



What You Should Know Before Signing Your Organization's Form 990-PF

A Guide for Foundation Officers

Prepared by

PricewaterhouseCoopers LLP

for the

Forum of Regional Associations of Grantmakers

April 2004

Foreword

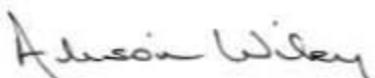
In this era of increased public interest and accessibility, submission of the 990-PF foundation tax return to the IRS has taken on new meaning and importance. Reporters, researchers, grant seekers – and others – look at the 990-PF for information about your organization. According to the Urban Institute, it is the most commonly used data source about nonprofits.

Based on the recommendation of its National Task Force on Accountability, the Forum of Regional Association of Grantmakers and its 30 member regional associations have teamed with PricewaterhouseCoopers to prepare two documents: *What You Should Know Before Signing Your Organization's Form 990-PF* and *10 Common Errors to Avoid In Completing A Private Foundation's Form 990-PF*. Designed for the 990-PF foundation signer and tax preparer respectively, both documents focus on the clear and accurate completion of that form, with tips to avoid common mistakes and potentially misleading entries.

The Forum appreciates the work of the primary author, John Edie, former general counsel of the Council on Foundations and current director at PricewaterhouseCoopers, and grant support from the Charles Stewart Mott Foundation for these two documents.

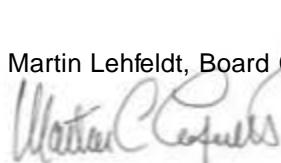
Regional associations of grantmakers collectively represent more than 4,000 grantmakers and the majority of private foundation assets in the country. Organized around states or key metropolitan areas, these associations are widely respected for accurate, unbiased information about the practice of philanthropy. The association serving your own region is identified on the cover of this document and additional information can be found at www.givingforum.org

Alison Wiley, President



Forum of Regional Associations of Grantmakers

Martin Lehfeldt, Board Chair



1111 19th Street, NW, Suite 650
Washington, DC 20036
www.givingforum.org

Table of Contents

	Page
I. Introduction: A New Environment for the Form 990-PF	3
• Purpose of the Publication	
• New Environment	
• Public Nature of the Form 990-PF	
• What Does It Means to Sign the Return?	
• Who Must Sign the Return?	
• Who Should Sign the Return?	
• Penalties for Failing to File Timely, Completely, or Correctly	
• How to Use These Checklists	
II. Checklist of Items For Review by Signer	5
• #1 – All Parts or Lines Require an Entry	
• #2 – Important Schedules Must Be Attached	
• #3 – Determination of Tax Rate for the Year	
• #4 – Satisfying the 5-Percent Payout	
• #5 – Compensation of Trustees/Employees and Time Spent	
• #6 – Loans to Officers or Directors	
• #7 – Reporting of Private Foundation Tax Violations	
• #8 – Summary of Direct Charitable Activities	
• #9 – Administrative Costs v. Grants	
• #10 – Changes in the Bylaws	
III. Checklist of Questions to Ask Preparer	10
• #1 – Are the Amounts Entered in Part I, Column (a) Consistent With the Financial Statements?	
• #2 – Is Part I, Column (d) Prepared Using the Cash Method of Accounting?	
• #3 – Has a Proper Allocation Been Made Between Columns (b) and (d) in Part I?	
• #4 – Is a Strategy in Place to Minimize the Tax on Investment income?	
• #5 – Has the Foundation Made Any Loans to Officers or Directors?	
• #6 – Have Bylaws or Other Key Documents Changed During the Year?	
• #7 – Are Procedures in Place for Public Inspection of the Return and for Providing Copies to the Public?	
IV. Summary of Checklists for Signer of Form 990-PF	12

The information in this document is not providing legal, accounting, or tax advice. Facts in each case can vary widely. Each foundation is encouraged to consult its accountant or legal counsel for appropriate advice.

I. Introduction: A New Environment for the Form 990-PF

Purpose of the Publication. The purpose of this publication is to offer information that may be useful when the private foundation officer or trustee who is charged with responsibility for signing the Form 990-PF tax return reviews the return prior to signing it. The Form 990-PF is taking on an increasingly important role in the oversight and scrutiny of private foundations by Congress, state officials, the media, and the public. In many instances, the officer or trustee signing the return, under penalties of perjury, may not have full knowledge about the intricacies of the return and thus may not be in a position to exercise sufficient due diligence prior to signing his or her name.

[top](#)

New Environment. Disturbed by ongoing stories in the media of “excessive compensation” and other misdeeds, Congressional committees and state attorneys general have focused increased attention on the oversight of private foundations. In the for-profit world, the Sarbanes-Oxley legislation that became law in the summer of 2002 now establishes the principle that corporate executives can be held responsible for the accuracy of their company’s reports. More specifically, the new law requires the chief executive and the chief financial officers of publicly traded companies to certify the appropriateness of their financial statements, and the content of annual, semi-annual, and quarterly reports filed with the Securities and Exchange Commission. While this legislation does not apply to private foundations, the publicity around it has created a renewed atmosphere of accountability in the nonprofit field calling for a more “hands on” approach. Consequently, more foundations are reviewing carefully who is the most appropriate person to sign their tax return and what steps are prudent for the signer to take before giving final approval.

[top](#)

Public Nature of the Form 990-PF. With the growing speed of the Internet and the availability of this Form online, full copies of a private foundation’s tax return normally can be brought to a computer screen in less than a minute. Federal tax law also requires a private foundation to permit public inspection of its return during normal business hours and to provide a printed copy of its return upon request (for more detail on these requirements, see Question 7 on page xx below). In short, a private foundation’s Form 990-PF has become an increasingly *public* document. The media, critics, researchers, donors, state and Federal regulators, and elected officials all have ready access to this return and the information it provides. Completed incorrectly or without careful attention, the information in this return can be misunderstood and publicized in a misleading manner, leading to a negative public image of the foundation – even where not deserved. Hopefully, the information provided in this publication should result in more accurate returns that reflect the true status of the foundation.

[top](#)

What Does It Mean to Sign the Return? The person signing the return is, in essence, making a sworn statement. Above his or her signature, the form states: “Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.”

[top](#)

Who Must Sign the Return? Only one foundation official is required to sign the return.

The instructions for the Form are somewhat flexible on this point: "The return must be signed by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer (such as tax officer) who is authorized to sign." If the return is filed for a trust, it must be signed "by the authorized trustee or trustees."

[top](#)

Who Should Sign the Return? Given the increased scrutiny that private foundations presently face and the easily accessible, public nature of this document, the decision about who signs a foundation's return may deserve a fresh look. As a visible, confidence-building measure to the public and to regulators, foundations may wish to consider having their chief executive officer sign the return. Such a step would communicate to the public an increased awareness and commitment to accountability.

[top](#)

Penalties for Failing to File Timely, Completely, or Correctly. An incomplete or incorrect Form 990-PF filed before the due date has *not* been filed on time. For most private foundations, the penalty for failing to file a timely return is \$20 per day up to a maximum of \$10,000 or 5 percent of gross receipts (whichever is less). For larger foundations (gross receipts exceeding \$1 million), the penalty is \$100 per day up to a maximum of \$50,000 or 5 percent of gross receipts (whichever is less). There also is a potential penalty on the foundation manager responsible for filing the return. The Secretary of the Treasury or his delegate may make written demand for compliance by a reasonable date when the complete return must be filed. Any person failing to comply with such a demand can be penalized \$10 per day up to a maximum of \$10,000 per return.

[top](#)

How to Use These Checklists. In reviewing a draft Form 990-PF, there are a number of important issues that can be checked simply by looking at the return and its attachments. At the same time, there are other key factors that are not immediately obvious from the face of the return. In these instances, it is important for the signer to seek certain information regarding key elements of the return from the person responsible for preparing the return.

[top](#)

The next two sections of this publication offer information that may be useful in connection with signing the Form 990-PF return: 1) A checklist of items to be reviewed by the signer, and 2) A checklist of questions for the signer to ask the preparer. The return must be filed no later than four and one half months after the end of the foundation's tax year (by May 15 for foundations on a calendar-year basis). A three-month extension is easily available from the IRS if needed. Therefore, it is recommended that the signer schedule a meeting with the preparer sufficiently in advance of the due date so that if changes need to be made, there will be enough time to do so. In addition, it may be helpful to share a copy of these checklists with the preparer early in the process to let him or her know the items the signer will be concerned about and the questions the signer will be asking. Also, a companion document is available with a similar checklist for the preparer. This document relates only to the Form 990-PF and not to other returns a particular foundation may have to file, such as a form 990-T or employment tax forms.

[top](#)

Limitations on These Checklists: The Form 990-PF has earned a well-deserved reputation for its length and complexity. Reasonable practitioners may disagree as to what items are essential for the signer to review. To encourage the foundation's top executive officer (or board chair) to sign the return, these lists attempt to strike a balance by providing guidance on important issues without making the task appear overwhelming. Foundations with circumstances more unique or complicated than the norm are encouraged to refine these lists with the assistance of their professional advisors.

II. Checklist of Items For Review by Signer

#1 – All Parts or Lines Require an Entry. Since the return itself is only 12 pages long, it is relatively easy for the signer to look through the return to see if any areas have been left blank. The IRS requires some kind of entry for each line in each part of the return; otherwise, the IRS considers the return to be incomplete. The instructions for Form 990-PF make this point clear in a section entitled “How to avoid filing an incomplete return” that states:

- Complete all applicable line items,
- Answer “Yes,” “No,” or “N/A” (not applicable) to each question on the return,
- Make an entry (including a zero when appropriate) on all total lines, and
- Enter “None” or “N/A” if an entire part does not apply.

As noted above, an incomplete return is not considered to be timely filed.

[top](#)
#2 – Important Schedules Must Be Attached. Depending on the complexity of the activities, expenditures, and investments of the private foundation, many schedules may need to be attached to the return. For any foundation that makes grants and has investments, three (usually quite long) schedules must be included. Because of the length of these schedules, some preparers may seek shortcuts draft a schedule that is incomplete. Check to make sure that the required level of detail is part of each of the following schedules:

- **Complete Lists of Investments** [Part II, lines 7,10,11,13, and 14]. As tedious as it may seem to prepare, the return requires detailed (end of the year) lists containing each individual stock, bond, government obligation, land holding, building, and equipment, plus other types of investment assets that do not fall into these categories. For larger foundations, the lists of investments can total hundreds of pages. The temptation is to aggregate by type of investment (corporate stocks, corporate bonds, etc.) and not list every investment separately. A return that only provides aggregated categories is incomplete. Check the schedules for Part II to be certain that the investments are identified individually.
- **Complete List of Capital Gains and Losses** [Part IV]. Similarly, every capital gain or loss recorded during the tax year must be described in detail to satisfy the requirements for this part. The results from these calculations help determine the amount of investment income that is subject to excise tax. Here again the temptation may be to aggregate and summarize, which will result in an incomplete return. Part IV states “List and describe the kind(s) of property sold (e.g., real estate, 2-story brick warehouse; or common stock, 200 shs. MLC Co.” Check the schedule for Part IV to be certain that each sale (resulting in a capital gain or loss) is described individually.

- **Complete List of Grants Paid and Approved** [Part XV, line 3(a) and 3(b)]. This list is one of the most important parts of the private foundation return. Many grantseekers turn to it for information about the types of grants and types of grantees favored by the foundation. If this list is prepared with important information missing, persons later examining the return may develop a poor opinion of the foundation's accountability. Unfortunately, the IRS reports that more than half of all private foundation tax returns are received with this schedule prepared incorrectly, thus making any such return incomplete. Here are the minimum requirements to check regarding all grants made during the year or approved for future payment:

1. The name and address for each grantee;
2. The amount of each grant;
3. The foundation status of each recipient (public charity, private foundation, non-charity [such as a Chamber of Commerce]); and
4. The purpose of the grant. The instructions are quite particular about purpose. For example, they state that the following types of descriptions are insufficient and unacceptable: "charitable, educational, religious, or scientific activities." Describing the purpose as "grant" or "contribution" is also unacceptable. Favorable examples for describing "purpose" are: payments for nursing service, fellowships, or assistance to indigent families.

Some foundations already have recognized the value of giving this list of grants special attention. In addition to providing all the required information, they also group the grants by subject matter (e.g., health care grants, environmental grants, scientific research grants, etc.) to make it easier for the reader to understand the foundation's grant priorities.

[top](#)

#3 – Determination of Tax Rate for the Year [Part VI]. On an annual basis, a private foundation may cut its excise tax liability in half from 2-percent to 1-percent if it meets certain maintenance-of-effort tests. Even a modest-sized foundation of \$10 million in assets could save \$3,000 or more in taxes if it can qualify for the 1-percent rate. While it may not be critical for the signer to know all the data and calculations that go into satisfying this complicated test, it is important to know what level of tax must be paid. In Part VI, line 1b, there is a box. If this box is checked, it reflects that the foundation only has to pay 1-percent for the year.

[top](#)

#4 – Satisfying the 5-Percent Payout [Parts XI and XII] Private foundations must meet a minimum distribution requirement each year. The calculations to determine whether this requirement has been met are complicated. The requirement is roughly 5 percent of assets. If, by the end of the year, the minimum has not been met, it can be satisfied retroactively over the following 12 months. Many foundations routinely satisfy the requirement in the following year as a matter of practice. The test is satisfied *during the year* if grants and other eligible expenditures known as "qualifying distributions" (see Part XII, line 4) exceed the minimum amount that must be spent for charitable purposes, known as the "distributable amount" (see Part XI, line 7). By checking these two lines, the signer can see whether there is a shortfall. If there is, it would be important to know how the shortfall will be satisfied. Some foundations have adopted a written, multi-year spending policy that incorporates the requirements of this 5 percent rule.

[top](#)

#5 – Compensation of Trustees/Employees and Time Spent. [Part VIII] Part VIII of the return requires a listing of all officers, directors, trustees and foundation managers¹ together with a complete description of each person's compensation and time devoted to the position. Media stories alleging examples of excessive compensation paid to governing board members (directors or trustees) or to staff (usually the chief executive officer) have triggered many of the concerns voiced by members of Congress and state regulators. Probably no part of the private foundation tax return is more sought after by the media than the compensation schedules, and these schedules receive more scrutiny than any other part.

For most foundations, the compensation information is provided in separate attachments. Review these attachments with care. Look closely at the compensation schedules to determine whether they fully reflect what is being paid or provided. Check for separate entries for compensation (salary or fee), contributions to employee benefit plans and deferred compensation, and "expense account, other allowances." The IRS instructions require that this last category must include all taxable and nontaxable fringe benefits such as spousal travel, club memberships, expense accounts, and the value of the personal (non-business) use of housing, automobiles or other assets owned or leased by the foundation.

Increasingly, the news media and regulators are looking closely at the column entitled "Title and average hours per week devoted to position." As a result, accuracy here is important. The form calls for "hours per week," and the instructions say a "numerical estimate of the average hours per week devoted to the position is required for the answer to be considered complete." Moreover, the instructions state that phrases such as "as needed" or "as required" are unacceptable entries. Using "part time" as an answer also does not satisfy the requirement.

[top](#)

#6 – Loans to Officers or Directors [Part II, line 6] The practice of making loans to foundation board members or to top level staff has attracted strong criticism in the media (note that some state laws may limit or prohibit such loans). All loans and similar financial arrangements (such as a salary advance) made to officers, directors, trustees, foundation managers, or other disqualified persons² must be reported. The same is true if the transaction is with a substantial contributor to the foundation or to family members of any of the persons noted above. If there are any such loans, check to see that the appropriate schedule is attached and fully completed.

Attaching the schedule is required; failure to provide all the required information makes the return incomplete. The following must be clearly spelled out for each separate loan or similar transaction:

- Borrower's name and title
- The original amount
- The balance due

¹ A *foundation manager* is defined in the statute as an officer, director or trustee of a foundation (or a person having powers or responsibilities similar to those persons) and, with respect to any act or failure to act, any employee of the foundation having final authority or responsibility (either officially or effectively) with respect to such act or failure to act.

² *Disqualified persons* are defined in the tax code to include: foundation managers (see footnote 1), substantial contributors to the foundation and certain family members of these persons (spouses, ancestors, children, grandchildren, great grandchildren and the spouses of children, grandchildren and great grandchildren). Most government officials also are disqualified persons.

- The date of the note
- The maturity date
- The repayment terms
- The interest rate
- The security provided by the borrower
- The purpose of the loan
- A description and the fair market value of the consideration furnished by the foundation (e.g., cash - \$1,000; or shares of XYZ common stock - \$9,000)

[top](#)

#7 - Reporting of Private Foundation Tax Violations [Part VII-B]. Since enactment in 1969, the private foundation rules (and the Form 990-PF) have been designed with a significant self-regulation component. If violations have occurred during the year (whether intentional or inadvertent), the foundation is expected to disclose the violation and take appropriate steps for correction. One example of an unintentional violation would be starting a scholarship program without realizing that the procedures must be approved in advance by the IRS. Filing the return is viewed by some foundations as a statement of accountability to the public providing a full and fair description of the affairs and activities of the foundation, and, to the extent that problems have been encountered, providing information to show that they have been corrected.

If a violation has occurred, the foundation may be required to file a Form 4720. Part VII-B of the Form 990-PF is entitled: "Statements Regarding Activities for Which Form 4720 May Be Required." If the signer knows of any violations that occurred during the tax year, make sure that the correct box in this Part is checked and that appropriate actions have been taken in response. If the preparer has checked any box marked "Yes," ask the preparer whether an exception applies or whether the appropriate Form 4720 has been completed for submission.

[top](#)

#8 – Summary of Direct Charitable Activities [Part IX-A]. If a private foundation's only charitable activity is grantmaking, the foundation will not have any direct charitable activities, and Part IX-A will be completed by entering "N/A." If the foundation does have direct charitable activities, make certain that they are fully reported in this Part.

Direct charitable activities are those programs that are operated *directly* by the foundation rather than by making a grant to another organization to implement. The instructions to the return provide 10 examples of direct activities, including conducting scientific or public policy research; conducting an educational conference; and supporting the services of foundation staff on boards or advisory committees of other charities or public commissions. Foundations that fail to describe these direct activities and their costs run the risk that the expenses involved will be misconstrued as administrative overhead, thus potentially placing the foundation in a negative light (for more discussion on this issue, see #9 below).

In most cases, a foundation will be better served by describing its direct charitable activities and their costs on a separate attachment (the space provided on the return is limited). It is helpful to the foundation if the description of each activity is drafted with care to convey the value it provides. The instructions call for the foundation to report both direct and indirect expenses in identifying the true costs of these activities.

Examples of direct costs are the compensation and travel expenses of employees directly engaged in the activity. Examples of indirect costs are occupancy expenses (rent and utilities) or the expenses of other departments (accounting or payroll) so long as these indirect expenses are allocated in a reasonable manner that is used consistently. Check that the total amounts are reported back in Part IX-A.

[top](#)

#9 – Administrative Costs v. Grants [Part I, column (d), lines 24 and 25] Fairly or unfairly, private foundations often have been criticized for the amount of their administrative expenses, and this area has become highly sensitive. The ratio of administrative costs to grants can be misconstrued by the media and others; many foundations have been criticized for having administrative costs that exceed their grant level. This issue is complicated by the fact that there is no clear definition of administrative costs. The focus on these costs has intensified in recent years, including efforts in proposed Congressional legislation to limit or cap them.

If the return does not provide detailed information, the reader will look at Part I, column (d), line 25 to find the total dollar amount paid out in grants, and then compare it to Part I, column (d), line 24 – just one line above – to find “Total operating and administrative expenses.” Because there is no clear definition of administrative costs, the reader often will reach the conclusion that the full amount on line 24 is merely overhead expenses. Sometimes the criticism is justified and sometimes it is not. Examine the ratio of grants (line 25) to other costs (line 24) and determine whether the return provides a fair picture of all the foundation’s operations, including overhead.

The costs attributable to a foundation’s direct charitable activities are included in line 24, but are not broken out separately in Part I. The opportunity to summarize these direct activity expenses is provided in Part IX-A (see #8 above). Readers frequently do not review Part IX-A and conclude that all these expenses therefore must be overhead. Here are two suggestions to consider that would help clarify the true nature of these costs:

1. On page 1 of the return, make a cross-reference to the description of Direct Charitable Activities. More specifically, add an asterisk (*) next to total operating and administrative expenses on column (d), line 24. Then at the bottom of page 1 state: “*This figure includes xxx (total dollar amount) in charitable programs conducted directly by the foundation – See Part IX-A for details.”
2. On a separate attached schedule, provide a detailed explanation of all the foundation’s expenses for the year. The IRS recognizes that administrative cost information can be misconstrued and, therefore, the instructions for the return encourage this more complete approach, stating: “If you want to provide an analysis of disbursements that is more detailed than column (d), you may attach a schedule....” If this approach is taken, it is recommended that the foundation insert an asterisk (*) after the figure on column (d), line 26 (total expenses and disbursements). Then, at the bottom of page 1, add: “*See attached schedule X for a more complete explanation of all disbursements.”

[top](#)

#10 – Changes in the Bylaws [Part VII-A, line 3]. If, during the year, the foundation made changes in its governing instruments such as its articles of incorporation, bylaws, or trust agreement, a “conformed” copy of the changes must be attached. If changes have been made, review Part VII-A, line 3, to make sure the “Yes” box has been checked and the appropriate copy is attached. A conformed copy is one that agrees with the original document and all its amendments. Check to see that a written declaration is included that is signed by an officer authorized to sign for the foundation, certifying that the copy is complete and accurate.

[top](#)

III. Checklist of Questions to Ask Preparer

As noted above, several key factors are not immediately obvious just from looking at the Form 990-PF. Thus, it is recommended that the signer make inquiries about certain items from the person responsible for preparing the return.

- ✓ **1 – Are the Amounts Entered in Part I, Column (a) Consistent With the Financial Statements?** Whenever possible, it is strongly recommended that the numbers inserted to complete the return conform to the financial statements prepared for the foundation, particularly in Part I, column (a). Check with the preparer to find out if the numbers conform.
[top](#)
- ✓ **2 – Is Part I, Column (d) Prepared Using the Cash Method of Accounting?** All of the amounts entered on Part I, column (d) count toward meeting the foundation's 5-percent minimum distribution requirement, and all these expenditure must occur before the end of the year (cash method of accounting). Amounts approved for future payment (accrual method of accounting) cannot be included in column (d).
[top](#)
- ✓ **3- Has a Proper Allocation Been Made Between Column (b) and Column (d) in Part I?** All expenses for managing the foundation's investments are entered in column (b) of Part I. Examples of investment expenses are investment manager fees, custodial bank fees, and the costs of a board meeting dedicated to investment issues. No investment expenses can count in satisfying the 5-percent minimum distribution requirement. Therefore, no amounts in column (b) – or in column (c) – can be included in column (d). However, some expenses are incurred for *both* investment and charitable purposes. For example, the chief executive officer may spend a percentage of time on investment matters and a percentage of time on grantmaking and other charitable activities. Thus, there must be a reasonable allocation of the compensation costs for the CEO. The full compensation amount is entered in column (a), a proportional amount for investment activities is entered in column (b), and the remainder is entered in column (d).
[top](#)
- ✓ **4 – Is a Strategy in Place to Minimize the Tax on Investment Income?** In section II, issue #3 (above), it is recommended that the signer determine whether the foundation will pay the excise tax on investment income at the 2-percent or the 1-percent level. The foundation may have a plan or strategy in place to maximize its ability to pay at the lower level, which may be useful for the signer to review.
- ✓ **5 – Has the Foundation Made Any Loans to Officers or Directors?** In section II, issue #6 (above), it is recommended that the signer confirm that any loans that are made to officers, directors or other disqualified persons (see footnote 2) are appropriately documented and identified on the return.
[top](#)
- ✓ **6 – Have Bylaws or Other Key Documents Changed During the Year?** Similarly, in section II, issue #10 (above), it is recommended that the signer confirm that conforming copies of any changes in the bylaws (or other governing instruments) have been attached to the return. In case the signer may not be aware of a change, ask the preparer if any such changes have been made to make certain that all required conforming copies are attached.
[top](#)

✓ **7 – Are Procedures in Place for Public Inspection of the Return and for Providing Copies to the Public?** As noted above, Federal law requires foundations to permit public inspection of their Form 990-PF and to provide copies to the public if requested. If a foundation fails to have a clear procedure for both inspection and providing copies, it risks incurring penalties and negative media publicity. Here is a summary of the requirements (the instructions provide greater detail):

[top](#)

- **Public Inspection.** During regular business hours, a private foundation must make its Forms 990-PF (including all schedules, attachments, and supporting documents) filed within three years available for public inspection. It is important for employees or other staff in charge of foundation operations to know how to respond to a request for public inspection.
- **Providing Copies.** For three years after filing a Form 990-PF, a private foundation must provide a copy of that return to any individual who makes such a request in person or in writing. Requests in person must be satisfied on the same day. Written requests must be satisfied within 30 days. Thus, it is vital that all foundation staff or other persons likely to receive an inquiry from the public (in person, by phone, by regular mail, or by electronic mail) be familiar with the procedures established by the foundation to respond to such requests.
- **Charging a Reasonable Fee.** The foundation may charge a reasonable fee limited to the costs of per-page copying and actual postage costs incurred. Copying charges cannot exceed \$1 for the first page plus 15 cents for any additional page.
- **Alternative: Making the Return Widely Available.** Both the requirements for public inspection and providing copies can be simplified by making the return “widely available” on the internet. To meet this requirement, the web document must be an exact reproduction of the return that was filed with the IRS and must be available on a world wide web site managed by the foundation itself or by another entity which has established and maintains a world wide web page containing a database of similar materials. The return must be easily downloaded using software readily available to the public free of charge.

* * * * *

The statements and conclusions that appear in this document represent and are based upon our best judgment regarding the application of federal income tax laws arising under the Internal Revenue Code, judicial decisions, administrative regulations, published rulings, tax form instructions and other tax authorities existing as of April 15, 2004. The statements and conclusions do not address any state, local, foreign, or other tax consequences and are not binding upon the Internal Revenue Service or the courts. There is no guarantee that the Internal Revenue Service will not successfully assert a contrary position. Furthermore, no assurance can be given that future legislative or administrative changes, on either a prospective or retroactive basis, would not adversely affect the accuracy of the statements and conclusions herein. PricewaterhouseCoopers LLP undertakes no responsibility to advise any party of any new developments in the application or interpretation of the federal income tax laws.

Summary of Checklists for Signer of Form 990-PF

Items To Be Reviewed By the Signer

- #1 – All Parts or Lines Require an Entry
- #2 – Important Schedules Must Be Attached
- #3 – Determination of Tax Rate for the Year
- #4 - Satisfying the 5-Percent Payout
- #5 – Compensation of Trustees/Employees and Time Spent
- #6 – Loans to Officers or Directors
- #7 – Reporting of Private Foundation Tax Violations
- #8 – Summary of Direct Charitable Activities
- #9 - Administrative Costs v. Grants
- #10 – Changes in the Bylaws

Questions to Ask Preparer

- #1 – Are the Amounts Entered in Part I, Column (a) Consistent With the Foundation's Financial Statements?
- #2 – Is Part I, Column (d) Prepared Using the Cash Method of Accounting?
- #3 – Has a Proper Allocation Been Made Between Columns (b) and (d) in Part I?
- #4 – Is a Strategy in Place to Minimize the Tax on Investment Income?
- #5 – Has the Foundation Made Any Loans to Officers or Directors?
- #6 – Have Bylaws or Other Key Documents Changed During the Year?
- #7 – Are Procedures in Place for Public Inspection of the Return and for Providing Copies to the Public?

[top](#)