

# **Stalking**

**The Charities & Non-Profits**

# The Miami Herald

A Knight-Ridder Newspaper

MARY HARGROVE  
305 985 4518

## DOCUMENTS FOR NON-PROFIT STORIES

1. Form 1023 - Application for tax-exempt status
2. Form 990 - Annual update includes contributions, board members, 5 highest paid employees, related companies, sometimes social security numbers.
3. Form 990PF - Similar information for foundations
4. Form T3010 - Annual form filed with Revenue Canada

## PUBLIC DOCUMENTS

1. Secretary of State - Articles of Incorporation
2. State Tax Commission - Franchise tax or exemption form
3. State Regulator of Charities - Application and sometimes financial statements
4. Courthouse
  - Assessor's Office: List of tax-exempt property under individual or corporate names. Have assessor update for current values.
  - Building permits: Particularly for parsonages. You can get blueprints, numbers of rooms, etc.
  - Probate: Gifts from wills left to charities
  - Lawsuits
  - Liens

## LETTERS, MAGAZINES, PUBLICATIONS

1. Books: Check publishing companies and copyrights
2. Magazines, newsletters: Get photos of top people, plus quotes and names of former employees
3. TV shows: Check Arbitron and Nielson ratings

## EDUCATIONAL INSTITUTIONS

1. Accreditation Reports
2. Foundation annual reports and magazines
3. HEW/HHS/HUD grants and loans
4. Catalogues: Pictures and bio information on faculty, board of regents.
5. State Education Department

## HOSPITALS

1. Inspection reports from state and federal agencies
2. Certificate of need -- approval by health planning commissions which would list number of patients etc
3. State Medical Review Board

Federal 990 tax forms from the Internal Revenue Service are must reading for reporters who want to know where tax-exempt organizations and nonexempt charitable trusts get their money and how they spend it. The forms, filed annually, describe in detail income and outgo, assets and liabilities, list major officers and salaries, and state services provided and their costs.

Getting the forms in a reasonable time can be a problem, though, according to some frustrated journalists.

"Generally, the level of service is not as good as it has been in the past," says Don Oliver, disclosure officer at the Fresno IRS Service Center. A number of factors may contribute to delays. Budget cutbacks and understaffing are part of the problem, he says. Computer backlog may also be a contributing factor, says Bill Akright, public affairs officer with the Kansas City IRS Service Center.

There is not much individual reporters can do to ameliorate such problems. But the following guidelines and up-to-date information could help requesters.

Organizations which might qualify for tax-exempt status include any corporation, community chest, fund or foundation created and operated solely for one or more of the following purposes: charitable, religious, educational, scientific, literary, testing for public safety, or the prevention of cruelty to children or animals. Examples include non-profit old-age homes, parent-teacher associations, charitable hospitals or other charitable organizations, alumni associations, schools, Red Cross or Salvation Army chapters, boys clubs and churches. Of these groups, only churches are exempt from filing 990 forms.

The forms are available through eight IRS service centers. (The Memphis Service Center no longer processes 990s.) Reporters seeking disclosure of the forms must submit a written request to the service center handling disclosures for the district in which the organization has filed. If a reporter is uncertain where an organization has filed, he or she can contact the IRS Freedom of Information Reading Room (202-566-3770 or 3070; 1111 Constitution Ave. NW, Washington, D.C. 20224) or check with the disclosure or public affairs officer at the most likely service center.

Some disclosure officers say reporters can unnecessarily lengthen the response time by mistakenly requesting the forms under the Freedom of Information Act. The forms should be requested under the provisions of Internal Revenue Code sections 6104 (a) and (b) — not under FOIA.

Disclosure officers say delays of days — and in some cases, weeks — can be avoided if requesters provide complete information about the target organization. Reporters are urged to include the following information when possible:

- ✓ Employer identification number. Every exempt organization is required to have a number, whether or not it has any employees. Service centers need this number to locate the organization's files. If you can provide it, you're ahead of the game. The number can be obtained by asking the organization to give it to you or calling the IRS Freedom of Information Reading Room and asking for it.

- ✓ Precise title of organization. Don't say "James Jones Foundation" if you mean "Jim Jones Foundation."

- ✓ Exact address of organization. The zip code is important, especially if the EIN isn't available.

- ✓ Where the organization's home office is located.

- ✓ Whether the organization files its taxes on a fiscal or calendar year schedule.

- ✓ The years you want to examine.

To help your request find its-way to the right desk, address it to the attention of Public Affairs Office/Disclosure Office.

# IRS Form 990 opens doors to foundations

By Steve Weinberg, IRE

In my quest to learn about the Armand Hammer Foundation, I wrote to the Internal Revenue Service Center in Fresno, Calif., after determining that the foundation had its office in Los Angeles. My request letter included the foundation's employer identification number in the hope that its inclusion would speed processing. I found the number in a reference book, *The Foundation Directory*, published by the Foundation Center in New York City. That same book told me Hammer's foundation began operations in 1968, so I asked the IRS for the filings back to that year. At about the same time, I wrote to the foundation itself, asking for information about its activities. I received a two-page reply that was helpful, but no copies of the annual reports.

My first reply from the IRS Service Center arrived 10 weeks after the date of my request. It was confusing. Enclosed was the foundation's annual report for one year of the 18 years I had requested; that year was 1981. The reply said the agency hoped to locate the returns for 1977-1980. The filings for 1982-1985 were missing. As for 1968-1974, they had been destroyed, but 1975-1976 might be with an IRS unit in Philadelphia, I was told.

I maintained my correspondence with the IRS in Fresno but began looking for alternative sources of information. By making inquiries with state agencies in California, I obtained the foundation's articles of incorporation and its short form, "Statement by Domestic Nonprofit Corporation," from the secretary of state. I had those documents in hand 10 days after making my request. A few more telephone calls taught me that the Armand Hammer Foundation filed copies of its IRS returns with the California Registry of Charitable Trusts in Sacramento. The IRS form, 990-PF, Return of a Private Foundation, was an attachment to the less detailed annual report to the California attorney general on Form CT-2. Within two weeks, I had copies of every year's Form 990-PF through the mail. The Internal Revenue Service was continuing its search for those same forms and sent me periodic updates. I allowed the search to continue out of curiosity. I never received the returns for any year except 1981.

What did I learn about the Armand Hammer Foundation from Form 990-PF? Among other things, I learned how much it took in each year and from what sources. I also learned how much it spent and for what purposes. I saw its balance sheet, both the assets and the liabilities, at the end of each fiscal year. I learned whether it had gained or lost money on the sale of stock in its portfolio. I learned the identities of its officers and directors, employees paid more than \$30,000, the five highest-paid consultants for amounts topping \$30,000, its legal fees and its dozens of grants. I also learned where I could inspect the annual return in person if I so desired.

Similar information is available about many other non-for-profit organizations that do not fall into the category of private foundations. For example, Investigative Reporters and Editors Inc. files a Form 990, Return of Organization Exempt From Income Tax, every year with the IRS. If you wanted to investigate IRE, you could (theoretically) obtain our annual return from the IRS Center in Kansas City,

<b>990-PF</b>		Return of Private Foundation or Section 4947(a)(1) Trust Treated as a Private Foundation	
Department of the Treasury Internal Revenue Service		Note: You may be able to use a copy of this return to satisfy state reporting requirements	
		OMB No. 1545-0052	1987
For the calendar year 1987, or the year beginning _____ and ending _____		Employer Identification Number _____ State registration number (see instructions)	
Name, address, and telephone number The Oak Foundation, Inc. 133 Winchester Dr. Atlanta, GA 30380		For prior year value of assets as of end of year \$17,150	
Check type of organization: <input checked="" type="checkbox"/> 4947(a)(1) trust <input type="checkbox"/> Other taxable private foundation		Prior year value of assets or money order notes	
Section 4947(a)(1) trust (check here if less than 50% of total assets held, check here and see General Instructions.)		Information about the organization	
The books or copy of P. Ernest Ames Herkert, located at 133 Winchester Dr., Atlanta, GA, are open to inspection under the instructions for Part II		Other than that of a private foundation	
Information of Support, Revenue, and Expenses (See instructions for Part II)		For the year ended December 31, 1987	
Operating and Administrative Expenses		Total revenue, expenses, and net income	
1 Compensation, gifts, grants, etc., received (attach schedule)		41,000	41,000
2 Contributions, gifts, grants, etc., received		10,000	10,000
3 Interest on savings and temporary cash investments		19,000	19,000
4 Dividends and interest from securities		4,000	4,000
5 Gross rents		(Net rental income) (loss)	(Net rental income) (loss)
6 Net gain or (loss) from sale of assets (see Part IV)		(Net gain or (loss))	(Net gain or (loss))
7 Capital gains and income		(Net capital gains and losses)	(Net capital gains and losses)
8 Income from investments		(Net investment income)	(Net investment income)
10a Gross sales minus returns and allowances		(Net sales)	(Net sales)
b Merchandise held and (attach schedule)		(Gross profit) (loss)	(Gross profit) (loss)
c Gross profit (loss)		(Gross profit) (loss)	(Gross profit) (loss)
11 Other income (attach schedule)		(Other income)	(Other income)
12 Total (add lines 1 through 11)		\$1,000	\$1,200
13 Compensation of officers, directors, trustees, etc.		\$000	\$40
14 Other employee salaries and wages		3,000	400
15 Pension plans, employee benefits		000	800
16 Legal fees		000	000
a Accounting fees		280	80
c Other professional fees		000	000
17 Interest		000	000
18 Tax (see schedule)		320	00
19 Occupancy and depreciation		300	100
20 Occupancy		000	000
21 Travel, conferences, and meetings		2,200	880
22 Printing and publications		000	1,320
23 Other expenses (attach schedule)		000	000
24 Total operating and administrative expenses (add lines 13 through 23)		5,020	1,840
25 Total contributions, gifts, grants paid		48,000	45,000
26 Total expenses and disbursements (add lines 24 and 25)		59,020	47,840
27a Excess of revenue over expenses and disbursements (line 12 minus line 26)		10,980	000
b Net investment income (if negative enter -)		17,880	000
c Adjusted net income (if negative enter -)		8,100	000
7a Paperwork Reduction Act Notice, see page 1 of the instructions.		Form 990-PF (1987)	

One of the most frequently asked questions at IRE headquarters is: "How can I obtain information about the local United Way?" The only variation is the name of the organization—sometimes it is a local college, or a church group, or a private welfare league such as a shelter for the homeless. Most of the time, we end up telling the caller about Form 990, an annual report made by a tax-exempt organization to the Internal Revenue Service. If the inquiry is about a foundation, we clue in the caller to a similar form known as 990-PF.

The annual reports are available from the appropriate regional service center of the IRS. The IRE Journal last published the addresses and telephone numbers of those IRE centers in the Summer 1985 issue. Because so much of the information has changed, we are printing an up-to-date list, accompanied by a brief article on alternative, often more efficient, ways to obtain the annual returns.

Mo. Of course, we would release it to you on request, no questions asked. From IRE's Form 990 for the year 1987, you could learn that we had revenue of nearly \$244,000 from four main activities and that we spent all but about \$5,000 of that serving members. You could learn how much we paid our accountant, our lawyer, our staff. And you could learn a lot more.

Tens of thousands of organizations eligible to receive tax deductible contributions file Form 990 each year with the IRS. All such organizations are supposed to be listed in a thick IRS book, "Cumulative List of Organizations Described in Section 170

(c) of the Internal Revenue Code of 1986." You can obtain a copy from the IRS, a library in your area or a local accounting firm.

Although many journalists dislike approaching the subject of their investigations, usually the fastest way to obtain a Form 990 or a 990-PF is to go directly to the issuing organization. In 1987, Congress changed the law to require organizations filing Form 990 to make it available during regular business hours at the principal office. Private foundations must make Form 990-PF available at the main office during normal hours.

## IRS 990 Service Centers

### North Atlantic Region

New York, New Jersey, Maine, New Hampshire, Massachusetts, Connecticut, Vermont, Rhode Island.

IRS, Brookhaven Service Center, 1040 Waverly Ave., Stop 241, Holtsville, N.Y. 11799. (516-654-6766)

### Mid-Atlantic Region

Washington, D.C., Pennsylvania, Delaware, Maryland, Virginia, Virgin Islands, Puerto Rico and foreign countries.

IRS, Philadelphia Service Center, Box 245, Bensalem, Pa. 19020, Drop Point 590 A (215-969-2536)

### Southeast Region

North Carolina, South Carolina, Georgia, Florida, Alabama, Tennessee, Mississippi, Arkansas.

IRS, Box 47421, Dorvalville, Ga. 30362, Stop 91. (404-455-2872)

### Midwest Region

Illinois, Nebraska, Missouri, Iowa, Wisconsin, Minnesota, North Dakota, South Dakota.

IRS, Kansas City Service Center, Box 24551, Kansas City, Mo. 64131, Stop 7. (816-926-6558)

### Southwest Region (1)

Texas, Utah, New Mexico, Wyoming, Colorado, Oklahoma, Kansas, Louisiana.

IRS, Austin Service Center, Box 934, Austin, Texas, 78767. (512-462-7194)

### Southwest Region (2)

Washington, Oregon, Montana, Idaho, Arizona, Utah, Alaska.

IRS, Ogden Service Center, Box 9941, Stop 7000, Ogden, Utah, 84409. (801-625-6515)

### Central Region

Kentucky, West Virginia, Ohio, Indiana, Michigan.

IRS, Cincinnati Service Center, Box 267, Stop 61, Covington, Ky. 41019. (513-292-5627)

### Western Region

California, Nevada, Hawaii.

IRS, Attn: Photocopy Unit, Stop 5326, Box 12866, Fresno, Calif., 93888. (209-454-6188).

### IRS National Office Public Affairs Division

Assistant to the Commissioner: Ellen Murphy (202-566-4743)

Executive Assistant: Arnold Alperin (202-566-4743)  
Chief, Media Relations Staff: Scott Waffle (202-566-4024)

Chief, Field Services Staff: Robert Childers (202-566-4037)

Chief, Library Services Staff: Diane Wallace (202-566-4054)

— Compiled by Phoebe Wall,  
IRE staff member

## Deciphering IRS Form 990

*... and other mysteries  
of the non-profit sector  
succinctly explained*

Russell Clemings  
The Fresno Bee  
IRE Phoenix 1997

<http://www.ire.org/resources/conferences/phoenix/handouts/990s.html>  
<http://www.crs.com/~clemings/990>

## What's a 990 anyway?

- Filed by a non-profit organization (tax-exempt) in lieu of an income tax return
- Includes revenue, expenses, assets and liabilities; salaries of top officers and directors, payments to top contractors, lists of related non-profits and for-profit businesses, and other details

## Who has to file a 990?

- All organizations exempt from income tax under IRC section 501(c) or 4947(a)(1)
- Exceptions: Churches and organizations with annual receipts less than \$25,000
- Get an IRS database of non-profits at:  
[http://www.irs.treas.gov/tax\\_stats/soi/ex\\_imf.html](http://www.irs.treas.gov/tax_stats/soi/ex_imf.html)

## Most 990s are public

- Both the 990 and the application for non-profit status (Form 1023 or 1024) are open to public inspection and copying
- All schedules and other required attachments are also available
- Exceptions: Contributor lists, returns of for-profit affiliates, and trade secrets

## How to get copies

- Non-profits must make their past three 990s available for public inspection and provide copies for a "reasonable" fee.
- The duty of non-profits to allow public inspection is explained fully on pages 6 and 7 of the Form 990 instructions.
- Copies are also available from the IRS and many state attorneys general.

## How to get copies (cont'd)

- For foundations, the Foundation Center collects forms 990-PF and puts them on microfiche for deposit at libraries  
Phone: (212) 620-4230
- Get blank 990 forms and instructions at:  
[http://www.irs.treas.gov/forms\\_pubs/](http://www.irs.treas.gov/forms_pubs/)  
<http://www.ire.org/resources/conferences/phoenix/handouts/990s.html>

### Anatomy of a 990

- I. Statement of revenue, expenses, and changes in net assets or fund balances
- II. Statement of functional expenses
- III. Statement of program service accomplishments
- IV. Balance sheets and reconciliation

### Anatomy of a 990 (cont'd)

- V. List of officers, directors, trustees and key employees (with compensation)
- VI. Other information (includes related for-profit businesses)
- VII. Analysis of income-producing activities

### Anatomy of a 990 (cont'd)

- VIII. Relationship of activities to the accomplishment of exempt purposes
- IX. Information regarding taxable subsidiaries

### Schedule A

- I. Compensation of the five highest paid employees other than officers, directors and trustees
- II. Compensation of the five highest paid independent contractors
- III. Statement about activities (includes business dealings with staff and board)

### Schedule A (cont'd)

- IV. Reason for non-profit status (may include four-year support schedule)
- V. Private school questionnaire
- VI. Lobbying expenses and activities
- VII. Transfers and other transactions with non-charitable exempt organizations

### What to look for

- Revenue mix (donations, fees, dues, investment earnings, sales, events)  
*(form 990, part I, lines 1 to 12)*
- Expense ratios (programs, management, fundraising, payments to affiliates)  
*(form 990, part I, lines 13 to 17)*
- Excess, deficit, and change in net assets  
*(form 990, part I, lines 18 to 21)*

### What to look for (cont'd)

- Top officials and their compensation  
*(form 990, part V; schedule A, page 1)*
- Related non-profits and for-profits  
*(form 990, part VI, line 80)*
- Business deals with officers, directors  
*(schedule A, part III, line 2)*

### For more information

- Internal Revenue Service  
(202) 622-4000  
<http://www.irs.treas.gov>
- Foundation Center  
(212) 620-4230  
<http://fdncenter.org>
- Internet NonProfit Center  
<http://www.nonprofits.org>

### For more information (cont'd)

- National Charities Information Bureau  
(212) 929-6300  
<http://www.give.org>
- BBB Philanthropic Advisory Service  
(703) 276-0100  
<http://www.bbb.org/about/pas.html>

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# TAXNEWS

PAC

## Department of the Treasury Internal Revenue Service

1988-12

February 29, 1988

Notice 835 reproduced in this TAXNEWS has been mailed to 400,000 Form 990 filers during February 1988.

### Department of the Treasury Internal Revenue Service

#### Notice 835

(January 1988)

#### Major New Tax Law Changes Affecting Exempt Organizations

Legislation signed into law by the President on December 22, 1987, contains a number of significant provisions affecting tax-exempt organizations described in section 501(c) of the Internal Revenue Code. These provisions include new public disclosure requirements imposed on the organizations, penalties for not complying with the new requirements, and taxes on political expenditures and lobbying beyond allowable amounts by certain types of exempt organizations. Some of these provisions were effective on the date of enactment or the day following, and some became effective January 21 or February 1, 1988.

Exempt organizations need to familiarize themselves with these tax law changes in order to bring themselves into compliance. This Notice attempts to alert you to the major new provisions affecting tax-exempt organizations. In some cases, the new law requires important changes in how you conduct certain activities, such as when a noncharitable organization solicits contributions. In other instances, the new law will require changes in how you maintain accounting and other types of records, such as when a charitable organization has certain types of transactions or relationships with noncharitable organizations. Set forth below are brief descriptions of the new law's key provisions. The Service plans to provide further guidance in the near future.

#### Public Disclosure Requirements

**Solicitations of Nondeductible Contributions.**—Beginning February 1, 1988, any fundraising solicitation by or on behalf of any section 501(c) organization that is not eligible to receive contributions deductible as charitable contributions for Federal income tax purposes must include an express statement that contributions or gifts to it are not deductible as charitable contributions. The statement must be in a conspicuous and easily recognizable format whether the solicitation is made in written or printed form, by television or radio, or by telephone. However, this provision applies only to those organizations whose annual gross receipts are normally more than \$100,000. Religious and apostolic organizations described in section 501(d), as well as political organizations (including PACs) described in section 527(e), are also required to comply with this provision.

Failure to disclose that contributions are not deductible could result in a penalty of \$1,000 for each day on which a failure occurs, up to a maximum amount upon any organization of \$10,000. In cases where the failure to make the disclosure is due to intentional disregard of the law, the \$10,000 limitation does not apply and more severe penalties are applicable. No penalty will be imposed if the failure is due to reasonable cause.

#### Public Inspection of Annual Returns.

Any organization that files a Form 990, Return of Organization Exempt From Income Tax, for a tax year beginning after 1986 must make its return available for public inspection upon request within the 3-year period beginning with the due date of the return (including extensions, if any). All parts of the return and all required schedules and attachments other than the list of contributors to the organization must be made available. Inspection must be permitted during regular business hours at the organization's principal office and at each of its regional or district offices having 3 or more employees. This provision applies to any organization that files a Form 990, regardless of the size of the organization and whether or not it has any paid employees.

Any person who does not comply with the public inspection requirement may be assessed a penalty of \$10 for each day that inspection was not permitted, up to a maximum of \$5,000 with respect to any one return. Any person who wilfully fails to comply may be subject to an additional penalty of \$1,000. No penalty will be imposed if the failure is due to reasonable cause.

**Public Inspection of Exemption Applications.**—Beginning January 21, 1988, any section 501(c) or 501(d) organization that submitted an application for recognition of exemption (including Forms 1023 and 1024) to the Internal Revenue Service after July 15, 1987, must make available for public inspection a copy of its application (together with a copy of any papers submitted in support of its application) and any letter or other document issued by the Service in response to the application. An organization that submitted its exemption application on or before July 15, 1987, must also comply with this requirement if it had a copy of its application on July 15, 1987. As in the case of annual returns, the copy of the application and related documents must be made available for inspection during regular business hours at the organization's principal office and at each of its regional or district offices having at least 3 employees.

The penalties for failure to comply with this provision are the same as those discussed in "Public Inspection of Annual Returns" above, except that the \$5,000 limitation does not apply. No penalty will be imposed if the failure is due to reasonable cause.

Both exempt organization returns and approved exemption applications will continue to be available for public inspection at IRS district offices and at the IRS National Office in Washington, D.C.

**Disclosures Regarding Certain Information and Services Furnished.**—A section 501(c) organization that offers to sell (or solicits money for) specific information or a routine service to any individual which could be readily obtained by that individual from an agency of the Federal Government free of charge or for a nominal charge must disclose that fact in a conspicuous manner when making any such offer or solicitation after January 31, 1988. Any organization that intentionally disregards this requirement will be subject to a penalty for each day on which the offers or solicitations were made. The penalty imposed for a particular day is the greater of \$1,000 or 50 percent of the aggregate cost of the offers and solicitations made on that day which lacked the required disclosure.

**Disclosures Regarding Certain Transactions and Relationships.**—In their annual returns on Form 990 or 990-PF for years beginning after 1987, section 501(c)(3) organizations must disclose information with respect to their direct or indirect transfers to, and other direct or indirect relationships with, other organizations described in section 501(c) (not including other section 501(c)(3) organizations) or in section 527, relating to political organizations. The purpose of this provision is to help prevent the diversion or expenditure of a section 501(c)(3) organization's funds for purposes not intended by section 501(c)(3) of the Code. Forms 990 and 990-PF for 1988 will require this additional information. All section 501(c)(3) organizations are now obliged to begin maintaining records regarding all such transfers, transactions, and relationships.

#### Political and Legislative Activities

**Political Activities by Section 501(c)(3) Organizations.**—Section 501(c)(3) has been clarified so that it now explicitly bars not only activities and expenditures "in support of" any candidate for public office, but also activities and expenditures "in opposition to" any such candidate. Other sections allowing a charitable contribution deduction for Federal income, estate, and gift tax purposes have been amended in an identical fashion. These amendments took effect on December 23, 1987.

Another amendment taking effect on the same date precludes qualification under section 501(c)(4) for any organization that lost its section 501(c)(3) status because of its intervention in a political campaign. This ensures that such an organization would be subject to Federal income tax for at least one year before its tax-exempt status under section 501(c)(3) could be reinstated. Prior to this amendment, section 504 of the Code barred section 501(c)(4) qualification only for those organizations that lost their section 501(c)(3) status because of substantial lobbying activities.

**Tax on Political Expenditures by Section 501(c)(3) Organizations.**—For taxable years beginning after December 22, 1987, an initial excise tax under new section 4955 is imposed on any amount paid or incurred by a section 501(c)(3) organization in connection with any intervention in a political campaign on behalf of, or in opposition to, any candidate for public

# **How to Read the IRS Form 990 & Find Out What it Means**

Written by Peter Swords, former Executive Director of the Nonprofit Coordinating Committee of New York, with the assistance of Victoria Bjorklund of Simpson Thacher & Bartlett and Jon Small, Executive Director of NPCC; supported by a grant from the Ford Foundation.

## **Introduction**

There is information in the Form 990 that you may find interesting and helpful for learning about the nonprofit organization that filed the Form 990. But you need to know where to find this information and how to interpret it. To help you do this, we offer a list of the ten most significant pieces of information that can be found in the Form 990 and show you exactly where you can find the information.

Of course, your particular interest in the organization whose Form 990 you are reviewing will influence what information you may consider significant. For example, if you are thinking of contributing to a nonprofit, you may want to know what it does and how strong it is financially (its ability to attract resources, its level of reserves, etc.). If you are a board member, you may be interested in reviewing your own nonprofit's Form 990 for information that might prove embarrassing upon inspection by the public. Some believe that board members have a responsibility to review their organization's Form 990 before it is filed.

**These are the ten most important items we address along with where they can be found on the Form 990.**

**#1 – Identity and Tax Status**

**#2 – How Much Did the Filer Receive and From What Sources?**

**#3 – How Did the Filer's Total Expenses Breakdown?**

**#4 – What Can You Tell From Net Assets?**

**#5 – What Programs Does the Filer Run and How Much is Spent on Them?**

**#6 – Who Are the Filer's Board Members and How Much Are Top Staff Paid?**

**#7 – Did the Filer Initiate New Activity or Change Operations?**

**#8 – Did the Filer Engage in Any Self-Dealing During the Year?**

**#9 – Is the Filer a Private Foundation?**

**#10 – Does the Filer Lobby?**

Before discussing the ten most significant facts that can be found in the Form 990, we first provide some background information on how to use this guide and then on the Form 990 itself.

A little background information on the Form 990. The Form 990, entitled "Return of Organization Exempt From Income Tax," is a report that must be filed each year with the Internal Revenue Service (IRS) by organizations exempt from Federal income taxes under section 501 of the Internal Revenue Code, and whose annual receipts are "normally" more than \$25,000 a year. It is an information return and not an income tax return since the organizations that file it do not pay income taxes (except, as explained below, in certain cases an organization may have to pay an "unrelated

business income tax").

There are many different kinds of nonprofit organizations that are exempt under section 501 of the Code. Charitable organizations are the principal focus of this guide. They are exempt from income taxation under section 501(c)(3) of the Code and, in addition to being required to file the Form 990 itself, must also file Schedule A to Form 990. (Schedule A need not be filed by most other organizations exempt under section 501, such as trade associations, social clubs and the like.) Generally, organizations are exempt under section 501(c)(3) if they pursue charitable, educational or religious purposes.

An organization "normally" receives more than \$25,000 a year if its gross receipts for the immediately preceding three tax years average \$25,000 per year or more. Organizations with gross receipts of less than \$100,000 and total assets less than \$25,000 at the end of the year may file a short-form Form 990 called Form 990-EZ. Organizations that are classified as private foundations (generally organizations that receive funding from a very few sources) are required to file a Form 990-PF. Generally churches are not required to file a Form 990 (although some churches file voluntarily).

Today the Form 990, in addition to being the main IRS reporting form for nonprofits, is the basic component of the annual report that must be filed with a large number of state offices that regulate charitable solicitation. Many states require supplemental reports as well as the Form 990.

The Form 990 serves two essential purposes. First, it provides information that helps government agencies (the IRS and state charity regulators) enforce the laws that govern nonprofits. For example, it helps government regulators learn whether groups have been spending their funds in a way that might cause them to lose their charitable and tax-exempt status. Second, the Form 990 provides a great deal of financial information about the filing organization's financial condition, about its financial strength or weakness and about such things as the sources of its income.

The Form 990 is a very public document and it is becoming more public. Today an organization's Forms 990 for the past three years must be shown to anyone who wants to see them. In addition, copies of these forms must be given to anyone who requests them (either in person or in writing) and who pays a reasonable fee -- \$1 for the first page and 15 cents for every page thereafter and postage, if applicable. Furthermore, most Forms 990 beginning with the year 1997 are being posted on the Internet by the National Center for Charitable Statistics and Guidestar, two nonprofit groups in the Washington D.C., area. Finally, it is only a matter of time before all charities will be required to file their Forms 990 electronically. Thus, virtually every Form 990 is or soon will be accessible by anyone in the world.

We conclude this introduction with three final points. First, while much can be found out by examining an organization's Form 990 for one year, a great deal more can be learned from looking at its Forms 990 for three years. For example, if an organization reports the receipt of a considerable amount of income for three years from a particular source, such as program service revenue, it may be considered likely that the organization will continue to receive funds from this source in the future. This conclusion could not be made with as much confidence on the basis of one Form 990. (As noted above, an organization's Forms 990 for the past three years must be shown to anyone who wants to see them.)

Second, a great deal of very valuable information about the Form 990 can be found in the IRS's "Instructions for Form 990 and Form 990-EZ" and "Instructions for Schedule A (Form 990)." These instructions, which provide general information and elucidate what each line means, are clear and very well done. They can be found, along with the current Form 990 and Schedule A, on the Web at <http://www.irs.gov> (run a search for Form 990 under the "Search Forms & Publications" search feature).

Finally, we will be offering suggestions on how information reported on the Form 990 might be interpreted. These suggestions should be taken as just that – suggestions. In many cases there will be other ways the data might be interpreted. An interpretation of each particular Form 990's data will depend on the myriad of particular facts reported in each Form 990 and on facts not reported for that year (e.g., fundraising costs incurred in one year to raise funds in the year in question). Our suggestions are offered to help you develop an aptitude for thinking about the various ways the information contained in the Form 990 might be interpreted.

For a more detailed exploration on the IRS Form 990, download Form 990: A Detailed Examination at NPCC's website at [www.npccny.org//More\\_990/990.htm](http://www.npccny.org//More_990/990.htm).

## The 10 Most Significant Items of Information

### #1

#### Identity and Tax Status

At the top of page 1 of the Form 990 there is a section of about seven lines that elicits the name of the filing organization and certain other information.

<b>Form 990</b>	<b>Return of Organization Exempt From Income Tax</b>			OMB No. 1545-0047
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)				
► The organization may have to use a copy of this return to satisfy state reporting requirements.				
A For the 2002 calendar year, or tax year beginning <b>, 2002, and ending , 20</b>				
<b>B Check if applicable:</b> <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return  <input type="checkbox"/> Application pending		<b>C Name of organization</b> <small>Please use IRS label or print or type. See Specific Instructions.</small>  Number and street (or P.O. box if mail is not delivered to street address) Room/suite  City or town, state or country, and ZIP + 4		<b>D Employer identification number</b> <small>.....</small>  <b>E Telephone number</b> <small>(      )</small>  <b>F Accounting method:</b> <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) ►
<b>G Web site:</b> ►				
<b>J Organization type</b> (check only one) ► <input type="checkbox"/> 501(c) (      ) □ 4947(a)(1) or <input type="checkbox"/> 527				
<b>K</b> Check here ► <input type="checkbox"/> if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization received a Form 990 Package in the mail, it should file a return without financial data. <b>Some states require a complete return.</b>				
<b>L Gross receipts:</b> Add lines 6b, 8b, 9b, and 10b to line 12 ►				
<small>H and I are not applicable to section 527 organizations.</small> <b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input type="checkbox"/> No <b>H(b)</b> If "Yes," enter number of affiliates ► ..... <b>H(c)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No <small>(If "No," attach a list. See instructions.)</small> <b>H(d)</b> Is this a separate return filed by an organization covered by a group ruling? <input type="checkbox"/> Yes <input type="checkbox"/> No <b>I</b> Enter 4-digit GEN ►				
<b>M</b> Check ► <input type="checkbox"/> if the organization is <b>not</b> required to attach Sch. B (Form 990, 990-EZ, or 990-PP).				

Item A shows whether the filer is on a calendar fiscal year or some other fiscal year. This can be important since generally a Form 990 must be filed five and a half months after the end of the filer's fiscal year and as you review a form you may wish to know whether you have access to the most current form.

Item B elicits whether the filer has changed its address (discussed below) and whether the return is its initial or final return. If the return is a filer's initial return, one will be on notice that it has a very short track record; if it is the final return one will be on notice that the filer is terminating operations.

Fundamental to your examination of a Form 990 is to make sure you are looking at the Form 990 that you set out to look at. By looking at the address information in the box (item C), you learn the name and address of the filer. As there may be more than one organization with the same name, you have to make sure you have the Form 990 of the organization you are interested in. There is

usually only one organization with a particular name in a state, so the filer's address may provide the assurance you need. If the filer has changed its address, it must check the first box under item B. If you still have doubts, item E reports the telephone number of the filer and a call to it will almost certainly clear the question up.

Item J shows what paragraph of section 501(c) the filer is exempt under. You may believe that the filer is exempt under section 501(c)(3) (the paragraph that exempts charitable, educational and religious organizations), when in fact it may be exempt under some other paragraph, such as section 501(c)(6) (which exempts trade associations). There are 27 paragraphs under subsection section 501(c), all indicating different types of organizations that are exempt under section 501(a). If you were considering making a contribution to the filer for whom you would expect to claim a charitable contribution deduction under section 170 of the Code, this information would be important to you, since, with few exceptions, only contributions to section 501(c)(3) organizations are eligible for the charitable-contribution deduction.

Sometimes one nonprofit will file a group return for itself and its affiliates. Item H provides information on this subject.

Item F indicates what accounting method the filer uses. In virtually every case it will either be the cash or accrual method. It will be important for you in interpreting a Form 990 to know what accounting method a filer used. For example, if a filer used the cash method, it will not include accounts receivable and other accrual items of income in Part I as income or accounts payable and other accrual items of expenses in Parts I and II as expenses, while these items would be included in income and expenses if the filer used the accrual method.

Regarding item M, filers who receive during the year \$5,000 or more (in money or property) from any one contributor must attach Schedule B (Schedule of Contributors) to their Form 990. This schedule includes information as to the identity of such contributors and how much they gave. It is NOT open to the public and thus cannot be accessed. However, item M at the top of page 1 of the Form 990 asks the filer to check a box if it is not required to attach Schedule B. Thus, if the box is checked, it means that the filer received no contribution from any one contributor of \$5,000 or more. This information may be considered relevant in understanding a filer's capacity to raise money from individuals.

(Check the Instructions for information on items D, F, K and L.)

## #2

### **How Much Income Did the Filer Receive and From What Sources?**

Part I (Revenue, Expenses and Changes in Net Assets) on page 1 is divided into three sub-parts: "Revenue," "Expenses," and "Net Assets." The Revenue sub-part reports a filer's total revenue broken down among some 13 different sources (e.g., contributions, fees for services (called program service revenue on the Form 990), etc.). The sum of these lines is totaled at Line 12 (Total revenue) at the bottom of the Revenue subpart. By going directly to Line 12, you can find out how much total income the filer received during the year. This will give you some idea of the size of the filer's operation. This may be misleading since in a banner year a filer may have received a greater amount of income than it needed to defray expenses for that year, or, as we shall see below, it may have received income that is not attributable to the year. Thus, in many cases the dimension of a filer's activities may be better reflected by considering its total expenses for the year. This amount can be found at Line 17 (Total expenses) in the Expenses subpart near the bottom of page 1. You might also look at Line 90b on page 5, which indicates how many employees the filer engages.

Below is an example of Part I. We have highlighted Line 17.

Example 1

<b>Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See Specific Instructions on page 16.)</b>			
<b>Revenue</b>	<b>1 Contributions, gifts, grants, and similar amounts received:</b>	<b>1a</b>	<b>1,500,000</b>
	a Direct public support . . . . .	1b	
	b Indirect public support . . . . .	1c	
	c Government contributions (grants) . . . . .		
	d Total (add lines 1a through 1c) (cash \$ <b>1,500,000</b> noncash \$ _____)	1d	<b>1,500,000</b>
	2 Program service revenue including government fees and contracts (from Part VII, line 93) . . . . .	2	
	3 Membership dues and assessments . . . . .	3	
	4 Interest on savings and temporary cash investments . . . . .	4	<b>55,000</b>
	5 Dividends and interest from securities . . . . .	5	<b>105,000</b>
	6a Gross rents . . . . .	6a	
	b Loss: rental expenses . . . . .	6b	
	c Net rental income or (loss) (subtract line 6b from line 6a) . . . . .	6c	
	7 Other investment income (describe ►) . . . . .	7	
	8a Gross amount from sales of assets other than inventory . . . . .	(A) Securities	(B) Other
	b Less: cost or other basis and sales expenses . . . . .	8a	
	c Gain or (loss) (attach schedule) . . . . .	8b	
	d Net gain or (loss) (combine line 8c, columns (A) and (B)) . . . . .	8c	
	9 Special events and activities (attach schedule) . . . . .	8d	
	a Gross revenue (not including \$ _____ of contributions reported on line 1a) . . . . .	9a	
	b Less: direct expenses other than fundraising expenses . . . . .	9b	
	c Net income or (loss) from special events (subtract line 9b from line 9a) . . . . .	9c	
	10a Gross sales of inventory, less returns and allowances . . . . .	10a	
	b Less: cost of goods sold . . . . .	10b	
	c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a) . . . . .	10c	
	11 Other revenue (from Part VII, line 103) . . . . .	11	
	12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11) . . . . .	12	<b>1,660,000</b>
<b>Expenses</b>	13 Program services (from line 44, column (B)) . . . . .	13	<b>962,000</b>
	14 Management and general (from line 44, column (C)) . . . . .	14	<b>222,000</b>
	15 Fundraising (from line 44, column (D)) . . . . .	15	<b>296,000</b>
	16 Payments to affiliates (attach schedule) . . . . .	16	
	17 Total expenses (add lines 16 and 44, column (A)) . . . . .	17	<b>1,480,000</b>
<b>Net Assets</b>	18 Excess or (deficit) for the year (subtract line 17 from line 12) . . . . .	18	<b>180,000</b>
	19 Net assets or fund balances at beginning of year (from line 73, column (A)) . . . . .	19	<b>1,500,000</b>
	20 Other changes in net assets or fund balances (attach explanation) . . . . .	20	
	21 Net assets or fund balances at end of year (combine lines 18, 19, and 20) . . . . .	21	<b>1,680,000</b>

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Cat. No. 1128ZY

Form 990 (2000)

As a preliminary point, we believe a principal value of studying the financial information found in the Form 990 is to help you arrive at informed conclusions about the filer's ability to garner financial support in the future and thus to be able to continue its operations. Part I contains much financial information that can help you with this effort.

Generally Line 12 may give you an overall idea of the level of the filer's income generating potential for the year being reported on. If you have access to the filer's Forms 990 for the past three years and you observe that for each year its Line 12 is about at the same level, you might conclude that it will be able to generate a similar amount in the immediately ensuing period. If the filer reports increasing amounts of revenue for the three years, you might conclude its ability to generate income is growing stronger. A contrary conclusion may be reached if its total revenue decreases across the three years. As noted in the Introduction, these possible interpretations may or may not be appropriate to the actual situation of a particular filer. You would need to know a great deal more about the filer's circumstances to be able to draw firm conclusions.

Above we pointed out that the Revenue section of Part 1 is broken down among 11 different sources of income (e.g., contributions, fees for services, dividends, etc.) You may be able to reach some interesting conclusions about the nature of a filer from examining the sources of its income

and their relative amounts. For example, some nonprofits may receive most of their funds from gifts. This income would be reported on Line 1 (Contributions, gifts, grants and similar amounts received). In contrast, some nonprofits may receive most of their funds from charging fees for services. This income would be reported on Line 2 (Program service revenue). If the distinction between what may be called donative nonprofits (those that rely primarily on contributions) and what might be called entrepreneurial nonprofits (those that rely primarily on charging for their services) is important to you, learning about the relative amounts of the income that the filer receives from these different sources will be significant.

Below is an example of a Part I which shows that the filer received most of its income from program services (Line 2) (viz., 70%). Note in contrast in Example 1, above, the filer received most of its income from contributions (Line 1) (i.e., over 90% of its total revenue came from contributions).

**Example 2**

<b>Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See Specific Instructions on page 16.)</b>			
<b>Revenue</b>	1 Contributions, gifts, grants, and similar amounts received:		
	a Direct public support . . . . .	<b>1a</b>	<b>770,000</b>
	b Indirect public support . . . . .	<b>1b</b>	
	c Government contributions (grants) . . . . .	<b>1c</b>	
	d Total (add lines 1a through 1c) (cash \$ <b>770,000</b> noncash \$ _____)	<b>1d</b>	<b>770,000</b>
	2 Program service revenue including government fees and contracts (from Part VII, line 93)	<b>2</b>	<b>2,230,000</b>
	3 Membership dues and assessments . . . . .	<b>3</b>	
	4 Interest on savings and temporary cash investments . . . . .	<b>4</b>	
	5 Dividends and interest from securities . . . . .	<b>5</b>	<b>100,000</b>
	6a Gross rents . . . . .	<b>6a</b>	
	b Loss: rental expenses . . . . .	<b>6b</b>	
	c Net rental income or (loss) (subtract line 6b from line 6a) . . . . .	<b>6c</b>	
7 Other investment income (describe ▶) . . . . .	<b>7</b>		
8a Gross amount from sales of assets other than inventory . . . . .	(A) Securities	(B) Other	
b Less: cost or other basis and sales expenses . . . . .	<b>8a</b>		
c Gain or (loss) (attach schedule) . . . . .	<b>8b</b>		
d Net gain or (loss) (combine line 8c, columns (A) and (B)) . . . . .	<b>8c</b>		<b>8d</b>
9 Special events and activities (attach schedule)			
a Gross revenue (not including \$ _____ of contributions reported on line 1a) . . . . .	<b>9a</b>		
b Less: direct expenses other than fundraising expenses . . . . .	<b>9b</b>		
c Net income or (loss) from special events (subtract line 9b from line 9a) . . . . .	<b>9c</b>		
10a Gross sales of inventory, less returns and allowances . . . . .	<b>10a</b>		
b Less: cost of goods sold . . . . .	<b>10b</b>		
c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a) . . . . .	<b>10c</b>		
11 Other revenue (from Part VII, line 103)	<b>11</b>		
12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11) . . . . .	<b>12</b>	<b>3,100,000</b>	
<b>Expenses</b>	13 Program services (from line 44, column (B)) . . . . .	<b>13</b>	<b>1,595,000</b>
	14 Management and general (from line 44, column (C)) . . . . .	<b>14</b>	<b>580,000</b>
	15 Fundraising (from line 44, column (D)) . . . . .	<b>15</b>	<b>725,000</b>
	16 Payments to affiliates (attach schedule) . . . . .	<b>16</b>	
	17 Total expenses (add lines 16 and 44, column (A)) . . . . .	<b>17</b>	<b>2,900,000</b>
<b>Net Assets</b>	18 Excess or (deficit) for the year (subtract line 17 from line 12) . . . . .	<b>18</b>	<b>200,000</b>
	19 Net assets or fund balances at beginning of year (from line 73, column (A)) . . . . .	<b>19</b>	<b>800,000</b>
	20 Other changes in net assets or fund balances (attach explanation) . . . . .	<b>20</b>	
	21 Net assets or fund balances at end of year (combine lines 18, 19, and 20) . . . . .	<b>21</b>	<b>1,000,000</b>

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Cat. No. 11282Y

Form 990 (2000)

Program service revenue (Line 2) income may include income from an unrelated business activity, that is, an activity that is not related to the filer's exempt purposes (other than in providing income to support such purposes). A considerable amount of unrelated business activity may be thought to reflect on the character of the filer. A reader of the filer's Form 990 can find out about unrelated business income that the filer may have generated by examining Part VII (Analysis of Income-

Producing Activities) on page 6 of the Form 990.

Line 2 income also includes income from government contracts. (You need to turn to Part VII on page 6 to learn about the type of a filer's program service revenue.) A fair number of nonprofits get nearly all their support from government contracts. If this fact is important to you, you can learn this from reviewing Part I (and Part VII) of the Form 990.

Below, Example 3 shows a Part VII reporting receipts of government contracts. (Example 3 is based on the figures reported in Part I of Example 2 above.)

**Example 3**

Form 990 (2000)

Page 6

<b>Part VII   Analysis of Income-Producing Activities (See Specific Instructions on page 30.)</b>					
Enter gross amounts unless otherwise indicated.	Unrelated business income		Excluded by section 512, 513, or 514		<b>(E) Related or exempt function income</b>
	<b>(A) Business code</b>	<b>(B) Amount</b>	<b>(C) Exclusion code</b>	<b>(D) Amount</b>	
93 Program service revenue:					
a Human Resource Agency Contract					2,000,000
b Teen-Age Recreation Program					230,000
c					
d					
e					
f Medicare/Medicaid payments . . . . .					
g Fees and contracts from government agencies					
94 Membership dues and assessments . . . . .					
95 Interest on savings and temporary cash investments					
96 Dividends and interest from securities . . . . .					
97 Net rental income or (loss) from real estate:					
a debt-financed property . . . . .					
b not debt-financed property . . . . .					
98 Net rental income or (loss) from personal property					
99 Other investment income . . . . .					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events . . . . .					
102 Gross profit or (loss) from sales of inventory . . . . .					
103 Other revenue: a					
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E)) . . . . .					2,230,000
105 Total (add line 104, columns (B), (D), and (E)) . . . . .					2,230,000
Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.					
<b>Part VIII   Relationship of Activities to the Accomplishment of Exempt Purposes (See Specific Instructions on page 31.)</b>					
<b>Line No.</b>	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).				

Finally, it may be significant that a filer gets most of its income from membership dues reported at Line 3 (Membership dues and assessments). Income reported on Line 3 is for dues that members pay in return for benefits they receive from the filer. If the filer gets most of its income from Line 3 membership dues, that may shed some light on the nature of the filer.

In the preceding paragraphs, we have suggested that by looking at the sources of income a filer receives, something may be learned about its character. Also of importance is finding out about the filer's capacity to generate income. (As suggested above, here it is important that you have Forms 990 covering more than one year.) To begin with, it may be thought significant that the filer acquires its income from a variety of sources as this may suggest it is not particularly dependent on any one source. On the other hand, a steady flow of income for several years from one particular source (say, contributions or program service revenue) may support an assumption that such income may continue to be received in the future. Similarly a steady source of income for several years from dividends or rents may suggest considerable investment assets and a stable source of revenue.

Finally, special events income reported on Line 9 (Special events and activities) may suggest the ability to bring in a singular source of income to help support the filer's activities. Some may wish to develop ratios showing the proportion of total support provided by various particular sources of support, such as the percent of total revenues made up by contributions.

In addition to supporting conclusions about a filer's nature and capacity to raise income, continued strong support from contributions, program service revenue and/or membership dues may be taken as suggesting that there are those who believe that the filer does important work and this may be significant for you.

## #3

### How Did the Filer's Total Expenses Break Down?

Lines 13-17 of Part I on page 1 constitute the Expenses section of Part I. Line 17 reports total expenses. Except in the rare case that a filer reports payments to affiliates (Line 16), total expenses are the sum of program expenses (Line 13 (Program services)), management expenses (Line 14 (Management and general)) and fundraising expenses (Line 15 (Fundraising)).

We have already suggested that the total expenses reported at Line 17 is a good way to get a quick idea of how extensive a filer's activities are. In addition, the Expenses section of Part I permits the reader of the Form 990 to quickly find out what proportions of total expenses are made up by the three functional categories of expenses that are elicited by the form, namely, program (Line 13), management (Line 14) and fundraising (Line 15) expenses. Readers of the Form 990 may want to assure themselves that the filer is spending most of its resources on program matters and not on management or fundraising. By simply dividing a particular functional expense total (say, program services) by total expenses, one can learn what percent of total expenses have been spent on that function. For example, in the example from a Form 990 set out below, program expenses make up 60% of total expenses ( $\$1,200,000/\$2,000,000 = 60\%$ ).

Example 4

Expenses			
13	Program services (from line 44, column (B))	13	1,200,000
14	Management and general (from line 44, column (C))	14	200,000
15	Fundraising (from line 44, column (D))	15	600,000
16	Payments to affiliates (attach schedule)	16	
17	Total expenses (add lines 16 and 44, column (A))	17	2,000,000

Program services expenses are those incurred to carry out the organization's mission. Thus, expenses incurred by a social services organization in paying its social workers for delivering services to its clients would be program services expenses. By like token, payments made by a performing arts organization to produce a play would be program services expenses. For a 501(c)(3) group, the activities that these expenses support are usually the basis of the organization's tax exemption.

Management and general expenses are those incurred in connection with providing overall administration to an organization. The IRS's "Instructions For Form 990" (Instructions) note as management and general activities such things as preparing for and holding board meetings, working on office management and personnel problems, and accounting and investment activities. The Instructions also make clear that, for example, the expenses incurred in carrying out activities such as the supervision of program services or fundraising are included under those categories and are not included under management and general. Thus, for example, expenses incurred in preparing for and attending a staff meeting called to plan for a future program initiative or to assess present program activities would be part of the program services category (Line 13) and not the

management and general category (Line 14). For many small organizations with small staffs, it is likely that management and general expenses will be low as most of management's time of these groups is spent on supervising the program and fundraising and relatively little on overall management activities.

Fundraising expenses are pretty much self-defining. The Instructions define this category as "... the total expenses incurred in soliciting contributions, gifts, grants, etc."

Many believe that nonprofits should not spend an overly large part of their resources on fundraising. If a reader of the Form 990 is of this view, she might look to see what percent of total expenses is made up of fundraising expenses (Line 15 divided by Line 17). For example, in Example 4 from a Form 990 set out above, fundraising expenses make up 30% of total expenses ( $\$600,000/\$2,000,000 = 30\%$ ). We suggest, however, that care should be taken in interpreting this "fundraising ratio." If, for instance, a group is new or advancing an unpopular cause, it may need to spend more on fundraising than a group that has been around for some time or is doing something recognized by all as useful. These kinds of qualitative differences are not elicited by the Form 990. Furthermore, a group which spends a fair amount on fundraising (and has a high "fundraising ratio") may, as a result of the increased revenue resulting from such efforts, be able to do a lot more than a group which spends very little on fundraising (and has a low "fundraising ratio") and consequently generates less income.

The amounts reported at Lines 13, 14, 15 and 17 are taken from Part II on page 2 of the Form 990. Part II consists of 23 lines (Lines 22 – 44), which list various "object" expenses and four columns of "functional" expenses. Object expenses include such things as compensation paid to staff, amounts paid for telephone and travel, etc. The four columns consist of the three functional expense categories discussed above, that is, program services (column (B)), management and general (column (C)) and fundraising (column (D)), and total expenses (column (A)). Each amount reported as an object expense is, depending on what it is spent on, allocated amongst the three functional expense columns ((except for Lines 22 (grants), 23 (assistance to individuals) and 24 (benefits to members) which are to be reported only as a program expenses). A reader may find it useful to review the types of expenditures a filer made during the year and what functional expense category they were spent on. This can be done by examining Part II.

A note on Line 16 (Payments to affiliates). Certain kinds of payments made to affiliated organizations, such as dues paid by a local charity solely to support its state or national parent, are reported at Line 16. As suggested above, this line is only rarely applicable and usually shows zero.

## #4

### What Can You Tell From Net Assets?

We now come to the bottom of page 1, the four lines that make up the Net Assets section of Part I. The first line, Line 18 (Excess or deficit for the year), indicates whether the filer operated at a surplus or deficit for the year being reported on and the size of such surplus or deficit. This is of obvious interest since on the face of it a surplus and its size may suggest future financial health while a deficit and its size may suggest future financial difficulty. We emphasize "*may suggest*" since either a surplus or a deficit may reflect something unusual for the year being reported on and have little bearing on the future. Nevertheless, many will want to know whether the filer ended the year in the red or the black. Of course, if you have access to three or more years of the filer's Forms 990 and they indicate a trend of surpluses or deficits, this may be more significant as a predictor of the filer's future financial condition. (We return to this point below.)

Line 19 (Net assets at the beginning of year) and Line 21 (Net assets at end of year) are of obvious interest as they indicate the amount of assets over all liabilities (i.e., net assets) that the filer holds or what the filer's net worth is at the beginning (Line 19) and end (Line 21) of the year. (We discuss Line 20 at the end of this Item.) In the usual case where Line 20 reports zero, Line 21, logically enough, is the combination of Lines 19 and 18, i.e., the net assets on hand at the beginning of the year plus the surplus reported at Line 18 (or less the deficit reported at Line 18) equals the net assets on hand at the end of the year. This can be seen below in the excerpt of the Net Assets section. The amount reported at Line 21 is the same as the amount reported at Line 73(B) on Part IV. Below we set out an example of the Net Assets section of a Form 990 based on the figures shown in Example 1 above.

**Example 5**

<b>Net Assets</b>	<b>18</b>	Excess or (deficit) for the year (subtract line 17 from line 12) . . . . .	<b>18</b>	<b>180,000</b>
	<b>19</b>	Net assets or fund balances at beginning of year (from line 73, column (A)) . . . . .	<b>19</b>	<b>1,500,000</b>
	<b>20</b>	Other changes in net assets or fund balances (attach explanation) . . . . .	<b>20</b>	
	<b>21</b>	Net assets or fund balances at end of year (combine lines 18, 19, and 20) . . . . .	<b>21</b>	<b>1,680,000</b>

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Net assets provide some indication of the level of resources the filer has to help support its activities in the future. Very generally it might be expected that a filer with a small amount of net assets at the end of the year would be quite dependent on a reliable and timely receipt of income in the ensuing period to be able to continue activities. Likewise, in a very general sense, it might be expected that a filer with a large amount of net assets at the end of the year, relative to its expenditures for the year being reported on, would begin the next period in a strong financial position and be able to endure a time of income shortfalls and still continue its activities.

What has just been suggested should, as noted, be taken as a very general first approach. It is often the case that some of the net assets on hand at the end of the year may not be easily drawn down to meet a filer's needs or obligations. For example, some assets may consist of restricted endowments or if the filer owns a building that is central to its operations (e.g., a school building), it may not, as suggested, be possible to sell the building to produce cash to meet needs without virtually destroying the ability of the filer to carry out its (educational) goals. Consequently, as discussed below, net assets need to be analyzed to determine what portion of such assets are practically available to help the filer meet its future needs.

In making reference to meeting the filer's needs, we primarily refer to its near-term needs and by this we have in mind its needs for the next year or so. Obviously, in the longer-term future, if the filer became financially destitute and needed to liquidate any assets to satisfy its creditors, most of the assets that we are suggesting are not available to meet near-term needs might well be accessible to satisfy creditor demands.

To conduct the analysis just suggested, it is necessary to turn to Part IV (Balance Sheets) of the filer's Form 990. Part IV is found on page 3 and constitutes the filer's balance sheet. It is divided into three sections: Assets (Lines 45 – 59), Liabilities (Lines 60 – 66) and Net Assets (Lines 67 – 74). Line 73 reports net assets; Line 73(A) reports net assets on hand at the beginning of the year and Line 73(B) (as noted above) those on hand at the end of the year. Line 73(B) (as also noted above) is identical to Line 21. The amount reported at Lines 21 and 73(B), the filer's net assets on hand at the end of the year, is the amount we want to analyze to determine how much of this amount might be available to meet the needs of the filer in the near-term future.

To begin, we suggest that you should find out how much the filer reports on Line 69(B) as permanently restricted net assets held at the end of the year. Permanently restricted assets are assets that have been given with restrictions that they be preserved and not sold. One example would be an endowment gift that stipulates that the principal of the gift is to be permanently held and that only the income that the principal generates may be currently used. Another example would be

a gift of a work of art or real estate with a restriction that it be held permanently and not sold. These permanently restricted assets therefore cannot be used to meet the general near-term needs of the filer. They should therefore be subtracted from Line 21 (and line 73(B)) to get a more reliable sense of how much of total net assets are available to meet near-term needs.

Next, it might be instructive to look at the amount of net assets that are reported on Line 68(B) (temporarily restricted [net assets]). These are assets that have been given with restrictions that they be used in a later period, or for a specified purpose or both. A typical example might be a grant from a foundation with a stipulation that the funds be used over several years (a multi-year grant) to support a particular program. A careful reader of the Form 990 might decide to take the amount reported at Line 68(B) into account in evaluating how much of total net assets are available to meet the filer's near-term needs. For example, some part of the amount listed at Line 68(B) may not be available for spending until some time in the future or might be restricted to a particular program which might not be part of the filer's core or general program. As to the later type of restriction, if the reader of the filer's Form 990 was primarily interested in the filer's ability to continue its core program, these assets would not be available for such needs. Thus, as just mentioned, it might be decided to take the amounts listed at Line 68(B) into account in assessing how much of a filer's total net assets are available to meet near-term needs.

If one subtracts the sum of permanently restricted and temporarily restricted net assets, from total net assets, you are left with unrestricted net assets which is the amount reported at Line 67 (unrestricted [net assets]). Line 67(A) reports the unrestricted net assets on hand at the beginning of the year and Line 67(B) those on hand at the end of the year. Line 67(B), unrestricted net assets on hand at the end of the year, is a good place to look to get a general idea of the level of assets available to the filer to meet near-term needs. Of course, as suggested above, some or all of a filer's temporarily restricted net assets may be available for near-term use, although the exact amount of such assets available for these purposes may not be known.

Below is an example (based on Example 1) of the Net Assets section of Part IV reporting unrestricted, temporarily restricted and permanently restricted net assets. (The example assumes the filer reported no liabilities.) Note that it is the amount reported at Line 67(B), namely, \$580,000, that would be the amount that one should consider as likely to be available to meet the filer's near-term needs and not the total net assets of \$1,680,000 reported at Line 73(B) and Line 21.

Example 6

Net Assets or Fund Balances	Organizations that follow SFAS 117, check here ► <input type="checkbox"/>			67	580,000
	67	68	69		
67 Unrestricted . . . . .	500,000			67	580,000
68 Temporarily restricted . . . . .		68			100,000
69 Permanently restricted . . . . .			69		1,000,000
Organizations that do not follow SFAS 117, check here ► <input type="checkbox"/>					
and complete lines 70 through 74.					
70 Capital stock, trust principal, or current funds . . . . .			70		
71 Paid-in or capital surplus, or land, building, and equipment fund . . . . .			71		
72 Retained earnings, endowment, accumulated income, or other funds . . . . .			72		
73 Total net assets or fund balances (add lines 67 through 69 OR lines 70 through 72; column (A) must equal line 19 and column (B) must equal line 21)				73	1,680,000
74 Total liabilities and net assets / fund balances (add lines 66 and 73)				74	

Finally, as mentioned above, a careful reader of the Form 990 will also want to look at the Assets section of Part IV to find out whether any of the assets held by the filer might be difficult to readily convert to cash (i.e., might not be easily liquidated). The Assets section of Part IV lists assets roughly in order (Lines 45 – 58) of their relative availability for use. For example, Line 45 reports cash and Line 57 reports the value of buildings and similar assets held by the filer. A building, whether it is a permanently restricted asset or an unrestricted asset, may as a practical matter be difficult to liquidate. The same may be said about certain investments the filer holds, such as

investments in land or buildings (reported at Line 55). So in assessing a filer's net assets to determine their availability to meet near-term needs, it may be desirable to review the kinds and relative amounts of assets that the filer reports in the Assets section (Lines 45 - 59) of Part IV.

We conclude our discussion of the Net Assets section of Part I by returning to a point made above and briefly consider the effect that recurring deficits may have on a filer's net asset position. In most cases repeated deficits will cause a reduction in unrestricted net assets. This reduction may not be reflected in total net assets since, for example, in some instances a filer may have received a contribution to its permanently restricted net assets (Line 69) (such as a gift to an endowment fund) so that its total net assets (Lines 21 and 73(B)) may not decrease or may even increase. Often, however, this will not be an issue since many filers will have only unrestricted net assets (i.e., they will not have any temporarily or permanently restricted net assets). In any event, as suggested above, a reader of the Form 990 can learn about the impact of a deficit on the filer's ability to meet the near-term needs of its core program by going directly to Line 67 – unrestricted net assets -- and calculating the reduction in unrestricted net assets from the beginning of the year to the end of the year (Line 67(B) – Line 67(A) = reduction in unrestricted net assets). If it is observed that, as a result of the recurring deficits, the level of a filer's unrestricted net assets is declining in a significant way, it may reasonably be concluded that the filer's financial position is weakening, and, depending on the relationship between the most recent yearly deficits and the amount of the filer's unrestricted net assets, it may be weakening significantly. For example, if a reader of three consecutive Forms 990 of a filer observes that the filer had \$750,000 of unrestricted net assets at the start of the period being examined (Line 67(A) of the first year's Form 990) and sustained deficits in the neighborhood of \$200,000 for each of the three years, so that the filer's unrestricted net assets had diminished to about \$150,000 at the end of the period being examined (Line 67(B) of the last year's Form 990), there would be reason for serious concern about the filer's future financial health. On the other hand, if the deficits ran at about the level of \$50,000 a year, while this may be taken as an indication of some problems, they would clearly not be as serious as in the first case.

A note on Line 20 (Other changes in net assets or fund balances). In some instances, there will be changes between an organization's net assets at the start and end of the year that cannot be accounted for by the amount on Line 18. They would include such items as adjustments of earlier years' activities and, not uncommonly for those groups that hold securities as assets, unrealized gains or losses on investments carried at market value. The net of these changes is entered at Line 20. If a filer reports on Line 20, it must attach a schedule.

## #5

### **What Kinds of Programs Does the Filer Run; How Much Does It Spend?**

Part III on page 2 of the Form 990 elicits information on what a filer does. The filer is required to state the organization's primary purpose on a very short line near the top of this part. Then for each program it conducts the filer is to describe, on several lines provided for this, each such program's purpose, stating the outputs of the program, such as number of clients served, publications issued, and students taught. In a column to the right of this description, the filer is to list the total of program expenses for each such program. Four subparts (a-d) are provided for four programs. A fifth subpart or line (e) instructs the filer to attach a schedule for other programs. A final subpart or line (f) requires the filer to report the total of program expenses, the sum of the expenses for each of the particular programs reported above, which should be identical to the amount reported at Lines 13 and 44(B). Here is Part III.

**Part III Statement of Program Service Accomplishments** (See page 24 of the instructions.)

What is the organization's primary exempt purpose? ►	Program Service Expenses (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)
a .....	..... ..... ..... (Grants and allocations \$ )
b .....	..... ..... ..... (Grants and allocations \$ )
c .....	..... ..... ..... (Grants and allocations \$ )
d .....	..... ..... ..... (Grants and allocations \$ )
e Other program services (attach schedule)	(Grants and allocations \$ )
f Total of Program Service Expenses (should equal line 44, column (B), Program services).	..... ►

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A careful filer, in describing its programs, should be able to provide a fairly good idea of its activities, and, by comparing the relative amounts spent on each program, one may derive some sense of their relative importance. This is the only part of the Form 990 where you can pick up descriptive data about a filer's activities and this qualitative information can be helpful for putting all the numbers in the Form 990 in context. One should be aware, however, that this information cannot reveal whether the filer is doing its work effectively and efficiently or achieving satisfactory ultimate outcomes.

## #6

### Who are the Filer's Board Members and How Much Do its Top Staff Get Paid?

Part V (List of Officers, Directors, Trustees, and Key Employees) on page 4 of the Form 990 contains information of considerable interest. The name of each board member is listed. (The address of each board member is also given, but in many cases the address will be the same as the address of the filer). If the board member receives any compensation for her or his duties, the amounts are reported here. Of course, most board members do not receive compensation for their work as board members. Here is Part V.

**Part V List of Officers, Directors, Trustees, and Key Employees** (List each one even if not compensated; see page 26 of the instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans & deferred compensation	(E) Expense account and other allowances
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
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.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....

75 Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations? ►  Yes  No  
If "Yes," attach schedule—see page 26 of the instructions.

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If the reader of a Form 990 knows something about some or all of a filer's board members, their identity can be significant information since the quality of an organization's board members may reflect on the organization itself. Even if the reader knows little about the board members, if it appears from their last names for instance that several or many board members are from the same family, this may be significant to a reader. For example, a group which is essentially directed by a single family may be of a different nature than one that has broad public representation. Finally, the number of people on the board of the filer may be of interest.

Part V also elicits compensation information about the filer's top management officials. Part V elicits the names, addresses and compensation information of key employees. Key employees are defined by the Instructions as including a filer's "chief management and administration officials" including the filer's "chief financial officer and the officer in charge of administration or program operations ... if they have authority to control the organization's activities, its finances or both." While the term "key employees" is somewhat imprecise, it clearly includes an organization's executive director and its chief financial officer, if such person has control over the organization's finances independent of the executive director. Part I of Schedule A elicits compensation of the five highest paid employees who are paid more than \$50,000 that are not listed in Part V. (Schedule A, as noted in the Introduction, is a six page supplementary information return that is filed along with the Form 990 by most organizations exempt under section 501(c)(3).) Thus, the Form 990 and Schedule A will report on the salaries of at least the top six managers of the filer, assuming that there are five employees after the key employees listed at Part V who make more than \$50,000. In some cases, where, for example, more than one key employee is listed on Part V, a higher number will be reported. We believe that for most filers this provides ample information about the compensation of a filer's top management.

Part V of the Form 990 and Part I of Schedule A require that the full compensation be given for each individual listed. For both Part V and Part I of Schedule A, column (C) calls for an individual's basic compensation; column (D) for deferred compensation and employee benefits; and column (E) for

expense account and other allowances. A compensation package often includes many elements (base salary, bonuses, deferred compensation, benefits, etc.). These parts of the Form 990 have been drawn so as to pick up a person's entire compensation package. Thus, if the Form 990 has been filled out correctly, it will all be there.

Together, these two parts report about the salaries of a good number of the filer's highest paid staff members. This information may be of considerable interest. A reader may, for example, want to learn what persons in top management positions are being paid in organizations similar to one she is interested in (e.g., one she works for or serves on the board of). Or a reader may draw some very preliminary conclusions about the quality of a filer's management from the level of salaries that are being paid. Or a reader may have ideas about how much it is appropriate for a nonprofit group to pay top management officials and want to compare a filer's compensation arrangements with what she believes are appropriate levels of compensation. She may conclude that such payments by the filer are too high or too low by her standards. Finally, a reader may discover that the compensation reported as being paid to a particular employee is not what he believes the filer in fact paid the employee or that the compensation of the employee about whom the reader is concerned is omitted from the Form 990. This omission may raise questions in the reader's mind.

In cases where a filer may have paid certain employees (among whom key employees would be included) compensation at unreasonably high levels, the payments might be found to be "excess benefit transactions" under section 4958 of the Code. This would result in a tax being imposed on the employees who received the unreasonably high compensation (and in some cases upon the board members who approved the payments). As noted below in Item #7, Line 89b in Part VI on page 5 asks whether the filer engaged in any section 4958 excess benefit transactions during the year. If the filer answers "Yes," it is to attach a statement explaining each transaction. Where a filer answers Line 89b "Yes," a reader of its Form 990 may wish to find out as much as she can about the transaction.

Sometimes a top management official will receive some of her salary from an organization other than the filer, which other organization is related to the filer. Knowing about such arrangements may be important for someone focusing on compensation. Line 75 at the bottom of Part V provides such information. It asks whether any officer, director, trustee or key employee received aggregate compensation of more than \$100,000 from the filer and any organization related to the filer of which more than \$10,000 was provided by a related organization. If the filer checks the "Yes" box, it must attach a schedule explaining the payment arrangements.

Some may be interested in learning of the comparative compensation levels paid to various staff members (e.g., top management salaries as compared to those employees working at the lowest salaries). The Form 990 does not provide any direct information on this subject, but some very rough sense of such differences may be gathered by comparing the average salary of the filer's total staff to the salary levels reported at Part V and Part I of Schedule A. A roughly approximate idea of the average compensation of the whole staff can be derived by dividing the sum of Lines 25(A), 26(A), 27(A) and 28(A), which report total compensation paid to staff, by the total number of employees reported on Line 90b. Some insight on this question may also be drawn from the bottom of Part I of Schedule A which asks for the total number of employees paid over \$50,000.

Finally, a reader of the Form 990 may be interested in knowing about any relatively large payments made to those who serve as independent contractors to the filer, such as professional fundraisers or lawyers. Part II of Schedule A (Compensation of the Five Highest paid Independent Contractors for Professional Services) on page 1 of Schedule A requires the filer to list the five highest paid independent contractors (whether individuals or firms) who received over \$50,000 for the year. The Instructions state: "Examples of such contractors include attorneys, accountants, doctors and professional fundraisers." A reader of the Form 990 may be interested if some of the payments listed in this part seem high. She may find it significant that attorney fees seemed unusually high.

Or she may be influenced by large fees paid to fundraisers.

## #7

### **Did the Filer Initiate Some New Activity, Change Its Processes for Governing or Engage in Any Excess Benefit Transactions?**

Part VI (Other Information) on page 5 of the Form 990 elicits information on a number of topics mostly by asking questions that are to be answered "Yes" or "No." For this item we review the most important of these questions.

Line 76 asks in effect whether the filer made any significant changes in the kind of activities it conducts to further its exempt purposes. If the filer answers "Yes" to this question, it must file an attachment with the Form 990 describing any such new activity. A significant change in a filer's activities will be of prime importance to most readers of the Form 990.

Line 77 asks a similar question about any changes in a filer's governing documents. This would include amending a filer's certificate of incorporation to allow it to engage in a new activity. A change in the filer's by-laws (e.g., changing the number of board members or the quorum requirements) would be another example. If the filer answers the question "Yes," it must attach a conformed copy of the changes. Again, plans to commence new activities are of obvious interest and modifications in how an organization governs itself may signal an important change in the nature of the organization or perhaps some internal conflict that the reader of the filer's Form 990 may want to find out about.

There are certain transactions that an organization may engage in with its staff or board members which involve improper payments. They are called excess benefit transactions. As noted in Items #6 and #8, Line 89, among other things, asks whether the filer engaged in any excess benefit transactions during the year being reported on. If the filer answers this question "Yes," it must attach a statement explaining each such transaction. Information about any improper transactions that the filer may have engaged in should be of interest to any reader of its Form 990.

We will now very briefly discuss some of the other questions found in Part VI that may be of interest. Two questions ask about the filer's relationships, if any, with other organizations (Lines 80 and 88). Line 79 asks whether the filer dissolved or made a substantial contraction during the year. Line 82 asks whether the filer received any donated services during the year. Two questions inquire about the filer's political activities (Lines 81 and 89).

Finally, Line 90a asks the filer to list all the states in which it files the Form 990. About 35 states now require organizations that solicit contributions within such states to annually file their Form 990 with them. Thus, if a reader of the filer's Form 990 is interested in the filer's solicitation activity, the answer to this question will be of interest. As noted above, Line 90b elicits information about the size of the filer's staff. Line 91 elicits information about who the filer's books are in care of and how such person may be reached. This will be important to those who may want to find out information about the filer that is not contained in its Form 990.

## #8

### **Did the Filer Engage in any Self-Dealing Transactions During the Year?**

The IRS and state charity bureaus are the government agencies that provide general regulatory oversight over the nonprofit and tax-exempt sector. A primary concern of these agencies is to assure that nonprofit organizations are not used by those who control them to improperly transfer their assets to private interests in circumstances in which these assets should have been used to further the exempt purposes of the organizations. An example of such a transaction might be the sale by a board member of property he owns to the nonprofit organization on whose board he sits at a price in excess of its fair market value. Another example might be the furnishing of services to a board member without charge or at a price below their market value.

These transactions may be generally described as self-dealing. (Thus, a board member in effect deals with himself when his board buys from him.) Line 2 of Part III (Statement About Activities) on page 2 of Schedule A elicits information about these transactions. Such transgressions should be of interest not only to government regulators but also to anyone who is concerned about these groups' well-being or is interested in helping them. Such persons will want to know whether any corrupt practices have occurred. Many of these transactions will be excess benefit transactions under section 4958 of the Code.

In cases where the transaction involves simply the improper transfer of a filer's assets to individuals for no apparent reason (e.g., looting or quasi-looting), such as the sheer siphoning off of a filer's funds to an executive director without anyone knowing about it, the transaction may not be strictly considered an instance of self-dealing. It is, of course, nevertheless improper and such transactions are also picked up by the Line 2 questions.

Line 2 asks a series of questions about transactions between the filer and directors, key employees and others who might control the filer, which transactions might be instances of self-dealing or similar transactions. For example, Line 2a asks in effect whether any sale, exchange or leasing of property occurred between the filer and a board member, key employee, etc. There are five such questions (Lines 2a-e). They are to be answered "Yes" or "No." If the answer to any question is "Yes," the filer is required to attach a detailed statement explaining the transactions. Line 2 is set out below:

Schedule A (Form 990 or 990-EZ) 2002		Page 2												
<b>Part III      Statements About Activities</b> (See page 2 of the instructions.)		<input type="checkbox"/> Yes <input type="checkbox"/> No												
2	During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.)	<table border="1" style="float: right; margin-right: 10px;"><tr><td colspan="2" style="background-color: #cccccc;"> </td></tr><tr><td>2a</td><td> </td></tr><tr><td>2b</td><td> </td></tr><tr><td>2c</td><td> </td></tr><tr><td>2d</td><td> </td></tr><tr><td>2e</td><td> </td></tr></table>			2a		2b		2c		2d		2e	
2a														
2b														
2c														
2d														
2e														
a	Sale, exchange, or leasing of property? . . . . .	<table border="1" style="float: right; margin-right: 10px;"><tr><td>2a</td><td> </td></tr></table>	2a											
2a														
b	Lending of money or other extension of credit? . . . . .	<table border="1" style="float: right; margin-right: 10px;"><tr><td>2b</td><td> </td></tr></table>	2b											
2b														
c	Furnishing of goods, services, or facilities? . . . . .	<table border="1" style="float: right; margin-right: 10px;"><tr><td>2c</td><td> </td></tr></table>	2c											
2c														
d	Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? . . . . .	<table border="1" style="float: right; margin-right: 10px;"><tr><td>2d</td><td> </td></tr></table>	2d											
2d														
e	Transfer of any part of its income or assets? . . . . .	<table border="1" style="float: right; margin-right: 10px;"><tr><td>2e</td><td> </td></tr></table>	2e											
2e														

Of course, in many instances a self-dealing transaction between a board member, etc., will be for the benefit of the filer. For example, a board member of the filer may sell property to the filer at a price below its fair market value. Thus, just because a Line 2 question is answered "Yes," it does not mean that the filer engaged in an improper act. Before reaching any conclusions about the filer's behavior, a careful reader will review the filer's attachment that relates to the question. It is likely that the transaction will be explained there to the satisfaction of the reader.

If no explanation is provided or if the explanation appears evasive, a red flag may be raised in the reader's mind and she might wish to find out more about the transaction from the filer. If the filer engaged in a self-dealing transaction knowing it was improper, it is unlikely that it would answer the relevant Line 2 question "Yes" for to do so would be tantamount to admitting it had done something improper. In some cases, a reader of the filer's Form 990 may know of a self-dealing transaction from sources outside of the Form 990. If such a reader observes that the filer answered the relevant Line 2 question "No," she will be alerted to a problem and may wish to explore the matter further with the filer, or the IRS or the relevant state Attorney General.

## #9

### Is the Filer a Private Foundation?

All section 501(c)(3) nonprofits are either private foundations or non-private foundations. The term "private foundation" is a technical term and relates to the kind of nonprofit an organization is and the nature of its support and not to the fact it is a philanthropy. (We will refer to a non-private foundation as a "public charity.") This distinction between private foundation and public charity is important since, from a nonprofit's standpoint, it is undesirable to be a private foundation. For example, there are some significant limits on making contributions to private foundations, and private foundations are generally prohibited from doing any lobbying and must pay a small excise tax.

The distinction can also be significant for those who wish to find out about nonprofits. For most section 501(c)(3) nonprofits, the fact that they have qualified as public charities means that they receive support (mostly financial) from a wide, or at least fairly wide, range of sources and government agencies. And, as suggested earlier, groups that receive financial support from many sources are usually thought well of by many people and this is surely something important to know about a nonprofit that one is evaluating. Furthermore, the fact that many support a group usually means that a good number are to some degree monitoring its activities and this may provide comfort to those considering supporting the organization.

Thus, a reader of the Form 990 may want to know whether the filer is a private foundation or public charity. This information can be found in Schedule A at Part IV on page 2 and Part IV-A on page 3. Part IV asks whether the filer is *not* a private foundation. It provides a number of lines (Lines 5 –14) with brief descriptions of entities, each of which is not a private foundation. The filer is instructed to check the box that applies to it. By reviewing Part IV, one can determine whether the filer is a public charity, and, if so, what kind of public charity it is.

Here we set out Part IV

**Part IV Reason for Non-Private Foundation Status** (See pages 3 through 5 of the instructions.)

The organization is not a private foundation because it is: (Please check only **ONE** applicable box.)

- 5  A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).  
6  A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)  
7  A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).  
8  A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).  
9  A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(vi). Enter the hospital's name, city, and state ► \_\_\_\_\_  
10  An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)  
11a  An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)  
11b  A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)  
12  An organization that normally receives: (1) **more than 33 1/3%** of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions—subject to certain exceptions, and (2) **no more than 33 1/3%** of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)  
13  An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: (1) lines 5 through 12 above; or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).)

Provide the following information about the supported organizations. (See page 5 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14  An organization organized and operated to test for public safety. Section 509(a)(4). (See page 5 of the instructions.)

Schedule A (Form 990 or 990-EZ) 2002

Generally, there are three types of public charities (i.e., non-private foundations). First, there are those entities that are public charities because of their very nature and that do not have to show a wide base of public support, such as churches (Line 5), schools (Line 6) and hospitals (Line 7). Second, there are those groups that are not *per se* public charities but are public charities because they *do* receive broad public support (Lines 11a and 12). Finally, there are those groups that may not receive wide public support but are supporting organizations to groups that are included in the first two categories of public charities (Line 13). (Part IV also lists (Lines 8, 9, 10 and 11b) several other kinds of groups (e.g., a government unit, community trust, etc.) that are not private foundations. Because they are fairly uncommon, to save time we will not cover them. Information can be found about these groups in the Instructions to Part IV.)

Most filers are the second type of public charity, namely, those that receive broad public support. For a group to qualify as a public charity, a fair amount of its support must be "public support." The question of what constitutes public support is quite complicated in its details. For our purposes, we need only provide a general idea of what the term means. There are two kinds of public charities that qualify under this category. For one kind (which is described under section 509(a)(2) of the Code), public support includes contributions from individuals, grants for government agencies and exempt function income. (Exempt function income includes such items as tuition or ticket sales). For the other kind (which is described under section 509(a)(1) of the Code), public support includes contributions from individuals and grants from government agencies but not exempt function income. In both cases, for contributions to qualify as public support, they cannot be too large. These rules are elaborated upon in the Expansion.

Part IV-A of Schedule A is where a filer shows the nature and amount of its support. It does so for the past four years. The key line to look at is Line 26f that shows the public support fraction for the past four years. The public support fraction is the percentage of a filer's total support made up by

public support. Generally, the public support fraction must be more than a third for a group to qualify as a public charity (although in some cases it can be lower). Obviously, the higher the public support fraction or percentage, the broader the support the filer has received and, consistent with what was said above about the depth of an organization's support, this fraction may be of real interest to the reader of the Form 990. (For those who want to derive more from Part IV-A, the Instructions provide a good guide.)

## #10

### **Does the Filer Lobby?**

A number of nonprofit groups advocate for changes in public policy and as part of their advocacy efforts engage in lobbying. The term "lobbying" refers to attempts to influence legislators (or those who work with them) to support or oppose the enactment of some legislation. It may be done by directly contacting legislators (direct lobbying) or by asking others to contact them (grass roots lobbying). Organizations exempt under section 501(c)(3) are permitted to engage in some lobbying, but if they do too much they may jeopardize their tax-exemption. Line 1 of Schedule A's Part III (Statement of Activities) asks whether the filer attempted to influence national, state or local legislation (i.e., did it attempt to lobby). If the filer answers "Yes," it must report the total of expenses incurred in connection with its lobbying activities and complete the relevant section of Part VI of Schedule A.

Thus, if a reader of a filer's Form 990 wanted to know whether the filer engaged in any lobbying, she could find this out by reviewing these parts of Schedule A. There are several reasons why a reader may be interested in learning whether a filer has engaged in lobbying activity. The reader may think, for example, that groups like the filer ought not only to help people but in addition should advocate for changes that will address the problems that caused its clients to need help. Or a reader might have different ideas and believe that groups like the filer ought to stay completely clear of the political process and thus not engage in lobbying activity. In some cases a filer may be a group that advocates for a position or positions with which the reader disagrees. She may then want to know the extent of its lobbying activity.

As suggested, Line 1 to Schedule A's Part III will indicate whether the filer engaged in any lobbying and if so how much it spent on such activities. More can be learned by examining Part VI on page 5 of Schedule A. Organizations complete Part VI-A (Lobbying Expenditures by Electing Public Charities) if they have chosen under section 501(h) to have the question of whether they have engaged in a permissible amount of lobbying decided by how much they spend on lobbying. Groups who have not so chosen complete Part VI-B (Lobbying Expenditures by Nonelecting Public Charities). For those filers who have completed Part VIA, a reader, by examining this part, can learn the total amount the filer spent on lobbying (Line 38) and of this total amount, how much was spent on grassroots lobbying (Line 36) and how much on direct lobbying (Line 37).

Organizations that have not chosen to have the question of whether they have engaged in a permissible amount of lobbying decided by how much they spend on lobbying must complete Part VI-B. By examining this part a reader can learn a fair amount about the filer's lobbying activities, including detailed descriptions of such activities. This kind of descriptive information is not required by those who complete Part VI-A. Those who complete Part VI-B must report fairly about lobbying expenditures. Sometimes Part VI is left blank or incomplete or is incorrectly completed. From this a reader may infer that the filer may be trying to hide something or that the filer does not know how to complete Part VI or did not make the effort required to complete it accurately.

Form 990

Department of the Treasury  
Internal Revenue Service

## Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

OMB No 1545-0047

2002

Open to Public Inspection

A For the 2002 calendar year, or tax year period beginning OCT 1, 2002 and ending SEP 30, 2003

B Check if applicable

- Address change  
 Name change  
 Initial return  
 Final return  
 Amended return  
 Application pending

C Name of organization

FACEY MEDICAL FOUNDATION

D Employer identification number

95-4322584

Please use IRS label or print or type  
See Specific Instructions

Number and street (or P O box if mail is not delivered to street address)

15451 SAN FERNANDO MISSION BLVD.

E Telephone number

(818) 365-9531

City or town, state or country, and ZIP + 4

MISSION HILLS, CA 91345

F Accounting method:  Cash  Accrual  
 Other (specify) ►

- Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

H and I are not applicable to section 527 organizations.

H(a) Is this a group return for affiliates?  Yes  No

H(b) If "Yes," enter number of affiliates ►

H(c) Are all affiliates included? N/A  Yes  No  
(If "No," attach a list )H(d) Is this a separate return filed by an organization covered by a group ruling?  Yes  No

I Enter 4-digit GEN ►

M Check ►  if the organization is not required to attach Sch B (Form 990, 990-EZ, or 990-PF).

G Web site: ►

J Organization type (check only one) ►  501(c) ( 3 ) (insert no)  4947(a)(1) or  527K Check here ►  if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

L Gross receipts. Add lines 6b, 8b, 9b, and 10b to line 12 ► 115,993,858.

## Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

Revenue	1 Contributions, gifts, grants, and similar amounts received:			
	a Direct public support	1a	35,715.	
	b Indirect public support	1b		
	c Government contributions (grants)	1c		
	d Total (add lines 1a through 1c) (cash \$ 35,715. noncash \$ )	1d	35,715.	
	2 Program service revenue including government fees and contracts (from Part VII, line 93)	2	115,238,633.	
	3 Membership dues and assessments	3		
	4 Interest on savings and temporary cash investments	4	42,718.	
	5 Dividends and interest from securities	5	352,153.	
	6 a Gross rents	6a		
	b Less: rental expenses	6b		
	c Net rental income or (loss) (subtract line 6b from line 6a)	6c		
	7 Other investment income (describe ► )	7		
	8 a Gross amount from sale of assets other than inventory	(A) Securities	(B) Other	
	b Less: cost or other basis and sales expenses	252,500.	8a	4,520.
	c Gain or (loss) (attach schedule)	324,375.	8b	
	d Net gain or (loss) (combine line 8c, columns (A) and (B))	-71,875.	8c	4,520.
		STMT 1	STMT 2	
	9 Special events and activities (attach schedule)	8d		-67,355.
	a Gross revenue (not including \$ reported on line 1a) of contributions	9a		
	b Less: direct expenses other than fundraising expenses	9b		
	c Net income or (loss) from special events (subtract line 9b from line 9a)	9c		
	10 a Gross sales of inventory, less returns and allowances	10a		
	b Less: cost of (add line 10a)	10b		
	c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c		
	11 Other revenue (from Part VII, line 103)	11	67,619.	
	12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12	115,669,483.	
	13 Program services (from line 42, column (B))	13	106,931,279.	
	14 Management and general (from line 44, column (C))	14	7,800,570.	
	15 Fundraising (from line 44, column (D))	15		
	16 Payments to affiliates (attach schedule)	16		
	17 Total expenses (add lines 16 and 44, column (A))	17	114,731,849.	
	18 Excess or (deficit) for the year (subtract line 17 from line 12)	18	937,634.	
	19 Net assets or fund balances at beginning of year (from line 73, column (A))	19	17,769,257.	
	20 Other changes in net assets or fund balances (attach explanation)	20	1,516,529.	
	21 Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	20,223,420.	

SEE STATEMENT 3

## FACEY MEDICAL FOUNDATION

95-4322584

Page 2

**Part II Statement of Functional Expenses**

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others

<i>Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.</i>	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (attach schedule)	22			
cash \$ _____ noncash \$ _____				
23 Specific assistance to individuals (attach schedule)	23			
24 Benefits paid to or for members (attach schedule)	24			
25 Compensation of officers, directors, etc	25	829,000.	0.	829,000.
26 Other salaries and wages	26	24,659,172.	22,662,146.	1,997,026.
27 Pension plan contributions	27	502,634.	427,239.	75,395.
28 Other employee benefits	28	2,799,748.	2,534,675.	265,073.
29 Payroll taxes	29	1,931,909.	1,618,832.	313,077.
30 Professional fundraising fees	30			
31 Accounting fees	31			
32 Legal fees	32	345,395.		345,395.
33 Supplies	33	8,230,597.	8,103,034.	127,563.
34 Telephone	34	792,763.	605,752.	187,011.
35 Postage and shipping	35	279,318.	229,507.	49,811.
36 Occupancy	36	7,587,484.	5,774,801.	1,812,683.
37 Equipment rental and maintenance	37	887,257.	791,204.	96,053.
38 Printing and publications	38	107,192.	99,652.	7,540.
39 Travel	39			
40 Conferences, conventions, and meetings	40			
41 Interest	41			
42 Depreciation, depletion, etc <b>STATEMENT 13</b>	42	2,177,903.	1,716,166.	461,737.
43 Other expenses not covered above (itemize).	43a			
a _____	43b			
b _____	43c			
c _____	43d			
d _____	43e	63,601,477.	62,368,271.	1,233,206.
e SEE STATEMENT 4	44	114,731,849.	106,931,279.	7,800,570.
44 Total functional expenses (add lines 22 through 43) Organizations completing columns (B)-(D), carry these totals to lines 13-15				0.

Joint Costs. Check ►  if you are following SOP 98-2Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? ►  Yes  No

If "Yes," enter (i) the aggregate amount of these joint costs \$ \_\_\_\_\_, (ii) the amount allocated to Program services \$ \_\_\_\_\_, (iii) the amount allocated to Management and general \$ \_\_\_\_\_; and (iv) the amount allocated to Fundraising \$ \_\_\_\_\_

**Part III Statement of Program Service Accomplishments**

What is the organization's primary exempt purpose? ► SEE STATEMENT 5

All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)

a SEE STATEMENT 12	Program Service Expenses (Required for 501(c)(3) and (4) orgs, and 4947(a)(1) trusts, but optional for others)
Grants and allocations \$ _____ )	106,931,279.
b _____ )	
Grants and allocations \$ _____ )	
c _____ )	
Grants and allocations \$ _____ )	
d _____ )	
Grants and allocations \$ _____ )	
e Other program services (attach schedule) )	
f Total of Program Service Expenses (should equal line 44, column (B), Program services) )	► 106,931,279.

**Part IV Balance Sheets**

		(A) Beginning of year		(B) End of year
<b>Assets</b>	45 Cash - non-interest-bearing	44,537.	45	8,475.
	46 Savings and temporary cash investments	7,052,560.	46	2,894,485.
	47 a Accounts receivable	7,484,892.		
	b Less. allowance for doubtful accounts	2,740,537.	47c	4,744,355.
	48 a Pledges receivable	48a		
	b Less. allowance for doubtful accounts	48b	48c	
	49 Grants receivable			49
	50 Receivables from officers, directors, trustees, and key employees			50
	51 a Other notes and loans receivable	51a		
	b Less allowance for doubtful accounts	51b	51c	
	52 Inventories for sale or use	1,305,101.	52	1,057,500.
	53 Prepaid expenses and deferred charges	1,239,703.	53	2,453,000.
	54 Investments - securities STMT 6	9,038,271.	54	10,567,503.
	55 a Investments - land, buildings, and equipment. basis	55a		
	b Less accumulated depreciation	55b	55c	
	56 Investments - other			56
	57 a Land, buildings, and equipment basis STMT 13	57a 19,677,971.		
	b Less. accumulated depreciation STMT 13	57b 10,889,347.	57c	8,788,624.
	58 Other assets (describe ► COVENANT NOT TO COMPETE )	471,865.	58	157,288.
	<b>59 Total assets (add lines 45 through 58) (must equal line 74)</b>	<b>28,864,387.</b>	<b>59</b>	<b>30,671,230.</b>
<b>Liabilities</b>	60 Accounts payable and accrued expenses	11,056,100.	60	10,425,030.
	61 Grants payable			61
	62 Deferred revenue	39,030.	62	22,780.
	63 Loans from officers, directors, trustees, and key employees			63
	64 a Tax-exempt bond liabilities			64a
	b Mortgages and other notes payable			64b
	65 Other liabilities (describe ► )			65
	<b>66 Total liabilities (add lines 60 through 65)</b>	<b>11,095,130.</b>	<b>66</b>	<b>10,447,810.</b>
	Organizations that follow SFAS 117, check here ► <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.			
	67 Unrestricted	17,769,257.	67	20,223,420.
<b>Net Assets or Fund Balances</b>	68 Temporarily restricted			68
	69 Permanently restricted			69
	Organizations that do not follow SFAS 117, check here ► <input type="checkbox"/> and complete lines 70 through 74			
	70 Capital stock, trust principal, or current funds			70
	71 Paid-in or capital surplus, or land, building, and equipment fund			71
	72 Retained earnings, endowment, accumulated income, or other funds			72
	73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21)	17,769,257.	73	20,223,420.
	74 Total liabilities and net assets / fund balances (add lines 66 and 73)	28,864,387.	74	30,671,230.

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

75 Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations? If "Yes," attach schedule ►  Yes  No

Form 990 (2002)

**Part VI Other Information**

		<b>Yes</b>	<b>No</b>
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity	76	X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes.	77	X
78 a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a	X
b	If "Yes," has it filed a tax return on Form 990-T for this year?	78b	X
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79	X
80 a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a	X
b	If "Yes," enter the name of the organization ► SEE STATEMENT 10 and check whether it is <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt	81a	0.
81 a	Enter direct or indirect political expenditures. See line 81 instructions	81b	X
b	Did the organization file Form 1120-POL for this year?	82a	X
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82b	N/A
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II (See instructions in Part III.)	83a	X
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83b	
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	84a	X
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?	84b	
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	85a	
85	501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members?	85b	
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.	85c	N/A
c	Dues, assessments, and similar amounts from members	85d	N/A
d	Section 162(e) lobbying and political expenditures	85e	N/A
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85f	N/A
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	85g	
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85h	
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	86a	N/A
86	501(c)(7) organizations. Enter: a Initiation fees and capital contributions included on line 12	86b	N/A
b	Gross receipts, included on line 12, for public use of club facilities	87a	N/A
87	501(c)(12) organizations. Enter: a Gross income from members or shareholders	87b	N/A
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	88	X
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? If "Yes," complete Part IX	89a	
89 a	501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under section 4911 ► 0.; section 4912 ► 0.; section 4955 ► 0.	89b	X
b	501(c)(3) and 501(c)(4) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction		
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958		0.
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization		0.
90 a	List the states with which a copy of this return is filed ► CALIFORNIA	90b	643
b	Number of employees employed in the pay period that includes March 12, 2002		
91	The books are in care of ► WILLIAM E. GREGOR	Telephone no ► (818) 837-5710	
92	Located at ► 15451 SF MISSION BLVD #300, MISSION HILLS, CA ZIP + 4 ► 91345 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here and enter the amount of tax-exempt interest received or accrued during the tax year	92	N/A

**Part VII | Analysis of Income-Producing Activities** (See page 31 of the instructions )

	Unrelated business income		(C) Exclu- sion code	(D) Amount	(E) Related or exempt function income
	(A) Business code	(B) Amount			
93 Program service revenue:					
a NET PATIENT SERVICE					115,238,633.
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	42,718.	
96 Dividends and interest from securities			14	352,153.	
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets					
other than inventory			18	-67,355.	
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue					
a PHOTO COPYING REVENUE			03	40,194.	
b MANAGEMENT FEES	812900	26,681.			
c MISCELLANEOUS			01	744.	
d					
e					
104 Subtotal (add columns (B), (D), and (E))		26,681.		368,454.	115,238,633.
105 Total (add line 104, columns (B), (D), and (E))					► 115,633,768.

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

**Part VIII | Relationship of Activities to the Accomplishment of Exempt Purposes** (See page 32 of the instructions )

Line No. ▼	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
93A	FACEY MEDICAL FOUNDATION PROVIDES ACCESS TO QUALITY HEALTH CARE SERVICES AT AFFORDABLE PRICES AND WITHOUT REGARD OF ANY INDIVIDUAL'S ABILITY TO PAY. (SEE STATEMENT 11 FOR FURTHER DETAIL HOW NET PATIENT SERVICE REVENUE IS USED TO ACCOMPLISH FACEY'S EXEMPT PURPOSE.)

**Part IX | Information Regarding Taxable Subsidiaries and Disregarded Entities** (See page 32 of the instructions )

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
SEE STATEMENT 11	%			
	%			
	%			
	%			

**Part X | Information Regarding Transfers Associated with Personal Benefit Contracts** (See page 33 of the instructions )(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?  Yes  No(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?  Yes  No

Note: If "Yes" to (b), file Form 8870 and Form A720 (see instructions).

accompanying schedules and statements, and to the best of my knowledge and belief, it is true,  
information of which preparer has any knowledge.

11/1/04

Date ► 11/1/04 E. Gregor, CFO

Date

Type or print name and title

Check if self-employed

Check if self-employed

Preparer's SSN or PTIN

Preparer's SSN or PTIN

**SCHEDULE A**  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

**Organization Exempt Under Section 501(c)(3)**

OMB No 1545-0047

(Except Private Foundation) and Section 501(e), 501(f), 501(k),  
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

**Supplementary Information-(See separate instructions.)**

► MUST be completed by the above organizations and attached to their Form 990 or 990-EZ

**2002**

Name of the organization

**FACEY MEDICAL FOUNDATION**

Employer identification number  
**95 4322584**

**Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees**

(See page 1 of the instructions. List each one. If there are none, enter "None")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
<u>SYBIL TOURVILLE</u>				
15451 SAN FERNANDO MISSION BL STE 30040		137,064.	1,492.	225.
<u>JOSIE RICE</u>				
15451 SAN FERNANDO MISSION BL STE 30040		141,816.	4,764.	230.
<u>MARGIE J. MELBY</u>	CONTROLLER			
15451 SAN FERNANDO MISSION BL STE 30040		118,984.	4,054.	163.
<u>FLO MCNEILL</u>				
15451 SAN FERNANDO MISSION BL STE 30040		109,133.	3,498.	137.
<u>DAVID DAY</u>	PODIATRIST			
15451 SAN FERNANDO MISSION BL STE 30040		114,082.	3,923.	0.
Total number of other employees paid over \$50,000	►	79		

**Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services**

(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
<u>MEDSCRIBE/CHANDRASEKARAN, S</u>		
12970 BRANFORD STREET UNIT K, ARLETA, CA 91331	TRANSCRIPTION	1173741.
<u>ALLSCRIPTS HEALTHCARE SOLUTION</u>		
2401 COMMERCE DRIVE, LIBERTYVILLE, IL 60048	CONSULTING	535,389.
<u>TERAHEALTH, INC.</u>		
727 ATLANTIC AVENUE, 2ND FL, BOSTON, MA 02111	ELIGIBILITY OUTSOURCING	214,370.
<u>MASTERCARE BUILDING SERVICE</u>		
7701 GARDEN GROVE BLVD., GARDEN GROVE, CA 92841	CLEANING SERVICE	446,465.
<u>FACEY MEDICAL GROUP</u>		
11211 SEPULVEDA BLVD., MISSION HILLS, CA 91345	MEDICAL SERVICES	51942231.
Total number of others receiving over \$50,000 for professional services	►	18

<b>Part III Statements About Activities</b> (See page 2 of the instructions )		<b>Yes</b>	<b>No</b>
1	During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ► \$ _____ \$ _____ (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B )	1	X
	Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities		
2	During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.)		
a	Sale, exchange, or leasing of property?	2a	X
b	Lending of money or other extension of credit?	2b	X
c	Furnishing of goods, services, or facilities?	2c	X
d	Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? SEE PART V, FORM 990	2d	X
e	Transfer of any part of its income or assets?	2e	X
3	Does the organization make grants for scholarships, fellowships, student loans, etc.? (See Note below )	3	X
4	Do you have a section 403(b) annuity plan for your employees?	4	X
<i>Note: Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs "qualify" to receive payments.</i>			

<b>Part IV Reason for Non-Private Foundation Status</b> (See pages 3 through 5 of the instructions )	
The organization is not a private foundation because it is. (Please check only ONE applicable box )	
5	<input type="checkbox"/> A church, convention of churches, or association of churches Section 170(b)(1)(A)(i).
6	<input type="checkbox"/> A school. Section 170(b)(1)(A)(ii) (Also complete Part V.)
7	<input checked="" type="checkbox"/> A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
8	<input type="checkbox"/> A Federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)
9	<input type="checkbox"/> A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) Enter the hospital's name, city, and state ► _____
10	<input type="checkbox"/> An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv) (Also complete the Support Schedule in Part IV-A )
11a	<input type="checkbox"/> An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi) (Also complete the Support Schedule in Part IV-A.)
11b	<input type="checkbox"/> A community trust. Section 170(b)(1)(A)(vi) (Also complete the Support Schedule in Part IV-A )
12	<input type="checkbox"/> An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc , functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2). (Also complete the Support Schedule in Part IV-A )
13	<input type="checkbox"/> An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: (1) lines 5 through 12 above, or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) (See section 509(a)(3)) Provide the following information about the supported organizations (See page 5 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Line number from above
_____	_____
_____	_____
_____	_____
_____	_____
14 <input type="checkbox"/> An organization organized and operated to test for public safety Section 509(a)(4) (See page 5 of the instructions )	

<b>Part IV-A</b> Support Schedule (Complete only if you checked a box on line 10, 11, or 12.) Use cash method of accounting. Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.		N/A					
Calendar year (or fiscal year beginning in)	►	(a) 2001	(b) 2000	(c) 1999	(d) 1998	(e) Total	
15 Gifts, grants, and contributions received. (Do not include unusual grants See line 28 )							
16 Membership fees received							
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc , purpose							
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975							
19 Net income from unrelated business activities not included in line 18							
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf							
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge							
22 Other income Attach a schedule Do not include gain or (loss) from sale of capital assets							
23 Total of lines 15 through 22		0 .	0 .	0 .	0 .	0 .	
24 Line 23 minus line 17							
25 Enter 1% of line 23							
26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24	►	26a	N/A				
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1998 through 2001 exceeded the amount shown in line 26a Do not file this list with your return. Enter the sum of all these excess amounts	►	26b	N/A				
c Total support for section 509(a)(1) test: Enter line 24, column (e)	►	26c	N/A				
d Add Amounts from column (e) for lines. 18 _____ 19 _____ 22 _____ 26b _____	►	26d	N/A				
e Public support (line 26c minus line 26d total)	►	26e	N/A				
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))	►	26f	N/A %				
27 Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person" Do not file this list with your return. Enter the sum of such amounts for each year: (2001) (2000) (1999) (1998)	►	27a					
b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11, as well as individuals ) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: (2001) (2000) (1999) (1998) ..	►	27b					
c Add Amounts from column (e) for lines: 15 _____ 16 _____ 17 _____ 20 _____ 21 _____	►	27c	N/A				
d Add Line 27a total _____ and line 27b total _____	►	27d	N/A				
e Public support (line 27c total minus line 27d total) ..	►	27e	N/A				
f Total support for section 509(a)(2) test Enter amount on line 23, column (e)	►	27f	N/A				
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))	►	27g	N/A %				
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))	►	27h	N/A %				
28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 1998 through 2001, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant Do not file this list with your return. Do not include these grants in line 15							

**Part V Private School Questionnaire** (See page 7 of the instructions.)

N/A

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

- 29 Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?
- 30 Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?
- 31 Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves?
- If "Yes," please describe, if "No," please explain (If you need more space, attach a separate statement )
- 
- 
- 

	Yes	No
29		
30		
31		
32a		
32b		
32c		
32d		
33a		
33b		
33c		
33d		
33e		
33f		
33g		
33h		
34a		
34b		
35		

- 32 Does the organization maintain the following:
- a Records indicating the racial composition of the student body, faculty, and administrative staff?
  - b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?
  - c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?
  - d Copies of all material used by the organization or on its behalf to solicit contributions?
- If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement )
- 
- 
- 
- 33 Does the organization discriminate by race in any way with respect to.
- a Students' rights or privileges?
  - b Admissions policies?
  - c Employment of faculty or administrative staff?
  - d Scholarships or other financial assistance?
  - e Educational policies?
  - f Use of facilities?
  - g Athletic programs?
  - h Other extracurricular activities?
- If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement )
- 
- 
- 
- 34 a Does the organization receive any financial aid or assistance from a governmental agency?
- b Has the organization's right to such aid ever been revoked or suspended?
- If you answered "Yes" to either 34a or b, please explain using an attached statement.
- 35 Does the organization certify that it has complied with the applicable requirements of sections 401 through 405 of Rev Proc 75-50, 1975-2 C B 587, covering racial nondiscrimination? If "No," attach an explanation

**Part VI-A** **Lobbying Expenditures by Electing Public Charities** (See page 9 of the instructions )

N/A

(To be completed ONLY by an eligible organization that filed Form 5768)

Check ► a  if the organization belongs to an affiliated group. Check ► b  if you checked "a" and "limited control" provisions apply

<b>Limits on Lobbying Expenditures</b> (The term "expenditures" means amounts paid or incurred )		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
<b>36 Total lobbying expenditures to influence public opinion (grassroots lobbying)</b>		N/A	
<b>37 Total lobbying expenditures to influence a legislative body (direct lobbying)</b>			
<b>38 Total lobbying expenditures (add lines 36 and 37)</b>			
<b>39 Other exempt purpose expenditures</b>			
<b>40 Total exempt purpose expenditures (add lines 38 and 39)</b>			
<b>41 Lobbying nontaxable amount Enter the amount from the following table -</b>			
If the amount on line 40 is -		The lobbying nontaxable amount is -	
Not over \$500,000		20% of the amount on line 40	
Over \$500,000 but not over \$1,000,000		\$100,000 plus 15% of the excess over \$500,000	
Over \$1,000,000 but not over \$1,500,000		\$175,000 plus 10% of the excess over \$1,000,000	
Over \$1,500,000 but not over \$17,000,000		\$225,000 plus 5% of the excess over \$1,500,000	
Over \$17,000,000		\$1,000,000	
<b>42 Grassroots nontaxable amount (enter 25% of line 41)</b>			
<b>43 Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36</b>			
<b>44 Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38</b>			

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.

**4-Year Averaging Period Under Section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below See the instructions for lines 45 through 50 on page 11 of the instructions )

Calendar year (or fiscal year beginning in) ►	Lobbying Expenditures During 4-Year Averaging Period					N/A
	(a) 2002	(b) 2001	(c) 2000	(d) 1999	(e) Total	
<b>45 Lobbying nontaxable amount</b>						
<b>46 Lobbying ceiling amount (150% of line 45(e))</b>						
<b>47 Total lobbying expenditures</b>						
<b>48 Grassroots nontaxable amount</b>						
<b>49 Grassroots ceiling amount (150% of line 48(e))</b>						
<b>50 Grassroots lobbying expenditures</b>						

**Part VI-B** **Lobbying Activity by Nonelecting Public Charities**

(For reporting only by organizations that did not complete Part VI-A) (See page 11 of the instructions )

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:

- a Volunteers
- b Paid staff or management (include compensation in expenses reported on lines c through h.)
- c Media advertisements
- d Mailings to members, legislators, or the public
- e Publications, or published or broadcast statements
- f Grants to other organizations for lobbying purposes
- g Direct contact with legislators, their staffs, government officials, or a legislative body
- h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means
- i Total lobbying expenditures (Add lines c through h.)

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities.

Yes	No	Amount
X		
X		
X		
X		
X		
X		
X		
X		
		0.

**Part VII** **Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations** (See page 12 of the instructions )

51 Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

- a Transfers from the reporting organization to a noncharitable exempt organization of
    - (i) Cash
    - (ii) Other assets
  - b Other transactions:
    - (i) Sales or exchanges of assets with a noncharitable exempt organization
    - (ii) Purchases of assets from a noncharitable exempt organization
    - (iii) Rental of facilities, equipment, or other assets
    - (iv) Reimbursement arrangements
    - (v) Loans or loan guarantees
    - (vi) Performance of services or membership or fundraising solicitations
  - c Sharing of facilities, equipment, mailing lists, other assets, or paid employees
  - d If the answer to any of the above is "Yes," complete the following schedule. Column (d) goods, other assets, or services given by the reporting organization. If the organization transaction or sharing arrangement, show in column (d) the value of the goods, other

	<b>Yes</b>	<b>No</b>
<b>51a(i)</b>		<b>X</b>
<b>a(ii)</b>		<b>X</b>
<b>b(i)</b>		<b>X</b>
<b>b(ii)</b>		<b>X</b>
<b>b(iii)</b>		<b>X</b>
<b>b(iv)</b>		<b>X</b>
<b>b(v)</b>		<b>X</b>
<b>b(vi)</b>		<b>X</b>
<b>c</b>		<b>X</b>

**52 a** Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? ►

▶  Yes

No

- b If "Yes," complete the following schedule

(a) Name of organization	(b) Type of organization	(c) Description of relationship
N/A		

FACEY MEDICAL FOUNDATION

95-4322584

FORM 990		STATEMENT		1
DESCRIPTION	GROSS SALES PRICE	COST OR OTHER BASIS	EXPENSE OF SALE	NET GAIN OR (LOSS)
PUBLICLY TRADED SECURITIES	252,500.	324,375.	0.	-71,875.
TO FORM 990, PART I, LINE 8	252,500.	324,375.	0.	-71,875.

FORM 990

GAIN (LOSS) FROM SALE OF OTHER ASSETS

STATEMENT

2

DESCRIPTION	DATE ACQUIRED	DATE SOLD	METHOD ACQUIRED	
INFUSION PUMPS	VARIOUS	04/30/03	PURCHASED	
GROSS SALES PRICE	COST OR OTHER BASIS	EXPENSE OF SALE	DEPREC	NET GAIN OR (LOSS)
372.	3,264.	0.	3,264.	372.
DESCRIPTION	DATE ACQUIRED	DATE SOLD	METHOD ACQUIRED	
TABLE EXAM POWER BASE	01/01/95	09/12/03	PURCHASED	
GROSS SALES PRICE	COST OR OTHER BASIS	EXPENSE OF SALE	DEPREC	NET GAIN OR (LOSS)
1,000.	5,385.	0.	5,385.	1,000.
DESCRIPTION	DATE ACQUIRED	DATE SOLD	METHOD ACQUIRED	
ULTRASOUND SYSTEM	12/01/95	09/12/03	PURCHASED	
GROSS SALES PRICE	COST OR OTHER BASIS	EXPENSE OF SALE	DEPREC	NET GAIN OR (LOSS)
1,700.	78,290.	0.	78,290.	1,700.
DESCRIPTION	DATE ACQUIRED	DATE SOLD	METHOD ACQUIRED	
GURNEYS	VARIOUS	VARIOUS	PURCHASED	
GROSS SALES PRICE	COST OR OTHER BASIS	EXPENSE OF SALE	DEPREC	NET GAIN OR (LOSS)
1,448.	3,855.	0.	3,855.	1,448.
TO FM 990, PART I, LN 8	4,520.	90,794.	90,794.	4,520.

FORM 990	OTHER CHANGES IN NET ASSETS OR FUND BALANCES	STATEMENT	3
----------	--	-----------	---

DESCRIPTION	AMOUNT
UNREALIZED GAINS	1,516,529.
TOTAL TO FORM 990, PART I, LINE 20	1,516,529.

FORM 990	OTHER EXPENSES	STATEMENT	4
----------	----------------	-----------	---

DESCRIPTION	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT AND GENERAL	(D) FUNDRAISING
DATA PROCESSING	412,694.	238,372.	174,322.	
INSURANCE	2,676,077.	2,545,472.	130,605.	
TEMPORARY HELP	947,506.	866,417.	81,089.	
PURCH. MED. SERV.	5,990,378.	5,990,378.	0.	
OTHER PURCH. SERV.	871,268.	478,780.	392,488.	
GEN & ADMIN	277,211.	162,421.	114,790.	
TAXES & LICENSES	40,192.	34,344.	5,848.	
CASH SHORT	1,215.	0.	1,215.	
MEDICAL FEES	51,942,231.	51,942,231.	0.	
PATIENT ED. BOOKS	34,615.	27,015.	7,600.	
MARKETING	178,535.	63,791.	114,744.	
RECRUITMENT	113,301.	19,050.	94,251.	
BANK CHARGES	111,879.	0.	111,879.	
MISCELLANEOUS	4,375.	0.	4,375.	
TOTAL TO FM 990, LN 43	63,601,477.	62,368,271.	1,233,206.	

FORM 990	STATEMENT OF ORGANIZATION'S PRIMARY EXEMPT PURPOSE	STATEMENT	5
PART III			

EXPLANATION

FACEY MEDICAL FOUNDATION ("FMF") WAS ESTABLISHED IN 1993 TO PROVIDE ACCESS TO QUALITY HEALTH CARE SERVICES AT AFFORDABLE PRICES AND TO CONDUCT PROGRAMS OF CLINICAL RESEARCH AND PUBLIC HEALTH EDUCATION. FMF PROVIDES FOR THE DELIVERY OF HEALTH CARE SERVICES THROUGH CONTRACTED PHYSICIANS.

FORM 990

NON-GOVERNMENT SECURITIES

STATEMENT 6

SECURITY DESCRIPTION	CORPORATE STOCKS	CORPORATE BONDS	OTHER PUBLICLY TRADED SECURITIES	OTHER SECURITIES	TOTAL NON-GOV'T SECURITIES
PUBLICLY TRADED SECURITIES	0.				
MUTUAL FUNDS			10567503.		10,567,503.
TO 990, LN 54 COL B			10567503.		10,567,503.

FORM 990

OTHER REVENUE NOT INCLUDED ON FORM 990

STATEMENT 7

DESCRIPTION	AMOUNT
OTHER REVENUE & EXPENSE RECLASSES	-101,977.
TOTAL TO FORM 990, PART IV-A	-101,977.

FORM 990

OTHER EXPENSES INCLUDED ON FORM 990

STATEMENT 8

DESCRIPTION	AMOUNT
OTHER REVENUE & EXPENSE RECLASSES	101,977.
TOTAL TO FORM 990, PART IV-B	101,977.

FORM 990

PART V - LIST OF OFFICERS, DIRECTORS,  
TRUSTEES AND KEY EMPLOYEES

STATEMENT 9

NAME AND ADDRESS	TITLE AND AVRG HRS/WK	COMPEN- SATION	EMPLOYEE BEN PLAN CONTRIB	EXPENSE ACCOUNT
CARL CANNATA 15451 SAN FERNANDO MISSION BLVD. STE. #300 MISSION HILLS, CA 91345	BOARD DIRECTOR 1	11,750.	0.	0.
GUILLERMO GIL 15451 SAN FERNANDO MISSION BLVD. STE. #300 MISSION HILLS, CA 91345	CEO/PRESIDENT 40	334,999.	6,450.	7,841.
RICK SWANSON 15451 SAN FERNANDO MISSION BLVD. STE. #300 MISSION HILLS, CA 91345	COO 40	206,458.	4,067.	5,446.
WILLIAM E. GREGOR 15451 SAN FERNANDO MISSION BLVD. STE. #300 MISSION HILLS, CA 91345	CFO 40	208,718.	4,160.	5,443.
J. ROBERT LISET 15451 SAN FERNANDO MISSION BLVD. STE. #300 MISSION HILLS, CA 91345	BOARD DIRECTOR 1	7,650.	0.	0.
MICHAEL LINN 15451 SAN FERNANDO MISSION BLVD. STE. #300 MISSION HILLS, CA 91345	BOARD DIRECTOR 1	10,950.	0.	0.
ROBERT FINKLESTEIN, MD 15451 SAN FERNANDO MISSION BLVD. STE. #300 MISSION HILLS, CA 91345	BOARD DIRECTOR 1	0.	0.	0.
GARY LEARY 15451 SAN FERNANDO MISSION BLVD. STE. #300 MISSION HILLS, CA 91345	BOARD DIRECTOR 1	11,050.	0.	0.
MICHAEL LYNCH, MD 15451 SAN FERNANDO MISSION BLVD. STE. #300 MISSION HILLS, CA 91345	DIRECTOR 1	0.	0.	0.

## FACEY MEDICAL FOUNDATION

95-4322584

JOHN GUARRERA  
15451 SAN FERNANDO MISSION BLVD.  
STE. #300  
MISSION HILLS, CA 91345

## BOARD DIRECTOR

1

11,250. 0. 0.

MAY FARR  
15451 SAN FERNANDO MISSION BLVD.  
STE. #300  
MISSION HILLS, CA 91345

## BOARD DIRECTOR

1

9,150. 0. 0.

RANDALL EWIG  
15451 SAN FERNANDO MISSION BLVD.  
STE. #300  
MISSION HILLS, CA 91345

## BOARD DIRECTOR

1

17,025. 0. 0.

TOTALS INCLUDED ON FORM 990, PART V

829,000. 14,677. 18,730.

FORM 990 IDENTIFICATION OF RELATED ORGANIZATIONS STATEMENT 10  
PART VI, LINE 80B

NAME OF ORGANIZATION	EXEMPT	NONEEXEMPT
UNIHEALTH FOUNDATION 5959 TOPANGA CANYON BLVD #390 WOODLAND HILLS CA 91367 FEIN: 95-5004033		X

FORM 990 PART IX STATEMENT 11  
INFORMATION REGARDING TAXABLE SUBSIDIARIES

NAME, ADDRESS & ID NUMBER OF CORP OR PARTNERSHIP	PCT OWN	NATURE OF BUSINESS	TOTAL INCOME	END-OF-YEAR ASSETS
FACEY PHARMACY, INC. 11165 SEPULVEDA BLVD., MISSION HILLS, CA 91345, EIN: 95-4784673		100.00% PHARMACY	-462.	0.*

\* DISSOLVED 9/30/03

**FACEY MEDICAL FOUNDATION  
COMMUNITY BENEFIT AMOUNTS  
FOR FISCAL YEAR 2003  
(Information Available through 9/30/03)**

**Direct Charitable Write-Offs**

Charity (Indigent Care)	\$90,181
Medi-Medi/Medi-Cal	<u>1,202,360</u>
Total Cost	<u>\$1,292,541</u>

**Flu Clinics**

**13,911 Flu Shots given during 2002-2003 Flu Season**

Flu Clinics were held on the following dates:

**13,425 On Site    October 19, 26, & November 7 & 8, 2002**  
**486 Off Site    Various**

Total Cost*	<u>\$57,887</u>
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\*Includes cost of vaccines, personnel, supplies, etc.

**Community Outreach Programs**

Over 352 Classes offered at many Facey Locations through the Education Department for the following subjects, with over 6,500 attendees:

ADHD  
Asthma (Adult & Pediatric)  
Cholesterol Management  
CPR  
Diabetes (also in Spanish)  
Foot Care  
Hearing Loss  
Memory Loss  
Menopause  
Newborn Care  
Nutrition  
Osteoporosis  
Prenatal  
Senior Depression  
Senior Flexercise  
Smoking Cessation  
Weight Control (Adult & Pediatric)

Police/Community Advisory Board  
Health Fairs

Total Cost*	<u>\$606,363</u>
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\*Includes cost of use of Facey facilities (@ \$325/meeting,  
as quoted by local conference center), personnel, supplies, etc.

**Total Community Benefit Costs thru 9/30/03    \$1,956,791**

## FACEY MEDICAL FOUNDATION

### Statement of Community Support Services

Facey Medical Foundation ("FMF") was organized by UniHealth America ("UHA") in 1993 as a non-profit corporation, exclusively for charitable, scientific, and educational purposes. FMF has been a vital element in UHA's effort to improve the efficiency and utilization of health care services and facilities and to reduce the cost of health care to the public while maintaining and/or improving quality.

Extensive resources are devoted each year to organizing and delivering free and subsidized services to community residents. These services include:

- Health Care Services
- Educational Services
- Clinical Research

A detail of these specific areas follows:

### **HEALTH CARE SERVICES**

FMF is engaged in developing and operating a variety of clinical programs at clinic branches and at additional future locations. FMF operates eleven (11) clinic branches at the following locations:

- 1) 11211 Sepulveda Boulevard, Mission Hills, CA 91345-1196
- 2) 11177 Tampa Avenue, Northridge, CA 91326
- 3) 17909 W. Soledad Canyon, Canyon Country, CA 91351
- 4) 23838 Valencia Boulevard, Valencia, CA 91355
- 5) 18460 Roscoe Boulevard, Northridge, CA 91325
- 6) 8330 Reseda Boulevard, Northridge, CA 91325
- 7) 1237 E. Main Street, Alhambra, CA 91801
- 8) 31882 Castaic Road, Castaic, CA 91384
- 9) 27924 Seco Canyon Suite 101, Santa Clarita, CA 91350\*
- 10) 27141 Hidaway, Canyon Country, CA 91351\*\*
- 11) 25775 McBean Parkway, Valencia, CA 91355\*\*

\* Facility opened June 2002

\*\* Facility opened April 2002

Through each one of the above clinic branches, FMF provides a broad range of physician and health care services. These services include:

Allergy	Head & Neck Surgery	Orthopedics
Audiology	Industrial Medicine	Otorhinolaryngology
Behavioral Medicine	Infectious Disease	Pediatrics
Dermatology	Internal Medicine	Physical Therapy
Endocrinology & Metabolism	Nutrition & Dietetics	Podiatry
Family Practice	Obstetrics & Gynecology	Psychiatry
Gastroenterology	Oncology	Rheumatology
General Surgery	Ophthalmology	Urology

Additional services include Laboratory, Radiology, Ultrasound and Mammography. FMF will continue to expand both the quantity and quality of services available to the general public in an effort to increase access and improve the quality of services currently being offered.

### **CLINICAL RESEARCH AND EDUCATIONAL SERVICES**

FMF is expanding the current level of community medical education and clinical research activities. The total number of programs offered to the general public represents a substantial increase in the number and availability of these programs to patients within the FMF service area. These programs include:

ADHP (Attention Deficit Hyperactivity Disorder)	Diabetes Support Group	Parenting Classes
Adolescent Workshops	Diabetic Teaching Classes	Prenatal Classes
Adult and Pediatrics Asthma	Fitness Classes	Programs on Memory Loss
Arthritis Classes	Foot Care	Sessions on Cancer
Back Training/Lifting Classes	Free Flu Shot Clinics	Sessions on Infertility
Blood Pressure Screening	Health Screening Fairs	Sessions on Mental Health Issues
Body Fat Testing	High Blood Pressure Classes	Stop Smoking Classes
Breast Self-Examination	Issues on Aging	Stroke Screening
Cancer Screening	Newborn Care	Support of local Foster Family Agency
Cholesterol	Nutrition Classes	Weight Reduction Classes
Congestive Heart Failure	Osteoporosis	Wellness Program Classes

The clinical research and education fund will allow FMF to initiate clinical research activities and seek additional funding. The clinical research effort is designed to benefit the patients of FMF and the general public. Research results will be published in medical journals and made generally available to the public.

FACEY MEDICAL FOUNDATION  
FORM 990, STATEMENT OF FIXED ASSETS

93-4322584

	<u>BALANCE</u> <u>9/30/2003</u>
<b>DEPRECIABLE ASSETS</b>	
LEASEHOLD IMPROVEMENTS	7,687,455
MEDICAL EQUIPMENT	9,664,662
CONSTRUCTION IN PROGRESS	133,363
SOFTWARE	<u>2,192,491</u>
 TOTAL	 <u>19,677,971</u>
 <b>ACCUMULATED DEPRECIATION</b>	
LEASEHOLD IMPROVEMENTS	(4,355,739)
MEDICAL EQUIPMENT	(5,989,141)
SOFTWARE	<u>(544,467)</u>
 TOTAL	 <u>(10,889,347)</u>
 <b>NET PROPERTY, PLANT &amp; EQUIPMENT</b>	 <u>8,788,624</u>
 <b>CURRENT YEAR DEPRECIATION EXPENSE</b>	
LEASEHOLD IMPROVEMENTS	765,835
MEDICAL EQUIPMENT	1,097,491
COVENANT NOT TO COMPETE	<u>314,577</u>
 TOTAL	 <u>2,177,903</u>

- If you are filing for an Additional (not automatic) 3-Month Extension, complete only Part II and check this box ►

Note: Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.

- If you are filing for an Automatic 3-Month Extension, complete only Part I (on page 1).

<b>Part II Additional (not automatic) 3-Month Extension of Time - Must file Original and One Copy.</b>		
<b>Type or print:</b>	Name of Exempt Organization <b>FACEY MEDICAL FOUNDATION</b>	Employer identification number <b>95-4322584</b>
<b>File by the extended due date for filing the return. See Instructions</b>	Number, street, and room or suite no. If a P.O. box, see instructions. <b>15451 SAN FERNANDO MISSION BLVD., NO. 300</b>	For IRS use only
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. <b>MISSION HILLS, CA 91345</b>	

**Check type of return to be filed (File a separate application for each return):**

- |  |                                      |   |                                      |                                    |                                    |
|--|--------------------------------------|---|--------------------------------------|------------------------------------|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-EZ | <input type="checkbox"/> Form 990-T (sec. 401(a) or 408(a) trust) | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 5227 | <input type="checkbox"/> Form 8870 |
| <input type="checkbox"/> Form 990-BL         | <input type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 990-T (trust other than above)      | <input type="checkbox"/> Form 4720   | <input type="checkbox"/> Form 6069 |                                    |

**STOP: Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.**

- If the organization does not have an office or place of business in the United States, check this box ►
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) \_\_\_\_\_. If this is for the **whole group**, check this box ► . If it is for **part of the group**, check this box ►  and attach a list with the names and EINs of all members the extension is for.

4 I request an additional 3-month extension of time until	<b>AUGUST 16, 2004</b>		
5 For calendar year _____, or other tax year beginning	<b>OCT 1, 2002</b>	and ending <b>SEP 30, 2003</b>	
6 If this tax year is for less than 12 months, check reason:	<input type="checkbox"/> Initial return	<input type="checkbox"/> Final return	<input type="checkbox"/> Change in accounting period
7 State in detail why you need the extension	<b>ADDITIONAL TIME IS REQUIRED TO GATHER THE INFORMATION NECESSARY IN ORDER TO FILE A COMPLETE AND ACCURATE RETURN.</b>		
8a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions	\$ _____		
b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868 .....	\$ _____		
c Balance Due. Subtract line 8b from line 8a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions	\$ _____	N/A	

#### Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form

Signature ►  Title ► **CPA** Date ► **5/7/04**

#### Notice to Applicant - To Be Completed by the IRS

- We have approved this application. Please attach this form to the organization's return.
- We have not approved this application. However, we have granted a 10-day grace period from the later of the date shown below or the due date of the organization's return (including any prior extensions). This grace period is considered to be a valid extension of time for elections otherwise required to be made on a timely return. Please attach this form to the organization's return.
- We have not approved this application. After considering the reasons stated in item 7, we cannot grant your request for an extension of time to file. We are not granting the 10-day grace period.
- We cannot consider this application because it was filed after the due date of the return for which an extension was requested.
- Other \_\_\_\_\_

By \_\_\_\_\_ Date \_\_\_\_\_  
Director

**Alternate Mailing Address** - Enter the address if you want the copy of this application for an additional 3-month extension returned to an address different than the one entered above.

<b>Type or print</b> 223832 05-22-02	Name <b>DELOITTE &amp; TOUCHE LLP</b>	<b>EXTENSION APPROVED</b>
	Number and street (include suite, room, or apt. no.) Or a P.O. box number <b>701 "B" STREET, SUITE 1900</b>	<b>MAY 17 2004</b>
	City or town, province or state, and country (including postal or ZIP code) <b>SAN DIEGO, CA 92101-8198</b>	LINDA WEISKOPF, FIELD DIRECTOR, SUBMISSION PROCESSING, OGDEN

## Return of Organization Exempt from Income Tax

2001

Department of the Treasury  
Internal Revenue ServiceUnder Section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code  
(except black lung benefit trust or private foundation)Open to Public  
Inspection

► The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2001 calendar year, or tax year beginning 7/01 , 2001, and ending 6/30 , 20 02

B Check if applicable:

- Address change  
 Name change  
 Initial return  
 Final return  
 Amended return  
 Application pending

Please use IRS label or print or type.  
See specific instructions.

Crystal Stairs, Inc.  
5200 W. Century Blvd. #1000  
Los Angeles, CA 90045

D Employer Identification Number

95-3510046

E Telephone number

(323) 421-2465

F Accounting method:

 Cash Accrual Other (specify) ►

H and I are not applicable to Section 527 organizations.

H (a) Is this a group return for affiliates?  Yes  No

H (b) If 'yes,' enter number of affiliates ►

H (c) Are all affiliates included?  Yes  No  
(If 'no,' attach a list. See instructions.)H (d) Is this a separate return filed by an organization covered by a group ruling?  Yes  No

I Enter 4-digit group GEN. ►

M Check  if the organization is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).

G Web site: ► N/A

J Organization type  
(check only one) ►  501(c) 3 (insert no.)  4947(a)(1) or  527K Check here ►  if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 ► 162,383,432.

## Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (see instructions)

1 Contributions, gifts, grants, and similar amounts received:			
a Direct public support .....	<b>1a</b>	744,418.	
b Indirect public support .....	<b>1b</b>		
c Government contributions (grants) .....	<b>1c</b>		
d Total (add lines 1a through 1c) (cash \$ 744,418. noncash \$ ) .....	<b>1d</b>	744,418.	
2 Program service revenue including government fees and contracts (from Part VII, line 93) .....	<b>2</b>	160,934,879.	
3 Membership dues and assessments .....	<b>3</b>		
4 Interest on savings and temporary cash investments .....	<b>4</b>	305,995.	
5 Dividends and interest from securities .....	<b>5</b>		
6a Gross rents .....	<b>6a</b>		
b Less: rental expenses .....	<b>6b</b>		
c Net rental income or (loss) (subtract line 6b from line 6a) .....	<b>6c</b>		
7 Other investment income (describe) .....	<b>7</b>		
8a Gross amount from sales of assets other than inventory .....	<b>(A) Securities</b>	<b>(B) Other</b>	
b Less: cost or other basis and sales expenses .....	<b>8a</b>		
c Gain or (loss) (attach schedule) .....	<b>8b</b>		
d Net gain or (loss) (combine line 8c, columns (A) and (B)) .....	<b>8c</b>		
8d			
9 Special events and activities (attach schedule)			
a Gross revenue (not including \$ reported on line 1a) .....	<b>9a</b>		
b Less: direct expenses other than fundraising expenses .....	<b>9b</b>		
c Net income or (loss) from special events (subtract line 9b from line 9a) .....	<b>9c</b>		
10a Gross sales of inventory, less returns and allowances .....	<b>10a</b>		
b Less: cost of goods sold .....	<b>10b</b>		
c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a) .....	<b>10c</b>		
11 Other revenue (from Part VII, line 103) .....	<b>11</b>	398,140.	
12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11) .....	<b>12</b>	162,383,432.	
13 Program services (from line 44, column (B)) .....	<b>13</b>	154,389,890.	
14 Management and general (from line 44, column (C)) .....	<b>14</b>	7,889,391.	
15 Fundraising (from line 44, column (D)) .....	<b>15</b>	70,481.	
16 Payments to affiliates (attach schedule) .....	<b>16</b>		
17 Total expenses (add lines 16 and 44, column (A)) .....	<b>17</b>	162,349,762.	
18 Excess or (deficit) for the year (subtract line 17 from line 12) .....	<b>18</b>	33,670.	
19 Net assets or fund balances at beginning of year (from line 73, column (A)) .....	<b>19</b>	1,702,916.	
20 Other changes in net assets or fund balances (attach explanation) .....	<b>20</b>		
21 Net assets or fund balances at end of year (combine lines 18, 19, and 20) .....	<b>21</b>	1,736,586.	

**Part II Statement of Functional Expenses** All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others.

<i>Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.</i>	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (att sch) (cash \$ _____) non-cash \$ _____)	22			
23 Specific assistance to individuals (att sch)	23			
24 Benefits paid to or for members (att sch)	24			
25 Compensation of officers, directors, etc.	25	242,030.	174,462.	66,769.
26 Other salaries and wages	26	14,729,429.	10,617,356.	4,063,451.
27 Pension plan contributions	27	250,402.	182,762.	66,342.
28 Other employee benefits	28	2,062,495.	1,538,350.	519,966.
29 Payroll taxes	29	1,219,889.	877,457.	337,158.
30 Professional fundraising fees	30			
31 Accounting fees	31	102,176.	5,387.	96,789.
32 Legal fees	32	250.		250.
33 Supplies	33	921,598.	628,280.	292,241.
34 Telephone	34	295,750.	164,739.	130,111.
35 Postage and shipping	35	353,878.	292,325.	60,455.
36 Occupancy	36	2,112,244.	1,347,052.	763,079.
37 Equipment rental and maintenance	37	1,125,996.	717,486.	408,510.
38 Printing and publications	38	230,062.	158,532.	70,858.
39 Travel	39	45,639.	38,787.	6,542.
40 Conferences, conventions, and meetings	40	428,500.	372,086.	55,845.
41 Interest	41	52,889.	52,889.	
42 Depreciation, depletion, etc (attach schedule)	42	73,146.	73,146.	
43 Other expenses not covered above (itemize):				
a See Statement 1	43a	138,103,389.	137,148,794.	951,025.
b	43b			
c	43c			
d	43d			
e	43e			
44 Total functional expenses (add lines 22 - 43) Organizations completing columns (B) - (D), carry these totals to lines 13 - 15	44	162,349,762.	154,389,890.	7,889,391.
				70,481.

Joint Costs. Check  if you are following SOP 98-2.

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services?  Yes  No

If 'Yes,' enter (i) the aggregate amount of these joint costs \$ \_\_\_\_\_; (ii) the amount allocated to program services

\$ \_\_\_\_\_; (iii) the amount allocated to management and general \$ \_\_\_\_\_; and (iv) the amount allocated to fundraising \$ \_\_\_\_\_.

**Part III Statement of Program Service Accomplishments**

What is the organization's primary exempt purpose? ► Family and Child Development

All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations & section 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants & allocations to others.)

Program Service Expenses  
(Required for 501(c)(3) and  
(4) organizations and  
4947(a)(1) trusts; but  
optional for others.)

a The Child Nutrition Program provided funds which served 4,253,223 meals to children in the care of family day care homes.	(Grants and allocations \$ _____)	5,671,546.
b The Child Care Assistance Program provided child care assistance to over 101,348 families.	(Grants and allocations \$ _____)	145,777,420.
c The Child Care Referral Program responded to over 25,035 requests for child care referrals and other information.	(Grants and allocations \$ _____)	1,065,287.
d The Child Care Center Program provided before and after school services to 108 children.	(Grants and allocations \$ _____)	522,086.
e Other program services... See Statement 2....	(Grants and allocations \$ _____)	1,353,551.
f Total of Program Service Expenses (should equal line 44, column (B), program services).	(Grants and allocations \$ _____)	154,389,890.

**Part IV Balance Sheets (See Instructions)**

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only	(A) Beginning of year		(B) End of year
45 Cash — non-interest-bearing.....		45	
46 Savings and temporary cash investments.....	11,205,386.	46	24,243,965.
47a Accounts receivable .....	47a 101,686.		
b Less: allowance for doubtful accounts .....	47b 193,186.	47c	101,686.
48a Pledges receivable .....	48a		
b Less: allowance for doubtful accounts .....	48b	48c	
49 Grants receivable.....		10,525,773.	49 11,253,034.
50 Receivables from officers, directors, trustees, and key employees (attach schedule).....		50	
51a Other notes & loans receivable (attach sch).....	51a		
b Less: allowance for doubtful accounts .....	51b	51c	
52 Inventories for sale or use.....		52	
53 Prepaid expenses and deferred charges .....		53 543,641.	366,874.
54 Investments — securities (attach schedule).....		54	
55a Investments — land, buildings, & equipment: basis.....	55a		
b Less: accumulated depreciation (attach schedule).....	55b	55c	
56 Investments -- other (attach schedule).....		56	
57a Land, buildings, and equipment: basis.....	57a 4,240,553.		
b Less: accumulated depreciation (attach schedule).....	57b Statement 3... 468,653.	57c	3,771,900.
58 Other assets (describe ► ).....		58	
59 Total assets (add lines 45 through 58) (must equal line 74).....		25,749,021.	59 39,737,459.
60 Accounts payable and accrued expenses.....		60 14,368,066.	15,225,130.
61 Grants payable.....		61 6,255,881.	9,309,559.
62 Deferred revenue.....		62	
63 Loans from officers, directors, trustees, and key employees (attach schedule).....		63	
64a Tax-exempt bond liabilities (attach schedule).....		64a	
b Mortgages and other notes payable (attach schedule).....		64b	
65 Other liabilities (describe ► See Statement 4 ).....		65 3,422,158.	13,466,184.
66 Total liabilities (add lines 60 through 65).....		66 24,046,105.	38,000,873.
NET ASSETS OR FUND BALANCES	Organizations that follow SFAS 117, check here ► <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.		
		1,640,506.	67 1,715,834.
	67 Unrestricted.....	68 62,410.	20,752.
	68 Temporarily restricted.....		69
	69 Permanently restricted.....		
	Organizations that do not follow SFAS 117, check here ► <input type="checkbox"/> and complete lines 70 through 74.		
	70 Capital stock, trust principal, or current funds.....		70
	71 Paid-in or capital surplus, or land, building, and equipment fund.....		71
	72 Retained earnings, endowment, accumulated income, or other funds.....		72
	73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72; column (A) must equal line 19 and column (B) must equal line 21).....		1,702,916.
	74 Total liabilities and net assets/fund balances (add lines 66 and 73).....	74	1,736,586. 39,737,459.

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

BAA



**Part VI | Other Information** (See specific instructions.)

	Yes	No
76 Did the organization engage in any activity not previously reported to the IRS? If 'Yes,' attach a detailed description of each activity .....	76	X
77 Were any changes made in the organizing or governing documents but not reported to the IRS? .....	77	X
78a Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?.... b If 'Yes,' has it filed a tax return on Form 990-T for this year?.....	78a	X
79 Was there a liquidation, dissolution, termination, or substantial contraction during the year? If 'Yes,' attach a statement.....	79	X
80a Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc, to any other exempt or nonexempt organization? .....	80a	X
b If 'Yes,' enter the name of the organization ► <u>N/A</u> and check whether it is <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt.		
81a Enter direct or indirect political expenditures. See line 81 instructions..... b Did the organization file Form 1120-POL for this year?.....	81a	0
82a Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value? .....	82a	X
b If 'Yes,' you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.)..... 83a Did the organization comply with the public inspection requirements for returns and exemption applications?..... b Did the organization comply with the disclosure requirements relating to quid pro quo contributions?.....	82b	N/A
84a Did the organization solicit any contributions or gifts that were not tax deductible? .....	84a	X
b If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?.....		
85 501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members?..... b Did the organization make only in-house lobbying expenditures of \$2,000 or less? .....		
If 'Yes' was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.		
c Dues, assessments, and similar amounts from members..... d Section 162(e) lobbying and political expenditures..... e Aggregate nondeductible amount of Section 6033(e)(1)(A) dues notices .....	85c	N/A
f Taxable amount of lobbying and political expenditures (line 85d less 85e)..... g Does the organization elect to pay the Section 6033(e) tax on the amount on line 85f?.....	85d	N/A
h If Section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?.....	85e	N/A
86 501(c)(7) organizations. Enter: a Initiation fees and capital contributions included on line 12..... b Gross receipts, included on line 12, for public use of club facilities .....	86a	N/A
87 501(c)(12) organizations. Enter: a Gross income from members or shareholders .....	86b	N/A
b Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.).....	87a	N/A
88 At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations Sections 301.7701-2 and 301.7701-3? If 'Yes,' complete Part IX.....	87b	N/A
89a 501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: Section 4911 ► <u>0.</u> ; Section 4912 ► <u>0.</u> ; Section 4955 ► <u>0.</u>	88	X
b 501(c)(3) and 501(c)(4) organizations. Did the organization engage in any Section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If 'Yes,' attach a statement explaining each transaction .....	89b	X
c Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under Sections 4912, 4955, and 4958..... d Enter: Amount of tax on line 89c, above, reimbursed by the organization .....		
90a List the states with which a copy of this return is filed ► <u>California</u> b Number of employees employed in the pay period that includes March 12, 2001 (see instructions).....	90b	415
91 The books are in care of ► <u>Alice Duff</u> Telephone number ► <u>(323) 421-2465</u> Located at ► <u>5200 W. Century Blvd., #1000</u> ZIP + 4 ► <u>90045</u>		
92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 – Check here..... and enter the amount of tax-exempt interest received or accrued during the tax year..... ► <u>92</u> ► <u>N/A</u>		

**Part VII Analysis of Income-Producing Activities** (See instructions.)

**Note:** Enter gross amounts unless otherwise indicated.

93 Program service revenue:

- a Parent fees
- b Program fees
- c
- d
- e
- f Medicare/Medicaid payments.....
- g Fees & contracts from government agencies .....

94 Membership dues and assessments..

95 Interest on savings & temporary cash invmnts..

96 Dividends & interest from securities..

97 Net rental income or (loss) from real estate:

- a debt-financed property.....
- b not debt-financed property.....

98 Net rental income or (loss) from pers prop....

99 Other investment income.....

100 Gain or (loss) from sales of assets other than inventory.....

101 Net income or (loss) from special events .....

102 Gross profit or (loss) from sales of inventory....

103 Other revenue: a

- b Other income
- c
- d
- e

104 Subtotal (add columns (B), (D), and (E)).....

105 Total (add line 104, columns (B), (D), and (E))..... ►

**Note:** Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

**Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes** (See instructions.)

**Line No.** Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).

See Statement 6

**Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities** (See instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

**Part X Information Regarding Transfers Associated with Personal Benefit Contracts** (See instructions.)

- a Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? .....  Yes  No
- b Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? .....  Yes  No

**Note:** If 'Yes' to (b), file Form 8870 and Form 4720 (see instructions).

Schedule A  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Organization Exempt Under  
Section 501(c)(3)

OMB No. 1545-0047

(Except Private Foundation) and Section 501(e), 501(f), 501(k), 501(n), or Section 4947(a)(1)  
Nonexempt Charitable Trust Supplementary Information — (See separate instructions.)

Supplementary Information — (see separate instructions)

► Must be completed by the above organizations and attached to their Form 990 or 990-EZ.

2001

Name of the Organization

Crystal Stairs, Inc.

Employer Identification Number

95-3510046

**Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees**

(See instructions. List each one. If there are none, enter 'None.')

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
Javier La Fianza	VP-Programs			
650 W. Adams Blvd. Ste 100	40	106,621.	8,897.	0.
Ella Pennington	Dir of Operatio			
5200 W. Century Blvd.	40	109,184.	6,701.	0.
Yi Ming S. Chen	IS Manager			
5200 W. Century Blvd.	40	92,265.	12,326.	0.
LyTanya Loughridge	Fiscal Mgr			
650 W. Adams Blvd. Ste 100	40	89,741.	4,993.	0.
Connie Parker	Finance Direct			
5200 W. Century Blvd.	40	117,837.	5,403.	0.
Total number of other employees paid over \$50,000	►	40		

**Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services**

(See instructions. List each one (whether individuals or firms). If there are none, enter 'None.')

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
Romero & Boston, CPAs		
628 N Diamond Bar Blvd, Diamond Bar, CA 91765	Audit	87,000.
Design Elements		
21230 Erwin St., Woodland Hills, CA 91367	Furniture Contractor	185,697.
C3 Technologies		
5080 Shoreham Place #203, San Diego, CA 92122	Programmer	86,625.
Lakeshore		
2695 E Dominguez St, Carson, CA 90749	Consultants	125,938.
Total number of others receiving over \$50,000 for professional services	►	0

BAA For Paperwork Reduction Act Notice, see the instructions for Form 990 and Form 990-EZ.

Schedule A (Form 990 or 990-EZ) 2001

**Part III Statements About Activities** (See instructions.)

Yes

No

- 1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If 'Yes,' enter the total expenses paid or incurred in connection with the lobbying activities. ► \$ N/A
- (Must equal amounts on line 38, Part VI-A, or line 1 of Part VI-B).
- Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking 'Yes,' must complete Part VI-B and attach a statement giving a detailed description of the lobbying activities.
- 2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is 'Yes,' attach a detailed statement explaining the transactions.)
- a Sale, exchange, or leasing of property? .....
- b Lending of money or other extension of credit?.....
- c Furnishing of goods, services, or facilities? .....
- d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?.....
- e Transfer of any part of its income or assets?.....
- 3 Does the organization make grants for scholarships, fellowships, student loans, etc? (See Note below.) .....
- 4 Do you have a section 403(b) annuity plan for your employees?.....

**Note:** Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs 'qualify' to receive payments.

1	X
2a	X
2b	X
2c	X
2d	X
2e	X
3	X
4	X

**Part IV Reason for Non-Private Foundation Status** (See instructions.)

The organization is not a private foundation because it is (please check only One applicable box):

- 5  A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
- 6  A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
- 7  A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- 8  A federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9  A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state ►
- 10  An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
- 11a  An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11b  A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 12  An organization that normally receives: (1) more than 33-1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc, functions — subject to certain exceptions, and (2) no more than 33-1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13  An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: (1) lines 5 through 12 above; or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).)

Provide the following information about the supported organizations. (See instructions.)

(a) Name(s) of supported organization(s)

(b) Line number from above

- 14  An organization organized and operated to test for public safety. Section 509(a)(4). (See instructions.)

**Part IV-A Support Schedule** (Complete only if you checked a box on line 10, 11, or 12.) *Use cash method of accounting.***Note:** You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in) . . . . .	(a) 2000	(b) 1999	(c) 1998	(d) 1997	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.) . . . . .	478,392.	371,372.	1,068,313.	414,607.	2,332,684.
16 Membership fees received . . . . .					
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc, purpose . . . . .	95,742,502.	62,139,750.	45,374,185.	25,960,606.	229,217,043.
18 Gross income from interest, dividends, amounts received from payments on securities loans (Section 512(a)(5)), rents, royalties, and unrelated business taxable income (less Section 511 taxes) from businesses acquired by the organization after June 30, 1975 . . . . .	855,746.	256,597.	275,468.	69,060.	1,456,871.
19 Net income from unrelated business activities not included in line 18 . . . . .					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf . . . . .					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge . . . . .					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets. See Stmt. 7. . . . .	323,474.	438,143.	89,518.	54,457.	905,592.
23 Total of lines 15 through 22 . . . . .	97,400,114.	63,205,862.	46,807,484.	26,498,730.	233,912,190.
24 Line 23 minus line 17 . . . . .	1,657,612.	1,066,112.	1,433,299.	538,124.	4,695,147.
25 Enter 1% of line 23 . . . . .	974,001.	632,059.	468,075.	264,987.	

26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24 . . . . .	► 26a	93,903.
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1997 through 2000 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts . . . . .	► 26b	
c Total support for Section 509(a)(1) test: Enter line 24, column (e) . . . . .	► 26c	4,695,147.
d Add: Amounts from column (e) for lines: 18 1,456,871. 19 _____ 22 905,592. 26b _____	► 26d	2,362,463.
e Public support (line 26c minus line 26d total) . . . . .	► 26e	2,332,684.
f Public support percentage (line 26e (numerator) divided by line 26c (denominator)) . . . . .	► 26f	49.68 %

27 Organizations described on line 12: N/A				
a For amounts included in lines 15, 16, and 17 that were received from a 'disqualified person,' prepare a list for your records to show the name of, and total amounts received in each year from, each 'disqualified person.' Do not file this list with your return. Enter the sum of such amounts for each year:				
(2000) _____ (1999) _____ (1998) _____ (1997) _____				
b For any amount included in line 17 that was received from each person (other than 'disqualified persons'), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year:				
(2000) _____ (1999) _____ (1998) _____ (1997) _____				
c Add: Amounts from column (e) for lines: 15 _____ 16 _____ 17 _____ 20 _____ 21 _____	► 27c			
d Add: Line 27a total . . . . .	► 27d			
e Public support (line 27c total minus line 27d total) . . . . .	► 27e			
f Total support for section 509(a)(2) test: Enter amount from line 23, column (e) . . . . .	► 27f			
g Public support percentage (line 27e (numerator) divided by line 27f (denominator)) . . . . .	► 27g	%		
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator)) . . . . .	► 27h	%		
28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 1997 through 2000, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.				

**Part V Private School Questionnaire** (See instructions.)  
 (To be completed Only by schools that checked the box on line 6 in Part IV)

N/A

- 29** Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?.....
- 30** Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?.....
- 31** Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves?.....

If 'Yes,' please describe; if 'No,' please explain. (If you need more space, attach a separate statement.)

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- 32** Does the organization maintain the following:

- a Records indicating the racial composition of the student body, faculty, and administrative staff?.....
- b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?.....
- c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?.....
- d Copies of all material used by the organization or on its behalf to solicit contributions?.....

If you answered 'No' to any of the above, please explain. (If you need more space, attach a separate statement.)

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- 33** Does the organization discriminate by race in any way with respect to:

- a Students' rights or privileges?.....
- b Admissions policies?.....
- c Employment of faculty or administrative staff?.....
- d Scholarships or other financial assistance?.....
- e Educational policies?.....
- f Use of facilities?.....
- g Athletic programs?.....
- h Other extracurricular activities?.....

If you answered 'Yes' to any of the above, please explain. (If you need more space, attach a separate statement.)

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- 34a** Does the organization receive any financial aid or assistance from a governmental agency?.....

- b** Has the organization's right to such aid ever been revoked or suspended?.....

If you answered 'Yes' to either 34a or b, please explain using an attached statement.

- 35** Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev Proc 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If 'No,' attach an explanation.....

	Yes	No
29		
30		
31		
32a		
32b		
32c		
32d		
33a		
33b		
33c		
33d		
33e		
33f		
33g		
33h		
34a		
34b		
35		

**Part VI-A** **Lobbying Expenditures by Electing Public Charities** (See instructions.)  
(To be completed Only by an eligible organization that filed Form 5768)

N/A

Check ► a if the organization belongs to an affiliated group. Check ► b if you checked 'a' and 'limited control' provisions apply.

#### **Limits on Lobbying Expenditures**

(The term 'expenditures' means amounts paid or incurred.)

#### **4 -Year Averaging Period Under Section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below.  
See the instructions for lines 45 through 50.)

### **Lobbying Expenditures During 4-Year Averaging Period**

Calendar year (or fiscal year beginning in) ►	(a) 2001	(b) 2000	(c) 1999	(d) 1998	(e) Total
45 Lobbying nontaxable amount.....					
46 Lobbying ceiling amount (150% of line 45(e)).....					
47 Total lobbying expenditures .....					
48 Grassroots non-taxable amount.....					
49 Grassroots ceiling amount (150% of line 48(e)).....					
50 Grassroots lobbying expenditures .....					

## **Part VI(B) Lobbying Activity by Nonelecting Public Charities**

(For reporting only by organizations that did not complete Part VI-A) (See instructions.)

N/A

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:

- a** Volunteers .....
  - b** Paid staff or management (include compensation in expenses reported on lines **c** through **h**). ....
  - c** Media advertisements .....
  - d** Mailings to members, legislators, or the public .....
  - e** Publications, or published or broadcast statements .....
  - f** Grants to other organizations for lobbying purposes .....
  - g** Direct contact with legislators, their staffs, government officials, or a legislative body .....
  - h** Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means .....
  - i** Total lobbying expenditures (add lines **c** through **h**) .....

If 'Yes' to any of the above, also attach a statement giving a detailed description of the lobbying activities.

BAA

Schedule A (Form 990 or 990-EZ) 2001

**Part VI Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations (See instructions)**

**51** Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

a Transfers from the reporting organization to a noncharitable exempt organization of:

- (i) Cash, . . . . .  
(ii) Other assets, . . . . .

**b Other transactions:**

- (i) Sales or exchanges of assets with a noncharitable exempt organization. ....
  - (ii) Purchases of assets from a noncharitable exempt organization. ....
  - (iii) Rental of facilities, equipment, or other assets. ....
  - (iv) Reimbursement arrangements. ....
  - (v) Loans or loan guarantees. ....
  - (vi) Performance of services or membership or fundraising solicitations. ....

c Sharing of facilities, equipment, mailing lists, other assets, or paid employees.

d If the answer to any of the above is 'Yes,' complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received:

**52a** Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? .....

►  Yes  No

**b** If 'Yes,' complete the following schedule:

(a) Name of organization	(b) Type of organization	(c) Description of relationship
N/A		

2001

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Crystal Stairs, Inc.

95-3510046

**Statement 1**  
**Form 990, Part II, Line 43**  
**Other Expenses**

	(A) Total	(B) Program Services	(C) Management & General	(D) Fundraising
Advertising	143,737.	61,443.	80,544.	1,750.
Bank charges	58,807.	728.	58,079.	
Consultants	155,576.	124,771.	30,805.	
Dues & subscriptions	24,428.	13,302.	10,345.	781.
Equipment	808,191.	450,604.	356,897.	690.
Insurance	104,835.	33,921.	70,806.	108.
Miscellaneous	9,907.	9,194.	713.	
Outside services	770,123.	427,046.	342,836.	241.
Provider payments	136027785.	136027785.		
Total	<u>\$ 138103389.</u>	<u>\$ 137148794.</u>	<u>\$ 951,025.</u>	<u>\$ 3,570.</u>

**Statement 2**  
**Form 990, Part III, Line e**  
**Statement of Program Service Accomplishments**

Description	Grants and Allocations	Program Service Expenses
The Children Health and Wellness provided health services to (Medical Outreach & Health Families)		638,001.
Other Child Care Programs		715,550.
	<u>\$ 0.</u>	<u>\$ 1,353,551.</u>

**Statement 3**  
**Form 990, Part IV, Line 57**  
**Land, Buildings, and Equipment**

Category	Basis	Accum. Deprec.	Book Value
Automobiles / Transportation Equipment	\$ 23,900.	\$ 23,900.	\$ 0.
Furniture and Fixtures	2,005,688.	317,925.	1,687,763.
Machinery and Equipment	1,785,021.	24,372.	1,760,649.
Buildings	248,643.	102,456.	146,187.
Improvements	177,301.	0.	177,301.
Total	<u>\$ 4,240,553.</u>	<u>\$ 468,653.</u>	<u>\$ 3,771,900.</u>

**Statement 4**  
**Form 990, Part IV, Line 65**  
**Other Liabilities**

Government owned assets.....	\$ 3,668,799.
CDE reserve.....	451,961.
Food program advance.....	103,423.
Deferred revenue.....	42,102.
Funds held in trust.....	44,810.

2001

**Federal Statements****Page 2****Crystal Stairs, Inc.**

95-3510046

**Statement 4 (continued)**  
**Form 990, Part IV, Line 65**  
**Other Liabilities**

Refundable advance.....	\$ 9,155,089.
	Total \$ 13,466,184.

**Statement 5**  
**Form 990, Part V**  
**List of Officers, Directors, Trustees, and Key Employees**

Name and Address	Title and Average Hours Per Week Devoted	Compensation	Contri- butio- n to EBP & DC	Expense Account/ Other
Alice Walker Duff 650 W Adams Los Angeles, CA 90007	President 40	\$ 133,875.	\$ 10,339.	\$ 0.
Carl Balton 445 S Figueroa Los Angeles, CA 90071	President None	0.	0.	0.
Dr Karen Hill-Scott 6175 Wooster Street Los Angeles, CA 90056	Vice-president 10	28,692.	9,014.	0.
Carolyn Moultrie 650 W Adams Los Angeles, CA 90007	Secretary 40	64,655.	6,043.	0.
Beverly Davis 1800 Century Park East, #900 Los Angeles, CA 90067	Treasurer None	0.	0.	0.
Dr Marguerite Archie-Hudson 26 Farmfield Avenue Charleton, SC 29407-7768	Member 5	10,958.	0.	0.
Jamesina E Henderson 600 State Drive Los Angeles, CA 90037	Member 3	3,850.	0.	0.
Gisselle Acevedo-Franco 550 N Continental Blvd El Segundo, CA 90245	Member None	0.	0.	0.
Dr. Lloyd Hunter 3756 Santa Rosalia Drive, #600 Los Angeles, CA 90008	Member None	0.	0.	0.

Total \$ 242,030.	\$ 25,396.	\$ 0.
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2001

**Federal Statements****Page 3**

Crystal Stairs, Inc.

95-3510046

**Statement 6****Form 990, Part VIII****Relationship of Activities to the Accomplishment of Exempt Purposes**

<u>Line #</u>	<u>Explanation of Activities</u>
93a	The services that generate income from parent fees contribute to the organizations exempt purpose and are required by the State funding agency to be collected from parents based on the ability to pay.
93b	Fees generated by services that contributes to the organization's exempt purpose.
103b	Income received from Child Care Alliance activities.

**Statement 7****Schedule A, Part IV-A, Line 22****Other Income**

<u>Description</u>	<u>(a) 2000</u>	<u>(b) 1999</u>	<u>(c) 1998</u>	<u>(d) 1997</u>	<u>(e) Total</u>
Other revenues	\$ 323,474.	\$ 438,143.	\$ 89,518.	\$ 54,457.	\$ 905,592.
Total	<u>\$ 323,474.</u>	<u>\$ 438,143.</u>	<u>\$ 89,518.</u>	<u>\$ 54,457.</u>	<u>\$ 905,592.</u>