



355 W. Washington Avenue
Lake Bluff, Illinois 60044

August 28, 2014

Re: Friends of Lake Bluff Parks Tax-exempt Status

The Friends of Lake Bluff Parks (the “Friends”) was established in 2006 to conduct fund raising activities to support the facilities and services that the Lake Bluff Park District (the “Park District”) provides to the community. The Friends applied for, and received, tax-exempt status as a 501(c) 3 organization from the U. S. Internal Revenue Service (IRS). Because of the small size of the Friends operations, IRS regulations at that time did not require the Friends to file any returns or statements. However, The Pension Protection Act of 2006 directed the IRS to require all not-for-profit organizations to file annual returns beginning in 2007. The IRS took no steps to publicize this other than a posting on its web site. New regulations stipulated that organizations failing to file for three consecutive years would automatically lose their tax-exempt status. The IRS began enforcing this rule in 2010 and revoked the tax-exempt status of literally several hundred thousand small charitable organizations, including the Friends. Again, other than a posting on its web site, the IRS took no steps to notify the affected organizations. (In fact, the Friends filed tax returns for 2010, 2011, 2012 and 2013 without notification from the IRS or knowledge that its tax exempt status had been revoked).

The trustees of the Friends did not learn of this change in status until August 2014, and as a result, took the following actions:

1. Requested that Park District staff complete and file the necessary reporting with the IRS to satisfy past deficiencies and apply for retroactive reinstatement as a tax-exempt organization. That process is underway and will be complete in early September.
2. Committed to continuing its fundraising activities to support the Park District.
3. Decided to temporarily suspend accepting contributions and raising revenue in its own name in favor of the Park District directly.

Thus, the Friends will continue fundraising activities such as the recent Block Party (a big success) and the upcoming Luau! in September. Until the tax-exempt status of the Friends is officially reinstated, all funds collected at fundraising events will be accepted in the name of the Park District. The Park District will earmark such funds for the Friends and segregate them in its records. This represents no substantive change, as the Friends turns over the entirety of its net fund raising to the Park District. As a unit of local government, the Park District is tax-exempt and, as a consequence, donations made to it for public purposes qualify as tax deductible charitable contributions under Internal Revenue Service Code Subsection 170(c)(1). The Park District will send letters to donors to recognize donations it receives and describe their deductibility.

Because reinstatement of the Friends charitable status will be retroactive, our judgment - based on advice from Park District counsel - is that it is unlikely that the tax deductibility of prior contributions is at risk. If, however, the IRS questions a past contribution to the Friends, the donor should contact us so that we may provide the appropriate information to that agency.

We greatly appreciate the support of the Lake Bluff community and look forward to continued success in fundraising efforts for the benefit of the patrons of the Lake Bluff Park District.

Sincerely,

Peter Arnstein, President

Friends of Lake Bluff Parks