MEALS ON WHEELS ANNUAL CONFERENCE AND EXPO

AUGUST 27-29, 2019

DALLAS, TX

MEALS ON WHEELS ANNUAL CONFERENCE AND EXPO AUGUST 27-29, 2019 DALLAS, TX

Smooth Sailing: *Navigating the Straits of Accounting Requirements between Fundraising and Compliance*

Douglas Boedeker, CPA, CMA

Partner, Audit & Assurance Services

Tate & Tryon, CPAs and Consultants

Washington, DC

dboedeker@tatetryon.com

Today's Agenda and Learning Objectives

Revenue Recognition – An endless point of contention!

- Contribution vs. Exchange Transactions
- Unrelated Business Income Traps
- Issues with Promises to Give (Pledges Receivable)

Cost allocations – what counts as Program, G&A, and Fundraising expense?

Form 990 Considerations

After this seminar, participants will have an understanding of some of the key fundraising and development areas that often lead to issues or confusion during a nonprofit's financial statement audit and tax preparation.

Revenue recognition is tough!

“Contribution” vs. **“Exchange”** (*Earned Revenue*) Transaction

Many arrangements have elements of both.

Why does this matter?

- <u>Contribution revenue</u> – ***<u>recognized immediately</u>***, and may be restricted.

- <u>Exchange transaction</u> – recognized when ***<u>earned.</u>***

Some transactions are contributions (nonreciprocal)...

What is a contribution? Here's part of the latest (pending) definition from the Financial Accounting Standards Board's (FASB's) Accounting Standards Codification's (ASC) Master Glossary:

> "An unconditional transfer of cash or other assets, as well as unconditional promises to give, to an entity or a reduction, settlement, or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner. Those characteristics distinguish contributions from:
>
> a. Exchange transactions, which are reciprocal transfers in which each party receives and sacrifices approximately commensurate value..."

What are the hallmarks of an Exchange Transaction?

In essence, it is a commercial transaction. The revenue needs to be "earned" in order for it to be recognized.

One party is purchasing goods or services from another. The amount being paid is equal to the value of the goods or services being received.

In the case of nonprofits the key question is, "Who is benefiting from the payment?" If the general public or society is the primary beneficiary, the payment is generally considered to be a contribution.

Terms that have no real accounting meaning...

These words can be exchange transactions, contributions, or a combination.

Contracts (Only in the context of a contribution transaction, don't forget the guidance in FASB ASU 2014-09, *Revenue from Contracts with Customers,* for exchange transactions.)

Sponsorships

Corporate and Government Grants

Royalty Arrangements

Remember, arrangements that have both contribution and exchange elements should have the components accounted for separately.

UBIT Explosions!

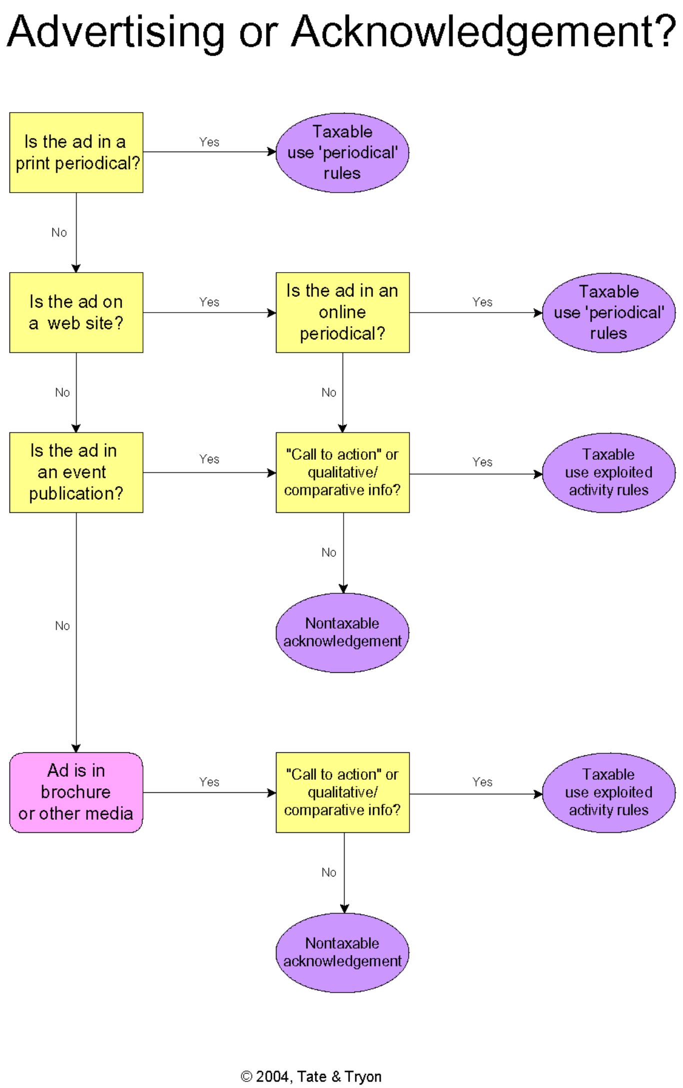
TAX TRAP – Carefully consider whether any part of sponsorship or royalty arrangements are considered taxable "advertising" under the Internal Revenue Code. ***The IRS looks at the substance of the transaction, not the terms used.***

Advertising revenue

- Have you caught advertising revenue embedded in "royalty," "grants," or "sponsorship" payments?
- Do you have ads or sponsored content on your website?
- Do your "sponsor acknowledgments" contain advertising?

Check your "royalties" to make sure they are truly exempt from UBI.

- Are your "royalties" really from a passive activity?
- Consider breaking revenue streams out for services rendered.



Ads: Taxable or Not?

This flowchart will help you to distinguish non-taxable acknowledgements from taxable advertisements.

An online publication is a "periodical" if it meets the periodical rules; i.e., regularly scheduled material not associated with a specific event.

A "call to action" is an inducement to contact the advertiser. Examples: "contact one of our representatives" or "click here to receive a 10% discount on our products."

General contact information, such as name, address, telephone, web site address, or e-mail address is not considered a "call to action."

Qualitative or comparative information is a type of inducement. Examples: "our products meet the highest quality standards" or "our products are better than XYZ's products."

The "periodical rules" include the calculation of circulation income.

The "exploited exempt activity" rules are somewhat more relaxed, and do not require the imputation of additional revenues.

What is a Promise to Give? (AKA, "Pledges Receivable")

Here's the definition from the Accounting Standards Codification's (ASC) Master Glossary:

> "A written or oral agreement to contribute cash or other assets to another entity. A promise carries rights and obligations—the recipient of a promise to give has a right to expect that the promised assets will be transferred in the future, and the maker has a social and moral obligation, and generally a legal obligation, to make the promised transfer. A promise to give may be either conditional or unconditional."

This definition sets a relatively high standard for an arrangement to be considered a "promise to give" for accounting purposes.

When is revenue recognized for Promises to Give?

Unconditional – revenue is recognized equal to the present value of the future anticipated payments as of the date of the promise.

Conditional – recognize the revenue once the condition is satisfied. (Significant conditional promises to give should be disclosed in the footnotes to the financial statements.)

Valuation of recognized promises to give is a common source of contention between clients and auditors!

A key point to remember...

For accounting purposes a **CONDITION** *is not the same* as a **RESTRICTION**.

Restrictions typically don’t impact *when* revenue is recognized.

Restrictions merely indicate *how* funds can be utilized.

Of course, the revenue will be considered restricted revenue, but it is recognized when unconditionally promised/received.

What is an Unconditional Promise to Give?

Here's the definition from the Accounting Standards Codification's (ASC) Master Glossary:

"A promise to give that depends only on passage of time or demand by the promisee for performance."

What is a Conditional Promise to Give?

Here's the definition from the Accounting Standards Codification's (ASC) Master Glossary:

"A promise to give that depends on the occurrence of a specified future and uncertain event to bind the promisor."

What counts as a condition?

A future and uncertain event.

There must be more than a remote (slight) chance of not meeting the condition.

Wording indicating something like: "*this is for your budgeting purposes only*", "*we reserve the right to withdraw this commitment*", or "*we plan on providing you with $XXXX"* does not indicate a promise to give.

In the case of significant ambiguity about the donor's intention, <u>*presume a conditional promise to give*</u>.

Consideration of Potential Conditions

Challenge grants are conditional promises to give. The promised revenue would be recognized once fundraising targets are met.

The requirement to provide an annual report to the donor is NOT a condition. This is because there is only a remote chance that a funding recipient would not fulfill a routine administrative task.

FASB has issued a new accounting standard that tries to clarify some of these issues. (We'll talk about that later on.)

What do auditors look for to verify promises to give?

Inquiry of management.

Examination of written documentation related to the promise:

- Documentation received from the donor is best
- Consider the wording contained within the organization's solicitation materials

Reconcile the development department's donor data to the information in the general ledger.

- Does your development database interface with accounting records?
- How good is the communication between development and accounting?

What do auditors look for to verify promises to give?

Consider whether payments of promised amounts have been received after balance sheet date.

For multi-year commitments, are donors staying current on their obligations?

Direct confirmation/communication between the auditor and the donor may be necessary.

Reducing Confusion for Contributions Revenue

- Have the accounting department read the language of fundraising materials before they are released.
- Does the language create a “promise” or merely an “intention” to give? Remember, the accounting for a promise is very different from an intention.
- Does the language create ambiguity as to when payment can be expected?
- Does the language clarify if there are restrictions placed on the contributions?
- Is it clear if a long-term “endowment” is being created?
- Are investment earnings on restricted funds also restricted?

FASB's Accounting Standards Update 2018-08

Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made

What is the point of the ASU?

Attempts to address two nagging not-for-profit accounting issues:

1. Are “grants” and “contracts” with governmental agencies (and others, like private foundations) exchange transactions or contributions?

2. What is a “conditional” versus an “unconditional” contribution?

An interesting clarification contained in the ASU.

The <u>term</u> used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) is not a factor for determining whether an agreement is within the scope of the FASB's contributions revenue accounting guidance. *<u>Remember, substance over form!</u>*

Issue 1: Is it an "Exchange Transaction" or a "Contribution"?

- The resource provider is **not** synonymous with the general public, even a governmental entity. What this means is that if a resource provider receives value indirectly by providing a benefit to the general public or society, this would be considered a nonreciprocal transaction (contribution).
- Intangible benefits such as furthering a resource provider's mission or "feeling good" does not constitute an exchange transaction received.
- However, payments from a government *for an identified customer*, such as tuition grants or Medicare reimbursements, **are still an exchange transaction.**

Issue 2 – “Conditional” or “Unconditional”?

A contribution is “CONDITIONAL” if it has the following two items:

1. A ***BARRIER*** that must be overcome before the NFP is entitled to the contribution, and

2. Failure to satisfy the barrier gives the donor a ***right of return*** of its funds or ***a right of release*** from its obligation.

Remember, ***conditions*** are something different from ***restrictions*.** The presence of a condition is important to determine if revenue should be recognized at all.

An agreement does not need to have the terms “right of return” or “right of release” to incorporate these concepts. There just needs to be the ability to draw a reasonable conclusion that such a right is being incorporated into the agreement. JUDGMENT!

What constitutes a Barrier?

FASB is currently suggesting the following indicators:

1. The inclusion of a measurable performance-related barrier or other measurable barrier.

2. The extent to which a stipulation limits discretion by the recipient. (Such as guidelines regarding qualifying expenses.)

3. Whether a stipulation is related to the purpose of the agreement. (This would not include routine administrative tasks or trivial items.)

Let's consider some examples from the FASB

Private foundation states that an NFP must provide training to at least 8,000 disabled veterans during the next year. (With a minimum number of trainings of 2,000 per quarter.)

Research hospital receives a Federal grant for work related to thyroid cancer. Hospital must incur qualifying expenses and unspent funds must be returned.

NFP receives a foundation grant. The foundation states that the NFP must submit final report explaining how the grant funds were used.

A university is conducting a capital campaign. It receives a contribution from a private foundation for the capital campaign. The contribution agreement states that funds not spent on the capital campaign must be returned.

ASU 2018-08 Implementation Dates

For those organizations *receiving resources:*

"Public" Nonprofits must implement for annual periods beginning after June 15, 2018. (Basically December 31, 2018 or FYE 2019.)

All other nonprofits must implement for annual periods beginning after December 15, 2018. (Basically December 31, 2019 or FYE 2020.)

For those organizations *providing resources:*

"Public" Nonprofits must implement for annual periods beginning after December 15, 2018. (Basically December 31, 2019 or FYE 2020.)

All other nonprofits must implement for annual periods beginning after December 15, 2019. (Basically December 31, 2020 or FYE 2021.)

Expense Reporting – Functional Expenses

	Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	$ 146,141	$ 79,263	$ 22,293	$ 247,697
Office and other expense	31,441	17,053	4,796	53,290
Grant expense	25,636	13,904	3,911	43,450
Advertising and promotion	19,724	10,698	3,009	33,431
Consultant and professional fees	17,736	9,620	2,705	30,061
Rent	17,059	9,252	2,602	28,913
Bank and credit card fees	5,645	3,061	861	9,567
Travel, entertainment and special events	2,121	1,150	324	3,595
Depreciation	1,084	588	165	1,838
Postage and delivery	185	100	28	313
Total	**$ 266,771**	**$ 144,690**	**$ 40,694**	**$ 452,155**

Functional Expenses – General Guidelines

The “right” amount of Program, Management & General, and Fundraising expenses is debatable. Here are the guidelines from the BBB Wise Giving Alliance (www.Give.org):

Program expenses should be at least 65% of total expenses.

No more than 35% of related revenue (contributions) should be spent on fundraising.

“Charity Watchdog” organizations and the IRS are suspicious of entities that report no or very low fundraising expenses.

Expense Reporting – Functional Expenses (New FASB Standard)

Financial Accounting Standards Board’s (FASB’s) updated not-for-profit financial reporting standard is effective for years ending December 31, 2018 or fiscal years ending in 2019.

Mandates functional expense reporting for ALL not-for-profits.

Expenses that are shown as reductions in revenue, like salaries included in COGS or direct expenses of special events, should be included within the “functional expense” schedule.

Investment expenses SHOULD NOT be included in the “functional expense” schedule.

What are Program Services?

Here's the definition from ASC Master Glossary:

"The activities that result in goods and services being distributed to beneficiaries, customers, or members that fulfill the purposes or mission for which the not-for-profit entity (NFP) exists. Those services are the major purpose for and the major output of the NFP and often relate to several major programs."

What are Management & General Activities?

Here's the (latest) definition from the ASC Master Glossary:

"Supporting activities that are not directly identifiable with one or more program, fundraising, or membership-development activities."

Expense Reporting – Cost Allocations (New FASB Standard)

“Under the Radar Change” – ASU attempts to provide better guidance on what should be considered “Management & General” expense.

Basically, only costs related to “Direct Conduct” or “Direct Supervision” of an activity are allocable out of M&G.

Expense Reporting – Cost Allocations (New Standard)

ASC's examples of "Management and General" (*slightly edited*)

958-720-45-2 Management and general activities include the following:

a. Oversight
b. Business management
c. General recordkeeping and payroll
d. Budgeting
e. Financing, including unallocated interest costs pursuant to paragraph 958-720-45-24
f. Soliciting funds other than **contributions** and membership dues, for example, the costs associated with:
   1. Promoting the sale of goods or services to customers, including advertising costs
   2. Responding to government, foundation, and other requests for proposals for customer-sponsored contracts for goods and services

ff. Administering government, foundation, and similar customer-sponsored contracts, including billing and collecting fees and grant and contract financial reporting
g. Disseminating information to inform the public of the NFP's stewardship of contributed funds
h Making announcements concerning appointments
i. Producing and disseminating the annual report
j. Employee benefits management and oversight (human resources)
k. All other management and administration except for direct conduct of program services….fundraising activities….or membership development activities….

What are Fundraising Activities?

Here's the definition from the ASC Master Glossary:

"Activities undertaken to induce potential donors to contribute money, securities, services, materials, facilities, other assets, or time."

Here's the definition from the Form 990 Instructions:

"Fundraising expenses are the expenses incurred in soliciting cash and noncash contributions, gifts, and grants. Report as fundraising expenses all expenses, including allocable overhead costs, incurred in: (a) publicizing and conducting fundraising campaigns and (b) soliciting bequests and grants from individuals, foundations, other organizations, or governmental units that are reported on Part VIII, line 1. This includes expenses incurred in participating in federated fundraising campaigns; preparing and distributing fundraising manuals, instructions, and other materials; and preparing to solicit or receive contributions."

Expense Reporting – Cost Allocations (New Standard)

EXAMPLE #1

CEO is responsible for general oversight of the NFP's administration and programs.

- **A part of the CEO's time is spent directly supervising the Job Force Training (JFT) program.**
- **The CEO's salaries and benefits related to supervising JFT can be allocated to the program.**
- **Remainder of salaries and benefits would stay in M&G.**

Expense Reporting – Cost Allocations (New Standard)

EXAMPLE #2

The NFP's accountant spends a great deal of time each month preparing the financial reports required by the NFP's federal grants.

- GAAP considers this work to be part of the NFP's accounting function.
- The work does not count as direct supervision or direct conduct of the grant.
- Therefore, the accountant's time spent on preparing grant reports would stay in M&G.

Expense Reporting – Cost Allocations (New Standard)

EXAMPLE #3

The HR Director is responsible for dealing with the NFP's benefits administration. Since this benefits all employees of the NFP, benefits administration is considered to be part of M&G.

Here's a question:

What about the time the HR Director spends assisting with the NFP's annual employee performance and salary review process?

Allocating Fundraising Costs – "Joint Activities"

Joint activities contain costs that could be a combination of program services, management & general, and fundraising.

There is a presumption the costs are **100% fundraising** unless *each* of the following three tests are met:

- Purpose Criterion
- Audience Criterion
- Content Criterion

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX . . . . ☐

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21				
2 Grants and other assistance to domestic individuals. See Part IV, line 22				
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees				
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages				
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)				
9 Other employee benefits				
10 Payroll taxes				
11 Fees for services (non-employees):				
a Management				
b Legal				
c Accounting				
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.)				
12 Advertising and promotion				
13 Office expenses				
14 Information technology				
15 Royalties				
16 Occupancy				
17 Travel				
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization				
23 Insurance				
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a				
b				
c				
d				
e All other expenses				
25 **Total functional expenses.** Add lines 1 through 24e				
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Allocating Fundraising Costs – "Purpose Criterion"

Educating recipients about the organization's causes or related issues **DOES NOT** count as something that satisfies the "purpose" criterion.

Basically, education is looked at like an advertising or marketing activity.

The activity should contain some kind of "call for specific action" that the recipient should undertake. (Again, just getting educated on the issue does not count.)

If compensation or fees is based on the level of contributions generated by the activity, the purpose criterion is not met.

Allocating Fundraising Costs – “Audience Criterion”

It is presumed that the audience criterion is not met if the audience is selected based on its ability to contribute or if prior donors are included.

If the audience can take specific programmatic action desired by NFP, and prior donation history was an insignificant selection factor, the audience criterion can be met.

Required donor acknowledgments/receipts would not fail the audience criterion. (In this case, the audience has to be prior donors.)

Allocating Fundraising Costs – “Content Criterion”

Often, this is difficult to distinguish from the Purpose Criterion.

The content of the communication should accomplish a legitimate programmatic or management & general function.

Otherwise, the entire cost of the activity is considered fundraising.

Remember, just communicating or education about the issue or cause is not sufficient to pass this test.

TAX TRAP – Cost Allocations

The value of donated *services* is NOT reportable as an expense on the Form 990.

Thus, if significant donated services are reported as programmatic services on the audited financial statements, the program service percentage shown on the 990 may look much lower.

Schedule O of the Form 990 can be used to explain this difference.

Schedule G – Fundraising or Gaming Activities

SCHEDULE G
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" on Form 990, Part IV, line 17, 18, or 19, or if the organization entered more than $15,000 on Form 990-EZ, line 6a.

► Attach to Form 990 or Form 990-EZ.

► Go to *www.irs.gov/Form990* for the latest instructions.

OMB No. 1545-0047

2017

Open to Public Inspection

Name of the organization | **Employer identification number**

Part I **Fundraising Activities.** Complete if the organization answered "Yes" on Form 990, Part IV, line 17. Form 990-EZ filers are not required to complete this part.

1 Indicate whether the organization raised funds through any of the following activities. Check all that apply.

- a ☐ Mail solicitations
- b ☐ Internet and email solicitations
- c ☐ Phone solicitations
- d ☐ In-person solicitations
- e ☐ Solicitation of non-government grants
- f ☐ Solicitation of government grants
- g ☐ Special fundraising events

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees, or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☐ **Yes** ☐ **No**

b If "Yes," list the 10 highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least $5,000 by the organization.

	(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col. (i)	(vi) Amount paid to (or retained by) organization
			Yes	**No**			
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
Total . . . . ►							

3 List all states in which the organization is registered or licensed to solicit contributions or has been notified it is exempt from registration or licensing.

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ. Cat. No. 50083H **Schedule G (Form 990 or 990-EZ) 2017**

Required if more than $15,000 of:

- Professional fundraising expense
- Fundraising event gross income
- Gaming gross income

Designed to shed light on fundraising agreements.

Do your fundraising agreements appear to primarily benefit the charity, or do they really benefit the fundraiser?

Schedule G – Fundraising or Gaming Activities

Schedule G (Form 990 or 990-EZ) 2017 Page **2**

Part II **Fundraising Events.** Complete if the organization answered "Yes" on Form 990, Part IV, line 18, or reported more than $15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than $5,000.

		(a) Event #1 (event type)	(b) Event #2 (event type)	(c) Other events (total number)	(d) Total events (add col. (a) through col. (c))
Revenue	1 Gross receipts				
	2 Less: Contributions				
	3 Gross income (line 1 minus line 2)				
Direct Expenses	4 Cash prizes				
	5 Noncash prizes				
	6 Rent/facility costs				
	7 Food and beverages				
	8 Entertainment				
	9 Other direct expenses				
	10 Direct expense summary. Add lines 4 through 9 in column (d) ▶				
	11 Net income summary. Subtract line 10 from line 3, column (d) ▶				

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

		(a) Bingo	(b) Pull tabs/instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col. (a) through col. (c))
Revenue	1 Gross revenue				
Direct Expenses	2 Cash prizes				
	3 Noncash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	☐ Yes ____ % ☐ No	☐ Yes ____ % ☐ No	☐ Yes ____ % ☐ No	
	7 Direct expense summary. Add lines 2 through 5 in column (d) ▶				
	8 Net gaming income summary. Subtract line 7 from line 1, column (d) ▶				

9 Enter the state(s) in which the organization conducts gaming activities: ____

a Is the organization licensed to conduct gaming activities in each of these states? ☐ Yes ☐ No

b If "No," explain: ____

10a Were any of the organization's gaming licenses revoked, suspended, or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," explain: ____

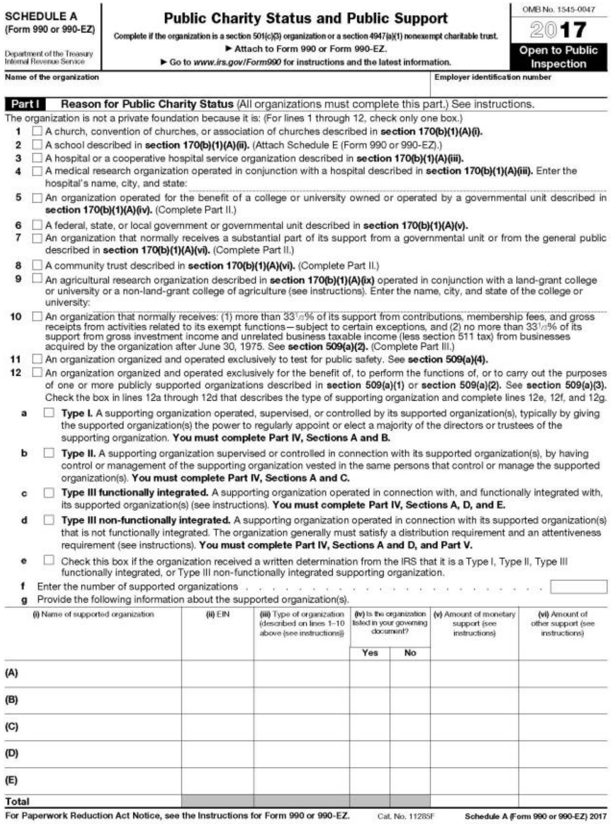
Schedule G (Form 990 or 990-EZ) 2017

Page 2 provides detail on fundraising events like Galas and Banquets

Revenue is broken out between the contribution element and the "fee for service" element.

If you conduct gaming, please make sure it is legal in your state! Raffles count as "gaming."

Form 990 Schedule A – Public Charity Status and Public Support



SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.
► Attach to Form 990 or Form 990-EZ.
► Go to *www.irs.gov/Form990* for instructions and the latest information.

OMB No. 1545-0047
2017
Open to Public Inspection

Name of the organization | Employer identification number

Part I **Reason for Public Charity Status** (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E (Form 990 or 990-EZ).)
3 ☐ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state:
5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)
6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
9 ☐ An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university:
10 ☐ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)
11 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**
12 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2).** See **section 509(a)(3).** Check the box in lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
a ☐ **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**
b ☐ **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**
c ☐ **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**
d ☐ **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**
e ☐ Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.
f Enter the number of supported organizations . . . .
g Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1–10 above (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
(A)						
(B)						
(C)						
(D)						
(E)						
Total						

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ. Cat. No. 11285F **Schedule A (Form 990 or 990-EZ) 2017**

Used by 501(c)(3) organizations to show why they are not a "private foundation".

Schedule A is used to calculate a charity's "public support percentage". The calculation can be confusing and varies depending on the type of entity.

Talk to your accountant if your organization does not have a strong public support percentage.

Douglas Boedeker, CPA, CMA

Douglas Boedeker is a partner within Tate & Tryon’s Audit and Assurance Services unit and also oversees the Firm's exempt organization tax services group. He has over 25 years of experience providing an array of audit, tax, and consulting services to a variety of nonprofit organizations and employee benefit plans.

Doug graduated *summa cum laude* from Susquehanna University in Selinsgrove, Pennsylvania with a Bachelor of Science degree in accounting while simultaneously completing the coursework for a second major in arts administration.

He can be reached at Dboedeker@tatetryon.com or (202) 419-5106.