

# **Audit Technique Guide - Teachers' Retirement Fund Associations - IRC Section 501(c)(11)**

## **Introduction**

This Audit Technique Guide provides specific information to identify and develop issues commonly encountered during the examination of organizations exempt under IRC Section 501(a) as an organization described in IRC Section 501(c)(11).

This guide isn't all-inclusive. Its purpose is to supplement the guidelines in [IRM 4.75.10](#) through [IRM 4.75.13](#) and isn't intended to restrict you in identifying issues or using audit techniques that aren't mentioned here.

This guide doesn't contain detailed technical information on IRC Section 501(c)(11) organizations. When auditing, review the technical information in [IRM 7.25.11, Teachers' Retirement Fund Associations](#).

IRC Section 501(a) provides for the exemption of teachers' retirement associations of a purely local character, as described in IRC Section 501(c)(11). Their sources of income are limited to amounts from public taxation, assessments of members, and investment income.

## **Audit Guidelines**

Inspect governing instruments and evaluate actual operations to determine:

- If activities are confined to a territorial unit purely "local in character."
- If memberships other than that of teachers are only incidental and are limited to school employees.

Analyze all sources of income to determine:

- Whether income consists solely of amounts received from public taxation, amounts received from assessments on teaching salaries of members, and amounts received from investments.
- Whether a business activity is being conducted under the guise of an investment.

Test check and trace disbursements to determine that no part of the organization's net earnings inures to the benefit of any private shareholder or individual, other than through the payment of retirement benefits.