



Frequently Asked Questions Regarding the AANA Foundation's Structure and Finances

The AANA Foundation as a 501 (c)(3) have to follow specific criteria to file as a charity tax exempt entity. The unique nature of the AANA Foundation tax status imposes different principles and philosophy related to fiscal management of the business. This document has been developed to help address some common questions related to the operation and fiscal nuances related to charitable organizations.

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I. What criteria does a 501 (c)(3) have to follow to file as a charity?

From the IRS website:

“A charity's organizing document must limit the organization's purposes to exempt purposes set forth in section 501(c)(3) and must not expressly empower it to engage, other than as an insubstantial part of its activities, in activities that do not further those purposes. This requirement may be met if the purposes stated in the organizing document are limited by reference to section 501(c)(3). In addition, an organization's assets must be permanently dedicated to an exempt purpose. This means that if an organization dissolves, its assets must be distributed for an exempt purpose described in section 501(c)(3), or to the federal government or to a state or local government for a public purpose.”

<http://www.irs.gov/charities/charitable/article/0,,id=123368,00.html>

“The exempt purposes set forth in section 501(c)(3) are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals.”

<http://www.irs.gov/charities/charitable/article/0,,id=175418,00.html>

The Foundation Articles state that the purposes of the Foundation are to foster, support, develop and encourage education and research in nurse anesthesia.

II. What will happen to the assets of the Foundation if the Foundation were to be dissolved?

The Foundation's articles of incorporation stipulate what will happen to the Foundation's remaining assets upon dissolution. All remaining assets would need to be disbursed under the Foundation's charitable purpose, (Education and Research in Nurse Anesthesia) or be transferred to another charitable organization that is engaged in activities that are substantially similar to those of the Foundation. Here is the provision from the Foundation's Articles:

“In the event of the dissolution or liquidation of the Corporation, and after payment of just debts and liabilities, all remaining assets shall be transferred and conveyed to one or more domestic or foreign corporations, societies or organizations engaged in activities substantially similar to those of this Corporation if said corporation, society or organization is then exempt under Section 501(a) or Section 501(c)(3) of the Internal Revenue Code of 1954, as amended, or any subsequent law of the United States of America to be used for like or similar purposes as afore described”.

Based on the mission of the Foundation, a substantially similar 501(c)(3) charitable organization would be one whose charitable purposes are related to furthering education and research in anesthesia. If the Foundation is unable to identify a substantially similar organization, it then becomes the responsibility of the State of Illinois to disburse the remaining assets. The AANA, a 501(c)(6), would not be an eligible organization to receive funds from the AANA Foundation.

<http://www.aaos.org/govern/state/organizationaltools/501.asp> (See section II.D)

Any remaining restricted or endowment funds in place at the time of dissolution will be inherited by the chosen charitable organization with a similar purpose. If the new charity is unable to carry out the

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terms of the restricted fund or endowment, the donor may be contacted to release the restriction or the Illinois Attorney General may be contacted if the donor is unavailable. The court may modify the restriction in a manner that is consistent with the donor's intent.

http://www.law.upenn.edu/bll/archives/ulc/umoifa/2006final_act.htm

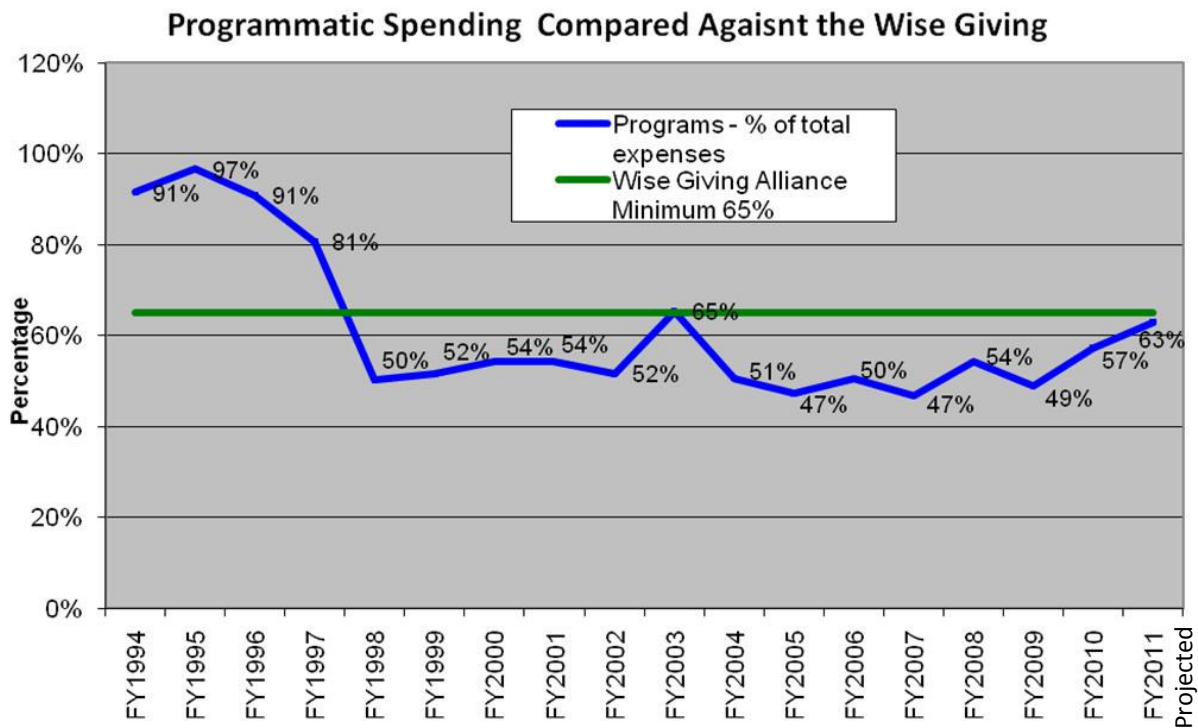
III. How much has the Foundation spent in fundraising, administration and programs based on the last year of our filings? (Definitions for terms are listed in the attachment)

Based on the unaudited FY10 financials, the total expenses for each area are as follows:

- Programs – \$641,127 (57.4%)
- Fundraising - \$225,110 (20.1%)
- Administration – \$252,497 (22.5%)

Guidestar is the public website that posts organizations 990s from the IRS. Based on Guidestar's documents the benchmarks for charitable accountability are derived. The BBB Wise Giving Alliance has created standards for charitable accountability. The Wise Giving Alliance recommends that charities spend at least 65% of its total expenses on program activities. They also recommend that charities spend no more than 35% of related contributions on fund raising. <http://www.bbb.org/us/Charity-Standards/>

Below is a chart that tracks the Foundation's programmatic spending as a percentage of its total expenses:



IV. What are other benchmarks for a 501 (c) (3)?

Charity Watch states:

- a. Spend at least 60% of total expenses on program activities and no more than 40% on administrative, general and fundraising expenses**
- b. Spend no more than \$35 to raise \$100 (maximum of 35%)**

To maintain a favored tax status as a 501 (c) (3), the majority of expenditures should support the mission of programmatic funding and extend beyond fundraising. The key premise of a 501(c) 3 is to promote its mission.

From Charity Watch <http://www.charitywatch.org/criteria.html>

V. How can money be spent by the AANA Foundation?

The total assets of the AANA Foundation are broken down into three categories, Temporarily Restricted, Permanently Restricted and Unrestricted Net Assets. Below are definitions for each category.

Temporarily Restricted Net Assets – The part of the net assets of a nonprofit organization resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations.

Permanently Restricted Net Assets – The part of the net assets of a nonprofit organization resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the actions of the organization.

Unrestricted Net Assets – The part of net assets of a nonprofit organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Based on the last audited financials from FY09 the balances of each category of net assets were as follows:

Temporarily Restricted Net Assets: \$146,115

Permanently Restricted Net Assets: \$761,567

Unrestricted Net Assets: \$2,565,115

The total amount of programmatic expenses for FY09 was \$341,167. This amount does not include staff salaries.

VI. What support does the AANA provide the Foundation?

a. What does the AANA give the Foundation money for in their budget?

The AANA contributes to the Foundation to support staff salaries.

b. What does the AANA Foundation pay to the AANA?

The AANA Foundation pays the AANA a separate fee for administrative services of approximately \$106,500 which include finance, human resources and IT.

c. Are there any other expenses which represent contributions by AANA?

No, the salary support is the only contribution from the AANA to the Foundation.

Attachment

Expense Allocation for AANA Foundation Services

Expense allocation can be classified by a natural (object) classification or a functional classification. This document serves as a general guide to allocate expenses (including staff time) related to activities conducted to operate the AANA Foundation. There are 2 broad categories of services; program services and supporting services (administrative and fundraising).

Program Services includes direct and indirect costs related to expenses for program development, administration and implementation. Program services are activities related to the programs i.e. student scholarships, fellowships, workshops, grants and speakers. This includes all activities related to the development, administration and implementation of the program services. Examples of typical activities related to program services include: e-mail, phone calls, funding and awards distribution, accountability for program funding and time at the program(s). Direct costs include such activities as: grant funding, scholarship funding, announcements, conducting the program and funding speakers/attendees.

Supporting Services include activities that are not directly related to the purpose of the Foundation but are required to run the business of the Foundation. These activities are related to expenses for support services. There are 2 broad categories that are identified as supporting services expenses; administrative and fundraising expenses.

Administrative expenses relate to activities that guide the overall direction of the Foundation. This category includes expenses for activities of the governing board, business management, general record keeping, budgeting and accounting.

Fundraising allocation is the cost of all activities that constitute an appeal for financial support. Example of these types of activities include: time, materials, printing, postage, telephone, direct mail pieces and direct contact solicitation.

Resource: PPC's Guide to Nonprofit Expenses.