987
	(1)	(2)	(3)	(4)
Fair market value of total assets	+16.6%	+1.0%	+13.6%	-2.1%
Total revenue	+22.0	-14.5	+18.9	-17.2
Net gain (less loss) from sales of assets	+36.4	-20.4	+32.9	-22.8
Contributions received	+31.0	-26.1	+27.6	-28.4
Total expenses	+14.3	+9.6	+11.4	+6.3
Grants paid	+18.3	+9.1	+15.3	+5.8
Excess of revenue over expenses	+28.2	-31.6	+24.9	-33.7

[1] The GNP implicit price deflator was used to adjust for inflation.

The decline in total revenue between 1986 and 1987 can be attributed to a 20.4-percent decrease in net gain (less loss) from sales of assets (primarily securities) and a 26.1-percent drop in contributions, gifts and grants received [7]. These factors contributed to the decline in the real value of foundation assets for 1987. This is in sharp contrast to the 36.4-percent increase in net gain (less loss) from sales of assets and the 31.0-percent increase in contributions, gifts and grants received from 1985 to 1986.

Despite the lower asset and revenue growth rates for private foundations for 1987, grant payments rose by 9.1 percent to $6.8 billion. For 1986, grant payments totalled $6.2 billion, an increase of 18.3 percent from 1985. The increase for 1987 can be explained, in part, by a 7.2 percent increase in net investment assets and, therefore, in the minimum amount (5 percent of net investment assets, plus or minus certain adjustments) that foundations were required to pay out for 1987. Net investment assets are calculated by averaging the monthly holdings of noncharitable-use assets over the foundation's annual accounting period, whereas total assets are the foundation's holdings at the end of the accounting period. The stock market crash in October 1987 explains the discrepancy between the growth in net investment assets and the growth in total assets for 1987.

Another explanation for the higher rate of increase in grants paid, compared to the rates of increase in revenue and assets, is that large foundations (which account for a large portion of grants paid) typically do not make grants solely on the basis of the current year's earnings or investment performance. They usually plan their grantmaking budgets prior to the fiscal year during which the grants are made.

In addition, corporations often set up foundations to help stabilize their annual grantmaking. While corporate contributions to a "company-sponsored" foundation are usually related to the profits of the corporation, i.e., more

---

*Foreign Special Projects Section. Prepared under the direction of Michael Alexander, Chief.

corporate giving occurs in "good" years than in "bad," the foundation has the ability to maintain and control its endowment so that a steady flow of grants is provided, even when corporate profits are down. (For a further discussion of foundation giving, see the Assets, Distributions, and Decision-Making section.)

OVERVIEW AND EXPLANATION OF PRIVATE FOUNDATIONS

A private foundation is a nonprofit, tax-exempt corporation, association or trust which is narrowly supported and controlled, usually by an individual, family, or corporation, as opposed to an organization receiving broad support from a large number of sources within the general public. It is this narrow base of support and control which differentiates a private foundation from a publicly supported tax-exempt organization, although both receive tax exemption under Internal Revenue Code section 501(c)(3) [8]. Because of the centralized support and control, private foundations are more strictly regulated than other section 501(c)(3) organizations.

Most private foundations must pay an excise tax on investment income. Some "operating foundations" are exempt from this tax. (For example, 24 percent of the operating foundations, or 2 percent of all foundations, claimed an exemption from this excise tax on their 1987 returns.) All private foundations are subject to additional excise taxes if they engage in certain prohibited activities (deemed not to be in the public interest); e.g., failure to distribute the required minimum payout after the one-year grace period to do so, or attempts to influence legislation, such as lobbying or participating in the campaign of a candidate for public office. And, individual income tax deductions for contributions to "nonoperating foundations" are generally more restrictive than deductions for contributions made to operating foundations or other section 501(c)(3) organizations.

The two types of private foundations, "operating" and "nonoperating," are distinguished by the form of charitable support they provide. Nonoperating foundations generally provide indirect charitable support by making grants to other section 501(c)(3) organizations that actually conduct charitable programs [9]. Nonoperating foundations are required each year to distribute, by the end of the following year, a minimum amount for charitable purposes, based on the value of their net investment assets. Operating foundations provide direct support by actively conducting charitable programs or activities, and are not subject to a payout requirement. However, they have to expend a minimum amount each year for their direct involvement in tax-exempt charitable activities (as opposed to the payout of grants in support of such activities). They also have to meet one of three tests based on assets, endowment, or sources of support, to continue to qualify as operating foundations [10]. Although operating foundations are not subject to the annual payout requirement, many choose to make grants in addition to carrying on charitable programs of their own.

Of the 35,907 organizations filing private foundation information returns for 1987, 91 percent were nonoperating foundations and the remaining 9 percent were operating foundations, virtually the same as for 1986. Approximately 30,000 were grantmaking foundations. About 87 percent of the nonoperating foundations and 46 percent of the operating foundations made grants for 1987. For 1986, the percentages of nonoperating and operating foundations making grants were 81 percent and 44 percent, respectively.

For 1987, about 30 percent of the nearly 6,000 nongrantmaking foundations were operating foundations, which are not required to make grants. Another 25 percent were nonoperating foundations that had no "distributable amount" and, therefore, were not required to make a minimum distribution. Some of the remaining nongrantmaking foundations were "failed public charities" that had been reclassified as nonoperating foundations. Many failed public charities continued to operate direct charitable programs rather than make grants to other tax-exempt organizations [11]. Nonoperating foundations that did not fully make the required distribution for 1987 had, by law, until the end of their 1988 accounting periods to do so without any tax penalty.

From 1982 to 1987, the number of foundations increased by 26 percent. This compares to a 6-percent increase from 1974 to 1982. This difference may result from a variety of factors such as the recognition of social needs in light of domestic budget cuts during the 1980's, changes in the tax-deductibility of donations, and the effects of the Economic Recovery Tax Act of 1981 (ERTA).

The wealthiest foundations--those with assets whose fair market value was $100 million or more--numbered less than 0.5 percent of all foundations for 1987, but held slightly more than half of all foundation assets. Only 3.6 percent of all private foundations had assets worth $10 million or more, but they accounted for nearly 80 percent of all assets. The group of foundations considered to be small in size--with less than $1 million in assets--accounted for 80 percent of all foundations, but only 4.8 percent of aggregate total assets.

Half of the top ten private foundations, ranked by asset size (Figure B), saw a decrease in the 1987 end-of-year value of their assets and six realized less revenue for 1987 than for 1986. While they form only a small fraction of the universe of private foundations, these foundations held approximately 20.7 percent of all assets and accounted for 11.7 percent of total revenue for 1987.

IMPACT OF STOCK MARKET CONDITIONS AND 1986 TAX REFORM ACT

The October 1987 stock market plunge and the reactions of individual and corporate donors to the tax law changes legislated under the Tax Reform Act of 1986 (TRA) may have affected foundation revenue and assets for 1987. Combined, it appears that they had a negative impact on net gain (less loss) from sales of assets, contributions received, and the real market value of investments in securities for 1987.

Decreases in aggregate net gain (less loss) from sales of assets and in contributions received were jointly responsible for the drop in total revenue, while a decline in the real market value of foundation securities, which made up 76.4 percent of total foundation assets for 1987, was largely responsible for the overall decline in asset

Figure B

Top Ten Domestic Foundations Ranked by Size of Fair Market Value of Total Assets, 1986 and 1987[1]

[Money amounts are in millions of dollars]

Name	Location	Total assets 1987	Total assets 1986	Total revenue 1987	Total revenue 1986
Ford Foundation	New York	$5,087	$5,543	$ 339	$ 692
J. Paul Getty Trust[2]	California	3,982	4,141	295	420
W. K. Kellogg Foundation Trust[3]	New York	2,812	3,471	112	151
John D. and Catherine T. MacArthur Foundation	Illinois	2,436	2,426	202	217
Robert Wood Johnson Foundation	New Jersey	1,910	1,804	194	178
Lilly Endowment, Incorporated	Indiana	1,792	1,730	72	54
Rockefeller Foundation	New York	1,667	1,606	291	379
Andrew W. Mellon Foundation	New York	1,522	1,521	181	140
Pew Memorial Trust	Pennsylvania	1,437	1,477	178	167
Kresge Foundation	Michigan	1,046	1,047	141	329
Total		**$23,692**	**$24,765**	**$2,005**	**$2,727**

[1] A foundation is considered "domestic" if it is organized in the United States; however, this does not necessarily imply that all of its activities or grant recipients are domestic.

[2] J. Paul Getty Trust is an operating foundation. All other foundations listed are nonoperating foundations.

[3] The W.K. Kellogg Foundation Trust has a "pass-through" relationship with the W.K Kellogg Foundation, located in Michigan. Typically, the entire amount of the annual "qualifying distributions" of the W.K. Kellogg Foundation Trust are made in the form of a grant to the W.K. Kellogg Foundation, which redistributes the grant for charitable purposes (and does not count the redistribution as a qualifying distribution of its own). Together, the two organizations had combined total assets of $3.6 billion for 1986 and $2.9 billion for 1987.

NOTE: Detail may not add to total because of rounding.

growth. Mainly due to the drastic drop in the market value of various stock holdings which occurred during October 1987, the end-of-year aggregate value of investments in securities for 1987 increased by only 0.4 percent, from $87.0 billion to $87.4 billion. After adjusting for inflation, the aggregate fair market value of securities held by foundations at the end of their 1987 tax periods was actually 2.7 percent lower than the year before.

The relatively low post-October 1987 market value of certain stocks probably influenced foundations to defer selling them until a later date when their value might increase. In addition to the negative effect that postponed sales of capital assets had on foundation revenue for 1987, it appears that foundations also sustained heavier losses from those assets that they did sell. The net gain, alone, from sales of assets decreased from $7.0 billion to $5.7 billion, while net losses nearly tripled, from $49.8 million to $147.9 million. Furthermore, the number of foundations reporting a net gain for 1987 decreased slightly, and those reporting a net loss increased by almost two-thirds.

The severity of the declines in the real fair market value of securities may also have deterred both individuals and corporations from forming new foundations or from making large gifts of stock to foundations at the end of their 1987 tax periods. The devalued stock would not have provided as sizable a charitable contribution or tax deduction, and donations may have been postponed to a future date when market conditions would improve. Gifts of stock actually made to foundations during 1987, whose value was less than those made for 1986, also may account for some of the decrease in the amount of total contributions received between the 2 years.

Changes in marginal corporate and individual tax rates which became effective under TRA may also have had a strong impact on individual and corporate charitable giving during 1986 and 1987. (However, there were offsetting factors which made more individual and corporate income taxable starting with 1987 [12].) With lowered individual and corporate tax rates, the actual tax benefit from making a charitable contribution became comparatively less for 1987 than for 1986 [13]. Given this situation, many contributors may have taken advantage of the higher 1986 tax rates by accelerating their contributions into 1986, and contributing less or not at all to private foundations in 1987. The 26-percent decrease in the total contributions received by foundations from 1986 to 1987, when compared to the 31-percent increase from 1985 to 1986, is consistent with this proposition.

Donors also may have been encouraged to make gifts of stock to foundations before 1987, because of the TRA provision relating to contributions of appreciated property. Because donations of appreciated stock to nonoperating foundations were allowed to be deducted at fair market value, the excess of this value over its "cost" could be subject to the revised "alternative minimum tax" (as a "tax preference" item) starting with 1987.

To an unknown extent, these changes under TRA may have contributed to the decline for 1987 in both the total number of individuals and corporations reporting a deduction for charitable contributions and in the amounts they claimed. The number of individual income tax returns with charitable deductions declined by 12.2 percent, while the amount of the deduction dropped by 7.8 percent [14,15]. In the case of corporations, the number of returns with charitable deductions declined by 5.6 percent, while the deduction itself dropped by 3.8 percent [16,17].

The decline in the charitable deductions reported by individuals for 1987 can also be attributed, in part, to the introduction of more liberalized standard deductions introduced under TRA and the repeal of the charitable contributions deduction for individuals who used the standard deduction rather than itemized deductions. However, these two changes probably had little effect on the donations made to private foundations.

COMPONENTS OF REVENUE

By far, the largest sources of total foundation revenue for 1987 were interest and dividends (from securities, savings, and temporary cash investments), net gain (less loss) from sales of assets, and contributions received. Together, these items accounted for 96 percent of total revenue for 1987 (individually, each comprised around a third). This was typical, based on preceding years. As discussed earlier, total contributions received by foundations and aggregate net gain (less loss) realized on sales of assets both decreased between 1986 and 1987. This held true for each of the asset-size groups illustrated in Figure C. This chart shows the percentage change in each major component of revenue, from 1986 to 1987, for all foundations and for each category of foundation grouped by asset-size. Interest and dividends were the only revenue sources that increased across all size classes. Revenue from sources other than the three major components was relatively small and the percentage changes in this "other" category varied greatly among the different size groups.

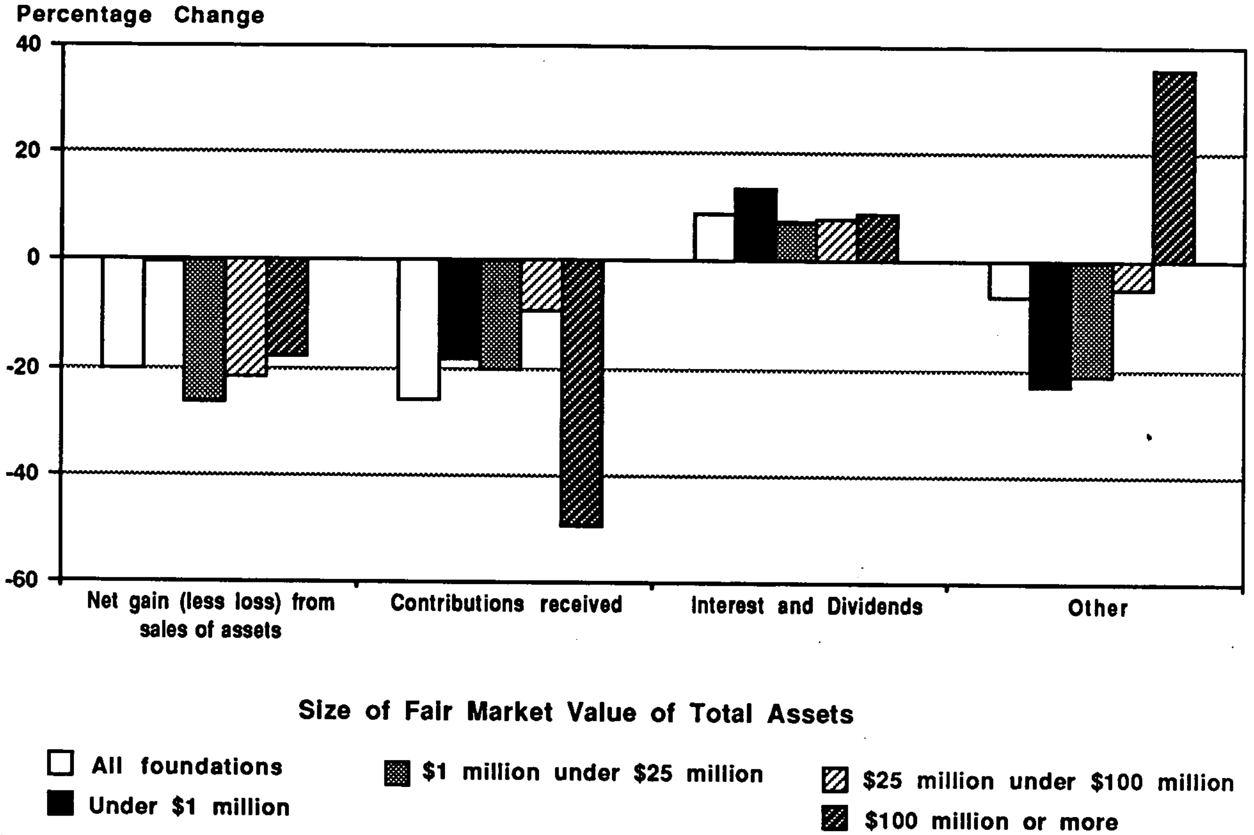


Figure C
Percentage Changes in Revenue Sources, 1986 to 1987

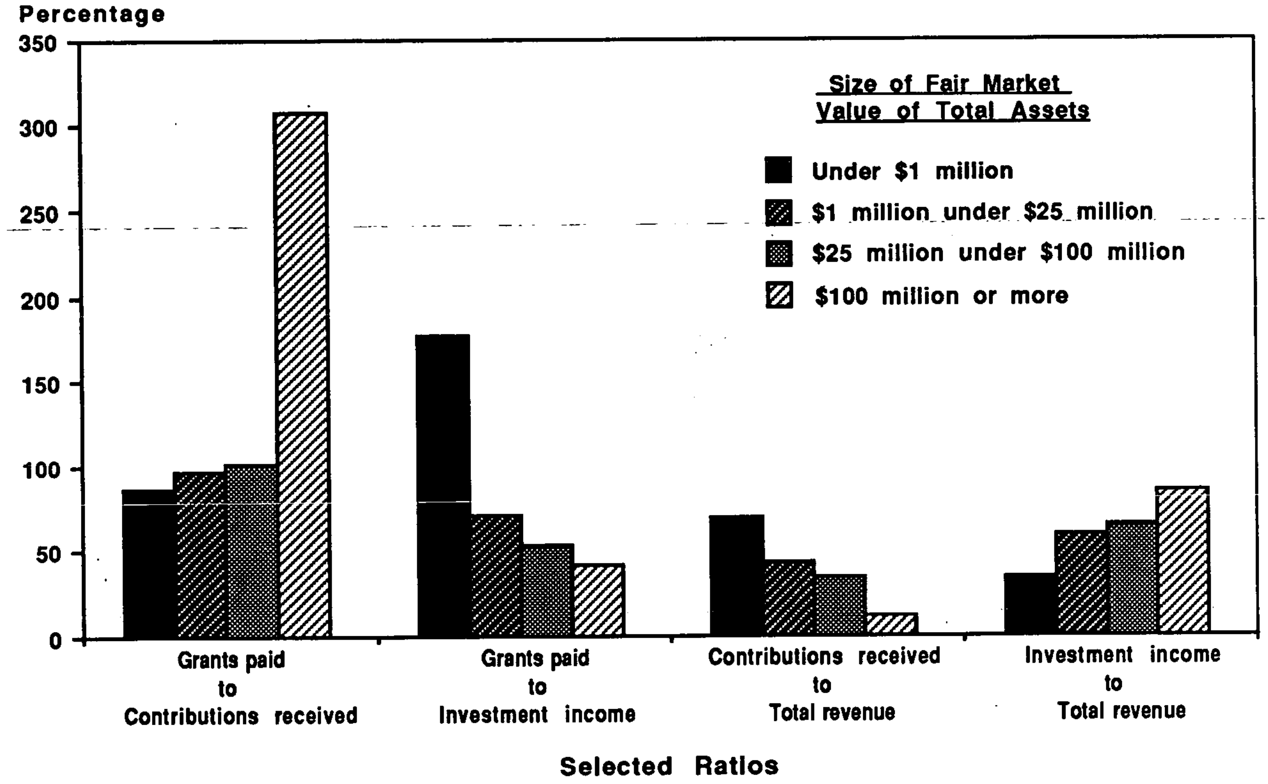
As can be seen from Figure D, the portions of revenue comprised of both "contributions received" and "investment income" vary as the asset size increases [18]. Contributions received was a more significant part of the revenue of smaller foundations, while the opposite was true for larger foundations.

The smaller the size of the foundation, the more it relies on contributions received for its giving programs. As foundation size increases, contributions received play a lesser role in giving, and investment income becomes a more important revenue source. Figure D emphasizes this point, showing that the total grants of the largest foundations (assets of $100 million or more) were over three times larger than the total contributions they received, but less than half of their investment income, suggesting that the amount they gave out was not strongly related to the amount of contributions received. In contrast, the total grants of the smallest foundations (assets of less than $1 million) were 177 percent of their investment income, but only 88 percent of contributions received, suggesting that this asset-size group's giving is not highly dependent upon its investment income.

COMPONENTS OF ASSETS AND INVESTMENTS

For both 1986 and 1987, foundation investments in securities, primarily corporate stocks and bonds, and government obligations, represented over three quarters of the fair market value of total assets, equaling $87.4 billion for 1987 and $87.0 billion for 1986. Total year-end investment assets (defined below) comprised over 92 percent of total assets in both years and equaled $105.8 billion and $104.4 billion, for 1987 and 1986, respectively. Total foundation assets equaled $114.3 billion for 1987, and $113.2 billion for 1986. In real terms, total investments in securities declined between 1986 and 1987 by 2.7 percent, total investments by 1.8 percent, and total assets by 2.1 percent. The decreases resulted largely from the stock market crash in October 1987. These

Figure D
Grants Paid, Contributions Received, and Investment Income Ratios, 1987



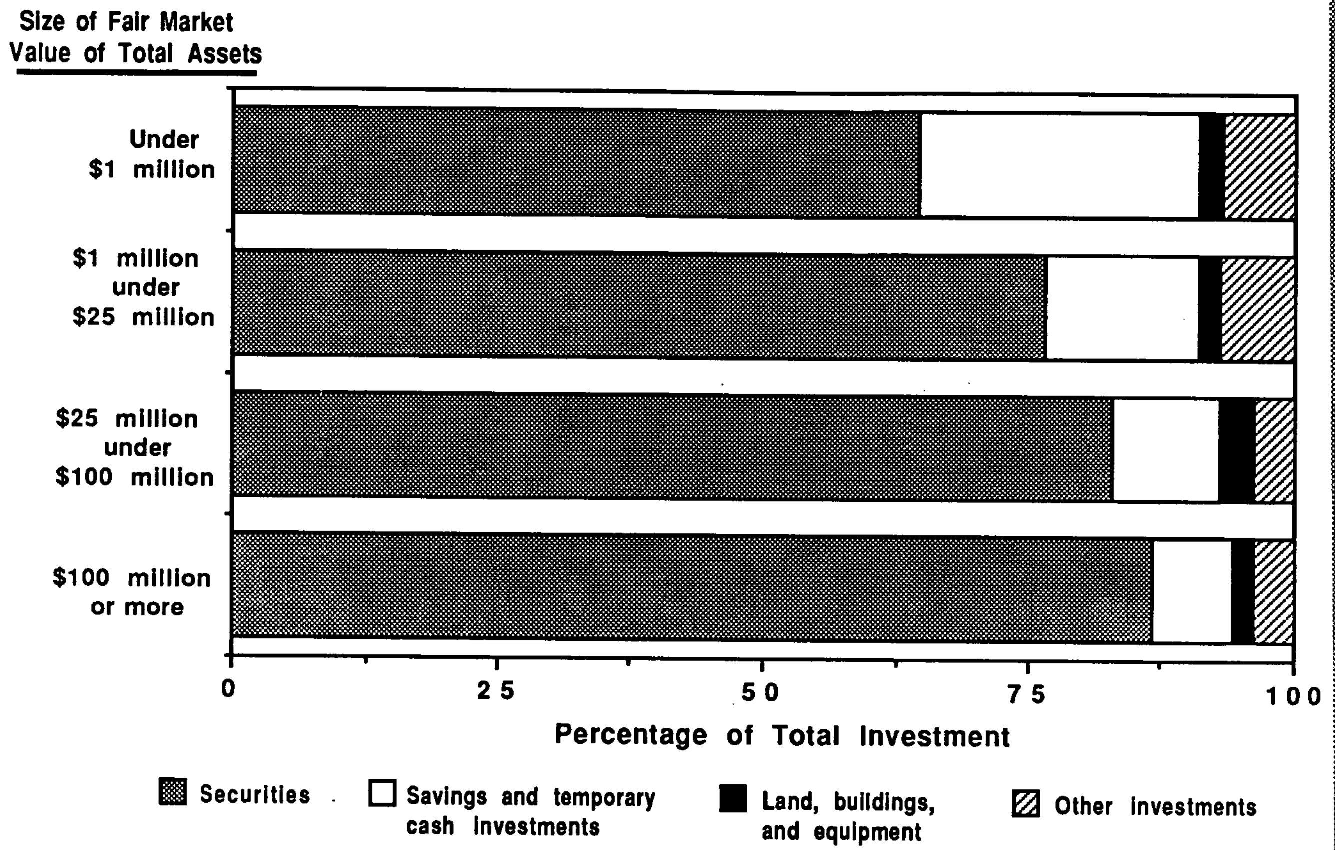
changes compare dramatically with the large real gains from 1985 to 1986. Between these 2 years, total investments in securities increased by 13.0 percent, total investments by 13.5 percent, and total assets by 13.6 percent.

Total investment assets include savings and temporary cash investments; securities; land, buildings, and equipment; mortgage loans; and "other" investments, such as bank certificates, cash values of life insurance, and art. These investment assets represent end-of-year values and are to be distinguished from the average of noncharitable-use (net investment) assets on which the required charitable payout amount is based. Investments in securities represented 83 percent of total investment assets for both 1986 and 1987, and savings and temporary cash investments, 10 percent. Figure E depicts the composition of investment assets for 1987 for each of the different asset size groups. The proportions were similar for 1986.

Regardless of whether a foundation was operating or nonoperating, trends in asset composition varied with differences in the size of the foundation. The larger a foundation, the greater the amount and percentage of investments in securities and the smaller the percentage of savings and temporary cash investments. Although this particularly applies to nonoperating foundations, it applies to operating foundations as well. For 1987, total investment securities as a percentage of total investment assets varied from 65 percent for the smallest foundations (under $1 million in assets) to 87 percent for the largest foundations ($100 million or more in assets). Likewise, holdings of savings and temporary cash investments as a percentage of total investment assets for 1987 varied from 26 percent for the smallest foundations to 7 percent for the largest.

Different asset composition for the small and large foundations helps to explain the different growth rates in

Figure E
Composition of Investment Items, by Size of Foundation, 1987



the fair market value of total assets for both groups. For instance, from 1982 to 1987, the smallest foundations realized a 27.3-percent real increase in assets, while the largest foundations realized an 80.9-percent increase, almost three times as large. A greater proportion of assets held as securities by the larger foundations, along with different investment and distribution goals, to be discussed later, led to this result. However, due to the decline in the stock market and a greater dependence by larger foundations on investments in securities, the largest foundations experienced a 2.6-percent real loss in the fair market value of total assets from 1986 to 1987, while the smallest ones actually realized a 4.3-percent real gain.

Nonoperating foundations and operating foundations each tend to hold a slightly different mix of investment assets. Nonoperating foundations held 84 percent of their investment assets as securities in 1986, and 83 percent in 1987. Operating foundations held fewer investment assets as securities, 78 percent for 1986, and 74 percent for 1987. This difference lies primarily in holdings of savings and temporary cash investments and in charitable-use land, buildings, and equipment.

During 1987 operating foundations realized greater losses than did nonoperating foundations. Their total assets declined by 11 percent in real terms, as compared to a 1 percent decline in nonoperating foundation assets. Likewise, real investments in securities for these groups declined by 12 percent and 2 percent, respectively. This may result from less emphasis placed on investment portfolio management by operating foundations.

While nonoperating foundations held 10 percent of investment assets as savings and temporary cash investments in both years, operating foundations held 13 percent in 1986, and 17 percent in 1987. In terms of charitable-use (rather than investment-use) land, buildings, and equipment, operating foundations held a relatively large proportion for use in the execution of their own charitable programs. For 1986, these foundations held over 16 percent of total assets as charitable-use land, buildings, and equipment; and for 1987, over 12 percent. Nonoperating foundations, conversely, held only 1 percent in both years. Operating foundations reported significant decreases in the value of land, buildings, and equipment between 1986 and 1987. Investment and charitable-use land, buildings, and equipment decreased by 44 and 32 percent, respectively. Nonoperating foundations reported little or no decrease in their holdings of land, buildings, and equipment.

THE PAYOUT REQUIREMENT

Under the Tax Reform Act of 1969 (TRA69), nonoperating foundations were required for the first time to pay out an annual minimum amount for charitable purposes. The charitable amount could, and still can, be distributed by the end of the tax return year following the year in which it was required to be paid. The payout requirement was established in order to prevent the accumulation of tax-exempt assets without a corresponding distribution for charitable purposes. TRA69 required that nonoperating foundations calculate the required charitable payout, the "distributable amount," by basing it on the greater of either current "adjusted net income" or a fixed percentage of the average value of noncharitable-use (net investment) assets, the "minimum investment return" [19]. Later, the Economic Recovery Tax Act of 1981 (ERTA) changed the way that these foundations calculated the distributable amount by eliminating the adjusted net income criterion. ERTA required that foundations use 5 percent of noncharitable-use assets to compute the amount, without regard to the adjusted net income.

In effect, for the years immediately following the enactment of ERTA, the distributable amount declined for many foundations after using the new method. In 1982 and 1983, respectively, 75 and 71 percent of foundations had lower distributable amounts than would have been the case under the law prior to ERTA. Of these foundations, in 1982 and 1983, respectively, 46 and 45 percent, especially the larger foundations, reacted to lower distributable amounts by paying out less than would have been required under the law prior to ERTA. Through the changes enacted under ERTA, policymakers hoped to allow foundations a greater opportunity to maintain (and even to increase) the value of their endowments. An increase in the value of the endowments would, in effect, increase the long-run giving power of foundations, thus increasing long-run charitable distributions. Over the 1982-1987 period charitable distributions increased by a real rate of 38 percent, a large increase in comparison to the 5 percent real change from 1974-1982.

The changes implemented under ERTA allowed foundations more investment flexibility in terms of factors such as type of assets and risk. Since the measurement based on assets, rather than on current income, encompasses both realized income and unrealized appreciation or depreciation in the value of the assets, it better measures the entire endowment. Previously, the calculation based on current adjusted net income measured only realized changes to the endowment. Prior to ERTA, those foundations earning high adjusted net income in relation to the minimum investment return on assets had higher distributable amounts than if the unrealized changes in their endowment had also been used in the final computation of the required distributable amount.

This was particularly true for the years immediately preceding ERTA, when inflation rates were relatively high. During this inflationary period, many foundations that based their distributable amount on their adjusted net income, rather than on minimum investment return, experienced an erosion of their endowment over time. Therefore, ERTA seemed to lead to a more favorable investment environment, particularly for the smaller foundations, which tend to hold a greater proportion of fixed income yield investments that earn proportionately high realized (adjusted net) income [20]. These investments resulted in relatively high distributable amounts for the smaller foundations prior to ERTA. However, the data indicate that the larger foundations, rather than the smaller, tended to take advantage of the change in the payout requirement enacted under ERTA. The larger foundations distributed proportionately less after ERTA, and then reinvested more. The smaller foundations did not tend to significantly readjust their investment and distribution patterns. As illustrated earlier in Figure D, the amount of charitable distributions made by the small foundations tends to be based more upon the amount of contributions received than the amount of investment income.

ERTA has helped foundations to increase the value of their assets, thereby increasing their ability to give charitably. The largest foundations, accordingly, have realized the largest percentage and absolute increases in both assets and distributions since ERTA. Despite the decline in the real value of foundation assets from 1986-1987, the total fair market value of assets of nonoperating foundations increased by 56 percent in real terms from 1982-1987. This represents a large increase in comparison to the 22-percent real increase in the Gross National Product (GNP). The increase in foundation assets from 1982-1987 also compares dramatically to the erosion of aggregate real asset value sustained by foundations in the decade leading up to ERTA, a 31.0-percent decline from 1972-1981 [21]. Since ERTA, the significant increase in assets has enabled the foundation sector to maintain or increase endowment size for future giving. Although ERTA led to decreased distributions in the years immediately following 1981, by 1987 foundations had increased real qualifying distributions considerably, by 38 percent.

Since only nonoperating foundations are required to fulfill the charitable payout requirement, the data that follow, including the payout rates, rates of total return, income yields, and percentage changes in assets and distributions, unless otherwise indicated, represent only nonoperating foundations. These organizations comprise over 90 percent of foundations in both number and total assets. Also, it should be noted that oftentimes, a foundation's performance isn't measured until after the end of its current fiscal year. In these cases, the foundation can take advantage of the 1-year grace period for meeting the payout requirement by making their corresponding charitable distributions by the end of the following fiscal year. The rates of total return, income yields, and percentage changes and dollar amounts all have been adjusted for inflation.

THE PAYOUT RATE

To examine the charitable distribution trends of private (nonoperating) foundations, rates of payout performance were calculated. To calculate the payout rate the amount of (adjusted) qualifying distributions was divided by the amount of the monthly average of (noncharitable-use) net investment assets [22]. Payout trends for selected years from 1974-1987 show that the payout percentage declines as the size of the foundation increases (Figure F). Smaller foundations tend to give out a larger percentage of their asset base, sometimes to an extent exceeding their return on investments. Larger foundations tend to reinvest proportionately more of their earnings, consequently distributing a smaller proportion for charitable purposes in any given year. The median payout rates for all sizes of foundations either equal or exceed the 5-percent charitable payout requirement.

In light of ERTA, the aggregate median payout rate changed in a not unexpected pattern from 1974-1986. From 1974-1982 it increased from 8.4 percent for 1974 to 9.7 percent for 1982 [23]. From 1982-1983 the rate declined to 8.2 percent and then, for 1986, further declined to 6.9 percent. The downward trend after 1982 indicates that after ERTA foundations may have adjusted to the new law by paying out a smaller percentage of their assets. The total median rate then increased slightly to 7.0 percent for 1987. This occurred despite the stock market's sharp decline in October 1987.

Poor stock market conditions contributed to foundations earning much lower rates of return on their investments in 1987. The low returns, discussed later, coupled with the payout rates, led to a 1-percent decline in 1987 in the real fair market value of foundation assets. The end-of-year market value of assets for many foundations declined while total qualifying charitable distributions increased, although at a slower rate than in the past. The

Figure F.—Nonoperating Foundation Payout Rates, Selected Years, 1974-1987

Size of fair market value of total assets	Median payout rates					
	1974	1982	1983	1985	1986	1987
	(1)	(2)	(3)	(4)	(5)	(6)
Total	**8.39%**	**9.69%**	**8.23%**	**7.44%**	**6.87%**	**7.03%**
Small foundations						
$1 under $1,000,000, total	8.72	9.98	8.66	8.03	7.42	7.52
$1 under $100,000	10.94	10.67	9.76	8.30	10.23	9.63
$100,000 under $1,000,000	7.25	9.03	8.03	7.61	6.49	6.66
Medium foundations						
$1,000,000 under $50,000,000, total	6.43	8.19	6.69	6.05	5.62	5.70
$1,000,000 under $10,000,000	6.50	8.37	6.79	6.23	5.63	5.74
$10,000,000 under $50,000,000	5.84	7.23	6.05	5.51	5.39	5.40
Large foundations						
$50,000,000 or more, total	5.91	6.62	5.34	5.32	5.00	5.08
$50,000,000 under $100,000,000	n.a.	6.68	5.67	5.64	5.11	5.17
$100,000,000 or more	n.a.	6.45	5.00	5.10	5.00	5.02

n.a. - not available

NOTE: Data were available only for the years 1974, 1982, 1983, 1985, 1986, and 1987. Data for both the $50,000,000 under $100,000,000 and the $100,000,000 or more categories were not available for 1974.

average value of noncharitable-use (net investment) assets, on which the payout requirement is based, also increased at a slower rate than in previous years. Since distributions increased at a faster rate than assets, a slight increase in the payout rate resulted in 1987 [24]. Due, in part, to prior grantmaking commitments and high returns realized in 1986, foundations did not tend to readjust their payout rates downward in 1987.

For 1987, 71 percent of all foundations distributed more for charitable purposes than required by the payout law. The smaller foundations, in particular, are more likely to exceed the payout requirement by a greater percent. Those foundations with less than $1 million in assets represent the only group with a payout rate greater than the total median rate for all of the years shown. This occurred, in part, since the amount of noncharitable-use assets held by small foundations tends to represent a smaller proportion of total assets than for the larger foundations. Also, small foundations receive a relatively large amount of charitable contributions and then often act as a conduit by redistributing them within a year. In this manner, the amount of contributions received by foundations each year affects the amount of grants that they distribute. For instance, the decline in the median payout rate from 1986 to 1987 for those foundations with under $100,000 in assets, may have resulted, in large part, from the drop in contributions received. Due to different distribution patterns and goals, the smaller foundations most often realize higher payout rates.

Comparing the amount of charitable distributions actually given with the required amount, for 1987, 35 percent of foundations distributed more than double the required payout amount while 13 percent distributed over ten times that amount. As expected, a majority of these foundations were in the smaller asset size categories. Distributions exceeded the required amount by 291 percent in the case of foundations with under $1 million in assets. This compares with 46 percent for all foundations. These characteristics are representative of foundation behavior after the enactment of ERTA.

INVESTING BEHAVIOR

Rate of Total Return

In order to fund charitable activity, most often in the form of grantmaking, a foundation invests its endowment to realize a return on assets that fulfills the 5-percent charitable payout requirement. To fulfill the payout requirement without an erosion of the endowment, a foundation must engage in skillful investment and risk management in order to realize a rate of return equal to 5 percent plus the rate of inflation. Sound investment management will often enable a foundation to support a stable or growing endowment which will secure a permanent existence for the foundation as a charitable organization. For this reason, foundations do have the incentive to maximize their return on investments. Although they do not distribute dividends or income to shareholders, and thus, are not accountable in this manner, they are indirectly accountable to a strong donor desire to perpetuate the endowment of the foundation.

A comparison of the payout rate to the rate of total return helps to explain changes in the relative growth or decline of foundation assets from year to year. The rate of total return formula measures the change in the value of the entire asset base with consideration for inflows and outflows of money. It accounts for the realized income from the assets (investment and otherwise) as well as the unrealized capital appreciation of the endowment [25]. (The net investment income yield, or "NII" yield, examined later, shows only the realized gain or loss from investment assets.)

The rates of total return for 1983-1987 (Figure G) indicate that the median rate of return tends to differ from the median payout rate. Although larger foundations distribute proportionately less than smaller foundations, the rate of return tends to increase as the size of the foundation increases. The larger foundations hold a greater proportion of their assets as investment securities and seem to invest more with the goals of capital appreciation and long-term giving. These foundations also possess the necessary resources to seek the assistance of sophisticated investment consultants. These organizations tend to maintain a greater proportion of lower-income yield, higher-risk, and higher-growth common stock [26]. Since these types of holdings appreciate faster, higher rates of total return for the larger foundations result. The smaller foundations seem to invest with the intention of distributing relatively large charitable contributions currently. This group tends to hold lower risk and higher, fixed-income yield assets that do not appreciate nearly as rapidly [27]. This results in lower relative returns for these foundations.

Foundations realized high rates of total return from 1983 to 1986 (Figure G). Market conditions during these years proved very favorable to investors. For 1983, the largest foundations (those with $100 million or more in assets) earned a real rate of 11.7 percent and for 1986, 13.9 percent. After accounting for the relatively low inflation from 1983 through 1986, all of these size groups show a rate of return on assets well above the 5-percent payout requirement. The 1987 data, however, show different investment results. After inflation, foundations earned well under the minimum desired 5 percent rate of return. For instance, the largest foundations earned only 1.4 percent. This resulted, in large part, from the sharp stock market decline in October 1987.

During the years 1983-1986, foundations, as an aggregate, realized substantially higher returns than payout rates. This contributed to the growth of aggregate foundation assets. However, for 1987, foundations with $1 million or more in assets, as a group, paid out more for charitable purposes than what they earned as total returns on assets. This led to the decline in the value of aggregate foundation assets from 1986 to 1987. It will prove interesting to evaluate 1988 data to ascertain whether or not foundations adjusted their payout percentages downward in response to the unusually low 1987 returns.

Income Yield

While the rate of total return measures the change in the value of the entire endowment, the income yield measures only the realized investment income earned by a foundation. The net investment income yield, or NII yield, is calculated by dividing net investment income by the end-of-year fair market value of investment assets. Investment assets include savings and temporary cash investments; securities; land, buildings and equipment; mortgage loans; and "other" investments. NII yields for the different size groups of foundations vary for selected years from 1974 to 1987 (Figure H).

The larger foundations tend to earn higher NII yields than the smaller foundations. The NII yields of the larger foundations exceeded those of the smaller ones for all of the years shown with the exception of 1982. The NII yield includes net (long-term) capital gains from the sale of assets. This relatively large source of income accounts for a greater proportion of the NII of the larger foundations than of the smaller foundations; and, therefore, helps to explain part of the disparity in the NII yields between the small and large foundations. The increases in NII yields after 1982 may indicate that foundations, especially the medium- and large-sized groups, began to adjust their investment styles following the enactment of ERTA. Prior to ERTA, high income-producing investments, other than long-term capital gains, may have caused higher required distributable amounts.

A comparison of the NII yields with the rates of total return on assets shows that the NII yields tended to be less than the total rates of return for 1983 through 1986. The difference in the total returns and the NII yields indicates unrealized growth in assets between these years, since the NII yield does not account for the unrealized appreciation or depreciation of assets. However, for 1987, the year of the stock market decline and resultant low rates of total return, the NII yields, although they did drop from 1986, actually exceeded the total rates of return for that year. This shows the unrealized loss that occurred for 1987. The difference between the two measures may have occurred, in part, due to foundations that sold securities and realized large gains from January 1987 until the October stock market decline that led to decreased end-of-year asset values.

ASSETS, DISTRIBUTIONS AND DECISION-MAKING

In the very favorable market environment during most of the mid-1980's, which was accompanied by low inflation and interest rates, foundations realized rates of total return that easily allowed them to both meet the payout requirement and increase the value of their endowments. Total nonoperating foundation assets and charitable distributions increased in real terms by 56 and 38 percent, respectively, over the 1982-1987 period. The amount of the real increases equaled $31.7 billion in assets and $1.7 billion in distributions. After the enactment of ERTA, from 1982 to 1986, nonoperating foundation assets grew considerably, by 58.1 percent. However, from 1986 to 1987

Figure G.—Nonoperating Foundation Rates of Total Return on Assets, 1983-1987

Size of fair market value of total assets	Median rates of return[1]			
	1983	1984-85 (2-year span)	1986	1987
	(1)	(2)	(3)	(4)
$1 under $1,000,000	n.a.	n.a.	n.a.	n.a.
$1,000,000 under $10,000,000	6.39%	25.30%	9.02%	1.29%
$10,000,000 under $25,000,000	9.21	31.17	11.21	-0.08
$25,000,000 under $50,000,000	9.47	34.27	11.39	2.33
$50,000,000 under $100,000,000	9.95	38.58	11.75	1.11
$100,000,000 or more	11.69	29.56	13.94	1.36

n.a. - not available

[1] The GNP implicit price deflator was used to adjust for inflation.

Figure H.—Nonoperating Foundation Net Investment Income (NII) Yields, Selected Years, 1974-1987

Size of fair market value of total assets	Median net investment income yields[1]					
	1974[2]	1982	1983	1985	1986	1987
	(1)	(2)	(3)	(4)	(5)	(6)
Total	**-3.37%**	**2.31%**	**4.47%**	**4.78%**	**4.74%**	**3.89%**
Small foundations						
$1 under $1,000,000, total	-3.45	2.31	4.34	4.61	4.19	3.61
$1 under $100,000	-3.74	2.27	3.90	4.50	3.59	3.05
$100,000 under $1,000,000	-3.05	2.43	4.38	4.95	5.07	4.06
Medium foundations						
$1,000,000 under $50,000,000, total	-2.74	2.49	5.04	5.71	6.29	4.89
$1,000,000 under $10,000,000	-2.78	2.66	5.00	5.71	5.95	4.74
$10,000,000 under $50,000,000	-2.27	1.52	5.48	6.00	8.25	5.99
Large foundations						
$50,000,000 or more, total	-2.46	1.67	5.53	6.84	7.70	5.63
$50,000,000 under $100,000,000	n.a.	2.54	5.63	7.01	8.37	5.65
$100,000,000 or more	n.a.	0.58	5.06	6.56	7.08	5.53

n.a. - Not available

[1] The GNP implicit price deflator was used to adjust for inflation.

[2] The calculation for 1974 divides net investment income by book value of investment assets. For all other years net investment income is divided by the fair market value of investment assets. The use of fair market values, unavailable for 1974, would have lowered the rates from those calculated and most likely affected the differences between the small and large foundations.

NOTE: Data were available only for the years 1974, 1982, 1983, 1985, 1986, and 1987. Data for both the $50,000,000 under $100,000,000 and the $100,000,000 or more categories were not available for 1974.

assets declined by 1 percent. Likewise, distributions grew, with an uncharacteristic decline in the rate of growth only from 1986 to 1987. Relatively high foundation growth as compared to growth in the Gross National Product, the effects of the change in the payout requirement, and differences in the growth rates of different sizes of foundations, all may indicate that the 1981 Economic Recovery Tax Act has had an effect on the increased rate of growth of foundation assets and distributions.

As the size of a foundation increases, asset values tend to increase at faster rates. Since the larger foundations tend to earn relatively high rates of total return and pay out relatively low percentages of assets, the larger foundations increased their assets at a faster rate than did the smaller ones during the 1982-1987 period. The smallest group, during this period, is the only one that paid out qualifying distributions at a rate faster than the growth in their assets. This group, in fact, experienced larger percentage increases in charitable distributions for 1982-1987 than all of the other groups, with the exception of the largest. Due to their large increases in assets and an ability to better withstand market swings, since ERTA, the largest foundations not only have increased assets at the greatest rate, but also distributions. (For a description of changes in assets and distributions for operating foundations, see the Notes and References section [28].)

Foundations assume somewhat different roles and behave accordingly, depending upon their size. The disparity between 1987 and the earlier years may shed light on the nature of the decision-making processes of nonoperating foundations. The question arises: does the rate of total return (and possibly the NII yield) in one year affect the payout rate of the next year? In other words, do certain foundations respond to low rates of return with low payout rates or to high returns with high payout rates? And, do these patterns differ with the size of the foundation?

It appears that the investment returns of smaller foundations may affect, at least in part, the amount of charitable dollars distributed in the following year. For instance, among other reasons, the smallest foundations may have responded to relatively low NII yields for 1982 by paying out distributions at lower rates in 1983 than in 1982. However, the smaller foundations also tend to rely, in large part, on the amount of contributions received in order to help fund their charitable grantmaking. For instance, decreases in the amount of contributions received for 1987 may have led to the slower rate of increase in charitable distributions for that same year. The smaller foundations tend to distribute proportionately large amounts in the present, based on contributions received, investment returns, and income yields.

Conversely, the goal of a more predetermined payout policy appears to drive the operations and investment policies of the larger foundations. They better manage their investments and distribute dollars in such a way as to promote long-run growth of the endowment. A growing endowment will fund charitable grants at the same or at an increased value in the future. These foundations tend to distribute charitable dollars at relatively consistent payout rates irrespective of changing rates of return. For example, the larger foundations continued to pay out charitable dollars at a consistent rate in 1987 despite low rates of total return and declining assets in that year. These foundations tend to operate with a more planned and structured payout policy. A future examination of payout practices in 1988 after the unusually low investment returns of 1987 will provide more definitive insights into the investment and distribution goals and behavior of the different sizes of foundations.

SUMMARY

Total private foundation revenue fell by 17.2 percent in 1986 dollars, or $3.4 billion, from 1986 to 1987. Both contributions received and net gain (less loss) from sales of assets declined significantly in real terms, by 28.4 percent and 22.8 percent, respectively, when comparing 1986 to 1987. Interest and dividends, two significant components of total revenue, did increase, although by relatively small percentages. These losses for 1987 occurred after foundations realized large real increases between 1985 and 1986 in revenue, net gains from sales of assets, and contributions received, 18.9, 32.9, and 27.6 percent, respectively.

The poor market returns in 1987, following the October stock market decline, most likely affected the net gain (less loss) from sales of assets; net losses nearly tripled while net gains decreased by almost 20 percent. The stock market decline and the changes implemented under the 1986 Tax Reform Act may also have reduced contributions to foundations. The general decline in the market value of securities that occurred in the last quarter of 1987 reduced the value of the tax benefit of donating securities to foundations. And, the changes implemented under the 1986 Tax Reform Act, by lowering marginal tax rates, decreased the value of the tax deduction for charitable contributions. The decreases in these components of foundation revenue contributed to the real decline in the fair market value of total assets.

Along with decreases in revenue, the effect of the 1987 stock market decline largely contributed to the 2.1-percent real decline in end-of-year total foundation assets, or the drop from $113.2 billion for 1986 to $110.8 billion for 1987. Likewise, investments in securities declined by 2.7 percent in real terms, from $87.0 billion to $84.7 billion. The significant drop in the rates of total return between 1986 and 1987 confirms the effect of these losses. For nonoperating foundations with $100 million or more in assets, the median rate of total return dropped from 13.9 percent to 1.4 percent. Although the largest foundations realized the greatest rates of return and increases in assets since the Economic Recovery Tax Act of 1981, from 1986 to 1987 these foundations realized a decline in assets. The assets of the smallest foundations, however, actually increased from 1986 to 1987.

Despite the decreases in assets and investments, the amount of constant-dollar grants paid by all foundations increased by 5.8 percent from 1986 to 1987, although at a slower rate of increase than the prior year. Real qualifying charitable distributions (by nonoperating foundations) increased by 5.3 percent, as opposed to the 15.0-percent increase realized from 1985 to 1986. From 1986 to 1987, the largest foundations increased distributions at a rate over twice that of the 5.3-percent total rate, while the smallest foundations increased distributions at a rate 4 percentage points below the total. Also, the total payout rate did increase slightly, from 6.9 percent for 1986 to 7.0 percent for 1987. The payout rates help to explain the total decline in the value of foundation assets for 1987, as foundations tended to pay out charitable dollars at a rate greater than their rate of total return on assets. The results from 1986 to 1987 differ significantly from those between 1983-1986, when foundations realized high rates of total return and significant increases in assets, revenues, and distributions. In order to fund charitable distributions at an increased rate in both the present and the future, foundations rely heavily on the growth of their endowments.

DATA SOURCES AND LIMITATIONS

The statistics in this article are based on samples of Tax Year 1986 and 1987 private foundation returns, Forms 990-PF, filed with the Internal Revenue Service (IRS). The 1987 Form 990-PF was required to be filed by organizations which had accounting periods beginning in that year (and therefore ending, in general, December 1987 through November 1988). A corresponding filing requirement applied to the 1986 Forms 990-PF. Some part-year returns were included in the samples for organizations that changed their accounting periods, or filed initial or final returns. Figure I shows the distribution of the 12 accounting periods covered by the 1987 statistics. Approximately 61 percent of the foundations' accounting periods cover either Calendar Year 1987 or any part-year periods ending December 1987. The remaining 11 noncalendar year accounting periods, when grouped together, spread over a period of time that ranges from February of 1987 to November of 1988 (and may also include some part-year periods). While the majority of the 1987 data are for Calendar Year 1987, 39 percent of the data were reported for noncalendar periods that go beyond the end of Calendar Year 1987. In total, however, most of the financial activity is associated with 1987.

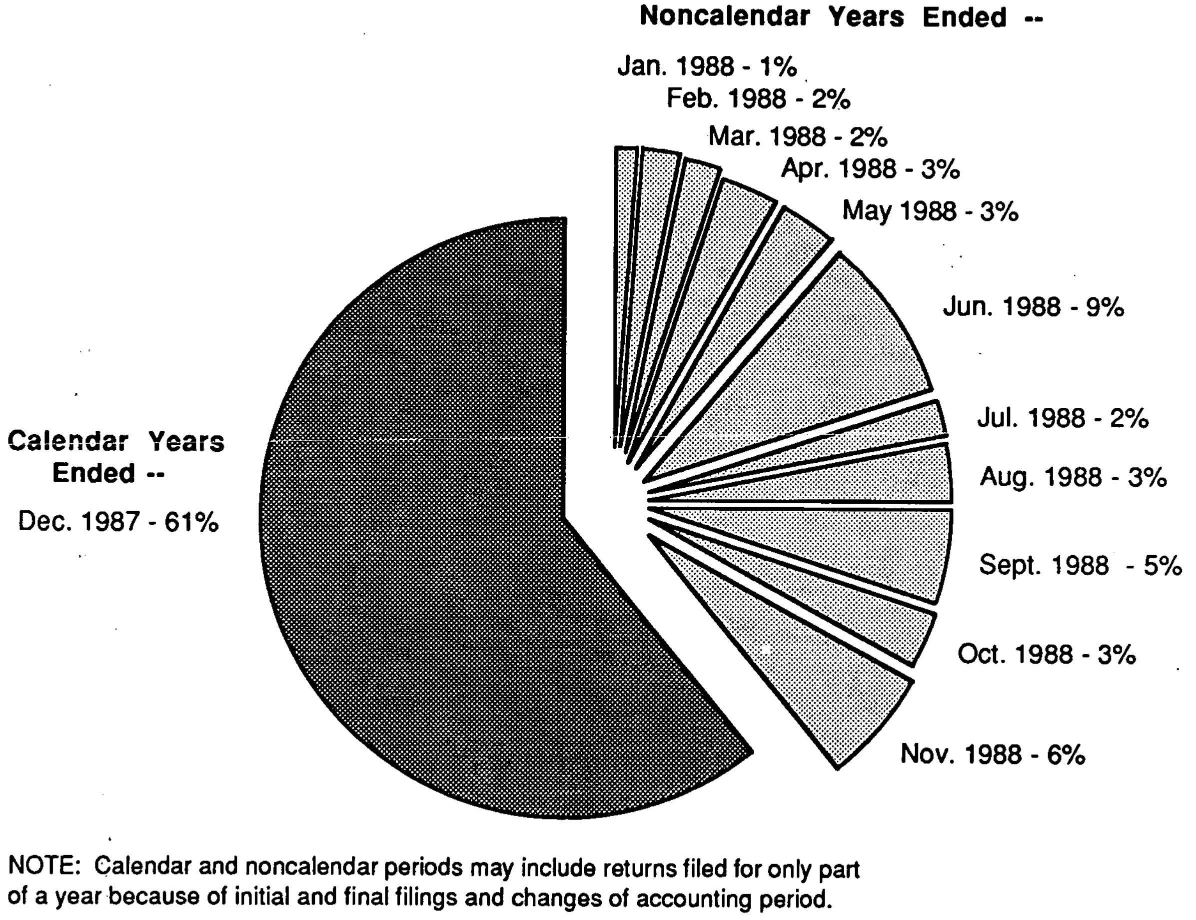
Returns filed by nonexempt charitable trusts and certain taxable foundations were excluded from the statistics or both 1986 and 1987. The two samples were stratified based on size of book value of total assets. The 1987 sample was selected at rates that ranged from 7.4 percent for the more numerous but very small asset-size returns) o 100 percent (for the relatively few returns with large amounts of assets). Selection rates for the 1986 sample ranged from 5.0 percent to 100 percent. The 4,785 eturns in the 1987 sample were drawn from an estimated population of 35,907. For 1986, a sample of 2,934 returns was drawn from an estimated population of 35,172.

The 1986 and 1987 samples were designed to provide he most reliable estimates of total assets and total revenue based on a small number of returns. The methodology employed was to include in the samples all returns with assets (book value) of $10 million or more, since these were the returns that dollar-wise accounted for most foundation activity. For example, the 1,155 sample returns for 1987 in this group accounted for approximately 24 percent of all the returns in the sample and 77 percent of the book value of the estimated total assets of all foundations. The remaining 3,630 returns in the 1987 sample were randomly selected at various rates, depending on the asset size. A similar sample selection procedure was followed for 1986 returns.

The population from which the 1986 and 1987 samples were drawn consisted of private foundation records posted to the IRS Business Master File between 1987 and 1989. Some of the records designated were for organizations that were deemed inactive or terminated. Inactive

Figure I

Private Foundation Accounting Periods, 1987



NOTE: Calendar and noncalendar periods may include returns filed for only part of a year because of initial and final filings and changes of accounting period.

and terminated private foundations are not reflected in the estimates. For the small number of large private foundations for which a desired study-year return had not yet been filed or was otherwise unavailable for inclusion in the study, either prior-year returns were substituted or data were estimated using other returns having similar characteristics.

The data presented were obtained from returns as originally filed. In most cases, changes made to the original return as a result of an IRS examination or a taxpayer amendment were not incorporated into the data base. Because the data presented are estimates based on a sample, they are subject to sampling and nonsampling error. To use the statistical data properly, the magnitude of the sampling error should be known. Coefficients of variation (CV's) are used to measure that magnitude.

Figure J presents, for Tax Years 1986 and 1987, approximate coefficients of variation for frequency estimates of private foundation returns with less than $10 million in assets. Returns with assets of $10 million or more were selected at a prescribed rate of 100 percent; therefore, this category is not subject to sampling error. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For a number other than those shown, the corresponding CV's can be estimated by interpolation.

Figure J.—Coefficient of Variation for Frequency Estimates, Tax Years 1986 and 1987

Estimated number of returns by size of book value of total assets			Approximate coefficient of variation
Under $100,000 or not reported	$100,000 under $1,000,000	$1,000,000 under $10,000,000	
(1)	(2)	(3)	(4)
Return year 1986			
15,400	12,400	5,000	.010
10,800	9,100	4,200	.025
5,200	4,700	2,600	.050
2,800	2,600	1,600	.075
1,700	1,600	1,000	.100
800	800	500	.150
300	300	200	.250
Return year 1987			
14,700	12,100	4,800	.010
9,200	7,400	2,700	.025
3,900	3,100	1,100	.050
2,000	1,600	500	.075
1,200	900	300	.100
600	400	100	.150
200	200	100	.250

NOTE: Because returns with total assets $10 million or more were prescribed for selection at the 100-percent rate, coefficients of variation for them were not computed.

A discussion of the reliability of estimates based on samples and the use of coefficients of variation for evaluating the precision of sample estimates can be found in the general Appendix to this publication.

EXPLANATION OF SELECTED TERMS

The following explanations describe terms as they applied to private foundations for 1986 and 1987.

Adjusted Net Income.--In general, this was the amount by which a private foundation's gross income exceeded the expenses associated with earning the income. Included were all amounts derived from, or connected with, property held by the foundation, such as net short-term capital gain (on sales of assets held 12 months or less), ordinary investment income (dividends and interest, rents and royalties), income from amounts set aside for future charitable use, income from all charitable functions, or unrelated trade or business activity income. Excluded were contributions received and long-term capital gains (or losses). This item was reported on Form 990-PF, Part I, line 27c, column (c).

Assets Zero or Unreported.--Included in this asset size category were: (1) final returns of liquidating or dissolving foundations which had disposed of all assets, and (2) returns of foundations not reporting end-of-year assets that had apparently distributed all assets and income received during the year.

Disbursements for Charitable Purposes.--These deductions represented grants paid and other expenditures for activities that were directly related to the tax-exempt purposes of the foundation. Included were necessary and reasonable administrative expenses paid for charitable, scientific, educational, or other similar purposes. These amounts were determined solely on the cash receipts and disbursements method of accounting, as required by law and regulations. This item was reported on Form 990-PF, Part I, line 26, column (d).

Disqualified Persons.--With respect to engaging in prohibited transactions, such as "self-dealing," with a private foundation, the following were considered disqualified persons: (1) all substantial contributors to the foundation (generally, those who contributed an amount over $5,000 which was more than 2 percent of total contributions received by the foundation); (2) foundation officers, directors, trustees, or managers; (3) an owner of more than a 20 percent interest (voting power, profits interest, or beneficial interest) in an organization which was a substantial contributor to the foundation; (4) a member of the family of any individual described in (1), (2), or (3), above (including spouse, ancestors, children, grandchildren, great-grandchildren, and spouses of children, grandchildren and great-grandchildren, but not brothers or sisters); (5) organizations in which persons described in (1) through (4), above, held more than a 35-percent interest; (6) another private foundation, for purposes of the tax on excess business holdings, which was effectively controlled by a person or persons in control of the foundation in question; and (7) a government official, for purposes of the tax on "self-dealing."

Distributable Amount.--This was the minimum payout amount which was required to be distributed by the end of the year following the year for which the return was filed in order to avoid the excise tax for failure to distribute income currently. The distributable amount was computed as 5 percent of net investment assets, called the "minimum investment return," minus taxes on net investment income and "unrelated business income," plus or minus other adjustments, either allowed or required. (See "Net Adjustments to Distributable Amount.") This item was reported on Form 990-PF, Part X, line 7.

Excess Distributions Carryover.--The excess amount distributed, after fulfilling the charitable payout requirement, that equaled the excess of qualifying distributions over the distributable amount. This amount could be carried forward to the following year from both the current year and the 4 prior years in order to be applied to the distributable amount in future years. This item was reported on Form 990-PF, Part XIV, line 9.

Excess Grant Administrative Expenses.--This was the amount of grantmaking administrative expenses incurred by a foundation, in the charitable grantmaking process, that exceeded the amount which could be applied to either the charitable payout requirement (imposed on nonoperating foundations) or the income test (imposed on operating foundations). The 1984 Deficit Reduction Act required that only the portion of grant administrative expenses incurred by a foundation that did not exceed 0.65 percent of a three-year average of noncharitable-use assets could be treated as qualifying distributions. Any grant administrative expenses in excess of the 0.65 percent calculation could not be treated as qualifying distributions. This temporary limitation on grantmaking expenses expired on December 31, 1990. Beginning with the 1991 tax year, foundations no longer will be subject to this requirement. This item was reported on Form 990-PF, Part XIII, line 5.

Inventories.--The value of materials, goods, and supplies purchased or manufactured by the organization and held to be sold or used in some future period. This item was reported on Form 990-PF, Part II, line 8, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Land, Buildings, and Equipment, Charitable-use.--The book value or fair market value (less accumulated depreciation) of all land, buildings and equipment not held for investment purposes. Included were any property, plant or equipment owned and used by the organization in conducting its charitable activities. This item was reported on Form 990-PF, Part II, line 14, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Land, Buildings, and Equipment, Investment-use.--The book value or fair market value (less accumulated depreciation) of all land, buildings and equipment held for investment purposes, such as rental properties. This item was reported on Form 990-PF, Part II, line 11, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Minimum Investment Return.--This was the aggregate fair market value of assets not used for charitable purposes, less both indebtedness incurred to acquire those assets and cash held for charitable activities, multiplied by 5 percent. The minimum investment return was used as the base for calculating the "distributable amount." This item was reported on Form 990-PF, Part IX, line 6.

Net Adjustments to Distributable Amount.--Adjustments that increased the "distributable amount" consisted of increases attributable to the income portion (as distinct from the principal portion) of distributions from split-interest trusts on amounts placed in trust after May 26, 1969. (A split-interest trust was a trust which was not exempt from tax; not all of whose interests were devoted to charitable, religious, educational, and like purposes; but which had amounts in trust for which a charitable contribution deduction was allowed.) Recoveries of amounts previously treated as qualifying distributions also had to be added back to the distributable amount.

Adjustments that decreased the distributable amount were the result of income required to be accumulated as part of an organization's governing instrument. These adjustments were allowed only to foundations organized before May 27, 1969, whose governing instrument continued to require the accumulation, since State Courts would not allow the organization to change its governing instrument. These items were reported on Form 990-PF, Part X, lines 4a, 4b, and 6.

Net Gain (or Loss) from Sale of Assets.--Included was profit or loss from sales of items such as securities, land, buildings, or equipment. Gain or loss reflected the amount shown on the books of the foundation and included any amount from the sale of property used for both investment and tax-exempt purposes. Most of the gain or loss was from sales of stocks and bonds. Profit or loss from the sale of inventory items was included in gross profit (loss) from business activities. This item was reported on Form 990-PF, Part I, line 6, column (a).

Net Investment Income.--This was the amount by which the sum of gross investment income plus capital gain net income exceeded allowable deductions. Included in investment income were interest, dividends, rents, payments with respect to securities loans, and royalties. Excluded were tax-exempt interest on governmental obligations and any investment income derived from unrelated trade or business activities, subject to the unrelated business income tax reported on Form 990-T. This item was reported on Form 990-PF, Part I, line 27b, column (b).

Noncharitable-use Assets (Net Investment Assets).--For purposes of calculating "minimum investment return," only the average, rather than end-of-year, fair market value of assets that were not used or held for use for tax-exempt purposes entered into the computation. An asset was not used directly in carrying out the foundation's exempt purpose if it was not used in carrying on a charitable, educational, or other similar function which gave rise to the exempt status of the foundation. Examples would be the fair market value of securities and rental property owned by the foundation for investment purposes. This item was reported on Form 990-PF, Part IX, line 5.

Nonoperating Foundations.--These were organizations that generally carried on their charitable activities in an indirect manner by making grants to other organizations that were directly engaged in charitable activities, in contrast to those (operating foundations) engaged in charitable activities themselves. However, some nonoperating foundations were actively involved in charitable programs, in addition to making grants. Nonoperating foundations were subject to an excise tax (and possible additional penalties) for failure to distribute an annual minimum amount for charitable purposes within a required time period.

Operating Foundations.--These foundations generally expended their income for direct, active involvement in a tax-exempt activity, such as operating a library or museum, or conducting scientific research. To qualify as an operating foundation for a particular taxable year, a private foundation had to spend at least 85 percent of the lesser of its adjusted net income or minimum investment return on the direct, active conduct of exempt-purpose activities (the "income test") and satisfy one of three other tests termed the "assets test," the "endowment test," and the "support test." Operating foundations were excepted from the income distribution requirement, and its related excise taxes, applicable to nonoperating foundations.

Distributions made by a private nonoperating foundation to an operating foundation qualified toward meeting the nonoperating foundation's distribution requirement. (Distributions made by one nonoperating foundation to another were subject to a number of conditions and restrictions requiring a "pass-through" of the distribution, whereby the donor foundation received credit for a qualifying distribution but the donee foundation did not.) Additionally, contributions to operating foundations were deductible on individuals' income tax returns, limited to 50 percent of their adjusted gross income (as opposed to 30 percent for contributions to nonoperating foundations).

Other Assets.--Assets reported as "Other" included: (1) those assets not allocable to a specific asset item on the Form 990-PF balance sheet or not included elsewhere on the return, and (2) certain amounts given special treatment in the course of statistical processing. The first category included such items as: construction reserve land, deferred income, dividends receivable, escrow deposits, income tax refunds, interest discounts, interest-free loans, overdraft protection, and program-related investments. The second category included amounts reported by the return filer as negative liabilities. This item was reported on Form 990-PF, Part II, line 15, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Other Investments.--Investments reported as "Other" included such items as: advances; bank certificates; cash values of life insurance; certificates of investment; investments in art, coins, gold, gems, and paintings; miscellaneous loan income; and patronage dividends. This item was reported on Form 990-PF, Part II, line 13, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Private Foundation.--A nonprofit corporation, association, or trust with a narrow source of funds which operated or supported social, educational, scientific, charitable, religious, and other programs dedicated to improving the general welfare of society. By law, a private foundation was an organization which qualified for tax-exempt status under Internal Revenue Code section 501(c)(3) and was not a church; school; hospital; medical research organization; an organization with broad public support in the form of contributions or income from tax-exempt activities; an organization which was operated by, or in connection with, any of the above described organizations; or an organization which tested for public safety. The primary difference between a private foundation and a public charity lay in the sources of each organization's funding. A foundation usually received its funds from an individual, a family, or a corporation, while, as the name implies, a public charity received its funds mainly from a large number of sources within the general public.

Qualifying Distributions.--Included were grants, direct expenditures to accomplish charitable purposes, charitable-purpose operating and administrative expenses, amounts paid to acquire assets used directly to accomplish tax-exempt functions, charitable program-related investments, and amounts set aside for future charitable projects. Qualifying distributions were creditable against the foundation's obligation to pay out its "distributable amount." This item was reported on Form 990-PF, Part XIII, line 6.

Total Assets.--This was the sum of all assets reported in the foundation's end-of-year balance sheet, shown at both book value and fair market value. This item was reported on Form 990-PF, Part II, line 16, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Total Expenses.--This was the sum of contributions, gifts, and grants paid plus various operating and administrative expenses related to both investment and charitable-purpose activities. This item was reported on Form 990-PF, Part I, line 26, column (a).

Total Revenue.--This was the sum of gross contributions, gifts and grants received; interest and dividends from securities, savings, and temporary cash investments; net gain (less loss) from sales of assets (mostly investment assets, but could include charitable-use assets); gross rents and royalties; gross profit (or loss) from business activities; and other miscellaneous income. Total revenue items were reported as shown on the books and records of the foundation and were based on either the cash receipts or accrual method of accounting. This item was reported on Form 990-PF, Part I, line 12, column (a).

Undistributed Income.--The required amount remaining undistributed, after application of the charitable payout requirement, that equaled the excess of the distributable amount over the sum of total qualifying distributions and any excess distributions carryover from prior years applied to the distributable amount. Sanctions were imposed in the form of penalty taxes on private foundations that did not pay out an amount equal to the distributable amount by the end of the following tax year. This item was reported on Form 990-PF, Part XIV, line 6f, column (d).

NOTES AND REFERENCES

[1] All references to assets are stated at their fair market value unless book value is specifically noted.

[2] For 1987, the aggregate total revenue of private foundations consisted of interest and dividends from securities, savings, and temporary cash investments (32.6 percent), net gain (less loss) from sales of assets (32.5 percent), contributions, gifts and grants received (30.9 percent), and other miscellaneous types of income (4.0 percent). "Total revenue" and other terms, as they apply to private foundations, are described and cross-referenced in the "Explanation of Selected Terms" section.

[3] For a description of the time periods covered by the 1986 and 1987 statistics, see the "Data Sources and Limitations" section of this article.

[4] All inflation-adjusted "constant dollar" or "real" figures cited in this article were derived using the Implicit Price Deflators for Gross National Product contained in Council of Economic Advisors, *Economic Report of the President*, February 1990, Table C-3. Unless otherwise noted, figures referred to as "current dollars" or "nominal" are not adjusted for inflation.

[5] For 1985 private foundation data, see Riley, Margaret, "Private Foundation Returns, 1985," *Statistics of Income Bulletin,* Summer 1989, pp. 27-43.

[6] Over three-quarters of total expenses for 1987 were contributions paid out and the remainder, operating and administrative expenses.

[7] The term "net gain (less loss)" refers to the aggregate total of all individual net gains reported minus all individual net losses reported.

[8] For an in-depth discussion of organizations, other than private foundations, which are tax-exempt under Internal Revenue Code section 501(c)(3), see

Hilgert, Cecelia, and Mahler, Susan J., "Nonprofit Charitable Organizations, 1985," *Statistics of Income Bulletin*, Fall 1989, Volume 9, Number 2, pp. 53-65.

[9] Programs termed "charitable" refer to any tax-exempt activities which are charitable, educational, scientific, social, literary, or religious in nature.

[10] Generally, the assets test was met if 65 percent or more of the foundation's assets were used directly for the active conduct of charitable activities. The endowment test was met if the foundation normally made distributions for the active conduct of charitable activities in an amount not less than two-thirds of its minimum investment return. The support test was met if substantially all of its support (other than gross investment income) was normally received from the public or five or more qualifying exempt organizations; no more than 25 percent of its support (other than gross investment income) was normally received from any one such qualifying exempt organization; and no more than half of its support was normally received from gross investment income.

[11] Some of the foundations classified as "nonoperating" for 1986 and 1987 were "failed public charities," organizations that were originally classified as public charities but that could no longer qualify for that favored status because they failed to maintain the required minimum of support from public sources. Most often, the reclassified nonoperating foundations continued to operate like public charities, conducting programs or providing direct services, as opposed to making grants to accomplish a charitable purpose. Perhaps many of these organizations could have qualified as operating foundations, but had not requested such status from the Internal Revenue Service.

[12] For a discussion of how tax law changes made under the Tax Reform Act of 1986 affected individuals for 1987, see Hostetter, Susan and Bates, Jeffrey, "Individual Income Tax Returns, Preliminary Data, 1987," *Statistics of Income Bulletin*, Spring 1989, Volume 3, Number 4, pp. 5-26.

[13] For example, a fully deductible $100 donation made for 1986 by an individual whose income was taxed at a rate of 50 percent would actually cost only $50 after the donation was claimed as a deduction from income on the individual's tax return ($50 in tax was saved by reducing taxable income by $100). The same $100 donation made by the individual for 1987, with a newly reduced income tax rate of 38.5 percent, would actually cost $61.50 (only $38.50 in tax would be saved on $100 deducted from taxable income).

[14] *Statistics of Income--1986, Individual Income Tax Returns*, U.S. Department of the Treasury, Internal Revenue Service, 1989.

[15] *Statistics of Income--1987, Individual Income Tax Returns*, U.S. Department of the Treasury, Internal Revenue Service, 1990.

[16] *Statistics of Income--1986, Corporation Source Book*, U.S. Department of the Treasury, Internal Revenue Service, 1989.

[17] *Statistics of Income--1987, Corporation Income Tax Returns*, U.S. Department of the Treasury, Internal Revenue Service, 1990.

[18] The amounts of "contributions received" and "total revenue" used to calculate the ratios in Figure D were reported in Part I, lines 1 and 12, respectively, column (a) of the Form 990-PF. "Investment income" was reported in Part I, line 12, column (b) and is the gross amount, before deductions for related expenses. "Grants paid" was reported in Part I, line 25, column (d).

[19] This represents the method used after the 1969 Act and up until 1982, when ERTA became effective.

[20] Salamon, Lester M. and Voytek, Kenneth P., *Managing Foundation Assets: An Analysis of Foundation Investment and Payout Procedures and Performance*, The Council on Foundations, 1989.

[21] *The Foundation Directory*, 11th edition, Loren Renz, editor, The Foundation Center, New York, 1987, p. xx.

[22] To calculate the payout rate, the amount of (adjusted) qualifying distributions was divided by the amount of the monthly average of net investment (or noncharitable-use) assets. This payout formula adjusts qualifying distributions with slight additions and subtractions that are made to the required "distributable amount" on the Form 990-PF, Return of Private Foundation. The formula also adjusts for excess distributions made in the past and applied to the requirement of the current filing year.

[23] Data were available only for the years 1974, 1982, 1983, 1985, 1986, and 1987.

[24] The volatile stock market no doubt affected the asset value of a foundation differently depending on its accounting period. For instance, since the payout rate depends on a monthly average of assets, those foundations using a calendar year accounting period for 1987 realized 9 relatively solid months prior to the October decline. The payout rate calculation, then, would account for both the positive and negative months.

[25] The rate of total return formula is the same as that used by Salamon and Voytek in a study on foundation assets for the years 1979-1983. See: Salamon and Voytek, *Ibid.*, p. 32. The formula is as follows:

RATE OF TOTAL RETURN =

((Ending Fair Market Value of Assets
- Beginning Fair Market Value of Assets*)
- (Contributions Received by the Foundation)
+ (Grants Paid by the Foundation
+ Operating and Administrative Expenses
+ Excise Tax Paid on Net Investment Income))
DIVIDED BY

(Beginning Fair Market Value of Assets
+ (Contributions Received / 2))

*The beginning fair market value of assets for any given year equals the ending fair market value reported on the prior year's return. Thus, in order to provide a consistent form of measurement by which to compare rates of return among different years, the ending fair market value of assets amounts (reported for both the year subject to the computation and the prior year) were used to compute the total rate of return.

To calculate the rate of total return shown in Figure G, private foundation information returns in data samples for consecutive years were matched in order to analyze both the beginning- and end-of-year fair market value data. The returns in the samples were matched by the employer identification number (EIN). Due to the lower sampling rates for the smaller foundations, the rate of matching the information returns for consecutive years was not high enough to ensure a proper level of statistical confidence. Therefore, the rate of return was only calculated for the medium- and large-sized foundations, those holding $1 million or more in assets. And, since 1984 returns were not sampled, calculating rates for 1984 and 1985 was not possible. However, by matching the 1983 and 1985 data files, median figures for the 2-year period were calculated.

[26] Salamon and Voytek, *Ibid.*

[27] Salamon and Voytek, *Ibid.*

[28] Operating foundations, although they realized smaller increases in assets and distributions than nonoperating foundations between 1982 and 1987, performed similarly during the same period. These organizations increased their real assets and distributions from 1982-1987 by 42 and 13 percent, respectively. Between 1986 and 1987, however, operating foundation assets declined 11 percent in 1986 dollars, a larger percentage than the 1-percent decline in total nonoperating foundation assets. And, unlike nonoperating foundations, operating foundations decreased their charitable distributions from 1986 to 1987, by 14 percent. Since operating foundations are not held accountable to a payout requirement, it is not surprising that their charitable distributions declined by a considerable amount for 1987. These foundations, then, did not increase assets by as much from 1982 to 1987, and did feel the effects of the 1987 decline more strongly.

Table 1A.—Number of Private Foundations and Selected Financial Data, by Type of Foundation and Size of Fair Market Value of Total Assets, 1986

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Size of fair market value of total assets	Number of returns	Total revenue		Total expenses		Excess of revenue (less loss) over expenses		Excess of revenue, total		Disbursements for exempt purposes		Contributions, gifts, and grants paid		Grant administrative expenses	
		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
ALL FOUNDATIONS															
Total	**35,172**	**34,183**	**20,031,228**	**33,008**	**8,274,395**	**34,312**	**11,756,831**	**23,904**	**12,449,741**	**30,082**	**7,109,100**	**27,615**	**6,205,413**	**19,268**	**391,187**
Zero or unreported	1,215	1,024	60,308	1,122	135,911	951	-75,603	*216	*240	772	133,053	680	130,406	526	1,448
$1 under $100,000	13,771	13,069	376,791	12,398	406,572	13,313	-29,782	8,046	122,537	10,791	388,381	9,409	360,220	6,500	14,151
$100,000 under $1,000,000	13,167	13,086	1,482,104	12,568	710,055	13,059	772,049	9,625	876,005	11,770	632,782	11,080	515,407	7,176	39,275
$1,000,000 under $10,000,000	5,730	5,717	4,040,566	5,638	1,732,485	5,702	2,308,081	4,846	2,448,441	5,493	1,477,917	5,266	1,315,190	3,993	56,722
$10,000,000 under $25,000,000	713	712	2,213,381	709	940,386	712	1,272,995	658	1,326,699	698	857,281	644	734,107	573	49,427
$25,000,000 under $50,000,000	270	269	1,831,520	267	738,318	269	1,093,202	240	1,157,320	258	645,640	248	564,412	231	34,432
$50,000,000 under $100,000,000	155	155	1,812,129	155	741,231	155	1,070,898	137	1,097,883	151	597,795	142	504,615	130	38,221
$100,000,000 or more	151	151	8,214,429	151	2,869,438	151	5,344,991	136	5,420,615	150	2,376,251	145	2,081,057	139	157,511
Nonoperating foundations															
Total	**32,405**	**31,528**	**18,048,034**	**30,536**	**7,362,313**	**31,602**	**10,685,720**	**22,061**	**11,364,142**	**28,109**	**6,550,601**	**26,408**	**6,115,906**	**18,485**	**312,487**
Zero or unreported	1,108	946	56,380	1,016	132,131	859	-75,751	*151	*73	730	131,386	666	130,028	512	1,350
$1 under $100,000	12,474	11,841	357,242	11,335	387,913	12,043	-30,671	7,277	114,299	9,848	372,421	8,760	349,084	6,184	13,541
$100,000 under $1,000,000	12,344	12,278	1,323,881	11,805	583,482	12,251	740,398	9,051	842,281	11,221	524,963	10,764	497,655	6,867	18,128
$1,000,000 under $10,000,000	5,350	5,336	3,531,323	5,258	1,430,595	5,321	2,100,727	4,566	2,238,464	5,196	1,364,383	5,111	1,292,940	3,908	46,901
$10,000,000 under $25,000,000	609	608	2,003,154	605	827,437	608	1,175,717	556	1,228,637	602	770,845	596	727,472	530	35,562
$25,000,000 under $50,000,000	245	244	1,673,356	242	658,106	244	1,015,250	218	1,077,730	238	599,731	237	560,431	223	28,918
$50,000,000 under $100,000,000	138	138	1,658,877	138	643,483	138	1,015,394	120	1,042,379	137	542,963	137	502,584	128	28,088
$100,000,000 or more	137	137	7,443,821	137	2,699,167	137	4,744,654	122	4,820,279	137	2,243,909	137	2,055,711	133	139,999
Operating foundations															
Total	**2,767**	**2,654**	**1,983,194**	**2,472**	**912,082**	**2,710**	**1,071,112**	**1,843**	**1,085,600**	**1,973**	**558,499**	**1,207**	**89,506**	**783**	**78,700**
Zero or unreported	*106	*78	*3,928	*106	*3,780	*92	*148	*64	*167	*42	*1,667	*14	*377	*14	*98
$1 under $100,000	1,298	1,228	19,549	1,063	18,659	1,270	889	769	8,238	942	15,960	649	11,136	316	610
$100,000 under $1,000,000	823	808	158,223	763	126,573	808	31,650	575	33,724	549	107,820	317	17,752	309	21,147
$1,000,000 under $10,000,000	380	380	509,243	380	301,890	380	207,353	280	209,978	297	113,534	155	22,249	*85	*9,821
$10,000,000 under $25,000,000	104	104	210,227	104	112,949	104	97,278	102	98,062	96	86,436	48	6,634	43	13,865
$25,000,000 under $50,000,000	25	25	158,164	25	80,212	25	77,952	22	79,590	20	45,910	11	3,981	8	5,514
$50,000,000 under $100,000,000	17	17	153,252	17	97,748	17	55,504	17	55,504	14	54,832	5	2,031	2	10,133
$100,000,000 or more	14	14	770,608	14	170,272	14	600,337	14	600,337	13	132,341	8	25,346	6	17,512
GRANTMAKING FOUNDATIONS															
Total	**27,615**	**27,480**	**18,440,749**	**27,564**	**7,587,209**	**27,288**	**10,853,539**	**18,498**	**11,529,838**	**27,615**	**6,773,486**	**27,615**	**6,205,413**	**17,619**	**333,063**
Zero or unreported	680	652	55,678	680	131,453	574	-75,775	-	-	680	131,014	680	130,406	462	593
$1 under $100,000	9,409	9,303	287,861	9,409	370,609	9,297	-82,748	5,074	66,613	9,409	367,437	9,409	360,220	5,510	6,759
$100,000 under $1,000,000	11,080	11,080	1,073,304	11,080	582,620	10,987	490,684	7,873	590,059	11,080	544,084	11,080	515,407	6,680	24,363
$1,000,000 under $10,000,000	5,266	5,266	3,525,933	5,216	1,478,853	5,252	2,047,080	4,480	2,184,131	5,266	1,414,587	5,266	1,315,190	3,922	47,630
$10,000,000 under $25,000,000	644	644	2,031,094	644	848,498	644	1,182,596	594	1,233,572	644	794,071	644	734,107	551	36,284
$25,000,000 under $50,000,000	248	248	1,636,009	248	674,799	248	961,210	221	1,022,468	248	616,152	248	564,412	227	29,469
$50,000,000 under $100,000,000	142	142	1,693,766	142	665,760	142	1,028,006	125	1,054,885	142	561,297	142	504,615	129	30,453
$100,000,000 or more	145	145	8,137,103	145	2,834,618	145	5,302,486	130	5,378,110	145	2,344,844	145	2,081,057	139	157,511
Grantmaking-nonoperating foundations															
Total	**26,408**	**26,288**	**17,311,477**	**26,358**	**7,248,178**	**26,096**	**10,063,298**	**17,816**	**10,729,727**	**26,408**	**6,512,904**	**26,408**	**6,115,906**	**17,108**	**298,782**
Zero or unreported	666	638	55,203	666	130,977	574	-75,775	-	-	666	130,539	666	130,028	448	496
$1 under $100,000	8,760	8,668	281,362	8,760	358,112	8,648	-76,750	4,800	65,653	8,760	355,853	8,760	349,084	5,305	6,634
$100,000 under $1,000,000	10,764	10,764	1,027,309	10,764	552,809	10,670	474,499	7,646	572,533	10,764	515,329	10,764	497,655	6,482	15,409
$1,000,000 under $10,000,000	5,111	5,111	3,337,547	5,061	1,403,409	5,096	1,934,137	4,369	2,070,761	5,111	1,359,086	5,111	1,292,940	3,865	46,532
$10,000,000 under $25,000,000	596	596	1,954,452	596	818,677	596	1,135,776	546	1,186,751	596	767,255	596	727,472	525	32,709
$25,000,000 under $50,000,000	237	237	1,555,386	237	644,129	237	911,257	212	971,371	237	597,971	237	560,431	222	28,915
$50,000,000 under $100,000,000	137	137	1,656,399	137	640,898	137	1,015,500	120	1,042,379	137	542,963	137	502,584	128	28,088
$100,000,000 or more	137	137	7,443,821	137	2,699,167	137	4,744,654	122	4,820,279	137	2,243,909	137	2,055,711	133	139,999
Grantmaking-operating foundations															
Total	**1,207**	**1,193**	**1,129,272**	**1,207**	**339,031**	**1,193**	**790,241**	**682**	**800,111**	**1,207**	**260,582**	**1,207**	**89,506**	**511**	**34,281**
Zero or unreported	*14	*14	*475	*14	*475	-	-	-	-	*14	*475	*14	*377	*14	*98
$1 under $100,000	649	635	6,499	649	12,497	649	-5,998	274	960	649	11,584	649	11,138	204	125
$100,000 under $1,000,000	317	317	45,998	317	29,810	317	16,185	227	17,526	317	28,755	317	17,752	198	8,954
$1,000,000 under $10,000,000	155	155	188,386	155	75,444	155	112,942	*111	*113,370	155	55,501	155	22,249	*57	*1,098
$10,000,000 under $25,000,000	48	48	76,642	48	29,822	48	46,820	48	46,820	48	26,816	48	6,634	26	3,576
$25,000,000 under $50,000,000	11	11	80,623	11	30,671	11	49,953	9	51,097	11	18,181	11	3,981	5	554
$50,000,000 under $100,000,000	5	5	37,367	5	24,861	5	12,506	5	12,508	5	18,334	5	2,031	1	2,365
$100,000,000 or more	8	8	693,283	8	135,451	8	557,832	8	557,832	8	100,935	8	25,346	6	17,512

Footnotes at end of table.

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Size of fair market value of total assets	Net investment income		Net gain (less loss) from sale of assets		Excise tax on net investment income					Total assets (book value)		Investments in securities (book value)		Total assets (fair market value)	
					Total	Domestic organizations		Foreign organizations							
	Number of returns	Amount	Number of returns	Amount		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
ALL FOUNDATIONS															
Total	**29,452**	**12,326,253**	**12,411**	**6,994,128**	**195,823**	**27,981**	**194,840**	**70**	**983**	**34,073**	**87,191,337**	**20,237**	**64,184,892**	**33,958**	**113,175,809**
Zero or unreported	526	11,833	*199	*7,184	122	448	122	-	-	*129	*131	-	-	-	-
$1 under $100,000	9,775	55,947	1,979	14,760	894	9,166	892	*14	*2	13,771	437,268	4,759	160,341	13,771	451,268
$100,000 under $1,000,000	12,388	419,333	4,973	110,649	7,224	11,986	7,192	*14	*32	13,153	4,164,836	9,288	2,041,805	13,167	4,657,968
$1,000,000 under $10,000,000	5,498	2,098,261	4,122	939,321	34,166	5,214	34,125	*30	*41	5,730	14,840,939	4,963	9,407,579	5,730	17,889,686
$10,000,000 under $25,000,000	699	1,297,745	609	680,325	21,585	648	21,554	2	30	713	8,977,299	674	6,303,287	713	11,221,270
$25,000,000 under $50,000,000	264	1,032,818	241	571,793	16,396	241	16,358	6	38	270	7,460,288	255	5,507,692	270	9,289,741
$50,000,000 under $100,000,000	153	1,232,231	144	674,379	20,722	141	20,687	1	35	155	8,460,707	151	6,395,801	155	10,822,037
$100,000,000 or more	149	6,178,086	143	3,995,716	94,715	138	93,910	3	804	151	42,849,868	147	34,368,387	151	58,843,840
Nonoperating foundations															
Total	**27,513**	**11,355,686**	**11,854**	**6,426,153**	**192,271**	**26,914**	**191,288**	**70**	**983**	**31,348**	**77,367,154**	**19,068**	**58,780,743**	**31,297**	**101,101,380**
Zero or unreported	526	11,833	*199	*7,184	122	448	122	-	-	*64	*40	-	-	-	-
$1 under $100,000	9,001	50,558	1,937	14,724	817	8,643	815	*14	*2	12,474	395,958	4,499	151,406	12,474	408,747
$100,000 under $1,000,000	11,687	404,528	4,820	108,297	7,081	11,613	7,049	*14	*32	12,330	3,870,162	8,806	1,881,491	12,344	4,340,885
$1,000,000 under $10,000,000	5,187	2,006,495	3,884	868,509	33,803	5,116	33,762	*30	*41	5,350	13,680,955	4,680	8,970,287	5,350	16,414,876
$10,000,000 under $25,000,000	598	1,182,447	533	632,015	20,447	595	20,417	2	30	609	7,865,335	576	5,836,940	609	9,734,308
$25,000,000 under $50,000,000	242	960,878	222	531,159	16,187	234	16,149	6	38	245	6,737,227	237	5,163,540	245	8,424,576
$50,000,000 under $100,000,000	137	1,144,209	128	632,366	20,249	134	20,214	1	35	138	7,521,008	134	5,862,653	138	9,624,954
$100,000,000 or more	135	5,594,738	130	3,631,900	93,564	132	92,760	3	804	137	37,296,469	135	30,814,425	137	52,153,033
Operating foundations															
Total	**1,939**	**970,567**	**557**	**567,974**	**3,552**	**1,067**	**3,552**	**-**	**-**	**2,725**	**9,824,182**	**1,169**	**5,404,149**	**2,661**	**12,074,430**
Zero or unreported	-	-	-	-	-	-	-	-	-	*64	*90	-	-	-	-
$1 under $100,000	775	5,388	*42	*36	78	523	78	-	-	1,298	41,310	260	8,935	1,298	42,521
$100,000 under $1,000,000	701	14,805	*153	*2,353	142	372	142	-	-	823	294,675	482	60,314	823	317,082
$1,000,000 under $10,000,000	311	91,768	238	70,812	*362	*99	*362	-	-	380	1,159,984	283	437,292	380	1,474,810
$10,000,000 under $25,000,000	101	115,298	76	48,310	1,138	53	1,138	-	-	104	1,111,864	98	466,347	104	1,486,961
$25,000,000 under $50,000,000	22	71,939	19	40,634	209	7	209	-	-	25	723,061	18	344,152	25	865,165
$50,000,000 under $100,000,000	16	88,022	16	42,014	473	7	473	-	-	17	939,699	17	533,147	17	1,197,083
$100,000,000 or more	14	583,348	13	383,817	1,150	6	1,150	-	-	14	5,553,399	12	3,553,962	14	6,690,807
GRANTMAKING FOUNDATIONS															
Total	**25,372**	**11,978,822**	**11,551**	**6,831,753**	**192,665**	**24,670**	**191,734**	**66**	**931**	**26,935**	**82,414,792**	**17,678**	**62,035,195**	**26,935**	**107,100,983**
Zero or unreported	476	11,833	*199	*7,184	122	448	122	-	-	*14	*26	-	-	-	-
$1 under $100,000	7,724	52,540	1,845	14,696	829	7,425	827	*14	*2	9,409	333,511	3,976	131,550	9,409	345,322
$100,000 under $1,000,000	10,858	383,884	4,523	97,087	6,612	10,677	6,579	*14	*32	11,066	3,513,889	7,929	1,799,405	11,080	3,955,355
$1,000,000 under $10,000,000	5,145	2,022,730	3,912	889,075	33,584	4,988	33,543	*30	*41	5,266	13,558,712	4,639	8,861,074	5,266	16,353,592
$10,000,000 under $25,000,000	640	1,226,472	573	666,318	20,924	627	20,894	2	30	644	8,161,816	616	5,935,997	644	10,294,773
$25,000,000 under $50,000,000	245	994,591	229	550,863	16,165	234	16,144	3	21	248	6,834,666	239	5,188,163	248	8,546,906
$50,000,000 under $100,000,000	141	1,165,548	133	639,915	20,459	137	20,459	-	-	142	7,793,624	138	6,005,829	142	9,912,121
$100,000,000 or more	143	6,121,224	137	3,966,615	93,969	134	93,165	3	804	145	42,218,547	142	34,113,177	145	57,692,914
Grantmaking-nonoperating foundations															
Total	**24,423**	**11,297,530**	**11,255**	**6,404,119**	**191,103**	**24,150**	**190,172**	**66**	**931**	**25,742**	**75,855,312**	**17,092**	**58,067,414**	**25,742**	**99,471,964**
Zero or unreported	476	11,833	*199	*7,184	122	448	122	-	-	*14	*26	-	-	-	-
$1 under $100,000	7,274	47,540	1,817	14,644	759	7,129	757	*14	*2	8,760	311,592	3,780	123,959	8,760	322,186
$100,000 under $1,000,000	10,556	377,215	4,418	96,578	6,541	10,527	6,509	*14	*32	10,750	3,419,124	7,732	1,767,329	10,764	3,855,777
$1,000,000 under $10,000,000	5,018	1,992,270	3,814	864,083	33,519	4,960	33,478	*30	*41	5,111	13,182,725	4,511	8,754,987	5,111	15,881,558
$10,000,000 under $25,000,000	593	1,176,801	529	630,802	20,347	590	20,317	2	30	596	7,682,223	570	5,776,402	596	9,540,780
$25,000,000 under $50,000,000	235	953,799	220	526,562	16,037	230	16,015	3	21	237	6,489,200	231	5,012,156	237	8,147,637
$50,000,000 under $100,000,000	136	1,143,333	128	632,366	20,214	134	20,214	-	-	137	7,473,953	133	5,818,156	137	9,570,992
$100,000,000 or more	135	5,594,738	130	3,631,900	93,564	132	92,760	3	804	137	37,296,469	135	30,814,425	137	52,153,033
Grantmaking-operating foundations															
Total	**949**	**681,293**	**296**	**427,634**	**1,561**	**520**	**1,561**	**-**	**-**	**1,193**	**6,559,480**	**586**	**3,967,782**	**1,193**	**7,629,018**
Zero or unreported	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
$1 under $100,000	450	5,000	*28	*51	71	297	71	-	-	649	21,919	*195	*7,591	649	23,136
$100,000 under $1,000,000	302	6,669	*105	*509	*71	*150	*71	-	-	317	94,765	197	32,076	317	99,578
$1,000,000 under $10,000,000	*127	*30,460	*99	*24,993	*65	*28	*65	-	-	155	375,988	*127	*106,087	155	472,034
$10,000,000 under $25,000,000	47	49,671	44	35,516	577	37	577	-	-	48	479,593	46	159,596	48	753,993
$25,000,000 under $50,000,000	10	40,792	9	24,300	128	4	128	-	-	11	345,468	8	176,007	11	399,268
$50,000,000 under $100,000,000	5	22,215	5	7,550	245	3	245	-	-	5	319,671	5	187,673	5	341,129
$100,000,000 or more	8	526,486	7	334,715	405	2	405	-	-	8	4,922,078	7	3,298,752	8	5,539,880

Footnotes at end of table.

Table 1A.—Number of Private Foundations and Selected Financial Data, by Type of Foundation and Size of Fair Market Value of Total Assets, 1986—Continued

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Size of fair market value of total assets	Investments in securities (fair market value)		Net worth		Minimum investment return		Distributable amount		Qualifying distributions		Excess grant administrative expenses		Undistributed income for 1986		Excess distributions carryover to 1987	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)
ALL FOUNDATIONS																
Total	**20,081**	**87,014,561**	**34,072**	**83,501,039**	**31,568**	**5,022,891**	**29,390**	**4,578,013**	**30,787**	**7,746,165**	**4,039**	**68,032**	**7,085**	**1,157,489**	**23,063**	**8,754,835**
Zero or unreported	-	-	*157	*116	582	5,233	568	5,103	800	132,875	*171	*281	-	-	674	215,996
$1 under $100,000	4,652	169,817	13,743	410,307	11,312	23,386	10,403	21,866	11,079	390,436	1,854	2,708	2,033	1,911	8,918	1,089,604
$100,000 under $1,000,000	9,240	2,490,138	13,153	3,990,084	12,797	194,152	12,037	180,792	12,089	640,592	1,381	12,481	3,039	26,842	9,087	1,327,005
$1,000,000 under $10,000,000	4,963	12,007,407	5,730	14,338,414	5,605	794,046	5,267	756,704	5,547	1,668,129	480	19,251	1,614	150,457	3,667	2,434,645
$10,000,000 under $25,000,000	672	8,161,106	712	8,612,147	707	489,029	605	438,755	705	911,303	99	19,715	164	77,666	441	1,381,389
$25,000,000 under $50,000,000	255	7,082,033	270	7,105,215	262	408,537	239	372,279	262	652,398	37	9,442	112	110,756	127	680,301
$50,000,000 under $100,000,000	151	8,392,341	155	8,168,200	153	477,231	136	458,870	154	687,671	10	1,312	56	105,656	80	612,183
$100,000,000 or more	147	48,711,720	151	40,876,556	150	2,631,278	135	2,343,644	151	2,662,761	8	2,842	67	684,201	69	1,013,712
Nonoperating foundations																
Total	**18,912**	**80,792,365**	**31,347**	**74,503,576**	**29,477.**	**4,644,252**	**29,390**	**4,578,013**	**28,612**	**6,766,426**	**3,708**	**45,000**	**7,085**	**1,157,489**	**23,063**	**8,754,835**
Zero or unreported	-	-	*92	*26	568	5,224	568	5,103	758	131,119	*171	*281	-	-	674	215,996
$1 under $100,000	4,393	159,887	12,446	369,740	10,459	21,906	10,403	21,866	10,137	374,668	1,756	2,376	2,033	1,911	8,918	1,089,604
$100,000 under $1,000,000	8,758	2,422,417	12,330	3,760,959	12,067	184,830	12,037	180,792	11,407	527,705	1,214	3,053	3,039	26,842	9,087	1,327,005
$1,000,000 under $10,000,000	4,680	11,436,705	5,350	13,262,271	5,267	752,924	5,267	756,704	5,196	1,381,116	437	18,030	1,614	150,457	3,667	2,434,645
$10,000,000 under $25,000,000	574	7,578,484	608	7,613,831	605	449,413	605	438,755	603	770,600	79	10,457	164	77,666	441	1,381,389
$25,000,000 under $50,000,000	237	6,666,873	245	6,515,290	239	380,256	239	372,279	237	588,033	34	6,648	112	110,756	127	680,301
$50,000,000 under $100,000,000	134	7,761,226	138	7,317,667	136	439,526	136	458,870	137	574,250	10	1,312	56	105,656	80	612,183
$100,000,000 or more	135	44,766,773	137	35,663,792	136	2,410,173	135	2,343,644	137	2,418,935	8	2,842	67	684,201	69	1,013,712
Operating foundations																
Total	**1,169**	**6,222,197**	**2,725**	**8,997,464**	**2,091**	**378,640**	**N/A**	**N/A**	**2,175**	**979,739**	**331**	**23,032**	**N/A**	**N/A**	**N/A**	**N/A**
Zero or unreported	-	-	*64	*90	*14	*8	N/A	N/A	*42	*1,756	-	-	N/A	N/A	N/A	N/A
$1 under $100,000	260	9,930	1,298	40,567	853	1,481	N/A	N/A	942	15,768	*98	*332	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	482	67,721	823	229,125	730	9,322	N/A	N/A	682	112,887	*167	*9,429	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	283	570,702	380	1,076,143	339	41,121	N/A	N/A	351	287,013	*43	*1,221	N/A	N/A	N/A	N/A
$10,000,000 under $25,000,000	98	582,622	104	998,317	102	39,616	N/A	N/A	102	140,702	20	9,257	N/A	N/A	N/A	N/A
$25,000,000 under $50,000,000	18	415,160	25	589,925	23	28,280	N/A	N/A	25	64,365	3	2,794	N/A	N/A	N/A	N/A
$50,000,000 under $100,000,000	17	631,116	17	850,532	17	37,705	N/A	N/A	17	113,421	-	-	N/A	N/A	N/A	N/A
$100,000,000 or more	12	3,944,947	14	5,212,764	14	221,105	N/A	N/A	14	243,827	-	-	N/A	N/A	N/A	N/A
GRANTMAKING FOUNDATIONS																
Total	**17,564**	**84,305,448**	**26,934**	**79,391,407**	**26,277**	**4,873,857**	**25,256**	**4,549,569**	**27,571**	**7,121,889**	**3,647**	**49,187**	**4,957**	**1,144,034**	**20,960**	**8,567,629**
Zero or unreported	-	-	*42	*11	490	5,222	490	5,101	666	130,718	*171	*281	-	-	582	205,669
$1 under $100,000	3,897	140,592	9,381	315,901	8,491	21,080	7,999	20,109	9,409	368,549	1,650	2,390	822	1,062	7,628	996,125
$100,000 under $1,000,000	7,896	2,218,725	11,066	3,390,619	10,869	175,983	10,568	168,998	11,080	541,703	1,210	5,389	2,203	22,294	8,468	1,294,507
$1,000,000 under $10,000,000	4,639	11,342,739	5,266	13,299,561	5,253	761,608	5,097	749,777	5,238	1,429,852	480	19,251	1,543	147,320	3,568	2,424,170
$10,000,000 under $25,000,000	614	7,697,191	643	7,966,256	644	464,915	596	435,456	644	795,180	82	10,944	157	76,054	438	1,343,958
$25,000,000 under $50,000,000	239	6,697,991	248	6,593,017	245	390,032	235	367,615	247	607,459	36	6,776	109	107,447	126	677,306
$50,000,000 under $100,000,000	138	7,912,446	142	7,579,093	141	450,934	136	458,870	142	637,544	10	1,312	56	105,656	80	612,183
$100,000,000 or more	142	48,295,764	145	40,246,949	144	2,604,083	135	2,343,644	145	2,610,884	8	2,842	67	684,201	69	1,013,712
Grantmaking-nonoperating foundations																
Total	**16,979**	**80,001,630**	**25,741**	**73,309,472**	**25,300**	**4,614,832**	**25,256**	**4,549,569**	**26,379**	**6,719,486**	**3,453**	**44,741**	**4,957**	**1,144,034**	**20,960**	**8,567,629**
Zero or unreported	-	-	*42	*11	490	5,222	490	5,101	652	130,243	*171	*281	-	-	582	205,669
$1 under $100,000	3,702	132,003	8,732	294,545	8,027	20,100	7,999	20,109	8,760	356,969	1,594	2,266	822	1,062	7,628	996,125
$100,000 under $1,000,000	7,699	2,184,682	10,750	3,325,305	10,583	172,625	10,568	168,998	10,764	512,569	1,122	2,925	2,203	22,294	8,468	1,294,507
$1,000,000 under $10,000,000	4,511	11,211,955	5,111	12,944,238	5,097	745,713	5,097	749,777	5,097	1,373,270	437	18,030	1,543	147,320	3,568	2,424,170
$10,000,000 under $25,000,000	568	7,509,128	595	7,497,337	596	446,014	596	435,456	596	766,976	78	10,436	157	76,054	438	1,343,958
$25,000,000 under $50,000,000	231	6,487,267	237	6,313,632	235	375,459	235	367,615	236	586,274	34	6,648	109	107,447	126	677,306
$50,000,000 under $100,000,000	133	7,709,821	137	7,270,613	136	439,526	136	458,870	137	574,250	10	1,312	56	105,656	80	612,183
$100,000,000 or more	135	44,766,773	137	35,663,792	136	2,410,173	135	2,343,644	137	2,418,935	8	2,842	67	684,201	69	1,013,712
Grantmaking-operating foundations																
Total	**586**	**4,303,818**	**1,193**	**6,081,935**	**977**	**259,025**	**N/A**	**N/A**	**1,192**	**402,403**	**194**	**4,446**	**N/A**	**N/A**	**N/A**	**N/A**
Zero or unreported	-	-	-	-	-	-	N/A	N/A	*14	*475	-	-	N/A	N/A	N/A	N/A
$1 under $100,000	*195	*8,589	649	21,356	464	980	N/A	N/A	649	11,580	*56	*125	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	197	34,043	317	65,313	287	3,358	N/A	N/A	317	29,134	*89	*2,465	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	*127	*130,784	155	355,323	155	15,894	N/A	N/A	*140	*56,581	*43	*1,221	N/A	N/A	N/A	N/A
$10,000,000 under $25,000,000	46	188,062	48	468,920	48	18,901	N/A	N/A	48	28,204	4	508	N/A	N/A	N/A	N/A
$25,000,000 under $50,000,000	8	210,724	11	279,386	10	14,573	N/A	N/A	11	21,185	2	128	N/A	N/A	N/A	N/A
$50,000,000 under $100,000,000	5	202,625	5	308,480	5	11,408	N/A	N/A	5	63,294	-	-	N/A	N/A	N/A	N/A
$100,000,000 or more	7	3,528,991	8	4,583,157	8	193,910	N/A	N/A	8	191,949	-	-	N/A	N/A	N/A	N/A

N/A — not applicable.

Table 1B.—Number of Private Foundations and Selected Financial Data, by Type of Foundation and Size of Fair Market Value of Total Assets, 1987

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Size of fair market value of total assets	Number of returns	Total revenue		Total expenses		Excess of revenue (less loss) over expenses		Excess of revenue, total		Disbursements for exempt purposes		Contributions, gifts, and grants paid		Grant administrative expenses	
		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
ALL FOUNDATIONS															
Total	**35,907**	**35,158**	**17,116,794**	**34,747**	**9,072,066**	**35,063**	**8,044,727**	**21,938**	**9,180,495**	**32,496**	**7,801,815**	**30,045**	**6,770,100**	**18,841**	**381,014**
Zero or unreported	858	688	16,506	798	46,362	660	-29,857	*66	*498	619	43,400	563	41,987	260	867
$1 under $100,000	14,190	13,651	292,969	13,334	285,254	13,679	7,716	7,337	62,793	11,879	257,006	10,595	226,293	6,259	10,078
$100,000 under $1,000,000	13,671	13,635	1,254,630	13,467	830,777	13,544	423,853	9,160	629,413	13,004	767,618	12,384	677,248	7,366	31,991
$1,000,000 under $10,000,000	5,882	5,878	3,369,230	5,843	2,010,489	5,878	1,358,741	4,323	1,724,554	5,705	1,686,065	5,306	1,450,072	3,920	65,154
$10,000,000 under $25,000,000	712	712	1,911,881	711	1,018,447	712	893,434	568	1,019,462	702	900,864	648	772,497	538	39,555
$25,000,000 under $50,000,000	284	284	1,696,361	284	845,823	280	850,538	237	963,773	280	717,417	257	597,668	233	34,977
$50,000,000 under $100,000,000	157	157	1,624,120	157	759,035	157	865,086	121	952,091	154	651,386	145	543,653	126	33,187
$100,000,000 or more	154	154	6,951,097	154	3,275,880	154	3,675,217	125	3,827,911	153	2,778,059	148	2,460,682	141	165,205
Nonoperating foundations															
Total	**32,746**	**32,005**	**15,572,480**	**31,790**	**8,268,733**	**31,995**	**7,303,746**	**20,041**	**8,375,114**	**29,979**	**7,172,998**	**28,598**	**6,686,128**	**18,310**	**359,650**
Zero or unreported	816	646	15,568	757	45,336	632	-29,768	*66	*498	577	42,383	536	41,095	246	766
$1 under $100,000	12,652	12,197	261,439	11,990	256,897	12,211	4,542	6,532	55,637	10,774	237,176	9,863	218,587	6,038	9,761
$100,000 under $1,000,000	12,814	12,789	1,156,134	12,621	750,333	12,698	405,801	8,613	594,832	12,269	699,435	11,927	659,527	7,156	29,228
$1,000,000 under $10,000,000	5,296	5,296	2,955,242	5,256	1,775,918	5,291	1,179,323	3,894	1,530,765	5,200	1,507,705	5,128	1,437,360	3,852	53,948
$10,000,000 under $25,000,000	626	626	1,684,733	625	901,866	626	782,867	500	897,991	622	806,961	615	760,847	528	38,248
$25,000,000 under $50,000,000	255	255	1,514,207	255	730,497	251	783,710	213	882,832	254	638,312	247	595,015	229	33,667
$50,000,000 under $100,000,000	140	140	1,459,186	140	670,479	140	788,707	106	871,301	138	581,802	137	539,770	123	30,421
$100,000,000 or more	146	146	6,525,971	146	3,137,408	146	3,388,563	117	3,541,257	145	2,659,223	145	2,433,926	139	163,612
Operating foundations															
Total	**3,161**	**3,063**	**1,544,314**	**2,957**	**803,333**	**3,067**	**740,981**	**1,897**	**805,381**	**2,516**	**628,818**	**1,447**	**83,972**	**531**	**21,364**
Zero or unreported	*41	*41	*937	*41	*1,026	*28	*-88	-	-	*41	*1,017	*28	*892	*14	*100
$1 under $100,000	1,537	1,454	31,530	1,344	28,357	1,468	3,173	805	7,156	1,105	19,830	732	7,705	221	317
$100,000 under $1,000,000	856	845	98,496	845	80,444	845	18,051	548	34,581	735	68,183	457	17,721	210	2,764
$1,000,000 under $10,000,000	586	582	413,988	586	234,570	586	179,418	429	193,789	505	178,361	177	12,712	68	11,206
$10,000,000 under $25,000,000	86	86	227,148	86	116,581	86	110,567	68	121,471	80	93,903	33	11,650	10	1,307
$25,000,000 under $50,000,000	29	29	182,154	29	115,326	29	66,828	24	80,941	26	79,105	10	2,653	4	1,309
$50,000,000 under $100,000,000	17	17	164,935	17	88,556	17	76,378	15	80,790	16	69,584	8	3,883	3	2,767
$100,000,000 or more	8	8	425,126	8	138,473	8	286,654	8	286,654	8	118,836	3	26,755	2	1,593
GRANTMAKING FOUNDATIONS															
Total	**30,045**	**29,861**	**15,804,924**	**30,032**	**8,465,018**	**29,715**	**7,339,905**	**18,283**	**8,428,232**	**30,045**	**7,388,212**	**30,045**	**6,770,100**	**18,018**	**351,670**
Zero or unreported	563	481	13,715	563	43,487	494	-29,772	*25	*395	563	42,297	563	41,987	246	309
$1 under $100,000	10,595	10,493	234,979	10,581	245,419	10,429	-10,440	5,248	40,477	10,595	236,472	10,595	226,293	5,706	6,943
$100,000 under $1,000,000	12,384	12,384	1,075,714	12,384	760,231	12,293	315,482	8,166	507,977	12,384	716,022	12,384	677,248	7,156	23,057
$1,000,000 under $10,000,000	5,306	5,301	2,853,418	5,306	1,798,150	5,301	1,055,268	3,885	1,411,734	5,306	1,543,984	5,306	1,450,072	3,876	54,040
$10,000,000 under $25,000,000	648	648	1,715,813	648	930,829	648	784,984	513	904,465	648	837,741	648	772,497	535	36,709
$25,000,000 under $50,000,000	257	257	1,553,467	257	750,382	257	803,085	218	902,744	257	651,492	257	597,668	233	34,977
$50,000,000 under $100,000,000	145	145	1,502,935	145	705,801	145	797,134	110	883,583	145	616,817	145	543,653	125	30,431
$100,000,000 or more	148	148	6,854,884	148	3,230,721	148	3,624,162	119	3,776,856	148	2,743,408	148	2,460,682	141	165,205
Grantmaking-nonoperating foundations															
Total	**28,596**	**28,410**	**15,131,098**	**28,596**	**8,161,671**	**28,296**	**6,969,427**	**17,427**	**8,027,434**	**20,598**	**7,134,929**	**28,598**	**6,686,128**	**17,573**	**343,789**
Zero or unreported	536	453	12,779	536	42,485	481	-29,706	*25	*395	536	41,305	536	41,095	232	209
$1 under $100,000	9,863	9,768	224,336	9,863	234,416	9,711	-10,080	4,875	38,552	9,863	226,940	9,863	218,587	5,513	6,695
$100,000 under $1,000,000	11,927	11,927	1,032,826	11,927	728,701	11,836	304,125	7,853	487,644	11,927	687,330	11,927	659,527	6,991	22,167
$1,000,000 under $10,000,000	5,128	5,128	2,771,809	5,128	1,746,060	5,124	1,025,749	3,753	1,375,917	5,128	1,500,078	5,128	1,437,360	3,822	51,617
$10,000,000 under $25,000,000	615	615	1,642,308	615	892,813	615	749,495	492	861,744	615	802,994	615	760,847	525	35,402
$25,000,000 under $50,000,000	247	247	1,487,638	247	725,411	247	762,227	210	860,834	247	635,861	247	595,015	229	33,667
$50,000,000 under $100,000,000	137	137	1,441,841	137	661,716	137	780,125	104	862,163	137	581,197	137	539,770	123	30,421
$100,000,000 or more	145	145	6,517,560	145	3,130,068	145	3,387,492	116	3,540,186	145	2,659,223	145	2,433,926	139	163,612
Grantmaking-operating foundations															
Total	**1,447**	**1,443**	**673,826**	**1,433**	**303,348**	**1,420**	**370,478**	**856**	**400,798**	**1,447**	**253,283**	**1,447**	**83,972**	**445**	**7,882**
Zero or unreported	*28	*28	*936	*28	*1,001	*14	*-66	-	-	*28	*992	*28	*892	*14	*100
$1 under $100,000	732	732	10,642	718	11,003	718	-360	373	1,925	732	9,532	732	7,705	193	248
$100,000 under $1,000,000	457	457	42,887	457	31,530	457	11,357	313	20,334	457	28,692	457	17,721	165	890
$1,000,000 under $10,000,000	177	173	81,609	177	52,090	177	29,519	131	35,818	177	43,886	177	12,712	55	2,423
$10,000,000 under $25,000,000	33	33	73,505	33	38,015	33	35,490	21	42,721	33	34,747	33	11,650	10	1,307
$25,000,000 under $50,000,000	10	10	65,829	10	24,971	10	40,858	8	41,910	10	15,631	10	2,653	4	1,309
$50,000,000 under $100,000,000	8	8	61,093	8	44,084	8	17,009	8	21,420	8	35,620	8	3,883	2	11
$100,000,000 or more	3	3	337,323	3	100,653	3	236,670	3	236,670	3	84,185	3	26,755	2	1,593

Footnotes at end of table.

Table 1B.—Number of Private Foundations and Selected Financial Data, by Type of Foundation and Size of Fair Market Value of Total Assets, 1987—Continued

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Size of fair market value of total assets	Net investment income		Net gain (less loss) from sale of assets		Excise tax on net invetment income					Total assets (book value)		Investments in securities (book value)		Total assets (fair market value)	
					Total	Domestic organizations		Foreign organizations							
	Number of returns	Amount	Number of returns	Amount		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	·(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
ALL FOUNDATIONS															
Total	**30,720**	**11,279,279**	**13,362**	**5,567,476**	**174,250**	**29,777**	**173,402**	**46**	**848**	**35,161**	**93,783,400**	**21,223**	**69,946,993**	**35,049**	**114,301,195**
Zero or unreported	273	2,174	*41	*414	29	260	29	-	-	154	7,446	*14	*148	-	-
$1 under $100,000	10,346	37,887	2,168	2,761	641	10,015	641	-	-	14,162	456,021	5,035	173,633	14,190	459,435
$100,000 under $1,000,000	13,111	463,221	5,914	128,677	7,696	12,847	7,692	*18	*3	13,657	4,627,421	9,915	2,508,487	13,671	5,038,021
$1,000,000 under $10,000,000	5,713	1,879,091	4,080	717,981	31,135	5,461	31,096	*15	*39	5,882	15,649,389	5,043	10,189,634	5,882	17,902,316
$10,000,000 under $25,000,000	695	1,092,958	623	474,856	17,638	659	17,601	1	35	712	9,608,393	649	6,803,444	712	11,127,180
$25,000,000 under $50,000,000	273	1,031,008	247	527,881	15,276	251	15,259	3	17	284	8,269,747	263	6,059,557	284	9,841,854
$50,000,000 under $100,000,000	157	1,007,262	143	448,205	15,476	143	15,412	4	64	157	9,083,128	153	7,002,397	157	10,817,271
$100,000,000 or more	152	5,765,677	146	3,266,700	86,362	142	85,672	4	690	154	46,081,854	152	37,209,692	154	59,115,117
Nonoperating foundations															
Total	**28,353**	**10,481,830**	**12,625**	**5,206,990**	**170,089**	**27,948**	**169,240**	**46**	**848**	**32,028**	**84,153,178**	**19,937**	**64,783,044**	**31,929**	**103,192,102**
Zero or unreported	248	2,157	*41	*414	28	232	28	-	-	140	7,397	*14	*148	-	-
$1 under $100,000	9,407	35,099	2,071	3,082	591	9,131	591	-	-	12,625	407,917	4,731	165,981	12,652	417,515
$100,000 under $1,000,000	12,343	443,703	5,671	126,842	7,427	12,269	7,424	*18	*3	12,800	4,346,769	9,467	2,426,707	12,814	4,728,844
$1,000,000 under $10,000,000	5,207	1,718,805	3,787	646,010	29,101	5,183	29,062	*15	*39	5,296	14,033,585	4,620	9,485,961	5,296	15,919,504
$10,000,000 under $25,000,000	618	1,007,648	563	435,649	17,003	617	16,968	1	35	626	8,561,698	583	6,332,380	626	9,858,314
$25,000,000 under $50,000,000	248	961,231	225	489,032	15,005	242	14,987	3	17	255	7,396,129	241	5,626,608	255	8,861,114
$50,000,000 under $100,000,000	140	921,532	128	408,213	14,942	134	14,878	4	64	140	7,986,163	137	6,327,829	140	9,570,394
$100,000,000 or more	144	5,391,655	138	3,097,748	85,992	140	85,302	4	690	146	41,413,521	145	34,417,430	146	53,836,417
Operating foundations															
Total	**2,368**	**797,448**	**737**	**360,486**	**4,162**	**1,829**	**4,162**	**-**	**-**	**3,134**	**9,630,222**	**1,285**	**5,163,949**	**3,120**	**11,109,092**
Zero or unreported	*28	*17	-	-	-	*28	-	-	-	*14	*49	-	-	-	-
$1 under $100,000	939	2,788	*97	*-321	50	884	50	-	-	1,537	48,104	304	7,653	1,537	41,919
$100,000 under $1,000,000	768	19,518	243	1,835	268	578	268	-	-	856	280,652	448	81,780	856	309,177
$1,000,000 under $10,000,000	505	160,286	293	71,971	2,034	278	2,034	-	-	586	1,815,804	422	703,673	586	1,882,813
$10,000,000 under $25,000,000	77	85,310	59	39,207	633	42	633	-	-	86	1,046,696	66	471,064	86	1,268,866
$25,000,000 under $50,000,000	25	69,777	22	38,849	272	9	272	-	-	29	873,618	22	432,949	29	980,740
$50,000,000 under $100,000,000	17	85,730	15	39,992	534	9	534	-	-	17	1,096,965	16	674,568	17	1,246,877
$100,000,000 or more	8	374,022	8	168,952	370	2	370	-	-	8	4,668,333	7	2,792,262	8	5,278,700
GRANTMAKING FOUNDATIONS															
Total	**27,476**	**10,865,292**	**12,672**	**5,355,252**	**169,508**	**27,021**	**168,709**	**42**	**799**	**29,548**	**88,765,457**	**19,529**	**67,659,338**	**29,482**	**108,183,578**
Zero or unreported	248	2,172	*41	*414	29	246	29	-	-	*80	*2,487	*14	*148	-	-
$1 under $100,000	8,703	35,302	2,030	2,929	592	8,509	592	-	-	10,581	375,178	4,358	157,275	10,595	383,250
$100,000 under $1,000,000	12,092	437,612	5,682	124,630	7,248	11,930	7,244	*18	*3	12,384	4,205,184	9,373	2,406,253	12,384	4,592,772
$1,000,000 under $10,000,000	5,248	1,688,774	3,830	610,353	28,274	5,184	28,236	*15	*39	5,306	14,066,040	4,644	9,461,810	5,306	16,026,076
$10,000,000 under $25,000,000	643	1,042,003	585	455,905	17,164	630	17,129	1	35	648	8,786,948	605	6,454,627	648	10,185,757
$25,000,000 under $50,000,000	254	991,301	230	509,915	15,150	244	15,144	2	7	257	7,613,845	246	5,790,680	257	9,006,218
$50,000,000 under $100,000,000	145	953,783	133	410,876	15,072	137	15,033	2	39	145	8,411,490	142	6,568,749	145	9,979,836
$100,000,000 or more	146	5,714,344	141	3,240,231	85,978	140	85,302	3	677	148	45,304,284	147	36,819,797	148	58,009,670
Grantmaking-nonoperating foundations															
Total	**26,261**	**10,390,682**	**12,251**	**5,142,182**	**168,267**	**25,993**	**167,468**	**42**	**799**	**28,129**	**82,782,802**	**18,889**	**64,108,969**	**28,062**	**101,624,374**
Zero or unreported	232	2,157	*41	*414	28	232	28	-	-	*80	*2,487	*14	*148	-	-
$1 under $100,000	8,123	33,163	1,947	3,137	554	7,943	554	-	-	9,849	352,511	4,165	151,197	9,863	359,628
$100,000 under $1,000,000	11,679	428,925	5,495	123,802	7,144	11,628	7,141	*18	*3	11,927	4,063,282	9,104	2,344,407	11,927	4,435,719
$1,000,000 under $10,000,000	5,092	1,655,695	3,727	596,150	27,839	5,068	27,800	*15	*39	5,128	13,588,787	4,515	9,256,496	5,128	15,436,874
$10,000,000 under $25,000,000	611	1,001,886	556	433,736	16,900	610	16,865	1	35	615	8,381,845	576	6,239,697	615	9,678,956
$25,000,000 under $50,000,000	244	958,927	222	488,421	14,953	239	14,947	2	7	247	7,274,924	238	5,594,710	247	8,645,265
$50,000,000 under $100,000,000	137	918,607	125	398,773	14,871	133	14,832	2	39	137	7,863,688	134	6,243,077	137	9,389,759
$100,000,000 or more	143	5,391,323	138	3,097,748	85,978	140	85,302	3	677	145	41,255,276	144	34,279,237	145	53,678,172
Grantmaking-operating foundations															
Total	**1,215**	**474,610**	**421**	**213,071**	**1,241**	**1,028**	**1,241**	**-**	**-**	**1,420**	**5,982,655**	**639**	**3,550,370**	**1,420**	**6,559,204**
Zero or unreported	*14	*15	-	-	-	*14	-	-	-	-	-	-	-	-	-
$1 under $100,000	580	2,140	83	-208	38	566	38	-	-	732	22,667	193	6,078	732	23,621
$100,000 under $1,000,000	412	8,687	188	828	103	302	103	-	-	457	141,902	269	61,846	457	157,053
$1,000,000 under $10,000,000	155	33,080	103	14,203	436	116	436	-	-	177	477,253	129	205,314	177	589,202
$10,000,000 under $25,000,000	32	40,117	29	22,169	265	20	265	-	-	33	405,103	29	214,930	33	506,800
$25,000,000 under $50,000,000	10	32,374	8	21,494	197	5	197	-	-	10	338,921	8	195,970	10	360,953
$50,000,000 under $100,000,000	8	35,176	8	12,103	201	4	201	-	-	8	547,802	8	325,672	8	590,077
$100,000,000 or more	3	323,021	3	142,483	-	-	-	-	-	3	4,049,008	3	2,540,560	3	4,331,498

Footnotes at end of table.

Table 1B.—Number of Private Foundations and Selected Financial Data, by Type of Foundation and Size of Fair Market Value of Total Assets, 1987—Continued

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Size of fair market value of total assets	Investments in securities (fair market value)		Net worth		Minimum investment return		Distributable amount		Qualifying distributions		Excess grant administrative expenses		Undistributed income for 1987		Excess distributions carryover to 1988	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)
ALL FOUNDATIONS																
Total	**21,138**	**87,351,765**	**35,135**	**90,416,197**	**32,791**	**5,494,165**	**30,182**	**5,043,552**	**32,852**	**8,226,031**	**4,354**	**81,782**	**6,657**	**1,345,874**	**24,131**	**10,194,814**
Zero or unreported	-	-	195	-1,909	439	1,243	412	1,191	605	42,849	*110	*256	*28	*418	494	35,768
$1 under $100,000	5,021	180,449	14,107	423,400	11,921	21,244	10,816	20,554	12,059	256,110	1,955	4,066	1,914	2,762	9,302	1,120,709
$100,000 under $1,000,000	9,878	2,853,382	13,646	4,474,257	13,378	233,147	12,577	220,399	13,140	782,462	1,539	15,478	2,791	33,353	9,855	1,704,060
$1,000,000 under $10,000,000	5,025	11,933,881	5,882	15,170,292	5,766	835,592	5,229	790,977	5,757	1,725,646	596	19,906	1,469	153,786	3,778	3,217,329
$10,000,000 under $25,000,000	647	7,900,038	711	9,209,953	706	522,435	621	477,242	706	947,519	93	9,737	214	113,479	410	1,474,180
$25,000,000 under $50,000,000	263	7,304,635	284	7,853,268	276	471,775	249	430,144	282	756,929	38	6,820	118	125,172	135	805,304
$50,000,000 under $100,000,000	153	8,474,289	157	8,857,536	152	501,037	135	443,588	152	684,859	13	4,611	51	114,203	84	699,107
$100,000,000 or more	152	48,705,091	154	44,429,400	153	2,907,693	144	2,659,458	152	3,029,657	9	20,908	72	802,699	72	1,138,357
Nonoperating foundations																
Total	**19,865**	**81,732,088**	**32,002**	**81,409,148**	**30,242**	**5,112,749**	**30,182**	**5,043,552**	**30,197**	**7,351,789**	**3,971**	**66,996**	**6,657**	**1,345,874**	**24,131**	**10,194,814**
Zero or unreported	-	-	181	-1,958	412	1,203	412	1,191	563	41,856	*97	*232	*28	*418	494	35,768
$1 under $100,000	4,717	171,634	12,570	376,936	10,857	19,788	10,816	20,554	10,899	236,726	1,748	3,172	1,914	2,762	9,302	1,120,709
$100,000 under $1,000,000	9,440	2,757,004	12,789	4,212,153	12,588	222,925	12,577	220,399	12,371	706,535	1,429	11,495	2,791	33,353	9,855	1,704,060
$1,000,000 under $10,000,000	4,603	11,084,759	5,296	13,710,754	5,235	775,716	5,229	790,977	5,208	1,514,904	556	15,159	1,469	153,786	3,778	3,217,329
$10,000,000 under $25,000,000	582	7,376,247	625	8,280,698	622	486,344	621	477,242	622	823,743	85	7,383	214	113,479	410	1,474,180
$25,000,000 under $50,000,000	241	6,831,748	255	7,172,804	249	437,972	249	430,144	254	651,795	35	6,693	118	125,172	135	805,304
$50,000,000 under $100,000,000	137	7,720,829	140	7,815,636	135	454,159	135	443,588	135	579,595	12	1,955	51	114,203	84	699,107
$100,000,000 or more	145	45,789,867	146	39,842,126	145	2,714,642	144	2,659,458	144	2,796,635	9	20,908	72	802,699	72	1,138,357
Operating foundations																
Total	**1,273**	**5,619,677**	**3,134**	**9,007,049**	**2,549**	**381,417**	**N/A**	**N/A**	**2,655**	**874,242**	**383**	**14,786**	**N/A**	**N/A**	**N/A**	**N/A**
Zero or unreported	-	-	*14	*49	*28	*40	N/A	N/A	*41	*993	*14	*24	N/A	N/A	N/A	N/A
$1 under $100,000	304	8,815	1,537	46,464	1,063	1,456	N/A	N/A	1,160	19,383	207	894	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	437	96,377	856	262,104	790	10,222	N/A	N/A	768	75,927	*110	*3,983	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	422	849,122	586	1,459,538	532	59,876	N/A	N/A	549	210,742	*39	*4,747	N/A	N/A	N/A	N/A
$10,000,000 under $25,000,000	65	523,791	86	929,256	84	36,091	N/A	N/A	84	123,776	8	2,354	N/A	N/A	N/A	N/A
$25,000,000 under $50,000,000	22	472,887	29	680,464	27	33,803	N/A	N/A	28	105,134	3	128	N/A	N/A	N/A	N/A
$50,000,000 under $100,000,000	16	753,460	17	1,041,900	17	46,878	N/A	N/A	17	105,264	1	2,656	N/A	N/A	N/A	N/A
$100,000,000 or more	7	2,915,224	8	4,587,274	8	193,051	N/A	N/A	8	233,021	-	-	N/A	N/A	N/A	N/A
GRANTMAKING FOUNDATIONS																
Total	**19,483**	**84,650,414**	**29,509**	**86,093,389**	**28,835**	**5,322,230**	**27,534**	**5,013,571**	**30,037**	**7,642,851**	**3,932**	**69,180**	**5,479**	**1,336,862**	**22,585**	**9,926,435**
Zero or unreported	-	-	*80	*2,284	412	1,241	398	1,190	563	42,065	*97	*232	*28	*418	453	34,968
$1 under $100,000	4,372	162,447	10,553	349,234	9,697	19,022	9,048	18,839	10,595	234,547	1,693	2,638	1,196	1,937	8,253	1,044,283
$100,000 under $1,000,000	9,346	2,746,330	12,373	4,086,635	12,249	220,453	11,836	210,735	12,384	714,649	1,429	11,900	2,398	30,453	9,474	1,607,942
$1,000,000 under $10,000,000	4,627	11,065,336	5,306	13,812,249	5,284	779,503	5,114	779,133	5,301	1,544,363	565	16,133	1,410	151,001	3,714	3,165,509
$10,000,000 under $25,000,000	603	7,508,401	647	8,581,105	648	497,857	614	473,198	648	856,975	91	8,842	208	111,336	407	1,462,381
$25,000,000 under $50,000,000	246	6,996,825	257	7,368,066	256	450,394	246	428,545	257	661,338	37	6,772	118	125,172	128	773,888
$50,000,000 under $100,000,000	142	7,978,841	145	8,222,233	142	474,112	134	442,473	142	623,533	12	1,955	50	113,845	84	699,107
$100,000,000 or more	147	48,192,234	148	43,671,583	148	2,879,648	144	2,659,458	147	2,965,380	9	20,908	72	802,699	72	1,138,357
Grantmaking-nonoperating foundations																
Total	**18,855**	**80,995,319**	**28,089**	**80,298,149**	**27,554**	**5,082,930**	**27,534**	**5,013,571**	**28,590**	**7,283,840**	**3,674**	**65,618**	**5,479**	**1,336,862**	**22,585**	**9,926,435**
Zero or unreported	-	-	*80	*2,284	398	1,203	398	1,190	536	41,073	*97	*232	*28	*418	453	34,968
$1 under $100,000	4,179	155,349	9,821	326,909	9,076	18,037	9,048	18,839	9,863	225,246	1,527	2,408	1,196	1,937	8,253	1,044,283
$100,000 under $1,000,000	9,088	2,674,306	11,916	3,948,931	11,825	214,608	11,836	210,735	11,927	681,275	1,363	11,120	2,398	30,453	9,474	1,607,942
$1,000,000 under $10,000,000	4,498	10,833,667	5,128	13,387,029	5,115	762,912	5,114	779,133	5,124	1,498,482	547	14,968	1,410	151,001	3,714	3,165,509
$10,000,000 under $25,000,000	575	7,280,551	614	8,180,210	615	482,198	614	473,198	615	819,740	85	7,383	208	111,336	407	1,462,381
$25,000,000 under $50,000,000	238	6,787,507	247	7,074,175	246	436,331	246	428,545	247	642,552	34	6,644	118	125,172	128	773,888
$50,000,000 under $100,000,000	134	7,612,265	137	7,694,691	134	452,999	134	442,473	134	578,838	12	1,955	50	113,845	84	699,107
$100,000,000 or more	144	45,651,674	145	39,683,920	145	2,714,642	144	2,659,458	144	2,796,635	9	20,908	72	802,699	72	1,138,357
Grantmaking-operating foundations																
Total	**627**	**3,655,094**	**1,420**	**5,795,241**	**1,281**	**239,300**	**N/A**	**N/A**	**1,447**	**359,011**	**258**	**3,562**	**N/A**	**N/A**	**N/A**	**N/A**
Zero or unreported	-	-	-	-	*14	*38	N/A	N/A	*28	*992	-	-	N/A	N/A	N/A	N/A
$1 under $100,000	193	7,097	732	22,325	621	985	N/A	N/A	732	9,301	166	230	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	258	72,024	457	137,704	424	5,845	N/A	N/A	457	33,374	*66	*780	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	129	231,669	177	425,220	169	16,590	N/A	N/A	177	45,881	*17	*1,164	N/A	N/A	N/A	N/A
$10,000,000 under $25,000,000	28	227,850	33	400,895	33	15,659	N/A	N/A	33	37,235	6	1,259	N/A	N/A	N/A	N/A
$25,000,000 under $50,000,000	8	209,319	10	293,892	10	14,063	N/A	N/A	10	18,786	3	128	N/A	N/A	N/A	N/A
$50,000,000 under $100,000,000	8	366,576	8	527,543	8	21,113	N/A	N/A	8	44,695	-	-	N/A	N/A	N/A	N/A
$100,000,000 or more	3	2,540,560	3	3,987,662	3	165,006	N/A	N/A	3	168,745	-	-	N/A	N/A	N/A	N/A

N/A—not applicable.

*Estimate should be used with caution because of the small number of returns on which it is based.

NOTE: Detail may not add to total because of rounding.

Table 2A.—All Private Foundations: Balance Sheets and Income Statements, by Size of Fair Market Value of Total Assets, 1986

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Item	Total	Size of fair market value of total assets							
		Assets zero or unreported	$1 under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	**35,172**	**1,215**	**13,771**	**13,167**	**5,730**	**713**	**270**	**155**	**151**
Total assets (book value)	**87,191,337**	***131**	**437,268**	**4,164,836**	**14,840,939**	**8,977,299**	**7,460,288**	**8,460,707**	**42,849,868**
Cash, total	11,813,575	*131	221,107	1,317,029	3,035,647	1,221,253	969,402	954,441	4,094,566
Non-interest bearing accounts	1,211,283	*131	54,531	290,444	426,424	120,477	82,176	78,529	158,571
Savings and temporary cash investments	10,602,293	-	166,576	1,026,585	2,609,222	1,100,777	887,226	875,911	3,935,995
Accounts receivable, net	608,181	-	5,545	19,897	76,397	39,291	27,141	28,537	411,373
Pledges receivable, net	81,228	-	*364	*1,236	*43,218	35,966	444	-	-
Grants receivable	64,475	-	*1,785	*19,624	*9,638	1,414	9,047	4,637	18,330
Receivables due from disqualified persons	18,807	-	-	*1,526	*16,387	165	183	12	535
Other notes and loans receivable	948,342	-	7,427	61,569	316,395	146,824	69,979	135,265	210,884
Inventories	55,150	-	*894	*2,955	*8,722	34,530	2,286	3,003	2,760
Prepaid expenses and deferred charges	36,088	-	*2,605	*898	2,806	11,739	1,712	8,977	7,351
Investments, total	69,404,049	-	178,084	2,493,534	10,354,976	6,908,674	6,038,358	6,886,083	36,544,342
Securities	64,184,892	-	160,341	2,041,805	9,407,579	6,303,287	5,507,692	6,395,801	34,368,387
Land, buildings, and equipment (less accumulated depreciation)	1,509,361	-	*327	87,356	112,488	126,520	184,195	122,633	875,844
Mortgage loans	543,193	-	*5,947	24,120	222,659	48,160	66,730	29,761	145,817
Other investments	3,166,603	-	11,469	340,252	612,250	430,707	279,742	337,889	1,154,295
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	2,297,235	-	11,687	165,162	525,003	328,459	196,296	265,479	805,148
Other assets	1,864,201	-	7,770	81,405	451,749	248,984	145,441	174,272	754,579
Total liabilities	**3,690,297**	***15**	**26,961**	**174,752**	**502,524**	**365,152**	**355,073**	**292,506**	**1,973,312**
Net worth	**83,501,039**	***116**	**410,307**	**3,990,084**	**14,338,414**	**8,612,147**	**7,105,215**	**8,168,200**	**40,876,556**
Total revenue	**20,031,228**	**60,308**	**376,791**	**1,482,104**	**4,040,566**	**2,213,381**	**1,831,520**	**1,812,129**	**8,214,429**
Contributions, gifts, and grants received	7,152,515	47,384	319,285	1,089,927	1,959,479	908,732	695,505	535,052	1,597,152
Interest on savings and temporary cash investments	973,627	1,680	12,973	77,484	231,148	134,581	94,448	108,959	312,354
Dividends and interest from securities	4,173,428	3,503	15,939	160,030	646,687	416,416	351,979	407,604	2,171,271
Gross rents	180,255	-	*1,544	14,063	34,940	11,504	34,162	31,123	52,919
Net gain (less loss) from sale of assets	6,994,128	*7,184	14,760	110,649	939,321	680,325	571,793	674,379	3,995,716
Gross profit from business activities	209,405	*407	7,410	2,871	142,001	10,200	16,599	15,566	14,352
Other income	347,866	*150	4,879	27,080	86,990	51,624	67,034	39,445	70,664
Total expenses	**8,274,395**	**135,911**	**406,572**	**710,055**	**1,732,485**	**940,386**	**738,318**	**741,231**	**2,869,438**
Contributions, gifts, and grants paid	6,301,524	130,478	360,393	523,672	1,227,712	719,298	554,171	526,043	2,259,758
Compensation of officers	174,205	*188	6,983	14,158	49,998	19,042	17,668	16,837	49,329
Other salaries and wages	383,442	*901	6,286	49,926	103,641	40,457	34,966	37,494	109,771
Pension plans and employee benefits	91,189	*143	*583	*3,609	21,702	6,741	6,455	8,670	43,285
Legal fees	49,217	*333	1,097	5,642	13,058	5,165	3,829	7,421	12,672
Accounting fees	35,954	*214	1,997	6,273	12,529	4,731	3,157	3,032	4,021
Other professional fees	210,183	*37	2,024	7,270	40,010	20,599	19,490	23,955	96,799
Interest	57,407	-	233	5,100	18,492	9,451	9,383	9,457	5,291
Taxes	225,595	301	1,764	12,240	39,697	23,525	18,898	27,311	101,859
Depreciation and depletion	100,260	-	1,369	6,965	23,885	15,712	13,726	16,809	21,794
Occupancy	99,636	*44	2,412	8,842	22,720	15,327	9,494	7,705	33,092
Travel, conferences, and meetings	43,359	-	3,515	2,897	10,759	3,200	2,198	3,263	17,528
Printing and publications	20,950	*14	2,180	878	3,391	1,852	1,377	3,768	7,492
Other expenses	481,467	3,258	15,735	62,580	144,890	55,285	43,507	49,466	106,747
Excess of revenue (less loss) over expenses	**11,756,831**	**-75,603**	**-29,782**	**772,049**	**2,308,081**	**1,272,995**	**1,093,202**	**1,070,898**	**5,344,991**
Excess of revenue, total	12,449,741	*240	122,537	876,005	2,448,441	1,326,699	1,157,320	1,097,883	5,420,615
Loss, total	692,910	75,843	152,319	103,956	140,361	53,704	64,118	26,985	75,625
Total assets (fair market value)	**113,175,809**	-	**451,268**	**4,657,968**	**17,889,686**	**11,221,270**	**9,289,741**	**10,822,037**	**58,843,840**
Cash, total	11,837,309	-	221,282	1,317,624	3,038,533	1,230,092	972,811	954,933	4,102,035
Non-interest bearing accounts	1,216,403	-	57,347	290,703	427,409	120,625	82,175	78,599	159,546
Savings and temporary cash investments	10,620,906	-	163,935	1,026,921	2,611,124	1,109,467	890,636	876,334	3,942,489
Accounts receivable, net	605,970	-	5,545	19,427	75,960	37,845	27,141	28,537	411,515
Pledges receivable, net	81,224	-	*364	*1,236	*43,214	35,966	444	-	-
Grants receivable	64,894	-	*1,785	*20,080	*9,638	1,414	9,047	4,600	18,330
Receivables due from disqualified persons	18,807	-	-	*1,526	*16,387	165	183	12	535
Other notes and loans receivable	984,795	-	7,427	61,700	312,033	148,762	63,398	135,441	256,035
Inventories	53,777	-	*650	*2,955	*8,676	32,463	2,286	3,163	3,585
Prepaid expenses and deferred charges	73,314	-	*2,816	*898	2,806	11,739	1,706	8,968	44,381
Investments, total	93,798,841	-	189,058	2,928,292	13,180,597	8,903,817	7,781,321	9,169,606	51,646,150
Securities	87,014,561	-	169,817	2,490,138	12,007,407	8,161,106	7,082,033	8,392,341	48,711,720
Land, buildings, and equipment (less accumulated depreciation)	2,272,023	-	*503	107,451	220,887	163,754	323,528	321,085	1,134,816
Mortgage loans	560,697	-	*5,965	24,121	240,497	48,493	66,197	29,607	145,817
Other investments	3,951,559	-	12,773	306,582	711,807	530,464	309,562	426,574	1,653,798
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	2,882,673	-	12,452	201,404	665,616	359,919	248,884	290,175	1,104,222
Other assets	2,771,324	-	9,888	99,946	536,226	459,088	182,522	226,602	1,257,053
Total assets, beginning of year (book value)	**73,433,763**	**161,762**	**467,480**	**3,363,216**	**12,266,450**	**7,675,266**	**6,201,612**	**7,275,884**	**36,022,094**
Investments in securities, beginning of year (book value)	**54,532,656**	***89,248**	**219,337**	**1,578,562**	**7,831,212**	**5,397,466**	**4,593,416**	**5,465,601**	**29,357,814**

*Estimate should be used with caution because of the small number of returns on which it is based.

NOTE: Detail may not add to total due to rounding.

Table2B.—All Private Foundations: Balance Sheets and Income Statements, by Size of Fair Market Value of Total Assets, 1987

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Item	Total	Size of fair market value of total assets							
		Assets zero or unreported	$1 under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	**35,907**	**858**	**14,190**	**13,671**	**5,882**	**712**	**284**	**157**	**154**
Total assets (book value)	**93,783,400**	**7,446**	**456,021**	**4,627,421**	**15,649,389**	**9,608,393**	**8,269,747**	**9,083,128**	**46,081,854**
Cash, total	12,095,264	2,734	219,483	1,357,993	2,972,452	1,222,067	1,133,994	956,905	4,229,637
Non-interest bearing accounts	1,086,319	2,699	61,079	286,047	341,381	140,146	80,648	88,947	85,373
Savings and temporary cash investments	11,008,946	*35	158,404	1,071,947	2,631,071	1,081,922	1,053,346	867,958	4,144,264
Accounts receivable, net	383,144	*222	3,926	28,875	65,599	40,807	29,247	23,210	191,258
Pledges receivable, net	124,677	-	*283	*3,429	35,174	53,106	16,343	-	16,342
Grants receivable	69,242	-	*552	*21,698	*16,848	9,718	4,044	2	16,379
Receivables due from disqualified persons	37,554	-	*314	*6,627	29,735	-	111	282	485
Other notes and loans receivable	818,481	*10	5,605	92,424	203,038	119,255	92,368	104,494	201,287
Inventories	45,356	-	*2,171	*6,591	2,114	2,685	25,807	3,339	2,650
Prepaid expenses and deferred charges	58,384	-	1,540	6,818	16,648	4,398	2,478	15,011	11,491
Investments, total	75,894,006	*148	192,531	2,891,139	11,326,473	7,578,175	6,535,966	7,500,090	39,869,485
Securities	69,946,993	*148	173,633	2,508,487	10,189,634	6,803,444	6,059,557	7,002,397	37,209,692
Land, buildings, and equipment (less accumulated depreciation)	1,645,105	-	2,960	73,161	199,313	152,518	173,621	122,170	921,362
Mortgage loans	476,745	-	*3,445	32,481	181,105	56,983	28,282	44,013	130,436
Other investments	3,825,163	-	12,492	277,010	756,421	565,229	274,506	331,510	1,607,994
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	1,775,761	*4,324	9,918	132,616	516,970	292,293	198,097	314,789	306,754
Other assets	2,481,526	*9	19,697	79,208	464,337	285,889	231,294	165,006	1,236,086
Total liabilities	**3,367,202**	***9,356**	**32,621**	**153,164**	**479,097**	**398,440**	**416,479**	**225,592**	**1,652,454**
Net worth	**90,416,197**	**-1,909**	**423,400**	**4,474,257**	**15,170,292**	**9,209,953**	**7,853,268**	**8,857,536**	**44,429,400**
Total revenue	**17,116,794**	**16,506**	**292,969**	**1,254,630**	**3,369,230**	**1,911,881**	**1,696,361**	**1,624,120**	**6,951,097**
Contributions, gifts, and grants received	5,285,234	14,322	247,081	818,208	1,501,066	787,793	582,475	531,563	802,725
Interest on savings and temporary cash investments	1,062,734	1,030	12,506	91,913	253,525	126,164	116,065	107,349	354,182
Dividends and interest from securities	4,513,899	*715	13,738	187,787	700,058	453,867	374,550	439,552	2,343,632
Gross rents	202,374	-	2,406	10,906	48,366	9,979	28,267	36,087	66,342
Net gain (less loss) from sale of assets	5,567,476	*414	2,761	128,677	717,981	474,856	527,881	448,205	3,266,700
Gross profit from business activities	118,164	-	5,202	2,706	56,061	8,812	3,850	24,492	17,041
Other income	366,908	*25	9,273	14,431	92,150	50,408	63,272	36,872	100,476
Total expenses	**9,072,066**	**46,362**	**285,254**	**830,777**	**2,010,489**	**1,018,447**	**845,823**	**759,035**	**3,275,880**
Contributions, gifts, and grants paid	7,060,741	42,020	228,314	683,575	1,548,349	775,481	613,824	546,567	2,622,611
Compensation of officers	185,130	*247	4,137	16,939	48,727	23,508	20,380	17,643	53,549
Other salaries and wages	349,295	*190	9,561	28,722	82,385	39,063	42,455	41,302	105,817
Pension plans and employee benefits	79,003	-	873	2,576	12,001	7,130	8,182	9,650	38,591
Legal fees	50,303	892	1,756	6,220	13,808	5,281	3,732	5,454	13,161
Accounting fees	49,382	224	2,533	9,637	15,359	6,704	4,607	4,036	6,283
Other professional fees	224,706	*155	2,679	8,815	36,430	22,555	21,839	25,969	106,263
Interest	59,011	-	288	3,120	20,748	13,762	11,680	4,830	4,584
Taxes	296,125	97	1,865	15,733	57,537	35,498	28,186	34,793	122,416
Depreciation and depletion	95,840	-	1,003	5,107	23,085	15,336	15,940	13,831	21,537
Occupancy	93,663	*146	2,075	6,988	18,592	9,460	10,751	8,992	36,658
Travel, conferences, and meetings	45,013	*311	3,733	2,653	7,442	3,553	2,955	4,442	19,923
Printing and publications	22,702	39	2,239	1,348	2,618	2,213	1,470	4,563	8,212
Other expenses	461,143	2,039	24,195	39,340	123,407	58,902	59,822	36,964	116,474
Excess of revenue (less loss) over expenses	**8,044,727**	**-29,857**	**7,716**	**423,853**	**1,358,741**	**893,434**	**850,538**	**865,086**	**3,675,217**
Excess of revenue, total	9,180,495	*498	62,793	629,413	1,724,554	1,019,462	963,773	952,091	3,827,911
Loss, total	1,135,768	30,355	55,078	205,560	365,813	126,028	113,235	87,005	152,694
Total assets (fair market value)	**114,301,195**	-	**459,435**	**5,038,021**	**17,902,316**	**11,127,180**	**9,841,854**	**10,817,271**	**59,115,117**
Cash, total	12,076,930	-	219,307	1,355,119	2,970,050	1,213,596	1,128,473	957,806	4,232,579
Non-interest bearing accounts	1,077,628	-	61,064	283,226	341,998	134,710	80,298	88,757	87,576
Savings and temporary cash investments	10,999,302	-	158,243	1,071,893	2,628,052	1,078,886	1,048,175	869,049	4,145,004
Accounts receivable, net	395,547	-	3,893	29,996	67,688	43,075	35,567	22,974	192,354
Pledges receivable, net	124,611	-	*283	*3,429	35,070	53,106	16,381	-	16,342
Grants receivable	70,039	-	*1,264	*21,783	*16,848	9,718	4,044	2	16,379
Receivables due from disqualified persons	46,010	-	*314	*6,304	38,513	-	111	282	485
Other notes and loans receivable	851,740	-	5,605	91,541	195,154	120,702	88,467	105,164	247,107
Inventories	50,950	-	*1,967	*9,118	2,724	2,823	25,807	5,117	3,394
Prepaid expenses and deferred charges	103,169	-	1,417	6,755	26,123	4,359	2,472	15,010	47,034
Investments, total	94,810,924	-	199,824	3,259,451	13,299,145	8,892,602	7,935,196	9,189,086	52,035,620
Securities	87,351,765	-	180,449	2,853,382	11,933,881	7,900,038	7,304,635	8,474,289	48,705,091
Land, buildings, and equipment (less accumulated depreciation)	2,466,881	-	3,490	105,240	338,562	212,563	309,700	298,247	1,199,078
Mortgage loans	482,091	-	*3,445	32,112	186,181	56,986	28,304	44,054	131,009
Other investments	4,510,186	-	12,439	268,718	840,522	723,014	292,557	372,496	2,000,441
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	2,309,957	-	11,840	154,841	720,185	426,695	252,642	308,295	435,460
Other assets	3,452,086	-	13,204	96,091	525,694	360,504	354,695	213,535	1,888,363
Total beginning of year assets (book value)	**86,019,399**	**33,660**	**451,538**	**4,166,481**	**14,167,916**	**8,676,455**	**7,415,644**	**8,211,953**	**42,895,752**
Investments in securities, beginning of year (book value)	**63,514,189**	**10,938**	**165,550**	**2,208,040**	**9,022,169**	**6,046,596**	**5,384,627**	**6,307,046**	**34,369,223**

*Estimate should be used with caution because of the small number of returns on which it is based.

NOTE: Detail may not add to total due to rounding.

PRIVATE FOUNDATIONS AS INVESTORS AND DISTRIBUTORS OF TAX-EXEMPT CHARITABLE DOLLARS, 1974-87

Alicia Meckstroth, Internal Revenue Service

Prepared for the Annual Meetings of the American Statistical Association, 1990

Through an examination of financial data and legislative and economic forces from 1974-87, this analysis discusses trends within the area of private foundations. It begins with a profile of foundation data, follows with an explanation of the role of foundations in society, and describes this role in light of the economic theories and legislative changes that relate to foundations. It focuses particular attention on the changes following the passage of the Economic Recovery Act of 1981. The Act changed the way that foundations calculate the required charitable payout amount. Although the Act resulted in lower charitable distributions in the short-run, in the long-run charitable distributions have increased. This paper analyzes the changes in charitable distributions and assets and considers them in light of investment returns. It examines charitable payout rates, rates of return, income yields, and the rates of changes in total distributions and assets. By so doing, it seeks to better understand the decision-making behavior of the different sizes of foundations.

A FOUNDATION PROFILE

Almost 36,000 private foundations in 1987 represented approximately 10 percent of all tax-exempt nonprofit organizations recognized under section 501(c)(3) of the Internal Revenue Code. Of these organizations, foundations held approximately 15 percent of assets. All of them distributed over $8 billion in 1987 (current dollars), mainly in the form of grants to individuals and other nonprofit groups, in order to support areas such as research, education, community needs, and cultural programs.

Foundations typically originate from a single contribution by a wealthy individual, family, or sometimes a corporation. They differ from other 501(c)(3) tax-exempt organizations in their sources of financial support. The other 501(c)(3) tax-exempt organizations, hereafter referred to as "nonprofit charitable organizations," include groups such as hospitals, educational institutions, religious groups, and social welfare agencies. They typically rely on funding received from a wide variety of public sources. These groups tend to impact society through funds and public donations realized in one year and then utilized in the same or next year. Foundations, on the other hand, typically receive donations from one wealthy individual or family and then make distributions from an endowment that grows over time.

In addition to their base of support, foundation donors uniquely benefit by maintaining control, in part, over the investment and distribution of the foundation's money. Current Federal tax law requires that a private foundation fulfill a "payout requirement" by charitably distributing a fixed percentage of its asset base, now 5%, each year. In order to fund charitable activity, most often in the form of grantmaking, a foundation invests its endowment in order to realize a return on assets that will fulfill the payout requirement and often enable the foundation to grow and exist permanently.

In 1987, there were approximately 32,700 "nonoperating" foundations. The analyses in this paper will focus only on "nonoperating" private foundations, as opposed to "operating" private foundations. Nonoperating foundations comprise approximately 91 percent of the foundation population in number and over 90 percent in fair market value of assets. The two types of foundations function differently.[1] In 1987, these nonoperating foundations held $103.2 billion in fair market value of assets[2] and distributed $7.4 billion to charitable purposes (current dollars). Interestingly, less than .5 percent of all foundations, those with fair market value of assets equal to or greater than $100 million, held 52 percent of total assets. The smaller foundations, those with less than $1 million in assets, accounted for 80 percent of the total number but held only 5 percent of the total assets.

From 1974 to 1987 foundations increased charitable distributions by 45 percent. Since 1979, the first year for which fair market value data were available, assets increased by 63 percent. The Gross National Product (GNP) increased by only 21 percent during the 1979-87 period. To more closely analyze this period, from 1979-82, foundation fair market value of assets increased by 4 percent, while the GNP declined 1 percent. Then, from 1982-87, foundation assets grew 56 percent--a large increase in comparison to a 22 percent growth rate in the GNP. These figures indicate a significant level of growth for the foundation sector during this time period. (All dollar amounts, rates, and percent changes throughout the text, unless otherwise indicated, are calculated using 1982 constant dollar figures.)[3]

THE ROLE OF PRIVATE FOUNDATIONS

On account of their important charitable initiatives and resources, foundations represent an example of pluralism in American society. Pluralism illustrates the ability of private forces, supplementing the role of government, to effectively impact society. Donations to establish or support foundations qualify for a federal income tax-deduction of up to 30% of the donor's adjusted gross income. (This compares to 50% for donations to operating foundations and to other nonprofit charitable organizations.) In essence, the government grants donor deductibility and sacrifices tax revenue on foundation income in exchange for foundation charitable dollars and initiatives. Technically, when a foundation originates, the donor receives an immediate tax deduction for the entire amount used to establish the foundation. Although the donation grows as a charitable endowment for the future, the foundation gives only a percentage of the deductible amount to charitable causes each year. And, since the individuals controlling the foundations indirectly possess the power to influence social programs, policy, and research, there are those who may view foundations with a degree of skepticism and a feeling that, along with the benefits foundations provide, they not only represent pluralism in society, but also elitism. Since the base of financial support for a foundation is relatively narrow, the government recognizes that a greater potential for abuse exists, and therefore increases its measures of regulation. On account of this, policymakers attempt to balance the regulation of foundations with a respect for the private ownership of foundation assets and the important charitable distributions given to society.

ECONOMIC ANALYSIS

Private foundations represent a unique entity within the framework of the American market economy. The economics of foundation behavior differs from that of both profit-making firms and other nonprofit organizations. Foundations possess a great deal of freedom in the distribution and management of their money, and, unlike profit-making organizations, they do not always face the same incentives for efficiency that exist in a totally competitive market environment.

In a manner similar to for-profit organizations and different from many other nonprofit groups, foundations devote a considerable amount of attention to investment management. This especially applies to the larger foundations, which tend to operate with the goal of a permanent existence attainable through capital appreciation of the endowment. These groups also possess the resources necessary to devote to skillful investment and risk management. They do have an incentive to maximize return on investment, since, to successfully meet the payout requirement and avoid an erosion of the endowment, they must realize a rate of return equal to 5 percent plus the rate of inflation. However, unlike for-profit groups, foundations do not distribute dividends or income to owners and shareholders, and thus, are not accountable in this manner. However, they are indirectly accountable to a strong donor desire to perpetuate the endowment of the foundation.

Foundations also differ from for-profit groups and from many nonprofit groups in that they typically do not compete for consumers. On the contrary, consumers (e.g., grant-seekers) usually compete for foundation dollars. An exception to this occurs when several foundations compete to fund a high visibility project. Although foundations do not actively compete in the market, they can act as a constraining force on the nonprofit organizations that they fund. When nonprofit groups compete for foundation dollars, this competition can give these groups an incentive to operate efficiently.

Supply-side economic theories can help to explain the formation and behavior of foundations. These explanations indicate that foundations form and exist due to recognition of a public need for charitable resources and as a response to the pluralistic forces that operate within the American social and political arena.[4] Individuals possess the incentive to form foundations and supply charitable dollars due to a recognition of societal need and a subsequent desire to alleviate this need. The supply explanation also supports the notion that the incentive of tax deductibility influences individuals to form foundations. Although the tax benefits are not as great as those for donations to other charitable organizations, the donor does benefit by maintaining influence over the investment and use of the charitable dollars. In effect, foundations provide a tax effective manner by which an individual or group of individuals can publicly achieve altruistic goals and impact social policy and programs. It would prove interesting to know the relative importance of each factor for a donor (a supply response to need, a desire for power and prestige, or the incentive of tax deductions) when deciding to form or give to a foundation.

Interestingly, from 1982-87, the number of all foundations increased by 26 percent. This compares to a 6 percent increase from 1974-82. This difference more than likely results from a combination of factors such as the recognition of social need in light of domestic budget cuts during the 1980s, changes in tax-deductibility benefits to donors, the capital gains tax rate, and the 1981 Economic Recovery Act, to be discussed later.

LEGISLATIVE HIGHLIGHTS THROUGH 1969

By granting tax-exemption to private foundations, policymakers intend that foundations distribute more dollars to society than the cost of the foregone tax revenue. Since foundations function in a unique manner, it becomes difficult to quantitatively ascertain the amount of tax revenue lost. Due to this reason and the power held by foundations, legislative changes since the early 1900's have typically involved the regulation of foundations. In order to best understand the historic complexity of the Federal viewpoint towards private foundations, an examination of important legislative changes relating to foundations follows.[5]

Charitable activity by benevolent organizations similar to present-day foundations began in the mid-to-late 19th century. The Federal government began to grant tax-exempt status to these organizations and tax-deductibility for individual and corporate charitable donations in the early 1900's. These exemptions and deductions resulted, in part, from budgetary pressures relating to World War I involvement. Policymakers expected that these incentives would encourage private philanthropy that would, in effect, replace the need for government funding of certain societal needs.

In 1912, the Walsh Commission conducted a Congressional study to determine the amount and effects of the wealth and power of foundations.

The group recommended that foundations distribute all of their income each year, but not pay out amounts in excess of 10 percent of underlying principal or corpus. This recommendation indicates some degree of Congressional intent for foundations to operate, if not in perpetuity, then by an investment strategy that would allow charitable distributions well into the future.

Suspicions began to arise after a gradual observance of abusive activities commited by a small number of foundations. An evolving concern over the freedom granted to foundations led Congress, in 1934, to prohibit foundations from using their money and power to impact political campaigns and/or legislation. Several years later, the Revenue Act of 1943 required that foundations file annual reports and information returns with the IRS. Then, the 1950 Revenue Act outlined "prohibited activities" and imposed regulations on foundations concerning unrelated business income, excess business holdings, excessive accumulations of income, speculative investing, political lobbying, and self-dealing. In 1954 the Reece Committee recommended that foundation existence be limited to 10-25 years and that all income earned be charitably distributed within 2-3 years. Nothing resulted from this and, then, in 1965, the Treasury Department issued a report indicating a greater commitment to eliminating abusive foundation activities rather than to limiting the foundation lifespan.

The 1965 Treasury Department report later resulted in new tax regulations outlined in the Tax Reform Act of 1969. Interestingly, a 40-year time cap on the exempt status of a private foundation was proposed as part of the 1969 Act, but ultimately not included in the passed legislation. Additionally, this Act subjected foundations to an annual 4 percent excise tax on investment income (intended to cover the cost of IRS oversight of foundation activities) and a two-tier system of penalty taxes. The IRS imposed these penalty taxes on the 1950 Revenue Act prohibited activities and on required charitable dollars that foundations failed to distribute by the end of the following return year.

The most significant portion of the 1969 Act was the development of the first charitable payout requirement. This legislation required that foundations distribute each year an amount equal to the greater of either "adjusted net income" or a fixed percentage of fair market value of assets.[6] The adjusted net income amount basically represents realized income on investments, excluding long-term capital gains. By comparison, the change in assets encompasses both realized and unrealized gains in the endowment. The charitable dollars dispersed in order to satisfy this requirement are called "qualifying distributions."

THE TWO PAYOUT REQUIREMENTS

The charitable payout requirement from the Tax Reform Act of 1969 tended to restrict the financial independence of foundations and allowed for relatively little financial flexibility over time. Although the Act allowed foundations to legally distribute the required amount by the end of the following tax year, it still indirectly encouraged relatively conservative foundation investment policies. Since foundations wanted to manage investments in order to achieve a return, either realized or unrealized gains, which would result in the lowest possible distribution requirement, the Act, in effect, encouraged relatively conservative investment policies in terms of the portfolio mix and level of risk. In order to maintain its endowment, a foundation typically needed to yield an annual rate of return equal to 6 percent, at that time, plus the rate of inflation. This often proved difficult for many foundations. The high inflation rates during the 1970s also added to concern about a continual erosion of foundation endowments.

In 1976 Congress enacted legislation that lowered one part of the required payout amount by changing the percentage from, in most cases, 6 percent to 5 percent of assets. The reduced rate allowed (some) foundations an added edge in meeting the charitable distribution requirement. Similarly, in 1978, Congress lowered the effective excise tax rate from 4 percent to 2 percent for domestic foundations. This also allowed foundations an additional amount to either distribute or reinvest.

The most significant legislative change, however, came with the passage of the Economic Recovery Tax Act of 1981. This change significantly altered the method by which foundations computed the charitable payout requirement. It eliminated the use of adjusted net income and used only the percentage of investment assets to compute the required payout amount. Through this Act policymakers hoped to increase the long-run amount of foundation charitable distributions by allowing foundations a greater opportunity to increase the value of their endowments, thus increasing their giving power.

This change, in effect, increased the fairness of the requirement since a change in assets encompasses both realized and unrealized changes in the endowment, and, thus, better measures the entire endowment. In comparison, the calculation based on the adjusted net income measures only realized changes. Before 1981, those foundations earning realized income that exceeded the percentage of assets seemed to be indirectly penalized since the unrealized changes in their endowment were not considered in the computation of the payout requirement. Therefore, the change seemed to create a more favorable investment environment, particularly for the smaller foundations. Smaller foundations tend to hold a greater proportion of fixed income yield investments that earn proportionately high realized income.[7] However, the data indicate that the larger foundations, rather than the smaller, tended to take advantage of the change by distributing proportionately less after 1981 and, then, re-investing more. The smaller foundations did not tend to significantly re-adjust their investing and distributing patterns.

In effect, the change ultimately lowered the required payout amount on an aggregate level in the short-run. In 1982 and 1983, respectively, 35 and 32 percent of foundations, especially the larger ones, reacted to the lowered payout requirement by distributing less than what would have been required under the law prior to 1981. Ultimately, then, the new law has helped foundations to increase the long-run value of their assets, therefore increasing long-run charitable giving.

The Act also has positively affected asset growth over time. From 1982 to 1987 total foundation fair market value of assets increased by 56 percent. This compares dramatically to the 4 percent increase between the years 1979-82. Total qualifying distributions increased, but at a slower rate than assets, by 38 percent from 1982-87. This compares tc the 5 percent increase in distributions from 1974-82. The data that follow will analyze the effectiveness of the 1981 Economic Recovery Act in achieving the goal of increased long-run foundation distributions.

THE PAYOUT RATE

To illustrate the charitable distribution trends of private foundations, rates of payout performance were calculated.[8] To calculate the payout rate the amount of (adjusted) qualifying distributions[9] was divided by the amount of the monthly average of investment (noncharitable-use) assets. Figure A displays payout trends from 1974-87. Typically, the payout rate declines as the size of the foundation increases. Smaller foundations tend to give out a larger percentage of their asset base, sometimes to an extent exceeding their return on investments. Larger foundations tend to re-invest proportionately more of their earnings, consequently distributing a smaller proportion to charitable purposes in any given year.

FIGURE A - Payout Rates, 1974-87

SIZE OF (FMV)[1] ASSETS	PAYOUT RATE (MEDIAN percentages)					
	1974	1982	1983	1985	1986	1987
TOTAL	8.39	9.69	8.23	7.44	6.87	7.03
Small Foundations						
$1 under $100K	10.94	10.67	9.76	8.30	10.23	9.63
$100,000 under $1M	7.25	9.03	8.03	7.61	6.49	6.66
$1 under $1M	**8.72**	**9.98**	**8.66**	**8.03**	**7.42**	**7.52**
Medium Foundations						
$1,000,000 under $10M	6.50	8.37	6.79	6.23	5.63	5.74
$10,000,000 under $50M	5.84	7.23	6.05	5.51	5.39	5.40
Large Foundations						
$50,000,000 and up	5.91	6.62	5.34	5.32	5.00	5.08
$100,000,000 and up	-	6.45	5.00	5.10	5.00	5.02

K = Thousands of dollars
M = Millions of dollars
[1]FMV = Fair market value

In light of the 1981 Act, the aggregate median payout rate changed in an interesting pattern between the years 1974-1986. The peak rate occurred in 1982. Between 1974-82 it increased from 8.4 percent in 1974 to 9.7 percent in 1982. From 1982-83 the rate declined to 8.2 percent and then, by 1986, further declined to 6.9 percent. The downward trend after 1982 indicates that after the 1981 Act foundations began to adjust to the new law by paying out a lower percentage of assets. The total median rate then increased slightly to 7.0 percent in 1987. This occurred despite the stock market's sharp decline in October 1987.

Due, in large part, to poor market conditions and volatility, foundations earned much lower total returns on their investments in 1987. The low returns, to be discussed later, coupled with high payout rates, led to a 1 percent decline in 1987 in real foundation fair market value of assets. The value of assets[10] declined while foundations actually increased charitable distributions; therefore, an increase in the payout rate resulted. This relatively consistent pattern of foundation giving more than likely occurred, in part, due to both prior grantmaking commitments and high returns realized in 1986.

Many foundations, especially the smaller ones, give more charitable distributions than required. The smallest group, those foundations with less than $1 million in assets, represents the only group with a payout rate greater than the total median rate for all of the years studied. This occurred, in part, since the amount of noncharitable-use assets held by small foundations tends to represent a smaller proportion of the value of total assets relative to the larger foundations. Also, small foundations receive a relatively large amount of charitable contributions and then often act as a conduit by distributing them within a year. Due to these factors and different investment and distribution goals (to be discussed later), the smaller foundations often realize higher payout rates.

Comparing the amount of charitable distributions actually given with the required amount, in 1987, 35 percent of foundations distributed more than double the required payout amount and 13 percent distributed over ten times the amount. A majority of these foundations were in the smaller size categories. The dollar amount of total distributions exceeded the required amount by 46 percent for all foundations. This number equaled an impressive 291 percent for foundations with under $1 million in assets. These trends from 1987 are representative of foundation behavior after 1981. In spite of the 1987 market decline, more foundations met the payout requirement in 1987 than in 1986.

INVESTMENT BEHAVIOR

Total Rate of Return

In order to fulfill the 5 percent charitable payout requirement without an erosion of the endowment, a foundation must invest to ensure an adequate rate of return. A comparison of the payout rate to the total rate of return will help to explain changes in the relative growth or decline of foundation assets from year to year. The total rate of return measures the total capital appreciation of the endowment of a foundation. It measures the realized income from the assets, investment and otherwise, as well as the unrealized appreciation or depreciation in value. (Two income yield measures, to be examined later, show only the **realized** gain or loss from investment assets.) To calculate the "total" rate of return, data files were matched from consecutive years in order to analyze beginning and ending year fair market value data. The rate measures the capital appreciation of the endowment with consideration for inflows and outflows of money. It is the same formula used by Salamon and Voytek in a study on foundation assets for the years 1979-83.[11]

Figure B shows the rates of return for the years 1983-87.[12] The data indicate that the total rate of return tends to differ from the payout rate. Although larger foundations distribute proportionately less than smaller foundations, the rate of return tends to increase as the size of the foundation increases. The larger foundations hold a greater proportion of their assets as investment securities. They seem to invest more with the goals of capital appreciation of the endowment and long-term giving. These larger organizations tend to maintain a more diversified portfolio with a greater proportion of lower income yield, higher risk, and higher growth common stock.[13] Since these holdings tend to earn higher total returns, higher rates of return for the larger foundations result. The smaller foundations seem to invest with the intention of distributing relatively large charitable contributions in the present. This group tends to hold lower risk and higher, fixed-income yield assets that do not appreciate nearly as rapidly, resulting in lower relative returns.

FIGURE B - Rates of Return, 1983-87

SIZE OF (FMV)[1] ASSETS	TOTAL RATE OF RETURN (MEDIAN percentages) (1982 constant dollars)			
	1983	1984-85 (2-yr span)	1986	1987
$1,000,000 under $10M	6.39	25.30	9.02	1.29
$10,000,000 under $25M	9.21	31.17	11.21	-.08
$25,000,000 under $50M	9.47	34.27	11.39	2.33
$10,000,000 under $50M	**9.21**	**31.31**	**11.38**	**.85**
$50,000,000 under $100M	9.95	38.58	11.75	1.11
$100,000,000 and up	11.69	29.56	13.94	1.36

M = Millions of dollars

[1]FMV = Fair market value

Foundations realized high rates of return from 1983-1986. Market conditions during these years proved very favorable to investors. As Figure B shows, in 1983 the largest foundations, those with $100 million and more in assets, earned 11.7 percent, and in 1986, 13.9 percent. (These figures were adjusted for inflation using the GNP implicit price deflator.) Since 1984 data were not sampled, calculating rates for 1984 and 1985 was not possible. However, calculations of the two-year median figures indicate that foundations also achieved high returns during the two-year span. For instance, the largest group realized a median rate of 29.6 percent for the 1984-85 period. After accounting for the relatively low inflation from 1983-86, all of these size groups earned a rate of return on assets well above the 5 percent payout requirement.

The 1987 data, however, show different investment results. After inflation, foundations earned well under the minimum desired 5 percent rate of return. For instance, the largest foundations earned only 1.4 percent. This resulted, in large part, from the sharp stock market decline in October 1987. Although foundations obviously can earn positive returns after accounting for charitable distributions and inflation, fluctuations in the stock market can create negative effects as well.

During the years 1983-1986, foundations, as an aggregate, realized substantially higher returns than the rate at which they distributed charitable dollars. This contributed to the growth of aggregate foundation assets. However, in 1987, foundations with $1 million or more in assets paid out more to charitable purposes than what they earned as total returns on investments. This led to the decline of aggregate foundation asset value from 1986-87. The changes in assets and distributions will be examined in detail later. In the future it will prove interesting to evaluate 1988 data to ascertain whether or not foundations adjusted their payout percentages downward in response to the unusually low returns in 1987.

Income Yield

While the total rate of return measures the change in the value of the entire endowment, the income yield measures only the realized investment income earned by a foundation. The income yield can be calculated in two different ways: 1) "net investment income" divided by fair market value of investment assets, referred to as "NII" yield; and 2) "adjusted net income" divided by the same investment assets, referred to as "ANI" yield.[14] NII includes long-term capital gains whereas ANI does not. Figure C shows the various NII yields for different size

FIGURE C - Net Investment Income Yields, 1974-87

SIZE OF (FMV) ASSETS	INCOME YIELD (using Net Investment Income (NII)) (Median percentages) (1982 constant dollars)					
	1974[1]	1982	1983	1985	1986	1987
TOTAL	-3.37	2.31	4.47	4.78	4.74	3.89
Small Foundations						
$1 under $100K	-3.74	2.27	3.90	4.50	3.59	3.05
$100,000 under $1M	-3.05	2.43	4.38	4.95	5.07	4.06
Medium Foundations						
$1,000,000 under $10M	-2.78	2.66	5.00	5.71	5.95	4.74
$10,000,000 under $50M	-2.27	1.52	5.48	6.00	8.25	5.99
Large Foundations						
$50,000,000 and up	-2.46	1.67	5.53	6.84	7.70	5.63
$100,000,000 and up	-	.58	5.06	6.56	7.08	5.53

K = Thousands of dollars

M = Millions of dollars

[1]The calculation for 1974 divides net investment income by book value of assets. The use of fair market value data, unavailable for 1974, would have lowered the rates from those calculated and most likely affected the differences between the small and large foundations.

groups for selected years between 1982-87. Figure D shows ANI yields for 1974, 1982 and 1983.

FIGURE D - Adjusted Net Income Yields, 1974-83

SIZE OF (FMV) ASSETS	INCOME YIELD (using Adjusted Net Income (ANI)) (Median percentages) (1982 constant dollars)		
	1974[1]	1982	1983
TOTAL	-3.52	1.72	3.47
Small Foundations			
$1 under $100K	-3.91	1.92	3.29
$100,000 under $1M	-3.08	1.86	3.70
Medium Foundations			
$1,000,000 under $10M	-3.03	1.38	3.24
$10,000,000 under $50M	-2.54	.73	2.66
Large Foundations			
$50,000,000 and up	-2.42	.35	2.37
$100,000,000 and up	-	.09	2.21

K = Thousands of dollars
M = Millions of dollars

[1] The calculation for 1974 divides net investment income by book value of assets. The use of fair market value data, unavailable for 1974, would have lowered the rates from those calculated and most likely affected the differences between the small and large foundations.

Note: This yield was not calculated for the years 1985, '86, and '87 since the necessary 990-PF line items in the years following 1983 were not edited.

The smaller foundations tended to earn higher ANI yields than the larger foundations, although the larger foundations earned higher NII yields for the same years. Since the NII yield includes long-term capital gains, this difference between the NII and the ANI yields supports the notions that smaller foundations hold a greater proportion of high fixed income yield assets and that the larger foundations earn the largest percentage of their NII from realized long-term capital gains.

A comparison of the NII yields with the total rates of return shows that the NII yields tended to be less than the total returns between the years 1983-86. Since the total rate of return includes unrealized gains and the NII does not, the higher total returns indicate unrealized growth in assets. However, in 1987, the year of the stock market decline and low total returns, the NII yields, although they did drop from 1986, did not drop nearly as much as total returns. In fact, they exceeded the total returns for that year. This shows the unrealized loss that occurred in 1987.

CHARITABLE DISTRIBUTION AND ASSET GROWTH, 1982-87

The percentage increases between 1982-87 of aggregate assets and charitable distributions, 56 percent and 38 percent, respectively, equaled $31.7 billion in assets and $1.7 billion in distributions. Did the changes in foundation investment and payout practices since the 1981 Economic Recovery Act lead to the increases in the value of assets and charitable distributions? The relatively low inflation and interest rates in the 1983-87 period and a market that yielded relatively high returns through 1986 no doubt helped to impact the growth of foundation assets. However, relatively high foundation growth as compared to growth in the GNP, the effects of the change in the payout requirement, discussed previously, and differences in the growth rates of different sizes of foundations would all indicate that the 1981 Economic Recovery Act also has impacted the growth of foundation assets and distributions.

Fair Market Value of Assets

From 1979-1986, total foundation assets tended to grow mostly at an increasing rate. Assets grew 65 percent over the eight-year period.[15] The majority of the growth occurred from 1982 to 1986. Assets then declined by 1 percent from 1986-87. Figure E shows dollar amounts and percentage changes in assets for all size groups between 1979-87. Since 1981, all of the size groups have grown considerably in asset size and in number.

Assets tend to increase at a faster rate with increases in the size of the foundation. Since the larger foundations tend to earn relatively high total rates of return and pay out relatively low percentages of assets, not surprisingly, the larger foundations increased assets at a faster rate than did the smaller ones. From 1982-87 those foundations holding $100 million and more in assets increased by 85 percent in assets, the largest increase of all of the size groups. The smallest foundations, those under $1 million, increased by 29 percent in assets during the same years.[16]

Charitable Distributions

Aggregate charitable distributions also have grown considerably since the 1981 Act. Figure F displays the changes in distributions from 1974-87 for each size group. The totals show that qualifying distributions grew steadily by 45 percent from 1979-87, after showing a 5 percent decline from 1974-79.

For the period after the 1981 Act, the smallest group (under $1 million in assets), not surprisingly, is the only one that paid out qualifying distributions at a faster rate than the growth in their assets. This group experienced larger percentage increases in charitable distributions from 1982-87 than all of the other groups, with the exception of the largest. The group realized a 46 percent increase in distributions from 1982-1987. This compares to its 29 percent gain in assets during that time. However, for foundations with assets equal to or greater than $1 million, assets increased at a faster rate than distributions from 1982-87. The largest group ($100 million and more in assets) realized a 79 percent increase in distributions, also a sizeable improvement over its charitable giving before the 1981 Act. This compares to its 85 percent growth in assets.

These trends differ markedly from those between the years 1979-82. Percent changes between these years indicate that the largest foundations had distributions that increased faster than assets and that the smallest foundations had assets that decreased by less than distributions. However, from 1982-87 these trends changed and all foundations were able to increase both assets and distributions. It seems that the 1981 Act allowed foundations to increase distributions while simultaneously

FIGURE E - Fair Market Value (FMV) of Private Foundation Assets, 1979-87

SIZE OF (FMV) ASSETS	FAIR MARKET VALUE OF ASSETS[1] (Amounts and percent changes)					
	1979	1982	1983	1985	1986	1987
TOTAL: (Amount) **(Percent change from prior year listed)**	53,994,833	56,203,718 **+ 4.1**	61,143,424 **+ 8.8**	78,003,388 **+27.6**	88,841,283 **+13.9**	87,897,872 **-1.1**
$1 under $100K	476,081	330,972 **- 30.5**	336,365 **+1.6**	359,321 **+6.8**	359,180 **-.0**	355,635 **-1.0**
$100,000 under $1M	3,699,261	3,071,767 **-17.0**	3,396,108 **+10.6**	3,375,908 **-.6**	3,814,486 **+13.0**	4,027,976 **+5.6**
$1 under $1M	**4,175,342**	**3,402,739** **-18.5**	**3,732,473** **+ 9.7**	**3,735,229** **+.1**	**4,173,666** **+11.7**	**4,383,611** **+5.0**
$1,000,000 under $10M	11,097,800	10,527,069 **-5.1**	11,718,911 **+11.3**	12,422,991 **+6.0**	14,424,320 **+16.1**	13,560,055 **-6.0**
$10,000,000 under $50M	11,727,444	12,156,788 **+3.7**	12,651,431 **+4.1**	15,175,491 **+20.0**	15,956,840 **+5.1**	15,944,998 **-.1**
$50,000,000 and up	26,994,247	30,117,121 **+11.6**	33,040,609 **+9.7**	46,669,677 **+41.2**	54,286,456 **+16.3**	54,009,209 **-.5**
$100,000,000 and up	-	24,779,239	27,733,991 **+11.9**	38,611,884 **+39.2**	45,828,676 **+18.7**	45,857,255 **+.1**

Note: See footnotes at the end of Table F, below.

FIGURE F - Private Foundation Qualifying Distributions, 1974-87

SIZE OF (FMV) ASSETS	QUALIFYING DISTRIBUTIONS[1] (Amounts and percent changes)						
	1974	1979[2]	1982	1983	1985	1986	1987
TOTAL: (Amount)[3] **(Percent change from prior year listed)**	4,316,233	4,113,587 **- 4.7**	4,553,587 **+10.7**	4,653,226 **+2.2**	5,170,329 **+11.1**	5,945,893 **+15.0**	6,262,171 **+5.3**
$1 under $100K	263,543	227,687 **-13.6**	96,379 **-57.7**	275,726 **+186.1**	141,151 **-48.8**	329,234 **+133.2**	201,641 **-38.8**
$100,000 under $1M	605,130	539,840 **-10.8**	455,690 **-15.6**	525,426 **+15.3**	507,821 **-3.4**	463,713 **-8.7**	601,819 **+29.8**
$1 under $1M	**868,673**	**767,527** **-11.6**	**552,069** **-28.1**	**801,152** **+45.1**	**648,972** **-19.0**	**792,947** **+22.2**	**803,460** **+1.3**
$1,000,000 under $10M	970,785	1,117,038 **+15.1**	1,204,782 **+ 7.9**	1,151,232 **-4.5**	1,017,732 **-11.6**	1,213,634 **+19.2**	1,290,379 **+ 6.3**
$10,000,000 under $50M	627,389	1,009,852 **+61.0**	998,153 **-1.2**	972,526 **-2.6**	1,068,060 **+9.8**	1,193,878 **+11.8**	1,256,847 **+5.3**
$50,000,000 and up	1,714,169	1,450,856 **-15.4**	1,792,087 **+23.5**	1,727,731 **-3.6**	2,331,142 **+34.9**	2,630,215 **+12.8**	2,875,835 **+9.3**
$100,000,000 and up	-	-	1,334,123	1,344,882 **+.8**	1,787,323 **+32.9**	2,125,602 **+18.9**	2,382,142 **+12.1**

K = Thousands of dollars
M = Millions of dollars

(1) a) Dollar amounts are in thousands (000s).
b) Dollar amounts are constant 1982 dollars obtained by using the implicit price deflator.

(2) The 1979 total represents the true total for nonoperating foundations. However, the amounts for each of the sub-totals in 1979 represent the amount for all foundations (nonoperating and operating). This is due to limitations in the 1979 data.

(3) The sum of the sub-totals does not equal the listed total for each year since this table does not reflect the sub-group, 'Assets Zero or Unreported.'

increasing their endowments. Interestingly, from 1982-87, the largest foundations, although they had the lowest payout rates, due to significant capital appreciation, also realized the largest increases in qualifying distributions.

Effects of a Market Decline, 1987

When isolated, the 1986-87 data indicate different results from the entire 1982-87 period. Even after achieving poor investment results in 1987, all of the size groups, except the smallest, paid out qualifying distributions at a faster rate than the change in the value of assets. However, during this time the smallest foundations actually increased assets more than distributions. These reverse patterns help to show the effect of the 1987 "crash" on the behavior of foundations. The patterns also emphasize the capability of the larger foundations to better withstand market swings and to increase long-run distributions and assets at the greatest rate. Figures E and F best emphasize the changes. In addition, Figure G shows changes in assets and distributions using constant dollar stratification, rather than current dollar stratification.

FIGURE G - Changes in Assets & Distributions, 1982-87 using Constant Dollar Stratification

SIZE OF (FMV) ASSETS (Stratified by 1982 constant dollars)	1982-87: Percentage Changes[1]					
	1982-87 (FMVA)	1982-87 (ChDist)	1982-86 (FMVA)	1982-86 (ChDist)	1986-87 (FMVA)	1986-87 (ChDist)
Total	56.4	37.5	58.1	30.6	-1.1	5.3
$1 under $1M	48.6	59.6	36.2	50.6	9.1	6.0
$1,000,000 under $10M	35.4	11.1	41.3	3.9	-4.1	6.9
$10,000,000 under $50M	35.5	25.1	34.5	17.7	.8	6.3
$50,000,000 under $100M	55.0	31.7	55.7	27.3	- .4	3.5
$100,000,000 and up	76.9	61.5	80.3	49.2	-1.9	8.3

M = Millions of dollars

FMVA = Fair market value of assets

ChDist = Charitable "qualifying" distributions

[1] Dollar amounts are constant 1982 dollars obtained by using the implicit price deflator.

Note: See footnote (17) for a detailed explanation of these changes.

FOUNDATION DECISION-MAKING

The primary purpose of a private foundation in society is one of charitable distribution. Increasing the long-run amount of foundation charitable distributions represented one of the original goals of the Economic Recovery Act of 1981. The results following this change in the payout requirement indicate a successful aftermath to the legislation, and an attainment, at least in part, of the goal. Foundation long-term charitable distributions did increase after accounting for inflation. In a very favorable market environment between 1983-86, foundations realized total rates of return that easily allowed them to both meet the payout requirement and increase the value of their assets. In response to the 1981 Act, the largest foundations seemed to adjust their payout rates downward and re-invest more. However, from 1982-87 they increased charitable distributions at the fastest rate despite relatively low payout rates. Their endowments appreciated rapidly in value due to large unrealized gains, leading to higher required payout amounts and, then, increased long-run distributions. The long-run growth in assets allowed these foundations to increase distributions at the fastest rate. The smallest foundations, after 1981, did not notably re-adjust their payout rates downward, although they did increase both assets and distributions. In fact, they increased distributions faster than assets from 1982-87.

Obviously, different foundations assume different roles and behave accordingly. The disparity between 1987 and the other years studied may shed light on the nature of the decision-making processes of foundations. The question arises: does the rate of return (and possibly the NII yield) in one year affect the payout rate of that same year and/or the next year? In other words, do certain foundations respond to low returns with low payout rates or to high returns with high payout rates? And do these patterns differ with the size of the foundation?

It appears that the investment returns of smaller foundations determine, at least in part, the amount of charitable dollars distributed in the same or, more likely, in the next year. For instance, the smallest foundations may have responded to relatively low income yields (NII and ANI) in 1982 by paying out distributions at lower rates in 1983. Similarly, their percentage increase in distributions may have slowed in 1987 due to hesitancy after realizing lower NII yields in that same year. The smaller foundations, who earn a relatively large proportion of total revenue as contributions, also rely, in part, on these contributions to help fund charitable giving. The decline in contributions received in 1987 may also have affected charitable giving in that year. These foundations tend to distribute proportionately large amounts in the present, based, in part, on contributions, investment returns, and income yields.

Conversely, the goal of a more pre-determined payout policy appears to drive the operations and investment policies of the larger foundations. They better manage their investments and distribute dollars in such a way as to promote long-run growth of the endowment. A growing endowment will fund charitable grants at the same or at an increased value in the future. These foundations tend to distribute charitable dollars at relatively consistent payout rates irrespective of changing rates of return. For example, the larger foundations continued to pay out an increased amount in 1987 despite low rates of return and declining assets in that year. These foundations tend to operate with a more planned and structured payout policy.

A future examination of payout practices in 1988 after the unusually low investment returns of 1987 will provide additional insight into the investment and distribution goals and behavior of the different sizes of foundations. The different methods of foundation distributing and investing provide important philanthropic resources and initiatives for the present and the future. In light of the large social welfare budget cuts of the last decade, private philanthropic sources have become an increasingly important source of social funding in the United States. These data can help to better assess the long-run effects of policy on the investment and payout behavior of foundations in order that policy would be continually shaped to help achieve maximum benefits for society while simultaneously considering the interests and growth of foundations.

DATA SOURCES

The data used in these analyses originated from the stratified samples selected in the years 1974, 1979, 1982, 1983, 1985, 1986, and 1987. For complete descriptions of statistical procedures and data sources and limitations, please refer to the corresponding SOI Bulletin articles for each of the years studied. These can be found in the recently published Compendium of Studies of Tax-Exempt Organizations, 1974-87.[18]

In order to obtain rates of return for the years 1983-87, data files from consecutive years were matched using the employer identification numbers (EINs) of the organizations in the sample. The rate of matching the organizations varied from an average of 61 percent for those organizations in the $1 million under $10 million size category to an average of 97 percent for those in the $100 million and over category. The total average matching rate for all of the years studied equaled 73 percent. Weights were applied on each record matched by using the higher of the two weights from the years used in the match.

ACKNOWLEDGMENTS

The author would like to extend her thanks to the many individuals from the Statistics of Income Division who made important contributions to this paper and provided helpful suggestions. Among these are Jim Harte, who calculated weights for matched data files; Steven Libster, who provided SPSS programming support; Perry Dias and Adrianne Bell, who provided operations support; Nat Shaifer, who designed the tables of data; Jeri Mulrow, who designed graphics for the presentation of the paper; Beth Kilss and Wendy Alvey, who coordinated the presentation and publishing of the paper and designed graphics for the presentation; and, Peggy Riley, Tom Petska, Jim Hobbs, and Dan Skelly, who all reviewed the paper and provided helpful comments.

NOTES AND REFERENCES

[1] Nonoperating foundations primarily distribute grants to individuals and other nonprofit groups, whereas operating foundations devote a required percentage of income to the operation of their own charitable programs and services. Since tax law requires that only nonoperating foundations fulfill a charitable distribution requirement, the analyses in this paper will focus only on the nonoperating type.

[2] All references to assets are stated at their fair market value unless otherwise indicated.

[3] The GNP implicit price deflator was used in all applicable instances. Please refer to the Economic Report of the President, U. S. Government Printing Office, Washington, DC, February 1990, Table C-3. Unless otherwise indicated, the stratification of the sub-groups by asset size is not adjusted for inflation. This preserves size classification by current dollars.

[4] Hopkins, Bruce R., The Law of Tax-Exempt Organizations, 5th ed., 1987, p.17.

[5] See Reilly, Raymond and Skadden, Donald H., Private Foundations: The Payout Requirement and Its Effect on Investment and Spending Policies, Univ. of Michigan Grad. School of Bus. Adm., 1981.

[6] The asset figure used to calculate the payout amount is the monthly average of the fair market value of those assets not used for charitable purposes minus adjustments for acquisition indebtedness and cash held for charitable activities. The fixed percentage now is 5 percent, but at the time of the 1969 Act it was 6 percent or, in some instances, 5.5 percent.

[7] Salamon, Lester M. and Voytek, Kenneth P., Managing Foundation Assets: An Analysis of Foundation Investment and Payout Procedures and Performance, The Council on Foundations, 1989.

[8] The calculated rates (all types) and amounts found in this paper for specific years include foundations having accounting periods that can include either all of that particular year or part of that year and part of the following year. For instance, a 1987 return could represent an accounting period that includes January 1987 through December 1987 (most likely) or even one that includes December 1987 through November 1988.

[9] The payout formula adjusts qualifying distributions with slight additions and subtractions that are made to the required "distributable amount" on the Form 990-PF. It also adjusts for excess distributions given in the past and applied to the requirement of the current filing year.

[10] The volatile stock market no doubt affected the asset value of a foundation differently depending on its accounting period. For instance, since the payout rate depends on a monthly average of assets, those foundations following a calendar year schedule realized nine relatively solid months prior to October's decline or "crash." The payout rate calculation, then, would account for both the positive and negative months.

[11] Salamon and Voytek, Ibid.

[12] Due to the rates of matching specific returns in the sample by the identifying number (EIN), the rate of return could only be calculated for those foundations with $1 million and more in assets. The matching rate for the smaller foundations was too low to ensure a proper level of statistical confidence.

[13] Salamon and Voytek, Ibid.

[14] The ANI yield can only be calculated for 1974, 1982 and 1983, since the adjusted net income line item was not edited in years after 1983. The amount will be collected beginning in 1990.

[15] 1979 is the first year sampled that includes fair market value figures.

[16] These increases in asset size are biased slightly upward for the largest group and slightly downward for the smallest group due to the stratification of assets based on current dollars. Some foundations moved to a higher size-group from

year-to-year due to inflationary increases in assets.

[17] After tabulating the data by stratifying the size-groups using 1982 constant dollar assets, the data show similar results. Using this method, over the period 1982-87, the largest foundations increased by less in number, assets, and distributions than when using current dollar stratification. The smallest foundations increased by more in number, assets, and distributions, thus narrowing the difference between the two groups. However, the largest foundations still performed better than the smallest in all three areas.

Using this method, the breakdown of the period 1982-87 into the years 1982-86 and 1986-87 proves interesting. Similar results occurred with one exception. Using this method, from 1982-86, the smallest foundations actually realized the greatest increase in qualifying distributions, with a 51 percent gain, as compared to a 49 percent gain for the largest foundations. However, the largest group achieved the largest gain in distributions over the entire 1982-87 period. This also emphasizes the capability of the larger foundations to better withstand market swings and to increase long-run assets and distributions at the greatest rate.

[18] Compendium of Studies of Tax-Exempt Organizations 1974-87, Dept. of Treasury, IRS, Statistics of Income Division, Publication 1416, Catalog #10313C, 1990.

Private Foundations, 1988

By Margaret Riley and Alicia Meckstroth*

Total assets of private foundations increased markedly between 1987 and 1988, while total revenues continued to decline [1]. Total assets increased by 13 percent for 1988, to $128.9 billion [2]. Total foundation revenues, however, fell at a rate of 5 percent, to $16.3 billion. Foundation net investment income fell by a greater rate, 8 percent, to $10.4 billion. Despite falling revenues and investment income, the amount of charitable grants made by foundations increased by 9 percent from 1987 to 1988, to $7.4 billion. In comparison, between 1986 and 1987, private foundations, while continuing to increase the total amount of grants distributed, experienced a decline in total revenues and only a 1 percent increase in total assets.

CHANGES IN FOUNDATION REVENUE, ASSETS, AND GRANTS, 1987 TO 1988

A sizable decrease in net gain (less loss) from sales of assets, 34 percent, and a smaller decrease in the amount of contributions, gifts, and grants received by foundations, 0.3 percent, both contributed largely to the continued decline in total foundation revenue from 1987 to 1988. Although net gain from sales of assets and contributions received both declined, the combined total of interest and dividend income increased by 16 percent over the same time period [3].

While revenues declined, total foundation expenses continued to increase at a relatively constant rate in comparison to past years, 8 percent, from $9.1 billion for 1987 to $9.8 billion for 1988. Increasing amounts of charitable grants distributed by foundations largely explain the growth in total expenses. Declining revenues and increasing expenses led to an overall decline of 19 percent in net revenue or "excess of revenue (less loss) over expenses." Figure A depicts percentage changes for various revenue items as well as for other selected data for the periods 1986 to 1987 and 1987 to 1988.

Foundations continued to react to the October 1987 stock market decline that contributed to the decreasing net gains from sales of assets and the drop in both total revenue and net investment income. The low market values of many stocks through much of 1988 may have led to the lower gains from sales of assets and may also have discouraged foundations from selling stocks and instead encouraged them to defer sales of stock until market values had risen. This reaction, in effect, may have contributed to the 34-percent decrease in the net gain from sales of assets from 1987 to 1988, from $5.6 billion to $3.7 billion. A closer examination of changes in the net gain (less loss) from sales of assets reveals that total gains from sales of assets fell by 33 percent, from $5.7 billion for 1987 to $3.8 billion for 1988. Likewise, total losses from sales of assets grew by 8 percent, from $147.9 million to $159.5 million. Examining the 1986 to 1988 period shows that the net gain from sales of assets fell by 48 percent.

The amount of contributions, gifts, and grants received by foundations dropped by 26 percent from 1986 to 1987, but only by 0.3 percent from 1987 to 1988. During the 1986 to 1988 period, total contributions fell from $7.2 billion to $5.3 billion. Declines in the amount of contributions received were most prominent in the very small and the very large foundations. The smallest foundations—the group holding less than $1 million in fair market value of total assets—received $910 million in total contribu-

Figure A.--Percentage Changes in Selected Financial Items, 1986 to 1988

Item	Percentage change	
	1986 to 1987	1987 to 1988
Fair market value of total assets	1.0%	12.8%
Investments in securities	0.4	14.0
Total revenue	-14.5	-4.9
Net gain (less loss) from sales of assets	-20.4	-34.4
Contributions, gifts, and grants received	-26.1	-0.3
Total expenses	9.6	7.5
Contributions, gifts, and grants paid	9.1	9.0
Excess of revenue (less loss) over expenses	-31.6	-18.9

---

*Foreign Special Projects Section. Prepared under the direction of Michael Alexander, Chief.

tions, 15 percent less than in 1987. Likewise, the largest foundations—the group holding $100 million or more in fair market value of total assets—received $704 million in total contributions, 12 percent less than in 1987. Contributions received typically comprise a much greater percentage of total revenue for the smallest foundations compared to the largest foundations, for instance, 65 percent for the small compared to 11 percent for the large for 1988. While the larger foundations, in order to fund charitable giving, tend to rely extensively on the growth of their endowments, the smaller foundations depend largely on contributions that they receive in a given year or in prior years.

Changes in the Tax Reform Act of 1986 (TRA86) relating to contributions of appreciated property may have discouraged donors from making contributions of stock or other appreciated property to foundations. After implementation of TRA86, donations of appreciated stock to "nonoperating foundations" (defined below) could still be deducted at fair market value, although donors could be subjected to the revised "alternative minimum tax" (as a "tax preference item") on the difference between the fair market value and the actual cost (or book value) of the donated stock or property. Furthermore, the lower values of stock after the October 1987 market decline potentially limited both the size of a donor's charitable gift and the value of the tax deduction for the charitable gift. These same factors may also have affected corporate giving, which continued to decline from 1987 to 1988, by 2 percent [4]. To further explain the drop in contributions from 1986 to 1988, donors, in anticipation of the TRA86 changes, may have contributed relatively large amounts in 1985 and 1986, thereby making the 1987 and 1988 contributions small in comparison.

Although revenues and net investment income declined, at the end of the 1988 tax year foundation assets had rebounded from the minimal 1987 gain by increasing 13 percent from 1987, to $128.9 billion. The largest foundations—those holding $100 million or more in assets—realized an increase in assets of 15 percent compared to only 4 percent for the smallest foundations—those holding less than $1 million in assets. The 14 percent gain from 1986 to 1988 in the value of total foundation investments in securities, to $99.6 billion, explains much of the growth in total assets. "Rates of total return" on assets (defined in the Rate of Total Return section) increased markedly from 1987 to 1988, thereby explaining much of this growth.

Despite the revenue losses, the amount of grants that foundations distributed increased by 9 percent from 1987 to 1988, to $7.4 billion. Increases in grants were particularly prominent in the larger asset-size groups. For instance, for the largest foundations, grants increased by 9 percent from 1987 to 1988, to $2.7 billion, while for the smallest group, grants increased by only slightly less than 1 percent, to $912 million. (For explanations of the disparity between the large and small foundations see The Distribution Requirement and the Payout Rate section and the Asset Growth, Distribution Goals, and Decision-Making section.)

OVERVIEW AND EXPLANATION OF PRIVATE FOUNDATIONS

Statistics of Income Studies

The statistics presented in this article are based on data from Form 990-PF, *Return of Private Foundation*, the annual information return filed by private foundations [5]. Statistical studies on private foundations have previously been conducted for tax years 1974, 1979, 1982, 1983, and 1985 through 1987. A study for tax year 1989 is currently in progress and will cover both private foundations and nonexempt charitable trusts treated as private foundations under the Internal Revenue Code [6].

Data for 1987 and earlier years have been published in the *Statistics of Income Compendium of Studies of Tax-Exempt Organizations, 1974-87* [7]. Except for tax year 1974, data for the above-cited years have also been published in the *Statistics of Income Bulletin* [8]. Some of the data discussed in this article are based on previously unpublished statistical tabulations.

Organizations and Activities

A private foundation is a nonprofit, tax-exempt corporation, association or trust which is narrowly supported and controlled, usually by an individual, family, or corporation, as opposed to an organization receiving broad support from a large number of sources within the general public. It is this narrow base of support and control which differentiates a private foundation from a publicly supported tax-exempt charitable organization, although both receive tax exemption under Internal Revenue Code section 501(c)(3) [9]. Because of the centralized support and control, private foundations are more strictly regulated than other section 501(c)(3) organizations.

The two types of private foundations, "operating" and "nonoperating," are distinguished by the form of charitable support they provide. Nonoperating foundations generally provide indirect charitable support by making grants to other section 501(c)(3) organizations that actually conduct charitable programs [10]. Nonoperating foundations are required each year to expend or distribute (normally through grants or related expenses), by the end of the following year, a minimum amount for charitable purposes, based on the value of their net investment assets (also known as net noncharitable-use assets). Individual income tax deductions for contributions to nonoperating foundations are generally more restrictive than deductions for contributions made to operating foundations or other section 501(c)(3) organizations.

If an organization can show that the level of its direct involvement in charitable activities is sufficiently high, then it qualifies as an operating foundation and is excepted from the income distribution requirement and related excise taxes that would otherwise be applicable. Operating foundations are required to provide direct charitable support by expending substantially all (85 percent) of the lesser of their "adjusted net income" or 5 percent of "net investment assets" to actively carry on tax-exempt charitable programs (as opposed to the payout of grants in support of such programs). In addition to satisfying this "income" test, they also must meet one of three tests based on assets, endowment, or sources of support, to continue to qualify as operating foundations [11]. Although operating foundations are not subject to the annual payout requirement, many choose to make grants in addition to carrying on charitable programs of their own.

Passage of the Tax Reform Act of 1969 for the first time subjected foundations to an excise tax on net investment income. The tax was imposed so that private foundations would share the cost of more extensive and vigorous IRS enforcement of tax laws relating to exempt organizations. Most private foundations pay the excise tax on net investment income, while some operating foundations are exempt from this tax (see the section, Excise Tax on Net Investment Income). The 1969 Act also imposed a two-tier system of penalty taxes on foundations that engaged in prohibited activities (deemed not to be in the public interest); e.g., failure by nonoperating foundations to distribute the required minimum payout after a one-year grace period, attempts to influence legislation, such as lobbying or participating in the campaign of a candidate for public office, or engaging in certain financial transactions with persons having a relationship with the foundation, such as substantial contributors to the foundation and officers, directors or trustees of the foundation.

Of the 37,141 active organizations filing private foundation information returns for 1988, 91 percent were nonoperating foundations and the remaining 9 percent were operating foundations, virtually the same percentages as for 1987. Approximately 31,300 were grantmaking foundations. About 88 percent of the nonoperating foundations and 47 percent of the operating foundations made grants for 1988.

About 29 percent of the 5,833 nongrantmaking foundations were operating foundations. Another 17 percent were nonoperating foundations that had no "distributable amount" and, therefore, were not required to make a minimum distribution (see the Explanation of Selected Terms section for a definition of the distributable amount). An additional 28 percent of the nongrantmakers were nonoperating foundations that made other types of charitable distributions to satisfy the minimum distribution requirement (for a further explanation of these other types of "qualifying distributions," see the section, Charitable Distributions). The remaining nonoperating, nongrantmaking foundations that did not fully make the required distribution for 1988 had, by law, until the end of their 1989 accounting periods to do so without any tax penalty. Some nongrantmaking foundations were "failed public charities" that had been reclassified as nonoperating foundations. Many failed public charities continued to operate direct charitable programs rather than make grants to other tax-exempt organizations [12].

The largest foundations—those having assets with fair market value of $100 million or more—numbered less than 0.5 percent of all foundations for 1988, but held slightly more than half of all foundation assets. Only 4 percent of all private foundations had assets worth $10 million or more, but they accounted for 80 percent of all assets. The group of foundations considered to be small in size—with less than $1 million in assets—accounted for 79 percent of all foundations, but only 4 percent of total assets.

Top Ten Domestic Foundations

The assets of the 10 largest domestic foundations totaled $27.5 billion, or 21 percent of all foundation assets (Figure B). These foundations accounted for 10 percent of the total $7.4 billion in grants paid out by all foundations.

The J. Paul Getty Trust is the only organization listed that is an operating foundation. It actively operates programs that are mainly related to the arts and humanities (most notable is the J. Paul Getty Museum, an art museum located in California). Therefore, it is not surprising that the Getty Trust made the smallest amount of grants of the organizations listed.

Figure B

Top Ten Domestic Private Foundations Ranked by Size of Fair Market Value of Total Assets, 1988[1]

[Money amounts are in millions of dollars]

Name	Total assets	Total grants paid
1. Ford Foundation	$5,882	$218
2. J. Paul Getty Trust[2]	4,520	6
3. W. K. Kellogg Foundation Trust/W.K. Kellogg Foundation[3]	3,875	104
4. John D. and Catherine T. MacArthur Foundation	3,135	95
5. Robert Wood Johnson Foundation	2,056	44
6. Lilly Endowment, Inc.	1,934	80
7. Rockefeller Foundation	1,829	56
8. Andrew W. Mellon Foundation	1,641	60
9. Pew Memorial Trust	1,562	88
10. Kresge Foundation	1,097	9
Total	**$27,532**	**$760**

[1] A foundation is considered "domestic" if it is organized in the United States; however, this does not necessarily imply that all of its activities or grant recipients are domestic.

[2] J. Paul Getty Trust is an operating foundation. All other foundations listed are nonoperating foundations.

[3] The W. K. Kellogg Foundation Trust, located in New York, has a "pass-through" relationship with the W. K. Kellogg Foundation, located in Michigan. Typically, the entire amount of the annual "qualifying distributions" of the W. K. Kellogg Foundation Trust are made in the form of a grant to the W. K. Kellogg Foundation, which redistributes the grant for charitable purposes (and does not count the redistribution as a qualifying distribution of its own). The combined total assets of the two organizations are shown in the "Total assets" column, but the "pass-through" grant of the W. K. Kellogg Foundation Trust is excluded from the "Total grants paid" column.

Note: Detail may not add to totals because of rounding.

While the grants of the Kresge Foundation may appear to be relatively low compared to those of the other nonoperating foundations shown in Figure B, that foundation set aside over $43.4 million to use for future charitable funding or projects. This type of "set-aside" can be counted toward satisfying the annual minimum distribution requirement.

The assets of The Ford Foundation by far exceeded those of any other organization in the top ten. Ford Foundation's $5.9 billion in total assets accounted for 5 percent of all foundation assets, and its $217.7 million in grants accounted for 3 percent of all grants made by foundations for 1988.

Distribution of Larger Foundations by State

Table 4, at the end of this article, depicts foundation data by State for all those foundations with $10 million or more in book value of total assets [13]. The data indicate that of the largest foundations—those with fair market value of assets of $100 million or more—22 percent were based in New York, and 14, 9 and 8 percent in California, Pennsylvania, and Texas, respectively. The larger foundations in these four states (as included in the table) accounted for 43 percent of total foundation assets.

COMPOSITION OF REVENUE

Dividend and interest income, contributions (received), and net gain (less loss) from sales of assets are the three primary components of revenue for private foundations (Figure C). Together, these components accounted for 94 percent of total revenue for 1988.

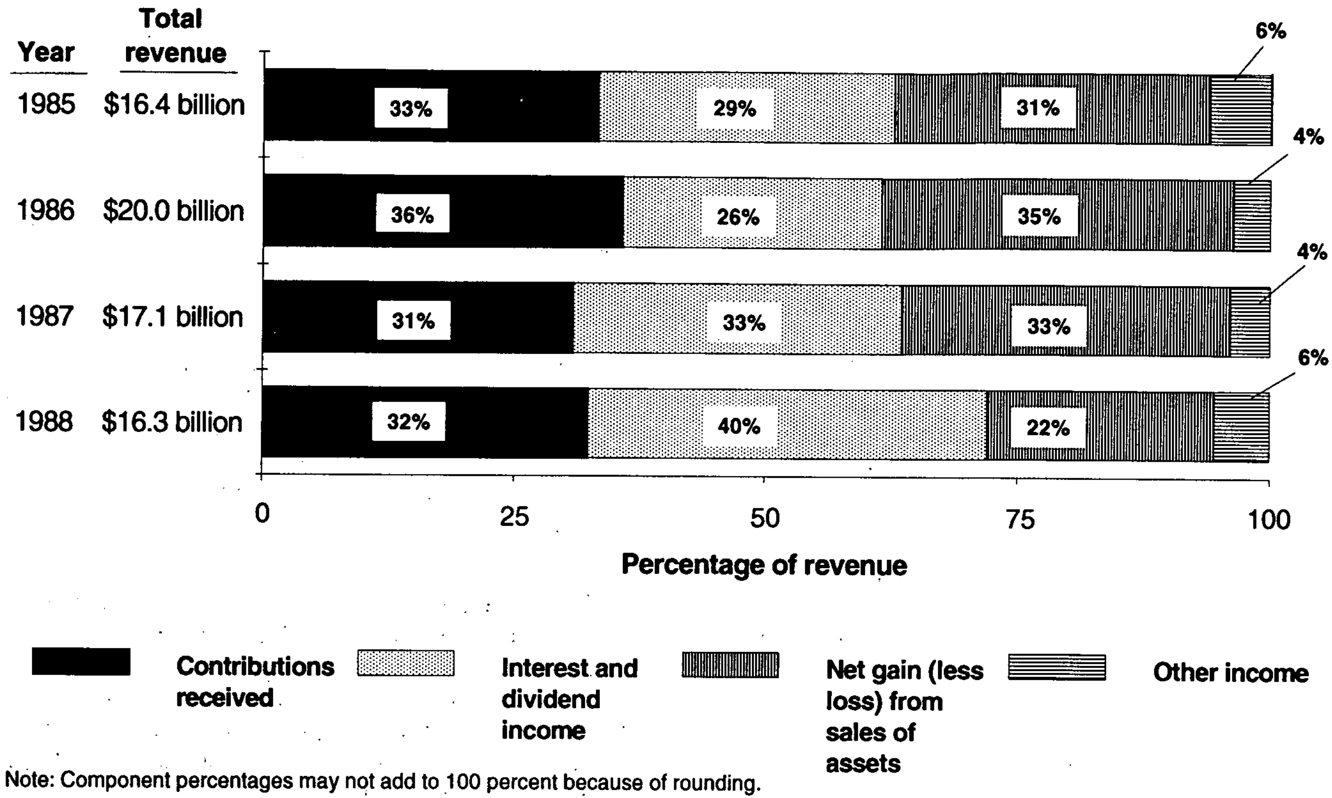
Throughout the period 1985-1988, contributions as a percentage of total revenue were relatively constant, ranging between 31 and 36 percent. For 1985 and 1986, net gain (less loss) from sales of assets was a larger source of foundation revenue than was the combined total of interest and dividend income. Revenue from these two sources, e.g., gains from sales of assets and the combination of interest and dividends, was just about equal for 1987, with each accounting for one-third of the total. However, for 1988 the proportion of revenue attributed to net gain (less loss) from sales of assets decreased while that attributed to interest and dividend income increased.

Net gain (less loss) from sales of assets sharply declined for both 1987 and 1988 (in comparison to the preceding years), by 20 percent and 34 percent, respectively, a net drop of 48 percent between 1986 and 1988. As indicated earlier, the stock market crash of October 1987 explains much of the drop that occurred during 1987 and continued into 1988. The lower market value of many foundations' stocks may have either induced these organizations to postpone selling certain securities or resulted in smaller gains (or larger losses) on sales that they chose (or had) to make.

Another factor could be that in the years following 1981, when nonoperating foundations were no longer required to distribute their adjusted net income if it was larger than

Figure C

Composition of Total Revenue, 1985-1988



Note: Component percentages may not add to 100 percent because of rounding.

5 percent of their net investment assets, sales of assets increased appreciably as many foundations restructured their investment portfolios to change the mix of high-income-yield and high-appreciation securities. Between 1982 and 1986, sales of foundation assets increased almost 300 percent.

The percentage distribution of major revenue sources varies extensively when the size of the foundation is considered. As already mentioned, smaller organizations rely more heavily on charitable contributions for revenue than do larger foundations. For example, for 1988, contributions reported by foundations with assets under $1 million accounted for 66 percent of their total revenue, while a combined total of interest, dividends, and net gain (less loss) from sales of assets accounted for 31 percent. Organizations with assets of $1 million under $25 million reported nearly equal portions of contributions and a combined total of interest, dividends, and net gain (less loss) from sales of assets. As a proportion of total revenue, each represented a 47-percent share. Receipts of charitable contributions played a much less important role in the revenue of foundations with assets of $25 million or more, equaling only 19 percent of the total. By comparison, a combined total of interest, dividends and net gain (less loss) from sales of assets accounted for 76 percent.

EXCISE TAX ON NET INVESTMENT INCOME

The excise tax on net investment income is a type of "audit" tax originally levied on private foundations by the Tax Reform Act of 1969 to provide funds for Internal Revenue Service (IRS) oversight of foundation activities and the enforcement of laws governing their exempt status. Domestic foundations generally paid a tax equal to 2 percent of their net investment income and foreign foundations paid a tax equal to 4 percent of their gross investment income. Domestic organizations computed the excise tax based on investment income from all sources, while foreign organizations computed the tax based on investment income from U.S. sources only.

Effective with tax years beginning in 1985, a provision of the Deficit Reduction Act of 1984 altered the excise tax payment requirements. Under these 1985 rules, the excise tax was waived for certain operating foundations which had been publicly supported for at least 10 years (or which were classified as operating foundations as of January 1, 1983); had a governing body broadly representative of the general public, as opposed to substantial contributors to the foundation or members of their family (called "disqualified persons"); and had no disqualified persons as officers of the foundation.

Since 1985, the annual 2-percent excise tax could be reduced to 1 percent for any domestic operating or nonoperating foundations that had current qualifying distributions that exceeded a 5-year average of charitable distributions plus 1 percent of the current tax year's net investment income. The 4-percent excise tax levied on the gross investment income of foreign foundations has remained unchanged. For 1988, foreign foundations accounted for only 1 percent of the organizations reporting the tax and only 1 percent of the total amount of tax reported.

Figure D presents excise tax information for 1985-1988. Foundations reported less total excise tax for 1988 than for each of the three preceding years. One contributing factor to the drop in the tax reported was the rise in the number of organizations qualifying for the 1-percent tax reduction over the 1985-1988 period. Another factor was the relatively low amount of net investment income base on which the 2-percent tax was computed for 1988. The decreases in net gain from sales of assets for both 1987 and 1988 contributed to the decline in net investment income for those two years.

About 10,300 foundations (about a third of all organizations reporting the excise tax) were able to take advantage of the 1-percent tax reduction, totaling $56.8 million for 1988. The number of organizations qualifying for the reduction has nearly doubled between 1985 and 1988. An examination of the various asset-size classes of foundations shows that the proportion of foundations qualifying to use the 1-percent excise tax rate increased as the fair market value of assets increased, ranging from 26 percent of foundations with assets under $1 million up to 54 percent of foundations with assets of $100 million or more. Approximately 20,700 domestic foundations together reported an aggregate total of $84 million under the 2-percent excise tax. This amount was lower than the 2-percent tax reported for each of the 3 preceding years.

Figure D.--Excise Tax on Net Investment Income, 1985-1988

[Money amounts are in millions of dollars]

Item	1985 (1)	1986 (2)	1987 (3)	1988 (4)
FOUNDATIONS REPORTING EXCISE TAX				
Number of returns	25,805	28,051	29,823	31,058
Net investment income	$9,437.7	$11,507.4	$10,706.7	$9,893.6
Excise tax	169.5	195.8	174.3	141.6
1-percent tax				
Number of returns	5,270	6,429	8,177	10,301
Net investment income	2,018.3	3,481.4	4,030.7	5,667.2
Excise tax	20.2	34.8	40.3	56.8
2-percent tax				
Number of returns	20,489	21,552	21,600	20,719
Net investment income	7,371.4	8,001.4	6,654.8	4,198.0
Excise tax	147.4	160.0	133.1	84.0
4-percent tax				
Number of returns	46	70	46	38
Net investment income	48.0	24.6	21.2	18.3
Excise tax	1.9	1.0	0.8	0.7
FOUNDATIONS REPORTING AN EXEMPTION FROM EXCISE TAX				
Number of returns	283	830	532	494
Net investment income	602.7	765.6	546.6	472.1

The number of operating foundations reporting an exemption from the excise tax on net investment income has fluctuated over the 1985-1988 period. The 494 organizations claiming the exemption for 1988 were 20 percent of all operating foundations reporting net investment income.

The remaining 5,600 foundations which reported no excise tax on net investment income, and therefore were excluded from Figure D, mostly were organizations that had no investment income for 1988. However, a small number (3 percent) of these organizations did have investment income but did not report the excise tax, and a few organizations were Canadian foundations which, under a treaty with the United States, did not have to pay the excise tax.

COMPOSITION OF ASSETS

Investments form the largest portion of the total assets of private foundations, with securities being the most frequently used investing option of these organizations (Figure E). Between 1987 and 1988, total assets of all foundations increased 13 percent, from $114.3 billion to $128.9 billion, and investments in securities rose 14 percent, from $87.4 billion to $99.6 billion. While investments play an important role in the operations of most foundations, their importance is less for smaller-size foundations.

Investments in securities ranged from 56 percent of total assets for the smaller-size foundations (less than $1 million in total assets) to 82 percent of total assets for the larger-size foundations (total assets of $100 million or more). Assets held in the form of non-interest-bearing cash and also savings and temporary cash investments (interest-bearing accounts) played a more prominent role in the balance sheets of the smaller-size organizations. The larger-size organizations are more likely to maintain higher-risk investment portfolios with a higher proportion

Figure E.--Percentage Distribution of Asset Components, by Size of Fair Market Value of Total Assets, 1988

[Money amounts are in billions of dollars]

Item	All foundations	Size of fair market value of total assets			
		Under $1,000,000	$1,000,000 under $25,000,000	$25,000,000 under $100,000,000	$100,000,000 or more
	(1)	(2)	(3)	(4)	(5)
Fair market value of assets, total	$128.9	$5.7	$32.1	$23.1	$68.0
Cash, non-interest-bearing accounts	0.9%	6.6%	1.4%	0.7%	0.2%
Receivables[1]	1.3	3.0	1.5	1.6	0.9
Investments, total	93.4	85.3	90.9	91.2	95.9
Securities	77.3	55.7	70.7	77.2	82.2
Savings and temporary cash investments	8.6	21.9	12.4	8.0	5.9
Land, buildings, and equipment (less accumulated depreciation)	2.4	2.1	2.1	2.6	2.4
Other investments	5.1	5.6	5.7	3.4	5.3
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	2.0	3.1	3.6	3.1	0.8
Other assets	2.3	1.9	2.6	3.3	2.2

[1] Receivables include accounts receivable, pledges receivable, grants receivable, receivables due from disqualified persons, and other notes and loans receivable (excluding mortgages).

Note: Percentages may not add to 100 percent because of rounding.

of long-term investments compared to the relative safety and liquidity of non-interest-bearing cash, savings, or temporary cash investments.

The $3.2 billion in securities owned by the smaller-size foundations and the $56.0 billion in securities owned by the larger-size foundations represented respective increases of 5 percent and 15 percent between 1987 and 1988. Savings and temporary cash investments of the smaller-size foundations increased 2 percent from 1987, to $1.2 billion; for the larger-size foundations, savings and temporary cash investments decreased 2 percent, to $4.0 billion. After total investments, non-interest-bearing cash was the second largest asset component in the portfolios of the smaller-size foundations, but a much smaller part of the assets of the larger-size foundations. As shown in Figure E, the ratio of non-interest-bearing cash to total assets decreases as each asset-size group increases, from 7 percent down to less than 1 percent.

Asset components other than investments and non-interest-bearing cash that were reported by foundations included charitable-use land, buildings and equipment, various receivables, and "other assets" (which included items not reported elsewhere in the balance sheets, such as deferred income, interest-free or low-interest loans made for charitable purposes, and escrow deposits). These assets collectively accounted for 6 percent of aggregate foundation assets, and comprised 8 percent or less of the total assets within each of the asset-size groups shown in Figure E.

CHARITABLE DISTRIBUTIONS

Components of Qualifying Distributions

In addition to the $7.4 billion in grants made for 1988, foundations disbursed or "set aside" (for future distribution) $1.6 billion in support of charitable activities. All of these disbursements and set-asides made up the total $9.0 billion that foundations reported as "qualifying distributions," $0.9 billion of which were reported by operating foundations and $8.1 billion of which were reported by nonoperating foundations. The qualifying distributions of nonoperating foundations could be counted toward meeting the required annual payout for charitable purposes, called the "distributable amount" (see The Distribution Requirement and the Payout Rate, below) [14].

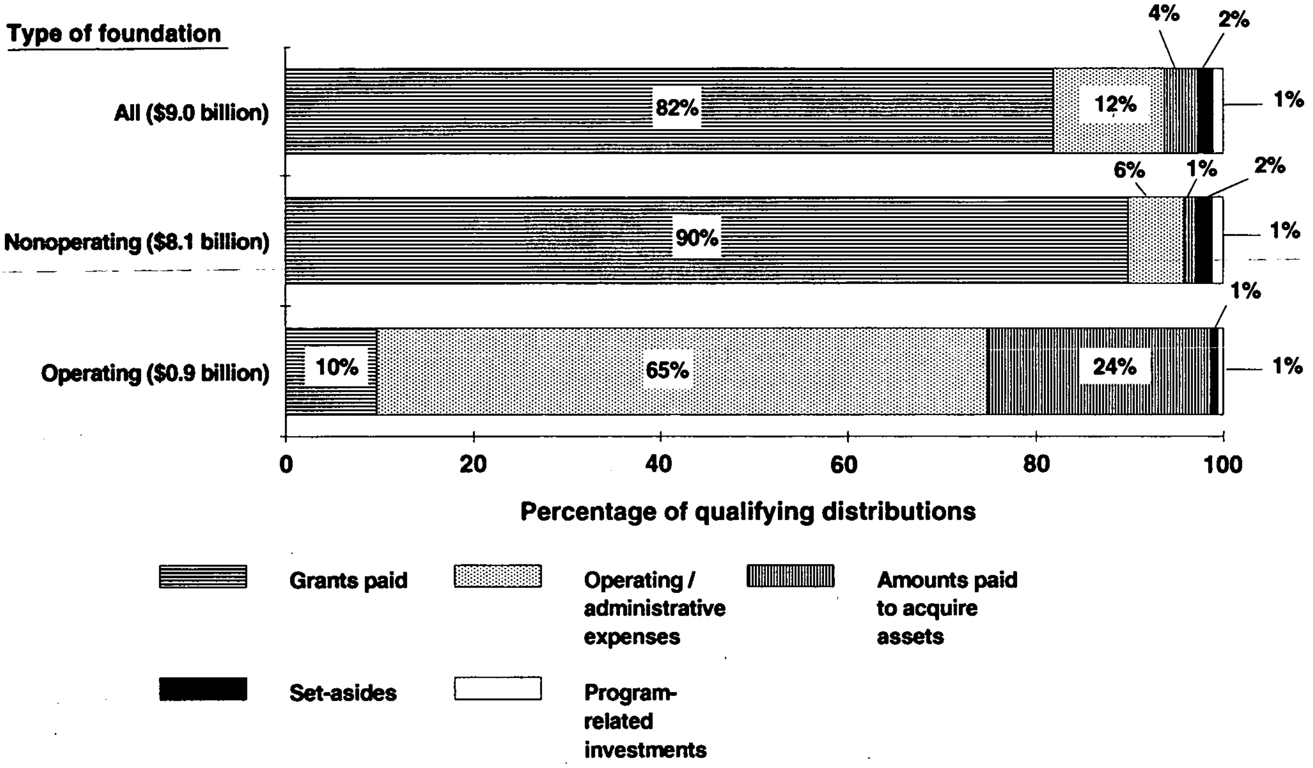
As illustrated in Figure F, qualifying distributions specifically consisted of grants (82 percent); operating and administrative expenses (which included amounts paid for direct charitable activities, such as operating a museum or nursing home, plus both charitable operations-related and allowable grantmaking-related administrative expenses) (12 percent); amounts paid to acquire assets used for charitable purposes (4 percent); amounts set aside to fund future charitable projects (2 percent); and amounts used for charitable program-related investments (such as low-interest loans to tax-exempt community organizations) (1 percent).

The percentage distribution of these components of qualifying distributions changes significantly when the two classifications of foundations, operating and nonoperating, are considered. As mentioned previously, and as would be expected by the nature of their classifications, nonoperating foundations fulfill their exempt purpose in an indirect manner, primarily by making grants to other charitable organizations, while operating foundations generally expend their income for direct, active involvement in charitable activities and operations.

As discussed in the Overview and Explanation of Private Foundations section, nonoperating foundations have a legal requirement to distribute a minimum amount for charitable purposes each year. Operating foundations are not subject to the same minimum payout require-

Figure F

Composition of Qualifying Distributions, 1988



Note: Component percentages may not add to 100 percent because of rounding.

ment, but they must still expend a minimum amount each year (under rules different from those governing nonoperating foundations) on direct support by actively conducting charitable programs. Although the two types of organizations usually operate according to their respective distribution requirements, some nonoperating foundations are actively involved in charitable programs, in addition to making grants, and some operating foundations make grants, in addition to operating charitable programs.

It is not surprising, then, that Figure F shows that grants as a percentage of qualifying distributions were 90 percent for nonoperating foundations, but only 10 percent for operating foundations. In contrast, operating expenses plus allowable administrative expenses were 65 percent of qualifying distributions for operating foundations, but only 6 percent for nonoperating foundations. Because operating foundations generally conduct their own charitable programs (as opposed to making grants to other organizations), it is typical for them to include in their qualifying distributions relatively large amounts for assets used in conducting their activities. Amounts paid to acquire charitable-use assets (such as equipment, supplies or buildings, to the extent that they are used for the foundation's tax-exempt purpose) were 24 percent of operating foundations' qualifying distributions; for nonoperating foundations, the corresponding proportion was only 1 percent.

The Distribution Requirement and the Payout Rate

The following discussion of the distribution requirement and the payout rate excludes operating foundations because they are not subject to the same distribution (payout) requirement as nonoperating foundations. Therefore, all references to foundations in this section, and in following sections, are to nonoperating foundations, unless otherwise indicated.

Each tax year, nonoperating foundations must calculate a "distributable amount" which is the minimum amount that they must distribute for charitable purposes by the end of the next full tax year. The distributable amount is 5 percent of the fair market value of net investment assets (called the "minimum investment return"), plus or minus certain adjustments, either allowed or required [15]. (See "distributable amount," "net investment assets," "minimum investment return," and "net adjustments to distributable amount" in the Explanation of Selected Terms section.)

To fulfill the payout requirement, foundations can apply their current year's qualifying distributions and any carryovers of qualifying distributions (amounts paid out in excess of the minimum amount required) from the last 5 previous years. Collectively, nonoperating foundations paid out $8.1 billion in qualifying distributions and had an annual payout requirement (distributable amount) of $5.3 billion for 1988. Of the 33,913 nonoperating foundations, 95 percent were required to make a distribution for 1988. About four out of every five organizations required to make a distribution met or exceeded the required amount for 1988, while one out of every five did not, although these latter organizations had until the end of their 1989 reporting periods to satisfy the requirement. (After applying current-year qualifying distributions and any carryovers from previous years, the amount by which foundations fell short of meeting the annual payout requirement is called "undistributed income.")

Given that the annual required payout is not calculated until the end of an organization's reporting period and that it is based on the current period's monthly average of investment assets, many foundations choose to take advantage of the 1-year tax- and penalty-free "grace period" for making required distributions. This lag time gives foundations an opportunity to consider the result of the current year's required payout calculation when preparing their grantmaking budgets for the following year.

Foundations that had no undistributed income (meaning that they met or exceeded the required amount) for 1988 had a distributable amount of $3.0 billion and made qualifying distributions of $5.8 billion. In aggregate, these foundations applied $2.9 billion of the current year's qualifying distributions and $0.1 billion in carryovers from previous years to satisfy the payout requirement. (In some cases, carryovers were used in total; in other cases, they were used in combination with current-year qualifying distributions to meet the requirement.)

In addition to the $3.0 billion (i.e., the $2.9 billion distributed for 1988 plus the $0.9 billion carried over from previous years) that was applied toward the 1988 distributable amount, foundations that had no undistributed income reported another $2.9 billion of current-year (1988) qualifying distributions, some of which was applied to undistributed income of the previous year (or previous years), some of which was considered "excess distributions" carried forward to use within the next 5 years (if needed), and some of which was considered pass-through redistributions (amounts received from, and claimed as qualifying distributions by, another private foundation and therefore subtracted out of the recipient foundation's current-year qualifying distributions).

The foundations that reported undistributed income for 1988 applied, in aggregate, $865.2 million of qualifying distributions plus $32.8 million of carryovers against distributable amounts totaling $2.3 billion, resulting in $1.4 billion of undistributed income. These organizations had an additional $1.3 billion of qualifying distributions that they were unable to apply toward meeting the current year's requirement because they either were applied to the previous year's (or years') undistributed income or were considered pass-throughs.

Five percent of all nonoperating foundations had no payout requirement for 1988, primarily because they had no investment assets on which the computation of the payout requirement was based. Nonetheless, these organizations made qualifying distributions totaling almost $1 billion.

Figure G shows foundation median payout rates for 1986 to 1988 [16]. While the payout rates of the small-size foundations fluctuated during the 1986-88 period, rates for the medium- and large-size foundations remained the same or increased. Except for the group of foundations with assets of $100,000 under $1 million, median payout rates increased between 1987 and 1988. Partially responsible might be the incentive offered by the 1-percent reduction in the excise tax for those organizations which had current-year qualifying distributions that equaled or exceeded the sum of a 5-year average payout amount plus the 1-percent reduced tax amount (see the Excise Tax on Net Investment Income section, including Figure D). The data shown in Figure D are consistent with

Figure G.--Nonoperating Foundation Median Payout Rates, by Size of Fair Market Value of Total Assets, 1986-1988

Size of fair market value of total assets	Median payout rates		
	1986	1987	1988
	(1)	(2)	(3)
All foundations	6.9%	7.0%	7.2%
Small foundations			
$1 under $100,000	10.2	9.6	10.7
$100,000 under $1,000,000	6.5	6.7	6.6
Medium foundations			
$1,000,000 under $10,000,000	5.6	5.7	5.9
$10,000,000 under $50,000,000	5.4	5.4	5.5
Large foundations			
$50,000,000 under $100,000,000	5.1	5.2	5.3
$100,000,000 or more	5.0	5.0	5.3

this proposition; the number of foundations claiming the 1-percent excise tax reduction increased between 1987 and 1988 by 26 percent.

Payout rates for the largest foundations were very close to the required rate, in contrast to those of the smaller foundations, which were much higher than the required rate. This is not unexpected because of changes in the grantmaking strategies that seem to occur as the asset size of a foundation grows. Small organizations generally make qualifying distributions which are much larger than those required. They focus more on distributing charitable dollars currently than on long-term endowment growth. Many of these small foundations traditionally distribute virtually all of the contributions they receive, which comprise the largest part of their income, and they pay out income from other sources as well.

Contributions received are a much less important revenue source for the large foundations. The principal source of income for these foundations is the yield on investments. Since the required payout amount is 5 percent of investment assets, it is not surprising that larger foundations make qualifying distributions that are relatively close to the required 5-percent payout amount and, generally, reinvest any remaining portion of the return on their investments to ensure endowment growth. (A further discussion of the different investing goals and distribution patterns of large and small foundations appears in the sections, Investing Behavior and Asset Growth, Distribution Goals, and Decision-making.)

It may prove to be significant that the median payout rate for the largest foundations shown in Figure G increased to 5.3 percent, the highest level on record since 1982, which was the first year of a legislated change in the payout requirement [17]. An examination of data from future years will be necessary to form any conclusions regarding actual causes for the increase, or to see if, in fact, a trend becomes apparent.

Seventy-seven percent of the 32,330 nonoperating foundations which reported a distributable amount for 1988 had actual payout rates of 5 percent or more; 36 percent had actual payout rates of 10 percent or more; and 14 percent had payout rates of 50 percent or more. As would be expected, small foundations more often exceeded the payout requirement than did larger foundations. For example, 77 percent of foundations with assets of $1 under $1 million realized payout rates of 5 percent or more, 40 percent realized payout rates of 10 percent or more, and 17 percent realized payout rates of 50 percent or more. In contrast, 68 percent of foundations with assets of $50 million or more realized payout rates of 5 percent or more, 7 percent realized payout rates of 10 percent or more, and less than 1 percent realized payout rates of 50 percent or more.

INVESTING BEHAVIOR

Since many foundations rely extensively on the management and growth of their investments as a means by which to fund long-run charitable giving, a discussion of foundation investing behavior follows naturally from the discussion of the payout rate. Private foundations represent a unique entity within the American market economy. Grantmaking, the primary function of (nonoperating) foundations, distinguishes this type of organization from other nonprofit organizations and from profit-making firms. Foundations possess a great deal of latitude in the manner in which they distribute and manage their money. In order to fund charitable activity and to maximize the size of their endowments, it is optimal for foundations to realize a rate of total return on assets that equals at least 5 percent plus investment costs and the rate of inflation. This makes it possible for them to fulfill the charitable payout requirement without eroding their endowments.

Different sizes of foundations seem to have different charitable distribution and investment objectives and different methods by which to attain these objectives [18]. For example, the larger foundations may tend to operate with more of a long-term focus. They seem to invest and manage their assets in order to maintain or increase the size of their endowments. Many of these foundations invest in order to earn income and a return (after accounting for inflation) that will allow them to meet the annual 5-percent payout requirement. The larger foundations hold a greater proportion of assets as investments in securities, as well as a greater proportion of lower-income yield, higher-risk, and higher growth common stock that has greater appreciation potential [19]. They also may tend to possess the resources needed to utilize the expertise of investment managers. For these reasons, the larger foundations typically earn higher rates of total return (defined below) than do the smaller foundations. In fact, the rate of return tends to increase as the size of the foundation increases.

Many of the smaller foundations, conversely, may tend to operate with more of a short-term focus and with the intention of distributing large contributions currently. Oftentimes many of the smaller foundations act as conduit or "pass-through" organizations. In this role, they often receive contributions in 1 year and then distribute them as qualifying distributions in that same year or in the next year. These smaller foundations, compared to the larger ones, often do not possess the resources necessary to devote to sophisticated investment and risk management and may not have the same incentives to perpetuate the endowment of the foundation. Moreover, certain foundations, typically the smaller ones, operate with the intention of existing for only a short-term period and distributing all assets within a pre-determined timeframe. In terms of investment assets, the smaller foundations tend to hold fewer assets as securities. Of their investment holdings, they tend to hold lower risk and higher fixed-income yield assets that do not appreciate as rapidly, thereby resulting in lower returns compared to the larger foundations [20].

Rate of Total Return

A comparison of the payout rate and the rate of total return helps to explain differences in the behavior of the different sizes of private foundations. The rate of total return is a measurement of the total capital appreciation of the endowment of a foundation. The rate of return formula used here measures the change in the value of the entire asset base with considerations for inflows and outflows of money [21]. The formula adjusts for inflation and measures the realized income from assets, investment and otherwise, as well as the unrealized appreciation or depreciation in the fair market value of assets.

Foundations realized increases in the value of both total assets and investments in securities from 1987 to 1988, 13 percent and 14 percent, respectively. Along with these increases, rates of total return increased across size classes from the unusually low 1987 returns. For 1987, largely due to the October stock market decline that lowered the end-of-year asset values, the median foundation realized a real rate of return that fell below the desired 5 percent needed to fulfill the payout requirement without a decline in asset value. For instance, for 1987, the largest foundations —those holding $100 million or more in total assets—realized only a 1.4 percent real return. For 1988, however, median returns ranged from 7.4 percent for those foundations holding from $1 million to under $10 million in total assets, to 9.6 percent for the largest foundations. Median figures for real rates of total return for nonoperating foundations during the years 1986 to 1988 are shown in Figure H.

Foundations tend to realize higher total returns as the asset size of the foundation increases. Since the total return figures account for inflation, it is apparent that foundations (at least those holding $1 million or more in assets) realized a degree of asset appreciation for 1988 that enabled them to exceed the 5-percent charitable payout requirement. The distribution of the rate of return data is positively skewed since the mean returns are higher than the medians for all of the foundation size groups for each of the years studied. The considerable increase in total returns from 1987 to 1988 helps to explain the increase in the value of foundation assets for 1988.

Figure H.--Nonoperating Foundation Rates of Total Return on Assets, by Size of Fair Market Value of Total Assets, 1986-1988

Size of fair market value of total assets	Median rates of return[1]		
	1986	1987	1988
	(1)	(2)	(3)
All foundations	**n.a.**	**n.a.**	**n.a.**
Small foundations			
$1 under $1,000,000	n.a.	n.a.	n.a.
Medium foundations			
$1,000,000 under $10,000,000	9.0%	1.3%	7.4%
$10,000,000 under $50,000,000	11.4	0.9	8.5
Large foundations			
$50,000,000 under $100,000,000	11.8	1.1	8.9
$100,000,000 or more	13.9	1.4	9.6

n.a.-not available

[1] The GNP implicit price deflator was used to adjust for inflation.

Income Yield

While the rate of total return measures the change in the value of the entire endowment of a foundation, the income yield measures only realized investment income earned by a foundation each year. Due to the nature of the data that are collected, the most appropriate way in which to calculate the net investment income yield, or the NII yield, is by dividing net investment income by the end-of-year fair market value of investment assets. Investment assets include savings and temporary cash investments; securities (such as corporate stock, corporate bonds, Government bonds, and Treasury bills); land, buildings and equipment; mortgage loans; and "other investments". Net investment income is comprised of income not considered to be related to a foundation's charitable purpose, such as interest, dividends, and capital gain net income. Figure I displays the median NII yields for nonoperating foundations for the years 1986 to 1988.

Figure I.–Nonoperating Foundation Net Investment Income Yields, by Size of Fair Market Value of Total Assets, 1986-1988

Size of fair market value of total assets	Median net investment income yields		
	1986	1987	1988
	(1)	(2)	(3)
All foundations	**7.5%**	**7.2%**	**7.2%**
Small foundations			
$1 under $100,000	6.3	6.4	6.6
$100,000 under $1,000,000	7.8	7.4	7.3
Medium foundations			
$1,000,000 under $10,000,000	8.7	8.1	7.6
$10,000,000 under $50,000,000	11.1	9.4	7.6
Large foundations			
$50,000,000 under $100,000,000	11.2	9.0	7.4
$100,000,000 or more	9.9	8.9	7.3

As in the case of the rate of total return, the large foundations typically tend to earn higher NII yields than the smaller foundations. For the small foundations, NII yields remained relatively constant over the entire 1986 to 1988 period. However, for both the large and medium foundations, all those holding $1 million or more in total assets, NII yields declined in both years following 1986. For instance, the median NII yields for the largest foundations fell from 9.9 percent for 1986 to 7.3 percent for 1988. The distribution of the NII yield data is positively skewed since the mean yields are higher than the medians for all of the foundation size groups for each of the years studied. The smaller the size of the foundation the greater the difference tends to be between the mean yield and the median yield.

The declining NII yields for the large- and medium-size groups most likely resulted, in part, from declining foundation revenue and increasing investment assets. Realized nonoperating foundation income, in the form of net investment income, declined by 7 percent from 1987 to 1988. The significant decrease in net gain (less loss) from sales of assets helps to explain much of the decline in net investment income. The large and medium-size foundations, as a combined group, realized a somewhat greater decline in net investment income for 1988 compared to the small foundations, 8 percent compared to 7 percent. More importantly, investment assets for the large- and medium-size foundations, as a combined group, increased significantly faster than for the small foundations, 14 percent compared to 3 percent. These factors both help to explain the difference in yields for the different sizes of foundations from 1987 to 1988. The considerable growth in the rates of total return for 1988 compared to the declines in the NII yields (for many foundations), shows that foundations attained greater growth from unrealized appreciation of assets than from realized income.

ASSET GROWTH, DISTRIBUTION GOALS, AND DECISION-MAKING

During the early-to-mid 1980's, foundations benefited from favorable stock market conditions that, coupled with low inflation and interest rates, allowed many of them to realize rates of return and income yields high enough to easily meet the 5-percent charitable payout requirement. This favorable environment, for instance, during the 1982 to 1986 period, enabled many foundations to increase their charitable grants and distributions and at the same time expand the size of their endowments. As the value of foundation assets increased, so did the required distributable amounts, thereby leading to increased grants paid out by foundations. In the case of the smaller foundations, growth in the amount of contributions that they received was steady and significant. This factor helped contribute largely to the increases in the charitable distributions made by this group.

Foundations realized growth in asset value and distributed charitable dollars during the years 1986 to 1988 in patterns that differed from those evident during the 1982 to 1986 period. From 1982 to 1986 the large- and medium-size foundations realized asset growth that exceeded the increases in their qualifying (charitable) distributions. The smallest foundations, on the other hand, paid out more charitable distributions during these years than the amount of growth in their total assets.

During the years 1986 to 1988, however, the large- and medium-size foundations paid out charitable dollars at a rate that exceeded their increase in assets. Largely due to the October 1987 stock market decline, the largest (nonoperating) foundations, for instance, realized unusually low total returns for 1987 and a relatively slow rate of asset growth during the entire 1986 to 1988 period, 18 percent. Despite this slower rate of asset growth and a 20 percent decline in revenue, charitable distributions made by the largest foundations increased by 30 percent from 1986 to 1988. Conversely, the smallest foundations, which had slower rates of growth for both assets and distributions, realized a higher rate of asset growth from 1986 to 1988 than the rate at which they distributed charitable dollars, 11 percent compared to only 6 percent. At the same time, however, they realized declining revenue of over 25 percent. It seems that the decreases in revenue may have influenced the grantmaking behavior of the small foundations much more than the large foundations.

Larger foundations historically have realized greater returns on total assets than smaller foundations. The larger foundations typically rely heavily on the appreciation of their endowments to fund charitable programs and, therefore, have distributed dollars in such a way as to promote long-run asset growth. For instance, the significant asset growth of the largest foundations during the 1980s allowed them to increase distributions through 1988 at a rate faster than any of the other size groups [22]. These foundations typically pay out qualifying distributions at a rate very near the 5-percent requirement. During the entire 1982 to 1988 period, foundation endowments, especially those of the largest foundations, increased significantly in value, thereby leading to higher required payout amounts, and then, increased distributions. A growing endowment will fund charitable grants at the same or at an increased value in the future.

Smaller foundations, on the other hand, typically realize lower income yields and lower returns and tend to payout a greater percentage of their assets than the larger foundations. From 1986 to 1988 the smaller foundations distributed charitable dollars at slower rates of increase than in prior years. In planning charitable distributions, the smaller foundations tend to depend largely on the amount of contributions that they receive. It seems that the large drop in the amount of contributions received by these foundations during the 1986 to 1988 period helped to reduce the growth of their grantmaking during this period.

The differences in foundation total returns, income yields, contributions received, and charitable payout practices raise questions regarding the investment and distribution behavior of the different sizes of foundations. For instance: how does the rate of total return (and possibly the NII yield) in one year affect the grantmaking budgets and the payout rates of the following year or years? In other words, do certain foundations respond to relatively low returns with low payout rates or to high returns with high payout rates? And, do these patterns differ with the size of the foundation? Data from 1989, a relatively strong year in terms of growth of the stock market and the economy, may provide further insight into the interplay of all of these factors.

SUMMARY

Total private foundation revenue continued to decline from 1987 to 1988, by 5 percent, or $837 million. During the entire 1986 to 1988 period, total foundation revenue fell by 19 percent, to $16.3 billion. The two largest components of revenue, contributions received and net gain (less loss) from sales of assets, declined from 1987 to 1988 by 0.3 percent and 34 percent, respectively, to $5.3 billion and $3.7 billion. Likewise, net investment income fell by 8 percent, to $10.4 billion, from 1987 to 1988.

Despite decreases in total revenue, foundation end-of-year fair market value of total assets increased by 13 percent from 1987 to 1988, to $128.9 billion. The largest foundations realized the greatest gains in assets. By year's end, foundations seemed to have recovered from much of the effect of the October 1987 stock market decline. As an indication of recovery, foundation rates of total return increased markedly from the unusually low 1987 returns. Rates of total return ranged from 7.4 to 9.6 percent. For instance, the largest foundations—those holding assets with fair market value of $100 million or more—realized a real rate of total return of 9.6 percent for 1988, compared to only 1.4 percent for 1987.

Despite the decline in total revenue and the unusually low rates of total return for 1987, foundation grant payments increased by 9 percent from 1987 to 1988, to $7.4 billion. Similarly, qualifying distributions for all foundations increased by 10 percent, to $9.0 billion, and charitable payout rates tended to increase slightly as well. While the largest nonoperating foundations—those holding $100 million or more in assets—increased distributions by 13 percent from 1987 to 1988, the smallest foundations—those holding less than $1 million in assets—increased their distributions by only 1 percent. Approximately one-third of all foundations were able to take advantage of the 1-percent excise tax reduction for 1988 since they distributed charitable dollars for that year at a rate that exceeded their most recent 5-year average charitable payout amount plus 1 percent of their current-year net investment income.

These changes in revenues, assets, and charitable giving for 1988 help to further depict variations in the investment and distribution behavior of the various sizes of foundations. The largest foundations, which typically rely more heavily on the appreciation of their endowments in order to fund charitable programs, increased both assets and charitable distributions at the greatest rate from 1982 to 1988. In order to fund charitable giving at an increased rate in both the present and the future, many foundations rely heavily on the growth of their endowments, while others rely largely on the amount of contributions that they receive currently.

DATA SOURCES AND LIMITATIONS

The statistics in this article are based on a sample of Tax Year 1988 private foundation returns, Forms 990-PF, filed with the IRS. IRS required organizations having accounting periods beginning in that year (and therefore ending, in general, in December 1988 through November 1989) to file a 1988 Form 990-PF. Some part-year returns were included in the sample for organizations that changed their accounting periods, or filed initial or final returns. Approximately 60 percent of the foundations' accounting periods cover Calendar Year 1988 or, in some cases, part-year periods that ended December 1988. The remaining 11 noncalendar-year accounting periods, when grouped together, include a period of time that ranges from February of 1988 to November of 1989 (and may also include some part-year periods). While the majority of the 1988 data are for Calendar Year 1988, approximately 40 percent of the data were reported for noncalendar-year periods that go beyond the end of Calendar Year 1988. In total, however, most of the financial activity is associated with Calendar Year 1988.

The 1988 sample was stratified based on size of book value of total assets and was selected at rates that ranged from 7.1 percent (for the more numerous but very small asset-size returns) to 100 percent (for the relatively few returns with large amounts of assets) [23]. The 5,111 returns in the 1988 sample were drawn from an estimated population of 37,141. Returns filed by nonexempt charitable trusts and certain taxable foundations were excluded from the statistics for 1988. Beginning with Tax Year 1989, however, SOI will provide data on Code section 4947(a)(1) charitable trusts that filed Form 990-PF.

The 1988 study was designed to provide reliable estimates of total assets and total revenues based on a sample of returns. To accomplish this, 100 percent of returns with assets (book value) of $10 million or more were included in the sample, since these were the returns that, dollar-wise, accounted for the majority of foundation activity. For example, the 1,262 returns in this sample with $10 million or more in assets accounted for approximately 25 percent of all sample returns and 77 percent of the estimated (book value of) total assets of all foundations. The remaining 3,849 returns in the 1988 sample were randomly selected at various rates depending on the asset size, 7.1 percent for those returns with assets under $100,000; 9.1 percent for those returns with assets of $100,000 under $1,000,000; and 23.8 percent for those returns with assets of $1,000,000 under $10,000,000.

The population from which the 1988 sample was drawn consisted of private foundation records posted to the IRS Business Master File during 1988 and 1989. Some of the records designated were for organizations that were deemed inactive or terminated. Inactive and terminated private foundations are not reflected in the estimates. For the small number of large private foundations for which the return for the 1988 Tax Year had not yet been filed or was otherwise unavailable for inclusion in the study, data were estimated using other returns having similar characteristics.

The data presented were obtained from returns as originally filed. In most cases, changes made to the original return as a result of either administrative processing or a taxpayer amendment were not incorporated into the data base. A discussion of the reliability of estimates based on samples and methods for evaluating both the magnitude of sampling and non-sampling error and the precision of sample estimates can be found in the general Appendix to this report. Estimates of the coefficients of variation (CV's) or other sampling information can be obtained by writing to the authors at the following address: Internal Revenue Service, Statistics of Income Division (R:S:F), P.O. Box 2608, Washington, DC 20013-2608.

EXPLANATION OF SELECTED TERMS

The following explanations describe terms as they applied to private foundations for 1988.

Adjusted Net Income.—In general, this was the amount by which a private foundation's gross income exceeded the expenses associated with earning the income. Included were all amounts derived from, or connected with, property held by the foundation, such as net short-term capital gain, ordinary investment income (dividends and interest, rents and royalties), and income from amounts set aside for future charitable use, from all charitable functions, or from unrelated trade or business activities. Excluded were contributions received and long-term capital gains. Long-term capital losses could be reported as "other expenses." This item was reported on Form 990-PF, Part I, line 27c, column (c).

Assets Zero or Unreported.—Included in this asset size category were: (1) final returns of liquidating or dissolving foundations which had disposed of all assets; and (2) returns of foundations not reporting end-of-year assets that had apparently distributed (or disposed of) all assets and income received during the year.

Capital Gain Net Income.—This was the amount of net gain from the sale or disposition of property used for investment purposes (property used for exempt purposes was excluded). Capital losses from the sale or other disposition of property could be subtracted from capital gains only to the extent of such gains. Capital gain net income was used to compute "net investment income" (on which an excise tax generally must be paid). This item was reported on Form 990-PF, Part 1, line 7, column (b).

Disbursements for Charitable Purposes.—These deductions comprised the largest component of qualifying distributions and were represented by grants paid, operating expenses, and necessary and reasonable administrative expenditures for activities that were directly related to the tax-exempt purposes of the foundation. These amounts were determined solely on the cash receipts and disbursements method of accounting, as required by law and regulations. This item was reported on Form 990-PF, Part I, line 26, column (d).

Disqualified Persons.—With respect to engaging in prohibited transactions with a private foundation, such as "self-dealing," the following were considered disqualified persons: (1) all substantial contributors to the foundation (generally, those who contributed an amount over $5,000 which was more than 2 percent of total contributions received by the foundation); (2) foundation officers, directors, trustees, or managers; (3) an owner of more than a 20 percent interest (voting power, profits interest, or beneficial interest) in an organization which was a substantial contributor to the foundation; (4) a member of the family of any individual described above (including spouse, ancestors, children, grandchildren, great-grandchildren, and spouses of children, grandchildren and great-grandchildren, but not brothers or sisters); (5) organizations in which persons described above held more than a 35-percent interest; (6) another private foundation, for purposes of the tax on excess business holdings, which was effectively controlled by a person or persons in control of the foundation in question; and (7) a government official, for purposes of the tax on "self-dealing."

Distributable (Payout) Amount.—This was the minimum payout amount which was required to be distributed by the end of the year following the year for which the return was filed in order to avoid an excise tax for failure to distribute income currently. The distributable amount was computed as 5 percent of net investment assets, called the "minimum investment return," minus taxes on both net investment income and unrelated business income, plus or minus other adjustments, either allowed or required (see "Net Adjustments to Distributable Amount"). This item was reported on Form 990-PF, Part X, line 7.

Excess Distributions Carryover.—This was the amount distributed, after fulfilling the charitable payout requirement, that equaled the excess of qualifying distributions over the distributable amount. Amounts from the current year and the 4 prior years could be carried forward in order to be applied to the distributable amount for following years. This item was reported on Form 990-PF, Part XIV, line 9.

Excess Grant Administrative Expenses.—This was the amount of grantmaking administrative expenses, incurred by a foundation in the charitable grantmaking process, that exceeded the amount which could be applied to either the charitable payout requirement (imposed on nonoperating foundations) or the income test (imposed on operating foundations, defined below). The 1984 Deficit Reduction Act required that only the portion of grant administrative expenses incurred by a foundation that did not exceed 0.65 percent of a 3-year average of net investment assets could be treated as qualifying distributions. Any grant administrative expenses in excess of the 0.65 percent calculation could not be treated as qualifying distributions. This temporary limitation on grantmaking expenses expired on December 31, 1990. Beginning with the 1991 tax year, foundations were no longer subject to this requirement. This item was reported on Form 990-PF, Part XIII, line 5.

Inventories.—The value of materials, goods, and supplies purchased or manufactured by the organization and held for sale or use in some future period. This item was reported on Form 990-PF, Part II, line 8, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Land, Buildings, and Equipment, Charitable-use.—The book value or fair market value (less accumulated depreciation) of all land, buildings and equipment not held for investment purposes. Included was any property, plant or equipment owned and used by the organization in conducting its charitable activities. This item was reported on Form 990-PF, Part II, line 14, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Land, Buildings, and Equipment, Investment-use.—The book value or fair market value (less accumulated depreciation) of all land, buildings and equipment held for investment purposes, such as rental properties. This item was reported on Form 990-PF, Part II, line 11, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Minimum Investment Return.—This was the aggregate fair market value of assets not used for charitable purposes, less both the indebtedness incurred to acquire them and cash held for charitable activities, multiplied by 5 percent. The minimum investment return was used as the base for calculating the "distributable amount." This item was reported on Form 990-PF, Part IX, line 6.

Net Adjustments to Distributable Amount.—Adjustments that increased the "distributable amount" consisted of increases attributable to the income portion (as distinct from the principal portion) of distributions from split-interest trusts on amounts placed in trust after May 26, 1969. (A split-interest trust is a trust which is not exempt from tax; not all of whose interests are devoted to charitable, religious, educational, and like purposes; but which has amounts in trust for which a charitable contribution deduction is allowed.) Recoveries of amounts previously treated as qualifying distributions also had to be added back to the distributable amount.

Adjustments that decreased the distributable amount were the result of income required to be accumulated as part of an organization's governing instrument. These adjustments were allowed only for foundations organized before May 27, 1969, whose governing instrument continued to require the accumulation, since State Courts would not allow the organization to change its governing instrument. These items were reported on Form 990-PF, Part X, lines 4a, 4b, and 6.

Net Gain (or Loss) from Sale of Assets.—Included was profit or loss from sales of items such as securities, land, buildings, or equipment. Gain or loss reflected the amount shown on the books of the foundation and included any amount from the sale of property used for both investment and tax-exempt purposes. Most of the gain or loss was from sales of stocks and bonds. Profit or loss from the sale of inventory items was included in gross profit (loss) from business activities. This item was reported on Form 990-PF, Part I, line 6, column (a).

Net Investment Assets (Noncharitable-use Assets).—For purposes of calculating "minimum investment return," only the average, rather than end-of-year, fair market value of assets that were not used or held for use for tax-exempt purposes entered into the computation. An asset was not used directly in carrying out the foundation's exempt purpose if it was not used in carrying out a charitable, educational, or other similar function which gave rise to the exempt status of the foundation. Examples include the fair market value of securities and rental property owned by the foundation for investment purposes. This item was reported on Form 990-PF, Part IX, line 5.

Net Investment Income.—This was the amount by which gross investment income, including capital gain net income, exceeded allowable deductions. Included in investment income were interest, dividends, rents, payments with respect to securities loans, and royalties. Excluded were tax-exempt interest on governmental obligations and any investment income derived from unrelated trade or business activities that were subject to the unrelated business income tax reported on Form 990-T. This item was reported on Form 990-PF, Part I, line 27b, column (b).

Net Short-term Capital Gain.—This was the amount of net gain from the sale or disposition of property (used for both investment and charitable purposes) that was held not more than 12 months. Short-term capital losses from the sale or disposition of property could be subtracted from short-term capital gains only to the extent of such gains. Net short-term capital gain was used to compute "adjusted net income". This item was reported on Form 990-PF, Part I, line 8, column (c).

Nonoperating Foundations.—These were organizations that generally carried on their charitable activities in an indirect manner by making grants to other organizations that were directly engaged in charitable activities, in contrast to those (operating foundations) engaged in charitable activities themselves. However, some nonoperating foundations were actively involved in charitable programs, in addition to making grants. Nonoperating foundations were subject to an excise tax (and possible additional penalties) for failure to distribute an annual minimum amount for charitable purposes within a required time period.

Operating Foundations.—These foundations generally expended their income for direct, active involvement in a tax-exempt activity, such as operating a library or museum, or conducting scientific research. To qualify as an operating foundation for a particular taxable year, a private foundation had to spend at least 85 percent of the lesser of its adjusted net income or minimum investment return on the direct, active conduct of exempt-purpose activities (the "income test") and satisfy one of three other tests termed the "assets test," the "endowment test," and the "support test." Operating foundations were excepted from the income distribution requirement and related excise taxes that were applicable to nonoperating foundations.

Distributions made by a private nonoperating foundation to an operating foundation qualified toward meeting the nonoperating foundation's distribution requirement. (Distributions made by one nonoperating foundation to another were subject to a number of conditions and restrictions requiring a "pass-through" of the distribution, whereby the donor foundation received credit for a qualifying distribution but the donee foundation did not.) Additionally, contributions to operating foundations were deductible on individuals' income tax returns, up to 50 percent of their adjusted gross income (as opposed to 30 percent for contributions to nonoperating foundations).

Other Assets.—Assets reported as "Other" included (1) those assets not allocable to a specific asset item on the Form 990-PF balance sheet or not included elsewhere on the return; and (2) certain amounts given special treatment in the course of statistical processing. The first category included such items as construction reserve land, deferred income, dividends receivable, escrow deposits, income tax refunds, interest discounts, interest-free loans, overdraft protection, and program-related investments. The second category included amounts reported by the return filer as negative liabilities. This item was reported on Form 990-PF, Part II, line 15, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Other Investments.—Investments reported as "Other" included such items as advances, bank certificates, cash values of life insurance, certificates of investment, investments in art, coins, gold, gems, and paintings, miscellaneous loan income, and patronage dividends. This item was reported on Form 990-PF, Part II, line 13, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Private Foundation.—This type of organization was defined under the Internal Revenue Code as a nonprofit corporation, association, or trust with a narrow source of funds which operated or supported social, educational, scientific, charitable, religious, and other programs dedicated to improving the general welfare of society. A private foundation was an organization which qualified for tax-exempt status under Code section 501(c)(3) and was not a church, school, hospital, medical research organization, an organization with broad public support in the form of contributions or income from tax-exempt activities, an organization which was operated by, or in connection with, any of the above described organizations, or an organization which conducted tests for public safety. The primary difference between a private foundation and a public charity lay in the sources of each type of organization's funding. A foundation usually received its funds from an individual, a family, or a corporation, while, as the name implies, a public charity received its funds mainly from a large number of sources within the general public.

Qualifying Distributions.—Included were disbursements for charitable purposes (grants, direct expenditures to accomplish charitable purposes, and charitable-purpose operating and administrative expenses); amounts paid to acquire assets used directly to accomplish tax-exempt functions; charitable program-related investments; and amounts set aside for future charitable projects. Qualifying distributions could be credited against the foundation's obligation to pay out its "distributable amount." This item was reported on Form 990-PF, Part XIII, line 6.

Total Assets.—This was the sum of all assets reported in the foundation's end-of-year balance sheet, shown at both book value and fair market value. This item was reported on Form 990-PF, Part II, line 16, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Total Expenses.—This was the sum of contributions, gifts, and grants paid plus various operating and administrative expenses related to both investment and charitable-purpose activities. Total expense items were reported as shown on the books and records of the foundation and were based on either the cash receipts or the accrual method of accounting. This item was reported on Form 990-PF, Part I, line 26, column (a).

Total Revenue.—This was the sum of gross contributions, gifts and grants received; interest and dividends from securities, savings, and temporary cash investments; net gain (less loss) from sales of assets (mostly investment assets, but also charitable-use assets); gross rents and royalties; gross profit (or loss) from business activities; and other miscellaneous income. Total revenue items were reported as shown on the books and records of the foundation and were based on either the cash receipts or the accrual method of accounting. This item was reported on Form 990-PF, Part I, line 12, column (a).

Undistributed Income.—The portion of the required "distributable amount" still undistributed after applying against it the sum of current-year qualifying distributions and any excess distributions carryover from prior years. Sanctions were imposed in the form of penalty taxes on private foundations that did not pay out an amount equal to the "distributable amount" by the end of the following tax year. This item was reported on Form 990-PF, Part XIV, line 6f, column (d).

NOTES AND REFERENCES

[1] The Explanation of Selected Terms section at the end of this article defines total assets, total revenue and other selected items reported on the IRS Form 990-PF, *Return of Private Foundation.*

[2] Unless otherwise indicated, dollar amounts and percentages are not adjusted for inflation. Inflation-adjusted real values were calculated using the implicit price deflators for the Gross National Product contained in the Council of Economic Advisors, *Economic Report of the President*, February 1990, Table C-3. Also, all references to assets are stated at fair market values unless book value is specifically noted.

[3] Dividend and interest income is reported on the Form 990-PF as two items: "interest on savings and temporary cash investments," and "dividends and interest from securities."

[4] *Source Book: Statistics of Income—1988, Corporation Income Tax Returns*, U.S. Department of the Treasury, Internal Revenue Service, Pub. 1053, 1991.

[5] The data presented in this article are from the tax year 1988 Form 990-PF, required to be filed by organizations which had accounting periods *beginning* in 1988. Therefore, the statistics for tax year 1988 generally include organizations with accounting periods that ended within the period December 1988 to November 1989.

[6] A nonexempt charitable trust, described in Internal Revenue Code section 4947(a)(1), is a trust (1) that is not considered tax-exempt under Internal Revenue Code section 501(a); (2) which has exclusively charitable interests; and (3) for which a charitable tax deduction is allowed for contributions received. Nonexempt charitable trusts that are not publicly supported are subject to the excise tax provisions for private foundations and are required to file a Form 990-PF, *Return of Private Foundation*. (Publicly supported nonexempt charitable trusts are required to file Form 990, *Return of Organization Exempt From Income Tax*.) Nonexempt charitable trusts must pay an annual tax on income (usually from investments) that is not distributed or set aside for charitable purposes, and they must report such income and tax on Form 1041, *U.S. Fiduciary Income Tax Return*.

[7] Internal Revenue Service, *Statistics of Income—Compendium of Studies of Tax-Exempt Organizations, 1974-1987*, U.S. Department of the Treasury, Internal Revenue Service, Pub. 1416, 1991. (Available from the Statistics of Income Division, Internal Revenue Service, Washington, DC.)

[8] Results of private foundation studies for 1982,1983, 1985 and 1986-87 have been published in various issues of the *Statistics of Income Bulletin*: Fall 1985, Volume 5, Number 2 (1982 data); Winter 1986-1987, Volume 6, Number 3 (1983 data); Summer 1989, Volume 9, Number 1 (1985 data); and Spring 1991, Volume 10, Number 4 (1986-87 data).

[9] For an in-depth discussion of organizations other than private foundations, which are tax-exempt under Internal Revenue Code section 501(c)(3), see Hilgert, Cecelia, and Mahler, Susan J., "Nonprofit Charitable Organizations, 1986 and 1987," *Statistics of Income Bulletin*, Fall 1991, Volume 11, Number 2.

[10] Programs termed "charitable" refer to tax-exempt activities which are charitable, educational, scientific, social, literary, or religious in nature.

[11] Generally, the assets test was met if 65 percent or more of the foundation's assets were used directly for the active conduct of charitable activities. The endowment test was met if the foundation normally made distributions for the active conduct of charitable activities in an amount not less than two-thirds of its "minimum investment return." The support test was met if substantially all of its support (other than from gross investment income) was normally received from the public or from five or more qualifying exempt organizations, and (a) no more than 25 percent of its support (other than from gross investment income) was normally received from any one such qualifying exempt organization; and (b) no more than half of its support was normally received from gross investment income.

[12] Some of the foundations classified as "nonoperating" for 1988 were "failed public charities," organizations that were originally classified as public charities but could no longer qualify for that favored status because they failed to maintain the required minimum of support from public sources. Most often, the reclassified nonoperating foundations continued to operate like public charities, conducting programs or providing direct services, as opposed to making grants to accomplish a charitable purpose. Many of these organizations may have qualified as operating foundations, but did not request such status from the Internal Revenue Service.

[13] Since only those foundations holding $10 million or more in book value of total assets were sampled at a rate of 100 percent, only those foundations were included in Table 4. Those foundations sampled at rates of less than 100 percent were not sampled to match the distribution of foundations by geographic region. Therefore, State data for foundations holding under $10 million in book value of assets were not necessarily representative of State populations and were not included in the table. However, in order to remain consistent with Tables 1 and 3, assets in the table were presented in fair market value.

[14] The item, "qualifying distributions," as defined in the Internal Revenue Code and as used on the Form 990-PF, may be slightly misleading because it includes not only amounts that were actually distributed, but other amounts spent or set aside for charitable purposes as well.

[15] In addition to reductions in the fair market value of net investment assets allowed for the excise tax on net investment income and the unrelated business income tax imposed under Internal Revenue Code section 511, reductions for "blockage" or other marketability discounts are permitted. These discounts (limited to 10 percent in the case of securities, but statutorily unlimited in other cases, such as land holdings) can effectively reduce the net investment asset base and, thus, result in a minimum payout level of less than 5 percent of full fair market value in many cases. An example of this type of discounting would be a foundation that owns 15 percent of the stock of a publicly held corporation. This percentage represents a block of securities so large in relation to the volume of actual sales on the existing market that it could not be liquidated in a reasonable time without depressing the market. Because of this situation, the foundation is allowed to discount the fair market value of the stock for the purposes of reporting it on the Form 990-PF.

[16] To calculate the payout rate, the amount of (adjusted) qualifying distributions was divided by the amount of the monthly average of net investment (or noncharitable-use) assets. This payout formula adjusts qualifying distributions with additions and subtractions that are made to the required "distributable amount" on the Form 990-PF, *Return of Private Foundation*. The numerator of the formula also includes excess distributions made in the past and applied to the requirement of the current filing year.

[17] The median payout rate for these foundations was 6.5 percent for 1982. It then dropped to 5.0 percent for 1983, and ranged between 5.0 to 5.1 for the period 1983 to 1987 (except for 1984, for which statistics are unavailable). The Economic Recovery Tax Act of 1981 (ERTA) changed the method of computing the payout requirement, effective with 1982 reporting periods. Prior to 1982, foundations had to pay out the higher of "adjusted net income" (defined in the Explanation of Selected Terms) or the minimum investment return (5 percent of the fair market value of net investment assets) minus taxes on both net investment income and unrelated business income, plus other relatively small net adjustments. Because of high inflation rates in the early 1980's, it was thought that the requirement to pay out all of a foundation's current income if it was higher than the minimum investment return would have a gradual eroding effect on the real value of investment assets. The change under ERTA was intended to provide relief to foundations from such a payout requirement. Beginning with 1982, the payout requirement was limited to the minimum investment return without regard to adjusted net income.

The payout rates of foundations remained relatively high (well above the 5-percent level) for 1982 either because of previous grantmaking commitments or because it was a period of transition whereby foundations started to adjust to the new rule. For 1983, the median payout rates shown in the statistics for all foundation size classes dropped significantly, moving closer to the 5-percent required payout rate. An in-depth explanation of the effects of ERTA on the payout rates of private foundations is contained in Meckstroth, Alicia and Riley, Margaret, "Private Foundation Returns, 1986-87," *Statistics of Income Bulletin*, Spring 1991, Volume 10, Number 4, pp. 23-50.

[18] For more detailed information on the investing and distributing behavior of foundations refer to Salamon, Lester M. and Voytek, Kenneth P., *Managing Foundation Assets: An Analysis of Foundation Investment and Payout Procedures and Performance*, The Council on Foundations, 1989.

[19] Salamon and Voytek, *ibid.*

[20] Salamon and Voytek, *ibid.*

[21] The rate of total return formula is the same as that developed and used by Salamon and Voytek in their studies on foundation assets. See: Salamon and Voytek, *ibid.*, p.32. The formula is as follows:

RATE OF TOTAL RETURN =
[(Ending Fair Market Value of Assets
- Beginning Fair Market Value of Assets*)
- (Contributions Received by the Foundation)
+ (Grants Paid by the Foundation
+ Operating and Administrative Expenses
+ Excise Tax Paid on Net Investment Income)]
DIVIDED BY:

[Beginning Fair Market Value of Assets
+ (Contributions Received / 2)]

*The beginning fair market value of assets for any given year equals the ending fair market value reported on the prior year's return. Thus, in order to provide a consistent form of measurement by which to compare rates of return among different years, the ending fair market value of asset amounts (reported for both the year subject to the computation and the prior year) were used to compute the rate of total return. In order to obtain an inflation-adjusted, real rate of return, the figure equaling the beginning of year fair market value of assets was adjusted using the GNP implicit price deflator.

To calculate the rate of total return shown in Figure H, private foundation information returns from data samples for consecutive years were matched in order to analyze both the beginning- and end-of-year fair market value data. The returns in the samples were matched by the employer identification number (EIN).

Due to the lower sampling rates for the smaller foundations, the rate of matching the information returns for consecutive years was not high enough to ensure a proper level of statistical confidence. Therefore, the rate of return was only calculated for the medium- and large-size foundations, those holding $1 million or more in assets.

[22] The largest foundations—those holding $100 million or more in assets—increased assets and qualifying distributions at a rate faster than any other group from 1982 to 1988. This result occurred when stratifying the data using two different measures: current dollar assets (the standard method) and constant dollar assets. Stratifying the asset size groups by constant dollars accounts for those foundations which moved to a larger size group due to an inflationary increase in the value of their assets. Using the method of constant dollar stratification of assets (with 1982 dollars), the largest size group still achieved a greater rate of increase in both distributions and assets than any other size group. The increases equaled 84 percent and 95 percent, respectively.

[23] The sample was stratified based on book value of assets, rather than fair market value, because of testing methods employed by the Internal Revenue Service in the development of its Business Master File data base, from which the SOI sample was drawn. The Master File contains an amount for fair market value of total assets that is not fully tested for accuracy of input because other items necessary for mathematically checking it are not available on the data base. Therefore, it is not reliable for sample selection. Book value of total assets, on the other hand, is fully tested for accuracy because the items necessary to do so are available on the data base.

Table 1.--Number of Private Foundations and Selected Financial Data, by Type of Foundation and Size of Fair Market Value of Total Assets

[All figures are estimates based on a sample--money amounts are in thousands of dollars]

Size of fair market value of total assets	Number of returns	Total revenue		Total expenses		Excess of revenue (less loss) over expenses		Excess of revenue, total		Disbursements for exempt purposes		Contributions, gifts, and grants paid[1]		Grant administrative expenses	
		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
ALL FOUNDATIONS															
Total	**37,141**	**36,386**	**16,280,190**	**36,156**	**9,754,837**	**36,355**	**6,525,352**	**22,344**	**7,840,513**	**34,583**	**8,553,292**	**31,308**	**7,379,690**	**17,566**	**392,393**
Zero or unreported	802	628	63,036	695	181,405	601	-118,369	*107	*1,595	588	173,503	494	170,759	240	1,399
$1 under $100,000	14,206	13,685	289,898	13,580	348,133	13,765	-58,235	7,045	49,138	12,587	332,843	10,786	290,340	5,304	13,118
$100,000 under $1,000,000	14,259	14,204	1,104,892	14,044	774,598	14,124	330,294	9,397	502,056	13,709	716,813	12,874	621,325	6,960	21,945
$1,000,000 under $10,000,000	6,426	6,421	3,468,888	6,391	2,034,403	6,421	1,434,485	4,666	1,829,304	6,264	1,831,336	5,823	1,574,797	3,928	60,281
$10,000,000 under $25,000,000	795	795	1,971,952	793	1,084,359	795	887,594	607	1,025,653	785	970,810	729	825,825	587	35,491
$25,000,000 under $50,000,000	307	307	1,488,890	307	873,259	302	615,631	239	739,676	306	782,801	275	657,429	247	37,948
$50,000,000 under $100,000,000	179	179	1,532,964	179	807,242	179	725,722	149	808,242	179	678,390	167	551,830	148	33,964
$100,000,000 or more	168	168	6,359,670	168	3,651,440	168	2,708,231	134	2,884,849	166	3,066,796	159	2,687,386	152	188,248
Nonoperating foundations															
Total	**33,913**	**33,307**	**14,745,506**	**33,059**	**8,906,635**	**33,285**	**5,838,870**	**20,518**	**7,090,654**	**31,753**	**7,862,728**	**29,780**	**7,292,066**	**16,739**	**372,375**
Zero or unreported	748	588	61,771	641	179,439	561	-117,667	*107	*1,595	534	171,631	468	169,684	240	1,399
$1 under $100,000	12,747	12,346	264,005	12,215	320,858	12,440	-56,853	6,359	45,465	11,400	311,037	10,091	280,690	4,865	10,783
$100,000 under $1,000,000	13,272	13,227	994,184	13,089	691,317	13,147	302,867	8,749	463,459	12,799	644,866	12,332	607,401	6,658	16,947
$1,000,000 under $10,000,000	5,848	5,848	3,106,514	5,818	1,796,049	5,844	1,310,464	4,293	1,686,527	5,732	1,632,201	5,622	1,552,624	3,876	54,131
$10,000,000 under $25,000,000	704	704	1,782,628	702	949,769	704	832,860	538	955,360	697	860,975	687	814,204	563	32,388
$25,000,000 under $50,000,000	277	277	1,313,559	277	766,129	272	547,430	217	663,493	276	712,086	266	653,504	241	37,176
$50,000,000 under $100,000,000	159	159	1,271,017	159	706,860	159	564,157	130	644,899	159	599,297	159	547,204	145	32,987
$100,000,000 or more	157	157	5,951,828	157	3,496,215	157	2,455,613	124	2,629,855	155	2,930,635	154	2,666,755	149	186,563
Operating foundations															
Total	**3,228**	**3,079**	**1,534,684**	**3,097**	**848,202**	**3,070**	**686,482**	**1,826**	**749,859**	**2,831**	**690,564**	**1,528**	**87,624**	**828**	**20,019**
Zero or unreported	*53	*40	*1,265	*53	*1,966	*40	*-701	--	--	*53	*1,873	*27	*1,075	--	--
$1 under $100,000	1,458	1,338	25,893	1,365	27,275	1,325	-1,382	686	3,673	1,187	21,805	695	9,650	439	2,334
$100,000 under $1,000,000	988	977	110,708	955	83,281	977	27,427	648	38,597	910	71,947	542	13,924	302	4,998
$1,000,000 under $10,000,000	577	573	362,374	573	238,353	577	124,021	373	142,777	532	199,135	201	22,173	52	6,150
$10,000,000 under $25,000,000	90	90	189,324	90	134,590	90	54,734	69	70,293	87	109,835	42	11,621	24	3,102
$25,000,000 under $50,000,000	30	30	175,331	30	107,130	30	68,201	22	76,182	30	70,715	9	3,925	6	773
$50,000,000 under $100,000,000	20	20	261,947	20	100,382	20	161,565	19	163,343	20	79,093	8	4,626	3	977
$100,000,000 or more	11	11	407,842	11	155,224	11	252,618	10	254,994	11	136,161	5	20,630	3	1,684
GRANTMAKING FOUNDATIONS															
Total	**31,308**	**31,161**	**14,933,625**	**31,294**	**9,081,054**	**30,972**	**5,852,570**	**18,587**	**7,119,897**	**31,308**	**8,076,302**	**31,308**	**7,379,690**	**16,940**	**380,209**
Zero or unreported	494	428	59,146	494	174,151	414	-115,005	*27	*1,323	494	172,069	494	170,759	227	1,258
$1 under $100,000	10,786	10,705	241,578	10,772	312,209	10,625	-70,631	4,959	31,990	10,786	307,140	10,786	290,340	4,892	10,238
$100,000 under $1,000,000	12,874	12,874	953,444	12,874	703,566	12,783	249,878	8,340	417,109	12,874	660,408	12,874	621,325	6,827	18,953
$1,000,000 under $10,000,000	5,823	5,823	2,974,958	5,823	1,827,851	5,819	1,147,107	4,227	1,527,040	5,823	1,677,771	5,823	1,574,797	3,861	54,110
$10,000,000 under $25,000,000	729	729	1,783,657	729	983,779	729	799,878	553	927,762	729	898,254	729	825,825	586	35,490
$25,000,000 under $50,000,000	275	275	1,310,550	275	774,262	275	536,288	218	652,855	275	711,548	275	657,429	247	37,948
$50,000,000 under $100,000,000	167	167	1,374,315	167	748,898	167	625,417	137	707,937	167	632,816	167	551,830	148	33,964
$100,000,000 or more	159	159	6,235,977	159	3,556,338	159	2,679,639	126	2,853,881	159	3,016,296	159	2,687,386	152	188,248
Grantmaking-nonoperating foundations															
Total	**29,780**	**29,633**	**14,195,202**	**29,766**	**8,746,313**	**29,457**	**5,448,888**	**17,706**	**6,686,378**	**29,780**	**7,798,229**	**29,780**	**7,292,066**	**16,256**	**366,922**
Zero or unreported	468	401	58,658	468	172,982	401	-114,324	*27	*1,323	468	170,993	468	169,684	227	1,258
$1 under $100,000	10,091	10,011	229,377	10,078	298,414	9,931	-69,038	4,598	30,546	10,091	295,060	10,091	280,690	4,544	9,510
$100,000 under $1,000,000	12,332	12,332	903,485	12,332	668,254	12,241	235,231	8,005	393,435	12,332	630,749	12,332	607,401	6,569	16,681
$1,000,000 under $10,000,000	5,622	5,622	2,860,580	5,622	1,757,309	5,618	1,103,270	4,089	1,475,842	5,622	1,619,603	5,622	1,552,624	3,818	50,360
$10,000,000 under $25,000,000	687	687	1,712,944	687	935,087	687	777,857	524	898,394	687	853,981	687	814,204	562	32,388
$25,000,000 under $50,000,000	266	266	1,258,636	266	754,678	266	503,959	212	619,920	266	701,818	266	653,504	241	37,176
$50,000,000 under $100,000,000	159	159	1,271,017	159	706,860	159	564,157	130	644,899	159	599,297	159	547,204	145	32,987
$100,000,000 or more	154	154	5,900,504	154	3,452,729	154	2,447,776	121	2,622,018	154	2,926,729	154	2,666,755	149	186,563
Grantmaking-operating foundations															
Total	**1,528**	**1,528**	**738,423**	**1,528**	**334,741**	**1,515**	**403,682**	**882**	**433,519**	**1,528**	**278,073**	**1,528**	**87,624**	**684**	**13,287**
Zero or unreported	*27	*27	*488	*27	*1,169	*13	*-681	--	--	*27	*1,075	*27	*1,075	--	--
$1 under $100,000	695	695	12,201	695	13,795	695	-1,594	361	1,444	695	12,081	695	9,650	347	728
$100,000 under $1,000,000	542	542	49,959	542	35,312	542	14,647	335	23,674	542	29,659	542	13,924	258	2,272
$1,000,000 under $10,000,000	201	201	114,378	201	70,541	201	43,837	138	51,198	201	58,169	201	22,173	*43	*3,750
$10,000,000 under $25,000,000	42	42	70,713	42	48,693	42	22,020	29	29,367	42	44,274	42	11,621	24	3,102
$25,000,000 under $50,000,000	9	9	51,914	9	19,585	9	32,329	6	32,936	9	9,730	9	3,925	6	773
$50,000,000 under $100,000,000	8	8	103,298	8	42,038	8	61,260	7	63,038	8	33,519	8	4,626	3	977
$100,000,000 or more	5	5	335,473	5	103,610	5	231,863	5	231,863	5	89,567	5	20,630	3	1,684

Footnotes at end of table.

Table 1.--Number of Private Foundations and Selected Financial Data, by Type of Foundation and Size of Fair Market Value of Total Assets--Continued

[All figures are estimates based on a sample--money amounts are in thousands of dollars]

Size of fair market value of total assets	Net investment income		Net gain (less loss) from sale of assets		Excise tax on net investment income					Total assets (book value)		Investments in securities (book value)		Total assets (fair market value)	
					Total	Domestic organizations		Foreign organizations							
	Number of returns	Amount	Number of returns	Amount		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
ALL FOUNDATIONS															
Total	**32,384**	**10,406,914**	**13,769**	**3,651,221**	**141,568**	**31,020**	**140,835**	**38**	**733**	**36,379**	**104,332,081**	**22,163**	**78,715,133**	**36,339**	**128,869,124**
Zero or unreported	254	14,128	*120	*2,161	281	200	281	--	--	*67	*118	--	--	--	--
$1 under $100,000	10,770	37,112	2,117	2,256	589	10,022	589	--	--	14,179	446,005	4,894	162,792	14,206	453,083
$100,000 under $1,000,000	13,695	439,147	5,865	100,305	7,185	13,433	7,183	*13	*2	14,259	4,786,561	10,370	2,615,616	14,259	5,249,973
$1,000,000 under $10,000,000	6,246	1,685,055	4,410	430,217	26,528	6,021	26,509	*15	*19	6,426	16,985,354	5,549	11,411,895	6,426	19,659,500
$10,000,000 under $25,000,000	784	1,098,697	665	393,292	16,479	754	16,479	--	--	795	10,484,467	721	7,580,167	795	12,402,806
$25,000,000 under $50,000,000	293	847,703	268	319,253	12,363	273	12,341	3	22	307	9,037,201	286	6,688,353	307	10,708,086
$50,000,000 under $100,000,000	175	956,367	165	279,053	13,612	163	13,574	2	37	179	10,057,948	175	7,785,898	179	12,376,814
$100,000,000 or more	167	5,328,705	158	2,124,685	64,532	153	63,879	4	652	168	52,534,426	167	42,470,412	168	68,038,862
Nonoperating foundations															
Total	**29,861**	**9,704,429**	**13,032**	**3,430,125**	**138,114**	**29,136**	**137,381**	**38**	**733**	**33,204**	**93,799,113**	**20,878**	**72,599,252**	**33,164**	**116,414,974**
Zero or unreported	240	14,128	*120	*2,161	281	200	281	--	--	*67	*118	--	--	--	--
$1 under $100,000	9,837	35,121	2,064	2,268	556	9,303	556	--	--	12,721	395,747	4,680	156,851	12,747	410,504
$100,000 under $1,000,000	12,763	410,146	5,576	93,986	6,807	12,681	6,804	*13	*2	13,272	4,424,053	9,819	2,504,966	13,272	4,858,040
$1,000,000 under $10,000,000	5,744	1,577,027	4,124	397,709	25,424	5,694	25,404	*15	*19	5,848	15,430,237	5,146	10,752,004	5,848	17,746,801
$10,000,000 under $25,000,000	696	1,026,297	607	363,011	15,722	693	15,722	--	--	704	9,404,897	657	7,074,723	704	11,062,967
$25,000,000 under $50,000,000	266	794,281	245	302,006	12,077	261	12,055	3	22	277	8,156,820	263	6,297,275	277	9,648,445
$50,000,000 under $100,000,000	157	878,939	148	250,860	13,048	152	13,010	2	37	159	8,810,619	155	7,053,831	159	11,019,012
$100,000,000 or more	156	4,968,489	147	2,018,123	64,201	151	63,549	4	652	157	47,176,623	156	38,759,603	157	61,669,204
Operating foundations															
Total	**2,524**	**702,485**	**737**	**221,096**	**3,454**	**1,884**	**3,454**	**--**	**--**	**3,175**	**10,532,968**	**1,286**	**6,115,881**	**3,175**	**12,474,149**
Zero or unreported	*13	*(2)	--	--	--	--	--	--	--	--	--	--	--	--	--
$1 under $100,000	933	1,990	*53	*-12	33	719	33	--	--	1,458	50,259	214	5,941	1,458	42,579
$100,000 under $1,000,000	932	29,001	289	6,318	378	753	378	--	--	988	362,508	551	110,650	988	391,932
$1,000,000 under $10,000,000	502	108,028	286	32,508	1,104	327	1,104	--	--	577	1,555,117	403	659,892	577	1,912,699
$10,000,000 under $25,000,000	87	72,400	58	30,281	757	61	757	--	--	90	1,079,570	64	505,444	90	1,339,839
$25,000,000 under $50,000,000	27	53,422	23	17,247	286	12	286	--	--	30	880,382	23	391,079	30	1,059,641
$50,000,000 under $100,000,000	18	77,428	17	28,192	564	11	564	--	--	20	1,247,329	20	732,067	20	1,357,802
$100,000,000 or more	11	360,216	11	106,561	331	2	331	--	--	11	5,357,803	11	3,710,809	11	6,369,658
GRANTMAKING FOUNDATIONS															
Total	**28,899**	**10,090,040**	**12,938**	**3,554,066**	**138,498**	**28,094**	**137,781**	**37**	**717**	**30,827**	**98,548,593**	**20,421**	**76,195,202**	**30,813**	**121,792,073**
Zero or unreported	240	14,123	*120	*2,161	281	187	281	--	--	*27	*62	--	--	--	--
$1 under $100,000	9,011	33,723	1,930	2,088	525	8,530	525	--	--	10,772	365,001	4,295	149,450	10,786	378,850
$100,000 under $1,000,000	12,578	420,160	5,565	96,372	6,859	12,443	6,857	*13	*2	12,874	4,371,423	9,715	2,515,299	12,874	4,806,564
$1,000,000 under $10,000,000	5,753	1,570,584	4,135	394,216	25,098	5,654	25,079	*15	*19	5,823	15,476,587	5,143	10,747,234	5,823	17,891,423
$10,000,000 under $25,000,000	724	1,059,528	631	371,677	16,107	711	16,107	--	--	729	9,662,586	681	7,226,999	729	11,436,627
$25,000,000 under $50,000,000	268	804,574	248	305,991	12,127	261	12,105	3	22	275	8,238,041	266	6,348,503	275	9,685,704
$50,000,000 under $100,000,000	165	916,585	156	264,201	13,342	158	13,305	2	37	167	9,323,713	163	7,287,732	167	11,544,386
$100,000,000 or more	158	5,270,764	152	2,117,362	64,157	150	63,521	3	636	159	51,111,181	158	41,919,963	159	66,048,519
Grantmaking-nonoperating foundations															
Total	**27,583**	**9,631,914**	**12,578**	**3,417,427**	**136,914**	**27,058**	**136,197**	**37**	**717**	**29,326**	**91,818,827**	**19,735**	**71,928,921**	**29,312**	**114,295,836**
Zero or unreported	227	14,123	*120	*2,161	281	187	281	--	--	*27	*62	--	--	--	--
$1 under $100,000	8,463	32,551	1,904	2,164	507	8,062	507	--	--	10,078	341,687	4,148	144,547	10,091	355,013
$100,000 under $1,000,000	12,059	399,682	5,388	92,434	6,606	12,035	6,604	*13	*2	12,332	4,180,500	9,377	2,446,176	12,332	4,598,671
$1,000,000 under $10,000,000	5,578	1,541,973	4,031	389,134	24,739	5,532	24,720	*15	*19	5,622	14,958,127	4,998	10,543,986	5,622	17,250,942
$10,000,000 under $25,000,000	684	1,017,729	598	360,883	15,596	682	15,596	--	--	687	9,149,059	645	6,958,950	687	10,802,276
$25,000,000 under $50,000,000	261	789,437	242	301,667	11,980	256	11,958	3	22	266	7,961,415	258	6,215,346	266	9,358,104
$50,000,000 under $100,000,000	157	878,939	148	250,860	13,048	152	13,010	2	37	159	8,810,619	155	7,053,831	159	11,019,012
$100,000,000 or more	153	4,957,479	147	2,018,123	64,157	150	63,521	3	636	154	46,417,359	153	38,568,086	154	60,911,819
Grantmaking-operating foundations															
Total	**1,316**	**458,126**	**360**	**136,639**	**1,583**	**1,037**	**1,583**	**--**	**--**	**1,501**	**6,729,766**	**686**	**4,266,280**	**1,501**	**7,496,237**
Zero or unreported	*13	*(2)	--	--	--	--	--	--	--	--	--	--	--	--	--
$1 under $100,000	548	1,172	*27	*-76	18	468	18	--	--	695	23,314	147	4,903	695	23,837
$100,000 under $1,000,000	519	20,478	178	3,937	253	408	253	--	--	542	190,923	338	69,124	542	207,893
$1,000,000 under $10,000,000	175	28,610	104	5,081	359	121	359	--	--	201	518,460	145	203,248	201	640,481
$10,000,000 under $25,000,000	40	41,798	33	10,794	512	29	512	--	--	42	513,527	36	268,049	42	634,351
$25,000,000 under $50,000,000	7	15,137	6	4,324	147	5	147	--	--	9	276,626	8	133,158	9	327,600
$50,000,000 under $100,000,000	8	37,645	8	13,340	295	6	295	--	--	8	513,094	8	233,901	8	525,374
$100,000,000 or more	5	313,285	5	99,239	--	--	--	--	--	5	4,693,822	5	3,353,898	5	5,136,700

Footnotes at end of table.

Table 1.--Number of Private Foundations and Selected Financial Data, by Type of Foundation and Size of Fair Market Value of Total Assets--Continued

[All figures are estimates based on a sample--money amounts are in thousands of dollars]

Size of fair market value of total assets	Investments in securities (fair market value)		Net worth		Minimum investment return		Distributable amount		Qualifying distributions		Excess grant administrative expenses		Undistributed income for 1988		Excess distributions carryover to 1989	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)
ALL FOUNDATIONS																
Total	**22,074**	**99,622,186**	**36,435**	**99,904,473**	**35,259**	**5,693,018**	**32,330**	**5,264,254**	**34,523**	**9,013,213**	**4,431**	**84,521**	**7,163**	**1,400,876**	**25,477**	**11,033,249**
Zero or unreported	--	--	147	-5,586	374	3,026	347	2,652	561	172,144	*120	*1,370	*13	*6	428	274,235
$1 under $100,000	4,840	173,589	14,165	413,641	12,972	22,174	11,745	20,665	12,520	325,823	2,149	8,718	2,075	2,919	9,884	1,151,652
$100,000 under $1,000,000	10,343	3,003,220	14,248	4,622,863	14,113	236,707	13,169	223,352	13,742	723,246	1,381	11,472	2,866	36,103	10,281	1,702,720
$1,000,000 under $10,000,000	5,541	13,625,209	6,426	16,506,126	6,371	868,605	5,792	826,733	6,268	1,857,491	620	21,636	1,717	170,472	4,096	3,207,747
$10,000,000 under $25,000,000	720	9,031,886	795	10,084,442	788	543,573	697	498,063	784	997,595	87	9,418	239	108,942	461	1,626,981
$25,000,000 under $50,000,000	287	8,001,712	307	8,596,471	299	470,400	268	433,205	305	815,322	45	10,218	114	124,841	155	1,008,730
$50,000,000 under $100,000,000	175	9,831,074	179	9,738,786	175	531,315	155	489,219	178	727,120	21	6,324	64	132,976	91	685,279
$100,000,000 or more	167	55,955,496	168	49,947,730	166	3,017,218	155	2,770,366	165	3,394,472	9	15,364	74	824,618	81	1,375,905
Nonoperating foundations																
Total	**20,790**	**92,898,292**	**33,260**	**90,113,719**	**32,472**	**5,298,086**	**32,330**	**5,264,254**	**31,667**	**8,109,883**	**4,074**	**70,152**	**7,163**	**1,400,876**	**25,477**	**11,033,249**
Zero or unreported	--	--	147	-5,586	347	2,915	347	2,652	508	170,271	*120	*1,370	*13	*6	428	274,235
$1 under $100,000	4,627	167,238	12,707	366,357	11,852	20,530	11,745	20,665	11,320	305,959	1,977	6,595	2,075	2,919	9,884	1,151,652
$100,000 under $1,000,000	9,793	2,870,192	13,260	4,295,879	13,180	223,350	13,169	223,352	12,821	650,934	1,247	7,215	2,866	36,103	10,281	1,702,720
$1,000,000 under $10,000,000	5,138	12,818,825	5,848	15,114,188	5,814	808,744	5,792	826,733	5,736	1,637,187	581	17,891	1,717	170,472	4,096	3,207,747
$10,000,000 under $25,000,000	657	8,482,755	704	9,110,542	698	507,036	697	498,063	695	862,496	76	7,943	239	108,942	461	1,626,981
$25,000,000 under $50,000,000	264	7,539,832	277	7,866,884	269	436,448	268	433,205	275	706,954	42	9,936	114	124,841	155	1,008,730
$50,000,000 under $100,000,000	155	9,013,284	159	8,585,218	155	492,100	155	489,219	158	621,830	20	3,838	64	132,976	91	685,279
$100,000,000 or more	156	52,006,167	157	44,780,237	155	2,806,963	155	2,770,366	154	3,154,252	9	15,364	74	824,618	81	1,375,905
Operating foundations																
Total	**1,285**	**6,723,894**	**3,175**	**9,790,754**	**2,787**	**394,931**	**N/A**	**N/A**	**2,856**	**903,330**	**358**	**14,369**	**N/A**	**N/A**	**N/A**	**N/A**
Zero or unreported	--	--	--	--	*27	*111	N/A	N/A	*53	*1,873	--	--	N/A	N/A	N/A	N/A
$1 under $100,000	214	6,351	1,458	47,284	1,120	1,643	N/A	N/A	1,200	19,864	171	2,123	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	551	133,028	988	326,985	932	13,357	N/A	N/A	921	72,312	133	4,257	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	403	806,385	577	1,391,937	558	59,861	N/A	N/A	532	220,304	*39	*3,745	N/A	N/A	N/A	N/A
$10,000,000 under $25,000,000	63	549,131	90	973,900	89	36,537	N/A	N/A	88	135,100	10	1,475	N/A	N/A	N/A	N/A
$25,000,000 under $50,000,000	23	461,880	30	729,586	30	33,952	N/A	N/A	30	108,368	3	282	N/A	N/A	N/A	N/A
$50,000,000 under $100,000,000	20	817,790	20	1,153,568	20	39,216	N/A	N/A	20	105,290	1	2,486	N/A	N/A	N/A	N/A
$100,000,000 or more	11	3,949,328	11	5,167,494	11	210,254	N/A	N/A	11	240,220	--	--	N/A	N/A	N/A	N/A
GRANTMAKING FOUNDATIONS																
Total	**20,346**	**96,628,521**	**30,842**	**95,356,229**	**30,649**	**5,507,332**	**29,178**	**5,225,234**	**31,303**	**8,421,263**	**3,867**	**74,267**	**5,633**	**1,380,555**	**23,710**	**10,638,788**
Zero or unreported	--	--	*53	*55	361	2,947	347	2,652	494	170,870	*94	*1,209	*13	*6	387	270,709
$1 under $100,000	4,242	159,318	10,772	339,114	10,318	19,769	9,677	19,047	10,786	302,113	1,764	6,006	1,156	2,298	8,668	1,071,838
$100,000 under $1,000,000	9,701	2,885,266	12,863	4,248,187	12,840	223,189	12,299	212,800	12,874	659,524	1,259	8,366	2,418	31,759	9,837	1,493,274
$1,000,000 under $10,000,000	5,134	12,830,839	5,823	15,248,875	5,810	816,654	5,600	817,147	5,823	1,682,086	594	19,981	1,569	164,983	4,041	3,185,329
$10,000,000 under $25,000,000	680	8,657,792	729	9,459,595	726	518,771	683	491,152	727	904,651	86	9,355	229	105,253	455	1,592,179
$25,000,000 under $50,000,000	267	7,608,749	275	7,989,787	272	442,942	262	429,707	274	707,348	43	10,148	112	124,533	151	969,409
$50,000,000 under $100,000,000	163	9,269,334	167	9,067,107	163	505,957	155	489,219	166	662,042	20	3,838	64	132,976	91	685,279
$100,000,000 or more	158	55,217,222	159	49,003,509	158	2,977,102	153	2,763,510	158	3,332,628	9	15,364	73	818,746	80	1,370,771
Grantmaking-nonoperating foundations																
Total	**19,660**	**92,183,168**	**29,341**	**88,938,300**	**29,248**	**5,260,263**	**29,178**	**5,225,234**	**29,775**	**8,034,638**	**3,664**	**68,467**	**5,633**	**1,380,555**	**23,710**	**10,638,788**
Zero or unreported	--	--	*53	*55	347	2,915	347	2,652	468	169,795	*94	*1,209	*13	*6	387	270,709
$1 under $100,000	4,095	154,009	10,078	317,976	9,717	18,857	9,677	19,047	10,091	290,573	1,657	5,389	1,156	2,298	8,668	1,071,838
$100,000 under $1,000,000	9,364	2,800,383	12,321	4,076,036	12,310	214,983	12,299	212,800	12,332	628,791	1,192	7,000	2,418	31,759	9,837	1,493,274
$1,000,000 under $10,000,000	4,989	12,593,211	5,622	14,777,628	5,618	798,476	5,600	817,147	5,622	1,622,859	577	17,890	1,569	164,983	4,041	3,185,329
$10,000,000 under $25,000,000	645	8,363,792	687	8,956,267	684	499,999	683	491,152	685	855,093	75	7,879	229	105,253	455	1,592,179
$25,000,000 under $50,000,000	259	7,443,961	266	7,746,723	263	432,853	262	429,707	265	695,351	41	9,897	112	124,533	151	969,409
$50,000,000 under $100,000,000	155	9,013,284	159	8,585,218	155	492,100	155	489,219	158	621,830	20	3,838	64	132,976	91	685,279
$100,000,000 or more	153	51,814,529	154	44,478,399	153	2,800,080	153	2,763,510	153	3,150,347	9	15,364	73	818,746	80	1,370,771
Grantmaking-operating foundations																
Total	**685**	**4,445,353**	**1,501**	**6,417,928**	**1,401**	**247,069**	**N/A**	**N/A**	**1,528**	**386,625**	**203**	**5,800**	**N/A**	**N/A**	**N/A**	**N/A**
Zero or unreported	--	--	--	--	*13	*32	N/A	N/A	*27	*1,075	--	--	N/A	N/A	N/A	N/A
$1 under $100,000	147	5,310	695	21,138	601	912	N/A	N/A	695	11,540	*107	*617	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	338	84,884	542	172,151	531	8,206	N/A	N/A	542	30,733	*67	*1,365	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	145	237,629	201	471,247	192	18,178	N/A	N/A	201	59,228	*17	*2,091	N/A	N/A	N/A	N/A
$10,000,000 under $25,000,000	35	294,000	42	503,328	42	18,773	N/A	N/A	42	49,558	10	1,475	N/A	N/A	N/A	N/A
$25,000,000 under $50,000,000	8	164,788	9	243,064	9	10,089	N/A	N/A	9	11,997	2	251	N/A	N/A	N/A	N/A
$50,000,000 under $100,000,000	8	256,050	8	481,890	8	13,858	N/A	N/A	8	40,212	--	--	N/A	N/A	N/A	N/A
$100,000,000 or more	5	3,402,693	5	4,525,111	5	177,022	N/A	N/A	5	182,281	--	--	N/A	N/A	N/A	N/A

N/A - not applicable.

*Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] The data shown in columns (12) and (13) are based on the amount of contributions, gifts, and grants that foundations actually disbursed for charitable purposes for 1988 using the cash receipts and disbursements method of accounting. This figure differs somewhat from that reported as contributions, gifts, and grants paid in the income statements of Tables 2 and 3. When reporting the amount used in the income statement, or per the books, foundations have the option of using either the cash receipts and disbursements or the accrual method of accounting. This difference in reporting method, therefore, accounts for the difference in the amount of contributions, gifts, and grants paid as reported in Tables 1, 2, and 3.

[2] Less than $500.

NOTE: Detail may not add to totals because of rounding.

Table 2.--All Private Foundations: Balance Sheets and Income Statements, by Size of Book Value of Total Assets

[All figures are estimates based on a sample--money amounts are in thousands of dollars]

Item	Total	Size of book value of total assets							
		Assets zero or unreported	$1 under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	37,141	762	14,961	14,133	6,023	703	279	142	138
Total assets (book value)	104,332,081	--	482,206	5,136,961	17,973,414	10,771,068	9,554,037	9,642,485	50,771,909
Cash, total	12,235,240	--	233,541	1,452,354	3,170,009	1,373,810	1,135,959	833,035	4,036,531
Non-interest bearing accounts	1,119,192	--	66,469	320,643	311,908	145,351	122,392	39,955	112,474
Savings and temporary cash investments	11,116,048	--	167,072	1,131,712	2,858,101	1,228,459	1,013,567	793,080	3,924,057
Accounts receivable, net	466,116	--	2,619	30,145	70,548	42,394	34,189	33,243	252,979
Pledges receivable, net	123,731	--	*50	*19,846	*15,394	4,226	42,640	22,103	19,472
Grants receivable	53,257	--	*273	*9,134	*16,651	4,651	6,653	1,491	14,405
Receivables due from disqualified persons	31,238	--	*173	*9,614	16,454	4,400	11	100	485
Other notes and loans receivable	916,680	--	5,987	99,379	178,429	142,266	71,173	150,920	268,527
Inventories	56,654	--	1,451	*4,781	3,834	2,180	38,182	3,309	2,918
Prepaid expenses and deferred charges	84,289	--	1,960	824	14,361	21,456	4,194	17,982	23,512
Investments (non-cash), total	86,194,228	--	212,104	3,279,267	13,478,589	8,607,927	7,739,098	8,002,248	44,874,995
Securities	78,715,133	--	190,651	2,867,721	12,039,216	7,920,792	7,266,493	7,356,202	41,074,060
Land, buildings, and equipment (less accumulated depreciation)	2,122,578	--	3,201	101,594	354,479	193,165	169,011	83,942	1,217,186
Mortgage loans	428,932	--	3,971	47,128	153,232	81,024	35,825	22,918	84,834
Other investments	4,927,584	--	14,281	262,825	931,662	412,946	267,770	539,186	2,498,914
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	2,034,903	--	10,928	160,764	587,958	321,367	274,877	327,328	351,680
Other assets	2,135,741	--	13,119	70,852	421,186	246,389	207,061	250,728	926,405
Total liabilities	4,427,608	*5,704	33,507	171,708	490,563	467,457	451,129	252,713	2,554,828
Net worth	99,904,473	*-5,704	448,699	4,965,253	17,482,851	10,303,612	9,102,909	9,389,773	48,217,081
Total revenue	16,280,190	63,079	299,972	1,183,757	3,699,494	1,955,443	1,575,867	1,442,601	6,059,976
Contributions, gifts, and grants received	5,267,702	56,575	246,526	673,266	1,831,761	739,899	541,305	456,596	721,774
Interest on savings and temporary cash investments	1,444,497	2,511	15,217	104,549	292,306	157,349	151,603	116,873	604,090
Dividends and interest from securities	5,010,559	1,763	19,154	232,961	863,783	550,729	466,725	510,513	2,384,930
Gross rents	252,597	--	1,505	12,696	47,148	27,958	38,925	11,735	112,629
Net gain (less loss) from sale of assets	3,651,221	*2,161	5,558	132,975	503,801	363,151	329,161	283,184	2,031,231
Gross profit from business activities	101,573	--	6,133	3,065	45,193	12,249	957	18,081	15,895
Other income	552,037	*71	5,878	24,244	115,500	104,107	47,191	45,619	209,428
Total expenses	9,754,837	181,334	357,816	805,507	2,159,900	1,202,184	902,526	765,568	3,380,002
Contributions, gifts, and grants paid	7,588,056	170,774	296,674	637,551	1,692,314	892,752	673,023	542,496	2,682,473
Compensation of officers	206,041	*2,174	5,780	17,863	55,119	29,036	22,844	18,201	55,024
Other salaries and wages	380,636	*336	9,301	34,011	84,325	51,987	43,235	45,950	111,490
Pension plans and employee benefits	96,311	--	671	2,572	13,644	10,484	10,477	10,955	47,509
Legal fees	61,838	*3,063	2,428	6,254	14,011	7,447	5,438	6,534	16,663
Accounting fees	51,088	1,983	3,534	9,902	16,742	6,152	4,207	3,468	5,101
Other professional fees	248,291	*813	3,572	10,867	39,080	26,864	23,777	27,829	115,489
Interest	88,559	*48	416	4,773	21,748	11,616	12,023	7,213	30,722
Taxes	237,943	398	1,998	14,302	44,526	32,740	23,575	19,633	100,772
Depreciation and depletion	96,163	*180	1,319	6,375	20,123	21,231	14,188	14,188	18,558
Occupancy	102,156	*140	1,856	8,006	20,690	16,578	8,537	9,515	36,834
Travel, conferences, and meetings	53,310	*77	3,563	3,320	10,856	4,372	3,628	5,173	22,322
Printing and publications	27,001	85	1,788	1,997	4,408	2,942	1,430	5,146	9,205
Other expenses	517,438	1,263	24,915	47,711	122,313	87,984	56,144	49,268	127,839
Excess of revenue (less loss) over expenses	6,525,352	-118,254	-57,844	378,250	1,539,593	753,259	673,341	677,033	2,679,974
Excess of revenue, total	7,840,513	*1,708	51,020	538,907	1,959,518	944,425	787,092	751,114	2,806,728
Loss, total	1,315,160	119,963	108,864	160,657	419,925	191,165	113,751	74,081	126,754
Total assets (fair market value)	128,889,124	*940	569,650	5,932,595	21,711,643	14,165,942	11,905,367	12,015,922	62,587,064
Cash, total	12,239,293	--	233,690	1,453,186	3,167,179	1,374,806	1,137,192	832,277	4,040,962
Non-interest bearing accounts	1,115,732	--	67,322	321,038	309,047	143,012	123,832	38,355	113,127
Savings and temporary cash investments	11,123,560	--	166,368	1,132,149	2,858,132	1,231,794	1,013,360	793,921	3,927,836
Accounts receivable, net	468,006	--	2,600	28,424	68,646	46,346	34,264	34,747	252,979
Pledges receivable, net	123,698	--	*50	*19,822	*15,394	4,226	42,631	22,103	19,472
Grants receivable	51,766	--	*273	*9,134	*16,651	4,651	6,653	--	14,405
Receivables due from disqualified persons	27,961	--	*172	*9,886	12,907	4,400	11	100	485
Other notes and loans receivable	998,559	--	5,987	98,317	185,174	141,629	71,155	146,729	349,567
Inventories	57,427	--	1,207	*5,052	4,268	2,026	38,182	3,397	3,294
Prepaid expenses and deferred charges	152,449	--	2,201	739	41,720	5,682	4,194	17,982	79,931
Investments (non-cash), total	109,221,047	--	290,170	4,029,522	16,686,760	11,927,883	9,965,952	10,070,874	56,249,887
Securities	99,622,186	--	261,725	3,550,806	14,906,629	10,922,983	9,356,834	9,198,443	51,424,767
Land, buildings, and equipment (less accumulated depreciation)	3,070,874	--	8,975	130,612	468,385	482,996	297,668	185,330	1,496,909
Mortgage loans	426,175	--	3,971	46,164	158,531	75,615	35,796	22,893	83,205
Other investments	6,101,813	--	15,498	301,940	1,153,216	446,290	275,654	664,209	3,245,007
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	2,572,501	--	15,936	195,477	842,214	400,341	326,130	369,691	422,712
Other assets	2,976,414	*940	17,365	83,035	670,729	253,950	279,003	518,023	1,153,369
Total beginning of year assets (book value)	94,816,640	166,684	532,696	4,709,952	16,314,946	9,847,069	8,733,033	8,859,284	45,652,976
Investments in securities, beginning of year (book value)	70,535,392	21,086	214,029	2,603,142	10,801,787	7,147,191	6,491,347	6,443,009	36,813,802

*Estimate should be used with caution because of the small number of sample returns on which it is based.

NOTE: Detail may not add to totals because of rounding.

Table 3.--All Private Foundations: Balance Sheets and Income Statements, by Size of Fair Market Value of Total Assets

[All figures are estimates based on a sample--money amounts are in thousands of dollars]

Item	Total	Size of fair market value of total assets							
		Assets zero or unreported	$1 under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	37,141	802	14,206	14,259	6,426	795	307	179	168
Total assets (book value)	104,332,081	*118	446,005	4,786,561	16,985,354	10,484,467	9,037,201	10,057,948	52,534,426
Cash, total	12,235,240	*99	223,261	1,402,152	3,033,976	1,398,399	1,147,918	868,066	4,161,371
Non-interest bearing accounts	1,119,192	*99	64,529	311,726	313,702	139,689	126,538	43,109	119,800
Savings and temporary cash investments	11,116,048	--	158,732	1,090,425	2,720,274	1,258,710	1,021,379	824,957	4,041,571
Accounts receivable, net	466,116	--	2,611	30,046	64,598	45,691	33,331	32,616	257,224
Pledges receivable, net	123,731	--	*50	*19,846	*15,394	4,226	42,640	22,103	19,472
Grants receivable	53,257	--	*273	*9,134	*16,651	4,651	6,653	1,491	14,405
Receivables due from disqualified persons	31,238	--	*173	*9,614	16,454	4,400	11	100	485
Other notes and loans receivable	916,680	--	5,987	97,504	179,382	134,074	93,953	134,299	271,483
Inventories	56,654	--	*1,437	*4,783	3,703	1,891	38,579	3,000	3,261
Prepaid expenses and deferred charges	84,289	--	1,961	656	13,915	4,858	19,979	18,796	24,122
Investments (non-cash), total	86,194,228	--	182,131	2,985,946	12,712,901	8,356,583	7,127,465	8,397,507	46,431,694
Securities	78,715,133	--	162,792	2,615,616	11,411,895	7,580,167	6,688,353	7,785,898	42,470,412
Land, buildings, and equipment (less accumulated depreciation)	2,122,578	--	*2,024	90,313	317,340	194,720	161,466	123,310	1,233,405
Mortgage loans	428,932	--	3,971	42,552	156,274	65,688	37,526	35,345	87,576
Other investments	4,927,584	--	13,344	237,464	827,391	516,008	240,120	452,954	2,640,301
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	2,034,903	--	8,521	153,482	561,818	288,227	291,092	345,732	386,031
Other assets	2,135,741	*19	19,599	73,398	366,561	241,466	235,580	234,239	964,879
Total liabilities	4,427,608	*5,704	32,364	163,698	479,228	400,025	440,731	319,162	2,586,696
Net worth	99,904,473	-5,586	413,641	4,622,863	16,506,126	10,084,442	8,596,471	9,738,786	49,947,730
Total revenue	16,280,190	63,036	289,898	1,104,892	3,468,888	1,971,952	1,488,890	1,532,964	6,359,670
Contributions, gifts, and grants received	5,267,702	56,526	245,002	664,779	1,737,261	807,384	518,247	534,157	704,347
Interest on savings and temporary cash investments	1,444,497	2,482	14,497	99,393	283,110	156,078	143,301	123,258	622,379
Dividends and interest from securities	5,010,559	1,763	15,060	207,776	805,141	502,217	422,915	508,343	2,547,344
Gross rents	252,597	--	*1,489	9,807	49,028	13,369	29,620	23,089	126,195
Net gain (less loss) from sale of assets	3,651,221	*2,161	2,256	100,305	430,217	393,292	319,253	279,053	2,124,685
Gross profit from business activities	101,573	--	6,112	3,097	45,365	9,727	2,845	18,532	15,895
Other income	552,037	*105	5,481	19,733	118,765	89,885	52,709	46,533	218,825
Total expenses	9,754,837	181,405	348,133	774,598	2,034,403	1,084,359	873,259	807,242	3,651,440
Contributions, gifts, and grants paid	7,588,056	170,759	288,757	621,625	1,576,747	824,075	646,301	566,317	2,893,475
Compensation of officers	206,041	*2,174	5,560	15,907	53,223	25,745	22,253	19,788	61,391
Other salaries and wages	380,636	*336	9,318	29,823	83,681	41,296	47,617	46,089	122,476
Pension plans and employee benefits	96,311	--	671	2,393	13,039	8,173	10,653	10,529	50,854
Legal fees	61,838	*3,063	2,427	6,046	13,198	6,217	5,669	7,183	18,034
Accounting fees	51,088	1,983	3,214	9,734	15,795	6,502	4,223	3,711	5,926
Other professional fees	248,291	*813	3,404	9,660	38,290	25,431	22,909	27,796	119,987
Interest	88,559	*48	357	4,324	21,836	11,305	10,188	9,558	30,942
Taxes	237,943	398	1,761	13,225	42,504	27,731	18,824	26,984	106,514
Depreciation and depletion	96,163	*180	1,101	5,393	21,070	18,181	14,782	13,509	21,947
Occupancy	102,156	*140	1,855	7,328	20,186	12,287	11,553	9,705	39,103
Travel, conferences, and meetings	53,310	*77	3,546	3,106	10,153	3,544	3,023	4,979	24,883
Printing and publications	27,001	85	1,824	1,925	3,825	2,335	1,330	5,128	10,549
Other expenses	517,438	1,348	24,337	44,105	120,854	71,536	53,935	55,966	145,357
Excess of revenue (less loss) over expenses	6,525,352	-118,369	-58,235	330,294	1,434,485	887,594	615,631	725,722	2,708,231
Excess of revenue, total	7,840,513	*1,595	49,138	502,056	1,829,304	1,025,653	739,676	808,242	2,884,849
Loss, total	1,315,160	119,964	107,374	171,762	394,819	138,059	124,044	82,520	176,618
Total assets (fair market value)	128,889,124	--	453,083	5,249,973	19,659,500	12,402,806	10,708,086	12,376,814	68,038,862
Cash, total	12,239,293	--	223,525	1,402,996	3,031,902	1,398,197	1,149,072	867,818	4.165,784
Non-interest bearing accounts	1,115,732	--	65,481	312,121	311,701	138,723	125,745	41,509	120,453
Savings and temporary cash investments	11,123,560	--	158,044	1,090,874	2,720,201	1,259,473	1,023,327	826,309	4,045,331
Accounts receivable, net	468,006	--	2,592	28,325	63,044	49,356	33,407	34,060	257,224
Pledges receivable, net	123,698	--	*50	*19,822	*15,394	4,226	42,631	22,103	19,472
Grants receivable	51,766	--	*273	*9,134	*16,651	4,651	6,653	--	14,405
Receivables due from disqualified persons	27,961	--	*172	*9,886	12,907	4,400	11	100	485
Other notes and loans receivable	998,559	--	5,987	96,442	186,127	135,157	87,879	134,445	352,523
Inventories	57,427	--	*1,194	*5,054	4,137	1,751	38,564	3,088	3,638
Prepaid expenses and deferred charges	152,449	--	2,202	561	41,329	4,790	4,230	18,796	80,541
Investments (non-cash), total	109,221,047	--	193,938	3,423,537	15,139,724	10,028,258	8,593,750	10,619,849	61,221,990
Securities	99,622,186	--	173,589	3,003,220	13,625,209	9,031,886	8,001,712	9,831,074	55,955,496
Land, buildings, and equipment (less accumulated depreciation)	3,070,874	--	*2,419	118,239	423,409	255,513	302,641	301,738	1,666,914
Mortgage loans	426,175	--	3,971	40,630	162,532	60,244	37,505	35,351	85,941
Other investments	6,101,813	--	13,959	261,449	928,574	680,615	251,892	451,685	3,513,639
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	2,572,501	--	9,612	166,106	739,213	415,241	376,748	345,140	520,440
Other assets	2,976,414	--	13,537	88,109	409,071	356,780	375,142	331,414	1,402,360
Total beginning of year assets (book value)	94,816,640	166,867	496,033	4,406,791	15,442,626	9,485,786	8,273,404	9,270,065	47,275,069
Investments in securities, beginning of year (book value)	70,535,392	21,086	186,909	2,389,027	10,270,170	6,719,685	5,975,874	6,913,791	38,058,849

*Estimate should be used with caution because of the small number of sample returns on which it is based.

NOTE: Detail may not add to totals because of rounding.

Table 4.--Private Foundations with $10 Million or More in Book Value of Total Assets: Selected Financial Data, Ranked by Number of Returns Per State or Selected Country[1]

[Money amounts are in thousands of dollars]

State[2] or selected country	Number of returns		Total assets (fair market value)	Total revenue	Contributions, gifts, and grants received	Total expenses	Contributions, gifts, and grants paid	Qualifying distributions
	Total	With fair market value of total assets of $100 million or more						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total	**1,262**	**168**	**100,674,295**	**11,033,888**	**2,459,575**	**6,250,281**	**4,587,022**	**5,786,397**
Domestic organizations								
New York	270	37	28,550,969	2,881,675	398,816	1,607,722	1,239,316	1,470,291
California	142	23	13,732,943	1,504,567	268,613	731,044	479,333	740,528
Texas	98	13	6,582,571	776,171	219,593	412,706	293,588	354,736
Illinois	78	7	6,573,321	606,128	106,990	430,290	278,471	398,225
Pennsylvania	62	15	6,813,058	534,375	37,530	399,876	353,660	385,171
Ohio	51	5	2,300,941	257,247	73,417	164,084	133,374	153,809
New Jersey	40	3	3,428,114	393,362	105,015	253,601	134,278	242,642
Michigan	35	8	4,066,758	526,205	220,926	377,074	284,904	383,105
Missouri	33	2	1,044,629	123,852	46,155	102,014	83,381	98,098
Florida	33	2	1,288,346	312,234	207,307	105,372	90,812	103,918
Massachusetts	33	1	1,199,314	138,174	60,652	70,686	54,098	63,673
Minnesota	32	5	2,545,876	340,741	62,579	228,496	158,450	168,250
North Carolina	28	3	2,053,324	411,930	31,942	121,817	101,118	113,091
Georgia	25	5	1,320,930	246,296	141,610	79,097	66,261	70,362
Maryland	22	2	1,280,839	340,615	151,220	109,455	89,545	94,687
District of Columbia	21	2	1,069,685	126,762	42,983	59,828	37,397	52,048
Oklahoma	21	3	1,579,364	122,909	20,236	82,953	54,660	75,533
Connecticut	18	3	1,409,722	159,932	61,354	104,702	75,211	92,948
Delaware	17	4	1,367,075	107,575	14,594	88,043	49,278	73,673
Washington	15	2	705,397	67,189	10,562	49,046	29,048	48,707
Wisconsin	14	1	663,653	67,490	16,259	51,367	38,924	45,158
Indiana	14	3	2,605,118	157,488	26,952	122,552	98,872	117,154
Virginia	14	1	442,151	47,084	11,255	26,613	18,696	21,754
Colorado	13	3	938,203	69,467	3,010	55,712	42,277	50,367
Tennessee	12	3	852,661	70,017	8,160	57,623	49,262	52,459
Louisiana	10	--	275,505	25,428	6,134	11,377	6,755	10,878
Iowa	10	1	312,667	37,679	9,078	17,957	17,263	17,713
Arizona	8	1	297,161	23,595	1,312	13,432	12,341	14,463
Hawaii	8	1	359,476	74,556	54,667	16,561	9,008	14,093
Kansas	7	1	353,229	31,564	--	18,501	16,443	17,647
Utah	6	--	193,001	16,364	851	11,027	10,208	10,405
South Carolina	6	--	123,197	12,286	1,062	7,169	5,420	5,207
Arkansas	5	1	271,248	53,873	690	12,782	9,765	15,435
Nebraska	5	1	359,840	33,831	1,500	25,273	22,615	29,223
Oregon	5	1	386,073	43,806	9,512	26,373	18,987	20,299
Kentucky	5	1	260,241	26,697	3,702	23,540	16,093	17,175
Rhode Island	5	--	83,281	17,568	391	6,348	4,693	6,287
Nevada	4	--	179,753	17,914	607	9,678	8,394	8,680
Alabama	4	--	80,422	7,716	1,651	4,337	3,419	3,831
New Hampshire	4	--	66,789	14,915	5,188	7,083	1,459	8,735
New Mexico	3	--	119,337	30,827	14,781	12,468	2,614	11,831
West Virginia	3	--	60,794	5,832	--	3,726	3,155	3,269
Maine	1	--	13,587	1,293	--	600	532	532
Mississippi	1	--	19,902	1,559	--	573	375	1,055
Vermont	1	--	34,722	3,080	--	2,055	332	1,698
Alaska	--	--	--	--	--	--	--	--
Idaho	--	--	--	--	--	--	--	--
Montana	--	--	--	--	--	--	--	--
North Dakota	--	--	--	--	--	--	--	--
South Dakota	--	--	--	--	--	--	--	--
Wyoming	--	--	--	--	--	--	--	--
Foreign organizations								
Canada	10	--	355,586	26,061	126	24,012	20,354	21,960
All others	10	4	2,053,522	137,956	596	103,635	62,581	75,594

[1] Since only those foundations holding $10 million or more in book value of total assets were sampled at a rate of 100 percent, only those foundations were included in the table. Those foundations sampled at rates of less than 100 percent were not sampled based on geographic criteria, therefore State data for foundations with under $10 million in book value of total assets were not necessarily representative of State populations and were not included in the table.

[2] Although foundations operate in particular States, grants paid out by foundations may be distributed to recipients in other States.

Note: Detail may not add to totals because of rounding.

Private Foundations and Charitable Trusts, 1989

by Alicia Meckstroth

Private foundations experienced a strong year for 1989 as both total revenues and total assets increased markedly from 1988 [1]. Total foundation revenues increased by 22 percent, to $19.9 billion, reversing the trend of declining revenues from 1986 to 1988 [2]. Increased revenues resulted largely from significant increases in the amount of contributions received, 32 percent, and net gains from sales of assets, 30 percent. Decreases in these two items contributed to declining revenues for the 2 previous years. Total foundation assets increased at the highest annual rate of the past decade, by 18 percent, to $151.7 billion. Assisted by a relatively strong stock market in 1989, the value of investments in securities, which represented 80 percent of total assets, increased by 22 percent. Foundations maintained a consistent level of growth in charitable giving for 1989, with the amount of their contributions and grants increasing by 10 percent over 1988, to $8.1 billion. Additionally, for 1989, over 2,600 Internal Revenue Code section 4947(a)(1) charitable trusts held $2.9 billion in total assets, realized $404.6 million in total revenues and distributed $143.7 million in contributions and grants [3].

Changes in Foundation Revenue, Assets and Grants, 1988 to 1989

The increases in contributions received, net gains from sales of assets, and dividends and interest from securities largely explain the growth in foundation revenue for 1989. These three revenue components comprised almost 90 percent of the $19.9 billion of total foundation revenue for 1989. Nearly 18,000 foundations, or 46 percent of the population, received contributions that totaled $6.9 billion for 1989. Over half of all foundations, 54 percent, received no contributions for 1989. A slightly larger percentage of the small foundations received contributions compared to the large foundations. While all foundation size-groups received notable increases in contributions, the largest foundations, those holding $100 million or more in fair market value of total assets, received contributions from donors that were 136 percent more than the contributions that they received in 1988. In contrast, from 1986 to 1988, contributions to the largest foundations fell by over 50 percent. Large foundations typically do not rely heavily on contributions received as a source of revenue. Figure A depicts percentage changes for various revenue items, as well as for other selected data, for the period 1987 to 1989.

Figure A

Private Foundations: Increases in Selected Financial Items, 1987-1989

Item	Percentage increase	
	1987 to 1988	1988 to 1989
Fair market value of total assets	12.8	17.7
Investments in securities	14.0	21.9
Total revenue	-4.9	22.3
Net gain (less loss) from sale of assets	-34.4	29.8
Contributions, gifts and grants received	-0.3	31.7
Dividends and interest from securities	11.0	19.1
Total expenses	7.5	10.0
Contributions, gifts and grants paid	9.0	9.9
Excess of revenue (less loss) over expenses	-18.9	40.7

Aided by a relatively strong stock market, foundations earned over 60 percent of their revenue from investment income (primarily dividends and interest from securities and net gains from sales of assets). Foundations reported $5 billion in gains and had less than $0.2 billion in losses. The net gains from sales of assets primarily represented gains from sales of investments in securities (e.g., corporate stocks and bonds and Government obligations). The small foundations, those holding less than $1 million in fair market value of total assets, reported 36 percent more in net gains for 1989 than for 1988, while the largest foundations reported 22 percent more in net gains for 1989 [4]. This is significant since small foundations, compared to large foundations, tend to rely less on gains from sales of assets and more on contributions. Foundations seemed to have recovered from the October 1987 stock market decline which lowered real asset values and resulted in notable decreases in net gains for both 1987 and 1988.

Total expenses increased at less than half the rate of total revenues, 10 percent, compared to 22 percent for total revenue. This disparity helps to explain the 41-percent increase in the excess of revenue (less loss) over expenses. The amount of contributions, gifts and grants given by foundations comprised nearly 80 percent of total expenses. Total foundation grants grew at a relatively constant rate compared to previous years, 10 percent. The amount of administrative expenses used in the grantmaking process, termed "grant administrative expenses," equaled only 4 percent of total foundation expenses.

Total foundation assets increased by 18 percent from 1988 to 1989, to $151.7 billion. This growth rate represented the biggest annual gain in foundation assets of the

---

Alicia Meckstroth is an economist with the Foreign Special Projects Section. This article was prepared under the direction of Michael Alexander, Chief.

Private Foundations and Charitable Trusts, 1989

Private foundations accounted for 23 percent of the tax-exempt charitable organizations filing with the Internal Revenue Service.

decade. The largest foundations realized the greatest gains in assets, increasing from $68.0 billion for 1988 to $85.2 billion for 1989, or 25 percent. The total assets of the smallest foundations, in contrast, increased by only 4 percent. "Bracket creep" explains part of the disparity between these size groups. Bracket creep refers to foundations that moved to a larger asset size group due to increases in their assets, either from inflation or from appreciation or new acquisitions. Foundations held $121.4 billion in investment securities, or 80 percent of total assets. The growth in these investments, 22 percent from 1988 to 1989, explains much of the growth in assets. As with total assets, the largest foundations realized the greatest gains in investment securities, 29 percent, compared to 6 percent for the small foundations. Beginning with the 1990 statistics, data will be available on investments in corporate stock, corporate bonds and U.S. and State Government obligations.

Comparisons of the different size classes of foundations are discussed throughout this article. The following classifications apply throughout, unless otherwise indicated: the "smallest foundations" refers to the group holding less than $100,000 in fair market value of total assets (excluding foundations that report assets equal to zero); "small foundations" refers to the group holding less than $1 million in assets (excluding foundations that report assets equal to zero); "medium-size foundations" refers to the group holding from $1 million to less than $50 million in assets; "large foundations" refers to the group holding $50 million or more in assets; and, the "largest foundations" refers to the group holding $100 million or more in assets.

Overview and Explanation of Private Foundations

Statistics of Income Studies

The statistics presented on private foundations and Internal Revenue Code section 4947(a)(1) charitable trusts are based on data from Form 990-PF, *Return of Private Foundation (or Section 4947(a)(1) Charitable Trust Treated as a Private Foundation)*, the annual information return filed by these organizations [5]. The 1989 study year represents the first time since 1979 that Statistics of Income has included data on the 4947(a)(1) charitable trusts that file Form 990-PF. Statistical studies on private foundations have previously been conducted for Reporting Years 1974, 1979, 1982, 1983, and 1985 through 1988. Data for 1987 and earlier years were published in the *Compendium of Studies of Tax-Exempt Organizations, 1974-1987* [6]. A second Compendium, covering data from 1987 to 1989, will be published during 1993. With the exception of Reporting Year 1974, data for the above-cited years have also been published in the *Statistics of Income Bulletin* [7].

Organizations and Activities

A private foundation is a nonprofit, tax-exempt corporation, association or trust which is narrowly supported and controlled, usually by an individual, family or corporation, as opposed to an organization receiving broad support from a large number of sources within the general public. This narrow base of support and control helps to differentiate a private foundation from a publicly supported tax-exempt charitable organization. Both receive tax exemption under section 501(c)(3) [8]. Because of the centralized support and control, private foundations are more strictly regulated under the law than are the other section 501(c)(3) organizations that file the Form 990, *Return of Organization Exempt From Income Tax.* Private foundations represent approximately 23 percent of the total number of 501(c)(3) tax-exempt organizations that file information returns with the Internal Revenue Service (IRS). Of these organizations, foundations hold 15 percent of the total (book value) of assets and earn only 4 percent of total revenue.

The section 4947(a)(1) charitable trusts that are included in this study are treated separately in both the statistical and descriptive analyses. Information on these charitable trusts can be found beginning with the section on charitable trusts. These trusts have exclusively charitable interests and, like foundations, they file the Form 990-PF. They represent only 6 percent of all Form 990-PF filers. Other 4947(a)(1) charitable trusts, which receive the majority of their support from public, rather than from private sources, file the Form 990. Section 4947(a)(2) split-interest trusts, which have both charitable and noncharitable beneficiaries, file the Form 5227, *Split-Interest Trust Information Return.* These latter two varieties of trusts are *not* covered in this article. As a note, foundations exempt under section 501(c)(3) represent 94 percent of the total number of Form 990-PF filers. The trusts examined here, like private foundations, are subject to the same charitable distribution and excise tax requirements as foundations. One difference between the two, however, is that the section 4947(a)(1) trusts are not exempt from Federal income tax, as are the private foundations [9]. A further description of the characteristics and the requirements of foundations and trusts follows. The same background information and requirements apply to both types of Form 990-PF filers. Beginning with the section, Charitable Trusts, differences in the characteristics and behavior of the two types of Form 990-PF filers are presented.

The two types of private foundations, "operating" and "nonoperating," are distinguished by the type of charitable support that they provide and the activities that they conduct. Nonoperating foundations generally provide indirect charitable support by making grants to other section 501(c)(3) organizations that conduct charitable programs of their own [10]. Nonoperating foundations are required to distribute annually (normally through grants or related expenses) a minimum amount for charitable purposes. If they do not distribute the required amount in the current year, they have until the end of the following year to do so without penalty. The minimum required amount is based on the value of their "net investment assets" (also known as "noncharitable-use assets").

If an organization is sufficiently involved in the direct operation of its charitable activities, then it can qualify as an operating foundation and is excepted from the income distribution requirement that applies to nonoperating foundations. Although operating foundations are not subject to the annual payout requirement, many choose to make grants in addition to carrying on charitable programs of their own. (For a further explanation of the requirements of operating foundations, see operating foundations (and section 4947(a)(1) trusts) in the Explanation of Selected Terms section.)

Individual income tax deductions for contributions to nonoperating foundations are generally more restrictive than deductions for contributions made to operating foundations or other section 501(c)(3) organizations. Contributions that either establish or support a nonoperating foundation qualify for a Federal tax deduction of up to 30 percent of the donor's "adjusted gross income." This compares to the 50-percent deduction for donations to operating foundations and to other 501(c)(3) nonprofit charitable organizations (Form 990 filers).

Passage of the Tax Reform Act of 1969 (TRA69) subjected foundations to an excise tax on "net investment income" for the first time. While most private foundations pay the excise tax on net investment income, some operating foundations are exempt from this tax (see the section, Excise Tax on Net Investment Income). TRA69 also imposed a two-tier system of penalty taxes on foundations that engaged in "prohibited activities" which were deemed not to be in the public interest, e.g., nonoperating foundations that failed to distribute the required minimum payout after a 1-year grace period; that attempted to influence legislation by contacting legislators or encouraging the public to contact legislators regarding proposed changes to the law; or that engaged in certain financial transactions with persons having a relationship with the foundation, such as substantial contributors or officers, directors or trustees.

About 92 percent of all foundations were "nonoperating" foundations; 87 percent of nonoperating foundations made grants for 1989.

Of the estimated 38,800 active private foundations filing Form 990-PF information returns for 1989, about 92 percent were nonoperating foundations and the remaining 8 percent were operating foundations, virtually the same percentages as for 1988. Approximately 32,600 were grantmaking foundations. About 87 percent of the nonoperating foundations and 51 percent of the operating foundations made grants for 1989. Of the non-grantmaking foundations, approximately 24 percent were operating foundations, while another 21 percent were nonoperating foundations that had no "distributable amount" and, therefore, were not required to make a minimum distribution (see the Explanation of Selected Terms section for a definition of the required distributable amount). An additional 35 percent of the non-grantmakers were nonoperating foundations that made other types of disbursements in order to satisfy the minimum distribution requirement. These other types of disbursements included the following: operating and administrative expenses used in the conduct of charitable programs or activities; amounts paid to acquire charitable-use assets; set-asides to future time periods; and, program-related investments. The remaining nonoperating, non-grantmaking foundations that did not fully make the required distribution for 1989, had, by law, until the end of their 1990 accounting period to do so without any tax penalty. Some non-grantmaking foundations were "failed public charities" that had been reclassified by the IRS as nonoperating foundations. Many of these charities continued to operate direct charitable programs rather than make grants to other tax-exempt organizations [11].

Foreign foundations (those foundations organized abroad) comprise a small portion of the foundation population. For 1989, over 50 foreign foundations, holding $9.1 billion in assets, filed Form 990-PF. A foreign foundation filing Form 990-PF typically files because it receives support from either American citizens or corporations. These foundations may or may not distribute charitable grants within the United States. Like domestic foundations, the IRS requires that foreign foundations pay an excise tax on investment income. While the excise tax equals 2 percent of net investment income for the majority of domestic foundations, the tax on foreign foundations equals 4 percent of the gross investment income derived from U.S. sources. Some foreign foundations, classified as "exempt foreign foundations," are not subject to the charitable payout requirement, but still are required to pay the excise tax on investment income. Exempt foreign foundations typically receive at least 85 percent of their support from sources outside of the United States. Due to special treaty provisions with the United States, all Canadian foundations are exempted from the excise tax, regardless of whether or not they are considered "exempt foreign foundations."

Top Ten Domestic Foundations

The largest foundations hold the vast majority of total foundation assets, but comprise only a small minority of the total number of foundations. The largest foundations, those holding total assets with a fair market value of $100 million or more, comprised less than 0.5 percent of all foundations for 1989, but held well over half of total foundation assets and realized over two-fifths of total foundation revenue. The number of foundations holding $100 million or more in assets increased by 13 percent from 1988 to 1989 and the total assets of this size group increased by over 25 percent. Only 4 percent of all private foundations held assets worth $10 million or more, but they held 82 percent of total assets and earned 70 percent of total revenue. In contrast, the group of foundations considered to be small in size, those holding less than $1 million in assets, accounted for 75 percent of all foundations, but held less than 4 percent of total assets and earned approximately 8 percent of total revenue. The top ten domestic foundations, displayed in Figure B, held approximately $30 billion, or nearly one-fifth of all foundation assets for 1989. A foundation is considered domestic if it is organized in the United States; however, this does not necessarily imply that all of its activities or grant recipients are domestic. The ten largest foundations distributed one-tenth of all foundation charitable grants for 1989, or $847 million.

The establishment of a new $1-billion foundation, The Annenberg Foundation, added $1.2 billion in assets and $59.6 million in grants to the foundation totals. This foundation barely missed the "top ten" category. In addition, the Lilly Endowment realized an increase in assets of 57 percent over 1988. The assets of the Ford Foundation, alone, accounted for nearly 4 percent of total foundation assets. While the Ford Foundation actually held almost $700 million more in assets than any other foundation, its total assets declined by 6 percent from 1988 to 1989. Furthermore, the Ford Foundation's net gains from sales of assets declined by 14 percent. The W.K. Kellogg Foundation Trust also realized a sizable loss in assets, over 11 percent, due, in most part, to a drop in the price of the Kellogg Company stock [12]. The Ford Foundation had an accounting period ending in September 1990, and the Kellogg Foundation Trust, August 1990; therefore much of their activity occurred in Calendar Year 1990.

Figure B

Top Ten Domestic Private Foundations, by Size of Fair Market Value of Total Assets, 1989

[Money amounts are in millions of dollars]

Name	Total assets	Total grants paid
1. Ford Foundation	5,511	228
2. J. Paul Getty Trust [1]	4,816	8
3. John D. and Catherine T. MacArthur Foundation	3,379	112
4. W.K. Kellogg Foundation Trust/ W.K. Kellogg Foundation [2]	3,248	118
5. Lilly Endowment, Inc.	3,029	93
6. Robert Wood Johnson Foundation	2,613	49
7. Rockefeller Foundation	2,140	66
8. Pew Memorial Trust	2,058	85
9. Andrew W. Mellon Foundation	1,884	76
10. Kresge Foundation [3]	1,261	12
Total	**29,939**	**847**

[1] The J. Paul Getty Trust is an operating foundation. All other foundations listed are nonoperating foundations.

[2] The W.K. Kellogg Foundation Trust (classified as a private foundation and not as a 4947(a)(1) charitable trust) is located in New York and has a "pass-through" relationship with the W.K. Kellogg Foundation, located in Michigan. Typically, the entire amount of the annual qualifying (charitable) distributions of the W.K. Kellogg Foundation Trust is made in the form of a grant to the W.K. Kellogg Foundation, which redistributes the grant for charitable purposes (and does not count the redistribution as a qualifying distribution of its own). The combined total assets of the two are shown in the "Total assets" column, but the "pass-through" grant of the W.K. Kellogg Foundation Trust is excluded from the "Total grants paid" column in order to avoid duplication.

[3] There were 69 other foundations that held less than $1.3 billion in assets and that distributed more than $12 million in the form of contributions, gifts and grants.

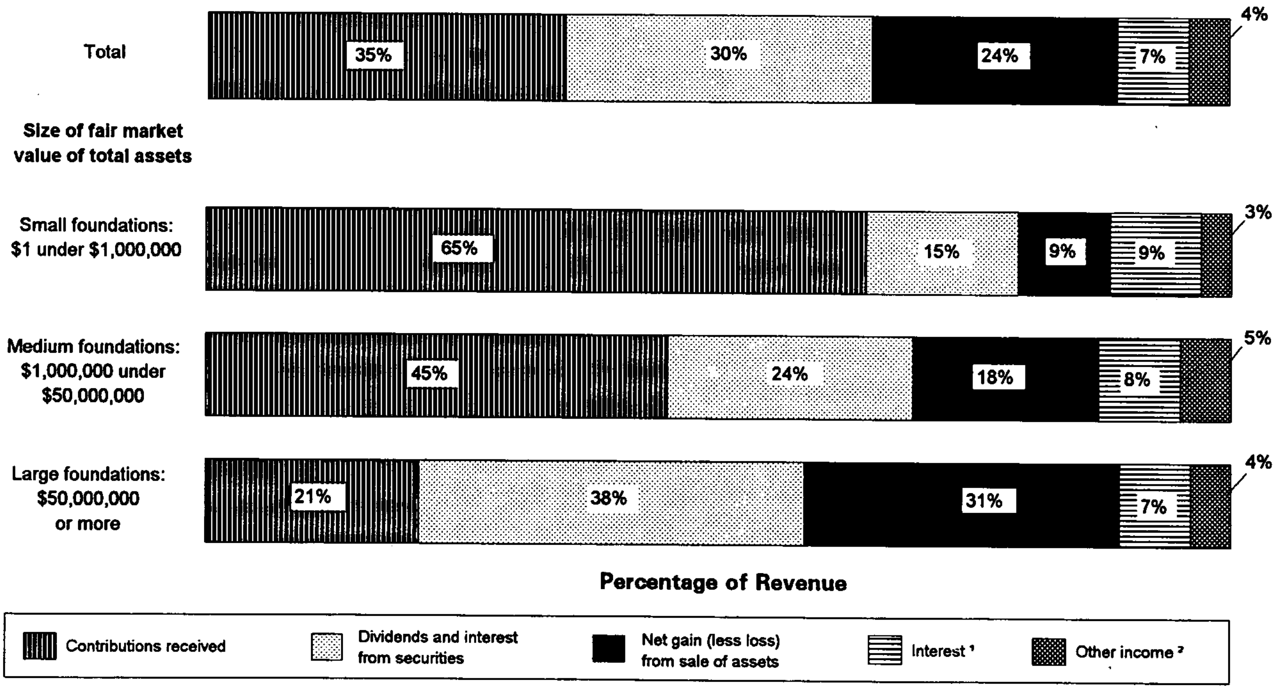
Sources of Foundation Revenue

As mentioned previously, foundations rebounded from declining revenues during the 1986 to 1988 period by realizing $19.9 billion in total revenues for 1989, an increase of 22 percent over 1988. During the time period 1986 to 1988, total revenues decreased by 19 percent in current dollars. Total revenue for 1989, in fact, was still close to 1 percent less than for 1986, or 11 percent less when measured in constant dollars. Largely contributing to the growth in foundation revenues for 1989 were the significant increases in contributions to foundations, 32 percent, and net gains from sales of assets, 30 percent. Both of these sources of revenue declined from both 1986 to 1987 and from 1987 to 1988. Supported by a strong, bullish stock market for 1989 that most likely led to higher market values for many of the foundations' stocks, foundations may have been more likely to sell a greater number of securities for greater gains when compared to the 2 previous years.

The notable rates of growth in contributions to foundations and net gains from sales of assets are significant since, combined, they comprised nearly three-fifths of total revenue. Figure C displays the sources of foundation revenue for 1989 for all foundations and for three different sizes of foundations: "small," "medium" and "large." Clearly, the small foundations derive a much larger percentage of their revenue from contributions, 65 percent. In contrast, the large foundations derive only 21 percent from contributions. However, combining the two revenue components, "dividends and interest from securities," and "net gain (less loss) from sales of assets," shows that the small foundations earned only 24 percent of total revenue from these two sources of investment income, while the large foundations earned 69 percent in this manner. Trends seem to show that as the size of the foundation increases, the proportion of revenue from contributions declines and the proportion of revenue from investment income rises. In terms of the different size groups, the small foundations realized a 15-percent increase in total revenues for 1989, while the largest foundations realized an increase two times as much, 30 percent.

Figure C

Sources of Private Foundation Revenue, by Size of Foundation, 1989



[1] Represents "Interest on savings and temporary cash investments," as reported on Form 990-PF.

[2] Includes, for example, gross rents, gross sales minus returns and allowances, imputed interest on deferred payments, and program-related investment income.

NOTE: Detail may not add to totals because of rounding.

Figure D depicts the ratio of the amount of charitable grants distributed by foundations to the amount of contributions received by foundations for 1989. Only 46 percent of all foundations (and 44 percent of grantmaking foundations) actually received contributions. This pattern does not vary notably across the different size categories. Even so, smaller foundations are oftentimes referred to as "pass-through" foundations, meaning that they tend to receive contributions in 1 year and then redistribute them either in the same or following year. Among those grantmaking foundations receiving contributions, all those holding less than $50 million in assets had approximately a one-to-one ratio of grants paid to contributions received. These foundations paid out slightly more in grants than the contributions that they received. In contrast, the large grantmaking foundations paid out nearly two times as much in grants compared to the amount that they received in contributions.

Figure E examines the relationship between charitable grants distributed and investment income. The majority of foundations earn income through investment sources. Investment income, in this case, includes the following items: "net gain (less loss) from sales of assets," "dividends and interest from securities" and "interest on savings and temporary cash investments." The large foundations, as a group, distributed an amount of charitable grants equal to half of the amount of investment income that they earned for 1989. In contrast, the small foundations, as a group, distributed two times as much in charitable grants compared to the amount of investment income that they earned.

Excise Tax on Net Investment Income

The excise tax on the net investment income of private foundations was enacted through TRA69. Domestic foundations generally are liable for a tax equal to 2 percent of their net investment income and foreign foundations for a tax equal to 4 percent of their gross investment income. Domestic organizations compute the excise tax based on investment income from all sources, while foreign organizations compute the tax based on investment income from U.S. sources only. One provision of the Deficit Reduction Act of 1984 allowed any domestic foundation to reduce the annual 2 percent excise tax to 1 percent, if, simply stated, the foundation showed improvement in the rate at which it paid out charitable dollars. Specifically, if current "qualifying distributions" exceeded a 5-year average of charitable distributions plus 1 percent of current net investment income, a foundation qualified for the reduced tax.

Figure D

Ratio of Total Charitable Grants Distributed to Total Contributions Received, by Size of Grantmaking Private Foundations, 1989

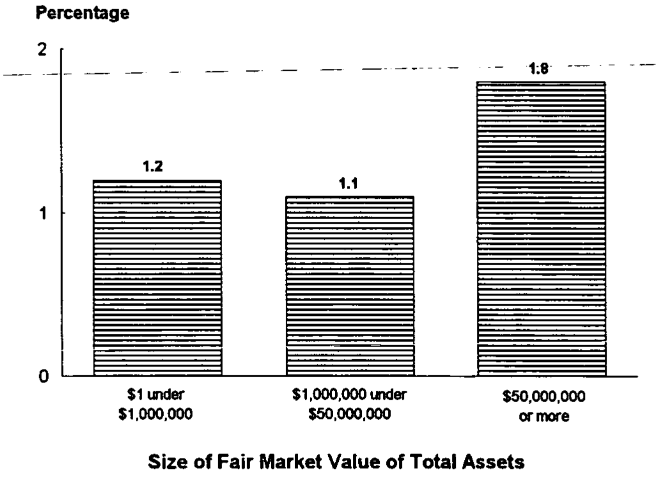
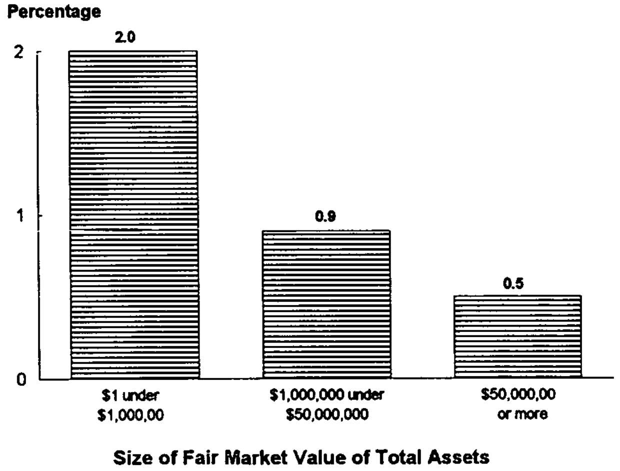


Figure E

Ratio of Total Charitable Grants Distributed to Total Investment Income, by Size of Grantmaking Private Foundations, 1989 [1]



[1] Investment income includes "net gain (less loss) from sale of assets," "dividends and interest from securities" and "interest on savings and temporary cash investments," as reported on Form 990-PF.

Net investment income, on which the excise tax is based, increased by 16 percent from 1988 to 1989 (see the Explanation of Selected Terms for a complete definition of net investment income.) For 1989, the IRS reported approximately $166 million from the excise tax on foundation net investment income, including slightly less than $1 million from foreign foundations. The total tax represents an increase of 17 percent over 1988. This amount, however, fell short of the amount of excise tax reported for each year from 1983 to 1987 (excluding 1984, for which no data are available). The number of foundations claiming the 1-percent reduction has increased steadily, including a 35-percent increase from 1988 to 1989, possibly explaining much of the decline in the excise tax over the entire 1983 to 1989 period.

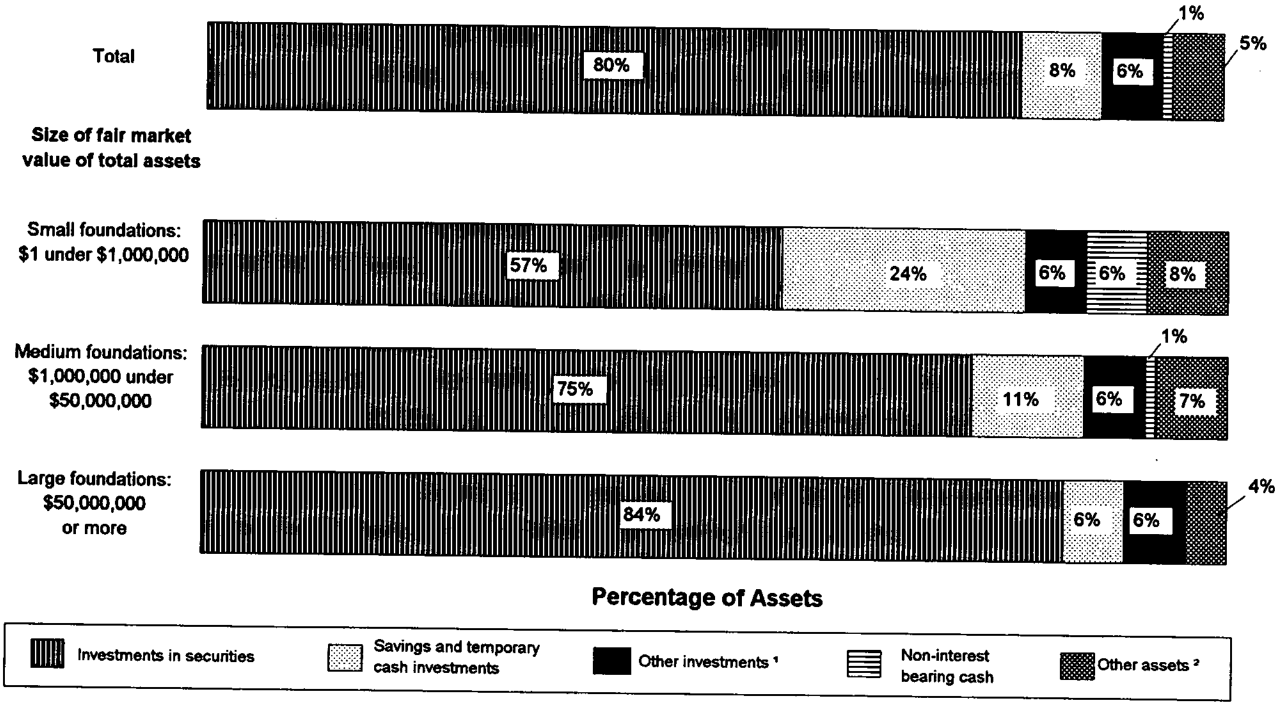
Composition of Foundation Assets

Foundations continued an upward climb in total asset growth for 1989. Total assets grew by 18 percent over 1988, from $128.9 billion to $151.7 billion. The 22-percent growth rate in investments in securities largely explains the growth in assets. Investments in securities, representing 80 percent of all foundation assets, grew from $99.6 billion for 1988 to $121.4 billion for 1989. Investments in securities mainly include U.S. and State Government obligations, corporate stock and corporate bonds. Investment assets, including securities as well as investments from other sources, comprised 94 percent of total foundation assets [13].

Investment assets, particularly securities, grew in proportion to total assets as the asset size of the foundations increased. Figure F shows the composition of foundation assets for three different size groups. It shows that small foundations held 57 percent of their assets as securities; medium-size foundations, 75 percent; and the large foundations, 84 percent. Although the large foundations held more investments in securities as a percentage of total assets for 1989 than for 1988, the distribution of assets is not unlike that for 1988 and prior years. In terms

Figure F

Composition of Private Foundation Assets, by Size of Foundation, 1989



[1] Sum of "Investments in land, buildings and equipment (less accumulated depreciation)," "Investments in mortgage loans" and "Other investments," as reported on Form 990PF. Includes items such as advances; certificates of investment; miscellaneous loan income; and investments in art, coins, gold, gems and paintings.

[2] Includes items such as deferred income, interest-free or low-interest loans made for charitable purposes, and escrow deposits.

NOTE: Detail may not add to totals because of rounding.

of the growth of foundation assets, the assets of small foundations increased by only 4 percent for 1989, while those of the largest foundations increased by 25 percent.

While small foundations held less assets as securities, they held substantially more assets as "savings and temporary cash investments," 24 percent, compared to 11 percent for the medium-size foundations, and only 6 percent for the large foundations. As foundation size increases, foundations tend to hold less of their portfolio in savings and temporary cash investments and more as investments in securities. Also, small foundations typically hold a greater percentage of non-interest-bearing cash than large foundations, 6 percent compared to only 0.2 percent, which may indicate that many of the small foundations have less sophisticated financial management practices and a greater need for liquidity of assets. Components of assets other than those discussed above include charitable-use land, buildings and equipment used in the direct operation of a foundation's charitable activities; various receivables; and "other" assets, which includes items such as deferred income, interest-free or low-interest loans made for charitable purposes, and escrow deposits. "Other" assets collectively accounted for only 5 percent of total foundation assets.

Investing Behavior

Generally, the larger the asset size of a foundation, the more extensively it tends to emphasize the management and growth of its endowment as a means by which to fund charitable giving, both now and in the future. Unlike other charitable nonprofit organizations, (nonoperating) foundations most often distribute grants in order to fulfill their charitable purpose. Because of the relative freedom that foundations have in the investment of their tax-exempt endowments, they are subject to a minimum charitable payout requirement. Allowing for certain exceptions, they must distribute an amount for charitable purposes each year that equals 5-percent of the average value of their net investment assets. (For an explanation and discussion of the payout requirement, see the sections beginning with Charitable Distributions.) In order to fund charitable activity without dipping into their endowments, it is optimal for foundations to realize a rate of total return on assets (defined below) that, on average, equals at least 5 percent plus the costs of investment and the rate of inflation. This makes it possible for them to fulfill the charitable payout requirement without eroding their endowments. For many foundations, especially the larger ones, this represents a very real goal.

Different sizes of foundations tend to have different charitable and investment objectives [14]. For example, larger foundations may tend to operate with more of a long-term focus. They may invest and manage their assets in order to maintain or increase the size of their endowments by earning income and realizing a return on assets (after accounting for inflation) that will allow them to meet the annual 5-percent payout requirement and hold any remainder as part of their investment portfolio. Many pay out close to 5 percent of net investment assets in the form of charitable dollars each year. The larger foundations hold a greater proportion of assets as investments in securities, including a greater proportion of higher-risk, higher growth common stock that may appreciate in value relatively rapidly [15]. They also may tend to possess the resources needed to use sophisticated investment management services. For these reasons, the larger foundations typically earn higher rates of total return on assets than do the smaller foundations.

Larger foundations typically have higher rates of return on assets than do smaller foundations.

In contrast, many of the smaller foundations tend to operate with more of a short-term focus and with the intention of distributing their contributions currently [16]. Oftentimes many of the smaller foundations act as conduits or "pass-through" organizations. In this role, those that receive contributions may distribute them as qualifying distributions in that same year or in the next. The smaller foundations, compared to the larger ones, often do not possess the resources necessary to devote to sophisticated investment and risk management and may not have the same incentives to increase and perpetuate the endowment of the foundation. They tend to hold lower risk assets that do not appreciate as rapidly, thereby resulting in lower returns compared to the larger foundations [17]. Moreover, they may intend to exist for only a short-term period in order to cope with present concerns and to meet immediate charitable needs.

Currently, enabling legislation exists to seek final approval for The Investment Fund for Foundations, a financial instrument for pooled private foundation investments. This proposed fund enjoys great support within the foundation community. It was modeled after The Common Fund for educational institutions and will operate as a section 501(c)(3) nonprofit organization. The Investment Fund for Foundations, by providing investment management services, a variety of investing options, and educational programs on investing, will have the purpose of helping foundations, particularly the smaller ones, to increase their long-run investment performance. This fund will allow foundations to pool their investment assets and

Figure G

Nonoperating Private Foundation Net Investment Income (NII) Yields, by Size of Fair Market Value of Total Assets, 1987-1989

Size of fair market value of total assets	Median NII yields (percentages)		
	1987	1988	1989
	(1)	(2)	(3)
All nonoperating foundations	7.2	7.2	7.7
Small foundations			
$1 under $100,000	6.4	6.6	6.8
$100,000 under $1,000,000	7.4	7.3	8.0
Medium foundations			
$1,000,000 under $10,000,000	8.1	7.6	8.0
$10,000,000 under $50,000,000	9.4	7.6	8.2
Large foundations			
$50,000,000 under $100,000,000	9.0	7.4	8.6
$100,000,000 or more	8.9	7.3	8.1

NOTE: The NII yields equal net investment income divided by end-of-year fair market value of investment assets.

risk and benefit from professional investment management services. The returns on the pooled investments, which most likely will be greater than the returns currently realized by many foundations, will increase the asset values of participating foundations and ultimately help them to fund an increased level of charitable giving in both the present and the future.

Income Yields

The "income yield" measures the realized investment income earned by a foundation against its assets. Figure G displays median net investment income yields for nonoperating foundations for the years 1987 to 1989. Only nonoperating foundations were analyzed since only they are subject to the charitable payout requirement, discussed below. Due to the nature of the data, the most appropriate way in which to calculate the net investment income yield, or the NII yield, is by dividing net investment income by the end-of-year fair market value of investment assets [18].

From 1987 to 1989 the median NII yield remained relatively constant, between 7 and 8 percent. As in the case of the rate of total return, the large foundations typically tend to earn slightly higher NII yields than the smaller foundations. For instance, for 1989, the smallest foundations earned a median NII yield of 6.8 percent, while the largest earned a median yield of 8.1 percent. The distribution of the NII yield data is positively skewed, since the mean yields are higher than the medians for all of the foundation size groups for each of the years displayed. The smaller the size of the foundation, the greater the difference tends to be between the mean yield and the median yield. For most of the different size groups, median NII yields increased slightly from 1988 to 1989. Increases in revenues, particularly in capital gains from sales of assets, largely accounted for this increase.

Rates of Total Return

Figure H shows median rates of total return on nonoperating foundation assets for the years 1987 to 1989 [19]. An examination of rates of return helps to show differences among the different sizes of foundations. Furthermore, a comparison with the charitable payout rates helps to further the understanding of foundations. The rate of total return is a measurement of the total capital appreciation of the endowment of a foundation. The rate of return formula used here measures the change in the value of the entire asset base with considerations for inflows and outflows of money [20]. The formula adjusts for inflation and measures the realized income from assets, investment and otherwise, as well as the unrealized appreciation or depreciation in the fair market value of assets.

After 1987, the year of the October stock market decline and unusually low rates of total return, foundations

Figure H

Nonoperating Private Foundation Rates of Total Return on Assets, by Size of Fair Market Value of Total Assets, 1987-1989

Size of fair market value of total assets	Median rates of total return [1] (percentages)		
	1987	1988	1989
	(1)	(2)	(3)
All nonoperating foundations	n.a.	n.a.	n.a.
Small foundations			
$1 under $1,000,000	n.a.	n.a.	n.a.
Medium foundations			
$1,000,000 under $10,000,000	1.3	6.8	7.0
$10,000,000 under $50,000,000	0.9	7.9	10.6
Large foundations			
$50,000,000 under $100,000,000	1.1	8.3	11.6
$100,000,000 or more	1.4	9.0	12.7

[1] The 1987 gross domestic product (GDP) implicit price deflator was used to adjust for inflation. The rates of return may vary slightly from previously published rates (for years prior to 1989) since the 1982 gross national product (GNP) implicit price deflator was used to adjust for inflation for prior years.

n.a. - Not available; see footnote 20 at the end of this article.

realized increases in total asset and investment values, as evidenced by the strong rates of total return. For 1987, largely due to the stock market decline that lowered the end-of-year asset values, the median foundation realized a real rate of return that fell below the desired 5 percent needed to fulfill the payout requirement without a decline in asset value. For instance, for 1987 the largest foundations realized only a 1.4 percent real return. For 1988, however, median returns increased dramatically, with the largest foundations realizing a return of 9.0 percent. Foundations continued to realize increasing returns for 1989. For example, the largest foundations realized a return of 12.7 percent. The rates of return for the other asset-size groups ranged from 7.0 percent for those foundations holding from $1 million to less than $10 million in assets; to 10.6 percent for those holding from $10 million to less than $50 million; and to 11.6 percent for those holding from $50 million to less than $100 million.

The largest proportions of foundation grants went for education, health, human services and the arts and humanities.

As the asset holdings of foundations increase, so do the total returns generally realized by foundations. Since the total return figures account for inflation, it is apparent that foundations (at least those holding $1 million or more in assets) realized a rate of total return for 1989 that enabled them to exceed the desired 5 percent for the charitable payout requirement. Here, too, the distribution of the rate of return data is positively skewed, since the mean returns are higher than the medians for all of the foundation size groups for each of the years studied. The notable increase in total rates of return from 1988 to 1989 is not surprising given the increasing value of assets during this time period.

The Charitable Distribution (or Payout) Requirement

The following discussion of the charitable distribution requirement and the payout rate excludes operating foundations since they are not subject to the payout requirement. Therefore, all references to foundations in this section, and in the following sections, are to nonoperating foundations, unless otherwise indicated. For reasons of comparability, the operating foundations were also excluded from median net investment income yields and rates of total return, discussed previously.

Over 20 years ago, beginning with TRA69, private nonoperating foundations were required to meet a charitable giving or "payout requirement." The Federal Government first began to grant tax-exempt status to charitable foundations in the early 1900's. Legislative changes and discussions prior to 1969 focused on the regulation of foundation activities. Not until 1969 did legislation provide guidelines for minimum foundation giving levels. The original payout requirement, which was based on the greater of (adjusted) net income or a fixed percentage of the fair market value of noncharitable-use assets, was designed to prevent potential abusive foundation activity and ensure that a minimum amount of tax-exempt income and assets was charitably distributed [21]. Later, the Economic Recovery Tax Act of 1981 (ERTA) modified the payout requirement by basing the required amount only on assets and not on income. After the implementation of this legislation, viewed as less burdensome by the foundation community, it was hoped that long-run foundation charitable distributions would increase since foundations would be afforded a greater opportunity to increase the value of their endowments and, in the process, increase their giving power. Overall, the data indicate that, since ERTA, smaller foundations, in general, do not seem to have altered their giving patterns significantly [22]. The large foundations, however, seem to have benefited from the 1981 legislation, as they realized the largest percentage increases in both assets and distributions since 1982. The following analyses examine the framework of the payout requirement and explore the payout trends of the entire nonoperating foundation population.

Under the guidelines of ERTA, each year nonoperating foundations must calculate a "distributable amount," which is the minimum amount that the organizations must distribute for charitable purposes by the end of the next full reporting year in order to avoid a penalty tax on undistributed charitable dollars. The distributable amount, or required payout amount, equals 5 percent of the fair market value of net investment assets (called the "minimum investment return"), plus or minus certain adjustments, either allowed or required (see distributable (payout) amount, net investment assets, minimum investment return, and net adjustments to distributable amount in the Explanation of Selected Terms) [23].

Qualifying Distributions

To fulfill the charitable payout requirement, foundations can apply "qualifying distributions" from the current operating year, as well as any carryovers of qualifying distributions (amounts paid in excess of the minimum required amount) from the 5 previous years [24]. Nonoperating foundations disbursed a total of $8.0 billion in contributions and grants for 1989. These contributions and grants comprised 91 percent of qualifying distributions. According to the Foundation Center's *Foundation Giving*, the largest proportions of total foundation grants (in dollar amounts) went to the areas of education, health, human services, and the arts and humanities [25]. In addition, foundations either disbursed or "set aside" (for future distribution) $0.8 billion in support of charitable activities. The money in support of charitable activities that foundations could treat as qualifying distributions included the following: operating and administrative expenses (e.g., amounts paid to operate a museum or nursing home); amounts paid to acquire charitable-use assets (e.g., equipment, supplies or buildings); set-asides; and program-related investments (e.g., loans made to public charities at below market or zero rates of interest.)

As mentioned previously, nonoperating foundations fulfill their exempt purpose in an indirect manner, primarily by making grants to other charitable organizations, while operating foundations generally expend their income for direct, active involvement in charitable activities and operations. For 1989, grants distributed by operating foundations comprised only 8 percent of their total qualifying distributions. Operating foundations are not subject to the same minimum payout requirement, but they must still expend a minimum amount each year on direct charitable support, usually by actively conducting charitable programs. These expenditures count as "qualifying distributions" in meeting the operating foundation requirements. Although operating and nonoperating foundations typically operate in accordance with their respective distribution requirements, some nonoperating foundations are actively involved in charitable programs, and some operating foundations make grants.

Of the approximate 36,000 nonoperating foundations, 94 percent were required to make a distribution for 1989. Collectively, these foundations paid out $8.8 billion in qualifying distributions against a payout requirement (or distributable amount) of $6.0 billion. The largest foundations paid out $3.5 billion in qualifying distributions against a payout requirement of $3.3 billion. The small foundations distributed a larger amount in excess of the payout requirement when compared to the other size groups: $1.0 billion against a required distributable amount of less than $0.3 billion. Typically, the smaller foundations tend to distribute much more than the larger foundations in relation to their required amount. For 1989, approximately 38 percent of the small foundations, but only 5 percent of the largest foundations, distributed twice the required amount. Moreover, 17 percent of the small foundations distributed ten times the required amount.

Nearly four-fifths of foundations having a payout requirement either met or exceeded the required amount for 1989 in that same year. The organizations that did not, had until the end of their 1990 reporting year to satisfy the requirement. (After applying current-year qualifying distributions and any carryovers from previous years, the amount by which foundations fell short of meeting the requirement is called "undistributed income.") While less than 20 percent of the smallest foundations did not meet the 1989 requirement during 1989, thereby amassing "undistributed income," over 50 percent of the largest foundations chose to wait until the 1990 Reporting Year to distribute their required amount for 1989. Given that the annual payout amount is not calculated until the end of an organization's reporting period and that it is based on the current period's monthly average of investment assets, many foundations typically choose to take advantage of the 1-year tax- and penalty-free "grace period" for making required distributions. This lag time gives them an opportunity to consider their investment returns, payout rates and contributions received, among other factors, when preparing their grantmaking budgets for the following year or years.

Payout Rates

Figure I shows median foundation payout rates for 1987 to 1989. To calculate the payout rate, the amount of

Figure I

Nonoperating Private Foundation Payout Rates, by Size of Fair Market Value of Total Assets, 1987-1989

Size of fair market value of total assets	Median payout rates (percentages)		
	1987	1988	1989
	(1)	(2)	(3)
All nonoperating foundations	7.0	7.2	7.1
Small foundations			
$1 under $100,000	9.6	10.7	10.9
$100,000 under $1,000,000	6.7	6.6	6.8
Medium foundations			
$1,000,000 under $10,000,000	5.7	5.9	5.8
$10,000,000 under $50,000,000	5.4	5.5	5.4
Large foundations			
$50,000,000 under $100,000,000	5.2	5.3	5.4
$100,000,000 or more	5.0	5.3	5.0

NOTE: Payout rates equal adjusted qualifying distributions divided by the monthly average of net investment (noncharitable-use) assets.

(adjusted) qualifying distributions was divided by the amount of the monthly average of net investment (or noncharitable-use) assets [26]. From 1987 to 1989, the median payout rate for all nonoperating foundations remained relatively constant. The median foundation during these 3 years distributed charitable dollars that equaled approximately 7 percent of investment assets. For 1989, as with other years, the smallest foundations paid out charitable dollars at the highest rate, 10.9 percent, compared to 5.0 percent for the largest foundations. The mean payout rates for foundations of all sizes were higher compared to the median rates. In terms of the growth of qualifying distributions for the different size groups, the small foundations increased their qualifying charitable distributions by 9 percent over 1988; the largest foundations, by 13 percent.

Payout rates for the large foundations were very close to the required rate of 5 percent, in contrast to those of the smaller foundations, which were much higher than the required rate. This is not unexpected due to differences in the grantmaking and investing strategies of the different sizes of foundations. Small organizations seem to focus more on distributing charitable dollars currently, rather than on long-term endowment growth. The larger foundations, generally, may reinvest a greater portion of their return on investments, possibly in order to ensure endowment growth for future charitable giving. A further discussion of the different investing goals and distribution patterns of large and small foundations appears in Investing Behavior and Asset Growth, Distribution Goals and Decision-making.

Asset Growth, Distribution Goals and Decision-making

During the early-to-mid-1980's, foundations benefited from favorable stock market conditions that, coupled with low inflation, allowed many of them to realize rates of return and income yields high enough to easily meet the 5-percent charitable payout requirement. This favorable environment, especially from 1982 to 1986, enabled many foundations to increase their charitable grants and distributions and at the same time expand the size of their endowments. As foundation assets increased, so did the required distributable amounts, thereby leading to increased grants paid out by many foundations. For 1982 through 1986, the large- and medium-size foundations realized asset growth at a rate that exceeded the increases in their qualifying (charitable) distributions. The smallest foundations, on the other hand, paid out charitable distributions at a faster rate than the rate of growth in their total assets during these years. From 1986 to 1989, the small foundations did not increase the real value of their charitable distributions. The largest foundations, in contrast, actually increased the real value of qualifying charitable distributions by 28 percent during these years. The payout rates of these foundations are typically much lower than those of the smaller foundations, but the rates of increase in the amount of grants that they distributed remained relatively constant. These patterns may indicate that large foundations better adapt to fluctuating investment returns by maintaining consistent levels of giving and by concentrating on long-run asset growth.

Despite the slower rate of asset growth for 1987 and significant declines in revenue for 1987 and 1988, charitable distributions by the largest foundations increased much more than any other size group from 1986 to 1989. The 28-percent real increase in distributions was largely supported by a 34-percent rise in the value of total assets. Conversely, the small foundations, from 1986 to 1989, actually realized no real increase in the value of charitable distributions and only a 6-percent rise in the value of their assets. During these years all of the foundation size groups showed aggregate declines in real revenue. It seems that the decreases in revenue may have influenced the grantmaking behavior of the small foundations much more than that of the large foundations. Figure J displays constant dollar changes in charitable distributions, total assets and total revenues for 1986 to 1989 for the different sizes of foundations.

During the 1980's, the significant asset growth of the largest foundations allowed them to increase distributions through 1989 at a rate faster than any other size group.

Figure J

Nonoperating Private Foundations: Increases in Charitable Distributions, Assets and Revenues, by Size of Fair Market Value of Total Total Assets, 1986-1989

Size of fair market value of total assets	Percentage increase, 1986-1989 [1]		
	Charitable distributions	Total assets	Total revenue
	(1)	(2)	(3)
All nonoperating foundations.....	30.0	22.3	-11.1
$1 under $1,000,000......................	0.0	5.9	-23.0
$1,000,000 under $50,000,000......	14.8	10.2	-10.6
$50,000,000 or more......................	28.4	33.7	-10.0

[1] Percentage increases are calculated using constant dollars; the 1987 Gross Domestic Product (GDP) implicit price deflator was used to adjust for inflation.

NOTE: Charitable distributions represent "qualifying distributions" and total assets represent "fair market value of total assets," both from Form 990-PF.

These foundations typically make qualifying distributions at a rate very near the 5-percent requirement. During the entire 1982 to 1989 period, the endowments of the larger foundations increased significantly, thereby leading to higher required payout amounts, and, as a result, increased distributions. A growing endowment will help to fund charitable giving at the same or at an increased value in the future. The assets of the largest foundations grew faster than the growth in the number of these foundations from 1982 to 1989. In contrast, during the same period, the number of small foundations actually grew faster than the amount of total assets that they, as a group, held. Smaller foundations typically realize lower income yields and lower returns, but tend to pay out a larger percentage of their assets compared to the larger foundations. However, the greater increases in charitable distributions by the larger foundations underscore the importance of good investment management and a growing asset base as a means by which to fund charitable giving, both currently and in the future.

Recent foundation research (aside from Statistics of Income), through the use of multiple-regression analyses, has attempted to examine the effects of various factors on charitable giving and the payout rate. Total returns and income yields, contributions received and previous year payout rates, along with many other factors, may impact the charitable payout practices of foundations. Questions arise as to how patterns differ with the different types and sizes of foundations. Such issues will not be examined within the scope of this article, but are important questions to be examined within the area of the nonprofit sector, which includes private foundations.

Section 4947(a)(1) Charitable Trusts

Charitable trusts are defined in Code section 4947(a)(1) as organizations which have exclusively charitable interests and which can receive tax-deductible charitable contributions. Charitable trusts that are not publicly supported are subject to the same requirements as foundations, including the excise tax provisions and the charitable payout requirement. Like foundations, they are required to file a Form 990-PF. Unlike foundations, charitable trusts are not exempt from Federal income tax and must pay an annual tax on income (usually from investments) that is not distributed for charitable purposes. Trusts must report such income and tax on Form 1041, *U.S. Fiduciary Income Tax Return.* Other section 4947(a)(1) charitable trusts file Form 990. The latter are organizations which typically operate in connection with, and provide support to, one or more public charities. Split-interest trusts, which have both charitable and non-charitable beneficiaries, file Form 5227. The 4947(a)(1) charitable trusts may operate somewhat differently from foundations. Unlike foundations, most of these trusts were originally formed as 4947(a)(2) split-interest trusts that at one time had one or more noncharitable beneficiaries.

Over 2,600 section 4947(a)(1) trusts filed Form 990-PF for 1989. Of the total, over 98 percent were considered nonoperating trusts. The remainder were classified as operating trusts. Over 2,400 trusts, or 93 percent, made charitable grants for 1989. One-fifth of the trusts, those holding $1 million or more in assets, held over four-fifths of the total assets. However, the trusts, on average, are much smaller than foundations. Furthermore, there exists much less variation in terms of asset size within the trust population. For 1989, there were only 38 trusts holding $10 million or more in assets, or slightly more than 1 percent of the trust population. For 1989, trusts held approximately $2.9 billion in total assets and realized $404.6 million in total revenues, representing slightly less than 2 percent of the totals reported by Form 990-PF filers in terms of both assets and revenues. They also distributed a total of $143.7 million in contributions and grants for 1989 and paid out charitable dollars at a slightly lower rate than private foundations. On a book value basis, total assets increased by approximately half the rate of increase of private foundation assets from 1979 to 1989. Part of this difference results from the fact that more foundations, compared to trusts, have formed since 1979.

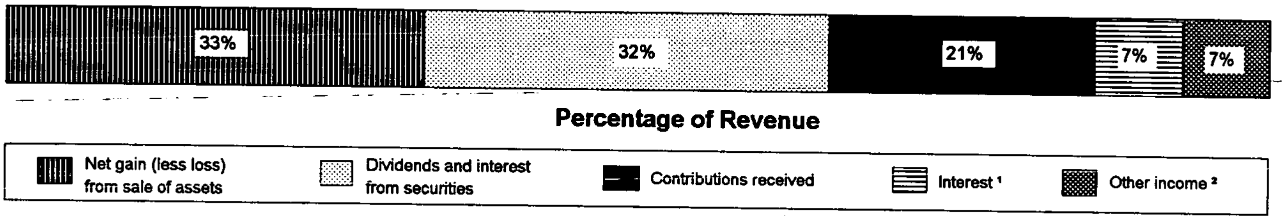
Sources of Charitable Trust Revenue and Assets

Compared to foundations, the amount of contributions received by the 4947(a)(1) trusts was much less significant as a source of revenue. Instead, trusts relied much more on investment income sources, such as dividends and net gains from sales of assets. Only 13 percent of the trusts actually received contributions for 1989. Figure K shows the sources of charitable trust revenue for 1989. Trusts reported over 70 percent of revenue as investment income, including net gains from sales of assets, dividends and interest from securities, and interest on savings and temporary cash investments. Only 21 percent of revenue came from contributions. In terms of revenue sources, less disparity existed between the different sizes of trusts than existed between the different

Over 98 percent of the charitable trusts were "nonoperating" trusts; 93 percent of the total made grants for 1989.

Figure K

Sources of Charitable Trust Revenue, 1989



[1] Represents "Interest on savings and temporary cash investments," as reported on Form 990-PF.

[2] Includes, for example, gross rents, gross sales minus returns and allowances, imputed interest on deferred payments, and program-related investment income.

sizes of foundations. Generally, the trusts behaved most like the large foundations.

The composition of assets for charitable trusts was similar to the composition held by the medium- and large-n h size foundations. Of the $2.9 billion in total assets for 1989, about $2.2 billion, or 77 percent, was held in the form of investments in securities. The remainder was primarily held as savings and temporary cash investments, 8 percent; and "other" investments (including, for instance, land, buildings and equipment; and mortgage loans), 8 percent. Figure L depicts the composition of total charitable trust assets for 1989. Unlike foundations, there was little difference among the different size groups.

Charitable Trust Income Yields

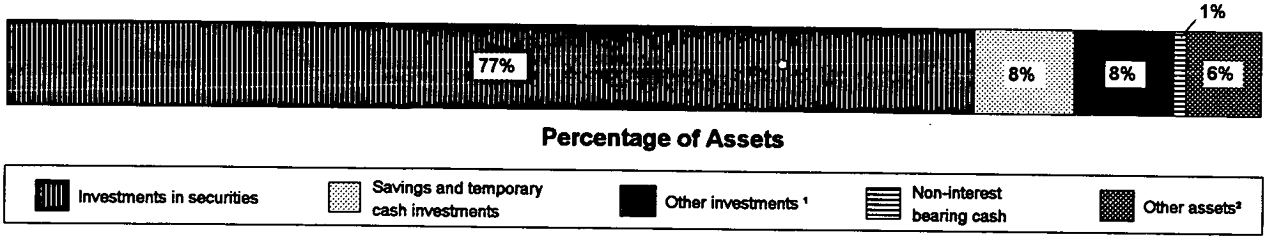
As in the case of foundations, the median net investment income (NII) yields were calculated only for nonoperating trusts. Figure M displays the median NII yields for charitable trusts for 1989. The NII yields differed little among the different size groups. Trusts realized a somewhat higher proportion or yield of income on their investments than did foundations, 8.9 percent compared to 7.7 percent. The small trusts, in particular those holding less than $1 million in assets, performed notably better than foundations of the same size. Rates of total return on assets are currently unavailable for trusts since data are not available for the 2 consecutive years needed to perform the necessary calculations. However, when the 1990 statistics are available, this will become possible.

Charitable Trust Distributions and Payout Rates

As already stated, the 4947(a)(1) trusts disbursed a total of $143.7 million in contributions, gifts and grants for 1989. These contributions and grants comprised 92 percent of qualifying distributions. The nonoperating

Figure L

Composition of Charitable Trust Assets, 1989



[1] Sum of "Investments in land, buildings and equipment (less accumulated depreciation)," "Investments in mortgage loans" and "Other investments," as reported on Form 990-PF. Includes items such as advances; certificates of investment; miscellaneous loan income; and investments in art, coins, gold, gems and paintings.

[2] Includes items such as deferred income, interest-free or low-interest loans made for charitable purposes, and escrow deposits.

Figure M

Nonoperating Charitable Trust Net Investment Income (NII) Yields, by Size of Fair Market Value of Total Assets, 1989

Size of fair market value of total assets	Median NII yields (percentages)
All nonoperating trusts	8.9
Small trusts	
$1 under $100,000	8.5
$100,000 under $1,000,000	9.3
Medium and large trusts	
$1,000,000 under $10,000,000	8.2
$10,000,000 or more	8.2

NOTE: The NII yields equal net investment income divided by end-of-year fair market value of investment assets.

trusts, which comprised the vast majority of the trust population, distributed $142.4 million of the total amount of contributions and grants. For 1989, nonoperating trusts paid out $153.1 million in qualifying distributions against a required distributable amount of $121.4 million. Of all of the trusts, 93 percent made grants for 1989. As in the case of foundations, the discussion of the distribution requirement and payout rates excludes operating trusts since they are not subject to the same payout requirements as nonoperating trusts.

The large trusts, those holding $10 million or more in assets, paid out qualifying distributions that exceeded the required payout amount by 27 percent. Conversely, the small trusts, those holding less then $1 million in assets, paid out 56 percent more qualifying distributions than was required. The medium-size trusts, those holding from $1 million to less than $10 million in assets, distributed only 8 percent more than required. Like the small foundations, nearly four-fifths of the trusts having a payout requirement met or exceeded the required amount for 1989 in that same year. The remaining one-fifth did not meet the 1989 requirement during that year, thereby amassing "undistributed income." Unlike foundations, no great disparity existed among the different size groups of trusts in terms of undistributed income.

Figure N presents median payout rates for charitable trusts for 1989. The median payout rate for all trusts equaled 5.9 percent of assets for 1989, compared to 7.1 percent for foundations. Like foundations, the mean payout rates were notably higher compared to the median rates. Unlike foundations, the trust payout rates across size categories were similar. The smallest trusts, those holding less than $100,000 in assets, had lower payout rates than foundations of the same size, 6.4 percent compared to 10.9 percent. In terms of the different asset-size categories, this represented the most meaningful difference in payout rates between foundations and trusts.

Less of a difference in NII yields and payout rates across asset size groups existed for trusts than for foundations. Due to their relatively large holdings of investments in securities and their greater reliance on investment income, it seems that small trusts may manage their assets in a manner more similar to their larger counterparts than to foundations of the same size. Trusts earned slightly higher NII yields and paid out charitable dollars at slightly lower rates than foundations. Data for 1990 on charitable trusts will no doubt provide additional insight into their behavior and about the relative growth of their assets, revenues and charitable distributions.

Figure N

Nonoperating Charitable Trust Payout Rates, by Size of Fair Market Value of Total Assets, 1989

Size of fair market value of total assets	Median payout rates (percentages)
All nonoperating trusts	5.9
Small trusts	
$1 under $100,000	6.4
$100,000 under $1,000,000	5.9
Medium and large trusts	
$1,000,000 under $10,000,000	5.5
$10,000,000 or more	5.8

NOTE: Payout rates equal adjusted qualifying distributions divided by the monthly average of net investment (noncharitable-use) assets.

Summary

Private Foundations

For 1989, private foundations rebounded from revenue losses during the 2 previous years by realizing total revenues that increased by 22 percent over 1988, to $19.9 billion. The three largest revenue components, contributions received, net gains from sales of assets, and dividends and interest from securities, all increased notably over 1988, largely explaining the growth in total revenues. Contributions received, net gains and dividends, increased by 32 percent, 30 percent and 19 percent, respectively. As an indication of this growth, net investment income (NII) yields increased somewhat for 1989. The total median NII yield increased from 7.2 percent for 1988 to 7.7 percent for 1989, with larger foundations earning higher yields than smaller foundations. Trends continue to show that as the size of a foundation increases, the proportion of revenue from contributions declines, while the proportion from investment income rises.

Supported by a strong, bullish stock market for 1989, foundation assets increased along with revenues. End-of-year total assets increased by the highest annual rate of the decade, 18 percent, to $151.7 billion. The growth of investments in securities, 22 percent, explains much of the increase. Investments in securities represented 80 percent of total assets. As is typical, the largest foundations, those holding $100 million or more in fair market value of total assets, held the largest proportion of assets as investments in securities. This group also realized the greatest increases in total assets for 1989. As an indication of the strong year, foundations realized increased rates of total return on assets compared to 1988. For instance, the largest foundations realized a median rate of total return that increased from 9.0 percent for 1988 to 12.7 percent for 1989.

While foundation revenues and assets increased notably for 1989, grant payments continued to grow at a relatively constant rate, 10 percent. The amount of contributions, gifts and grants distributed by foundations for 1989 equaled $8.1 billion. Despite fluctuations in both assets and revenues over the 1986 to 1989 time period, foundations maintained relatively consistent giving patterns and relatively consistent charitable payout rates. For 1989, nonoperating foundations reported $8.8 billion in qualifying charitable distributions against a required payout amount of $6.0 billion. More foundations continued to claim the 1-percent excise tax reduction, 35 percent more than for 1988, indicating that many foundations increased the rate at which they distributed charitable dollars.

The changes in revenue, asset and charitable distribution patterns for 1989 help to further confirm the variation that exists in the investment and distribution behavior of the various sizes of foundations. From 1986 to 1989, the small foundations realized no increase in the real value of their charitable distributions and showed only a very modest 6-percent rise in the value of their assets. The largest foundations, in contrast, which typically rely more heavily on the appreciation of their endowments in order to fund charitable distributions, increased their charitable distributions over the entire 1986 to 1989 period by more than any other size group. Their 28-percent real increase in distributions was largely supported by a 34-percent rise in total assets. As foundations increase in size, the rate of growth in assets and distributions tends to increase as well. During the 1986 to 1989 time period, the revenues of all the different size groups declined. Despite the declining revenues, the largest foundations successfully distributed charitable dollars at relatively consistent rates of growth, largely because they tend to rely heavily on the growth of their endowments. A growing endowment helps to fund giving at an increased rate in the future. Small foundations, in contrast, tend to rely less on the appreciation of their endowments, and more on revenue (including contributions received and investment income) as a means to fund charitable giving.

Section 4947(a)(1) Charitable Trusts

Reporting Year 1989 represented the first year since 1979 that Statistics of Income collected data on the section 4947(a)(1) charitable trusts that are treated as private foundations. These organizations are subject to the same requirements as foundations and operate in a relatively similar manner. For 1989, over 2,600 of these trusts filed Form 990-PF. These trusts represented only 6 percent of all Form 990-PF filers. For 1989, the 4947(a)(1) charitable trusts, as a group, held $2.9 billion in total assets, realized $404.6 million in total revenues, and distributed $143.7 million in charitable contributions, gifts and grants.

Much less disparity existed among the different size groups of trusts, compared to foundations, in terms of the manner in which they operated. Trusts received proportionately less contributions and relied much more on investment income, such as dividends and net gains from sales of assets. Like foundations, trusts held the majority of their assets, 77 percent, as investments in securities. While trusts actually realized slightly higher net investment income (NII) yields than foundations, they distributed charitable dollars at a somewhat lower rate.

Data Sources and Limitations

The statistics in this article are based on a sample of reporting year 1989 Forms 990-PF that were filed with the IRS. IRS required organizations having accounting periods beginning in 1989 (and therefore ending, in general, in December 1989 through November 1990) to file a 1989 Form 990-PF. Some part-year returns were included in the samples for organizations that changed their accounting periods, or filed initial or final returns. Slightly more than 60 percent of the foundations in the sample had accounting periods covering Calendar Year 1989 or, in some cases, part-year periods that ended in December 1989. For charitable trusts, approximately 52 percent filed calendar year returns. The 11 noncalendar-year accounting periods, when grouped together, included a period of time that ranged from February of 1989 to

November of 1990 (and may also have included some part-year periods). While the majority of the 1989 data are for Calendar Year 1989, approximately 40 percent of the data (for foundations) and 48 percent (for charitable trusts) were reported for periods that go beyond the end of Calendar Year 1989. In total, however, most of the financial activity is associated with Calendar Year 1989.

The 1989 sample was stratified based on both the size of book value of total assets and the type of organization [27]. The type of organization was separated into private foundations and 4947(a)(1) charitable trusts. The foundations were selected at rates that ranged from 5.3 percent (for the more numerous but very small asset-size returns) to 100 percent (for the relatively few returns with large amounts of assets). The charitable trusts were selected at rates that ranged from 29 to 100 percent. The 5,559 returns in the 1989 sample (4,204 originally selected as foundations and 1,355 selected as trusts) were drawn from an estimated population of 38,773 foundations and 2,634 trusts.

The 1989 study was designed to provide reliable estimates of total assets and total revenue based on a sample of returns. To accomplish this, 100 percent of foundation returns with assets (book value) of $10 million or more and 100 percent of charitable trust returns with assets of $1 million or more were included in the sample, since these were the returns that, dollar-wise, accounted for the majority of activity. The remaining foundation population was randomly selected for the sample at various rates depending on asset size: 5.3 percent for returns with assets less than $100,000; 6.1 percent for returns with assets of $100,000 to less than $1 million; and 15.3 percent for returns with assets of $1 million to less than $10 million. Likewise, the remaining trust population was randomly selected at the following rates: 29.4 percent for returns with assets less than $100,000; and 45.5 percent for returns with assets of $100,000 to less than $1 million. Efforts were made to verify that organizations selected as trusts were, in fact, trusts; and vice versa. The relatively small number of foundations that were selected for the sample as trusts were ultimately re-classified as foundations. Adjustments to the final weights were made to account for these re-classifications. These same methods were used for the trusts that were sampled as foundations. For foundations, 31 percent of the sample returns showed $10 million or more in assets and accounted for 80 percent of the estimated (book value of) total assets. For the 4947(a)(1) charitable trusts, 36 percent of the sample returns showed $1 million or more in assets and accounted for 82 percent of the estimated (book value of) total assets.

The population from which the 1989 sample was drawn consisted of Form 990-PF records posted to the IRS Business Master File during 1989 and 1990. Some of the records designated were for organizations that were deemed inactive or terminated. Inactive and terminated organizations are not reflected in the estimates. For the small number of large foundations for which the return for the 1989 Reporting Year was not yet filed or was otherwise unavailable for inclusion in the study, data were estimated using other returns having similar characteristics. For the unavailable trust returns, which were relatively smaller in size than those for foundations, prior-year data were in most instances used as a substitute. The data presented were obtained from returns as originally filed. In most cases, changes made to the original return as a result of administrative processing, audit procedures or a taxpayer amendment were not incorporated into the data base. A discussion of the reliability of estimates based on samples, methods for evaluating both the magnitude of sampling and non-sampling error, and the precision of sample estimates can be found in the general Appendix to this report.

Explanation of Selected Terms

The following explanations describe terms as they applied to both private foundations and the 4947(a)(1) charitable trusts for 1989. Unless otherwise indicated, all references to foundations also apply to the trusts.

Adjusted Net Income.—In general, this was the amount by which a private foundation's gross income exceeded the expenses associated with earning the income. Included were all amounts derived from, or connected with, property held by the foundation, such as net short-term capital gain, ordinary investment income (dividends, interest, rents and royalties) and income from amounts set aside for future charitable use, from all charitable functions, or from unrelated trade or business activities. Excluded were contributions received and long-term capital gains, although long-term capital losses could be reported as "other expenses." The adjusted net income amount was used to determine whether an organization qualified as an operating foundation. This item was reported on Form 990-PF, Part I, line 27c, column (c).

Assets Zero or Unreported.—Included in this asset size category were: (1) final returns of liquidating or dissolving foundations which had disposed of all assets; and (2) returns of foundations not reporting end-of-year assets that had apparently distributed (or disposed of) all assets and income received during the year. A dissolving foundation usually passes its assets to another private foundation or to another nonprofit organization.

Capital Gain Net Income.—This was the amount of net gains from sales or disposition of property used for investment purposes (property used for exempt purposes was excluded). Capital losses from the sale or other disposition of property could be subtracted from capital gains only to the extent of such gains. Capital gain net income was used to compute "net investment income" (on which an excise tax generally had to be paid).

Charitable Trust.—This type of organization, also referred to as a nonexempt charitable trust, is defined in Internal Revenue Code section 4947(a)(1) as an organization (1) that is not considered tax-exempt under section 501(a); (2) which has exclusively charitable interests; and (3) which can receive tax-deductible charitable contributions from donors. Nonexempt charitable trusts that are not publicly supported are subject to the excise tax provisions of private foundations and are required to file a Form 990-PF. (Publicly supported nonexempt charitable trusts are required to file Form 990. Nonexempt charitable trusts must pay an annual tax on income [usually from investments]) that is not distributed for charitable purposes, and they must report such income and tax on Form 1041, *U.S. Fiduciary Income Tax Return.*

Disbursements for Charitable Purposes.—These deductions comprised the largest component of qualifying distributions and were represented by grants paid, operating expenses and necessary and reasonable administrative expenditures for activities that were directly related to the tax-exempt purposes of the foundation. These amounts were determined solely on the cash receipts and disbursements method of accounting, as required by law and regulations. This item was reported on Form 990-PF, Part I, line 26, column (d).

Disqualified Persons.—With respect to engaging in prohibited transactions with a private foundation, such as "self-dealing," the following were considered disqualified persons: (1) all substantial contributors to the foundation (generally, those who contributed an amount over $5,000 which was more than 2 percent of total contributions received by the foundation); (2) foundation officers, directors, trustees or managers; (3) an owner of more than a 20-percent interest (voting power, profits interest or beneficial interest) in an organization which was a substantial contributor to the foundation; (4) a member of the family of any individual described above (including spouse; ancestors; children; grandchildren; great-grandchildren; and spouses of children, grandchildren and great-grandchildren; but not brothers or sisters); (5) organizations in which persons described above held more than a 35-percent interest; (6) another private foundation, for purposes of the tax on excess business holdings, which was effectively controlled by a person or persons in control of the foundation in question; and (7) a government official, for purposes of the tax on "self-dealing."

Distributable (Payout) Amount.—This was the minimum payout amount which was required to be distributed by the end of the year following the year for which the return was filed in order to avoid an excise tax for failure to distribute income currently. The distributable amount was computed as 5 percent of net investment assets, called the "minimum investment return," minus taxes on both net investment income and unrelated business income, plus or minus other adjustments, either allowed or required (see net adjustments to distributable amount below). This item was reported on Form 990-PF, Part X, line 7.

Excess Distributions Carryover.—This was the amount distributed, after fulfilling the charitable payout requirement, that equaled the excess of qualifying distributions over the distributable amount. Amounts from the current year could be carried forward to be applied to the distributable amount, if necessary, for the 5 following years. This item was reported on Form 990-PF, Part XIV, line 9.

Excess Grant Administrative Expenses.—This was the amount of grantmaking administrative expenses, incurred by a foundation in the charitable grantmaking process, that exceeded the amount which could be applied to either the charitable payout requirement (imposed on nonoperating foundations) or the income test (imposed on operating foundations). The Deficit Reduction Act of 1984 required that only the portion of grant administrative expenses incurred by a foundation that did not exceed 0.65 percent of a 3-year average of net investment assets could be treated as qualifying distributions. Grant administrative expenses in excess of the 0.65 percent calculation could not be treated as qualifying distributions. This temporary limitation on grantmaking expenses expired on December 31, 1990. Beginning with the 1991 Reporting Year, foundations were no longer subject to this requirement. This item was reported on Form 990-PF, Part XIII, line 5.

Inventories.—The value of materials, goods and supplies purchased or manufactured by the organization and held for sale or use in some future period. This item was reported on Form 990-PF, Part II, line 8, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Land, Buildings and Equipment, Charitable-use.—The book value or fair market value (less accumulated depreciation) of all land, buildings and equipment not held for investment purposes and used by the organization in conducting its charitable activities. This item was reported on Form 990-PF, Part II, line 14, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Land, Buildings and Equipment, Investment-use.—The book value or fair market value (less accumulated depreciation) of all land, buildings and equipment held for investment purposes, such as rental properties. This item was reported on Form 990-PF, Part II, line 11, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Minimum Investment Return.—This was the aggregate fair market value of assets not used for charitable purposes, less both the indebtedness incurred to acquire them and cash held for charitable activities, multiplied by 5 percent. The minimum investment return was used as the base for calculating the "distributable amount." This item was reported on Form 990-PF, Part IX, line 6.

Net Adjustments to Distributable Amount.—Adjustments that increased the "distributable amount" consisted of increases attributable to the income portion (as distinct from the principal portion) of distributions from split-interest trusts on amounts placed in trust after May 26, 1969. (A split-interest trust is a trust which is not exempt from tax; not all of whose interests are devoted to charitable, religious, educational and like purposes; but which has amounts in trust for which a charitable contribution deduction was allowed.) Recoveries of amounts previously treated as qualifying distributions also had to be added back to the distributable amount.

Adjustments that decreased the distributable amount were the result of income required to be accumulated as part of an organization's governing instrument. These adjustments were allowed only for foundations or trusts organized before May 27, 1969, whose governing instrument continued to require the accumulation, since State Courts would not allow the organization to change its governing instrument. These items were reported on Form 990-PF, Part X, lines 4a, 4b, and 6.

Net Gain (or Loss) from Sales of Assets.—Included was profit or loss from sales of items such as securities, land, buildings or equipment. Gain or loss reflected the amount shown on the books of the foundation and included any amount from the sale of property used for either investment or tax-exempt purposes. Most of the gain or loss was from sales of stocks and bonds. Profit or loss from the sale of inventory items was included in gross profit (loss) from business activities. This item was reported on Form 990-PF, Part I, line 6, column (a).

Net Investment Assets (Noncharitable-use Assets).—For purposes of calculating "minimum investment return," only the average, rather than end-of-year, fair market value of assets that were not used or held for use for tax-exempt purposes, entered into the computation. An asset was not used directly in carrying out the foundation's exempt purpose if it was not used in carrying out a charitable, educational or other similar function which gave rise to the exempt status of the foundation. Examples include the fair market value of securities and rental property owned by the foundation for investment purposes. This item was reported on Form 990-PF, Part IX, line 5.

Net Investment Income.—This was the amount by which the sum of gross investment income plus capital gain net income exceeded allowable deductions. Included in investment income were interest, dividends, rents, payments with respect to securities loans and royalties. Excluded were tax-exempt interest on governmental obligations and any investment income derived from unrelated trade or business activities that were subject to the unrelated business income tax reported on Form 990-T, *Exempt Organization Business Income Tax Return.* This item was reported on Form 990-PF, Part I, line 27b, column (b).

Net Short-term Capital Gain.—This was the amount of net gains from sale or disposition of property (used for either investment or charitable purposes) that was held not more than 12 months. Short-term capital losses from the sale or disposition of property could be subtracted from short-term capital gains only to the extent of such gains. Net short-term capital gain, which only operating foundations were required to compute, was used to calculate "adjusted net income."

Nonoperating Foundations (and Section 4947(a)(1) Charitable Trusts).—These were organizations that generally carried on their charitable activities in an indirect manner by making grants to other organizations that were directly engaged in charitable activities, in contrast to those (operating foundations) engaged in charitable activities themselves. However, some nonoperating foundations were actively involved in charitable programs, in addition to making grants. Nonoperating foundations were subject to a penalty tax (and possible additional penalties) for failure to distribute an annual minimum amount for charitable purposes within a required time period.

Operating Foundations (and Section 4947(a)(1) Charitable Trusts).—These organizations generally expended their income for direct, active involvement in a tax-exempt activity, such as operating a library or museum, or conducting scientific research. Operating foundations were excepted from the income distribution requirement and related penalty taxes that were applicable to nonoperating foundations. To qualify as an operating foundation for a particular taxable year, a private foundation had to spend at least 85 percent of the lesser of its adjusted net income or minimum investment return on the direct, active conduct of tax-exempt, charitable activities (as opposed to the payout of grants in support of such programs.)

In addition to satisfying the aforementioned "income test," operating foundations must also satisfy one of three other tests termed the "assets test," the "endowment test," and the "support test." Generally, the assets test was met if 65 percent or more of the foundation's assets were used directly for the active conduct of charitable activities. The endowment test was met if the foundation normally made distributions for the active conduct of charitable activities in an amount not less than two-thirds of its "minimum investment return." The support test was met if substantially all of its support (other than from gross investment income) was normally received from the public or from five or more qualifying exempt organizations, and (a) no more than 25 percent of its support (other than from gross investment income) was normally received from any one such qualifying exempt organization; and (b) no more than half of its support was normally received from gross investment income.

Distributions made by a private nonoperating foundation to an operating foundation qualified toward meeting the nonoperating foundation's distribution requirement. (Distributions made by one nonoperating foundation to another were subject to a number of conditions and restrictions requiring a "pass-through" of the distribution, whereby the donor foundation received credit for a qualifying distribution but the donee foundation did not.) Additionally, contributions to operating foundations were deductible on individuals' income tax returns, up to 50 percent of their "adjusted gross income" (as opposed to 30 percent for contributions to nonoperating foundations).

Other Assets.—Assets reported as "other" included (1) those assets not allocable to a specific asset item on the Form 990-PF balance sheet or not included elsewhere on the return; and (2) certain amounts given special treatment in the course of statistical processing. The first category included such items as construction reserve land, deferred income, dividends receivable, escrow deposits, income tax refunds, interest discounts, interest-free loans, overdraft protection and program-related investments. The second category included amounts reported by the return filer as negative liabilities. This item was reported on Form 990-PF, Part II, line 15, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Other Investments.—Investments reported as "other" included such items as advances; bank certificates; cash values of life insurance; certificates of investment; investments in art, coins, gold, gems and paintings; miscellaneous loan income; and patronage dividends. This item was reported on Form 990-PF, Part II, line 13, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Private Foundation.—This type of organization is defined in the Internal Revenue Code as a nonprofit corporation, association or trust with a narrow source of funds which operated or supported educational, scientific, religious and other charitable programs dedicated to improving the general welfare of society. A private foundation is an organization which qualifies for tax-exempt status under Code section 501(c)(3) and is *not* a church, school, hospital or medical research organization; an organization with broad public support in the form of contributions or income from tax-exempt activities; an organization operated by, or in connection with, any of the above described organizations; or an organization which conducts tests for public safety. The primary difference between a private foundation and a public charity lies in the sources of each type of organization's funding. A foundation usually receives its funds from an individual, a family or a corporation, while, as the name implies, a public charity receives its funds primarily from a large number of sources within the general public.

Qualifying Distributions.—Included were disbursements for charitable purposes (grants, direct expenditures to accomplish charitable purposes and charitable-purpose operating and administrative expenses); amounts paid to acquire assets used directly to accomplish tax-exempt functions; charitable program-related investments; and amounts set aside for future charitable projects. Qualifying distributions could be credited against the foundation's obligation to pay out its "distributable amount." This item was reported on Form 990-PF, Part XIII, line 6.

Total Assets.—This was the sum of all assets reported in the foundation's end-of-year balance sheet, shown at both book value and fair market value. This item was reported on Form 990-PF, Part II, line 16, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Total Expenses.—This was the sum of contributions, gifts and grants paid plus various operating and administrative expenses related to both investment and charitable-purpose activities. Total expense items were reported as shown on the books and records of the foundation and were based on either the cash receipts or the accrual method of accounting. This item was reported on Form 990-PF, Part I, line 26, column (a).

Total Revenue.—This was the sum of gross contributions, gifts and grants received; interest and dividends from securities, savings, and temporary cash investments; net gain (less loss) from sales of assets (mostly investment assets, but also charitable-use assets); gross rents and royalties; gross profit (less loss) from business activities; and other, miscellaneous income. Total revenue was reported as shown on the books and records of the foundation and was based on either the cash receipts or the accrual method of accounting. This item was reported on Form 990-PF, Part I, line 12, column (a).

Undistributed Income.—This was the portion of the required "distributable amount" still undistributed after applying against it the sum of current-year qualifying distributions and any excess distributions carryover from prior years. Sanctions were imposed in the form of penalty taxes on private foundations that did not pay out an amount equal to the "distributable amount" by the end of the following tax year. This item was reported on Form 990-PF, Part XIV, line 6f, column (d).

Notes and References

[1] The Explanation of Selected Terms toward the end of this article defines total assets, total revenues and other selected items reported on the IRS Form 990-PF.

[2] Unless otherwise indicated, dollar amounts and percentages are not adjusted for inflation. Inflation-adjusted real values were calculated using the implicit price deflators for the gross domestic product from the Department of Commerce, Bureau of Economic Analysis, contained in the Council of Economic Advisors, *Economic Report of the President*, February 1992, Table C-3. Also, all references to assets are stated at fair market value unless book value is specifically noted.

[3] These data represent those section 4947(a)(1) charitable trusts that file the Form 990-PF, *Return of Private Foundation*. The 1989 study year represents the first time since 1979 that Statistics of Income has collected data on these charitable trusts. The trusts are treated separately from the private foundations in both the statistical and descriptive analyses.

[4] The "small" size group, described as those foundations holding less than $1 million in fair market value of total assets, excludes foundations that either held no assets or that did not report assets on the balance sheet of the Form 990-PF. This distinction is used throughout the article.

[5] The data presented in this article are from the Forms 990-PF, filed for Reporting Year 1989, by organizations which had accounting periods *beginning* in 1989. Therefore, the statistics for Reporting Year 1989 generally include organizations with accounting periods that ended sometime during the period December 1989 to November 1990. For a more detailed analysis, see the section, Data Sources and Limitations.

[6] U.S. Department of the Treasury, Internal Revenue Service, *Statistics of Income, Compendium of Studies of Tax-Exempt Organizations, 1974-1987*, 1991. Copies are available exclusively from the Statistics of Income Division, Internal Revenue Service, Washington, DC.

[7] Results of private foundation studies for 1982, 1983, 1985, 1986-1987 and 1988 have been published in various issues of the *Statistics of Income Bulletin*: Fall 1985, Volume 5, Number 2 (1982 data); Winter 1986-1987, Volume 6, Number 3 (1983 data); Summer 1989, Volume 9, Number 1 (1985 data); Spring 1991, Volume 10, Number 4 (1986-1987 data); and Winter 1991-1992, Volume 11, Number 3 (1988 data).

[8] For an in-depth discussion of organizations other than private foundations, which are tax-exempt under Internal Revenue Code section 501(c)(3), see Hilgert, Cecelia and Arnsberger, Paul, "Charities and Other Tax-Exempt Organizations, 1988," *Statistics of Income Bulletin*, Summer 1992, Volume 12, Number 1.

[9] For purposes of the analyses, "charitable trust" refers only to the section 4947(a)(1) nonexempt charitable trusts that file Form 990-PF, while "private foundation" refers to the section 501(c)(3) (exempt) private foundations.

[10] Programs termed "charitable" refer to tax-exempt activities which are charitable, educational, scientific, literary or religious in nature.

[11] Some of the foundations classified as "nonoperating" for 1989 were "failed public charities," organizations that were originally classified as public charities (Form 990 filers) but which could no longer qualify for that favored status because they failed to maintain the required minimum of support from public sources. Most often, the re-classified nonoperating foundations continued to operate like public charities, conducting programs or providing

direct services, as opposed to making grants to accomplish a charitable purpose. Many of these organizations may have qualified as operating foundations, but did not request such status from the Internal Revenue Service.

[12] Renz, Loren and Lawrence, Steven, *Foundation Giving: Yearbook of Facts and Figures on Private, Corporate and Community Foundations*, 1992 edition, The Foundation Center, p. 6.

[13] Investment assets include savings and temporary cash investments; securities (such as corporate stock, corporate bonds, Government bonds, and Treasury bills); land, buildings and equipment; mortgage loans; and "other" investments.

[14] For more detailed information on the investing and distributing behavior of foundations (excluding section 4947(a)(1) charitable trusts), see: Lester M. Salamon, Lester M. and Voytek, Kenneth P., *Managing Foundation Assets: An Analysis of Foundation Investment and Payout Procedures and Performance*, The Council on Foundations, 1989.

[15] Salamon and Voytek, *Ibid.*

[16] Salamon and Voytek, *Ibid.*

[17] Salamon and Voytek, *Ibid.*

[18] Investment assets include savings and temporary cash investments; securities (such as corporate stock, corporate bonds, Government bonds, and Treasury bills); land, buildings and equipment; mortgage loans; and "other" investments. Net investment income is comprised of income not considered to be related to a foundation's charitable purpose, such as interest, dividends and capital gain net income. The net investment income figure used in this calculation was obtained from column (b) of the income statement, found in Part I of the Form 990-PF. The components of investment income discussed in the previous section represent components of gross income found in column (a) of the income statement.

[19] The rates of return for 1988 are slightly different from those found in "Private Foundations, 1988," *Statistics of Income Bulletin*, Winter 1991-1992, Volume 11, Number 3 . This difference is due to adjusting for inflation using the new base year of the gross domestic product implicit price deflator. (The base year changed from 1982 to 1987.)

[20] The rate of total return formula is the same as that developed and used by Salamon and Voytek in their studies on foundation assets. See: Salamon and Voytek, *Ibid.*, p. 32. The formula is as follows:

Rate of Total Return =
[(Ending Fair Market Value of Assets
- Beginning Fair Market Value of Assets)
- (Contributions Received by the Foundation)
+ (Grants Paid by the Foundation
+ Operating and Administrative Expenses
+ Excise Tax Paid on Net Investment Income)]

DIVIDED BY

[Beginning Fair Market Value of Assets
+ (Contributions Received / 2)]

To calculate the rate of total return shown in Figure H, private foundation information returns from data samples for consecutive years were matched in order to analyze both the beginning- and end-of-year fair market value data. The returns in the samples were matched by the employer identification number .

Due to the lower sampling rates used for the smaller foundations, the rate at which returns were matched for consecutive years was not high enough to ensure a proper level of statistical confidence. Therefore, the rate of return was only calculated for the medium and large foundations, those holding $1 million or more in assets.

The beginning fair market value of assets for any given year equals the ending fair market value reported on the prior year's tax return. Thus, in order to provide a consistent form of measurement by which to compare rates of return among different years, the ending fair market value of asset amounts (reported for both the year subject to the computation and the prior year) were used to compute the rate of total return. In order to obtain an inflation-adjusted, real rate of return, the figure equaling the beginning-of-year fair market value of assets was adjusted using the gross domestic product implicit price deflator.

[21] For a more detailed discussion, refer to Meckstroth, Alicia, "Private Foundations as Investors and Distributors of Tax-Exempt Charitable Dollars, 1974-1987," U.S. Department of Treasury, Internal Revenue Service, *Statistics of Income, Compendium of Studies of Tax-Exempt Organizations, 1974-1987*, 1991. (Copies are available exclusively from the Statistics of Income Division, Internal Revenue Service, Washington, DC); and Meckstroth, Alicia and Riley, Margaret, "Private Foundation Returns,

1986-1987," *Statistics of Income Bulletin*, Spring 1991, Volume 10, Number 4, pp. 23-50.

[22] *Ibid.*

[23] For valuing net investment (noncharitable-use) assets for the purpose of computing the minimum investment return, reductions for "blockage" or other marketability discounts are permitted. These discounts (limited to 10 percent in the case of securities, but statutorily unlimited in other cases, such as land holdings) can effectively reduce the net investment asset base and, thus, result in a minimum payout level of less than 5 percent of the full fair market value. An example of this type of discounting is a foundation that owns 15 percent of the stock of a publicly-held corporation. This percentage represents a block of securities so large in relation to the volume of actual sales on the existing market that it could not be liquidated in a reasonable time without depressing the market. Because of this situation, the foundation is allowed to discount the fair market value of the stock for the purposes of reporting it on the Form 990-PF. In addition, reductions are permitted for the excise tax on net investment income and the unrelated business income tax imposed under Internal Revenue Code section 511.

[24] The item, "qualifying distributions," as defined in the Internal Revenue Code and as used on the Form 990-PF, includes not only amounts that were actually distributed, but also other amounts spent or set aside for charitable purposes.

[25] Renz, Loren and Lawrence, Steven, *Foundation Giving: Yearbook of Facts and Figures on Private, Corporate and Community Foundations*, 1991 edition, The Foundation Center, 1991, p.44, Figure 16.

[26] To calculate the payout rate, the amount of (adjusted) qualifying distributions was divided by the amount of the monthly average of net investment (or noncharitable-use) assets. This payout formula adjusts qualifying distributions with additions and subtractions that are made to the required "distributable amount" on the Form 990-PF. The numerator of the formula also includes excess distributions made in the past and applied to the requirement of the current filing year.

[27] The sample was stratified based on book value of assets, rather than fair market value, because amounts reported for the fair market value of assets were not fully validated by the IRS during administrative processing for the Business Master File (BMF) system from which the sample was drawn. Book value of assets, on the other hand, was fully validated. Beginning with the 1992 Tax Year, the IRS will fully validate the fair market value of assets for purposes of the BMF system. Then, for the 1993 Tax Year, Statistics of Income plans to begin sampling the 990-PF tax returns by fair market, rather than book, value of assets.

Table 1.--All Private Foundations: Number and Selected Financial Data, by Type of Organization and Size of Fair Market Value of Total Assets

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of fair market value of total assets	Number of returns	Total revenue		Contributions, gifts and grants received		Dividends and interest from securities	
		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
ALL FOUNDATIONS							
Total	**38,773**	**37,807**	**19,916,920**	**17,936**	**6,936,870**	**24,086**	**5,969,519**
Zero or unreported	946	574	136,027	371	135,100	*112	*272
$1 under $100,000	14,352	13,799	330,392	7,622	276,419	5,290	13,855
$100,000 under $1,000,000	14,799	14,766	1,272,296	6,371	763,946	11,078	220,056
$1,000,000 under $10,000,000	7,049	7,042	4,165,432	2,919	2,125,079	6,072	864,010
$10,000,000 under $25,000,000	912	912	2,240,661	359	927,043	848	601,816
$25,000,000 under $50,000,000	329	329	1,676,996	131	612,788	309	479,026
$50,000,000 under $100,000,000	196	196	1,821,957	82	434,364	191	600,991
$100,000,000 or more	189	189	8,273,159	82	1,662,130	186	3,189,493
Nonoperating foundations							
Total	**35,705**	**34,799**	**18,333,926**	**15,963**	**6,426,153**	**22,917**	**5,550,811**
Zero or unreported	928	556	134,649	353	133,722	*112	*272
$1 under $100,000	12,938	12,438	302,225	6,821	257,565	4,999	13,126
$100,000 under $1,000,000	13,881	13,847	1,132,444	5,748	646,994	10,697	213,133
$1,000,000 under $10,000,000	6,497	6,497	3,851,298	2,501	1,987,386	5,711	817,248
$10,000,000 under $25,000,000	814	814	2,044,724	295	856,683	769	559,270
$25,000,000 under $50,000,000	299	299	1,505,128	109	554,356	287	452,822
$50,000,000 under $100,000,000	173	173	1,621,373	65	380,681	170	547,728
$100,000,000 or more	175	175	7,742,085	71	1,608,765	172	2,947,211
Operating foundations							
Total	**3,067**	**3,007**	**1,582,994**	**1,973**	**510,717**	**1,168**	**418,708**
Zero or unreported	*18	*18	*1,378	*18	*1,378	--	--
$1 under $100,000	1,414	1,361	28,167	801	18,854	290	728
$100,000 under $1,000,000	919	919	139,853	623	116,952	381	6,924
$1,000,000 under $10,000,000	552	545	314,134	418	137,693	361	46,762
$10,000,000 under $25,000,000	98	98	195,936	64	70,360	79	42,546
$25,000,000 under $50,000,000	30	30	171,868	22	58,432	22	26,203
$50,000,000 under $100,000,000	23	23	200,584	17	53,683	21	53,263
$100,000,000 or more	14	14	531,074	11	53,365	14	242,282
GRANTMAKING FOUNDATIONS							
Total	**32,557**	**32,372**	**18,494,216**	**14,279**	**6,084,683**	**22,311**	**5,779,361**
Zero or unreported	437	381	52,133	231	50,970	*59	*38
$1 under $100,000	10,917	10,805	282,864	5,604	237,662	4,612	12,681
$100,000 under $1,000,000	13,288	13,271	1,080,404	5,391	604,791	10,498	211,501
$1,000,000 under $10,000,000	6,396	6,396	3,661,113	2,480	1,798,175	5,691	815,011
$10,000,000 under $25,000,000	852	852	2,076,940	315	833,653	805	580,056
$25,000,000 under $50,000,000	305	305	1,503,481	112	534,716	292	457,519
$50,000,000 under $100,000,000	182	182	1,693,051	72	393,987	178	560,841
$100,000,000 or more	179	179	8,144,229	74	1,830,728	176	3,141,713
Grantmaking-nonoperating foundations							
Total	**30,992**	**30,806**	**17,711,050**	**13,438**	**5,919,842**	**21,636**	**5,502,511**
Zero or unreported	420	364	50,755	213	49,592	*59	*38
$1 under $100,000	10,112	10,000	268,202	5,244	229,525	4,430	12,150
$100,000 under $1,000,000	12,827	12,809	1,029,411	5,112	565,000	10,233	207,362
$1,000,000 under $10,000,000	6,189	6,189	3,556,514	2,341	1,742,291	5,528	795,734
$10,000,000 under $25,000,000	805	805	1,996,293	288	815,365	763	556,717
$25,000,000 under $50,000,000	295	295	1,467,317	106	528,872	284	449,952
$50,000,000 under $100,000,000	171	171	1,612,858	65	380,681	168	541,971
$100,000,000 or more	173	173	7,729,701	69	1,608,516	170	2,938,587
Grantmaking-operating foundations							
Total	**1,565**	**1,565**	**783,166**	**841**	**164,841**	**675**	**276,850**
Zero or unreported	*18	*18	*1,378	*18	*1,378	--	--
$1 under $100,000	805	805	14,662	360	8,137	182	532
$100,000 under $1,000,000	461	461	50,993	278	39,791	264	4,140
$1,000,000 under $10,000,000	207	207	104,599	139	55,884	162	19,277
$10,000,000 under $25,000,000	47	47	60,648	27	18,288	42	23,339
$25,000,000 under $50,000,000	10	10	38,164	6	5,844	8	7,567
$50,000,000 under $100,000,000	11	11	80,193	7	13,306	10	18,870
$100,000,000 or more	6	6	414,528	5	22,212	6	203,126

Footnotes at end of table.

Table 1.--All Private Foundations: Number and Selected Financial Data, by Type of Organization and Size of Fair Market Value of Total Assets--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of fair market value of total assets	Net gain (less loss) from sales of assets		Total expenses		Excess of revenue (less loss) over expenses		Net investment income	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
ALL FOUNDATIONS								
Total	**14,495**	**4,738,242**	**37,642**	**10,734,604**	**37,828**	**9,182,315**	**34,108**	**12,060,669**
Zero or unreported	*70	*-419	666	159,420	522	-23,392	249	1,202
$1 under $100,000	2,068	10,765	13,747	343,434	13,932	-13,043	11,053	44,874
$100,000 under $1,000,000	6,157	128,612	14,585	885,351	14,703	386,945	14,334	535,519
$1,000,000 under $10,000,000	4,745	662,770	7,020	2,141,205	7,046	2,024,226	6,866	1,907,274
$10,000,000 under $25,000,000	795	418,521	911	1,182,517	912	1,058,143	904	1,286,273
$25,000,000 under $50,000,000	301	343,714	328	934,125	328	742,871	319	935,486
$50,000,000 under $100,000,000	180	571,892	196	879,903	196	942,054	195	1,234,405
$100,000,000 or more	178	2,602,386	189	4,208,649	189	4,064,510	188	6,115,637
Nonoperating foundations								
Total	**13,804**	**4,389,009**	**34,628**	**9,898,783**	**34,829**	**8,435,142**	**31,672**	**11,264,179**
Zero or unreported	*70	*-419	648	158,041	522	-23,392	249	1,202
$1 under $100,000	1,994	10,672	12,368	315,729	12,536	-13,505	10,108	42,053
$100,000 under $1,000,000	6,008	126,314	13,683	776,272	13,816	356,171	13,497	496,131
$1,000,000 under $10,000,000	4,418	619,290	6,469	1,932,820	6,495	1,918,478	6,366	1,802,306
$10,000,000 under $25,000,000	712	382,576	813	1,073,112	814	971,612	811	1,194,139
$25,000,000 under $50,000,000	277	310,660	299	836,397	298	668,731	293	872,513
$50,000,000 under $100,000,000	160	519,293	173	781,175	173	840,198	173	1,157,238
$100,000,000 or more	164	2,420,623	175	4,025,236	175	3,716,849	174	5,698,597
Operating foundations								
Total	**691**	**349,233**	**3,014**	**835,821**	**2,999**	**747,173**	**2,437**	**796,490**
Zero or unreported	--	--	*18	*1,378	--	--	--	--
$1 under $100,000	*73	*93	1,379	27,705	1,396	463	945	2,821
$100,000 under $1,000,000	149	2,299	902	109,078	886	30,774	837	39,388
$1,000,000 under $10,000,000	327	43,481	551	208,385	551	105,748	500	104,967
$10,000,000 under $25,000,000	83	35,945	98	109,405	98	86,532	93	92,133
$25,000,000 under $50,000,000	24	33,054	29	97,728	30	74,140	26	62,974
$50,000,000 under $100,000,000	20	52,599	23	98,728	23	101,856	22	77,167
$100,000,000 or more	14	181,763	14	183,413	14	347,660	14	417,040
GRANTMAKING FOUNDATIONS								
Total	**13,544**	**4,627,648**	**32,557**	**10,025,141**	**32,294**	**8,469,075**	**30,383**	**11,708,462**
Zero or unreported	*52	*(2)	437	74,634	364	-22,501	178	991
$1 under $100,000	1,875	10,630	10,917	308,055	10,794	-25,191	9,287	41,983
$100,000 under $1,000,000	5,750	121,382	13,288	787,547	13,224	292,857	13,082	510,490
$1,000,000 under $10,000,000	4,491	634,025	6,396	1,951,232	6,394	1,709,881	6,327	1,779,706
$10,000,000 under $25,000,000	753	404,838	852	1,115,896	852	961,044	850	1,242,947
$25,000,000 under $50,000,000	283	322,803	305	843,122	304	660,359	299	893,233
$50,000,000 under $100,000,000	170	552,485	182	810,897	182	882,154	182	1,192,661
$100,000,000 or more	169	2,581,485	179	4,133,759	179	4,010,470	178	6,046,451
Grantmaking-nonoperating foundations								
Total	**13,172**	**4,375,969**	**30,992**	**9,691,559**	**30,762**	**8,019,490**	**29,048**	**11,170,244**
Zero or unreported	*52	*(2)	420	73,255	364	-22,501	178	991
$1 under $100,000	1,837	10,486	10,112	291,334	9,989	-23,132	8,664	39,998
$100,000 under $1,000,000	5,649	120,568	12,827	752,927	12,778	276,484	12,637	478,113
$1,000,000 under $10,000,000	4,328	613,945	6,189	1,891,243	6,187	1,665,271	6,133	1,739,875
$10,000,000 under $25,000,000	708	380,986	805	1,068,641	805	927,652	804	1,189,202
$25,000,000 under $50,000,000	274	310,049	295	824,201	294	643,116	290	869,425
$50,000,000 under $100,000,000	160	519,293	171	773,822	171	839,036	171	1,156,940
$100,000,000 or more	163	2,420,642	173	4,016,136	173	3,713,565	172	5,695,699
Grantmaking-operating foundations								
Total	**371**	**251,679**	**1,565**	**333,581**	**1,532**	**449,585**	**1,335**	**538,218**
Zero or unreported	--	--	18	1,378	--	--	--	--
$1 under $100,000	38	144	805	16,721	805	-2,058	623	1,986
$100,000 under $1,000,000	*101	*813	461	34,620	445	16,373	445	32,377
$1,000,000 under $10,000,000	*162	*20,079	207	59,989	207	44,610	194	39,831
$10,000,000 under $25,000,000	44	23,852	47	47,255	47	33,393	46	53,745
$25,000,000 under $50,000,000	9	12,754	10	18,921	10	17,243	9	23,807
$50,000,000 under $100,000,000	10	33,192	11	37,074	11	43,119	11	35,721
$100,000,000 or more	6	160,844	6	117,623	6	296,905	6	350,752

Footnotes at end of table.

Table 1.--All Private Foundations: Number and Selected Financial Data, by Type of Organization and Size of Fair Market Value of Total Assets--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of fair market value of total assets	Disbursements for exempt purposes		Contributions, gifts and grants paid [1]		Grant administrative expenses	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(16)	(17)	(18)	(19)	(20)	(21)
ALL FOUNDATIONS						
Total	**35,925**	**9,388,759**	**32,557**	**8,108,108**	**19,674**	**481,522**
Zero or unreported	525	77,825	437	76,377	304	1,072
$1 under $100,000	12,590	312,887	10,917	273,308	6,205	11,989
$100,000 under $1,000,000	14,323	826,366	13,288	699,332	7,403	24,005
$1,000,000 under $10,000,000	6,876	1,942,743	6,396	1,693,523	4,482	77,787
$10,000,000 under $25,000,000	904	1,063,720	852	927,938	673	54,166
$25,000,000 under $50,000,000	325	828,707	305	710,679	273	40,379
$50,000,000 under $100,000,000	194	776,595	182	650,478	166	40,447
$100,000,000 or more	188	3,559,916	179	3,076,472	167	231,676
Nonoperating foundations						
Total	**33,100**	**8,705,090**	**30,992**	**8,033,771**	**18,598**	**443,328**
Zero or unreported	507	76,447	420	75,135	287	936
$1 under $100,000	11,305	290,500	10,112	263,273	5,673	10,916
$100,000 under $1,000,000	13,471	725,460	12,827	685,873	7,058	20,673
$1,000,000 under $10,000,000	6,363	1,775,197	6,189	1,678,454	4,337	58,502
$10,000,000 under $25,000,000	810	977,533	805	915,105	652	50,749
$25,000,000 under $50,000,000	298	764,337	295	706,495	266	39,761
$50,000,000 under $100,000,000	171	697,101	171	643,520	160	36,927
$100,000,000 or more	174	3,398,514	173	3,065,917	164	224,865
Operating foundations						
Total	**2,825**	**683,668**	**1,565**	**74,337**	**1,075**	**38,194**
Zero or unreported	*18	*1,378	*18	*1,243	*18	*136
$1 under $100,000	1,284	22,386	805	10,036	532	1,073
$100,000 under $1,000,000	852	100,906	461	13,460	345	3,332
$1,000,000 under $10,000,000	513	167,546	207	15,069	144	19,285
$10,000,000 under $25,000,000	94	86,187	47	12,833	20	3,417
$25,000,000 under $50,000,000	27	64,370	10	4,184	7	618
$50,000,000 under $100,000,000	23	79,493	11	6,958	6	3,520
$100,000,000 or more	14	161,402	6	10,555	3	6,811
GRANTMAKING FOUNDATIONS						
Total	**32,557**	**8,918,796**	**32,557**	**8,108,108**	**19,183**	**466,027**
Zero or unreported	437	77,530	437	76,377	287	1,069
$1 under $100,000	10,917	288,761	10,917	273,308	5,932	11,147
$100,000 under $1,000,000	13,288	740,076	13,288	699,332	7,284	19,278
$1,000,000 under $10,000,000	6,396	1,803,628	6,396	1,693,523	4,404	70,395
$10,000,000 under $25,000,000	852	1,015,606	852	927,938	671	54,012
$25,000,000 under $50,000,000	305	765,699	305	710,679	273	40,379
$50,000,000 under $100,000,000	182	726,754	182	650,478	165	38,071
$100,000,000 or more	179	3,500,741	179	3,076,472	167	231,676
Grantmaking-nonoperating foundations						
Total	**30,992**	**8,636,096**	**30,992**	**8,033,771**	**18,250**	**439,171**
Zero or unreported	420	76,151	420	75,135	269	933
$1 under $100,000	10,112	275,672	10,112	263,273	5,453	10,227
$100,000 under $1,000,000	12,827	709,408	12,827	685,873	6,987	17,849
$1,000,000 under $10,000,000	6,189	1,751,465	6,189	1,678,454	4,298	57,860
$10,000,000 under $25,000,000	805	973,825	805	915,105	652	50,749
$25,000,000 under $50,000,000	295	754,070	295	706,495	266	39,761
$50,000,000 under $100,000,000	171	697,101	171	643,520	160	36,927
$100,000,000 or more	173	3,398,403	173	3,065,917	164	224,865
Grantmaking-operating foundations						
Total	**1,565**	**282,699**	**1,565**	**74,337**	**933**	**26,856**
Zero or unreported	*18	*1,378	*18	*1,243	*18	*136
$1 under $100,000	805	13,089	805	10,036	479	920
$100,000 under $1,000,000	461	30,669	461	13,460	297	1,429
$1,000,000 under $10,000,000	207	52,163	207	15,069	106	12,534
$10,000,000 under $25,000,000	47	41,780	47	12,833	18	3,263
$25,000,000 under $50,000,000	10	11,629	10	4,184	7	618
$50,000,000 under $100,000,000	11	29,653	11	6,958	5	1,145
$100,000,000 or more	6	102,338	6	10,555	3	6,811

Footnotes at end of table.

Table 1.--All Private Foundations: Number and Selected Financial Data, by Type of Organization and Size of Fair Market Value of Total Assets--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of fair market value of total assets	Excise tax on net investment income					Total assets (book value)		Investments in securities (book value)	
	Total	Domestic organizations		Foreign organizations		Number of returns	Amount	Number of returns	Amount
		Number of returns	Amount	Number of returns	Amount				
	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
ALL FOUNDATIONS									
Total	**166,205**	**32,801**	**165,258**	**29**	**947**	**37,845**	**116,202,994**	**23,895**	**89,777,246**
Zero or unreported	*15	232	15	--	--	*19	*62,466	19	5,655
$1 under $100,000	692	10,255	692	--	--	14,352	476,009	5,090	181,817
$100,000 under $1,000,000	8,581	14,121	8,581	--	--	14,799	4,982,084	11,001	2,767,526
$1,000,000 under $10,000,000	29,391	6,677	29,356	*17	*35	7,049	18,081,031	6,214	12,398,927
$10,000,000 under $25,000,000	18,914	863	18,914	--	--	912	11,650,413	871	8,855,268
$25,000,000 under $50,000,000	14,268	299	14,213	3	55	329	9,668,966	319	7,425,401
$50,000,000 under $100,000,000	16,632	182	16,605	3	27	196	11,275,587	192	8,909,752
$100,000,000 or more	77,712	172	76,883	6	830	189	60,006,437	189	49,232,899
Nonoperating foundations									
Total	**161,908**	**30,917**	**160,976**	**28**	**932**	**34,795**	**105,274,780**	**22,682**	**83,217,976**
Zero or unreported	*15	232	15	--	--	*19	*62,466	19	5,655
$1 under $100,000	648	9,488	648	--	--	12,938	433,959	4,820	173,711
$100,000 under $1,000,000	7,943	13,433	7,943	--	--	13,881	4,648,235	10,605	2,681,754
$1,000,000 under $10,000,000	28,257	6,334	28,222	*17	*35	6,497	16,605,743	5,810	11,776,828
$10,000,000 under $25,000,000	18,027	808	18,027	--	--	814	10,445,805	789	8,227,381
$25,000,000 under $50,000,000	13,789	287	13,734	3	55	299	8,798,429	293	6,984,841
$50,000,000 under $100,000,000	15,955	167	15,943	2	12	173	10,012,576	171	8,161,542
$100,000,000 or more	77,274	168	76,444	6	830	175	54,267,566	175	45,602
Operating foundations									
Total	**4,297**	**1,884**	**4,282**	**1**	**15**	**3,050**	**10,928,214**	**1,213**	**6,559,271**
Zero or unreported	--	--	--	--	--	--	--	--	--
$1 under $100,000	*44	766	44	--	--	1,414	42,051	269	8,105
$100,000 under $1,000,000	637	688	637	--	--	919	333,849	396	85,773
$1,000,000 under $10,000,000	1,134	343	1,134	--	--	552	1,475,287	404	622,099
$10,000,000 under $25,000,000	888	56	888	--	--	98	1,204,608	82	627,887
$25,000,000 under $50,000,000	479	12	479	--	--	30	870,537	26	440,561
$50,000,000 under $100,000,000	676	15	661	1	15	23	1,263,011	21	748,210
$100,000,000 or more	439	4	439	--	--	14	5,738,871	14	4,026,636
GRANTMAKING FOUNDATIONS									
Total	**162,731**	**29,674**	**161,826**	**25**	**905**	**32,120**	**110,423,767**	**21,990**	**86,886,352**
Zero or unreported	*10	178	10	--	--	--	--	--	--
$1 under $100,000	642	8,793	642	--	--	10,917	409,531	4,409	169,084
$100,000 under $1,000,000	8,194	12,982	8,194	--	--	13,288	4,515,623	10,344	2,644,427
$1,000,000 under $10,000,000	27,643	6,252	27,608	*17	*35	6,396	16,354,149	5,758	11,594,916
$10,000,000 under $25,000,000	18,589	833	18,589	--	--	852	10,899,890	823	8,227,381
$25,000,000 under $50,000,000	14,013	290	13,958	3	55	305	8,984,755	298	6,984,841
$50,000,000 under $100,000,000	16,318	176	16,318	--	--	182	10,422,019	179	8,161,542
$100,000,000 or more	77,319	169	76,504	5	815	179	58,837,799	179	45,206,263
Grantmaking-nonoperating foundations									
Total	**160,086**	**28,597**	**159,181**	**25**	**905**	**30,572**	**103,470,312**	**21,350**	**82,304,846**
Zero or unreported	*10	178	10	--	--	--	--	--	--
$1 under $100,000	612	8,293	612	--	--	10,112	383,800	4,248	162,795
$100,000 under $1,000,000	7,604	12,604	7,604	--	--	12,827	4,348,162	10,095	2,593,091
$1,000,000 under $10,000,000	27,042	6,103	27,007	*17	*35	6,189	15,851,295	5,596	11,366,034
$10,000,000 under $25,000,000	17,938	801	17,938	--	--	805	10,318,623	781	8,148,440
$25,000,000 under $50,000,000	13,727	284	13,672	3	55	295	8,698,813	289	6,934,191
$50,000,000 under $100,000,000	15,943	167	15,943	--	--	171	9,886,614	169	8,072,662
$100,000,000 or more	77,209	167	76,394	5	815	173	53,983,006	173	45,027,632
Grantmaking-operating foundations									
Total	**2,644**	**1,077**	**2,644**	**--**	**--**	**1,548**	**6,953,455**	**640**	**4,581,506**
Zero or unreported	--	--	--	--	--	--	--	--	--
$1 under $100,000	*30	500	30	--	--	805	25,731	*161	*6,289
$100,000 under $1,000,000	590	377	590	--	--	461	167,461	250	51,336
$1,000,000 under $10,000,000	601	150	601	--	--	207	502,855	162	228,882
$10,000,000 under $25,000,000	651	33	651	--	--	47	581,267	42	348,236
$25,000,000 under $50,000,000	286	6	286	--	--	10	285,943	9	169,219
$50,000,000 under $100,000,000	375	9	375	--	--	11	535,406	10	280,663
$100,000,000 or more	111	2	111	--	--	6	4,854,793	6	3,496,882

Footnotes at end of table.

Table 1.--All Private Foundations: Number and Selected Financial Data, by Type of Organization and Size of Fair Market Value of Total Assets--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of fair market value of total assets	Total assets (fair market value)		Investments in securities (fair market value)		Net worth		Minimum investment return	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)
ALL FOUNDATIONS								
Total	**37,827**	**151,694,261**	**23,826**	**121,393,974**	**37,943**	**111,842,594**	**36,750**	**6,488,272**
Zero or unreported	--	--	--	--	162	-43,458	360	704
$1 under $100,000	14,352	455,836	5,026	160,407	14,314	434,103	13,113	22,631
$100,000 under $1,000,000	14,799	5,500,624	11,017	3,207,334	14,799	4,879,614	14,653	245,876
$1,000,000 under $10,000,000	7,049	21,242,040	6,212	15,067,879	7,042	17,519,678	7,009	928,908
$10,000,000 under $25,000,000	912	14,086,317	871	11,029,294	912	11,392,189	908	626,599
$25,000,000 under $50,000,000	329	11,554,315	319	8,997,526	329	9,187,306	326	521,395
$50,000,000 under $100,000,000	196	13,615,696	192	10,931,558	196	11,051,427	194	602,078
$100,000,000 or more	189	85,239,432	189	71,999,978	189	57,421,734	187	3,540,081
Nonoperating foundations								
Total	**34,777**	**138,338,548**	**22,613**	**114,138,323**	**34,894**	**101,513,558**	**34,029**	**6,063,425**
Zero or unreported	--	--	--	--	162	-43,458	360	704
$1 under $100,000	12,938	410,949	4,756	150,531	12,900	393,986	11,948	20,577
$100,000 under $1,000,000	13,881	5,145,036	10,621	3,118,880	13,881	4,557,379	13,799	234,277
$1,000,000 under $10,000,000	6,497	19,450,126	5,808	14,306,737	6,490	16,191,779	6,469	870,760
$10,000,000 under $25,000,000	814	12,677,371	789	10,285,180	814	10,262,646	812	581,158
$25,000,000 under $50,000,000	299	10,498,879	293	8,493,714	299	8,510,215	297	489,592
$50,000,000 under $100,000,000	173	12,138,525	171	10,076,515	173	9,862,267	171	555,547
$100,000,000 or more	175	78,017,663	175	67,706,765	175	51,778,744	173	3,310,810
Operating foundations								
Total	**3,050**	**13,355,713**	**1,213**	**7,255,652**	**3,049**	**10,329,036**	**2,721**	**424,847**
Zero or unreported	--	--	--	--	--	--	--	--
$1 under $100,000	1,414	44,887	269	9,876	1,414	40,117	1,165	2,054
$100,000 under $1,000,000	919	355,589	396	88,454	919	322,236	854	11,599
$1,000,000 under $10,000,000	552	1,791,914	404	761,142	551	1,327,899	540	58,148
$10,000,000 under $25,000,000	98	1,408,946	82	744,114	98	1,129,543	96	45,441
$25,000,000 under $50,000,000	30	1,055,436	26	503,811	30	677,091	29	31,803
$50,000,000 under $100,000,000	23	1,477,171	21	855,042	23	1,189,161	23	46,531
$100,000,000 or more	14	7,221,769	14	4,293,213	14	5,642,990	14	229,271
GRANTMAKING FOUNDATIONS								
Total	**32,120**	**143,877,315**	**21,956**	**117,933,622**	**32,152**	**106,841,370**	**31,973**	**6,292,150**
Zero or unreported	--	--	--	--	56	-34,734	290	601
$1 under $100,000	10,917	387,596	4,345	146,498	10,899	372,373	10,525	20,442
$100,000 under $1,000,000	13,288	4,998,542	10,376	3,064,145	13,288	4,463,233	13,256	232,201
$1,000,000 under $10,000,000	6,396	19,169,544	5,756	14,133,751	6,390	16,051,334	6,388	873,543
$10,000,000 under $25,000,000	852	13,229,555	823	10,608,038	852	10,714,834	850	602,962
$25,000,000 under $50,000,000	305	10,737,879	298	8,630,759	305	8,740,142	304	499,093
$50,000,000 under $100,000,000	182	12,625,795	179	10,273,491	182	10,258,200	181	569,906
$100,000,000 or more	179	82,728.404	179	71,076,939	179	56,275,986	178	3,493,403
Grantmaking-nonoperating foundations								
Total	**30,572**	**136,017,133**	**21,316**	**113,148,741**	**30,604**	**100,034,077**	**30,530**	**6,023,214**
Zero or unreported	--	--	--	--	56	-34,734	290	601
$1 under $100,000	10,112	360,899	4,184	139,428	10,094	348,036	9,793	18,970
$100,000 under $1,000,000	12,827	4,826,588	10,126	3,017,680	12,827	4,297,078	12,827	226,054
$1,000,000 under $10,000,000	6,189	18,587,771	5,594	13,876,456	6,183	15,574,892	6,181	850,765
$10,000,000 under $25,000,000	805	12,546,066	781	10,202,123	805	10,146,050	803	578,254
$25,000,000 under $50,000,000	295	10,384,590	289	8,429,193	295	8,464,887	294	487,318
$50,000,000 under $100,000,000	171	11,980,518	169	9,955,591	171	9,736,338	170	551,726
$100,000,000 or more	173	77,330,702	173	67,528,270	173	51,501,530	172	3,309,527
Grantmaking-operating foundations								
Total	**1,548**	**7,860,182**	**640**	**4,784,880**	**1,548**	**6,807,293**	**1,442**	**268,937**
Zero or unreported	--	--	--	--	--	--	--	--
$1 under $100,000	805	26,697	*161	*7,070	805	24,336	731	1,472
$100,000 under $1,000,000	461	171,953	250	46,464	461	166,155	429	6,147
$1,000,000 under $10,000,000	207	581,774	162	257,295	207	476,443	207	22,778
$10,000,000 under $25,000,000	47	683,489	42	405,915	47	568,784	47	24,708
$25,000,000 under $50,000,000	10	353,290	9	201,566	10	275,255	10	11,775
$50,000,000 under $100,000,000	11	645,277	10	317,900	11	521,862	11	18,180
$100,000,000 or more	6	5,397,702	6	3,548,669	6	4,774,458	6	183,876

Footnotes at end of table.

Table 1.--All Private Foundations: Number and Selected Financial Data, by Type of Organization and Size of Fair Market Value of Total Assets--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of fair market value of total assets	Distributable amount		Qualifying distributions		Undistributed income for 1989		Excess distributions carryover to 1990	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)
ALL FOUNDATIONS								
Total	33,720	5,983,754	35,802	9,787,485	7,548	1,662,465	26,734	11,649,638
Zero or unreported	360	691	525	77,288	*35	*131	490	216,405
$1 under $100,000	11,727	20,565	12,411	305,850	2,061	2,268	10,040	1,242,021
$100,000 under $1,000,000	13,718	245,257	14,374	841,786	2,900	42,743	10,834	1,734,798
$1,000,000 under $10,000,000	6,463	865,596	6,882	1,978,316	1,978	180,808	4,493	3,572,865
$10,000,000 under $25,000,000	812	572,436	904	1,080,514	289	120,827	519	1,570,885
$25,000,000 under $50,000,000	295	482,789	325	831,469	129	140,649	167	1,062,980
$50,000,000 under $100,000,000	171	545,578	194	837,175	66	137,224	108	737,332
$100,000,000 or more	173	3,250,841	187	3,835,088	89	1,037,816	84	1,512,351
Nonoperating foundations								
Total	33,720	5,983,754	32,996	8,797,572	7,548	1,662,465	26,734	11,649,638
Zero or unreported	360	691	507	75,910	*35	*131	490	216,405
$1 under $100,000	11,727	20,565	11,144	283,336	2,061	2,268	10,040	1,242,021
$100,000 under $1,000,000	13,718	245,257	13,536	726,247	2,900	42,743	10,834	1,734,798
$1,000,000 under $10,000,000	6,463	865,596	6,357	1,783,869	1,978	180,808	4,493	3,572,865
$10,000,000 under $25,000,000	812	572,436	810	974,824	289	120,827	519	1,570,885
$25,000,000 under $50,000,000	295	482,789	298	759,452	129	140,649	167	1,062,980
$50,000,000 under $100,000,000	171	545,578	171	720,014	66	137,224	108	737,332
$100,000,000 or more	173	3,250,841	173	3,473,920	89	1,037,816	84	1,512,351
Operating foundations								
Total	N/A	N/A	2,806	989,913	N/A	N/A	N/A	N/A
Zero or unreported	N/A	N/A	*18	*1,378	N/A	N/A	N/A	N/A
$1 under $100,000	N/A	N/A	1,267	22,514	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	N/A	N/A	838	115,539	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	N/A	N/A	526	194,447	N/A	N/A	N/A	N/A
$10,000,000 under $25,000,000	N/A	N/A	94	105,690	N/A	N/A	N/A	N/A
$25,000,000 under $50,000,000	N/A	N/A	27	72,017	N/A	N/A	N/A	N/A
$50,000,000 under $100,000,000	N/A	N/A	23	117,161	N/A	N/A	N/A	N/A
$100,000,000 or more	N/A	N/A	14	361,168	N/A	N/A	N/A	N/A
GRANTMAKING FOUNDATIONS								
Total	30,329	5,942,635	32,532	9,189,901	5,952	1,647,118	24,798	11,400,092
Zero or unreported	290	591	437	76,995	*18	*35	385	213,966
$1 under $100,000	9,681	18,994	10,899	282,189	1,090	1,680	8,917	1,156,061
$100,000 under $1,000,000	12,746	234,856	13,288	742,848	2,456	40,235	10,274	1,648,530
$1,000,000 under $10,000,000	6,174	846,738	6,390	1,799,219	1,824	174,012	4,352	3,512,927
$10,000,000 under $25,000,000	803	569,620	852	1,019,924	283	119,901	516	1,568,041
$25,000,000 under $50,000,000	292	480,577	305	764,117	127	140,025	165	1,052,560
$50,000,000 under $100,000,000	170	541,768	182	757,004	65	133,414	106	737,332
$100,000,000 or more	172	3,249,492	178	3,747,604	89	1,037,816	83	1,510,676
Grantmaking-nonoperating foundations								
Total	30,329	5,942,635	30,967	8,716,335	5,952	1,647,118	24,798	11,400,092
Zero or unreported	290	591	420	75,617	*18	*35	385	213,966
$1 under $100,000	9,681	18,994	10,094	269,752	1,090	1,680	8,917	1,156,061
$100,000 under $1,000,000	12,746	234,856	12,827	704,168	2,456	40,235	10,274	1,648,530
$1,000,000 under $10,000,000	6,174	846,738	6,183	1,752,287	1,824	174,012	4,352	3,512,927
$10,000,000 under $25,000,000	803	569,620	805	971,488	283	119,901	516	1,568,041
$25,000,000 under $50,000,000	292	480,577	295	749,233	127	140,025	165	1,052,560
$50,000,000 under $100,000,000	170	541,768	171	720,014	65	133,414	106	737,332
$100,000,000 or more	172	3,249,492	172	3,473,777	89	1,037,816	15,110,676	1,510,676
Grantmaking-operating foundations								
Total	N/A	N/A	1,565	473,566	N/A	N/A	N/A	N/A
Zero or unreported	N/A	N/A	*18	*1,378	N/A	N/A	N/A	N/A
$1 under $100,000	N/A	N/A	805	12,436	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	N/A	N/A	461	38,682	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	N/A	N/A	207	46,932	N/A	N/A	N/A	N/A
$10,000,000 under $25,000,000	N/A	N/A	47	48,436	N/A	N/A	N/A	N/A
$25,000,000 under $50,000,000	N/A	N/A	10	14,884	N/A	N/A	N/A	N/A
$50,000,000 under $100,000,000	N/A	N/A	11	36,990	N/A	N/A	N/A	N/A
$100,000,000 or more	N/A	N/A	6	273,827	N/A	N/A	N/A	N/A

N/A - not applicable.

*Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] The data shown in columns 18 and 19 are based on the amount of contributions, gifts, and grants that foundations actually disbursed for charitable purposes for 1989 using the cash receipts and distributions method of accounting. This figure differs somewhat from that reported as contributions, gifts, and grants paid in the income statement of Table 3. When reporting the amount used in the income statement, or per the books, foundations have the option of using either the cash receipts and disbursements or the accrual method of accounting. This difference in reporting method, therefore, accounts for the difference in the amount of contributions, gifts, and grants paid as reported in Tables 1 and 3.

[2] Less than $500.

NOTE: Detail may not add to total because of rounding.

Table 2.--Section 4947(a)(1) Charitable Trusts Treated as Foundations: Number and Selected Financial Data, by Type of Organization and Size of Fair Market Value of Total Assets

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of fair market value of total assets	Number of returns	Total revenue		Contributions, gifts and grants received		Dividends and interest from securities	
		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
ALL CHARITABLE TRUSTS							
Total	2,634	2,612	404,571	353	86,254	2,179	127,828
Zero or unreported	*21	*17	*3,783	*3	*3,633	*10	*112
$1 under $100,000	942	924	4,299	140	1,071	697	1,733
$100,000 under $1,000,000	1,155	1,154	56,682	113	8,443	986	22,584
$1,000,000 under $10,000,000	478	478	204,232	89	49,800	448	64,215
$10,000,000 or more	38	38	135,576	8	23,308	37	39,185
Nonoperating trusts							
Total	2,593	2,571	393,899	332	85,029	2,163	127,096
Zero or unreported	*21	*17	*,3783	*3	*3,633	*10	*112
$1 under $100,000	938	921	4,272	140	1,071	697	1,733
$100,000 under $1,000,000	1,125	1,124	49,613	94	7,440	976	22,333
$1,000,000 under $10,000,000	473	473	202,236	87	49,579	444	64,078
$10,000,000 or more	36	36	133,997	8	23,308	35	38,840
Operating trusts							
Total	41	41	10,672	*20	*1,225	*16	*732
Zero or unreported	--	--	--	--	--	--	--
$1 under $100,000	*3	*3	*27	--	--	--	--
$100,000 under $1,000,000	*30	*30	*7,070	*18	*1,004	*10	*250
$1,000,000 under $10,000,000	5	5	1,996	2	221	4	137
$10,000,000 or more	2	2	1,580	--	--	2	345
GRANTMAKING CHARITABLE TRUSTS							
Total	2,448	2,430	343,101	287	51,490	2,089	122,011
Zero or unreported	*17	*17	*3,783	*3	*3,633	*10	*112
$1 under $100,000	854	837	3,972	112	888	669	1,706
$100,000 under $1,000,000	1,093	1,093	46,057	88	5,320	947	21,597
$1,000,000 under $10,000,000	449	449	185,879	77	39,843	428	60,658
$10,000,000 or more	34	34	103,411	7	1,807	34	37,939
Grantmaking-nonoperating trusts							
Total	2,429	2,412	341,366	284	51,154	2,079	121,570
Zero or unreported	*17	*17	*3,783	*3	*3,633	*10	*112
$1 under $100,000	851	833	3,945	112	888	669	1,706
$100,000 under $1,000,000	1,081	1,081	45,451	86	4,984	940	21,441
$1,000,000 under $10,000,000	447	447	185,764	76	39,842	427	60,641
$10,000,000 or more	33	33	102,423	7	1,807	33	37,671
Grantmaking-operating trusts							
Total	*19	*19	*1,735	*3	*337	*10	*441
Zero or unreported	--	--	--	--	--	--	--
$1 under $100,000	*3	*3	*27	--	--	--	--
$100,000 under $1,000,000	*12	*12	*605	*2	*336	*8	*156
$1,000,000 under $10,000,000	2	2	115	1	1	1	17
$10,000,000 or more	1	1	988	--	--	1	268

Footnotes at end of table.

Table 2.--Section 4947(a)(1) Charitable Trusts Treated as Foundations: Number and Selected Financial Data, by Type of Organization and Size of Fair Market Value of Total Assets--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of fair market value of total assets	Net gain (less loss) from sales of assets		Total expenses		Excess of revenue (less loss) over expenses		Net investment income	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
ALL CHARITABLE TRUSTS								
Total	**1,625**	**132,869**	**2,611**	**184,191**	**2,593**	**220,380**	**2,522**	**302,258**
Zero or unreported	*14	*27	*17	*3,910	*14	*-127	*14	*136
$1 under $100,000	362	361	935	5,627	914	-1,328	847	3,037
$100,000 under $1,000,000	811	12,915	1,152	39,247	1,150	17,435	1,148	42,265
$1,000,000 under $10,000,000	405	70,321	470	75,633	477	128,598	475	146,410
$10,000,000 or more	34	49,246	37	59,773	38	75,803	38	110,410
Nonoperating trusts								
Total	**1,595**	**131,655**	**2,570**	**174,956**	**2,552**	**218,943**	**2,486**	**299,097**
Zero or unreported	*14	*27	*17	*3,910	*14	*-127	*14	*136
$1 under $100,000	362	361	931	5,604	910	-1,332	847	3,037
$100,000 under $1,000,000	786	12,706	1,122	33,349	1,120	16,264	1,117	41,480
$1,000,000 under $10,000,000	402	69,929	465	74,034	472	128,201	471	145,194
$10,000,000 or more	32	48,632	35	58,059	36	75,938	36	109,250
Operating trusts								
Total	***30**	***1,214**	***41**	***9,235**	***41**	***1,437**	***36**	***3,162**
Zero or unreported	--	--	--	--	--	--	--	--
$1 under $100,000	--	--	*3	*23	*3	*4	--	--
$100,000 under $1,000,000	*25	*209	*30	*5,898	*30	*1,171	*30	*785
$1,000,000 under $10,000,000	3	392	5	1,599	5	397	4	1,217
$10,000,000 or more	2	613	2	1,714	2	-135	2	1,160
GRANTMAKING CHARITABLE TRUSTS								
Total	**1,545**	**126,977**	**2,448**	**170,255**	**2,411**	**172,846**	**2,379**	**285,949**
Zero or unreported	*14	*27	*17	*3,910	*14	*-127	*14	*136
$1 under $100,000	348	341	854	5,239	827	-1,268	795	2,907
$100,000 under $1,000,000	766	12,116	1,093	33,230	1,088	12,826	1,088	40,042
$1,000,000 under $10,000,000	386	67,260	449	72,622	448	113,257	447	139,020
$10,000,000 or more	31	47,233	34	55,253	34	48,158	34	103,843
Grantmaking-nonoperating trusts								
Total	**1,538**	**126,383**	**2,429**	**168,346**	**2,392**	**173,019**	**2,364**	**284,898**
Zero or unreported	*14	*27	*17	*3,910	*14	*-127	*14	*136
$1 under $100,000	348	341	851	5,216	823	-1,272	795	2,907
$100,000 under $1,000,000	760	12,080	1,081	33,016	1,076	12,436	1,076	39,787
$1,000,000 under $10,000,000	386	67,260	447	72,528	446	113,236	446	138,826
$10,000,000 or more	30	46,675	33	53,676	33	48,747	33	103,241
Grantmaking-operating trusts								
Total	***8**	***594**	***19**	***1,909**	***19**	***-173**	***14**	***1,051**
Zero or unreported	--	--	--	--	--	--	--	--
$1 under $100,000	--	--	*3	*23	*3	*4	--	--
$100,000 under $1,000,000	*7	*36	*12	*215	*12	*391	*12	*255
$1,000,000 under $10,000,000	--	--	2	94	2	21	1	195
$10,000,000 or more	1	558	1	1,577	1	-589	1	601

Footnotes at end of table.

Table 2.–Section 4947(a)(1) Charitable Trusts Treated as Foundations: Number and Selected Financial Data, by Type of Organization and Size of Fair Market Value of Total Assets–Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of fair market value of total assets	Disbursements for exempt purposes		Contributions, gifts and grants paid [1]		Grant administrative expenses	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(16)	(17)	(18)	(19)	(20)	(21)
ALL CHARITABLE TRUSTS						
Total	2,544	155,763	2,448	143,652	1,834	5,039
Zero or unreported	*17	*3,890	*17	*3,885	*14	*5
$1 under $100,000	896	4,764	854	4,537	599	186
$100,000 under $1,000,000	1,130	29,411	1,093	27,695	841	965
$1,000,000 under $10,000,000	465	64,718	449	60,408	351	2,084
$10,000,000 or more	36	52,981	34	47,127	28	1,800
Nonoperating trusts						
Total	2,519	153,023	2,429	142,378	1,828	4,968
Zero or unreported	*17	*3,890	*17	*3,885	*14	*5
$1 under $100,000	893	4,740	851	4,515	599	186
$100,000 under $1,000,000	1,115	29,117	1,081	27,509	837	952
$1,000,000 under $10,000,000	460	63,568	447	60,336	351	2,084
$10,000,000 or more	34	51,708	33	46,132	27	1,741
Operating trusts						
Total	*25	*2,739	*19	*1,275	*5	*71
Zero or unreported	--	--	--	--	--	--
$1 under $100,000	*3	*23	*3	*22	--	--
$100,000 under $1,000,000	*14	*294	*12	*186	*4	*13
$1,000,000 under $10,000,000	5	1,149	2	72	--	--
$10,000,000 or more	2	1,273	1	995	1	58
GRANTMAKING CHARITABLE TRUSTS						
Total	2,448	149,634	2,448	143,652	1,807	5,011
Zero or unreported	*17	*3,890	*17	*3,885	*14	*5
$1 under $100,000	854	4,758	854	4,537	589	183
$100,000 under $1,000,000	1,093	29,169	1,093	27,695	826	957
$1,000,000 under $10,000,000	449	62,664	449	60,408	350	2,066
$10,000,000 or more	34	49,153	34	47,127	28	1,800
Grantmaking-nonoperating trusts						
Total	2,429	148,150	2,429	142,378	1,802	4,940
Zero or unreported	*17	*3,890	*17	*3,885	*14	*5
$1 under $100,000	851	4,734	851	4,515	589	183
$100,000 under $1,000,000	1,081	28,970	1,081	27,509	822	945
$1,000,000 under $10,000,000	447	62,592	447	60,336	350	2,066
$10,000,000 or more	33	47,963	33	46,132	27	1,741
Grantmaking-operating trusts						
Total	*19	*1,484	*19	*1,275	*5	*71
Zero or unreported	--	--	--	--	--	--
$1 under $100,000	*3	*23	*3	*22	--	--
$100,000 under $1,000,000	*12	*199	*12	*186	*4	*13
$1,000,000 under $10,000,000	2	72	2	72	--	--
$10,000,000 or more	1	1,190	1	995	1	58

Footnotes at end of table.

Table 2.--Section 4947(a)(1) Charitable Trusts Treated as Foundations: Number and Selected Financial Data, by Type of Organization and Size of Fair Market Value of Total Assets--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of fair market value of total assets	Excise tax on net investment income					Total assets (book value)		Investments in securities (book value)	
	Total	Domestic organizations		Foreign organizations					
		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
ALL CHARITABLE TRUSTS									
Total	**4,737**	**2,499**	**4,732**	**2**	**4**	**2,613**	**2,267,350**	**2,282**	**1,722,125**
Zero or unreported	*3	*14	*3	--	--	--	--	--	--
$1 under $100,000	51	847	51	--	--	942	30,869	739	23,337
$100,000 under $1,000,000	687	1,135	687	--	--	1,155	374,843	1,043	291,791
$1,000,000 under $10,000,000	2,551	467	2,546	2	4	478	1,090,623	465	885,374
$10,000,000 or more	1,446	36	1,446	--	--	38	771,015	35	521,622
Nonoperating trusts									
Total	**4,689**	**2,484**	**4,685**	**2**	**4**	**2,572**	**2,199,698**	**2,264**	**1,709,572**
Zero or unreported	*3	*14	*3	--	--	--	--	--	--
$1 under $100,000	51	847	51	--	--	938	30,855	/39	23,337
$100,000 under $1,000,000	672	1,104	672	--	--	1,125	360,754	1,031	288,552
$1,000,000 under $10,000,000	2,535	464	2,530	2	4	473	1,071,875	460	880,318
$10,000,000 or more	1,428	34	1,428	--	--	36	736,213	34	517,365
Operating trusts									
Total	**47**	**35**	**47**	**--**	**--**	**41**	**67,652**	**18**	**12,553**
Zero or unreported	--	--	--	--	--	--	--	--	--
$1 under $100,000	--	--	--	--	--	*3	*14	--	--
$100,000 under $1,000,000	*14	*30	*14	--	--	*30	*14,089	*12	*3,239
$1,000,000 under $10,000,000	16	3	16	--	--	5	18,748	5	5,057
$10,000,000 or more	17	2	17	--	--	2	34,802	1	4,257
GRANTMAKING CHARITABLE TRUSTS									
Total	**4,431**	**2,359**	**4,427**	**2**	**4**	**2,430**	**2,053,805**	**2,173**	**1,614,138**
Zero or unreported	*3	*14	*3	--	--	--	--	--	--
$1 under $100,000	49	795	49	--	--	854	29,601	694	22,531
$100,000 under $1,000,000	642	1,075	642	--	--	1,093	349,477	1,002	283,755
$1,000,000 under $10,000,000	2,418	442	2,413	2	4	449	1,009,475	444	832,580
$10,000,000 or more	1,320	33	1,320	--	--	34	665,252	33	475,272
Grantmaking-nonoperating trusts									
Total	**4,418**	**2,345**	**4,413**	**2**	**4**	**2,412**	**2,037,065**	**2,160**	**1,606,684**
Zero or unreported	*3	*14	*3	--	--	--	--	--	--
$1 under $100,000	49	795	49	--	--	851	29,587	694	22,531
$100,000 under $1,000,000	639	1,063	639	--	--	1,081	347,040	992	281,698
$1,000,000 under $10,000,000	2,414	441	2,409	2	4	447	1,003,645	442	831,440
$10,000,000 or more	1,314	32	1,314	--	--	33	656,792	32	471,015
Grantmaking-operating trusts									
Total	***14**	***14**	***14**	**--**	**--**	***19**	***16,741**	***13**	***7,453**
Zero or unreported	--	--	--	--	--	--	--	--	--
$1 under $100,000	--	--	--	--	--	*3	*14	--	--
$100,000 under $1,000,000	*4	*12	*4	--	--	*12	*2,437	*10	*2,057
$1,000,000 under $10,000,000	4	1	4	--	--	2	5,830	2	1,139
$10,000,000 or more	6	1	6	--	--	1	8,460	1	4,257

Footnotes at end of table.

Table 2.--Section 4947(a)(1) Charitable Trusts Treated as Foundations: Number and Selected Financial Data, by Type of Organization and Size of Fair Market Value of Total Assets--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of fair market value of total assets	Total assets (fair market value)		Investments in securities (fair market value)		Net worth		Minimum investment return	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)
ALL CHARITABLE TRUSTS								
Total	2,613	2,888,063	2,277	2,233,339	2,578	2,253,598	2,573	134,589
Zero or unreported	--	--	--	--	--	--	*17	*130
$1 under $100,000	942	34,229	736	26,397	907	30,823	886	1,689
$100,000 under $1,000,000	1,155	440,615	1,043	351,295	1,155	369,350	1,153	21,109
$1,000,000 under $10,000,000	478	1,338,228	464	1,110,143	478	1,086,766	478	63,051
$10,000,000 or more	38	1,074,991	35	745,504	38	766,657	38	48,610
Nonoperating trusts								
Total	2,572	2,759,378	2,259	2,219,069	2,537	2,191,703	2,532	132,406
Zero or unreported	--	--	--	--	--	--	*17	*130
$1 under $100,000	938	34,215	736	26,397	903	30,809	882	1,689
$100,000 under $1,000,000	1,125	426,226	1,031	347,796	1,125	359,193	1,123	20,753
$1,000,000 under $10,000,000	473	1,312,946	459	1,105,199	473	1,068,167	473	62,326
$10,000,000 or more	36	985,990	34	739,677	36	733,534	36	47,509
Operating trusts								
Total	41	128,686	18	14,270	41	61,893	41	2,183
Zero or unreported	--	--	--	--	--	--	--	--
$1 under $100,000	*3	*14	--	--	*3	*14	*3	*1
$100,000 under $1,000,000	*30	*14,389	*12	*3,499	*30	*10,157	*30	*356
$1,000,000 under $10,000,000	5	25,282	5	4,944	5	18,599	5	725
$10,000,000 or more	2	89,001	1	5,827	2	33,123	2	1,102
GRANTMAKING CHARITABLE TRUSTS								
Total	2,430	2,599,735	2,168	2,101,891	2,430	2,044,484	2,427	125,492
Zero or unreported	--	--	--	--	--	--	*17	*130
$1 under $100,000	854	32,788	690	25,423	854	29,562	833	1,624
$100,000 under $1,000,000	1,093	412,753	1,002	341,514	1,093	348,049	1,093	20,134
$1,000,000 under $10,000,000	449	1,242,460	443	1,048,456	449	1,005,769	449	59,181
$10,000,000 or more	34	911,734	33	686,498	34	661,104	34	44,424
Grantmaking-nonoperating trusts								
Total	2,412	2,573,366	2,155	2,092,592	2,412	2,029,422	2,408	124,553
Zero or unreported	--	--	--	--	--	--	*17	*130
$1 under $100,000	851	32,774	690	25,423	851	29,548	830	1,623
$100,000 under $1,000,000	1,081	410,037	992	339,170	1,081	345,612	1,081	20,021
$1,000,000 under $10,000,000	447	1,236,642	441	1,047,328	447	999,939	447	59,112
$10,000,000 or more	33	893,914	32	680,672	33	654,322	33	43,667
Grantmaking-operating trusts								
Total	*19	*26,369	*13	*9,299	*19	*15,062	*19	*939
Zero or unreported	--	--	--	--	--	--	--	--
$1 under $100,000	*3	*14	--	--	*3	*14	*3	*1
$100,000 under $1,000,000	*12	*2,716	*10	*2,344	*12	*2,437	*12	*112
$1,000,000 under $10,000,000	2	5,818	2	1,128	2	5,830	2	69
$10,000,000 or more	1	17,820	1	5,827	1	6,782	1	757

Footnotes at end of table.

Table 2.--Section 4947(a)(1) Charitable Trusts Treated as Foundations: Number and Selected Financial Data, by Type of Organization and Size of Fair Market Value of Total Assets--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of fair market value of total assets	Distributable amount		Qualifying distributions		Undistributed income for 1989		Excess distributions carryover to 1990	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)
ALL CHARITABLE TRUSTS								
Total	2,526	121,412	2,544	156,085	520	18,669	2,027	164,268
Zero or unreported	*17	*127	*17	*3,887	--	--	*14	*172
$1 under $100,000	879	1,639	896	4,690	159	179	744	14,603
$100,000 under $1,000,000	1,123	19,983	1,130	29,378	250	2,816	873	36,986
$1,000,000 under $10,000,000	472	59,007	465	64,956	103	9,384	368	62,020
$10,000,000 or more	35	40,656	36	53,175	7	6,289	28	50,487
Nonoperating trusts								
Total	2,526	121,412	2,519	153,065	520	18,669	2,027	164,268
Zero or unreported	*17	*127	*17	*3,887	--	--	*14	*172
$1 under $100,000	879	1,639	893	4,666	159	179	744	14,603
$100,000 under $1,000,000	1,123	19,983	1,115	29,087	250	2,816	873	36,986
$1,000,000 under $10,000,000	472	59,007	460	63,807	103	9,384	368	62,020
$10,000,000 or more	35	40,656	34	51,618	7	6,289	28	50,487
Operating trusts								
Total	N/A	N/A	25	3,021	N/A	N/A	N/A	N/A
Zero or unreported	N/A	N/A	--	--	N/A	N/A	N/A	N/A
$1 under $100,000	N/A	N/A	*3	*23	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	N/A	N/A	*14	*291	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	N/A	N/A	5	1,149	N/A	N/A	N/A	N/A
$10,000,000 or more	N/A	N/A	2	1,557	N/A	N/A	N/A	N/A
GRANTMAKING CHARITABLE TRUSTS								
Total	2,408	117,184	2,448	149,816	438	16,336	1,985	145,486
Zero or unreported	*17	*127	*17	*3,887	--	--	*14	*172
$1 under $100,000	830	1,578	854	4,686	131	148	720	14,564
$100,000 under $1,000,000	1,081	19,285	1,093	29,086	219	2,360	862	36,741
$1,000,000 under $10,000,000	447	56,517	449	62,772	82	8,308	363	54,682
$10,000,000 or more	33	39,677	34	49,385	6	5,520	27	39,327
Grantmaking-nonoperating trusts								
Total	2,408	117,184	2,429	148,050	438	16,336	1,985	145,486
Zero or unreported	*17	*127	*17	*3,887	--	--	*14	*172
$1 under $100,000	830	1,578	851	4,663	131	148	720	14,564
$100,000 under $1,000,000	1,081	19,285	1,081	28,890	219	2,360	862	36,741
$1,000,000 under $10,000,000	447	56,517	447	62,700	82	8,308	363	54,682
$10,000,000 or more	33	39,677	33	47,911	6	5,520	27	39,327
Grantmaking-operating trusts								
Total	N/A	N/A	*19	*1,765	N/A	N/A	N/A	N/A
Zero or unreported	N/A	N/A	--	--	N/A	N/A	N/A	N/A
$1 under $100,000	N/A	N/A	*3	*23	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	N/A	N/A	*12	*196	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	N/A	N/A	2	72	N/A	N/A	N/A	N/A
$10,000,000 or more	N/A	N/A	1	1,474	N/A	N/A	N/A	N/A

N/A - not applicable

*Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] The data shown in columns 18 and 19 are based on the amount of contributions, gifts, and grants that charitable trusts actually disbursed for charitable purposes for 1989 using the cash receipts and disbursements method of accounting. This figure differs somewhat from that reported as contributions, gifts, and grants paid in the income statement of Table 4. When reporting the amount used in the income statement, or per the books, charitable trusts have the option of using either the cash receipts and disbursements or the accrual method of accounting. This difference in reporting method, therefore, accounts for the difference in the amount of contributions, gifts, and grants paid as reported in Tables 2 and 4.

NOTE: Detail may not add to totals because of rounding.

Table 3.--All Private Foundations: Balance Sheets and Income Statements, by Size of Fair Market Value of Total Assets

[All figures are estimates based on a sample--money amounts are in thousands of dollars]

Item	Total	Size of fair market value of total assets			
		Assets zero or unreported	$1 under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000
	(1)	(2)	(3)	(4)	(5)
Number of returns	38,773	946	14,352	14,799	7,049
Total assets (book value)	116,202,994	*62,466	476,009	4,982,084	18,081,031
Cash, total	13,496,423	*48,822	249,857	1,525,192	3,379,093
Non-interest bearing accounts	1,230,791	*35	64,128	267,955	438,837
Savings and temporary cash investments	12,265,632	*48,787	185,729	1,257,237	2,940,256
Accounts receivable, net	618,639	--	4,026	23,786	89,578
Pledges receivable, net	130,630	--	--	*27,194	26,272
Grants receivable	47,059	--	--	*5,516	*15,028
Receivables due from disqualified persons	118,490	--	*3,023	*5,909	45,763
Other notes and loans receivable	891,024	*38	5,070	96,497	230,948
Inventories	83,416	--	*1,247	*12,909	4,715
Prepaid expenses and deferred charges	111,387	*6,000	945	6,728	14,980
Investments (non-cash), total	96,814,483	*5,655	194,997	3,060,828	13,389,373
Securities	89,777,246	*5,655	181,817	2,767,526	12,398,927
Land, buildings and equipment (less accumulated depreciation)	2,410,339	--	*2,739	101,776	369,134
Mortgage loans	449,201	--	*3,799	60,093	155,064
Other investments	4,177,697	--	6,643	131,433	466,247
Charitable-purpose land, buildings and equipment (less accumulated depreciation)	2,212,993	--	8,711	161,778	609,068
Other assets	1,678,447	*1,950	8,132	55,745	276,212
Total liabilities	4,360,399	105,924	41,906	102,469	561,353
Net worth	111,842,594	-43,458	434,103	4,879,614	17,519,678
Total revenue	19,916,920	136,027	330,392	1,272,296	4,165,432
Contributions, gifts and grants received	6,936,870	135,100	276,419	763,946	2,125,079
Interest on savings and temporary cash investments	1,455,676	843	17,079	124,108	321,298
Dividends and interest from securities	5,969,519	*272	13,855	220,056	864,010
Gross rents	203,827	--	*1,044	13,018	54,004
Net gain (less loss) from sale of assets	4,738,242	*-419	10,765	128,612	662,770
Gross profit (less loss) from business activities	64,602	--	2,340	4,009	12,369
Other income	548,179	*230	8,889	18,545	125,899
Total expenses	10,734,604	159,420	343,434	885,351	2,141,205
Contributions, gifts and grants paid	8,481,867	156,866	285,936	701,678	1,688,000
Compensation of officers	217,404	*455	4,099	16,213	51,349
Other salaries and wages	420,678	*53	9,023	46,828	78,374
Pension plans and employee benefits	110,998	--	714	4,060	11,586
Legal fees	67,323	528	1,907	9,415	18,448
Accounting fees	53,484	375	3,499	10,297	17,619
Other professional fees	304,809	*117	5,564	11,253	48,250
Interest	52,659	*1	298	4,216	19,761
Taxes	221,145	83	1,600	13,538	42,083
Depreciation and depletion	103,465	--	849	6,732	22,994
Occupancy	121,679	*192	3,778	14,163	22,237
Travel, conferences and meetings	58,529	*50	4,669	3,452	8,140
Printing and publications	32,780	28	3,170	1,928	5,419
Other expenses	487,779	670	18,327	41,575	106,944
Excess of revenue (less loss) over expenses	9,182,315	-23,392	-13,043	386,945	2,024,226
Excess of revenue	10,344,434	*46	66,407	567,730	2,300,422
Loss	1,162,120	23,438	79,450	180,785	276,196
Total assets (fair market value)	151,694,261	--	455,836	5,500,624	21,242,040
Cash, total	13,464,610	--	249,685	1,528,516	3,383,919
Non-interest bearing accounts	1,239,869	--	63,947	274,118	441,780
Savings and temporary cash investments	12,224,741	--	185,738	1,254,398	2,942,139
Accounts receivable, net	635,050	--	4,026	23,623	99,955
Pledges receivable, net	130,151	--	--	*27,194	*25,344
Grants receivable	47,059	--	--	*5,516	*15,028
Receivables due from disqualified persons	128,346	--	*2,672	*5,909	54,941
Other notes and loans receivable	952,477	--	5,070	95,910	229,007
Inventories	84,253	--	*881	*13,867	4,720
Prepaid expenses and deferred charges	152,162	--	937	7,261	14,949
Investments (non-cash), total	130,420,912	--	173,772	3,547,169	16,255,286
Securities	121,393,974	--	160,407	3,207,334	15,067,879
Land, buildings and equipment (less accumulated depreciation)	3,296,273	--	*2,456	123,002	510,337
Mortgage loans	458,691	--	*3,157	60,093	169,339
Other investments	5,271,974	--	7,752	156,740	507,731
Charitable-purpose land, buildings and equipment (less accumulated depreciation)	2,856,022	--	9,254	178,049	800,900
Other assets	2,823,217	--	9,539	67,609	357,991
Total beginning-of-year assets (book value)	105,953,876	29,031	496,440	4,605,854	16,112,783
Investments in securities, beginning of year (book value)	81,164,570	*14,286	202,409	2,515,179	10,971,214

Footnotes at end of table.

Table 3.--All Private Foundations: Balance Sheets and Income Statements, by Size of Fair Market Value of Total Assets--Continued

[All figures are estimates based on a sample--money amounts are in thousands of dollars]

Item	Size of fair market value of total assets--Continued			
	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 or more
	(6)	(7)	(8)	(9)
Number of returns	**912**	**329**	**196**	**189**
Total assets (book value)	**11,650,413**	**9,668,966**	**11,275,587**	**60,006,437**
Cash, total	1,461,368	1,127,027	1,176,664	4,528,402
Non-interest bearing accounts	129,802	113,559	43,606	172,869
Savings and temporary cash investments	1,331,564	1,013,468	1,133,058	4,355,533
Accounts receivable, net	38,638	42,965	30,707	388,919
Pledges receivable, net	11,955	53,323	11,366	520
Grants receivable	17,392	6,466	--	2,658
Receivables due from disqualified persons	3,624	39,041	20,559	570
Other notes and loans receivable	106,714	124,825	71,327	255,605
Inventories	9,505	43,647	8,080	3,312
Prepaid expenses and deferred charges	28,260	5,497	4,918	44,058
Investments (non-cash), total	9,524,751	7,849,777	9,482,807	53,306,294
Securities	8,855,268	7,425,401	8,909,752	49,232,899
Land, buildings and equipment (less accumulated depreciation)	146,495	187,538	163,394	1,439,262
Mortgage loans	59,990	44,061	50,311	75,883
Other investments	462,997	192,777	359,351	2,558,250
Charitable-purpose land, buildings and equipment (less accumulated depreciation)	326,499	253,117	309,378	544,442
Other assets	121,708	123,260	159,781	931,658
Total liabilities	**258,224**	**481,660**	**224,159**	**2,584,703**
Net worth	**11,392,189**	**9,187,306**	**11,051,427**	**57,421,734**
Total revenue	**2,240,661**	**1,676,996**	**1,821,957**	**8,273,159**
Contributions, gifts and grants received	927,043	612,788	434,364	1,662,130
Interest on savings and temporary cash investments	183,638	138,579	138,758	531,373
Dividends and interest from securities	601,816	479,026	600,991	3,189,493
Gross rents	21,912	25,792	8,302	79,755
Net gain (less loss) from sale of assets	418,521	343,714	571,892	2,602,386
Gross profit (less loss) from business activities	18,368	11,088	14,352	2,075
Other income	69,361	66,010	53,298	205,946
Total expenses	**1,182,517**	**934,125**	**879,903**	**4,208,649**
Contributions, gifts and grants paid	928,758	712,869	659,642	3,348,118
Compensation of officers	29,105	23,751	22,521	69,909
Other salaries and wages	46,038	42,671	41,597	156,093
Pension plans and employee benefits	9,156	9,252	10,238	65,991
Legal fees	5,914	5,443	6,388	19,279
Accounting fees	6,414	4,650	4,288	8,343
Other professional fees	33,610	27,272	31,700	147,043
Interest	2,996	14,522	1,859	9,006
Taxes	27,093	18,801	21,925	96,022
Depreciation and depletion	17,863	14,657	12,992	27,377
Occupancy	12,290	10,914	9,736	48,369
Travel, conferences and meetings	4,830	2,721	4,503	30,163
Printing and publications	3,195	1,300	3,939	13,800
Other expenses	55,253	45,300	48,575	171,134
Excess of revenue (less loss) over expenses	**1,058,143**	**742,871**	**942,054**	**4,064,510**
Excess of revenue	1,168,050	847,613	989,107	4,405,059
Loss	109,906	104,742	47,053	340,549
Total assets (fair market value)	**14,086,317**	**11,554,315**	**13,615,696**	**85,239,432**
Cash, total	1,464,713	1,128,820	1,174,736	4,534,221
Non-interest bearing accounts	127,744	113,058	42,953	176,269
Savings and temporary cash investments	1,336,968	1,015,762	1,131,783	4,357,952
Accounts receivable, net	42,213	43,425	32,892	388,915
Pledges receivable, net	11,955	53,323	11,814	520
Grants receivable	17,392	6,466	–	2,658
Receivables due from disqualified persons	4,654	39,041	20,559	570
Other notes and loans receivable	107,365	120,352	71,295	323,478
Inventories	9,504	43,647	8,080	3,553
Prepaid expenses and deferred charges	14,524	5,542	4,702	104,248
Investments (non-cash), total	11,818,869	9,626,317	11,785,351	77,214,149
Securities	11,029,294	8,997,526	10,931,558	71,999,978
Land, buildings and equipment (less accumulated depreciation)	211,280	333,132	318,579	1,797,487
Mortgage loans	54,512	44,076	50,280	77,233
Other investments	523,783	251,583	484,935	3,339,450
Charitable-purpose land, buildings and equipment (less accumulated depreciation)	457,306	354,461	333,533	722,519
Other assets	137,822	132,919	172,735	1,944,602
Total beginning-of-year assets (book value)	**10,506,034**	**8,840,285**	**10,204,143**	**55,159,307**
Investments in securities, beginning of year (book value)	**7,860,378**	**6,506,320**	**8,108,914**	**44,985,871**

*Estimate should be used with caution because of the small number of sample returns on which it is based.

NOTE: Detail may not add to totals because of rounding.

Table 4.--All Internal Revenue Code Section 4947(a)(1) Charitable Trusts Treated as Foundations: Balance Sheets and Income Statements, by Size of Fair Market Value of Total Assets

[All figures are estimates based on a sample--money amounts are in thousands of dollars]

Item	Total	Size of fair market value of total assets			
		Assets zero or unreported	$1 under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000
	(1)	(2)	(3)	(4)	(5)
Number of returns	2,834	*21	942	1,155	478
Total assets (book value)	2,267,350	–	30,869	374,843	1,090,623
Cash, total	270,200	–	4,977	46,071	128,106
Non-interest bearing accounts	31,106	–	1,451	7,294	18,380
Savings and temporary cash investments	239,095	–	3,526	38,778	109,726
Accounts receivable, net	6,607	–	–	*5,630	949
Pledges receivable, net	*58	–	–	–	58
Grants receivable	–	–	–	–	–
Receivables due from disqualified persons	*575	–	*69	*428	78
Other notes and loans receivable	5,672	–	*383	1,597	3,179
Inventories	*11,668	–	–	*128	–
Prepaid expenses and deferred charges	240	–	*23	*34	45
Investments (non-cash), total	1,905,618	–	23,763	309,788	937,905
Securities	1,722,125	–	23,337	291,791	885,374
Land, buildings and equipment (less accumulated depreciation)	19,675	–	–	6,105	7,067
Mortgage loans	16,517	–	*16	1,884	6,639
Other investments	147,301	–	*410	10,008	38,824
Charitable-purpose land, buildings and equipment (less accumulated depreciation)	31,467	–	–	5,318	12,261
Other assets	35,244	–	1,652	5,848	8,041
Total liabilities	13,754	–	45	5,493	3,857
Net worth	2,253,596	–	30,823	369,350	1,086,766
Total revenue	404,571	*3,783	4,299	58,682	204,232
Contributions, gifts and grants received	86,254	*3,633	1,071	8,443	49,800
Interest on savings and temporary cash investments	29,589	*12	643	4,393	12,462
Dividends and interest from securities	127,828	*112	1,733	22,584	64,215
Gross rents	6,464	–	*55	1,510	2,628
Net gain (less loss) from sale of assets	132,869	*27	361	12,915	70,321
Gross profit (less loss) from business activities	*48	–	*30	–	44
Other income	21,518	–	407	6,836	4,762
Total expenses	184,191	*3,910	5,627	39,247	75,633
Contributions, gifts and grants paid	143,547	*3,885	4,859	27,113	60,654
Compensation of officers	13,894	*21	396	3,350	6,565
Other salaries and wages	3,328	–	–	*2,705	440
Pension plans and employee benefits	876	–	–	*799	52
Legal fees	1,483	*3	19	312	826
Accounting fees	1,423	*1	128	423	614
Other professional fees	3,078	–	53	1,004	714
Interest	427	–	*30	89	166
Taxes	4,885	–	45	924	2,113
Depreciation and depletion	847	–	*1	282	463
Occupancy	668	–	*39	*136	337
Travel, conferences and meetings	264	–	–	*90	43
Printing and publications	153	–	11	122	15
Other expenses	9,317	–	47	1,917	2,632
Excess of revenue (less loss) over expenses	220,380	*-127	-1,328	17,435	128,598
Excess of revenue	235,295	*4	1,052	21,656	133,115
Loss	14,915	*131	2,381	4,221	4,517
Total assets (fair market value)	2,898,063	–	34,229	440,615	1,338,228
Cash, total	270,264	–	5,047	46,094	128,077
Non-interest bearing accounts	31,124	–	1,520	7,253	18,370
Savings and temporary cash investments	239,140	–	3,527	38,841	109,707
Accounts receivable, net	6,629	–	–	*5,802	800
Pledges receivable, net	*58	–	–	–	58
Grants receivable	–	–	–	–	–
Receivables due from disqualified persons	*598	–	*97	*423	78
Other notes and loans receivable	5,670	–	*383	1,597	3,177
Inventories	*18,172	–	–	*128	–
Prepaid expenses and deferred charges	1,588	–	*23	*34	1,387
Investments (non-cash), total	2,455,900	–	26,806	372,472	1,179,753
Securities	2,233,339	–	26,397	351,296	1,110,143
Land, buildings and equipment (less accumulated depreciation)	47,881	–	–	8,319	18,493
Mortgage loans	16,214	–	*16	1,861	6,681
Other investments	158,466	–	*393	10,997	44,435
Charitable-purpose land, buildings and equipment (less accumulated depreciation)	47,108	–	–	7,681	15,679
Other assets	82,075	–	1,872	6,384	9,219
Total beginning-of-year assets (book value)	2,021,071	*175	31,133	355,124	949,484
Investments in securities, beginning of year (book value)	1,537,829	*168	22,932	273,680	749,053

Footnotes at end of table.

Table 4.--All Internal Revenue Code Section 4947(a)(1) Charitable Trusts Treated as Foundations: Balance Sheets and Income Statements, by Size of Fair Market Value of Total Assets--Continued

[All figures are estimates based on a sample--money amounts are in thousands of dollars]

Item	Size of fair market value of total assets--Continued			
	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 or more
	(6)	(7)	(8)	(9)
Number of returns	28	5	6	1
Total assets (book value)	313,297	108,614	239,400	109,704
Cash, total	38,877	10,246	19,533	22,389
Non-interest bearing accounts	2,923	2	1,056	--
Savings and temporary cash investments	35,954	10,244	18,477	22,389
Accounts receivable, net	27	--	--	--
Pledges receivable, net	--	--	--	--
Grants receivable	--	--	--	--
Receivables due from disqualified persons	--	--	--	--
Other notes and loans receivable	487	--	25	--
Inventories	11,540	--	--	--
Prepaid expenses and deferred charges	133	--	4	--
Investments (non-cash), total	247,996	98,365	200,486	87,315
Securities	218,545	95,744	122,937	84,395
Land, buildings and equipment (less accumulated depreciation)	3,558	2,621	--	324
Mortgage loans	5,383	--	--	2,596
Other investments	20,510	--	77,549	--
Charitable-purpose land, buildings and equipment (less accumulated depreciation)	13,853	3	32	--
Other assets	383	--	19,319	--
Total liabilities	2,757	74	308	1,219
Net worth	310,540	108,540	239,092	108,485
Total revenue	57,874	15,098	28,085	34,520
Contributions, gifts and grants received	21,813	1,460	--	35
Interest on savings and temporary cash investments	3,474	336	6,166	2,104
Dividends and interest from securities	17,143	8,262	8,892	4,888
Gross rents	1,311	920	--	40
Net gain (less loss) from sale of assets	8,907	4,112	8,773	27,454
Gross profit (less loss) from business activities	--	--	-26	--
Other income	5,226	8	4,280	--
Total expenses	27,546	10,847	13,637	7,743
Contributions, gifts and grants paid	19,334	9,215	11,540	6,946
Compensation of officers	2,192	728	334	310
Other salaries and wages	91	37	54	--
Pension plans and employee benefits	14	2	9	--
Legal fees	249	11	64	--
Accounting fees	185	19	53	--
Other professional fees	458	128	700	22
Interest:	21	--	--	122
Taxes	836	123	532	313
Depreciation and depletion	77	24	6	14
Occupancy	90	1	66	--
Travel, conferences and meetings	58	3	70	--
Printing and publications	2	3	--	--
Other expenses	3,940	554	209	18
Excess of revenue (less loss) over expenses	30,328	4,251	14,447	26,777
Excess of revenue	32,018	6,227	14,447	26,777
Loss	1,690	1,976	--	--
Total assets (fair market value)	404,982	148,399	401,111	120,499
Cash, total	38,877	10,246	19,533	22,389
Non-interest bearing accounts	2,923	2	1,056	--
Savings and temporary cash investments	35,954	10,244	18,477	22,389
Accounts receivable, net	27	--	--	--
Pledges receivable, net	--	--	--	--
Grants receivable	--	--	--	--
Receivables due from disqualified persons	--	--	--	--
Other notes and loans receivable	487	--	25	--
Inventories	18,044	--	--	--
Prepaid expenses and deferred charges	139	--	4	--
Investments (non-cash), total	323,250	138,150	317,359	98,110
Securities	284,386	130,135	236,195	94,787
Land, buildings and equipment (less accumulated depreciation)	12,327	8,015	--	727
Mortgage loans	5,061	--	--	2,596
Other investments	21,477	--	81,163	--
Charitable-purpose land, buildings and equipment (less accumulated depreciation)	23,714	3	32	--
Other assets	443	--	64,158	--
Total beginning-of-year assets (book value)	281,515	99,462	224,608	79,571
Investments in securities, beginning of year (book value)	215,272	89,738	115,525	71,263

*Estimate should be used with caution because of the small number of sample returns on which it is based.

NOTE: Detail may not add to totals because of rounding.

Private Foundations and Charitable Trusts, Highlights of 1990 Data

by Alicia Meckstroth

Private foundations rely on a strong and stable endowment to allow them to consistently fund charitable activities. After experiencing a strong year for 1989 in terms of growth in both assets and revenues, foundations realized a small decrease in total revenue and a relatively small increase in total assets for 1990. Total foundation revenues fell by 2 percent, to $19.5 billion, representing the third time in four years that revenues have declined. The decreasing revenues resulted largely from a 17-percent decline in net gains from sales of assets and a 2-percent decline in the amount of contributions received. While total foundation assets grew by 9 percent, to $164.8 billion, the increase represented less than half that of the previous year. Investments in securities, representing 77 percent of total assets, equaled $126.2 billion.

Tax year 1990 represents the first year since 1979 for which the Internal Revenue Service has collected information on specific types of investments in securities. Holdings of corporate stock represented the largest portion of total foundation securities, 63 percent, followed by investments in U.S. and state government obligations, 26 percent, and corporate bonds, 11 percent. Total investments in securities increased by only 4 percent from 1989, translating into a slight decline in real terms. Not surprisingly, foundations realized rates of total return on assets which were notably lower than the two previous years. For instance, the smallest foundations, those holding less than $1 million, realized a real rate of return of 2.1 percent, while the largest foundations, those holding $100 million or more in assets, realized only 1.3 percent. As in the past, private foundations increased charitable giving at a similar rate. Contributions and grants paid by foundations increased by 10 percent over 1989, to $8.9 billion. Likewise, foundation payout rates remained relatively constant, ranging from 10.6 percent for the smallest to 5.0 percent for the largest foundations.[1]

Charitable Trusts

Beginning with 1989 data, Statistics of Income again began collecting data on the charitable trusts included under Internal Revenue Code section 4947(a)(1). These trusts have exclusively charitable interests and, like foundations, file the Form 990-PF, *Return of Private Foundation (or Section 4947(a)(1) Charitable Trust Treated as a Private Foundation)*. They represent only 6 percent of all Form 990-PF filers. Other 4947(a)(1) charitable trusts, which receive the majority of their support from public, rather than from private sources, file the Form 990, *Return of Organization Exempt from Income Tax*. Section 4947(a)(2) split-interest trusts, which have both charitable and noncharitable beneficiaries, file the Form 5227, *Split-Interest Trust Information Return*. These latter two varieties of trusts are not covered in these data.

The 2,600 section 4947(a)(1) charitable trusts experienced greater losses for 1990 than did private foundations. Total revenues sharply declined by 33 percent, to $270.0 million, while assets declined by 4 percent, to $2.8 billion. Large decreases in both contributions received by trusts and net gains from sales of assets, 55 percent and 70 percent, respectively, largely explain the abrupt drop in total revenues. Likewise, the decrease in assets can be explained, in large part, by the 16-percent decline in investments in securities, which represent 68 percent of total assets.

These trusts held a mix of investments in securities which was comparable to that held by the foundations, although they held a somewhat smaller proportion of corporate stock and a larger proportion of corporate bonds. Holdings of corporate stock represented the largest portion of securities, 59 percent, followed by investments in U.S. and state government obligations, 24 percent, and corporate bonds, 17 percent. When compared to foundations, trusts had slightly lower charitable payout rates, but earned a higher median rate of total return for 1990. However, despite declines in revenues, assets, and rates of total return, the trusts increased the amount of charitable grants which they distributed by 6 percent, to $143.7 million.

Summary Statistics

Tables 1 and 2 provide summary statistics for 1990 for both private foundations and the 4947(a)(1) charitable trusts. The data are separated to show the different sizes of foundations (and trusts), grouped by fair market value of total assets. More extensive data and analyses will be included in the upcoming article, "Private Foundations and Charitable Trusts, 1990." The article will be included in the Winter 1993-1994 edition of the *SOI Bulletin*.

Notes and References

[1] The term, "payout rate," refers to the amount of a foundation's charitable distributions, plus or minus certain allowable adjustments, divided by its net investment assets. Since 1982, the annual payout requirement has been set at 5.0 percent.

Table 1.--All Private Foundations: Balance Sheets and Income Statements, by Size of Fair Market Value of Total Assets

[All figures are estimates based on a sample--money amounts are in thousands of dollars]

Item	Total	Size of fair market value of total assets			
		Assets zero or unreported	$1 under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000
	(1)	(2)	(3)	(4)	(5)
Number of returns	**40,166**	**1,296**	**14,611**	**15,010**	**7,511**
Total assets (book value)	**127,971,967**	***23,063**	**481,282**	**5,109,851**	**20,125,709**
Cash, total	15,176,223	14,891	231,659	1,602,282	3,787,265
Non-interest bearing accounts	1,325,540	*113	65,940	297,071	405,921
Savings and temporary cash investments	13,850,683	*14,778	165,719	1,305,211	3,381,344
Accounts receivable, net	379,468	-	2,371	15,926	66,159
Pledges receivable, net	167,725	-	*1,064	*25,722	49,562
Grants receivable	71,769	-	*722	*171	*11,525
Receivables due from disqualified persons	24,378	-	*848	*3,469	*13,046
Other notes and loans receivable	1,028,611	-	6,875	122,877	254,600
Inventories	18,644	-	*1,771	*1,848	5,251
Prepaid expenses and deferred charges	83,194	*5	607	3,953	7,254
Investments (non-cash), total	106,810,278	-	210,451	3,006,210	14,955,272
Securities, total	93,600,981	-	177,347	2,494,940	13,046,605
U.S. and State Government obligations	30,892,825	-	36,601	765,922	4,951,870
Corporate stock	48,531,018	-	112,914	1,222,036	5,887,434
Corporate bonds	14,177,138	-	27,832	506,982	2,207,300
Land, buildings and equipment (less accumulated depreciation)	2,572,967	-	*2,902	79,254	394,525
Mortgage loans	647,526	-	*4,214	65,258	195,445
Other investments	9,988,804	-	25,988	366,758	1,318,697
Charitable-purpose land, buildings and equipment (less accumulated depreciation)	2,358,072	*8,106	9,546	193,940	610,872
Other assets	1,853,600	*61	15,367	133,451	364,901
Total liabilities	**4,798,525**	**10,614**	**41,205**	**130,613**	**548,844**
Net worth	**123,173,442**	**12,450**	**440,078**	**4,979,238**	**19,576,865**
Total revenue	**19,521,182**	**111,852**	**353,535**	**1,194,749**	**3,865,152**
Contributions, gifts and grants received	6,814,071	99,540	304,231	773,753	2,055,219
Interest on savings and temporary cash investments	1,548,361	2,046	15,781	116,103	352,451
Dividends and interest from securities	6,396,693	*8,242	13,878	214,278	937,929
Gross rents	216,833	*1,643	*1,166	13,791	46,733
Net gain (less loss) from sale of assets	3,949,855	*465	1,851	53,751	300,895
Gross profit (less loss) from business activities	68,977	*3	1,315	675	36,770
Other income	526,388	*-85	15,312	22,396	135,154
Total expenses	**11,715,111**	**158,214**	**381,295**	**906,975**	**2,369,766**
Contributions, gifts and grants paid	9,062,736	148,890	318,315	709,041	1,705,741
Compensation of officers	244,357	*102	4,702	18,510	57,887
Other salaries and wages	479,976	*1,285	11,231	47,023	105,563
Pension plans and employee benefits	126,545	-	742	3,989	11,389
Legal fees	72,665	827	2,102	12,395	17,233
Accounting fees	59,788	982	3,713	10,976	20,323
Other professional fees	323,728	*861	3,653	13,293	52,265
Interest	57,658	*2,263	459	5,368	20,771
Taxes	221,228	344	2,047	15,342	46,855
Depreciation and depletion	133,122	*411	1,226	6,910	22,623
Occupancy	138,256	*326	3,224	13,665	26,317
Travel, conferences and meetings	66,852	*67	6,068	4,698	8,157
Printing and publications	35,098	34	3,028	3,352	4,659
Other expenses	693,097	1,823	20,784	42,414	269,982
Excess of revenue (less loss) over expenses	**7,806,070**	**-46,362**	**-27,761**	**287,773**	**1,495,385**
Excess of revenue	9,451,344	*2,165	56,742	456,289	1,893,657
Loss	-1,645,274	-48,528	-84,503	-168,516	-398,271
Total assets (fair market value)	**164,828,987**	-	**470,450**	**5,567,535**	**22,969,710**
Cash, total	15,180,092	-	230,003	1,601,797	3,791,013
Non-interest bearing accounts	1,323,028	-	64,966	296,821	406,870
Savings and temporary cash investments	13,857,064	-	165,037	1,304,976	3,384,143
Accounts receivable, net	387,200	-	2,169	15,764	68,731
Pledges receivable, net	171,129	-	*1,064	*25,722	52,966
Grants receivable	73,546	-	*722	*171	*11,525
Receivables due from disqualified persons	24,301	-	*848	*3,469	*13,046
Other notes and loans receivable	1,055,594	-	6,875	122,198	232,122
Inventories	21,542	-	*1,383	*1,906	5,251
Prepaid expenses and deferred charges	108,873	-	622	3,898	7,121
Investments (non-cash), total	142,349,051	-	201,050	3,415,234	17,543,926
Securities, total	126,199,220	-	166,491	2,873,394	15,430,825
U.S. and State Government obligations	32,480,715	-	37,859	799,947	5,078,064
Corporate stock	79,328,717	-	100,836	1,572,982	8,110,469
Corporate bonds	14,389,787	-	27,796	500,465	2,242,291
Land, buildings and equipment (less accumulated depreciation)	3,513,986	-	*4,031	91,825	545,046
Mortgage loans	655,090	-	*4,214	65,263	204,981
Other investments	11,980,755	-	26,313	384,752	1,363,074
Charitable-purpose land, buildings and equipment (less accumulated depreciation)	3,024,859	-	9,611	220,557	780,822
Other assets	2,432,795	-	16,103	156,818	463,186
Total beginning-of-year assets (book value)	**119,586,132**	**242,701**	**589,966**	**4,802,200**	**18,424,099**
Investments in securities, beginning of year (book value)	**86,890,539**	**140,107**	**190,750**	**2,307,387**	**11,835,258**
U.S. and State Government obligations	28,187,944	*75265	51,025	693,318	4,288,563
Corporate stock	45,608,024	51,326	111,613	1,127,580	5,593,414
Corporate bonds	13,094,571	*13517	28,112	486,489	1,953,282

Footnotes at end of table.

Table 1.--All Private Foundations: Balance Sheets and Income Statements, by Size of Fair Market Value of Total Assets--Continued

[All figures are estimates based on a sample--money amounts are in thousands of dollars]

Item	Size of fair market value of total assets--Continued			
	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 or more
	(6)	(7)	(8)	(9)
Number of returns	1,006	337	202	194
Total assets (book value)	13,072,032	10,061,329	12,158,466	66,940,234
Cash, total	1,761,776	1,177,623	1,103,041	5,497,685
Non-interest bearing accounts	203,196	112,444	65,509	175,346
Savings and temporary cash investments	1,558,580	1,065,179	1,037,532	5,322,339
Accounts receivable, net	49,428	44,899	29,001	171,685
Pledges receivable, net	8,975	80,458	1,274	670
Grants receivable	9,912	3,078	31,527	14,835
Receivables due from disqualified persons	128	39	6,088	760
Other notes and loans receivable	128,844	131,165	88,510	295,740
Inventories	3,914	369	1,149	4,341
Prepaid expenses and deferred charges	6,164	16,947	26,197	22,067
Investments (non-cash), total	10,375,007	8,298,386	10,350,202	59,614,751
Securities, total	9,218,764	7,501,415	9,354,951	51,806,959
U.S. and State Government obligations	3,269,863	2,865,553	3,048,542	15,954,474
Corporate stock	4,135,990	3,181,954	4,585,110	29,405,580
Corporate bonds	1,812,911	1,453,909	1,721,299	6,446,905
Land, buildings and equipment (less accumulated depreciation)	175,169	194,838	202,258	1,524,002
Mortgage loans	78,324	64,521	80,264	159,500
Other investments	902,730	537,611	712,729	6,124,290
Charitable-purpose land, buildings and equipment (less accumulated depreciation)	477,461	195,101	315,022	548,023
Other assets	250,423	113,265	206,455	769,676
Total liabilities	295,204	399,060	354,656	3,018,329
Net worth	12,776,827	9,662,268	11,803,810	63,921,905
Total revenue	2,380,854	1,549,202	1,431,488	8,634,351
Contributions, gifts and grants received	1,127,132	608,582	382,738	1,462,877
Interest on savings and temporary cash investments	197,711	139,078	143,646	581,547
Dividends and interest from securities	640,613	514,077	613,280	3,454,396
Gross rents	15,615	27,089	13,976	96,820
Net gain (less loss) from sale of assets	271,360	197,016	238,428	2,886,090
Gross profit (less loss) from business activities	15,178	8,680	3,090	3,266
Other income	113,246	54,679	36,330	149,356
Total expenses	1,382,056	1,001,826	992,894	4,522,083
Contributions, gifts and grants paid	1,090,038	781,029	772,101	3,537,581
Compensation of officers	34,818	25,623	24,793	77,921
Other salaries and wages	51,101	41,793	39,719	182,261
Pension plans and employee benefits	8,903	10,013	10,774	80,737
Legal fees	6,797	5,674	7,297	20,341
Accounting fees	7,303	4,652	5,063	6,776
Other professional fees	34,251	26,275	30,395	162,734
Interest	6,749	9,558	3,188	9,304
Taxes	28,648	21,870	19,124	86,998
Depreciation and depletion	17,019	18,190	10,781	55,962
Occupancy	18,040	10,600	11,988	54,096
Travel, conferences and meetings	4,057	3,412	4,837	35,555
Printing and publications	2,772	1,358	4,166	15,731
Other expenses	71,559	41,781	48,669	196,085
Excess of revenue (less loss) over expenses	998,798	547,376	438,593	4,112,268
Excess of revenue	1,190,217	694,903	607,904	4,549,467
Loss	-191,420	-147,527	-169,311	-437,199
Total assets (fair market value)	15,555,482	11,874,489	14,073,237	94,318,083
Cash, total	1,763,837	1,175,105	1,103,664	5,514,672
Non-interest bearing accounts	203,790	108,855	66,515	175,211
Savings and temporary cash investments	1,560,047	1,066,251	1,037,149	5,339,462
Accounts receivable, net	53,406	44,899	29,310	172,922
Pledges receivable, net	8,975	80,458	1,274	670
Grants receivable	9,912	4,854	31,527	14,835
Receivables due from disqualified persons	53	39	6,088	760
Other notes and loans receivable	128,884	127,765	80,286	357,463
Inventories	3,919	369	1,149	7,567
Prepaid expenses and deferred charges	6,175	17,358	26,116	47,583
Investments (non-cash), total	12,704,833	9,968,063	12,206,077	86,309,868
Securities, total	11,378,244	8,886,403	10,929,211	76,534,652
U.S. and State Government obligations	3,405,720	2,983,803	3,200,684	16,974,638
Corporate stock	6,074,254	4,439,704	6,043,193	52,987,279
Corporate bonds	1,898,271	1,462,895	1,685,334	6,572,735
Land, buildings and equipment (less accumulated depreciation)	237,634	378,157	336,785	1,920,508
Mortgage loans	71,988	64,579	80,292	163,775
Other investments	1,016,969	638,924	859,790	7,690,932
Charitable-purpose land, buildings and equipment (less accumulated depreciation)	605,049	327,595	326,028	755,196
Other assets	270,439	127,984	261,718	1,136,547
Total beginning-of-year assets (book value)	11,947,506	9,482,715	11,561,628	62,535,316
Investments in securities, beginning of year (book value)	8,488,672	6,974,751	8,796,349	48,157,264
U.S. and State Government obligations	2,894,662	2,459,936	2,899,491	14,825,684
Corporate stock	3,837,048	3,096,750	4,290,308	27,499,986
Corporate bonds	1,756,962	1,418,065	1,606,550	5,831,594

*Estimate should be used with caution because of the small number of sample returns on which it is based.

NOTE: Detail may not add to totals because of rounding.

Table 2.–All 4947(a)(1) Charitable Trusts Treated as Foundations: Balance Sheets and Income Statements, by Size of Fair Market Value of Total Assets

[All figures are estimates based on a sample–money amounts are in thousands of dollars]

Item	Total	Size of fair market value of total assets					
		Assets zero or unreported	$1 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns	**2,617**	***26**	**938**	**870**	**379**	**357**	**46**
Total assets (book value)	**2,198,736**	-	**35,517**	**181,239**	**220,553**	**821,006**	**940,421**
Cash, total	295,505	-	6,554	28,821	27,856	94,152	138,122
Non-interest bearing accounts	39,404	-	2,139	4,898	2,688	10,779	18,900
Savings and temporary cash investments	256,101	-	4,416	23,923	25,168	83,373	119,222
Accounts receivable, net	11,613	-	-	*102	*7,207	374	3,932
Pledges receivable, net	42	-	-	-	-	42	-
Grants receivable	-	-	-	-	-	-	-
Receivables due from disqualified persons	*1,221	-	-	-	*1,221	-	-
Other notes and loans receivable	32,775	-	*372	*1,694	*64	6,607	24,037
Inventories	-	-	-	-	-	-	-
Prepaid expenses and deferred charges	1,408	-	-	*3	*225	1,065	115
Investments (non-cash), total	1,718,660	-	24,903	121,678	161,890	669,496	740,693
Securities, total	1,422,025	-	17,442	96,920	130,863	557,772	619,028
U.S. and State Government obligations	424,529	-	5,744	28,480	43,420	180,879	166,005
Corporate stock	687,618	-	8,517	45,435	65,989	256,758	310,919
Corporate bonds	309,879	-	3,181	23,006	21,453	120,135	142,104
Land, buildings and equipment (less accumulated depreciation)	25,869	-	*57	2,969	*2,311	14,022	6,509
Mortgage loans	11,124	-	*15	*591	*829	6,551	3,136
Other investments	259,643	-	7,389	21,197	27,886	91,151	112,019
Charitable-purpose land, buildings and equipment (less accumulated depreciation)	28,770	-	-	*1,709	3,055	7,963	16,043
Other assets	108,741	-	3,686	27,232	19,035	41,308	17,479
Total liabilities	**10,510**	-	**55**	**337**	**5,662**	**2,773**	**1,683**
Net worth	**2,188,227**	-	**35,462**	**180,902**	**214,891**	**818,234**	**938,737**
Total revenue	**269,735**	***1,270**	**5,183**	**23,440**	**38,176**	**88,753**	**112,914**
Contributions, gifts and grants received	38,872	*776	1,878	6,231	10,664	10,107	9,217
Interest on savings and temporary cash investments	23,839	*138	500	1,987	2,039	8,998	10,179
Dividends and interest from securities	120,035	*231	1,958	10,572	13,010	46,224	48,039
Gross rents	8,661	*121	*57	542	710	3,582	3,650
Net gain (less loss) from sale of assets	39,462	*5	470	3,406	3,883	16,050	15,648
Gross profit (less loss) from business activities	14,879	-	-	-	-	-	14,879
Other income	23,988	-	319	702	7,871	3,793	11,303
Total expenses	**192,236**	***2,706**	**4,962**	**17,633**	**28,012**	**65,707**	**73,217**
Contributions, gifts and grants paid	153,025	*2,495	4,115	14,348	18,813	53,941	59,312
Compensation of officers	13,837	*63	439	1,767	2,739	5,145	3,683
Other salaries and wages	2,509	-	*11	*2	*1,955	325	216
Pension plans and employee benefits	752	-	*2	-	*712	20	19
Legal fees	1,776	*35	36	197	73	825	610
Accounting fees	1,502	*2	133	237	283	459	389
Other professional fees	3,637	*1	43	261	879	952	1,501
Interest	531	-	*3	4	*82	184	258
Taxes	5,052	*105	90	514	593	1,934	1,816
Depreciation and depletion	944	-	*3	*34	*331	440	137
Occupancy	591	-	-	*6	*131	255	199
Travel, conferences and meetings	371	-	-	-	*101	43	227
Printing and publications	136	-	8	11	89	12	15
Other expenses	7,574	*4	79	251	1,231	1,171	4,837
Excess of revenue (less loss) over expenses	**77,499**	***-1,436**	**220**	**5,808**	**10,165**	**23,046**	**39,696**
Excess of revenue	106,760	*212	1,081	9,740	15,561	28,767	51,399
Loss	-29,261	*-1,648	-861	-3,933	-5,397	-5,720	-11,703
Total assets (fair market value)	**2,772,383**	-	**39,283**	**211,936**	**263,647**	**1,009,619**	**1,247,898**
Cash, total	295,552	-	6,531	29,061	27,734	94,201	138,025
Non-interest bearing accounts	39,774	-	2,108	5,303	2,688	10,776	18,900
Savings and temporary cash investments	255,778	-	4,424	23,758	25,046	83,425	119,125
Accounts receivable, net	11,516	-	-	*84	*7,275	225	3,932
Pledges receivable, net	42	-	-	-	-	42	-
Grants receivable	-	-	-	-	-	-	-
Receivables due from disqualified persons	*1,409	-	-	-	*1,409	-	-
Other notes and loans receivable	32,727	-	*372	*1,694	*64	6,559	24,037
Inventories	281	-	-	-	-	281	-
Prepaid expenses and deferred charges	1,474	-	-	*3	*225	1,130	115
Investments (non-cash), total	2,219,880	-	27,837	147,235	191,414	849,728	1,003,666
Securities, total	1,876,538	-	19,355	118,256	156,413	715,615	866,899
U.S. and State Government obligations	449,006	-	6,162	30,255	43,313	195,918	173,357
Corporate stock	1,101,441	-	9,863	63,333	89,439	392,477	546,329
Corporate bonds	326,091	-	3,331	24,667	23,661	127,221	147,212
Land, buildings and equipment (less accumulated depreciation)	52,567	-	*181	4,191	*3,336	23,397	21,462
Mortgage loans	10,804	-	*15	*591	*829	6,552	2,816
Other investments	279,972	-	8,286	24,197	30,836	104,164	112,489
Charitable-purpose land, buildings and equipment (less accumulated depreciation)	47,254	-	-	*1,451	5,116	11,826	28,861
Other assets	162,248	-	4,541	32,407	30,410	45,627	49,263
Total beginning-of-year assets (book value)	**2,114,412**	***10,205**	**35,077**	**176,357**	**208,331**	**779,678**	**904,765**
Investments in securities, beginning of year (book value)	**1,349,797**	***1,373**	**16,501**	**91,502**	**128,034**	**521,277**	**591,109**
U.S. and State Government obligations	391,794	*568	5,555	30,199	42,128	167,697	145,648
Corporate stock	674,689	*806	7,843	39,491	65,810	240,991	319,747
Corporate bonds	283,314	-	3,103	21,812	20,097	112,588	125,715

*Estimate should be used with caution because of the small number of sample returns on which it is based.

NOTE: Detail may not add to totals because of rounding.

Charitable Bequests

Statistics of Income (SOI) periodically collects data and publishes statistical analyses of estate tax returns. The Form 706, *Estate Tax Return*, provides information on charitable bequests, portfolio composition, and other data on decedents and their beneficiaries. Since information on the relationship between giving and wealth is available from these tax returns, these data are invaluable. Wealth, tax rates, age, and marital status are thought to be important indicators of giving at death. In addition to providing statistics on the annual filings of estate tax returns, SOI captures data over a period of at least three reporting years in order to examine decedents dying in single year. By collecting data for a complete death cohort, these year-of-death files provide a unique opportunity to examine the characteristics and bequest behavior of decedents without distortions from differences in the tax law and the economic environment. Based on data from these samples, during the 1980s charitable bequests as a percentage of gross estate remained in the range of 6 percent.

This section highlights an article, published in *Trusts and Estates*, which examines social and economic factors that affect charitable giving, particularly those factors that may influence an individual's decision to make a charitable bequest. Data on charitable bequests are also published periodically in the *SOI Bulletin*. Additional data and analyses on charitable giving appear in the *Compendium of Estate and Wealth Studies*, which includes estate and wealth data from the past two decades.

Notes and References

[1] Joulfaian, D. "Charitable Bequests and Estate Taxes," National Tax Journal, 1991 and Johnson, B. and Rosenfeld, J. "Examining the Factors that Affect Charitable Giving." *Trusts and Estates*, August 1991.

CHARITABLE GIVING

Examining The Factors That Affect Charitable Giving

A variety of economic, social, and psychological factors must be taken into account when determining who will give and how much

By **BARRY W. JOHNSON**
JEFFREY P. ROSENFELD
Internal Revenue Service
Washington, DC

Analysis of Federal Estate Tax Returns (Forms 706) filed for 1986 decedents shows the interplay of social and economic factors on bequest decisions. Data from 706 returns show that marital status, gender and social class are important predictors of charitable giving. These factors, coupled with individual values and beliefs, predispose a person to make a charitable bequest. Tax incentives can also affect the amount given, as well as the timing and form of such bequests. Total giving to charities in 1986 was nearly $92 billion, or about 2 percent of the Gross National Product (AAFRC, 1987: Giving USA: Estimates of Philanthropic Giving in 1986 and the Trends They Show). The majority of these gifts were given by individuals, both directly (82.2 percent) and through bequests (6.7 percent). Total bequests to charities amounted to $6.2 billion in 1986. These bequests can have a significant impact on recipient organizations.

As a group, these "top wealthholders"[1] gave $4.1 billion, and accounted for about 71 percent of all such bequests made by U.S. decedents (Giving USA, 1987). Nine percent of the estate tax decedents made gifts of $1 million or more. These large gifts totaled nearly $3 billion, or about 72 percent of the charitable bequests made by top wealthholders. The majority of the remaining decedents made bequests of less than $250,000. Even so, the sum of these "small" bequests was over $200 million. It is no wonder that organizations expend considerable fund raising effort to garner bequests. (See Exhibit 1.)

1986 Decedents

The bequest data examined in this article were gathered by the IRS's Statistics of Income Division (SOI). SOI samples estate tax returns annually in order to evaluate the effects of tax policy and to provide annual estimates of the financial characteristics of estate tax filers. Currently, an estate tax return must be filed within nine months of a decedent's death; a six month extension is available beyond that. Thus, returns for a particular year of death may be filed over a period of several years. This article presents data from returns filed in 1986-1988, focusing on 1986 as the year of death. A federal estate tax re-

EXHIBIT 1

1986 Decedents, Charitable Bequests by Size of Bequest

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of Bequest	Decedents[1]		Bequests	
	Number	Percent	Amount	Percent
Total	8,990	100.0%	$4,146,944	100.0%
Under $250,000	6,491	72.1	207,147	5.0
$250,000 Under $500,000	645	7.2	235,994	5.7
$500,000 Under $1,000,000	1,039	11.6	723,519	17.4
$1,000,000 Under $10,000,000	778	8.7	1,680,865	40.6
$10,000,000 or More	37	0.4	1,299,418	31.3

[1] Includes all U.S. estate tax decedents making charitable bequests, with net worth of $500,000 or more.

EXHIBIT 3

Charitable Bequests as a Percentage of Net Worth, By Sex and Size of Net Worth, 1986

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of Net Worth	All Decedents[1]		Male Decedents[1]		Female Decedents[1]	
	Amount	Percent	Amount	Percent	Amount	Percent
Total	$4,146,944	24.3%	$2,159,824	24.5%	$1,987,120	24.1%
$500,000 Under $1,000,000	704,496	20.1	220,774	16.3	483,722	22.5
$1,000,000 Under $2,500,000	883,421	22.0	342,501	18.9	540,920	24.6
$2,500,000 Under $5,000,000	577,015	22.6	267,651	21.2	309,365	24.0
$5,000,000 or More	1,982,012	28.5	1,328,898	30.4	653,114	25.1

[1] Includes all U.S. estate tax decedents making charitable bequests, with net worth of $500,000 or more.

turn was required for all 1986 decedents with at least $500,000 in total gross estate at the time of their death; the top tax rate was 55 percent.

There were an estimated 45,800 U.S. citizens who died in 1986 with gross estates above the $500,000 filing requirement, representing only about 2.2 percent of the U.S. decedent population.[2] These decedents had a combined gross estate of over $66 billion. Over 56 percent of them were male, most of whom were married; most of the female decedents were widowed. The average age at death for males and females was 73.8 and 79.5, respectively.

Almost 20 percent of these 1986 decedents made bequests to charitable organizations. These bequests accounted for slightly over 24 percent of their net estates. (Net estate, or net worth, is defined as total assets, including life insurance owned by the decedent and certain lifetime transfers, minus debts.)[3] The average (mean) bequest amount was $460,000. The minimum bequest value was $100 and the maximum, well over $150 million. Gender and net worth are the two most important variables for predicting the value of bequests.

Female decedents were almost twice as likely as males to make bequests to charitable organizations. Their rate of charitable giving exceeds the rate for men and also exceeds the aggregate rate for all decedents. It also illustrates that, regardless of sex, the likelihood of making a charitable bequest increases significantly as net worth rises. Almost half the women and 35 percent of the men in the highest net worth group made bequests to charities. This may be due to the ability of larger estates to adequately provide for family members and make a significant gift, or to the lower cost of charitable giving incurred at the higher tax rates. (See Exhibit 2).

While the likelihood of making a charitable bequest increases significantly with the size of net worth, regardless of sex, the data suggest that net worth does not substantially influence the relative amount given by female decedents. Women, on average, give about 24 percent of their net estates. The charitable giving of male decedents is more sensitive to net worth. Their giving, as a percentage of net estate, almost doubles, from 16 percent for those in the lowest net worth category, to 30 percent in the highest. Interestingly, while women are more likely to make a charitable bequest, and those with a net worth less than $5 million gave more than men, men in the largest net worth category gave away a larger percentage of their estates. (See Exhibit 3.)

EXHIBIT 2

Charitable Donors as a Percent of Estate Tax Decedents By Sex and Size of Net Worth, 1986

[All figures are estimates based on samples]

Size of Net Worth	All Decedents[1]		Male Decedents[1]		Female Decedents[1]	
	Number	Percent	Number	Percent	Number	Percent
Total	8,990	20.4%	3,766	15.2%	5,224	27.0%
$500,000 Under $1,000,000	5,054	18.1	1,903	12.8	3,151	24.1
1,000,000 Under $2,500,000	2,668	22.0	1,196	16.5	1,472	30.2
$2,500,000 Under $5,000,000	739	27.7	366	20.8	373	41.0
$5,000,000 or More	529	39.6	302	35.1	227	47.8

[1] Includes all U.S. estate tax decedents making charitable bequests, with net worth of $500,000 or more.

Marital Status

Married decedents of both sexes were the least likely group to make a charitable bequest; their bequests, as a percentage of net worth, were also the smallest, averaging about 14 percent for females and 19 percent for males. Widowed decedents were more than twice as likely to make charitable gifts, giving away just over 23 percent of their net estates. Single decedents were the most likely to make bequests and gave the largest percentage of their estates. It is worth noting the difference in the bequest behaviors of separated or divorced male and female decedents. The amount given by males in that group resembles that of their married counterparts, while the amount bequeathed by separated or divorced females parallels the behavior of widows.

The data indicate that a greater percentage of women make these bequests. The large percentage of widowed women can be explained by the fact that married women often outlive their husbands. The charitable giving of widows often represents the bequest desires of both spouses. They choose to make their charitable gifts after the death of the second spouse, having first provided for dependents and taken full advantage of the unlimited marital deduction. (See Exhibit 4.)

Today's cohort of wealthy women age 65 and over tend to be very traditional and, as a result, may be more fiscally conservative (Odendahl, 1987). They tend to allow financial advisors to have a large role in their money management (Odendahl, 1987). They are also more likely to make lifetime gifts, as well as charitable bequests, because very wealthy women have traditionally been more involved with philanthropic activities than either men or their less wealthy counterparts.

The above observations seem consistent with the findings of other researchers (see, for example, Joulfaian, 1990, and Boskin, 1976). While Boskin found that sex was relatively unimportant, he notes that marital status, particularly the difference between married and unmarried decedents, was statistically significant. A surviving spouse and dependents take precedence over charitable bequests, particularly among younger decedents.

The size of charitable bequests, relative to estate size, increases with the age of the decedent. As potential heirs age and develop their own fortunes, benefactors are freer to substitute charitable for non-charitable beneficiaries. The 1986 decedents in our sample who were under 60 years of age gave almost 14 percent of their net estate to charity. Those in their 70s gave nearly 60 percent more than those in their 60s. Decedents in their 80s gave about 5 percent more than those 10 years their junior. Those in their 90s gave an additional 7 percent over the octogenarians. The relationship between age and giving, as with that of sex and giving, must be interpreted cautiously, however. The potential collinearity of these variables with marital status blurs the separate influences of these factors on philanthropic decisions. (See Exhibit 5.)

For analytical purposes, bequests to recipient organizations were placed into one of the following categories: arts and humanities; religious; educational, medical or scientific; social welfare; private foundations; or other. In 1986, foundations received almost $1,228,233, including 63 percent of the largest gifts (those of $10 million or more), while organizations involved with education or medical and scientific research, usually private colleges and universities, were the favored beneficiaries of estates making smaller contributions. Religious organizations received bequests from the greatest number of decedents, but ranked fourth in the amount received.

Approximately 42 percent of bequests from male decedents went to private foundations.[4] Educational, medical or scientific organizations were their second most frequent recipients. Forty percent of the bequests made by female decedents went to educational organizations. They also gave more to religious organizations than men. Foundations ranked third on the list of charitable beneficiaries. (See Figure 1.)

The decision to make a charitable bequest is shaped by economic, social, and psychological factors. Boskin (1976), writing on motives for charitable giving, identifies the following economic factors: savings and consumption habits, lifetime gifts, lifetime contributions, and non-charitable bequests. The tax treatment of contributions affects the relationship of these factors. Along with these economic considerations are social factors which impact on charitable giving. The testamentary behavior of

EXHIBIT 4

Donors As a Percentage of All Estate Tax Decedents, Gifts As A Percentage of Net Worth, By Sex and Marital Status, 1986

	All Decedents[1]		Male Decedents[1]		Female Decedents[1]	
Marital Status:	**% Donors**	**% Given**	**% Donors**	**% Given**	**% Donors**	**% Given**
Total................	20.4%	24.3%	15.2%	24.5%	27.0%	24.1%
Married...............	9.6	18.1	9.2	19.1	11.4	13.8
Widowed.............	28.3	24.0	26.9	25.8	29.0	23.3
Single.................	42.7	43.7	32.2	46.0	56.0	40.6
Divorced/Separated	18.5	22.0	15.8	16.2	22.4	28.6

[1] Includes all U.S. estate tax decedents making charitable bequests, with net worth of $500,000 or more.

EXHIBIT 5

Number of Benefactors, Net Worth, Charitable Bequests and Bequests As A Percentage of Net Worth, By Age At Death

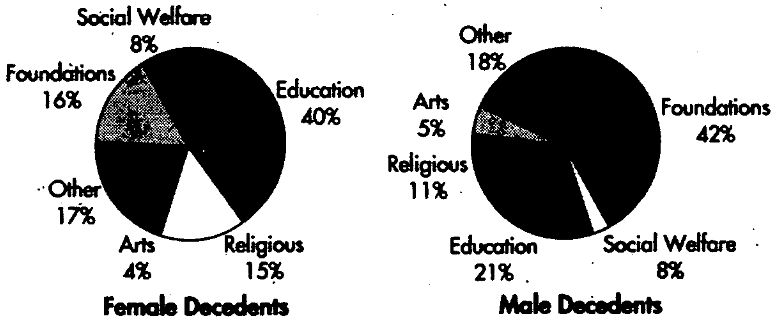
[All figures are estimates based on samples—money amounts are in thousands of dollars]

Age At Death	Number[1]	Net Worth	Bequest	Percent
Total	8,990	$17,033,439	$4,146,944	24.3%
Under 50........	64	99,650	13,627	13.7
50 Under 60....	185	399,368	53,855	13.5
60 Under 70....	701	1,139,199	171,688	15.1
70 Under 80....	2,007	4,545,496	1,097,118	24.1
80 Under 90....	3,820	7,013,895	1,772,626	25.3
90 And Older	2,212	3,835,830	1,038,030	27.1

[1] Includes all U.S. estate tax decedents making charitable bequests, with net worth of $500,000 or more.

FIGURE 1

Beneficiaries of Charitable Bequests
By Sex of Benefactor, 1986



wealthy people is shaped by social norms and values (Schervish, 1986), community standards and peer pressures, as when, for example, charitable giving becomes a way of "Keeping Up With The Joneses" (Rosenfeld, 1991).

There is also a psychological component to charitable giving. Survey data show that many wealthy benefactors give out of desire to share their wealth with others who are less fortunate. Gifts are made to organizations involved with issues of personal interest or concern to the donor. Values instilled through religious involvement seem to play an important role for these donors. Consistent with this theme is the finding that people who make charitable bequests frequently believe in the efficacy of individual effort, rather than government, to address social problems (Boris, 1987).

On the other hand, bequests to colleges, museums, or hospitals are often motivated by what psychologist Eric Erikson has called "generativity": the desire to build something which will perpetuate the work or memory of the donor, or the donor's family (Erikson, 1950; 1982).[5] Charitable giving can also be less than altruistic, as when motivated by guilt. There are also pragmatic motives for charitable giving. These include bequests to organizations (such as colleges or universities) from which a business or a family will benefit (Schervish, 1987). Whatever the motive, the decision to make a charitable bequest typically occurs late in life for most wealthy individuals. Sociological research confirms that top wealthholders put their energies into acquiring and accumulating wealth until relatively late in life. Only after they feel financially secure — often at about the time they contemplate retirement — do they become more involved with the social, political and philanthropic causes which will eventually motivate their charitable bequests (Rosenfeld, 1980, 1991).

Foundations

Foundations are typically formed by white, Protestant males over the age of 50 who are married and have children. Most were set up in the 1950s and 60s, although some continue to be formed today, primarily through bequests. The Survey on Foundation Formation, Growth and Termination found that the primary reason for establishing a foundation was to have a means of giving systematically in an area philosophically important to the founder (Odendahl & Boris, 1986). It is also a way of maintaining control over the uses of their contributions. There are a variety of other motives for setting up a foundation. Among these are concern for the welfare of others, feelings of social responsibility, and tax considerations.

Foundation formation may be particularly sensitive to changes in tax rates (Boskin, 1976). The decline in foundation formation following the 1969 Tax Reform Act, which eliminated some of the tax advantages afforded gifts to foundations, may reflect this economic fact. Ever since 1969, wealthholders have established fewer foundations, but continue making bequests to existing foundations. The costs involved in setting up a foundation, both in terms of personal involvement and capital, in the absence of tax advantages, has encouraged wealthholders to make bequests to existing foundations while finding other ways to achieve their lifetime philanthropic goals.

The Charitable Deduction

There has been much debate over the effectiveness of the charitable deduction allowed for both the federal income and estate tax. Economists argue that a significant amount of charitable behavior depends on these deductions. According to this line of reasoning, the tax and the deduction have two opposing effects. First, the tax reduces the estate available for division between potential heirs and charities. This is known as the wealth effect and should have a negative effect on gifts to charity. Second, the deduction reduces the price of giving to charity relative to giving to a non-charity which should encourage charitable giving. This is called the price effect because the price of each additional dollar given to charity, relative to a non-charity, is only $1 — the marginal tax rate (the amount of tax savings attributable to the deduction) (Boskin, 1976). Thus, in the highest tax bracket, the cost of a dollar given to charity, rather than a non-charity, is only $.45 ($1 - .55). The progressive structure of the tax rates suggests that both the wealth and price effects increase with the size of the taxable estate. The magnitude of these effects determines the effect of changes in the tax system on charitable giving (Boskin).

Survey research (Independent Sector, 1990) indicates that tax consequences are not a major consideration when people decide to make charitable gifts. Ninety percent of respondents surveyed in 1986 said they would not change their charitable giving patterns in 1987 in response to the limits placed on both the valuation of assets given to charity and on the relative size of the charitable deduction as a part of the Tax Reform Act of 1986. Only 2 percent of the respondents in the sample attributed their charitable giving to tax incentives, while 37 percent said they gave because of strong feelings toward a particular charity.

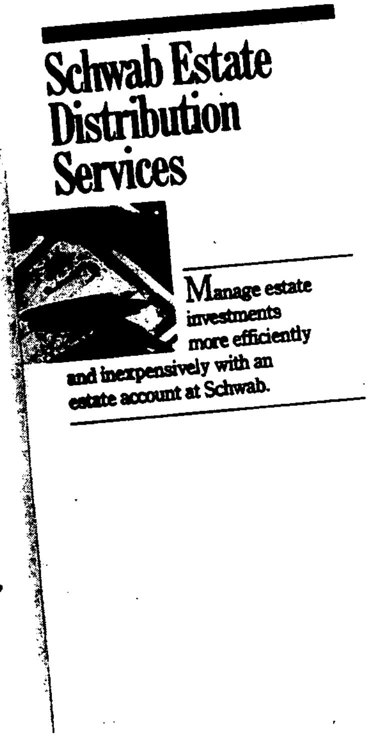
A series of focus groups with estate-planning professionals confirm that taxes affect the level and timing of a gift, but not the decision to make a gift. In 1986 and 1989, the Statistics of Income Division of the IRS conducted focus groups with estate planning professionals to discuss a wide range of issues associated with charitable giving. Estate planners, accountants, and bank trust officers who work with affluent clients say that these clients come to them with pre-existing goals concerning charitable bequests. They rarely suggest charitable giving as a tax savings option. This finding is consistent with the survey research mentioned earlier, and helps put taxes, as incentives or constraints on charitable giving, in perspective. They affect timing and level of charitable giving. By examining price elasticities, it is possible to measure this effect.

Empirical Studies

In order to examine the effects of taxes on charitable bequests, a measure of the change in giving associated with a change in the tax rate is needed. This measure is known as the price elasticity of charitable giving. An elasticity greater than one (in absolute terms) means that a change in the tax rate stimulates a relatively larger change in the amount bequeathed. In that case, the tax is said to be an efficient means of stimulating behavior. If, on the other hand, the elasticity is less than one, it can be argued that the deduction is inefficient, as the loss in revenue is not made up by gifts to charity; in this case, charities would fare better if the deduction were abolished, and instead, the government were to distribute tax revenue directly to them.

Several economists have used both federal estate tax returns and state probate records to quantify the effects of taxes on giving (for a more complete discussion see Joulfaian, 1990, or Clotfelter, 1985). Two separate studies using 1957-59, 1969, and 1976 federal estate tax data showed a price elasticity of charitable bequests greater than one for small and moderate size estates (Boskin, 1976 & Clotfelter, 1985). Elasticities very close to one were calculated for the very largest estates, leading to the conclusion that the tax deduction was efficient for all but the very wealthy. Both concluded that eliminating the deduction would sharply curtail charitable bequests and increase bequests to heirs. A reduction in tax rates would have a similar, although less severe, effect.

Joulfaian (1990) obtained similar results using 1986 data. His research is significant because it suggests that the scope of charitable giving is influenced by tax incentives. Joulfaian found that the number of different charities included in the benefactor's estate plan increased as the marginal tax rate faced by the estate rose. He also described differential giving (i.e. to the arts, to education, to foundations, etc.) based on marginal tax rates. Between 1976 and 1986 the value of charitable bequests (as described in the following section) declined significantly. Joulfaian's study suggests that the effects of



this decline were distributed unevenly across charitable sectors.

Charitable Giving

Tax reforms in 1976 and 1982 have significantly changed the composition of the estate tax population. The filing requirement in 1976 was $60,000 and the top tax rate was 77 percent. As a result of reforms, the maximum rate was lowered to 55 percent and the filing requirement raised to $500,000 by 1986, and ultimately to $600,000 for decedents dying in 1987 and later. The tax law was also modified in several other ways, the most significant being the creation of the unlimited marital deduction, replacing the previous deduction, which was limited to half the value of the decedent's gross estate. It was predicted that these changes would have a significant impact on charitable bequests.

Decedents dying in 1976 and 1986 with gross estates of at least $500,000[6] in constant 1986 dollars.[7] The number and their aggregate net worth increased about 45 percent over the period. The percentage of filers making a charitable bequest has remained fairly stable, declining slightly from just over 22 percent of all decedents in 1976 to nearly 20 percent in 1986. The value of charitable bequests, relative to the size of net worth, however, has declined significantly. In 1976, over 10 percent of aggregate net worth was bequeathed to charities; that percentage fell to just 6.3 percent in 1986. The actual amount given decreased about 10 percent in real terms over the period. (See Exhibit 6.)

It is certainly an oversimplification to attempt to describe the charitable giving behavior of U.S. decedents solely in terms of the effects of taxes. The fact that only 23 percent of all decedents whose estates incurred tax liabilities made charitable bequests says that taxation is, at best, an imperfect inducement for philanthropic activity. The above data, however, show that their influence can be significant.

Conclusion

The decision to include philanthropic bequests among the beneficiaries of an estate is dependent on many factors. Specifically, a variety of psychological and social influences seem to play a large role. The presence of a surviving spouse and other dependents compete directly with charities as beneficiaries. This is demonstrated by the importance of marital status and, to a lesser degree, age, as a determinant of charitable giving. Decedents with higher net worth are better able to meet these competing needs. The sex of the decedent plays a role as well, particularly in today's cohort of very wealthy older women, where social changes brought about by the women's movement have been less pervasive (Odendahl, 1987). Tax policy also plays a significant role in determining the timing and form of gifts and affects the amount given. Even here, though, net worth, obligations, potential heirs, and the liquidity of the estate are key factors as well.

A number of researchers are currently studying philanthropic behavior by tracking individuals over periods of time, rather than using traditional cross sectional data (see Auten and Randolph, 1990 and Steinberg, 1990). The assumption underlying this approach is that an individual's charitable giving represents a structured, long term goal. Likewise, charitable bequests can best be understood as expressions of giving which had been socially and economically structured earlier in the decedent's life. Future research on charitable giving will make more systematic connections between bequests at the end of a lifetime, and charitable giving throughout life. ☐

EXHIBIT 6

Decedents With Estates Valued at $500,000[1] or More 1976 and 1986 Years of Death*

[All figures are estimates based on samples—money amounts are in thousands of dollars[1]]

Item	1976 YOD[1,2]	1986 YOD
Total Number of Filers................	31,772	45,800
Aggregate Net Worth..................	$45,377,360	$66,018,791
Filers Making Charitable Bequests..	7,020	9,114
Percent Filers Making Bequests......	22.1%	19.9%
Aggregate Charitable Bequests......	$4,613,320	$4,152,733
Bequests as a Percent of Net Worth	10.2%	6.3%

[1]Constant 1986 dollars.
[2]1976 year of death is represented by returns filed in 1977.
*Table includes decedents with net worth less than $500,000.

The authors are grateful to Daniel Skelly for his help and support. Thanks are also due to Michael Alexander, Marvin Schwartz and Margaret Riley for reviewing and editing drafts of this paper and to Nat Shaifer for his work on the tables. Special thanks to David Joulfaian for his technical advice and comments.

FOOTNOTES

1. The data presented here are for 1986 decedents who were required to file a federal estate tax return because their gross estate at the time of death was at least $500,000. Additionally, returns for decedents with net estates valued at less than $500,000 have been removed from the sample for this analysis. The charitable bequests examined here are those intended as a deduction from gross estate as reported on Schedule O of Form 706. When there is no estate tax due, as when the unlimited marital deduction is used, small charitable bequests are often omitted from the form, or are reported with the other beneficiary data on page 2 of the return; these will be absent from our estimates.

2. Based on the number of deaths of U.S. resi-

dents in 1986 as reported by the National Center for Health Statistics.

3. Researchers have used various measures of wealth to study charitable giving. These include: total gross estate (Bartold & Plotnick), economic estate (total gross estate minus estate expenses and taxable lifetime transfers); adjusted economic estate (economic estate less the amount of tax that would have been owed in the absence of a charitable bequest) (Boskin), and adjusted disposable estate (adjusted economic estate plus taxable lifetime transfers) (Clotfelter, Joulfaian). Economic estate most closely approximates the actual estate available for a charitable bequest. However, the expenses related to a decedent's death and the administration of the estate are often reported on the decedent's final income tax return rather than on the Form 706. This may be particularly true when an estate is non-taxable, as when there is a large bequest to the surviving spouse or charity. Therefore, although net worth overstates the amount of estate available for distribution, it has less potential for introducing a bias due to reporting practices.

4. Bequests to foundations are ultimately used to support other organizations. For example, in 1986, a foundation gave over 2.2 billion dollars to the following types of organizations (expressed as a percentage of their total giving): welfare - 26.9 percent, education - 21.9 percent, health - 20.5 percent, cultural activities - 14.7 percent, social science - 8.8 percent, science - 6.4 percent, and religion - 1.3 percent (Source: The Foundation Grants Index, 18th Edition, Foundation Center, 1989).

5. Erikson says that generativity is an important developmental task during adulthood.

6. All dollar amounts were converted to constant 1986 dollars using the implicit price deflator for gross national product, *Economic Report of the President*, U.S. Government Printing Office, Washington, DC, 1990. Only returns with $500,000 or more of gross estate in 1986 dollars were included.

7. 1976 year of death data are represented by data collected during tax year 1977, *Statistics of Income — 1976, Estate Tax Returns*, U.S. Government Printing Office, Washington, DC, 1979.

SELECTED REFERENCES

AARCF Trust For Philanthropy. (1987). *Special Report of Giving USA: An Analysis of Charitable Contributions by Upper-Income Households for 1986 and 1987.* New York, NY.

AARCF Trust For Philanthropy. (1987). *Giving USA: Estimates of Philanthropic Giving in 1986 and the Trends They Show.* New York, NY. Clancey, L.A.

AARCF Trust For Philanthropy. (1989). *Giving USA: The Annual Report on Philanthropy for the Year 1988.* New York, NY. Weber, N. (ed).

Auten, G.E., & Randolph, W.C. (1990, December). *Do Taxes Affect Giving?: Recent Studies that Challenge the Consensus.* Paper presented at the Allied Social Science Annual meetings, Washington, DC.

Barthold, T., & Plotnick, R. (1984). Estate Taxation and Other Determinants of Charitable Bequests. *National Tax Journal*, 37(2), 225-237.

Boris, E.T. (1987) The Values of the Wealthy: Philanthropic Attitudes as a Reflection of Political Philosophy in American Culture. *1987 Spring Research Forum of the Independent Sector, Working Papers.* (pp. 237-248). New York, NY: United Way Institute.

Boskin, M.J. (1976). Estate Taxation and Charitable Bequests. *Journal of Public Economics*, 5, 27-56.

Clotfelter, C.T. (1985). *Federal Tax Policy and Charitable Giving.* University of Chicago Press.

Clotfelter, C.T. & Steuerle, C.E. (1981). Charitable Contributions. In H. J. Aaron & J.A. Pechman (Eds.). How Taxes Affect Economic Behavior (pp. 403-446). Washington, DC: Brookings Institution.

Erikson, E. (1950). *Childhood and Society.* New York: W.W. Norton. For an updated version, see Erikson, E. (1982). *The Life Cycle Complete: A Review.* New York: W.W. Norton.

Independent Sector. (1990). *Giving and Volunteering in the United States.* Washington, DC.

Johnson, B.W. (1990, Spring). Estate Tax Returns, 1986-1988. *Statistics of Income Bulletin*, 9(4), 27-61. Washington, DC: U.S. Government Printing Office.

Joulfaian, D. (1990, December). *Charitable Bequests and Estate Taxes.* Paper presented at the Allied Social Science Annual meetings, Washington, DC.

Odendahl, T. & Boris, E. (1986, March). Foundation Formation, Growth and Termination: A Report on the Charitable Attitudes of the Wealthy and a Survey of Foundations. *1986 Spring Research Forum of the Independent Sector, Working Papers*, (pp. 41-52). New York, NY: United Way Institute.

Odendahl, T.J. (1987, March). Lady Bountiful and Her Good Works? *1987 Spring Research Forum of the Independent Sector, Working Sector*, (pp. 436-450). New York, NY: United Way Institute.

Odendahl, T.J. (1988, March). The Political Economy of Charitable Giving by Elites in the United States. *1988 Spring Research Forum of the Independent Sector, Working Sector*, (pp. 656-677). San Francisco, CA: United Way Institute.

Rosenfeld, J. P. (1980, March). Benevolent Disinheritance. *Psychology Today*, (pp. 38-40 et seq).

Rosenfeld, J.P. (1991, April). Old Age, New Beneficiaries. *American College of Trust and Estate Counsel Notes*, (pp. 8-11).

Schervish, P.G., Herman, A., & Rhenisch, L. (1986, March). Toward a Central Theory of the Philanthropic Activities of the Wealthy. *1986 Spring Research Forum of the Independent Sector, Working Sector*, (pp. 219-227). New York, NY: United Way Institute.

Schervish, P.G., & Herman, A. (1987, January) Varieties of Philanthropic Logic Among the Wealthy. *1987 Spring Research Forum of the Independent Sector, Working Sector*, (pp. 215-235) New York, NY: United Way Institute.

Schervish, P.G. (1989, March). Wealth and the Spiritual Secret of Money. *1989 Spring Research Forum of the Independent Sector, Working Sector*, (pp. 509-522). Chicago, IL: United Way Institute.

Steinberg, R. (1990, March). Taxes and Giving: New Findings. *1989 Spring Research Forum of the Independent Sector, Working Sector*, (pp. 487-500). Boston, MA: United Way Institute.

Steuerle, E. (1985). The Charitable Giving Patterns of the Wealthy. Unpublished manuscript.

Barry W. Johnson is an economist with the Statistics of Income Division of the Internal Revenue Service, where he studies the characteristics of estate tax filers and the distribution of wealth in the U.S. His most recent studies, "Estate Tax Returns, 1986-1988" and "Estimates of Personal Wealth, 1986," appear in the Spring 1990 issue of the *SOI Bulletin*.

Jeffrey P. Rosenfeld consulted with the IRS on the Intergenerational Wealth Study. His most recent study of intergenerational transfers, entitled "Old Age, New Beneficiaries," appears in the April 1991 issue of *ACTEC Notes*, which is published by the American College of Trust and Estate Council.

Survey of Literature on Tax-Exempt Sector Research

This list of sources on the tax-exempt sector includes books and reports, journals and magazines, and periodic publications. The sources provide data on nonprofit organizations and charitable giving and raise issues relevant to the sector. The sources do not represent a comprehensive list, but are intended to be a useful starting point for researchers.

Books and Reports

Boris, E. and Hodgkinson, V. "Useful Data Bases for Practitioners and Scholars of Nonprofit Management." *Nonprofit Management and Leadership,* 1990, Vol. 1, pgs. 79-85.

Bremner, R. *American Philanthropy,* Second edition. Chicago: University of Chicago Press, 1988.

Clotfelter, C. *Federal Tax Policy and Charitable Giving.* Chicago: University of Chicago Press, 1985.

Clotfelter, C. editor. *Setting the Research Agenda in Philanthropy and Voluntarism.* Durham, N.C.: Center for the Study of Philanthropy and Voluntarism, Duke University, 1987.

Commission on Private Philanthropy and Public Needs. *Giving in America: Toward a Stronger Voluntary Sector.* Washington, DC, 1975.

Commission on Private Philanthropy and Public Needs. *Research Papers of the Commission on Private Philanthropy and Public Needs.* Department of Treasury, Washington, DC, Volumes 1-7, 1977.

Commission on Foundations and Private Philanthropy. *Foundations, Private Giving, and Public Policy: Report and Recommendations of the Commission on Foundations and Private Philanthropy.* Chicago: University of Chicago Press, 1970.

Compendium of Estate and Wealth Studies. Washington, DC: Department of Treasury, Internal Revenue Service, Statistics of Income Division, (upcoming).

Critical Issues in American Philanthropy: Strengthening Theory and Practice. San Francisco: Jossey-Bass Publishers, 1990.

Drucker, P. *Managing the Nonprofit Organization.* New York: Harper Collins Publishers, 1990.

Estelle, J. editor. *The Nonprofit Sector in International Perspective: Studies in Comparative Culture and Policy.* New York: Oxford University Press, 1989.

Etzioni, A. and Doty, P. *Profit in Not-for-Profit Institutions.* New York: Center for Policy Research, 1976.

Hodgkinson, V. and Lyman, R. *The Future of the Nonprofit Sector.* San Francisco: Jossey-Bass Publishers, 1989.

Hodgkinson, V. and Weitzman, M. *From Belief to Commitment: The Activities and Finances of Religious Congregations in the United States.* Washington, DC: INDEPENDENT SECTOR, 1988.

Hodgkinson, V., Weitzman, M., Noga, S., and Gorski, H. *Giving and Volunteering 1992: Volunteering and Giving Among American Teenagers 12 to 17 Years of Age.* Washington, DC: INDEPENDENT SECTOR, 1992.

Hodgkinson, V. and Wuthnow, R. *Faith and Philanthropy in America.* San Francisco: Jossey-Bass Publishers, 1990.

Hopkins, B. *The Law of Tax-Exempt Organizations.* 5th edition. New York: Wiley, 1987.

James, E. and Rose-Ackerman, S. *The Nonprofit Enterprise in Market Economics.* New York: Harwood Academic Publishers, 1986.

Koch, D. and Boehm, S. *The Nonprofit Policy Agenda: Recommendations for State and Local Action.* The Union Institute, 1992.

Kramer, R. *Voluntary Agencies in the Welfare State.* Berkeley, CA: University of California Press, 1981.

McCarthy, K., Hodgkinson, V., and Sumariwalla, R. et al. *The Nonprofit Sector in a Global Society: Voices from Many Nations.* San Francisco: Jossey-Bass Publishers, 1992.

Nielsen, W. *The Big Foundations.* New York: Columbia University Press, 1972.

Nielsen, W. *The Endangered Sector.* New York: Columbia University Press, 1979.

O'Connell, B. *America's Voluntary Spirit.* The Foundation, New York, 1983.

Odendahl, T. editor. *America's Wealthy and the Future of Foundations.* New York, The Foundation Center, 1987.

Ostrander, S., Langton, S., Van Til, J., editors. *Shifting the Debate: Public/Private Sector Relations in the Modern Welfare State.* New Brunswick, N.J.: Transaction Books, 1987.

Payton, R. *Philanthropy: Voluntary Action for the Public Good.* New York: American Council on Education/ Macmillan, 1988.

Powell, W. editor. *The Nonprofit Sector: A Research Handbook.* New Haven, Conn.: Yale University Press, 1987.

Rose-Ackerman, S. *The Economics of Nonprofit Institutions: Studies in Structure and Policy.* New York: Oxford University Press, 1986.

Salamon, L. and Abramson, A. *The Federal Budget and the Nonprofit Sector.* Washington, DC: Urban Institute Press, 1982.

Salamon, L. and Abramson, A. *The Nonprofit Sector and the New Federal Budget.* Washington, DC: Urban Institute Press, 1986.

Salamon L. and Abramson, A. *Nonprofit Organizations and the FY 1989 Federal Budget.* Report prepared for the INDEPENDENT SECTOR, May 1988.

Salamon, L. and Voytek, K. *Managing Foundation Assets: An Analysis of Foundation Investment and Payout Procedures and Performance.* Washington, DC: Council on Foundations, 1989.

Salamon, L. and Voytek, K. *Managing Foundation Assets: An Analysis of Foundation Investment and Payout Performance—An Update.* Washington, DC: Council on Foundations, 1991.

Schiff, G. *Charitable Giving and Government Policy: An Economic Analysis.* New York: Greenwood Press, 1990.

Van Til, J. *Mapping the Third Sector.* New York: Foundation Center, 1988.

Weisbrod, B. *The Voluntary Nonprofit Sector: An Economic Analysis.* Lexington, MA: Lexington Books, 1978.

Weisbrod, B. *The Nonprofit Economy.* Cambridge, MA: Harvard University Press, 1988.

Journals and Magazines

Foundation News. Bimonthly Magazine. Council on Foundations.

Journal of Nonprofit Management and Leadership. Quarterly journal. Jossey-Bass Publishers.

Journal of Voluntary Action Research.

The Exempt Organization Tax Review. Monthly journal. Tax Analysts.

Voluntas, International Journal of Voluntary and Non-Profit Organisations.

Periodic Publications

Compendium of Studies of Tax-Exempt Organizations, 1974-1987. Washington, DC: Department of Treasury, Internal Revenue Service, Statistics of Income Division.

The Foundation Directory. New York: The Foundation Center, annual publication.

Foundation Giving: Yearbook of Facts and Figures on Private, Corporate and Community Foundations. Annual report. New York: The Foundation Center.

Giving USA. Annual report. New York: American Association of Fund-Raising Counsel.

Hodgkinson, V. editor. *Spring Research Forum Working Papers.* Washington, DC: INDEPENDENT SECTOR/ United Way Institute, periodic publication.

Hodgkinson, V. and Weitzman, M. *Giving and Volunteering in the United States.* Washington, DC: INDEPENDENT SECTOR, Biennial report.

Hodgkinson, V., Weitzman, M., Toppe, C., Noga, S. *Nonprofit Almanac: Dimensions of the Independent Sector.* Biennial report, INDEPENDENT SECTOR, San Francisco: Jossey-Bass Publishers.

Forms and Instructions

The forms and instructions displayed on the following pages relate to the topics discussed in the *Compendium*. They apply to the most recent tax year studied in the articles. Also displayed is a chart documenting the significant changes in the reporting requirements for filers of these returns.

Figure 1

Significant Tax and Information Reporting Changes, Reporting Years 1986 - 1990

Subject	Year	Changes
Nonprofit Charitable Organizations (Forms 990, 990EZ, Schedule A)	1988	Requirement added for Form 990 filers to complete a new section on the Schedule A, "Information Regarding Transfers to and Transactions and Relationships with Noncharitable Exempt Organizations."
	1989	Introduction of the Form 990EZ, the short form for Form 990 filers. Organizations with annual gross receipts of less than $100,000 and total assets of less than $250,000 were eligible to file on the Form 990EZ. Requirement added for organizations to complete two new sections on the Form 990, "Analysis of Income Producing Activities" and the "Relationship of (these) Activities to the Accomplishment of (the organization's) Exempt Purposes." Specifically, policymakers and analysts wish to acquire information on the different types and sources of exempt organization revenue. Under this requirement, organizations define their sources of revenue as 1) related or exempt function income; 2) income excluded from the unrelated business income tax; or 3) unrelated business income. Within the excluded and unrelated business income categories, the organizations assign specific exclusion or business codes to their different income sources.
Private Foundations and Charitable Trusts (Form 990-PF)	1988	Requirement added for organizations to complete a new section on the Form 990-PF, "Information Regarding Transfers to and Transactions and Relationships with Noncharitable Exempt Organizations." (Same as the above change for Form 990 filers.)
	1989	Requirement added for organizations to complete two new sections on the Form 990-PF, "Analysis of Income Producing Activities" and the "Relationship of (these) Activities to the Accomplishment of (the foundation's) Exempt Purposes." (Same as the above change for Form 990 filers.)
	1990	Requirement added for organizations to separate the Investments in Securities, as reported on the balance sheet, into three distinct categories: Investments in U.S. and State Government Obligations, Investments in Corporate Stock, and Investments in Corporate Bonds. Requirement added for organizations to report their accounting method as Cash, Accrual, or Other.
Estates and Charitable Bequests (Form 706)	1987	Change effective that required only those decedents with a total gross estate of $600,000 or more to file Form 706. Previously, decedents with $500,000 or more were required to file.

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

(See separate instructions.)

Note: You may be required to use a copy of this return to satisfy state reporting requirements. See instruction E.

OMB No. 1545-0047

1989

For the calendar year 1989, or fiscal year beginning , 1989, and ending , 19

Use IRS label. Otherwise, please print or type.	Name of organization	**A Employer identification number** (see instruction S)
	Address (number and street) or P.O. box number	**B State registration number** (see instruction E)
	City or town, state, and ZIP code	C If application for exemption is pending, check here ▶ ☐

D Check type of organization—Exempt under section ▶ ☐ 501(c)( ) (insert number),
OR ▶ ☐ section 4947(a)(1) trust (see instruction C7 and question 92.)

E Accounting method: ☐ Cash ☐ Accrual
☐ Other (specify) ▶

F Is this a group return (see instruction Q) filed for affiliates? ☐ Yes ☐ No
If "Yes," enter the number of affiliates for which this return is filed
Is this a separate return filed by a group affiliate? ☐ Yes ☐ No

G If either answer in F is "Yes," enter four-digit group exemption number (GEN) ▶

H Check here ☐ if your gross receipts are normally not more than $25,000 (see instruction B11). You do not have to file a completed return with IRS; but if you received a Form 990 Package in the mail, you should file a return without financial data (see instruction A). **Some states require a completed return.**

Note: *Form 990EZ is available for organizations with gross receipts less than $100,000 and total assets less than $250,000 at end of year.*

501(c)(3) organizations and 4947(a)(1) trusts must also complete and attach Schedule A (Form 990). (See instructions.)

Part I Statement of Revenue, Expenses and Changes in Net Assets or Fund Balances

Revenue	1	Contributions, gifts, grants, and similar amounts received:				
	a	Direct public support	1a			
	b	Indirect public support	1b			
	c	Government grants	1c			
	d	**Total** (add lines 1a through 1c) (attach schedule—see instructions)			1d	
	2	Program service revenue (from Part VII, line 93)			2	
	3	Membership dues and assessments			3	
	4	Interest on savings and temporary cash investments			4	
	5	Dividends and interest from securities			5	
	6a	Gross rents	6a			
	b	Less: rental expenses	6b			
	c	Net rental income (loss)			6c	
	7	Other investment income (describe ▶)			7	

			(A) Securities		(B) Other		
8a	Gross amount from sale of assets other than inventory	8a		8a			
b	Less: cost or other basis and sales expenses	8b		8b			
c	Gain (loss) (attach schedule)	8c		8c		8d	

Revenue	9	Special fundraising events and activities (attach schedule—see instructions):				
	a	Gross revenue (not including $ of contributions reported on line 1a)	9a			
	b	Less: direct expenses	9b			
	c	Net income (line 9a less line 9b)			9c	
	10a	Gross sales less returns and allowances	10a			
	b	Less: cost of goods sold	10b			
	c	Gross profit (loss) (attach schedule)			10c	
	11	Other revenue (from Part VII, line 103)			11	
	12	**Total revenue** (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)			12	
Expenses	13	Program services (from line 44, column (B)) (see instructions)			13	
	14	Management and general (from line 44, column (C)) (see instructions)			14	
	15	Fundraising (from line 44, column (D)) (see instructions)			15	
	16	Payments to affiliates (attach schedule—see instructions)			16	
	17	**Total expenses** (add lines 16 and 44, column (A))			17	
Net Assets	18	Excess (deficit) for the year (subtract line 17 from line 12)			18	
	19	Net assets or fund balances at beginning of year (from line 74, column (A))			19	
	20	Other changes in net assets or fund balances (attach explanation)			20	
	21	Net assets or fund balances at end of year (add lines 18, 19, and 20)			21	

For Paperwork Reduction Act Notice, see page 1 of the instructions.

Form **990** (1989)

Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (c)(4) organizations and 4947(a)(1) trusts but optional for others. (See instructions.)

		Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
Expenses	22	Grants and allocations (attach schedule)			▨	▨
	23	Specific assistance to individuals			▨	▨
	24	Benefits paid to or for members			▨	▨
	25	Compensation of officers, directors, etc.				
	26	Other salaries and wages				
	27	Pension plan contributions				
	28	Other employee benefits				
	29	Payroll taxes				
	30	Professional fundraising fees		▨	▨	
	31	Accounting fees				
	32	Legal fees				
	33	Supplies				
	34	Telephone				
	35	Postage and shipping				
	36	Occupancy				
	37	Equipment rental and maintenance				
	38	Printing and publications				
	39	Travel				
	40	Conferences, conventions, and meetings				
	41	Interest				
	42	Depreciation, depletion, etc. (attach schedule)				
	43	Other expenses (itemize): a				
		b				
		c				
		d				
		e				
		f				
	44	**Total functional expenses** (add lines 22 through 43) Organizations completing columns B-D, carry these totals to lines 13-15.				

Part III Statement of Program Service Accomplishments (See instructions.)

	Describe what was achieved in carrying out your exempt purposes. Fully describe the services provided; the number of persons benefited; or other relevant information for each program title. Section 501(c)(3) and (4) organizations must also enter the amount of grants to others.	**Expenses** Required for section 501(c)(3) and (4) organizations, optional for others
a	(Grants and allocations $)	
b	(Grants and allocations $)	
c	(Grants and allocations $)	
d	(Grants and allocations $)	
e	Other program services (attach schedule) (Grants and allocations $)	
f	**Total** (add lines a through e) (should equal line 44, column (B)) ▶	

Part IV Balance Sheets

Note: *Where required, attached schedules and amounts in the description column should be for end-of-year amounts only.*		(A) Beginning of year		(B) End of year
Assets				
45 Cash—noninterest-bearing			45	
46 Savings and temporary cash investments			46	
47a Accounts receivable	47a			
b Less: allowance for doubtful accounts	47b		47c	
48a Pledges receivable	48a			
b Less: allowance for doubtful accounts	48b		48c	
49 Grants receivable			49	
50 Receivables due from officers, directors, trustees, and key employees (attach schedule)			50	
51a Other notes and loans receivable (attach schedule)	51a			
b Less: allowance for doubtful accounts	51b		51c	
52 Inventories for sale or use			52	
53 Prepaid expenses and deferred charges			53	
54 Investments—securities (attach schedule)			54	
55a Investments—land, buildings, and equipment: basis	55a			
b Less: accumulated depreciation (attach schedule)	55b		55c	
56 Investments—other (attach schedule)			56	
57a Land, buildings, and equipment: basis	57a			
b Less: accumulated depreciation (attach schedule)	57b		57c	
58 Other assets (describe ▶ ______)			58	
59 **Total assets** (add lines 45 through 58)			59	
Liabilities				
60 Accounts payable and accrued expenses			60	
61 Grants payable			61	
62 Support and revenue designated for future periods (attach schedule)			62	
63 Loans from officers, directors, trustees, and key employees (attach schedule)			63	
64 Mortgages and other notes payable (attach schedule)			64	
65 Other liabilities (describe ▶ ______)			65	
66 **Total liabilities** (add lines 60 through 65)			66	
Fund Balances or Net Assets				
Organizations that use fund accounting, check here ▶ ☐ and complete lines 67 through 70 and lines 74 and 75.				
67a Current unrestricted fund			67a	
b Current restricted fund			67b	
68 Land, buildings, and equipment fund			68	
69 Endowment fund			69	
70 Other funds (describe ▶ ______)			70	
Organizations that do not use fund accounting, check here ▶ ☐ and complete lines 71 through 75.				
71 Capital stock or trust principal			71	
72 Paid-in or capital surplus			72	
73 Retained earnings or accumulated income			73	
74 Total fund balances or net assets (see instructions)			74	
75 **Total liabilities and fund balances/net assets** (see instructions)			75	

Part V List of Officers, Directors, and Trustees (List each one even if not compensated. See instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter zero)	(D) Contributions to employee benefit plans	(E) Expense account and other allowances

Part VI Other Information

		Yes	No
76 Did you engage in any activity not previously reported to the Internal Revenue Service? If "Yes," attach a detailed description of each activity.	76		
77 Were any changes made in the organizing or governing documents, but not reported to IRS? If "Yes," attach a conformed copy of the changes.	77		
78a Did your organization have unrelated business gross income of $1,000 or more during the year covered by this return?	78a		
b If "Yes," have you filed a tax return on **Form 990-T,** Exempt Organization Business Income Tax Return, for this year?	78b		
c At any time during the year, did you own a 50% or greater interest in a taxable corporation or partnership? If "Yes," complete Part IX.	78c		
79 Was there a liquidation, dissolution, termination, or substantial contraction during the year? (See instructions.) If "Yes," attach a statement as described in the instructions.	79		
80a Are you related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization? (See instructions.)	80a		
b If "Yes," enter the name of the organization ▶ ______ and check whether it is ☐ exempt **OR** ☐ nonexempt.			
81a Enter amount of political expenditures, direct or indirect, as described in the instructions. 81a ______			
b Did you file **Form 1120-POL,** U.S. Income Tax Return for Certain Political Organizations, for this year?	81b		
82a Did you receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a		
b If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. See instructions for reporting in Part III. 82b ______			
83a Did anyone request to see either your annual return or exemption application (or both)?	83a		
b If "Yes," did you comply as described in the instructions? (See General Instruction L.)	83b		
84a Did you solicit any contributions or gifts that were not tax deductible?	84a		
b If "Yes," did you include with every solicitation an express statement that such contributions or gifts were not tax deductible? (See General Instruction N.)	84b		
85a *Section 501(c)(5) or (6) organizations.*—Did you spend any amounts in attempts to influence public opinion about legislative matters or referendums? (See instructions and Regulations section 1.162-20(c).)	85a		
b If "Yes," enter the total amount spent for this purpose 85b ______			
86 *Section 501(c)(7) organizations.*—Enter:			
a Initiation fees and capital contributions included on line 12. 86a ______			
b Gross receipts, included on line 12, for public use of club facilities (See instructions.) 86b ______			
c Does the club's governing instrument or any written policy statement provide for discrimination against any person because of race, color, or religion? (See instructions.)	86c		
87 *Section 501(c)(12) organizations.*—Enter amount of:			
a Gross income received from members or shareholders 87a ______			
b Gross income received from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.) 87b ______			
88 *Public interest law firms.*—Attach information described in the instructions.			
89 List the states with which a copy of this return is filed ▶ ______			
90 During this tax year did you maintain any part of your accounting/tax records on a computerized system?	90		

91 The books are in care of ▶ ______ Telephone no. ▶ ______

Located at ▶ ______

92 *Section 4947(a)(1) trusts filing Form 990 in lieu of* **Form 1041**, U.S. Fiduciary Income Tax Return.— Check here ▶ ☐ and enter the amount of tax-exempt interest received or accrued during the tax year ▶ 92 ______

Part VII Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.	Unrelated business income		Excluded by section 512, 513, or 514		(e) Related or exempt function income
	(a) Business code	(b) Amount	(c) Exclusion code	(d) Amount	
93 Program service revenue:					
(a)					
(b)					
(c)					
(d)					
(e)					
(f)					
(g) Fees from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments					
96 Dividends and interest on securities					
97 Net rental income (loss) from real estate:	▨	▨	▨	▨	▨
(a) debt-financed property					
(b) not debt-financed property					
98 Net rental income (loss) from personal property					
99 Other investment income					
100 Gain (loss) from sales of assets other than inventory					
101 Net income from special fundraising events					
102 Gross profit (loss) from sales of inventory					
103 Other revenue: (a)					
(b)					
(c)					
(d)					
(e)					
104 Subtotal (add columns (b), (d), and (e))	▨		▨		

105 **TOTAL** (add line 104, columns (b), (d), and (e)) ▶ ____

(Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.)

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes

Line No. ▼	Explain below how each activity for which income is reported in column (e) of Part VII contributed importantly to the accomplishment of your exempt purposes (other than by providing funds for such purposes).

Part IX Information Regarding Taxable Subsidiaries (Complete this Part if you answered "Yes" to question 78c)

Name, address, and employer identification number of corporation or partnership	Percentage of ownership interest	Nature of business activities	Total income	End-of-year assets

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

▶ Signature of officer ____ Date ____ ▶ Title ____

Paid Preparer's Use Only

Preparer's signature ▶ ____ Date ____ Check if self-employed ▶ ☐

Firm's name (or yours if self-employed) and address ▶ ____ ZIP code ____

*U.S. Government Printing Office: 1990-262-151/00066

1989

Department of the Treasury
Internal Revenue Service

Instructions for Form 990

Return of Organization Exempt From Income Tax

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

(Section references are to the Internal Revenue Code, unless otherwise indicated.)

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws. You are required to give us this information.

The time needed to complete and file this form and related schedules will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to IRS
990	82 hrs., 13 min.	14 hrs., 31 min.	19 hrs., 18 min.	48 min.
Sch. A (990)	39 hrs., 56 min.	8 hrs., 2 min.	9 hrs., 4 min.	-0-

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer T:FP; or the **Office of Management and Budget**, Paperwork Reduction Project, (1545-0047), Washington, DC 20503.

Purpose of Form.—Form 990 is used by tax exempt organizations and nonexempt charitable trusts to provide the IRS with the information required by section 6033(a)(1). An organization's completed Form 990 (except for the list of contributors) is available for public inspection as required by section 6104. The procedures for inspecting or obtaining copies of completed Forms 990 are outlined in instructions below.

Changes You Should Note.—The "Short Format for Small Organizations" is no longer available for Form 990. However, **Form 990EZ**, Short Form Return of Organization Exempt From Income Tax, is available for organizations that meet both a gross receipts *and* total assets requirement (see A1 below).

A. Who Must File Form 990.—

1. *Monetary tests.*—If you do not meet any of the exceptions from filing listed in instruction B and your annual gross receipts are normally more than $25,000 (see instruction B11 below), you have a filing obligation. You can meet this obligation by filing Form 990. If, for any year, your gross receipts are less than $100,000 *and* your total assets at end of year are less than $250,000, you may file Form 990EZ instead of Form 990. Even if you meet this dual test, you can always file a Form 990. However, if your gross receipts or assets are above these limits, you must file Form 990.

2. *Section 501(a), (e), (f), and (k) organizations.*—Except for those types of organizations listed in instruction B, an annual return on Form 990 is required from every organization exempt from tax under section 501(a), including foreign organizations and cooperative service organizations described in sections 501(e) and (f), and child care organizations described in section 501(k).

3. *Section 4947(a)(1) nonexempt charitable trusts.*—Any nonexempt charitable trust (described in section 4947(a)(1)) not treated as a private foundation is also required to file Form 990 or Form 990EZ if its gross receipts are normally more than $25,000. See instruction C7 for information about possible relief from filing **Form 1041**, U.S. Fiduciary Income Tax Return.

4. *Exemption application pending.*—If your application for exemption is pending, check the "Application Pending" block at the top of page 1 of the return and complete the return in the normal manner.

5. *If you received a Form 990 Package.*—If you are not required to file Form 990 because your gross receipts are normally not more than $25,000 (see instruction B11 below), we ask that you file anyway if we sent you a Form 990 Package with a preaddressed mailing label. Attach the label to the name and address space on the return; check box H in the area above Part I to indicate that your gross receipts are below the $25,000 filing minimum; sign the return; and send it to the Service Center for your area. You do not have to complete Parts I through IX. This will help us to update our records, and we will not have to contact you later asking why no return was filed. If you file a return in the above manner, you will not be mailed a Form 990 Package in later years and need not file Form 990 again until your gross receipts normally exceed the $25,000 minimum or you terminate or undergo a substantial contraction as described in the instructions for line 79.

6. *Effect on contributions.*—Organizations which are eligible to receive tax deductible contributions are listed in **Publication 78**, Cumulative List of Organizations Described in Section 170(c) of the Internal Revenue Code of 1986. An organization may be removed from this listing if our records show that it is required to file Form 990, but it does not file a return or advise us that it is no longer required to file. However, contributions to such an organization may continue to be deductible by the general public until the IRS publishes a notice to the contrary in the Internal Revenue Bulletin.

Contents **Page**

B. Organizations Not Required To File Form 990.—For state filing purposes, see instruction E.

The following types of organizations exempt from tax under section 501(a) do not have to file Form 990 with IRS:

1. A church, an interchurch organization of local units of a church, a convention or association of churches, an integrated auxiliary of a church (such as a men's or women's organization, religious school, mission society, or youth group), or an internally supported, church-controlled organization (described in Rev. Proc. 86-23, 1986-1 C.B. 564).

2. A school below college level affiliated with a church or operated by a religious order.

3. A mission society sponsored by or affiliated with one or more churches or church denominations, if more than one-half of the society's activities are conducted in, or directed at persons in, foreign countries.

4. An exclusively religious activity of any religious order.

5. A state institution whose income is excluded from gross income under section 115.

6. An organization described in section 501(c)(1). Section 501(c)(1) organizations are corporations organized under an Act of Congress that are:

(a) Instrumentalities of the United States, and

(b) Exempt from Federal income taxes under such Acts as amended and supplemented.

7. A private foundation exempt under section 501(c)(3) and described in section 509(a). (Required to file **Form 990-PF**, Return of Private Foundation.)

8. A black lung benefit trust described in section 501(c)(21). (Required to file **Form 990-BL**, Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons.)

9. A stock bonus, pension, or profit-sharing trust which qualifies under section 401. (See **Form 5500**, Annual Return/Report of Employee Benefit Plan.)

10. A religious or apostolic organization described in section 501(d). (Required to file **Form 1065**, U.S. Partnership Return of Income.)

11. *Gross receipts of $25,000 or less.*—An organization whose annual gross receipts are normally $25,000 or less (but see instruction A, paragraph 5).

Gross receipts are the sum of lines 1d, 2, 3, 4, 5, 6a, 7, 8a (both columns), 9a, 10a, and 11 of Part I. The organization's gross receipts are the total amount it received from all sources during its annual accounting period, without subtracting any costs or expenses.

However, if a local chapter of a section 501(c)(8) fraternal organization collects insurance premiums for its parent lodge and merely sends those premiums to the parent without asserting any right to use the funds or otherwise deriving any benefit from collecting them, the local chapter should not include the premiums in its gross receipts. The parent lodge should report them instead. The same rationale applies to other situations in which one organization collects funds merely as an agent for another.

An organization's gross receipts are considered normally to be $25,000 or less if the organization is:

(a) Up to a year old and has received, or donors have pledged to give, $37,500 or less during its first tax year;

(b) Between 1 and 3 years old and averaged $30,000 or less in gross receipts during each of its first 2 tax years; or

(c) 3 years old or more and averaged $25,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed). If your gross receipts are normally $25,000 or less, see instruction A5, above.

C. Other Forms You May Need To File.—

1. **Schedule A (Form 990).**—Organization Exempt Under 501(c)(3) (Except Private Foundation), 501(e), 501(f), 501(k), or Section 4947(a)(1) Trust Supplementary Information: Filed with Form 990 for a section 501(c)(3) organization that is not a private foundation (including an organization described in section 501(e), 501(f) or 501(k)). Also filed with Form 990 for a section 4947(a)(1) trust not treated as a private foundation. An organization is not required to file Schedule A if its gross receipts are normally $25,000 or less (see instruction B11).

2. **Forms W-2 and W-3.**—Wage and Tax Statement, and Transmittal of Income and Tax Statements.

3. **Form W-2P.**—Statement for Recipients of Annuities, Pensions, Retired Pay, or IRA Payments.

4. **Form 940.**—Employer's Annual Federal Unemployment (FUTA) Tax Return. Used to report unemployment tax paid by an employer.

5. **Form 941.**—Employer's Quarterly Federal Tax Return. Used to report social security and income taxes withheld by an employer and social security tax paid by an employer.

6. **Form 990-T.**—Exempt Organization Business Income Tax Return. Filed separately for organizations with gross income of $1,000 or more from business unrelated to the organization's exempt purpose. For details, see the instructions for Form 990-T or Publication 598.

7. **Form 1041.**—U.S. Fiduciary Income Tax Return. Required of section 4947(a)(1) trusts that also file Form 990. However, any such trust may use the filing of Form 990 to satisfy its Form 1041 filing requirement under section 6012 if the trust has zero taxable income under subtitle A of the Code. If this condition is met, check the box for question 92 of Form 990 and do not file Form 1041, but complete Form 990 in the normal manner. A section 4947(a)(1) trust that normally has gross receipts of not more than $25,000 (see instruction B11) and has zero taxable income under subtitle A must complete only the following items on Form 990: name; address; employer identification number; the section 4947(a)(1) block in box D; box H; question 92 and the signature block on page 5.

8. **Form 1096.**—Annual Summary and Transmittal of U.S. Information Returns.

9. **Form 1099 Series.**—Information returns for reporting payments such as dividends, interest, miscellaneous income (including medical and health care payments and nonemployee compensation), original issue discount, patronage dividends, real estate transactions, acquisition or abandonment of secured property, and lump-sum distributions from profit-sharing and retirement plans.

10. **Form 1120-POL.**—U.S. Income Tax Return for Certain Political Organizations.

11. **Form 1128.**—Application for Change in Accounting Period.

12. **Form 2758.**—Application for Extension of Time To File.

13. **Form 4720.**—Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code. Used by eligible section 501(c)(3) organizations that made the election under section 501(h) and owe tax on excess lobbying expenditures under section 4911(a) as figured on Schedule A (Form 990).

Form 4720 is also used by certain non-electing organizations whose section 501(c)(3) status is revoked because of excess lobbying activities to report the tax on their lobbying expenditures under section 4912. Organization managers who willfully and without reasonable cause consented to the making of the lobbying expenditures also use this form to report their own tax.

Under section 4955, all section 501(c)(3) organizations that made any political expenditures must also file Form 4720 to report the liability and pay the tax on such expenditures. Organization managers must also report on this form any first-tier tax they themselves owe.

14. **Form 5500, 5500-C/R.**— Used to report on employee benefit plans.

Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file one of the 5500 series forms specified in the following paragraph. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year.

The forms required to be filed are:

Form 5500.—Annual Return/Report of Employee Benefit Plan. For each plan with 100 or more participants.

Form 5500-C/R.—Return/Report of Employee Benefit Plan. For each plan with fewer than 100 participants.

15. **Form 8282.**—Donee Information Return. Required of the donee of "charitable deduction property" who sells, exchanges, or otherwise disposes of the property within 2 years after the date of receipt of the property.

If you are a successor donee, file Form 8282 if you dispose of charitable deduction property within 2 years after the date that the donor gave the property to the original donee. (It does not matter who gave you the property. It may have been the original donee or another successor donee.) For successor donees, the form must be filed only for any property that was transferred by the original donee after July 5, 1988.

D. Helpful Publications and Forms.—

Publication 525.—Taxable and Nontaxable Income.

Publication 598.—Tax on Unrelated Business Income of Exempt Organizations.

Publication 910.—Guide to Free Tax Services.

Form 990-W.—Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations.

Publication 1391.—Deductibility of Payments Made to Charities Conducting Fund-Raising Events.

Form 4506-A.—Request for Public Inspection or Copy of Exempt Organization Tax Form.

Form 5768.—Election/Revocation of Election by an Eligible Section 501(c)(3) Organization to Make Expenditures to Influence Legislation.

These publications and forms are available at no charge at IRS offices or by calling 1-800-424-FORM (1-800-424-3676).

E. Use of Form 990 To Satisfy State Reporting Requirements.—Some states and local government units will accept a copy of Form 990 and Schedule A (Form 990) in place of all or part of their own financial report forms. At this time, the substitution applies primarily to section 501(c)(3) organizations, but some of the other types of section 501(c) organizations are also affected.

If you intend to use Form 990 to satisfy state or local filing requirements, such as those arising under state charitable solicitation acts, note the following:

1. You should consult the appropriate officials of all states and other jurisdictions in which you do business to determine their specific filing requirements. "Doing business" in a jurisdiction may include any of the following: (a) soliciting contributions or grants by mail or otherwise from individuals, businesses, or other charitable organizations; (b) conducting programs; (c) having employees within that jurisdiction; (d) maintaining a checking account; or (e) owning or renting property therein.

2. Some or all of the dollar limitations applicable to Form 990 when filed with IRS may not apply when using Form 990 in place of state or local report forms. Examples of IRS dollar limitations that do not meet some state requirements are the $25,000 gross receipts minimum that gives rise to an obligation to file with IRS (see instruction B11) and the $30,000 minimum for listing professional fees in Part II of Schedule A (Form 990).

3. State or local filing requirements may require you to attach to Form 990 one or more of the following: (a) additional financial statements, such as a complete analysis of functional expenses or a statement of changes in financial position; (b) notes to financial statements; (c) additional financial schedules; (d) a report on the financial statements by an independent accountant; and (e) answers to additional questions and other information. Each jurisdiction may require the additional material to be presented on forms they provide. The additional information does not have to be submitted with the Form 990 filed with IRS.

4. Even if the Form 990 you file with IRS is accepted by IRS as complete, a copy of the same return filed with a state will not fully satisfy that state's filing requirement if required information is not provided, including any of the additional information discussed above, or if the state determines that the form was not completed in accordance with the applicable Form 990 instructions or supplemental state instructions. In that event, you may be asked to provide the missing information or to submit an amended return.

5. To ensure that all organizations report similar transactions uniformly, many states require that contributions, gifts, and grants on lines 1a through 1d in Part I and functional expenses on lines 13, 14, and 15 and in Part II be reported in accordance with the AICPA industry audit guide, *Audits of Voluntary Health and Welfare Organizations*, as supplemented by *Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations* and by *Accounting and Financial Reporting—A Guide for United Ways and Not-for-Profit Human Service Organizations*. However, a significant exception applies in the case of donated services and facilities. Although reporting such services and facilities as items of revenue and expense is called for in certain circumstances by the three publications named above, many states and IRS do not permit the inclusion of those amounts in Parts I and II of Form 990. The instructions for line 82 discuss the optional reporting of donated services and facilities in Parts III and VI.

6. If you submit supplemental information or file an amended Form 990 with IRS, you must also furnish a copy of the information or amended return to any state with which you filed a copy of Form 990 originally to meet that state's filing requirement.

7. If a state requires you to file an amended Form 990 to correct conflicts with Form 990 instructions, you must also file an amended return with IRS.

8. Most states require that all amounts be reported based on the accrual method of accounting.

9. The time for filing Form 990 with IRS differs from the time for filing reports with some states.

10. The Form 990 information made available for public inspection by IRS may differ from that made available by the states. See the cautionary note to the specific instructions for line 1d.

State Registration Number(s).—Insert the applicable state or local jurisdiction registration or identification number in box B (in the heading on page 1) for each jurisdiction in which you file Form 990 in place of the state or local form. When filing in several jurisdictions, prepare as many copies as needed with box B blank. Then enter the applicable registration number on the copy to be filed with each jurisdiction.

F. Other Forms as Partial Substitutes for Form 990.—Except as provided below, the Internal Revenue Service will not accept any form as a substitute for one or more parts of Form 990. A labor organization that files **Form LM-2**, Labor Organization Annual Report, or the shorter **Form LM-3** with the U.S. Department of Labor (DOL) can attach a copy of the completed DOL form to provide some of the information required by Form 990. This substitution is not permitted if the organization files a DOL report that consolidates its financial statements with those of one or more separate subsidiary organizations.

An employee benefit plan may be able to substitute Form 5500 or Form 5500-C/R for part of Form 990. The substitution can be made if the organization filing Form 990 and the plan filing Form 5500 or 5500-C/R meet all the following tests:

(a) the Form 990 filer is organized under section 501(c)(9), (17), (18), or (20);

(b) the Form 990 filer and Form 5500 filer are identical for financial reporting purposes and have identical receipts, disbursements, assets, liabilities, and equity accounts;

(c) the employee benefit plan does not include more than one section 501(c) organization, and the section 501(c) organization is not a part of more than one employee benefit plan, and

(d) the organization's accounting year and the employee plan year are the same. If they are not, you may want to change the organization's accounting year, as explained in instruction G, so it will coincide with the plan year.

Whether you file Form 990 for a labor organization or for an employee plan, the areas of Form 990 for which other forms can be substituted are the same. These areas are:

Part I, lines 13-15 (but complete lines 16 through 21);

Part II; and

Part IV (but complete lines 59, 66, and 74, Columns (A) and (B)).

If you substitute Form LM-2 or LM-3 for any of the Form 990 Parts or line items mentioned above, you must attach a reconciliation sheet to show the relationship between the amounts on the DOL forms and the amounts on Form 990. This is particularly true of the relationship of disbursements shown on the DOL forms and the total expenses on line 17, Part I, of Form 990. This reconciliation is required because the cash disbursements section of the DOL forms includes nonexpense items. If you substitute Form LM-2, be sure to complete its separate schedule of expenses.

G. Accounting Period Covered.—Base your return on your annual accounting period (fiscal year) if one is established. If not, base the return on the calendar year.

Your fiscal year should normally be selected to coincide with the natural operating cycle of your organization; it is not necessary that your fiscal year end on December 31 or June 30.

The 1989 Form 990 should be used to report on a calendar year 1989 accounting period or a fiscal year that began in 1989.

For a group return, see instruction Q.

In general, to change your accounting period, you must: (1) file a timely return on Form 990 for the short period resulting from the change, (2) at the top of the short period return, indicate that a change of accounting period is being made by writing *"Change of Accounting Period."* If you changed your accounting period within the 10-calendar-year period that includes the start of the short period, and you had a Form 990 filing requirement at any time during that 10-year period, you must also attach a Form 1128 to the short period return. See Rev. Proc. 85-58, 1985-2 C.B. 740.

H. When and Where To File.—File Form 990 by the 15th day of the 5th month after your accounting period ends.

If the organization is liquidated, dissolved, or terminated, file the return by the 15th day of the 5th month after the change.

If your principal office is located in— ▼	Send your return to the Internal Revenue Service Center below— ▼
Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, or Tennessee	Atlanta, GA 39901
Arizona, Colorado, Kansas, New Mexico, Oklahoma, Texas, Utah, or Wyoming	Austin, TX 73301
Indiana, Kentucky, Michigan, Ohio, or West Virginia	Cincinnati, OH 45999
Alaska, California, Hawaii, Idaho, Nevada, Oregon, or Washington	Fresno, CA 93888
Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania (ZIP codes beginning with 169–171 and 173–196 only), Rhode Island, or Vermont	Holtsville, NY 00501
Illinois, Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, or Wisconsin	Kansas City, MO 64999
Maryland, Pennsylvania (ZIP codes beginning with 150–168 and 172 only), Virginia, District of Columbia, any U.S. possession, or foreign country	Philadelphia, PA 19255

I. Extension of Time To File.—Use Form 2758 to request an extension of time to file.

J. Amended Return.—To change your return for a prior year, write *"Amended Return"* at the top of the return. Generally the amended return must be filed within 3 years after the date the original return was due or 3 years after the date the organization filed it, whichever was later. Blank copies of prior year returns can be obtained by calling the toll free number listed in instruction D.

K. Penalties.—

Against the organization.—Under section 6652(c), a penalty of $10 a day, not to exceed the lesser of $5,000 or 5 percent of the gross receipts of the organization for the year, may be charged when a return is filed late, unless you can show that the late filing was due to reasonable cause. The penalty begins on the due date for filing the Form 990. The penalty may also be charged if an incomplete return is filed, or incorrect information is furnished. To avoid having to respond to requests for missing information, please be sure to complete all applicable line items; to answer "Yes," "No," or "N/A" (not applicable) to each question on the return; to make an entry (including a "-0-" when appropriate) on all *total* lines; and to enter "None" or "N/A" if an entire part does not apply.

Against responsible person(s).—If a complete return is not filed, or correct information is not furnished, IRS will write to give you a fixed time to fulfill these requirements. After that period expires, the person failing to comply will be charged a penalty of $10 a day, not to exceed $5,000, unless he or she shows that not complying was due to reasonable cause. If more than one person is responsible, they are jointly and individually liable for the penalty (section 6652(c)).

There are also penalties—fines and imprisonment—for willfully not filing returns and for filing fraudulent returns and statements with IRS (sections 7203, 7206, and 7207). There are also penalties for failure to comply with public disclosure requirements as discussed in instruction L. States may impose additional penalties for failure to meet their separate filing requirements.

L. Public Inspection of Completed Exempt Organization Returns and Approved Exemption Applications.—

Through IRS.—Form 990, Form 990EZ, Form 990-PF, and certain other completed exempt organization returns are available for public inspection and copying upon request. Approved applications for exemption from Federal income tax are also available. IRS, however, is not permitted to disclose portions of certain otherwise disclosable returns and attachments, including the list of contributors required by Form 990.

A request for inspection must be in writing and must include the name and address (city and state) of the organization that filed the return or application. A request to inspect a return should indicate the type (number) of the return and the year(s) involved. The request should be sent to the District Director (Attention: Disclosure Officer) of the district in which the requester desires to inspect the return or application. If inspection at the IRS National Office is desired, the request should be sent to the Commissioner of Internal Revenue, Attention: Freedom of Information Reading Room, 1111 Constitution Avenue, N.W., Washington, DC 20224.

Form 4506-A can be used to request a copy or to inspect an exempt organization return through IRS. There is a fee for photocopying.

Through the organization.—

(1) Annual return.—An organization must, during the three-year period beginning with the due date (including extensions, if any), of the Form 990, make its return available for public inspection upon request. All parts of the return and all required schedules and attachments other than the list of contributors to the organization must be made available. Inspection must be permitted during regular business hours at the organization's principal office and at each of its regional or district offices having 3 or more employees.

This provision applies to any organization that files a Form 990, regardless of the size of the organization and whether or not it has any paid employees.

Any person who does not comply with the public inspection requirement shall be assessed a penalty of $10 for each day that inspection was not permitted, up to a maximum of $5,000 with respect to any one return. No penalty will be imposed if the failure is due to reasonable cause. Any person who willfully fails to comply shall be subject to an additional penalty of $1,000.

(2) Exemption applications.—Any section 501(c) or 501(d) organization that submitted an application for recognition of exemption to the Internal Revenue Service after July 15, 1987, must make available for public inspection a copy of its application (together with a copy of any papers submitted in support of its application) and any letter or other document issued by the Internal Revenue Service in response to the application. An organization that submitted its exemption application on or before July 15, 1987, must also comply with this requirement if it had a copy of its application on July 15, 1987. As in the case of annual returns, the copy of the application and related documents must be made available for inspection during regular business hours at the organization's principal office and at each of its regional or district offices having at least 3 employees.

The penalties for failure to comply with this provision are the same as those discussed in "Annual return" above, except that the $5,000 limitation does not apply.

M. Solicitations of Nondeductible Contributions.—Any fundraising solicitiation by or on behalf of any section 501(c) organization that is not eligible to receive contributions deductible as charitable contributions for Federal income tax purposes must include an express statement that contributions or gifts to it are not deductible as charitable contributions. The statement must be in a conspicuous and easily recognizable format whether the solicitation is made in written or printed form, by television or radio, or by telephone. However, this provision applies only to those organizations whose annual gross receipts are normally more than $100,000. Religious and apostolic organizations described in section 501(d), as well as political organizations (including PACs) described in section 527(e), are also required to comply with this provision.

Failure to disclose that contributions are not deductible could result in a penalty of $1,000 for each day on which a failure occurs. The maximum penalty on failures by any organization, during any calendar year, shall not exceed $10,000. In cases where the failure to make the disclosure is due to intentional disregard of the law, the $10,000 limitation does not apply and more severe penalties are applicable. No penalty will be imposed if the failure is due to reasonable cause.

N. Disclosures Regarding Certain Information and Services Furnished.—A section 501(c) organization that offers to sell (or solicits money for) specific information or a routine service to any individual which could be readily obtained by that individual from an agency of the Federal Government free of charge or for a nominal charge must disclose that fact in a conspicuous manner when making any such offer or solicitation. Any organization that intentionally disregards this requirement will be subject to a penalty *for each day* on which the offers or solicitations were made. The penalty imposed for a particular day is the greater of $1,000 or 50 percent of the aggregate cost of the offers and solicitations made on that day which lacked the required disclosure.

O. Disclosures Regarding Certain Transactions and Relationships.—In their annual returns on Schedule A (Form 990), section 501(c)(3) organizations must disclose information with respect to their direct or indirect transfers to, and other direct or indirect relationships with, other organizations described in section 501(c) (not including other section 501(c)(3) organizations) or in section 527, relating to political organizations. The purpose of this provision is to help prevent the diversion or expenditure of a section 501(c)(3) organization's funds for purposes not intended by section 501(c)(3) of the Code. All section 501(c)(3) organizations must maintain records regarding all such transfers, transactions and relationships. (See instruction K, Penalties.)

P. Erroneous Backup Withholding.—See the Instructions for Form 990-T if you had backup withholding erroneously withheld. Claims for refund must be filed within 3 years after the date the original return was due; 3 years after the date the organization filed it; or 2 years after the date the tax was paid, whichever is later.

Q. Group Return.—A central, parent, or "like" organization can file a group return on Form 990 for two or more local organizations that are:

1. Affiliated with the central organization at the time its annual accounting period ends;

2. Subject to the central organization's general supervision or control;

3. Tax exempt under a group exemption letter that is still in effect; and

4. Have the same accounting period as the central organization.

If the parent organization is required to file a return itself (see instruction B for a list of organizations not required to file), it must file a separate return and may not be included in the group return.

Every year, each local organization must authorize the central organization in writing to include it in the group return and must declare, under penalty of perjury, that the authorization and the information it submits to be included in the group return are true and complete.

If you prepare a group Form 990, attach schedules showing: (1) the total number of local organizations included and the name, address, and employer identification number of each one; and (2) the same information for those not included. When you prepare the return, be sure not to confuse the four-digit group exemption number (GEN) in box G, page 1, with the nine-digit employer identification number in box A.

R. Organizations in Foreign Countries and U.S. Possessions.—Report amounts in U.S. dollars and state what conversion rate you use. Combine amounts from within and outside the United States, and report the total for each item. All information must be given in the English language.

S. Completing Form 990.—

1. Label—Name, Address, and Employer Identification Number.—If we mailed you a Form 990 Package with a preaddressed mailing label, please attach the label in the name and address space on your return. Your using the label helps us avoid errors in processing your return. If any information on the label is wrong, draw a line through that part and correct it.

2. Employer Identification Number.—You should have only one Federal employer identification number. If you have more than one and have not been advised which to use, notify the Service Center for your area (from the list in instruction H). Inform them what numbers you have, the name and address to which each number was assigned, and the address of your principal office. IRS will advise you which number to use.

3. Accounting Method.—In box E on page 1 indicate the method of accounting used in preparing this return. Unless the specific instructions say otherwise, you should generally use the same accounting method on the return to figure revenue and expenses that you regularly use to keep the organization's books and records. To be acceptable for Form 990 reporting purposes, however, the method of accounting used must clearly reflect income.

If you prepare a Form 990 for state reporting purposes, you may file an identical return with IRS even though it does not agree with your books of account, unless the manner of reporting one or more items on the state return conflicts with the instructions for preparing Form 990 for filing with IRS. For example, if you maintain your books on the cash receipts and disbursements method of accounting but prepare a state return based on the accrual method, that return could be used for reporting to IRS. As another example, if a state reporting requirement requires you to report certain revenue, expense, or balance sheet items differently from the manner in which you normally account for them on your books, a Form 990 prepared for that state would be acceptable for IRS reporting purposes if the state reporting requirement does not conflict with the Form 990 instructions. Your records should contain a reconciliation of any differences between your books of account and the Form 990 you file.

Most states that accept Form 990 in place of their own forms require that all amounts be reported based on the accrual method of accounting. See instruction E8.

4. Legible Form 990 for Public Inspection.— All information you report on or with your Form 990, including attachments, will be available for public inspection, except the list of contributors required for line 1(d), Part I. Please make sure your forms and attachments are clear enough to photocopy legibly.

5. Signature.—To make the return complete, an officer authorized to sign it must sign in the space provided. For a corporation, this officer will be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer, such as a tax officer. A receiver, trustee, or assignee must sign any return he or she files for a corporation. For a trust, the authorized trustee(s) must sign.

If the return was prepared by an individual, firm, or corporation paid for preparing it, the paid preparer's space must also be signed. For a paid firm or corporation, sign in the firm's or corporation's name. If you checked the block for question 92 on page 4 (section 4947(a)(1) trust filing Form 990 in lieu of Form 1041), you must also enter the paid preparer's social security number or employer identification number in the margin next to the paid preparer's space. Leave the paid preparer's space blank if the return was prepared by a regular employee of the filing organization.

Specific Instructions

In General.—You may show money items as whole-dollar amounts. Drop any amount less than 50 cents, and increase any amount from 50 through 99 cents to the next higher dollar.

Unless you are permitted to use certain DOL forms or Form 5500 series returns as partial substitutes for Form 990 (see instruction F), do not leave blank any applicable lines or attach any other forms or schedules instead of entering the required information on the appropriate line on Form 990.

Attachments.—Use the schedules on the official form unless you need more space. If you use attachments, they must:

(1) Show the form number and tax year;
(2) Show the organization's name and employer identification number;
(3) Include the information required by the form;
(4) Follow the format and line sequence of the form; and
(5) Be on the same size paper as the form.

Part I—Statement of Revenue, Expenses, and Changes in Net Assets or Fund Balances.—

All organizations filing Form 990 with IRS or any state must complete Part I. Some states that accept Form 990 in place of their own forms require additional information.

Contributions, Gifts, Grants, and Similar Amounts Received.—On lines 1a through 1c, report amounts received as voluntary contributions; that is, payments, or the part of any payment, for which the payer (donor) does not receive full consideration from the recipient (donee) organization. (For grants, see "Grants equivalent to contributions," page 6.) Report all expenses of raising contributions in column (D), Part II, and on line 15 of Part I.

On line 9, report income from special fundraising events and activities such as dinners, door-to-door sales of merchandise, carnivals, and bingo games. However, when the buyer pays more for such goods or services than their value, report the excess on line 1a as a contribution representing direct public support. This usually occurs when organizations seek support from the public through solicitation programs that are in part special fundraising events or activities and in part a solicitation for contributions. For example, an organization announces that anyone who "contributes" at least $40 can choose a book worth $16 retail. Those who pay $40 and choose to receive the book would be both buying the book and making a contribution. Each such buyer's contribution reported on line 1a would be $24, the amount by which the buyer's payment is more than the fair market value of the merchandise. (Rev. Rul. 67-246, 1967-2 C.B. 104, explains this principle in detail. See Publication 1391.) A buyer who paid more than $40 would pay the same amount for the book, but would have made a larger contribution. The primary purpose of such solicitations is not

to sell the merchandise at its fair market value (even though this might produce a profit), but to receive the contributions. Therefore, all the expenses incurred, except those attributable to the merchandise furnished the buyer, should be reported as an expense of raising contributions (fundraising expense) in column (D), Part II. The revenue ($16 per book) and the expenses relating to the sale of the merchandise would be reported on line 9 as revenue and expenses of a special fundraising event.

If the organization provides merchandise of only nominal value, report the entire receipts on line 1a as contributions (direct public support) and report all the related expenses in column (D), Part II.

The differentiation between revenue and contributions derived from special fundraising events is particularly important for any section 501(c)(3) organization that claims to qualify as a publicly supported organization described in section 170(b)(1)(A)(vi) or 509(a)(2). In the public support computations under these two sections, the revenue portion may be excluded entirely, treated as public support, or, if it represents unrelated trade or business income, treated as nonpublic support. Section 501(c)(3) organizations must compute the amounts of revenue and contributions from fundraising events in accordance with the above instructions in preparing the Support Schedule in Part IV of Schedule A (Form 990). The Support Schedule generally includes only the 4 preceding years, but includes the current year as well if there have been material changes in the organization's sources of support in that year.

See the line 3 instructions for information about membership dues that should be treated as contributions.

Section 501(c)(9), (17), (18), and (20) organizations provide life, sick, accident, welfare, unemployment, pension, group legal services, or similar benefits or a combination of these benefits to participants. When such an organization receives payments from participants or their employers to provide these benefits, report the payments on line 2 as program service revenue, rather than on line 1 as contributions.

In Part I, do not include the value of services donated to the organization, or items such as the free use of materials, equipment, or facilities, among the contributions received. See the instructions for Part III and for Part VI, line 82, for the optional reporting of such amounts in Parts III and VI under certain circumstances.

Grants equivalent to contributions.—On line 1, report grants to the organization that are equivalent to contributions. Such grants are normally made to encourage the grantee organization to carry on programs or activities that further its exempt purposes. The grantor may set conditions to ensure that the grantee's programs conform to the grantor's own policies. The grantor may specify which of the recipient's activities the grant may be used for, such as a voter registration drive or restoring a historic building.

A grant is still equivalent to a contribution if the grantee performs a service or produces a work product that benefits the grantor only incidentally. (See examples in line 1c instructions.) However, if the terms of a grant require that a specific service, facility, or product be provided the grantor—the purpose of which is to serve the direct and immediate needs of that grantor rather than primarily to confer a direct benefit upon the general public or that segment of the public served by the organization—that grant does not represent a contribution, but a payment for services. In general, any payments made primarily to enable the payer to realize or receive some economic or physical benefit as a result of the service, facility, or product obtained should not be treated as contributions.

For example, a public interest organization described in section 501(c)(4) makes a grant to another organization to conduct a nationwide survey using a scientific sampling method. The survey is to determine voter attitudes on issues in which the grantor has an interest. The grantor plans to use the results in planning its program for the next 3 years. Under these circumstances, the grant to the organization making the survey is not a contribution, since conducting the survey and furnishing the report primarily serve the grantor's direct needs and benefit the grantor more than incidentally. When the grantee reports the grant as income, it should be treated as either program service revenue (line 2) or other revenue (line 11), not as a contribution.

If research is done to develop products for the payer's use or benefit; treat it as serving the payer directly. Basic research or studies in the physical or social sciences generally should not be treated as serving the payer's needs.

See Regulations section 1.509(a)-3(g) for information about determining whether a grant represents a contribution reportable on line 1 or a revenue item reportable elsewhere on Form 990.

Noncash contributions.—To report contributions received in a form other than cash, use the market value as of the date of the contribution. For marketable securities registered and listed on a recognized securities exchange, measure market value by the average of the highest and lowest quoted selling prices (or the average between the bona fide bid and asked prices) on the contribution date. (See section 20.2031-1 of the Estate Tax Regulations for this general rule, exceptions, and special rules that may be applied to determine the value of contributed stocks and bonds.) When market value cannot be readily determined, use an appraised or estimated value.

To determine the amount of any noncash contribution that has an outstanding debt attached, subtract the debt from the property's fair market value. Record the asset at its full value; record the debt as a liability in the books of account. See the first **Note** in the instructions for line 1d.

Line 1a—Direct public support.—Enter the total contributions, gifts, grants, and bequests that the organization received directly from the public. Include amounts received from individuals, trusts, corporations, estates, and foundations. Also include contributions and grants from public charities and other exempt organizations that are neither fundraising organizations nor affiliates of the filing organization. (See the instructions for line 1b.) Report membership dues and assessments on line 1a to the extent they represent contributions from the public rather than payments for benefits received (see the instructions for line 3) or payments from affiliated organizations. Report government grants on line 1c if they represent contributions, or on line 2 if they represent fees for services.

Amounts contributed by a commercial co-venture should be reported on line 1a as a contribution received directly from the public. These are amounts due the donee organization for letting an outside organization or individual use its name in a sales promotion campaign in which the donor advertises that it will contribute a certain dollar amount to the named donee organization for each unit of a particular product or service sold or for each occurrence of a specified type.

Contributions received through special fundraising events should be reported on line 1a.

Line 1b—Indirect public support.—Enter the total contributions received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies and similar fundraising organizations (such as a United Way organization and certain sectarian federations). These organizations normally conduct fundraising campaigns within a single metropolitan area or some part of a particular state, and allocate part of the net proceeds to each participating organization on the basis of individual donors' designations and other factors.

Also include on line 1b amounts contributed by other organizations closely associated with the reporting organization. This would include contributions received from a parent organizaton, subordinate, or another organization having the same parent. National organizations that share in fundraising campaigns conducted by their local affiliates should report the amount they receive on line 1b.

Line 1c—Government grants.—The preceding instructions under the heading "Grants equivalent to contributions," apply to this item in particular. A grant or other payment from a governmental unit represents a contribution if its primary purpose is to enable the donee to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the grantor (even if the public pays part of the expense of providing the service or facility).

The following are examples of governmental grants and other payments that represent contributions:

1. Payments by a governmental unit for the construction or maintenance of library or hospital facilities open to the public;

2. Payments under government programs to nursing homes or homes for the aged in order to provide health care or other services to their residents;

3. Payments to child placement or child guidance organizations under government programs serving children in the

community. The general public gets the primary and direct benefit from these payments and any benefit to the governmental unit itself would be indirect and insubstantial as compared to the public benefit.

Line 1d—Total contributions, etc.—Enter the total of amounts reported on lines 1a through c.

Schedule of contributors (not open to public inspection. **Caution:** *See the second Note below).*— Attach a schedule listing contributors during the year who gave the organization, directly or indirectly, money, securities, or other property worth at least $5,000. If no one contributed the reportable minimum, you do not need to attach a schedule. Show each person's name and address, the total amount received, and the date received. *"Person"* means an individual, fiduciary, partnership, corporation, association, trust, or exempt organization.

In determining whether a contributor gave at least $5,000, total that person's gifts of $1,000 or more. Do not include smaller gifts. If the contribution consists of property whose fair market value can be determined readily (such as market quotations for securities), describe the property and list its fair market value. Otherwise, estimate the property's value.

Note: *For contributions to you of property (other than publicly traded securities) whose fair market value is greater than $5,000, you should usually receive from the contributor a partially completed* Form 8283, *Noncash Charitable Contributions. You should complete the appropriate information on Form 8283, sign it, and return it to the donor. Retain a copy for your records. Also see General Instruction C15.*

If an employer withholds contributions from employees' pay and periodically gives them to the organization, report only the employer's name and address and the total amount given unless you know that a particular employee gave enough to be listed separately.

If the organization meets the terms of either of the following exceptions, some information in your schedule will vary from that described above.

Exception 1: *Organization described in section 501(c)(3) that meets the 33⅓% support test of the Regulations under section 170(b)(1)(A)(vi) (whether or not the organization is otherwise described in section 170(b)(1)(A)).*

In your schedule, give the information described above only for contributors whose gifts of $5,000 or over are more than 2% of the total gifts (reported on line 1d) the organization received during the year.

Exception 2: *Organization described in section 501(c)(7), (8), (10), or (19) that received contributions or bequests to be used only as described in section 170(c)(4), 2055(a)(3), or 2522(a)(3).*

The schedule should list each person whose gifts total $1,000 or more during the year. Give the donor's name, the amount given, the gift's specific purpose, and the specific use to which it was put. If an amount is set aside for a purpose described in section 170(c)(4), 2055(a)(3), or 2522(a)(3), explain how the amount is held (for instance, whether it is mingled with amounts held for other purposes). If the organization transferred the gift to another organization, name and describe the recipient and explain the relationship between the two organizations. Also show the total gifts that were $1,000 or less and were for a purpose described in section 170(c)(4), 2055(a)(3), or 2522(a)(3).

Note: *If you file a copy of Form 990 and attachments with any state, do not include, in the attachment for the state, the list of contributors discussed above, unless the list is specifically required by the state with which you are filing the return. States that do not require the information might nevertheless make it available for public inspection along with the rest of the return.*

Line 2—Program service revenue.— Enter the total program service revenue from Part VII, lines 93(a)–(g). Program services are primarily those that form the basis of an organization's exemption from tax. (See the instructions for Part II, column (B).) For example, a hospital would report on line 2 all of its charges for medical services (whether to be paid directly by the patients or through Medicare, Medicaid, or other third-party reimbursement), hospital parking lot fees, room charges, laboratory fees for hospital patients, and related charges for services.

Other examples of program service revenue are tuition received by a school, revenue from admissions to a concert or other performing arts event or to a museum, royalties received as author of an educational publication distributed by a commercial publisher, interest income on loans a credit union makes to its members, payments received by a section 501(c)(9) organization from participants or employers of participants for health and welfare benefits coverage, insurance premiums received by a fraternal beneficiary society, and registration fees received in connection with a meeting or convention.

Program service revenue also includes income from program-related investments, which are investments made for the primary purpose of accomplishing an exempt purpose consistent with the investing organization's exempt status rather than to produce income. Examples are scholarship loans and low interest loans to charitable organizations, indigents, or victims of a disaster.

Unrelated trade or business activities (not including any special fundraising events or activities) that generate fees for services may also be program service activities. A social club, for example, should report as program service revenue the fees it charges both members and nonmembers for the use of its tennis courts and golf course.

Books and records maintained in accordance with generally accepted accounting principles for hospitals, colleges, and universities are more specialized than books and records maintained in accordance with generally accepted accounting principles for other types of organizations that are required to file Form 990. In view of this circumstance, hospitals, colleges, and universities may report as program service revenue on line 2 sales of inventory items otherwise reportable on line 10a. In that event, the applicable cost of goods sold would be shown as program service expense on line 13 of Part I and in column (B) of Part II. All other organizations should not report sales of inventory items on line 2.

Line 3—Membership dues and assessments.—Enter members' and affiliates' dues and assessments that are not contributions. Regardless of whether membership benefits are used, dues to a charitable organization are a contribution to the extent they are more than the monetary value of these membership benefits to the dues payer. (See Rev. Ruls. 54-565, 1954-2 C.B. 95, and 68-432, 1968-2 C.B. 104.)

Examples of such benefits include subscriptions to publications, newsletters (other than one about the organization's activities only), free or reduced-rate admissions to events the organization sponsors, the use of its facilities, and discounts on articles or services that both members and nonmembers can buy. In figuring the value of membership benefits, disregard other intangible benefits, such as the right to attend meetings, vote or hold office in the organization, and the distinction of being a member of the organization.

When a member pays dues primarily to support the organization's activities, rather than to derive benefits of more than nominal monetary value, that dues payment represents a contribution. The availability of benefits worth more than a nominal amount shows that the intent in paying the dues was to receive those benefits and not to make a contribution.

For membership organizations other than those described in section 501(c)(3), members generally receive benefits or consideration in return for dues; therefore, dues in that situation are not contributions and should be reported on line 3. This is particularly true of organizations described in sections 501(c)(5), 501(c)(6), or 501(c)(7), although benefits to members may be indirect.

Line 4—Interest on savings and temporary cash investments.—Enter the amount of interest income from savings and temporary cash investments reportable on line 46. So-called dividends or earnings received from mutual savings banks, etc., are really interest and should be entered on line 4.

Line 5—Dividends and interest from securities.—Enter the amount of dividend and interest income from debt and equity securities (stocks and bonds) of the type reportable on line 54. Include amounts received from payments on securities loans, as defined in section 512(a)(5). Do not include any capital gains dividends reportable on line 8. See the instructions for line 2 for reporting income from program-related investments.

Line 6a—Gross rents.—Enter the gross rental income for the year from investment property reportable on line 55. Do not include amounts that represent income from an exempt function (program service) which should be reported on line 2 (and the related expenses which should be reported in column (B) of Part II). For example, an organization whose exempt purpose is to provide low rental housing to persons with low income would receive exempt function income from such rentals. Renting office space or other facilities or equipment to unaffiliated exempt organizations is not income from an exempt function (and should be reported on line 6a) unless the charge is well below the fair rental value of the property, and the lessor's purpose in charging less than the fair rental value was to help the lessee carry out its exempt purpose. Only for purposes of completing Form 990, treat income from renting property to affiliated exempt organizations as exempt function income (program service revenue) and report it on line 2.

Line 6b—Rental expenses.—Enter the expenses paid or incurred for the income reported on line 6a. Include depreciation if it is recorded in the organization's books and records.

Line 6c—Net rental income (loss).— Subtract line 6b from line 6a. Show any loss in parentheses.

Line 7—Other investment income.— Enter the amount of investment income not reportable on lines 4 through 6 and describe the type of income in the space provided or in an attachment. The income should be the gross amount derived from investments reportable on line 56. Include, for example, royalty income from mineral interests owned by the organization. However, do not include income from program-related investments (see the instructions for line 2). Also exclude unrealized gains and losses on investments carried at market value (see the instructions for line 20).

Lines 8a–d—Capital gains.—Attach a schedule listing each asset (other than inventory items) sold or exchanged. Show for each one: (a) date acquired, how acquired, date sold, and to whom sold; (b) gross sales price; (c) cost, other basis, or if donated, value at time acquired (state which); (d) expense of sale and cost of improvements made after acquired, and (e) if depreciable property, depreciation since acquired. The schedule should show security transactions separately from the sale of other assets.

Publicly traded securities.—For sales of publicly traded securities through a broker, you may total the gross sales price, the cost or other basis, and the expenses of sale on all such securities sold, and report lump-sum figures in place of the detailed reporting required in the paragraph above. For this return, publicly traded securities include common and preferred stocks, bonds (including governmental obligations), and mutual fund shares that are listed and regularly traded in an over-the-counter market or on an established exchange and for which market quotations are published or otherwise readily available. You may use average cost basis to figure the organization's gain or loss from sales of securities to be reported on Form 990. For this purpose, when securities are sold, you may figure gain or loss by comparing the sales price with the average cost basis of the particular security. Do not use average cost basis to figure gain or loss from security sales reportable on Form 990-T.

Report all sales of securities on lines 8a–c in the column with that heading. Use the "Other" column to report sales of all other types of investments (such as real estate, royalty interests, or partnership interests) and all other capital assets (such as program-related investments and fixed assets used by the organization in its regular activities).

For each column, enter the total gross sales price of all involved assets on line 8a, Part I. Total the cost or other basis (less depreciation), and selling expenses and enter the result on line 8b. Enter the net gain or loss on line 8c. On lines 8a and 8c, report capital gains dividends, the organization's share of capital gains and losses from a partnership, and capital gains distributions from trusts. Indicate the source on the schedule described above.

Add the gain and/or loss figures reported in the "Securities" column and the "Other" column on line 8c and report that total on line 8d. Do not include any unrealized gains or losses on securities carried at market value in the books of account. See the instructions for line 20.

Lines 9a–c—Special fundraising events and activities.—On the appropriate line, enter the gross revenue, expenses, and net income from all special fundraising events and activities, such as dinners, dances, carnivals, raffles, bingo games, and door-to-door sales of merchandise. In themselves, these activities only incidentally accomplish an exempt purpose. Their sole or primary purpose is to raise funds (other than contributions) to finance the organization's exempt activities. This is done by offering goods or services of more than nominal value (compared to the price charged) in return for a payment higher than the direct cost of the goods or services provided. If the goods or services have only nominal value, report all of the receipts as contributions on line 1 and all of the related expenses as fundraising expenses on line 15 and in column (D) of Part II.

An activity which generates only contributions, such as a solicitation campaign by mail, is not a special fundraising event and should not be reported on line 9.

The proceeds of solicitation campaigns in which the names of contributors and other respondents are entered in a drawing for the awarding of prizes (so-called "sweepstakes" or "lotteries") are contributions and the related expenses are fundraising expenses reportable in column D of Part II. However, raffles and lotteries in which a payment of at least a specified minimum amount is required for each entry are special fundraising events unless the prizes awarded have only nominal value. Characterizing any required payment as a "donation" or "contribution" on tickets or on advertising or solicitation materials does not affect how such payments should be reported on Form 990. As discussed above, the amount of the contribution is the excess of the amount paid over the value received by the payer. (See Publication 1391.)

Special fundraising events sometimes generate both contributions and revenue. When a buyer pays more than the value of the goods or services furnished, report that excess on line 1 as a contribution and report the value of the goods or services on line 9a as gross revenue. Report on line 9b only the direct expenses attributable to the goods or services the buyer receives. See "Contributions, Gifts, Grants, and Similar Amounts Received" on page 5 of these instructions.

Attach a schedule listing the three largest special events conducted, as measured by gross receipts. Describe each of these events and indicate for each event the gross receipts, the amount of contributions included in gross receipts (see the instructions above), the gross revenue (gross receipts less contributions), the direct expenses, and the net income (gross revenue less direct expenses). Furnish the same information in total figures for all other special events held that are not among the three largest. Indicate the type and number of the events not listed individually (for example, three dances and two raffles).

If the above schedule is prepared in columnar format, the total of the gross revenue column will be the amount reportable in the column on line 9a; the totals of the direct expense column and the net income column will be the amounts reportable on lines 9b and 9c, respectively; and the total of the contributions will be the amount that should be entered in the parentheses outside the column on line 9a. The latter amount should also be combined with all other direct public support and reported on line 1a.

If you include an expense on line 9b, do not report it on line 10b or in Part II.

Section 501(c) organizations that are eligible to receive tax-deductible charitable contributions under section 170(c) of the Code must keep sample copies of their fundraising materials, such as dues statements or other fundraising solicitations, tickets, receipts or other evidence of payments received in connection with fundraising activities. If organizations advertise their fundraising events, they must keep sample copies of the advertising copy. If they use radio or television to make their solicitations, they must keep sample copies of scripts, transcripts, or other evidence of on-air solicitations. If organizations retain outside fundraisers, they must keep sample copies of the fundraising materials used by such outside fundraisers. Organizations must keep records indicating how they determined the nondeductible portion of the payments made in connection with each fundraising event; that is, the fair market value of the goods or services received by the patrons of such events.

Lines 10a–c—Gross profit on sales of inventory.—Enter the gross sales (less returns and allowances), cost of goods sold, and gross profit (or loss) from the sale of all inventory items, other than those sold in special fundraising events and activities reported on line 9. These are inventory items the organization either makes to sell to others or buys for resale. The latter does not include investments on which the organization expected to profit by appreciation and sale. Report sales of investments on line 8. On line 10, report sales revenue and the related cost of goods sold, whether the sale of the merchandise involved is an exempt function or an unrelated trade or business.

Hospitals, colleges, and universities should refer to the instructions for line 2 for an optional method of reporting sales of inventory items that would otherwise be reportable on line 10.

Line 11—Other revenue.—Enter the total amount from Part VII, lines 103(a)–(e). This figure represents the total income from all sources not covered by lines 1 through 10. Each of these revenue-producing activities must be listed in Part VII. Income reportable on line 11 would include interest on notes receivable not held as investments; interest on loans to officers, directors, trustees, key employees and other employees; and royalties that do not constitute investment income or program service revenue.

Line 12—Total revenue.—Enter the total of lines 1d through 11.

Lines 13 through 15—Program services, management and general, and fundraising expenses.—*4947(a)(1) trusts and section 501(c)(3) and (c)(4) organizations.*—Complete Part II and then come back to lines 13 through 15. Enter the appropriate amount from the column (B), (C), and (D) totals reported on line 44, Part II.

All other organizations.—You are not required to complete lines 13 through 15.

Line 16—Payments to affiliates.—This expense classification is used to report certain types of payments to organizations "affiliated with" (closely related to) a reporting agency. Predetermined quota support and dues payments (excluding membership dues of the type described below) by local agencies to their state or national organizations for unspecified purposes, i.e., general use of funds for the national organization's own program and support services, are to be reported on this line. Purchases of goods or services from affiliates are not reported here but as expenses in the usual manner.

In addition to payments made directly to affiliated organizations, expenses incurred in providing goods or services to affiliates may be reported on line 16 if: (1) the goods or services provided are not related to the program services conducted by the organization furnishing them (for example, when a local organization incurs expenses in the production of a solicitation film for the state or national organization); and (2) the costs involved are not connected with the management and general or fundraising functions of the reporting organization (for example, when a local organization furnishes a copy of its mailing list to the state or national organization, the expense of preparing the copy provided may be reported on line 16, but not expenses of preparing and maintaining the local organization's master list).

Federated fundraising agencies (see the instructions for line 1b) should include in their own support the full amount of contributions received in connection with a solicitation campaign they conduct, even though donors designate specific agencies to receive part or all of their individual contributions. These fundraising organizations should report the allocations to participating agencies as awards and grants (line 22) and quota support payments to their state or national organization as payments to affiliates (line 16).

Voluntary awards or grants made by the reporting agency to its state or national organization for specified purposes should not be reported here but on line 22, grants and allocations.

Membership dues that represent amounts paid to procure general membership benefits, such as regular services, publications, and materials, from other organizations should be reported as "other expenses" on line 43. This would be the case, for example, if a charitable organization pays dues to a trade association comprised of otherwise unrelated members, all of which solicit contributions by mail or telephone. Dues payments by the local charity to its affiliated state or national (parent) organization would usually be reportable on line 16.

Attach a schedule listing the name and address of each affiliate that received payments reported on line 16. Specify the amount and purpose of the payments to each affiliate.

Note: *Properly distinguishing between payments to affiliates and awards and grants is especially important if you use Form 990 for state reporting purposes, as discussed in instruction E. If you use Form 990 only for reporting to IRS, payments to affiliated state or national organizations that do not represent membership dues reportable on line 43 (see instructions above) may be reported either on line 16 or line 22 and explained in the required attachment.*

Line 17—Total expenses.—Organizations using only column (A) of Part II should enter the total of line 16 and line 44 of column (A), Part II. Other organizations enter the total of lines 13 through 16. Organizations using Form 5500, 5500-C/R, or an approved DOL form as a partial substitute for Form 990 (see instruction F) enter the total expense figure from Form 5500 or 5500-C/R, or from the required reconciliation schedule if Form LM-2 or LM-3 is used.

Line 18—Excess (deficit) for the year.—Enter the difference between lines 12 and 17. If line 17 is more than line 12, enter the difference in parentheses.

Line 19—Net assets or fund balances, beginning of year.—Enter the amount from column (A) of line 74 (or from Form 5500, 5500-C/R, or an approved DOL form if instruction F applies).

Line 20—Other changes in net assets or fund balances.—Attach a schedule explaining any changes in net assets or fund balances between the beginning and end of the year that are not accounted for by the amount on line 18. Amounts to report here include adjustments of earlier years' activity and unrealized gains and losses on investments carried at market value.

Line 21—Net assets or fund balances, end of year.—Enter the total of lines 18, 19, and 20. This total figure must equal the amount reported in column (B) of line 74.

Part II—Statement of Functional Expenses.—

All organizations must complete column (A) unless they are using an approved DOL form or Form 5500 or 5500-C/R as a partial substitute for Form 990 in accordance with instruction F. Columns (B), (C), and (D) are optional for all organizations other than section 4947(a)(1) trusts and section 501(c)(3) and (c)(4) organizations. Section 4947(a)(1) trusts and section 501(c)(3) and (c)(4) organizations must complete columns (B), (C), and (D).

Part II reflects the organization's expenses by object classification (salaries, legal fees, supplies, etc.) allocated into three functions: program services (column (B)); management and general (column (C)); and fundraising (column (D)). These functions are explained below in the instructions for the columns. Do not include in Part II any expense items you must report on lines 6b, 8b, 9b, 10b, or 16 in Part I.

For reporting to IRS only, use the organization's normal accounting method to report total expenses in column (A) and to segregate them into functions under columns (B), (C), and (D) (but see instructions S3 and E). If the accounting system does not provide for this type of segregation, a reasonable method of allocation may be used. The amounts reported should be accurate and the method of allocation documented in the organization's records.

Expenses which are directly attributable to a particular functional category must be reported in the appropriate column. Expenses which relate to more than one functional category generally should be allocated. For example, allocate employees' salaries on the basis of each employee's time. For some shared expenses such as occupancy, supplies, and depreciation of office equipment, use an appropriate basis for each kind of cost. However, you should report some other shared expenses in column (C) only. The column instructions below discuss allocating expenses.

Column (A)—Total.—Column (A) is the total of columns (B), (C), and (D) for each line item in Part II. Except for expenses you report on lines 6b, 8b, 9b, 10b, or 16 of Part I, you should use column (A) to report all expenses the organization paid or incurred.

Column (B)—Program services.—Program services are mainly those activities which the reporting organization was created to conduct and which, along with any activities commenced subsequently, form the basis of the organization's current exemption from tax. They may be self-funded or funded out of contributions, accumulated income, investment income, or any other source.

Program services can also include the organization's unrelated trade or business activities. For example, publishing a magazine is a program service even though it contains both editorials and articles that further the organization's exempt purpose and advertising, the income from which is taxable as unrelated business income.

If an organization receives a grant to do research, produce an item, or perform a service, either to meet the grantor's specific needs or to benefit the public directly, the costs incurred represent program service expenses. Do not treat these costs as fundraising expenses, even if you report the grant on line 1 as a contribution.

Column (C)—Management and general.— Use column (C) to report the organization's expenses for overall management and functioning, rather than for its direct conduct of fundraising activities or program services. Overall management usually includes the salaries and expenses of the chief officer of the organization and that officer's staff. If part of their time is spent directly supervising program services and fundraising activities, their salaries and expenses should be allocated among those functions. Other expenses to report in column (C) include those for meetings of the board of directors or similar group; committee and staff meetings (unless held in connection with specific program services or fundraising activities); general legal services; accounting, auditing, personnel, and other centralized services; investment expenses (except those relating to rental income and program-related income—report rental expenses on line 6b and program-related expenses in column (B)); general liability insurance; preparation, publication, and distribution of an annual report; and office management.

However, you should report only general expenses in column (C). Do not use it to report costs of special meetings or other activities that relate to fundraising or specific program services.

Column (D)—Fundraising.—Fundraising expenses represent the total expenses incurred in soliciting contributions, gifts, grants, etc. Report as fundraising expenses all expenses, including allocable overhead costs, incurred in: (a) publicizing and conducting fundraising campaigns; (b) soliciting bequests, grants from foundations or other organizations, or government grants reportable on line 1c; (c) participating in federated fundraising campaigns; (d) preparing and distributing fundraising manuals, instructions, and other materials; and (e) conducting special fundraising events that generate contributions reportable on line 1a in addition to revenue reportable on line 9a, but any expenses attributable to revenue on line 9a (that is, the direct expenses incurred in furnishing the goods or services sold) should be reported on line 9b.

Allocating indirect expenses.—Colleges, universities, hospitals, and other organizations that accumulate indirect expenses in various cost centers (such as the expenses of operating and maintaining the physical plant) that are reallocated to the program services and other functional areas of the organization in a single step or in multiple steps may find it easier to report these expenses in the following optional manner:

First, the expenses of these indirect cost centers may be reported on lines 25 through 43 of the management and general expense column in Part II, along with the expenses properly reportable in that column.

Second, allocate the total expenses for each cost center among program services, management and general, and fundraising as a separate item entry on line 43, Other expenses. Enter the name of the cost center on line 43. If any of the cost center's expenses are to be allocated to the expenses listed in Part I (such as the expenses attributable to special fundraising events and activities), enter these expenses as a negative figure in columns (A) and (C). This prevents reporting the same expense in both Parts I and II. If part of the total cost center expenses are to be allocated to columns (B), Program services, and (D), Fundraising, enter these expenses as positive amounts in these columns and as single negative amounts in column (C). Do not make any entries in column (A), Total, for these offsetting entries.

The above instructions can be illustrated by the following example. An organization reports $50,000 of actual management and general expenses and $100,000 of expenses of an indirect cost center that are to be allocated in part to other functions. The total of lines 25 through 43 of column (C) would be $150,000 before the allocations were made. Assume that $10,000 (of the $100,000 total expenses of the cost center) was allocable to fundraising, $70,000 to various program services, $15,000 to management and general functions, and $5,000 to special fundraising events and activities. To report this in Part II under this alternate method:

(1) Indicate the cost center, the expenses of which are being allocated, on line 43, "Allocation of (specify) expenses";

(2) Enter a decrease of $5,000 on the same line in the Total column, representing the special fundraising event expenses already reported on line 9b in Part I;

(3) Enter $70,000 on the same line in the Program services column;

(4) Enter $10,000 on the same line in the Fundraising column; and

(5) Enter a decrease of $85,000 on the same line in the Management and general column, representing the allocations to functional areas other than management and general.

After these allocations were made, the column (C) total (line 44, column (C)) would be $65,000, consisting of the $50,000 aggregate amount and the $15,000 allocation of the aggregate cost center expenses to management and general.

The above is an example of a simple one-step allocation that was used to show how to report the allocation in Part II. This reporting method would actually be needed more in the case of multiple step allocations in which two or more cost centers are involved. The total expenses of the first would be allocated to the other functions, including an allocation of part of these expenses to the second cost center. The expenses of the second cost center would then be allocated to other functions and any remaining cost centers to be allocated, and so on. The greater the number of these cost centers which are allocated out, the more difficult it would be to preserve the identity of the object classification (salaries, interest, supplies, etc.) of the expenses of each cost center. The reporting method described above avoids this problem.

Note: *The above instructions are intended only to facilitate the reporting of indirect expenses by both object classification and function. They do not in any way sanction the allocation to other functions of expenses properly reportable as management and general expenses.*

Line 22—Grants and allocations.—Enter the amount of awards and grants to individuals and organizations selected by the filing organization. United Way and similar fundraising organizations should include allocations to member agencies. Voluntary awards and grants to affiliated organizations for specific (restricted) purposes or projects also should be reported on line 22, but not required payments to affiliates reportable on line 16.

Scholarship, fellowship, and research grants to individuals should be reported on line 22. Certain other payments to or for the benefit of individuals may be reportable on line 23 instead. See the instructions for line 23 for specific information.

Only the amount of actual grants and awards should be reported on line 22. Expenses incurred in selecting recipients or monitoring compliance with the terms of a grant or award should be reported on lines 25 through 43.

Attach a schedule of amounts reported on line 22. Show: (a) each class of activity; (b) donee's name and address and the amount given; and (c) (in the case of grants to individuals) relationship of donee if related by blood, marriage, adoption, or employment (including employees' children) to any person or corporation with an interest in the organization, such as a creator, donor, director, trustee, officer, etc.

On the schedule, classify activities in more detail than in such broad terms as charitable, educational, religious, or scientific. For example, identify payments for nursing services, laboratory construction, or fellowships.

If the property's fair market value when the organization gave it is the measure of the award or grant, also show on the schedule: a description of the property; its book value; how the book value was determined; how the fair market value was determined; and the date of the gift. Any difference between fair market value and book value should be recorded in the organization's books of account.

Line 23—Specific assistance to individuals.—Enter the amount of payments to or for the benefit of particular clients or patients, including assistance rendered by others at the expense of the filing organization. Do not include grants to other organizations that select the person or persons to receive the assistance available through the use of the grant funds. For example, a payment to a hospital to cover the medical expenses of a particular individual should be reported on line 23, but not a contribution to a hospital to provide some service to the general public or to unspecified charity patients. Also, do not include scholarship, fellowship, or research grants to individuals even though selected by the grantor organization. Report these grants on line 22 instead.

Attach a schedule showing the total payments for each particular class of activity, such as food, shelter, and clothing for indigents or disaster victims; medical, dental, and hospital fees and charges; and direct cash assistance to indigents. For payments to indigent families, do not identify the individuals.

Line 24—Benefits paid to or for members.—For an organization giving benefits to members or dependents (such as organizations exempt under section 501(c)(8), (9), or (17)), attach a schedule. Show amounts of: (a) death, sickness, hospitalization, or disability benefits; (b) unemployment compensation benefits; and (c) other benefits (state their nature). Do not report on this line the cost of employment-related benefits the organization gives its officers and employees. Report those expenses on lines 27 and 28.

Line 25—Compensation of officers, directors, etc.—Enter the total compensation paid to officers, directors, and trustees for the year. In Part V list each one's name and compensation (if any), along with the other information requested.

Each person you list should report this compensation on his or her income tax return, unless the Code specifically excludes any of the payments from income tax. See Publication 525 for more information.

You must file Form 941 to report income tax withholding and social security taxes, and you must also file Form 940 to report Federal unemployment taxes, unless the organization's exemption letter states that it is not subject to these taxes.

Line 26—Other salaries and wages.—Enter the total of employees' salaries not reported on line 25.

Line 27—Pension plan contributions.—Enter the employer's share of contributions that the organization paid to qualified and nonqualified pension plans for the year. Complete Form 5500 or 5500-C/R, as appropriate, for your plan and file as a separate return. If you have more than one plan, complete the appropriate form for each plan. File the form by the last day of the 7th month after the plan year ends. See instruction C14.

Line 28—Other employee benefits.—Enter the amount of your contributions to employee benefit programs (such as insurance, health, and welfare programs) that are not an incidental part of a pension plan included on line 27. Also see instruction C14 and the instructions for Form 5500.

Line 29—Payroll taxes.—Enter the amount of Federal, state, and local payroll taxes for the year, but only those taxes that are imposed on the organization as an employer. This would include the employer's share of FICA taxes, the FUTA tax, state unemployment compensation taxes, and other state and local payroll taxes. Do not include taxes withheld from employees' salaries and paid over to the various governmental units (such as Federal and state income taxes and the employees' shares of FICA tax).

Line 30—Professional fundraising fees.— Enter the organization's fees to outside fundraisers for solicitation campaigns they conducted, or for providing consulting services in connection with a solicitation of contributions by the organization itself.

Line 31—Accounting fees.—Enter the total accounting and auditing fees charged by outside firms and individuals who are not employees of the reporting organization.

Line 32—Legal fees.—Enter the total legal fees charged by outside firms and individuals who are not employees of the reporting organization. Do not include any penalties, fines, or judgments imposed against the organization as a result of legal proceedings. Report those expenses on line 43, Other expenses.

Line 33—Supplies.—Enter the total for office, classroom, medical, and other supplies used during the year, as determined by the organization's normal method of accounting for supplies.

Line 34—Telephone.—Enter the total telephone, telegram, and similar expenses for the year.

Line 35—Postage and shipping.—Enter the total amount of postage, parcel delivery, trucking, and other delivery expenses, including the cost of shipping materials.

Line 36—Occupancy.—Enter the total amount paid or incurred for the use of office space or other facilities, heat, light, power, and other utilities (other than those reported on line 34), outside janitorial services, mortgage interest, real estate taxes, and similar expenses. Do not include depreciation (reportable on line 42) or any salaries of your own employees (reportable on line 26).

Line 37—Equipment rental and maintenance.—Enter the cost of renting and maintaining office equipment and other equipment, except for automobile and truck expenses reportable on lines 35 and 39.

Line 38—Printing and publications.—Enter the printing and related costs of producing the reporting organization's own newsletters, leaflets, films, and other informational materials. (However, do not include any expenses, such as salaries or postage, for which a separate line is provided in Part II.) Also include the cost of any purchased publications.

Line 39—Travel.—Enter the total travel expenses, including transportation costs (fares, mileage allowances, and automobile expenses), meals and lodging, and per diem payments.

Line 40—Conferences, conventions, and meetings.—Enter the total expenses incurred by the organization in conducting meetings relating to its activities. Include such expenses as the rental of facilities, speakers' fees and expenses, and printed materials, but not the salaries and travel expenses of the reporting organization's own officers, directors, trustees, and employees who participate. Also include the registration fees (but not travel expenses) paid for sending any of the organization's staff to conferences, meetings, or conventions conducted by other organizations.

Line 41—Interest.—Enter the total interest expense for the year, excluding any interest attributable to rental property (reported on line 6b) or any mortgage interest treated as occupancy expense on line 36.

Line 42—Depreciation, depletion, etc.—If your organization records depreciation, depletion, and similar expenses, enter the total for the year. Include any depreciation (amortization) of leasehold improvements. You are not required to use the Modified Accelerated Cost Recovery System (MACRS) to compute the depreciation you report on Form 990. If you record depreciation using MACRS, attach **Form 4562**, Depreciation and Amortization, or a schedule showing the same information required by Form 4562. If you do not use MACRS, attach a schedule showing how you computed depreciation.

You should use the same method of computing depreciation on line 42 that you use for the balance sheet, Part IV of this Form 990.

If you claim a deduction for depletion, attach a schedule explaining the deduction.

Line 43—Other expenses.—Indicate the type and amount of each significant expense for which a separate line is not provided. Report all other miscellaneous expenses as a single total. Expenses that might be reported here include: investment counseling and other professional fees not reportable on lines 30 through 32; penalties, fines, and judgments; unrelated business income taxes; and real estate taxes not attributable to rental property or reported as occupancy expenses. Attach a schedule if more space is needed.

Some states that accept Form 990 in satisfaction of their filing requirements may require that certain types of miscellaneous expenses be itemized regardless of amount. See instruction E.

Line 44—Total functional expenses.—Add lines 22 through 43 and enter the totals in columns (A), (B), (C), and (D). Report the column (B) total on line 13 of Part I, the column (C) total on line 14, and the column (D) total on line 15.

Part III—Statement of Program Service Accomplishments.—

Provide the information specified in the instructions above line a of Part III for each of the organization's four largest program services (as measured by total expenses incurred) or for each program service if the organization engaged in four or fewer of such activities. If part of the total expenses of any program service consists of grants and allocations reported on line 22, indicate the amount of the grants and allocations in the space provided.

Attach a schedule that lists the organization's other program services and the total expenses incurred in connection with each. The detailed information required in Part III for the four largest services is not required for the services listed on the attached schedule.

If the organization reports on line 82 the value of any donated services or use of materials, equipment, or facilities it received, it can also indicate in Part III the amount received and utilized in connection with specific program services. However, the applicable amounts should be disclosed only on the lines for the narrative description of the appropriate program services and must not be included in the expense column in Part III.

A program service is a major, usually ongoing objective of an organization, such as adoptions, recreation for the elderly, rehabilitation, or publication of journals or newsletters. Specify the service outputs, products, or other measures of a program service, such as clients served, days of care, therapy sessions, or publications issued. Indicate the number of outputs or products rendered, such as 4,080 counseling contacts.

If it is inappropriate to measure a quantity of output, as in a research activity, describe the objective of the activity for this time period as well as the overall longer-term goal.

You may furnish reasonable estimates for the statistical information (number of clients, patients, etc.) called for by Part III if exact figures are not readily available from the records you normally maintain. In that event, please indicate that the information provided is an estimate.

Listing expenses optional for certain organizations.—If your organization was not required to complete column (B) of Part II (see the instructions to Part II), you need not list the expenses of the program services you report in Part III or on the attached schedule described above.

Part IV—Balance Sheets.—

All organizations except those that meet one of the exceptions in Instruction F above, must complete all of the required lines of columns (A) and (B) of Part IV of the return and may not submit a substitute balance sheet. Failure to complete Part IV may result in penalties for filing an incomplete return. See instruction K. See instruction E for more information about completing a Form 990 to be filed with any state or local government agency.

When any line item in Part IV calls for a schedule to be attached, a schedule is required only for the end-of-year balance sheet figure reported in column (B). Similarly, when space is provided to the left of column (A) for reporting any receivables or depreciable assets and the related allowance for doubtful accounts or accumulated depreciation, enter the end-of-year figures.

Line 45—Cash—noninterest-bearing.—Enter the total of noninterest-bearing cash in checking accounts, deposits in transit, change funds, petty cash funds, or any other noninterest-bearing account. Do not include advances to employees or officers or refundable deposits paid to suppliers or others.

Line 46—Savings and temporary cash investments.—Enter the total of interest-bearing cash in checking accounts, savings and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than 1 year. Report the income from these investments on line 4.

Line 47—Accounts receivable.—Enter the total accounts receivable (reduced by the corresponding allowance for doubtful accounts) that arose from the sale of goods and/or the performance of services. Claims against vendors or refundable deposits with suppliers or others may be reported here if not significant in amount. (Otherwise, report them on line 58, Other assets.) Any receivables due from officers, directors, trustees, or key employees must be reported on line 50. Receivables (including loans and advances) due from other employees should be reported on line 58.

Line 48—Pledges receivable.—Enter the total pledges receivable recorded as of the beginning and end of the year, reduced by the amount of pledges estimated to be uncollectible.

Line 49—Grants receivable.—Enter the total grants receivable from governmental agencies, foundations, and other organizations as of the beginning and end of the year.

Line 50—Receivables due from officers, directors, trustees, and key employees.—All receivables due from officers, directors, trustees, and key employees and all secured and unsecured loans to such persons must be reported on line 50 and in an attached schedule described below. The term "key employees" refers to the chief administrative officers of an organization (such as an executive director or chancellor), but does not include the heads of separate departments or smaller units within an organization.

In the required schedule, report each loan separately, even if more than one loan was made to the same person, or the same terms apply to all loans made.

Receivables that are subject to the same terms and conditions (including credit limits and rate of interest) as receivables due from the general public and that arose during the normal course of the organization's operations may be reported as a single total for all the officers, directors, trustees, and key employees. Travel advances made in connection with official business of the organization may also be reported as a single total.

However, salary advances and other advances for the personal use and benefit of the recipient, and receivables subject to special terms or arising from nontypical transactions, must be reported as separate loans for each officer, director, etc.

Attach a schedule that shows the following information (preferably in columnar form) for each loan or other receivable outstanding at the end of the year that must be reported separately in accordance with the above instructions:

(a) Borrower's name and title;
(b) Original amount;
(c) Balance due;
(d) Date of note;
(e) Maturity date;
(f) Repayment terms;
(g) Interest rate;
(h) Security provided by the borrower;
(i) Purpose of the loan; and
(j) Description and fair market value of the consideration furnished by the lender (for example, cash—$1,000; or 100 shares of XYZ, Inc. common stock—$9,000).

The above detail is not required for receivables or travel advances that may be combined and reported in total (see above instructions); but report and identify those totals separately in the attachment.

Line 51—Other notes and loans receivable.—Enter the combined total of notes receivable and net loans receivable.

Notes receivable.—Enter the amount of all notes receivable not listed on line 50 and not acquired as investments. Attach a schedule similar to that called for in the instructions for line 50. The schedule should also identify the relationship of the borrower to any officer, director, trustee, or key employee of the organization.

Notes receivable from loans by a credit union to its members and scholarship loans by a section 501(c)(3) organization do not have to be itemized. These loans should merely be identified as such on a schedule and the total amount of such loans outstanding indicated.

For a note receivable from another organization exempt under the same paragraph of section 501(c) as the filing organization, list only the name of the borrower and the balance due. For example, a section 501(c)(3) organization would have to provide the full details of a loan to a section 501(c)(4) organization, but would have to provide only the name of tho borrower and the balance due on a note arising from a loan to another section 501(c)(3) organization.

Loans receivable.—Enter the gross amount of loans receivable, less the allowance for doubtful accounts, arising from the normal activities of the filing organization (such as loans by a credit union to its members or scholarship loans by a section 501(c)(3) organization). A schedule of these loans is not required.

Loans to officers, directors, trustees, and key employees must be reported on line 50. Loans to other employees should be reported on line 58.

Line 52—Inventories for sale or use.—Enter the amount of materials, goods, and supplies purchased or manufactured by the organization and held to be sold or used in some future period.

Line 53—Prepaid expenses and deferred charges.—Enter the amount of short-term and long-term prepayments of expenses attributable to one or more future accounting periods. Examples include prepayments of rent, insurance, and pension costs, and expenses incurred in connection with a solicitation campaign to be conducted in a future accounting period.

Line 54—Investments—securities.—Enter the book value (which may be market value) of securities held as investments, and attach a schedule that lists the securities held at the end of the year, and indicate whether the securities are listed at cost (including the value recorded at the time of receipt in the case of donated securities) or end of year market value. Debt securities of the U.S., state, and municipal governments, corporate stocks and bonds, and other publicly traded securities (defined in the instructions for line 8) do not have to be listed individually, except for stock holdings that represent 5% or more of the outstanding shares of stock of the same class. However, show separate totals for each type of security (U.S. Government obligations, corporate stocks, etc.). Do not include amounts reported on line 46.

Line 55—Investments—land, buildings, and equipment.—Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment held for investment purposes, such as rental properties. Attach a schedule listing these investment fixed assets held at the end of the year and showing for each item or category listed, the cost or other basis, accumulated depreciation, and book value. Report the income from these assets on line 6a.

Line 56—Investments—other.—Enter the amount of all other investment holdings not reported on line 54 or 55. Attach a schedule listing and describing each of these investments held at the end of the year. Show the book value for each and indicate whether the investment is listed at cost or end of year market value. Report the income from these assets on line 7. Do not include program-related investments (see instructions for line 58).

Line 57—Land, buildings, and equipment.—Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment owned by the organization and not held for investment. This would include any property, plant, and equipment owned and used by the organization in conducting its exempt activities. Attach a schedule listing these fixed assets held at the end of the year and showing, for each item or category listed, the cost or other basis, accumulated depreciation, and book value.

Line 58—Other assets.—List and show the book value of each category of assets not reportable on lines 45 through 57. Attach a separate schedule if more space is needed.

One type of asset reportable on line 58 would be program-related investments, which are investments made primarily to accomplish some exempt purpose of the filing organization rather than to produce income.

Line 59—Total assets.—Enter the total of lines 45 through 58.

Line 60—Accounts payable and accrued expenses.—Enter the total of accounts payable to suppliers and others and accrued expenses, such as salaries payable, accrued payroll taxes, and interest payable.

Line 61—Grants payable.—Enter the unpaid portion of grants and awards that the organization has made a commitment to pay other organizations or individuals, whether or not the commitments have been communicated to the grantees.

Line 62—Support and revenue designated for future periods.—Enter the amount of contributions, governmental fees or grants, grants from foundations or other organizations, and other fees and support that contributors or grantors have designated as payable for or applicable to one or more future years, either by the terms of the gift or by the terms of the contract or other arrangement. Do not include any amounts restricted for future use by the filing organization's own governing body. Attach a schedule that describes each contribution or grant designated for one or more future periods and indicates the total amount of each item and the amount applicable to each future period.

Line 63—Loans from officers, directors, trustees, and key employees.—Enter the unpaid balance of loans received from officers, directors, trustees, and key employees (see the instructions for line 50 for definition). For loans outstanding at the end of the year, attach a schedule that provides (for each loan) the name and title of the lender and the information listed in items (b) through (j) of the instructions for line 50.

Line 64—Mortgages and other notes payable.—Enter the amount of mortgages and other notes payable at the beginning and end of the year. Attach a schedule showing, as of the end of the year, the total amount of all mortgages payable and, for each nonmortgage note payable, the name of the lender and the other information specified in items (b) through (j) of the instructions for line 50. The schedule should also identify the relationship of the lender to any officer, director, trustee, or key employee of the organization.

Line 65—Other liabilities.—List and show the amount of each liability not reportable on lines 60 through 64. Attach a separate schedule if more space is needed.

Line 66—Total liabilities.—Enter the total of lines 60 through 65.

Lines 67 through 74—Fund Balances or Net Assets.—

Organizations using fund accounting.—If the organization uses fund accounting, check the box above line 67 and complete lines 67 through 70 to report the various fund balances. Also complete line 74 to report the sum of the fund balances and line 75 to report the sum of the total liabilities and fund balances.

Organizations not using fund accounting.—See the instructions under that heading (below) for completing lines 71 through 74.

Under fund accounting, an organization segregates its assets, liabilities, and net worth into separate funds according to externally imposed restrictions on the use of certain assets, similar designations by the organization's governing board, and other amounts that are unrestricted as to use. 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. Since these funds are actually part of a single entity, they are all included in that organization's own financial statements. Similar accounts in the various funds may or may not be consolidated in those statements according to the organization's preference and practice. *Parts I, II, IV, and VII of this form, however, require such consolidation.* Recognition of the separate funds and the net changes within the various funds during the year is accomplished by the fund balances section (lines 67 through 70) of the balance sheet.

Some states that accept Form 990 as their basic report form may require a separate statement of changes in fund balances. See instruction E.

Lines 67a and 67b—Current funds.—Enter the fund balances per books of the current unrestricted fund and the current restricted fund.

Line 68—Land, building, and equipment fund.—Enter the fund balance per books for the land, building, and equipment fund (plant fund).

Line 69—Endowment fund.—Enter the total of the fund balances for the permanent endowment fund and any term endowment funds. Annuity and life income fund balances may be reported here if not significant in amount, or on line 70. Do not include the fund balances of any quasi-endowment funds (funds functioning as endowment) or other internally designated funds.

Line 70—Other funds.—Enter the total of the fund balances for all funds not reported on lines 67 through 69. Indicate the type of fund in the space provided or on an attachment if more than one fund is involved. On the attachment, show the beginning and end of year fund balance for each fund listed.

Organizations not using fund accounting.—If the organization does not use fund accounting, check the box above line 71 and report account balances on lines 71 through 73. Report net assets' balance on line 74. Also complete line 75 to report the sum of the total liabilities and net assets.

Line 71—Capital stock or trust principal.—For corporations, enter the balance per books for capital stock accounts. Show par or stated value (or for stock with no par or stated value, total amount received upon issuance) of all classes of stock issued and, as yet, uncancelled. For trusts, enter the amount in the trust principal or corpus account.

Line 72—Paid-in or capital surplus.—Enter the balance per books for all paid-in capital in excess of par or stated value for all stock issued and, as yet, uncancelled. If stockholders or others gave donations that the organization records as paid-in capital, include them here. Any current year donations you include on line 72 should be reported in Part I, line 1.

Line 73—Retained earnings or accumulated income.—For a corporation, enter the balance in the retained earnings or similar account, minus the cost of any corporate treasury stock. For trusts, enter the balance per books in the accumulated income or similar account.

Line 74—Total fund balances or net assets.—For organizations that use fund accounting, enter the total of lines 67 through 70. For all other organizations, enter the total of lines 71 through 73. The beginning of the year figure in column (A) should be carried over to Part I, line 19. The end-of-year figure in column (B) should agree with the figure on line 21 of Part I.

Line 75—Total liabilities and fund balances/net assets.—Enter the total of lines 66 and 74. That figure must equal the figure for total assets reported on line 59 for both the beginning and end of the year.

Part V—List of Officers, Directors, and Trustees.—

List each of the organization's officers, directors, trustees, and other persons having responsibilities or powers similar to those of officers, directors, or trustees. List all of these persons even if they did not receive any compensation from the organization. Enter "-0-" in Columns (C), (D) and (E) if none was paid.

Show all forms of compensation received by each listed officer, etc.

Column (C).—Enter salary, fees, bonuses, and severance payments received by each person listed.

Column (D).—Include all forms of deferred compensation (whether or not funded and whether or not the deferred compensation plan is a qualified plan under section 401(a)) and payments to welfare benefit plans on behalf of the officers, etc.

Column (E).—Enter amounts that the recipients must report as income on their separate income tax returns. Examples include amounts for which the recipient did not account to the organization or allowances that were more than the payee spent on serving the organization.

Include payments made in connection with indemnification arrangements, the value of the personal use of housing, automobiles, or other assets owned or leased by the organization (or provided for the organization's use without charge), as well as any other taxable and nontaxable fringe benefits. Refer to Publication 525 for more information.

Part VI—Other Information.—

Line 76—Change in activities.—Attach a statement explaining any significant changes in the kind of activities the organization conducts to further its exempt purpose. These new or modified activities would be those not listed as current or planned in your application for recognition of exemption; or those not already made known to IRS by a letter to your key district director or by an attachment to your return for any earlier year. Besides describing new activities or changes to current ones, also describe any major program activities that are being discontinued.

Line 77—Changes in organizing or governing documents.—Attach a conformed copy of any changes to the articles of incorporation, constitution, trust instrument, or other organizing document, or to the bylaws or other governing document.

A "conformed" copy is one that agrees with the original document, and all amendments to it. If the copies are not signed, they must be accompanied by a written declaration signed by an officer authorized to sign for the organization, certifying that they are complete and accurate copies of the original documents.

Photocopies of articles of incorporation showing the certification of an appropriate state official need not be accompanied by such a declaration. See Rev. Proc. 68-14, 1968-1 C.B. 768, for more information. When a number of changes are made, send a copy of the entire revised organizing instrument or governing document.

Line 78—Unrelated business income.—Check "Yes" on line 78a if the organization's total gross income from all of its unrelated trades and businesses is $1,000 or more for the year. Gross income is gross receipts less the cost of goods sold and/or operations. See Publication 598 for a description of unrelated business income and the Form 990-T filing requirements for section 501(c), 501(e), 501(f), and 501(k) organizations having such income. *Form 990-T is not a substitute for Form 990.* Items of income and expense reported on Form 990-T must also be reported on Form 990 when the organization is required to file both forms. For purposes of line 78, the term "business activities" includes any income- generating activity involving the sale of goods or services or income from investments.

Note: *All tax-exempt organizations must pay estimated taxes with respect to their unrelated business income. You may use Form 990-W to compute this tax.*

Line 78c.—If you answer "Yes" to this question, complete Part IX, Information Regarding Taxable Subsidiaries.

Line 79—Liquidation, dissolution, termination, or substantial contraction.—If there was a liquidation, dissolution, termination, or substantial contraction, attach a statement explaining which took place.

For a complete liquidation of a corporation or termination of a trust, write *"Final Return"* at the top of the organization's Form 990. On the statement you attach, show whether the assets have been distributed and the date. Also attach a certified copy of any resolution, or plan of liquidation or termination, etc., with all amendments or supplements not already filed. In addition, attach a schedule listing: the names and addresses of all persons who received the assets distributed in liquidation or termination; the kinds of assets distributed to each one; and each asset's fair market value.

A *substantial contraction* is a partial liquidation or other major disposition of assets, except transfers for full consideration or distributions from current income.

A *major distribution of assets* means any disposition for the tax year that is:

(a) At least 25% of the fair market value of the organization's net assets when the tax year began; or

(b) One of a series of related dispositions begun in earlier years that, together, add up to at least 25% of the net assets the organization had at the beginning of the tax year when the first disposition in the series was made. Whether a major disposition of assets took place through a series of related dispositions is determined by the facts in each case.

See Regulations section 1.6043-3 for special rules and exceptions.

Line 80—Relation to other organizations.—Answer "Yes" if most of the organization's governing body, officers, trustees, or membership are also officers, directors, trustees, or members of any other organization.

Disregard a coincidental overlap of membership with another organization (that is, when membership in one organization is not a condition of membership with another organization). For example, assume that a majority of the members of a section 501(c)(4) civic organization also belong to a local chamber of commerce described in section 501(c)(6). The civic organization should answer "No" on line 80 if it does not require its members to belong to the chamber of commerce.

Also disregard affiliation with any statewide or nationwide organization. Thus, the civic organization in the above example would still answer "No" on line 80 even if it belonged to a state or national federation of similar organizations. A local labor union whose members are also members of a national labor organization would answer "No" on line 80.

Line 81—Expenditures for political purposes.—A political expenditure is one intended to influence the selection, nomination, election, or appointment of anyone to a Federal, state, or local public office, or office in a political organization, or the election of Presidential or Vice Presidential electors. Whether the attempt succeeds does not matter.

An expenditure includes a payment, distribution, loan, advance, deposit, or gift of money, or anything of value. It also includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

(a) All section 501(c) organizations.—Section 501(c) organizations must file Form 1120-POL if their political expenditures and their net investment income both exceed $100 for the year.

Section 501(c) organizations that maintained separate segregated funds described in section 527(f)(3) should refer to the instructions for Form 1120-POL for filing requirements.

(b) Section 501(c)(3) organizations.—A section 501(c)(3) organization will lose its tax-exempt status if it engages in political activity.

Further, an initial excise tax is imposed on any amount paid or incurred by a section 501(c)(3) organization in connection with any intervention in a political campaign on behalf of, or in opposition to, any candidate for public office. An additional excise tax is also imposed on the organization if it fails to correct the expenditure timely.

An initial excise tax is imposed on any manager of the section 501(c)(3) organization who, knowing that an expenditure is a political expenditure, agrees to the making of the expenditure, unless such agreement is not willful and is due to reasonable cause. A manager who refuses to agree to part or all of the required correction of the political expenditure may also be subject to an additional excise tax.

For purposes of these excise taxes, in the case of an organization which was formed primarily to promote the candidacy or prospective candidacy of an individual for public office (or which is effectively controlled by a candidate or prospective candidate and which is availed of primarily for such purposes), amounts paid or incurred for any of the following purposes are deemed political expenditures:

(1) Remuneration to the individual (a candidate or prospective candidate) for speeches or other services;

(2) Travel expenses of the individual;

(3) Expenses of conducting polls, surveys, or other studies, or preparing papers or other material for use by the individual;

(4) Expenses of advertising, publicity, and fundraising for such individual; and

(5) Any other expense which has the primary effect of promoting public recognition or otherwise primarily accruing to the benefit of the individual.

Use Form 4720 to calculate the excise taxes.

Line 82—Donated services or facilities.— Because Form 990 is open to public inspection, you may want the return to show contributions the organization received in the form of donated services or the use of materials, equipment, or facilities at less than fair rental value. If so, and if the organization's records either show the amount and value of such items or give a clearly objective basis for an estimate, you may enter the information on line 82. IRS does not require any organization to keep such records. Do NOT include the value of such items in Part I or II or in the expense column in Part III. However, you may indicate the value of donated services or use of materials, equipment, or facilities in

Part III in the narrative description of program services rendered. See the instructions for Part III.

Line 84a.—All organizations that qualify under section 170(c) to receive contributions that are deductible as charitable contributions for federal income tax purposes, enter N/A.

Line 85—Section 501(c)(5) or (6) organizations.—Attempts to influence the opinion of the general public, or any segment of the general public, on legislative matters or referendums constitute grassroots lobbying. Such lobbying may be explicit, as in an advertisement that urges the public to contact legislators for the purpose of proposing, supporting, or opposing legislation. Grassroots lobbying may also be implicit in any advertisement or other communication directed at the public if the communication is an attempt to mold public opinion on a legislative matter or referendum. Any lobbying directed at the members of the organization is not grassroots lobbying. Lobbying directed at "potential" members, employees of members, or stockholders of members would be grassroots lobbying. See Regulations section 1.162-20(c) for a discussion of grassroots lobbying.

Line 86—Section 501(c)(7) organizations.—A section 501(c)(7) organization may receive up to 35% of its gross receipts, including investment income, from sources outside its membership and remain tax-exempt. Part of the 35% (up to 15% of gross receipts) may be derived from public use of a social club's facilities.

For this purpose, "gross receipts" are the club's income from its usual activities. The term includes charges, admissions, membership fees, dues, assessments, investment income (such as dividends, rents, and similar receipts), and normal recurring capital gains on investments. Gross receipts do not include capital contributions (as defined in the Regulations under section 118), initiation fees, or unusual amounts of income such as from the club's selling its clubhouse. Although gross receipts usually do not include initiation fees, these should be included for college fraternities or sororities or other organizations that charge membership initiation fees, but no annual dues.

If the 35% and 15% limits do not affect the club's exempt status, include the income from line 86b on the club's Form 990-T.

Section 501(i) provides that a section 501(c)(7) organization cannot be exempt from income tax if any written policy statement, including the governing instrument and bylaws, provides for discrimination on the basis of race, color, or religion. However, section 501(i) allows social clubs to retain their exemption under section 501(c)(7) even though their membership is limited (in writing) to members of a particular religion if: (1) the social club is an auxiliary of a fraternal beneficiary society that is exempt under section 501(c)(8) and limits its membership to the members of a particular religion; or (2) the social club's membership limitation is a good faith attempt to further the teachings or principles of that religion, and the limitation is not intended to exclude individuals of a particular race or color.

Line 87—Section 501(c)(12) organizations.—One of the requirements that an organization must meet to qualify under section 501(c)(12) is that at least 85 percent of its gross income consists of amounts collected from members for the sole purpose of meeting losses and expenses. For purposes of section 501(c)(12), the term "gross income" means gross receipts minus cost of goods sold.

Gross income does not include income attributable to the cancellation of any loan originally made or guaranteed by the United States if such cancellation occurs after December 31, 1986, and before January 1, 1990.

For a mutual or cooperative electric or telephone company, "gross income" does not include amounts received or accrued as "qualified pole rentals" or from the prepayment of a loan under the Rural Electrification Act of 1936 (see section 501(c)(12)(B), (C), and (D)).

For a mutual or cooperative telephone company, "gross income" also does not include amounts received or accrued either from another telephone company for completing long distance calls to or from or between the telephone company's members, or from the sale of display listings in a directory furnished to the telephone company's members.

Line 88—Public interest law firms.—A public interest law firm exempt under section 501(c)(3) or 501(c)(4) must attach a statement that lists the cases in litigation, or that have been litigated during the year. For each case, describe the matter in dispute and explain how the litigation will benefit the public generally. See Rev. Proc. 71-39, 1971-2 C.B. 575. Also attach a report of all fees sought and recovered. See Rev. Proc. 75-13, 1975-1 C.B. 662, about acceptance of attorney's fees.

Line 89—List of states.—List each state with which you are filing a copy of this return in full or partial satisfaction of state filing requirements.

Line 92—Section 4947(a)(1) trusts.—This line must be completed only by section 4947(a)(1) trusts filing Form 990 in lieu of Form 1041. Include exempt-interest dividends received from a mutual fund or other regulated investment company as well as tax-exempt interest received directly by the trust.

Part VII—Analysis of Income-Producing Activities.—

Part VII provides for an analysis of revenue items reported on lines 1-11 of Part I.

Columns (b), (d), and (e).—Enter amounts reportable for lines 93–103 in columns (b), (d), and (e) (as appropriate) to show whether revenue earned is unrelated business income; whether it is excluded from the definition of unrelated business income by Code section 512, 513, or 514; or whether the revenue earned is related or exempt function income.

In Part VIII, give an explanation for any amount entered in column (e).

Columns (a) and (c).—For column (a), select a business code, from the list given in the instructions for Form 990-T, to identify the activity that generated the unrelated business income entered in column (b).

For column (c), select an exclusion code from the list on page 16, to identify the Code provision that excludes from the unrelated business income tax the amount entered in column (d). If more than one exclusion code is applicable to a particular revenue item, select the lowest numbered exclusion code that applies. Also, if nontaxable revenues from several sources are reportable on the same line in column (d), use the exclusion code that applies to the largest revenue source.

Line 93–Program service revenue.—On lines 93(a)–(g), list each revenue-producing program service activity of the organization. See the instructions for line 2, Part I, for a description of program service activities. For each program service activity listed, enter an amount in columns (b), (d), and (e) (as appropriate). Enter gross revenue (that is, without subtracting any related expenses) from each such activity. Choose proper business and exclusion codes. On line 93(g), report fees from government agencies that do not constitute grants reportable on line 1c of Part I. Report the total of lines 93(a)–(g) on line 2 of Part I.

Comparing Part VII with Part I.—The sum of amounts entered on each line of lines 93–103, columns (b), (d) and (e), should equal amounts entered on the corresponding line in Part I as shown in the following chart:

Part VII Line	Part I Line
93(a)–(g)	2
94	3
95	4
96	5
97 and 98	6c
99	7
100	8d
101	9c
102	10c
103(a)–(e)	11

Line 103.—On lines 103(a)–(e), list each "Other revenue" activity as described in the instructions for line 11. Report the sum of the amounts entered for lines 103(a)–(e), columns (b), (d), and (e), on line 11, Part I.

Line 105.—Enter the total of columns (b), (d), and (e) of line 104. The amount on line 105, Part VII, plus the amount on line 1d, Part I, should equal the amount on line 12, Part I.

Part VIII—Relationship of Activities to the Accomplishment of Exempt Purposes.—

Explain how each activity contributed importantly to the accomplishment of your exempt purposes, other than by providing funds for such purposes.

Part IX—Information Regarding Taxable Subsidiaries.—

Complete this Part if you answered "Yes" to question 78c of Part VI, Other Information.

Exclusion Codes

General Exceptions

01— Income from an activity that is not regularly carried on (section 512(a)(1))

02— Income from an activity in which labor is a material income-producing factor and substantially all (at least 85%) of the work is performed with unpaid labor (section 513(a)(1))

03— Section 501(c)(3) organization— Income from an activity carried on primarily for the convenience of the organization's members, students, patients, visitors, officers, or employees (hospital parking lot or museum cafeteria, for example) (section 513(a)(2))

04— Section 501(c)(4) local association of employees organized before 5/27/69—Income from the sale of work-related clothes or equipment and items normally sold through vending machines; food dispensing facilities; or snack bars for the convenience of association members at their usual places of employment (section 513(a)(2))

05— Income from the sale of merchandise, substantially all of which (at least 85%) was donated to the organization (section 513(a)(3))

Specific Exceptions

06— Section 501(c)(3), (4), or (5) organization conducting an agricultural or educational fair or exposition—Qualified public entertainment activity income (section 513(d)(2))

07— Section 501(c)(3), (4), (5), or (6) organization—Qualified convention and trade show activity income (section 513(d)(3))

08— Income from hospital services described in section 513(e)

09— Income from noncommercial bingo games that do not violate state or local law (section 513(f))

10— Income from games of chance conducted by an organization in North Dakota (section 311 of the Deficit Reduction Act of 1984, as amended)

11— Section 501(c)(12) organization—Qualified pole rental income (section 513(g))

12— Income from the distribution of low-cost articles in connection with the solicitation of charitable contributions (section 513(h))

13— Income from the exchange or rental of membership or donor list with an organization eligible to receive charitable contributions by a section 501(c)(3) organization; by a war veterans' organization; or an auxiliary unit or society of, or trust or foundation for, a war veterans' post or organization (section 513(h))

Modifications and Exclusions

14— Dividends, interest, or payments with respect to securities loans, and annuities excluded by section 512(b)(1)

15— Royalty income excluded by section 512(b)(2)

16— Real property rental income that does not depend on the income or profits derived by the person leasing the property and is excluded by section 512 (b)(3)

17— Rent from personal property leased with real property and incidental (10% or less) in relation to the combined income from the real and personal property (section 512(b)(3))

18— Proceeds from the sale of investments and other non-inventory property (capital gains excluded by section 512(b)(5))

19— Income (gains) from the lapse or termination of options to buy or sell securities (section 512(b)(5))

20— Income from research for the United States; its agencies or instrumentalities; or any state or political subdivision (section 512(b)(7))

21— Income from research conducted by a college, university, or hospital (section 512(b)(8))

22— Income from research conducted by an organization whose primary activity is conducting fundamental research, the results of which are freely available to the general public (section 512(b)(9))

23— Income from services provided under license issued by a federal regulatory agency and conducted by a religious order or school operated by a religious order, but only if the trade or business has been carried on by the organization since before May 27, 1959 (section 512 (b)(15))

Foreign Organizations

24— Foreign organizations only—Income from a trade or business NOT conducted in the United States and NOT derived from United States sources (patrons) (section 512(a)(2))

Social Clubs and VEBAs

25— Section 501(c)(7), (9), (17), or (20) organization—Non-exempt function income set aside for a charitable, etc., purpose specified in section 170(c)(4) (section 512(a)(3)(B)(i))

26— Section 501(c)(7), (9), (17), or (20) organization—Proceeds from the sale of exempt function property that was or will be timely reinvested in similar property (section 512(a)(3)(D))

27— Section 501(c)(9), (17), or (20) organization—Non-exempt function income set aside for the payment of life, sick, accident, or other benefits (section 512(a)(3)(B)(ii))

Veterans' Organizations

28— Section 501(c)(19) organization—Payments for life, sick, accident, or health insurance for members or their dependents that are set aside for the payment of such insurance benefits or for a charitable, etc., purpose specified in section 170(c)(4) (section 512(a)(4))

29— Section 501(c)(19) organization—Income from an insurance set-aside (see code 28 above) that is set aside for payment of insurance benefits or for a charitable, etc., purpose specified in section 170(c)(4) (Regs. 1.512(a)– 4(b)(2))

Debt-financed Income

30— Income exempt from debt-financed (section 514) provisions because at least 85% of the use of the property is for the organization's exempt purposes (**Note:** *This code is only for income from the 15% or less non-exempt purpose use.)* (section 514(b)(1)(A))

31— Gross income from mortgaged property used in research activities described in section 512(b)(7), (8), or (9) (section 514(b)(1)(C))

32— Gross income from mortgaged property used in any activity described in section 513(a)(1), (2), or (3) (section 514(b)(1)(D))

33— Income from mortgaged property (neighborhood land) acquired for exempt purpose use within ten years (section 514(b)(3))

34— Income from mortgaged property acquired by bequest or devise (applies to income received within ten years from the date of acquisition) (section 514(c)(2)(B))

35— Income from mortgaged property acquired by gift where the mortgage was placed on the property more than five years previously and the property was held by the donor for more than five years (applies to income received within ten years from the date of gift (section 514(c)(2)(B))

36— Income from property received in return for the obligation to pay an annuity described in section 514(c)(5)

37— Income from mortgaged property that provides housing to low and moderate income persons, to the extent the mortgage is insured by the Federal Housing Administration (section 514(c)(6)) (**Note:** *In many cases, this would be exempt function income reportable in column (e). It would not be so in the case of a section 501(c)(5) or (6) organization, for example, that acquired the housing as an investment or as a charitable activity.)*

38— Income from mortgaged real property owned by: a school described in section 170(b)(1)(A)(ii); a section 509(a)(3) affiliated support organization of such a school; a section 501(c)(25) organization, or by a partnership in which any of the above organizations owns an interest if the requirements of section 514(c)(9)(B)(vi) are met (section 514(c)(9))

Special Rules

39— Section 501(c)(5) organization— Farm income used to finance the operation and maintenance of a retirement home, hospital, or similar facility operated by the organization for its members on property adjacent to the farm land (section 1951(b)(8)(B) of Public Law 94-455)

Trade or Business

40— Gross income from an unrelated activity that is regularly carried on but, in light of continuous losses sustained over a number of tax periods, cannot be regarded as being conducted with the motive to make a profit (not a trade or business)

U.S. GOVERNMENT PRINTING OFFICE : 1990 O - 245-133

Form **990EZ**

Department of the Treasury
Internal Revenue Service

Short Form
Return of Organization Exempt From Income Tax

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

▶ For organizations with gross receipts less than $100,000 *and* total assets less than $250,000 at end of year

Note: You may be required to use a copy of this return to satisfy state reporting requirements. See instruction E.

OMB No. 1545-1150
Expires 1-31-91

1989

For the calendar year 1989, or fiscal year beginning , 1989, and ending , 19

Use IRS label. Otherwise, please print or type.	Name of organization	**A Employer identification number** (see instruction R2)
	Address (number and street or P.O. box number)	**B State registration number(s)** (see instruction E10)
	City or town, state, and ZIP code	C If application for exemption is pending, check here ▶ . . . . ☐

D Check type of organization—Exempt under section ▶ ☐ 501(c) ( ) (insert number), OR ▶ ☐ section 4947(a)(1) trust (See instruction C7 and question 42.)

E Check here ▶ ☐ if your gross receipts are normally not more than $25,000. You need not file a completed return with IRS; but if you received a Form 990 Package in the mail, you should file a return without financial data (see instructions A4 and B10). **Some states require a completed return.**

F Enter your 1989 gross receipts (add lines 5b, 6b, 7b, and 9) . . . . ▶ $
If $100,000 or more, you must file Form 990 instead of Form 990EZ.

Part I **Statement of Revenue, Expenses, and Changes in Net Assets or Fund Balances**

Revenue	1	Contributions, gifts, grants, and similar amounts received (attach schedule—see instructions) .		1	
	2	Program service revenue		2	
	3	Membership dues and assessments		3	
	4	Investment income		4	
	5a	Gross amount from sale of assets other than inventory	5a	▨	
	b	Less: cost or other basis and sales expenses	5b	▨	
	c	Gain or (loss) (attach schedule)		5c	
	6	Special events and activities (attach schedule—see instructions):		▨	
	a	Gross revenue (not including $ ____________ of contributions reported on line 1)	6a	▨	
	b	Less: direct expenses	6b	▨	
	c	Net income (line 6a less line 6b).		6c	
	7a	Gross sales less returns and allowances	7a	▨	
	b	Less: cost of goods sold	7b	▨	
	c	Gross profit or (loss)		7c	
	8	Other revenue (describe ▶ ____________________) .		8	
	9	**Total revenue** (add lines 1, 2, 3, 4, 5c, 6c, 7c, and 8). . . . . ▶		9	
Expenses	10	Grants and similar amounts paid (attach schedule)		10	
	11	Benefits paid to or for members		11	
	12	Salaries, other compensation, and employee benefits		12	
	13	Professional fees and payments to other independent contractors		13	
	14	Occupancy, rent, utilities, and maintenance		14	
	15	Printing, publications, postage, and shipping.		15	
	16	Other expenses (describe ▶ ____________________) .		16	
	17	**Total expenses** (add lines 10 through 16) . . . . ▶		17	
Net Assets	18	Excess or (deficit) for the year (line 9 less line 17)		18	
	19	Net assets or fund balances at beginning of year (from line 27, column (A)) (must agree with end-of-year figure reported on prior year's return)		19	
	20	Other changes in net assets or fund balances (attach explanation)		20	
	21	Net assets or fund balances at end of year (add lines 18 through 20) (must agree with line 27, column (B)) . . . . ▶		21	

Part II **Balance Sheets**—If Total assets on line 25, Column (B) are $250,000 or more, you must file Form 990 instead of Form 990EZ.

		(A) Beginning of year		(B) End of year
22	Cash, savings, and investments		22	
23	Land and buildings		23	
24	Other assets (describe ▶ ____________________) .		24	
25	**Total assets**		25	
26	**Total liabilities** (describe ▶ ____________________) .		26	
27	**Net assets or fund balances** (Column (B) must agree with line 21.)		27	

For Paperwork Reduction Act Notice, see page 1 of the separate instructions.

Form **990EZ** (1989)

Form 990EZ (1989) Page **2**

Part III **Statement of Program Service Accomplishments**—(See instructions.)

Describe what was achieved in carrying out your exempt purposes. Fully describe the services provided, the number of persons benefited, or other relevant information for each program title. Section 501(c)(3) and (4) organizations must also enter the amount of grants to others.

		Expenses Required for section 501(c)(3) and (4) organizations; optional for others
28	.... (Grants $)	
29	.... (Grants $)	
30	.... (Grants $)	
31	Other program services (attach schedule) . . . . (Grants $)	
32	**Total program service expenses** (add lines 28 through 31) . . . . ▶	

Part IV **List of Officers, Directors, and Trustees** (List each one even if not compensated. See instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter zero)	(D) Contributions to employee benefit plans	(E) Expense account and other allowances

Part V **Other Information**—501(c)(3) organizations and 4947(a)(1) trusts must also complete and attach Schedule A (Form 990). (See instruction C1.)

		Yes	No
33	Did the organization engage in any activity not previously reported to the Internal Revenue Service? . . . . If "Yes," attach a detailed description of each activity.	▨	
34	Were any changes made to the organizing or governing documents, but not reported to IRS? . . . . If "Yes," attach a conformed copy of the changes.	▨	
35	*If the organization had income from business activities, such as those reported on lines 2, 6, and 7 (among others), but NOT reported on Form 990-T, attach a statement explaining your reason for not reporting the income on Form 990-T.*	▨	▨
a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return? .		
b	If "Yes," have you filed a tax return on **Form 990-T**, Exempt Organization Business Income Tax Return, for this year? .		
36	Was there a liquidation, dissolution, termination, or substantial contraction during the year? (See instructions.) . . . If "Yes," attach a statement as described in the instructions.	▨	
37a	Enter amount of political expenditures, direct or indirect, as described in the instructions. ▶ 37a	▨	▨
b	Did you file **Form 1120-POL**, U.S. Income Tax Return for Certain Political Organizations, for this year?		
38a	Did you borrow from or make any loans to any officer, director, trustee, or key employee OR were any such loans made in a prior year and still unpaid at the start of the period covered by this return?	▨	
b	If "Yes," attach the schedule specified in the instructions and enter the amount involved . . 38b	▨	▨
39	*Section 501(c)(7) organizations.*—Enter:	▨	▨
a	Initiation fees and capital contributions included on line 9 . . . . 39a	▨	▨
b	Gross receipts, included on line 9, for public use of club facilities (see instructions) . . . 39b	▨	▨
c	Does the club's governing instrument or any written policy statement provide for discrimination against any person because of race, color, or religion? (See instructions.)		

40 List the states with which a copy of this return is filed. ▶ ....

41 The books are in care of ▶.............................. Telephone no. ▶ ....
Located at ▶ ....

42 *Section 4947(a)(1) trusts filing Form 990EZ in lieu of* **Form 1041**, U.S. Fiduciary Income Tax Return.— . . . . Check here ▶ ☐
and enter the amount of tax-exempt interest received or accrued during the tax year . . . . . . ▶ 42

Please Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge. ▶ Signature of officer / Date	▶ Title	
Paid Preparer's Use Only	Preparer's signature ▶	Date	Check if self-employed ▶ ☐
	Firm's name (or yours if self-employed) and address ▶	ZIP code	

*U.S. Government Printing Office: 1990-245-421

1989

Department of the Treasury
Internal Revenue Service

Instructions for Form 990EZ

Short Form Return of Organization Exempt From Income Tax

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

(For organizations with gross receipts less than $100,000 and total assets of less than $250,000 at end of year.)

(Section references are to the Internal Revenue Code unless otherwise indicated.)

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws. You are required to give us this information.

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

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to IRS
990EZ	26 hrs., 4 min.	4 hrs., 20 min.	5 hrs., 53 min.	16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer T:FP; or the **Office of Management and Budget**, Paperwork Reduction Project (1545-1150), Washington, DC 20503.

General Instructions

Purpose of Form.—Form 990EZ is a short version of **Form 990**, Return of Organization Exempt From Income Tax, that is designed for use by smaller tax-exempt organizations and nonexempt charitable trusts to provide the IRS with the information required by section 6033(a)(1).

Both the organization and the IRS are required by law (section 6104) to make the Form 990EZ (except for the schedule of contributors) available for public inspection. See Instruction L on page 4 for more information regarding this public inspection requirement.

A. Who Must File.—

1. **IMPORTANT NOTE:** *Gross receipts and total assets requirement.*—Except for those types of organizations listed in instruction B, an annual return on Form 990 (or 990EZ) is required from every organization exempt from tax under section 501(a), including foreign organizations and cooperative service organizations described in sections 501(e) and (f), and child care organizations described in section 501(k).

Organizations whose annual gross receipts are normally more than $25,000 (see instructions A4 and B10) must file Form 990 (or 990EZ). An organization may file Form 990EZ, instead of Form 990, for 1989 if it meets BOTH of the following requirements: its gross receipts during 1989 were less than $100,000 AND its total assets (line 25, Column (B) of Form 990EZ) at the end of 1989 were less than $250,000. If your organization fails to meet either of these conditions, you may not file Form 990EZ. Instead, you must file Form 990.

2. *Section 4947(a)(1) nonexempt charitable trust.*—Any nonexempt charitable trust (described in section 4947(a)(1)) not treated as a private foundation is also required to file Form 990 (or 990EZ) if its gross receipts are normally more than $25,000. See instruction A1 for Form 990EZ eligibility requirements. See also instruction C7 for information about possible relief from filing **Form 1041**, U.S. Fiduciary Income Tax Return.

3. *Exemption application pending.—If your application for exemption is pending, check the "Application Pending" block (item C) at the top of page 1 of the return and complete the return in the normal manner.*

4. *If you received a Form 990 Package.*—If you are not required to file Form 990EZ because your gross receipts are normally not more than $25,000 (see instruction B10 below), we ask that you file anyway if we sent you a Form 990 Package with a preaddressed mailing label. Attach the label to the name and address space on the return, check box E in the area above Part I to indicate that your gross receipts are below the $25,000 filing minimum; sign the return; and send it to the Service Center for your area. You do not have to complete Parts I through V. This will help us to update our records, and we will not have to contact you later asking why no return was filed. If you file a return in the above manner, you will not be mailed a Form 990 Package in later years and need not file Form 990 (or 990EZ) again until your gross receipts normally exceed the $25,000 minimum, or you terminate or undergo a substantial contraction as described in the instructions for line 36.

5. *Effect on contributions.*—Organizations which are eligible to receive tax deductible contributions are listed in **Publication 78**, Cumulative List of Organizations Described in Section 170(c) of the Internal Revenue Code of 1986. An organization may be removed from this listing if our records show that it is required to file Form 990 (or 990EZ), but it does not file a return or advise us that it is no longer required to file. However, contributions to such an organization may continue to be deductible by the general public until IRS publishes a notice to the contrary in the Internal Revenue Bulletin.

Contents **Page**

B. Organizations Not Required To File.—For state filing purposes, see instruction E. The following types of organizations exempt from tax under section 501(a) do not have to file Form 990 (or 990EZ) with the IRS:

1. A church, an interchurch organization of local units of a church, a convention or association of churches, an integrated auxiliary of a church (such as a men's or women's organization, religious school, mission society, or youth group), or an internally supported, church-controlled organization (described in Rev. Proc. 86-23, 1986-1 C.B. 564).

2. A school below college level affiliated with a church or operated by a religious order.

3. A mission society sponsored by or affiliated with one or more churches or church denominations, if more than one-half of the society's activities are conducted in, or directed at persons in, foreign countries.

4. An exclusively religious activity of any religious order.

5. A state institution whose income is excluded from gross income under section 115.

6. An organization described in section 501(c)(1). Section 501(c)(1) organizations are corporations organized under an Act of Congress that are:

(a) Instrumentalities of the United States, and

(b) Exempt from Federal income taxes under such Acts as amended and supplemented.

7. A private foundation exempt under section 501(c)(3) and described in section 509(a). (Required to file **Form 990-PF**, Return of Private Foundation.)

8. A black lung benefit trust described in section 501(c)(21). (Required to file **Form 990-BL**, Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons.)

9. A stock bonus, pension, or profit-sharing trust which qualifies under section 401. (See **Form 5500**, Annual Return/Report of Employee Benefit Plan.)

10. *Gross receipts of $25,000 or less.*—An organization whose annual gross receipts are normally $25,000 or less is not required to file; however, see instruction A, paragraph 4. The organization's gross receipts are the total amount it received from all sources during its annual accounting period, without subtracting any costs or expenses. (Gross receipts are the sum of lines 1, 2, 3, 4, 5a, 6a, 7a, and 8 of Part I. Alternatively, add back the amounts on lines 5b, 6b, and 7b to the total revenue reported on line 9.)

However, if a local chapter of a section 501(c)(8) fraternal organization collects insurance premiums for its parent lodge and merely sends those premiums to the parent without asserting any right to use the funds or otherwise deriving any benefit from collecting them, the local chapter should not include the premiums in its gross receipts. The parent lodge should report them instead. The same rationale applies to other situations in which one organization collects funds merely as an agent for another.

An organization's gross receipts are considered normally to be $25,000 or less if the organization is:

(a) Up to a year old and has received, or donors have pledged to give, $37,500 or less during its first tax year;

(b) Between 1 and 3 years old and averaged $30,000 or less in gross receipts during each of its first 2 tax years; or

(c) 3 years old or more and averaged $25,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed). If your gross receipts are normally $25,000 or less, see instruction A4, above.

C. Other Forms You May Need To File.—

1. **Schedule A (Form 990).**—Organization Exempt Under 501(c)(3) (Except Private Foundation), 501(e), 501(f), 501(k), or Section 4947(a)(1) Trust Supplementary Information. Filed with Form 990EZ for a section 501(c)(3) organization that is not a private foundation (including an organization described in section 501(e), 501(f) or 501(k)). Also filed with Form 990EZ for a section 4947(a)(1) trust not treated as a private foundation. An organization is not required to file Schedule A if its gross receipts are normally $25,000 or less (see instruction B10).

2. **Forms W-2 and W-3.**—Wage and Tax Statement, and Transmittal of Income and Tax Statements.

3. **Form W-2P.**—Statement for Recipients of Annuities, Pensions, Retired Pay, or IRA Payments.

4. **Form 940.**—Employer's Annual Federal Unemployment (FUTA) Tax Return. Used to report unemployment tax paid by an employer.

5. **Form 941.**—Employer's Quarterly Federal Tax Return. Used to report social security and income taxes withheld by an employer and social security tax paid by an employer.

6. **Form 990-T.**—Exempt Organization Business Income Tax Return. Filed separately for organizations with gross income of $1,000 or more from business unrelated to the organization's exempt purpose. For details, see the instructions for Form 990-T or **Publication 598.**

7. **Form 1041.**—U.S. Fiduciary Income Tax Return. Required of section 4947(a)(1) trusts that also file Form 990 (or 990EZ). However, any such trust may use the filing of Form 990 (or 990EZ) to satisfy its Form 1041 filing requirement under section 6012 if the trust has zero taxable income under subtitle A of the Code. If this condition is met, check the box for question 42 on page 2 of Form 990EZ and do not file Form 1041, but complete Form 990EZ in the normal manner. A section 4947(a)(1) trust that normally has gross receipts of not more than $25,000 (see instruction B10) and has zero taxable income under subtitle A must complete only the following items on Form 990EZ: name; address; employer identification number; the section 4947(a)(1) block in box D; box E in the area above Part I; question 42 and the signature block on page 2.

8. **Form 1096.**—Annual Summary and Transmittal of U.S. Information Returns.

9. **Form 1099 Series.**—Information returns for reporting payments such as dividends, interest, miscellaneous income (including medical and health care payments and nonemployee compensation), original issue discount, patronage dividends, real estate transactions, acquisition or abandonment of secured property, and lump-sum distributions from profit-sharing and retirement plans.

10. **Form 1120-POL.**—U.S. Income Tax Return for Certain Political Organizations. Filed by section 501(c) organizations if their political expenditures and their net investment income both exceed $100 for the year.

11. **Form 1128.**—Application for Change in Accounting Period.

12. **Form 2758.**—Application for Extension of Time To File.

13. **Form 4720.**—Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code. Used by eligible section 501(c)(3) organizations that made the election under section 501(h) and owe tax on excess lobbying expenditures under section 4911(a) as figured on Schedule A (Form 990).

Form 4720 is also used by certain non-electing organizations whose section 501(c)(3) status is revoked because of excess lobbying activities to report the tax on their lobbying expenditures under section 4912. Organization managers who willfully and without reasonable cause consented to the making of the lobbying expenditures also use this form to report their own tax.

Under section 4955, all section 501(c)(3) organizations that made any political expenditures must also file Form 4720 to report the liability and pay the tax on such expenditures. Organization managers must also report on this form any first-tier tax they themselves owe.

14. **Form 5500 or 5500-C/R.**—Used to report on employee benefit plans.

Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file one of the 5500 series forms specified in the following paragraph. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year.

The forms required to be filed are:

Form 5500.—Annual Return/Report of Employee Benefit Plan. For each plan with 100 or more participants.

Form 5500-C/R.—Return/Report of Employee Benefit Plan. For each plan with fewer than 100 participants.

15. **Form 8282.**—Donee Information Return. Required of the donee of "charitable deduction property" who sells, exchanges, or otherwise disposes of the property within 2 years after the date of receipt of the property.

If you are a successor donee, file Form 8282 if you dispose of charitable deduction property within 2 years after the date that the donor gave the property to the original donee. (It does not matter who gave you the property. It may have been the original donee or another successor donee.) For successor donees, the form must be filed only for any property that was transferred by the original donee after July 5, 1988.

D. Helpful Publications and Forms.—

Publication 525.—Taxable and Nontaxable Income

Publication 598.—Tax on Unrelated Business Income of Exempt Organizations

Publication 910.—Guide to Free Tax Services

Form 990-W.—Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations

Publication 1391.—Deductibility of Payments Made to Charities Conducting Fund-Raising Events

Form 4506-A.—Request for Public Inspection or Copy of Exempt Organization Tax Form

Form 5768.—Election/Revocation of Election by an Eligible Section 501(c)(3) Organization to Make Expenditures to Influence Legislation

These publications and forms are available at no charge at IRS offices or by calling 1-800-424-FORM (1-800-424-3676).

E. Use of Form 990EZ To Satisfy State Reporting Requirements.—Some states and local government units will accept a copy of Form 990EZ and Schedule A (Form 990) in place of all or part of their own financial report forms. At this time, the substitution applies primarily to section 501(c)(3) organizations, but some of the other types of section 501(c) organizations are also affected.

If you intend to use Form 990EZ to satisfy state or local filing requirements, such as those arising under state charitable solicitation acts, note the following:

1. You should consult the appropriate officials of all states and other jurisdictions in which you do business to determine their specific filing requirements. "Doing business" in a jurisdiction may include any of the following: (a) soliciting contributions or grants by mail or otherwise from individuals, businesses, or other charitable organizations; (b) conducting programs; (c) having employees within that jurisdiction; (d) maintaining a checking account; or (e) owning or renting property therein.

2. Some or all of the dollar limitations applicable to Form 990EZ when filed with IRS may not apply when using Form 990EZ in place of state or local report forms. Examples of IRS dollar limitations that do not meet some state requirements are the $25,000 gross receipts minimum that gives rise to an obligation to file with IRS (see instruction B10), and the $30,000 minimum for listing professional fees in Part II of Schedule A (Form 990).

3. State or local filing requirements may require you to attach to Form 990EZ one or more of the following: **(a)** additional financial statements, such as a complete analysis of functional expenses or a statement of changes in financial position; **(b)** notes to financial statements; **(c)** additional financial schedules; **(d)** a report on the financial statements by an independent accountant; and **(e)** answers to additional questions and other information. Each jurisdiction may require the additional material to be presented on forms they provide. The additional information does not have to be submitted with the Form 990EZ filed with IRS.

4. Even if the Form 990EZ you file with IRS is accepted by IRS as complete, a copy of the same return filed with a state will not fully satisfy that state's filing requirement if required information is not provided, including any of the additional information discussed above, or if the state determines that the form was not completed in accordance with the applicable Form 990EZ instructions or supplemental state instructions. In that event, you may be asked to provide the missing information or to submit an amended return.

5. To ensure that all organizations report similar transactions uniformly, many states require that contributions, gifts, and grants on line 1 in Part I and program service expenses in Part III be reported in accordance with the AICPA industry audit guide, *Audits of Voluntary Health and Welfare Organizations*, as supplemented by *Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations* and by *Accounting and Financial Reporting—A Guide for United Ways and Not-for-Profit Human Service Organizations*. However, a significant exception applies in the case of donated services and facilities. Although reporting such services and facilities as items of revenue and expense is called for in certain circumstances by the three publications named above, many states and IRS do not permit the inclusion of those amounts in Part I of Form 990EZ. The instructions for Part III discuss the optional reporting of donated services and facilities.

6. If you submit supplemental information or file an amended Form 990EZ with IRS, you must also furnish a copy of the information or amended return to any state with which you filed a copy of Form 990EZ originally to meet that state's filing requirement.

7. If a state requires you to file an amended Form 990EZ to correct conflicts with Form 990EZ instructions, you must also file an amended return with IRS.

8. Most states require that all amounts be reported based on the accrual method of accounting.

9. The time for filing Form 990EZ with IRS differs from the time for filing reports with some states.

10. The Form 990EZ information made available for public inspection by IRS may differ from that made available by the states. See the cautionary note to the specific instructions for line 1.

State Registration Number(s).—Insert the applicable state or local jurisdiction registration or identification number in box B (in the heading on page 1) for each jurisdiction in which you file Form 990EZ in place of the state or local form. When filing in several jurisdictions, prepare as many copies as needed with box B blank. Then enter the applicable registration number on the copy to be filed with each jurisdiction.

F. Other Forms as Partial Substitutes for Form 990EZ.—Except as provided below, the IRS will not accept any form as a substitute for one or more parts of Form 990EZ. A labor organization that files **Form LM-2**, Labor Organization Annual Report, or the shorter **Form LM-3** with the U.S. Department of Labor (DOL) can attach a copy of the completed DOL form to provide some of the information required by Form 990EZ. This substitution is not permitted if the organization files a DOL report that consolidates its financial statements with those of one or more separate subsidiary organizations.

An employee benefit plan may be able to substitute Form 5500 or Form 5500-C/R, for part of Form 990EZ. The substitution can be made if the organization filing Form 990EZ and the plan filing Form 5500 or 5500-C/R, meet all the following tests:

(a) the Form 990EZ filer is organized under section 501(c)(9), (17), (18), or (20);

(b) the Form 990EZ filer and Form 5500 filer are identical for financial reporting purposes and have identical receipts, disbursements, assets, liabilities, and equity accounts;

(c) the employee benefit plan does not include more than one section 501(c) organization, and the section 501(c) organization is not a part of more than one employee benefit plan, and

(d) the organization's accounting year and the employee plan year are the same. If they are not, you may want to change the organization's accounting year, as explained in instruction G, so it will coincide with the plan year.

Whether you file Form 990EZ for a labor organization or for an employee plan, the areas of Form 990EZ for which other forms can be substituted are the same. These areas are:

Part I, lines 10-16 (but complete lines 17 through 21).

Part II (but complete lines 25 through 27, Columns (A) and (B)).

If you substitute Form LM-2 or LM-3 for any of the Form 990EZ Parts or line items mentioned above, you must attach a reconciliation sheet to show the relationship between the amounts on the DOL forms and the amounts on Form 990EZ. This is particularly true of the relationship of disbursements shown on the DOL forms and the total expenses on line 17, Part I, of Form 990EZ. This reconciliation is required because the cash disbursements section of the DOL forms includes nonexpense items. If you substitute Form LM-2, be sure to complete its separate schedule of expenses.

G. Accounting Period Covered.—Base your return on your annual accounting period (fiscal year) if one is established. If not, base the return on the calendar year.

Your fiscal year should normally be selected to coincide with the natural operating cycle of your organization; it is not necessary that your fiscal year end on December 31 or June 30.

The 1989 Form 990EZ should be used to report on a calendar year 1989 accounting period or a fiscal year that began in 1989.

In general, to change your accounting period, you must: (1) file a timely return on Form 990EZ for the short period resulting from the change, (2) at the top of the short period return, indicate that a change of accounting period is being made by writing *"Change of Accounting Period."* If you changed your accounting period within the 10-calendar-year period that includes the start of the short period, and you had a Form 990EZ (or Form 990) filing requirement at any time during that 10-year period, you must also attach a Form 1128 to the short period return. See Rev. Proc. 85-58, 1985-2 C.B. 740.

H. When and Where To File.—File Form 990EZ by the 15th day of the 5th month after your accounting period ends.

If the organization is liquidated, dissolved, or terminated, file the return by the 15th day of the 5th month after the change.

If your principal office is located in— ▼	Send your return to the Internal Revenue Service below ▼
Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, or Tennessee	Atlanta, GA 39901
Arizona, Colorado, Kansas, New Mexico, Oklahoma, Texas, Utah, or Wyoming	Austin, TX 73301
Indiana, Kentucky, Michigan, Ohio, or West Virginia	Cincinnati, OH 45999
Alaska, California, Hawaii, Idaho, Nevada, Oregon, or Washington	Fresno, CA 93888
Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania (ZIP codes beginning with 169–171 and 173–196 only), Rhode Island, or Vermont	Holtsville, NY 00501
Illinois, Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, or Wisconsin	Kansas City, MO 64999
Maryland, Pennsylvania (ZIP codes beginning with 150–168 and 172 only), Virginia, District of Columbia, any U.S. possession, or foreign country	Philadelphia, PA 19255

I. Extension of Time To File.—Use Form 2758 to request an extension of time to file.

J. Amended Return.—To change your return for a prior year, write *"Amended Return"* at the top of the return. Generally the amended return must be filed within 3 years after the date the original return was due or 3 years after the date the organization filed it, whichever was later. Use Form 4506-A to obtain a copy of a return previously filed. Blank copies of prior year returns can be obtained by calling the toll free number listed in instruction D.

K. Penalties.—

Against the organization.—Under section 6652(c), a penalty of $10 a day, not to exceed the lesser of $5,000 or 5% of the gross receipts of the organization for the year, may be charged when a return is filed late, unless you can show that the late filing was due to reasonable cause. The penalty begins on the due date for filing the Form 990EZ. The penalty may also be charged if an incomplete return is filed, or incorrect information is furnished. To avoid having to respond to requests for missing information, please be sure to complete all applicable line items; to answer "Yes," "No," or "N/A" (not applicable) to each question on the return; to make an entry (including a "-0-" when appropriate) on all *total* lines; and to enter "None" or "N/A" if an entire part does not apply.

Against responsible person(s).—If a complete return is not filed, or correct information is not furnished, IRS will write to give you a fixed time to fulfill these requirements. After that period expires, the person failing to comply will be charged a penalty of $10 a day, not to exceed $5,000, unless he or she shows that not complying was due to reasonable cause. If more than one person is responsible, they are jointly and individually liable for the penalty (section 6652(c)).

There are also penalties—fines and imprisonment—for willfully not filing returns and for filing fraudulent returns and statements with IRS (sections 7203, 7206, and 7207). There are also penalties for failure to comply with public disclosure requirements as discussed in instruction L. States may impose additional penalties for failure to meet their separate filing requirements.

L. Public Inspection of Completed Exempt Organization Returns and Approved Exemption Applications.—

Through IRS.—

Forms 990, 990EZ, 990-PF, and certain other completed exempt organization returns are available for public inspection and copying upon request. Approved applications for exemption from Federal income tax are also available. IRS, however, is not permitted to disclose portions of certain otherwise disclosable returns and attachments, including the list of contributors required by Form 990EZ.

A request for inspection must be in writing and must include the name and address (city and state) of the organization that filed the return or application. A request to inspect a return should indicate the type (number) of the return and the year(s) involved. The request should be sent to the District Director (Attention: Disclosure Officer) of the district in which the requester desires to inspect the return or application. If inspection at the IRS National Office is desired, the request should be sent to the Commissioner of Internal Revenue, Attention: Freedom of Information Reading Room, 1111 Constitution Avenue, N.W., Washington, DC 20224.

Form 4506-A can be used to request a copy or to inspect an exempt organization return. There is a fee for photocopying.

Through the Organization.—

(1) *Annual return.*—An organization must, during the three-year period beginning with the due date (including extensions, if any), of the Form 990EZ, make its return available for public inspection upon request. All parts of the return and all required schedules and attachments other than the list of contributors to the organization must be made available. Inspection must be permitted during regular business hours at the organization's principal office and at each of its regional or district offices having 3 or more employees. This provision applies to any organization that files a Form 990EZ, regardless of the size of the organization and whether or not it has any paid employees.

Any person who does not comply with the public inspection requirement shall be assessed a penalty of $10 for each day that inspection was not permitted, up to a maximum of $5,000 with respect to any one return. No penalty will be imposed if the failure is due to reasonable cause. Any person who willfully fails to comply shall be subject to an additional penalty of $1,000.

(2) *Exemption application.*—Any section 501(c) organization that submitted an application for recognition of exemption to the Internal Revenue Service after July 15, 1987, must make available for public inspection a copy of its application (together with a copy of any papers submitted in support of its application) and any letter or other document issued by the Internal Revenue Service in response to the application. An organization that submitted its exemption application on or before July 15, 1987, must also comply with this requirement if it had a copy of its application on July 15, 1987. As in the case of annual returns, the copy of the application and related documents must be made available for inspection during regular business hours at the organization's principal office and at each of its regional or district offices having at least 3 employees.

The penalties for failure to comply with this provision are the same as those discussed in "Annual return" above, except that the $5,000 limitation does not apply.

M. Disclosures Regarding Certain Information and Services Furnished.—A section 501(c) organization that offers to sell (or solicits money for) specific information or a routine service to any individual which could be readily obtained by that individual from an agency of the Federal Government free of charge or for a nominal charge must disclose that fact in a conspicuous manner when making any such offer or solicitation. Any organization that intentionally disregards this requirement will be subject to a penalty *for each day* on which the offers or solicitations were made. The penalty imposed for a particular day is the greater of $1,000 or 50% of the aggregate cost of the offers and solicitations made on that day which lacked the required disclosure.

N. Disclosures Regarding Certain Transactions and Relationships.—In their annual returns on Schedule A (Form 990), section 501(c)(3) organizations must disclose information with respect to their direct or indirect transfers to, and other direct or indirect relationships with, other organizations described in section 501(c) (not including other section 501(c)(3) organizations) or in section 527, relating to political organizations. The purpose of this provision is to help prevent the diversion or expenditure of a section 501(c)(3) organization's funds for purposes not intended by section 501(c)(3) of the Code. All section 501(c)(3) organizations must now maintain records regarding all such transfers, transactions and relationships. (See instruction K, Penalties.)

O. Erroneous Backup Withholding.—See the Instructions for Form 990-T if you had backup withholding erroneously withheld. Claims for refund must be filed within 3 years after the date the original return was due; 3 years after the date the organization filed it; or 2 years after the date the tax was paid, whichever is later.

P. Group Return.—If a parent organization wants to file a group return for two or more of its subsidiaries, it must use Form 990. The parent organization cannot use Form 990EZ. See the Instructions for Form 990 for filing a group return.

Q. Organizations in Foreign Countries and U.S. Possessions.—Report amounts in U.S. dollars and state what conversion rate you use. Combine amounts from within and outside the United States, and report the total for each item. All information must be given in the English language.

R. Completing Form 990EZ.—

1. *Label—Name, Address, and Employer Identification Number.*—If we mailed you a Form 990 Package with a preaddressed mailing label, please attach the label in the name and address space on your return. Using the label helps us avoid errors in processing your return. If any information on the label is wrong, draw a line through that part and correct it.

2. *Employer Identification Number.*—You should have only one Federal employer identification number. If you have more than one and have not been advised which to use, notify the Service Center for your area (from the list in instruction H). Inform them of the numbers you have, the name and address to which each number was assigned, and the address of your principal office. IRS will advise you which number to use.

3. *Accounting Method.*—Unless the specific instructions say otherwise, you should generally use the same accounting method on the return to figure revenue and expenses that you regularly use to keep the organization's books and records. To be acceptable for Form 990EZ reporting purposes, however, the method of accounting used must clearly reflect income.

If you prepare a Form 990EZ for state reporting purposes, you may file an identical return with IRS even though it does not agree with your books of account, unless the manner of reporting one or more items on the state return conflicts with the instructions for preparing Form 990EZ for filing with IRS. For example, if you maintain your books on the cash receipts and disbursements method of accounting but prepare a state return based on the accrual method, that return could be used for reporting to IRS. As another example, if a state reporting requirement requires you to report certain revenue, expense, or balance sheet items differently from the manner in which you normally account for them on your books, a Form 990EZ prepared for that state would be acceptable for IRS reporting purposes if the state reporting requirement does not conflict with the Form 990EZ instructions. Your records should contain a reconciliation of any differences between your books of account and the Form 990EZ you file.

Most states that accept Form 990EZ in place of their own forms require that all amounts be reported based on the accrual method of accounting. See instruction E 8.

4. *Legible Form 990EZ for Public Inspection.*—All information you report on or with your Form 990EZ, including attachments, will be available for public inspection, except the schedule of contributors required for line 1, Part I. Please make sure your forms and attachments are clear enough to photocopy legibly.

5. *Signature.*—To make the return complete, an officer authorized to sign it must sign in the space provided. For a corporation, this officer will be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer, such as a tax officer. A receiver, trustee, or assignee must sign any return he or she files for a corporation. For a trust, the authorized trustee(s) must sign.

If the return was prepared by an individual, firm, or corporation paid for preparing it, the paid preparer's space must also be signed. For a paid firm or corporation, sign in the firm's or corporation's name. If you checked the block for question 42 on page 2 (section 4947(a)(1) trust filing Form 990EZ in lieu of Form 1041), you must also enter the paid preparer's social security number or employer identification number in the margin next to the paid preparer's space. Leave the paid preparer's space blank if the return was prepared by a regular employee of the filing organization.

Specific Instructions

In General.—You may show money items as whole-dollar amounts. Drop any amount less than 50 cents, and increase any amount from 50 through 99 cents to the next higher dollar.

Unless you are permitted to use certain DOL forms or Form 5500 series returns as partial substitutes for Form 990EZ (see instruction F), do not leave blank any applicable lines or attach any other forms or schedules instead of entering the required information on the appropriate line on Form 990EZ.

Attachments.—Use the schedules on the official form unless you need more space. If you use attachments, they must:

(1) Show the form number and tax year;
(2) Show the organization's name and employer identification number;
(3) Include the information required by the form;
(4) Follow the format and line sequence of the form; and
(5) Be on the same size paper as the form.

Part I—Statement of Revenue, Expenses, and Changes in Net Assets or Fund Balances.—

All organizations filing Form 990EZ with IRS or any state must complete Part I. Some states that accept Form 990EZ in place of their own forms may require additional information.

Line 1.—Contributions, gifts, grants, and similar amounts received.—

A. What is Included on Line 1.—

Report amounts received as voluntary contributions; that is, payments, or the part of any payment, for which the payer (donor) does not receive full consideration from the recipient (donee) organization.

Enter the total contributions, gifts, grants and bequests that the organization received directly from the public. Include amounts received from individuals, trusts, corporations, estates, affiliates, foundations, public charities and other exempt organizations.

(a) Excess value received from special events.—Amounts received in excess of value given through special fundraising events should be reported as a contribution. This usually occurs when organizations seek support from the public through solicitation programs that are in part special fundraising events or activities and in part a solicitation for contributions.

For example, an organization announces that anyone who "contributes" at least $40 can choose a book worth $16 retail. Those who pay $40 and choose to receive the book would be buying the book and also making a contribution. Each such buyer's contribution reported on line 1 would be $24, the amount by which the buyer's payment is more than the fair market value of the merchandise. A buyer who paid more than $40 would pay the same amount for the book but would have made a larger contribution. (See Publication 1391 for further information.) The primary purpose of such solicitations is not to sell the merchandise at its fair market value (even though this might produce a profit), but to receive the contributions. The revenue ($16 per book) and the direct expenses relating to the sale of the merchandise would be reported on line 6a and 6b as revenue and direct expenses of a special fundraising event.

(b) Nominal value merchandise provided for special events.—If the organization provides merchandise of only nominal value, report the entire receipts on line 1 as contributions and report all the related expenses on lines 12–16 of Part I.

(c) Section 501(c)(3) organizations.—The differentiation between revenue and contributions derived from special fundraising events is particularly important for any section 501(c)(3) organization that claims to qualify as a publicly supported organization. Section 501(c)(3) organizations must compute the amounts of revenue and contributions from fundraising events in accordance with the above instructions in preparing the Support Schedule in Part IV of Schedule A (Form 990).

(d) Grants equivalent to contributions.—Include on line 1, grants to the organization that are equivalent to contributions. Such grants are normally made to encourage the organization receiving the grant (grantee) to carry on programs or activities that further its exempt purposes. The grantor may specify which of the recipient's activities the grant may be used for, such as an adoption program or a disaster relief project.

A grant is still equivalent to a contribution if the grantee performs a service or produces a work product that benefits the grantor only incidentally (but see "Fees for services" in B(a) below).

(e) Contributions received from fundraising organizations.—Include on line 1 the total contributions received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies and similar fundraising organizations (such as a United Way organization and certain sectarian federations). These organizations normally conduct fundraising campaigns within a single metropolitan area or some part of a particular state and allocate part of the net proceeds to each participating organization on the basis of individual donors' designations and other factors.

(f) Contributions received from associated organizations.—Include on line 1 amounts contributed by other organizations closely associated with the reporting organization. This would include contributions received from a parent organization, subordinate, or another organization having the same parent.

(g) Commercial co-venture.—Include on line 1 amounts contributed by a commercial co-venture. These are amounts due the donee organization for letting an outside organization or individual use its name in a sales promotion campaign in which the donor advertises that it will contribute a certain dollar amount to the named donee organization for each unit of a particular product or service sold, or for each occurrence of a specified type.

(h) Governmental grants.—A grant or other payment from a governmental unit represents a contribution if its primary purpose is to enable the donee to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the grantor (even if the public pays part of the expense of providing the service or facility).

(i) Membership dues as contributions.—Include membership dues and assessments on line 1 to the extent they represent contributions from the public rather than payments for benefits received (see the instructions for line 3).

B. What is not Included on Line 1.—

(a) Fees for services.—If the terms of a grant require that a specific service, facility, or product be provided the grantor—the purpose of which is to serve the direct and immediate needs of that grantor rather than primarily to confer a direct benefit upon the general public or the segment of the public served by the organization—that grant does not represent a contribution, but a payment for services. When the grantee reports the grant as income, it should be treated as program service revenue on line 2, not as a contribution.

Report government grants on line 2 if they represent fees for services.

(b) Donations of goods or services.—In Part I, do not include the value of services donated to the organization or items such as the free use of materials, equipment, or facilities, among the contributions received. See the instructions for Part III for optional reporting of such amounts.

(c) Section 501(c)(9), (17), (18) and (20) organizations.—These organizations provide life, sick, accident, welfare, unemployment, pension, group legal services, or similar benefits or a combination of these benefits to participants.

When such an organization receives payments from participants or their employers to provide these benefits, report the payments on line 2 as program service revenue, rather than on line 1 as contributions.

C. How to value noncash contributions.—To report contributions received in a form other than cash, use the market value as of the date of the contribution. For marketable securities registered and listed on a recognized securities exchange, measure market value by the average of the highest and lowest quoted selling prices (or the average between the bona fide bid and asked prices) on the contribution date. When market value cannot be readily determined, use an appraised or estimated value.

To determine the amount of any noncash contribution that has an outstanding debt attached, subtract the debt from the property's fair market value. Record the asset at its full value; record the debt as a liability in the books of account. See the first Note in the instructions for "Schedule of contributors" below.

D. Schedule of contributors.—*(Not open to public inspection)* **Caution:** *See the second Note below.*

Attach a schedule listing contributors during the year who gave the organization, directly or indirectly, money, securities, or other property worth at least $5,000. If no one contributed the reportable minimum, you do not need to attach a schedule.

In the schedule, show each person's name and address, the total amount received, and the date received. *"Person"* means an individual, fiduciary, partnership, corporation, association, trust, or exempt organization.

If an employer withholds contributions from employees' pay and periodically gives them to the organization, report only the employer's name and address and the total amount given unless you know that a particular employee gave enough to be listed separately.

In determining whether a contributor gave at least $5,000, total that person's gifts of $1,000 or more. Do not include smaller gifts. If the contribution consists of property whose fair market value can be determined readily (such as market quotations for securities), describe the property and list its fair market value. Otherwise, estimate the property's value.

Note: *For contributions to you of property (other than publicly traded securities) whose fair market value is greater than $5,000, you should usually receive from the contributor a partially completed Form 8283, Noncash Charitable Contributions. You should complete the appropriate* information on Form 8283, sign it, and *return it to the donor. Retain a copy for your records. Also see General Instruction C15.*

Exception: Organization described in section 501(c)(7), (8), (10), or (19) that received contributions or bequests to be used only as described in section 170(c)(4), 2055(a)(3), or 2522(a)(3).

The schedule should list each person whose gifts total $1,000 or more during the year. Give the donor's name, the amount given, the gift's specific purpose, and the specific use to which it was put. If an amount is set aside for a purpose described in section 170(c)(4), 2055(a)(3), or 2522(a)(3), explain how the amount is held (for instance, whether it is mingled with amounts held for other purposes). If the organization transferred the gift to another organization, name and describe the recipient and explain the relationship between the two organizations. Also show the total of the gifts that were $1,000 or less and were for a purpose described in section 170(c)(4), 2055(a)(3), or 2522(a)(3).

Note: *If you file a copy of Form 990EZ and attachments with any state, do not include, in the attachments for the state, the list of contributors discussed above unless the list is specifically required by the state with which you are filing the return. States that do not require the information might nevertheless make it available for public inspection along with the rest of the return.*

Line 2—Program service revenue.—Enter the total program service revenue. Program services are primarily those that form the basis of an organization's exemption from tax.

(a) Examples.—A clinic would include on line 2 all of its charges for medical services (whether to be paid directly by the patients or through Medicare, Medicaid, or other third-party reimbursement), laboratory fees, and related charges for services.

Other examples of program service revenue are tuition received by a school; revenue from admissions to a concert or other performing arts event or to a museum; royalties received as author of an educational publication distributed by a commercial publisher; payments received by a section 501(c)(9) organization from participants or employers of participants for health and welfare benefits coverage; and registration fees received in connection with a meeting or convention.

(b) Program-related investments.—Program service revenue also includes income from program-related investments made for the primary purpose of accomplishing an exempt purpose consistent with the investing organization's exempt status rather than to produce income. Examples are scholarship loans and low interest loans to charitable organizations, indigents, or victims of a disaster.

(c) Unrelated trade or business activities.—Unrelated trade or business activities (not including any special fundraising events or activities) that generate fees for services may also be program service activities. A social club, for example, should report as program service revenue the fees it charges both members and nonmembers for the use of its tennis courts and golf course.

Line 3—Membership dues and assessments.—Enter members' and affiliates' dues and assessments that are not contributions.

A. What is included on Line 3.—

(a) Benefits received equal or exceed dues paid.—When available benefits are equal to or more than a nominal amount, paying membership dues shows an intent to receive those benefits rather than to make a contribution. The entire amount of such dues should be included on line 3.

(b) Non-501(c)(3) organizations.—For membership organizations other than those described in section 501(c)(3), members generally receive benefits or consideration in return for dues; therefore, dues in that situation are not contributions and should be included on line 3. This is particularly true of organizations described in sections 501(c)(5), 501(c)(6), or 501(c)(7), although benefits to members may be indirect.

B. What Is not Included on Line 3.—

(a) Dues paid exceed benefits received.—Regardless of whether membership benefits are used, dues to a charitable organization are a contribution to be included on line 1 to the extent they are more than the monetary value of these membership benefits to the dues payer.

(b) Dues paid primarily for support.—When a member pays dues primarily to support the organization's activities, rather than to derive benefits of more than nominal monetary value, that dues payment represents a contribution.

C. Examples of benefits.—

Examples of membership benefits include subscriptions to publications; newsletters (other than one about the organization's activities only); free or reduced-rate admissions to events the organization sponsors; use of its facilities; and discounts on articles or services that both members and nonmembers can buy. In figuring the value of membership benefits, disregard such intangible benefits, as the right to attend meetings, vote or hold office in the organization, and the distinction of being a member of the organization.

Line 4—Investment Income.—

A. What Is Included on Line 4.—

(a) Interest on savings and temporary cash investments.—So-called dividends or earnings received from mutual savings banks, etc., are really interest and should be included on this line.

(b) Dividends and interest from securities.—Enter amount of dividend and interest income from debt and equity securities (stocks and bonds) on this line. Include amounts received from payments on securities loans, as defined in section 512(a)(5).

(c) Gross rents.—Include gross rental income for the year from investment property. (See the discussion below regarding exempt function revenue (program service)).

(d) Other investment income.—Include, for example, royalty income from mineral interests owned by the organization.

B. What Is not Included on Line 4.—

(a) Capital gains dividends and unrealized gains and losses.—Do not include any capital gains dividends which are reportable on line 5 or unrealized gains and losses on investments carried at market value (see instructions for line 20).

(b) Exempt function revenue (program service).—Do not include amounts that represent income from an exempt function (program service) which should be reported on line 2 (and the related expenses which should be reported on lines 12-16).

An organization whose exempt purpose is to provide low-rental housing to persons with low income would receive exempt function income from such rentals. Renting office space or other facilities or equipment to unaffiliated exempt organizations is not income from an exempt function (and should be reported on line 4) unless the charge is well below the fair rental value of the property, and the lessor's purpose in charging less than the fair rental value was to help the lessee carry out its exempt purpose.

Only for purposes of completing Form 990EZ, treat income from renting property to affiliated exempt organizations as exempt function income included on line 2 as program service revenue.

Lines 5a–c—Capital gains.—

A. What Is Included on Line 5.—

Report on lines 5a–c all sales of securities and all other types of investments (such as real estate, royalty interests, or partnership interests) as well as all other capital assets (such as program-related investments and fixed assets used by the organization in its regular activities).

On line 5a, enter the total gross sales price of all involved assets. Total the cost or other basis (less depreciation), and selling expenses and enter the result on line 5b. Enter the total net gain or loss on line 5c. On lines 5a and 5c, report capital gains dividends; the organization's share of capital gains and losses from a partnership; and capital gains distributions from trusts. Indicate the source on the schedule described below.

B. What Is not Included on Line 5.—

Do not include any unrealized gains or losses on securities carried at market value in the books of account. (See the instructions for line 20.)

C. Attached schedule.—

(a) Assets other than publicly traded securities.—Attach a schedule listing each asset (other than inventory items) sold or exchanged. Show for each one: (a) date acquired, how acquired, date sold, and to whom sold; (b) gross sales price; (c) cost, other basis, or if donated, value at time acquired (state which); (d) expense of sale and cost of improvements made after acquired, and (e) if depreciable property, depreciation since acquired. The schedule should show security transactions separately from the sale of other assets.

(b) Publicly traded securities.—For sales of publicly traded securities through a broker, you may total the gross sales price, the cost or other basis, and the expenses of sale on all such securities sold, and report lump-sum figures in place of the detailed reporting required in the paragraph above. For this return, publicly traded securities include common and preferred stocks, bonds (including governmental obligations), and mutual fund shares that are listed and regularly traded in an over-the-counter market or on an established exchange and for which market quotations are published or otherwise readily available. You may use average-cost basis to figure the organization's gain or loss from sales of securities to be reported on Form 990EZ. For this purpose, when securities are sold, you may figure gain or loss by comparing the sales price with the average-cost basis of the particular security. Do not use average-cost basis to figure gain or loss from security sales reportable on Form 990-T.

Lines 6a–c—Special events and activities.—

On the appropriate line, enter the gross revenue, expenses, and net income from all special fundraising events and activities, such as dinners, dances, carnivals, raffles, bingo games, and door-to-door sales of merchandise. In themselves, these activities only incidentally accomplish an exempt purpose. Their sole or primary purpose is to raise funds (other than contributions) to finance the organization's exempt activities. This is done by offering goods or services of more than nominal value (compared to the price charged) in return for a payment higher than the direct cost of the goods or services provided.

See also Line 1 instructions, "Contributions, gifts, grants, and similar amounts received."

Characterizing any required payment as a "donation" or "contribution" on tickets or on advertising or solicitation materials does not affect how such payments should be reported on Form 990EZ.(See Publication 1391.)

A. What Is Included on Line 6.—

(a) Gross revenue but not contributions.—Special fundraising events sometimes generate both revenue and contributions. When a buyer pays more than the value of the goods or services furnished, report the value of the goods or services on line 6a as gross revenue. (Any amount received in excess of value given is a contribution and is reportable within the description line of 6a and also on line 1.)

(b) Direct expenses.—Report on line 6b only the direct expenses attributable to the goods or services the buyer receives. If you include an expense on line 6b, do not report it on line 7b.

B. What Is not Included on Line 6.—

(a) Sales receipts in excess of value given.—Amounts received in excess of value given through special fundraising events should be included as contributions on line 1. (See A(a) above.) Report any direct expenses on line 6b.

(b) Sales of goods or services of nominal value.—If the goods or services offered at the fundraising event have only nominal value, include all of the receipts as contributions on line 1 and all of the related expenses on lines 12–16.

(c) "Sweepstakes" or "lotteries".—The proceeds of solicitation campaigns in which the names of contributors and other respondents are entered in a drawing for the awarding of prizes are reportable on line 1 as contributions and the related expenses are reportable on lines 12–16. However, raffles and lotteries in which a payment of at least a specified minimum amount is required for each entry are special fundraising events (included on line 6), unless the prizes awarded have only nominal value.

(d) Activities generating only contributions.—An activity which generates only contributions, such as a solicitation campaign by mail, is not a special fundraising event and should not be included on line 6. Include the amounts on line 1.

C. Attached schedule.—Attach a schedule listing the three largest special events conducted, as measured by gross receipts. Describe each of these events and indicate for each event: the gross receipts; the amount of contributions included in gross receipts (see instructions above); the gross revenue (gross receipts less contributions); the direct expenses; and the net income (gross revenue less direct expenses).

Furnish the same information in total figures for all other special events held that are not among the largest three. Indicate the type and number of the events not listed individually (for example, three dances and two raffles).

An example of this schedule might appear in columnar form as follows:

Special Events:	(1)	(2)	(3)	Total
Gross Receipts	$XXX	$XXX	$XXX	$XXX
Less: Contributions	XXX	XXX	XXX	XXX
Gross Revenue	XXX	XXX	XXX	XXX
Less: Direct Expenses	XXX	XXX	XXX	XXX
Net Income	$XXX	$XXX	$XXX	$XXX

If using the above schedule, the total for contributions would be reported on line 1 and on line 6 (within the description line) of Form 990EZ. The totals for gross revenue would be reported on line 6a; direct expenses on line 6b; and net income on line 6c.

D. Fundraising record retention.—Section 501(c) organizations that are eligible to receive tax-deductible contributions under section 170(c) of the Code must keep sample copies of their fundraising materials, such as dues statements or other fundraising solicitations, tickets, receipts or other evidence of payments received in connection with fundraising activities. If organizations advertise their fundraising events, they must keep sample copies of the advertising copy. If they use radio or television to make their solicitations, they must keep sample copies of scripts, transcripts, or other evidence of on-air solicitations. If organizations retain outside fundraisers, they must keep sample copies of the fundraising materials used by such outside fundraisers. Organizations must keep records indicating how they determined the nondeductible portion of the payments made in connection with each fundraising event; that is, the fair market value of the goods or services received by the patrons of such events.

Lines 7a–c—Gross sales.—

A. What Is Included on Lines 7a–c.—

(a) *Sales of inventory.*—Include the gross sales (less returns and allowances), cost of goods sold, and gross profit (or loss) from the sale of inventory items the organization either makes to sell to others or buys for resale.

(b) Exempt function or unrelated trade or business sales.—Include sales revenue and the related cost of goods sold, whether the sale of the merchandise involved is an exempt function or an unrelated trade or business.

B. What Is not Included on Lines 7a–c.—

(a) Sales from special events.—

Do not include the sales of inventory items from special fundraising events and activities. Enter those sales on line 6.

(b) Investments.—Do not include investments on which the organization expected to profit by appreciation and sale. Report sales of these investments on line 5.

Line 8—Other revenue.—This figure represents the total income from all sources not covered by lines 1 through 7. Include on line 8 interest on notes receivable not held as investments; interest on loans to officers, directors, trustees, key employees and other employees; and royalties that do not constitute investment income or program service revenue.

Line 10—Grants and similar amounts paid.—

A. What Is Included on Line 10.—

Enter the amount of grants and similar amounts paid to individuals and organizations selected by the filing organization. Include scholarship, fellowship, and research grants to individuals on this line. Only the amount of actual grants and awards should be included on line 10. (See the discussion below for reporting related expenses.)

(a) Specific assistance to individuals.—Include on line 10 the amount of payments to or for the benefit of particular clients or patients, including assistance rendered by others at the expense of the filing organization.

(b) Payments, voluntary awards, or grants to affiliates.—Include on line 10 certain types of payments to organizations "affiliated with" (closely related to) a reporting agency. These include predetermined quota support and dues payments by local agencies to their state or national organizations for unspecified purposes, i.e., general use of funds for the national organization's own program and support services. Voluntary awards or grants made by the reporting agency to its state or national organization for specified purposes should also be reported on this line.

B. What Is not Included on Line 10.—

(a) Administrative expenses.—

Expenses incurred in selecting recipients or monitoring compliance with the terms of a grant or award should be entered on lines 12 through 16.

(b) Purchases of goods or services from affiliates.—These expenses are not reported on line 10 but are reported as expenses in the usual manner.

(c) Membership dues.—Membership dues that represent amounts paid to procure general membership benefits, such as regular services, publications, and materials, from other organizations should be reported as "Other expenses" on line 16. This would be the case, for example, if a charitable organization pays dues to a trade association comprised of otherwise unrelated members, all of which solicit contributions by mail or telephone.

C. Attached schedule.—Attach a schedule of amounts included on line 10. Show: (a) each class of activity; (b) donee's name and address and the amount given; and (c) (in the case of grants to individuals) relationship of donee if related by blood, marriage, adoption, or employment (including employees' children) to any person or corporation with an interest in the organization, such as a creator, donor, director, trustee, officer, etc.

List the name and address of each affiliate that received payments reported on line 10. Specify the amount and purpose of the payments to each affiliate.

On the schedule, classify activities in more detail than in such broad terms as charitable, educational, religious, or scientific. For example, identify payments for nursing services, fellowships, or payments for food, shelter, medical services for indigents or disaster victims. For payments to indigent families, do not identify the individuals.

If the property's fair market value when the organization gave it is the measure of the award or grant, also show on the schedule: a description of the property; its book value; how the book value was determined; how the fair market value was determined; and the date of the gift. Any difference between fair market value and book value should be recorded in the organization's books of account.

Note: *Properly distinguishing between payments to affiliates and awards and grants is especially important if you use Form 990EZ for state reporting purposes, as discussed in instruction E.*

Line 11—Benefits paid to or for members.—For an organization giving benefits to members or dependents (such as organizations exempt under section 501(c)(8), (9), or (17)), enter the amounts paid for: (a) death, sickness, hospitalization, or disability benefits; (b) unemployment compensation benefits; and (c) other benefits. Do not include on this line the cost of employment-related benefits the organization gives its officers and employees. Report those benefits on line 12.

Line 12—Salaries, other compensation and employee benefits.—Enter the total salaries and wages of all employees and the fees paid to directors and trustees. Include the total of the employer's share of the contributions the organization paid to qualified and nonqualified pension plans and the employer's share of contributions to employee benefits programs (such as insurance, health, and welfare programs) that are not an incidental part of a pension plan. Complete the return/report of the Form 5500 series that is appropriate for your plan.

Also include in the total the amount of Federal, state, and local payroll taxes for the year that are imposed on the organization as an employer. This would include the employer's share of FICA tax, FUTA tax, state unemployment compensation tax, and other state and local payroll taxes. Taxes withheld from employees' salaries and paid over to the various governmental units (such as Federal and state income taxes and the employees' share of FICA taxes) are part of the employees' salaries and are included in the line 12 total when gross salaries are reported.

Line 13—Professional fees and payments to other independent contractors.—Enter the total amount of legal, accounting, auditing, and other professional fees (such as fees for fundraising or investment services) charged by outside firms and individuals who are not employees of the foundation. Do not include any penalties, fines, or judgments imposed against the organization as a result of legal proceedings. Report those expenses as "Other expenses" on line 16. Report fees paid to directors and trustees on line 12.

Line 14—Occupancy, rent, utilities, maintenance.—Enter the total amount paid or incurred 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. If your organization records depreciation on property it occupies, enter the total for the year.

Line 15—Printing publications, postage and shipping.—Enter the printing and related costs of producing the reporting organization's own newsletters, leaflets, films, and other informational materials. (However, do not include any expenses, such as salaries for which a separate line is provided.) Also include the cost of any purchased publications as well as postage and shipping costs not reportable on lines 5b, 6b, or 7b.

Line 16—Other expenses.—Expenses that might be reported here include: penalties, fines, and judgments; unrelated business income taxes; real estate taxes not attributable to rental property or reported as occupancy expenses; depreciation on investment property; travel and transportation costs; interest expense; conferences, conventions and meetings.

Some states that accept Form 990EZ in satisfaction of their filing requirements may require that certain types of miscellaneous expenses be itemized. See instruction E.

Line 18—Excess or (deficit) for the year.—Enter the difference between lines 9 and 17. If line 17 is more than line 9, enter the difference in parentheses.

Line 19—Net assets or fund balances at beginning of year.—Enter the amount from the prior year's balance sheet (or from Form 5500, 5500-C/R, or an approved DOL form if instruction F applies).

Line 20—Other changes in net assets or fund balances.—Attach a schedule explaining any changes in net assets or fund balances between the beginning and end of the year that are not accounted for by the amount on line 18. Amounts to report here include adjustments of earlier years' activity and unrealized gains and losses on investments carried at market value.

Part II—Balance Sheets.—

All organizations, except those that meet one of the exceptions in instruction F, must complete columns (A) and (B) of Part II of the return and may not submit a substitute balance sheet. Failure to complete Part II may result in penalties for filing an incomplete return. See instruction K.

Some states require more information. See instruction E for more information about completing a Form 990EZ to be filed with any state or local government agency.

Line 22—Cash, savings, and Investments.—Include the total of noninterest-bearing cash in checking accounts, deposits in transit, change funds, petty cash funds, or any other noninterest-bearing account.

Include the total of interest-bearing cash in checking accounts, savings and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than 1 year. Report the income from these investments on line 4.

Include the book value (which may be market value) of securities held as investments.

Include the amount of all other investment holdings including land and buildings held for investment.

Line 23—Land and buildings.—Enter the book value (cost or other basis less accumulated depreciation) of all land and buildings owned by the organization and not held for investment.

Line 24—Other assets.—Enter the total of other assets along with a description of those assets. Amounts to include here are (among others) receivable accounts, inventories, and prepaid expenses.

Line 25—Total assets.—Enter the amount of your total assets. If the end-of-year total assets entered in column (B) are $250,000 or more, you must file Form 990 instead of Form 990EZ.

Line 26—Total liabilities.—Enter the amount of your total liabilities along with their description.

Line 27—Net assets or fund balances.—Subtract line 26 (total liabilities) from line 25 (total assets) to determine your net assets. Enter this net asset amount on line 27.

Organizations not using fund accounting.—Enter your net asset amount. This amount should agree with the net asset amount on line 21.

Organizations using fund accounting.—Under fund accounting, an organization segregates its assets, liabilities, and net worth into separate funds according to externally imposed restrictions on the use of certain assets, similar designations by the organization's governing board, and other amounts that are unrestricted as to use. 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. Since these funds are actually part of a single entity, they are all included in that organization's own financial statements. Similar accounts in the various funds may or may not be consolidated in those statements according to the organization's preference and practice. *To complete Form 990EZ, you must consolidate these funds.*

States that accept Form 990EZ as their basic report form may require a separate statement of changes in fund balances. See instruction E.

Part III—Statement of Program Service Accomplishments.—

Provide the information specified in the instructions above line 28 of Part III for each of the organization's three largest program services (as measured by total expenses incurred) or for each program service if the organization engaged in three or fewer of such activities. The "Expenses" column must be completed by section 501(c)(3) and 501(c)(4) organizations. Completing the column is optional for all other filers.

(a) Donated items.—If the organization so chooses, it may report in Part III the value of any donated services or use of materials, equipment, or facilities received and utilized in connection with specific program services. The applicable amounts should be disclosed only on the lines for the narrative description of the appropriate program services and must not be included in the expense column in Part III.

Since Form 990EZ is open to public inspection, you may want the return to show contributions the organization received in the form of donated services or the use of materials, equipment, or facilities at less than fair rental value.

(b) Attached schedule.—Attach a schedule that lists the organization's other program services. The detailed information required in Part III for the three largest services is not required for the services listed for this schedule.

A program service is a major, usually ongoing objective of an organization, such as adoptions, recreation for the elderly, rehabilitation, or publication of journals or newsletters. Describe program service accomplishments through measurements such as clients served, days of care, therapy sessions, or publications issued.

If it is inappropriate to measure a quantity of output, as in a research activity, describe the objective of the activity for this time period as well as the overall longer-term goal.

You may furnish reasonable estimates for any statistical information if exact figures are not readily available from the records you normally maintain. In that event, please indicate that the information provided is an estimate.

Part IV—List of Officers, Directors, and Trustees.—

List each of the organization's officers, directors, trustees, and other persons having responsibilities or powers similar to those of officers, directors, or trustees. List all of these persons even if they did not receive any compensation from the organization. Enter "-0-" if none was paid.

Show all forms of compensation received by each listed officer, etc.

Column (C).—Enter salary, fees, bonuses, and severance payments received by each person listed.

Column (D).—Include all forms of deferred compensation (whether or not funded and whether or not the deferred compensation plan is a qualified plan under section 401(a)) and payments to welfare benefit plans on behalf of the officers, etc.

Column (E).—Enter amounts that the recipients must report as income on their separate income tax returns. Examples include amounts for which the recipient did not account to the organization or allowances that were more than the payee spent on serving the organization. Include payments made in connection with indemnification arrangements, the value of the personal use of housing, automobiles, or other assets owned or leased by the organization (or provided for the organization's use without charge), as well as any other taxable and nontaxable fringe benefits. Refer to Publication 525 for more information.

You must file Form 941 to report income tax withholding and social security taxes; and you must also file Form 940 to report Federal unemployment taxes, unless the organization's exemption letter states that it is not subject to these taxes.

Part V—Other Information

Line 33—Change in activities.—Attach a statement explaining any significant changes in the kind of activities the organization conducts to further its exempt purpose. These new or modified activities would be those not listed as current or planned in your application for recognition of exemption; or those not already made known to IRS by a letter to your key district director or by an attachment to your return for any earlier year. Besides describing new activities or changes to current ones, also describe any major program activities that are being discontinued.

Line 34—Changes in organizing or governing documents.—Attach a conformed copy of any changes to the articles of incorporation, constitution, trust instrument, or other organizing document, or to the bylaws or other governing document.

A *"conformed"* copy is one that agrees with the original document, and all amendments to it. If the copies are not signed, they must be accompanied by a written declaration signed by an officer authorized to sign for the organization, certifying that they are complete and accurate copies of the original documents.

Photocopies of articles of incorporation showing the certification of an appropriate state official need not be accompanied by such a declaration. See Rev. Proc. 68-14, 1968-1 C.B. 768, for more information. When a number of changes are made, send a copy of the entire revised organizing instrument or governing document.

Line 35—Unrelated business income.—Check "Yes" on line 35a if the organization's total gross income from all of its unrelated trades and businesses is $1,000 or more for the year. Gross income is gross receipts less the cost of goods sold and/or operations. See Publication 598 for a description of unrelated business income and the Form 990-T filing requirements. *Form 990-T is not a substitute for Form 990EZ.* Items of income and expense reported on Form 990-T must also be reported on Form 990EZ when the organization is required to file both forms. For purposes of line 35, the term "business activities" includes any income-generating activity involving the sale of goods or services or income from investments.

Note: *All tax-exempt organizations must pay estimated taxes with respect to their unrelated business income. You may use Form 990-W to compute this tax.*

Line 36—Liquidation, dissolution, termination, or substantial contraction.—If there was a liquidation, dissolution, termination, or substantial contraction, attach a statement explaining which took place.

For a complete liquidation of a corporation or termination of a trust, write **"Final Return"** at the top of the organization's Form 990EZ. On the statement you attach, show whether the assets have been distributed and the date. Also attach a certified copy of any resolution, or plan of liquidation or termination, etc., with all amendments or supplements not already filed. In addition, attach a schedule listing: the names and addresses of all persons who received the assets distributed in liquidation or termination; the kinds of assets distributed to each one; and each asset's fair market value.

A *substantial contraction* is a partial liquidation or other major disposition of assets, except transfers for full consideration or distributions from current income.

A *major distribution of assets* means any disposition for the tax year that is:

(a) At least 25% of the fair market value of the organization's net assets when the tax year began; or

(b) One of a series of related dispositions begun in earlier years that, together, add up to at least 25% of the net assets the organization had at the beginning of the tax year when the first disposition in the series was made. Whether a major disposition of assets took place through a series of related dispositions is determined by the facts in each case.

See Regulations section 1.6043-3 for special rules and exceptions.

Line 37—Expenditures for political purposes.—A political expenditure is one intended to influence the selection, nomination, election, or appointment of anyone to a Federal, state, or local public office, or office in a political organization, or the election of Presidential or Vice Presidential electors. Whether the attempt succeeds does not matter.

An expenditure includes a payment, distribution, loan, advance, deposit, or gift of money, or anything of value. It also includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

(a) All organizations.—Section 501(c) organizations must file Form 1120-POL if their political expenditures and their net investment income both exceed $100 for the year.

Section 501(c) organizations that maintained separate segregated funds described in section 527(f)(3) should refer to the instructions for Form 1120-POL for filing requirements.

(b) Section 501(c)(3) organizations.—A section 501(c)(3) organization will lose its tax-exempt status if it engages in political activity.

Further, an initial excise tax is imposed on any amount paid or incurred by a section 501(c)(3) organization in connection with any intervention in a political campaign on behalf of, or in opposition to, any candidate for public office. An additional excise tax is also imposed on the organization if it fails to correct the expenditure timely.

An initial excise tax is imposed on any manager of the section 501(c)(3) organization who, knowing that an expenditure is a political expenditure, agrees to the making of the expenditure, unless such agreement is not willful and is due to reasonable cause. A manager who refuses to agree to part or all of the required correction of the political expenditure may also be subject to an additional excise tax.

For purposes of these excise taxes, in the case of an organization which was formed primarily to promote the candidacy or prospective candidacy of an individual for public office (or which is effectively controlled by a candidate or prospective candidate and which is availed of primarily for such purposes), amounts paid or incurred for any of the following purposes are deemed political expenditures:

(1) Remuneration to the individual (a candidate or prospective candidate) for speeches or other services;

(2) Travel expenses of the individual;

(3) Expenses of conducting polls, surveys, or other studies, or preparing papers or other material for use by the individual;

(4) Expenses of advertising, publicity, and fundraising for such individual; and

(5) Any other expense which has the primary effect of promoting public recognition or otherwise primarily accruing to the benefit of the individual.

Use Form 4720 to calculate the excise taxes.

Line 38—Loans to or from officers, directors, trustees, and key employees.—Enter the end-of-year unpaid balance of secured and unsecured loans made to or received from officers, directors, trustees, and key employees. For example, if the organization borrowed $1,000 from one officer and loaned $500 to another, none of which has been repaid, report $1,500 on line 38b.

The term "key employees" refers to the chief administrative officers of an organization (such as an executive director or chancellor) but does not include the heads of separate departments or smaller units within an organization.

Attached schedule.—For loans outstanding at the end of the year, attach a schedule as described below.

(a) Separate reporting.—Report each loan separately, even if more than one loan was made to or received from the same person, or the same terms apply to all loans made. Salary advances and other advances for the personal use and benefit of the recipient, and receivables subject to special terms or arising from nontypical transactions, must be reported as separate loans for each officer, director, etc.

(b) Single total reporting.—Receivables that are subject to the same terms and conditions (including credit limits and rate of interest) as receivables due from the general public and that arose during the normal course of the organization's operations may be reported as a single total for all the officers, directors, trustees, and key employees. Travel advances made in connection with official business of the organization may also be reported as a single total.

The attached schedule should show the following information (preferably in columnar form) for each loan or other receivable outstanding at the end of the year that must be reported separately.

(a) Borrower's name and title;

(b) Original amount;

(c) Balance due;

(d) Date of note;

(e) Maturity date;

(f) Repayment terms;

(g) Interest rate;

(h) Security provided by the borrower;

(i) Purpose of the loan; and

(j) Description and fair market value of the consideration furnished by the lender (for example, cash—$1,000; or 100 shares of XYZ, Inc., common stock—$9,000).

The above detail is not required for receivables or travel advances that may be combined and reported as a single total (see above instructions), but report and identify those totals separately in the attachment.

Line 39—Section 501(c)(7) organizations.—

(a) Gross receipts test.—A section 501(c)(7) organization may receive up to 35% of its gross receipts, including investment income, from sources outside its membership and remain tax-exempt. Part of the 35% (up to 15% of gross receipts) may be derived from public use of a social club's facilities.

For this purpose, *"gross receipts"* are the club's income from its usual activities. The term includes charges, admissions, membership fees, dues, assessments, investment income (such as dividends, rents, and similar receipts), and normal recurring capital gains on investments. Gross receipts do not include capital contributions (as defined in the Regulations under section 118), initiation fees, or unusual amounts of income such as from the club's selling its clubhouse. Although gross receipts usually do not include initiation fees, these should be included for college fraternities or sororities or other organizations that charge membership initiation fees, but no annual dues.

If the 35% and 15% limits do not affect the club's exempt status, include the income from line 28b on the club's Form 990-T.

(b) Nondiscrimination policy.—Section 501(i) provides that a section 501(c)(7) organization cannot be exempt from income tax if any written policy statement, including the governing instrument and bylaws, provides for discrimination on the basis of race, color, or religion. However, section 501(i) allows social clubs to retain their exemption under section 501(c)(7) even though their membership is limited (in writing) to members of a particular religion if:

(1) the social club is an auxiliary of a fraternal beneficiary society that is exempt under section 501(c)(8) and limits its membership to the members of a particular religion; or

(2) the social club's membership limitation is a good faith attempt to further the teachings or principles of that religion, and the limitation is not intended to exclude individuals of a particular race or color.

Line 40—List of states.—List each state with which you are filing a copy of this return in full or partial satisfaction of state filing requirements.

This line must be completed only by section 4947(a)(1) trusts filing Form 990EZ in lieu of Form 1041. Include exempt-interest dividends received from a mutual fund or other regulated investment company as well as tax-exempt interest received directly by the trust.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1980-346-422

SCHEDULE A
(Form 990)
Department of the Treasury
Internal Revenue Service

Organization Exempt Under 501(c)(3)

(Except Private Foundation), 501(e), 501(f), 501(k), or Section 4947(a)(1) Trust
Supplementary Information
▶ Attach to Form 990 (or Form 990EZ).

OMB No. 1545-0047

1989

Name

Employer identification number

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees

(See specific instructions.) (List each one. If there are none, enter "None.")

(a) Name and address of employees paid more than $30,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans	(e) Expense account and other allowances
Total number of other employees paid over $30,000 ▶		▨	▨	▨

Part II Compensation of the Five Highest Paid Persons for Professional Services

(See specific instructions.) (List each one. If there are none, enter "None.")

(a) Name and address of persons paid more than $30,000	(b) Type of service	(c) Compensation
Total number of others receiving over $30,000 for professional services ▶	▨	▨

Part III Statements About Activities

		Yes (1)	No (2)
1 During the year, have you attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum?	1		
If "Yes," enter the total expenses paid or incurred in connection with the legislative activities. $ ______ Complete Part VI of this form for organizations that made an election under section 501(h) on Form 5768 or other statement For other organizations checking "Yes," attach a statement giving a detailed description of the legislative activities and a classified schedule of the expenses paid or incurred.	▨	▨	▨
2 During the year, have you, either directly or indirectly, engaged in any of the following acts with a trustee, director, principal officer, or creator of your organization, or any taxable organization or corporation with which such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary:	▨	▨	▨
a Sale, exchange, or leasing of property?	2a		
b Lending of money or other extension of credit?	2b		
c Furnishing of goods, services, or facilities?	2c		
d Payment of compensation (or payment or reimbursement of expenses if more than $1,000)?	2d		
e Transfer of any part of your income or assets?	2e		
If the answer to any question is "Yes," attach a detailed statement explaining the transactions.	▨	▨	▨
3 Do you make grants for scholarships, fellowships, student loans, etc.?	3		
4 Attach a statement explaining how you determine that individuals or organizations receiving disbursements from you in furtherance of your charitable programs qualify to receive payments. (See specific instructions.)	▨	▨	▨

For Paperwork Reduction Act Notice, see page 1 of the instructions to Form 990 (or Form 990EZ). **Schedule A (Form 990) 1989**

Part IV Reason for Non-Private Foundation Status (See instructions for definitions.)

The organization is not a private foundation because it is (please check only **ONE** applicable box):

5 ☐ 1 A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
6 ☐ 2 A school. Section 170(b)(1)(A)(ii). (Also complete Part V, page 3.)
7 ☐ 3 A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
8 ☐ 4 A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
9 ☐ 5 A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). **Enter name, city, and state of hospital ▶** ....
10 ☐ 6 An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete Support Schedule.)
11 ☐ 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete Support Schedule.)
12 ☐ 8 An organization that normally receives: (a) no more than ⅓ of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975, and (b) more than ⅓ of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions—subject to certain exceptions. See section 509(a)(2). (Also complete Support Schedule.)
13 ☐ 9 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: (1) boxes 5 through 12 above; or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) See section 509(a)(3).

Provide the following information about the supported organizations. (See instructions for Part IV, box 13.)

(a) Name of supported organizations	**(b)** Box number from above

14 ☐ 0 An organization organized and operated to test for public safety. Section 509(a)(4). (See specific instructions.)

Support Schedule (Complete only if you checked box 10, 11, or 12 above.) Use cash method of accounting.

Calendar year (or fiscal year beginning in) ▶	(a) 1988	(b) 1987	(c) 1986	(d) 1985	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)					
16 Membership fees received					
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is not a business unrelated to the organization's charitable, etc., purpose					
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975					
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for your benefit and either paid to you or expended on your behalf					
21 The value of services or facilities furnished to you by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge					
22 Other income. Attach schedule. Do not include gain (or loss) from sale of capital assets					
23 Total of lines 15 through 22					
24 Line 23 minus line 17					
25 Enter 1% of line 23					▨

26 Organizations described in box 10 or 11:
- a Enter 2% of amount in column (e), line 24 ______
- b Attach a list (not open to public inspection) showing the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1985 through 1988 exceeded the amount shown in line 26a. Enter the sum of all excess amounts here ______

(Continued on page 3)

Part IV Support Schedule (continued) (Complete only if you checked box 10, 11, or 12 on page 2.)

27 Organizations described in box 12, page 2:

a Attach a list for amounts shown on lines 15, 16, and 17, showing the name of, and total amounts received in each year from, each "disqualified person," and enter the sum of such amounts for each year:

(1988) .... (1987) .... (1986) .... (1985) ....

b Attach a list showing, for 1985 through 1988, the name and amount included in line 17 for each person (other than "disqualified persons") from whom the organization received more during that year than the larger of: the amount on line 25 for the year or $5,000. Include organizations described in boxes 5 through 11 as well as individuals. Enter the sum of these excess amounts for each year:

(1988) (1987) (1986) (1985)

28 For an organization described in box 10, 11, or 12, page 2, that received any unusual grants during 1985 through 1988, attach a list (not open to public inspection) for each year showing the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not include these grants in line 15 above. (See specific instructions.)

Part V Private School Questionnaire
(To be completed ONLY by schools that checked box 6 in Part IV)

			Yes (1)	No (2)
29	Do you have a racially nondiscriminatory policy toward students by statement in your charter, bylaws, other governing instrument, or in a resolution of your governing body?	29		
30	Do you include a statement of your racially nondiscriminatory policy toward students in all your brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?	30		
31	Have you publicized your racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if you have no solicitation program, in a way that makes the policy known to all parts of the general community you serve?	31		
	If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.)			
32	Do you maintain the following:			
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	32a		
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b		
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c		
d	Copies of all material used by you or on your behalf to solicit contributions?	32d		
	If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.)			
33	Do you discriminate by race in any way with respect to:			
a	Students' rights or privileges?	33a		
b	Admissions policies?	33b		
c	Employment of faculty or administrative staff?	33c		
d	Scholarships or other financial assistance? (See instructions.)	33d		
e	Educational policies?	33e		
f	Use of facilities?	33f		
g	Athletic programs?	33g		
h	Other extracurricular activities?	33h		
	If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.)			
34a	Do you receive any financial aid or assistance from a governmental agency?	34a		
b	Has your right to such aid ever been revoked or suspended?	34b		
	If you answered "Yes" to either 34a or b, please explain using an attached separate statement.			
35	Do you certify that you have complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation. (See instructions for Part V.)	35		

Part VI Lobbying Expenditures by Public Charities (see instructions)
(To be completed ONLY by an eligible organization that filed Form 5768)

Check here ▶ a ☐ If the organization belongs to an affiliated group (see instructions).
Check here ▶ b ☐ If you checked a and "limited control" provisions apply (see instructions).

Limits on Lobbying Expenses	(a) Affiliated group totals	(b) To be completed for ALL electing organizations
36 Total (grassroots) lobbying expenses to influence public opinion		
37 Total lobbying expenses to influence a legislative body		
38 Total lobbying expenses (add lines 36 and 37)		
39 Other exempt purpose expenses (see Part VI instructions)		
40 Total exempt purpose expenses (add lines 38 and 39) (see instructions)		
41 Lobbying nontaxable amount. Enter the smaller of $1,000,000 or the amount determined under the following table—	▨	▨
If the amount on line 40 is— / **The lobbying nontaxable amount is—**	▨	▨
Not over $500,000 — 20% of the amount on line 40.	▨	▨
Over $500,000 but not over $1,000,000 — $100,000 plus 15% of the excess over $500,000		
Over $1,000,000 but not over $1,500,000 — $175,000 plus 10% of the excess over $1,000,000	▨	▨
Over $1,500,000 — $225,000 plus 5% of the excess over $1,500,000	▨	▨
42 Grassroots nontaxable amount (enter 25% of line 41)		
(Complete lines 43 and 44. File Form 4720 if either line 36 exceeds line 42 or line 38 exceeds line 41.)		
43 Excess of line 36 over line 42		
44 Excess of line 38 over line 41		

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 45–50 for details.)

	Lobbying Expenses During 4-Year Averaging Period				
Calendar year (or fiscal year beginning in) ▶	(a) 1989	(b) 1988	(c) 1987	(d) 1986	(e) Total
45 Lobbying nontaxable amount (see instructions)					
46 Lobbying ceiling amount (150% of line 45(e))	▨	▨	▨	▨	
47 Total lobbying expenses (see instructions)					
48 Grassroots nontaxable amount (see instructions)					
49 Grassroots ceiling amount (150% of line 48(e))	▨	▨	▨	▨	
50 Grassroots lobbying expenses (see instructions)					

Part VII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

	Yes	No
51 Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?	▨	▨
a Transfers from the reporting organization to a noncharitable exempt organization of:		
(i) Cash		
(ii) Other assets		
b Other Transactions:	▨	▨
(i) Sales of assets to a noncharitable exempt organization		
(ii) Purchases of assets from a noncharitable exempt organization		
(iii) Rental of facilities or equipment		
(iv) Reimbursement arrangements		
(v) Loans or loan guarantees		
(vi) Performance of services or membership or fundraising solicitations		
c Sharing of facilities, equipment, mailing lists or other assets, or paid employees		

d If the answer to any of the above is "Yes," complete the following schedule. The "Amount involved" column below should always indicate the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, the column should also indicate the value of the goods, other assets, or services received.

(a) Line no.	(b) Amount involved	(c) Name of noncharitable exempt organization	(d) Description of transfers, transactions, and sharing arrangements

52a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? ☐ Yes ☐ No

b If "Yes," complete the following schedule.

(a) Name of organization	(b) Type of organization	(c) Description of relationship

1989

Department of the Treasury
Internal Revenue Service

Instructions for Schedule A (Form 990)

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Purpose of Form.—Schedule A (Form 990) is used by section 501(c)(3), 501(e), 501(f), and 501(k) organizations and section 4947(a)(1) trusts to furnish additional information not required of other types of organizations that file **Form 990**, Return of Organization Exempt From Income Tax, or **Form 990EZ**, Short Form Return of Organization Exempt From Income Tax. This additional information is required by section 6033(b) and Rev. Proc. 75-50.

For purposes of these instructions, the term "section 501(c)(3)" includes organizations exempt under sections 501(e), 501(f), and 501(k).

General Information

A. Who Must File.—If you file Form 990 (or Form 990EZ) for an organization described in section 501(c)(3), or for a nonexempt charitable trust described in section 4947(a)(1), you will need to complete and attach Schedule A. If you are not required to file Form 990 (or Form, 990EZ), you need not file Schedule A. Do not use Schedule A if you file for a private foundation. (Private foundations file **Form 990-PF**, Return of Private Foundation, instead of Form 990.)

B. Period Covered.—Your Schedule A should cover the same period as the Form 990 (or Form 990EZ) with which you file it.

C. Penalties.—Schedule A (Form 990) is an integral part of Form 990 (or Form 990EZ) for section 501(c)(3) organizations and section 4947(a)(1) trusts required to file either form. Therefore, any such organization that does not submit a completed Schedule A with its Form 990 (or Form 990EZ) does not satisfy its filing requirement and may be charged a $10 a day penalty. See General Instruction K of the Form 990 (or Form 990EZ) instructions for more information about this and other penalties.

To avoid having to respond to requests for missing information, please be sure to complete all applicable line items; to answer "Yes" or "No" to each question on the return; to make an entry (including a "-0-" when appropriate) on all total lines; and to enter "None" or "N/A" if an entire part does not apply.

Specific Instructions

If you need more space for any part or line item, attach separate sheets on which you follow the same format and sequence as on the printed form. Show totals on the printed form. Be sure to put the organization's name and employer identification number on separate sheets and identify the part or line that the attachments support.

You may show money items as whole dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 through 99 cents to the next higher dollar.

Part I

Complete for the five employees with the highest annual compensation over $30,000. Do not include employees listed in Part V of Form 990 or in Part IV of Form 990EZ (List of Officers, Directors, and Trustees). Also enter in Part I the number of other employees with annual compensation over $30,000 *who are not listed in Part I.*

Show all forms of compensation received by each listed employee.

Column (c).—Enter salary, fees, bonuses, and severance payments received by each listed employee.

Column (d).—Include all forms of deferred compensation (whether or not funded and whether or not the deferred compensation plan is a qualified plan under section 401(a)) and payments to welfare benefit plans on behalf of the employee.

Column (e).—Enter amounts that the recipients must report as income on their separate income tax returns. Examples include amounts for which the recipient did not account to the organization or allowances that were more than the payee spent on serving the organization. Payments made in connection with indemnification arrangements, the value of the personal use of housing, automobiles, or other assets owned or leased by the organization (or provided for the organization's use without charge), as well as any other taxable and nontaxable fringe benefits are to be included.

Part II

Complete for the five highest paid independent contractors who performed personal services of a professional nature for the organization and, in return, received over $30,000 for the year from the organization. Examples of such contractors include attorneys, accountants, and doctors, whether these people perform the services as individuals or as employees of a professional service corporation. Also show the number of other independent contractors who received more than $30,000 for the year for performing such services and are not listed in Part II.

Part III

Line 1.—For a definition of *attempting to influence legislation,* see the instructions for Part VI.

Line 2d.—If the only compensation or repayment relates to amounts you reported in Part V of Form 990 (or Part IV of Form 990EZ), check "Yes" and write "See Part V, Form 990" (or "See Part IV of Form 990EZ") on the dotted line to the left of the entry space.

Line 4.—In the statement, do not include payments for materials or services the organization receives.

Qualify means that organizations or individuals will use the funds you provide for charitable purposes described in sections 170(c)(1) and 170(c)(2).

Qualify also means that individual recipients belong to a charitable class, and the payments are to aid them. Examples include help to the aged poor, training of teachers and social workers from underdeveloped countries, and awards such as scholarships to individuals.

Part IV

Definitions.—The following terms are used in more than one item in Part IV. The definitions below generally apply.

Support (boxes 10, 11, 12, Support Schedule), with certain exceptions described below, means all forms of support including (but not limited to) contributions, investment income (such as interest, rents, royalties, and dividends), and net income from unrelated business activities whether or not such activities are carried on regularly as a trade or business.

(a) *Support* does not include—

(1) Any amounts the organization receives from exercising or performing its charitable, educational, or other similar purpose or function. In general, these amounts include those from any activity which is substantially related to the furtherance of such charitable, etc., purpose or function (other than through the production of income). **Exception:** Section 509(a)(2) organizations that check box 12 do include these amounts as part of their support.

(2) Any gain on the sale or exchange of property which would be considered under any section of the Code as gain from the sale or exchange of a capital asset.

(3) Contributions of services for which a deduction is not allowable.

(b) *Support from a governmental unit,* with certain exceptions described below, includes—

(1) Any amounts received from a governmental unit, including donations or contributions and amounts received in connection with a contract entered into with a governmental unit for the performance of services or in connection with a government research grant, provided these amounts are not excluded from the term *support* as amounts received from exercising or performing the organization's charitable purpose or function. An amount paid by a governmental unit to an organization is not treated as received from exercising or performing its charitable, etc., purpose or function if the payment is to enable the organization to provide a service to, or maintain a facility for, the direct benefit of the public, as for example, to maintain library facilities which are open to the public.

(2) Tax revenues levied for the organization's benefit and either paid to or expended on its behalf.

(3) The value of services or facilities (exclusive of services or facilities generally furnished, without charge, to the public) furnished by a governmental unit to the organization without charge; for example, a city pays the salaries of personnel to guard a museum, art gallery, etc., or provides the use of a building rent free. However, the term does not include the value of any exemption from Federal, state, or local tax or any similar benefit.

Indirect contributions from the general public are what the organization receives from other organizations that receive a substantial part of their support from general public contributions. An example is the organization's share of the proceeds from an annual community chest drive (such as the United Way or United Fund).

A disqualified person is:

(1) *A substantial contributor,* who is any person who gave an aggregate amount of more than $5,000, if that amount is more than 2% of the total contributions the foundation or organization received from its inception through the end of the year in which that person's contributions were received. Gifts from the contributor's spouse are treated as gifts from the contributor. Gifts are generally valued at fair market value as of the date the organization received them. Special rules apply for contributions made on or before October 9, 1969. (See Regulations section 1.507-6.) In the case of a trust, the creator of the trust is considered a substantial contributor without regard to the amount of contributions received by the trust from the creator and other persons. Any person who is a substantial contributor at any time generally remains a substantial contributor for all future periods even if later contributions by others push that person's contributions below the 2% figure discussed above.

(2) An officer, director, or trustee of the organization or any individual having powers or responsibilities similar to those of officers, directors, or trustees.

(3) An owner of more than 20% of: the voting power of a corporation, profits interest of a partnership, or beneficial interest of a trust or an unincorporated enterprise that is a substantial contributor to the organization.

(4) A family member of an individual in the first three categories. A "family member" includes only a person's spouse, ancestors, lineal descendants, and spouses of lineal descendants.

(5) A corporation, partnership, trust, or estate in which persons described in (1), (2), (3), or (4) own more than 35% of the voting power, profits interest, or beneficial interest. See section 4946(a)(1).

An organization is considered *normally* to satisfy the public support test (boxes 10, 11, and 12) for its current tax year and the tax year immediately following its current tax year if the organization satisfies the applicable support test for the 4 tax years immediately before the current tax year. If the organization has a material change (other than from unusual grants—see instructions for line 28 on page 3) in its sources of support during the current tax year, the data ordinarily required in the Support Schedule covering the years 1985 through 1988 must be submitted for the years 1985 through 1989. You must prepare and attach a 5-year schedule using the same format as provided in the Support Schedule for lines 15 through 28.

Boxes 5 through 14.—Check one box to indicate why the organization is not a private foundation. The organization's exemption letter states the reason, or your local IRS office can tell you.

Box 6.—Check box 6 for a school whose primary function is the presentation of formal instruction, and which regularly has a faculty, a curriculum, an enrolled body of students, and a place where educational activities are regularly conducted.

A private school, in addition, must have a racially nondiscriminatory policy toward its students. For more information about these requirements, see the instructions for Part V.

Box 7.—Check for an organization whose main purpose is to provide hospital or medical care. A rehabilitation institution or an outpatient clinic may qualify as a hospital, but the term does not include: medical schools, medical research organizations, convalescent homes, homes for the aged, or vocational training institutions for the handicapped. Also check box 7 for a cooperative hospital service organization described in section 501(e).

Box 9.—Check for a medical research organization operated in connection with or in conjunction with a hospital. The hospital must be described in section 501(c)(3) or operated by the Federal government, a state or its political subdivision, a U.S. possession or its political subdivision, or the District of Columbia.

Medical research means studies and experiments done to increase or verify information about physical or mental diseases and disabilities: their causes, diagnosis, prevention, treatment, or control. The organization must conduct the research directly and continuously. If it primarily gives funds to other organizations (or grants and scholarships to individuals) for them to do the research, the organization is not a medical research organization.

The organization need not be an affiliate of the hospital, but there must be an understanding that they will cooperate closely and continuously in doing medical research as a joint effort.

An organization qualifies as a medical research organization if its principal purpose is medical research and it devotes more than half its assets, or spends at least 3.5% of the fair market value of its endowment, in directly conducting medical research. Either test may be met based on a computation period consisting of the immediately preceding tax year or the immediately preceding 4 tax years. If an organization does not satisfy either the assets test or the expenditure test, it may still qualify as a medical research organization based on the circumstances involved. These are discussed in Regulations sections 1.170A-9(c)(2)(v) and (vi). Value the organization's assets as of any day in your tax year, but use the same day every year. Value the endowment at fair market value, using commonly accepted valuation methods. (See Regulations section 20.2031.)

Box 10.—Check box 10 and complete the Support Schedule (lines 15 through 28) if your organization receives and manages property for and expends funds to benefit a college or university that is owned or operated by one or more states or their political subdivisions. The school must be as described in the first paragraph of the instructions for box 6.

Expending funds to benefit a college or university includes acquiring and maintaining the campus, its buildings, and its equipment, granting scholarships and student loans, and making any other payments in connection with the normal functions of colleges and universities.

The organization must meet essentially the same public support test described below for box 11. See Rev. Rul. 82-132, 1982-2 C.B. 107.

Box 11.—Check this box and complete the Support Schedule for an organization that normally receives at least 33⅓% of its support (excluding income received in exercising its charitable, etc., function) from a governmental unit, or from direct or indirect contributions from the general public.

To determine whether the 33⅓ percent-of-support test is met, donor contributions are considered support from direct or indirect contributions from the general public only to the extent that their total amount during the 4-tax-year period is 2% or less of the organization's total support for those 4 tax years as described below:

Denominator.—Any contribution by one individual will be included in full in the total support denominator of the fraction determining the 33⅓ percent-of-support or the 10 percent-of-support limitation.

Numerator.—**Only** the portion of each donor's contribution that is 2% or less of the total support denominator will be included in the numerator. In applying the 2% limitation, all contributions by any person(s) related to the donor as described in section 4946(a)(1)(C) through (G) (and related regulations) will be treated as if made by the donor. The 2% limitation does not apply to support from governmental units referred to in section 170(c)(1), or to contributions from publicly supported organizations (section 170(b)(1)(A)(vi)), that check box 11.

Example: For the years 1985 through 1988, the X organization received $600,000 in support from the following sources:

Investment income	$300,000
Y City (government source)	40,000
United Fund (indirect contributions from general public)	40,000
Direct contributions	220,000
Total support	$600,000

Six donors each gave more than 2% of the total support (which is $12,000). While the donors' full contributions are counted in X organization's total support, only $12,000 from each of these six donors is included in the organization's public support. The public support is figured as follows:

Government support (Y City)	$40,000
Indirect contributions from the general public (United Fund)	40,000
Contributions from various donors, none of whom gave over 2% of the organization's total support	50,000
6 contributions limited to 2% of the organization's total support (6 × $12,000)	72,000
Public support	$202,000

One-third of X organization's total support is $200,000 for years 1985 through 1988. Since the organization received more than one-third of its total support for the period from public sources, it qualifies as a publicly supported organization.

An organization which does not qualify as publicly supported under the test described above may be publicly supported on the basis of the facts in its case if it receives at least 10% of its support from the general public. If you believe your organization is publicly supported according to applicable regulations, attach a detailed statement of the facts upon which you base your conclusion.

Box 12.—Check box 12 and complete the Support Schedule (lines 15 through 28) for an organization that meets both of the following support tests (section 509(a)(2)):

(A) Normally receives more than one-third of its support in each tax year from any combination of—

(i) gifts, grants, contributions, or membership fees, and

(ii) gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities in an activity which is not an unrelated trade or business (within the meaning of section 513), not including such receipts from any person, or from any bureau or similar agency of a government unit (as described in section 170(c)(1)), in any tax year to the extent such receipts exceed the greater of $5,000 or 1% of the organization's support in such tax year, from persons other than disqualified persons (see Definitions, above) with respect to the organization, from governmental units described in section 170(c)(1), or from organizations described in section 170(b)(1)(A) (other than in clauses (vii) and (viii)), and

(B) Normally receives not more than one-third of its support each tax year from the sum of—

(i) gross investment income (as defined in section 509(e)), and

(ii) the excess (if any) of the amount of the unrelated business taxable income (as defined in section 512) over the amount of the tax imposed by section 511.

For purposes of section 509(a)(2), determine your support solely on the cash receipts and disbursements method of accounting. For an example, see Regulations section 1.509(a)-3(k).

Retained character of gross investment income.—When determining whether an organization meets the gross investment income test of section 509(a)(2)(B), amounts received from the following organizations retain the character of gross investment income (rather than gifts or contributions) to the extent that these organizations characterize the amounts as gross investment income:

(a) An organization that claims to be described in section 509(a)(3) because it supports a 509(a)(2) organization; or

(b) A charitable trust, corporation, fund, or association described in section 501(c)(3) (including a charitable trust described in section 4947(a)(1)), which is required to distribute, or normally distributes, at least 25% of its adjusted net income (within the meaning of section 4942(f)) to a 509(a)(2) organization, and if the distribution normally comprises at least 5% of the distributee organization's adjusted net income.

If an organization receives an amount from a split-interest trust described in section 4947(a)(2) that is required to distribute, or normally distributes, at least 25% of its adjusted net income to a 509(a)(2) organization, and the distribution normally comprises at least 5% of the distributee organization's adjusted net income, the amount retains the character of gross investment income if it would be characterized as gross investment income attributable to transfers in trust after May 26, 1969, if the trust were a private foundation.

All income characterized as gross investment income in the possession of the distributing organization is considered to be distributed first by the organization and keeps its character as such in the possession of the recipient.

For further details see Regulations section 1.509(a)-5, covering special rules of attribution.

If your organization received any amounts from either kind of organization above, attach a statement. Show amount received from each organization, including amounts, such as gifts, that are not investment income.

Box 13.—Check box 13 and complete items (a) and (b) for a supporting organization operated only for the benefit of and in connection with organizations listed above in boxes 5 through 12, or with organizations described in section 501(c)(4), (5), or (6) that meet the tests of section 509(a)(2) (described in box 12). General principles governing supporting organizations are described in Regulations section 1.509(a)-4.

Under item 13b, "Box number from above," identify the organization supported if it is included in the list of boxes 5 through 12. For example, if your organization supported a hospital, enter "7" in item 13b.

Box 14.—Check box 14 only if the organization has received a ruling from the IRS that it is organized and operated primarily to test for public safety.

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) or (vi) and 509(a)(2).—Complete the Support Schedule if you checked box 10, 11, or 12.

If the organization has not existed during the whole period the schedule covers, fill in the information for the years that apply. If the organization's status is based on years not shown in the Support Schedule, attach an additional schedule for the other years.

Lines 15, 16, 17, 26, and 27.—Refer to Regulations section 1.509(a)-3:

(1) To distinguish gross receipts from gifts and contributions, grants, and gross investment income; and

(2) For the definition of membership fees and a bureau or similar agency of a governmental unit.

Line 17.—In addition to income the organization receives from performing its charitable, etc., functions, include on line 17 gross receipts from section 513(a)(1), (2), or (3) activities. These are activities in which substantially all the work is performed without compensation, or carried on by the organization primarily for the convenience of its members, or which consists of the selling of merchandise, substantially all of which has been received by the organization as gifts or contributions.

Line 28.—Unusual grants generally are substantial contributions and bequests from disinterested persons and:

(1) Are attracted because of the organization's publicly supported nature,

(2) Are unusual and unexpected because of the amount, and

(3) Are large enough that they would endanger the organization's status as normally meeting the support test described in the instructions for box 10, 11, or 12.

A grant that meets these terms may be treated as an unusual grant (that is disregarded entirely in the public support computation) even if the organization receives the funds over a period of years. In your list of unusual grants, show only what the organization received during the year.

Do not treat gross investment income items as unusual grants. Instead, include all investment income in support.

See Regulations sections 1.170A-9(e)(6)(ii) and 1.509(a)-(3)(c)(3) and (4) for more information about unusual grants.

Part V

All schools that checked box 6, Part IV, must complete Part V. Rev. Proc. 75-50, 1975-2 C.B. 587, gives guidelines and recordkeeping requirements for determining whether private schools that are presently recognized as exempt from tax have racially nondiscriminatory policies as to students.

Section 4.01 of the Rev. Proc. requires a school to include a statement in its charter, bylaws, or other governing instrument, or in a resolution of its governing body, that it has a racially nondiscriminatory policy as to students.

Section 4.02 requires every school to include a statement of its racially nondiscriminatory policy as to students in all its brochures and catalogues dealing with student admissions, programs, and scholarships. Further, every school must include a reference to its racially nondiscriminatory policy in other written advertising that it uses as a means of informing prospective students of its programs.

Section 4.03 requires a school to publicize its racially nondiscriminatory policy at least once annually during the period of its solicitation for students, or, in the absence of a solicitation program, during its registration period, unless it meets the criteria set out in section 4.03-2 of the Rev. Proc. See section 4.03-1 for examples of acceptable methods of publicizing the policy, including the use of newspapers and broadcast media. Whatever method is used, it must make the school's policy known to all segments of the general community it serves.

Section 4.03 further requires a school to be prepared to demonstrate that it has publicly denied or withdrawn any statements claimed to have been made on its behalf that are contrary to its publicity of a racially nondiscriminatory policy as to students, to the extent that the school or its principal officials were aware of such statements.

Section 4.04 requires a school to be able to show that all of its programs and facilities are operated in a racially nondiscriminatory manner.

Section 4.05 generally requires that all scholarships or other comparable benefits at any school be offered on a racially nondiscriminatory basis. However, a financial assistance program favoring members of one or more racial groups will not adversely affect exempt status if it does not significantly detract from a racially nondiscriminatory policy as to students.

Section 4.06 requires an individual authorized to take official action on behalf of a school that claims to be racially nondiscriminatory as to students to certify annually, under penalties of perjury, that to the best of his or her knowledge and belief the school has satisfied the applicable requirements of sections 4.01 through 4.05 of the Rev. Proc. This certification is line 35 in Part V.

Part VI

Complete Part VI only for an eligible organization that filed **Form 5768**, Election/ Revocation of Election by an Eligible Section 501(c)(3) Organization to Make Expenditures to Influence Legislation, to elect to be subject to the lobbying expenditure limitations of section 501(h) and the election was in effect for its tax year beginning in 1989. For lines 36 through 44, complete column (b) for any organization using Part VI, but complete column (a) only for affiliated groups, defined on page 4.

An organization that makes the election can have nontaxable lobbying expenses within certain dollar limits. It will be subject to an excise tax under section 4911 if its lobbying expenses exceed these limits in a particular year. Lines 36–44 are used to determine whether any of the organization's current year lobbying expenditures are subject to tax. File **Form 4720**, Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code, if you need to report and pay the excise tax.

If, over a 4-year averaging period, the organization's average annual lobbying or grassroots lobbying expenses are more than 150% of its dollar limits, its exempt status may be jeopardized. Lines 45-50 are used to determine if the organization exceeded these limits during the 4-year averaging period.

Tax on Lobbying Expenditures of Former Section 501(c)(3) Organizations.—Certain organizations whose section 501(c)(3) status is revoked because of excess lobbying activities are subject to a 5 percent excise tax on their lobbying expenditures under section 4912. A similar tax at the same rate is also imposed on any manager of the organization who willfully and without reasonable cause consented to the making of the lobbying expenditures knowing that they would likely result in the organization's no longer qualifying under section 501(c)(3). There is no limit on the amount of this tax that may be imposed against either the organization or its managers.

These taxes are not imposed in the case of any organization for which a section 501(h) election was in effect at the time of the lobbying expenditures or which was not eligible to make a section 501(h) election.

Definitions.—The following terms are used throughout Part VI. The definitions below generally apply.

Exempt purpose expenses are:

(1) The total amounts paid or incurred for religious, charitable, scientific, literary, or educational purposes, or to foster national or international amateur sports competition (not including (except for qualified amateur sports organizations described in section 501(j)(2)) the providing of athletic facilities or equipment), or for the prevention of cruelty to children or animals.

(2) Administrative expenses paid or incurred for the above purposes.

(3) Amounts paid or incurred to try to influence legislation, whether or not for the purposes described in (1) above.

Exempt purpose expenses do not include amounts paid to or incurred for either the organization's separate fundraising unit or other organizations, if the amounts are primarily for fundraising.

Lobbying expenses are spent in an attempt to influence legislation by:

(1) Affecting the opinion of any segment of the general public (grassroots lobbying expenses), or

(2) Communicating with any member or employee of a legislative body, or with any government official or employee who may help form legislation.

Influencing legislation does not include any of the following:

(1) Making available the results of nonpartisan analysis or research.

(2) Providing technical advice or help (that would otherwise be influencing legislation) to a government body, committee, or other subdivision in response to a written request by that group.

(3) Appearing before, or communicating with, a legislative body about its possible decision that might affect the organization's existence, powers, duties, tax-exempt status, or the deduction of contributions to the organization.

(4) Communicating with a government official or employee who is not a member or employee of a legislative body, unless the main purpose of the communication is to influence legislation.

(5) Communications between the organization and its members about legislation or proposed legislation that directly interests the organization and its members. However, influencing legislation does include requests from the organization to its members that they:

- try to influence legislation by communicating with anyone who helps form it; or
- encourage nonmembers to try to influence legislation, either by grassroots lobbying or by communicating with anyone who helps form the legislation.

Legislation includes action with respect to acts, bills, resolutions, or similar items by the Congress, any state legislature, any local council, or similar governing body or by the public in a referendum, initiative, constitutional amendment, or similar procedure.

The term *action* in the preceding sentence is limited to the introduction, amendment, enactment, defeat, or repeal of acts, bills, resolutions, or similar items.

Figuring lobbying expenses.—When an expense is incurred partly in connection with exempt purposes and partly in connection with any other type of activity, allocate the expense between the two activities on a reasonable basis. For example, if a person spends half the time on lobbying activities and half the time on investment activities, allocate that person's salary expense equally between the two activities. The same rule applies to other operating expenses, such as telephones or printing, and to overhead or fixed expenses, such as rent, insurance, or depreciation. Figure depreciation on the straight-line basis. Do not include capital expenses, such as improvements to an office, when figuring lobbying expenses.

Affiliated groups.—Two organizations are affiliated if one is bound by the other's decisions on legislative issues (control) or if enough representatives of one belong to the other's governing board to cause or prevent action on legislative issues (interlocking directorate). If you do not know whether your group is affiliated, ask IRS for a ruling letter. Send the request to: Assistant Commissioner (Employee Plans and Exempt Organizations), Exempt Organizations Technical Division, E:EO, 1111 Constitution Ave., NW, Washington, DC 20224.

If the electing organization belongs to an affiliated group, complete lines 36 through 44 of column (a), Part VI, for the affiliated group as a whole, and complete column (b) for the electing member of the group. The electing member must also attach a schedule showing each group member's name, address, employer identification number, and expenses. Use the format of Part VI, and show which members elected and which did not.

If the group has no excess amounts on either line 43 or 44, column (a), each electing member will be treated as not having excess amounts. If the group has excess amounts on line 43 or 44, column (a), each electing member will be treated as having excess amounts, and each must file Form 4720 and pay the tax on its proportionate share of the group's excess lobbying expenses. To find a member's proportionate share, multiply the affiliated group's total lobbying expenses (on line 43 or line 44, or both) by a fraction. The numerator is the electing member's total lobbying expenses (line 38, column (b)), and the denominator is the total lobbying expenses of all electing members of the affiliated group. Enter the proportionate share in column (b) of line 43 or line 44, or both. Include each electing member's share of the excess lobbying expenses on the schedule you attach. Any nonelecting members would not owe tax, but would remain subject to the existing rule, which provides that no substantial part of their activities may consist of carrying on propaganda or otherwise trying to influence legislation.

Limited control.—If two organizations are affiliated because their governing instruments provide that the decisions of one will control the other only on national legislation, apply expenses as follows:

(1) Change the controlling organization with its own lobbying expenses and with the national legislation expenses of the affiliated organizations. Do not charge the controlling organization with other lobbying expenses (or other exempt-purpose expenses) that the affiliated organizations may have.

(2) Treat each local organization as though it were not a member of an affiliated group. That is, the local organization should account for its own expenses only. It would not include any national legislation expenses deemed to have been incurred by the controlling organization under (1) above.

When this type of limited control is present, each member of the affiliated group should complete column (b) only.

Group returns.—Although membership in a group affiliated for lobbying does not establish eligibility to file a group return, a group return can sometimes meet the filing requirements of more than one member of an affiliated group. (See General Instruction Q of Form 990 (or General Instruction P of Form 990EZ) to see who may file a group return.) If a central or parent organization files a group return on behalf of two or more members of the group, complete lines 36 through 44 of column (a), Part VI, for the affiliated group as a whole. Include the central, electing, and nonelecting members. In column (b), except on lines 43 and 44, include the amounts that apply to all electing members of the group if they are included in the group return. Also attach the schedule described above undeg "Affiliated groups," and show what amounts apply to each group member.

If the group return includes organizations that belong to more than one affiliated group, show the totals for all such groups in column (a). In the schedule you attach, show the amounts that apply to each affiliated group and to each group member.

If the parent organization has made the lobbying expense election, its separate return must also show in column (a) the amounts that apply to the affiliated group as a whole and, in column (b), the amounts that apply to the parent organization only. Similarly, a subordinate organization not included in the group return would also complete column (a) for the affiliated group as a whole, and column (b) for itself only.

However, if "limited control" (defined above) exists, complete only column (b) in Part VI of the group return for the electing members in the group. Attach a schedule to show the amounts that apply to each electing member. In the separate returns filed by the parent and by any subordinate organizations not included in the group return, complete only column (b).

Lines 45–50.—Any organization for which a lobbying expense election under section 501(h) was in effect for its tax year beginning in 1989 must complete columns (a) through (e) of lines 45 through 50 except in the following situations:

(1) An organization first treated as a section 501(c)(3) organization in its tax year beginning in 1989 does not have to complete any part of lines 45 through 50.

(2) An organization does not have to complete lines 45 through 50 for any period before it is first treated as a section 501(c)(3) organization.

(3) If 1989 is the first year for which an organization's first section 501(h) election is effective, that organization is required to complete line 45, columns (a) and (e), entering the same figure in both places. The organization must then complete column (e) to determine whether the amount on line 47 is equal to or less than the lobbying ceiling amount calculated for line 46 and whether the amount on line 50 is equal to or less than the grassroots ceiling amount calculated for line 49. The organization does not satisfy both tests if either its total lobbying expenses or its grassroots lobbying expenses exceed the applicable ceiling amounts. When that occurs, all five columns must be completed and a recomputation made, unless exception (1) or (2) above applies.

(4) If 1989 is the second or third tax year for which the organization's first section 501(h) election is in effect, that organization is required to complete only the columns for the years in which the election has been in effect, entering the totals for those years in column (e). The organization must determine, for those two or three years, whether the amount entered in column (e), line 47, is equal to or less than the lobbying ceiling amount reported on line 46, and whether the amount on line 50 is equal to or less than the grassroots ceiling amount calculated for line 49. The organization does not satisfy both tests if either its total lobbying expenses or grassroots lobbying expenses exceed applicable ceiling amounts. When that occurs, all five columns must be completed and a recomputation made, unless exception (1) or (2) above applies.

If your organization is not required to complete all five columns, attach a statement explaining why. In the statement, also indicate the ending date of the tax year in which the organization made its first section 501(h) election and state whether or not that first election was revoked before the start of the organization's tax year that began in 1989.

If your organization belongs to an affiliated group, you should enter the appropriate affiliated group totals from column (a) when completing lines 45, 47, 48, and 50.

Line 45.—Lobbying nontaxable amount.—For 1986–89, enter the amount from line 41 of the Schedule A (Form 990) filed for each year.

Line 47.—Total lobbying expenses.—For 1986– 89, enter the amount from line 38 of the Schedule A (Form 990) filed for each year.

Line 48.—Grassroots nontaxable amount.—For 1986–89, enter the amount from line 42 of the Schedule A (Form 990) filed for each year.

Line 50.—Grassroots lobbying expenses.—For 1986–89, enter the amount from line 36 of the Schedule A (Form 990) filed for each year.

Part VII

Part VII is used to report direct and indirect transfers to (line 51a) and direct and indirect transactions with (line 51b) and relationships with (line 52) any other noncharitable exempt organization. A *noncharitable exempt organization* is an organization exempt under section 501(c) (that is not exempt under section 501(c)(3)), or a political organization described in section 527.

For purposes of these instructions, the section 501(c)(3) organization completing this Schedule A (Form 990) is referred to as the "reporting organization."

A noncharitable exempt organization is *related to* or *affiliated with* the reporting organization if either: the two organizations share some element of common control; **OR** a historic and continuing relationship exists between the two organizations. A noncharitable exempt organization is unrelated to the reporting organization if the two organizations share no element of common control **AND** a historic and continuing relationship does not exist between the two organizations.

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

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

Line 51.—Reporting of certain transfers and transactions.—Except as provided, you must report on line 51 any transfer to or transaction with a noncharitable exempt organization even if the transfer or transaction constitutes the only connection with the noncharitable exempt organization.

Related organizations.—If the noncharitable exempt organization is related to or affiliated with the reporting organization, you must report all direct and indirect transfers and transactions except for contributions and grants received by the reporting organization.

Unrelated organizations.—All transfers from the reporting organization to an unrelated nonexempt charitable organization must be reported on line 51(a). All transactions between the reporting organization and an unrelated nonexempt charitable organization must be shown on line 51(b), unless they meet the exception in the specific instructions for that line.

Line 51(a).—Transfers.—Answer "Yes" to lines 51(a)(i) and 51(a)(ii) if the reporting organization made any direct or indirect transfers of any value to a noncharitable exempt organization.

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

If the only transfers between the two organizations were contributions and grants made by the noncharitable exempt organization to the reporting organization, answer "No."

Line 51(b).—Other Transactions.—Answer "Yes" for any transaction described in line 51(b)(i)-(vi), regardless of its amount, if it is with a related or affiliated organization.

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

You must answer "Yes" for any transaction between the reporting organization and an unrelated noncharitable exempt organization if the amount involved is more than $500. The "amount involved" is the fair market value of the goods, services, or other assets furnished by the reporting organization.

Exception: If a transaction with an unrelated noncharitable exempt organization was for adequate consideration and the amount involved was $500 or less, you need not answer "Yes" for that transaction.

Line 51(b)(iii).—Answer "Yes" for transactions in which the reporting organization was either the lessor or the lessee.

Line 51(b)(iv).—Answer "Yes" if either organization reimbursed expenses incurred by the other.

Line 51(b)(v).—Answer "Yes" if either organization made loans to the other or if the reporting organization guaranteed the other's loans.

Line 51(b)(vi).—Answer "Yes" if either organization performed services or membership or fundraising solicitations for the other.

Line 51(c).—Complete line 51(c) regardless of whether the noncharitable exempt organization is related to or closely affiliated with the reporting organization. For the purposes of this line, "facilities" includes office space and any other land, building, or structure whether owned or leased by, or provided free of charge to, the reporting organization of the noncharitable exempt organization.

Line 51(d).—Use this schedule to describe the transfers and transactions for which you entered "Yes" on lines 51(a)-(c) above. You must describe each transfer or transaction for which you answered "Yes." You may combine all of the cash transfers (line 51(a)(i)) to each organization into a single entry. Otherwise, make a separate entry for each transfer or transaction.

Column (a).—For each entry, enter the line number from line 51(a)-(c), above. For example, if you answered "Yes" to line 51(b)(iii), enter "(b)(iii)" in column (a).

Column (d).—If you need more space than that provided, write "see attached" in column (d) and use an attached sheet for your description. If you are making more than one entry on line 51(d), be sure to specify on the attached sheet which transfer or transaction you are describing.

Line 52.—Reporting of certain relationships.—Enter on line 52 each noncharitable exempt organization which the reporting organization is related to or affiliated with, as defined above. If the control factor or the historic and continuing relationship factor (or both) is present at any time during the year, you must identify the organization on line 52 even if neither factor is present at the end of the year.

Do not enter unrelated noncharitable exempt organizations on line 52 even if you entered transfers to or transactions with those organizations on line 51. For example, if you entered a one-time transfer to an unrelated noncharitable exempt organization on line 51(a)(ii), you should not enter the organization on line 52.

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

Column (c).—In most cases, a simple description, such as "common directors" or "auxiliary of reporting organization" will be sufficient. If you need more space, write "see attached" in column (c) and use an attached sheet to describe the relationship. If you are entering more than one organization on line 52, be sure to identify which organization you are describing on the attached sheet.

*U.S. Government Printing Office: 1990-255-059/01152

Form **990-PF**

Department of the Treasury
Internal Revenue Service

Return of Private Foundation

or Section 4947(a)(1) Charitable Trust Treated as a Private Foundation
(See separate instructions.)

Note: *You may be able to use a copy of this return to satisfy state reporting requirements.*

OMB No. 1545-0052

1990

For the calendar year 1990, or fiscal year beginning , 1990, and ending , 19

Please type, print, or attach label. See Specific Instructions.

Name of organization

Number, street, and room (or P.O. box number)

City or town, state, and ZIP code

A Employer identification number

B State registration number (see instruction F)

C If application pending, check here . . . ▶☐

D Foreign organizations, check here. . . . ▶☐

E If your private foundation status terminated under section 507(b)(1)(A), check here . ▶☐

F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here . ▶☐

G If address changed, check here . . . . ▶☐

H Check type of organization: ☐ Exempt private foundation
☐ 4947(a)(1) trust (see instruction D5) ☐ Other taxable private foundation

I Fair market value of assets at end of year *(from Part II, col. (c), line 16)*

J Accounting method: ☐ Cash ☐ Accrual
☐ Other (specify) ▶
(Part I column (d) must be on cash basis.)

Part I Analysis of Revenue and Expenses

(The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see instructions)).

Revenue

	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes
1 Contributions, gifts, grants, etc., received (attach schedule)		▨	▨	▨
2 Contributions from split-interest trusts	▨		▨	▨
3 Interest on savings and temporary cash investments				▨
4 Dividends and interest from securities				▨
5a Gross rents				▨
b (Net rental income or (loss) ____________)	▨	▨	▨	▨
6 Net gain or (loss) from sale of assets not on line 10 .		▨	▨	▨
7 Capital gain net income (from Part IV, line 2) . . .	▨		▨	▨
8 Net short-term capital gain	▨	▨		▨
9 Income modifications	▨	▨		▨
10a Gross sales minus returns and allowances ☐	▨	▨	▨	▨
b Minus: Cost of goods sold . . . ☐	▨	▨	▨	▨
c Gross profit or (loss) (attach schedule)		▨		▨
11 Other income (attach schedule)				▨
12 **Total** (add lines 1 through 11)				▨

Operating and Administrative Expenses

Foreign organizations: Please attach check or money order here.

	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes
13 Compensation of officers, directors, trustees, etc. . .				
14 Other employee salaries and wages				
15 Pension plans, employee benefits				
16a Legal fees (attach schedule)				
b Accounting fees (attach schedule)				
c Other professional fees (attach schedule)				
17 Interest				
18 Taxes (attach schedule)				
19 Depreciation (attach schedule) and depletion . . .				▨
20 Occupancy				
21 Travel, conferences, and meetings				
22 Printing and publications.				
23 Other expenses (attach schedule)				
24 **Total** operating and administrative expenses (add lines 13 through 23)				
25 Contributions, gifts, grants paid		▨	▨	
26 **Total** expenses and disbursements (add lines 24 and 25)				
27a Excess of revenue over expenses and disbursements (line 12 minus line 26)		▨	▨	▨
b Net investment income (if negative, enter "-0-") . .	▨		▨	▨
c Adjusted net income (if negative, enter "-0-") . . .	▨	▨		▨

For Paperwork Reduction Act Notice, see page 1 of the Instructions.

Form **990-PF** (1990)

Part II Balance Sheets

Attached schedules and amounts in the description column should be for end-of-year amounts only. (See instructions.)

Assets

	Beginning of year	End of year	
	(a) Book Value	(b) Book Value	(c) Fair Market Value
1 Cash—non-interest-bearing			
2 Savings and temporary cash investments			
3 Accounts receivable ▶	▨	▨	▨
minus: allowance for doubtful accounts ▶..............			
4 Pledges receivable ▶	▨	▨	▨
minus: allowance for doubtful accounts ▶..............			
5 Grants receivable			
6 Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see instructions) . .			
7 Other notes and loans receivable (attach schedule) ▶..........	▨	▨	▨
minus: allowance for doubtful accounts ▶..............			
8 Inventories for sale or use			
9 Prepaid expenses and deferred charges			
10a Investments—U.S. and state government obligations (attach schedule) .			
b Investments—corporate stock (attach schedule)			
c Investments—corporate bonds (attach schedule)			
11 Investments—land, buildings, and equipment: basis ▶..........	▨	▨	▨
minus: accumulated depreciation (attach schedule) ▶..........			
12 Investments—mortgage loans			
13 Investments—other (attach schedule)			
14 Land, buildings, and equipment: basis ▶	▨	▨	▨
minus: accumulated depreciation (attach schedule) ▶..........			
15 Other assets (describe ▶ ....)			
16 **Total** assets (completed by all filers—see instructions) . . .			

Liabilities

	(a) Book Value	(b) Book Value	(c) Fair Market Value
17 Accounts payable and accrued expenses			▨
18 Grants payable			▨
19 Support and revenue designated for future periods (attach schedule)			▨
20 Loans from officers, directors, trustees, and other disqualified persons .			▨
21 Mortgages and other notes payable (attach schedule) . . .			▨
22 Other liabilities (describe ▶ ....)			▨
23 **Total** liabilities (add lines 17 through 22)			▨

Fund Balances or Net Assets

	(a) Book Value	(b) Book Value	(c) Fair Market Value
Organizations that use fund accounting, check here ▶ ☐ and complete lines 24 through 27 and lines 31 and 32.			▨
24a Current unrestricted fund			▨
b Current restricted fund			▨
25 Land, buildings, and equipment fund			▨
26 Endowment fund			▨
27 Other funds (describe ▶ ....)			▨
Organizations not using fund accounting, check here ▶ ☐ and complete lines 28 through 32.			▨
28 Capital stock or trust principal			▨
29 Paid-in capital or capital surplus			▨
30 Retained earnings or accumulated income			▨
31 **Total** fund balances or net assets (see instructions)			▨
32 **Total** liabilities and fund balances/net assets (see instructions) . .			▨

Part III Analysis of Changes in Net Assets or Fund Balances

1 Total net assets or fund balances at beginning of year—Part II, column (a), line 31 . . . . (must agree with end-of-year figure reported on prior year's return)	1	
2 Enter amount from Part I, line 27a	2	
3 Other increases not included in line 2 (itemize) ▶	3	
4 Add lines 1, 2, and 3	4	
5 Decreases not included in line 2 (itemize) ▶	5	
6 Total net assets or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 31	6	

Part IV Capital Gains and Losses for Tax on Investment Income

	(a) List and describe the kind(s) of property sold, e.g., real estate, 2-story brick warehouse; or common stock, 200 shs. MLC Co.	(b) How acquired P—Purchase D—Donation	(c) Date acquired (mo., day, yr.)	(d) Date sold (mo., day, yr.)
1				

(e) Gross sales price minus expense of sale	(f) Depreciation allowed (or allowable)	(g) Cost or other basis	(h) Gain or (loss) (e) plus (f) minus (g)

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(l) Losses (from col. (h)) Gains (excess of col. (h) gain over col. (k), but not less than "-0-")
(i) F.M.V. as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any	

2 Capital gain net income or (net capital loss) . . { If gain, also enter in Part I, line 7 / If (loss), enter "-0-" in Part I, line 7 } . . . **2**

3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6): If gain, also enter in Part I, line 8, column (c) (see instructions) / If (loss), enter "-0-" in Part I, line 8 . . . . **3**

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to the section 4940(a) tax on net investment income.)

If section 4940(d)(2) applies, leave Part V blank.

Were you liable for the section 4942 tax on the distributable amount of any year in the base period? . . . ☐ Yes ☐ No
If "Yes," you do not qualify under section 4940(e). Do not complete this part.

1 Enter the appropriate amount in each column for each year; see instructions before making any entries.

(a) Base period years Calendar year (or fiscal year beginning in)	(b) Qualifying distributions	(c) Net value of noncharitable-use assets	(d) Payout ratio (column (b) divided by column (c))
1989			
1988			
1987			
1986			
1985			

2 Total of line 1, column (d) **2**

3 Average payout ratio for the 5-year base period—divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years. **3**

4 Enter the net value of noncharitable-use assets for 1990 from Part IX, line 5 . . . . **4**

5 Multiply line 4 by line 3 . . . . **5**

6 Enter 1% of Part I, line 27b **6**

7 Add lines 5 and 6 . . . . **7**

8 Enter the amount from Part XIII, line 6 . . . . **8**
If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate. See the Part VI instructions.

Part VI Excise Tax on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948—see instructions)

1a Exempt operating foundations described in section 4940(d)(2), check here ☐ and enter "N/A" on line 1.
Give date of ruling letter ____________ **(attach copy of ruling letter if necessary–see instructions)**
b Domestic organizations that meet the section 4940(e) requirements in Part V, check here ☐ and enter 1% of Part I, line 27b **1**
c All other domestic organizations enter 2% of line 27b. Exempt foreign organizations enter 4% of line 27b

2 Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter "-0-") **2**

3 Add lines 1 and 2 . . . . **3**

4 Tax under subtitle A (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter "-0-") . **4**

5 Tax on investment income (line 3 minus line 4 (but not less than "-0-")) **5**

6 Credits/Payments:
a 1990 estimated tax payments and 1989 overpayment credited to 1990 . . . . . **6a**
b Exempt foreign organizations—tax withheld at source **6b**
c Tax paid with application for extension of time to file (Form 2758) **6c**
d Backup withholding erroneously withheld **6d**

7 Total credits and payments (add lines 6a through d) **7**

8 Enter any **PENALTY** for underpayment of estimated tax. Check here ☐ if Form 2220 is attached **8**

9 **TAX DUE.** If the total of lines 5 and 8 is more than line 7, enter **AMOUNT OWED** . . . . ▶ **9**

10 **OVERPAYMENT.** If line 7 is more than the total of lines 5 and 8, enter the **AMOUNT OVERPAID** . . . ▶ **10**

11 Enter the amount of line 10 you want: Credited to 1991 estimated tax ▶ | Refunded ▶ **11**

Part VII Statements Regarding Activities

File Form 4720 if you answer "No" to question 10b, 11b, or 14b or "Yes" to question 10c, 12b, 13a, 13b, or 14a(2), unless an exception applies.

		Yes	No
1a During the tax year, did you attempt to influence any national, state, or local legislation or did you participate or intervene in any political campaign?	1a		
b Did you spend more than $100 during the year (either directly or indirectly) for political purposes (see instructions for definition)? . *If you answered "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the organization in connection with the activities.*	1b		
c Did you file **Form 1120-POL**, U.S. Income Tax Return for Certain Political Organizations, for this year?	1c		
2 Have you engaged in any activities that have not previously been reported to the Internal Revenue Service? . . . *If "Yes," attach a detailed description of the activities.*	2		
3 Have you made any changes, not previously reported to the IRS, in your governing instrument, articles of incorporation, or bylaws, or other similar instruments? *If "Yes," attach a conformed copy of the changes*	3		
4a Did you have unrelated business gross income of $1,000 or more during the year?	4a		
b If "Yes," have you filed a tax return on **Form 990-T**, Exempt Organization Business Income Tax Return, for this year?	4b		
5 Was there a liquidation, termination, dissolution, or substantial contraction during the year? . . . . *If "Yes," attach the schedule required by General Instruction T.*	5		
6 Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either: • by language written into the governing instrument, or • by state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	6		
7 Did you have at least $5,000 in assets at any time during the year? . . . . *If "Yes," complete Part II, column (c), and Part XVI.*	7		
8a Enter the states to which the foundation reports or with which it is registered (see instructions) ▶ ______________			
b If you answered "Yes" to line 7, have you furnished a copy of Form 990-PF to the Attorney General (or his or her designate) of each state as required by General Instruction G? *If "No," attach explanation*	8b		
9 Are you claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 1990 or fiscal year beginning in 1990 (see instructions for Part XV)? *If "Yes," complete Part XV* .	9		
10 Self-dealing (section 4941): **a** During the year did you (either directly or indirectly):			
(1) Engage in the sale or exchange, or leasing of property with a disqualified person?	10a(1)		
(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? . .	10a(2)		
(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person?	10a(3)		
(4) Pay compensation to or pay or reimburse the expenses of a disqualified person?	10a(4)		
(5) Transfer any of your income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)?	10a(5)		
(6) Agree to pay money or property to a government official? (**Exception:** Check "No" if you agreed to make a grant to or to employ the official for a period after he or she terminates government service, if he or she is terminating within 90 days.)	10a(6)		

Part VII Statements Regarding Activities (continued)

		Yes	No
10b If you answered "Yes" to any of questions 10a(1) through (6), were the acts you engaged in excepted acts as described in Regulations sections 53.4941(d)-3 and 4?	10b		
c Did you engage in a prior year in any of the acts described in 10a, other than excepted acts, that were acts of self-dealing not corrected by the first day of your tax year beginning in 1990?	10c		
11 Taxes on failure to distribute income (section 4942) (does not apply for years you were a private operating foundation as defined in section 4942(j)(3) or 4942(j)(5)):			
a Did you at the end of tax year 1990 have any undistributed income (lines 6d and 6e, Part XIV) for tax year(s) beginning before 1990? *If "Yes," list the years* ▶ ...., ..., ..., ...	11a		
b If 11a is "Yes," are you applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the undistributed income for ALL such years? (If "Yes" attach statement—see instructions.)	11b		
c If the provisions of section 4942(a)(2) are being applied to ANY of the years listed in 11a, list the years here. ▶ ...., ..., ..., ...			
12 Taxes on excess business holdings (section 4943):			
a Did you hold more than a 2% direct or indirect interest in any business enterprise at any time during the year?	12a		
b If "Yes," did you have excess business holdings in 1990 as a result of: (1) any purchase by you or disqualified persons after May 26, 1969; (2) the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest; or (3) the lapse of the 10, 15, or 20-year first phase holding period? *(Use Schedule C, Form 4720, to determine if you had excess business holdings in 1990.)*	12b		
13 Taxes on investments that jeopardize charitable purposes (section 4944):			
a Did you invest during the year any amount in a manner that would jeopardize your charitable purposes?	13a		
b Did you make any investment in a prior year (but after December 31, 1969) that could jeopardize your charitable purpose that you had not removed from jeopardy on the first day of your tax year beginning in 1990?	13b		
14 Taxes on taxable expenditures (section 4945) and political expenditures (section 4955):			
a During the year did you pay or incur any amount to:			
(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))?	14a(1)		
(2) Influence the outcome of any specific public election (see section 4955); or to carry on, directly or indirectly, any voter registration drive?	14a(2)		
(3) Provide a grant to an individual for travel, study, or other similar purposes?	14a(3)		
(4) Provide a grant to an organization, other than a charitable, etc., organization described in section 509(a) (1), (2), or (3), or section 4940(d)(2)?	14a(4)		
(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals?	14a(5)		
b If you answered "Yes" to any of questions 14a(1) through 14a(5), were all such transactions excepted transactions as described in Regulations section 53.4945?	14b		
c If you answered "Yes" to question 14a(4), do you claim exemption from the tax because you maintained expenditure responsibility for the grant? *If "Yes," attach the statement required by Regulations section 53.4945–5(d).*	14c		
15 Did any persons become substantial contributors during the tax year? *If "Yes," attach a schedule listing their names and addresses.*	15		
16 During this tax year did you maintain any part of your accounting/tax records on a computerized system?	16		
17a Did anyone request to see either your annual return or exemption application (or both)?	17a		
b If "Yes," did you comply pursuant to the instructions? (See General Instruction Q.)	17b		

18 The books are in care of ▶ .... Telephone no. ▶ ....

Located at ▶ ....

19 *Section 4947(a)(1) charitable trusts filing Form 990-PF in lieu of* **Form 1041**, U.S. Fiduciary Income Tax Return.— Check here ▶ ☐ and enter the amount of tax-exempt interest received or accrued during the year ▶ | 19 |

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

1 List all officers, directors, trustees, foundation managers and their compensation (see instructions):

(a) Name and address	(b) Title, and average hours per week devoted to position	(c) Contributions to employee benefit plans	(d) Expense account, other allowances	(e) Compensation (If not paid, enter zero)

Part VIII Information About Officers, Directors, Trustees, etc. (continued)

2 Compensation of five highest paid employees (other than those included on line 1—see instructions). If none, enter "NONE."

(a) Name and address of employees paid more than $30,000	(b) Title and time devoted to position	(c) Contributions to employee benefit plans	(d) Expense account, other allowances	(e) Compensation

Total number of other employees paid over $30,000 ▶

3 Five highest paid persons for professional services—(see instructions). If none, enter "NONE."

(a) Name and address of persons paid more than $30,000	(b) Type of service	(c) Compensation

Total number of others receiving over $30,000 for professional services ▶

Part IX Minimum Investment Return (All organizations must complete this part.)

1 Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes:			
a Average monthly fair market value of securities		1a	
b Average of monthly cash balances		1b	
c Fair market value of all other assets (see instructions)		1c	
d **Total** (add lines 1a, b, and c)		1d	
e Reduction claimed for blockage or other factors (attach detailed explanation) ▶	1e		
2 Acquisition indebtedness applicable to line 1 assets		2	
3 Line 1d minus line 2		3	
4 Cash deemed held for charitable activities—Enter 1½% of line 3 (for greater amount, see instructions)		4	
5 Line 3 minus line 4 (Enter in Part V, line 4.)		5	
6 Minimum investment return (enter 5% of line 5)		6	

Part X Distributable Amount (see instructions)

(Section 4942(j)(3) and (j)(5) private operating foundations check here ▶ ☐ and do not complete this part.)

1 Minimum investment return from Part IX, line 6		1	
2 a Tax on investment income for 1990 from Part VI, line 5	2a		
b Income tax under subtitle A, for 1990	2b		
c Line 2a plus line 2b		2c	
3 Distributable amount before adjustments (line 1 minus line 2c)		3	
4 a Recoveries of amounts treated as qualifying distributions	4a		
b Income distributions from section 4947(a)(2) trusts	4b		
c Line 4a plus line 4b		4c	
5 Line 3 plus line 4c		5	
6 Deduction from distributable amount (see instructions)		6	
7 Distributable amount as adjusted (line 5 minus line 6) (Also enter in Part XIV, line 1.)		7	

Part XI Limitation on Grant Administrative Expenses

	Calendar year (or fiscal year beginning in):	(a) 1990	(b) 1989	(c) 1988	(d) Total
1	Net value of noncharitable-use assets (see instructions)				
2	Multiply line 1 by .0065				
3	Grant administrative expenses treated as qualifying distributions (from Part XI, line 7, from the Form 990-PF for each of the two prior years)				
4	Grant administrative expenses for 1990 (from Part XII, line 13)				
5	Maximum amount of 1990 grant administrative expenses that may be treated as qualifying distributions (line 2, column (d), minus line 3, column (d))				
6	Excess grant administrative expenses for 1990 (line 4 minus line 5; if negative, enter "-0-"; enter result in Part XIII, line 5)				
7	Grant administrative expenses treated as qualifying distributions in 1990 (line 4 minus line 6)				

Part XII Schedule of Grant Administrative Expenses (see instructions)

1	Compensation of officers, directors, trustees, etc.	1	
2	Other employee salaries and wages	2	
3	Pension plans, employee benefits	3	
4	Legal fees	4	
5	Accounting fees	5	
6	Other professional fees	6	
7	Interest	7	
8	Taxes	8	
9	Occupancy	9	
10	Travel, conferences, and meetings	10	
11	Printing and publications	11	
12	Other expenses	12	
13	**Total** (add lines 1 through 12) (Enter in Part XI, line 4.)	13	

Part XIII Qualifying Distributions (see instructions)

1	Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes:		
a	Expenses, contributions, gifts, etc.—total from Part I, column (d), line 26	1a	
b	Program-related investments	1b	
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	2	
3	Amounts set aside for specific charitable projects that satisfy the:		
a	Suitability test (prior IRS approval required)	3a	
b	Cash distribution test (attach the required schedule)	3b	
4	**Total** (add lines 1a through 3b)	4	
5	Enter excess grant administrative expenses from Part XI, line 6	5	
6	**Total** qualifying distributions (line 4 minus line 5). (Enter in Part V, line 8 and Part XIV, line 4.)	6	
7	Organizations that qualify under section 4940(e) for the reduced rate of tax on net investment income — enter 1% of Part I, line 27b (see instructions)	7	
8	Qualifying distributions (line 6 minus line 7)	8	

Note: *The amount on line 8 will be used in Part V, column (b), when calculating the section 4940(e) reduction of tax in subsequent years.*

Part XIV Undistributed Income (see instructions)

			(a) Corpus	(b) Years prior to 1989	(c) 1989	(d) 1990
1	Distributable amount for 1990 from Part X, line 7					
2	Undistributed income, if any, as of the end of 1989:					
a	Enter amount for 1989 only					
b	Total for prior years: 19____ ,19____ ,19____					
3	Excess distributions carryover, if any, to 1990:					
a	From 1985					
b	From 1986					
c	From 1987					
d	From 1988					
e	From 1989					
f	**Total** of lines 3a through e					
4	Qualifying distributions for 1990 from Part XIII, line 6: $ ____________					
a	Applied to 1989, but not more than line 2a					
b	Applied to undistributed income of prior years (Election required—see instructions)					
c	Treated as distributions out of corpus (Election required—see instructions)					
d	Applied to 1990 distributable amount					
e	Remaining amount distributed out of corpus					
5	Excess distributions carryover applied to 1990. *(If an amount appears in column (d), the same amount must be shown in column (a))*					
6	**Enter the net total of each column as indicated below:**					
a	Corpus. Add lines 3f, 4c, and 4e. Subtract line 5.					
b	Prior years' undistributed income (line 2b minus line 4b)					
c	Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed					
d	Subtract line 6c from line 6b. Taxable amount—see instructions					
e	Undistributed income for 1989 (line 2a minus line 4a). Taxable amount—see instructions					
f	Undistributed income for 1990 (line 1 minus lines 4d and 5). This amount must be distributed in 1991.					
7	Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(E) or 4942(g)(3) (see instructions)					
8	Excess distributions carryover from 1985 not applied on line 5 or line 7 (see instructions)					
9	Excess distributions carryover to 1991 (line 6a minus lines 7 and 8)					
10	Analysis of line 9:					
a	Excess from 1986					
b	Excess from 1987					
c	Excess from 1988					
d	Excess from 1989					
e	Excess from 1990					

Part XV Private Operating Foundations (see instructions and Part VII, question 9)

1a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 1990, enter the date of the ruling . . . . . . ▶

b Check box to indicate whether you are a private operating foundation described in section ☐ 4942(j)(3) or ☐ 4942(j)(5).

	Tax year	Prior 3 years			
	(a) 1990	(b) 1989	(c) 1988	(d) 1987	(e) Total
2a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part IX for each year listed:					
b 85% of line 2a					
c Qualifying distributions from Part XIII, line 6, for each year listed . .					
d Amounts included in line 2c not used directly for active conduct of exempt activities					
e Qualifying distributions made directly for active conduct of exempt activities (line 2c minus line 2d) . .					
3 Complete 3a, b, or c for the alternative test on which you rely: **a** "Assets" alternative test—enter: (1) Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i).					
b "Endowment" alternative test—Enter ⅔ of minimum investment return shown in Part IX, line 6, for each year listed					
c "Support" alternative test—enter: (1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties). . .					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii) . .					
(3) Largest amount of support from an exempt organization .					
(4) Gross investment income . .					

Part XVI Supplementary Information (Complete this part only if you had $5,000 or more in assets at any time during the year—see instructions.)

1 Information Regarding Foundation Managers:

a List any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than $5,000). (See section 507(d)(2).)

b List any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest.

2 Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs:

Check here ▶ ☐ if you only make contributions to preselected charitable organizations and do not accept unsolicited requests for funds. If you make gifts, grants, etc., (see instructions) to individuals or organizations under other conditions, complete items 2a, b, c, and d.

a The name, address, and telephone number of the person to whom applications should be addressed:

b The form in which applications should be submitted and information and materials they should include:

c Any submission deadlines:

d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors:

Part XVI Supplementary Information (continued)

3 Grants and Contributions Paid During the Year or Approved for Future Payment

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
a *Paid during the year*				
Total . . . . ▶ 3a				
b *Approved for future payment*				
Total . . . . ▶ 3b				

Part XVII-A Summary of Grant Programs and Other Activities

	(a) Grants and program-related investments	(b) Administrative expenses	(c) Total
1 Gifts, contributions, scholarships and other grants			
2 Direct charitable activities (describe each):	▨	▨	▨
a ------------------------------------	▨	▨	
b ------------------------------------	▨	▨	
c Direct technical and other assistance to grantees (see instructions)	▨	▨	
d All other (attach schedule)	▨	▨	
e **Total**—add lines 2a through d	▨	▨	
3 Program-related investments (describe each type):	▨	▨	▨
a ------------------------------------		▨	▨
b ------------------------------------		▨	▨
c ------------------------------------		▨	▨
d All other (attach schedule)		▨	▨
e **Total**—see instructions			
4 Other qualifying distributions	▨	▨	
5 Other expenses not included in lines 1–4 . .	▨	▨	

Part XVII-B Supporting Data

1 For the foundation's principal direct charitable activities and program-related investments, provide a schedule of relevant statistical information, such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc.

2 Attach a schedule for Part XVII-A, lines 2 and 3, setting forth for each activity or investment area the amount of any income produced by it.

Part XVIII-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.	Unrelated business income		Excluded by section 512, 513, or 514		(e) Related or exempt function income (See instructions.)
	(a) Business code	(b) Amount	(c) Exclusion code	(d) Amount	
1 Program service revenue:					
(a) ______					
(b) ______					
(c) ______					
(d) ______					
(e) ______					
(f) ______					
(g) Fees from government agencies					
2 Membership dues and assessments					
3 Interest on savings and temporary cash investments					
4 Dividends and interest from securities					
5 Net rental income or (loss) from real estate:	▨	▨	▨	▨	▨
(a) debt-financed property					
(b) not debt-financed property					
6 Net rental income or (loss) from personal property					
7 Other investment income					
8 Gain or (loss) from sales of assets other than inventory					
9 Net income from special fundraising events					
10 Gross profit or (loss) from sales of inventory					
11 Other revenue: (a) ______					
(b) ______					
(c) ______					
(d) ______					
(e) ______					
12 Subtotal (add columns (b), (d), and (e))	▨		▨		

13 TOTAL (add line 12, columns (b), (d), and (e)) ▶ ______
(See worksheet for line 13 instructions to verify calculations.)

Part XVIII-B Relationship of Activities to the Accomplishment of Exempt Purposes

Line No. ▼	Explain below how each activity for which income is reported in column (e) of Part XVIII-A contributed importantly to the accomplishment of your exempt purposes (other than by providing funds for such purposes). (See instructions.)

Part XIX Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

		Yes	No
1 Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?	▨		
a Transfers from the reporting organization to a noncharitable exempt organization of:	▨	▨	▨
(i) Cash	1a(i)		
(ii) Other assets	a(ii)		
b Other Transactions:	▨	▨	▨
(i) Sales of assets to a noncharitable exempt organization	b(i)		
(ii) Purchases of assets from a noncharitable exempt organization	b(ii)		
(iii) Rental of facilities or equipment	b(iii)		
(iv) Reimbursement arrangements	b(iv)		
(v) Loans or loan guarantees	b(v)		
(vi) Performance of services or membership or fundraising solicitations	b(vi)		
c Sharing of facilities, equipment, mailing lists or other assets, or paid employees	c		

d If answer to any of the above is "Yes," complete the following schedule. The "Amount involved" column below should always indicate the value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, the column should also include the value of the goods, other assets, or services received.

(a) Line no.	(b) Amount involved	(c) Name of noncharitable exempt organization	(d) Description of transfers, transactions, and sharing arrangements

2a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? ☐ Yes ☐ No

b If "Yes," complete the following schedule.

(a) Name of organization	(b) Type of organization	(c) Description of relationship

Part XX Public Inspection

1 Enter the date the notice of availability of the annual return appeared in a newspaper ▶ ______

2 Enter the name of the newspaper ▶ ______

3 Check here ▶ ☐ if you have attached a copy of the newspaper notice as required by the instructions. (If the notice is not attached, the return will be considered incomplete.)

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer or fiduciary) is based on all information of which preparer has any knowledge.

▶ ______ Signature of officer or trustee | Date | ▶ ______ Title

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ▶ ☐ | Preparer's social security no.

Firm's name (or yours if self-employed) and address ▶ | E.I. No. ▶ | ZIP code ▶

1990

Department of the Treasury
Internal Revenue Service

Instructions for Form 990-PF

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

(Section references are to the Internal Revenue Code unless otherwise noted.)

General Information

Changes You Should Note

In Part II, Balance Sheets, a breakdown is now required to show securities that are U.S. Government and state obligations, corporate stock, and corporate bonds.

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

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

Recordkeeping	150 hrs., 11 min.
Learning about the law or the form	27 hrs., 11 min.
Preparing the form	31 hrs., 46 min.
Copying, assembling, and sending the form to IRS	16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP, and the **Office of Management and Budget**, Paperwork Reduction Project (1545-0052), Washington, DC 20503. **DO NOT** send the tax form to either of these offices. Instead, see General Instruction J for information on where to file it.

Purpose of Form.—Form 990-PF is used by private foundations and by nonexempt 4947(a)(1) charitable trusts that are treated as private foundations. These organizations use this form to calculate the tax on net investment income and to report charitable distributions and activities. The form also serves as a substitute for the nonexempt section 4947(a)(1) charitable trust's income tax return, **Form 1041**, U.S. Fiduciary Income Tax Return, when the trust has no taxable income.

General Instructions

A. Who Must File Form 990-PF.—

Form 990-PF, an annual information return, must be filed by:

1. Exempt private foundations (section 6033(a), (b), and (c)).

2. Taxable private foundations (section 6033(d)). (See instruction D8.)

3. Organizations that agree to private foundation status and whose applications for exempt status are pending on the due date for filing Form 990-PF.

4. Organizations that made an election under section 41(e)(6).

5. Organizations that are making a section 507 termination.

6. Section 4947(a)(1) nonexempt charitable trusts that *are* treated as private foundations (section 6033(d)). (See instruction D5.)

Note: *Section 4947(a)(1) nonexempt charitable trusts that are not treated as private foundations, do not file Form 990-PF. However, they may need to file* ***Form 990,*** *Return of Organization Exempt From Income Tax, or* ***Form 990EZ,*** *Short Form Return of Organization Exempt From Income Tax. With either of these forms, the trust must also file* ***Schedule A*** *(Form 990), Organization Exempt Under 501(c)(3) (except Private Foundation), 501(e), 501(f), 501(k), or Section 4947(a)(1) Charitable Trust Supplementary Information. (See Form 990 or Form 990EZ instructions.)*

B. Applicability of Parts of Form 990-PF to Certain Filers.—

Note: *The parts of the form listed below do not apply to all filers. If an entire part, or a major portion of a part, does not apply, enter "N/A" where appropriate.*

- **Part I, column (c),** applies only to private operating foundations and to nonoperating private foundations that have income from charitable activities.
- **Part II, column (c),** with the exception of line 16, applies only to organizations having at least $5,000 in assets at some time during the year. Line 16, column (c), applies to all filers.
- **Part IV** does not apply to foreign organizations.
- **Parts V and VI** do not apply to organizations making an election under section 41(e).
- **Part X** does not apply to private operating foundations.
- **Part XV** applies only to private operating foundations.
- **Part XVI** applies only to organizations having assets of $5,000 or more during the year. This Part does not apply to certain foreign organizations.

C. Definitions.—

(1) A *private foundation* is a domestic or foreign organization exempt from income tax under section 501(a); described in section 501(c)(3); and is *other than* an organization described in sections 509(a)(1) through (4).

In general, churches, hospitals, schools, and broadly publicly supported organizations are excluded from private foundation status by these sections. These organizations may be required to file Form 990 (or Form 990EZ) instead of Form 990-PF.

(2) A *nonexempt charitable* trust treated as a private foundation is a trust that is not exempt from tax under section 501(a) and all of the unexpired interests of which are devoted to religious, charitable, or other purposes described in section 170(c)(2)(B), and for which a deduction was allowed under a section of the Code listed in section 4947(a)(1).

(3) A *taxable foundation* is no longer exempt under section 501(a) as an organization described in section 501(c)(3). Though it may operate as a taxable entity, it will continue to be treated as a private foundation until its status as such is terminated under section 507.

(4) (a) A *foundation manager* is an officer, director, or trustee of a foundation, or an individual who has powers similar to those of officers, directors, or trustees. In the case of any act or failure to act, the term "foundation manager" may also include employees of the foundation who have the authority to act.

(b) A *disqualified person* is:

(1) a substantial contributor (see page 14);

(2) a foundation manager;

(3) a person who owns more than 20% of a corporation, partnership, trust, or unincorporated enterprise which is itself a substantial contributor;

(4) a member of the family of an individual in the first three categories; or

(5) a corporation, partnership, trust, or estate in which persons described in (1), (2), (3), or (4) above own a total beneficial interest of more than 35%.

(6) For purposes of section 4941 (self-dealing), a disqualified person also includes certain government officials. (See section 4946(c) and the related regulations.)

(7) For purposes of section 4943 (excess business holdings), a disqualified person also includes:

(a) a private foundation which is effectively controlled (directly or indirectly) by the same persons who control the private foundation in question, or

(b) a private foundation to which substantially all of the contributions were made (directly or indirectly) by one or more of the persons described in (1), (2), and (3) above, or members of their families, within the meaning of section 4946(d).

(5) An organization is *controlled* by a foundation or by one or more disqualified persons with respect to the foundation if any of these persons may, by combining their votes or positions of authority, require the organization to make an expenditure or prevent the organization from making an expenditure, regardless of the method of control. "Control" is determined without regard to the conditions imposed by a foundation on the manner in which the contribution must be used.

(6) *Charitable* and *exempt* are synonymous terms in these instructions when they relate to a tax-exempt private foundation.

D. Other Forms You May Need to File.—

1. Forms W-2 and W-3.—Wage and Tax Statement, and Transmittal of Income and Tax Statements.

2. Form W-2P.—Statement for Recipients of Annuities, Pensions, Retired Pay, or IRA Payments.

3. Form 941.—Employer's Quarterly Federal Tax Return. Used to report social security and income taxes withheld by an employer and social security tax paid by an employer.

4. Form 990-T.—Exempt Organization Business Income Tax Return. Every organization exempt from income tax under section 501(c)(3) that has total gross income of $1,000 or more from all trades or businesses that are unrelated to the purpose on which the organization's exempt status is based must file a return on Form 990-T.

5. Form 1041.—U.S. Fiduciary Income Tax Return. Required of section 4947(a)(1) charitable trusts that also file Form 990-PF. However, if the trust does not have any taxable income under subtitle A of the Code, it may use the filing of Form 990-PF to satisfy its Form 1041 filing requirement under section 6012. If this condition is met, check the box for question 19, Part VII, of Form 990-PF and do not file Form 1041, but complete Form 990-PF in the normal manner.

6. Form 1096.—Annual Summary and Transmittal of U.S. Information Returns.

7. Forms 1099-INT, MISC, OID, and R.—Information returns for reporting certain interest; miscellaneous income, medical and health care payments, and nonemployee compensation; original issue discount; and total distributions from profit-sharing and retirement plans.

8. Form 1120.—U.S. Corporation Income Tax Return. Filed by nonexempt taxable private foundations that have taxable income under subtitle A of the Code. The Form 990-PF annual information return is also filed by these taxable foundations.

9. Form 1120-POL.—U.S. Income Tax Return for Certain Political Organizations. Section 501(c) organizations must file Form 1120-POL if their political expenditures and their net investment income both exceed $100 for the year.

10. Form 1128.—Application to Adopt, Change or Retain A Tax Year.

11. Form 2758.—Application for Extension of Time To File Certain Excise, Income, Information, and Other Returns.

12. Form 2220.—Underpayment of Estimated Tax by Corporations. Used to determine if the foundation owes any penalty for underpayment of estimated tax. The foundation must complete and attach Form 2220 even if it does not owe the penalty if: (a) the annualized income installment method and/or the adjusted seasonal installment method is used or (b) the foundation is a "large organization," computing its first required installment based on the prior year's tax.

13. Form 4720.—Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code. Primarily used to determine the excise taxes imposed on: acts of self-dealing between private foundations and disqualified persons; failure to distribute income; excess business holdings; investments that jeopardize the foundation's charitable purposes; and making political or other noncharitable expenditures. Certain excise taxes and penalties also apply to foundation managers, substantial contributors, and certain related persons and are reported on this form.

14. Form 5500 or 5500-C/R.—Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file one of the 5500 series of forms specified in the following paragraph. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not the deduction is claimed for the current tax year.

The forms required to be filed are:

Form 5500, Annual Return/Report of Employee Benefit Plan. Used for each plan with 100 or more participants.

Form 5500-C/R, Return/Report of Employee Benefit Plan. Used for each plan with fewer than 100 participants.

15. Form 8282.—Donee Information Return. Required of the donee of "charitable deduction property" who sells, exchanges, or otherwise disposes of the property within two years after the date it received the property.

Also required of any successor donee who disposes of charitable deduction property within two years after the date that the donor gave the property to the original donee. (It does not matter who gave the property to the successor donee. It may have been the original donee or another successor donee.) For successor donees, the form must be filed only for any property that was transferred by the original donee after July 5, 1988.

16. Form 8300.—Report of Cash Payments Over $10,000 Received in a Trade or Business. Used to report cash amounts in excess of $10,000 that were received in a single transaction (or in two or more related transactions) in the course of a trade or business (as defined in section 162).

17. Form 8718.—User Fee for Exempt Organization Determination Letter Request. Used by a private foundation that has completed a section 507 termination and seeks a determination letter that it is now a public charity.

E. Publications and Other Forms.—

Publication 525.—Taxable and Nontaxable Income.

Publication 578.—Tax Information for Private Foundations and Foundation Managers.

Publication 583.—Taxpayers Starting a Business.

Publication 598.—Tax on Unrelated Business Income of Exempt Organizations.

Publication 910.—Guide to Free Tax Services.

Publication 1391.—Deductibility of Payments Made to Charities Conducting Fund-Raising Events.

Form 990-W.—Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations.

Form 1041-ES.—Estimated Income Tax for Fiduciaries.

Form 4506-A.—Request for Public Inspection or Copy of Exempt Organization Tax Form.

Form 8109.—Federal Tax Deposit Coupon.

Form 8822.—Change of Address.

These publications and forms are available at no charge through IRS offices or by calling **1-800-TAX-FORM** (1-800-829-3676).

F. Use of Form 990-PF To Satisfy State Reporting Requirements.—Some states and local government units will accept a copy of Form 990-PF and required attachments in place of all or part of their own financial report forms.

If you intend to use Form 990-PF to satisfy state or local filing requirements, such as those arising under state charitable solicitation acts, note the following:

Determine state filing requirements.—You should consult the appropriate officials of all states and other jurisdictions in which you do business to determine their specific filing requirements. "Doing business" in a jurisdiction may include any of the following: (a) soliciting contributions or grants by mail or otherwise from individuals, businesses, or other charitable organizations; (b) conducting programs; (c) having employees within that jurisdiction; or (d) maintaining a checking account or owning or renting property therein.

Monetary tests may differ.—Some or all of the dollar limitations applicable to Form 990-PF when filed with IRS may not apply when using Form 990-PF in place of state or local report forms. IRS dollar limitations that may not meet some state requirements are the $5,000 total assets minimum that necessitates completion of Part II, column (c), and Part XVI; the $30,000 minimum for listing the highest paid employees and for listing professional fees in Part VIII.

Additional information may be required.—State and local filing requirements may require you to attach to Form 990-PF one or more of the following: (a) additional financial statements, such as a complete analysis of functional expenses or a statement of changes in financial position; (b) notes to financial statements; (c) additional financial schedules; (d) a report on the financial statements by an independent accountant; and (e) answers to additional questions and other information. Each jurisdiction may require the additional material to be presented on forms they provide. The additional information does not have to be submitted with the Form 990-PF filed with IRS.

Even if the Form 990-PF you file with IRS is accepted by IRS as complete, a copy of the same return filed with a state will not fully satisfy that state's filing requirement if required information is not provided, including any of the additional information discussed above, or if the state determines that the form was not completed according to the applicable Form 990-PF instructions or supplemental state instructions. In that event, you may be asked to provide the missing information or to submit an amended return.

Amended returns.—If you submit supplemental information or file an amended Form 990-PF with IRS, you must also furnish a copy of the information or amended return to any state with which you filed a copy of Form 990-PF originally to meet that state's filing requirement.

Method of accounting.—Many states require that all amounts be reported based on the accrual method of accounting.

Time for filing may differ.—The time for filing Form 990-PF with IRS differs from the time for filing reports with some states.

State registration numbers.—Insert the applicable state or local jurisdiction registration or identification number in box B (in the heading on page 1) for each jurisdiction in which you file Form 990-PF in place of the state or local form. When filing in several jurisdictions, prepare as many copies as needed with the state registration number omitted. Then enter the applicable registration number on the copy to be filed with each jurisdiction.

G. Furnishing Copies of the Annual Return to State Officials.—The foundation managers must furnish a copy of the annual Form 990-PF to the attorney general (or his or her designate) of (a) each state which they are required to list in Part VII, line 8a, (b) the state in which the principal office of the foundation is located, and (c) the state in which the foundation was incorporated or created. The return must be furnished at the same time it is sent to the IRS. The foundation managers must also provide a copy of the annual return to the attorney general or other appropriate state official of any other state who requests it. The foundation managers must also attach to all copies of the annual return filed with an attorney general a copy of any Form 4720 filed by the foundation with the IRS for the year. These provisions do not apply to any foreign foundation which, from the date of its creation, has received at least 85% of its support (excluding gross investment income) from sources outside the United States. (See "Exceptions" in General Instruction Q.)

If the foundation managers submit a copy of Form 990-PF (and Form 4720, if any) to a state attorney general to satisfy a state reporting requirement, they do not have to furnish a second copy to that attorney general to comply with the Internal Revenue Code requirements covered by this instruction. If there is a state reporting requirement that the copy of Form 990-PF be filed with a state official other than the attorney general (such as a secretary of state), then the foundation managers must also furnish a copy of the Form 990-PF to the attorney general of that state.

H. Accounting Period.—

(1) File the 1990 return for the calendar year 1990 and fiscal years beginning in 1990. If the return is for a fiscal year, fill in the tax year space at the top of the return.

(2) The return must be filed on the basis of the established annual accounting period of the organization. If the organization has no established accounting period, the return should be on the calendar-year basis.

(3) In the case of a change in accounting period, the 1990 form may also be used as the return for a short period (less than 12 months) ending November 30, 1991 or earlier.

In general, to change your accounting period you must file timely a Form 990-PF for the short period resulting from the change. At the top of this short period return, indicate that a change of accounting period is being made by writing, *Change of Accounting Period.*

If you changed your accounting period within the 10-calendar-year period that includes the beginning of the short period, and you had a Form 990-PF filing requirement at any time during that 10-year period, you must also attach a Form 1128 to the short period return. See Rev. Proc. 85-58, 1985-2 C.B. 740.

I. Accounting Methods.—Unless the instructions specify otherwise, report the financial information requested on the basis of the accounting method the foundation regularly uses in keeping its books and records.

Note: *Complete Part I, column (d) on the cash receipts and disbursements method of accounting.*

J. When and Where To File.—This return must be filed by the 15th day of the 5th month following the close of the accounting period.

In case of a complete liquidation, dissolution, or termination, file the return by the 15th day of the 5th month following complete liquidation, dissolution or termination.

If the principal office of the organization is located in ▼	Use the following Internal Revenue Service Center address ▼
Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee	Atlanta, GA 39901
Arizona, Colorado, Kansas, New Mexico, Oklahoma, Texas, Utah, Wyoming	Austin, TX 73301
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Alaska, California, Hawaii, Idaho, Nevada, Oregon, Washington	Fresno, CA 93888
Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Vermont	Holtsville, NY 00501
Illinois, Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Wisconsin	Kansas City, MO 64999
Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia, any U.S. possession, any foreign country	Philadelphia, PA 19255

K. Extension of Time To File.—A foundation may file Form 2758 to request an extension of time to file its return.

L. Amended Return.—To change your return for a prior year, write *Amended Return* at the top of the return. Generally, you must file the amended return within three years after the date the original return was due or three years after the date the organization filed it, whichever is later. Use Form 4506-A to obtain a copy of a previously filed return. You can obtain blank forms for prior years by calling the toll-free number given in instruction E.

M. Penalty for Failure To File Timely, Completely, or Correctly.—*Against the organization.*—If an organization fails to file timely, completely, or to furnish the correct information, it will have to pay $10 for each day during which such failure continues, unless it can be shown that the failure was due to reasonable cause. The maximum penalty with respect to any one return shall not exceed the lesser of $5,000 or 5% of the gross receipts of the organization for the year.

Against the responsible person.—The IRS will make written demand that the delinquent return be filed or the information furnished within a reasonable time after notice of mailing of the demand. The person failing to comply with the demand on or before the date specified in the demand will have to pay $10 for each day the failure continues, unless there is reasonable cause. The maximum penalty imposed on all persons for failures with respect to any one return shall not exceed $5,000. If more than one person is liable for any failures, all such persons are jointly and severally liable with respect to such failures (see section 6652(c)).

To avoid filing an incomplete return or having to respond to requests for missing information, please be sure to complete all applicable line items; to answer "Yes," "No," or "N/A" (not applicable) to each question on the return; to make an entry (including a "-0-" when appropriate) on all total lines; and to enter "None" or "N/A" if an entire part does not apply.

Since this return also satisfies the filing requirements of a tax return under section 6011 for the tax on investment income imposed by section 4940 (or 4948 if an exempt foreign organization), the penalties imposed by section 6651 for not filing a return (without reasonable cause) also apply.

There are also penalties for willful failure to file and for filing fraudulent returns and statements. See sections 7203, 7206, and 7207.

N. Penalty for Not Paying Tax on Time.—There is a penalty for not paying tax when due (section 6651). The penalty generally is ½ of 1% of the unpaid tax for each month or part of a month the tax remains unpaid, not to exceed 25% of the unpaid tax. If there was reasonable cause for not paying the tax on time, the penalty can be waived. However, interest is charged on any tax not paid on time, at the rate provided by section 6621.

The section 6655 penalties for failure to pay estimated taxes apply to the taxes on net investment income of domestic private foundations and section 4947(a)(1) charitable trusts. The penalties also apply to any tax on unrelated business income of these organizations.

O. Figuring and Paying Estimated Taxes on Net Investment Income.—A private foundation must make estimated tax payments of the excise tax on investment income if it can expect its estimated tax (section 4940 tax minus allowable credits) to be $500 or more. The number of installment payments you must make under the depositary method is determined at the time during the year that you first meet this requirement. For calendar-year taxpayers, the first deposit of estimated taxes for a year should generally be made by April 15 of the year.

Although Form 990-W is used primarily to compute the installment payments of unrelated business income tax, it may also be used to determine the timing and amounts of installment payments of the section 4940 tax on net investment income.

To begin your calculation of the estimated tax, multiply the estimated investment income by the tax rate (1% or 2%, whichever is applicable) and enter that amount on line 11 of Form 990-W.

The Form 990-W line items and instructions pertaining to large organizations also apply to private foundations. For purposes of paying the estimated tax on net investment income, a "large organization" is one that had net investment income of $1 million or more for any of the three tax years immediately preceding the tax year involved.

A foundation that fails to pay the proper estimated tax when due may be subject to an underpayment penalty for the period of the underpayment. Generally, a foundation is subject to the penalty if its tax liability is $500 or more and it did not pay on time the lesser of: (a) 90% of the total tax liability for the year, or (b) 100% of the tax liability shown on the foundation's Form 990-PF for the prior year. However, a foundation that is considered a large organization may base only its first required installment on 100% of the prior year's tax liability.

Compute separately any required deposits of section 4940 tax and unrelated business income tax. (See sections 6655(b) and (d) and Form 2220 instructions.)

Note: *Section 4947(a)(1) charitable trusts and taxable foundations that have income subject to tax under section 1 or section 11 should see Form 1120 for the estimated tax rules. However, for paying any estimated tax on that income, section 4947(a)(1) charitable trusts should use Form 1041-ES. Taxable foundations should use Form 8109, and darken the 1120 box on that form.*

P. Depositary Method of Tax Payment for Domestic Private Foundations.—The foundation must pay the tax due in full when the return is filed, but no later than 4½ months after the end of the tax year.

Deposit foundation net investment income tax payments (estimated tax payments and balance of tax due as shown on line 9, Part VI) with a Federal Tax Deposit Coupon (Form 8109). Be sure to darken the 990-PF box on Form 8109. Make these tax deposits with either a financial institution qualified as a depositary for Federal taxes or the Federal Reserve bank or branch servicing the geographic area where the foundation is located. Do not submit deposits directly to an IRS office; otherwise, the foundation may be subject to a failure-to-deposit penalty. Records of deposits will be sent to IRS for crediting to the foundation's account. See the instructions contained in the coupon book (Form 8109) for more information. Form 990-W explains how to obtain these coupon books.

To ensure more accurate processing of your deposits, please write your employer identification number, type of tax paid, and the tax period to which the deposit applies on your check.

For more information concerning deposits, see Pub. 583.

Note: *Foreign organizations should refer to instructions for Part VI, line 9.*

Q. Public Inspection of Form 990-PF and Approved Exemption Applications.—

Through the organization.—

Information reported on or with Form 990-PF, including all attachments, will be made available for public inspection under section 6104(b). This applies both to information required by the form and to information furnished voluntarily. Therefore, the return and any attachments should be of such quality that they can be reproduced photographically.

(1) Annual returns.—Foundation managers must make the annual return available for inspection during regular business hours at the principal office of the foundation, or may furnish a free copy to any person requesting inspection, provided the request is made at the time and in the manner prescribed in section 6104(d) and the related regulations.

Notice requirements.—A notice that the private foundation's annual return is available for inspection must be published by the due date for filing the annual return, including any extensions of time for filing. The notice must be published in a newspaper with general circulation in the county in which the principal office of the private foundation is located. (A newspaper or journal that publishes real estate title transfers or other similar legal notices to satisfy state statutory requirements is also considered to have general circulation.) The notice must state that the annual return of the private foundation is available for inspection at its principal office during regular business hours by any citizen who requests inspection within 180 days after the date the notice is published. It must also show the address and telephone number of the private foundation's principal office and the name of its principal manager. A private foundation may designate, in addition to its principal office, any other location at which its annual return will be made available. Another location may also be designated if the foundation has no principal office or none other than the residence of a substantial contributor or foundation manager.

To ensure that the return is available for public inspection for the full 180-day period as required by law, do not publish the notice until the return has been completed and, in fact, is readily available for inspection upon request.

Attach a copy of the notice to the Form 990-PF filed annually with the Internal Revenue Service.

Penalties.—If a foundation does not publish the notice and attach a copy of it to a timely filed return, there is a penalty of $10 a day, up to a maximum of $5,000 for any one return (section 6652(c)). The penalty is imposed on the person under a duty to act, but who fails to do so without reasonable cause. The penalty is also imposed on any person who fails to make the return (including all required attachments) available for public inspection according to the section 6104(d) provisions discussed above. If more than one person is responsible for either failure to act, each person is jointly and severally liable for the full amount of the penalty. Any person who willfully fails to comply shall be subject to an additional penalty of $1,000 (section 6685).

Exceptions.—A private foundation that has terminated its status as such under section 507(b)(1)(A), by distributing all its net assets to one or more public charities without retaining any right, title, or interest in those assets, does not have to publish notice of availability of its annual return or furnish the return to the public for the tax year in which it terminates (Regulations section 1.507-2(a)(6)).

The notice and public inspection provisions discussed above do not apply to any foreign foundation which, from the date of its creation, has received at least 85% of its support (excluding gross investment income) from sources outside the United States. The requirement to furnish copies of annual returns to state officials also does not apply to such foreign foundations (see General Instruction G).

(2) Exemption applications.—Any section 501(c) organization that submitted an application for recognition of exemption to the Internal Revenue Service after July 15, 1987, must make available for public inspection a copy of its application (together with a copy of any papers submitted in support of its application) and any letter or other document issued by the IRS in response to the application. An organization that submitted its exemption application on or before July 15, 1987, must also comply with this requirement if it had a copy of its application on July 15, 1987. The copy of the application and related documents must be made available for inspection during regular business hours at the organization's principal office and at each of its regional or district offices having at least three employees.

Any person who does not comply with the public inspection of application requirement shall be assessed a penalty of $10 for each day that inspection was not permitted. There is no limitation. No penalty will be imposed if the failure is due to reasonable cause. If more than one person is responsible for failure to comply with this requirement, each person is jointly and severally liable for the full amount of the penalty. Any person who willfully fails to comply shall be subject to an additional penalty of $1,000.

Through the IRS.—

Both exempt organization returns and approved exemption applications may be inspected by the public at IRS district offices and at the IRS National Office in Washington, DC.

A request for inspection must be in writing and must include the name and address (city and state) of the organization that filed the return or application. A request to inspect a return should indicate the type (number) of the return and the year(s) involved. The request should be sent to the District Director (Attention: Disclosure Officer) of the district in which the requester desires to inspect the return or application. If inspection at the IRS National Office is desired, the request should be sent to the Commissioner of Internal Revenue, Attention: Freedom of Information Reading Room, 1111 Constitution Avenue, N.W., Washington, DC 20224.

Form 4506-A can be used to request a copy or to inspect an exempt organization return at an IRS office. There is a charge for photocopying.

R. Disclosures Regarding Certain Information and Services Furnished.—A section 501(c) organization that offers to sell or solicits money for specific information or a routine service for any individual that could be obtained by such individual from a Federal Government agency free or for a nominal charge must disclose that fact conspicuously when making such offer or solicitation.

Any organization that intentionally disregards this requirement will be subject to a penalty *for each day* on which the offers or solicitations are made. The penalty imposed for a particular day is the greater of $1,000 or 50% of the total cost of the offers and solicitations made on that day which lacked the required disclosure.

S. Organizations Organized or Created in a Foreign Country or U.S. Possession.—

(1) Regulations section 53.4948-1(b) provides that sections 507, 508, and Chapter 42 (other than section 4948) do not apply to a foreign private foundation which from the date of its creation has received at least 85% of its support (as defined in section 509(d)—other than section 509(d)(4)) from sources outside the United States.

(2) Section 4948(a) imposes a 4% tax on the gross investment income (i.e., income from dividends, interest, rents, payments received on securities loans (as defined in section 512(a)(5)), and royalties not reported on Form 990-T, of an exempt foreign private foundation from U.S. sources. This tax is in lieu of the section 4940 tax on the net investment income of a domestic private foundation. To pay any tax due, see instructions for Part VI, line 9.

(3) Taxable foreign private foundations and foreign section 4947(a)(1) charitable trusts are not subject to the excise taxes under sections 4948(a) and 4940, but are taxed under subtitle A of the Code.

(4) Certain foreign foundations are not required to furnish copies of annual returns to state officials, nor must they comply with the public inspection and notice requirements of annual returns. (See General Instructions G and Q.)

T. Liquidation, Dissolution, Termination, or Substantial Contraction.—

Organizations liquidating, etc., must attach a statement to the return explaining the nature of any liquidation, dissolution, termination, or substantial contraction. See General Instruction J for filing dates and locations.

The term *substantial contraction* includes any partial liquidation or any other significant disposition of assets (other than transfers for full and adequate consideration or distributions of current income).

A *significant disposition of assets* does not include any disposition for a tax year if the total of the:

(1) dispositions for the tax year, and

(2) related dispositions made during prior tax years (if a disposition is part of a series of related dispositions made during these prior tax years)

is less than 25% of the fair market value of the net assets of the organization at the beginning of the tax year (in the case of (1) above) or at the beginning of the tax year in which any of the series of related dispositions was made (in the case of (2) above).

Whether a significant disposition has occurred through a series of related dispositions will be determined from all the facts and circumstances of the particular case. Ordinarily, a distribution described in section 170(b)(1)(E)(ii) (relating to private foundations making qualifying distributions out of corpus equal to 100% of contributions received during the foundation's tax year) will not be taken into account as a significant disposition of assets. See Regulations section 1.170A-9(g)(2).

In the case of a complete liquidation of a corporation or termination of a trust, state whether a final distribution of assets was made and the date made. Also attach a certified copy of the resolution or plan, if any, of liquidation, etc., and all amendments or supplements not previously filed, as well as a schedule listing the names and addresses of all recipients of assets distributed in liquidation, dissolution, or substantial contraction, and an explanation of the nature and fair market value of assets distributed to each recipient.

Organizations that have terminated their private foundation status under section 507(b)(1)(A) are excepted from the notice and public inspection requirements of their annual return for the year of termination (see "Exceptions" in General Instruction Q).

If the organization has ceased to exist, write *Final Return* at the top of page 1 of the return.

If the organization is terminating its private foundation status under section 507(b)(1)(B), see General Instructions U and V below.

U. Filing Requirements During Section 507(b)(1)(B) Termination.—Although an organization terminating its private foundation status under section 507(b)(1)(B) may be regarded as a public charity for certain purposes, it is still considered a private foundation for purposes of the filing requirements and must file an annual return on Form 990-PF. The return must be filed for each year in the 60-month termination period, if that period has not expired before the due date of the return.

The regulations under section 507(b)(1)(B)(iii) specify that within 90 days after the end of the termination period the organization must furnish information to its key district director establishing that it has terminated its private foundation status and, therefore, qualifies as a public charity. If information is furnished establishing a successful termination, then for the final year of the termination period the organization should comply with the filing requirements for the type of public charity it has become. See the instructions for Form 990 and Schedule A (Form 990) for specific information on filing requirements. This applies even if the key district has not affirmed that the organization has terminated its private foundation status by the time the return for the final year of the termination is due (or would be due if a return were required).

The organization will be allowed a reasonable period of time to file any private foundation returns required (for the last year of the termination period) but not previously filed if it is later determined that the organization did not terminate its private foundation status. Interest on any tax due will be charged from the original due date of the Form 990-PF, but penalties under sections 6651 and 6652 will not be assessed if the Form 990-PF is filed within the period allowed by the key district.

V. Special Rules for Section 507(b)(1)(B) Terminations.—If you are terminating your private foundation status under the 60-month provisions of section 507(b)(1)(B), special rules apply. (See General Instructions T and U.) Under these rules you may file Form 990-PF without paying the tax on net investment income if the foundation filed a consent under section 6501(c)(4) with its notification to the district director of its intention to begin a section 507(b)(1)(B) termination. The consent states that the period of limitation on the assessment of excise tax under section 4940 or 4948 on investment income of any tax year in the 60-month period will not expire until at least one year after the period for assessing a deficiency for the last tax year in the 60-month period would normally expire. Any foundation not paying the tax with the filing of Form 990-PF must attach a copy of the signed consent.

If the foundation did not file the consent, the tax must be paid in the normal manner as explained in General Instructions O and P. You may file a claim for refund after completing termination or during the termination period. The claim for refund must be filed timely and the organization must furnish information establishing that it qualified as a public charity for the period for which it paid the tax.

Specific Instructions

Name and Address.—If you received a Form 990-PF Package from the IRS with a preaddressed label, please attach the label to the name and address area of the return you file. If the name or address on the label is wrong, draw a line through the incorrect portion and enter the correct information. The address used must be that of the principal office of the foundation.

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the organization has a P.O. box, show the P.O. box number instead of the street address.

Employer Identification Number.—You should have only one employer identification number. If you have more than one number, notify the Internal Revenue Service Center, at the appropriate address shown under General Instruction J above. Inform them what numbers you have, the name and address to which each number was assigned, and the address of your principal office. The IRS will then advise you which number to use.

Section 507(b)(1)(A) Terminations.—A private foundation that has terminated its status as such under section 507(b)(1)(A), by distributing all its net assets to one or more public charities without retaining any right, title, or interest in those assets, should check the box in E on page 1 of Form 990-PF to indicate termination. See General Instructions T and Q.

60-Month Termination Under Section 507(b)(1)(B).—Check the box in F on page 1 of Form 990-PF if you are terminating your private foundation status under the 60-month provisions of section 507(b)(1)(B) during the period covered by this return. To begin such a termination, a private foundation must have given advance notice to its key district director and provided the information outlined in Regulations section 1.507-2(b)(3).

See General Instruction V for information regarding payment of the tax on investment income (computed in Part VI) during a section 507(b)(1)(B) termination.

See General Instruction U for information regarding filing requirements during a section 507(b)(1)(B) termination.

Type of Organization.—Check the block for "Exempt private foundation" if the foundation has a ruling or determination letter from IRS in effect that recognizes its exemption from Federal income tax as an organization described in section 501(c)(3) or if the organization's exemption application is pending with IRS. Check the "4947(a)(1) trust" block if the trust is a nonexempt charitable trust treated as a private foundation. All other filers should check the "Other taxable private foundation" block.

Fair Market Value of Assets.—In block I on page 1 of Form 990-PF, enter the fair market value of all assets the foundation held at the end of the tax year. **Note:** *This amount should be the same as the figure reported in Part II, column (c), line 16.*

Rounding Off to Whole-Dollar Amounts.—You may show the money items on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

Currency and Language Requirements.—Report all amounts in U.S. dollars (state conversion rate used). Report all items in total, including amounts from both U.S. and non-U.S. sources. Furnish all information in the English language.

Attachments.—Use the schedules on the official form unless you need more space. If you use attachments, they must:

(1) State "Form 990-PF" and the tax year,

(2) Show the organization's name and employer identification number,

(3) Include the information required by the form,

(4) Follow the format and line sequence of the form, and

(5) Be on the same size paper as the form.

Part I—Analysis of Revenue and Expenses

Note: *The amounts in column (a) are the revenue and expenses as shown in the books and records of the foundation.* ***The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a).*** *In Part XVIII-A, you are to analyze amounts you entered in column (a) and on line 5b.*

Column (a)—Revenue and Expenses per Books

Revenue.—

Enter in column (a) all items of revenue shown in the books and records that increased the net assets of the organization. Do not include, however, the value of services donated to the foundation, or items such as the free use of equipment or facilities, in the contributions received.

Line 1.—Contributions, gifts, grants, etc., received.—Enter the total of gross contributions, gifts, grants, and similar amounts received. Attach an itemized schedule if money, securities, or other property valued at $5,000 or more was received directly or indirectly from one person during the year. The schedule should show the name, address, the total amount received from each such person, and the date received.

In determining whether a person has contributed $5,000 or more, total only gifts of $1,000 or more from each person. Separate and independent gifts need not be totaled if less than $1,000. If a contribution is in the form of property, furnish a description and the fair market value of the property.

The term *person* includes individuals, fiduciaries, partnerships, corporations, associations, trusts, and exempt organizations.

Contributions from split-interest trusts should be entered on **both** line 1 of column (a) and line 2 of column (b). They are a part of the amount on line 1. Report contributions on lines 1 and 2 only.

Line 3.—Interest on savings and temporary cash investments.—Enter the total amount of interest income from savings or other interest-bearing accounts and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other government obligations that mature in less than one year.

Line 4.—Dividends and interest from securities.—Enter the amount of dividend and interest income from debt and equity securities (stocks and bonds) of the type reportable in Balance Sheets, Part II, line 10. Include amounts received from payments on securities loans, as defined in section 512(a)(5). Do not include any capital gain dividends reportable on line 6. See the instructions for line 11 for reporting income from program-related investments.

Line 5a.—Gross rents.—Enter the gross rental income for the year from investment property reportable on line 11 of Part II.

Line 5b.—Net rental income or (loss).—Figure the net rental income or (loss) for the year and enter that amount on line 5b. Do not carry this amount into columns (a) through (d).

Report rents from other sources on line 11, Other income. Enter, on lines 13 through 23, any expenses, such as interest and depreciation, attributable to the rental income reported on line 5.

Line 6.—Net gain or (loss) from sale of assets.—Enter the net gain or (loss) per books from the sale of all assets not included on line 10. Since any gain is per the books and may include gain on the sale of assets used for charitable purposes, the gain entered here will not necessarily agree with that shown in the other columns.

For assets sold and not included in Part IV, attach a schedule showing: (a) date acquired, manner of acquisition, date sold, and to whom sold; (b) gross sales price; (c) cost, other basis or value at time of acquisition if donated (state which basis); (d) expense of sale and cost of improvements made subsequent to acquisition; and (e) depreciation since acquisition, if depreciable property.

Lines 10a, b, c.—Gross profit on sales of inventory.—Enter the gross sales (minus returns and allowances), cost of goods sold, and gross profit or (loss) from the sale of all inventory items, including those sold in the course of special fundraising events and activities. These inventory items are the ones the organization either makes to sell to others or buys for resale.

Do not report any sales or exchanges of investments on line 10.

Do not include the profit or (loss) from the sale of items of a capital nature such as securities, land, buildings, or equipment. Include such amounts on line 6.

Do not include any expenses incurred in the business activities such as salaries, taxes, rent, etc. Include them instead on lines 13 through 23.

Line 11.—Other income.—Enter the total of all other income of the foundation for the year. Include royalty income, income from program-related investments (defined in the instructions for Part XIII, line 1b), and from other assets used for charitable purposes (such as interest earned on scholarship loans and rents from low-income tenants), imputed interest on certain deferred payments figured under section 483, and any investment income not reportable on lines 3 through 5. However, do not include unrealized gains and losses on investments carried at market value. Report those as fund balance or net asset adjustments in Part III. Attach a schedule showing the description and amount of the income.

Operating and Administrative Expenses. — Enter in column (a) all items of expense, shown in the books and records, that decreased the net assets of the organization. However, do not include on lines 13 through 26 any expenses used to compute capital gains and losses on lines 6, 7, and 8 or expenses included in cost of goods sold on line 10b.

Line 13.—Compensation of officers, directors, trustees, etc.—Enter the total compensation for the year of all officers, directors, and trustees. If none was paid, enter "-0-." Complete subpart 1 of Part VIII to show the compensation of officers, directors, foundation managers, and trustees.

Line 14.—Other employee salaries and wages.—Enter the total salaries and wages of all employees other than those included on line 13.

Line 15.—Contributions to employee pension plans and other benefits.—Enter the total of the employer's share of the contributions the organization paid to qualified and nonqualified pension plans and the employer's share of contributions to employee benefit programs (such as insurance, health, and welfare programs) that are not an incidental part of a pension plan. Complete the return/report of the Form 5500 series that is appropriate for your plan. (See the instructions for Form 5500 for information about employee welfare benefit plans required to file that form.)

Also include in the total the amount of Federal, state, and local payroll taxes for the year, but only those that are imposed on the organization as an employer. This would include the employer's share of FICA tax, FUTA tax, state unemployment compensation tax, and other state and local payroll taxes. Do not include taxes withheld from employees' salaries and paid over to the various governmental units (such as Federal and state income taxes and the employee's share of FICA taxes).

Lines 16a, b, and c.—Legal, accounting, and other professional fees.—On the appropriate line(s), enter the total amount of legal, accounting, auditing, and other professional fees (such as fees for fundraising or investment services) charged by outside firms and individuals who are not employees of the foundation.

Attach a schedule for lines 16a, b, and c. Show the type of service and amount of expense for each. If the same person provided more than one of these services, provide an allocation of those expenses. (See the instructions for Part VIII, line 3.) Report any fines, penalties, or judgments imposed against the foundation as a result of legal proceedings on line 23, Other expenses.

Line 18.—Taxes.—Enter the total taxes paid (or accrued) during the year. The total should include all types of taxes recorded on the books, including real estate tax not reported on line 20; the tax on investment income; and any income tax. Do not enter any taxes included on line 15. Attach a schedule listing the type and amount of each tax reported on line 18.

Line 19.—Depreciation and depletion.—Enter the total expense recorded in the books for the year.

For depreciation, attach a schedule showing: (a) description of the property; (b) date acquired; (c) cost or other basis (exclude any land); (d) depreciation allowed or allowable in prior years; (e) method of computation; (f) rate (%) or life (years); and (g) depreciation this year. On a separate line in the schedule, show the amount of depreciation included in cost of goods sold and not included on line 19.

Line 20.—Occupancy.—Enter the total amount paid or incurred for the use of office space or other facilities. If the space is rented or leased, enter the amount of rent. If space is owned, enter the amount of mortgage interest, real estate taxes, and similar expenses, but not depreciation (reportable on line 19). In either case, include the amount for utilities and related expenses, e.g., heat, lights, water, power, telephone, sewer, trash removal, outside janitorial services, and similar services. Do not include any salaries of your own employees which are reportable on line 14.

Line 21.—Travel, conferences, and meetings.—Enter the total expenses for officers, employees or others during the year for travel, attending conferences, meetings, etc. The amount should include transportation (including fares, mileage allowance, or automobile expenses), meals and lodging, and related costs whether paid on the basis of a per diem allowance or actual expenses incurred. Do not include any compensation paid to those who participate.

Line 22.—Printing and publications.—Enter the total amount of expenses for printing or publishing and distributing any newsletters, magazines, etc. Also include the cost of subscriptions to, or purchases of, magazines, newspapers, etc.

Line 23.—Other expenses.—Enter the total of all other expenses for the year. If a separate line is provided for an expense, use that line. Attach a schedule showing the type and amount of each expense.

If a deduction is claimed for amortization, attach a schedule showing:

(a) Description of the amortized expenses;

(b) Date acquired, completed, or expended;

(c) Amount amortized;

(d) Deduction for prior years;

(e) Amortization period (number of months);

(f) Current-year amortization; and

(g) Total amount of amortization.

Line 25.—Contributions, gifts, grants paid.—Enter the total of all contributions, gifts, grants, and similar amounts paid (or accrued) for the year. List each contribution, gift, grant, etc., in Part XVI, or attach a schedule of the items included on line 25 and list: (a) each class of activity; (b) separate total for each activity; (c) name and address of donee; (d) relationship of donee, if related by blood, marriage, adoption, or employment (including children of employees) to any disqualified person (see definitions); and (e) the organizational status of donee (for example, public charity—an organization described in section 509(a)(1), (2), or (3)). You do not have to give the name of any indigent person who received one or more gifts or grants from the foundation unless that person is a disqualified person or one who received a total of more than $1,000 from the foundation during the year.

Activities should be classified according to purpose and in greater detail than by merely classifying them as charitable, educational, religious, or scientific activities. For example, use such identification as: payments for nursing service, for fellowships, or for assistance to indigent families.

Foundations may include, as a single entry on the schedule, the total of amounts paid as grants for which the foundation exercised expenditure responsibility. Attach a separate report for each grant.

When the fair market value of the property at the time of disbursement is the measure of a contribution, the schedule must also show: (a) description of the contributed property; (b) book value of the contributed property; (c) the method used to determine the book value; (d) the method used to determine the fair market value; and (e) the date of the gift. The difference between fair market value and book value should be shown in the books of account.

Net Amounts.—

Line 27a.—Excess of revenue over expenses.—Subtract line 26, column (a), from line 12, column (a). Enter the difference. Generally, the amount shown in column (a) on this line would also be the amount by which net assets (or fund balances) have increased or decreased for the year. See the instructions for Part III, Analysis of Changes in Net Assets or Fund Balances.

Column (b)—Net Investment Income

Revenue.—

All domestic private foundations (including section 4947(a)(1) charitable trusts) are required to pay an excise tax each tax year on their net investment income.

Exempt foreign foundations are subject to an excise tax on their gross investment income from U.S. sources. These foreign organizations should complete lines 3, 4, 5, 11, 12, and 27b of column (b) and report ONLY income derived from U.S. sources. No other income is to be included. No expenses are allowed as deductions.

Gross investment income means the total amount of investment income that was received by a private foundation from all sources. However, it does not include any income included in figuring the tax on unrelated business income. It includes interest, dividends, rents, payments with respect to securities loans (as defined in section 512(a)(5)), and royalties received from assets devoted to charitable activities. Therefore, interest received on a student loan would be includible in the gross investment income of a private foundation making the loan.

Net investment income is the amount by which the sum of gross investment income and the capital gain net income exceeds the allowable deductions discussed later. Tax-exempt interest on governmental obligations and related expenses are excluded.

Include in column (b), all or part of any amount from column (a) that applies to investment income. However, see the exception given below, and the additional rules for specific line items.

Do not include in column (b) any interest, dividends, rents or royalties (and related expenses) that were reported on Form 990-T because you had gross income of $1,000 or more from a trade or business unrelated to your charitable purpose.

For example: Investment income derived from debt-financed property unrelated to your charitable purpose and certain rents (and related expenses) treated as unrelated trade or business income should be reported on Form 990-T. Income from debt-financed property that is not taxed under section 511 is taxed under section 4940. Thus, if the debt/basis percentage of a debt-financed property is 80%, only 80% of the gross income (and expenses) for that property is used to figure the section 511 tax on Form 990-T. The remaining 20% of the gross income (and expenses) of that property is used to figure the section 4940 tax on net investment income on Form 990-PF. (See Form 990-T and instructions for more information.)

Line 2.—Certain contributions from "split-interest" trusts described in section 4947(a) (2).—The income portion of distributions from split-interest trusts is treated as investment income to the extent that it was earned on amounts placed in trust after May 26, 1969. Include only that income portion of such distributions on line 2. That same figure is a part of line 1.

Line 3.—Interest on savings and temporary cash investments.—Enter the amount of interest income shown in column (a). Do not include interest on tax-exempt government obligations.

Line 4.—Dividends and interest from securities.—Enter the amount of dividend and interest income, and payments on securities loans from column (a). Do not include interest on tax-exempt government obligations.

Line 5.—Gross rents.—Enter the gross rental income from column (a).

Line 7.—Capital gain net income.—Enter the capital gain net income from Part IV, line 2. See Part IV instructions.

Line 11.—Other income.—Enter the amount of investment income included in line 11, column (a). Include dividends, interest, rents, and royalties derived from assets devoted to charitable activities, such as interest on student loans.

Line 12.—Total.—Domestic organizations enter the total of lines 1 through 11. Exempt foreign organizations enter the total of lines 3, 4, 5, and 11 only.

Operating and Administrative Expenses.—

Include in column (b), all ordinary and necessary expenses paid or incurred to produce or collect investment income from: interest, dividends, rents, amounts received from payments on securities loans (as defined in section 512(a)(5)), and royalties, or for the management, conservation, or maintenance of property held for the production of income that is taxable under section 4940.

If any of the expenses listed in column (a) are paid or incurred for both investment and charitable purposes, they must be allocated on a reasonable basis between the investment activities and the charitable activities so that only expenses from investment activities will appear in column (b). Examples of allocation methods are given in the general instructions of Part XVII-A.

Note: *The deduction for expenses paid or incurred in any tax year for producing gross investment income earned incident to a charitable function cannot be more than the amount of income earned from the function which is includible as gross investment income for the year.* For example, if rental income is incidentally realized in 1990 from historic buildings held open to the public, deductions for amounts paid or incurred in 1990 for the production of such income may not be more than the amount of rental income includible as gross investment income in column (b) for 1990.

Do not include on lines 13 through 23 of column (b) any expenses paid or incurred that are allocable to tax-exempt interest that is excluded from lines 3 and 4.

Line 18.—Taxes.—Enter only those taxes included in column (a) that are related to investment income taxable under section 4940. DO NOT, however, include the tax paid or incurred on net investment income or the section 511 tax on unrelated business income. Sales taxes may not be deducted separately, but must be treated as a part of the cost of acquired property, or as a reduction of the amount realized on disposition of the property.

Line 19.—Depreciation and depletion.—For column (b), a deduction for depreciation is allowed only for property used in connection with the production of investment income, and ONLY on the straight-line method of computing depreciation.

A deduction for depletion is allowed, but must be computed ONLY on the cost depletion method.

The basis used in computing depreciation and depletion is the basis determined under normal basis rules, without regard to the fair market value on December 31, 1969, that may be used in determining gain or loss when the asset is sold.

Line 21.—Only 80% of the expense for business meals, etc., paid or incurred in connection with travel, meetings, etc., relating to the production of investment income, may be deducted in computing net investment income (section 274 (n)).

Line 23.—Other expenses.—Enter the part of other expenses included in column (a) that applies to investment income.

A deduction for amortization is allowed, but only for an asset used for the production of investment income.

Net Amounts.—

Line 27b.—Net investment income.—Domestic organizations subtract line 26 from line 12. Enter the difference. Exempt foreign organizations enter the amount shown on line 12.

The amount entered is subject to the excise tax imposed on private foundations (domestic organizations—1% (4940(e)), 2% (4940(a) or (b)); exempt foreign organizations—4% (4948)) as computed in Part VI. However, if you are a domestic organization and line 26 is more than line 12 (i.e., expenses exceed income), enter "-0-," and not a negative amount.

Column (c)—Adjusted Net Income

Revenue.—

The amounts included in column (c) are used to figure the private foundation's adjusted net income. In general, adjusted net income is the amount by which a private foundation's gross income is more than the expenses of earning the income. The modifications and exclusions explained below are applied to gross income and expenses in figuring adjusted net income.

For column (c), include income from: charitable functions; investment activities; short-term capital gains from investments; amounts set aside; and unrelated trade or business activities. Do not include gifts, grants or contributions, or long-term capital gains or losses. Nonoperating private foundations should follow the special rules that apply to them.

Note: *In completing column (c) include in each line only that portion of the amount from column (a) that is applicable to the adjusted net income computation.*

Private Operating Foundations.—All organizations that claim status as private operating foundations under section 4942(j)(3) or 4942(j)(5) must complete all lines of column (c) that apply, according to the general rules for income and expenses that apply to this column, the specific line instructions in lines 3 through 27c and Examples (i) and (ii) given below.

Nonoperating Private Foundations.—The following special rules and examples apply to nonoperating private foundations.

(1) If a nonoperating private foundation has no income from charitable activities that would be reportable on line 10 or line 11 of Part I, it does not have to make any entries in column (c).

(2) If a nonoperating private foundation has income from charitable activities, it must report that income only on lines 10 and/or 11 in column (c). These foundations do not need to report other kinds of income and expenses (such as investment income and expenses) in column (c)).

(3) The expenses attributable to each specific charitable activity, limited by the amount of income derived from the activity, must be reported in column (c) on lines 13 through 26. If the expenses of any charitable activity exceed the income generated by that activity, the excess of these expenses over the income, **and only that excess,** should be reported in column (d). Note the examples given below.

Examples: *(i) A charitable activity generated $5,000 of income and $4,000 of expenses. Report all of the income and expenses in column (c) and none in column (d).*

(ii) A charitable activity generated $5,000 of income and $6,000 of expenses. Report $5,000 of income and $5,000 of expenses in column (c) and the excess expenses of $1,000 in column (d).

Line 3.—Interest on savings and temporary cash investments.—Enter the amount of interest income shown in column (a). Include interest on tax-exempt government obligations.

Line 4.—Dividends and interest from securities.—Enter the amount of dividends and interest income, and payments on securities loans from column (a). Include interest on tax-exempt government obligations.

Line 5.—Gross rents.—Enter the gross rental income from column (a).

Line 8.—Net short-term capital gain.—

Note: *Only private operating foundations should compute their short-term capital gains and report them on line 8. (Nonoperating Private Foundations should see the above instructions.)*

Include only net short-term capital gain for the year (assets sold or exchanged that were held not more than one year). Do not include a net long-term capital gain and loss or a net short-term capital loss in column (c).

The net gain from the sale or exchange of depreciable property, or land used in a trade or business (section 1231) and held for more than one year is not included in the computation of adjusted net income. The net loss from such property, however, should be included on line 23, Other expenses.

In general, organizations may use the net short-term capital gain reported in Part IV, line 3. However, since Part IV does not take into account capital gains and losses related to debt-financed property, any short-term capital gain on debt-financed property would have to be taken into account in figuring the net short-term capital gain reported on line 8. See the instructions for Form 990-T for definition of "debt-financed property."

Line 9.—Income modifications.—Include on this line:

(a) Amounts received or accrued as repayments of amounts taken into account as qualifying distributions (see the instructions for Part XIII for an explanation of qualifying distributions) for any year.

(b) Amounts received or accrued from the sale or other disposition of property to the extent that the acquisition of the property was considered a qualifying distribution for any tax year.

(c) Any amount set aside for a specific project (see explanation in the instructions for Part XIII) that was not necessary for the purposes for which it was set aside.

(d) Income received from an estate but only if the estate was considered terminated for income tax purposes due to a prolonged administration period.

(e) Amounts treated in a preceding tax year as qualifying distributions to:

  (i) a private foundation, which is not a private operating foundation, if the amounts were not redistributed by the grantee organization by the close of its tax year following the year in which it received the funds, or

  (ii) an organization controlled by the distributing foundation or a disqualified person if the amounts were not redistributed by the grantee organization by the close of its tax year following the year in which it received the funds.

Line 10.—Gross profit on sales of inventory.—Enter the gross profit from sales of inventory as shown in column (a), line 10c.

Line 11.—Other income.—Include all other items includible in adjusted net income not covered elsewhere in column (c).

Operating and Administrative Expenses.—

Deductible expenses include that part of a private foundation's operating expenses that is paid or incurred to produce or collect gross income reported on lines 3–11 of column (c). If only a part of the property produces income includible in column (c), deductions such as interest, taxes, and rent must be divided between the charitable and noncharitable uses of the property. If the deductions for property used for a charitable, educational, or other similar purpose are more than the income derived from the property, the excess will not be allowed as a deduction, but may be treated as a qualifying distribution in Part I, column (d). (See Examples *(i)* and *(ii)* given on page 8.)

Line 13.—Compensation of officers, etc.—Enter the portion of the compensation included in column (a) that was paid or incurred to produce or collect income included in column (c).

Line 18.—Taxes.—Enter only those taxes included in column (a) that relate to income included in column (c). DO NOT include any excise tax paid or incurred on the net investment income (as shown in Part VI), or any income tax paid or incurred on income reported on Form 990-T.

Line 19.—Depreciation and depletion.—A deduction for depreciation is allowed only for property used in connection with the production of income reported in column (c) and ONLY on the straight-line method of computing depreciation.

A deduction for depletion is allowed, but must be figured ONLY on the cost depletion method.

In figuring depreciation and depletion, determine the basis under normal basis rules, without regard to the special rules for using the fair market value on December 31, 1969, that relate only to gain or loss on dispositions for purposes of the tax on net investment income.

Line 21.—Travel, conferences, and meetings.—Enter the total amount of expenses paid or incurred by officers, employees, or others for travel, conferences, meetings, etc., related to income included in column (c).

Line 22.—Printing and publications.—Enter the total amount paid or incurred for printing and distributing newsletters, magazines, directories, etc., published by the organization, and subscription costs for magazines or newspapers that relate to income included in column (c).

Line23.—Other expenses.—In addition to the applicable portion of expenses from column (a), also include any net loss from the sale or exchange of land or depreciable property that was held for more than one year and used in a trade or business.

A deduction for amortization is allowed, but only for assets used for the production of income reported in column (c).

Net Amounts.—

Line 27c.—Adjusted net income.—Subtract line 26, column (c) from line 12, column (c) and enter the difference.

Column (d)—Disbursements for Charitable Purposes

Operating and Administrative Expenses.—

Note: *For amounts entered in column (d), use the cash receipts and disbursements method of accounting, regardless of the method of accounting used in keeping the books of the foundation.*

Expenses entered in column (d) relate to activities that constitute the charitable purpose of the foundation. Include on lines 13 through 25 all expenses, including necessary and reasonable administrative expenses, paid by the foundation for religious, charitable, scientific, literary, educational, or other public purposes, or for the prevention of cruelty to children or animals.

Do not include in column (d) any amount or part of an amount that is included in column (b) or (c).

For any expense amount entered in column (a), enter only the part allocable to the charitable purposes of the foundation in column (d).

Example: *An educational seminar produced $1,000 in income which was reportable in columns (a) and (c). Expenses attributable to this charitable activity were $1,900. Only $1,000 of expense would be reported in column (c) and the remaining $900 in expense would be reported in column (d).*

The total of the expenses and disbursements on line 26 is used in Part XIII to figure total qualifying distributions.

Generally, gifts and grants to organizations described in section 501(c)(3), that have been determined to be publicly supported charities (i.e., organizations not private foundations as defined in section 509(a)), are qualifying distributions, provided that the granting foundation does not control the public charity.

For purposes of column (d), include a distribution of property at the fair market value on the date the distribution was made.

If you want to provide an analysis of disbursements that is more detailed than column (d), you may attach a schedule instead of completing lines 13 through 25. The schedule must include all the specific items of lines 13 through 25, and the total from the schedule must be entered in column (d), line 26.

Line 18.—Taxes.—Do not include any excise tax paid on investment income (as reported in Part VI of this return or the equivalent part of a return for prior years) unless the organization is claiming status as a private operating foundation and completes Part XV.

Line 25.—Contributions, gifts, grants paid.—Enter on line 25 all contributions, gifts, and grants the foundation paid during the year.

- Do not include contributions to organizations controlled by the foundation or by a disqualified person (see General Instruction C for definitions). Do not include contributions to nonoperating foundations, unless the donees are exempt from tax under section 501(c)(3); they redistribute the contributions; and they maintain sufficient evidence of redistributions according to the regulations under section 4942(g).
- Do not reduce the amount of grants paid in the current year by the amount of grants paid in a prior year that was returned or recovered in the current year. Report those repayments in column (c), line 9, and in Part X, line 4a.
- Do not include any payments of set-asides (see instructions for Part XIII, line 3) taken into account as qualifying distributions in the current year or any prior year. All set-asides are included in qualifying distributions (Part XIII, line 3) in the year of the set-aside regardless of when paid.
- Do not include any payments that are not qualifying distributions as defined in section 4942(g)(1).

Part II—Balance Sheets

For column (b), show the book value at the end of the year. For column (c) show the fair market value at the end of the year. Attached schedules must show the end-of-year value for each asset listed in columns (b) and (c).

When space is provided to the left of column (a) for reporting receivables and the related allowance for doubtful accounts or depreciable assets and accumulated depreciation, enter the end-of-year figures.

- Foundations that had assets of $5,000 or more at any time during the year must complete all of columns (a), (b), and (c).
- Foundations with less than $5,000 of total assets at all times during the year must complete all of columns (a) and (b), and only line 16 of column (c).

Line 1.—Cash—non-interest-bearing.—Enter the amount of cash on deposit in checking accounts, deposits in transit, change funds, petty cash funds, or any other non-interest-bearing account. Do not include advances to employees or officers or refundable deposits paid to suppliers or others.

Line 2.—Savings and temporary cash investments.—Enter the total of cash in savings or other interest-bearing accounts and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than one year.

Line 3.—Accounts receivable.—Enter the total accounts receivable (reduced by the corresponding allowance for doubtful accounts) that arose from the sale of goods and/or the performance of services. Claims against vendors or refundable deposits with suppliers or others may be reported here if not significant in amount. (Otherwise, report them on line 15, Other assets.) Any receivables due from officers, directors, trustees, foundation managers, or other disqualified persons must be reported on line 6. Receivables (including loans and advances) due from other employees should be reported on line 15.

Line 4.—Pledges receivable.—Enter the total pledges receivable recorded as of the beginning and end of the year, reduced by the amount of pledges estimated to be uncollectible.

Line 5.—Grants receivable.—Enter the total grants receivable from governmental agencies, foundations, and other organizations as of the beginning and end of the year.

Line 6.—Receivables due from officers, directors, trustees, and other disqualified persons.—Enter here (and in an attached schedule described below) all receivables due from officers, directors, trustees, foundation managers, and other disqualified persons and all secured and unsecured loans (including advances) to such persons.

Attached schedules.—*(a)* In the required schedule, report each loan separately, even if more than one loan was made to the same person, or the same terms apply to all loans made.

Salary advances and other advances for the personal use and benefit of the recipient and receivables subject to special terms or arising from transactions not functionally related to the foundation's charitable purposes must be reported as separate loans for each officer, director, etc.

(b) Receivables that are subject to the same terms and conditions (including credit limits and rate of interest) as receivables due from the general public and that arose in connection with an activity functionally related to the foundation's charitable purposes may be reported as a single total for all the officers, directors, etc. Travel advances made in connection with official business of the organization may also be reported as a single total.

For each outstanding loan or other receivable that must be reported separately, the attached schedule should show the following information (preferably in columnar form):

(a) Borrower's name and title;
(b) Original amount;
(c) Balance due;
(d) Date of note;
(e) Maturity date;
(f) Repayment terms;
(g) Interest rate;
(h) Security provided by the borrower;
(i) Purpose of the loan; and
(j) Description and fair market value of the consideration furnished by the lender (for example, cash—$1,000; or 100 shares of XYZ, Inc., common stock—$9,000).

The above detail is not required for receivables or travel advances that may be reported as a single total (see instruction (b) above); however, report and identify those totals separately in the attachment.

Line 7.—Other notes and loans receivable.—Enter the combined total of notes receivable and net loans receivable.

Notes receivable.—Enter the amount of all notes receivable not listed on line 6 and not acquired as investments. Attach a schedule similar to that called for in the instructions for line 6. The schedule should also identify the relationship of the borrower to any officer, director, trustee, foundation manager, or other disqualified person.

For a note receivable from any section 501(c)(3) organization, list only the name of the borrower and the balance due on the required schedule.

Loans receivable.—Enter the gross amount of loans receivable, less the allowance for doubtful accounts, arising from the normal activities of the filing organization (such as scholarship loans). An itemized list of these loans is not required, but attach a schedule indicating the total amount of each type of loan outstanding. Report loans to officers, directors, trustees, foundation managers, or other disqualified persons on line 6 and loans to other employees on line 15.

Line 8.—Inventories for sale or use.—Enter the amount of materials, goods, and supplies purchased or manufactured by the organization and held for sale or use in some future period.

Line 9.—Prepaid expenses and deferred charges.—Enter the amount of short-term and long-term prepayments of expenses attributable to one or more future accounting periods. Examples include prepayments of rent, insurance, and pension costs, and expenses incurred in connection with a solicitation campaign to be conducted in a future accounting period.

Lines 10a, b, and c.—Investments—government obligations, corporate stocks and bonds.—Enter the book value (which may be market value) of these investments.

Attach a schedule that lists each security held at the end of the year and shows whether the security is listed at cost (including the value recorded at the time of receipt in the case of donated securities) or end-of-year market value. Do not include amounts shown on line 2. Debt securities of the U.S. Government may be reported as a single total rather than itemized. Obligations of state and municipal governments may also be reported as a lump-sum total. Do not combine U.S. Government obligations with state and municipal obligations on this schedule.

Line 11.—Investments—land, buildings, and equipment.—Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment held for investment purposes, such as rental properties. Attach a schedule listing these investment fixed assets held at the end of the year and showing, for each item or category listed, the cost or other basis, accumulated depreciation, and book value.

Line 12.—Investments—mortgage loans.—Enter the amount of mortgage loans receivable held as investments but do not include program-related investments (see instructions for line 15).

Line 13.—Investments—other.—Enter the amount of all other investment holdings not reported on lines 10 through 12. Attach a schedule listing and describing each of these investments held at the end of the year. Show the book value for each and indicate whether the investment is listed at cost or end-of-year market value. Do not include program-related investments (see instructions for line 15).

Line 14.—Land, buildings, and equipment.—Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment owned by the organization and not held for investment. This would include any property, plant, and equipment owned and used by the organization in conducting its charitable activities. Attach a schedule listing these fixed assets held at the end of the year and showing, for each item or category listed, the cost or other basis, accumulated depreciation, and book value.

Line 15.—Other assets.—List and show the book value of each category of assets not reportable on lines 1 through 14. Attach a separate schedule if more space is needed.

One type of asset reportable on line 15 is program-related investments, which are investments made primarily to accomplish a charitable purpose of the filing organization rather than to produce income.

Line 16.—Total assets.—All filers are to complete line 16 of columns (a), (b), and (c). These entries represent the totals of lines 1 through 15 of each column. However, organizations that have assets of less than $5,000 at all times during the year need not complete lines 1 through 15 of column (c).

Line 17.—Accounts payable and accrued expenses.—Enter the total of accounts payable to suppliers and others and accrued expenses, such as salaries payable, accrued payroll taxes, and interest payable.

Line 18.—Grants payable.—Enter the unpaid portion of grants and awards that the organization has made a commitment to pay other organizations or individuals, whether or not the commitments have been communicated to the grantees.

Line 19.—Support and revenue designated for future periods.—Enter the amount of contributions, governmental fees or grants, grants from foundations or other organizations, and other fees and support that contributors or grantors have designated as payable for or applicable to one or more future years, either by the terms of the gift or by the terms of the contract or other arrangement. Do not include any amounts restricted for future use by the filing organization's own governing body. Attach a schedule that describes each contribution or grant designated for one or more future periods and indicates the total amount of each item and the amount applicable to each future period.

Line 20.—Loans from officers, directors, trustees, and other disqualified persons.—Enter the unpaid balance of loans received from officers, directors, trustees, and other disqualified persons. For loans outstanding at the end of the year, attach a schedule that provides (for each loan) the name and title of the lender and the information listed in items (b) through (j) of the instructions for line 6.

Line 21.—Mortgages and other notes payable.—Enter the amount of mortgages and other notes payable at the beginning and end of year. Attach a schedule showing, as of the end of the year, the total amount of all mortgages payable and, for each non-mortgage note payable, the name of the lender and the other information specified in items (b) through (j) of the instructions for line 6. The schedule should also identify the relationship of the lender to any officer, director, trustee, foundation manager, or other disqualified person.

Line 22.—Other liabilities.—List and show the amount of each liability not reportable on lines 17 through 21. Attach a separate schedule if more space is needed.

Lines 24 through 31—Fund balances or net assets.—

Organizations using fund accounting.—If the organization uses fund accounting, check the box above line 24 and complete lines 24 through 27 to report the various fund balances. Report on line 31 the sum of the fund balances and report on line 32 the sum of the total liabilities and fund balances. Organizations not using fund accounting, should see the instructions under that heading (given below) for completing lines 28 through 31.

Under fund accounting, an organization segregates its assets, liabilities, and net assets into separate funds according to externally imposed restrictions on the use of certain assets, similar designations by the organization's governing board, and other amounts that are unrestricted as to use. 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. Since these funds are actually part of a single entity, they are all included in that organization's own financial statements. Similar accounts in the various funds may or may not be consolidated in those statements according to the organization's preference and practice. Form 990-PF, however, requires such consolidation. Separate funds, and the net changes within the various funds during the year, are shown in the fund balances section (lines 24 through 27) of the balance sheet.

Some states that accept Form 990-PF as their basic report form may require a separate statement of changes in fund balances.

Line 24a and 24b.—Current funds.—Enter the sum of the fund balances per books of the current unrestricted fund and the current restricted fund.

Line 25.—Land, buildings, and equipment fund.—Enter the fund balance per books for the land, buildings, and equipment fund (plant fund).

Line 26.—Endowment fund.—Enter the total of the fund balances for the permanent endowment fund and any term endowment funds. Annuity and life income fund balances may be reported here, if not significant in amount, or on line 27. Do not include the fund balances of any quasi-endowment funds (funds functioning as endowment) or other internally designated funds.

Line 27.—Other funds.—Enter the total of the fund balances for all funds not reported on lines 24 through 26. Indicate the type of fund in the space provided or on an attachment if more than one fund is involved. On the attachment, show the beginning and end-of-year fund balance for each fund listed.

Organizations not using fund accounting.—If the organization does not use fund accounting, check the box above line 28 and report account balances on lines 28 through 30. Report the total of net assets on line 31. Report the sum of the total liabilities and net assets on line 32.

Line 28.—Capital stock or trust principal.—For corporations, enter the balance per books for capital stock accounts. Show par or stated value (or for stock with no par or stated value, total amount received upon issuance) of all classes of stock issued and, as yet, uncancelled. For trusts, enter the amount in the trust principal or corpus account.

Line 29.—Paid-in capital or capital surplus.—Enter the balance per books for all paid-in capital in excess of par or stated value for all stock issued and, as yet, uncancelled. If stockholders or others made donations that the organization records as paid-in capital, include them here. Any current-year donations you include on line 29 must also be reported in Part I, line 1.

Line 30.—Retained earnings or accumulated income.—For a corporation, enter the balance in the retained earnings or similar account, minus the cost of any corporate treasury stock. For trusts, enter the balance per books in the accumulated income or similar account.

Line 31.—Total fund balances or net assets.—For organizations that use fund accounting, enter the total of lines 24 through 27. For all other organizations, enter the total of lines 28 through 30. The beginning-of-the-year figure in column (a) should be carried over to Part III, line 1. The end-of-year figure in column (b) should agree with the figure in Part III, line 6.

Line 32.—Total liabilities and fund balances/net assets.—Enter the total of lines 23 and 31. That figure must equal the figure for total assets reported on line 16 for both the beginning and end of year.

Part III—Analysis of Changes in Net Assets or Fund Balances

Generally, the excess of revenue over expenses accounts for the difference between the net assets at the beginning and end of the year. On line 2, Part III, re-enter the figure from Part I, line 27(a), column (a). On lines 3 and 5, list any changes in net assets that were not caused by the receipts or expenses shown in Part I, column (a). For example, if an asset is shown in the ending balance sheet at a higher value than in the beginning balance sheet because of an increased market value, include the increase in Part III, line 3. Also, if you use a stepped-up basis to determine gains on sales of assets included in Part I, column (a), then include the amount of step-up in basis in Part III.

Part IV—Capital Gains and Losses for Tax on Investment Income

Use Part IV to figure the amount of net capital gain to report on lines 7 and 8 of Part I.

- Part IV does not apply to foreign organizations.
- Nonoperating private foundations do not have to figure their short-term capital gains on line 3. See the special rules for "Nonoperating Private Foundations" under Part I, column (c).

Private foundations must report gains and losses from the sale or other disposition of property used to produce interest, dividends, rents, royalties, or unrelated income. If the foundation disposes of property that is used to produce income subject to the unrelated business income tax, include any gain or loss from the sale of that property in net investment income, but only the part that is not included in the computation of unrelated business taxable income.

Property is treated as held for investment purposes, even if the foundation disposes of the property as soon as it receives it, if the property is of a type that generally produces interest, dividends, rents or royalties.

Do not include any gain or loss from disposing of property used for the foundation's charitable purposes in the computation of tax on net investment income. If the foundation uses property for its charitable purposes, but also incidentally derives income from the property that is subject to the net investment income tax, any gain or loss from the sale or other disposition of the property is not subject to the tax.

However, if the foundation uses property both for charitable purposes and (other than incidentally) for investment purposes, include in the computation of tax on net investment income the part of the gain or loss from the sale or disposition of the property that is allocable to the investment use of the property.

Do not include gains or losses from the sale or exchange of program-related investments as defined in the instructions for Part XIII, line 1b.

All of the capital gains reported on line 2, both short-term and long-term, are taxed at the same rate.

For further information, see section 4940(c)(4).

Losses.—If the disposition of investment property results in a loss, that loss may be subtracted from capital gains realized from the disposition of property during the same tax year, but only to the extent of the gains. If losses are more than gains, the excess may not be subtracted from gross investment income, nor may the losses be carried back or forward to other tax years.

Basis.—The basis for determining gain from the sale or other disposition of property is the larger of:

(1) The fair market value of the property on December 31, 1969, plus or minus all adjustments after December 31, 1969, and before the date of disposition, provided the foundation held the property on that date and continuously after that date until disposition; or

(2) The basis of the property on the date of disposition under normal basis rules (actual basis). The normal (actual) basis rules are contained in Code sections 1011–1021.

The rules that usually apply to property dispositions reported in this part are:

Section 1011, Adjusted basis for determining gain or loss;

Section 1012, Basis of property-cost;

Section 1014, Basis of property acquired from a decedent;

Section 1015, Basis of property acquired by gifts and transfers in trust; and

Section 1016, Adjustments to basis.

For determining a loss, basis is determined on the date of disposition under normal basis rules.

See Chapter IV of Pub. 578 for examples on how to determine gain or loss.

Part V—Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

This part is used by exempt domestic private foundations to determine whether they qualify for the reduced 1% tax under section 4940(e) on net investment income rather than the 2% tax on net investment income under section 4940(a).

- A private foundation cannot qualify under section 4940(e) for its first year of existence, nor can a former public charity qualify for the first year it is treated as a private foundation. Do not complete Part V if this is the organization's first year.
- A separate computation must be made for each year in which the foundation wants to qualify for the reduced tax.

Line 1, column (b).—Enter the amount of qualifying distributions made for each year shown. The amounts in column (b) for tax years 1985–89 are taken from Part XIII, line 8, of the 1985–89 Forms 990-PF.

Line 1, column (c).—Enter the net value of noncharitable-use assets for each year. The amounts in column (c) for tax years 1985–89 are taken from Part IX, line 5, of the 1985–89 Forms 990-PF.

Part VI—Excise Tax on Investment Income (Section 4940(a), 4940(b), 4940(e) or 4948)

General rules for tax on investment income.—Domestic exempt private foundations generally are subject to a 2% tax on net investment income under section 4940(a). However, certain domestic exempt private foundations may not owe any tax under section 4940(d)(2) or may qualify for a reduced tax of 1% under section 4940(e) (see Part V instructions).

To qualify as an exempt operating foundation for a tax year, an organization must meet all these requirements of section 4940(d)(2):

(1) It is a private foundation.

(2) It has been publicly supported for at least 10 tax years or was a private operating foundation on January 1, 1983, or for its last tax year ending before January 1, 1983.

(3) Its governing body, at all times during the tax year, consists of individuals less than 25% of whom are disqualified individuals, and is broadly representative of the general public, and

(4) It has no officer who is a disqualified individual at any time during the tax year.

A domestic exempt private foundation that qualifies as an exempt operating foundation under section 4940(d)(2) is not liable for any tax on net investment income on this return.

Domestic section 4947(a)(1) charitable trusts and taxable private foundations are subject to a modified 2% tax on the net investment income under section 4940(b). However, they must first compute the tax under section 4940(a) as if that tax applied to them.

The section 4940 tax does not apply to an organization making an election under section 41(e)(6). Enter "N/A" in Part VI.

Exempt foreign private foundations are subject, under section 4948, to a 4% tax on their gross investment income derived from U.S. sources.

Other foreign organizations that filed **Form 1040NR,** U.S. Nonresident Alien Income Tax Return, or **Form 1120F,** U.S. Income Tax Return of a Foreign Corporation, enter "N/A" in Part VI.

Note: *A private foundation must pay estimated taxes on its net investment income. See General Instruction O for more information.*

Tax Computation.—

Line 1a.—Domestic exempt operating foundations defined in section 4940(d)(2) (see above) should check the box; enter "N/A" on line 1; give the date of their ruling letter on line 1a (see below); and leave the rest of Part VI blank. For the first year, you must attach a copy of the ruling letter establishing exempt operating foundation status. As long as you retain this status, write the date of the ruling letter in the space on line 1a. If you cease to qualify under section 4940(d)(2), do not enter anything on the date line and compute your section 4940 tax in the normal manner.

Line 2.—Section 511 tax.—Under section 4940(b), a domestic section 4947 (a)(1) charitable trust or taxable private foundation must add to the tax figured under section 4940(a) (on line 1) the tax which would have been imposed under section 511 for the tax year if it had been exempt from tax under section 501(a). If the domestic section 4947(a)(1) charitable trust or taxable private foundation has unrelated business taxable income that would have been subject to the tax imposed by section 511, the computation of tax must be shown in an attachment. Form 990-T may be used as the attachment. All other filers enter "-0-."

Line 4.—Subtitle A tax.—Domestic section 4947(a)(1) charitable trusts and taxable private foundations enter the amount of subtitle A tax for the year reported on Form 1041 or Form 1120. All other filers enter "-0-."

Line 5.—Tax on investment income.—Subtract line 4 from line 3 and enter the difference (but not less than "-0-") on line 5. Unless you are a domestic section 4947(a)(1) charitable trust or taxable private foundation, the amount is the same as for line 1. The tax shown on line 5 may not be less than zero. Any overpayment entered on line 10 that is the result of a negative amount shown on line 5 will not be refunded.

Line 6.—Credits/Payments.—(Note: *Line 6a applies only to domestic organizations.)*

Line 6a.—Enter the amount of 1990 estimated tax payments, and any 1989 overpayment of taxes that you wrote in on your 1989 return to be credited toward payment of your estimated taxes for 1990.

Note: *A trust may treat any part of estimated taxes it paid as taxes paid by the beneficiary. If you received such a payment from a trust, include the amount on line 6a of Part VI, and write on that line, "includes section 643(g) payment." See section 643(g) for more information about estimated tax payments treated as paid by a beneficiary.*

Line 6b.—Exempt foreign foundations must enter the amount of tax withheld at source.

Line 6d.—Enter the amount of any backup withholding erroneously withheld. Recipients of dividend or interest payments must generally certify their correct tax identification number to the bank or other payer on **Form W-9,** Request for Taxpayer Identification Number and Certification. If the payer does not get this information, it must withhold part of the payments as "backup withholding." If your organization files Form 990-PF and was subject to erroneous backup withholding because the payer did not realize you were an exempt organization and not subject to this withholding, you can claim credit for the amount withheld.

Line 8.—Penalty.—Enter any penalty for underpayment of estimated tax shown on Form 2220.

Line 9.—Tax Due.—Domestic foundations should see General Instruction P for depositary method of payment. Foreign organizations should attach a check or money order (in U.S. funds) at the place indicated at the side of page 1 of the return.

Part VII—Statements Regarding Activities

In General.—

Every question in this section must be answered "Yes," "No," or "N/A" (not applicable).

The purpose of most of the questions in Part VII is to determine whether there is any initial excise tax due under sections 4941 through 4945, and section 4955. If you answer "No" to question 10b, 11b, or 14b; OR "Yes" to question 10c, 12b, 13a, 13b, or 14a(2), complete and attach Form 4720, unless an exception applies.

Line 1.—Political purposes include, but are not limited to: directly or indirectly accepting contributions or making payments to influence the selection, nomination, election, or appointment of any individual to any Federal, state, or local public office or office in a political organization, or the election of Presidential or Vice Presidential electors, whether or not the individual or electors are actually selected, nominated, elected, or appointed.

Line 3.—A *conformed copy* of an organizational document is one that agrees with the original document and all its amendments. If copies are not signed, attach a written declaration signed by an officer authorized to sign for the organization, certifying that they are complete and accurate copies of the original documents.

Line 6.—For a private foundation to be exempt from income tax, its governing instrument must include provisions that require it to act or refrain from acting so as not to engage in an act of self-dealing (section 4941), or subject the foundation to the taxes imposed by sections 4942 (failure to distribute income), 4943 (excess business holdings), 4944 (investments which jeopardize charitable purpose), and 4945 (taxable expenditures). A private foundation may satisfy these section 508(e) requirements either by express language in its governing instrument or by application of state law which imposes the above requirements on the foundation or treats these requirements as being contained in the governing instrument. If an organization claims it satisfies the requirements of section 508(e) by operation of state law, the provisions of state law must effectively impose the section 508(e) requirements on the organization. See Rev. Rul. 75-38, 1975-1 C.B. 161, for a list of states with legislation that satisfies the requirements of section 508(e).

If, however, the state law does not apply to a governing instrument which contains mandatory directions conflicting with any of its requirements and the organization has such mandatory directions in its governing instrument, then the organization has not satisfied the requirements of section 508(e) by the passing of that legislation.

Line 8.—In the space provided list all states:

(1) to which the organization reports in any way about its organization, assets, or activities; and

(2) with which the organization has registered (or which it has otherwise notified in any manner) that it intends to be, or is, a charitable organization or that it is, or intends to be, a holder of property devoted to a charitable purpose.

Attach a separate list if you need more space.

Line 9.—If you claim status as an operating foundation for 1990 and, in fact, meet the operating foundation requirements for that year (as reflected in Part XV), any excess distributions carryover from 1989 or prior years may not be carried over to any year after 1990 in which you do not meet the operating foundation requirements. See the instructions for Part XIV.

Line 10.—Self-dealing.—The activities listed in 10a(1) through (6) are considered self-dealing under section 4941 unless one of the exceptions applies. See Chapter VIII of Pub. 578.

The terms *disqualified person* and *foundation manager* are defined in General Instruction C.

Line 11.—Taxes on failure to distribute income.—If you answer "Yes" to question 11b, attach a statement explaining:

(a) all the facts regarding the incorrect valuation of assets, and

(b) the actions taken (or planned) to comply with section 4942(a)(2)(B), (C), and (D) and the related regulations.

Line 12.—Taxes on excess business holdings.—In general, the excess business holdings are the amount of stock or other interest in a business enterprise which the foundation must dispose of to a person, other than a disqualified person, in order for the foundation's remaining holdings in the enterprise to be permitted holdings. Business holdings do not include program-related investments as defined in section 4944(c) and related regulations.

In general, the combined permitted holdings of a private foundation and all disqualified persons are limited to 20% of the voting power (or beneficial or profits interest, in the case of a trust or a partnership) in any business enterprise.

There were initial grace periods of 10, 15 or 20 years (first phase) for certain excess business holdings of the foundation that were held on May 26, 1969. These holdings were considered held by disqualified persons rather than the foundation during the grace period. The 15-year initial grace period expired on May 25, 1984. This period applied when a private foundation and all disqualified persons together held more than 75% interest, but not more than 95% interest in a business enterprise. The 20-year initial grace period, which expired May 25, 1989, applied if the combined holdings were more than 95%. The 10-year initial grace period, which expired on May 26, 1979, applied if the combined holdings were at least 20% but not more than 75%.

During the second phase, which is the 15-year period immediately following the 10, 15, or 20-year initial grace period, the foundation's ownership of business interests that it held on May 26, 1969, must be reduced so that by the end of the phase the combined holdings of the foundation and its disqualified persons are not greater than 35% of the voting stock of a corporation (or 35% of the value of all outstanding shares of all classes of stock, or 35% of comparable interests in an unincorporated enterprise).

If, at any time during the second phase, the holdings of all disqualified persons together are greater than 2% of the voting stock, the holdings of the foundation itself may not be more than 25% of the voting stock or 25% of the value of all outstanding shares of all classes of stock.

The third phase is the entire period following the second phase. If a foundation enters the third phase with not more than 2% of the voting stock held by all disqualified parties, and any time after the beginning of the third phase these holdings exceed 2%, then the 25% rule in the preceding paragraph applies.

The term *business enterprise,* in general, includes the active conduct of a trade or business. It includes any activity that is carried on to produce income from the sale of goods or the performance of services and that is considered an unrelated trade or business under section 513.

The term *business enterprise* does not include:

(1) A functionally related business, which is defined in section 4942(j)(4); or

(2) A trade or business if at least 95% of its gross income is derived from passive sources. See section 4943(d)(3)(B) for additional items that are included in gross income from passive sources.

Line 12b.—A private foundation is not treated as having excess business holdings in any enterprise if, together with related foundations, it owns 2% or less of the voting stock and 2% or less in value of all outstanding shares of all classes of stock. (See General Instructions C(4)(b)(7), Definitions.) A similar exception applies to a beneficial or profits interest in any business enterprise that is a trust or partnership.

For more information about excess business holdings, see Pub. 578 and the instructions for Form 4720.

Line 13.—Taxes on investments which jeopardize charitable purposes.—In general, an investment which jeopardizes any of the charitable purposes of a private foundation is one for which a foundation manager did not exercise ordinary business care to provide for the long- and short-term financial needs of the foundation in carrying out its charitable purposes.

For more information on investments which jeopardize charitable purposes, refer to Pub. 578 and the regulations under section 4944.

Line 14.—Taxes on taxable expenditures and political expenditures.—(See the regulations under section 4945 for more information.

In general, payments made for the activities described on lines 14a(1) through 14a(5) are taxable expenditures. See Chapter VI of Pub. 578 for exceptions to taxable expenditures.

A grant by a private foundation to a public charity is not a taxable expenditure if the private foundation does not earmark the grant for any of the activities described in lines 14a(1) through 14a(5), and there is no oral or written agreement by which the grantor foundation may cause the grantee to engage in any such prohibited activity or to select the recipient to which the grant is given.

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

Under section 4955, a section 501(c)(3) organization must pay an excise tax for any amount paid or incurred on behalf of, or in opposition to, any candidate for public office. The organization must pay an additional excise tax if it fails to correct the expenditure timely.

A manager of a section 501(c)(3) organization, who knowingly agrees to a political expenditure, must pay an excise tax unless the agreement is not willful and there is reasonable cause. A manager who does not agree to a correction of the political expenditure may have to pay an additional excise tax.

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

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

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

(1) Remuneration to the individual (or candidate or prospective candidate) for speeches or other services;

(2) Travel expenses of the individual;

(3) Expenses of conducting polls, surveys, or other studies, or preparing papers or other material for use by the individual;

(4) Expenses of advertising, publicity, and fundraising for such individual; and

(5) Any other expense which has the primary effect of promoting public recognition or otherwise primarily accruing to the benefit of the individual.

Line 15.—Substantial contributors.—If you answered "Yes," attach a schedule listing the names and addresses of all persons who became substantial contributors during the year.

The term *substantial contributor* to a private foundation means any person whose contributions or bequests during the current tax year and prior tax years total more than $5,000 and are more than 2% of the total contributions and bequests received by the foundation from its creation through the close of its tax year. In the case of a trust, the term "substantial contributor" also means the creator of the trust (section 501(d)(2)).

The term *person* includes individuals, trusts, estates, partnerships, associations, corporations, and other exempt organizations.

Each contribution or bequest must be valued at fair market value on the date it was received.

Any person who is a substantial contributor on any date will remain a substantial contributor for all later periods.

However, a person will cease to be a substantial contributor with respect to any private foundation if:

(1) Such person, and all related persons, made no contributions to such foundation during the 10-year period ending with the close of the taxable year;

(2) Such person, or any related person, was never the foundation's manager during this 10-year period; and

(3) The aggregate contributions made by such person, and related persons, are determined by IRS to be insignificant when compared to the aggregate amount of contributions to the foundation by any other person and the appreciated value of contributions held by the foundation.

The term *related person* includes any other person who would be a disqualified person because of a relationship with the substantial contributor (section 4946). When the substantial contributor is a corporation, the term also includes any officer or director of a corporation.

For purposes of the preceding paragraphs, the term "substantial contributor" does not include public charities (organizations described in section 509(a)(1), (2), or (3)).

Line 19.—Section 4947(a)(1) Trusts.—Section 4947(a)(1) charitable trusts that file Form 990-PF instead of Form 1041 must complete this line. The trust should include exempt-interest dividends received from a mutual fund or other regulated investment company as well as tax-exempt interest received directly.

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

Line 1.—List of officers, directors, trustees, etc.—List the names, addresses, and other information requested for the officers, directors, and trustees (or any person who has responsibilities or powers similar to those of officers, directors, or trustees) of the foundation. *All such persons must be listed whether or not they receive any compensation from the foundation.* Enter "-0-" in columns (c), (d), and (e) if none was paid. Attach a schedule if more space is needed.

Show all forms of compensation received by each listed officer, etc.

Column (c).—Include all forms of deferred compensation (whether or not funded and whether or not the deferred compensation plan is a qualified plan under section 401(a)) and payments to welfare benefit plans on behalf of the officers, etc.

Column (d).—Enter amounts that the recipients must report as income on their separate income tax returns. Examples include amounts for which the recipient did not account to the organization or allowances that were more than the payee spent on serving the organization. Include payments made in connection with indemnification arrangements, the value of the personal use of housing, automobiles, or other assets owned or leased by the organization (or provided for the organization's use without charge), as well as any other taxable and nontaxable fringe benefits. Refer to Pub. 525 for more information.

Column (e).—Enter salary, fees, bonuses, and severance payments received by each person listed.

Line 2.—Compensation of five highest paid employees.—Fill in the information requested for the five employees (if any) who received the greatest amount of annual compensation over $30,000. Do not include employees listed under line 1. Also enter the total number of other employees who received more than $30,000 in annual compensation.

Show each listed employee's entire compensation package for the period covered by the return. Include all forms of compensation that each listed employee received in return for his or her services. See the instructions for line 1 for additional information on includible compensation.

Line 3.—Five highest paid persons for professional services.—Fill in the information requested for the five highest paid independent contractors (if any) whom you paid more than $30,000 for the year to perform personal services of a professional nature for the organization (such as attorneys, accountants, and doctors, whether they performed the services in their individual capacity or as employees of a professional service corporation). Also show the total number of all other independent contractors who received more than $30,000 for the year for performing professional services.

Part IX—Minimum Investment Return

All organizations must complete Part IX.

Operating foundations, described in sections 4942(j)(3) or 4942(j)(5) must complete Part IX in order to complete Part XV.

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

In figuring the minimum investment return, include only those assets that are not used or held for use for charitable purposes. These assets are not actually used or held for use by the organization for a charitable, educational, or other similar function that contributed to the charitable status of the foundation. Cash on hand and on deposit is considered used or held for use for charitable purposes ONLY to the extent of the reasonable cash balances reported in Part IX, line 4. See the instructions for lines 1b and 4 below. Assets that are held for the production of income or for investment are not considered to be used directly for charitable functions even though the income from the assets is used for the charitable functions.

It is a factual question as to whether an asset is held for the production of income or for investment rather than used or held for use directly by the foundation for charitable purposes. For example, an office building, that is used to provide offices for employees engaged in managing endowment funds for the foundation, is not considered an asset used for charitable purposes. However, when property is used both for charitable and other purposes, the property is considered to be used entirely for charitable purposes if 95% or more of its total use is for that purpose. If less than 95% of its total use is for charitable purposes, a reasonable allocation must be made between charitable and noncharitable use.

Certain assets are considered to be held neither for the production of income nor for investment. See Chapter VII of Pub. 578 for a listing of such assets.

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

- Listed on the New York or American stock exchange or any city or regional exchange in which quotations appear on a daily basis, including foreign securities listed on a recognized foreign national or regional exchange;
- Regularly traded in the national or regional over-the-counter market for which published quotations are available; or

- Locally traded, for which quotations can readily be obtained from established brokerage firms.

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

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

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

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

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

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

Line 1c.—Fair market value of all other assets.—The fair market value of assets other than securities is determined annually except as described below. The valuation may be made by private foundation employees or by any other person, whether or not that person is a disqualified person in relation to the foundation. If the IRS accepts the valuation, it is valid only for the tax year for which it is made. A new valuation is required for the next tax year.

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

The person may not be a disqualified person with respect to the private foundation or an employee of the foundation.

Commonly accepted valuation methods must be used in making the appraisal. A valuation based on acceptable methods of valuing property for Federal estate tax purposes will be considered acceptable. An appraisal means a determination of fair market value and should not be construed in a technical sense peculiar to particular property or interests in property, such as mineral interests in real property.

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

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

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

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

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

Line 1e.—Reduction claimed for blockage or other factors.—If the fair market value of any securities, real estate holdings, or other assets reported on lines 1a and 1c reflects a blockage discount, marketability discount, or other reduction from full fair market value because of the size of the asset holding or because of any other factor, enter on line 1e the aggregate amount of the discounts claimed and attach an explanation that provides the following information for each asset or group of assets involved:

(1) A description of the asset or asset group (for example, 20,000 shares of XYZ, Inc., common stock);

(2) In the case of securities, the percentage of the total issued and outstanding securities of the same class that is represented by the foundation's holding;

(3) The fair market value of the asset or asset group before any claimed blockage discount or other reduction;

(4) The amount of the discount claimed; and

(5) A statement that explains why the claimed discount is appropriate in valuing the asset or group of assets for section 4942 purposes.

Line 2.—Acquisition indebtedness.—Enter the total acquisition indebtedness that applies to assets included on line 1 above. For details, see section 514(c) and Regulations section 53.4942(a)-2(c)(1).

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

Line 6.—Short tax periods.—If the foundation's tax period is less than 12 months, determine the applicable percentage by dividing the number of days in the short tax period by 365 (or 366 in a leap year). Multiply the result times 5%. Then multiply the modified percentage by the amount on line 5 and enter the result on line 6.

Part X—Distributable Amount

If you are claiming status as a private operating foundation described in section 4942(j)(3) or (j)(5), check the box in the heading for Part X. You do not need to complete this part. See the Part XV instructions for definitions of these two types of private operating foundations.

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

The distributable amount for 1990 is the amount that the foundation must distribute by the end of 1991 as qualifying distributions to avoid the 15% tax on the undistributed portion.

Line 4a.—Enter the total of recoveries of amounts treated as qualifying distributions for any year under the provisions of sections 4942(d)(1) and 4942(f)(2)(C). Include recoveries of part or all (as applicable) of grants previously made; proceeds from the sale or other disposition of property whose cost was treated as a qualifying distribution when the property was acquired; and any amount set aside under section 4942(g) to the extent it is determined that such amount is not necessary for the purposes of the set-aside.

Line 4b.—Income distributions from section 4947(a)(2) trusts.—The income portion of distributions from split-interest trusts on amounts placed in trust after May 26, 1969, must be ADDED to the distributable amount, subject to the limitation of Regulations section 53.4942(a)-2(b)(2)(iii).

A *split-interest trust* is defined in section 4947(a)(2) as a trust that is not exempt from tax under section 501(a), not all of the unexpired interests of which are devoted to charitable, religious, educational, and like purposes, and that has amounts in trust for which a charitable contributions deduction has been allowed.

If the foundation receives distributions of amounts placed in trust both on or before and after May 26, 1969, these distributions must be allocated between these amounts to determine the extent to which the distributions are included in the foundation's distributable amount.

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

Enter the amount from Part X, line 7, in Part XIV, line 1.

Part XI—Limitation on Grant Administrative Expenses

Line 1.—In columns (a), (b), and (c), enter the net value of noncharitable-use assets from each appropriate year from Part IX, line 5. In column (d), enter the total of columns (a), (b), and (c).

Part XII—Schedule of Grant Administrative Expenses

In this part, each line item shows the grant administrative expense share of the expense item reported in the Operating and Administrative Expenses section of Part I, column (d).

See the "In General" instructions for Part XVII-A for guidance in determining the share of expenses for this part.

Part XIII—Qualifying Distributions

Qualifying distributions are amounts spent or set aside for religious, educational, or similar charitable purposes. The total amount of qualifying distributions for any year is used to reduce the distributable amount for specified years to arrive at the undistributed income (if any) for those years.

Line 1a.—Borrowed funds.—If the foundation borrowed money in a tax year beginning before January 1, 1970, or later borrows money under a written commitment binding on December 31, 1969, the foundation may elect to treat any repayments of the loan principal after December 31, 1969, as qualifying distributions at the time of repayment, rather than at the earlier time that the borrowed funds were actually distributed provided that:

(1) The money is used to make expenditures for a charitable or similar purpose; and

(2) Repayment on the loan did not start until a year beginning after 1969.

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

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

(1) The lender's name and address;

(2) The amount borrowed;

(3) The specific use of the borrowed funds; and

(4) The private foundation's election to treat repayments of loan principal as qualifying distributions.

If this provision applies, add the total of the repayments during the year to the amount from Part I, column (d), line 26. Enter this total in Part XIII, line 1a. If it does not apply, enter the total from Part I, column (d), line 26.

Line 1b.—A *program-related investment* is an investment that meets all of the following tests:

(a) Its primary purpose is to accomplish one or more religious, charitable, educational, etc., purposes;

(b) The production of income or the appreciation of property is not a significant purpose of the investment; and

(c) Its purpose is NOT to carry on propaganda, or otherwise influence legislation, or to participate or intervene in any political campaign for or against any candidate for public office.

See Regulations section 53.4944-3 for examples of program-related investments.

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

(a) The project can better be accomplished by a set-aside than by the immediate payment of funds (suitability test), or

(b) The foundation meets the requirements of section 4942(g)(2)(B)(ii) (cash distribution test).

For a set-aside under alternative (a), you must apply for IRS approval by the end of the tax year in which the amount is set aside. Write to Internal Revenue Service, Assistant Commissioner Employee Plans/Exempt Organizations, E:EO, 1111 Constitution Avenue, NW, Washington, DC 20224.

The application for approval must give:

(1) The nature and purposes of the specific project and the amount of the set-aside for which approval is requested;

(2) The amounts and approximate dates of any planned additions to the set-aside after its initial establishment;

(3) The reasons why the project can be better accomplished by the set-aside than by the immediate payment of funds;

(4) A detailed description of the project, including estimated costs, sources of any future funds expected to be used for completion of the project, and the location or locations (general or specific) of any physical facilities to be acquired or constructed as part of the project; and

(5) A statement of an appropriate foundation manager that the amounts set aside will actually be paid for the specific project within a specified period of time ending within 60 months after the date of the first set-aside; or a statement explaining why the period for paying the amount set aside should be extended and indicating the extension of time requested. (Include in this statement the reason why the proposed project could not be divided into two or more projects covering periods of no more than 60 months each.)

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

Line 7.—Reduced tax on investment income under section 4940(e).—If you do not qualify for the 1% tax under section 4940(e), enter "-0-." See Part V and VI instructions.

Part XIV—Undistributed Income

If the organization is a private operating foundation for any of the years shown in Part XIV, do not complete the portions of Part XIV that apply to those years. If there are excess qualifying distributions for any tax year, do not carry them over to a year in which the organization is a private operating foundation or to any later year. For example, if a foundation made excess qualifying distributions in 1988 and became a private operating foundation in 1990, the excess qualifying distributions from 1988 could be applied against the distributable amount for 1989 but not to any year after 1989.

The purpose of this part is to enable the foundation to comply with the rules for applying its qualifying distributions for the year 1990. In applying the qualifying distributions, there are three basic steps.

1. First, reduce any undistributed income for 1989 to an amount not less than zero.

2. You may use any part or all remaining qualifying distributions for 1990 to satisfy elections. For example, if undistributed income remained for any year before 1989, it could be reduced to zero or, if the foundation wished, the distributions could be treated as distributions out of corpus.

3. If no elections are involved, apply remaining qualifying distributions to the 1990 distributable amount on line 4d. If the remaining qualifying distributions are greater than the 1990 distributable amount, the excess is treated as a distribution out of corpus on line 4e.

If for any reason the 1990 qualifying distributions do not reduce any 1989 undistributed income to zero, the amount not distributed is subject to a 15% tax. If the 1989 income remains undistributed at the end of 1991, it could be subject again to the 15% tax. See section 4942(b) for the circumstances under which the second-tier tax could be imposed.

Line 1.—Distributable amount.—Enter the distributable amount for 1990 from Part X, line 7.

Line 2.—Undistributed income.—Enter the distributable amount for 1989 and amounts for earlier years that remained undistributed at the beginning of the 1990 tax year.

Line 2b.—Enter the amount of undistributed income for years before 1989.

Line 3.—Excess distributions carryover to 1990.—If the foundation has made excess distributions out of corpus in prior years, which have not been applied in any year, enter the amount for each year. Do not enter an amount for a particular year if the organization was a private operating foundation for any later year.

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

Line 3f.—This amount can be applied in 1990.

Line 4.—Qualifying distributions.—Enter the total amount of qualifying distributions made in 1990 from Part XIII, line 6.

Line 4a.—The qualifying distributions for 1990 are first used to reduce any undistributed income remaining from 1989. Enter only enough of the 1990 qualifying distributions to reduce the 1989 undistributed income to zero.

Lines 4b and 4c.—If there are any 1990 qualifying distributions remaining after reducing the 1989 undistributed income to zero, one or more elections can be made under Regulations section 53.4942(a)-3(d)(2) to apply all or part of the remaining qualifying distributions to any undistributed income remaining from years before 1989 or to apply to corpus. To make these elections you must file a statement with the IRS or attach a statement, as described in the above regulations section, to Form 990-PF. An election made by filing a statement with the IRS must be made within the year for which the election is made. An election made by attaching a statement to the Form 990-PF must be made by attaching the statement to the return filed for the year the election was made. If you elected to apply all or part of the remaining amount to the undistributed income remaining from years before 1989, enter the amount on line 4b. If you elected to treat those qualifying distributions as a distribution out of corpus, enter the amount on line 4c. **Entering an amount on line 4b or 4c without submitting the required statement does not constitute a valid election.**

Line 4d.—Treat as a distribution of the distributable amount for 1990 any qualifying distributions for 1990 that remain after reducing the 1989 undistributed income to zero and after electing to treat any part of the remaining distributions as a distribution out of corpus or as a distribution of a prior year's undistributed income. Enter only enough of the remaining 1990 qualifying distributions to reduce the 1990 distributable amount to zero.

Line 4e.—Any 1990 qualifying distributions remaining after reducing the 1990 distributable amount to zero should be treated as an excess distribution out of corpus. This amount may be carried over and applied to later years. The total of the amounts applied on lines 4a through 4e is equal to the qualifying distributions made in 1990.

Line 5.—Excess qualifying distributions carryover applied in 1990.—Enter any excess qualifying distributions from line 3, which were applied to 1990, in both the Corpus column and the 1990 column. Apply the oldest excess qualifying distributions first. Thus, you will apply any excess qualifying distributions carried forward from 1985 before those from later years.

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

Line 6c.—Enter only the undistributed income from 1988 and prior years for which either a notice of deficiency under section 6212(a) has been mailed for the section 4942(a) first-tier tax, or on which the first-tier tax has been assessed because you filed a Form 4720 for 1989 or an earlier year.

Lines 6d and 6e.—These amounts are taxable under the provisions of section 4942(a), except for any part that is due solely to misvaluation of assets to which the provisions of section 4942(a)(2) are being applied (see Part VII, line 11). Report the taxable amount on Form 4720. If the exception applies, attach an explanation.

Line 6f.—In the 1990 column, enter the amount by which line 1 is more than the total of lines 4d and 5. This is the undistributed income for 1990. You must distribute the amount shown by the end of your 1991 tax year so that the foundation will not be liable for the tax on undistributed income.

Line 7.—Distributions out of corpus for 1990 pass-through distributions.—

(a) If the foundation, as a donee, receives a contribution from another private foundation, the donor foundation may treat the contribution as a qualifying distribution only if the donee foundation makes a distribution equal to the full amount of the contribution and the distribution is a qualifying distribution that is treated as a distribution of corpus. The donee foundation must, not later than the close of the first tax year after the tax year in which it receives the contributions, distribute an amount equal in value to the contributions received in the prior tax year and have no remaining undistributed income for the prior year. For example, if private foundation X received $1,000 in tax year 1989 from foundation Y, foundation X would have to distribute the $1,000 as a qualifying distribution out of corpus by the end of 1990 and have no remaining undistributed income for 1989.

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

By the 15th day of the third month after the end of the tax year in which the foundation received the contributions, the donee foundation must distribute as qualifying distributions out of corpus:

(i) An amount equal to 100% of ALL contributions received during the year in order for the individual contributor to receive the benefit of the 50% limit on deductions, and

(ii) Distribute ALL contributions of property only so that the individual or corporation making the contribution is not subject to the section 170(e)(1)(B)(ii) limitations.

If you are applying excess distributions from prior years (i.e., any part of the amount in Part XIV, line 3f) to satisfy the distribution requirements of section 170(b)(1)(E) or 4942(g)(3), you must make the election under Regulations section 53.4942(a)-3(e). Also see Regulations section 1.170A-9(g)(2).

Enter on line 7 the total distributions out of corpus you made to satisfy the restrictions on amounts received from donors described above.

Line 8.—Outdated excess distributions carryover.—Because of the five-year carryover limitation under section 4942(i)(2), you must reduce any excess distributions carryover by any amounts from 1985 that were not applied in 1990.

Line 9.—Excess distributions carryover to 1991.—Enter on this line the amount by which line 6a is more than the total of lines 7 and 8. This is the amount you may apply to 1991 and following years.

Line 10.—Analysis of line 9.—In the space provided for each year, enter the amount of excess distributions carryover from that year that has not been applied as of the end of the 1990 tax year. If there is an amount on the line for 1986, it must be applied by the end of the 1991 tax year since the five-year carryover period for 1986 ends in 1991.

Part XV—Private Operating Foundations

All organizations that claim status as private operating foundations under section 4942(j)(3) or (5) for 1990 must complete Part XV.

For purposes of section 4942 only, certain elderly care facilities may be classified as "private operating foundations." To be so classified, they must be operated and maintained for the principal purpose set out in section 4942(j)(5) and, in addition, meet the endowment test described below. If you are a section 4942(j)(5) organization, complete only lines 1a, 1b, 2c, 2d, 2e, and 3b. Enter "N/A" on all other lines in Part XV.

The term *private operating foundation* means any private foundation that spends at least 85% of the lesser of its adjusted net income or its minimum investment return directly for the active conduct of the exempt purpose or functions for which the foundation is organized and operated (the **"Income Test"**) and that also meets one of the three tests below.

(1) Assets test.—65% or more of the foundation's assets are devoted directly to those activities or to functionally related businesses, or to both. Or 65% or more of the foundation's assets are stock of a corporation that is controlled by the foundation, and substantially all of the assets of the corporation are devoted to those activities or to functionally related businesses.

(2) Endowment test.—The foundation normally makes qualifying distributions directly for the active conduct of the exempt purpose or functions for which it is organized and operated in an amount that is two-thirds or more of its minimum investment return.

(3) Support test.—The foundation normally receives 85% or more of its support (other than gross investment income under section 509(e)) from the public and from five or more exempt organizations that are not described in section 4946(a)(1)(H) with respect to each other or the recipient foundation. Not more than 25% of the support (other than gross investment income) normally may be received from any one of the exempt organizations and not more than one-half of the support normally may be received from gross investment income.

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

A foundation may meet the income test and either the assets, endowment, or support test by satisfying the tests for any three years during a four-year period consisting of the tax year in question and the three immediately preceding tax years. It may also meet the tests based on the total of all related amounts of income or assets held, received, or distributed during that four-year period. A foundation may not use one method for satisfying the income test and another for satisfying one of the three alternative tests. Thus, if a foundation meets the income test on the three-out-of-four-year basis for a particular tax year, it may not use the four-year aggregation method for meeting one of the three alternative tests for that same year.

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

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

Part XVI—Supplementary Information

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

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

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

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

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

Line 3b.—Approved for future payment.—List all contributions, grants, etc., approved during the year but not paid by the end of the year, including the unpaid portion of any current year set-aside.

Part XVII-A—Summary of Grant Programs and Other Activities

In general.—

Foundations whose charitable programs consist solely of grant-making activities or solely of non-grant-making activities should refer to the "Special Rules" which follow the instructions for line 5 below.

Regardless whether you use the regular instructions or one of the "Special Rules," you are required to complete Part XVII-B.

Part XVII-A requires foundations to allocate their direct and indirect expenses to the various activities they conduct.

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

Indirect (overhead) expenses are those that are not specifically identifiable with a particular activity but that relate to the direct costs incurred in conducting the activity. Examples of indirect expenses include: occupancy expenses; supervisory and clerical compensation; repair, rental and maintenance of equipment; expenses of other departments or cost centers (such as accounting, personnel, and payroll departments or units) that service the department or function that incurs the direct expenses of conducting an activity; and other applicable general and administrative expenses, including the compensation of top management, to the extent reasonably allocable to a particular activity.

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

Examples of allocation methods:

(1) Compensation is allocated on a time basis.

(2) Employee benefits are allocated on the basis of direct salary expenses.

(3) Travel, conference, and meeting expenses are charged directly to the activity which incurred the expense.

(4) Occupancy expenses are allocated on a space-utilized basis.

(5) Other indirect expenses are allocated on the basis of direct salary expenses or total direct expenses.

To allocate administrative expenses on a reasonable and consistent basis and to provide a breakdown of the administrative expenses (reported in column (b), line 1), the foundation must maintain records according to sound accounting practices. The breakdown of the administrative expenses should be similar to the itemization of Operating and Administrative Expenses in Part I.

Line 1.—Gifts, contributions, scholarships, and other grants.—Except for *significant involvement* grants discussed below, enter in column (a) the total of all gifts, contributions, scholarships, and other grants paid by the foundation during the year (the amount reported in Part I, column (d), line 25) and the amounts set aside by the foundation in 1990 to fund future gifts, contributions, etc., (included in the total set-asides reported in Part XIII, line 3). This total should include only gifts, set-asides, etc., that are qualifying distributions as defined in section 4942(g). Any current year payment of a set-aside that was treated as a qualifying distribution in a prior year should not be reported on line 1 or elsewhere in Part XVII-A.

Significant Involvement.—If the foundation awards scholarships, grants, or other payments to individuals as a part of an active program in which the foundation maintains some significant involvement, then such scholarships, grants, or other payments and related administrative expenses should be reported on line 2 rather than line 1. Examples of active programs and a definition of the term "significant involvement" are contained in Regulations section 53.4942(b)-1(b)(2). Additional examples are contained in Regulations section 53.4942(b)-1(d). Merely reviewing grant applications, interviewing or testing applicants, selecting grantees, and performing other related administrative actions do not constitute a significant involvement in an individual grant program.

In column (b), enter the total amount of the administrative expenses paid to respond to grant seekers; solicit and review grant applications; and award, supervise and monitor the grants, etc., included in line 1 of column (a). Also include any current year administrative expenses attributable to grants, etc., treated as qualifying distributions in any prior year, such as those that would arise when a foundation pays a portion of a set-aside made before 1990 or monitors a pre-1990 grant that the grantee had not fully expended or accounted for prior to 1990. Include both expenses that relate directly to the conduct of the grant program (such as the allocable part of the salary of a foundation employee who reviews grant applications and prepares grant agreements) and an allocable share of the foundation's general and administrative (indirect) expenses (such as occupancy expenses, clerical compensation, compensation of top management, etc.).

In column (c) enter the total of columns (a) and (b).

Line 2.—Direct charitable activities.—Whether any expenditure is for the direct active conduct of a charitable activity, reportable on lines 2a–d, is determined, generally, by the definitions and special rules of section 4942(j)(3) (and the related regulations which define a private operating foundation).

However, except for expenses related to "significant involvement" grants, grant administrative expenses do not constitute expenditures directly for the active conduct of charitable activities for purposes of line 2, even though they are treated as such for purposes of section 4942(j)(3). If a foundation maintains some significant involvement in an individual grant program, as described in the instructions for line 1 above, both the grants and the related grant administrative expenses (and qualified set-asides for such purposes included in Part XIII, line 3) should be reported on line 2 as expenses of a direct charitable activity.

Except for program-related investments, reportable on line 3, line 2 should also include all qualifying distributions that consist of amounts paid or set aside to acquire assets used in the conduct of the foundation's charitable activities, including its grant, etc., programs whether or not the foundation maintained a significant involvement in such programs. The expenses of operating and maintaining these assets are reportable on lines 1–4, depending upon the activity or activities in which they are used.

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

(1) Acquire or maintain the operating assets of a museum, library, or historic site or to operate any such facility;

(2) Provide goods, shelter, or clothing to indigents or disaster victims if the foundation maintains some significant involvement in the activity rather than merely making grants to the recipients;

(3) Conduct educational conferences and seminars;

(4) Operate a home for the aged or disabled;

(5) Conduct scientific, historic, public policy research, or other research with significance beyond the foundation's grant program that does not constitute a proscribed attempt to influence legislation;

(6) Publish and disseminate the results of such research, reports of educational conferences, or similar educational material;

(7) Support the service of foundation staff on boards or advisory committees of other charitable organizations or on public commissions or task forces;

(8) Provide technical advice or assistance to a governmental body, a governmental committee, or subdivision of either, in response to a written request by the governmental body, committee, or subdivision; and

(9) Conduct performances in the performing arts.

See the paragraph below, relating to line 2c, concerning the provision of direct technical assistance to grantees and others.

List the two major activities that constitute the direct active conduct of a charitable activity on lines 2a and 2b and indicate in column (c) the total of the direct and indirect expenses paid by the foundation in connection with each of them. If you need to combine activities on line 2d, attach a schedule that lists each significant activity included on line 2d and shows the total expenses of each one.

Use line 2c to report the expenses paid for providing direct technical assistance to grantees. Such assistance must have significance beyond the purposes of the grants made to those grantees and must not consist merely of monitoring or advising the grantees in their use of the grant funds. (Report expenses for monitoring or advising the grantees as grant administrative expenses on line 1.)

For any expense reported on line 2c, the foundation must maintain records documenting the nature and amount of such expense and demonstrating its significance beyond the mere monitoring or supervision of a grant to the organization receiving the technical assistance. Expenses for providing technical assistance to other charitable organizations (and individuals constituting a charitable class) that are not grantees should be reported on lines 2a, b, and d. Technical assistance involves the furnishing of expert advice and related assistance regarding, for example:

(1) compliance with governmental regulations;

(2) reducing operating costs or increasing program accomplishments; fundraising methods; and,

(3) maintaining complete and accurate financial records.

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

On lines 3a–c, list the three largest program-related investments made, or for which a qualifying set-aside was made, by the foundation in 1990, whether or not the investments were still held by the foundation at the end of the year. Combine all other program-related investments on line 3d and attach a schedule that lists the individual investments or groups of investments in a manner similar to that described here. Include only those investments that were reported in Part XIII, lines 1b and 3, for the current year. Do not include any investments or set-asides made in any prior year. Enter the total of the investments in column (a) and the total of the direct and the indirect administrative expenses allocable to the investments on line 3e of column (b). The administrative expenses in column (b) should also include amounts attributable to investments made in prior years and held by the foundation at the beginning of the year.

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

Line 4.—Other qualifying distributions.—Enter the total of the foundation's other qualifying distributions not reported on lines 1–3. Include on line 4, for example, expenses attributable to:

(1) soliciting grants or contributions to the foundation;

(2) preparing Form 990-PF;

(3) publishing the required newspaper notice to inform the public that the return is available for inspection upon request;

(4) making the return available for public inspection or providing copies; and

(5) publishing an annual report that is available to the public.

Operating foundations should also include the section 4940 tax on net investment income (or section 4948 tax on gross investment income in the case of a foreign operating foundation).

Line 5.—Other expenses.—Enter the total of the foundation's other expenses not reported on lines 1–4 but exclude any expenses attributable to net investment income reported in Part I, column (b). Include on line 5, for example, unrelated trade or business expenses; taxes under section 4942 for failure to distribute income; and taxes under section 4945 for making taxable expenditures. Do not include the section 4940 tax for domestic foundations, or section 4948 tax in the case of foreign foundations. Do not include any expenditure that is a qualifying distribution under section 4942(g).

Special Rules:

(1) **For Certain Small Organizations and Other Foundations Solely Engaged in Grant-Making Activities.** A foundation that accomplishes its charitable purposes solely through a program of making charitable gifts and grants and does not conduct any direct charitable activities, or make program-related investments, does not need to allocate any of its administrative expenses beyond those already shown in Part I, column (d). Such a grant-making foundation may complete Part XVII-A, column (a), line 1, simply by entering the amount reported on Part I, column (d), line 25, for total contributions; and entering on Part XVII-A, column (c), line 1, the amount from Part I, column (d), line 26, for total expenses and disbursements. The difference in those two amounts is presumed to be the grant-making administrative expenses to be reported in Part XVII-A, column (b), line 1; and no further allocation or reporting on lines 2–4 is required unless the foundation chooses to report separately the amounts reportable on line 4 according to the instructions for that line. In any event, report other expenses on line 5.

(2) **For Certain Small Organizations and Other Non-Grant-Making Foundations.** Similarly, a simplified reporting procedure is available to foundations that do not make gifts or grants but accomplish their charitable purposes solely by engaging in the direct active conduct of charitable activities or solely by making program-related investments, or by doing both. In such an event, the miscellaneous qualifying distributions included in Part I, column (d), which would be reportable in Part XVII-A, line 4, may be included instead in the expenses reported in column (c), line 2; or, in the case of organizations that make program-related investments, on line 3, in columns (b) and (c).

Part XVII-B—Supporting Data

Line 1.—In the schedule required by line 1, provide the information for the direct charitable activities listed on lines 2a–c of Part XVII-A and for the program-related investments listed on lines 3a–c. You may furnish reasonable estimates for the statistical information (number of individuals or organizations served, etc.) if exact figures are not readily available from the records you normally maintain. In that event, please indicate that the information provided is an estimate.

Line 2.—In an attached schedule, indicate the amount of income (without reduction for cost of goods sold or any other expenses) produced by the direct charitable activities listed in Part XVII-A, lines 2a–d, and by the program-related investments listed in Part XVII-A, lines 3a–d. Also indicate the amount of income produced by program-related investments held at the beginning of the year.

Part XVIII-A—Analysis of Income-Producing Activities

In Part XVIII-A, analyze revenue items that are also entered in Part I, on lines 3–11 of column (a) and on line 5b of the description column. Contributions reported on lines 1 and 2 of Part I are not entered in Part XVIII-A. For information on unrelated business income, see the Instructions for Form 990-T and Pub. 598.

Columns (b), (d), and (e).—For amounts reported in Part XVIII-A on lines 1–11, enter in column (b) any income earned that is unrelated business income (see section 512). In column (d), enter any income earned that is excluded from the computation of unrelated business taxable income by Code section 512, 513, or 514. In column (e), enter any related or exempt

function income; that is, any income earned that is related to the organization's purpose or function which constitutes the basis for the organization's exemption.

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

Columns (a) and (c).—In column (a), enter a business code, from the list in the Instructions for Form 990-T, to identify any income reported in column (b). In column (c), enter an exclusion code, from the list on page 22, to identify any income reported in column (d). If more than one exclusion code is applicable to a particular revenue item, select the lowest numbered exclusion code that applies. Also, if nontaxable revenues from several sources are reportable on the same line in column (d), use the exclusion code that applies to the largest revenue source.

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

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

Line 1—Program service revenue.—On lines 1(a)-(g), list each revenue-producing program service activity of the organization. For each program service activity listed, enter the gross revenue earned for each activity, as well as identifying business and exclusion codes, in the appropriate columns. For line 1(g), enter amounts that are payments for services rendered to governmental units. Do not include governmental grants that are reportable on line 1 of Part I. Report the total of lines 1(a)–(g) on line 11 of Part I, along with any other income reportable on line 11.

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

Program services can also include the organization's unrelated trade or business activities. Program service revenue also includes income from program-related investments as defined in Part XIII, line 1(b).

Line 11.—On lines 11(a)-(e), list each "Other revenue" activity as described in the instructions for line 11, Other income, Part I. Report the sum of the amounts entered for lines 11(a)-(e), columns (b), (d), and (e), on line 11, Part I.

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

You may use the following worksheet to verify your calculations.

Line 13, Part XVIII-A . . . . ____________

Minus: Line 5b, Part I . . . . ____________

Note: *If line 5b, Part I, reflects a loss, add that amount here instead of subtracting.*

Plus: Line 1, Part I . . . . ____________

Plus: Line 5a, Part I . . . . ____________

Plus: Expenses of special fundraising events deducted in computing line 9 of Part XVIII-A . ____________

Equal: Line 12, column (a), of Part I . . . . ____________

Part XVIII-B—Relationship of Activities to the Accomplishment of Exempt Purposes

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

Also explain any income you entered in column (e) that is specifically excluded from gross income other than by Code section 512, 513, or 514. If you did not enter an amount in column (e), do not complete Part XVIII-B.

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

M reported admissions income in column (e) of Part XVIII-A and explained in Part XVIII-B that these performances are the primary means by which it accomplishes its cultural and educational purposes.

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

Part XIX—Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

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

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

A noncharitable exempt organization is *related to* or *affiliated with* the reporting organization if either: the two organizations share some element of common control; **OR** a historic and continuing relationship exists between the two organizations. A noncharitable exempt organization is unrelated to the reporting organization if the two organizations share no element of common control **AND** a historic and continuing relationship does not exist between the two organizations.

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

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

Line 1.—Reporting of certain transfers and transactions.—Except as provided, you must report on line 1 any transfer to or transaction with a noncharitable exempt organization even if the transfer or transaction constitutes the only connection with the noncharitable exempt organization.

Related organizations.—If the noncharitable exempt organization is related to or affiliated with the reporting organization, you must report all direct and indirect transfers and transactions except for contributions and grants received by the reporting organization.

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

Line 1a.—Transfers.—Answer "Yes" to lines 1a(i) and 1a(ii) if the reporting organization made any direct or indirect transfers of any value to a noncharitable exempt organization.

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

If the only transfers between the two organizations were contributions and grants made by the noncharitable exempt organization to the reporting organization, answer "No."

Line 1b.—Other Transactions.—Answer "Yes" for any transaction described in line 1b(i)-(vi), regardless of its amount, if it is with a related or affiliated organization.

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

You must answer "Yes" for any transaction between the reporting organization and an unrelated noncharitable exempt organization if the amount involved is more than $500. The "amount involved" is the fair market value of the goods, services, or other assets furnished by the reporting organization.

Exception: If a transaction with an unrelated noncharitable exempt organization was for adequate consideration and the amount involved was $500 or less, you need not answer "Yes" for that transaction.

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

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

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

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

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

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

Column (a).—For each entry, enter the line number from line 1a-c, above. For example, if you answered "Yes" to line 1b(iii), enter "b(iii)" in column (a).

Column (d).—If you need more space than that provided, write "see attached" in column (d) and use an attached sheet for your description. If you are making more than one entry on line 1d, be sure to specify on the attached sheet which transfer or transaction you are describing.

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

Do not enter unrelated noncharitable exempt organizations on line 2 even if you entered transfers to or transactions with those organizations on line 1. For example, if you entered a one-time transfer to an unrelated noncharitable exempt organization on line 1a(ii), you should not enter the organization on line 2.

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

Column (c).—In most cases, a simple description, such as "common directors" or "auxiliary of reporting organization" will be sufficient. If you need more space, write "see attached" in column (c) and use an attached sheet to describe the relationship. If you are entering more than one organization on line 2, be sure to identify which organization you are describing on the attached sheet.

Part XX—Public Inspection

See General Instruction Q for information on making the foundation's annual return available for public inspection and publishing a notice in a newspaper stating that the return is available for public inspection. All domestic private foundations (including section 4947(a)(1) charitable trusts treated as private foundations) are subject to the public inspection and notice provisions.

Signature.—The return must be signed either by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer (such as tax officer) who is authorized to sign. A receiver, trustee, or assignee must sign any return which he or she is required to file for a corporation. If the return is filed for a trust, it must be signed by the authorized trustee or trustees.

If you fill in your own return, the Paid Preparer's space should remain blank. If someone prepares your return and does not charge you, that person should not sign your return.

Generally, anyone who is paid to prepare your tax return must sign your return and fill in the other blanks in the Paid Preparer's Use Only area of your return.

If you have questions about whether a preparer is required to sign your return, please contact an IRS office.

The person required to sign your return must complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps and labels are not acceptable.)
- Give you a copy of your return in addition to the copy to be filed with IRS.

Exclusion Codes

General Exceptions

01— Income from an activity that is not regularly carried on (section 512(a)(1))

02— Income from an activity in which labor is a material income-producing factor and substantially all (at least 85%) of the work is performed with unpaid labor (section 513(a)(1))

03— Section 501(c)(3) organization— Income from an activity carried on primarily for the convenience of the organization's members, students, patients, visitors, officers, or employees (hospital parking lot or museum cafeteria, for example) (section 513(a)(2))

04— Section 501(c)(4) local association of employees organized before 5/27/69—Income from the sale of work-related clothes or equipment and items normally sold through vending machines; food dispensing facilities; or snack bars for the convenience of association members at their usual places of employment (section 513(a)(2))

05— Income from the sale of merchandise, substantially all of which (at least 85%) was donated to the organization (section 513(a)(3))

Specific Exceptions

06— Section 501(c)(3), (4), or (5) organization conducting an agricultural or educational fair or exposition—Qualified public entertainment activity income (section 513(d)(2))

07— Section 501(c)(3), (4), (5), or (6) organization—Qualified convention and trade show activity income (section 513(d)(3))

08— Income from hospital services described in section 513(e)

09— Income from noncommercial bingo games that do not violate state or local law (section 513(f))

10— Income from games of chance conducted by an organization in North Dakota (section 311 of the Deficit Reduction Act of 1984, as amended)

11— Section 501(c)(12) organization—Qualified pole rental income (section 513(g))

12— Income from the distribution of low-cost articles in connection with the solicitation of charitable contributions (section 513(h))

13— Income from the exchange or rental of membership or donor list with an organization eligible to receive charitable contributions by a section 501(c)(3) organization; by a war veterans' organization; or an auxiliary unit or society of, or trust or foundation for, a war veterans' post or organization (section 513(h))

Modifications and Exclusions

14— Dividends, interest, or payments with respect to securities loans, and annuities excluded by section 512(b)(1)

15— Royalty income excluded by section 512(b)(2)

16— Real property rental income that does not depend on the income or profits derived by the person leasing the property and is excluded by section 512 (b)(3)

17— Rent from personal property leased with real property and incidental (10% or less) in relation to the combined income from the real and personal property (section 512(b)(3))

18— Proceeds from the sale of investments and other non-inventory property (capital gains excluded by section 512(b)(5))

19— Income (gains) from the lapse or termination of options to buy or sell securities (section 512(b)(5))

20— Income from research for the United States; its agencies or instrumentalities; or any state or political subdivision (section 512(b)(7))

21— Income from research conducted by a college, university, or hospital (section 512(b)(8))

22— Income from research conducted by an organization whose primary activity is conducting fundamental research, the results of which are freely available to the general public (section 512(b)(9))

23— Income from services provided under license issued by a federal regulatory agency and conducted by a religious order or school operated by a religious order, but only if the trade or business has been carried on by the organization since before May 27, 1959 (section 512 (b)(15))

Foreign Organizations

24— Foreign organizations only—Income from a trade or business NOT conducted in the United States and NOT derived from United States sources (patrons) (section 512(a)(2))

Social Clubs and VEBAs

25— Section 501(c)(7), (9), (17), or (20) organization—Non-exempt function income set aside for a charitable, etc., purpose specified in section 170(c)(4) (section 512(a)(3)(B)(i))

26— Section 501(c)(7), (9), (17), or (20) organization—Proceeds from the sale of exempt function property that was or will be timely reinvested in similar property (section 512(a)(3)(D))

27— Section 501(c)(9), (17), or (20) organization—Non-exempt function income set aside for the payment of life, sick, accident, or other benefits (section 512(a)(3)(B)(ii))

Veterans' Organizations

28— Section 501(c)(19) organization—Payments for life, sick, accident, or health insurance for members or their dependents that are set aside for the payment of such insurance benefits or for a charitable, etc., purpose specified in section 170(c)(4) (section 512(a)(4))

29— Section 501(c)(19) organization—Income from an insurance set-aside (see code 28 above) that is set aside for payment of insurance benefits or for a charitable, etc., purpose specified in section 170(c)(4) (Regs. 1.512(a)-4(b)(2))

Debt-financed Income

30— Income exempt from debt-financed (section 514) provisions because at least 85% of the use of the property is for the organization's exempt purposes. (**Note:** *This code is only for income from the 15% or less non-exempt purpose use.*) (section 514(b)(1)(A))

31— Gross income from mortgaged property used in research activities described in section 512(b)(7), (8), or (9) (section 514(b)(1)(C))

32— Gross income from mortgaged property used in any activity described in section 513(a)(1), (2), or (3) (section 514(b)(1)(D))

33— Income from mortgaged property (neighborhood land) acquired for exempt purpose use within ten years (section 514(b)(3))

34— Income from mortgaged property acquired by bequest or devise (applies to income received within ten years from the date of acquisition) (section 514(c)(2)(B))

35— Income from mortgaged property acquired by gift where the mortgage was placed on the property more than five years previously and the property was held by the donor for more than five years (applies to income received within ten years from the date of gift (section 514(c)(2)(B))

36— Income from property received in return for the obligation to pay an annuity described in section 514(c)(5)

37— Income from mortgaged property that provides housing to low and moderate income persons, to the extent the mortgage is insured by the Federal Housing Administration (section 514(c)(6)). (**Note:** *In many cases, this would be exempt function income reportable in column (e). It would not be so in the case of a section 501(c)(5) or (6) organization, for example, that acquired the housing as an investment or as a charitable activity.*)

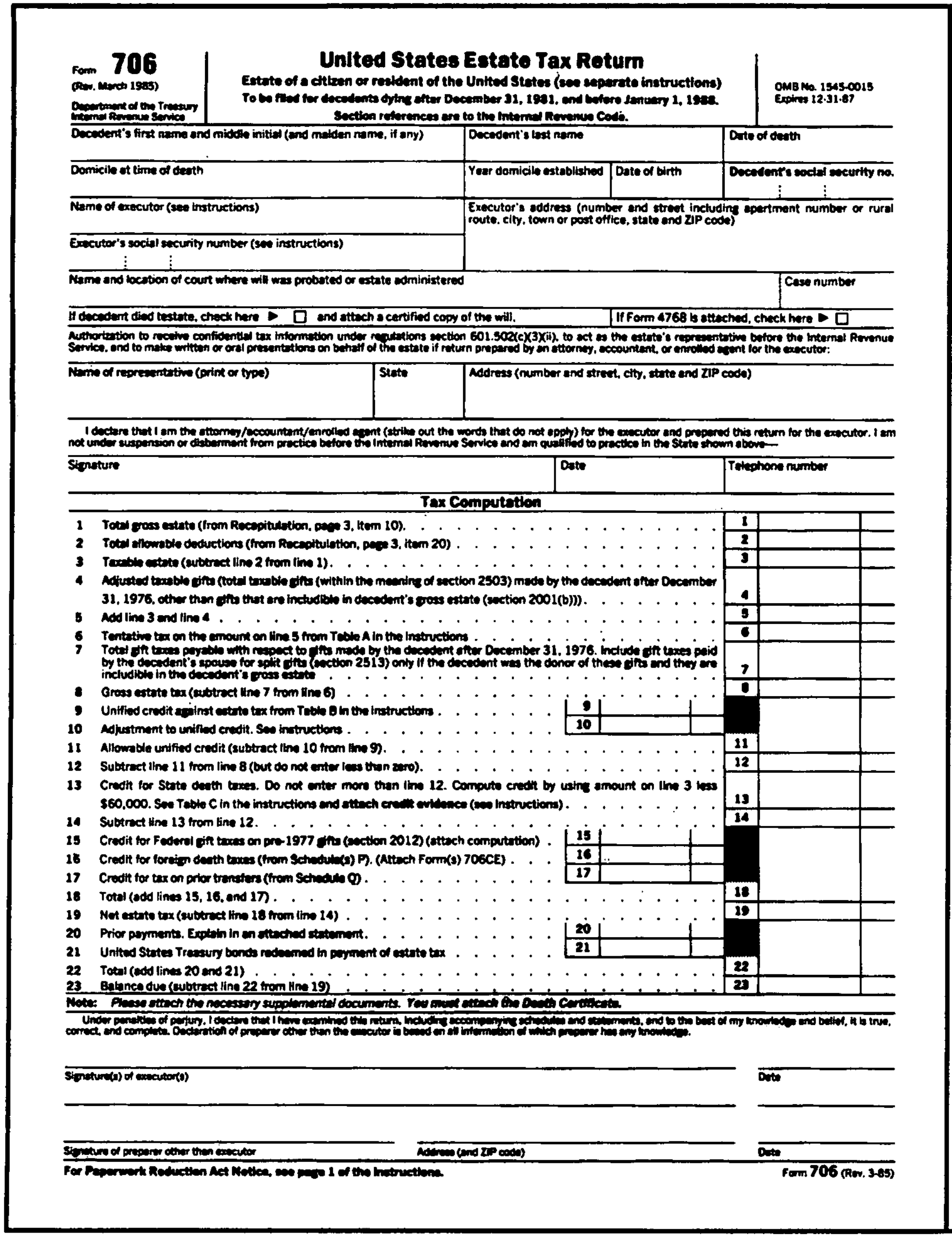
38— Income from mortgaged real property owned by: a school described in section 170(b)(1)(A)(ii); a section 509(a)(3) affiliated support organization of such a school; a section 501(c)(25) organization; or by a partnership in which any of the above organizations owns an interest if the requirements of section 514(c)(9)(B)(vi) are met (section 514(c)(9))

Special Rules

39— Section 501(c)(5) organization— Farm income used to finance the operation and maintenance of a retirement home, hospital, or similar facility operated by the organization for its members on property adjacent to the farm land (section 1951(b)(8)(B) of Public Law 94-455)

Trade or Business

40— Gross income from an unrelated activity that is regularly carried on but, in light of continuous losses sustained over a number of tax periods, cannot be regarded as being conducted with the motive to make a profit (not a trade or business)



Form **706**
(Rev. March 1985)
Department of the Treasury
Internal Revenue Service

United States Estate Tax Return

Estate of a citizen or resident of the United States (see separate instructions)
To be filed for decedents dying after December 31, 1981, and before January 1, 1988.
Section references are to the Internal Revenue Code.

OMB No. 1545-0015
Expires 12-31-87

Decedent's first name and middle initial (and maiden name, if any)	Decedent's last name	Date of death
Domicile at time of death	Year domicile established / Date of birth	Decedent's social security no.
Name of executor (see instructions)	Executor's address (number and street including apartment number or rural route, city, town or post office, state and ZIP code)	
Executor's social security number (see instructions)		
Name and location of court where will was probated or estate administered		Case number

If decedent died testate, check here ▶ ☐ and attach a certified copy of the will.
If Form 4768 is attached, check here ▶ ☐

Authorization to receive confidential tax information under regulations section 601.502(c)(3)(ii), to act as the estate's representative before the Internal Revenue Service, and to make written or oral presentations on behalf of the estate if return prepared by an attorney, accountant, or enrolled agent for the executor:

Name of representative (print or type)	State	Address (number and street, city, state and ZIP code)

I declare that I am the attorney/accountant/enrolled agent (strike out the words that do not apply) for the executor and prepared this return for the executor. I am not under suspension or disbarment from practice before the Internal Revenue Service and am qualified to practice in the State shown above—

Signature	Date	Telephone number

Tax Computation

1	Total gross estate (from Recapitulation, page 3, item 10)		1
2	Total allowable deductions (from Recapitulation, page 3, item 20)		2
3	Taxable estate (subtract line 2 from line 1)		3
4	Adjusted taxable gifts (total taxable gifts (within the meaning of section 2503) made by the decedent after December 31, 1976, other than gifts that are includible in decedent's gross estate (section 2001(b)))		4
5	Add line 3 and line 4		5
6	Tentative tax on the amount on line 5 from Table A in the instructions		6
7	Total gift taxes payable with respect to gifts made by the decedent after December 31, 1976. Include gift taxes paid by the decedent's spouse for split gifts (section 2513) only if the decedent was the donor of these gifts and they are includible in the decedent's gross estate		7
8	Gross estate tax (subtract line 7 from line 6)		8
9	Unified credit against estate tax from Table B in the instructions	9	
10	Adjustment to unified credit. See instructions	10	
11	Allowable unified credit (subtract line 10 from line 9)		11
12	Subtract line 11 from line 8 (but do not enter less than zero)		12
13	Credit for State death taxes. Do not enter more than line 12. Compute credit by using amount on line 3 less $60,000. See Table C in the instructions and attach credit evidence (see instructions)		13
14	Subtract line 13 from line 12		14
15	Credit for Federal gift taxes on pre-1977 gifts (section 2012) (attach computation)	15	
16	Credit for foreign death taxes (from Schedule(s) P). (Attach Form(s) 706CE)	16	
17	Credit for tax on prior transfers (from Schedule Q)	17	
18	Total (add lines 15, 16, and 17)		18
19	Net estate tax (subtract line 18 from line 14)		19
20	Prior payments. Explain in an attached statement	20	
21	United States Treasury bonds redeemed in payment of estate tax	21	
22	Total (add lines 20 and 21)		22
23	Balance due (subtract line 22 from line 19)		23

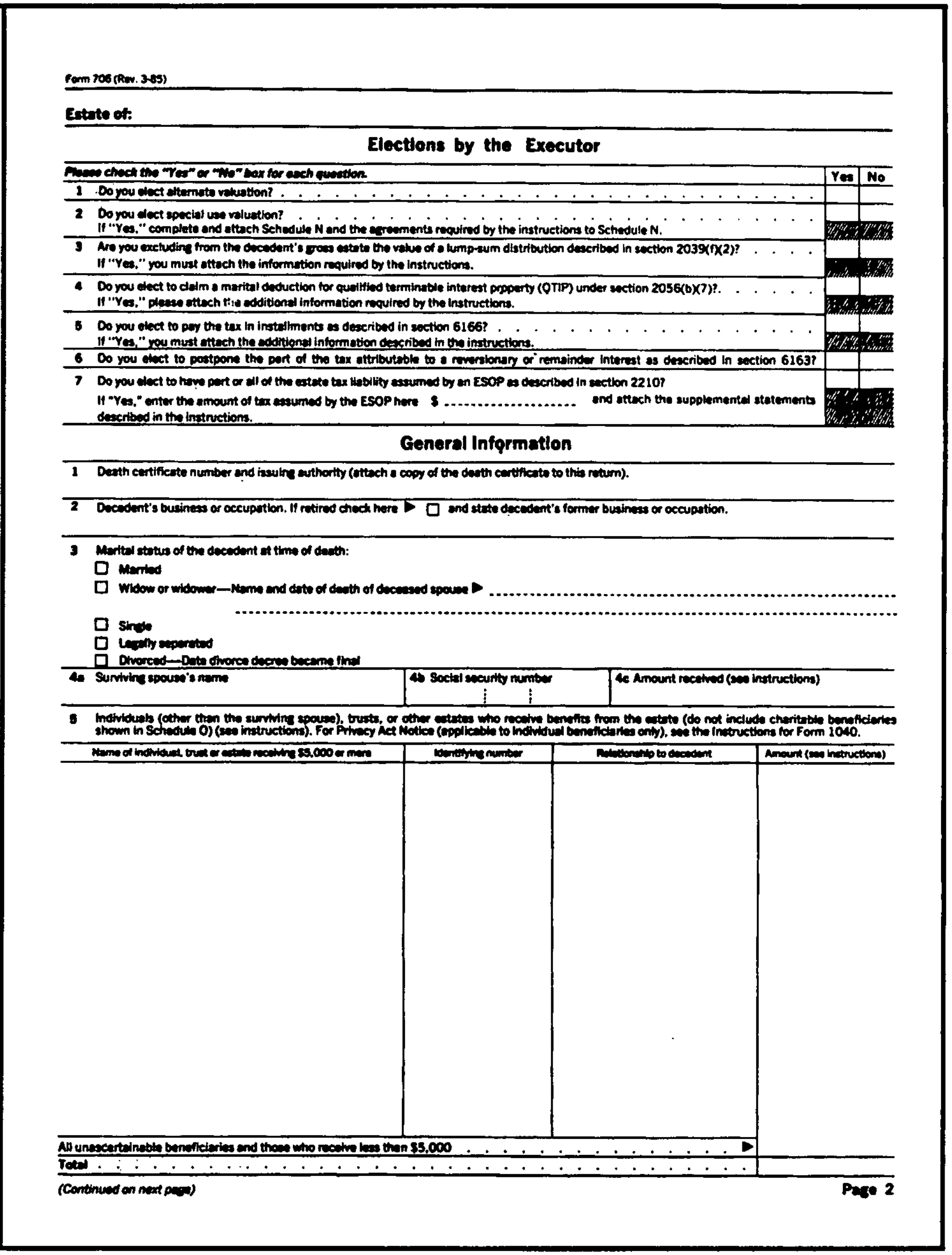
Note: *Please attach the necessary supplemental documents. You must attach the Death Certificate.*

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer other than the executor is based on all information of which preparer has any knowledge.

Signature(s) of executor(s) Date

Signature of preparer other than executor Address (and ZIP code) Date

For Paperwork Reduction Act Notice, see page 1 of the Instructions. Form **706** (Rev. 3-85)



Form 706 (Rev. 3-85)

Estate of:

Elections by the Executor

	Please check the "Yes" or "No" box for each question.	Yes	No
1	Do you elect alternate valuation?		
2	Do you elect special use valuation? If "Yes," complete and attach Schedule N and the agreements required by the instructions to Schedule N.		
3	Are you excluding from the decedent's gross estate the value of a lump-sum distribution described in section 2039(f)(2)? If "Yes," you must attach the information required by the instructions.		
4	Do you elect to claim a marital deduction for qualified terminable interest property (QTIP) under section 2056(b)(7)? If "Yes," please attach the additional information required by the instructions.		
5	Do you elect to pay the tax in installments as described in section 6166? If "Yes," you must attach the additional information described in the instructions.		
6	Do you elect to postpone the part of the tax attributable to a reversionary or remainder interest as described in section 6163?		
7	Do you elect to have part or all of the estate tax liability assumed by an ESOP as described in section 2210? If "Yes," enter the amount of tax assumed by the ESOP here $ .... and attach the supplemental statements described in the instructions.		

General Information

1 Death certificate number and issuing authority (attach a copy of the death certificate to this return).

2 Decedent's business or occupation. If retired check here ▶ ☐ and state decedent's former business or occupation.

3 Marital status of the decedent at time of death:
☐ Married
☐ Widow or widower—Name and date of death of deceased spouse ▶ ....
☐ Single
☐ Legally separated
☐ Divorced—Date divorce decree became final

4a Surviving spouse's name	4b Social security number	4c Amount received (see instructions)

5 Individuals (other than the surviving spouse), trusts, or other estates who receive benefits from the estate (do not include charitable beneficiaries shown in Schedule O) (see instructions). For Privacy Act Notice (applicable to individual beneficiaries only), see the Instructions for Form 1040.

Name of individual, trust or estate receiving $5,000 or more	Identifying number	Relationship to decedent	Amount (see instructions)
All unascertainable beneficiaries and those who receive less than $5,000 ▶			
Total			

(Continued on next page)

Page 2

Form 706 (Rev. 3-85)

Estate of:

	Please check the "Yes" or "No" box for each question.	Yes	No
6	Does the gross estate contain any section 2044 property (see instructions)?		
7a	Have Federal gift tax returns ever been filed? If "Yes," please attach copies of the returns, if available, and furnish the following information:		
7b	Period(s) covered / 7c Internal Revenue office(s) where filed		
	If you answer "Yes" to any of questions 8-16, you must attach additional information as described in the instructions.		
8a	Was there any insurance on the decedent's life that is not included on the return as part of the gross estate?		
8b	Did the decedent own any insurance on the life of another that is not included in the gross estate?		
9	Did the decedent at the time of death own any property as a joint tenant with right of survivorship in which (1) one or more of the other joint tenants was someone other than the decedent's spouse and (2) less than the full value of the property is included on the return as part of the gross estate?		
10	Did the decedent, at the time of death, own any interest in a partnership or unincorporated business or any stock in an inactive or closely held corporation?		
11	Are any of the contents of any safe deposit box which the decedent either owned or had access to not included on the return as part of the gross estate?		
12	Did the decedent make any transfer described in section 2035, 2036, 2037 or 2038 (see the instructions for Schedule G)?		
13	Were there in existence at the time of the decedent's death:		
a	Any trusts created by the decedent during his or her lifetime?		
b	Any trusts not created by the decedent under which the decedent possessed any power, beneficial interest or trusteeship?		
14	Did the decedent ever possess, exercise or release any general power of appointment?		
15	Was the marital deduction computed under the transitional rule of Public Law 97-34, section 403(e)(3) (Economic Recovery Tax Act of 1981)? If "Yes," attach a separate computation of the marital deduction, enter the amount on item 18 of the Recapitulation, and note on item 18 "computation attached."		
16	Was the decedent, immediately before death, receiving an annuity described in the "General" paragraph of the instructions for Schedule I?		

Recapitulation

Item number	Gross estate	Alternate value	Value at date of death
1	Schedule A—Real Estate		
2	Schedule B—Stocks and Bonds		
3	Schedule C—Mortgages, Notes, and Cash		
4	Schedule D—Insurance on the Decedent's Life (attach Form(s) 712)		
5	Schedule E—Jointly Owned Property (attach Form(s) 712 for life insurance)		
6	Schedule F—Other Miscellaneous Property (attach Form(s) 712 for life insurance)		
7	Schedule G—Transfers During Decedent's Life (attach Form(s) 712 for life insurance)		
8	Schedule H—Powers of Appointment		
9	Schedule I—Annuities		
10	Total gross estate (add items 1 through 9). Enter here and on page 1, line 1		

Item number	Deductions	Amount
11	Schedule J—Funeral Expenses and Expenses Incurred in Administering Property Subject to Claims	
12	Schedule K—Debts of the Decedent	
13	Schedule K—Mortgages and Liens	
14	Total of items 11 through 13	
15	Allowable amount of deductions from item 14 (see the instructions for item 15 of the Recapitulation)	
16	Schedule L—Net Losses During Administration	
17	Schedule L—Expenses Incurred in Administering Property Not Subject to Claims	
18	Schedule M—Bequests, etc., to Surviving Spouse	
19	Schedule O—Charitable, Public, and Similar Gifts and Bequests	
20	Total allowable deductions (add items 15 through 19). Enter here and on page 1, line 2	

Form 706 (Rev. 3-85)

Estate of:

SCHEDULE A—Real Estate

(For jointly owned property that must be disclosed on Schedule E, see the Instructions for Schedule E.)

(Real estate that is part of a sole proprietorship should be shown on Schedule F.)

Item number	Description	Alternate valuation date	Alternate value	Value at date of death
1				
	Total from continuation schedule(s) (or additional sheet(s)) attached to this schedule			
	TOTAL. (Also enter on the Recapitulation, page 3, at item 1.)			

(If more space is needed, attach the continuation schedule from the end of this package or additional sheets of the same size.)

Form 706 (Rev. 1-84)

Estate of:

SCHEDULE B—Stocks and Bonds

(For jointly owned property that must be disclosed on Schedule E, see the Instructions for Schedule E.)

Item number	Description including face amount of bonds or number of shares and par value where needed for identification. Give CUSIP number if available.	Unit value	Alternate valuation date	Alternate value	Value at date of death
1					
	Total from continuation schedules(s) (or additional sheet(s)) attached to this schedule . . .				
	TOTAL. (Also enter on the Recapitulation, page 3, at item 2.)				

(If more space is needed, attach the continuation schedule from the end of this package or additional sheets of the same size.)

Form 706 (Rev. 3-85)

Estate of:

SCHEDULE C—Mortgages, Notes, and Cash

(For jointly owned property that must be disclosed on Schedule E, see the Instructions for Schedule E.)

Item number	Description	Alternate valuation date	Alternate value	Value at date of death
1				
	Total from continuation schedule(s) (or additional sheet(s)) attached to this schedule . . .			
	TOTAL. (Also enter on the Recapitulation, page 3, at item 3.)			

(If more space is needed, attach the continuation schedule from the end of this package or additional sheets of the same size.)

Form 706 (Rev. 3-85)

Estate of:

SCHEDULE D—Insurance on the Decedent's Life

Item number	Description	Alternate valuation date	Alternate value	Value at date of death
1				
	Total from continuation schedule(s) (or additional sheet(s)) attached to this schedule . . .			
	TOTAL. (Also enter on the Recapitulation, page 3, at item 4.)			

(If more space is needed, attach the continuation schedule from the end of this package or additional sheets of the same size.)

Form 706 (Rev. 3-85)

Estate of:

SCHEDULE E—Jointly Owned Property

PART I.— Qualified Joint Interests—Interests Held by the Decedent and His or Her Spouse as the Only Joint Tenants (Section 2040(b)(2))

Item number	Description For securities, give CUSIP number, if available.	Alternate valuation date	Alternate value	Value at date of death
	Total from continuation schedule(s) (or additional sheet(s)) attached to this schedule.			
1(a)	Totals.			
1(b)	Amounts included in gross estate (½ of line 1(a))			

PART II.— All Other Joint Interests

2(a) State the name and address of each surviving co-tenant. If there are more than 3 surviving co-tenants list the additional co-tenants on an attached sheet.

Name	Address (Number and street, city, State, and ZIP code)
A.	
B.	
C.	

Item number	Enter letter for co-tenant	Description (including alternate valuation date if any) For securities, give CUSIP number, if available.	Percentage includible	Includible alternate value	Includible value at date of death
		Total from continuation schedule(s) (or additional sheet(s)) attached to this schedule			
2(b)		Total other joint interests			
		Total includible joint interests (add lines 1(b) and 2(b)). Also enter on the Recapitulation, page 3, at item 5 .			

(If more space is needed, attach the continuation schedule from the end of this package or additional sheets of the same size.)

Form 706 (Rev. 3-85)

Estate of:

SCHEDULE F—Other Miscellaneous Property Not Reportable Under Any Other Schedule

(For jointly owned property that must be disclosed on Schedule E, see the Instructions for Schedule E.)

		Yes	No
1	Did the decedent, at the time of death, own any articles of artistic or collectible value in excess of $3,000 or any collections whose artistic or collectible value combined at date of death exceeded $10,000? . . . . If "Yes," full details must be submitted on this schedule.		
2	Has the decedent's estate, spouse, or any other person, received (or will receive) any bonus or award as a result of the decedent's employment or death? . . . . If "Yes," full details must be submitted on this schedule.		
3	Did the decedent at the time of death have, or have access to, a safe deposit box? . . . . If "Yes," state location, and if held in joint names of decedent and another, state name and relationship of joint depositor. If any of the contents of the safe deposit box are omitted from the schedules in this return, explain fully why omitted.		

Item number	Description For securities, give CUSIP number, if available.	Alternate valuation date	Alternate value	Value at date of death
1				
Total from continuation schedule(s) (or additional sheet(s)) attached to this schedule . . .				
TOTAL. (Also enter on the Recapitulation, page 3, at item 6.)				

(If more space is needed, attach the continuation schedule from the end of this package or additional sheets of the same size.)

Form 706 (Rev. 3-85)

Estate of:

SCHEDULE G—Transfers During Decedent's Life

Item number	Description For securities, give CUSIP number, if available.	Alternate valuation date	Alternate value	Value at date of death
	A. Gift tax paid by the decedent or the estate for all gifts made by the decedent or his or her spouse within 3 years before the decedent's death (section 2035(c))	X X X X X		
	B. Transfers includible under sections 2035(a), 2036, 2037 or 2038:			
1				
Total from continuation schedule(s) (or additional sheet(s)) attached to this schedule				
TOTAL. (Also enter on the Recapitulation, page 3, at item 7.)				

SCHEDULE H—Powers of Appointment

Item number	Description	Alternate valuation date	Alternate value	Value at date of death
1				
Total from continuation schedule(s) (or additional sheet(s)) attached to this schedule . . .				
TOTAL. (Also enter on the Recapitulation, page 3, at item 8.)				

(If more space is needed, attach the continuation schedule from the end of this package or additional sheets of the same size.)

Form 706 (Rev. 3-85)

Estate of:

SCHEDULE I—Annuities

Note: *The total combined exclusion for lump sum distributions and "Annuities Under Approved Plans" is $100,000 for the estates of certain decedents dying after December 31, 1982. No exclusion is generally allowed for the estates of decedents dying after December 31, 1984 (see instructions).*

Item number	Description Show the entire value of the annuity before any exclusions.	Alternate valuation date	Includible alternate value	Includible value at date of death
1				
	Total from continuation schedule(s) (or additional sheet(s)) attached to this schedule . . .			
	TOTAL. (Also enter on the Recapitulation, page 3, at item 9.)			

(If more space is needed, attach the continuation schedule from the end of this package or additional sheets of the same size.)

Schedule I—Page 11

Form 706 (Rev. 3-85)

Estate of:

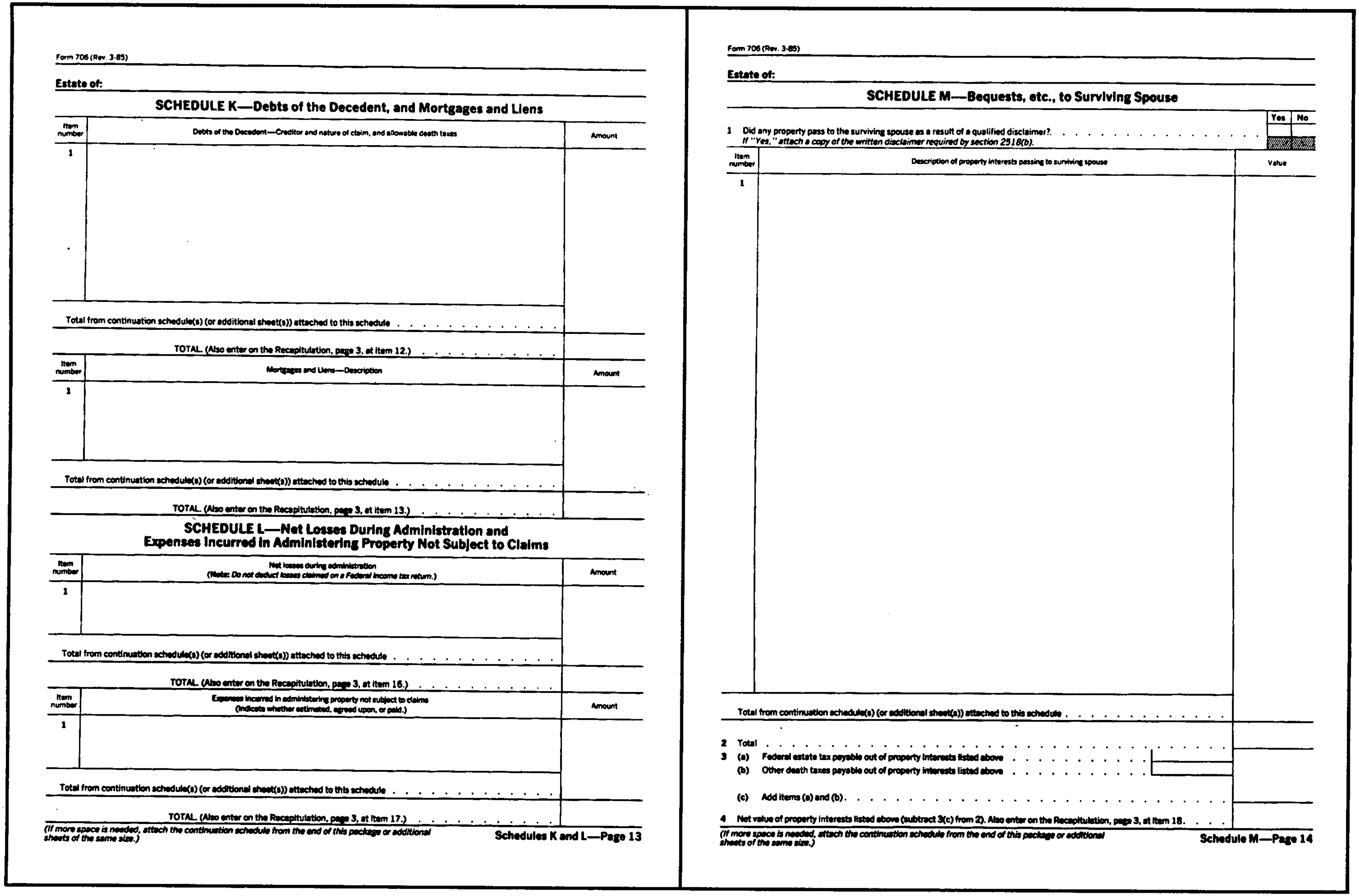
SCHEDULE J—Funeral Expenses and Expenses Incurred in Administering Property Subject to Claims

Note: *Do not list on this schedule expenses of administering property not subject to claims. For those expenses, see the Instructions for Schedule L.*

If executors' commissions, attorney fees, etc., are claimed and allowed as a deduction for estate tax purposes, they are not allowable as a deduction in computing the taxable income of the estate for Federal income tax purposes. They are allowable as an income tax deduction on Form 1041 if a waiver is filed to waive the deduction on Form 706 (see Form 1041 instructions).

Item number	Description	Expense amount	Total Amount
	A. Funeral expenses:		
1			
	Total funeral expenses		
	B. Administration expenses:		
1	Executors' commissions—amount estimated/agreed upon/paid. (Strike out the words that do not apply.)		
2	Attorney fees—amount estimated/agreed upon/paid. (Strike out the words that do not apply.)		
3	Accountant fees—amount estimated/agreed upon/paid. (Strike out the words that do not apply.)		
		Expense amount	
4	Miscellaneous expenses:		
	Total miscellaneous expenses from continuation schedule(s) (or additional sheet(s)) attached to this schedule		
	Total miscellaneous expenses		
	TOTAL. (Also enter on the Recapitulation, page 3, at item 11.)		

(If more space is needed, attach the continuation schedule from the end of this package or additional sheets of the same size.) **Schedule J—Page 12**



Form 706 (Rev. 3-85)

Estate of:

SCHEDULE K—Debts of the Decedent, and Mortgages and Liens

Item number	Debts of the Decedent—Creditor and nature of claim, and allowable death taxes	Amount
1		
	Total from continuation schedule(s) (or additional sheet(s)) attached to this schedule	
	TOTAL. (Also enter on the Recapitulation, page 3, at item 12.)	

Item number	Mortgages and Liens—Description	Amount
1		
	Total from continuation schedule(s) (or additional sheet(s)) attached to this schedule	
	TOTAL. (Also enter on the Recapitulation, page 3, at item 13.)	

SCHEDULE L—Net Losses During Administration and Expenses Incurred in Administering Property Not Subject to Claims

Item number	Net losses during administration (*Note: Do not deduct losses claimed on a Federal income tax return.*)	Amount
1		
	Total from continuation schedule(s) (or additional sheet(s)) attached to this schedule	
	TOTAL. (Also enter on the Recapitulation, page 3, at item 16.)	

Item number	Expenses incurred in administering property not subject to claims (Indicate whether estimated, agreed upon, or paid.)	Amount
1		
	Total from continuation schedule(s) (or additional sheet(s)) attached to this schedule	
	TOTAL. (Also enter on the Recapitulation, page 3, at item 17.)	

(If more space is needed, attach the continuation schedule from the end of this package or additional sheets of the same size.)

Schedules K and L—Page 13

Form 706 (Rev. 3-85)

Estate of:

SCHEDULE M—Bequests, etc., to Surviving Spouse

		Yes	No
1	Did any property pass to the surviving spouse as a result of a qualified disclaimer? . . . . *If "Yes," attach a copy of the written disclaimer required by section 2518(b).*		

Item number	Description of property interests passing to surviving spouse	Value
1		
	Total from continuation schedule(s) (or additional sheet(s)) attached to this schedule	

2		Total		
3	(a)	Federal estate tax payable out of property interests listed above		
	(b)	Other death taxes payable out of property interests listed above		
	(c)	Add items (a) and (b)		
4		Net value of property interests listed above (subtract 3(c) from 2). Also enter on the Recapitulation, page 3, at item 18. . . .		

(If more space is needed, attach the continuation schedule from the end of this package or additional sheets of the same size.)

Schedule M—Page 14

Estate of:

SCHEDULE N—Section 2032A Valuation

Enter the requested information for each party who received any interest in the specially valued property. **Also complete and attach the required agreements described in the instructions.**

	Name	Address
A		
B		
C		
D		
E		
F		
G		
H		

	Identifying number	Relationship to decedent	Fair market value	Special use value
A				
B				
C				
D				
E				
F				
G				
H				

SCHEDULE O—Charitable, Public, and Similar Gifts and Bequests

		Yes	No
1(a)	If the transfer was made by will, has any action been instituted to have interpreted or to contest the will or any provision thereof affecting the charitable deductions claimed in this schedule? If "Yes," full details must be submitted with this schedule.		
1(b)	According to the information and belief of the person or persons filing the return, is any such action designed or contemplated? If "Yes," full details must be submitted with this schedule.		
2	Did any property pass to charity as the result of a qualified disclaimer? If "Yes," attach a copy of the written disclaimer required by section 2518(b).		

Item number	Name and address of beneficiary	Character of institution	Amount
1			
Total from continuation schedule(s) (or additional sheet(s)) attached to this schedule			

3 Total . . . .

4 (a) Federal estate tax payable out of property interests listed above . . . .

(b) Other death taxes payable out of property interests listed above . . . .

(c) Add items (a) and (b) . . . .

5 Net value of property interests listed above (subtract 4(c) from 3). Also enter on the Recapitulation, page 3, at item 19 . . . .

(If more space is needed, attach the continuation schedule from the end of this package or additional sheets of the same size.)

Estate of:

SCHEDULE P—Credit for Foreign Death Taxes

List all foreign countries to which death taxes have been paid and for which a credit is claimed on this return.

If a credit is claimed for death taxes paid to more than one foreign country, compute the credit for taxes paid to one country on this sheet and attach a separate copy of Schedule P for each of the other countries.

The credit computed on this sheet is for .... (Name of death tax or taxes)

.... imposed in .... (Name of country)

Credit is computed under the .... (Insert title of treaty or "statute")

Citizenship (Nationality) of decedent at time of death ....

(All amounts and values must be entered in United States money)

1	Total of estate, inheritance, legacy and succession taxes imposed in the country named above attributable to property situated in that country, subjected to these taxes, and included in the gross estate (as defined by statute)	
2	Value of the gross estate (adjusted, if necessary, according to the instructions for item 2)	
3	Value of property situated in that country, subjected to death taxes imposed in that country, and included in the gross estate (adjusted, if necessary, according to the instructions for item 3)	
4	Tax imposed by section 2001 reduced by the total credits claimed under sections 2010, 2011, and 2012 (see instructions)	
5	Amount of Federal estate tax attributable to property specified at item 3. (Divide item 3 by item 2 and multiply the result by item 4.)	
6	Credit for death taxes imposed in the country named above (the smaller of item 1 or item 5). Also enter on page 1, line 16	

SCHEDULE Q—Credit for Tax on Prior Transfers

	Name of transferor	Social security number	IRS office where estate tax return was filed	Date of death
A				
B				
C				

Check here ▶ ☐ if section 2013(f) (special valuation of farm, etc., real property) adjustments to the computation of the credit were made (see instructions).

Check here ▶ ☐ if section 2013(g) (generation-skipping transfers) adjustments to the computation of the credit were made (see instructions).

Item	Transferor			Total A, B, & C
	A	B	C	
1 Transferee's tax as apportioned (from worksheet, (line 7 + line 8) x line 35 for each column) . . .				
2 Transferor's tax (from each column of worksheet, line 20)				
3 Maximum amount before percentage requirement (for each column, enter amount from line 1 or 2, whichever is smaller)				
4 Percentage allowed (each column) (see instructions).	%	%	%	
5 Credit allowable (line 3 x line 4 for each column)				
6 TOTAL credit allowable (add columns A, B, and C of line 5). Enter here and on line 17 of the Tax Computation.				

Form 706 (Rev. 3-85) (Make copies of this schedule before completing it if you will need more than one schedule)

Estate of:

CONTINUATION SCHEDULE

Continuation of Schedule ____________
(Enter letter of schedule you are continuing)

Item number	Description For securities, give CUSIP number, if available.	Unit value (Sch B only)	Alternate valuation date	Alternate value	Value at date of death or amount deductible
1					
TOTAL. (Carry forward to main schedule)					

See instructions on back.

Instructions for Continuation Schedule

The Continuation Schedule on page 17 provides a uniform format for listing additional assets from Schedules A, B, C, D, E, F, G, H, and I and additional deductions from Schedules J, K, L, M, and O. Use the Continuation Schedule when you need to list more assets or deductions than you have room for on one of the main schedules.

Use a separate Continuation Schedule for each main schedule you are continuing. For each schedule of Form 706, you may use as many Continuation Schedules as needed to list all the assets or deductions to be reported. Do not combine assets or deductions from different schedules on one Continuation Schedule. Since there is only one Continuation Schedule in this package, you should make copies of the schedule before completing it if you expect to need more than one.

Enter the letter of the schedule you are continuing in the space provided at the top of the Continuation Schedule. Complete the rest of the Continuation Schedule as explained in the instructions for the schedule you are continuing. Use the Unit Value column only if you are continuing Schedule B. For all other schedules, you may use the space under the Unit Value column to continue your description.

To continue Schedule E, Part II, you should enter the Percentage includible in the Alternate valuation date column of the Continuation Schedule.

To continue Schedules J, K, L, and M, you should use the Alternate valuation date, and Alternate value columns of the Continuation Schedule to continue your description of the deductions. You should enter the amount of each deduction in the Amount deductible column of the Continuation Schedule.

To continue Schedule O, you should use the space under the Alternate valuation date and Alternate value columns of the Continuation Schedule to provide the Character of institution information required on Schedule O. You should enter the amount of each deduction in the Amount deductible column of the Continuation Schedule.

Carry the total from the Continuation Schedule(s) forward to the appropriate line of the main schedule.

☆U.S. GOVERNMENT PRINTING OFFICE : 1986—499-645 E. I. 43-0233810

Department of the Treasury
Internal Revenue Service

Instructions for Form 706

(Revised March 1985)

United States Estate Tax Return

For decedents dying after 1981 and before January 1, 1988

(Section References are to the Internal Revenue Code unless otherwise noted.)

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

Changes You Should Note

- Penalties will be imposed under section 6660 for underpayments of estate taxes of $1,000 or more that are attributable to valuation understatements.
- For the estates of decedents dying after July 18, 1984, alternate valuation may be elected on a late filed Form 706, but may not be elected unless the election will decrease both the value of the gross estate and the estate tax due after application of all credits.
- The exclusion for annuities under approved plans is generally not allowed for the estates of decedents dying after December 31, 1984. See the instructions for Schedule I.
- Part or all of the estate tax liability may be assumed by an "ESOP." See line 7 of Elections by the Executor and its instructions.

Due to the extensive estate tax changes made by the Economic Recovery Tax Act of 1981, this Form 706 should be filed only for the estates of decedents who die after December 31, 1981, and before January 1, 1988. For decedents who died before January 1, 1982, use the November 1981 revision of Form 706.

Purpose of Form

The executor of a decedent's estate uses Form 706 to figure the estate tax imposed by Chapter 11 of the Internal Revenue Code. This tax is levied on the entire taxable estate, not just on the share received by a particular beneficiary.

Note: Qualified Terminable Interest Property.—This election is made on line 4 of Elections by the Executor (page 2, Form 706). The property should be described on Schedule M or on an attached sheet. Section 2044 property is reported by checking "Yes" on line 6 of General *Information.*

Which Estates Must File

Form 706 must be filed by the executor for the estate of every U.S. citizen or resident whose gross estate, plus adjusted taxable gifts and specific exemption, is more than certain limitations.

To determine whether you must file a return for the estate add:

(1) The adjusted taxable gifts (under section 2001(b)) made by the decedent after December 31, 1976; and

(2) The total specific exemption allowed under section 2521 (as in effect before repeal by the Tax Reform Act of 1976) with respect to gifts made by the decedent after September 8, 1976; and

(3) The decedent's gross estate **valued at the date of death.**

If the decedent died during	You must file a return for the estate if the total of (1), (2), and (3) above is more than
1981	Use November 1981, Form 706 revision. Do not use this Form.
1982	$225,000
1983	275,000
1984	325,000
1985	400,000
1986	500,000
1987 and later .	600,000

Gross estate.—The gross estate includes all property in which the decedent had an interest (including real property outside the United States). It also includes:

- Certain transfers made during the decedent's life without an adequate and full consideration in money or money's worth
- Annuities
- Joint estates with right of survivorship
- Tenancies by the entirety
- Life insurance proceeds (even though payable to beneficiaries other than the estate)
- Property over which the decedent possessed a general power of appointment
- Dower or curtesy (or statutory estate) of the surviving spouse
- Community property to the extent of the decedent's interest as defined by applicable law.

For more specific information, see the instructions to Schedules A through I.

U.S. Citizens or residents; nonresident noncitizens

File Form 706 for the estates of decedents who were either U.S. citizens or U.S. residents at the time of death. File Form 706NA, United States Estate Tax Return, **Estate of nonresident not a citizen of the** United States, for the estates of nonresident alien decedents (decedents who were neither U.S. citizens nor residents at the time of death).

Residents of U.S. possessions.—All references to citizens of the United States are subject to the provisions of sections 2208 and 2209, relating to decedents who were U.S. citizens and residents of a U.S. possession on the date of death. If such a decedent became a U.S. citizen only because of his or her connection with a possession, then the decedent is considered a nonresident alien decedent, for estate tax purposes, and you should file Form 706NA. If such a decedent became a U.S. citizen wholly independently of his or her connection with a possession, then the decedent is considered a U.S. citizen for estate tax purposes, and you should file Form 706.

Executor.—Executor means the executor, personal representative, or administrator of the decedent's estate. If none of these is appointed, qualified, and acting in the United States, every person in actual or constructive possession of any property of the decedent is considered an executor and must file a return.

When to File

You must file Form 706 within 9 months after the date of the decedent's death unless you receive an extension of time for filing. Use **Form 4768,** Application for Extension of Time to File, to apply for an extension of time. If you received an extension, attach a copy of it to Form 706.

Where to File

Unless the return is hand carried to the office of the District Director, please mail it to the Internal Revenue Service Center indicated below for the State where the decedent was domiciled at the time of death. If you are filing a return for the estate of a nonresident citizen, mail it to the Internal Revenue Service Center, Philadelphia, PA 19255, USA.

New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA 31101
Michigan, Ohio	Cincinnati, OH 45999
Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, Colorado, Idaho, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
California, Hawaii	Fresno, CA 93888
Indiana, Kentucky, North Carolina, Tennessee, Virginia, West Virginia	Memphis, TN 37501
Delaware, District of Columbia, Maryland, Pennsylvania	Philadelphia, PA 19255

Paying the Tax

The tax is due within 9 months after the date of the decedent's death unless an extension of time for payment has been granted, or unless you have properly elected under section 6166 to pay in installments, or under section 6163 to postpone the part of the tax attributable to a reversionary or remainder interest. These elections are made by checking lines 5 and 6 (respectively) of Elections by the Executor and attaching the required supplemental statements.

If the amount of tax paid with the return is different from the balance due as figured on the return, explain the difference in an attached statement. If liability for paying the tax is assumed by an "ESOP," see the instructions for line 7 of Elections by the Executor. If you have made prior payments to the Internal Revenue Service or redeemed certain marketable United States Treasury bonds to pay the estate tax (see the last paragraph of the instructions to Schedule B), attach a statement to Form 706 including these facts. If an extension of time to pay has been granted, attach a copy of Form 4768 to Form 706.

Make the check payable to the Internal Revenue Service. Please write the decedent's name, social security number and "Form 706" on the check to assist us in posting it to the proper account.

Signature and Verification

If there is more than one executor, all should verify and sign the return. All executors are responsible for the return as filed and are liable for penalties provided for erroneous or false returns. If two or more persons are liable for filing the return, they should all join together in filing one complete return. However, if they are unable to join in making one complete return, each is required to file a return disclosing all the information the person has in the case, including the name of every person holding an interest in the property and a full description of the property. If the appointed, qualified, and acting executor is unable to make a complete return, then every person holding an interest in the property must, on notice from the Internal Revenue Service, make a return regarding that interest.

The executor who files the return must, in every case, sign the declaration on page 1 under penalties of perjury. If the return is prepared by someone other than the person who is filing the return, the return must also be signed at the bottom of page 1 by the preparer.

Name of executor.—If there is more than one executor, enter the name of the executor to be contacted by the IRS. List the other executors' names, addresses and SSN's (if applicable) on an attached sheet.

Executor's social security number.—Only individual executors should complete this line. If there is more than one individual executor, all should list their social security numbers on an attached sheet.

Supplemental Documents

If the decedent was a citizen or resident and died testate, attach a certified copy of the will to the return. Other supplemental documents may be required as explained below. Examples include Forms 712, 709, 709-A, and 706CE, trust and power of appointment instruments, death certificate, and State certification of payment of death taxes. If you do not file these documents with the return, the processing of the return will be delayed.

If the decedent was a U.S. citizen, but not a resident of the U.S., you must attach the following documents to the return: (1) a copy of the inventory of property and the schedule of liabilities, claims against the estate and expenses of administration filed with the foreign court of probate jurisdiction, certified by a proper official of the court; (2) a copy of the return filed under the foreign inheritance, estate, legacy, succession tax, or other death tax act, certified by a proper official of the foreign tax department, if the estate is subject to such a foreign tax; (3) if the decedent died testate, a certified copy of the will.

Power of Attorney.—Completing the authorization on page 1 of Form 706 will authorize one attorney, accountant or enrolled agent to represent the estate and receive confidential tax information, but will not authorize the representative to enter into closing agreements for the estate. You do not need to attach **Form 2848-D,** Tax Information Authorization and Declaration of Representative, in this situation.

However, you must complete and attach Form 2848-D if you wish to authorize persons other than attorneys, accountants and enrolled agents or if you wish to authorize more than one person to receive confidential information or represent the estate.

If you wish to authorize someone to enter into closing agreements for the estate, you must complete and attach **Form 2848,** Power of Attorney and Declaration of Representative

Penalties

Section 6651 provides for penalties for both late filing and for late payment unless there is reasonable cause for the delay. The law also provides for penalties for willful attempts to evade payment of tax.

Section 6660 provides penalties (for returns filed after December 31, 1984) for underpayments of estate taxes of $1,000 or more that are attributable to valuation understatements.

Publication 448.—Additional information may be found in **Publication 448,** Federal Estate and Gift Taxes.

Specific Instructions

Simplified Format For Small Estates.—All estates must complete and file the first three pages of Form 706 and attach the additional information as required by their answers to the items on pages 1 through 3.

If the Total Gross Estate (line 1 of the Tax Computation) is $500,000 or less, you need not file Schedules A through M, O, or P with the IRS. You must file Schedule N only if you elect special use valuation (line 2 of Elections by the Executor, page 2), and Schedule Q only if you claim a credit for tax on prior transfers (line 17 of the Tax Computation).

You should use Schedules A through I as worksheets to figure the amounts to be entered on items 1 through 9 of the Recapitulation. You should use Schedules J through M and O as worksheets to compute the amounts to be entered on items 11 through 19 of the Recapitulation. If you claim a credit for foreign death taxes on line 16 of the Tax Computation, you should use Schedule P as a worksheet to figure the credit. You need not attach Schedule P, but **you must attach all required Forms 706CE.**

Format For Larger Estates.—If the Total Gross Estate (line 1 of the Tax Computation) is more than $500,000, you must file the first three pages of Form 706 and all required schedules. Schedules A through I must be filed, as appropriate, to support the entries in items 1 through 9 of the Recapitulation.

If you enter "-0-" on any item of the Recapitulation, you need not file the schedule (except for Schedule F) referred to on that item.

If you claim any deductions on items 11 through 19 of the Recapitulation, you must complete and attach the appropriate Schedule(s) to support the claimed deductions.

If you claim the credits for foreign death taxes or tax on prior transfers, you must complete and attach Schedule P or Q

Form 706 has 18 pages numbered in consecutive order. The pages are perforated so that you can remove them for copying and filing. When you complete the return, staple all the required pages together in the proper order.

Number the items you list on each schedule, beginning with 1 each time. Total the items listed on the schedule and its attachments, Continuation Schedules, etc Enter the total of all attachments, Continuation Schedules, etc., at the bottom of the printed schedule, but do not carry the totals forward from one schedule to the next. The total or totals for each schedule should be entered on the Recapitulation, page 3, Form 706.

Do not complete the "Alternate valuation date" or "Alternate value" columns of any schedule unless you elected Alternate valuation on line 1 of Elections by the Executor.

If there is not enough space on a schedule to list all the items, attach a Continuation Schedule (or additional sheets of the same size) to the back of the schedule. The Continuation Schedule is located at the end of the Form 706 package. You should photocopy the blank schedule before completing it if you should need more than one copy.

Rounding Off to Whole-dollar Amounts.—You may show the money items on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next highest dollar.

Elections by the Executor

Line 1.—Alternate Valuation.—Unless you elect at the time you file the return to adopt alternate valuation as authorized by section 2032, you must value all property included in the gross estate on the date of the decedent's death. Alternate valuation cannot be applied to only a part of the property. You may elect special use valuation (line 2) in addition to alternate valuation.

If the decedent died after July 18, 1984, you may not elect alternate valuation unless the election will decrease both the value of the gross estate and the net estate tax due after application of all allowable credits.

Alternate valuation is elected by checking "Yes" on line 1 and filing Form 706. Once made, the election may not be revoked. If the decedent died before July 19, 1984, the election generally must be made on a Form 706 that is filed on time (including extensions of time to file) and may not be made on a late filed Form 706. If the decedent died after July 18, 1984, the election may be made on a late filed Form 706 provided it is not filed later than one year after the due date (including extensions).

If you elect alternate valuation, value the property that was included in the gross estate on the date of the decedent's death as of the applicable dates as follows:

1. Any property distributed, sold, exchanged or otherwise disposed of, or separated or passed from the gross estate by any method within 6 months after the decedent's death is valued on the date of distribution, sale, exchange or other disposition, whichever occurs first. Value this property on the date it ceases to form a part of the gross estate, that is, on the date the title passes as the result of its sale, exchange, or other disposition.
2. Any property not distributed, sold, exchanged, or otherwise disposed of within the 6-month period is valued on the date 6 months after the date of the decedent's death.
3. Any property, interest, or estate which is "affected by mere lapse of time" is valued as of the date of decedent's death or on the date of its distribution, sale, exchange, or other disposition whichever occurs first. However, you may change the date of death value to account for any change in value that is not due to a "mere lapse of time" on the date of its distribution, sale, exchange or other disposition.

The property included in the alternate valuation and valued as of 6 months after the date of the decedent's death, or as of some intermediate date (as described above) is the property included in the gross estate on the date of the decedent's death. Therefore, you must first determine what property constituted the gross estate at the decedent's death.

Interest accrued to the date of the decedent's death on bonds, notes, and other interest-bearing obligations is property of the gross estate on the date of death and is included in the alternate valuation. Rent accrued to the date of the decedent's death on leased real or personal property is property of the gross estate on the date of death and is included in the alternate valuation.

Outstanding dividends which were declared to stockholders of record on or before the date of the decedent's death are considered property of the gross estate on the date of death, and are included in the alternate valuation. Ordinary dividends declared to stockholders of record after the date of the decedent's death are not property of the gross estate on the date of death and are not included in the alternate valuation. However, if dividends are declared to stockholders of record after the date of the decedent's death so that the shares of stock at the later valuation date do not reasonably represent the same property at the date of the decedent's death, include those dividends (except dividends paid from earnings of the corporation after the date of the decedent's death) in the alternate valuation.

Alternate valuation for small estates.—If the total gross estate is $500,000 or less, you need not attach Schedules A through I. However, you should complete both the "Alternate value" and "Value at date of death" columns of the Recapitulation. You need not attach the supplemental documents described for "large estates," below.

Alternate valuation for large estates.—If the total gross estate is more than $500,000 and you elect alternate valuation, you must complete the appropriate schedules A through I.

As part of each Schedule, you must show: (1) What property is included in the gross estate on the date of the decedent's death. (2) What property was distributed, sold, exchanged or otherwise disposed of within the six-month period after the decedent's death, and the dates of these distributions, etc. These two items should be entered in the "Description" column of each schedule. Briefly explain the status or disposition governing the alternate valuation date, such as, "Not disposed of within 6 months following death," "Distributed," "Sold," "Bond paid on maturity," etc. In this same column, describe each item of principal and includible income. (3) The date of death value, entered in the appropriate value column with items of principal and includible income shown separately. (4) The alternate value, entered in the appropriate value column with items of principal and includible income shown separately. In the case of any interest or estate, the value of which is affected by lapse of time, such as patents, leaseholds, estates for the life of another, or remainder interests, the value shown under the heading "Alternate value" must be the adjusted value, (i.e. the value as of the date of death with an adjustment reflecting any difference in its value as of the later date not due to lapse of time).

Distributions, sales, exchanges, and other dispositions of the property within the 6-month period after the decedent's death must be supported by evidence. If the court issued an order of distribution during that period, you must submit a certified copy of the order as part of the evidence. The District Director may require you to submit additional evidence if necessary.

Line 2.—Special Use Valuation of Section 2032A.—Under section 2032A, you may elect to value certain farm and closely held business real property at its farm or business use value rather than its fair market value. You may elect both special use valuation and alternate valuation. To elect this valuation you must check "Yes" to line 2 and complete and attach Schedule N and its required additional statements. **Regardless of the size of the gross estate, Schedule N and its required attachments must be filed with the Form 706 for this election to be valid.** The election may be made on a late filed return so long as it is the first return filed.

The total value of the property valued under section 2032A may not be decreased from fair market value by more than the following amounts:

Year of death	Limitation
1981	Use the November 1981, Form 706 revision
1982	$700,000
1983 and later	750,000

Real property may qualify for the section 2032A election if:

1. The decedent was a U.S. citizen or resident at the time of death;
2. The real property is located in the United States;
3. The real property is used for farming or in a trade or business;
4. The real property was acquired from or passed from the decedent to a qualified heir of the decedent;
5. The real property was owned and used in a qualified manner by the decedent or a member of the decedent's family during 5 of the 8 years before the decedent's death; and
6. The qualified property is the percentage of the decedent's gross estate specified in section 2032A.

For definitions and additional Information, see section 2032A and the related regulations.

Include the words "section 2032A valuation" in the "Description" column of any Form 706 schedule if section 2032A property is included in the decedent's gross estate.

An election under section 2032A need not include all the property in an estate which is eligible for special use valuation, but sufficient property to satisfy the threshold requirements of section 2032A(b)(1)(B) must be specially valued under the election. If joint or undivided interests (e.g., interests as joint tenants or tenants in common) in the same property are received from a decedent by qualified heirs, an election with respect to one heir's joint or undivided interest need not include any other heir's interest in the same property if the electing heir's interest plus other property to be specially valued satisfy the requirements of section 2032A(b)(1)(B). If successive interests (e.g., life estates and remainder interests) are created by a decedent in otherwise qualified property, an election under section 2032A is available only with respect to that property (or part) in which qualified heirs of the decedent receive all of the successive interests, and such an election must include the interests of all of those heirs. For example, if a surviving spouse receives a life estate in otherwise qualified property and the spouse's brother receives a remainder interest in fee, no part of the property may be valued pursuant to an election under section 2032A. Where successive interests in specially valued property are created, remainder interests are treated as being received by qualified heirs only if the remainder interests are not contingent on surviving a nonfamily member or are not subject to divestment in favor of a nonfamily member.

Protective election.—You may make a protective election to specially value qualified real property. Under this election, whether or not you may ultimately use special use valuation depends upon values as finally determined (or agreed to following examination of the return) meeting the requirements of section 2032A.

To make a protective election, check "Yes" to line 2 and complete Schedule N according to its instructions for "Protective Election."

If you make a protective election, you should complete this Form 706 by valuing all property at its fair market value. Do not use special use valuation. Usually, this will result in a higher tax liability than will be ultimately determined if special use valuation is allowed. **However, the protective election does not extend the time to pay the tax shown on the return.** If you wish to extend the time to pay the tax, you should file Form 4768 in adequate time *before* the return due date.

If it is found that the estate qualifies for special use valuation based on the values as finally determined (or agreed to following examination of the return), you must file an amended estate tax return (with a new section 2032A election) within 60 days after the date of this determination. Complete the amended return using special use values, under the rules of section 2032A, and complete Schedule N and attach *all* of the required statements.

Line 3.—Lump sum distribution election—All Estates.—The election pertaining to the lump sum distribution from qualified plans (approved plans) excludes from the gross estate all or part of the lump sum distribution which would otherwise be includible. When the recipient makes the election to take a lump sum distribution and include it in his or her income tax, the amount excluded from the gross estate is the portion attributable to the employer contributions. The portion, if any, attributable to the employee-decedent's contributions is always includible. The actual election is made by the recipient of the distribution by taking the lump sum distribution and by treating it as taxable on his or her income tax return as described in regulations section 20.2039-4(d): The election is irrevocable. However, you may not compute the gross estate in accordance with this election unless you check "Yes" to line 3 and attach the name, address, and identifying number of the recipient(s) of the lump sum distribution(s). See regulations section 20.2039-4.

Note: *For estates of decedents dying after 1978 and before 1983, the portion of the lump sum attributable to employer contributions and qualifying for the exclusion is unlimited. However, for the estates of most decedents dying after 1982, the $100,000 limitation of section 2039(g) applies to the amounts excluded under this election. For the estates of most decedents dying after 1984, no exclusion is allowed.*

For more information on Annuities, see the instructions to Schedule I.

Line 4.—Terminable interest (QTIP) election.—Terminable interests are described in the instructions for Schedule M. Usually, these interests do not qualify for the marital deduction. However, the executor may elect to have "qualified terminable interest property" included in the marital deduction. If this election is made, the surviving spouse's gross estate will include the value of the "qualified terminable interest property." See the instructions for line 6 of General Information.

To make the election, you must check "Yes" to line 4. If the total gross estate is more than $500,000, the property for which this election is made must be included on Schedule M and clearly marked as "qualified terminable interest property." If the total gross estate is $500,000 or less, you need not file Schedule M. However, to make this election, you must attach a sheet to the Form 706 describing the "qualified terminable interest property" for which the election was made and giving its value.

The election once made is irrevocable. If you file a Form 706 in which you do not make this election, you may not file an amended return to make the election unless you file the amended return on or before the due date for filing the original Form 706.

"Qualified terminable interest property" is defined in the instructions to Schedule M.

Line 5.—Installment Payments.—If you check this line to make a protective election, you should attach a notice of protective election as described in regulations section 20.6166-1(d). If you check this line to make a final election, you should attach the notice of election described in regulations section 20.6166-1(b).

In computing the adjusted gross estate under section 6166(b)(6) for purposes of determining whether an election may be made under section 6166, the net amount of any real estate in a closely held business must be used.

Line 6.—Reversionary or remainder interests.—For the details of this election, see section 6163 and the related regulations.

Line 7.—"ESOP" election.—If you properly make this election, part or all of the estate's tax liability will be assumed by an employee stock ownership plan (ESOP) (defined in section 4975(e)(7)) or eligible worker-owned cooperative (cooperative) (defined in section 1042(c)(2)). Under the election, the amount of the tax assumed by the ESOP or cooperative is the lesser of the value of the "qualified employer securities" or the tax shown on line 19 of the Tax Computation of this Form 706.

Qualified employer securities are employer securities defined in section 409(1) that are both:

1. Included in the decedent's gross estate (on Schedules B or E), and
2. Acquired from the decedent by the plan or cooperative, or passed from the decedent to the plan or cooperative or transferred by the executor to the plan or cooperative.

How to make the election.—To make the election, you must check "Yes" to line 7, file this estate tax return on time (including extensions of time to file), and attach a statement of agreement signed by the plan administrator (defined in section 414(g)). If the plan is an ESOP, you must also attach an agreement by the employer whose employees are covered by the plan.

The **statement of agreement by the plan administrator** must include: the decedent's name and social security number; the plan's name, address and identifying number; a description of the qualified employer securities, the plan administrator's agreement that the plan will assume the estate tax liability to the extent of the lesser of the fair market value of the qualified employer stock or the decedent's net estate tax liability as finally determined by the IRS, and a statement of the amount of the estate tax liability the plan expects to assume at the time the agreement is filed.

The **statement by the employer** (not required for cooperatives) must include: the decedent's name and social security number, the plan's name and identifying number and the company's guarantee that it will pay the tax liability assumed by the plan if the plan defaults. This statement must be signed by an officer of the company who is authorized to sign the company's tax returns. IRS will contact the company if a bond is required to guarantee the company's payment.

How the plan pays the tax.—Under section 6018(c)(2) the plan administrator is required to file a return with IRS with respect to the tax liability assumed by the plan. IRS has not issued a preprinted form for this return. Instead, the plan administrator should complete the first page (only) of Form 706 as described below:

Write "Return by plan administrator" across the top of the form. Enter the decedent's name, date of death and social security number. In the spaces provided for "executor," enter the plan's name and address. Cross out "executor" and write in "plan administrator." You need not enter the plan's employer identification number. If Form 4768 is attached, check the appropriate box. You need not complete any of the other entries above the Tax Computation.

On line 19 of the Tax Computation enter the tax liability that you believe the plan is assuming at the time the return is filed. This tax liability should be the same as that shown on the statement of agreement by the plan administrator. If it is not the same, attach a statement explaining the difference. The amount shown on the plan administrator's return may be adjusted if the IRS adjusts the amounts reported on the executor's Form 706. You should not complete any other entries on the Tax Computation.

In the signature space, cross out "executor" and write in "plan administrator" and sign and date the return in the space provided.

You must attach a copy of the statement by the plan administrator.

You may file the plan's return with the Form 706 filed by the executor for the decedent or you may file the plan's return separately. In either event, the plan's return is subject to the same filing and payment rules as Form 706. It is due on the due date of the decedent's Form 706, should be filed at the same Service Center, and must be accompanied by the plan's payment unless an extension of time to pay has been granted (in which case the approved Form 4768 must be attached) or the plan has elected to pay in installments (in which case the installment election must be attached). The plan may use Form 4768 to apply for an extension of time to file or pay regardless of whether the executor elected to extend the time to file the decedent's Form 706 or pay the estate's portion of the tax. However, the plan may not elect to pay the tax assumed by the plan in installments unless the executor has elected on Form 706 to pay the estate tax in installments. For more details, see section 2210.

Instructions for General Information (pages 2 and 3)

Line 4.—Complete line 4 whether or not there is a surviving spouse and whether or not the surviving spouse received any benefits from the estate. If there was no surviving spouse on the date of decedent's death, enter "None" in line 4(a) and leave lines 4(b) and 4(c) blank. The value entered in line 4(c) need not be exact. See the instructions for "Amount," under line 5, below.

Line 5

Name.—Enter the name of each individual, trust or estate who received (or will receive) benefits of $5,000 or more from the estate directly as an heir, next-of-kin, devisee, or legatee; or indirectly (for example, as beneficiary of an annuity or insurance policy, shareholder of a corporation or partner of a partnership that is an heir, etc.).

Identifying Number.—Enter the social security number of each individual beneficiary listed. If the number is unknown, or the individual has no number, please indicate "unknown" or "none." For trusts and other estates, enter the Employer Identification Number.

Relationship.—For each individual beneficiary enter the relationship (if known) to the decedent by reason of blood, marriage, or adoption. For trust or estate beneficiaries, indicate TRUST or ESTATE.

Amount.—Enter the amount actually distributed (or to be distributed) to each beneficiary including transfers during the decedent's life from Schedule G required to be included in the gross estate. The value to be entered need not be exact. A reasonable estimate is sufficient. For example, where precise values cannot readily be determined, as with certain future interests, a reasonable approximation should be entered. The total of these distributions should approximate the amount of gross estate reduced by funeral and administrative expenses, debts and mortgages, bequests to surviving spouse, charitable bequests, and any Federal and State estate taxes paid (or payable) relating to the benefits received by the beneficiaries listed on lines 4 and 5.

All distributions of $5,000 or less to specific beneficiaries may be included with distributions to unascertainable beneficiaries on the line provided.

Line 6.—Section 2044 property.—If you answered "Yes" and the total gross estate is more than $500,000, these assets must be shown on Schedule F. If you answered "Yes" and the total gross estate is $500,000 or less, include the value of this property in the amount you enter on item 6 of the Recapitulation.

Section 2044 property is property for which a previous section 2056(b)(7) election (QTIP election) has been made, or for which a similar gift tax election (section 2523) has been made. For more details see Publication 448.

Line 8.—Insurance not included in the gross estate.—All estates.—If you checked "Yes" for either 8a or 8b you must attach a **Form 712,** Life Insurance Statement, for each policy and an explanation of why the policy or its proceeds are not includible in the gross estate.

If the total gross estate is more than $500,000 and you answered "Yes" to line 8a, you must complete and attach Schedule D and should attach your Form(s) 712 and explanation(s) to that schedule.

Line 9.—Joint Property.—The rules for inclusion of joint property in the gross estate are in the instructions to Schedule E. If you answer "Yes" to line 9 and the total gross estate is more than $500,000, enter the information concerning these joint interests on Schedule E. If you answer "Yes" to line 9 and the total gross estate is $500,000 or less, you need not file Schedule E. However, you must attach additional information about the interests for which you answered "Yes" on line 9. For each interest, list the names of the co-tenants, describe the property, give its total value and the value to be included in the gross estate and explain why the total value was not included in the gross estate.

Line 10.—Partnership interests and stock in close corporations.—If you answered "Yes" to line 10 and the total gross estate is more than $500,000, full details for partnerships and unincorporated businesses must be included on Schedule F. Full details for the stock of inactive or close corporations must be included on Schedule B. If you answered "Yes" to line 10 and the total gross estate is $500,000 or less, you need not attach Schedules B or F. However, you should attach a description of the interest and the value of the interest that you included in the gross estate. IRS may contact you to request further information.

These interests are to be valued using the rules of regulations sections 20.2031–2 (stocks) or 20.2031–3 (other business interests).

A close corporation is a corporation whose shares are owned by a limited number of shareholders. Often, the entire stock issue is held by one family. As a result, little, if any, trading of the stock takes place. There is therefore no established market for the stock and those sales that do occur are at irregular intervals and seldom reflect all the elements of a representative transaction as defined by the term "fair market value."

Line 11.—Safe deposit box.—If you answered "Yes" to line 11, attach a list of the contents of any value that were not included in the gross estate and explain why they were not included in the gross estate.

If the total gross estate is more than $500,000, you should attach this list as part of Schedule F.

Line 12.—Lifetime transfers.—If you answered "Yes" to line 12, and the total gross estate is more than $500,000, you must complete and attach Schedule G. If you answered "Yes" to line 12 and the total gross estate is $500,000 or less, you need not attach Schedule G or any additional information to this return. However, you should enter the appropriate value in item 7 of the Recapitulation. IRS will contact you if further information is needed regarding these transfers.

Line 13.—Trusts.—If you answered "Yes" to either 13(a) or 13(b), you must attach a copy of the trust instrument for each trust regardless of the size of the gross estate.

If the total gross estate is more than $500,000, you must complete Schedule G if you answered "Yes" to 13(a) and Schedule F if you answered "Yes" to 13(b). If the total gross estate is $500,000 or less, you are not required to attach either of these schedules. However, if you answered "Yes" to 13(a) and any of the trusts were included in the gross estate, their value should be included in the Recapitulation, item 7 amount; if you answered "Yes" to 13(b) and any of the trusts were included in the gross estate, their value should be included in the Recapitulation, item 6 amount.

Line 14.—Powers of Appointment.—If you answered "Yes" to line 14 and the total gross estate is more than $500,000, you must complete and attach Schedule H. If you answered "Yes" to line 14 and the total gross estate is $500,000 or less, you need not attach Schedule H or any additional information. IRS will contact you if additional information is needed. However, you should read the instructions to Schedule H to determine if the power(s) of appointment should be included in the gross estate. Enter the includible value on item 8 of the Recapitulation.

Line 15.—Transitional Marital Deduction Computation.—You must check "Yes" if property passes to the surviving spouse under a maximum marital deduction formula provision that meets the requirements of section 403(e)(3) of the Economic Recovery Tax Act of 1981 (Pub. L. 97-34; 95 Stat. 305).

If you check "Yes" to line 15 you must compute the marital deduction under the rules that were in effect before the Economic Recovery Tax Act of 1981.

For a format for this computation, you should obtain the November 1981 revision of Form 706 and its instructions. The computation is items 19 through 26 of the Recapitulation. You should also apply the rules of Rev. Rul. 80-148, 1980-1 C.B. 207, if there is property that passes to the surviving spouse outside of the maximum marital deduction formula provision.

Line 16.—Annuities.—If you answered "Yes" to line 16 and the total gross estate is more than $500,000, you must complete and attach Schedule I. If you answered "Yes" to line 16 and the total gross estate is $500,000 or less, you need not attach Schedule I. However, you should use Schedule I and its instructions as a worksheet to determine the value of the annuities includible in the gross estate and enter this value on item 9 of the Recapitulation.

Instructions for Recapitulation (Page 3 of Form 706)

Gross Estate

Items 1 through 9.—All estates must make an entry in each of lines 1 through 9. If the gross estate does not contain any assets of the type specified by a given line, enter "-0-" on that line. An entry of "-0-" on any of items 1 through 9 is a statement by the executor, made under penalties of perjury, that the gross estate does not contain any includible assets covered by that item. Do not enter any amounts in the "Alternate value" column unless you elected Alternate Valuation on line 1 of Elections by the Executor.

Which Schedules to attach for Items 1 through 9

Large Estates.—If the total gross estate is more than $500,000, you must attach Schedule F to the return and answer its questions even if you report no assets on it. You must attach Schedules A, B, and C if the gross estate includes any Real Estate; Stocks and Bonds; or Mortgages, Notes and Cash, respectively. You must attach Schedule D if the gross estate includes any Life Insurance or if you answered "Yes" to question 8(a). You must attach Schedule E if the gross estate contains any Jointly Owned Property or if you answered "Yes" to question 9. You must attach Schedule G if the decedent made any of the lifetime transfers to be listed on that schedule or if you answered "Yes" to questions 12 and 13(a). You must attach Schedule H if you answered "Yes" to question 14. You must attach Schedule I if you answered "Yes" to question 16.

Small Estates.—If the total gross estate is $500,000 or less, you need not attach any of Schedules A through I. However, you should use these schedules as worksheets to compute the amounts you will enter on the Recapitulation, items 1 through 9. You cannot make accurate entries on these lines unless you ascertain and value the gross estate using the methods contained in these schedules and their instructions. You must attach Form(s) 712 for every insurance policy either (1) on the decedent's life or (2) on the life of another that the decedent either owned at death or disposed of within three years before death.

Deductions

Items 11–19.—

Large Estates.—If the total gross estate is more than $500,000, you must attach the appropriate schedule for any line on which you claim a deduction.

Small Estates.—If the total gross estate is $500,000 or less, you need not attach any of the schedules referred to on items 11–19. However, you should use these schedules as worksheets to compute the amounts you enter on the Recapitulation. You must follow the format and instructions contained on these schedules to compute accurate deductions.

Item 15.—All estates.—If item 14 is less than or equal to the value (at the time of the decedent's death) of the property subject to claims, enter the amount from item 14 on item 15. If the amount on item 14 is more than the value of the property subject to claims, enter on item 15 the amount subject to claims. However, if the amount actually paid at the time the return is filed is more than the amount subject to claims, enter the amount actually paid rather than the amount subject to claims. In no event may you enter more on item 15 than on item 14. See section 2053 and the related regulations for more information.

Instructions for Tax Computation (Page 1 of Form 706)

General.—In general, the estate tax is figured by applying the unified rates shown in Table A to both transfers during life and transfers at death and then subtracting the gift taxes. **All estates must complete the Tax Computation.**

Specific Instructions

Line 1.—If you elected alternate valuation, enter the amount you entered in the "Alternate Value" column of item 10 of the Recapitulation. Otherwise, enter the amount from the "Value at date of death" column.

Lines 4 and 7.—Three worksheets are provided on the next page to help you compute the entries for these lines. You need not file these worksheets with your return but should keep them for your records. Worksheet TG allows you to reconcile the decedent's lifetime taxable gifts to compute totals that will be used for the line 4 and line 7 worksheets. You must obtain all of the decedent's gift tax returns (Form 709) before you complete Worksheet TG. The amounts you will enter on Worksheet TG can usually be derived from these returns as filed. However, if any of the returns were audited by the IRS, you should use the amounts that were finally determined as a result of the audit(s).

Special Treatment of Split Gifts.

These special rules apply only if:

1. the decedent's spouse predeceased the decedent;
2. the decedent's spouse made gifts which were "split" with the decedent under the rules of section 2513;
3. the decedent was the "consenting spouse" for those split gifts, as that term is used on Form 709; and
4. the split gifts were included in the decedent's spouse's gross estate by operation of section 2035.

If all four conditions above are met, *do not include* these gifts on line 4 of the Tax Computation and *do not include* the gift taxes payable on these gifts on line 7 of the Tax Computation. These adjustments are incorporated into the worksheets on the next page.

Worksheet TG Taxable Gifts Reconciliation
To be used for lines 4 and 7 of the Tax Computation

	Calendar Year or Calendar Quarter a.	Total taxable gifts reported on Form 709 for period (see Note) b.	**Note:** *For the definition of a taxable gift see section 2503. Ignore the old specific exemption. Follow Form 709. That is, include only the decedent's one half of split gifts whether the gifts were made by the decedent or the decedent's spouse.*			
Gifts made after June 6, 1932 and before 1977			Taxa: . amount included in col. b for gifts reportable on Schedule G c.	Taxable amount included in col. b for gifts that qualify for "special treatment cf split gifts" described above d.	Gift tax paid by decedent on gifts in col. d e.	Gift tax paid by decedent's spouse on gifts in col. c f.
	1. Total taxable gifts made before 1977					
Gifts made after 1976						
2. Totals for gifts made after 1976						

Line 4 Worksheet Adjusted Taxable Gifts Made After 1976

1. Taxable gifts made after 1976. Enter the amount from line 2, col. b, Worksheet TG . . . .
2. Taxable gifts made after 1976 reportable on Schedule G. Enter the amount from line 2, col. c, Worksheet TG . . . .
3. Taxable gifts made after 1976 that qualify for "special treatment." Enter the amount from line 2, col. d. Worksheet TG . . . .
4. Add lines 2 and 3 . . . .
5. Adjusted taxable gifts. Subtract line 4 from line 1. Enter here and on line 4 of Form 706. . . . .

Line 7 Worksheet Gift Tax On Gifts Made After 1976

Calendar Year or Calendar Quarter a.	Total taxable gifts for prior periods (from Form 709, Tax Computation, line 2) b.	Taxable gifts for this period (from Form 709, Tax Computation, line 1) c.	Tax payable using Table A (see instructions) d.	Unused unified credit for this period (see instructions) e.	Tax payable for this period (subtract col. e from col. d) f.
Total pre-1977 taxable gifts. Enter the amount from line 1, Worksheet TG					

1. Total gift taxes payable on gifts made after 1976 (Combine the amounts in column F) . . . .
2. Gift taxes paid by the decedent on gifts that qualify for "special treatment." Enter the amount from line 2, col. e, Worksheet TG . . . .
3. Subtract line 2 from line 1 . . . .
4. Gift tax paid by decedent's spouse on split gifts included on Schedule G. Enter the amount from line 2, col. f, Worksheet TG . . . .
5. Add lines 3 and 4. Enter here and on line 7 of Form 706 . . . .

*Column d: To figure the "tax payable" for this column you must use Table A in these instructions, **as it applies to the year of the decedent's death rather than to the year the gifts were actually made**. To compute the entry for col. d, you should figure the "tax payable" on the amount in col. b and subtract it from the "tax payable" on the amounts in cols. b and c added together. Enter the difference in col. d.*

Column e: To figure the unused unified credit, use the unified credit in effect for the year the gift was made. This amount should be on line 12 of the Tax Computation of the Form 709 filed for the gift.

Line 9.—Enter the amount of unified credit that applies for the year of the decedent's death using Table B below.

Line 10.—If the decedent made gifts (including gifts made by the decedent's spouse and treated as made by the decedent by reason of gift splitting) after September 8, 1976, and before January 1, 1977, for which the decedent claimed a specific exemption, the unified credit on this estate tax return must be reduced. The reduction is figured by entering 20% of the specific exemption claimed for these gifts. (Note: the specific exemption was allowed by section 2521 for gifts made before January 1, 1977.)

If the decedent did not make any gifts between September 8, 1976, and January 1, 1977, or if the decedent made gifts during that period but did not claim the specific exemption, enter "-0-"

Line 13.—You may take a credit on line 13 for estate, inheritance, legacy, or succession taxes paid as the result of the decedent's death to any State or the District of Columbia. However, see section 2053(d) and the related regulations for exceptions and limits if you elected to deduct the taxes from the value of the gross estate.

The credit may not be more than the amount figured by using Table C based on the value of the adjusted taxable estate. The adjusted taxable estate is the amount of the Federal taxable estate (line 3 of the Tax Computation) reduced by $60,000. You may claim an anticipated amount of credit and figure the Federal estate tax on the return before the State death taxes have been paid. However, the credit cannot be finally allowed unless you pay the State death taxes and claim the credit within 4 years after the return is filed (or later as provided by the Code if a petition is filed with the Tax Court of the United States, or if you have an extension of time to pay) and submit evidence that the tax has been paid. If you claim the credit for any State death tax which is later recovered, see regulations section 20.2016-1 for the notice to IRS required within 30 days.

All estates should send the following evidence to the Internal Revenue Service.

1. Certificate of the proper officer of the taxing State, or the District of Columbia, showing: (a) the total amount of tax imposed (before adding interest and penalties and before allowing discount); (b) the amount of discount allowed; (c) the amount of penalties and interest imposed or charged; (d) the total amount actually paid in cash; and (e) the date of payment.
2. Any additional proof the Internal Revenue Service specifically requests

You should file the evidence requested above with the return if possible. Otherwise, submit it as soon after you file the return as possible.

Line 15.—You may take a credit for Federal gift taxes imposed by Chapter 12 of the Code and the corresponding provisions of prior laws, on certain transfers the decedent made before January 1, 1977, which are included in the gross estate. The credit cannot be more than the amount figured by the following formula:

$$\frac{\text{gross estate tax minus (the sum of the State death taxes and unified credit)}}{\text{value of gross estate minus (the sum of the deductions for charitable, public, and similar gifts and bequests and marital deduction)}} \times \text{value of included gift}$$

For more information, see the regulations under section 2012. This computation may be made using **Form 4808,** Computation of Credit for Gift Tax. Attach a copy of a completed Form 4808 or the computation of the credit. Also attach all available copies of Forms 709 filed by the decedent to help verify the amounts entered on lines 4, 7, and 15.

Line 23.—Do NOT reduce the amount you show on this line by any tax liabilities that are assumed by an ESOP (as described in the instructions to line 7 of Elections by the Executor).

Table A—Unified Rate Schedule

Column A Taxable amount over	Column B Taxable amount not over	Column C Tax on amount in column A	Column D Rate of tax on excess over amount in column A
			(Percent)
0	$10,000	0	18
$10,000	20,000	$1,800	20
20,000	40,000	3,800	22
40,000	60,000	8,200	24
60,000	80,000	13,000	26
80,000	100,000	18,200	28
100,000	150,000	23,800	30
150,000	250,000	38,800	32
250,000	500,000	70,800	34
500,000	750,000	155,800	37
750,000	1,000,000	248,300	39
1,000,000	1,250,000	345,800	41
1,250,000	1,500,000	448,300	43
1,500,000	2,000,000	555,800	45
2,000,000	2,500,000	780,800	49
2,500,000	See Table A (1) for year of decedent's death.		

Table A(1)—Decedents dying in 1982

Column A Taxable amount over	Column B Taxable amount not over	Column C Tax on amount in column A	Column D Rate of tax on excess over amount in column A
			(Percent)
$2,500,000	$3,000,000	$1,025,800	53
3,000,000	3,500,000	1,290,800	57
3,500,000	4,000,000	1,575,800	61
4,000,000	---------	1,880,800	65

Table A(1)—Decedents dying in 1983

Column A Taxable amount over	Column B Taxable amount not over	Column C Tax on amount in column A	Column D Rate of tax on excess over amount in column A
			(Percent)
$2,500,000	$3,000,000	$1,025,800	53
3,000,000	3,500,000	1,290,800	57
3,500,000	....	1,575,800	60

Table A(1)—Decedents dying in 1984, 1985, 1986 and 1987

Column A Taxable amount over	Column B Taxable amount not over	Column C Tax on amount in column A	Column D Rate of tax on excess over amount in column A
			(Percent)
$2,500,000	$3,000,000	$1,025,800	53
3,000,000	......	1,290,800	55

Table B

Maximum Unified Credit Against Estate Tax

For decedents dying—	The credit is—
1981 and earlier	Use the November 1981 revision of Form 706
1982	$ 62,800
1983	79,300
1984	96,300
1985	121,800
1986	155,800
1987 and later	192,800

Table C

Computation of Maximum Credit for State Death Taxes

(Based on Federal adjusted taxable estate which is the Federal taxable estate reduced by $60,000)

Adjusted taxable estate equal to or more than— (1)	Adjusted taxable estate less than— (2)	Credit on amount in column (1) (3)	Rate of credit on excess over amount in column (1) (4)	Adjusted taxable estate equal to or more than— (1)	Adjusted taxable estate less than— (2)	Credit on amount in column (1) (3)	Rate of credit on excess over amount in column (1) (4)
			(Percent)				
0	$40,000	0	None	2,040,000	2,540,000	106,800	8.0
$40,000	90,000	0	0.8	2,540,000	3,040,000	146,800	8.8
90,000	140,000	$400	1.6	3,040,000	3,540,000	190,800	9 6
140,000	240,000	1,200	2.4	3,540,000	4,040,000	238,800	10.4
240,000	440,000	3,600	3.2	4,040,000	5,040,000	290,800	11.2
440,000	640,000	10,000	4.0	5,040,000	6,040,000	402,800	12.0
640,000	840,000	18,000	4 8	6,040,000	7,040,000	522,800	12.8
840,000	1,040,000	27,600	5 6	7,040,000	8,040,000	650,800	13.6
1,040,000	1,540,000	38,800	6.4	8,040,000	9,040,000	786,800	14 4
1,540,000	2,040,000	70,800	7.2	9,040,000	10,040,000	930,800	15.2
				10,040,000	--------	1,082,800	16.0

Instructions for Schedule A.—Real Estate

If the total gross estate is more than $500,000 and contains any real estate, you must complete Schedule A and file it with the return. If the total gross estate is $500,000 or less, you need not file Schedule A or the appraisals described below, but should use it as a worksheet to figure the real estate included in the gross estate.

On Schedule A list real estate the decedent owned or had contracted to purchase. Number each parcel in the left hand column.

Describe the real estate in enough detail so that IRS can easily locate it for inspection and valuation. For each parcel of real estate report the area and, if the parcel is improved, describe the improvements. For city or town property, report the street and number, ward, subdivision, block and lot, etc. For rural property, report the township, range, landmarks, etc.

If any item of real estate is subject to a mortgage for which the decedent's estate is liable, that is if the indebtedness may be charged against other property of the estate that is not subject to that mortgage or if the decedent was personally liable for that mortgage, you must report the full value of the property in the value column. Enter the amount of the mortgage under "Description" on this schedule. The unpaid amount of the mortgage may be deducted on Schedule K. If the decedent's estate is NOT liable for the amount of the mortgage, report only the value of the equity of redemption (or value of the property less the indebtedness) in the value column as part of the gross estate. Do not enter any amount less than zero. Do not deduct the amount of indebtedness on Schedule K.

Also list on Schedule A real property the decedent contracted to purchase. Report the full value of the property and not the equity in the value column. Deduct the unpaid part of the purchase price on Schedule K.

Report the value of real estate without reducing it for homestead or other exemption, or the value of dower, curtesy, or a statutory estate created instead of dower or curtesy.

Explain how the reported values were determined and attach copies of any appraisals.

Schedule A Examples

In this example the alternate valuation is not adopted; the date of death is January 1, 1985.

Item number	Description	Alternate valuation date	Alternate value	Value at date of death
1	House and lot, 1921 William Street NW., Washington, D.C. (lot 6, square 481). Rent of $2,700 due at end of each quarter, February 1, May 1, August 1, and November 1. Value based on appraisal, copy of which is attached			108,000
	Rent due on item 1 for quarter ending November 1, 1984, but not collected at date of death			2,700
	Rent accrued on item 1 for November and December 1984			1,800
2	House and lot, 304 Jefferson Street, Alexandria, Va. (lot 18, square 40). Rent of $300 payable monthly. Value based on appraisal, copy of which is attached			36,000
	Rent due on item 2 for December 1984, but not collected at date of death			300

In this example alternate valuation is adopted; the date of death is January 1, 1985.

Item number	Description	Alternate valuation date	Alternate value	Value at date of death
1	House and lot, 1921 William Street NW., Washington, D.C. (lot 6, square 481). Rent of $2,700 due at end of each quarter, February 1, May 1, August 1, and November 1. Value based on appraisal, copy of which is attached. Not disposed of within six months following death	7/1/85	90,000	108,000
	Rent due on item 1 for quarter ending November 1, 1984, but not collected until February 1, 1985	2/1/85	2,700	2,700
	Rent accrued on item 1 for November and December 1984, collected on February 1, 1985	2/1/85	1,800	1,800
2	House and lot, 304 Jefferson Street, Alexandria, Va. (lot 18, square 40). Rent of $300 payable monthly. Value based on appraisal, copy of which is attached. Property exchanged for farm on May 1, 1985	5/1/85	30,000	36,000
	Rent due on item 2 for December 1984, but not collected until February 1, 1985	2/1/85	300	300

Instructions for Schedule B.—Stocks and Bonds

General.—If the total gross estate is more than $500,000 and contains any stocks or bonds, you must complete Schedule B and file it with the return. If the total gross estate is $500,000 or less, you need not file Schedule B, or the attachments described below, but should use it as a worksheet to figure the amount of stocks and bonds includible in the gross estate.

On Schedule B list the stocks and bonds included in the decedent's gross estate. Number each item in the left hand column. **Bonds that are exempt from Federal income taxes are not exempt from estate taxes unless specifically exempted by an estate tax provision of the Code.** Therefore, you should list these bonds on Schedule B.

If the decedent died after December 31, 1983, and before June 19, 1984, and possessed public housing bonds at death, you should list these bonds separately on Schedule B if you are including less than their full value in the gross estate. In the description column indicate that you are excluding part or all of the value of these bonds from the gross estate. Failure to list these bonds on Schedule B will make the estate liable for a penalty as described in section 642(b) of the Tax Reform Act of 1984.

If you paid any estate, inheritance, legacy, or succession tax to a foreign country with respect to any stocks or bonds included in this schedule, group those stocks and bonds together under the heading "Subjected to Foreign Death Taxes."

List interest and dividends on each stock or bond separately. Indicate as a separate item dividends that have not been collected at death, but which are payable to the decedent or the estate because the decedent was a stockholder of record on the date of death. However, if the stock is being traded on an exchange and is selling ex-dividend on the date of the decedent's death, do not include the amount of the dividend as a separate item. Instead add it to the ex-dividend quotation in determining the fair market value of the stock on the date of the decedent's death. Dividends declared on shares of stock before the death of the decedent but payable to stockholders of record on a date after the decedent's death are not includible in the gross estate for Federal estate tax purposes.

Description

For stocks indicate:

- number of shares
- whether common or preferred
- issue
- par value where needed for identification
- price per share
- exact name of corporation
- principal exchange upon which sold, if listed on an exchange
- CUSIP number, if available

For bonds indicate:

- quantity and denomination
- name of obligor
- date of maturity
- interest rate
- interest due date
- principal exchange, if listed on an exchange
- CUSIP number, if available

If the stock or bond is unlisted, show the company's principal business office.

The CUSIP (Committee on Uniform Security Identification Procedure) number is a nine digit number that is assigned to all stocks and bonds traded on major exchanges and many unlisted securities. Usually, the CUSIP number is printed on the face of the stock certificate. If the CUSIP number is not printed on the certificate, it may be obtained through the company's transfer agent.

Valuation.—List the fair market value of the stocks or bonds. The fair market value of a stock or bond (whether listed or unlisted) is the mean between the highest and lowest selling prices quoted on the valuation date. To figure the fair market value if there were no sales on the valuation date:

1. Find the mean between the highest and lowest selling prices on the nearest trading date before, and the nearest trading date after the valuation date. Both trading dates must be reasonably close to the valuation date.
2. Prorate the difference between the mean prices to the valuation date.
3. Add or subtract (whichever applies) the prorated part of the difference to or from the mean price figured for the nearest trading date before the valuation date.

If no actual sales were made reasonably close to the valuation date, make the same computation using the mean between the bona fide bid and asked prices instead of sales prices. If actual sales prices or bona fide bid and asked prices are available within a reasonable period of time before the valuation date, but not after the valuation date or vice versa, use the mean between the highest and lowest sales prices, or bid and asked prices as the fair market value.

For example, assume that sales of stock nearest the valuation date (June 15) occurred 2 trading days before (June 13) and 3 trading days after (June 18). On those days the mean sale prices per share were $10 and $15, respectively. Therefore, the price of $12 is considered the fair market value of a share of stock on the valuation date. If, however, on June 13 and 18 the mean sale prices per share were $15 and $10, respectively, the fair market value of a share of stock on the valuation date is $13.

If only closing prices for bonds are available, see regulations section 20.2031-2(b).

Apply the rules in the section 2031 regulations to determine the value of inactive stock and stock in close corporations. Submit with the schedule complete financial and other data used to determine value, including balance sheets (particularly the one nearest to the valuation date) and statements of the net earnings or operating results and dividends paid for each of the 5 years immediately before the valuation date.

Securities reported as of no value, nominal value, or obsolete should be listed last, and the address of the company and the State and date of the incorporation should be included. Attach copies of correspondence or statements used to determine the "no value."

If the security was listed on more than one stock exchange, use the records of the exchange where the security is principally traded or the composite listing of combined exchanges, if available, in a publication of general circulation. In valuing listed stocks and bonds, you should carefully check accurate records to obtain values for the applicable valuation date.

If you obtain quotations from brokers, or evidence of the sale of securities from the officers of the issuing companies, attach to the schedule copies of the letters furnishing these quotations or evidence of sale.

See Rev. Rul. 69-489, 1969-2 C.B. 172, for the special valuation rules for certain marketable U.S. Treasury Bonds (issued before March 4, 1971). These bonds, commonly called "Flower bonds," may be redeemed at par plus accrued interest in payment of the tax at any Federal Reserve bank, the office of the Treasurer of the United States, or the Bureau of the Public Debt, as explained in Rev. Proc. 69-18, 1969-2 C.B. 300.

Examples showing use of Schedule B

Example where the alternate valuation is not adopted; date of death, January 1, 1985

Item number	Description including face amount of bonds or number of shares and par value where needed for identification. Give CUSIP number if available.	Unit value	Alternate valuation date	Alternate value	Value at date of death
1	$60,000-Arkansas Railroad Co. first mortgage 4%, 20-year bonds, due 1989. Interest payable quarterly on Feb. 1, May 1, Aug. 1 and Nov. 1; N.Y. Exchange, CUSIP No XXXXXXXXX	100			60,000
	Interest coupons attached to bonds, item 1, due and payable on Nov. 1, 1984, but not cashed at date of death				600
	Interest accrued on item 1, from Nov. 1, 1984, to Jan 1, 1985				400
2	500 shares Public Service Corp., common; N.Y. Exchange, CUSIP No. XXXXXXXXX.	110			55,000
	Dividend on item 2 of $2 per share declared Dec. 10, 1984, payable on Jan. 10, 1985, to holders of record on Dec. 30, 1984				1,000

Example where the alternate valuation is adopted; date of death, January 1, 1985

Item number	Description including face amount of bonds or number of shares and par value where needed for identification. Give CUSIP number if available.	Unit value	Alternate valuation date	Alternate value	Value at date of death
1	$60,000-Arkansas Railroad Co. first mortgage 4%, 20-year bonds, due 1989. Interest payable quarterly on Feb. 1, May 1, Aug. 1 and Nov. 1; N.Y. Exchange, CUSIP No. XXXXXXXXX	100			60,000
	$30,000 of item 1 distributed to legatees on Apr. 1, 1985	99	4/1/85	29,700	
	$30,000 of item 1 sold by executor on May 2, 1985	98	5/2/85	29,400	
	Interest coupons attached to bonds, item 1, due and payable on Nov. 1, 1984, but not cashed at date of death. Cashed by executor on Feb. 1, 1985		2/1/85	600	600
	Interest accrued on item 1, from Nov. 1, 1984, to Jan. 1, 1985. Cashed by executor on Feb. 1, 1985		2/1/85	400	400
2	500 shares of Public Service Corp.,common; N.Y. Exchange, CUSIP No. XXXXXXXXX.	110			55,000
	Not disposed of within 6 months following death	90	7/1/85	45,000	
	Dividend on item 2 of $2 per share declared Dec. 10, 1984, and paid on Jan. 10, 1985, to holders of record on Dec. 30, 1984		1/10/85	1,000	1,000

Instructions for Schedule C.—Mortgages, Notes, and Cash

If the total gross estate is more than $500,000 and contains any mortgages, notes or cash, you must complete Schedule C and file it with the return. If the total gross estate is $500,000 or less, you need not file Schedule C, but should use it as a worksheet to figure the mortages, notes and cash included in the gross estate.

On Schedule C list mortgages and notes *payable to* the decedent at the time of death. (Mortgages and notes *payable by* the decedent should be listed (if deductible) on Schedule K.) Also list on Schedule C cash the decedent had at the date of death.

Group the items in the following categories and list the categories in the following order:

1. Mortgages.—List: (1) the face value and unpaid balance; (2) date of mortgage; (3) date of maturity; (4) name of maker; (5) property mortgaged; and (6) interest dates and rate of interest. For example: bond and mortgage of $10,000, unpaid balance $4,000; dated January 1, 1977; John Doe to Richard Roe; premises 22 Clinton Street, Newark, N.J.; due January 1, 1987, interest payable at 6% a year January 1 and July 1.

2. Promissory notes.—Describe in the same way as mortgages.

3. Contract by the decedent to sell land.—List (1) the name of the purchaser, (2) date of contract, (3) description of property, (4) sale price, (5) initial payment, (6) amounts of installment payment, (7) unpaid balance of principal, and (8) interest rate.

4. Cash in possession.—List separately from bank deposits.

5. Cash in banks, savings and loan associations, and other types of financial organizations.—List (1) the name and address of each financial organization, (2) amount in each account, (3) serial number and (4) nature of account, indicating whether checking, savings, time deposit, etc. If you obtain statements from the financial organizations, keep them for Internal Revenue Service inspection.

Instructions for Schedule D.—Insurance on the Decedent's Life

If the total gross estate is more than $500,000 and there was any insurance on the decedent's life, whether or not included in the gross estate, you must complete Schedule D and file it with the return.

If the total gross estate is $500,000 or less, you need not file Schedule D, but should use it as a worksheet to figure the life insurance includible in the gross estate. **However, you must attach a Form 712 for every policy.** If you answered "Yes" to line 8a of General Information, you must also file with your return the information and Forms 712 required by the instructions to this Schedule for every policy whose proceeds are not entirely included in the gross estate. You may file this information using Schedule D, or you may use an attached sheet following the format of Schedule D. *You must explain why part or all of the policy proceeds were not included in the gross estate.*

Insurance You Must Include on Schedule D.—Under section 2042 you must include in the gross estate:

- Insurance on the decedent's life receivable by or for the benefit of the estate; and
- Insurance on the decedent's life receivable by beneficiaries other than the estate, as described below.

The term "insurance" refers to life insurance of every description, including death benefits paid by fraternal beneficiary societies operating under the lodge system, and death benefits paid under no fault automobile insurance policies if the no fault insurer was unconditionally bound to pay the benefit in the event of the insured's death.

Insurance in favor of the estate.—Include on Schedule D the full amount of the proceeds of insurance on the life of the decedent receivable by the executor or otherwise payable to or for the benefit of the estate. Insurance in favor of the estate includes insurance used to pay the estate tax, and any other taxes, debts, or charges which are enforceable against the estate. The manner in which the policy is drawn is immaterial as long as there is an obligation, legally binding on the beneficiary, to use the proceeds to pay taxes, debts, or charges. You must include the full amount even though the premiums or other consideration may have been paid by a person other than the decedent.

Insurance receivable by beneficiaries other than the estate.—Include on Schedule D the proceeds of all insurance on the life of the decedent not receivable by or for the benefit of the decedent's estate if the decedent possessed at death any of the incidents of ownership, exercisable either alone or in conjunction with any person.

Incidents of ownership in a policy include:

- the right of the insured or estate to its economic benefits
- the power to change the beneficiary
- the power to surrender or cancel the policy
- the power to assign the policy or to revoke an assignment
- the power to pledge the policy for a loan
- the power to obtain from the insurer a loan against the surrender value of the policy
- a reversionary interest if the value of the reversionary interest was more than 5% of the value of the policy immediately before the decedent died. (An interest in an insurance policy is considered a reversionary interest if, for example, the proceeds become payable to the insured's estate or payable as the insured directs if the beneficiary dies before the insured.)

Life insurance not includible in the gross estate under section 2042 may be includible under some other section of the Code. For example, a life insurance policy could be transferred by the decedent in such a way that it would be includible in the gross estate under sections 2036, 2037 or 2038. (See the instructions to Schedule G for a description of these sections.)

Completing the Schedule

You must list **every policy** of insurance on the life of the decedent, whether or not it is included in the gross estate.

Under "Description" list:

- name of the insurance company
- number of the policy

For every policy of life insurance listed in the schedule, you must request a statement on Form 712 from the company which issued the policy. Attach the Form 712 to the back of Schedule D.

If the policy proceeds are paid in one sum, enter the net proceeds received (from Form 712, line 24) in the value (and alternate value) columns of Schedule D. If the policy proceeds are not paid in one sum, enter the value of the proceeds as of the date of the decedent's death (from Form 712, line 25).

If part or all of the policy proceeds are not included in the gross estate, you must explain why they were not included.

Instructions for Schedule E.—Jointly Owned Property

If the total gross estate is more than $500,000, you must complete Schedule E and file it with the return if the decedent owned any joint property at the time of death, whether or not the decedent's interest is includible in the gross estate.

If the total gross estate is $500,000 or less, you need not file Schedule E, but should use it as a worksheet to figure the joint property included in the gross estate. You must attach a Form 712 for each jointly owned policy of insurance on the life of another. However, if you answered "Yes" to line 9 of General Information, you must attach the information described in the instructions to line 9. You may enter this information on Part II of Schedule E, or you may attach a separate sheet using the format of Part II of Schedule E.

All property of whatever kind or character, whether real estate, personal property, or bank accounts, in which the decedent held at the time of death an interest either as a joint tenant with right to survivorship or as a tenant by the entirety, must be entered on this schedule.

Property that the decedent held as a tenant in common should not be listed on this schedule, but the value of the interest should be reported on Schedule A if real estate, or if personal property, on the appropriate schedule. Similarly, community property held by the decedent and spouse should be reported on the appropriate Schedules A through I. The decedent's interest in a partnership should not be included on this schedule, but should be reported on Schedule F, "Other Miscellaneous Property."

Part I.—Qualified joint interests held by decedent and spouse. Under section 2040(b)(2), a joint interest is a qualified joint interest if the decedent and the surviving spouse held the interest as:

- tenants by the entirety; or
- joint tenants with right of survivorship, if the decedent and the decedent's spouse are the *only* joint tenants.

Interests which meet either of the two requirements above should be entered in Part I. Joint interests that do not meet either of the two requirements above should be entered in Part II.

Under "Description," describe the property as required in the instructions for Schedules A, B, C, and F for the type of property involved. For example, jointly held stocks and bonds should be described using the rules given in the instructions to Schedule B.

Under "Alternate value" and "Value at date of death" enter the *full value* of the property.

Part II.—Other joint interests.—All joint interests that were not entered in Part I must be entered in Part II.

For each item of property, enter the appropriate letter A, B, C, etc., from line 2(a) to indicate the name and address of the surviving co-tenant.

Under "Description," describe the property as required in the instructions for Schedules A, B, C, and F for the type of property involved.

In the "Percentage includible" column, enter the percentage of the total value of the property that you intend to include in the gross estate.

Generally, you must include the full value of the jointly owned property in the gross estate. However, the full value should not be included if you can show that a part of the property originally belonged to the other tenant or tenants and was never received or acquired by the other tenant or tenants from the decedent for less than an adequate and full consideration in money or money's worth, or unless you can show that any part of the property was acquired with consideration originally belonging to the surviving joint tenant or tenants. In this case, you may exclude from the value of the property an amount proportionate to the consideration furnished by the other tenant or tenants. Relinquishing or promising to relinquish dower, curtesy, or statutory estate created instead of dower or curtesy, or other marital rights in the decedent's property or estate is not consideration in money or money's worth:

If the property was acquired by the decedent and another person or persons by gift, bequest, devise, or inheritance, as joint tenants, and their interests are not otherwise specified by law, include only that part of the value of the property that is figured by dividing the full value of the property by the number of joint tenants.

If you believe that less than the full value of the entire property is includible in the gross estate for tax purposes, you must establish the right to include the smaller value by attaching proof of the extent, origin, and nature of the decedent's interest and the interest(s) of the decedent's co-tenant or co-tenants.

In the "Includible alternate value" and "Includible value at date of death" columns, you should enter only the values that you believe are includible in the gross estate.

Instructions for Schedule F.—Other Miscellaneous Property

General.—If the total gross estate is more than $500,000, you must complete Schedule F and file it with the return.

If the total gross estate is $500,000 or less, you need not file Schedule F, or the attached statements and appraisals described below, but should use it as a worksheet to figure the miscellaneous property included in the gross estate. **You must attach a Form 712 for each policy of insurance on the life of another.**

On Schedule F list all items that must be included in the gross estate that are not reported on any other schedule, including:

- debts due the decedent (other than notes and mortgages included on Schedule C)
- interests in business
- insurance on the life of another (obtain and attach Form 712 for each policy)

  Note for single premium or paid-up policies: *In certain situations, for example where the surrender value of the policy exceeds its replacement cost, the true economic value of the policy will be greater than the amount shown on line 56 of Form 712. In these situations you should report the full economic value of the policy on Schedule F. See Rev. Rul. 78-137, 1978-1 C.B. 280 for details.*
- section 2044 property
- claims (including the value of the decedent's interest in a claim for refund of income taxes or the amount of the refund actually received)
- rights
- royalties
- leaseholds
- judgments
- reversionary or remainder interests
- shares in trust funds (attach a copy of the trust instrument)
- household goods and personal effects, including wearing apparel
- farm products and growing crops
- livestock
- farm machinery
- automobiles

If the decedent owned any interest in a partnership or unincorporated business, attach a statement of assets and liabilities for the valuation date and for the 5 years before the valuation date. Also attach statements of the net earnings for the same 5 years. You must account for goodwill in the valuation. In general, furnish the same information and follow the methods used to value close corporations. See the instructions for Schedule B.

If real estate is owned by the sole proprietorship, it should be reported on Schedule F and not on Schedule A. Describe the real estate with the same detail required for Schedule A.

Line 1.—If the decedent owned at the date of death articles with artistic or intrinsic value (for example, jewelry, furs, silverware, books, statuary, vases, oriental rugs, coin or stamp collections), check the "Yes" box on line 1 and provide full details. If any one article is valued at more than $3,000, or any collection of similar articles is valued at more than $10,000, attach an appraisal by an expert under oath and the required statement regarding the appraiser's qualifications (see regulations section 20.2031-6(b)).

Instructions for Schedule G.—Transfers during Decedent's Life

If the total gross estate is more than $500,000, you must complete Schedule G and file it with the return if the decedent made any of the transfers described below in (1) through (5) or if you answered "Yes" on lines 12 or 13(a) of General Information.

If the total gross estate is $500,000 or less, you need not file Schedule G, but should use it as a worksheet to figure the lifetime transfers included in the gross estate. However, you must attach all gift tax returns filed by the decedent, and all required Forms 712 as described below.

Five types of transfers should be reported on this schedule:

(1) Certain gift taxes.—Section 2035(c). Enter at item A of the Schedule the total value of the gift taxes that were paid by the decedent or the estate on gifts made by the decedent or the decedent's spouse within three years before death.

The date of the gift, not the date of payment of the gift tax, determines whether a gift tax paid is included in the gross estate under this rule. Therefore, you should carefully examine the **Forms 709**, United States Gift Tax Return, filed by the decedent and the decedent's spouse to determine what part of the total gift taxes reported on them was attributable to gifts made within three years before death. For example, if the decedent died on July 10, 1985, you should examine gift tax returns for 1985, 1984, 1983, and 1982. However, the gift taxes on the 1982 return(s) that are attributable to gifts made before July 10, 1982, are not included in the gross estate.

Attach an explanation of how you computed the includible gift taxes if you do not include in the gross estate the entire gift taxes shown on any Form 709 filed within three years of death. Also attach copies of any pertinent gift tax returns filed by the decedent's spouse within 3 years of death.

(2) Other transfers within three years before death.—Section 2035(a). These transfers include *only* the following:

- any transfer by the decedent of a life insurance policy within 3 years before death.
- any transfer within 3 years before death of a retained section 2036 life estate, section 2037 reversionary interest or section 2038 power to revoke, etc., if the property subject to the life estate, interest or power would have been included in the gross estate had the decedent continued to possess the life estate, interest or power until death.

These transfers are reported on Schedule G regardless of whether a gift tax return was required to be filed for them when they were made. However, the amount includible and the information required to be shown for the transfers are determined

- for insurance on the life of the decedent using the instructions to Schedule D. (Attach Form(s) 712.)
- for insurance on the life of another using the instructions to Schedule F. (Attach Form(s) 712.)
- for sections 2036, 2037, and 2038 transfers, using paragraphs (3), (4) and (5) of these instructions.

(3) Transfers with retained life estate (section 2036).—These are transfers in which the decedent retained the income from the transferred property or the right to designate the person or persons who will possess or enjoy the transferred property, or the income from the transferred property if the transfer was made:

Between March 4, 1931, and June 6, 1932, inclusive, and the decedent alone retained the right to so designate for life, or for any period which did not in fact end before the decedent's death; or

After June 6, 1932, and the decedent retained the right to so designate, either alone or with any person, for life, for any period that must be ascertained by reference to the decedent's death, or for any period which did not in fact end before the decedent's death.

Transfers with a retained life estate also include transfers of stock in a "controlled corporation" after June 22, 1976, if the decedent retained or acquired voting rights in the stock. If the decedent retained direct or indirect voting rights in a controlled corporation, the decedent is considered to have retained enjoyment of the transferred property. A corporation is a "controlled corporation" if the decedent owned (actually or constructively), or had the right (either alone or with any other person) to vote at least 20% of the total combined voting power of all classes of stock. See section 2036(b). If these voting rights ceased or were relinquished within 3 years before the decedent's death, the corporate interests are included in the gross estate as if the decedent had actually retained the voting rights until death.

(4) Transfers taking effect at death (section 2037).—These are transfers made on or after September 8, 1916, that took effect at the decedent's death. A transfer that takes effect at the decedent's death is one under which possession or enjoyment can be obtained only by surviving the

decedent. A transfer is not treated as one that takes effect at the decedent's death unless the decedent retained a reversionary interest in the property which immediately before the decedent's death had a value of more than 5% of the value of the transferred property. If the transfer was made before October 8, 1949, the reversionary interest must have arisen by the express terms of the instrument of transfer.

(5) Revocable Transfers (section 2038).—These are transfers in which the enjoyment of the transferred property was subject at decedent's death to any change through the exercise of a power to alter, amend, revoke, or terminate, as follows:

- If the transfer was made before 4:01 p.m., eastern standard time, June 2, 1924, and the power was reserved at the time of the transfer and was exercisable by the decedent alone or with a person who had no substantial adverse interest in the transferred property.
- If the transfer was made on or after 4:01 p.m., eastern standard time, June 2, 1924, and before June 23, 1936, and the power was reserved at the time of the transfer and was exercisable by the decedent alone or with any person (regardless of whether that person had a substantial adverse interest in the transferred property), or
- If the transfer was made after June 22, 1936, regardless of whether the power was reserved at the time of the transfer or later created or conferred, regardless of the source from which the power was acquired, regardless of whether the power was exercisable by the decedent alone or with any person, and regardless of whether that person had a substantial adverse interest in the transferred property.
- If the decedent relinquished within three years before death any of the includible powers described above, you should determine the gross estate as if the decedent had actually retained the power(s) until death.

For more detailed information on which transfers are includible in the gross estate, see the Estate Tax Regulations.

How to Complete Schedule G

All transfers (other than outright transfers not in trust and bona fide sales) made by the decedent at any time during life must be reported with the Schedule regardless of whether you believe the transfers are subject to tax. If the decedent made any transfers not described in the instructions above, the transfers should not be shown on Schedule G. Instead, attach a statement describing these transfers: list the date of the transfer, the amount or value, and the type of transfer.

Complete the schedule for each transfer that is included in the gross estate under sections 2035(a), 2036, 2037 and 2038 as described above.

In the "Item number" column, number each transfer consecutively beginning with 1.

In the "Description" column, list the name of the transferee, and the date of the transfer and give a complete description of the property. Transfers included in the gross estate should be valued on the date of the decedent's death or, if the alternate valuation is adopted, according to section 2032.

If only part of the property transferred meets the terms of sections 2035(a), 2036, 2037 or 2038, then only a corresponding part of the value of the property should be included in the value of the gross estate. If the transferee makes additions or improvements to the property, the increased value of the property at the valuation date should not be included on Schedule G. However, if only a part of the value of the property is included, enter the value of the whole under the column headed "Description" and explain what part was included.

Attachments.—If a transfer, by trust or otherwise, was made by a written instrument, attach a copy of the instrument to the Schedule. If of public record, the copy should be certified; if not of record, the copy should be verified.

Instructions for Schedule H.—Powers of Appointment

If the total gross estate is more than $500,000, you must complete Schedule H and file it with the return if you answered "Yes" to line 14 of General Information.

If the total gross estate is $500,000 or less, you need not file Schedule H. However, if you answered "Yes" to line 14 of General Information, you should use it as a worksheet to figure what powers of appointment are included in the gross estate.

On Schedule H include in the gross estate:

1. the value of property for which the decedent possessed a general power of appointment on the date of his or her death; and
2. the value of property for which the decedent possessed a general power of appointment which he or she exercised or released before death by disposing of it in such a way that if it were a transfer of property owned by the decedent, the property would be includible in the decedent's gross estate. (See section 2041 and Publication 448 for more details.)

Powers of appointment.—A power of appointment includes all powers which are in substance and effect powers of appointment regardless of how they are identified and regardless of local property laws. For example, if a settlor transfers property in trust for the life of his wife, with a power in the wife to appropriate or consume the principal of the trust, the wife has a power of appointment.

The rules below apply only to powers created after October 21, 1942. For the rules relating to powers created before October 22, 1942, see Publication 448.

General power of appointment.—A general power of appointment is a power which is exercisable in favor of the decedent, the decedent's estate, the decedent's creditors, or the creditors of the decedent's estate, except:

1. A power to consume, invade or appropriate property for the benefit of the decedent which is limited by an ascertainable standard relating to health, education, support, or maintenance of the decedent.
2. A power exercisable by the decedent only in conjunction with (a) the creator of the power, or (b) a person who has a substantial interest in the property subject to the power, which is adverse to the exercise of the power in favor of the decedent.

A part of a power is considered a general power of appointment if the power:

1. May only be exercised by the decedent in conjunction with another person; and
2. Is also exercisable in favor of the other person (in addition to being exercisable in favor of the decedent, the decedent's creditors, the decedent's estate, or the creditors of the decedent's estate).

The part to include in the gross estate as a general power of appointment is figured by dividing the value of the property by the number of persons (including the decedent) in favor of whom the power is exercisable.

Date power was created.—Generally, a power of appointment created by will is considered created on the date of the testator's death. See Publication 448 for the rules concerning a power of appointment created by a will executed on or before October 21, 1942.

A power of appointment created by an inter vivos instrument is considered created on the date the instrument takes effect. If the holder of a power exercises it by creating a second power, the second power is considered as created at the time of the exercise of the first.

Attachments.—If the decedent ever possessed a power of appointment, attach a certified or verified copy of the instrument granting the power and a certified or verified copy of any instrument by which the power was exercised or released. You must file these copies even if you contend that the power was not a general power of appointment, and that the property is not otherwise includible in the gross estate.

Instructions for Schedule I.—Annuities

If the total gross estate is more than $500,000, you must complete Schedule I and file it with the return if you answered

"Yes" to question 16 of General Information. Enter on Schedule I every annuity that meets all of conditions (1)-(4) under **General** below and every annuity described in paragraphs (a)-(h) of **Annuities Under Approved Plans,** even if the annuities are wholly or partially excluded from the gross estate.

If the total gross estate is $500,000 or less, you need not file Schedule I, but should use it to figure the annuities includible in the gross estate.

General.—Except as otherwise provided under **Annuities Under Approved Plans,** include in the gross estate on this schedule all or part of the value of an annuity receivable by any beneficiary following the death of the decedent under a contract or agreement that satisfies all four conditions, below:

(1) The contract or agreement is not a policy of insurance on the life of the decedent;

(2) The contract or agreement was entered into after March 3, 1931;

(3) The annuity is receivable by the beneficiary because he or she survived the decedent;

(4) Under the contract or agreement—an annuity was payable to the decedent (or the decedent possessed the right to receive the annuity) either alone or in conjunction with another, for the decedent's life or for any period not ascertainable without reference to the decedent's death or for any period that did not in fact end before the decedent's death.

Part Includible.—If the decedent contributed only part of the purchase price of the contract or agreement, include in the gross estate only that part of the value of the annuity receivable by the surviving beneficiary that the decedent's contribution to the purchase price of the annuity or agreement bears to the total purchase price. For example, if the value of the survivor's annuity was $20,000 and the decedent had contributed three-fourths of the purchase price of the contract, the amount includible is $15,000 (3/4 x $20,000). Except as provided under **Annuities Under Approved Plans,** contributions made by the decedent's employer to the purchase price of the contract or agreement are considered made by the decedent if they were made by the employer because of the decedent's employment. For more information, see section 2039.

"Annuity" defined.—The term "annuity" includes one or more payments extending over any period of time. The payments may be equal or unequal, conditional or unconditional, periodic or sporadic. The following are examples of contracts (but not necessarily the only forms of contracts) for annuities that must be included in the gross estate:

(a) A contract under which the decedent immediately before death was receiving or was entitled to receive, for the duration of life, an annuity with payments to continue after death to a designated beneficiary, if surviving the decedent;

(b) A contract under which the decedent immediately before death was receiving or was entitled to receive, together with another person, an annuity payable to the decedent and the other person for their joint lives, with payments to continue to the survivor following the death of either;

(c) A contract or agreement entered into by the decedent and employer under which the decedent immediately before death and following retirement was receiving, or was entitled to receive, an annuity payable to the decedent for life and after the decedent's death to a designated beneficiary, if surviving the decedent, whether the payments after the decedent's death are fixed by the contract or subject to an option or election exercised or exercisable by the decedent. However, see **Annuities Under Approved Plans,** below;

(d) A contract or agreement entered into by the decedent and employer under which at the decedent's death, before retirement or before the expiration of a stated period of time, an annuity was payable to a designated beneficiary, if surviving the decedent. However, see **Annuities Under Approved Plans,** below;

(e) A contract or agreement under which the decedent immediately before death was receiving, or was entitled to receive, an annuity for a stated period of time, with the annuity to continue to a designated beneficiary, surviving the decedent, upon the decedent's death before the expiration of that period of time;

(f) An annuity contract or other arrangement providing for a series of substantially equal periodic payments to be made to a beneficiary for life or over a period of at least 36 months after the date of the decedent's death under an individual retirement account, annuity, or bond as described in section 2039(e) (before its repeal by P.L. 98-369).

Annuities Under Approved Plans.—Special rules are provided for the annuities described in (a)-(h) below. Depending upon the date of the decedent's death, it may be possible to exclude part or all of the value of these annuities from the gross estate.

If the decedent died after December 31, 1984, no exclusion is allowed for annuities under approved plans unless both conditions below are met:

- On December 31, 1984, the decedent was both a participant in the plan and in pay status, and
- The decedent irrevocably elected the form of the benefit before July 18, 1984.

If both of the above conditions are met, an exclusion is allowed, but it is subject to the $100,000 limitation unless the two additional conditions below are met:

- On December 31, 1982, the decedent was both a participant in the plan and in pay status, and
- The decedent irrevocably elected the form of the benefit before January 1, 1983.

If both of the above conditions are met, the exclusion is not subject to the $100,000 limitation.

If the decedent died after December 31, 1982, and before January 1, 1985, an exclusion is allowed, but it is subject to the $100,000 limitation unless both conditions below are met:

- On December 31, 1982, the decedent was both a participant in the plan and in pay status, and
- The decedent irrevocably elected the form of the benefit before January 1, 1983.

If both of the above conditions are met, the exclusion is not subject to the $100,000 limitation.

If the decedent died before January 1, 1983, the exclusion is allowed and is not subject to the $100,000 limitation.

Approved Plans:

(a) An employees' trust (or under a contract purchased by an employees' trust) forming part of a pension, stock bonus, or profit-sharing plan that met all the requirements of section 401(a), either at the time of the decedent's separation from employment (whether by death or otherwise) or at the time of the termination of the plan (if earlier);

(b) A retirement annuity contract purchased by the employer (but not by an employees' trust) under a plan that, at the time of the decedent's separation from employment (by death or otherwise), or at the time of the termination of the plan (if earlier), was a plan described in section 403(a);

(c) A retirement annuity contract purchased for an employee by an employer that is an organization referred to in section 170(b)(1)(A)(ii) or (vi), or that is a religious organization (other than a trust), and that is exempt from tax under section 501(a);

(d) Chapter 73 of title 10 of the United States Code;

(e) A bond purchase plan described in section 405 (before its repeal by P.L. 98-369, effective for obligations issued after December 31, 1983).

Lump Sum Distributions.—If a lump sum distribution from an "approved plan" described in (a)-(e) above, is made to a beneficiary, the full amount of the distribution is included in the gross estate if the election is not made on line 3 of Elections by the Executor on this return. If the election is made, the portion of the lump sum distribution attributable to employer contributions will be excluded from the gross estate, subject to the $100,000 limitation (if applicable). Generally, no exclusion is allowed for a lump sum distribution if the decedent died after December 31, 1984.

If an annuity under an "approved plan" described in (a)-(e) above is receivable by a beneficiary other than the executor and the decedent made no contributions under the plan toward the cost, no part of the value of the annuity, subject to the $100,000 limitation (if applicable), is includible in the gross estate. If the decedent made a contribution under a plan described in (a)-(e) above toward the cost, include in the gross estate on this schedule that proportion of the value of the annuity which the amount of the decedent's contribution under the plan bears to the total amount of all contributions under the plan. The remaining proportion of the value of the annuity is excludible from the gross estate subject to the $100,000 limitation (if applicable). For the rules to determine whether the decedent made contributions to the plan, see Publication 448.

Note: *The accounts, annuities, and bonds described in (f)-(h) below are "approved plans" only if they provide for a series of substantially equal periodic payments to be made to a beneficiary for life, or over a period of at least 36 months after the date of the decedent's death;*

(f) An individual retirement account described in section 408(a);

(g) An individual retirement annuity described in section 408(b);

(h) A retirement bond described in section 409(a) (before its repeal by P.L. 98-369).

Subject to the $100,000 limitation, if applicable, if an annuity under a "plan" described in (f)-(h) above is receivable by a beneficiary other than the executor, the entire value of the annuity is excludable from the gross estate even if the decedent made a contribution under the plan. However, if any payment to or for an account, annuity, or bond described in paragraph (f), (g), or (h) above was not allowable as an income tax deduction under section 219 (and was not a rollover contribution as described in section 2039(e) before its repeal by P.L. 98-369), include in the gross estate on this schedule that proportion of the value of the annuity which the amount not allowable as a deduction under section 219 and which was not a rollover contribution bears to the total amount paid to or for such account, annuity, or bond. For more information, see regulations section 20.2039-5.

If any part of an annuity under a "plan" described in (a)-(h) above is receivable by the executor, it is generally includible in the gross estate on this schedule to the extent that it is receivable by the executor in that capacity. In general, the annuity is receivable by the executor if it is to be paid to the executor or if there is an agreement (expressed or implied) that it will be applied by the beneficiary for the benefit of the estate (such as in discharge of the estate's liability for death taxes or debts of the decedent, etc.) or that its distribution will be governed to any extent by the terms of the decedent's will or the laws of descent and distribution.

If data available to you does not indicate whether the plan satisfies the requirements of section 401(a), 403(a), 408(a), 408(b), or 409(a), you may obtain that information from the District Director of Internal Revenue for the district where the employer's principal place of business is located.

$100,000 limitation.—For the estates of certain decedents dying after December 31, 1982, and before January 1, 1985, the total combined exclusion from the gross estate for lump sum distributions and annuities under "approved plans" described in (a) - (h) above may not exceed $100,000. To the extent that the total combined annuities under "approved plans" exceeds $100,000 (or are payable to the executor), they may nonetheless be partially or wholly excludable from the gross estate if contributions were made by someone other than the decedent or the decedent's employer. See **Part includible,** above.

How to complete the Schedule.—In describing an annuity, give the name and address of the grantor of the annuity. Specify if the annuity is under an approved plan. If the annuity is under an approved plan, you must state the ratio of the decedent's contribution to the total purchase price of the annuity. If the decedent was employed at the time of death and an annuity as described in paragraph (d) of "Annuity defined," above, became payable to any beneficiary because the beneficiary survived the decedent, you must state the ratio of the decedent's contribution to the total purchase price of the annuity. If an annuity under an individual retirement account, annuity or bond became payable to any beneficiary because that beneficiary survived the decedent and is payable to the beneficiary for life or for at least 36 months following the decedent's death, you must state the ratio of the amount paid for the individual retirement account, annuity or bond that was not allowable as an income tax deduction under section 219 (other than a rollover contribution) to the total amount paid for the account, annuity or bond. If the annuity is payable out of a trust or other fund, the description should be sufficiently complete to fully identify it. If the annuity is payable for a term of years, include the duration of the term and the date on which it began, and if payable for the life of a person other than the decedent, include the date of birth of that person. If the annuity is wholly or partially excluded from the gross estate, enter the amount excluded under "Description" and explain how you computed the exclusion.

Instructions for Schedule J.—Funeral Expenses and Expenses Incurred in Administering Property Subject to Claims

General.—If the total gross estate is more than $500,000, you must complete and file Schedule J if you claim a deduction on item 11 of the Recapitulation.

If the total gross estate is $500,000 or less, you need not file Schedule J or the attached statements described below, but should use it as a worksheet to figure these deductions.

On Schedule J itemize funeral expenses and expenses incurred in administering property subject to claims. List the names and addresses of persons to whom the expenses are payable and describe the nature of the expense. **Do not list expenses incurred in administering property not subject to claims on this schedule. List them on Schedule L instead.**

Funeral Expenses.—Itemize funeral expenses on line A. Deduct from the expenses any amounts that were reimbursed, such as death benefits payable by the Social Security Administration and the Veterans Administration.

Executors' Commissions.—When you file the return you may deduct commissions which have actually been paid to you or which you expect will be paid. You may not deduct commissions if none will be collected. If the amount of the commissions has not been fixed by decree of the proper court, the deduction will be allowed on the final examination of the return, provided that:

- The District Director is reasonably satisfied that the commissions claimed will be paid;
- The amount entered as a deduction is within the amount allowable by the laws of the jurisdiction where the estate is being administered;
- It is in accordance with the usually accepted practice in that jurisdiction for estates of similar size and character.

If you have not been paid the commissions claimed at the time of the final examination of the return, you must support the amount you deducted with an affidavit or statement signed under the penalties of perjury that the amount has been agreed upon and will be paid.

You may not deduct a bequest or devise made to you instead of commissions. If, however, the decedent fixed by will the compensation payable to you for services to be rendered in the administration of the estate, you may deduct this amount to the extent it is not more than the compensation allowable by the local law or practice.

Do not deduct on this schedule amounts paid as trustees' commissions whether received by you acting in the capacity of a trustee or by a separate trustee. If such amounts were paid in administering property not subject to claims, deduct them on Schedule L.

Note: *Executors' commissions are taxable income to the executor. Therefore, be sure to include them as income on your individual income tax return.*

Attorney Fees.—Enter the amount of attorney fees that have actually been paid or which you reasonably expect to be paid. If on the final examination of the return the fees claimed have not been awarded by the proper court and paid, the deduction will be allowed provided the District Director is reasonably satisfied that the amount claimed will be paid and that it does not exceed a reasonable payment for the services performed, taking into account the size and character of the estate and the local law and practice. If the fees claimed have not been paid at the time of final examination of the return, the amount deducted must be supported by an affidavit, or statement signed under the penalties of perjury, by the executor or the attorney stating that the amount has been agreed upon and will be paid.

Do not deduct attorney fees incidental to litigation incurred by the beneficiaries. These expenses are charged against the beneficiaries personally and are not administration expenses authorized by the Code.

Instructions for Schedule K.—Debts of the Decedent and Mortgages and Liens

General.—If the total gross estate is more than $500,000, you must complete and attach Schedule K if you claimed deductions on either item 12 or item 13 of the Recapitulation.

If the total gross estate is $500,000 or less, you need not file Schedule K, but should use it as a worksheet to figure these deductions.

Debts of the Decedent.—List under "Debts of the Decedent" only valid debts the decedent owed at the time of death. List any indebtedness secured by a mortgage or other lien on property of the gross estate under the heading "Mortgages and Liens." If the amount of the debt is disputed or the subject of litigation, deduct only the amount the estate concedes to be a valid claim. If the claim is contested, indicate that fact.

Generally, if the claim against the estate is based on a promise or agreement, the deduction is limited to the extent that the liability was contracted bona fide and for an adequate and full consideration in money or money's worth. However, any enforceable claim based on a promise or agreement of the decedent to make a contribution or gift (such as a pledge or a subscription) to or for the use of a charitable, public, religious, etc. organization is deductible to the extent that the deduction would be allowed as a bequest under the statute that applies.

If the decedent died before July 19, 1984, you may generally not deduct a claim of a former spouse of the decedent against the estate based on the release of marital property rights.

If the decedent died after July 18, 1984, certain claims of a former spouse against the estate based on the relinquishment of marital rights are deductible on Schedule K. For these claims to be deductible, all of the following conditions must be met:

- The decedent and the decedent's spouse must have entered into a written agreement relative to their marital and property rights.
- The decedent and the spouse must have been divorced before the decedent's death and the divorce must have occurred within the three-year period beginning on the date one year before the agreement was entered into. It is not required that the agreement be approved by the divorce decree.
- The property or interest transferred under the agreement must be transferred either to the decedent's spouse in settlement of the spouse's marital rights or to provide a reasonable allowance for the support of the children of the marriage during their minority.

You may not deduct a claim made against the estate by a remainderman relating to section 2044 property. Section 2044 property is described in the instructions to line 6 of General Information.

Include in this schedule notes unsecured by mortgage or other lien and give full details, including name of payee, face and unpaid balance, date and term of note, interest rate and date to which interest was paid before death. Include the exact nature of the claim as well as the name of the creditor. If the claim is for services performed over a period of time, state the period covered by the claim. Example: Edison Electric Illuminating Co., for electric service during December 1984, $150.

If the amount of the claim is the unpaid balance due on a contract for the purchase of any property included in the gross estate, indicate the schedule and item number where you reported the property. If the claim represents a joint and separate liability, give full facts and explain the financial responsibility of the co-obligor.

Property and Income Taxes.—The deduction for property taxes is limited to the taxes accrued before the date of the decedent's death. Federal taxes on income received during the decedent's lifetime are deductible, but taxes on income received after death are not deductible.

Keep all vouchers or original records for inspection by the Internal Revenue Service.

Allowable Death Taxes.—If you elect to take a deduction under section 2053(d) rather than a credit under section 2011 or section 2014, the deduction is subject to the limitations described in section 2053(d) and its regulations. If you have difficulty figuring the deduction, you may request a computation of it. Send your request within a reasonable amount of time before the due date of the return to the Commissioner of Internal Revenue, Washington, DC 20224. Attach to your request a copy of the will and relevant documents, a statement showing the distribution of the estate under the decedent's will, and a computation of the State or foreign death tax showing the amount payable by charity.

Mortgages and Liens.—List under "Mortgages and Liens" only obligations secured by mortgages or other liens on property that you included in the gross estate at its full value or at a value that was undiminished by the amount of the mortgage or lien. If the debt is enforceable against other property of the estate not subject to the mortgage or lien, or if the decedent was personally liable for the debt, you must include the full value of the property subject to the mortgage or lien in the gross estate under the appropriate schedule, and may deduct the mortgage or lien on the property on this schedule. However, if the decedent's estate is not liable, include in the gross estate only the value of the equity of redemption (or the value of the property less the amount of the debt), and do not deduct any portion of the indebtedness on this schedule.

Notes and other obligations secured by the deposit of collateral, such as stocks, bonds, etc., also should be listed under "Mortgages and Liens."

Description.—Include under the "Description" column the particular schedule and item number where the property subject to the mortgage or lien is reported under the gross estate.

Include the name and address of the mortgagee, payee, or obligee, and the date and term of the mortgage, note, or other agreement by which the debt was established. Also include the face amount, the unpaid balance, the rate of interest, and date to which the interest was paid before the decedent's death.

Instructions for Schedule L.—Net Losses During Administration and Expenses Incurred in Administering Property Not Subject to Claims

General.—If the total gross estate is more than $500,000, you must complete Schedule L and file it with the return if you claim deductions on either item 16 or item 17 of the Recapitulation.

If the total gross estate is $500,000 or less, you need not file Schedule L, but should use it as a worksheet to figure these deductions.

Net Losses During Administration.—You may deduct only those losses from thefts, fires, storms, shipwrecks or other casualties that occurred during the settlement of the estate. You may deduct only the amount not reimbursed by insurance or otherwise.

Describe in detail the loss sustained and the cause. If you received insurance or other compensation for the loss, state the amount collected. Identify the property for which you are claiming the loss by indicating the particular schedule and item number where the property is included in the gross estate.

If you elect alternate valuation, do not deduct the amount by which you reduced the value of an item to include it in the gross estate.

Do not deduct losses claimed as a deduction on a Federal income tax return or depreciation in the value of securities or other property.

Expenses Incurred in Administering Property Not Subject to Claims.—You may deduct expenses incurred in administering property that is included in the gross estate but that is not subject to claims. You may only deduct these expenses if they were paid before the period of limitations for assessment of section 6501 expired.

The expenses deductible on the schedule are usually expenses incurred in the administration of a trust established by the decedent before death. They may also be incurred in the collection of other assets or the transfer or clearance of title to other property included in the decedent's gross estate for estate tax purposes, but not included in the decedent's probate estate. The expenses deductible on this schedule are limited to those that are the result of settling the decedent's interest in the property or of vesting good title to the property in the beneficiaries. Expenses incurred on behalf of the transferees (except those described above) are not deductible. Examples of deductible and nondeductible expenses are provided in regulations section 20.2053-8.

List the names and addresses of the persons to whom each expense was payable and the nature of the expense. Identify the property for which the expense was incurred by indicating the schedule and item number where the property is included in the gross estate. If you do not know the exact amount of the expense, you may deduct an estimate, provided that the amount may be verified with reasonable certainty and will be paid before the period of limitations for assessment (referred to above) expires. Keep all vouchers and receipts for inspection by the Internal Revenue Service.

Instructions for Schedule M.—Bequests, etc., to Surviving Spouse (Marital Deduction)

General.—If the total gross estate is more than $500,000, you must complete Schedule M and file it with the return if you claim a deduction on item 18 of the Recapitulation.

If the total gross estate is $500,000 or less, you need not file Schedule M, but should use it as a worksheet to figure your marital deduction.

The marital deduction is authorized by section 2056 for certain property interests that pass from the decedent to the surviving spouse. You may claim the deduction only for property interests that are included in the decedent's gross estate (Schedules A through I).

Line 1.—If property passes to the surviving spouse as the result of a qualified disclaimer, check "Yes" and attach a copy of the written disclaimer required by section 2518(b).

Property Interests that may be listed on Schedule M.—Generally, you should list on Schedule M all property interests that pass from the decedent to the surviving spouse and are included in the gross estate. You should not list any "Nondeductible terminable interests" (described below). Note that you may elect to deduct an otherwise nondeductible terminable interest as described in the instructions for line 4 of Elections by the Executor. The property for which you made this election must be included on Schedule M. See "Qualified Terminable Interest Property" below.

For the rules on common disaster and survival for a limited period provisions, see section 2056(b)(3).

You may list on Schedule M only those interests that the surviving spouse takes:

1. As the decedent's legatee, devisee, heir, or donee;
2. As the decedent's surviving tenant by the entirety or joint tenant;
3. As an appointee under the decedent's exercise of a power or as a taker in default at the decedent's nonexercise of a power;
4. As a beneficiary of insurance on the decedent's life;
5. As the surviving spouse taking under dower or curtesy (or similar statutory interest); and
6. As a transferee of a transfer made by the decedent at any time.

Property interests that should not be listed on Schedule M.—You should not list on Schedule M:

(a) The value of any property that does not pass from the decedent to the surviving spouse.

(b) Property interests that are not included in the decedent's gross estate.

(c) The full value of a property interest for which a deduction was claimed on Schedules J through L. The value of the property interest should be reduced by the deductions claimed with respect to it.

(d) The full value of a property interest that passes to the surviving spouse subject to a mortgage or other encumbrance or an obligation of the surviving spouse. Include on Schedule M only the net value of the interest after reducing it by the amount of the mortgage or other debt.

(e) Nondeductible terminable interests (described below).

(f) Any property interest disclaimed by the surviving spouse.

Terminable Interests.—Certain interests in property passing from a decedent to a surviving spouse are referred to as *terminable interests.* These are interests that will terminate or fail after the passage of time, or on the occurrence or nonoccurrence of some contingency. Examples are: life estates, annuities, estates for terms of years, and patents.

The ownership of a bond, note, or other contractual obligation, which when discharged would not have the effect of an annuity for life or for a term, is not considered to be a terminable interest.

Nondeductible terminable interests.—A terminable interest is *nondeductible*, and should not be entered on Schedule M if:

1. Another interest in the same property passed from the decedent to some other person for less than adequate and full consideration in money or money's worth; and
2. By reason of its passing, the other person or that person's heirs may enjoy part of the property after the termination of the surviving spouse's interest.

This rule applies even though the interest that passes from the decedent to a person other than the surviving spouse is not included in the gross estate, and regardless of when the interest passes. The rule also applies regardless of whether the surviving spouse's interest and the other person's interest pass from the decedent at the same time. Property interests that are considered to pass to a person other than the surviving spouse are any property interest that (1) passes under a decedent's will or intestacy; (2) was transferred by a decedent during life; or (3) is held by or passed on to any person as a decedent's joint tenant, as appointee under a decedent's exercise of a power, as taker in default at a decedent's release or nonexercise of a power, or as a beneficiary of insurance on the decedent's life.

For example, a decedent devised real property to his wife for life, with remainder to his children. The life interest that passed to the wife does not qualify for the marital deduction since it will terminate at her death and the children will thereafter possess or enjoy the property.

However, if the decedent purchased a joint and survivor annuity for himself and his wife who survived him, the value of the survivor's annuity, to the extent that it is included in the gross estate, qualifies for the marital deduction because even though the interest will terminate on the wife's death, no one else will possess or enjoy any part of the property.

The marital deduction is not allowed for an interest which the decedent directed the executor or a trustee to convert, after death, into a terminable interest for the surviving spouse. The marital deduction is not allowed for such an interest even if there was no interest in the property passing to another person and even if the terminable interest would otherwise have been deductible under the exceptions described below for life estate and life insurance and annuity payments with powers of appointment. For more information, see regulations sections 20.2056(b)-1(f) and 20.2056(b)-1(g), Example (7).

If any property interest passing from the decedent to the surviving spouse may be paid or otherwise satisified out of any of a group of assets, the value of the property interest is, for the entry on Schedule M, reduced by the value of any asset or assets that, if passing from the decedent to the surviving spouse, would be nondeductible terminable interests. Examples of property interests that may be paid or otherwise satisfied out of any of a group of assets are a bequest of the residue of the decedent's estate, or of a share of the residue, and a cash legacy payable out of the general estate.

Example: A decedent bequeathed $100,000 to the surviving spouse. The general estate includes a term for years (valued at $10,000 in determining the value of the gross estate) in an office building, which interest was retained by the decedent under a deed of the building by gift to a son. Accordingly, the value of the specific bequest entered on Schedule M is $90,000.

Life Estate with Power of Appointment in the Surviving Spouse.—A property interest, whether or not in trust, will be treated as passing to the surviving spouse, and will not be treated as a nondeductible terminable interest if: (a) the surviving spouse is entitled for life to all of the income from the entire interest; (b) the income is payable annually or at more frequent intervals; (c) the surviving spouse has the power, exercisable in favor of the surviving spouse or the estate of the surviving spouse, to appoint the entire interest; (d) the power is exercisable by the surviving spouse alone and (whether exercisable by will or during life) is exercisable by the surviving spouse in all events; and (e) no part of the entire interest is subject to a power in any other person to appoint any part to any person other than the surviving spouse. If these 5 conditions are satisfied only for a specific portion of the entire interest, see the section 2056(b) regulations for the determination of the part that qualifies for the marital deduction.

Life Insurance, Endowment, or Annuity Payments, with Power of Appointment in Surviving Spouse.—A property interest consisting of the entire proceeds under a life insurance, endowment, or annuity contract is treated as passing from the decedent to the surviving spouse, and will not be treated as a nondeductible terminable interest if: (a) the surviving spouse is entitled to receive the proceeds in installments, or is entitled to interest thereon, with all amounts payable during the life of the spouse, payable only to the surviving spouse; (b) the installment or interest payments are payable annually, or more frequently, beginning not later than thirteen months after the decedent's death; (c) the surviving spouse has the power, exercisable in favor of the surviving spouse or of the estate of the surviving spouse, to appoint all amounts payable under the contract; (d) the power is exercisable by the surviving spouse alone and (whether exercisable by will or during life) is exercisable by the surviving spouse in all events; and (e) no part of the amount payable under the contract is subject to a power in any other person to appoint any part to any person other than the surviving spouse. If these 5 conditions are satisfied only for a specific portion of the proceeds, see the section 2056(b) regulations for the determination of the part that qualifies for the marital deduction.

Charitable Remainder Trusts.—An interest in a charitable remainder trust will not be treated as a nondeductible terminable interest if:

(1) The interest in the trust passes from the decedent to the surviving spouse; and

(2) The surviving spouse is the only beneficiary of the trust other than charitable organizations described in section 170(c).

A "charitable remainder trust" is a charitable remainder annuity trust or a charitable remainder unitrust. (See section 664 for descriptions of these trusts.)

Election to Deduct Qualified Terminable Interests(QTIP).—You may elect to claim a marital deduction for qualified terminable interest property or property interests. **The election is irrevocable.** The effect of the election is that the property (interest) will be treated as passing to the surviving spouse and will not be treated as a nondeductible terminable interest. All of the other marital deduction requirements must still be satisfied before you may make this election. For example, you may not make this election for property or property interests that are not included in the decedent's gross estate.

Qualified Terminable Interest Property is property:

(1) that passes from the decedent; and

(2) in which the surviving spouse has a qualifying income interest for life.

The surviving spouse has a *qualifying income interest for life* if the surviving spouse is entitled to all of the income from the property payable annually or at more frequent intervals, or has a usufruct interest for life in the property, and during the surviving spouse's lifetime no person has a power to appoint any part of the property to any person other than the surviving spouse. An annuity is treated as an income interest regardless of whether the property from which the annuity is payable can be separately identified.

The election may be made for all or any part of a qualified terminable interest property. A partial election must relate to a fractional or percentile share of the property so that the elective part will reflect its proportionate share of the increase or decline in the whole of the property for purposes of applying sections 2044 or 2519. Thus, if the interest of the surviving spouse in a trust (or other property in which the spouse has a qualified life estate) is qualified terminable interest property, you may make an election with respect to a part of the trust (or other property) only if the election relates to a defined fraction or percentage of the entire trust (or other property). The fraction or percentage may be defined by means of a formula.

In order to claim this election, you must check "Yes" to line 4 of Elections by the Executor. On Schedule M, you should group the property interests for which you made the election separately and mark them "Qualified Terminable Interest Property."

How to Complete Schedule M.—List each property interest included in the gross estate which passes from the decedent to the surviving spouse and for which a marital deduction is claimed. Number each item in sequence and describe each item in detail. Describe the instrument (including any clause or paragraph number) or provision of law under which each item passed to the surviving spouse. If possible, show where each item appears (number and schedule) on Schedules A through I.

Enter the value of each interest before taking into account the Federal estate tax or any other death tax. The valuation dates used in determining the value of the gross estate apply also on Schedule M.

If Schedule M includes a bequest of the residue or a part of the residue of the decedent's estate, and the total gross estate is more than $500,000, attach a copy of the computation showing how the value of the residue was determined. Include a statement showing:

- The value of all property which is included in the decedent's gross estate (Schedules A through I) but is not a part of the decedent's probate estate, such as lifetime transfers, jointly owned property which passed to the survivor on decedent's death, and the insurance payable to specific beneficiaries.
- The values of all specific and general legacies or devises, with reference to the applicable clause or paragraph of the decedent's will or codicil. (If legacies are made to each member of a class, for example, $1,000 to each of decedent's employees, only the number in each class and the total value of property received by them need be furnished.)
- The date of birth of all persons, the length of whose lives may affect the value of the residuafy interest passing to the surviving spouse.
- Any other important information such as that relating to any claim to any part of the estate not arising under the will.

Examples of Listing of Property Interests on Schedule M

Item number	Description of property interests passing to surviving spouse	Value
1	One-half the value of a house and lot, 256 South West Street, held by decedent and surviving spouse as joint tenants with right of survivorship under deed dated July 15, 1937 (Schedule E, Part I, item 1)	32,500
2	Proceeds of Gibraltar Life Insurance Company policy No. 104729, payable in one sum to surviving spouse (Schedule D, item 3)	20,000
3	Cash bequest under Paragraph Six of will	100,000

Lines 2 through 4.—The total of the values listed on Schedule M must be reduced by the amount of the Federal estate tax and the amount of State or other death taxes paid out of the property interest involved. If you enter an amount for State or other death taxes on line 3, identify the taxes and attach your computation of them. For additional information, see **Publication 904**, Interrelated Computations for Estate and Gift Taxes.

Attachments.—*All Estates.*—If you list property interests passing by the decedent's will on Schedule M, attach a certified copy of the order admitting the will to probate. If, when you file the return, the court of probate jurisdiction has entered any decree interpreting the will or any of its provisions affecting any of the interests listed on Schedule M, or has entered any order of distribution, attach a copy of the decree or order. In addition, the District Director may request other evidence to support the marital deduction claimed.

Instructions for Schedule N.—Section 2032A Valuation

The election to value certain farm and closely held business property at its special use value is made by checking "Yes" to line 2 of Elections by the Executor. Schedule N is used to report the additional information that must be submitted by all estates to support this election. **In order to make a valid election, you must complete Schedule N and attach all of the required statements described below.**

How to Complete Schedule N.—Because the special use valuation election creates a potential liability for the recapture tax of section 2032A(c), you must list each qualified heir who receives an interest in the specially valued property on Schedule N. If there are more than 8 qualified heirs who receive interests, use an additional sheet that follows the format of Schedule N. In the columns "Fair market value" and "Special use value," you should enter the total respective values of all the specially valued property interests received by each qualified heir.

Required Attachments.—In addition to completing Schedule N, you must also complete a *notice of election* and an *agreement to special valuation by persons with an interest in property.*

The *notice of election* must contain all of the following:

(i) The decedent's name and taxpayer identification number as they appear on the estate tax return;

(ii) The relevant qualified use;

(iii) The items of real property shown on the estate tax return to be specially valued under the election (identified by schedule and item number). If you did not complete the schedules, you must describe the specially valued real property as required by the instructions for Schedule A;

(iv) The fair market value of the real property to be specially valued under section 2032A and its value based on its qualified use (both values determined without the adjustments provided by section 2032A(b)(3)(B)).

(v) The adjusted value (as defined in section 2032A(b)(3)(B)) of all real property which is used in a qualified use and which passes from the decedent to a qualified heir and the adjusted value of all real property to be specially valued;

(vi) The items of personal property shown on the estate tax return that pass from the decedent to a qualified heir and are used in a qualified use under section 2032A (identified by schedule and item number) and the total value of that personal property adjusted as provided under section 2032A(b)(3)(B). If you did not complete the schedules, describe the personal property as required by the instruction for Schedule F;

(vii) The adjusted value of the gross estate, as defined in section 2032A(b)(3)(A);

(viii) The method used in determining the special value based on use;

(ix) Copies of written appraisals of the fair market value of the real property;

(x) A statement that the decedent and/or a member of his or her family has owned all specially valued real property for at least 5 years of the 8 years immediately preceding the date of the decedent's death;

(xi) A statement of any periods during the 8-year period preceding the date of the decedent's death during which the decedent or a member of his or her family did not own the property, use it in a qualified use, or materially participate in the operation of the farm or other business within the meaning of section 2032A(e)(6);

(xii) Affidavits describing the activities constituting material participation and the identity of the material participant or participants; and

(xiii) A legal description of the specially valued property.

The *agreement to special valuation by persons with an interest in property,* required under section 2032A(a)(1)(B) and (d)(2), must be executed by all parties who have any interest in the property being valued based on its qualified use as of the date of the decedent's death.

For a qualified heir, the agreement must express consent to personal liability under section 2032A(c) in the event of certain early dispositions of the property or early cessation of the qualified use. See section 2032A(c)(6).

For parties other than qualified heirs with interests in the property, the agreement must express consent to collection of any additional estate tax imposed under section 2032A(c) from the qualified property. The agreement must be in a form that is binding on all parties having an interest in the property. It must designate an agent with satisfactory evidence of authority to act for the parties to the agreement in all dealings with the Internal Revenue Service on matters arising under section 2032A and must indicate the address of that agent. See Rev. Proc. 81-14, 1981-1 C.B. 669, for a sample of the agreement.

An interest in property is an interest that, as of the date of the decedent's death, can be asserted under applicable local law so as to affect the disposition of the specially valued property by the estate. Any person in being at the death of the decedent who has any such interest in the property, whether present or future, or vested or contingent, must enter into the agreement. Included are owners of remainder and executory interests, the holders of general or special powers of appointment, beneficiaries of a gift over in default of exercise of any such power, co-tenants, joint tenants and holders of other undivided interests when the decedent held only a joint or undivided interest in the property or when only an undivided interest is specially valued, and trustees of trusts holding any interest in the property. An heir who has the power under local law to caveat (challenge) a will and thereby affect disposition of the property is not, however, considered to be a person with an interest in property under section 2032A solely by reason of that right. Likewise, creditors of an estate are not such persons solely by reason of their status as creditors.

If any person required to enter into the agreement either desires that an agent act for him or her or cannot legally bind himself or herself due to infancy or other incompetency, or due to death before the election under section 2032A is timely exercised, a representative authorized under local law to bind the person in an agreement of this nature is permitted to sign the agreement on his or her behalf.

The Internal Revenue Service will contact the agent designated in the agreement on all matters relating to continued qualification under section 2032A of the specially valued real property and on all matters relating to the special lien arising under section 6324B. It is the duty of the agent as attorney-in-fact for the parties with interests in the specially valued property to furnish the IRS with any requested information and to notify the IRS of any disposition or cessation of qualified use of any part of the property.

Protective election.—To make the protective election described in the instructions for line 2 of Elections by the Executor you do not need to make any specific entries on Schedule N, and you do not need to attach either the *notice of election* or the *agreement to special valuation* described above. Instead, you should write "protective election" across Schedule N and attach a *notice of protective election* containing the following information.

(1) The decedent's name and taxpayer identification number as they appear on the estate tax return;

(2) The relevant qualified use; and

(3) The items of real and personal property shown on the estate tax return which are used in a qualified use, and which pass to qualified heirs (identified by schedule and item number). If you did not file the schedules, describe the property as required by the instructions to Schedules A and F.

Woodlands election.—To elect the special treatment for woodlands allowed by section 2032A(e)(13), you should attach an additional notice of election containing the following information:

(i) Give the decedent's name and taxpayer identification number as they appear on the estate tax return;

(ii) Identify the election as an election under section 2032A(e)(13);

(iii) Specify the property for which the election is made; and

(iv) Provide all information necessary to show that the executor is entitled to make the election.

The IRS may issue regulations that require more information to substantiate the woodlands election. You will be notified by IRS if you must supply further information.

For definitions and additional information concerning special use valuation, see section 2032A and the related regulations.

Instructions for Schedule O.—Charitable, Public, and Similar Gifts and Bequests

General.—If the total gross estate is more than $500,000, you must complete Schedule O and file it with the return if you claim a deduction on item 19 of the Recapitulation.

If the total gross estate is $500,000 or less, you need not file Schedule O, but should use it as a worksheet to figure your charitable deduction.

You can claim the charitable deduction allowed under section 2055 for the value of property in the decedent's estate that was transferred by the decedent during life or by will to a charitable institution as explained in Publication 448.

The deduction is limited to the amount actually available for charitable uses. Therefore, if under the terms of a will or the provisions of local law, or for any other reason, the Federal estate tax, or any other estate, succession, legacy, or inheritance tax is payable in whole or in part out of any bequest, legacy, or devise that would otherwise be allowed as a charitable deduction, the amount you may deduct is the amount of the bequest, legacy, or devise reduced by the total amount of the taxes.

For split-interest trusts (or pooled income funds) enter in the "Amount" column the amount treated as passing to the charity. Do not enter the entire amount that passes to the trust (fund).

If you are deducting the value of the residue or a part of the residue passing to charity under the decedent's will, attach a copy of the computation showing how you determined the value, including any reduction for the taxes described above. Also include:

1. A statement that shows the values of all specific and general legacies or devises whether they are for charitable or noncharitable uses. For each legacy or devise, indicate the paragraph or section of the decedent's will or codicil that applies. (If legacies are made to each member of a class (for example, $1,000 to each of the decedent's employees), show only the number of each class and the total value of property they received.)
2. The date of birth of all life tenants or annuitants, the length of whose lives may affect the value of the interest passing to charity under the decedent's will.
3. A statement showing the value of all property which is included in the decedent's gross estate but does not pass under the will, such as transfers, jointly owned property which passed to the survivor on decedent's death, and insurance payable to specific beneficiaries.
4. Any other important information such as that relating to any claim, not arising under the will, to any part of the estate (for example, a spouse claiming dower or curtesy, or similar rights).

Line 2.—The charitable deduction is allowed for amounts that are transferred to charitable organizations as a result of a qualified disclaimer. To be a qualified disclaimer, a refusal to accept an interest in property must meet the conditions of section 2518. These are explained in Publication 448. If property passes to a charitable beneficiary as the result of a qualified disclaimer, check the "Yes" box on line 2 and attach a copy of the written disclaimer required by section 2518(b).

Attachments.—If the charitable transfer was made by will, attach a certified copy of the order admitting the will to probate, in addition to the copy of the will. If the charitable transfer was made by any other written instrument, attach a copy. If the instrument is of record, the copy should be certified; if not, the copy should be verified.

Instructions for Schedule P.—Credit for Foreign Death Taxes

General.—If the total gross estate is more than $500,000, and you claim a credit on line 16 of the Tax Computation, you must complete Schedule P and file it with the return. You must attach Form(s) 706CE to support any credit you claim.

If the total gross estate is $500,000 or less, you need not file Schedule P, but should use it as a worksheet to figure your credit. **However, you must attach Form(s) 706CE to support any credit you claim.**

The credit for foreign death taxes is allowable only if the decedent was a citizen or resident of the United States. However, see section 2053(d) and the related regulations for exceptions and limitations if the executor has elected, in certain cases, to deduct these taxes from the value of the gross estate. For a resident, not a citizen, who was a citizen or subject of a foreign country for which the President has issued a proclamation under section 2014(h), the credit is allowable only if the country of which the decedent was a national allows a similar credit to decedents who were citizens of the United States resident in that country.

The credit is authorized either by statute or by treaty. If a credit is authorized by a treaty, there is allowable whichever of the following is the most beneficial to the estate: (1) the credit computed under the treaty; (2) the credit computed under the statute; or (3) the credit computed under the treaty, plus the credit computed under the statute for death taxes paid to each political subdivision or possession of the treaty country which are not directly or indirectly creditable under the treaty. Under the statute, the credit is authorized for all death taxes (national and local) imposed in the foreign country. Whether local taxes are the basis for a credit under a treaty depends upon the provisions of the particular treaty.

If a credit for death taxes paid in more than one foreign country is allowable, a separate computation of the credit must be made for each foreign country. The copies of Schedule P on which the additional computations are made should be attached to the copy of Schedule P provided in the return.

The total credit allowable in respect to any property, whether subjected to tax by one or more than one foreign country, is limited to the amount of the Federal estate tax attributable to the property. The anticipated amount of the credit may be computed on the return, but the credit cannot finally be allowed until the foreign tax has been paid and a Form 706CE evidencing payment is filed. Section 2014(g) provides that for credits for foreign death taxes, each possession of the United States is deemed a foreign country.

If a credit is claimed for any foreign death tax which is later recovered, see regulations section 20.2016-1 for the notice required within 30 days.

Credit Under the Statute.—For the credit allowed by the statute, the question of whether particular property is situated in the foreign country imposing the tax is determined by the same principles that would apply in determining whether similar property of a nonresident not a citizen of the United States is situated within the United States for purposes of the Federal estate tax. See the instructions for Form 706NA. Applying these principles, a bond is deemed situated in the foreign country imposing the tax if it is the obligation of that foreign government, a foreign person in that foreign country, or a foreign organization in that foreign country. A share of corporate stock is regarded as situated in the foreign country imposing the tax only if the issuing corporation is incorporated in that country. A bank account located in a foreign country that is not effectively connected with the conduct of a trade or business in that foreign country is not considered situated in that foreign country for the situs rules for foreign tax credit for the estate of a U.S. citizen who was not a resident of the foreign country or a U.S.resident who was not a citizen of the foreign country.

Computation of Credit Under the Statute.—

Item 1.—Enter the amount of the estate, inheritance, legacy, and succession taxes paid to the foreign country and its possessions or political subdivisions, attributable to property that is (a) situated in that country, (b) subjected to these taxes, and (c) included in the gross estate. The amount entered at item 1 should not include any tax paid to the foreign country with respect to property not situated in that country and should not include any tax paid to the foreign country with respect to property not included in the gross estate. If only a part of the property subjected to foreign taxes is both situated in the foreign country and included in the gross estate, it will be necessary to determine the portion of the taxes attributable to that part of the property. Also attach the computation of the amount entered at item 1.

Item 2.—Enter the value of the gross estate less the total of the deductions on items 18 and 19 of the Recapitulation.

Item 3.—Enter the value of the property situated in the foreign country that is subjected to the foreign taxes and included in the gross estate, less those portions of the deductions taken on Schedules M and O that are attributable to the property.

Item 4.—Subtract item 15, page 1, Form 706 from item 14, page 1, Form 706, and enter the balance at item 4 of Schedule P.

Credit Under Treaties.—

(a) In General.—If the provisions of a treaty apply to the estate of a citizen or resident of the United States, a credit is authorized for payment of the foreign death tax or taxes specified in the treaty. Death tax conventions are in effect with the following countries: Australia, Austria, Canada, Finland, France, Greece, Ireland, Italy, Japan, Netherlands, Norway, Republic of South Africa, Switzerland, and United Kingdom.

A credit claimed under a treaty is in general computed on Schedule P in the same manner as the credit is computed under the statute with the following principal exceptions: (1) The situs rules contained in the treaty apply in determining whether property was situated in the foreign country; (2) the credit may be allowed only for payment of the death tax or taxes specified in the treaty (but see the instructions above for credit under the statute for death taxes paid to each political subdivision or possession of the treaty country that are not directly or indirectly creditable under the treaty); (3) if specifically provided, the credit is proportionately shared for the tax applicable to property situated outside both countries, or that was deemed in some instances situated within both countries; and (4) the amount entered at item 4 of Schedule P is the amount shown on line 14 in the Tax Computation on page 1 less the total of the amounts on lines 15 and 17 on that page. (If a credit is claimed for tax on prior transfers, it will be necessary to complete Schedule Q before completing Schedule P.) For examples of computation of credits under the treaties, see the applicable regulations.

(b) Computation of Credit in Cases Where Property is Situated Outside Both Countries or Deemed Situated Within Both Countries.—See the appropriate treaty for details.

Instructions for Schedule Q.—Credit for Tax on Prior Transfers

General.—Regardless of the size of the gross estate, you must complete Schedule Q and file it with the return if you claim a credit on line 17 of the Tax Computation.

The term "transferee" means the decedent for whose estate this return is filed. If the transferee received property from a transferor who died within 10 years before, or 2 years after, the transferee, a credit is allowable on this return for all or part of the Federal estate tax paid by the transferor's estate with respect to the transfer. There is no requirement that the property be identified in the estate of the transferee or that it be in existence on the date of the transferee's death. It is sufficient for the allowance of the credit that the transfer of the property was subjected to Federal estate tax in the estate of the transferor and that the specified period of time has not elapsed. A credit may be allowed with respect to property received as the result of the exercise or non-exercise of a power of appointment when the property is included in the gross estate of the donee of the power.

If the transferee was the transferor's surviving spouse, no credit is allowed for property received from the transferor to the extent that a marital deduction was allowed to the transferor's estate for the property. There is no credit for tax on prior transfers for Federal gift taxes paid in connection with the transfer of the property to the transferee.

If you are claiming a credit for tax on prior transfers on Form 706NA, you should first complete and attach the Recapitulation from Form 706 before computing the credit on Schedule Q from Form 706.

Property.—The term "property" includes any interest (legal or equitable) of which the transferee received the beneficial ownership. The transferee is considered to be the beneficial owner of property over which the transferee received a general power of appointment. It does not include interests to which the transferee received only a bare legal title, such as that of a trustee. Neither does it include an interest in property over which the transferee received a power of appointment that is not a general power of appointment. In addition to interests in which the transferee received the complete ownership, the credit may be allowed for annuities, life estates, terms for years, remainder interests (whether contingent or vested), and any other interest that is less than the complete ownership of the property, to the extent that the transferee became the beneficial owner of the interest.

Maximum Amount of the Credit.—The maximum amount of the credit is the smaller of:

(a) the amount of the estate tax of the transferor's estate attributable to the transferred property, or

(b) the amount by which (A) an estate tax on the transferee's estate determined without the credit for tax on prior transfers, exceeds (B) an estate tax on the transferee's estate determined by excluding from the gross estate the net value of the transfer. If credit for a particular foreign death tax may be taken under either the statute or a death duty convention, and on this return the credit actually is taken under the convention, then no credit for that foreign death tax may be taken into consideration in computing estate tax "(A)" or estate tax "(B)."

Percent Allowable.—

(a) *Where Transferee predeceased the Transferor.* If not more than 2 years elapsed between the dates of death, the credit allowed is 100% of the maximum amount. If more than 2 years elapsed between the dates of death, no credit is allowed.

(b) *Where Transferor predeceased the Transferee.* The percent of the maximum amount that is allowed as a credit depends on the number of years that elapsed between dates of death. It is determined using the following table:

Period of Time Exceeding	Not Exceeding	Percent Allowable
———	2 years	100
2 years	4 years	80
4 years	6 years	60
6 years	8 years	40
8 years	10 years	20
10 years	———	none

How to Compute the Credit.—A worksheet is provided on the next page of these instructions to allow you to compute the limits before completing Schedule Q. Transfer the appropriate amounts from the worksheet to Schedule Q as indicated on the Schedule. You do not need to file the worksheet with your Form 706, but should retain it for your records.

Cases Involving Transfers From Two or More Transferors.—Part I of the worksheet and Schedule Q enable you to compute the credit for as many as three transferors. The number of transferors is irrelevant to Part II of the worksheet. If you are computing the credit for more than three transferors, use more than one worksheet and Schedule Q, Part I and combine the totals for the appropriate lines.

Section 2032A Additional Tax.—If the *transferor's* estate elected special use valuation and the additional estate tax of section 2032A(c) was imposed at any time up to two years after the death of the *decedent for whom you are filing this return*, you should check the appropriate box at the top of Schedule Q. On lines 1 and 9 of the worksheet, you should include the property subject to the additional estate tax at its fair market value rather than its special use value. On line 10 of the worksheet, include the additional estate tax paid as a Federal estate tax paid.

Generation-Skipping Tax Adjustment.—If any property was transferred to the decedent in a taxable generation-skipping transfer and the "deemed transferor" was not alive at the time of the transfer, the "deemed transferor" is treated as a "transferor" for purposes of the credit for tax on prior transfers; the property subject to the generation-skipping transfer tax is considered to have passed from the "deemed transferor" to the decedent/transferee; the generation-skipping tax is included on line 10 of the worksheet as a Federal estate tax paid, and the value of the property subject to the generation-skipping transfer tax is included in the "deemed transferor's" taxable estate (line 9 of the worksheet). If you apply these rules, check the appropriate box at the top of Schedule Q.

How to Complete the Worksheet.—Most of the information to complete Part I of the worksheet should be obtained from the transferor's Form 706.

Line 5.—Enter on line 5 the applicable marital deduction claimed for the transferor's estate (from the transferor's Form 706).

Line 9.—If the transferor died before January 1, 1977, compute the "Transferor's taxable estate" by adding back the $60,000 exemption to the taxable estate shown on the transferor's estate tax return.

Lines 10-18.—Enter on these lines the appropriate taxes paid by the transferor's estate

If the transferor's estate elected to pay the Federal estate tax in installments, enter on line 10 only the total of the installments that have actually been paid at the time you file this Form 706. See Rev. Rul. 83-15, 1983-1 C.B. 224, for more details.

Line 21.—Add lines 11, 13, 15 and 16 of the Tax Computation of this Form 706 and subtract this total from line 8 of the Tax Computation. Enter the result on line 21 of the worksheet.

Line 26.—If you computed the marital deduction on this Form 706 using the rules that were in effect before the Economic Recovery Tax Act of 1981 (as described in the instructions to line 15 of General Information), you should enter on line 26 the lesser of: the marital deduction you claimed on line 18 of the Recapitulation; or 50% of the "reduced adjusted gross estate." To determine the "reduced adjusted gross estate," subtract the amount on line 25 of the Schedule Q worksheet from the amount on line 24 of the worksheet. If community property is included in the amount on line 24 of the worksheet, you should compute the reduced adjusted gross estate using the rules of regulations section 20.2056(c)-2 and Rev. Rul. 76-311, 1976-2 C.B. 261

Worksheet for Schedule Q—Credit for Tax on Prior Transfers

Part I **Transferor's tax on prior transfers**

Item	Transferor (From Schedule Q)			Total for all transfers *(line 8 only)*
	A	B	C	
1. Gross value of prior transfer				
2. Death taxes payable from prior transfer				
3. Encumbrances allocable to prior transfer				
4. Obligations allocable to prior transfer				
5. Marital deduction applicable to line 1, above, as shown on transferor's Form 706				
6. **Total** *(Add lines 2, 3, 4, and 5)*				
7. **Net value of transfers** *(Subtract line 6 from line 1)*				
8. **Net value of transfers (Add columns A, B, and C of line 7)**				
9. Transferor's taxable estate				
10. Federal estate tax paid				
11. State death taxes paid				
12. Foreign death taxes paid				
13. Other death taxes paid				
14. **Total Taxes Paid** *(Add lines 10, 11, 12, and 13)*				
15. **Value of transferor's estate** *(Subtract line 14 from line 9)*				
16. Net Federal estate tax paid on transferor's estate				
17. Credit for gift tax paid on transferor's estate				
18. Credit allowed transferor's estate for tax on prior transfers from prior transferor(s) who died within 10 years before death of decedent				
19. **Tax on transferor's estate** *(Add lines 16, 17, and 18)*				
20. Transferor's tax on prior transfers ((Line 7 ÷ line 15) × line 19 of respective estates)				

Part II **Transferee's tax on prior transfers**

Item		Amount
21. Transferee's actual tax before allowance of credit for prior transfers (see instructions)		
22. Total gross estate of transferee *(from line 1 of the Tax Computation, page 1, Form 706)*		
23. Net value of all transfers (from line 8 of this worksheet)		
24. Transferee's reduced gross estate *(subtract line 23 from line 22)*		
25. Total debts and deductions (not including marital and charitable deductions) *(items 15, 16 and 17 of the Recapitulation, page 3, Form 706)*		
26. Marital deduction *(from item 18, Recapitulation, page 3, Form 706) (See instructions)*		
27. Charitable bequests *(from item 19, Recapitulation, page 3, Form 706)*		
28. Charitable deduction proportion ([line 23 ÷ (line 22–line 25)] × line 27)		
29. Reduced charitable deduction *(subtract line 28 from line 27)*		
30. Transferee's deduction as adjusted *(add lines 25, 26, and 29)*		
31. (a) Transferee's reduced taxable estate *(subtract line 30 from line 24)*		
(b) Adjusted taxable gifts		
(c) Total reduced taxable estate *(add lines 31(a) and 31(b))*		
32. Tentative tax on reduced taxable estate		
33. (a) Post 1976 gift taxes paid		
(b) Unified credit		
(c) Section 2011 State death tax credit		
(d) Section 2012 gift tax credit		
(e) Section 2014 foreign death tax credit		
(f) Total credits *(add lines 33(a) through 33(e))*		
34. Net Tax on reduced taxable estate *(subtract line 33(f) from line 32)*		
35. Transferee's tax on prior transfers *(subtract line 34 from line 21)*		

U.S. GOVERNMENT PRINTING OFFICE : 1986 - 153-319

SOI Sampling Methodology and Data Limitations

Appendix

This appendix discusses typical sampling procedures used in most Statistics of Income (SOI) programs. Aspects covered briefly include sampling criteria, selection techniques, methods of estimation and sampling variability. Some of the nonsampling error limitations of the data are also described, as well as the tabular conventions employed.

Additional information on sample design and data limitations for specific SOI studies can be found in the separate SOI reports (see the References at the end of this appendix). More technical information is available, upon request, by writing to the Director, Statistics of Income Division R:S, Internal Revenue Service, P.O. Box 2608, Washington, DC 20013-2608.

Sample Criteria and Selection of Returns

Statistics compiled for the SOI studies are generally based on stratified probability samples of income tax returns or other forms filed with the Internal Revenue Service (IRS). The statistics do not reflect any changes made by the taxpayer through an amended return or by the IRS as a result of an audit. As returns are filed and processed for tax purposes, they are assigned to sampling classes (strata) based on criteria such as: industry, presence or absence of a tax form or schedule, accounting period, State from which filed and various income factors or other measures of economic size (total assets, for example, is used for the corporation and partnership statistics). The samples are selected from each stratum over the appropriate filing periods. Thus, sample selection can continue for a given study for several calendar years — 3 for corporations because of the prevalence of fiscal (non-calendar) year reporting. Because sampling must take place before the population size is known precisely, the rates of sample selection within each stratum are fixed. This means, in practice, that both the population and the sample size can differ from that planned. However, these factors do not compromise the validity of the estimates.

The probability of a return being designated depends on its sample class or stratum and may range from a fraction of 1 percent to 100 percent. Considerations in determining the selection probability for each stratum include the number of returns in the stratum, the diversity of returns in the stratum and interest in the stratum as a separate subject of study. All this is subject to constraints based on the estimated cost or the target size of the total sample for the program.

For most SOI studies, returns are designated by computer from the IRS Master Files based on the taxpayer identification number (TIN), which is either the social security number (SSN) or the employer identification number (EIN). A fixed and essentially random number is associated with each possible TIN. If that random number falls into a range of numbers specified for a return's sample stratum, then it is selected and processed for the study. Otherwise, it is counted (for estimation purposes), but not selected. In some cases, the TIN is used directly by matching specified digits of it against a predetermined list for the sample stratum. A match is required for designation.

Under either method of selection, the TIN's designed from one year's sample are for the most part selected for the next year's, so that a very high proportion of the returns selected in the current sample are from taxpayers whose previous years' returns were included in earlier samples. This longitudinal character of the sample design improves the estimates of change from one year to the next.

Method of Estimation

As noted above, the probability with which a return is selected for inclusion in a sample depends on the sampling rate prescribed for the stratum in which it is classified. Weights are, in general, computed by dividing the count of returns filed for a given stratum by the count of sample returns for that same stratum. "Weights" are used to adjust for the various sampling rates used — the lower the rate, the larger the weight. For some studies, it is possible to improve the estimates by subdividing the original sampling classes into "post-strata," based on additional criteria or refinements of those used in the original stratification. Weights are then computed for these post-strata using additional population counts. The data on each return in a stratum are multiplied by that weight. To produce the tabulated estimates, these weighted data are summed to produce the published statistical totals.

Sample returns are designated by computer from the IRS Master Files based on the taxpayer identification number.

Information for this appendix was compiled by Bettye Jamerson, Coordination and Publications Staff, under the direction of Robert Wilson, Technical Advisor. Major contributions were made by Paul McMahon, Mathematical Statistics Team.

SOI Sampling Methodology and Data Limitations

Sampling Variability

The particular sample used in a study is only one of a large number of possible random samples that could have been selected using the same sample design. Estimates derived from the different samples usually vary. The standard error of the estimate is a measure of the variation among the estimates from all possible samples and is used to measure the precision with which an estimate from a particular sample approximates the average result of the possible samples. The sample estimate and an estimate of its standard error permit the construction of interval estimates with prescribed confidence that this interval includes the actual population value.

In transcribing and tabulating data from tax returns, checks are imposed to improve the quality of the statistics.

In SOI reports the standard error is not directly presented. Instead, the ratio of the standard error to the estimate itself is presented in decimal form. This ratio is called the coefficient of variation (CV). The user of SOI data may multiply an estimate by its coefficient of variation to recreate the standard error and to construct confidence intervals.

For example, if a sample estimate of 150,000 returns is known to have a coefficient of variation of 0.02, then the following arithmetic procedure would be followed to construct a 68 percent confidence interval estimate:

150,000	(sample estimate)
x 0.02	(coefficient of variation)
= 3,000	(standard error of estimate)
150,000	(sample estimate)
+ or - 3,000	(standard error)
= 147,000-153,000	(68 percent confidence interval).

Based on these data, the interval estimate is from 147 to 153 thousand returns. A conclusion that the average estimate of the number of returns lies within an interval computed in this way would be correct for approximately two-thirds of all possible similarly selected samples. To obtain this interval estimate with 95 percent confidence, the standard error should be multiplied by 2 before adding to and subtracting from the sample estimate. (In this particular case, the resulting interval would be from 144 to 156 thousand returns.)

Generally in the *Statistics of Income Bulletin* only conservative upper limit CV's are provided for frequency estimates. These do, however, provide a rough guide to the order of magnitude of the sampling error.

Further details concerning sample design, sample selection, estimation method and sampling variability for a particular SOI study, may be obtained on request by writing the Director, Statistics of Income Division, at the address given above.

Nonsampling Error Controls and Limitations

Although the previous discussion focuses on sampling methods and the limitations of the data caused by sampling error, there are other sources of error that may be significant in evaluating the usefulness of SOI data. These include taxpayer reporting errors, processing errors and effects of an early cut-off of sampling. More extensive information on nonsampling error is presented in SOI reports, when appropriate.

In transcribing and tabulating the information from the returns or forms selected for the sample, checks are imposed to improve the quality of the resultant estimates. Tax return data may be disaggregated or recombined during statistical "editing" in order both to improve data consistency from return to return and to achieve definitions of the data items that are more in keeping with the needs of major users. In some cases not all of the data are available from the tax return as originally filed. Sometimes the missing data can be obtained through field follow up. More often, though, they are obtained through imputation methods. As examples, other information in the return or in accompanying schedules may be sufficient to enable an estimate to be made; prior-year data for the same taxpayer may be used for the same purpose; or data from another return for the same year that has similar characteristics may be substituted. Research to improve methods of imputing data that are missing from returns continues to be an ongoing process [1].

Quality of the basic data abstracted from the returns is subjected to a number of quality control steps including 100-percent key verification. The data are then subjected to many tests based on the structure of the tax law and the improbability of various data combinations. Records failing these tests are then subjected to further review and any necessary corrections are made. In addition, the Statistics of Income Division in the National Office conducts an independent reprocessing of a small subsample of statistically-processed returns as a further check [2].

Finally, before publication, all statistics are reviewed for accuracy and reasonableness in light of provisions of the tax laws, taxpayer reporting variations and limitations, economic conditions, comparability with other statistical series and statistical techniques used in data processing and estimating.

Tabular Conventions

Estimates of frequencies and money amounts that are considered unreliable due to the small sample size on which they are based are noted in SOI tables. The presence of the indicator means that the sampling rate is less than 100 percent of the population and that there are fewer than 10 sample observations available for estimation purposes.

A dash in place of a frequency or amount indicates that no sample return had that characteristic. In addition, a dash in place of a coefficient of variation for which there is an estimate indicates that all returns contributing to the estimate were selected at the 100-percent rate.

Whenever a weighted frequency in a data cell is less than 3, the estimate is either combined with other cells or deleted in order to avoid disclosure of information about individual taxpayers or businesses. These combinations and deletions are indicated in the tables.

Notes

[1] See, for example, Hinkins, Susan M., "Matrix Sampling and the Effects of Using Hot Deck Imputation," in *1984 Proceedings of the American Statistical Association, Section on Survey Research Methods.* Other research efforts are included in *Statistical Uses of Administrative Records: Recent Research and Present Prospects*, Volume 1, Internal Revenue Service, March 1984.

[2] Quality control activities for all SOI studies are published from time to time in a series of separate reports. These reports provide detailed information relating to quality in all phases SOI processing.

References

For information about the samples used for specific SOI programs see:

Statistics of Income—1989, Individual Income Tax Returns, (see especially pages 13-16).

Statistics of Income—1989, Corporation Income Tax Returns (see especially pages 9-18).

Statistics of Income—1974-1987, Compendium of Studies of Tax-Exempt Organizations (see information about the samples used at the end of each chapter).

Statistics of Income—1984-1988, Compendium of Studies of International Income and Taxes, Foreign Income and Taxes Reported on U.S. Tax Returns (see information about the samples used at the end of each chapter).

Statistics of Income Bulletin (see each issue).

SOI Projects and Contacts

General Statistical Information: (202) 874-0410 Fax: (202) 874-0922

Project	Primary Analysts	Frequency and Program Content
Americans Living Abroad: 1991 Program	Melissa Redmiles	This periodic study is conducted every 4 years (every 5 years, after 1991). It covers foreign income and taxes paid, and foreign tax credit shown on individual income tax returns. Data are by size of adjusted gross income and country.
Corporation Foreign Tax Credit: 1990 Program 1991 Program 1992 Program	Maggie Lewis Kimberly Veletto	This annual study provides data on foreign income and taxes paid and foreign tax credit reported on corporation income tax returns. Data are classified by industry (all years) and country (even numbered years).
Corporation Income Tax Returns: 1990 Program 1991 Program 1992 Program	Victor Rehula Patrice Treubert Allison Clark Janice Washington Jonathan Shook	Basic data are produced annually and cover complete income statement, balance sheet, tax and tax credits, and details from supporting schedules. Data are classified chiefly by industry group or asset size. (For the 1992 program, S Corporations are a separate study.)
Environmental Excise Taxes (Superfund) Study: 1991 Program 1992 Program	Sara Boroshok	The Superfund Amendments and Reauthorization Act of 1986 (SARA) replaced the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), authorizing the collection of environmental taxes, a type of excise tax. This study, published annually, is the only source of data that provides detailed tabulations by type of chemical.
Estate Collation	Barry Johnson	This periodic study links estate tax return data for decedents and beneficiaries. Income information for beneficiaries is available both for years preceding and following the decedent's death. Information on gift tax returns is available for the last 2 years of the decedent's life. The most recent study is based on decedents who died in 1982. The next study will be for decedents who died in 1989.
Estate Tax Returns: 1992-1994 Program	Barry Johnson Marvin Schwartz	This annual study includes information on gross estate and its composition, deductions and tax; and information on the age, sex and marital status of the decedents. Basic estate tax return data by year in which returns are filed are produced every year. Other statistics are available on a year-of-death basis (approximately every 3 years).
Exempt Organizations Business Income Tax Returns: 1989 Program 1990 Program	Sara Boroshok Peggy Riley	This annual study includes tabulations of "unrelated business" income and deductions for organizations classified as tax-exempt under the Internal Revenue Code. The data file will also be linked with the Forms 990 and 990-PF data files of tax-exempt organizations and private foundations.
Foreign Controlled Corporations: 1990 Program 1991 Program	John Latzy	This annual study includes data on transactions between U.S. corporations and their foreign owners. Data are classified by country and industry.

SOI Projects and Contacts

General Statistical Information: (202) 874-0410 Fax: (202) 874-0922

Project	Primary Analysts	Frequency and Program Content
Foreign Corporations: 1990 Program 1992 Program	Bill States Randy Miller	This periodic study, planned for every 2 years, provides data on activities of foreign corporations that are controlled by U.S. corporations. Data are classified by industry and country.
Foreign Recipients of U.S. Income: 1991 Program	Randy Miller	This annual study provides data by country on income paid to nonresident aliens and the amount of tax withheld for the U.S. Government.
Foreign Sales Corporations (FSC): 1991 Program	John Bradford	These corporations replaced the Domestic International Sales Corporation, or DISC, as of January 1, 1985. Balance sheet, income statement and export-related data are tabulated annually through 1987, and then on a 4-year cycle.
Foreign Trusts: 1990 Program	Christine Ferguson	This periodic study, conducted every 4 years, provides data on foreign trusts that have U. S. persons as grantors, transferors or beneficiaries. Data include country where trust was created, value of transfer to the trust and the year the trust was created.
Individual Income Tax Return Public Use File	Mario Fernandez	Microdata magnetic tape files, produced annually, contain detailed information obtained from the individual statistics program, with identifiable taxpayer information omitted to make the file available for public dissemination, on a reimbursable basis. (In addition to microdata files, specific tabulations from them are produced, also on a reimbursable basis.)
Individual Income Tax Returns: 1990 Program 1991 Program 1992 Program	Michael Strudler Marty Shiley	Basic data are produced annually and cover income, deductions, tax and credits reported on individual income tax returns and associated schedules, chiefly by size of adjusted gross income.
Interest-Charge Domestic International Sales Corporations (IC-DISC): 1991 Program	John Bradford	These corporations replaced the Domestic International Sales Corporation, or DISC, as of January 1, 1985. Balance sheet, income statement, and export-related data are tabulated annually through 1987, and then on a 4-year cycle.
Intergenerational Wealth	Martha Eller Barry Johnson Marvin Schwartz	This on-going study involves estate returns filed since the inception of the estate tax (1916), and focuses on changes in the concentration of wealth and the intergenerational transfer of wealth, as well as the history of the estate tax system. The asset composition, available demographic information, and an analysis of beneficiaries of estates will be emphasized.
International Boycott Participation: 1990 Program 1991 Program	Melissa Redmiles	This study provides data on business operations of U.S. persons in boycotting countries, as well as the requests and agreements to participate in, or cooperate with, international boycotts not sanctioned by the U.S. Government.
Migration Flow and County Income Data	Sandy Byberg	Migration flow data (based on changes in individual income tax return addresses) and county or State income data are available annually on a reimbursable basis. The most recent data are for 1990-91.

SOI Projects and Contacts

General Statistical Information: (202) 874-0410 Fax: (202) 874-0922

Project	Primary Analysts	Frequency and Program Content
Nonprofit Charitable and Other Organizations: 1989 Program 1990 Program	Cecelia Hilgert Paul Arnsberger	This annual study includes balance sheet and income statement data for organizations classified as tax-exempt under subsections 501(c)(3)-(9) of the Internal Revenue Code. The 1989 study will include data from the new Form 990-EZ.
Nonresident Alien Estates: 1990 Program	Christine Ferguson	This periodic study, planned for every 4 years, provides data on estates of nonresident aliens who had more than $60,000 of assets in the United States. The estates are subject to U.S. estate taxation on U.S. property.
Occupation Studies	Bobby Clark Dodie Riley	This periodic study, based on availability of outside funding, is designed to classify individual income tax returns by occupation and to develop a dictionary of occupation titles that can be used to enhance the economic data of many other individual income tax return studies.
Partnership Returns of Income: 1991 Program 1992 Program	Tim Wheeler	Basic data, produced annually, cover income statement, balance sheet, and detail from supporting schedules. Data are classified chiefly by industry group.
Partnership Withholding Study: 1991 Program	Kimberly Veletto	This annual study includes data on U.S. partnership payments to foreign partners. Data are classified by country and recipient type.
Personal Wealth Study: 1992 Program	Marvin Schwartz Barry Johnson	This periodic study provides data estimates of personal wealth of top wealth-holders that are generated from estate tax return data using the "estate multiplier" technique, in conjunction with both filing-year and year-of-death estate data bases. The most recent data (1989) are based on returns filed from 1989 to 1991.
Private Foundations: 1989 Program 1990 Program	Alicia Meckstroth Peggy Riley	This annual study includes balance sheets and income statements. The 1989 study includes data on non-exempt charitable trusts.
S Corporations: 1992 Program	Amy Gill	Annual study data are collected for the income statement, balance sheet and from supporting schedules. Data are classified by industry group or by asset size.
Sales of Capital Assets: 1985 Program 1985-92 Panel Study	Barbara Longton Janette Wilson	This periodic study provides detailed data on the sales of capital assets reported on Schedule D of the individual income tax return, sales of residences and personal or depreciable business property. A panel study provides the same data on capital asset transactions for a subsample of the returns in the Sales of Capital Assets basic study, over a period of years.

SOI Projects and Contacts

General Statistical Information: (202) 874-0410 Fax: (202) 874-0922

Project	Primary Analysts	Frequency and Program Content
Sales of U.S. Real Property Interests by Foreign Persons: 1992 Program	John Latzy	This annual study will provide data on transfers of U.S. real property interests, when these interests are acquired from foreign persons. Data include the amount realized on transfers, U.S. tax withheld and the country of foreign persons.
Sole Proprietorships: 1990 Program 1991 Program 1992 Program	Michael Strudler Craig Ammon	Basic program data, produced annually, cover the business receipts, deductions and net income reported on Schedule C (for nonfarm proprietors), by industry group. Similar data from Schedule F (for farmers) are available on an occasional basis.
State Data: 1985 Program 1988 Program	Mario Fernandez	Special tabulations of selected individual income, deduction and tax data by State are produced on a reimbursable basis. (The data file for 1988 is the most recent.)
Statistical Subscription Services: Corporation Source Book	Sandy Byberg	Annual data by more detailed industry groups than are used for the regular corporation statistics are produced by asset size.
Tax-exempt Bond Issues: 1990 Program 1991 Program	Marvin Schwartz	This annual study provides information on private activity and governmental bond issues by type of property financed, size of face amount and State.
Taxpayer Usage Study: 1992 Program	Laura Prizzi	Basic data, produced annually, provide weekly frequencies of specific line entries made by taxpayers, the use of various return schedules and associated forms, and general characteristics of the individual taxpayer population for returns received during the primary filing season (January through April).
U.S. Possessions Corporations: 1989 Program	John Bradford	This periodic study, planned for every 4 years, provides data on income statement, balance sheet, tax and "possessions tax credit" data for "qualifying" U. S. possessions corporations. (Most of these corporations are located in Puerto Rico.)

Publications & Tapes

Statistical Information Services: (202) 874-0410 or FAX (202) 874-0922

The following *Statistics of Income* reports and tapes can be purchased from the Statistics of Income Division (unless otherwise indicated). Prepayment is required, with checks made payable to the IRS Accounting Section. For copies from the Statistics of Income Division, please write:

Director, Statistics of Income Division (R:S)
Internal Revenue Service
P.O. Box 2608
Washington, DC 20013-2608

Business Source Books

Corporation Source Book, 1989

Publication 1053 – Price $175.00

This 481-page document presents detailed income statement, balance sheet, tax and selected other items, by major and minor industry groups and size of total assets. The report, which underlies the *Statistics of Income—Corporation Income Tax Returns* publication, is part of an annual series and can be purchased for $175 (issues prior to 1982 are for sale at $150 per year). A magnetic tape containing the tabular statistics for 1989 can be purchased for $1,500.

Partnership Source Book, 1957-1983

Publication 1289 – Price $30.00

This 291-page document shows key partnership data, for 1957 through 1983, by major and minor industry group. It includes a historical definition of terms section and a summary of legislative changes affecting the comparability of partnership data during that period. Tables show:

- number of partnerships;
- number of partners;
- business receipts;
- depreciation;
- taxes paid deductions;
- interest paid deductions;
- payroll deductions;
- payments to partners; and
- net income less deficit.

(A magnetic tape containing the tabular statistics for partnerships can be purchased for $300 from the National Technical Information Service, U.S. Department of Commerce, Springfield, VA 22161.) More recent partnership data are published annually in the *SOI Bulletin*.

Sole Proprietorship Source Book, 1957-1984

Publication 1323 - Price $95.00

This *Source Book* is a companion to that for partnerships, described above. It is a 251-page document showing key proprietorship data for 1957 through 1984; data for farm proprietorships are excluded after 1980. Each page presents statistics for a particular industry. Tables show:

- number of businesses;
- business receipts;
- depreciation;
- taxes paid deduction;
- interest paid deductions
- payroll deductions; and
- net income less deficit.

A magnetic tape containing the tabular statistics can be purchased for $245. As with partnerships, more recent (nonfarm) sole proprietorship data are published annually in the *SOI Bulletin.*

Compendiums

Studies of Tax-Exempt Organizations, 1974-1987

Publication 1416 – Price $26.00

This publication presents 22 articles from *Statistics of Income* studies on tax-exempt organizations. The articles emphasize important issues within the nonprofit sector, and also include several other articles previously unpublished in the *SOI Bulletin*, as well as papers published in proceedings of the American Statistical Association and the Independent Sector Research Forum. Topics featured are:

- nonprofit charitable organizations (primarily charitable, educational and health organizations);
- private foundations and charitable trusts; and
- unrelated business income of exempt organizations.

Studies of International Income and Taxes, 1984-1988

Publication 1267 – Price $26.00

This report presents information from 13 *Statistics of Income* studies in the international area (many of them previously published in the *SOI Bulletin)*, including:

- foreign activity of U.S. corporations;
- activity of foreign corporations in the United States;
- foreign controlled U.S. corporations;

- statistics related to individuals, trusts and estates; and
- data presented by geographical area or industrial activity, as well as other classifiers.

Reimbursable Services

(Prices are dependent on the request.)

Public Use Magnetic Tape Microdata Files

This includes individual income tax returns for 1979-1990. A limited number of files for 1989 are also available on CD-ROM. (Individual income tax returns for 1966-1978 are available for sale by writing to the Center for Electronic Records (NNX) of the National Archives and Records Administration, Washington, DC 20408.) Files containing more limited data for each State are also available for 1985 and 1988. All of these files have been edited to protect the confidentiality of individual taxpayers. Files for private foundations for 1982-1983 and 1985-1989 and nonprofit charitable organizations for 1982-1983 and 1985-1989 are also available from the Statistics of Income Division. The individual, private foundation and charitable organization files are the only microdata files that can be released to the public.

Migration Data

Compilations are available showing migration patterns, from where to where, by State and county, based on year-to-year changes in the tax return address. Data are also available for selected time periods (according to the years in which returns were filed) between 1978 and 1991 and include counts of the number of individual income tax returns and personal exemptions. In addition, county income totals are available for Income Years 1982 and 1984 through 1990.

Other Unpublished Tabulations

Unpublished tabulations are also available, including detailed tables underlying those published in the *SOI Bulletin*. Special tabulations may also be produced, depending on the availability of resources.

Other Publications

The following *Statistics of Income* publications are available from the Superintendent of Documents, U.S. Government Printing Office. For copies, please use the order form following this section or write:

Superintendent of Documents
P. O. Box 371954
Pittsburgh, PA 15250-7954

Statistics of Income (SOI) Bulletin

Quarterly Publication 1136, Stock No. 748-005-00000-5
Subscription price, $23.00; Single copy price, $6.50

Provides the earliest published financial statistics from individual and corporation income tax returns. The *Bulletin* also includes annual data on nonfarm sole proprietorships and on partnerships, as well as from periodic or special studies of particular interest to tax analysts and administrators and to economists. Historical tables include data from SOI, as well as on tax collections and refunds by type of tax.

Statistics of Income – 1989, Corporation Income Tax Returns

Publication 16 Stock No. 048-004-02316-4
Price $13.00

This report presents more comprehensive and complete data on corporation income tax returns with accounting periods ended July 1989 through June 1990, than those published earlier in the *SOI Bulletin.*

Presents information on:
- receipts;
- deductions;
- net income;
- taxable income;
- income tax;
- tax credits;
- assets; and
- liabilities.

Data are classified by:
- industry;
- accounting period;
- size of total assets; and
- size of business receipts.

Statistics of Income – 1989, Individual Income Tax Returns

Publication 1304, Stock No. 048-004-02315-6
Price $8.50

This report presents more comprehensive and complete data on individual income tax returns for 1989 than those published earlier in the *SOI Bulletin*.

Presents information on:
- sources of income;
- exemptions;
- itemized deductions;
- tax computations;

Data are presented by:
- size of adjusted gross income; and
- marital status.

Note: If you determine from the Government Printing Office that any of the Statistics of Income publications listed above are out-of-print, please telephone Statistical Information Services, Statistics of Income Division, (202) 874-0410, for assistance.

Order Form

Superintendent of Documents Order Form

Order Processing Code:
***7043**

Charge your order. It's Easy! MasterCard VISA

To fax your orders (202) 512–2250

☐ **YES**, enter my subscription as follows:

____ subscriptions to **STATISTICS OF INCOME BULLETIN** (SOIB) for $23 per year ($28.75 foreign).

☐ **YES**, please send me the following publications:

____ copies of **STATISTICS OF INCOME–1989, CORPORATION INCOME TAX RETURNS,** S/N 048-004-02316-4 at $13 each.

____ copies of **STATISTICS OF INCOME–1989, INDIVIDUAL INCOME TAX RETURNS,** S/N 048-004-02315-6 at $8.50 each

The total cost of my order is $ ________. International customers please add 25%. Prices include regular domestic postage and handling and are subject to change.

(Company or Personal Name) (Please type or print)

(Additional address/attention line)

(Street address)

(City, State, ZIP Code)

(Daytime phone including area code)

(Purchase Order No.)

For privacy protection, check the box below:

☐ Do not make my name available to other mailers

Please choose method of payment:

☐ Check Payable to the Superintendent of Documents

☐ GPO Deposit Account ☐☐☐☐☐☐☐ – ☐

☐ VISA or MasterCard Account

☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

☐☐☐☐ (Credit card expiration date)

Thank you for your order!

(Authorizing Signature) 1/93

Mail To: Superintendent of Documents
P.O. Box 371954, Pittsburgh, PA 15250–7954

Change of Address Form for

Statistics of Income

SOI BULLETIN

Mail this form to: **Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402**

Company or personal name

Additional address/attention line

Street address

City **State** **Zip Code**

(or Country)

PLEASE PRINT OR TYPE

Attach last subscription label here.

Department of the Treasury
Internal Revenue Service
Pub. 1416 (8-93)
Cat. No. 15962B