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What Organizations Need to Know About the New Form 990

Form 990 Update: Looking to Next Year's Filing

Though most nonprofits have just finished filing their Form 990 for 2007, it is already time to start thinking about the new Form 990 you may be required to file next year. This annual return is much more than a financial document – it's the primary source of information about your governance, operations, and programs for federal and many state regulators, the press, and the public. The new Form, which goes into effect for reports on fiscal years beginning on or after January 1, 2008, asks for significantly different information, and we recommend that staff responsible for governance, finance, fundraising, communications, and program administration start thinking now about changes that will help you to present the best picture of your organization.

The new form is reorganized to combine related questions that are currently scattered throughout different sections and unstructured attachments have been replaced with standardized schedules. Some schedules include familiar questions or attachments from the old Form 990 that have been moved or rearranged, while other schedules are completely new. New Schedule O allows organizations to supplement their responses to yes/no questions or provide narrative explanations where necessary for clarification. Schedule O will be an important source of information since additional unauthorized attachments will not be accepted.

What Forms Should You File?

Your Organization Must File the New 990 in 2009 (for fiscal years beginning in 2008) if:

- You have annual receipts of \$1 million or more, or total assets of \$2.5 million or more.
- You maintain any donor advised funds.
- You are recognized as a tax-exempt organization under section 512(b)(13) (controlling organizations) or section 509(a)(3) (supporting organizations)
- You are NOT recognized as a private foundation (as described under section 509(a) of the tax code). *There have not been any changes to the Form 990-PF filed by private foundations.*

If your annual receipts are between \$25,000 and \$1,000,000, you may file the Form 990-EZ in 2009, although some states in which you are required to file a copy of your federal return may require that you file the full Form 990.

If your annual receipts are under \$25,000, you must file the new electronic postcard (Form 990-N).

These thresholds will change for returns filed in 2010 for fiscal years beginning in 2009. At that time, public charities with annual receipts of \$500,000 or more, or total assets of \$1.25 million will be required to file the new 990. The following year (2011), these thresholds drop to receipts of \$200,000 and assets of \$500,000.

E-filing

Organizations that file at least 250 returns (such as Forms W-2, 1099-MISC, etc.) during the calendar year and have total assets of \$10 million or more at the end of the tax year *must* file Form 990 electronically. The Form 990-N for the smallest organizations must also be filed electronically. Other organizations are encouraged to take advantage of the benefits of e-filing which include knowing right away whether you have errors or missing information that needs to be corrected, and whether your form was filed successfully. Electronic filing provides enhanced transparency through more timely, accurate information to the IRS, donors and the public.

Mission statement and Program Accomplishments (Parts I and III):

- The opening page of the new Form – the first item any reader will see – allows organizations to provide a succinct statement of their mission and/or most significant accomplishments.
- If the board hasn't approved the mission statement, organizations should consider raising this issue at an upcoming board meeting. Board approval probably won't be required in the final instructions, but it is nonetheless a good idea.
- Organizations should be prepared to describe any new, significant program services that have been undertaken or any significant changes to how program services are conducted since their last Form 990 was filed.
- Organizations should be prepared to describe their three largest program services based on expenses (instead of the current four) on Part III of the core form, but they can also provide detailed descriptions of other program services on Schedule O (a blank schedule that is provided to allow explanatory notes in a number of different areas of the Form).

Summary Information (Part I):

In addition to the brief statement of program activities, the initial “snapshot” of the organization on the first page of the form now asks an organization to indicate the total number of:

- Voting board members (not advisory members who do not vote on the organization's governance issues)
- Independent voting board members (those who do not receive and are not related to anyone who receives direct or indirect compensation from the organization or related organizations as an employee or contractor). *There is no legal requirement that an organization have a particular number – or any – independent members of the board, but many experts recommend that a substantial majority of the board be free of conflicting financial interests.*
- Employees (as reported on Form W-3, Transmittal of Wage and Tax Statements)
- Volunteers (if the organization doesn't keep records of the number of people who provided volunteer services on a full-time or part-time basis, it can provide a reasonable estimate).

Part I also includes summary financial information for both the prior year and the current year (as drawn from later parts of the Form).

Checklist of Required Schedules (Part IV):

This section of the Form guides the organization to particular schedules it must complete, and the IRS recommends that it be filled out *after* the organization has completed other sections since it refers to a number of lines later in the Form.

Statements Regarding Other IRS Filings and Tax Compliance (Part V):

This section provides a useful guide to the tax forms that an organization may need to complete, as well as specific tax compliance questions regarding notification of donors who received goods or services in exchange for their contributions, and special requirements for supporting organizations and sponsors of donor advised funds, 501(c)(7) and 501(c)(12) organizations, and non-exempt charitable trusts. *Be sure to consult with your fundraising team regarding the requirements for donor notification and affirm your current practices.*

Governance, Management and Disclosure (Part VI):

The three parts of this section include yes/no questions that an organization must answer, and a few areas where it must describe governance and management policies and procedures on Schedule O. Many of the questions address policies and practices that are not required by law, but should nonetheless be considered by the organization to determine if they are applicable or reasonable for its operations.

Organizations must report:

- the number of independent voting members of their governing board
- whether any officer, director or key employee has a family or business relationship with any other officer, director or key employee. *The definition of “key employee” in the draft instructions to the new Form 990 is includes any employee (other than an officer or director) who is compensated more than \$150,000 and who “manages a discrete segment or activity of the organization that represents 5% or more of the activities, assets, income, or expenses of the organization” or “has or shares authority to control or determine 5% or more of the organization’s capital expenditures, operating budget, or compensation for employees.” Independent Sector has suggested that 5% is too low a threshold and recommended that the IRS increase this percentage to at least 25%.*
- whether the organization delegated control to a management company.
- whether the organization kept minutes of meetings of or written actions undertaken by the board or committees authorized to act on behalf of the board (such as the audit, investment or executive committee). *Minutes should be “contemporaneous” – that is, within 60 days of the meeting or action or by the time of the next meeting of the board or committee, whichever is later.*
- if the organization has local chapters, branches, or affiliates, whether it has written policies and procedures governing their activities.
- whether the organization provided a copy of its Form 990 to its governing body before the Form was filed. The organization must explain (in Schedule O) the process, if any, it follows to have officers, board members, committees, or management review the prepared Form 990, when that review happened, and the extent of the review. The instructions clearly say “If no review was conducted, state ‘No review was conducted.’ ” *The IRS does not require or recommend any particular procedure for reviewing the Form, but most organizations will want to ensure that their senior staff managers and/or the board committee responsible for overseeing financial policies and procedures have a chance to review the Form before filing.*

Organizational Policies: Organizations are required to disclose whether or not they have certain policies, but they are not required to have such policies. In order to report that the organization has these policies, it must approve the policies before the end of its tax year. These policies include:

- Conflict of interest policy: if the organization has such a policy, it must indicate whether it requires board members, officers, and key employees to report annually any interests that could give rise to conflicts. It must also describe its process for monitoring and enforcing compliance with the policy.
- Whistleblower policy.
- Document retention and destruction policy.
- Policy and process for determining compensation of the CEO, Executive Director, other officers or key employees: The organization is asked to describe (on Schedule O) its process and whether it included independent review and approval, comparability data, and contemporaneous substantiation of the decision. These are all components of the recommended (but not required) process for establishing the “rebuttable presumption” that the compensation is reasonable.
- If the organization invested in, contributed assets to, or participated in a joint venture or similar arrangement with a taxable entity, it must answer “yes” and indicate whether it has a written policy or procedure to protect the organization’s tax exempt status (e.g., safeguards regarding use of funds for partisan political activities, participation in certain tax shelters, etc.)

Disclosure of Forms and Policies:

- The organization must list the states in which it is required to file a Form 990. Depending on state law, this may include states in which the organization is located, conducts operations, or raises funds. *Organizations should verify the states in which they are required to file to comply with charitable solicitations regulations.*
- The organization must indicate whether it makes its Forms 1023, 990 and 990-T available to the public (via its own website, another’s website, or upon request). All 501(c)(3) organizations are required by law to make these forms available to the public for free inspection during regular business hours at its principal, regional and district offices. They must also make the forms widely available or by posting the documents on the internet or provide copies to any individual who submits a request in person or in writing.
- The organization is asked to describe in Schedule O whether (and if so, how) it makes its governing documents, conflict of interest policy, and financial statements available to the public. *Organizations are not required to make these items available, but many organizations (including Independent Sector) have found it helpful to post these documents on their websites as part of their efforts to be accountable to donors and the public.*

Compensation (Part VII):

- Compensation of current and former officers, directors, trustees, key employees and highest compensated employees are now combined in a single list, rather than three separate lists as on the current Form.
- For each individual, the organization must provide the name and title, the average hours per week “worked” (or volunteered) for the organization, all of the positions they hold

with the organization (individual trustee, institutional trustee, officer, key employee, highest compensated employee, or former director/employee), their reportable compensation from the organization and from related organizations (as shown on Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC), and the estimated amount of other compensation (i.e., deferred compensation and nontaxable benefits).

- As noted earlier, the definition of “key employee” in the draft instructions to the Form 990 is much broader than in the current form and includes any employee (other than an officer or director) who is compensated more than \$150,000 and who “manages a discrete segment or activity of the organization that represents 5% or more of the activities, assets, income, or expenses of the organization” or “has or shares authority to control or determine 5% or more of the organization’s capital expenditures, operating budget, or compensation for employees.” *This threshold could change in the final instructions to be released by the IRS later this year.*
- The “highest compensated employees” now includes the five highest compensated employees who were paid more than \$100,000 and who are not also an officer, director, or key employee.
- The organization must provide information on any former officers, key employees, or highest compensated employees who received more than \$100,000 in reportable compensation from the organization during the tax year and former directors who received (for their work as a former director) more than \$10,000 in reportable compensation from the organization and any related organizations.
- The organization must also know whether any of the board members, key employees, or highest compensated employees received or accrued compensation from any unrelated organization for services rendered to the organization. *Organizations may wish to address this question in any annual conflict of interest disclosure process they use with their board members and key employees.*

Compensation Information on Schedule J: The organization must complete Schedule J if it listed any former officer, director, key employee, or highest compensated employee was listed on Part VII; any individual listed received reportable and other (non-taxable) compensation over \$150,000; or any listed person received or accrued compensation from an unrelated organization for services rendered to the organization.

Schedule J asks organizations to indicate whether they provided any of the following to persons listed on Part VII of the Core Form:

- First class or charter travel (including upgrades the organization paid for)
- Travel for companions
- Payment or reimbursement of the individual’s tax obligations
- Discretionary spending account (funds which the listed person can use for personal or professional expenses for which he or she is not accountable to the organization “under an accountable plan”)
- Housing allowance or residence for personal use, or payments for business use of personal residence
- health or social club fees, or
- personal services such as maid, chauffeur or chef.

If the organization provides any of these benefits, it must indicate whether it requires substantiation prior to reimbursement, has a policy for payment or reimbursement of those benefits; and, if there is no policy, it must provide an explanation.

If the organization paid or accrued any compensation contingent on its revenues or net earnings or those of a related organization, it must describe the basis it uses to establish such compensation.

Organizations must also provide detailed compensation information for each employee or board member who is paid more than \$150,000 in both reportable and non-reportable (i.e., non-taxable) compensation. The detailed information breaks down W-2 or 1099-MISC compensation into three categories: 1) base compensation; 2) bonus and incentive compensation; and 3) other reportable compensation. In addition, the detailed information includes columns for reporting deferred compensation, non-taxable benefits, and compensation reported in prior Form 990 or 990-EZ. *The draft instructions note that organizations should report deferred compensation in the year in which it was earned, but it is possible this could change in the final instructions.*

Statement of Revenue (Part VIII):

Revenues are now combined into a single section which is divided into three parts: 1) contributions; 2) program service revenue; and 3) other revenue. Program Service Revenue and Other Revenue is separated into three columns: 1) related or exempt function revenue; 2) unrelated business revenue; and 3) revenue excluded from tax under sections 512, 513 or 514 of the Internal Revenue Code.

The new Form 990 separates contributions into six categories:

1. Contributions from the public received through federated campaigns (e.g., any donations received through the Combined Federal Campaign or United Way campaigns);
2. Membership dues (that portion of membership dues that represents contributions rather than payments for benefits received or payments from affiliated organizations).
3. Fundraising events (not including the portion of any contribution representing payment for goods, services, or anything else at retail value);
4. Contributions from related organizations (contributions received from closely associated organizations, to enable the organization to provide a service to the general public, not including payments for services or products that primarily gives some economic or physical benefit to the payer. Closely associated organizations include a parent organization, a subsidiary, or an organization that shares the same parent.);
5. Grants from governmental units that do not represent a payment for a service, facility, or product that primarily gives some economic or physical benefit to the payer (such as Medicare or Medicaid payments, contracts for service, etc.);
6. All other contributions (not including donations of services or use of materials, equipment, or facilities; unreimbursed expenses of officers, employees, or volunteers, or any other grants, fees or other support from foundations or other exempt organizations that represent a payment for a service, facility, or product that primarily gives some economic or physical benefit to the payer).

Any non-cash contributions reported in the lines listed above must also be reported separately and, if the total exceeds \$25,000, the organization must complete Schedule M.

The IRS no longer lists specific categories for program service revenues, allowing organizations to use their own categories. *The IRS currently requires organizations to categorize each type of program service revenue using codes from the Form 990-T, but IS has recommended that the Service only require organizations to provide activity codes from the Codes of Unrelated Business Activity for their non-exempt activities. This issue will be addressed in the final instructions to be released later this year.*

There is no significant change to the items listed under “other revenue,” but the IRS has added new lines for income from investment of tax-exempt bond proceeds and royalties.

Statement of Functional Expenses (Part IX):

This section of the Form has been reorganized to group expenses more clearly. Expenses are still to be separated in three columns: 1) program services; 2) management and general; and 3) fundraising expenses.

The draft instructions provide detailed information on the expenses that should be allocated to each column. The instructions note that “management and general” should include “costs of board of directors meetings; committee meetings, and staff meetings (unless they involve specific program services or fundraising activities); general legal services; accounting (including patient accounting and billing); general liability insurance; office management; auditing, human resources, and other centralized services; preparation, publication, and distribution of an annual report; and management of investments.” Expenses related to the production of program-related income are reported as a program expense. Expenses related to the production of rental income are deducted from rental income on the Statement of Revenues.

In addition to bringing together the current lines for accounting, legal, and professional fundraising fees, there are new lines for reporting fees paid to outside firms or consultants for:

- management services;
- lobbying services (The draft instructions indicate this should include amounts paid for lobbying and legislative liaison services. *IS believes that outside consultants who provide advocacy services that do not constitute lobbying should be reported with “other professional services” to ensure consistency in reporting lobbying expenses throughout the Form. We expect that the final instructions to the Form will address this issue.*); and,
- investment management services.

Other new categories or areas where the definition provided in the draft instructions is different from the current Form include:

- Advertising and promotion: expenses of print and electronic media advertising; Internet site link costs, signage costs, and amounts for the organization’s in-house fundraising campaigns. *This will be a change in accounting practice for most organizations. IS has asked that the final instructions permit organizations to report office expenses, travel, or conferences/meetings used in fundraising efforts under the respective line items in the Fundraising expense column.*
- Office expenses: This line groups together the old lines for office supplies, telephone, and postage and shipping, and is also to be used for bank fees and similar costs. There is no longer a separate line for printing and publications; costs for printing items of a

general nature should be included in “Office Expenses” and costs for printing items related to conferences or conventions should be reported with “Conferences, conventions, and meetings.” As noted above, the draft instructions indicate that printing costs related to “fundraising” items should be included with “Advertising.” *This may require a change in practice for many nonprofits.*

- Information technology: This new line is to be used for “hardware, software, and support services, such as maintenance, help desk, and other technical support services. Also include expenses for infrastructure support, such as web site design and operations, and virus protection and other information security programs and services to keep the organization’s web site operational and secured against unauthorized and unwarranted intrusions.” *This may require a change in practice for many nonprofits.*
- Royalties: This new line is to be used for royalties, license fees and similar amounts that allow the organization to use intellectual property such as patents and copyrights.
- Travel or entertainment for federal, state or local public officials: Organizations must now track and report separately (from other travel expenses) any expenditure or reimbursement for travel and entertainment costs of a public official or their family members that exceeds \$200, and aggregate expenditures exceeding \$1,000 for the year. *This may require new accounting practices for some nonprofits. Organizations that pay for or reimburse travel and entertainment expenses of individuals will need to establish appropriate procedures to determine whether any of those individuals is related to a federal, state or local public official.*

Balance Sheet (Part X)

The Balance Sheet is again divided into assets, liabilities, and net assets or fund balances.

- Assets: Organizations do not have to indicate separately the allowance for doubtful accounts under accounts receivable and pledges receivable. It does have to provide more detail on Schedule L if it has any receivables from disqualified persons. There is a new line for “intangible assets” where organizations are required to report the total value of all non-monetary, nonphysical assets such as copyrights, patents, trademarks, mailing lists, or goodwill. *The IRS has not yet provided guidance on how organizations should establish the value of these items, particularly “goodwill.”*
- Liabilities: New categories have been added for
 - escrow account liability (which requires organizations to provide more detail on Schedule D);
 - any payable (including loans) to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons (which requires organizations to provide more detail on Schedule L);
 - secured mortgages and notes payable to unrelated third parties;
 - unsecured notes and payables; and,
 - other liabilities, which must include separate reporting of federal income taxes payable and any payables owed to related organizations.
- Net assets or fund balances: there are no changes in this item.

Financial Statements and Reporting (Part XI):

This section asks for the type of accounting method used to prepare the Form 990, whether the organization’s financial statements were compiled or reviewed, or audited by an independent accountant, and, if so, whether the organization has a committee that is responsible for oversight of the audit or review and selection of an independent accountant.

Organizations are also asked whether, as the result of a federal award, they were required to undergo an audit as set forth in the Single Audit Act and OMB Circular A-133.

SCHEDULES

One of the biggest changes to the Form is the revision of schedules and the introduction of new schedules to replace items that organizations previously required to attach to the Form.

All 501(c)(3) organizations are required to complete:

- **Schedule A – Public Charity Status and Public Support:** where they explain the reason they were granted public charity status and provide the financial data necessary to support their continued status as a public charity. Organizations granted their status as a supporting organization under section 509(a)(3) must indicate whether they have accepted any gift or contribution from certain individuals, their family members, or entities they control.
- **Schedule B – Schedule of Contributors:** There are no changes in this schedule, but the draft instructions have added some minor clarifications noting that “contributor” includes governmental entities, instructions for group returns, and the treatment of donated securities that are sold for cash.

Other schedules that a 501(c)(3) organization may be required to complete based on its activities include:

- **Schedule C – Political Campaign and Lobbying Activities:** if the organization conducts lobbying or advocacy activities. The instructions provide a very thorough description of lobbying, advocacy and political activities. 501(c)(3) organizations generally will not complete Part I-A as they are prohibited from engaging directly or indirectly in political campaign activities, but they must complete Part I-B to indicate whether they were assessed any excise taxes for political expenditures. Organizations that have elected to follow the lobbying limits under section 501(h) must complete Part II-A, and those that do not follow section 501(h) must complete Part II-B. These sections are essentially the same as Parts VI-A and VI-B of the current Schedule A.
- **Schedule D – Supplemental Financial Statements:** This schedule must be completed by organizations that have or maintain donor advised funds *or other similar funds or accounts*; conservation easements; collections of art, historical treasures or similar assets; trust, escrow or custodial arrangements; or endowment funds; organizations that provide credit counseling, debt management, credit repair or debt negotiation services; organizations that report assets of land, buildings or other equipment, other securities, or “other assets” (that don’t fall under other listed categories on the Balance Sheet) or “other liabilities” (such as federal income taxes payable and any payables to related organizations). Many portions of Schedule D standardize information that is currently requested to be attached to the Form in unstructured formats. The section on Endowment Funds (Part V) asked how endowment funds were used to pay for grants or scholarships, other expenditures for facilities and programs, and administrative expenses. It also asks organizations to provide the estimated percentage of its year-end balances that were held as board-designated or quasi-endowment, permanent endowment, or term endowment. Initially organizations will only need to report 2008 information, but eventually this section will include a four-year look-back.

- **Schedule E – Schools**
- **Schedule F – Statement of Activities Outside the United States:** This schedule must be completed by organizations that report \$10,000 in aggregate revenues or expenses from activities conducted outside of the U.S. including grantmaking, fundraising, program services or maintaining offices; or that made \$5,000 in grants to any individual or organization outside of the U.S. Organizations must report the number of offices, employee or agencies, activities and program services conducted, and total expenditures in nine regions (*the specific regional areas are subject to change in the final instructions*). The Form no longer requires organizations to list the the name or the IRS code section and EIN of the grantees. Organizations must describe their procedures for monitoring the use of grant funds outside the U.S.
- **Schedule G – Fundraising and Gaming:** This schedule must be completed by organizations that received \$15,000 or more in gross income (including contributions) from fundraising events or gaming activities, or paid more than \$15,000 to outside professional fundraisers. Organizations must provide detailed information on fundraising activities conducted by outside individuals and firms, fundraising events, and gaming activities. *Organizations should review their written and oral agreements with any individual (including officers, directors, trustees or key employees) or entity in connection with professional fundraising or gaming activities.*
- **Schedule H – Hospitals**
- **Schedule I – Grants and Other Assistance to Organizations, Governments and Individuals in the U.S.:** This schedule must be completed by organizations that report more than \$5,000 in grants to organizations or to individuals based in the U.S. Organizations must indicate whether or not they maintain records to substantiate the funds or non-cash assistance provided, the grantees’ eligibility, and the selection criteria used to award the grants or assistance, and describe their procedures for monitoring the use of grant funds. Organizations must provide detailed information on each organization and individual that received more than \$5,000 of assistance.
- **Schedule J – Compensation Information:** This schedule is described in the Compensation section above.
- **Schedule K – Tax-Exempt Bonds:** must be completed by organizations that have a tax-exempt bond issue with an outstanding principal of more than \$100,000 as of the last day of the year. For 2008, organizations will only be required to provide basic information on each bond issue they hold, including the bond issuer, date issued, issue price, description of purpose, and whether “a defeasance or refunding escrow has been established to irrevocably defease the bond issue.”¹ Parts II through IV, which are optional for 2008, but required for later tax years, require details about proceeds of the bonds, any private business use, and arbitrage.
- **Schedule L – Transactions with Interested Persons:** This schedule must be completed if the organization engaged in any of the following transactions with an officer, director, trustee, key employee, or substantial contributor or to a family member of one of those individuals (all of whom are known as “disqualified individuals”):

¹ *Defeasance escrow.* A defeasance escrow is an irrevocable escrow established to redeem the bonds on their earliest call date in an amount that, together with investment earnings, is sufficient to pay all the principal of, and interest and call premiums on, bonds from the date the escrow is established to the earliest call date.

1) excess benefit transactions (in which the compensation exceeded the fair market value of the service or product provided); 2) loans, grants, or other assistance; or 3) business transactions (such as purchase or sale of goods or services) with disqualified individuals or companies in which disqualified individuals individually or together control more than 35% of the ownership. *Any organization that may engage in such transactions with disqualified individuals should read the instructions to Schedule L carefully before completing their Form 990.*

- **Schedule M – Noncash Contributions:** This schedule must be completed by organizations that reported more than \$25,000 of aggregate noncash contributions or that received contributions of art, historical treasures, or other similar assets, or qualified conservation contributions, regardless of whether it reported any revenues for such contributions on the core form. The schedule asks organizations to indicate the number of contributions, revenues reported, and the method for determining revenues for 24 specific types of non-cash contributions. In addition, the schedule asks several questions related to contributions of property that must be held for at least three years, whether the organization has a gift acceptance policy, and whether the organization uses third parties or related organizations to solicit, process, or sell non-cash contributions.
- **Schedule N – Liquidation, Termination, Dissolution or Significant Disposition of Assets:** This schedule must be by completed by organizations that ceased operation or sold, transferred, exchanged or otherwise disposed of more than 25% of its assets or underwent a substantial contraction.
- **Schedule O – Supplemental Information to Form 990:** As noted earlier, this is a blank schedule to be used to provide certain explanations requested for particular questions on the Form, as well as any other information the organization wishes to provide to explain its responses to any part of the Form.
- **Schedule R – Related Organizations and Unrelated Partnerships:** This schedule must be completed if the organization owns 100% of a “disregarded entity” (one that is not considered a separate entity for Federal tax purposes); is related to any other tax-exempt or taxable entity (as a brother, sister, parent, subsidiary, supporting or supported organization); made any transfers to a tax-exempt organization that is not a 501(c)(3); or conducted more than 5 percent of its exempt activities through a taxable partnership that is not related to the organization. *Any organization that engages in these types of activities should read the instructions to Schedule R carefully before completing their Form 990.*