



CFC MEMORANDUM 2017-06(2)

December 15, 2017

TO: CFC-PARTICIPATING FEDERATIONS AND CHARITABLE ORGANIZATIONS, LOCAL FEDERAL COORDINATING COMMITTEES (LFCCs), AND THE CENTRAL CAMPAIGN ADMINISTRATOR (CC)

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SUBJECT: CFC APPLICATION STANDARDS: SECTION 501(C)(3) TAX-EXEMPTION CATEGORIES AND VERIFICATION, AND APPLICATION ADDRESS REQUIREMENTS

The implementation of a single site for submission and review of Combined Federal Campaign (CFC) applications has uncovered a number of issues which negatively impact the quality and consistency of applications submitted for participation in the CFC and in the standards applied by application reviewers. This CFC Memorandum is one in a series meant to fine-tune CFC application standards and the criteria by which these applications are reviewed.

This memorandum replaces CFC Memorandum 2015-08.

Background

The use of a single site for submission and review of CFC applications and the implementation of the abbreviated verification application necessitate clarification of CFC eligibility requirements as they pertain to tax exemption categories. This policy memorandum clarifies CFC tax exemption categories and documentation requirements. As such, this memorandum supersedes CFC Memorandum 2015-08 dated December 16, 2015.

With the exception of FSYP/FSYA organizations (which are covered by CFC Memorandum 2017-10), organizations that participate in the CFC at the local, national, or international level are required to be recognized by the Internal Revenue Service (IRS) as tax exempt under 26 U.S.C. §501(c)(3). A vast majority of applicants can be found on the IRS Business Master File (BMF) and no documentation of their status is required to be submitted with the application. However, organizations that are not on the BMF are required to document that they have been granted section 501(c)(3) tax-exempt status by the IRS.

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 refer to the CFC Application System for further information.

The three options on Step 5 of the application align with these three categories:

Option 1

- I certify that the Internal Revenue Service (IRS) recognizes the organization named in this application as tax-exempt under 26 U.S.C. 501(c)(3) to which contributions are tax deductible pursuant to 26 U.S.C. 170(c)(2) and it is not part of a group exemption.

Option 2

- I certify that the Internal Revenue Service (IRS) recognizes the organization named in this application as tax-exempt under 26 U.S.C. 501(c)(3) to which contributions are tax deductible pursuant to 26 U.S.C. 170(c)(2) and it is part of a group exemption. **You must include a current list of subordinates that are covered by the group exemption. The EIN on the applicant's Form 990 must match the EIN on the current list of subordinates.**

No file chosen

Option 3

- I certify that the Internal Revenue Service (IRS) recognizes the organization named in this application as tax-exempt under 26 U.S.C. 501(c)(3) to which contributions are tax deductible pursuant to 26 U.S.C. 170(c)(2) and it is a bona-fide chapter or affiliate that operates under a national organization's single corporation tax-exemption. **You must include a letter from your organization's national headquarters, signed by the CEO or equivalent officer, certifying that your local organization (explicitly named in the letter) operates as a bona-fide chapter or affiliate in good standing of the national organization and it is covered by the national organization's 501(c)(3) tax-exemption, IRS Form 990 and audited financial statements.** A copy of the national organization's 501(c)(3) letter will be required in the next step.

No file chosen

Separately Organized Entities

Organizations that apply to the CFC based on their individual and solitary IRS tax exemption status are separately organized entities. Separately organized entities are those that certify using “Option 1” on Step 5 of the CFC application as not being part of a group exemption. Separately organized entities are not *bona fide* chapters or affiliates. These organizations have an IRS determination letter that shows the legal name of the entity and they appear in the IRS BMF. The organization named on the IRS determination letter is not a chapter or affiliate of any other entity.

IRS determination letter – This document is the original document from the IRS stating its determination of an organization’s tax exempt status. See **Attachment 1** for an example. Some determination letters are decades old and most are not dated recently enough to satisfy 5 CFR §950.202(a)(2)(i), if applicable. Because the CFC Application System queries the IRS Business Master File, organizations generally do not need to provide IRS determination letters.

IRS affirmation letter – This letter *affirms* a determination letter that has been previously issued. The IRS sends this letter upon an organization’s request to confirm its tax-exempt status. See **Attachment 2** for an example. Because affirmation letters are sent as requested, they more easily satisfy 5 CFR §950.202(a)(2)(i), when necessary, which requires an affirmation letter be dated on or after January 1 of the campaign year to which the organization is applying.

In addition to other application requirements that apply to all organizations, separately organized entities are required to submit the following information with their CFC applications:

Full Applications from Separately Organized Entities:

- 1) Step 5 – Certify using Option 1.
- 2) Step 6 – Check the certification statement. Additionally, if the system states, “You are required to upload IRS determination letter”, upload an ***IRS affirmation letter*** dated on or after January 1 of the campaign year to which the organization is applying.
- 3) Step 7 – Select the appropriate certification statement and upload the applicant organization’s audited or reviewed financial statements, as applicable.
- 4) Step 8 – Select the appropriate certification statement and upload the applicant organization’s IRS Form 990 (as submitted to the IRS) or *pro forma* IRS Form 990. Please refer to CFC Memorandum 2017-07 for more information about IRS Form 990 requirements.

Verification Applications from Separately Organized Entities:

- 1) Step 5 – Certify using Option 1.
- 2) Step 6 – Check the certification statement. Additionally, if the system states, “You are required to upload IRS determination letter”, upload an **IRS affirmation letter** dated on or after January 1 of the campaign year to which the organization is applying.
- 3) Step 7 – Select the appropriate certification statement and upload the applicant organization’s audited or reviewed financial statements, as applicable.
- 4) Step 8 – Select the appropriate certification statement and upload the applicant organization’s IRS Form 990 (as submitted to the IRS) or *pro forma* IRS Form 990. Please refer to CFC Memorandum 2017-07 for more information about IRS Form 990 requirements.

Separately organized entities that do not appear on the current IRS Master File may be denied participation *even when the IRS affirmation letter is submitted*, depending on the current status of the organization as verified with the IRS. Further, prior admission into the CFC or approval of a CFC application may be reversed if OPM is unable to verify the organization’s status at any point before or during the campaign. 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 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. The IRS issues the group exemption to the central organization and the affiliated organizations are considered “subordinates”. In most cases, the central organization and the subordinates each have been issued their own EIN. For CFC purposes, under no circumstances can a group exemption central organization also be a parent organization for CFC-participating chapters/affiliates; nor can group exemption subordinate organizations apply as *bona fide* chapters/affiliates. Central organizations are required to submit their own IRS determination letters, IRS Forms 990, and audited financial statements (as would a separately organized entity), while subordinate organizations covered by a group ruling have slightly different requirements.

IRS group exemption affirmation letter – For CFC purposes, this letter *affirms* a group exemption that has been previously issued. As with the affirmation letter discussed above, the IRS sends this letter upon an organization’s request to confirm its group exemption. See **Attachment 3** for an example. Group exemption affirmation letters should accompany the official list of subordinate entities that was submitted to the IRS.

Group exemption subordinate list – The IRS requires central organizations to group exemptions to maintain up-to-date lists of the subordinates to the group exemption. See **Attachment 4** for an example. The physical address and EIN of every subordinate is required on this list.

The physical address and EIN of each subordinate is required to be on the group exemption subordinate list. 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 with the group exemption subordinate list. This letter should confirm the EIN on the subordinate’s CFC application is correct and that the discrepancy on the subordinate list has been corrected, as well as affirming the subordinate is covered by 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.

In addition to other application requirements that apply to all organizations, **central organizations** to a group exemption are required to submit the following with their CFC applications:

Full Applications from Central Organizations:

- 1) Step 5 – Certify using Option 2.
- 2) Step 6 – Check the certification statement. Additionally, if the system states, “You are required to upload IRS determination letter”, upload an ***IRS group exemption affirmation letter*** and ***group exemption subordinate list***.

- 3) Step 7 – Select the appropriate certification statement and upload audited or reviewed financial statements, as applicable.
- 4) Step 8 – Select the appropriate certification statement and upload the applicant organization’s IRS Form 990 (as submitted to the IRS) or *pro forma* IRS Form 990. Please refer to CFC Memorandum 2017-07 for more information about IRS Form 990 requirements.

Verification Applications from Central Organizations:

- 1) Step 5 – Certify using Option 2.
- 2) Step 6 – Check the certification statement. Additionally, if the system states, “You are required to upload IRS determination letter”, upload an ***IRS group exemption affirmation letter*** and ***group exemption subordinate list***.
- 3) Step 7 – Select the appropriate certification statement. Financial statements are not required.
- 5) 4) Step 8 – Select the appropriate certification statement and upload the applicant organization’s IRS Form 990 (as submitted to the IRS) or *pro forma* IRS Form 990. Please refer to CFC Memorandum 2017-07 for more information about IRS Form 990 requirements.

In addition to other application requirements that apply to all organizations, **subordinate organizations** to a group exemption are required to submit the following with their CFC applications:

Full Applications from Subordinate Organizations:

- 1) Step 5 – Certify using Option 2.
- 2) Step 6 – Check the certification statement. Additionally, if the system states, “You are required to upload IRS determination letter”, upload a document containing:
 - an ***IRS affirmation letter*** (as issued to the applicant organization), dated on or after January 1 of the campaign year to which the organization is applying¹;
 - an ***IRS group exemption affirmation letter*** (as issued to the central organization); and
 - a ***group exemption subordinate list***.²

¹ For group exemptions that are churches (i.e. central organizations bearing Foundation Code ‘10’ on the IRS BMF), subordinate organizations are not required to submit the IRS affirmation letter.

² For group exemptions that are churches (i.e. central organizations bearing Foundation Code ‘10’ on the IRS BMF), 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. Please see **Attachment 5** for an example. The subordinate’s listing must be marked or highlighted to indicate the appropriate listing for CFC purposes. A subordinate organization 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.

If not prompted to provide the IRS determination letter, subordinate organizations are required to submit a document containing an **IRS group exemption affirmation letter** (as issued to the applicant organization) and the **group exemption subordinate list**³ in the “Listing Name” section of Step 6. Unless the applicant organization is seeking to use the registered trademark symbol (“®”) in its listing, no additional DBA name documentation is required. (Please refer to CFC Memorandum 2017-08 for more information about DBA name documentation requirements.)

- 3) Step 7 – Select the appropriate certification statement and upload the applicant organization’s (i.e. the subordinate’s) audited or reviewed financial statements, as applicable. If the subordinate does not have an audit or review of its own financial statements, 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 campaign year to which the organization is applying.
- 4) Step 8 – Select the appropriate certification statement and upload the applicant organization’s IRS Form 990 (as submitted to the IRS) or *pro forma* IRS Form 990. Please refer to CFC Memorandum 2017-07 for more information about IRS Form 990 requirements.

Verification Applications from Subordinate Organizations:

- 1) Step 5 – Certify using Option 2.
- 2) Step 6 – Check the certification statement. Additionally, if the system states, “You are required to upload IRS determination letter”, upload a document containing:
 - an **IRS affirmation letter** (as issued to the applicant organization), dated on or after January 1 of the campaign year to which the organization is applying⁴;
 - an **IRS group exemption affirmation letter** (as issued to the central organization); and
 - a **group exemption subordinate list**.³

If not prompted to provide the IRS determination letter, subordinate organizations are required to submit a document containing an **IRS group exemption affirmation letter** (as issued to the applicant organization) and the **group exemption subordinate list**³ in the “Listing Name” section of Step 6. Unless the applicant organization is seeking to use the registered trademark symbol (“®”) in its listing, no additional DBA name documentation

³ For group exemptions that are churches (i.e. central organizations bearing Foundation Code ‘10’ on the IRS BMF), 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. Please see **Attachment 5** for an example. The subordinate’s listing must be marked or highlighted to indicate the appropriate listing for CFC purposes. A subordinate organization 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.

⁴ For group exemptions that are churches (i.e. central organizations bearing Foundation Code ‘10’ on the IRS BMF), subordinate organizations are not required to submit the IRS affirmation letter.

is required. (Please refer to CFC Memorandum 2017-08 for more information about DBA name documentation requirements.)

- 3) Step 7 – Select the appropriate certification statement. Financial statements are not required.
- 4) Step 8 – Select the appropriate certification statement and upload the applicant organization’s IRS Form 990 (as submitted to the IRS) or *pro forma* IRS Form 990. Please refer to CFC Memorandum 2017-07 for more information about IRS Form 990 requirements. Please note: If the central organization files IRS Form 990 on behalf of it and its subordinates, the subordinate is required to submit with the CFC application a *pro forma* IRS Form 990 ***that details information specific to the local chapter named in the application*** for CFC purposes only.

Please note: A religious organization that is not recognized as a church in the IRS BMF must submit the ***IRS affirmation letter, IRS group exemption affirmation letter, and group exemption subordinate list***, as applicable, as any non-church entity would. 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.

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).

For CFC purposes, while chapters and affiliates are part of the financial and governance structure of their respective national or regional organization, their existence as *bona fide* chapters implies a certain distinction that allows them to be listed on CFC charity lists along with their parent organizations. Without this distinction, the chapter listing would amount to a second listing of the national organization which is not allowed per 5 CFR §950.401(j). Part of this distinction must include local governance if an organization is to be approved as a *bona fide* chapter or affiliate. Starting with applications submitted for the 2019 CFC, all *pro forma* IRS Forms 990 submitted by *bona fide* chapters and affiliates must identify a governance body distinct from that of the parent organization.

CEO letter – This is a letter from the CEO or CEO-equivalent* of the parent organization that verifies *all of the names and locations of the parent organization's current chapters and affiliates*. See **Attachment 6** for an example. The letter must include the physical address of every entity and be signed and dated on or after October 1 of the campaign year to which the organization is applying. The letter must also clearly include a certification from the CEO of the parent organization stating that the applicant organization operates as a *bona fide* chapter or affiliate in good standing of the parent organization and is covered by the parent organization's 26 U.S.C. 501(c)(3) tax exemption, IRS Form 990 (if applicable), and audited financial statements.

* Certificates issued by the American National Red Cross (which is chartered by Congress) are to be signed by the Assistant Corporate Secretary.

In addition to other application requirements that apply to all organizations, ***bona fide* chapters and affiliates** are required to submit the following with their CFC applications:

Full Applications from *bona fide* Chapters and Affiliates:

- 1) Step 5 – Certify using Option 3.
- 2) Step 6 – Check the certification statement. Additionally, if the system states, “You are required to upload IRS determination letter”, upload a document containing:
 - an ***IRS affirmation letter*** (as issued to the parent organization), dated on or after January 1 of the campaign year to which the organization is applying; and
 - a ***CEO letter***.

If not prompted to provide the IRS determination letter, *bona fide* chapters and affiliates are required to submit a document containing an ***IRS affirmation letter*** (as issued to the parent organization) and the ***CEO letter*** in the “Listing Name” section of Step 6. Unless the applicant organization is seeking to use the registered trademark symbol (“®”) in its listing, no additional DBA name documentation is required. (Please refer to CFC Memorandum 2017-08 for more information about DBA name documentation requirements.)

- 3) Step 7 – Select the appropriate certification statement ***as it pertains to the parent organization*** (i.e. based on the parent organization’s revenue) and upload the parent organization’s audited or reviewed financial statements, as applicable.
- 4) Step 8 – Select the second certification statement to indicate the chapter is not required to prepare and submit an IRS Form 990 to the IRS and upload the applicant organization’s *pro forma* IRS Form 990. Please refer to CFC Memorandum 2017-07 for more information about IRS Form 990 requirements.
- 5) Step 9 – Complete the AFR calculation form using numbers from the applicant organization’s *pro forma* IRS Form 990 (i.e. not using figures pertaining to the parent organization).

Verification Applications from Subordinate Organizations:

- 1) Step 5 – Certify using Option 3.
- 2) Step 6 – Check the certification statement. Additionally, if the system states, “You are required to upload IRS determination letter”, upload a document containing:
 - an **IRS affirmation letter** (as issued to the parent organization), dated on or after January 1 of the campaign year to which the organization is applying; and
 - a **CEO letter**.

If not prompted to provide the IRS determination letter, subordinate organizations are required to submit a document containing an **IRS affirmation letter** (as issued to the parent organization) and the **CEO letter** in the “Listing Name” section of Step 6. Unless the applicant organization is seeking to use the registered trademark symbol (“®”) in its listing, no additional DBA name documentation is required. (Please refer to CFC Memorandum 2017-08 for more information about DBA name documentation requirements.)

- 3) Step 7 – Select the appropriate certification statement **as it pertains to the parent organization** (i.e. based on the parent organization’s revenue). Financial statements are not required.
- 4) Step 8 – Select the second certification statement to indicate the chapter is not required to prepare and submit an IRS Form 990 to the IRS and upload the applicant organization’s *pro forma* IRS Form 990. Please refer to CFC Memorandum 2017-07 for more information about IRS Form 990 requirements.
- 5) Step 9 – Complete the AFR calculation form using numbers from the applicant organization’s *pro forma* IRS Form 990 (i.e. not using figures pertaining to the parent organization).

Federation Requirements

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

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 address also appears in the CFC Application as “Office Address”. It is the physical address of the applicant organization and should be the

address from which services are provided. It is no longer required that this address be associated with the EIN (i.e. on the IRS BMF) or be that of the organization as recognized by the IRS (i.e. that of the parent organization). This address is used to find organizations when starting an application in the CFC Application System and is the address used to identify the CFC Zone to which the application will be submitted for review. Furthermore, it is the address that must be verified by the central organizations (in the *group exemption subordinate list*) in the case of group exemptions or by the parent organization (in the *CEO letter*) in the case of *bona fide* chapters and affiliates. This address cannot be a PO Box or that of a Commercial Mail Receiving Agency (CMRA).

- **Service Address** – This is the address from which services are delivered to the local campaign area *if different from the organization address described above*. If either (1.) the organization address is not the physical location from which services are provided; or (2.) the organization address provided is not located within the geographic boundaries of the CFC Zone to which the organization wishes to submit the application, the service address should be provided in Step 4 of the application. As such, the service address very rarely needs to be provided and is usually not required. This address cannot be a PO Box or that of 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 federation member organizations since the point of contact is required to be a representative of the federation (as opposed to the applicant organization itself). Fields pertaining to the contact address include email address. It is strongly recommended that more than one email address be provided. Moreover, the email address for federation member organizations should be that of 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.

Fields pertaining to the contact address include email addresses. All organizations must provide email addresses as this is the primary method of communication used by the CFC. It is strongly recommended that more than one email address be provided. Moreover, as with the contact address, the contact email address(es) for federation member organizations should be that of a representative of the federation.

- **Disbursement Address** – There is no longer a disbursement address. Disbursement information (i.e. EFT information) is entered upon approval of the organization’s application in the “Listing” section of the organization’s record on the CFC Application System.

These requirements are effective for the 2018 campaign. If you have any questions, please contact the Office of CFC at cfc@opm.gov.

Attachments:

Attachment 1: Sample IRS Determination Letter

Attachment 2: Sample IRS Affirmation Letter

Attachment 3: Sample IRS Group Exemption Affirmation Letter

Attachment 4: Sample Group Exemption Subordinate List

Attachment 5: Sample Group Exemption Subordinate List (Church Directory)

Attachment 6: Sample CEO Letter