



– Schedule K to IRS Form 990 –
Cautions

- Annual reporting requirement on any outstanding tax-exempt bond issue that was issued after 12/31/2002 with an outstanding principal amount in excess of \$100,000 on the last day of the applicable tax year.
- Schedule K contains 3 questions regarding the adoption of written procedures to monitor compliance with federal laws applicable to tax-exempt bonds.
- Read the instructions carefully. There are specific defined terms in reference to the questions asked on Schedule K.
 - “gross proceeds”
 - “proceeds”
 - “bond issue”
 - “refunding issue”
 - “refunding escrow”
 - “defeasance escrow”
- Schedule K contains some questions that actually require a legal conclusion. Consider consulting bond counsel or other qualified professional.
- Common mistakes:
 - Description of purpose of bonds
 - Issue date of bonds
 - Mistaking whether one or more series of bonds is a separate “issue”
 - Failure to include investment proceeds
 - Failure to understand the definitions and use of terms gross proceeds versus proceeds
 - Whether there has been a legal defeasance
 - Are there any contracts that may result in private business use? (the question does no task if there are any contracts in place that may result in private business use *in excess of the amount allowed*)
 - Does the bond issue meet the private security or payment test?