

GLOSSARY OF TERMS USED IN FORM 990 QUESTIONNAIRE

This was sourced out of the IRS publication. We selected terms that may apply to your organization. Please see entire Glossary on the IRS website, http://www.irs.gov/pub/irs-tege/990_instructions_glossary_040708.pdf

35% CONTROLLED ENTITY

An entity that is owned, directly or indirectly (e.g., under constructive ownership rules of section 267(c)), by a given person, such as the organization's current or former officers, directors, trustees, or key employees listed in Form 990, Part VII, Section 1, or the family members thereof (listed persons) as follows:

1. A corporation in which listed persons own more than 35% of the total combined voting power;
2. A partnership in which listed persons own more than 35% of the profits interest; or
3. A trust or estate in which listed persons own more than 35% of the beneficial interest.

BUSINESS RELATIONSHIP

Business relationships between two persons include the following:

1. One person is employed by the other in a sole proprietorship or by an organization with which the other is associated as a trustee, director, officer, key employee, or greater-than-35% owner.
2. One person is transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of \$10,000 in the aggregate during the organization's tax year. Indirect transactions are transactions with an organization with which the one person is associated as a trustee, director, officer, key employee, or greater-than-35% owner.
3. The two persons are each a director, trustee, officer, or great that 10% owner in the same business or investment entity.

Ownership is measured by stock ownership (either voting power or value) of a corporation, profits or capital interest in a partnership or limited liability company, membership interest in a nonprofit organization, or beneficial interest in a trust. Ownership includes indirect ownership (e.g., ownership in an entity that has ownership in the entity in question); there may be ownership through multiple tiers of entities.

COMPENSATION

Unless otherwise provided, all forms of cash and non-cash payments or benefits provided in exchange for services, including salary and wages, bonuses, severance payments, deferred payments, retirement benefits, fringe benefits, and other financial arrangement or transactions such as personal vehicles, meals, housing, personal and family educational benefits, below-market loans, payment of personal or family travel, entertainment, and personal use of the organization's property. See also deferred compensation, nonqualified deferred compensation, and reportable compensation.

CONSERVATION EASEMENT

A restriction on the use that may be made of, or changes made to, real property that is granted in perpetuity to a qualified organization exclusively for conservation purposes. Conservation purposes include protection of natural habitat, the preservation of open space; or the preservation of property for historic, educational, or recreational purposes. Qualified organizations include governmental units and certain tax-exempt organizations described in section 501(c)(3) that have a commitment to protect the conservation purposes of easement and the resources to enforce the restrictions. For more information see Notice 2004-41, 2004-28 I.R.B. 31. See also qualified conservation contribution.

CONTROL

For purposes of determining related organizations, control means, in regards to nonprofit organizations, whether taxable or tax-exempt:

In the case of a parent/subsidiary relationship:

- Power to remove and replace (or to appoint or elect, if such power includes continuing power to appoint or elect periodically or in the event of vacancies) a majority of the nonprofit organization's or other organization's directors or trustees.
- Management or board overlap where a majority of the subsidiary organization's directors or trustees are trustees, directors, officers, employees, or agents of the parent organization.

In the case of brother/sister nonprofit organizations:

- The same persons constitute a majority of the members of the governing body of both organizations.

In the case of stock corporations and other organizations with owners or persons having beneficial interests, whether such organization is taxable or tax-exempt, control means any of the following relationships:

- Ownership of more than 50% of the stock (by voting power or value) of a corporation,
- Ownership of more than 50% of the profits of capital interest in a partnership,
- Ownership of more than 50% of the profits or capital interest in a limited liability company taxed as a partnership, regardless of the designation under state law of the ownership interests as stock, membership interests, or otherwise,
- Being a managing partner or managing member in a partnership or limited liability company which has three or fewer managing partners or managing members (regardless of which partner or member has the most actual control),
- Being a general partner in a limited partnership which has three or fewer general partners (regardless of which partner has the most actual control),
- Being the sole member of a disregarded entity, or
- Ownership of more than 50% of the beneficial interest in a trust.

See Regulations sections 301.7701-2, 3, and 4 for more information on classification of corporations, partnerships, disregarded entity, and trusts.

Control may be indirect. In other words, if the organization controls Entity A which in turn control (under the definition of control above) Entity B, the organization will be treated as controlling Entity B. To determine indirect control through constructive ownership of a corporation, the principles of the rules under section 318 (relating to constructive ownership of stock) shall apply for purposes of determining constructive ownership of another entity (a partnership or trust). If an entity (X) controls an entity taxed as a partnership by being one of three or fewer partners or member, then an organization that controls X also controls the partnership.

CONTROLLED ENTITY

An organization controlled by a controlling organization under section 512(b) (13). For the definition of control in this context, see section 512(b)(13)(C) and Regulations section 1.512(c)-1(L)(4).

DISQUALIFIED PERSON

1. For purposes of section 4958; Form 990 Part IX; and Schedule L, Transactions with Interested Persons, Parts I and II, any person who was in a position to exercise substantial influence over the affairs of the applicable tax-exempt organization at any time during a 5-year period ending on the date of the transaction. Persons who hold certain powers, responsibilities, or interests are among those who are in a position to exercise substantial influence over the affairs of the organization. A disqualified person includes:
 - A disqualified person's family member
 - A 35% controlled entity of (1) a disqualified person and/or (2) family members of the disqualified person.
 - A donor or donor advisor to a donor advised fund
 - An investment advisor of a sponsoring organization

The disqualified persons of a supported organization include the disqualified persons of a section 509(a)(3) supporting organization that supports the supported organization.

See Appendix G for more information on disqualified persons and 4958 excess benefit transactions.

2. For purposed of Form 990 Schedule A, Public Charity Status and Public Support; section 4946; and section 509(a)(3), a disqualified person is:
 - a. A substantial contributor. A substantial contributor is any person who gave an aggregate amount of more the \$5,000, if that amount is more than 2% of the total contributions the foundation or organization received from its inception through the end of the year in which that person's contributions were received. If the organization is a trust, a substantial contributor includes the creator of the trust (without regard to the amount on contributions the trust received from the creator and related persons).
 - Any person who is a substantial contributor at any time generally remains a substantial contributor for all future periods even if later contributions by others push that person's contributions below the 2% figure discussed above.
 - Gifts from the contributor's spouse are treated as gifts from the contributor.
 - Gifts are generally valued at fair market value as of the date the organization received them.

- b. An officer, director, or trustee of the organization or any individual having powers or responsibilities similar to those of the officers, directors, or trustees.
- c. An owner of more than 20% of the voting power of a corporation, profits interest of a partnership, or beneficial interest of a trust or an unincorporated enterprise that is a substantial contributor to the organization.
- d. A family member of an individual in the first three categories.
- e. A corporation, partnership, trust or estate in which persons described in a through d above own more than 35% of the voting power, profits interest, or beneficial interest.

For purposes of Form 900 Schedule A, section 4946, and section 509(a)(3), disqualified persons do not include foundation managers or organizations described in section 509(a)(1) or 509(a)(2).

DONOR ADVISED FUND

A fund or account:

- 1. That is separately identified by reference to contributions of a donor or donors;
- 2. That is owned and controlled by a sponsoring organization; and
- 3. For which the donor or donor advisor has or reasonably expects to have advisory privileges in the distribution or investment of amounts held in the donor advised funds or accounts because of the donor's status as a donor.

A donor advised fund does not include any fund or account:

- 1. That makes distributions only to a single identified organization or governmental entity, or
- 2. In which a donor or donor advisor gives advice about which individuals receive grants for travel, study, or other similar purposes, if:
 - a. The donor or donor advisor's advisory privileges are performed exclusively by such person in his or her capacity as a committee member in which all of the committee members are appointed by the sponsoring organization;
 - b. No combination of donors or donor advisors (and related persons as defined below) directly or indirectly control the committee; and
 - c. All grants from the fund or account are awarded on an objective and nondiscriminatory basis following a procedure approved in advance by the board of directors of the sponsoring organization. The procedure must be designed to ensure that all grants meet the requirements of sections 4945(g)(1), (2), or (3); or
- 3. That the secretary exempts from being treated as a donor advised fund because either such fund or account is advised by a committee not directly or indirectly controlled by the donor or donor advisor or such fund benefits a single identified charitable purpose. For example, see Notice 2006-109, 2006-51 I.R.B. 1121, and any future related guidance.

EXCESS BENEFIT TRANSACTION

In the case of an applicable tax-exempt organization, any transaction in which an excess benefit is provided by the organization, directly or indirectly, for the use of, and disqualified person as defined in section 4958. Excess benefit means the excess of the economic benefit received from the applicable organization over the consideration given (including services) by a disqualified person. See Appendix G for more information.

Donor advised fund. For a donor advised fund, an excess benefit transaction also includes a grant, loan, compensation, or similar payment from the fund to a:

- Donor or donor advisor
- Family member of a donor, or donor advisor
- 35% controlled entity of a donor, or donor advisor
- 35% controlled entity of a family member of a donor or donor advisor.

The excess benefit in this transaction is the amount of the grant, loan, compensation, or similar payments. For additional information, see the Instructions for Form 4720.

For more information, see the Instructions for Form 4720.

FUNDRAISING ACTIVITIES

Activities undertaken to induce potential donors to contribute money, securities, services, materials, facilities, other assets, or time. They include publicizing and conducting fundraising campaigns; maintaining donor mailing lists; conducting fundraising events, preparing and distributing fundraising manuals, instructions, and other materials; and conducting other activities involved with soliciting contributions from individuals, foundations, governments, and others. Fundraising activities do not include gaming (other than gaming that is incidental to a fundraising activity) or the conduct of any trade or business that is regularly carried on.

FUNDRAISING EVENTS

For purposes of Schedule G, Supplemental Information Regarding Fundraising or Gaming Activities, fundraising events include dinners/dances, door-to-door sales of merchandise, concerts, carnivals, sports events, auctions, and casino nights that are not regularly carried on. Fundraising events do not include sales of gifts or goods or services of only nominal value, sweepstakes, lotteries, or raffles where the names of contributors or other respondents are entered in a drawing for prizes, raffle, or lotteries where prizes have only nominal value or solicitation campaigns that generate only contributions.

GAMING

Includes (but is not limited to): bingo, pull tabs/instant bingo (including satellite and progressive bingo), Texas Hold-Em Poker and other card games, raffles, scratch-offs, charitable gaming tickets, break-opens, hard cards, banded tickets, jar tickets, pickle cards, Lucky Seven cards, Nevada Club tickets, casino nights, Las Vegas nights, and coin-operated gambling devices. Coin-operated gambling devices include slot machines, electronic video slot or line games, video poker, video blackjack, video keno, video bingo, video pull tab games, etc.

HIGHEST COMPENSATED EMPLOYEE

One of the five highest compensated employees of the organization (including employees of a disregarded entity of the organization) other than officers or key employees. The five highest compensated employees are determined by the amounts of reportable compensation for the calendar year ending with or within the organization's tax year.

INDEPENDENT VOTING MEMBER OF GOVERNING BODY

A voting member of the governing body, if all three of the following circumstances applied at all times during the organization's tax year:

1. The member was not compensated as an officer or other employee of the organization or of a related organization (see instructions for Schedule R, Related Organizations and Unrelated Partnerships), except as provided in the religious exception discussed in instructions for Form 990, Part VI.
2. The member did not receive total compensation or other payments exceeding \$10,000 during the organization's tax year from the organization or from related organizations as an independent contractor, other than reimbursement of expenses under an accountable plan or reasonable compensation for services provided in the capacity as a member of the governing body. For example, a person who received reasonable expense reimbursements and reasonable compensation as a director of the organization does not cease to be independent merely because he or she also received payments of \$7,500 from the organization for other arrangements.
3. Neither the member, nor any family member of the member, was involved in a transaction with the organization (whether directly or indirectly through affiliation with another organization) that is required to be reported in Schedule L, Transactions With Interested Persons, for the organization's tax year, or in a transaction with a related organization of a type and amount that would be reportable on Schedule L if required to be filed by the related organization.

A member of the governing body is not considered to lack independence merely because of the following circumstances:

1. The member is a donor to the organization, regardless of the amount of the contribution;
2. The member has taken a bona fide vow of poverty and either (A) receives compensation as an agent of a religious order or a 501(d) religious or apostolic organization, but only under circumstances in which the member does not receive taxable income (see, e.g. Rev. Ruls. 77-290, 80-332); or (B) belongs to a religious order that receives sponsorship or payments from the organization which do not constitute taxable income to the member; or
3. The member receives financial benefits from the organization solely in the capacity of being a member of the charitable or other class served by the organization in the exercise of its exempt function, such as being a member of a section 501(c)(6) organization, so long as the financial benefits comply with the organization's terms of membership.

INITIAL CONTRACT

A binding written contract between an applicable tax-exempt organization and a person who was not a disqualified person immediately prior to entering into the contract.

INSIDER/INTERESTED PARTY

Includes current or former officers, Directors, trustees, key employees, five highest highly compensated employees, and disqualified individuals. See related definitions for some of these terms in the Glossary.

KEY EMPLOYEE

For purposes of Form 990 reporting, an employee of the organization (other than an officer, director or trustee) who meets all three of the following tests:

1. \$150,000 Test. Receives reportable compensation from the organization and all related organizations in excess of \$150,000 for the calendar year ending with or within the organization's tax year;
2. Responsibility Test. The employee:
 - (a) Has responsibilities, powers or influence over the organization as a whole that is similar to those of officers, directors, or trustees;
 - (b) Manages a discrete segment or activity of the organization that represents 10% or more of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole; or
 - (c) Has or shares authority to control or determine 10% or more of the organization's capital expenditures, operating budget, or compensation for employees.
3. Top 20 Test Is one of the 20 employees (that satisfy the \$150,000 Test and Responsibility Test) with the highest reportable compensation from the organization and related organizations for the calendar year ending with or within the organization's tax year.

LOBBYING ACTIVITIES

All activities intended to influence foreign, national, state, or local legislation. Such activities include direct lobbying (attempting to influence the legislators) and grassroots lobbying (attempting to influence legislation by influencing the general public).

NON-CASH CONTRIBUTIONS

Contributions of property, tangible or intangible, other than money. Non-cash contributions include, but are not limited to, stocks, bonds, and other securities; real estate; works of art; stamps, coins, and other collectibles; clothing and household goods; vehicles, boats, and airplanes; inventories of food, medical equipment or supplies, books, or seeds; intellectual property, including patents, trademarks, copyrights, and trade secrets; donated items that are sold immediately after donation, such as publicly traded stock or used cars; and items donated for sale at a charity auction. Non-cash contributions do not include volunteer services performed for the reporting organization or use of facilities.

OFFICER

A person elected or appointed to manage the organization's daily operations, such as a president, vice-president, secretary, or treasurer. The officers of an organization are determined by reference to its organizing document, bylaws, or resolutions of its governing body, or as otherwise designated consistent with state law, but at a minimum include those officers required by applicable state law. For purposes of Form 990 reporting, treat the organization's top management official and top financial official (the person who has ultimate responsibility for managing the organization's finances) as officers.

RELATED ORGANIZATION

An organization that stands in one or more of the following relationships to the filing organization:

- Parent – an organization that controls (see examples of control in definition above) the filing organization
- Subsidiary – an organization controlled (see examples of control in definition above) by the filing organization
- Brother/Sister – an organization controlled (see examples of control in definition above) by the same person or persons that control the filing organization
- Supporting/Supported – an organization that is (or claims to be) at any time during the organization's tax year (i) a supporting organization of the filing organization within the meaning of section 509(a)(3), if the filing organization is a supported organization within the meaning of section 509(f)(3), or (ii) a supported organization, if the filing organization is a supporting organization

SIGNIFICANT DISPOSITION OF NET ASSETS

A disposition of net assets, consisting of a sale, exchange, disposition or other transfer of more than 25% of the fair market value of the organization's net assets during the year, regardless of whether the organization received full or adequate consideration. A significant disposition of net assets involved:

1. One or more dispositions during the organization's tax year amounting to more than 25% of the fair market value of the organization's net assets as of the beginning of its tax year; or
2. One of a series of related dispositions or events commenced in a prior year, that when combined comprise more than 25% of the fair market value of the organization's net assets as of the beginning of the tax year when the first disposition in the series was made. Whether a significant disposition of net assets occurred through a series of related dispositions depends on the facts and circumstances in each case.

Examples of the types of transactions that are "a significant disposition of net assets" required to be reported in Schedule N, Liquidation, Termination, Dissolution or Significant Disposition of Assets, Part II, include:

- Taxable or tax-free sales or exchanges of exempt assets for cash or other consideration (such as a social club described in section 501(c)(7) selling land or an exempt organization selling assets it had used to further its exempt purposes;
- Sales, contributions, or other transfers of assets to establish or maintain a partnership, joint venture, or a corporation (for-profit or nonprofit), regardless of whether such sales or transfers are governed by section 721 or section 351, whether or not the transferor received an ownership interest in exchange for the transfer;
- Sales of assets by a partnership or joint venture in which the exempt partner has an ownership interest;
- Transfers of assets pursuant to a reorganization in which the organization is a surviving entity; and
- A contraction of net assets resulting from a grant or charitable contribution of assets to another organization described in section 501(c)(3).

SUPPORTING ORGANIZATION

A public charity described in section 509(a)(3). A supporting organization is organized and operated to support supported organizations. Supporting organizations are classified as either Type 1 (operated, supervised, or controlled by one or more supported organizations), Type II (supervised or controlled in connection with one or more supported organizations), Type III - functionally integrated (operated in connection with one or more supported organizations, if the supporting organization's activities perform the functions of, or carrying out the purpose of, such supported organizations, and but for the supporting organization's involvement, such activities would normally be engaged in by the supported organizations themselves), or Type III - other (operated in connection with one or more supported organizations and not functionally integrated).