CFC MEMORANDUM 2015-08 **December 16, 2015**

TO: **LOCAL FEDERAL COORDINATING COMMITTEES AND PRINCIPAL COMBINED FUND ORGANIZATIONS**

FROM: **KEITH WILLINGHAM**
DIRECTOR, COMBINED FEDERAL CAMPAIGN

SUBJECT: **COMBINED FEDERAL CAMPAIGN SECTION 501(C)(3) TAX-EXEMPTION CATEGORIES AND VERIFICATION, CODING REQUIRMENTS, AND APPLICATION ADDRESS REQUIRMENTS**

Recent policy changes involving Universal Giving (UG) and the elimination of adjacent and statewide eligibility, as well as impending regulatory changes, necessitate clarification of CFC eligibility requirements. This policy memorandum clarifies CFC tax exemption categories and documentation requirements and how these requirements determine how CFC Universal Codes are issued and maintained. As such, this memorandum supersedes CFC Memorandum 2009-4 dated March 25, 2009.

Organizations that participate in the Combined Federal Campaign (CFC) at the local, national or international level are required to document that they have been granted section 501(c)(3) tax-exempt status by the Internal Revenue Service (IRS). In addition to receiving information required to prove that an applicant is tax-exempt, the U.S. Office of Personnel Management (OPM) will verify that each organization continues to appear on the IRS Business Master File (BMF) as an organization that is exempt under section 501(c)(3).

The only applicants not subject to these requirements are Family Support and Youth Activities, also known as Morale, Welfare, and Recreation (MWR) organizations, as defined in the CFC regulations at 5 CFR 950.204(c). As these organizations are not granted section 501(c)(3) tax-exempt status by the IRS, organizations that provide EINs belonging to 501(c)(3) organizations on a MWR/FSYA CFC applications will be denied participation in the CFC.

Organizations must identify their tax-exempt status as being in one of three categories: a separately organized entity (i.e. not part of a group exemption and not a bona-fide chapter or affiliate), part of a group exemption, or a bona-fide chapter or affiliate that operates under a parent organization's tax-exempt status. The requirements for each follow. Note that the audited financial statements requirements may not apply to some local applicants based on

total revenues reported on the IRS Form 990. Please see the CFC application form for further information.

Separately Organized Entities
Organizations that apply to the CFC based on their individual IRS tax exemption are separately organized entities. Separately organized entities are those that certify on the CFC application as not being part of a group exemption and not being a bona-fide chapter or affiliate. These organizations have an IRS determination letter that shows the legal name of the applicant and they appear in the IRS BMF. The organization on the letter is not a chapter/affiliate of any other entity other than the applicant. Separately organized entities are required to have the following information with their CFC application:

1) IRS determination letter (Attachment 1) or affirmation letter (Attachment 2) issued to the applicant organization;

2) IRS Form 990 for the applicant organization named on the IRS determination letter (a *pro forma* IRS Form 990 is permissible for those not required to file the form); and

3) Audited financial statements for the applicant organization (see local application for information on exemptions).

Separately organized entities that do not appear on the current IRS Master File will be denied participation *even if the IRS has previously issued a determination letter*. Further, prior admission into the CFC may be reversed if OPM is unable to verify the organization's current status. The CFC encourages organizations to verify their status prior to applying for participation. An organization can determine whether it has been recognized as tax-exempt by the IRS by checking the IRS Exempt Organizations Master Listing, a database of organizations recognized as tax-exempt listed by state. The online database is available at http://www.irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Business-Master-File-Extract-EO-BMF.

Only if an organization is unable to determine its tax-exempt status should it contact the IRS. The IRS Tax-Exempt Division can be contacted at (877) 829-5500.

Group Exemptions
The IRS sometimes recognizes a group of organizations as tax-exempt if they are affiliated with a central or parent organization that has been issued a group exemption letter and group exemption number (GEN) by the IRS. The group exemption letter has the same effect as an individual exemption letter except that it applies to more than one organization. For CFC purposes, the central organization is considered the "parent" and the affiliated organizations are "subordinates". For CFC purposes, under no circumstances can a group exemption central organization also be a parent organization for CFC-participating chapters/affiliates. Central organizations are required to submit their own IRS determination letters, IRS Forms 990 and audited financial statements. Subordinate organizations covered by a group ruling are required to submit the following with their CFC application:

1) IRS determination letter issued to the central organization specifying that it holds a group exemption (Attachment 3), ***as well as the list of all subordinates covered by the group exemption*** (Attachment 4). The physical address of every subordinate is required. If a subordinate does not have the information, the central organization should be contacted by the applicant to obtain it.

   If the subordinate's EIN is different from the EIN shown on the list of subordinates that is provided, the organization must contact the central organization in order to determine whether the problem can be resolved. A letter from the central organization should be provided confirming the EIN on the subordinate's CFC application is correct and that the discrepancy has been corrected, as well as affirming the subordinate does come under the group exemption. If the problem cannot be corrected by the central organization, or if the subordinate's EIN cannot be verified on the IRS Business Master File, then documentation from the IRS must be provided showing the correct EIN. The IRS Business and Specialty Tax Line at 1-800-829-4933 should be contacted in order to obtain verification of the correct EIN. If documentation from the IRS is required, the LFCC will consider only services provided by the applicant organization during the time verified by the IRS documentation.

   Note: For central organizations that are churches, the CFC will accept a copy of its most recently published listing (such as a church directory) of section 501(c)(3) organizations that are included in the group exemption held by the central organization (Attachment 5). The subordinate's listing must be circled to indicate the appropriate listing for CFC purposes. A subordinate may alternatively obtain a letter from the central organization affirming the subordinate's status as an organization exempt under section 501(c)(3) of the Internal Revenue Code that is included in the group exemption held by the central organization.

   A religious organization that is not part of a group exemption must provide an IRS determination letter for the applicant organization in order to participate in the CFC. See the "Separately Organized Entities" section for more information.

2) If the subordinate is required to file IRS Form 990 with the IRS, this document must be included with the CFC application. If the central organization files IRS Form 990 on behalf of it and its subordinates, the subordinate is required to submit a *pro forma* IRS Form 990 ***that details information specific to the local chapter named in the application*** for CFC purposes only.

3) If the subordinate has its own audited financial statements, it must provide a copy with its application. If it does not, it must submit the central organization's audited financial statements, along with a certification from the CEO or CEO-equivalent of the central organization stating the subordinate is included in the central organization's audited financial statements. This letter must be signed and dated on or after October 1 of the year preceding the application year.

Chapters and Affiliates
Some organizations may have a structure that includes local and/or regional chapters or affiliates. In these cases, the chapters and affiliates are part of the financial and governance structure of the national or regional organization, known as the parent organization. However, the chapters or affiliates do not have their own section 501(c)(3) exemption, they do not file IRS Forms 990, and they do not prepare individual audited financial statements. For CFC purposes, under no circumstances can a parent organization also be a group exemption central organization and/or be assigned an IRS-issued group exemption number (GEN). The local and/or regional chapters must submit the following with their CFC application:

1) IRS determination letter for the parent organization (Attachment 1), as well as a letter from the CEO or CEO-equivalent of the parent organization that verifies ***all of the names and locations of the organization's current chapters and affiliates*** (Attachment 6). The letter must include the physical address of every entity and be signed and dated on or after October 1 of the year preceding the application year. The letter must also clearly include a certification from the Chief Executive Officer (CEO) or CEO equivalent of the national organization stating that the local chapter/affiliate operates as a bonafide chapter or affiliate in good standing of the national organization and is covered by the national organization's 26 U.S.C. 501(c)(3) tax exemption, IRS Form 990 and audited financial statements.

2) a *pro forma* IRS Form 990 ***that details information specific to the local chapter named in the application***.

3) The parent organization's audited financial statements

4) The disbursement address must be located within the geographic boundaries of the campaign zone to which the application was submitted. CFC regulations (5 CFR §950.401(i)) allow simultaneous listing of national organizations and their local affiliate. With the implementation of UG, organizations with chapters in their organizational structure stand to have numerous listings in CFC charity lists. While this is encouraged, OPM views the centralized collection of these funds to be contrary to the spirit in which the regulation is intended and, therefore, requires that funds intended for local chapters and affiliates to be distributed accordingly.

Federation Requirements
Federations are required to independently meet all of the eligibility criteria outlined in the CFC regulations set forth at 5 CFR §950.301 or 5 CFR §950.303. This includes being separately incorporated, recognized as a 501(c)(3) entity by the IRS, and preparation of audited financial statements and IRS Forms 990 specifically for the applicant federation. Federations may not use parent organizations' materials in lieu of their own.

Assigning CFC Universal Codes
Universal codes will continue to be assigned in the manner prescribed in the attached Universal Code Requirements Matrix (Attachment 7).

CFC Application Address Requirements
The CFC applications have fields for four different addresses. The definitions and purposes of these addresses are as follows:

- **Organization Address** – This is the physical address at which the holder of the EIN is located. This address is used in verifying tax-exempt status and, as such, it is the address that must be verified by the central organizations in the case of group exemptions or the parent organization in the case of bona-fide chapters and affiliates. This address cannot be a PO Box or a Commercial Mail Receiving Agency (CMRA).
- **Service Address** – This is the address from which services are delivered to the local campaign area. This address is not required unless the physical address provided is not located within the geographic boundaries of the campaign zone. In this case, a service address that *is* located within the geographic boundaries of the campaign zone must be provided in order to establish local presence. This address cannot be a PO Box or a Commercial Mail Receiving Agency (CMRA).
- **Contact Address** – This is the address at which the point of contact for CFC matters can be reached. This address is required for federated organizations as the point of contact is required to be a representative of the federation. For independent organizations, if this address is not provided, the contact address is the physical address. PO Box and CMRA addresses are acceptable.
- **Disbursement Address** - This is the address to which disbursements will be sent. This address is optional for all organizations. If this address is not provided, the disbursement address is the contact address. PO Box and CMRA addresses are acceptable.

Attachments:

Attachment 1: Sample IRS Determination Letter
Attachment 2: Sample IRS Affirmation Letter
Attachment 3: Sample Group Exemption Letter
Attachment 4: Sample Group Exemption Subordinate List
Attachment 5: Sample Group Exemption – Church Directory
Attachment 6: Sample Bona-Fide Chapter and Affiliate Verification
Attachment 7: Universal Code Requirements Matrix

If you have any questions, please send an email to cfc@opm.gov.