

March 16, 2011

Bayanihan Foundation Worldwide
PROJECT OPERATIONS MANUAL (POM)

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SPONSORSHIP RELATIONSHIP

Bayanihan Foundation Worldwide (“Bayanihan”) is a US-based 501(c)(3) public charity that enables Filipinos to improve their lives in empowering and sustaining ways.

A. Mission Statement All Bayanihan-sponsored projects must at all times operate in alignment with, and in furtherance of, the following Mission Statement. The core mission of the Bayanihan is to foster partnerships with Filipinos in the diaspora with Filipinos in the homeland to encourage community development projects for the long-term. Each sponsored project has been selected to provide charitable services in furtherance of one or more of the following specific program areas: 1. Education; 2. Health; 3. Advocacy; 4. Promotion of second-generation Filipino Americans to participate in philanthropy.

B. Non-Discrimination Clause Projects are required to abide by the Bayanihan’s non-discrimination policy. Bayanihan Foundation Worldwide is an equal opportunity organization and will not discriminate on the basis of race, color, national origin, status as a disabled veteran or veteran of the Vietnam Era, marital status, sex, sexual preference, handicap and/or age in its activities, programs or employment practices as required by Title VI, Title IX and Section 504.

C. Board Structure and Governance Under the structure of this fiscal sponsorship relationship, the Bayanihan Board of Directors is the legal governing body for all sponsored projects. The decisions of the Bayanihan Board of Directors are binding on all projects and the Board of Directors is the final legal authority of Bayanihan, unless such authority is expressly delegated in writing. At the same time, we encourage the formation of dedicated advisory boards towards assisting the Project Directors in areas of management, fundraising, community interaction/representation and visibility. It is often extremely important to develop a solid image and reputation within each charitable category or community, which easily justifies the formation and cultivation of these advisory boards.

D. Bayanihan Sponsorship Services Bayanihan provides the tax-exempt status for all project revenue, and ensures the deductibility of all donations to the fullest extent provided by law. Bayanihan is the responsible legal entity for all project activities. Specifically, Bayanihan provides every sponsored project with the appropriate accounting and tax filing services, plus continual oversight, to ensure total compliance with all IRS exempt organization rules and regulations:

- Management oversight to ensure IRS 501(c)(3) compliance
- Reliable bank deposits & various forms of disbursement
- Real-time expense accounting and bookkeeping
- Timely responses/resolutions for all field inquiries
- Standard legal guidance via outside counsel
- Year-round donor acknowledgment mailings
- Year-end financial reports and donor summaries
- Requisite IRS 501(c)(3) reporting and tax filings

There can be other qualitative benefits of being a sponsored project of Bayanihan. For example, individual projects can engage in levels of advocacy. Unrelated Business Income, or staff compensation that would not be allowable under applicable tax law. As the capacity of Bayanihan grows, projects will also benefit more from the connectivity and resource sharing with other sponsored projects.

E. Memorandum of Agreement (MOA) The terms and conditions of this sponsorship relationship are initiated by a fully-completed and executed Memorandum of Agreement (MOA) that supersedes all other agreements and understandings both written and oral. The Bayanihan Project Operations Manual (POM) is incorporated into the MOA and is a material part of this MOA. Under the terms and conditions of this agreement, sponsored projects do not have a legal identity or existence as a nonprofit organization other than through Bayanihan. Each project's identity as a direct activity of Bayanihan must be explicitly stated on all printed material, including letterhead, websites, newsletters, brochures, event announcements and press releases. This public disclosure is mandatory towards ensuring the tax-deductibility of donor contributions. All Project Directors are required to ensure that everyone involved in project-related activities is properly informed of, and fully committed to abide by, all Bayanihan and IRS 501(c)(3) policies and procedures as outlined in the mutually agreed upon MOU plus the latest published version of the POM.

F. Project Mandatory Requirements Bayanihan sponsored-projects must **at all times** responsibly fulfill the following requirements:

Ensure that everyone involved in project-related activities and communications is trained in, and committed to following, all of the relevant IRS Rules and Regulations regarding 501(c)(3) exempt organizations.

Contact Bayanihan immediately regarding any proposed changes to the Project Name, Mission Statement, key personnel or contact information.

Submit all payment requests via the proper reimbursement request forms, along with legible copies of every 501(c)(3) compliant receipt or invoice.

Ensure that the Bayanihan EIN number is never used for any direct registrations or transactions, including contracts, leases, bank accounts, loans, or any other legally binding commitment without the **prior** knowledge and written consent of Bayanihan. All such proposed agreements must be timely presented to Bayanihan for proper review and approval prior to the execution of such agreements.

Pro-actively train and update all project personnel on the various nuances cited within the latest published version of this POM.

Ensure that all Bayanihan policies and procedures are properly communicated and adhered to, as required in this POM or by law (See Bayanihan Policies and Procedures below.)

Ensure that all public solicitations, websites and newsletters always include the following identification: —(Project Name) is a project of Bayanihan Foundation Worldwide a 501(c)(3) public charity.

G. Standard Exempt-Organization Policies As each project is under the control and supervision of Bayanihan, and specifically the Bayanihan Board of Trustees, each project must read and understand, abide by, and distribute to managing project personnel as required, the following standard policies for all tax-exempt organizations:

1. Conflict of Interest Policy
2. Due Diligence & Accountability Policy
3. Whistleblower Policy
4. Document Retention and Destruction Policy

H. Bayanihan Fiscal Fees

To cover the costs associated with providing a comprehensive package of sponsorship services, Bayanihan will deduct an ongoing fee from of all project revenues; which, effective April 1, 2010, is calculated at a flat rate of 10% of the gross amount of revenues received. This fee applies to all forms of currency-based revenue, e.g. donations, grants, fellowships, memberships, registration fees, sales of merchandise, and loans. These fiscal fees are absolutely necessary in maintaining the Bayanihan office, and to pay for such infrastructure costs as salaries, equipment, telephone, audit support, insurance, etc. An additional flat fee of 3% will be deducted from all gross revenues received via credit cards, PayPal transactions, and all other 3rd-party merchants that are directly billing their processing fees to Bayanihan. The annual average of these merchant fees consistently exceeds 3%.

However, Bayanihan has agreed to absorb the overage, to avoid the tedious task of hand-calculating every single electronic transaction. In effect, Bayanihan is agreeing to –lose money" via this 3% flat fee, to eliminate the excessive time and labor for all parties involved in the increasingly-wide range of individual merchant fees from today's continually expanding menu of electronic processing options.

Bayanihan also requires that each project pay a minimum of \$200 in fiscal fees per calendar year. In most cases this amount will be credited to Bayanihan from the 10% fiscal fee automatically deducted from annual project revenues. Therefore, any project raising \$2,000 or more within a calendar year will automatically meet this minimum requirement. Several examples will serve to illustrate this policy: Project A raises \$1,400 in a year. At 10%, this results in \$140 in fiscal fees. They would need to pay an additional \$60 to remain active. Project B raises \$400 in a year, resulting in a \$40 contribution to Bayanihan. They would need to pay an additional \$160 to remain active. Project C raises \$45,000 in a year. The result is \$4,500 toward Bayanihan operations and the project has more than satisfied the minimum contribution. Nothing further is required. Project D has been on the active roster, but went an entire year without raising any funds at all. This project needs to contribute \$200 to Bayanihan to remain on the active roster. One final note: there is no maximum fee. Projects are generally expected to contribute 10% of all revenue collected to Bayanihan, regardless of how large these amounts may be.

Extra Costs of Service Fees. Services required beyond the basic sponsorship services can result in additional charges and as follows:

Cost of insurance related to project activities or property beyond the scope of the Bayanihan Commercial General Liability Insurance and Volunteer Accident Insurance policies.

Extraordinary administrative services due to non-compliance or other exigent circumstances. Such services will be charged at the rate of \$60.00 per hour in increments of .10 hour.

Extraordinary legal services due to non-compliance or other exigent circumstances. Such services will be charged at the rate of \$150.00 per hour in increments of .10 hour.

Extraordinary accounting services due to non-compliance or other exigent circumstances. Such services will be charged at the rate of \$100.00 per hour in increments of .10 hour.

To the extent reasonably possible, Bayanihan will disclose such extraordinary costs to the project in advance of proceeding with the fulfillment of these over-and-above requests.

I. CHARITABLE REVENUE

All revenue must be directed to the Bayanihan office for deposit into the Bayanihan Projects bank account. This is the only way that donors can receive their tax deduction. Any project funds that are deposited into non-Bayanihan bank accounts are not considered viable donations to the project, and donors will not be eligible for the tax deduction. Bayanihan projects are allowed to accept contributions from individuals, organizations, businesses, and foundations. These are generally tax-deductible to the full amount of the donation, i.e. the face value of the check. However, there are instances when this is not the case. This is discussed below under –Quid Pro Quo Contributions.

A. Monetary Contributions

1. Donation Checks To ensure that the IRS recognizes and accepts the 501(c)(3) tax-deductible status of these donor contributions, all donation checks should be made payable to: "Bayanihan/(Project Name)." If the checks are not made out to Bayanihan, the bank may send them back and/or the donor could lose claim to a tax-deductible event. If checks are received made payable to the project without the Bayanihan name (so long as they are not grants from foundations) they may be endorsed on the back by writing –Payable to Bayanihan/(Project Name)". Occasionally the bank will return checks that have been sent for deposit. This usually occurs for reasons such as insufficient funds, stop payments, or foreign checks that have not been converted to U.S. dollars. When this happens, the bank sends the original check and a bank advice to the Bayanihan office. The bank advice usually shows a handling fee (bank charge) that is then charged to the project. The Bayanihan office makes a copy of the check and the advice and forwards them to the project. It is then the project's responsibility to contact the payer for a replacement check. Overseas donors need to know that their donations to an Bayanihan project may not be tax deductible in their own countries. Every country has its own income tax laws, so donors from outside the United States will have to confirm which laws apply directly to them.

2. Online Contributions The Bayanihan website includes dedicated project pages for directly processing online donations.

Donors can directly enter their contributions via an easy-to-navigate payment system that accepts Visa, MasterCard, Discover, American Express and PayPal account numbers. Each project page also offers a variety of donation boxes for sub-fund allocations and/or recurring payments. Please notify Bayanihan at least 2 weeks in advance of any change requests or additions to your donation page. Expedited requests will be considered and charged as Extra Services.

Projects with independent websites are encouraged to link directly to their Bayanihan donation page for proper 501(c)(3) verification, accountability and efficient processing of online donations.

3. Donor Acknowledgement Letters Online contributions placed via the Bayanihan website payment system will generate immediate acknowledgment messages back to the donor's email address (as provided during the checkout process.) Please remind all online donors that the name –Bayanihan Foundation Worldwidel will appear on their charge card statements, not the project name.

In support of each donor's personal responsibility for obtaining a written acknowledgment from a charity for any single contribution of \$250, paper checks received for \$250 or more, will be acknowledged directly via a personalized letter from the Bayanihan office, within 4-6 weeks after the funds are cleared. (Refer to page 3: <http://www.irs.gov/pub/irs-pdf/p1771.pdf>) For check contributions that are under this amount, we will also manually create this formal letter, by request, but only for donors who directly request such a document for their tax files.

In summary:

- Online donations receive an auto-reply –tax letter right after the donation is processed
- Checks over \$250 receive a formal letter from our office (normally within 4-6 weeks)
- Special requests from Project Directors are processed as soon as is humanly possible

NOTE: Please encourage your donors to always provide their email address on their donation checks and during their special requests. 4. Quid Pro Quo Contributions A contribution made by a donor in exchange for goods or services is known as a quid pro quo contribution. A donor may only claim a deduction to the extent that his/her contribution exceeds the fair market value of the goods or services the donor receives in return for the contribution; therefore, donors need to know the value of the goods or services. All projects must provide a written disclosure statement to a donor who makes a payment exceeding \$75 partly as a contribution and partly for goods and services provided by the organization. Example of a quid pro quo contribution: A donor gives a charitable organization \$100 in exchange for a concert ticket with a fair market value of \$40. In this example, the donor's tax deduction may not exceed \$60. Because the donor's payment (quid pro quo contribution) exceeds \$75, the charitable organization must furnish a disclosure statement to the donor, even though the deductible amount does not exceed \$75. All projects must furnish a disclosure statement in connection with either the solicitation or the receipt of the quid pro quo contribution. The statement must be in writing and must be made in a manner that is likely to come to the attention of the donor. For example, a disclosure in small print within a larger document might not meet this requirement.

B. Stock Contributions

Bayanihan maintains a brokerage account that empowers projects to accept shares of stock as donations. Stock received as a contribution is immediately sold and the proceeds deposited into Bayanihan's master Bayanihan Foundation Worldwide bank account and reflected in the project account balance. When a project has a donor who wishes to make a gift of stock, the most efficient transaction route is to contact the Bayanihan office, and arrange to have the donor transfer the stock through their broker. Bayanihan will provide the account number and DTC number of our account, so that this transfer of stock may proceed. Upon receipt of the stock, Bayanihan will immediately sell it at the current market value and deposit the resulting funds.

At this point, an acknowledgement letter specifying the details of the stock transfer is sent to the donor. Bayanihan will not hold stock while waiting for the price to fluctuate. The least efficient way for a donor to contribute stock is through forwarding the actual stock certificate to the project or to the Bayanihan office. This is least efficient because, especially in times of changing and uncertain global economics, stock can diminish in value quite rapidly. In the time it takes for the donor to receive the certificate and forward it to the project or Bayanihan office, to then be forwarded to the broker to be sold, the stock may have significantly declined in value.

C. Other Income Other income is any income that is not an outright cash donation to the project. Examples include registration fees, memberships, sales, in-kind donations, program-related revenue, refunds & reimbursements, loans, and interest income.

1. Program Service Revenue Some projects will generate operating funds through the provision of services to the public and/or businesses. Examples are web-related services and other professional services correlated to that project's specific mission. Such revenue is acceptable to send to Bayanihan, and can be utilized for project purposes. What is important to distinguish here is the difference between Program Service Revenue (PSR) and Unrelated Business Income (UBI). Program Service Revenue is allowable due to the services rendered being consistent with, and in furtherance of, the project's and Bayanihan's, stated mission. Unrelated Business Income (UBI) is revenue that has no relation to a project's mission, and is simply being used to bolster project revenue. While this is acceptable from a business standpoint, all UBI within a public charity is subject to federal income and/or excise taxes.

Therefore, Bayanihan maintains the position that such revenue cannot pass through our accounts initially. If you feel it benefits your project to receive such revenue, the best solution is to first deposit such revenue into a personal or business account that you control. Then forward as much of the funds as you would like to Bayanihan for your project. The income taxes incurred will be the direct responsibility of the person / business processing the original funds. This entity will also receive a tax

deduction for the amount sent to Bayanihan. Notwithstanding the above, each project must report all UBI to Bayanihan, whether or not such UBI is deposited with Bayanihan. The project budget must be adjusted to reflect any potential tax liability to the project as a result of the UBI, plus the allocation of project revenue to pay such tax liability. Please contact the Bayanihan office immediately if you feel it is in your best interests to pursue Program Service Revenue or Unrelated Business Income.

2. Registration Fees Many projects conduct conferences, symposia, trainings, speaking tours, etc and charge the public for these events. This is perfectly acceptable; however, a clear understanding must be conveyed to the public that registration fees are not tax-deductible. The reason lies in the fact that registrants are receiving something for their money, i.e. an event. Registration fees are generally mandatory, therefore are not a voluntary contribution given free and clear. Please remember, any time the public receives something in return for their contribution and/or such a fee is mandatory, this type of contribution is not tax-deductible.

3. Memberships As with the previous item, projects may solicit memberships. These payments are also not tax-deductible for those people who join as members. As above, membership in a group generally infers the person is getting something for their contribution – a newsletter, t-shirt, reduced admission to events, etc. Because of this, memberships are not tax-deductible. As above, please indicate if contributions are from memberships when sending checks or credit card numbers to the Bayanihan office. Bayanihan must approve all membership agreements prior to soliciting or adding any memberships. 4. Sales Income If the project is engaged in selling anything (such as literature, T-shirts, videos, etc), please contact the Bayanihan office to discuss the nature of these sales prior to advertising, promoting or distributing such sale items. In general, a seller's permit is needed for the state where a project is domiciled and will be provided by the Bayanihan office.

This permit is issued under –Bayanihan Foundation Worldwide and will be applicable to any project that is active within a particular state where another Bayanihan project has procured the permit. It is imperative to separate sales income from cash donations. Sales income, plus an amount equal to the prevailing state sales tax of the sales proceeds, must be reported to the state tax board on the appropriate state sales tax return. Only sales made within the home state of the particular project are subject to sales tax - and even some of those sales are tax-exempt. For example, sales to the Federal and State governments are tax-exempt. Please call the office for further information.

5. In-Kind Contributions In-kind contributions are non-cash services or material goods contributed to help support the efforts of your project. The tax laws governing in-kind contributions and deductions are quite complex.

A few general guidelines are as follows:

- Donations of material goods are generally tax deductible to the donor. Examples include computers and other equipment, vehicles, office supplies, gear and building supplies.
- Donations of services are generally not tax deductible. This includes zero or reduced rent for project offices or events; zero or reduced fees for speakers or musicians at events. While we always appreciate people making these offers, please be aware that we cannot offer a tax deduction for them.

Please provide a detailed description of the goods that are being donated by an individual donor and mail it to our main office, so that we can retain a copy of this written confirmation that your project has indeed received this In-Kind Donation.

Bayanihan will then generate the In-Kind "Thank You" letter, and send it directly to the donor, for their tax records. However, this formal acknowledgment will not include any dollar value assigned to this contribution. Per the current IRS Rules & Regulations regarding in-kind donations, Bayanihan cannot be involved with valuations of non-cash contributions. The amount that the donors will claim on their tax returns is entirely up to them and their accountants to determine (and support with the proper back-up detail.) Receipt of in-kind donations with significant value could result in additional extraordinary cost to the project in terms of transfer(s) of title and other registration, appraisals, property insurance and other related costs.

For more information, please refer to IRS Form 8283: <http://www.irs.gov/pub/irs-pdf/f8283.pdf> and/or Publication 526, Charitable Contributions: <http://www.irs.gov/publications/p526/index.html> 6. Disposition of Donated Property Bayanihan must file IRS Form 8282 if the donated property (or any portion thereof) is sold, exchanged, consumed, or otherwise disposed of (with or without consideration) within 3 years after the date of the original donation. Form 8282 is not required to be filed where: a. Items are valued at \$500 or less; or b. Items consumed or distributed for charitable purpose.

For more info see IRS Form 8282 instructions: <http://www.irs.gov/pub/irs-pdf/f8282.pdf> 7. Reimbursement Income An example of reimbursement income would be if a project is overcharged on an invoice and the vendor corrects this error by sending a check. There may be situations when a project receives compensation for monies that were advanced, e.g. a security deposit when renting a hall for a conference. This is coded as a reimbursed expense and no fiscal fee is applied. When depositing income that reimburses project expenses, please make sure to note the original payment to which the expense was originally coded.

8. Loans The Bayanihan Foundation Worldwide does not accept any loans directly to projects at this time.

III. PAYMENT DISBURSEMENTS

Needless to say, the primary purpose for —raising funds—is to cover the numerous expenses that arise during the development and ongoing support of your humanitarian efforts. At the same time, there are specific guidelines that the IRS has set forth, to ensure all donated money that is disbursed towards the fulfillment of these charitable initiatives is for expenditures that are 100% in sync with the rules and regulations governing a 501(c)(3) exempt organization

A. Disbursement Procedure

To request payments from the available balance in your Project Account, here are the simple steps to success:

1. Verify current account balance: Please begin by confirming that you have enough money available to cover your payment, by sending an email inquiry to: dale@fdnbayanihan.org
2. Submit project description and expected outputs; approved budget and schedule of fund releases
3. Submit “Request for Reimbursement” Form. PRINT LEGIBLY or type in the required information directly from your computer and save as a separate document. Sign the form and submit to Executive Director at dale@fdnbayanihan.org or to the Program liaison.
4. Must be able to include financial documents including receipts to ensure 501(c)(3) Tax Compliance. All foreign receipts/invoices must be translated into English and converted into U.S. dollars.
5. Must be able to submit quarterly and annual financial reports as scheduled.

Send the paperwork to the Bayanihan office: Simply scan or copy the completed request form plus all back-up documentation and send them as email attachments to: dale@fdnbayanihan.org

C. Wire Transfers In addition to processing and mailing out checks, the Bayanihan office is able to wire funds directly into company bank accounts. We will send a notice to all Project Directors should this occur. Keep in mind there may be charges applied at the receiving bank. In order to process domestic wire transfers accurately, the Bayanihan office will need to know the name of the receiving bank, the bank address, the ABA number (which is the routing number for the bank), the account name, and the account number. For international wire transfers, a SWIFT code is also required. The accuracy of the information supplied is the key to successful bank wire transfer on the first attempt. Some international wires need to pass through an intermediary bank first. In this case, all information for the intermediary bank will also be needed along with the destination bank.

Because transacting wire transfers can be quite complicated, it is always helpful to give the Bayanihan office as much lead time as possible. Also, with proper notice, if the wire transfer is returned for any reason, it will be possible to acquire the correct information and re-send without significant delays.

D. Philippine Intermediary if no proper bank account or registration. All projects and partners must have the proper Security and Exchange Commission (SEC) registration and the proper bank accounts registered in the project's name. The project funds will be sent to the bank account of Adamson University, 900 San Marcelino St. Manila, Philippines as a temporary intermediary. The project must fully comply with the university's disbursement and organizational procedures for disbursement.

The project is encouraged to have the proper registration and bank account within one year of acceptance of the memorandum of agreement.

E. Receipts and Invoices Obtaining and maintaining proper support documentation for all expenditures is one of the most important obligations for all nonprofit organizations. Therefore, it is imperative that all Project Directors submit fully legible IRS-compliant receipts or invoices to fully support all project-related payment requests. When incurring reimbursable expenses in a foreign country, be certain to convert all receipts to US Dollars at the exchange rate on the day the money was spent.

Please absorb and forever remember the seriousness of this IRS mandate. There is no valid reason for anyone to endanger the nonprofit status of Bayanihan by neglecting this mandatory IRS requirement.

F. Independent Contractors From time to time, projects may need to secure special services from professional consultants or casual labor; to assist in fund raising, facilitating, or training. It is always necessary to obtain their signed W-9 when arranging to pay for services rendered. Persons receiving payment for any services, including individuals and companies, will be compensated as independent contractors. All independent contractors who earn over \$600 within a calendar year will receive a Form 1099 directly from Bayanihan in early February of the following year (see IRS Form 1099.)

G. IRS Form 1099 The 1099 Form is an Internal Revenue Service form used to report payments made to unincorporated recipients from categories such as rent, royalties, commissions, fees, prizes and awards, consultants' payments, honoraria, etc. The 1099 is essentially an independent contractor, sole proprietor, or partnership version of a W-2 form. Because 1099's must be prepared through the computerized accounting system on behalf of Bayanihan as a whole, all payment requests to independent contractors, e.g. consultants and casual labor and some suppliers of goods, must be processed separately from expense reimbursements. 1099 Forms are issued each January to all appropriate vendors and service providers who were paid for services exceeding \$600 during the previous fiscal

(calendar) year. This applies to both individuals and sole proprietors, partnerships and most LLCs. The procedure for requesting payments to vendors that will require a yearend Form 1099, is to submit a fully completed and signed Direct Payment Request (DPR) along with their billing invoice:

- The invoice must be on letterhead and must contain the amount, date, and nature of the services provided.
- The exact name, current phone number and mailing address, and tax ID number.
- A fully completed and signed W9 is mandatory with all first time requests.

H. Special Expense Categories Project Directors must always submit and maintain appropriate records to show that they have allocated distributions to individuals only after first performing all of the appropriate needs assessments, based on the recipients' financial resources and their physical, mental and emotional well-being. This documentation must properly clarify:

- the purpose for which the aid was given
- a complete description of the assistance provided
- the actual costs associated with providing this assistance
- the charity's objective criteria for disbursing assistance under each program
- how the recipients were identified and selected
- the name, address, and amount distributed to each recipient
- any relationship between a recipient and directors, staff members, or substantial contributors to the charitable initiative
- the composition of the selection committee approving this assistance

Equipment Purchases

When a project needs to purchase office or other equipment there must be sufficient funds to cover the purchase. All equipment purchased with project funds becomes temporary assets of Bayanihan. These assets are granted to the project when it —spins off. If the project ends, the equipment must be donated to another nonprofit organization or remain the property of Bayanihan. (See Sponsorship Termination)

Fixed Assets Fixed assets are items of value that belong to the project. These include expensive office furniture and valuable equipment, e.g. computer equipment. Major improvements made to premises you are renting, called "leasehold improvements", can also be considered fixed assets. All equipment, e.g. computers, office machines, and vehicles purchased with project funds will be —capitalized as assets if the price exceeds \$5,000. Therefore, we need to know exactly what type of equipment you are purchasing, and its intended use, at the time of the transaction. As is customary,

equipment that is less than \$5,000 will be expensed. In bookkeeping language, fixed assets are capitalized and appear as something owned on the project's financial statements, instead of expenses. If your project buys a computer for \$6,000, you won't see that \$6,000 as part of your expenses for the month and your fixed assets total will increase by \$6,000. Of course, your available cash is also reduced by \$6,000, because you spent those funds to purchase the computer. There are also expenses associated with owning fixed assets. Wear and tear is a special kind of expense called —depreciation. There is no feasible way to define exactly how much value your computer loses over a given period of time. Therefore, accountants often evenly depreciate assets over a five-year period.

Office Rent Projects often have the need for dedicated office space either in the home or engaged outside. Bayanihan must view all such arrangements in the same way the IRS views the tax deductible aspects of business space

a. In the Home or other Shared Spaces A shared office space must always be separate and fully dedicated to your charitable initiative in order to be reimbursable as a project expense. Bayanihan will need a copy of any lease, rental agreement or mortgage payment schedule to satisfy third-party audit evaluations. A basic diagram of the overall floor plan with the dedicated office space shown is also required in order to verify the square footage used to calculate the allowable percentage of the total monthly payment. Please remember that receiving an office space reimbursement precludes your ability to also claim a home office as a tax deduction on personal tax returns.

b. Commercial or Fully-Contained Office As discussed in other areas of this POM, Bayanihan can never be encumbered with any responsibility for project leases or rental agreements. However, once a project reaches a certain level of ongoing activity, it may be appropriate to move into a commercial space.

When doing so, an individual or company other than Bayanihan must secure the agreement. Also, it is very important to disclose if the space is owned by, or produces financial benefit to, any family or business relationship. Bayanihan must be provided a copy of the lease or rental agreement to satisfy these third-party audit considerations.

Travel Mileage The standard mileage rate for miles driven when undertaking charitable activities is \$.14/mile for the 2010 tax year. The standard mileage rate for miles driven when undertaking business activities is \$.50/mile for the 2010 tax year. The key determination is whether the miles driven relate to charitable activities or business activities. Reimbursements in excess of either of these would lead to taxable income for the recipient of the reimbursement.

IV. GENERAL OPERATIONS

Bayanihan is responsible to both the funding source and the IRS to account for the way that grants and donations are used. To ensure proper compliance with the IRS 501(c)(3) Code, Rules and Regulations, Bayanihan has developed a number of

operational policies and procedures that will inspire efficient management and accountability and ensure proper tax compliance.

A. Office Communications Each project is an integral part of the overall Bayanihan charitable entity, and open, honest communication between Project Directors and the Bayanihan office is essential to maintaining IRS compliance and financial sustainability. As such, every Project Director is expected to respond in a timely manner to all office-generated inquiries.

Please direct all project-related questions and concerns directly to:
dale@fdnbayanihan.org

The Bayanihan website www.Bayanihan.org is a valuable resource for both Project Directors and potential donors, including: www.fdnbayanihan.org

- Dedicated project pages for directly processing online donations
- Email links on each project page for instantly contacting directors
- Donation boxes for sub-fund allocations and/or recurring payments

Please notify Bayanihan at least 2 weeks in advance of any change requests or additions to your donation page. Expedited requests will be considered as Extra Services. Projects with independent websites are required to link directly to their dedicated Bayanihan donation page for proper 501(c)(3) verification and accountability.

C. Separate Bank Accounts Never, under any circumstances, shall a bank account be opened using the Bayanihan name and/or tax ID number without the express written consent and participation of the Bayanihan Executive Director. Such action will result in the immediate closure of this bank account, and could result in the expulsion of the project from Bayanihan. There may be circumstances when it is in the best interests of all involved for a project to maintain a separate bank account. We will be more than happy to address these issues in the context of each project's particular needs. All such decisions regarding the opening of separate bank accounts are made on a case-by-case basis. Bayanihan reserves the right to directly close an account due to any fraudulent activity and/or mismanagement.

E. Personnel and Employment Personnel and employment issues are critical for each project to understand. The most important issue to comprehend is that most Project Directors and their staff and consultants are considered independent contractors and are not direct employees of Bayanihan. When paid for their services, there is no withholding. In addition, a Form 1099 is issued at the end of the year, rather than a W-2. Within the IRS guidelines, it is acceptable for Project Directors to assign themselves a salary or stipend. This type of compensation can also apply to staff members and interns. However, the IRS stipulates that only an —insubstantial portion of a project's revenues can be directed towards —insider compensation. As with all other expenses, these worker's stipends are paid out of

project funds. However, it is extremely important to distinguish these payments from reimbursement of expenses, i.e. out-of-pocket expenses incurred by the individual who is now being reimbursed. The Bayanihan office needs to always receive, in advance, the proper explanations and documentation in order to comply with tax laws governing all payments to independent contractors.

In no case shall a project pay any American person from monies delivered to the project. In all cases, when an outside consultant is paid (even if this is for a one-time casual labor situation) Bayanihan must pay them directly. The project must also supply the person's full name, mailing address and phone number. All first payment requests must be accompanied with a fully completed Form W9. The IRS requires all of this information for tax reporting purposes.

F. Project Budgets Bayanihan requires all Project Directors to consciously prepare and regularly update their overall financial budget, to clearly represent where the project is heading, pursuant to achieving the charitable goals as defined in the project's mission statement. In addition to its function as a template upon which a project bases its day-to-day activities, budgets are also a mandatory aspect of nonprofit existence. In the case of an audit by the IRS, Bayanihan needs to demonstrate fiscal responsibility and effective oversight. Having sensible budgets on file for every project helps fulfill this requirement.

There are several different types of budget categories that can contribute to this overall plan: 1. Program Budgets Often a project creates a separate budget for each program to be initiated. The total of the individual program budgets is the budget for the project as a whole. If a project is focused on only one program, i.e. one specific focus of work, then the program budget will also be the overall project budget. 2. Cash Flow Budgets As an essential planning tool, these budgets track the anticipated inflows and outflows of cash. This type of budget is helpful during a project's —downtime, i.e. periods in between major programs when a project still has basic office expenses and other financial commitments. 3. Grant Budgets All foundations require budgets for the portion of work that they will be funding. However, as most projects have multiple sources of revenue, this budget will most likely be a subset of your full organizational budget. A Standard Budget Worksheet is available upon request to assist in the preparation of the different types of budgets mentioned above. The project brief worksheet will highlight and detail the most common expense categories. However, there may be a need to fine-tune the budget categories based on the type of work being performed in the field.

G. Joint Fundraising Projects are responsible for raising their own funds. While the Bayanihan staffs is available for discussing fund raising ideas, or otherwise assist a project in its fundraising activities, it is not a duty of Bayanihan to raise funds for the project. Every project has different fundraising goals and every Project Director/Staff is operating from a different set of skills and personal experiences for how to effectively maintain and increase donor awareness and participation in their charitable activities. At times, the Bayanihan Foundation Worldwide will conduct joint fundraising activities to support its partners. Bayanihan will outline detailed

compensation, disbursement and allocation of funds raised and payments of expenses for each joint fundraising project.

H. Sponsorship Identification In compliance with IRS 501(c)(3) Rules and Regulations, all public solicitations, printed materials, website messaging, and email and newsletter communications, must visibly include the following identification:

- —(Project Name) is a project of Bayanihan Foundation Worldwide, a 501(c)(3) Public Charity
- All checks should be made payable directly to —Bayanihan/(Project Name)."
- Contributions to (Project Name) are tax-deductible to the extent permitted by law.
- When Projects receive donations via credit cards, donors need to be advised that the company name —Bayanihan Foundation Worldwide (or Bayanihan) will appear on their credit card statement, not the associated Project Name.

These public disclosures are mandatory towards ensuring the tax-deductibility of donor contributions and maintaining the tax-exempt status for Bayanihan, and therefore, for all sponsored projects. Sponsored projects do not have a legal identity or existence as a tax-exempt organization other than through Bayanihan. I. Review of Public Materials

Projects must submit to the Bayanihan office, all materials prepared for public dissemination, allowing for a five working day review period (longer if legal review is necessary). This includes all grant proposals, newsletters, press releases, educational & advocacy materials (including video, web and broadcast media), lobbying materials, fund raising materials, etc. The Bayanihan office has the authority to restrict Bayanihan Foundation Worldwide materials from publication if they contain anything illegal or contrary to 501(c)(3) rules and regulations. Other suggestions for modifications are not mandatory, but may be recommended based upon our nonprofit management experience.

J. Grant Proposals Foundation grants are an important source of revenue for nonprofit organizations. Once the proposal is approved, Bayanihan can send a letter of support that confirms the Bayanihan/project relationship. Normally, the Bayanihan Executive Director must sign all grant award agreements. In addition, grant proposals should not include amounts for non-project costs. Bayanihan is responsible to both the funding source, and the IRS, to account for the way that money is raised and utilized. The IRS will consider your project's work a Bayanihan activity. For further clarification, there is a paper entitled "Use of Fiscal Agents: A Trap for the Unwary" which was published by the Council on Foundations. As outlined in this paper, it is imperative to strictly follow legal guidelines when Bayanihan projects accept tax-deductible donations. Each project should review this paper, if applicable. 1. Grant Contracts The Bayanihan office must sign all foundation grant contracts. A copy of the signed agreement and report forms, if any, will then be sent to the project. If you receive a grant agreement, please forward it to the

Bayanihan office. When the office receives the grant check, acknowledgment letters will be sent to the foundation. 2. Grant Reports Grant contracts always include a deadline for submission of reports. Every foundation has its own timeline for these reports. Generally, reports are due six months or one year after award of the grant. They are to be mailed to the foundation, with a copy to the Bayanihan office. Project directors are responsible for keeping records and writing reports in a timely fashion.

K. Corporate Sponsorship Corporate Sponsorship is the financial endorsement of a project by a corporation in exchange for publicity and/or other benefits. Corporate Sponsorship is an exception to unrelated business income (UBI) tax that charities must pay on their incoming-producing activities that are unrelated to their exempt purpose. Basically, a charity can, without being taxed, accept any payment (cash or in-kind) from a corporate sponsor as long there is no arrangement or expectation that the sponsor will receive a —substantial return benefit as defined by IRS regulations. This area is complicated and a full discussion is beyond the scope of this POM. Please contact Bayanihan prior to the entering into any corporate sponsorship agreement to ensure legal compliance.

L. Commercial Fundraisers / Fundraising Counsels A commercial fundraiser is any individual or entity that (1) is paid to solicit funds, assets, or property in Illinois for charitable purposes, (2) receive or controls such items, or (3) engages for pay another person to do so. A —fundraising counsell is any person or entity that paid to manage, advise, counsel, consult, or prepare material for solicitation in California of funds, assets, or property for charitable purpose, but who does not solicit, receive or control funds, and who does not engage or pay someone else to do so. Attorneys, employees and trustees of a charitable organization are not fundraiser counsel, and employees of charities are not commercial fundraisers. A complete discussion of this area of law is beyond the scope of this POM. Please contact Bayanihan prior to the engagement of any third-party to assist in fundraising efforts to ensure legal compliance.

M. Lobbying Guidelines /Reporting Requirements Nonprofit organizations are permitted to lobby. However, there are strict limitations. The purpose of this section is to provide Project Directors with a basic understanding of federal income tax law on lobbying, voter education, and other political activities conducted by public, tax-exempt organizations. Since projects are activities of Bayanihan, their actions are considered actions of Bayanihan. A questionable activity undertaken by any part of Bayanihan could jeopardize the organization as a whole. It is important that project directors understand what a public charity can do without jeopardizing its tax-exempt status or the deductibility of the contributions of its donors. This section addresses the narrow federal legal issues raised by legislative and political activity of public charities, those tax-exempt organizations – such as Bayanihan - which have a 501[c](3) and 509(a)(2) IRS tax status. (Private nonprofit, tax-exempt organizations are not allowed the breadth of activities permissible by public

charities. Private charities are subject to additional restrictions and penalty for lobbying and political activities.)

To be effective while acting within legal parameters of a public charity, it is important to understand the distinctions between public education, lobbying, and political campaigning (electioneering). Note: This section does not consider other laws governing activities concerning non-federal (state and local) legislative and political action. Readers should be aware that while not addressed here, these non-federal issues merit careful consideration in connection with the development and implementation of any particular political activity. For additional advice when planning any such activity, project directors are urged to talk to Bayanihan office staff.

1. Public Education It should be remembered that much of what a public charity does in the political arena constitutes neither lobbying nor campaigning. There is no limit to the amount of time and resources that may be used to contact government officials as long as they neither specifically urge those officials to support or discourage a piece of legislation. The following examples are all activities that are considered public education, and not lobbying: a. Efforts made at the administrative or regulatory level to get rules adopted, changed, or repealed that do not have the purpose of influencing the content of the rules. b. Litigation brought to further the public interest; e.g. suing the EPA or DOE to require an environmental impact statement. c. Efforts made to persuade the chief executive, e.g. president, governor, mayor to do or not do something (other than to promote or discourage legislation).

Nonpartisan educational materials may not have a specific legislative objective and must give complete treatment of the facts so that the reader may develop an independent conclusion on the issue(s). If the facts are distorted, essential facts are left out, viewpoints are expressed with no factual basis, or inflammatory or disparaging language is used to express conclusions, the IRS is not likely to view the material as educational. A public charity may distribute and make available nonpartisan analyses, studies, and research to the general public, including legislators. If a project receives a written request from a committee or a legislative body, not simply from an individual member, to testify or to provide technical advice on pending legislation, the testimony is not considered lobbying.

2. Lobbying Public charities may engage in some lobbying to attempt to influence legislation. Such activity, however, is subject to restrictions based on the amount of resources and time consumed in seeking to influence actions by Congress or a state or local legislature. While lobbying is permitted, it may not make up a "substantial part" of a public charity's activity (see "Computing Expenses for Lobbying" below). As noted above, lobbying is any activity directed towards influencing legislation. Legislation includes any act, bill, resolution, or similar item of Congress, state legislature, or local governing body, or other public act, e.g. a referendum, amendment, or initiative. Activities to influence legislation are divided into two categories. a. Direct Lobbying Direct lobbying involves contacting members or staff of a legislative body (U.S. Congress, a state legislature, or local counsel) or a

government employee who participates in the legislative process, with the intent of encouraging them to introduce, support, oppose, repeal or otherwise influence legislation. Telephone calls, letters, and office visits to a Member of Congress, testimony at a public hearing without a formal request from the committee or the legislative body, or publication of materials to encourage passage or repeal of a bill are all direct lobbying activities. b. Grassroots Lobbying Grassroots lobbying involves communicating with the general public to encourage individuals to lobby on a particular legislative proposal; e.g. letters to constituents requesting that they write to their representative to encourage or oppose a piece of legislation is grassroots lobbying.

3. Partisan Political Campaign Activity (Electioneering) All nonprofit, tax-exempt organizations are strictly forbidden from engaging in any political activity on behalf of or in opposition to a candidate for public office. Political campaigning, a.k.a. electioneering, by a representative of a public charity will jeopardize its tax-exempt status. The following activities constitute electioneering: endorsing candidates, urging the public to vote for or against specific candidates, contributing money to election campaigns, forming or supporting political action committees (PAC's), and providing mailing lists to candidates.

However, by definition, political activity does not necessarily constitute electioneering. For example, a nonprofit organization may conduct a non-partisan voter registration drive, provide voter education and encourage voters to get out to the polls, or organize public forums for Bayanihan Foundation Worldwide candidates as long as those activities show no preference for any particular candidate. (As mentioned above, constitutional amendments, referendums, and initiatives are legislative processes and support for or against any of these is considered lobbying, not electioneering.)

4. Computing Expenses for Lobbying For individual projects of Bayanihan wishing to lobby, what is the appropriate expenditure level? As noted above, Bayanihan has elected to use the –expenditure test, which is a mechanical standard for measuring permissible and impermissible ranges of lobbying expenditures, and does so in terms of the expenditure of funds and sliding scales of percentages. This lobbying activity necessitates tracking time and money expended by a project for lobbying purposes in order to insure that Bayanihan remains within its overall lobbying limits. Project Lobbying Expenditures Reporting Requirements IRS regulations set out the record keeping requirements for projects engaged in lobbying activities. Projects must account separately for direct and grassroots expenditures, as such expenditures have different limitations. The requirements are: For Direct:

1. Expenditures for grassroots lobbying;
2. Amounts paid for direct lobbying;
3. The portion of amounts paid or incurred as compensation for an employee's services for direct lobbying;

4. Amounts paid for out-of-pocket expenditures incurred on behalf of the organization and for direct lobbying;
5. The allocable portion of administrative overhead and other general expenditures attributable to direct lobbying;
6. Expenditures for publications or communications with members to the extent the expenditures are treated as expenditures for direct lobbying; and
7. Expenditures for direct lobbying of a controlled organization to the extent included by a controlling organization in its lobbying expenditures.

Identical requirements apply to grassroots expenditures. Any project with a single source of revenue or a limited number of donors is not allowed to lobby. To lobby, a project must be able to meet the mechanical public support test (usually public support equal to one third of total eligible support). In addition, no project may fundraise specifically for that portion of its budget that is to be used for lobbying. While nonprofit entities may expend revenue to lobby, they may not receive revenue specifically for this purpose. Revenue expended for lobbying must come from general support money received by the organization and represent funds in no way "earmarked" for lobbying.

N. Ownership of Products This is a very important issue, and one, which all Project Directors and key staff should be familiar with. Every project is a legal activity of Bayanihan. It is only through the tax-exempt affiliation with Bayanihan that groups are able to fund raise, accept donations, and promise their donors a tax deduction. Thus, the IRS considers all assets (physical and intellectual) to be owned by the public providing they were procured via public funds and/or public tax-exempt status. This means that if something is procured via a public charity (e.g. a project of Bayanihan) it 'technically' is owned by the public charity, hence fulfilling the 'owned by the public' mandate.

Because the IRS imposes this stipulation upon all public charities, Bayanihan temporarily assumes all legal responsibility for any tangible or intellectual products (such as videos, films, books, works of art, research manuscripts, and patents or copyrights covering the aforementioned) while that project is affiliated with Bayanihan. This privilege and responsibility transfers to the project when this affiliation changes, i.e. when the project —spins off as an independent nonprofit entity or transfers to another fiscal sponsor. Bayanihan will not exercise any artistic control over the contents of the materials; However, Bayanihan does need to verify that the content conforms to 501(c)(3) regulations. The aforementioned is in keeping with nonprofit law, which stipulates that no public funds be used for the private benefit or inurnment of an individual or business.

If a product is produced or if something is acquired with funds from the public realm, i.e. through the tax-exempt affiliation with Bayanihan, that product / acquisition must be channeled back to the public and not to the benefit of an individual or business. There are means by which the rights and ownership to a

product or acquisition can be acquired by an individual or business. Generally, this means a monetary reimbursement to Bayanihan in exchange for said rights and ownership. There are complex rules governing such transactions. Bayanihan will handle all such requests on a case-by-case basis. The manner in which Bayanihan will handle such transactions is such: if an individual, partnership, or business wishes to assume ownership of any physical or intellectual assets currently under ‘ownership’ by Bayanihan – due to the fiscal sponsorship arrangement – said assets will be granted only upon due compensation to Bayanihan. Again, this is in keeping with IRS stipulations governing such transactions.

Upon written advocacy of the Member Group that brought such asset to the books of Bayanihan, we (Bayanihan and the Member Group) will set the ‘price’ of these assets as anywhere between \$1 and \$10 per item. Assuming other parties do not covet these assets, and no offer has been made to purchase them, this nominal amount will suffice to complete the transaction. As mentioned previously, the ownership issue is strictly a legal affair. We will never exercise any creative control, nor tell you what to do with the assets produced by you and/or other members of your group. Nor will we show up on your doorstep and take them away from you. The responsibility for filing a formal application to obtain a copyright or patent lies with the project. The copyright name must be –Bayanihan/project name.

The means of transferring the ownership of all tangible and intellectual assets, as well as any copyrights, patents and/or trademarks covering said assets, to another public charity will be arranged as such: Bayanihan must receive a written request from a Project Director (email is acceptable) along with a copy of the IRS Letter of Determination documenting the official nonprofit status of the transferee. This is all that is required to complete the transfer to another public charity. In the event a Member Group wishes to ‘spin off’ under their independent 501(c)(3) status, or migrate to another fiscal sponsor, an exit interview is not a requirement for releasing any tangible or intellectual assets as stated above, nor for releasing monies that may be on hand with Bayanihan. All such possessions will transfer to the selected public charity upon the Member Group’s departure from Bayanihan for said charity, providing the proof of said status, by virtue of the Letter of Determination, is provided to Bayanihan. In cases falling within this category of ownership transfer, it is best to call the office for clarification.

O. Risk Management

1. Liability Insurance Due to the enormous scope and diversity of Bayanihan sponsored projects, and the significant degree of autonomy granted project directors, Bayanihan is unable to procure general liability insurance that covers specific projects. Therefore, individual projects must provide appropriate insurance protection for project activities. This is especially important when conducting activities that will definitely or potentially involve members of the general public. These activities include such events as conferences and symposia, trainings and classes, camps, workshops, etc. Transportation of individuals to and from these events should also be covered. Liability insurance should always be procured prior

to producing an event. Insurance costs are always a project expense, so it is very important to build this into your budget. Although not required, it is prudent and advisable to purchase a general liability insurance plan for your premises and equipment. The cost for business property insurance is always a project expense, as well.

In project activities or programs that give rise to possible tort liability for the project, and therefore Bayanihan, projects shall be required to obtain signed Waiver and Release of Liability Forms. Specific examples include programs that involve audience participation or physical contact with participants. As this determination of the necessity and appropriateness of the use of waiver and release forms is made on a case-by-case basis, please contact Bayanihan prior to the commencement of such programs or activities.

2. Contracts and Leases If a project is considering entering into a contract, lease, etc with a vendor or service provider, Bayanihan needs to be informed prior to entering into such agreements. However, Bayanihan will not co-sign individual contracts or leases. Therefore, the individual directly involved with the project agreement must assume full financial responsibility. If the Bayanihan name is ever included in a contract or lease without our express written consent, that project will be subject to removal and the contract or lease voided.

3. Legal Counsel and Litigation The issue of legal matters is a very important one, and should not be taken lightly by any project within Bayanihan. Projects cannot enter into any litigation without prior approval of the Bayanihan office. Furthermore, if a project is named as a defendant in any legal action, or if a threat exists for such action, the Bayanihan office shall be notified immediately. All projects in Bayanihan must obtain written approval from the Bayanihan Board of Trustees before entering into any litigation. If you need legal counsel and/or advice, call the Bayanihan office. In general, legal fees are the responsibility of the particular project undertaking the legal action. Strict adherence to this policy is a must.

4. Private Inurement and Excess Benefit A public charity is prohibited from allowing more than an insubstantial accrual of private benefit to individuals or organizations. This restriction is to ensure that a tax-exempt organization serves a public interest, not a private one. If a private benefit is more than incidental, it could jeopardize the organization's tax-exempt status.

No part of a project's net earnings may inure to the benefit of an insider. An insider is a person who has a personal or private interest in the activities of the organization such as an officer, director, or a key employee. An example of prohibited inurement would include payment of unreasonable compensation to an insider. Any amount of inurement may be grounds for loss of tax-exempt status. For more information about private benefit and inurement, visit: www.irs.gov/eo 5.

Annual Risk Survey Each project will be required to complete and return an annual risk survey. This survey assists Bayanihan in determining risk and guiding proper risk management.

V. SPONSORSHIP TERMINATION This Fiscal Sponsorship Agreement shall terminate when Bayanihan can no longer reasonably accomplish the objectives of the project. If the objectives of the project can still be accomplished but either the project or Bayanihan desires to terminate the Bayanihan fiscal sponsorship, the following terms and conditions shall apply. Either Bayanihan or the project may terminate this Agreement for any reason on ninety (90) days written notice to the other party.

Either party may terminate this Agreement, based upon a material breach of this Agreement, by giving thirty (30) days written notice to the other party. In the event of termination, the assets and liabilities of the Project may be disposed of at the end of the applicable notice period as follows: a) Bayanihan may transfer the assets and liabilities to another organization that is tax-exempt under IRC Section 501(c)(3), is not classified as a private foundation under Section 509(a) (—Successor[¶]), and is willing and able to sponsor the project (as used in this Paragraph, the word —able[¶] shall mean that the Successor has charitable purposes compatible with the purposes of the project and has the financial and administrative capacity to competently manage the project.) The balance of assets in Bayanihan’s restricted fund for the project, together with any other tangible and intangible assets held and liabilities incurred by Bayanihan in connection with the project, shall be transferred to the Successor at the end of the applicable notice period or any extension thereof, subject to the approval of third parties that may be required. b) Bayanihan may transfer the assets and liabilities to a new 501(c)(3) organization formed by the project that is qualified to be a Successor as set forth in this Paragraph, and has received a letter of determination from the Internal Revenue Service, indicating that such qualifications have been met, no later than the end of the applicable notice period or any extension thereof. c) If no Successor is found, Bayanihan may disperse the project assets and dispose of liabilities in any manner consistent with applicable tax and charitable trust laws. The terms and conditions of the termination, and any transfer of assets and liabilities, shall be subject to a properly completed and executed Bayanihan Transfer-Exit Agreement.