

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

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

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

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

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

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

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

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

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

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

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

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

Section B. Policies

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

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

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

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

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

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

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

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

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

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

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

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

1. 95% or more of the venture's or arrangement's income for its tax year ending with or within the organization's **tax year** is described in sections 512(b)(1)–(5) (including unrelated debt-financed income).

2. The primary purpose of the organization's contribution to, or investment or participation in, the venture or arrangement is the production of income or appreciation of property.

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

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

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

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

Some examples of safeguards include the following:

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

Section C. Disclosure

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

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

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

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

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

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