

## Highlights

A section 501(c) organizations filing a Form 990 or 990-EZ is required to complete Schedule N to report certain major transactions or events. The 2008 Form 990 expands this reporting to include a significant disposition of assets for which adequate consideration is received.

The instructions provide that a significant disposition includes a sale or exchange of more than 25 percent of the organization's net assets or a substantial contraction of net assets, including:

- A. a sale of exempt assets to another organization;
- B. a sale or contribution of assets to a partnership, joint venture or corporation, regardless of whether the transfer is governed by section 351 or 721;
- C. a sale of assets by a partnership or joint venture in which the organization has an ownership interest;
- D. a transfer of assets pursuant to a reorganization in which the organization is a surviving entity.

An organization changing the composition of its passive investment portfolio does not need to report such a change in Part II of this schedule.

## 2008 Schedule N (Form 990 or 990-EZ) Instructions Liquidation, Termination, Dissolution or Significant Disposition of Assets

### General Instructions

#### Purpose of Schedule

Schedule N (Form 990 or 990-EZ) is used by an organization that files Form 990 or Form 990-EZ to provide information relating to going out of existence or disposing more than 25 percent of its net assets through a contraction, sale, exchange, or other disposition. An organization that liquidated, terminated, or dissolved and ceased operations other than to wind up its affairs must complete Part I of this Schedule. An organization must report a substantial contraction or other significant disposition of its net assets in Part II. An organization that has terminated its operations and has no plans for future activities need only complete Part I and not Part II of this Schedule.

Use Schedule N-1 to report additional information for Parts I or II of Schedule N. Use as many Schedules N-1 as needed.

#### Who Must File

Any organization that answered "Yes" to Form 990, Part IV, *Checklist of Required Schedules*, lines 31 or 32, or Form 990-EZ, line 36, must complete and attach Schedule N to Form 990 or Form 990-EZ, as applicable.

If an organization is not required to file Form 990 or 990-EZ, it is not required to file Schedule N.

### Specific Instructions

#### Part I Liquidation, Termination or Dissolution

If the organization answered "Yes" to Form 990, Part IV, line 31, it must complete Part I. An organization answered "Yes" to Form 990, Part IV, line 31, if it ceased operations and has no plans to continue any activities or operations in the future. This includes an organization that has dissolved, liquidated, terminated, or merged into a successor organization.

**CAUTION:** An organization must provide support of its liquidation, termination, dissolution, or merger by attaching a certified copy of its articles of dissolution or merger, resolutions, and plans of liquidation or merger. An organization also must attach any other relevant documentation, such as a determination letter from the IRS ruling that the organization is no longer exempt under section 501(a), or a private letter ruling from the IRS approving the organization's proposed dissolution or liquidation, as provided in instructions for line 4a, below.

**Line 1.** List assets transferred in the liquidation, termination, dissolution, or merger.

If there are more transactions to report in Part I than space available, report the additional transactions in Part I of Schedule N-1. Use as many Schedules N-1 as needed.

**Column (a).** Assets may be aggregated into categories and should be sufficiently described. Separately list related transaction expenses of at least \$10,000. A transaction expense consists of a payment to a professional or other third party for services rendered to assist in the transaction or in the winding down of the organization's activities, such as attorney or accountant fees. Brokerage fees should not be included in this category, but should be taken into account in the fair market value figure in column (c)

**Column (b).** Enter the date of distribution of assets or the date when the transaction expense was paid.

**Column (c).** Enter the fair market value of the asset distributed or the amount of transaction expense paid.

**Column d).** Enter the method of valuation for the asset being distributed. Methods of valuation include appraisals, comparables, book value, actual cost (with or without depreciation), and outstanding offers (among other methods). For transaction expenses, provide the method for determining the amount of the expense, such as an hourly rate or fixed fee.

**Columns (e) and (f).** Enter the name, address, and EIN of each recipient of assets distributed or transaction expenses paid. For membership organizations that transfer assets to individual members, the names of individual members need not be reported. Rather, the members may be aggregated into specific classes of membership, or they may be aggregated into one group, if there is only one class of membership,

**Column (g).** Enter the section of the Internal Revenue Code under which the transferee organization is tax-exempt, if it is so exempt.. For recipients that are not tax-exempt, enter the type of entity. Examples of types of entity are government agencies or units, or a limited liability corporation (LLC). Report "individual" if the recipient is not an entity

**Line 2.** Report whether any officer, director, trustee or key employee listed in Form 990, Part VII, Section A, is (or is expected to become) involved in a successor or transferee organization by governing, controlling, or having a financial interest in that organization. "Having a financial interest" includes receiving payments from a successor or transferee organization as an employee, independent contractor, or in any other capacity.

**Line 2a.** Check "Yes" if any officer, director, trustee, or key employee listed in Form 990, Part VII, Section A, is (or is expected to become) a director or trustee of a successor or transferee organization.

**Line 2b.** Check "Yes" if any officer, director, trustee, or key employee listed in Form 990, Part VII, Section A, is (or is expected to become) an employee of, or independent contractor for, a successor or transferee organization.

**Line 2c.** Check "Yes" if any officer, director, trustee, or key employee listed in Form 990, Part VII, Section A, is (or is expected to become) an owner, whether direct or indirect, in a successor or transferee organization.

**Line 2d.** Check "Yes" if any officer, director, trustee, or key employee listed in Form 990, Part VII Section A, has received or is expected to receive compensation or any similar payment as a result of the liquidation, termination, or dissolution of the organization, whether paid by the organization or a successor or transferee organization. For this purpose, "compensation or any similar payment" includes a severance payment, a "change in control" payment, or any other payment that would not have been made to the individual if the dissolution, liquidation, or termination of the organization had not occurred.

**Line 2e.** If the organization checked "Yes" to any of the questions in line 2, provide the name of the person involved, and explain in Part III the nature of the listed person's relationship with the successor or transferee organization and the type of benefit received or to be received by the person.

**Line 3.** Check "Yes" if the organization's assets were distributed in accordance with its governing instrument.

**Line 4.** Check "Yes" if the organization requested or received a determination letter from EO Determinations that the organization's exempt status was terminated or is no longer exempt under section 501(a). Attach a copy of the organization's request, and if applicable, a copy of the EO Determinations response.

**Line 5a.** Check "Yes" if the organization is required to notify a state attorney general or other appropriate state official of the organization's intent to dissolve, liquidate, or terminate.

**Line 5b.** Check "Yes" if the organization provided the notice described in line 5a.

**Line 6.** Check "Yes" if the organization discharged or paid all of its liabilities in accordance with state law.

**Line 7.** Check "Yes" and complete Line 7b if the organization had any tax-exempt bonds outstanding during the year.

**Line 7b.** Check "Yes" and complete Line 7c if tax-exempt bond liabilities were discharged or defeased during the year.

**Line 7c.** If the organization checked "Yes" on Line 7b, explain in Part III how the bond liabilities were discharged, defeased or otherwise settled during the year. Also provide an explanation if any bond liabilities were discharged, defeased or otherwise settled other than in accordance with the Code or applicable state law.

**TIP:** An organization that completes Part I does not complete Part II.

## **Part II Sale, Exchange, Disposition or Other Transfer of more than 25 Percent of the Organization's Assets**

If an organization answered "Yes" to Form 990, Part IV, line 32, it must complete Part II. An organization answered "Yes" to Form 990, Part IV, line 32, if it has undergone a substantial contraction or other significant disposition of net assets during the year. A significant disposition of the organization's net assets includes a sale, exchange, disposition, or other transfer of more than 25 percent of its net assets to another

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organization during the year, regardless of whether the organization received full and adequate consideration. A significant disposition of net assets involves:

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

The types of sales or exchanges required to be reported in Part II as significant dispositions include:

- taxable or tax-free sales or exchanges of exempt assets for cash or other consideration (such as a social club described in section 501(c)(7) selling land or other exempt organization selling assets used to further its exempt purposes);
- sales, contributions or other transfers of assets to establish or maintain a partnership, joint venture or a corporation (for-profit or nonprofit) regardless of whether such sales or transfers are governed by section 721 or section 351, and whether or not the transferor receives an ownership interest in exchange for the transfer;
- sales of assets by a partnership or joint venture in which the organization has an ownership interest.
- transfers of assets pursuant to a reorganization in which the organization is a surviving entity.

The change in composition of an exempt organization's passive investment portfolio need not be reported in Part II.

For a determination of net assets, refer to the organization's balance sheet as reported in Part X of Form 990, which reports the organization's total assets, total liabilities, and net assets. Do not report transfers to a disregarded entity of which the organization is the sole member.

**Line 1.** List transferred assets and related transaction expenses. Complete columns (a) - (g) if the organization made a significant disposition of its net assets or has undergone a substantial contraction of its net assets during the year. See the instructions for line 1, columns (a) -1(g) in Part I, above. In column (g), types of entity for recipients that are not tax-exempt can include, for example: corporation (subchapter S or C), partnership, limited liability company (LLC), trust, or association. Report "individual" if the recipient is not an entity.

If there are more transactions to report in Part II than space available, report the additional transactions in Part II of Schedule N-1. Use as many Schedules N-1 as needed.

**Line 2.** Complete line 2 in accordance with Instructions to line 2 of Part I, above.

**Part III Supplemental Information**

Use Part III to provide the narrative information required in Part I, lines 2e, 7c, or Part II, line 2e. Also use Part III to provide additional narrative explanations and descriptions as necessary to support or supplement any responses in Part I or II. Identify the specific part and line(s) that the response supports.

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