

Altrusa International Foundation, Inc.



Local Club Foundation Manual ***2016***

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About the Altrusa International Foundation, Inc.

The Altrusa International Foundation is a not-for-profit, philanthropic corporation established in 1962 by Altrusa International, Inc., a worldwide volunteer service organization devoted to contributing to human well-being through the development and implementation of effective local community service programs. The Altrusa International Foundation is dedicated to improving economic well-being and quality of life through a commitment to community services and literacy.

Since its beginning, the Foundation has provided bold leadership with over 10,000 women earning graduate degrees and beginning successful professional and business careers through its two (2) original programs of assistance, the Grants-in-Aid Program and the Founders Fund Vocational Aid Program.

In 1977, Altrusa became the first volunteer service group to adopt literacy as the focus of its community activities. In response, the Altrusa International Foundation incorporated "Action for Literacy" into its philanthropic focus and established the ABC Literacy Grants program. The Foundation has supported the efforts of countless local literacy councils and programs through its literacy awards.

Today, the Foundation faces new challenges. Responding to the rapidly changing needs of communities, the Foundation has adjusted its focus, enabling it to support new areas of service while maintaining its traditional commitments to vocational services and literacy programs.



THE SIGNING! Ruth Wilkie, stenotypist, records Foundation's first meeting. Seated at table: Mamie Larsh, Ernestine Milner, Lucile Alexander, Marcelle Foote. Standing: Hazel Williams, Viva Boothe, Edith DeBusk

TO: Local Clubs of Altrusa International, Inc.

FROM: Altrusa International Foundation, Inc. - Board of Trustees

SUBJECT: Local Club Foundations

This manual provides you with guidelines for setting up a local foundation for your Club. The Altrusa International Foundation Board of Trustees encourages all clubs to have a local foundation. As a 501(c)(3) organization, donations to your Club Foundation are tax-deductible to the full extent provided by the law. This is a great advantage to contributors and of great interest to corporations that may want to assist your Club's service activities.

We urge you to carefully review these guidelines during each step of the process. Seeking assistance from an attorney (either a Club member or local community member) will insure that you are proceeding in accordance with local state law. The staff and legal advisor of Altrusa International Foundation, Inc. are also available to assist you. **Altrusa Clubs may set up a Foundation independently or "under the umbrella" of Altrusa International Foundation, Inc.** If your Altrusa Club chooses to come under the tax exempt umbrella of the International Foundation, you do not need to make a separate application for 501(c)(3) status. However, your local Club Foundation must have its own tax/employer identification number (FEIN).

Once you have established your local club foundation (LCF), there are several important rules that must be ensured.

1. the LCF must maintain separate checking/savings accounts from your Club operations checking/savings accounts.
2. the LCF charitable monies must be used exclusively for service projects and charitable works, and
3. the LCF must file an IRS report on an annual basis.

Though some of these requirements may seem burdensome, they insure that both local Club Foundations and the Altrusa International Foundation, Inc. are proceeding in full accordance with the law.

We wish you the best in your Club activities, and we are here to assist you with any questions you may have regarding establishing a local foundation for your Club.

What is a Local Club Foundation (LCF)?

An Altrusa Club may form a foundation, which is a separate and distinct entity from the Club. The Club is a 501c4 corporation, while the foundation would be a 501c3 corporation. As a 501c3 corporation, donations to your Foundation are tax-deductible to the full extent provided by the law. This is a great advantage to contributors, and of great interest to corporations that may be considering assisting your Club's activities.

Please find information about 501c3 organizations (**Exhibit 1**) vs. 501c4 organizations. (**Exhibit 2**)

Forming a Local Club Foundation:

Local Clubs may set up a Foundation independently, or “under the umbrella” of Altrusa International Foundation, Inc. **If you choose to set up under the group tax exemption of the International Foundation, you need not make a separate application for 501(c)(3) status**, but your local Club Foundation **must** have its own Tax I.D. number (FEIN).

These are the steps to take to form a local club foundation under the International Foundation's group tax exemption, or “under the umbrella” of the International Foundation:

1. Fill out the 501c3 Information Packet available here (**Exhibit 3**). This packet includes a template for Articles of Incorporation (**Exhibit 4**) and Bylaws for your new foundation. (**Exhibit 5**)
2. Send all materials outlined in the packet to the International Foundation office at foundation@altrusa.org, or One North LaSalle, Suite 1955, Chicago, IL 60602
3. Indicate changes made from templates noted in step one by highlighting or tracking changes before submitting to the International Foundation.
4. WAIT until the packet has been approved by the International Foundation's Legal Advisor. You will hear via email if changes need to be made or if the packet is approved.
5. Obtain an EIN number for your foundation. Information on how to obtain an EIN number (**exhibit 6**) or visit www.irs.gov/ApplyforEmployerIdentificationNumber
6. File your Articles of Incorporation (AFTER approval by the International Foundation's Legal Advisor) with your State. Visit your State's website for information on how to file your Articles of Incorporation. When your Articles of Incorporation have been filed, you will receive a file-stamped copy of them with your State's stamp and the date. (
7. Send a FILE STAMPED COPY of the Articles of Incorporation to the International Foundation Office. (**Exhibit 7**)
8. Send the EIN number of the local foundation to the International Foundation Office.

Once these steps have been taken, the International Foundation's Office will inform you that your foundation has been added as a subordinate corporation under the International Foundation's Group Tax Exemption.

Exhibit 1



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Charitable Organizations

Churches & Religious Organizations

Political Organizations

Private Foundations

Other Non-Profits

Contributors

Exemption Requirements - 501(c)(3) Organizations



To be tax-exempt under section 501(c)(3) of the Internal Revenue Code, an organization must be [organized](#) and [operated](#) exclusively for [exempt purposes](#) set forth in section 501(c)(3), and none of its earnings may [inure](#) to any private shareholder or individual. In addition, it may not be an [action organization](#), i.e., it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.

Organizations described in section 501(c)(3) are commonly referred to as *charitable organizations*. Organizations described in section 501(c)(3), other than testing for public safety organizations, are eligible to receive tax-deductible [contributions](#) in accordance with Code section 170.

The organization must not be organized or operated for the benefit of [private interests](#), and no part of a section 501(c)(3) organization's net earnings may inure to the benefit of any private shareholder or individual. If the organization engages in an [excess benefit transaction](#) with a person having substantial influence over the organization, an [excise tax](#) may be imposed on the person and any organization managers agreeing to the transaction.

Section 501(c)(3) organizations are restricted in how much political and legislative (*lobbying*) activities they may conduct. For a detailed discussion, see [Political and Lobbying Activities](#). For more information about lobbying activities by charities, see the article [Lobbying Issues](#); for more information about political activities of charities, see the FY-2002 CPE topic [Election Year Issues](#).

Additional Information

- [Application Process Step by Step](#): Questions and answers that will help an organization determine if it is eligible to apply for recognition of exemption from federal income taxation under IRC section 501(a) and, if so, how to proceed.
- [Private foundations - requirements for exemption](#)
- [Tax-Exempt Status](#)- online training available at the IRS microsite StayExempt.irs.gov.

Page Last Reviewed or Updated: 08-Jan-2015

Exhibit 2



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Charitable Organizations

Churches & Religious Organizations

Political Organizations

Private Foundations

Other Non-Profits

Contributors

Social Welfare Organizations



To be tax-exempt as a social welfare organization described in Internal Revenue Code (IRC) section 501(c)(4), an organization must not be organized for profit and must be operated exclusively to promote social welfare. The earnings of a section 501(c)(4) organization may not [inure](#) to the benefit of any private shareholder or individual. If the organization engages in an [excess benefit transaction](#) with a person having substantial influence over the organization, an excise tax may be imposed on the person and any managers agreeing to the transaction. See [Introduction to IRC 4958](#) for more information about this excise tax. For a more detailed discussion of the exemption requirements for section 501(c)(4) organizations, see [IRC 501\(c\)\(4\) Organizations](#). For more information about applying for exemption, see [Application for Recognition of Exemption](#).

To be operated exclusively to promote social welfare, an organization must operate primarily to further the common good and general welfare of the people of the community (such as by bringing about civic betterment and social improvements). For example, an organization that restricts the use of its facilities to employees of selected corporations and their guests is primarily benefiting a private group rather than the community and, therefore, does not qualify as a section 501(c)(4) organization. Similarly, an organization formed to represent member-tenants of an apartment complex does not qualify, because its activities benefit the member-tenants and not all tenants in the community, while an organization formed to promote the legal rights of all tenants in a particular community may qualify under section 501(c)(4) as a social welfare organization. An organization is not operated primarily for the promotion of social welfare if its [primary activity is operating a social club](#) for the benefit, pleasure or recreation of its members, or is [carrying on a business with the general public](#) in a manner similar to organizations operated for profit link].

Seeking legislation germane to the organization's programs is a permissible means of attaining social welfare purposes. Thus, a section 501(c)(4) social welfare organization may further its exempt purposes through lobbying as its primary activity without jeopardizing its exempt status. An organization that has lost its section 501(c)(3) status due to substantial attempts to influence legislation may not thereafter qualify as a section 501(c)(4) organization. In addition, a section 501(c)(4) organization that engages in lobbying may be required to either provide notice to its members regarding the percentage of dues paid that are applicable to lobbying activities or pay a proxy tax. For more information, see [Lobbying Issues](#).

Exhibit 3

Altrusa International Foundation, Inc.



501(c)(3) Information Packet

INCORPORATING A LOCAL CLUB FOUNDATION

Request a Forming a 501-c-3 Packet

The packet from the International Foundation will contain the following items:

- Instructions
- Prototype Articles of Incorporation
- Prototype Bylaws

Instructions for Incorporation

1. The board of Directors of the club must approve formation of the Foundation, and this approval should be clearly reflected in the board minutes.
2. The membership of the club must approve formation of the Foundation and this should be clearly reflected in the board minutes.
3. You must have a local attorney prepare the Articles of Incorporation and Bylaws for you. Use the prototypes provided in the packet and change them only where necessary to conform to local and state law.
4. Before filing the Articles with the required state offices (and some county offices), you must submit three (3) copies of the following items to the Foundation Office:
 - a. Articles of Incorporation
 - b. Bylaws
 - c. Minutes of Board of Directors and club meetings, evidencing approval of Foundation
 - d. Copy of completed Form SS-4, Application for Employer Identification Number.

The International Foundation office staff will keep one copy in the Foundation file; send one copy to the Foundation Chair, and one copy to the Foundation Legal Advisor for review.

Upon approval of the legal advisor (and after making any requested changes), the Articles of Incorporation should be filed with the appropriate state office.

5. Once the Articles of Incorporation have been filed with the state, the local Foundation President should send a memorandum to the Foundation Office with notification of the filing date, *along with a copy of the Articles of Incorporation stamped by the Secretary of State.*
6. Form SS4, Application for Employer Identification Number, (EIN), should be sent to the IRS.
7. The Foundation Office should be notified of the EIN, when it is assigned, and the local Foundation President should make a formal request that the local Foundation be included with the Altrusa International Foundation's group exemption number.

EXHIBIT 4

ARTICLES OF INCORPORATION

ALTRUSA INTERNATIONAL FOUNDATION OF _____, INC.

We, the undersigned natural persons of the age of twenty-one years or more, acting as incorporators of a corporation, adopt the following Articles of Incorporation for such corporation pursuant to the state of Non-profit Corporation Act:

FIRST: The name of the corporation is ALTRUSA INTERNATIONAL FOUNDATION OF _____, INC.

SECOND: The period of duration is perpetual.

THIRD: The objects and purposes for which the corporation is organized and shall be operated are to make and award, without limitation as to any one recipient or to all recipients, donations, gifts, contributions, scholarships, grants, fellowships, and/or loans from the income, assets, and property of the corporation; to engage in research; to conduct seminars and workshops; to publish materials; to make grants in furtherance of projects of Altrusa International, Inc., and/or the Altrusa International, Inc. of _____, ("Club"); to provide service for local service projects; to engage in, assist, and contribute to the support of other activities and projects; to engage in fund-raising programs in furtherance of the purposes of the corporation; to dispose of any and all of the corporation's assets and property to or for the benefit of any corporation, organization, fund, or foundation operated exclusively for charitable, educational, literary, or scientific purposes; and the corporation shall be empowered to engage in such other and further means as may be necessary and proper to accomplish the foregoing objects and purposes, not without the scope of the subsequent paragraph hereof.

The corporation is organized and operated exclusively for charitable, education, literary, and scientific purposes within the meaning of sections 170(c) (2) (8), 501 (c) (3), 2055 (a) (2), and 2522 (a) (2) of the Internal Revenue Code of 1986. No part of the net earnings of the corporation shall inure to the benefit of or be distributable to its directors, officers, other private individuals, or organizations organized and operated for a profit (except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and contributions in furtherance of the purposes ad hereinabove stated). No substantial part of the activities of the corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation, and the corporation shall be empowered to make the election authorized under Section 501 (h) of the Internal Revenue Code of 1986. The corporation shall not participate in or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision herein, the corporation shall not carry on any activities not permitted to be carried on -

(a) by an organization exempt from federal income taxation under section 501(a) of the Internal Revenue Code of 1986 as an organization described in section 501 (c) (3) of such Code, and/or

(b) by an organization described under sections 170 (c) (2), 2055 (a) (2) or 2522 (a) (2) of the Internal Revenue Code of 1986.

FOURTH: To further the corporation's objectives and purposes, the corporation shall have and shall exercise all the powers conferred by the State of Non-profit Corporation Act not without the scope of Article THIRD hereof. Without limiting the generality of the foregoing, the corporation shall have the power to sue and to be sued, to own, take title to, receive and hold, lease, sell, and resell, in fee simple or otherwise, property, real personal or mixed, wherever situated or however acquired, without limitation as to amount of value. The corporation shall have the authority to encumber property by deed of trust, pledge or otherwise; to borrow money and secure payment of same by lien or liens on the reality or personal property of the

corporation; to lease, build, erect, remodel, repair, construct, and/or reconstruct any and all buildings, houses, or other structures as necessary, proper or incident to the carrying out of the objects and purposes stated herein. The corporation shall have full powers of management, investment, reinvestment, and the collection of all rents, revenues, issues, and profits arising herein.

FIFTH: The corporation shall not have members.

SIXTH: The manner of election of the directors and officers of the corporation shall be provided in the bylaws of the corporation. Once elected, the directors and officers of the corporation shall, prior to assuming office, be subject to such control and/or ratification, as may be determined by the governing body of the Club.

SEVENTH: The directors of the corporation shall have full authority, consistent with these Articles and the corporation's bylaws, to regulate the internal affairs of the corporation and to establish its policies. On dissolution or final liquidation, the Board of Directors shall, after paying or making provisions for all the lawful debts and liabilities of the corporation, distribute all the assets of the corporation to one or more of the following categories of recipients as the Board of Directors of the corporation shall determine:

- (a) a non-profit organization or organizations, which may have been created to succeed the corporation, as long as such organization or each of such organizations shall then qualify (1) as a governmental unit under organization exempt from federal income taxation under section 170 (c) of the Internal Revenue Code of 1986 or as an organization exempt from federal income taxation under section 501(a) of such Code as an organization described in sections 170(c) (2) and 501(c) (3) of such Code.
- (b) a non-profit organization or organizations having similar aims and objects as the corporation and which may be selected as an appropriate recipient of such assets, as long as such organization or each such organizations shall then qualify (1) as a governmental unit under section 170(c) or the Internal Revenue Code of 1986 or (2) as an organization exempt from federal income taxation under section 501(a) of such Code as an organization described in sections 170(c) (2) and 501(c) (3) of such Code.

EIGHTH: References herein to sections of the Internal Revenue Code of 1986 as amended, are to provisions of such Code as those provisions are now enacted to corresponding provisions of any future United States internal revenue law.

NINTH: The address of the initial registered office of the corporation is _____
_____ and the name of its initial registered agent as such address is,
_____ who is a resident of the state of _____

TENTH: The number of directors constituting the initial Board of Directors of the corporation is _____ and the names and addresses of the persons who are to serve as the initial directors until the first annual meeting or until their successors be elected and qualified are:

Name	Address

ELEVENTH: The name and address of each incorporator is:

Name	Address

INCORPORATORS

Signatures

:SS

I, _____, a Notary Public, hereby certify that on the ____ day of _____, 20__, personally appeared before me _____ who signed the foregoing document as an incorporator, and that the statements contained therein are true.

Notary Public

My Commission expires on _____

:SS

I, _____, a Notary Public, hereby certify that on the ____ day of _____, 20__, personally appeared before me _____ who signed the foregoing document as an incorporator, and that the statements contained therein are true.

Notary Public

My Commission expires on _____

:SS

I, _____, a Notary Public, hereby certify that on the ____ day of _____, 20__, personally appeared before me _____ who signed the foregoing document as an incorporator, and that the statements contained therein are true.

Notary Public

My Commission expires on _____

EXHIBIT 5
BYLAWS
OF
ALTRUSA INTERNATIONAL FOUNDATION OF _____,INC.

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BYLAWS OF
ALTRUSA INTERNATIONAL FOUNDATION OF _____
_____, INC.

ARTICLE I: PRINCIPAL OFFICE AND REGISTERED AGENT

- A. Principal Office. The principal office of the Altrusa International, Inc. of _____
_____ Foundation, a non-profit corporation incorporated under the laws of the State of
_____ (hereinafter the "Foundation"), shall be in the State of _____.
- B. Other Offices. The Foundation may have such office or offices, at such suitable place within or without the State of _____, as may be designated from time to time by the Board of Directors of the Foundation.
- C. Registered Agent. The Foundation shall have and continuously maintain a registered office in the State of _____ (which may be identical with the principal office) and the Board of Directors of the Foundation shall appoint and continuously maintain in service a registered agent in the State of _____ who shall be an individual resident of the State of _____, or a corporation, whether for profit or not for profit.

ARTICLE TWO: PURPOSES

- A. The objects and purposes of the Foundation, subject to the limitations of Article IX, hereof, are to make and award, without limitations as to amount to any one recipient or to all recipients, donations, gifts, contributions, scholarships, grants, fellowships, and/or loans from the income, assets, and property of the Foundation; to engage in research; to conduct seminars and workshops; to publish materials; to make grants in furtherance of projects of Altrusa International, Inc., and/or the Altrusa International, Inc. of _____ ("Club"); to provide service for local service projects; to engage in fund-raising programs in furtherance of the purposes of the Foundation; to dispose of any and all of the Foundations assets and property to or for the benefit of any corporation, organization, fund or foundation operated exclusively for charitable, educational, literary, or scientific purposes; and the Foundation shall be empowered to engage in such other means as may be necessary and proper to accomplish the foregoing objects and purposes.
- B. The Foundation shall be an affiliate of the Altrusa International Foundation, Inc.

ARTICLE III: BOARD OF DIRECTORS

- A. General Authority. There shall be a Board of Directors (of the Foundation, which shall manage, supervise and control the business, property and affairs of the Foundation. The Board of Directors shall be vested with the powers possessed by the Foundation itself, including the powers to determine the policies of the Foundation and prosecute its purposes, to appoint and remunerate agents and employees, to disburse the funds of the Foundation, and to adopt such rules and regulations for the conduct of its business, responsibility and authority as shall be deemed advisable, insofar as such delegation of authority is not inconsistent with or repugnant to the Articles of Incorporation or Bylaws of the Foundation (in their present form or as they may be amended) or to any applicable law.
- B. Membership. The Board of Directors of the Foundation shall be composed of at least three individuals, commencing with the individuals named in the Articles of Incorporation of the

Foundation. The Board of Directors of the Foundation may, by resolution, increase the number of directors of the Foundation. Vacancies, as they occur on the Board of Directors by reason of an increase in the number of directors, resignation, death, incapacity, or the like of one or more of the members thereof, shall be filled by act of the Board of Directors of the Club.

- C. Term of Office. Each director of the Foundation shall serve for a term of _____ years. The Board of Directors of the Foundation may, by resolution, provide for staggered terms of office for the directors.
- D. Resignation. Any director may resign at any time by giving written notice to the President. Such resignation shall take effect at the time specified therein, or, if no time is specified, at the time of acceptance thereof as determined by the President or Board of Directors.
- E. Removal. Any director may be removed from such office by a two-thirds vote of the directors at any regular or special meeting of the Board of Directors at which a quorum is present, for (1) violation of these Bylaws or (2) engaging in any other conduct prejudicial to the best interests of the Foundation. Such removal may occur only if the director involved is first provided (1) with adequate notice of the charges against her in the form of a statement of such charges and of the time and place of the meeting of the Board of Directors scheduled for the purpose of hearing or considering such action, sent by certified or registered mail to the last known address of such director, or by delivery in person to the personal residence or place of business of such director, (2) an opportunity to appear before the Board of Directors or forward a written statement thereto in presentation of any defense of such charges, no sooner than thirty days after the sending of such notice, and (3) a written explanation as to (if such is the case) why such director is being removed from such office. In these regards, the Board shall act on the basis of reasonable and consistent criteria, always with the objective of advancing the best interests of the Foundation.
- F. Regular Meetings. A regular meeting of the Board of Directors of the Foundation shall be held each year, at such time, day and place as shall be designated by the Board of Directors, for the purpose of transacting such business as may come before the meeting. The Board of Directors may, by resolution, provide for the holding of additional regular meetings.
- G. Special Meetings. Special meetings of the Board of Directors of the Foundation may be called at the direction of the President or by a majority of the voting directors then in office, to be held at such time, day and place as shall be designated in the notice of the meeting.
- H. Notice. Notice of the time, day and place of any meeting of the Board of Directors of the Foundation shall be given at least _____ days previous thereto by notice sent by mail, telegram or telephone to each director at her address as shown by the records of the Foundation. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. The purpose of purposes for which a special meeting is called shall be stated in the notice thereof. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.
- I. Quorum. Fifty-one percent of the directors of the Foundation shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, except if less than such number of directors is present at such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.
- J. Manner of Acting. The act of a majority of directors at a meeting of the Board of Directors of the Foundation shall be the act of the Board of Directors. In the absence of a quorum, any action taken shall be recommendatory only, but may become valid if subsequently confirmed by a majority vote, in conformance with the quorum requirements, of the Board of Directors.

- K. Compensation. Directors of the Foundation shall not receive any compensation for their services as members of the Board of Directors but the Board of Directors may authorize payment by the Foundation of the expenses of directors for attendance at regular or special meetings of the Board.

ARTICLE IV: OFFICERS

- A. Officers. The officers of the Foundation shall consist of a President, a Vice President, a Secretary, and a Treasurer, and may include such other officers as may be deemed necessary. One person may hold more than one office, other than the offices of President and Secretary.
- B. Election of Officers. The officers of the Foundation shall be elected by the members of the Board of Directors of the Foundation. The officers of the Foundation shall be members of the Board at the time of their election. Such elections shall take place at the annual meeting of the Board of Directors.
- C. Term of Office. The officers of the Foundation shall be installed at the annual meeting at which they are elected and shall hold office for years until the next succeeding annual meeting or until their respective successors shall be duly elected and shall become qualified.
- D. Resignation. Any officer may resign at any time by giving written notice to the President. Such resignation shall take effect at the time specified therein, or, if no time is specified, at the time of acceptance thereof as determined by the President.
- E. Removal. Any officer may be removed by the Board of Directors of the Foundation at any regular or special meeting of the Board at which a quorum is present, for engaging in conduct prejudicial to the best interests of the Foundation.
- F. Vacancies. In the case of resignation of an officer of the Foundation or, if for any other reason including ineligibility or removal an officer is unable to complete her term, the Board of Directors shall elect a successor to complete the unexpired term.
- G. President. The President of the Foundation shall have all powers and shall perform all duties commonly incident to and vested in the office of president of a corporation, including but not limited to being the chief executive officer of the Foundation, preparation of the agenda for the annual meeting and other regular meetings, and having general knowledge of and responsibility for supervision of the business of the Foundation. Notwithstanding the foregoing, the President of the Foundation shall have the following specific powers and duties:
- (1) She shall be a member of the Board of Directors and shall prepare the agenda for the meetings of the Board.
 - (2) She shall annually appoint such standing or special committees and subcommittees and divisions as may be required by these Bylaws or as she may find necessary, and shall be an ex officio member without vote of all committees of the Foundation.
 - (3) She shall also perform such other duties as the Board of Directors may, from time to time designate.
- H. Vice President. The Vice President of the Foundation shall perform all duties incumbent upon the President during the absence or disability of the President and shall perform such other duties as the Board of Directors and the President may, from time to time, designate.
- I. Treasurer. The Treasurer of the Foundation shall have all powers and perform all duties commonly incident to and vested in the office of the treasurer of a corporation, including the following duties and responsibilities:
- (1) She shall be responsible for developing and reviewing the fiscal policies of the Foundation.

- (2) She shall ensure that an account is maintained of all monies received and expended for the use of the Foundation.
 - (3) She shall ensure that all monies of the Foundation are deposited in a bank or banks or trust company or trust companies approved by the Board of Directors, and that authorized disbursements are made there from.
 - (4) She shall render a report of the finances of the Foundation at the annual meeting of the Foundation or whenever requested by the President showing all receipts and expenditures for the current year.
 - (5) She shall also perform such other duties as the President may, from time to time, designate.
 - (6) She may appoint an Assistant Treasurer to perform such duties as he or she may, from time to time, delegate.
- J. Secretary. The Secretary of the Foundation shall have all powers and perform all duties commonly incident to and vested in the office of secretary of a corporation, including the following duties and responsibilities:
- (1) She shall attend all meetings of the Board of Directors, and of such committees as may be appointed, and be responsible for keeping, preserving in the books of the Foundation, and distributing true minutes of the proceedings of all such meetings.
 - (2) She shall ensure that all notices are given in accordance with these Bylaws.
 - (3) She shall perform such other duties as the President may, from time to time, designate.
 - (4) She may appoint an Assistant Secretary to perform such duties as he or she may, from time to time, delegate.
- K. Bonding. All officers of the Foundation shall be furnished a fidelity bond **in** such sum as the Board of Directors may prescribe.

ARTICLE V: COMMITTEES

- A. Executive Committee. The Board of Directors of the Foundation is hereby authorized to appoint from among its members an Executive Committee composed of two or more directors, and, in the intervals between meetings of the Board of Directors, to delegate to such Executive Committee any or all of the powers of the Board of Directors in the management of the business and affairs of the Foundation except the power to elect directors and officers of the Foundation or to undertake any activities which the Board of Directors has expressly reserved for itself. At any meeting of the Executive Committee, a majority **in** number of the total number of members of the Executive Committee shall constitute a quorum for the transaction of business. Special meetings of the Executive Committee may be called by any member thereof on a one-day notice to the other members thereof.
- B. Other Committees. The President may create such other committees of the Foundation as she deems advisable and define their duties.

ARTICLE VI: FISCAL YEAR

The fiscal year of the Foundation shall commence on June 1 and terminate on May 31.

ARTICLE VII: SEAL

The Board of Directors of the Foundation may provide a corporate seal which shall be **in** the form of a circle and shall have inscribed thereon the name of the corporation and the words "Corporate Seal, State of, _____"

ARTICLE VIII: INDEMNIFICATION

- A. The Foundation shall be authorized to indemnify each member of the Board of Directors as described in Article III hereof, and each of its officers, as described in Article IV hereof, for the defense of civil or criminal actions or proceedings as hereinafter provided and notwithstanding any provision in these Bylaws, in a manner and to the extent permitted by applicable law.
- B. The Foundation shall indemnify each of its directors and officers, as aforesaid, from and against any and all judgments, fines, amounts paid in settlement, and reasonable expenses, including attorneys' fees, actually and necessarily incurred or imposed as a result of such action or proceeding or any appeal therein, imposed upon or asserted against her by reason of being or having been such a director or officer and acting within the scope of her official duties, but only when the determination shall have been made judicially or in the same manner herein provided that she acted in good faith for a purpose which she reasonably believed to be in the best interests of the Foundation and, in the case of a criminal action or proceeding, in addition, had no reasonable cause to believe that her conduct was unlawful. This indemnification shall be made only if the Foundation shall be advised by its Board of Directors acting (1) by a quorum consisting of directors who are not parties to such action or proceeding upon a finding that, or (2) if a quorum under (1) is not obtainable with due diligence, upon the opinion in writing of legal counsel that, the director or officer has met the foregoing applicable standard of conduct. If the foregoing determination is to be made by the Board of Directors, it may rely, as to all questions of law, on the advice of independent legal counsel.
- C. Every reference herein to a member of the Board of Directors or officer of the Foundation shall include every director and officer thereof and former director and officer thereof. This indemnification shall apply to all the judgments, fines, amounts in settlement, and reasonable expenses described above whenever arising, allowable as stated above. The right of indemnification herein provided shall be in addition to any and all rights to which any director or officer of the Foundation might otherwise be entitled and provisions hereof shall neither impair nor adversely affect such rights.

ARTICLE IX: LIMITATION ON ACTIVITIES

The Foundation is organized and operated exclusively for charitable, educational, literary, and scientific purposes within the meaning of sections 170(C) (2) (B), 501(C) (3), 2055 (a) 2), and 2522 (a) (2) of the Internal Revenue Code of 1986. No substantial part of the activities of the Foundation shall be the carrying on of propaganda or otherwise attempting to influence legislation, and the Foundation shall be empowered to make the election authorized under section 501 (h) of the Internal Revenue Code of 1986. The Foundation shall not participate in or intervene in (including publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision herein, the Foundation shall not carry on any activities not permitted to be carried on –

- (a) by an organization exempt from federal income taxation under section 501(a) of the Internal Revenue Code of 1986 as an organization described in section 501 (c) (3) of such Code, and/or
- (b) by an organization described in section 509 (a) (1), (2), or (3) of the Internal Revenue Code of 1986 (as the case may be), and/or
- (c) by an organization, contributions to which are deductible, under sections 170 (c) (2), 2055 (a)

(2) of the Internal Revenue Code of 1986.

The Foundation shall use its funds only to accomplish objective and purposes specified in these Bylaws, and no part of the net earnings of the Foundation shall inure to the benefit of or be distributable to its directors, officers, or other private individuals, or other organizations organized or operating for profit, except that the Foundation is authorized and empowered to pay reasonable compensation for services rendered.

ARTICLE X: DISSOLUTION

On dissolution or final liquidation, the Board of Directors of the Foundation shall, after paying or making provision for the part of all the lawful debts and liabilities of the Foundation, distribute all the assets of the Foundation to one or more of the following categories of recipients as the Board of Directors of the Foundation shall determine:

(a) a nonprofit organization or organizations which may have been created to succeed the Foundation, as long as such organization or each of such organizations shall then qualify as a governmental unit under section 170(c) of the Internal Revenue Code of 1986 or as an organization exempt from federal income taxation under section 501(a) of such Code as an organization described in sections 170(c) (2) and 501(c) (3) of such Code: and/or

(b) a nonprofit organization or organizations having similar aims and objectives as the Foundation and which may be selected as an appropriate recipient of such assets, as long as such organization or each of such organizations shall then qualify as a governmental unit under section 170(c) or the Internal Revenue Code of 1986 or an organization exempt from federal income taxation under section 501 (a) of such Code as an organization described in sections 170(c) (2) and 501(c) (3) of such Code.

ARTICLE XI: AMENDMENTS TO BYLAWS

These Bylaws may be amended by a majority vote at any meeting of the Board of Directors of the Foundation.

An amendment to be proposed at a meeting shall be mailed to each member of the Board of Directors at least fourteen days prior to the date of the meeting. An amendment so made shall be effective immediately after adoption unless an effective date is specifically adopted at the time the amendment is enacted.

Notwithstanding the foregoing, an amendment to these Bylaws shall not become effective until it is ratified by the Board of Directors of the Club.

Revised June, 2014

EXHIBIT 6



Subscriptions | Language | Information For...

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Filing | Payments | Refunds | Credits & Deductions | News & Events | Forms & Pubs | Help & Resources | for Tax Pros

Corporations
Partnerships
International Businesses
Small Businesses & Self Employed

Small Business/Self-Employed

- Industries/Professions
- International Taxpayers
- Self-Employed
- **Small Business/Self-Employed Home**

Small Business/Self-Employed Topics

- A-Z Index for Business
- Forms & Pubs
- Starting a Business
- Deducting Expenses
- Businesses with Employees
- Filing/Paying Taxes
- Post-Filing Issues
- Closing Your Business

Apply for an Employer Identification Number (EIN) Online



[Español](#)



Hours of operation: Monday through Friday 7:00 a.m. to 10:00 p.m. Eastern Time

1 Determine Your Eligibility...

- You may apply for an EIN online if your principal business is located in the United States or U.S. Territories.
- The person applying online must have a valid Taxpayer Identification Number (SSN, ITIN, EIN).
- You are limited to one EIN per [responsible party](#) per day.

2 Understand the Online Application...

- You must complete this application in one session, as you will not be able to save and return at a later time.
- Your session will expire after 15 minutes of inactivity, and you will need to start over.

3 Submit Your Application...

- After all validations are done you will get your EIN immediately upon completion. You can then download, save, and print your EIN confirmation notice.

[Apply Online Now](#) >

Related Topics

- › Privacy Act Statement and Paperwork Reduction Act Notice
- › Online EIN: Frequently Asked Questions
- › System Requirements
- › State and Federal Online Business Registration
- › Employer ID Numbers

EXHIBIT 7

Online EIN: Frequently Asked Questions

If you are unfamiliar with the Online EIN application, you may find this section helpful in answering your questions.

Q. When can I use my Internet EIN to make tax payments or file returns?

A. This EIN is your permanent number and can be used immediately for most of your business needs, including:

- Opening a bank account
- Applying for business licenses
- Filing a tax return by mail

However, it will take up to two weeks before your EIN becomes part of the IRS's permanent records. You must wait until this occurs before you can:

- File an electronic return
- Make an electronic payment
- Pass an IRS Taxpayer Identification Number (TIN) matching program

Q. Sometimes I don't know all the information required on the application. Why do I have to complete the application online when I can send in paper or fax with missing information?

A. When paper or faxed Forms SS-4 are received by the IRS with information missing, additional time is needed to process that application, delaying the issuance of your Employer Identification Number. Applicants can get their EIN much quicker if all the required information is completed.

Q. The legal name of my business includes the symbol for a dollar sign (\$). Does the IRS accept symbols as part of a business name?

A. No. The only characters IRS systems can accept in a business name are: 1) alpha (A-Z), 2) numeric (0-9), 3) hyphen (-), and 4) ampersand (&). If the legal name of your business includes anything other than those listed above, you will need to decide how best to enter your business name into the online EIN application. Following are some suggestions:

If your legal name contains:	Then:
A symbol or character, such as a "plus" symbol (+), "at" symbol (@), or a period (.)	1) Spell out the symbol or 2) drop the symbol and leave a space. Example: If the legal name of your business is Jones.Com, then input it as Jones Dot Com or Jones Com
Backward (\) or forward (/) slash	Substitute a hyphen (-)
Apostrophe (')	Drop the apostrophe and do not leave a space.

Q. What do I do if my entire address won't fit on your address line on the Internet application?

A. IRS systems only allow 35 characters on the street address line. If your address does not fit in 35 characters, please make sure you provide the most essential address information (i.e., apartment numbers, suite numbers, etc). We'll then validate the address you've provided with the United States Postal Service's database and offer you an opportunity to make any changes to the address, if necessary.

Q. Are any entity types excluded from applying for an EIN over the Internet?

A. No. All customers whose principal business, office or agency, or legal residence (in the case of an individual) is located in the United States or in one of the U.S. Territories can apply for an EIN online. The principal officer, general partner, grantor, owner, trustor etc. must have a valid Taxpayer Identification Number (Social Security Number, Employer Identification Number, or Individual Taxpayer Identification Number) in order to use the online application.

If you were incorporated outside of the United States or the U.S. territories, you cannot apply for an EIN online. Please call us at (267) 941-1099 (this is not a toll free number) between the hours of 6:00 a.m. to 11:00 p.m. Eastern Time.

Q. What if I forget the number I obtained over the Internet?

A. IRS records will be updated immediately with your EIN. Simply call (800) 829-4933 and select EIN from the list of options. Once connected with an IRS employee, tell the assistor you received an EIN from the Internet but can't remember it. The IRS employee will ask the necessary disclosure and security questions prior to providing the number.

Q. Do all the EINs obtained on the Internet start with 20, 26, 27, 45, 46, or 47?

A. Yes. The unique prefixes (20, 26, 27, 45, 46, or 47) identify the EIN as a number issued via the Internet. Note: We cannot process your application online if the responsible party is an entity with an EIN previously obtained through the Internet. Please use one of our other methods to apply. See [How to Apply for an EIN](#). We apologize for any inconvenience this may cause you.

Q. Do I need a certain computer or software to obtain an EIN over the Internet?

A. No. You can go to IRS.gov through any computer that has Internet access. You should have a current Internet browser, which will allow you to view and complete the application process. However, you will need Adobe Reader installed if you would like to receive a confirmation letter online.

EXHIBIT 8

SAMPLE: File-Stamped Articles of Incorporation

Altrusa International Foundation, Inc.

Yearly Checklist for Local Club Foundations

Each fall, local club foundations under the International Foundation's Group Exemption must complete a number of items to remain in compliance. If these items are not completed, the local club foundation will be in jeopardy of being dropped from the International Foundation's group exemption.

- Send in annual reporting form to the International Foundation (this will be mailed in late summer and available on the website)
- File the e-postcard, Form 990EZ or Form 990. The IRS website provides more information on how to file your 990.
- If your state requires an annual reporting form, make sure to send it in. Some states require annual reporting forms from incorporated organizations, while others require less frequent reporting. Visit your Secretary of State and Attorney General's website for more information.

EXHIBIT 9

ANNUAL LETTER FROM FOUNDATION LEGAL COUNSEL



September 4, 20__

Dear Club Foundation President:

This is a critically important letter, to which your prompt and serious attention must be given. If you have questions after reading it, please contact me or Shawna Kaiser, Foundation Coordinator, at foundation@altrusa.org.

Your completed 2013-2014 Annual Report is due to the International Foundation by Friday, October 3rd. Failure to submit the report will result in removal from the International Foundation's 501c3 "umbrella".

Forming a Separate Corporation:

Most local club foundations formed under the International Foundation's "umbrella" have the word "Inc." in their names – for instance "Altrusa International of Downtown Dallas Foundation, Inc." Even if they don't, each club foundation must have a form of corporate entity, and that entity must be a non-profit corporation.

Also, please note the requirement from the International Foundation to update your club foundation's name to include "Inc" at the end of the name.

If your club foundation has taken steps to officially form a non-profit corporation, using instructions from your state, the International Foundation needs to know the date of incorporation of your club foundation (this should be something you can determine from a state website or from your records) on the attached form. Note that receiving approval of Articles of Incorporation and Bylaws from the Legal Advisor and/or the International Office is not the end of the process – generally, you must file those Articles of Incorporation with your state – in order to incorporate.

If you have filed your club foundation's approved Articles of Incorporation with your state, as directed in the materials for club foundation formation provided by International, please provide us (on the attached form) with the date such articles were filed.

If you have not yet done so, those articles must be filed with the appropriate state authority. On the attached form, please confirm your intent to do so, and tell us which club member will be responsible.

If, like some club foundations, you are simply "calling" your foundation a non-profit corporation, it is time for you to take the steps necessary to actually form a non-profit corporation recognized by your state. This

usually is a relatively simple task involving the filling out of a form and the payment of a very small fee. On the attached form, please confirm to us your intent to do so, and tell us who in your club will be responsible for undertaking this task.

Maintaining the Corporation:

Once formed, a corporation must be kept in good standing with the state of incorporation, typically by responding to the state's request for updated information. Thus, if your club foundation's agent for service changes, or changes address, that new information should be sent to your state authority. Please confirm, on the attached form, that your club foundation is in good standing.

If your corporation has forfeited its status by failing to file a periodic report, the process to reinstate is usually quite simple, and it is critical that you do so, and that you tell us so on the attached form.

Filing Tax Form 990-N:

Each Year, by October 15th, each club foundation (and each club, as well) must file Form 990-N (the e-Postcard) with the IRS; this is the required filing for non-profits with gross income of \$50,000 or less. If your club foundation's gross income exceeds \$50,000 but is less than \$200,000 (and total assets are less than \$500,000), the Form 990-EZ should be filed. Foundations with gross receipts of more than \$200,000 and assets of more than \$500,000 must file a Form 1090. On the attached form, please provide us with confirmation that your club foundation has filed the appropriate Form 990 for 2013, *and forward to us a copy of that filing, as well.*

If this has not been done, it is imperative that it be done, and that you tell us on the attached form which Altrusans are responsible for taking this action.

Raffle Compliance:

Raffles are a common form of fundraising for club foundations. Raffles are closely regulated by states, as they can be considered games of chance or gambling. Your annual confirmation that you are aware of your state's regulations and that any raffles are in compliance with them (some states prohibit them altogether) is necessary.

Very truly yours,



Martha Hardwick-Hofmeister, Legal Advisor
Altrusa International Foundation, Inc.
3333 Lee Parkway, Tenth Floor
Dallas, Texas 75219
Telephone: 214.780.1400
Facsimile: 214.780.1401
Email: martha@marthasnet.com

For an excellent general and representative discussion of non-profit corporations, see <http://www.sos.state.tx.us/corp/nonprofitfags.shtml>.

This site is specific to Texas, but I am sure there is a similar one for each state.

EXHIBIT 10

SAMPLE

LOCAL CLUB FOUNDATION REPORTING FORM

Return by November 1, 20__

to:

foundation@altrusa.org or

Altrusa International Foundation, Inc.

Shawna Kaiser

One N. LaSalle St. Suite 1955

Chicago, IL 60602

Local Club Foundation Name _____

Name and Address of Local Club Foundation Officers:

Name, Title, and Address of Local Club Foundation Board of Directors:

Official Local Club Foundation Mailing Address:

Date current Board of Directors was elected _____

Date current Officers were elected _____

Forming a Separate Corporation

Date Local Club Foundation was incorporated:_____

State in which Local Club Foundation was incorporated:_____

Federal Employer Identification Number (FEIN):_____ If you have not yet incorporated your Local Club Foundation, tell us:

_____That you intend to do so; and

_____will be responsible for this task.

Filing Foundation Articles

Date your Local Club Foundation's approved Articles of Incorporation were filed with your state:

If you have not yet filed your Local Club Foundation's approved Articles of Incorporation with your state, tell us:

_____that you intend to do so;and

_____who will be responsible for this task.

Filing Appropriate Tax Form 990*

This will confirm that the appropriate Form 990 has been filed for 2011 by your Local Club Foundation on

If you have not yet filed Form 990 for your Local Club Foundation, tell us:

_____that you intend to do so; and

_____who will be responsible for this task.

*The form to file depends upon gross receipts and total assets. Please see this website for more information on the types of 990 forms: <http://www.irs.gov/instructions/i990ez/ch01.html>

Raffles

This will confirm that your Local Club Foundation is aware of your state's regulations regarding raffles and that any raffles you conduct are in compliance with same.

Name of person confirming _____ Phone: _____

Email: _____

Fundraising

Please describe briefly how your Local Club Foundation raises money. (How much, what type of fundraiser, etc.)

Please describe briefly how your Local Club Foundation spends money. (Breakdown as to how funds are spent, including recipients of funds, payment of expenses, etc.)

Please list your Local Club Foundation's contributions to the International Foundation during _____:

Please return this completed form to the following address by November 1, 20__:

foundation@altrusa.org or
Altrusa International Foundation, Inc.
One N. LaSalle St. Suite 1955
Chicago, IL 60602

FILING REQUIREMENTS FOR SMALL TAX-EXEMPT ORGANIZATION

The Altrusa International Office receives many questions regarding the IRS Form 990-N and when to file form 990-EZ.

Small tax-exempt organizations that previously were not required to file a return, must do one of the following:

1. **FILE 990-N.** If gross receipts are normally less than \$50,000, then 990-N Electronic Notice (e-Postcard) should be filed.
2. **FILE FORM 990-EZ.** If gross receipts are normally more than \$50,000 and less than \$200,000 and total assets are less than \$500,000, then the Form 990-EZ can be used.
3. **FILE REGULAR FORM 990.** Organizations with gross receipts more than \$200,000 or with assets more than \$500,000 should file the regular 990 Form.

Even though Altrusa Clubs and their Foundations fall under the tax exempt umbrella of the Altrusa International Foundation, they are NOT included in International Foundation's 990 Income Tax Return. Altrusa Clubs and their Foundations MUST file Form 990-N even though their gross income is \$50,000 or less.

Form 990-N, also known as the e-Postcard, must be filed electronically. There is no paper form. The IRS has step-by-step instructions for filing electronically at www.irs.gov/eo.

The e-Postcard is due every year by the 15th day of the fifth month after the close of your tax period. For Altrusa and the Foundation, the close of the fiscal year is May 31st and the e-Postcard is due OCTOBER 15th. The Postcard will require you to provide the following information: Organization's name

- Any other names your organization uses
- Organization's mailing address and website address (if applicable)
- Organization's employer identification number (EIN)
- Organization's annual tax period
- Name and address of a principal officer of your organization
- A statement that your organization's annual gross receipts are still normally \$50,000 or less
- If applicable, indicate if your organization is going out of business.

Failure to annually file the Form 990N (e-Postcard) or Form 990 or 990-EZ for three consecutive years can result in revocation of your tax-exempt status. Reinstatement after such revocation would mean reapplying and paying the appropriate user fee.

For the latest information about electronically filing the e-Postcard, you can access the IRS website at www.irs.gov/eo or call the customer service toll-free at 1-877-829-5500.

EXHIBIT 11



Subscriptions ▾ | Language ▾ | Information For... ▾

Search Advanced

Filing | Payments | Refunds | Credits & Deductions | News & Events | Forms & Pubs | Help & Resources | for Tax Pros

Charitable Organizations

Churches & Religious Organizations

Political Organizations

Private Foundations

Other Non-Profits

Contributors

Charities & Non-Profits Topics

- A-Z Index
- Search for Charities
- Calendar of Events
- Charity and Nonprofit Audits
- Free e-Newsletter
- Online Training
- Life Cycle
- Taxpayer Bill of Rights
- Tax Exempt and Government Entities

Which forms do exempt organizations file?



Most tax-exempt organizations are required to file an [annual return](#). Which form an organization must file [generally](#) depends on its financial activity, as indicated in the chart below.

Status	Form to File	Instructions
Gross receipts normally \leq \$50,000 Note: Organizations eligible to file the <i>e-Postcard</i> may choose to file a full return	990-N	n/a
Gross receipts < \$200,000, and Total assets < \$500,000	990-EZ or 990	Instructions
Gross receipts \geq \$200,000, or Total assets \geq \$500,000	990	Instructions
Private foundation - regardless of financial status	990-PF	Instructions

Additional forms, schedules, and instructions are available:

- [Current tax year](#)
- [Prior tax years](#)

Page Last Reviewed or Updated: 03-Jul-2014

EXHIBIT 12

SAMPLE NON-COMPLIANCE NOTIFICATION

November 15, 20__

Dear Club Foundation President:

The records of the Altrusa International Foundation show that your club has not responded to the most recent correspondence and reporting form sent to you in September of this year, a copy of which is attached. In light of heightened scrutiny by the IRS of group exemptions, such as the one enjoyed by the International Foundation, club foundations which are not in meaningful annual contact with the International Foundation via this reporting form will be given a very short window of time in which to comply before the International Foundation will remove the non-complying club foundations from the group exemption.

In short, if you do not immediately (*i.e.*, by December 31, 2012) complete and return this form to Brooke Ramsey, the Foundation Coordinator, at Altrusa International Foundation, Inc., 332 S. Michigan Avenue, Suite 1123, Chicago, IL 60604, you should expect additional correspondence from us indicating that your club foundation no longer enjoys 501(c)(3) status, as it is no longer under the International Foundation's "umbrella."

This is a critically important matter to which you must give immediate attention.

In Altrusa Service,

A handwritten signature in cursive script, reading "Martha Hardwick Hofmeister".

Martha Hardwick Hofmeister, Legal Advisor
Altrusa International Foundation, Inc. Enclosure:

EXHIBIT 13

IMPORTANT FACTS THAT YOUR LOCAL CLUB FOUNDATION SHOULD KNOW

In 2012, the Internal Revenue Service selected the Altrusa International Foundation (*the "Foundation"*) as one of 2,000 entities which enjoy a group exemption (*the group exemption is what covers your club's foundation "under the umbrella" of the International Foundation*) to respond to a very comprehensive survey regarding the Foundation's relationship with its subordinates, such as your club's foundation. The purpose of the survey was to determine whether the Altrusa International Foundation's relationship with its local club foundations operates within the established precedents of the IRS.

The International Foundation was forced to retain outside counsel to assist it with several tasks, which included review of the oversight exercised by the Foundation of its subordinates. The outside counsel recommended a number of actions, which the Foundation's trustees approved. This document advises you of those actions which affect the local clubs foundations operating "under the umbrella" of the Foundation's group exemption.

FIRST, please be aware that the Foundation always has had, and continues to have, the right to audit your local club foundation and its operations. Any indication through the reporting process or other means that your local Foundation is not following International Foundation requirements or IRS regulations could result in an International Foundation Audit of your club foundation. Rationale: Actions of a LCF could jeopardize the tax exempt status of the parent, the Altrusa International Foundation.

SECOND, just as you had to have your club foundation's original bylaws and articles of incorporation approved prior to being allowed to be added to the Foundation's group exemption, you must provide the Foundation with any proposed revisions to those legal documents. If you have revised your club bylaws after their initial approval by the Foundation, and you have not sent the revised copy of the bylaws to the Foundation Administrator, please do so **immediately**.

THIRD, the Altrusa International Foundation must maintain on file a copy of the file stamped articles of incorporation for each subordinate LCF (**EXHIBIT 8**) which was filed with the state authority or other confirmation to ensure that the articles of the LCF were properly filed with the correct authority. All file-stamped documents or other proof should be sent to the Altrusa International Foundation Office.

FOURTH, each LCF must immediately advise the Foundation in the event your club foundation is audited by the IRS or any other governmental organization.

FIFTH, in the event that your club foundation receives a notice from the IRS or any other governmental organization that it has failed to file a required form or report, please advise the International Foundation as soon possible.

SIXTH, your club foundation must prepare an annual financial statement and provide a copy of same to the International Foundation.

SEVENTH, your club foundation's board of trustees **must** adopt a conflict of interest policy. Attached is a sample (**EXHIBIT 13**).

EIGHTH, the Foundation assumes that your club foundation does not engage in foreign activities. If your LCF does engage in foreign activities, you **must immediately** notify the Altrusa International Foundation Office.

NINTH, if your club foundation has independently obtained a determination letter (in other words, your club foundation has qualified on its own as a 501(c)(3) entity). You **must** provide this information to the International Foundation Office as soon as possible. If you were previously under the umbrella of the International Foundation, please be advised that the IRS ceased to recognize the prior determination.

TENTH, finally, please be aware that you must respond in timely fashion each year to the information sought by the International Foundation in its annual reporting form. **Any failure to report to the Foundation as requested will result in the removal of your club foundation from the Foundation's group exemption.**

If you have any questions, please contact the Altrusa International Foundation office at (312) 427-4410

EXHIBIT 14

SAMPLE: Conflict of Interest Policy

General Instructions for Maintaining Compliance

- You must maintain two separate bank accounts and separate records for the club and foundation.
- Only funds relating to the foundation's service project activities (which may include contributions to the International Foundation) should be processed through the Foundation's bank account and books. It is permissible to pay the expenses of a fundraising project out of the proceeds of the fundraiser.
- You may tell people that their contributions are tax-deductible. However, remember that only that portion of the contribution in excess of the "value" received is deductible, not the entire contribution. For example, a Foundation sponsors a fashion show-luncheon, with tickets selling for \$15.00 and the meal costing \$5.00. Only \$10.00 of each ticket is deductible, and your tickets should so indicate.

For contributions of non-cash items (used clothes, etc.), the contributor should specify the value. Be prepared to give a receipt, identifying what was donated, but the foundation should not set the value of the donation. Leave it up to the contributor.

- You may provide for any number of directors, providing you meet the minimum number required by the laws of your state. You may want to provide that the club's board of directors is also the Foundation's Board of Directors, or you may wish to have outside community people serve on the Board. However, the majority of your Foundation Board should be Altrusans.
- Each Foundation should file a Form 990 (990-N, 990-EZ, or 990, depending upon gross receipts and total assets) each year, even if its "gross income" is less than **\$50,000**. You must forward a copy of your completed Form 990 to the Foundation Office each year.

For in-depth information on maintaining compliance, visit www.irs.gov/pub/irs-pdf/p4221pc.pdf, Compliance Guide for 501(c)(3) Public Charities.

What happens if our local club foundation's tax exempt status is revoked?

If your foundation was originally formed under the International Foundation's Group Exemption, and your foundation has not filed your Form 990 for three consecutive years, the IRS will revoke the tax exemption (501c3) status from your foundation. In this case, your foundation will no longer be allowed under the International Foundation's Group Exemption. Your foundation will reapply for tax exempt status on its own and will no longer be affiliated with the International Foundation. Please find information on how to reapply for tax exempt status. www.irs.gov/charities_and_non-profits

Please contact the International Foundation Office at 312-427-4410 or foundation@altrusa.org if you have questions.

EXHIBIT 15

Revoked? Reinstated? Learn More.

Most tax-exempt organizations other than churches and certain church-related organizations are required to file an annual information return or notice with the IRS.

Organizations that do not file for three consecutive years automatically lose their tax-exempt status. An automatic revocation is effective on the original filing due date of the third annual return or notice. (Section 6033(j) of the Internal Revenue Code)

The Automatic Revocation of Exemption List is posted on the IRS Website

The IRS publishes the list of organizations whose tax-exempt status was automatically revoked because of failure to file a required Form 990, 990-EZ, 990-PF or Form 990-N (e-Postcard) for three consecutive years.

The list gives the name, employer identification number (EIN), organization type, last known address the organization provided to the IRS, effective date of revocation and the date the organization was added to the list. For organizations that applied for and received reinstatement, the list gives the date of reinstatement. IRS updates the list monthly.

The Effect of Losing Tax-Exempt Status

If an organization's tax-exempt status is automatically revoked, it is no longer exempt from federal income tax. Consequently, it may be required to file one of the following federal income tax returns and pay applicable income taxes:

Form 1120, U.S. Corporation Income Tax Return, due by the 15th day of the 3rd month after the end of the organization's tax year or

Form 1041, U.S. Income Tax Return for Estates and Trusts, due by the 15th day of the 4th month after the end of your organization's tax year.

An automatically revoked organization is not eligible to receive tax-deductible contributions and will be removed from the cumulative list of tax-exempt organizations, Publication 78. The IRS will also send a letter informing the organizations of the revocation.

Donors can deduct contributions made before an organization's name appears on the Automatic Revocation List. State and local laws may affect an organization that loses its tax-exempt status as well.

Reinstating Tax-Exempt Status

The law prohibits the IRS from undoing a proper automatic revocation and does not provide for an appeal process. An automatically revoked organization must apply to have its status reinstated, even if the organization was not originally required to file an application for exemption.

There are four ways to be reinstated

If the IRS determines that the organization meets the requirements for tax-exempt status, it will issue a new determination letter. The IRS also will include the reinstated organization in the next update of

Exempt Organizations Select Check (Pub. 78 database), and indicate in the IRS Business Master File (BMF) extract that the organization is eligible to receive tax-deductible contributions. Donors and others may rely upon the new IRS determination letter as of its stated effective date and on the updated Exempt Organizations Select Check and BMF extract listings.

For more information, see:

- [Basics of Automatic Revocation](#)
- [Consequences of Automatic Revocation](#)
- [You think your Organization was Mistakenly Revoked](#)
- [Regaining your Tax-Exempt Status-Applying for Reinstatement](#)
- [Group Exemption Subordinates](#)
- [Effect on Bonds and Retirement Plans](#)
- [Information for State and Federal Credit Unions](#)
- [Churches, Integrated Auxiliaries, and Conventions and Associations of Churches](#)
- [Printable Fact Sheet Automatic Revocation of Tax-Exempt Status](#)
- [News Release](#)

KNOW YOUR STATE RAFFLE LAWS

Many Altrusa Clubs' Foundations conduct raffles as fundraisers. It is important to know that some states prohibit raffles and others require advance registration in order for such raffles to be in compliance with state law. This is because raffles can be considered gambling or "gaming," and, as such, the conduct of a raffle is an appropriate matter for states to monitor or even prohibit.

What each state requires can be found at www.stepbysteptundraising.com/raft1e-laws-us-by-state.

Most Clubs foundations exist under the "umbrella" of the International Foundation and, thus, their actions can affect the International Foundation. Accordingly, it is critical that every Clubs' Foundation determine what state law requires and certify to the International Foundation it is in compliance with that law.

Please have your Club's Foundation President fill out the attached form and return it to Shawna Kaiser, Foundation Administrator, at the address found on the form.

This form will have to be completed annually by your Club's Foundation in order to continue to be affiliated with the International Foundation.

EXHIBIT 16

LCF 2013-14 Reporting Form: Page 4

STATE RAFFLE LAWS ACKNOWLEDGEMENT FORM

Name of Club Foundation_____

Name of Sponsoring/Affiliated Altrusa Club:

Name, address, and phone number of Foundation's Board President:

On behalf of the referenced Foundation, I acknowledge that I have reviewed the applicable procedures under my state's law [found at www.stepbystepfundraising.com/raffle-laws-us-by-state], and certify that all raffles conducted by such Foundation are in compliance with state law.

Signature

Printed Name

Return signed Acknowledgement to: Shawna Kaiser, Foundation Coordinator Altrusa International, Inc.
One North LaSalle Street, Suite 1955
Chicago, IL 60602
Fax: 312-789-4416



**Local Club Foundations (LCF):
Frequently Asked Questions**
(312) 427-4410 | foundation@altrusa.org

Structure:

1. Does the local club foundation operate on the same fiscal year as International Foundation?

Yes. The fiscal year is June 1 to May 31.

2. What if we have changes to our LCF during the year?

Please keep the International Foundation office updated with any changes to your Board of Directors, addresses, etc.

Any updates to your LCF's Articles of Incorporation or Bylaws MUST be approved by the International Foundation Legal Advisor. Please send updated documents to the International Foundation for approval.

3. Does my Altrusa Club need to be incorporated before forming a local club foundation?

No, it does not; however, there is a mandate from the International Association to incorporate; therefore, it would be most efficient to do both at the same time.

4. If our LCF is revoked by the Internal Revenue Service and we regain good standing, can we be included under the International Foundation Group Exemption Number (GEN) again?

It's true that if an LCF is revoked by the IRS, then the International Foundation will remove the LCF from the GEN. However, if your revoked LCF regains good standing status with the IRS, then YES, you may be included again under the GEN. You will need to provide official documents from the IRS.

5. Should the Club Board and LCF Board be separate?

Yes. Ideally, your Club Board and LCF Board would have different members; however, it's understandable (especially for smaller Clubs) for the Club Board to also serve on the LCF Board. Please keep in mind you may have non-Altrusans serve on the LCF Board.

Also, the Club Board should not direct the LCF Board on how to spend LCF funds. The LCF Board must exercise judgment with respect to grants, payments, scholarships, etc. made out of foundation funds. The Club Committees make recommendations, but the LCF Board has the legal responsibility to spend foundation funds as deemed proper.

Finance:

1. Can we use LCF funds to help balance the Club's budget?

No, it is not appropriate to use funds donated to a charity such as a local club foundation for administrative, operating, or any other expenses related to the Club. It's the legal responsibility of the LCF Board to maintain funds for grants/service project needs.

2. Should our Club and LCF operate with separate banking accounts?

Yes, a Club must maintain two separate bank accounts and prepare two budgets: one for club administrative expenses and one for LCF service projects/grants.

When a Club forms its LCF, all funds raised by donations from the general public or from fundraisers must be deposited in the LCF account.

The LCF only needs one account, and may pay for the expenses associated with running the LCF (which is minimal, such as bank charges) but the bulk of the money in the LCF account must be spent on service projects/grants. It's unrealistic to expect the LCF to have zero expenses.

3. Please provide examples of income and expenses of the Club operations account, and income and expenses for the Club Foundation account.

Club Operations:

Examples of Income:

Club dues

Donations: the contributor must be informed that the gift is NOT tax deductible.

Fundraisers: i.e. raffle. Again, the participants must be made aware that the proceeds benefit the club, not the charitable Foundation.

Examples of Expenses:

Postage for mailings to members

Cost of producing annual Altrusa yearbook

Cost of printing Club brochure

Local Club Foundation Account:

Examples of Income:

Donations

Fundraisers (each fundraiser should have a separate budget, showing income and expenses associated with the fundraiser)

Examples of Operational Expenses:

Bank fees

P.O. Box (ensures delivery of important correspondence from IRS, state and local governments)

Foundation Stationery/envelopes

Service Project Expenses incurred to perform the service.

Logos:

1. Are we required to use the LCF logo provided by the International Foundation?

No, you are not required to use the logo; however, the logo maintains a consistent branding between the Club, the LCF, and the Altrusa Association as a whole.

2. Why would we use the International Foundation logo at the local level?

The International Foundation logo may be used at the local level for fundraisers created for the International Foundation only. Of course, your LCF logo may be used to raise funds for your local projects.

Insurance:

1. What type of insurance are LCF's covered under the International Foundation?

There are two insurance policies under which LCF's are covered under the International Foundation.

One is for your Foundation Board members, called Directors & Officers (or D&O). This policy protects your LCF Board members from any lawsuits brought upon by their decision-making as a Board member.

The second is liability insurance that protects your assets from lawsuits during fundraisers and events held by your LCF. You are encouraged to contact the insurance company directly for a liability certificate of insurance prior to your event.

Please contact:

Michelle L. Wolff

Cook and Kocher Insurance Group
300 S. Northwest Highway, Suite 208
Park Ridge, IL 60068
847-692-9200 – Phone
847-692-9299 – Fax
michellew@cookandkocher.com

GLOSSARY

Exempt Purposes - Internal Revenue Code Section 501(c)(3)

The exempt purposes set forth in section 501(c)(3) are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals. The term *charitable* is used in its generally accepted legal sense and includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.

Inurement/Private Benefit - Charitable Organizations

A section 501(c)(3) organization must not be organized or operated for the benefit of private interests, such as the creator or the creator's family, shareholders of the organization, other designated individuals, or persons controlled directly or indirectly by such private interests. No part of the net earnings of a section 501(c)(3) organization may inure to the benefit of any private shareholder or individual. A private shareholder or individual is a person having a personal and private interest in the activities of the organization.

Difference between a Private and Public Foundation

Private foundations

Foundation Center defines a private foundation as a nongovernmental, nonprofit organization having a principal fund managed by its own trustees or directors. Private foundations maintain or aid charitable, educational, religious, or other activities serving the public good, primarily through the making of grants to other nonprofit organizations.

Every U.S. and foreign charity that qualifies under Section 501(c)(3) of the Internal Revenue Service Code as tax-exempt is a "private foundation" unless it demonstrates to the IRS that it has met the public support test. Broadly speaking, organizations that are not private foundations are public charities as described in the Internal Revenue Service Code.

Public charities

Public charities generally derive their funding or support primarily from the general public, receiving grants from individuals, government, and private foundations. Although some public charities engage in grant-making activities, most conduct direct service or other tax-exempt activities. A private foundation, on the other hand, usually derives its principal fund from a single source, such as an individual, family, or corporation, and more often than not is a grant-maker. A private foundation does not solicit funds from the public.

Political and Lobbying Activities

Political activities and legislative activities (commonly referred to as *lobbying*) are two different things and are subject to two different sets of rules and have different consequences of exceeding the limitations. The rules applied in a given situation depend on several issues:

- The type of tax-exempt organization (different rules apply to private foundations than to other section 501(c)(3) organizations),
- The type of activity (political or lobbying) at issue, and
- The scope or amount of the activity conducted.

Substantiating Charitable Contributions

Many charitable organizations described in section 501(c)(3), other than testing for public safety organizations, are eligible to receive tax-deductible contributions in accordance with section 170. Most eligible organizations are listed in Exempt Organizations Select Check (Pub 78 database).

A charitable organization must provide a written disclosure statement to donors of a quid pro quo contribution in excess of \$75. A *quid pro quo contribution* is a payment made to a charity by a donor partly as a contribution and partly for goods or services provided to the donor by the charity. For example, if a donor gives a charity \$100 and receives a concert ticket valued at \$40, the donor has made a quid pro quo contribution. In this example, the charitable contribution portion of the payment is \$60. Even though the part of the payment available for deduction does not exceed \$75, a disclosure statement must be filed because the donor's payment (quid pro quo contribution) exceeds \$75. The required written disclosure statement must:

1. Inform the donor that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of any money (and the value of any property other than money) contributed by the donor over the value of goods or services provided by the charity, and
2. Provide the donor with a good faith estimate of the value of the goods or services that the donor received.

The charity must furnish the statement in connection with either the solicitation or the receipt of the quid pro quo contribution. If the disclosure statement is furnished in connection with a particular solicitation, it is not necessary for the organization to provide another statement when the associated contribution is actually received.

No disclosure statement is required when:

1. The goods or services given to a donor meet the standards for *insubstantial value* set out in Revenue Procedure 90-12, 1990-1 C.B. 471, and Revenue Procedure 92-49, 1992-1 C.B. 987 (as updated);
2. There is no donative element involved in a particular transaction with a charity (for example, there is generally no donative element involved in a visitor's purchase from a museum gift shop); or
3. There is only an intangible religious benefit provided to the donor. The intangible religious benefit must be provided to the donor by an organization organized exclusively for religious purposes, and must be of a type that generally is not sold in a commercial transaction outside the donative context.

A penalty is imposed on a charity that does not make the required disclosure in connection with a quid pro quo contribution of more than \$75. The penalty is \$10 per contribution, not to exceed \$5,000 per fund-raising event or mailing. The charity can avoid the penalty if it can show that the failure was due to reasonable cause.

Under a new recordkeeping rule effective for all cash, check, electronic funds transfers, credit card charges, or other monetary contributions of any amount made in taxable years beginning after August 17, 2006, the donor must obtain and keep a bank record or a written communication from the donee as a record of the contribution. Written records prepared by the donor (such as check registers or personal notations) are no longer sufficient to support charitable contributions. *Bank records* for this recordkeeping requirement include bank or credit union statements, canceled checks, or credit card statements. They must show the date paid or posted, the name of the charity, and the amount of the payment. Taxpayers who claim charitable contributions made by payroll deduction can satisfy the recordkeeping requirement if the donor has (1) a pay stub, W-2, or other document furnished by the employer that states the amount withheld for payment to charity, and (2) a pledge card or other document prepared

by or at the direction of the charity that shows the name of a donee. An organization described in section 170(c), or a Principal Combined Fund Organization for purposes of the Combined Federal Campaign, will be treated as a donee organization for purposes of the new recordkeeping provision.

A donor claiming a deduction of \$250 or more is also required to obtain and keep a contemporaneous written acknowledgment for a charitable contribution. To be contemporaneous the written acknowledgment must generally be obtained by the donor no later than the date the donor files the return for the year the contribution is made. The written acknowledgment must state whether the donee provides any goods or services in consideration for the contribution. If the donee provides goods or services to the donor in exchange for the contribution (a quid pro quo contribution), the written acknowledgment must include a good faith estimate of the value of the goods or services. The donee is not required to record or report this information to the IRS on behalf of a donor. The donor is responsible for requesting and obtaining the written acknowledgement from the donee. Although there is no prescribed format for the written acknowledgment, it must provide sufficient information to substantiate the amount of the contribution. For more information, see Publication 1771.

The contemporaneous written acknowledgment may be contained in the same document as the written communication from the donee used to satisfy the new cash recordkeeping requirement, as long as it contains all information required by both the recordkeeping requirement and the contemporaneous written acknowledgment requirement.

For claimed contributions over \$5,000, generally a qualified appraisal prepared by a qualified appraiser must be obtained. For appraisals prepared in connection with returns or submissions filed after August 17, 2006, see Notice 2006-96.

Household items and clothing contributed to charity after August 17, 2006 must be in at least good used condition to be deductible. This requirement does not apply to contributions of food, paintings, antiques, other art objects, jewelry and gems, or collections, and does not apply to a contribution of an item for which a deduction of more than \$500 is claimed if the taxpayer obtains a qualified appraisal of the item.

Additional information

- Publication 1771, Charitable Contributions - Substantiation and Disclosure Requirements
- Updates on Disclosure and Substantiation Rules.
- IRC 6700 and IRC 6701 and Charitable Contribution Deductions
- Publication 526, Charitable Contributions
- Required Disclosures - online training at StayExempt.IRS.gov
- Contributions of vehicles

Private Interests

Inurement/Private Benefit - Charitable Organizations

A section 501(c)(3) organization must not be organized or operated for the benefit of private interests, such as the creator or the creator's family, shareholders of the organization, other designated individuals, or persons controlled directly or indirectly by such private interests. No part of the net earnings of a section 501(c)(3) organization may inure to the benefit of any private shareholder or individual. A private shareholder or individual is a person having a personal and private interest in the activities of the organization.

EXCESS BENEFIT TRANSACTION

Intermediate sanctions - excess benefit transactions

An excess benefit transaction is a transaction in which an economic benefit is provided by an applicable tax-exempt organization, directly or indirectly, to or for the use of a disqualified person, and the value of the economic benefit provided by the organization exceeds the value of the consideration received by the organization.

To determine if an excess benefit transaction occurred, include all consideration and benefits exchanged between or among the disqualified person and the applicable tax-exempt organization and all entities it controls.

In addition, if a supporting organization makes a grant, loan, payment of compensation, or similar payment to a substantial contributor of the organization, the arrangement is an excess benefit transaction. The entire amount of the payment is taxable as an excess benefit.

In an excess benefit transaction, the general rule for the valuation of property, including the right to use property, is fair market value. Fair market value is the price at which property, or the right to use property, would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy, sell, or transfer property or the right to use property, and both having reasonable knowledge of all relevant facts.

An excess benefit can occur in an exchange of compensation and other compensatory benefits in return for the services of a disqualified person, or in an exchange of property between a disqualified person and the applicable tax-exempt organization.

Certain transactions to which donor-advised funds or supporting organizations are parties are excess benefit transactions.

Date an Excess Benefit Transaction Occurs

An excess benefit transaction occurs on the date the disqualified person received the economic benefit from the applicable tax-exempt organization for federal income tax purposes. However, when a single contractual arrangement provides for a series of compensation payments or other payments to a disqualified person during the disqualified person's taxable year, any excess benefit with respect to these payments occurs on the last day of the disqualified person's taxable year.

Section 4958 applies to all excess benefit transactions occurring on or after September 14, 1995. However, Section 4958 does not apply to excess benefit transactions that occurred under a written contract, if the contract was binding on September 13, 1995 and at all times thereafter before the excess benefit transaction occurred.

Correcting the Excess Benefit

A disqualified person corrects an excess benefit transaction by undoing the excess benefit to the extent possible, and by taking any additional measures necessary to place the organization in a financial position not worse than that in which it would be if the disqualified person were dealing under the highest fiduciary standards. The organization is not required to rescind the underlying agreement; however, the parties may need to modify an ongoing contract with respect to future payments.

A disqualified person corrects an excess benefit transaction by making a payment in cash or cash equivalents equal to the correction amount to the applicable tax-exempt organization. The correction amount equals the excess benefit plus the interest on the excess benefit. The interest rate may be no lower than the applicable Federal rate. There is an anti-abuse rule to prevent the disqualified person from effectively transferring property other than cash or cash equivalents.

With the agreement of the applicable tax-exempt organization, a disqualified person may make a payment by returning the specific property previously transferred in the excess benefit transaction. The return of property is considered a payment of cash (or cash equivalent) equal to the lesser of:

- The fair market value of the property on the date the property is returned to the organization, or
- The fair market value of the property on the date the excess benefit transaction occurred.

If the payment resulting from the return of property is less than the correction amount, the disqualified person must make an additional cash payment to the organization equal to the difference.

If the payment resulting from the return of the property exceeds the correction amount, the organization may make a cash payment to the disqualified person equal to the difference.

Political and Lobbying Activities

Political activities and legislative activities (commonly referred to as *lobbying*) are two different things and are subject to two different sets of rules and have different consequences of exceeding the limitations. The rules applied in a given situation depend on several issues:

- The type of tax-exempt organization (different rules apply to private foundations than to other section 501(c)(3) organizations),
- The type of activity (political or lobbying) at issue, and
- The scope or amount of the activity conducted.

Application Process

The questions that follow will help you determine if an organization is eligible to apply for recognition of exemption from federal income taxation under section 501(a) of the Internal Revenue Code and, if so, how to proceed.

If you want to see an in-depth discussion of exemption requirements under section 501(a) of the Code, rather than going through a step-by-step analysis of an organization's eligibility to apply for recognition of exemption from federal income taxation, see Types of Exempt Organizations or IRS Publication 557, Tax Exempt Status For Your Organization. In addition, Publication 4220, Applying for 501(c)(3) Tax-Exempt Status, is designed to help prospective charities apply for tax exemption under the tax law.

First Things First. Does The Organization Have an Appropriate Legal Form?

For the Internal Revenue Service (the IRS) to recognize an organization's exemption, the organization must be organized as a trust, a corporation, or an association.

Is the organization a trust, corporation, or association? **Yes** | **No**

PRIVATE FOUNDATIONS

Life Cycle of a Private Foundation - Starting Out

The first stage in the life cycle of any organization is its creation. A non-profit organization may be created as a corporation, a trust, or an unincorporated association. Any of these entities may qualify for exemption. Note, however, that a partnership generally may not qualify.

To qualify for exemption under section 501(c)(3), an organization must be organized exclusively for purposes described in that section. This means, among other things, that the organization's organizing document must contain certain provisions. The IRS provides [sample organizing documents](#) that contain the required provisions. To help ensure that your organizing documents comply with the requirements for exemption, you can seek [help](#) from the IRS. In order to file for recognition of tax-exempt status, you must apply for and receive an employer identification number even if you do not have employees (see below). And though not necessarily required under federal tax law, most organizations adopt by-laws (see below).

Organizing Documents

The trust instrument, corporate charter, articles of association, or other written instrument by which the organization is created under state law.

By-Laws

By-laws are an organization's internal operating rules. State law may require nonprofit corporations to have by-laws, and nonprofit organizations generally find it advisable to have internal operating rules. Federal tax law does not require specific language in the by-laws of most organizations. For additional information on state law requirements, you may want to contact your [state officials](#).

Employer Identification Number

Every foundation must have an employer identification number, even if it will not have employees. The employer identification number is a unique number that identifies the organization to the Internal Revenue Service. Please note that the employer identification number is not your "tax-exempt number". That term generally refers to a number assigned by a state agency that identifies organizations as exempt from state sales and use taxes. You should contact your [state revenue department](#) for additional information about "tax exempt numbers".

To apply for an employer identification number, you should obtain [Form SS-4](#) and its [Instructions](#). You may also apply for an employer identification number [on-line](#). For additional information about employer identification number application procedures, see [Question 4 of FAQs regarding Applying for Tax Exemption](#).

Types of Private Foundations

In general, a [private foundation](#) is any section 501(c)(3) organization that is not in one of the categories of *public charities* [specifically excluded](#) from the definition of that term. Some tax law provisions apply to all private foundations. Others, however, are more narrowly focused on particular types of private foundations. For tax purposes, it may be necessary to distinguish between the following types of foundations:

- [Private operating foundations](#)
- [Exempt operating foundations](#)
- [Grant-making foundations](#)

Charitable Solicitation

Most states require charitable organizations to register with one or more state agencies before soliciting contributions within the state. Organizations must typically file reports with the state supervising agency, including a copy of IRS Form 990-PF. For more information, including how to determine in which states registering may be required, see the website of the National Association of State Charity Officials.

Social Activity v. Social Welfare Organizations

If social activities will be an organization's primary purpose, it will not qualify for exemption as a social welfare organization under section 501(c)(4). It may, however, qualify as a social club described in section 501(c)(7).

SUPPLEMENTARY MATERIALS

The IRS provides on-line training for tax-exempt organizations and charitable organizations seeking tax-exempt status at www.StayExempt.irs.gov. The site includes information for [new applicants](#); information to help existing exempt organizations [maintain their exemption](#); and more [in-depth topics](#). **Visit: www.stayexempt.irs.gov**

Resource Library

Glossary [[click to open list](#)]

A list of the many of the tax terms used on this site and what they mean.

Forms and Publications [[click to open list](#)]

A list of the most common IRS forms and publications used by tax-exempt organizations.

Life Cycle of an Exempt Organization

The Life Cycle tool provides information on points of intersection between organizations and the IRS. Materials include explanatory information and links to forms an organization may need to file during the five stages of its charitable life.

Posted on September 30, 2010 | [Life Cycle Tool](#)

Small and Medium-sized 501(c)(3) Organizations Workshop

These downloadable PDF chapters come straight out of the Small to Mid-sized Workshop participant text books offered at Exempt Organization's one-day workshops for small and mid-size section 501(c)(3) exempt organizations. These live workshops, presented by experienced Exempt Organizations specialists, explain what 501(c)(3) organizations must do to keep their tax-exempt status. This introductory workshop is designed for the administrators or volunteers responsible for an organization's tax compliance. Pre-registration is required. Visit the Exempt Organizations [Workshop Events Calendar](#) for more information.

Phone Forum and Webinars

This list includes various presentations provided by the Exempt Organizations team. Many can also be found on www.irsvideos.gov.

EO Resources PPT from Exempt Organizations Live Events

This PowerPoint presentation is used during live Exempt Organizations training events.

2014 Tax Forum Workshop PowerPoint Presentation

Copy of the presentation materials for participants in the 2014 Tax Forums.