

Potter League for Animals
Independence Questions for the Board of Directors
(Completed annually for the Audit)

1. Are you an independent voting member of the Board with respect to the Organization?

Yes	No

a. If no, please describe how you are not independent.

2. Do you have a **family** or **business relationship** with any officer, director, trustee, or key employee?

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a. If yes, please describe how.

Signature

Print Name

Date

Definitions

Business relationship - Business relationships between two persons include the following:

1. One person is employed by the other in a sole proprietorship or by an organization with which the other is associated as a trustee, director, officer, key employee, or greater-than-35% owner.
2. One person is transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of \$10,000 in the aggregate during the organization's tax year. Indirect transactions are transactions with an organization with which the one person is associated as a trustee, director, officer, key employee, or greater-than-35% owner.
3. The two persons are each a director, trustee, officer, or greater than 10% owner in the same business or investment entity. Ownership is measured by stock ownership (either voting power or value) of a corporation, profits or capital interest in a partnership or limited liability company, membership interest in a nonprofit organization, or beneficial interest in a trust. Ownership includes indirect ownership (e.g., ownership in an entity that has ownership in the entity in question); there may be ownership through multiple tiers of entities.

Family member, family relationship - Unless specified otherwise, the family of an individual includes only his or her spouse, ancestors, brothers and sisters (whether whole or half blood), children (whether natural or adopted), grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren, and great-grandchildren.

Independent voting member of governing - A voting member of the governing body, if all three of the following circumstances applied at all times during the organization's tax year:

1. The member was not compensated as an officer or other employee of the organization or of a related organization (see the instructions for Schedule R, Related Organizations and Unrelated Partnerships), except as provided in the religious exception discussed in the instructions for Form 990, Part VI.
2. The member did not receive total compensation or other payments exceeding \$10,000 during the organization's tax year from the organization or from related organizations as an independent contractor, other than reimbursement of expenses under an accountable plan or reasonable compensation for services provided in the capacity as a member of the governing body. For example, a person who receives reasonable expense reimbursements and reasonable compensation as a director of the organization does not cease to be independent merely because he

or she also received payments of \$7,500 from the organization for other arrangements.

3. Neither the member, nor any family member of the member, was involved in a transaction with the organization (whether directly or indirectly through affiliation with another organization) required to be reported on Schedule L, Transactions With Interested Persons, for the organization's tax year, or in a transaction with a related organization of a type and amount that would be reportable on Schedule L if required to be filed by the related organization.

A member of the governing body is not considered to lack independence merely because of the following circumstances:

1. The member is a donor to the organization, regardless of the amount of the contribution;
2. The member has taken a bona fide vow of poverty and either:
 - a. Receives compensation as an agent of a religious order or a section 501(d) religious or apostolic organization, but only under circumstances in which the member does not receive taxable income (for example, Rev. Rul. 77-290, 1977-2 C.B. 26; Rev. Rul. 80-332); or
 - b. Belongs to a religious order that receives sponsorship or payments from the organization that do not constitute taxable income to the member.
3. The member receives financial benefits from the organization solely in the capacity of being a member of the charitable or other class served by the organization in the exercise of its exempt function, such as being a member of a section 501(c)(6) organization, so long as the financial benefits comply with the organization's terms of membership.