

Process for Preparing Form 990T

The Foundation is required to file Form 990T if it has gross income of \$1,000 or more from an unrelated trade or business. The Foundation invests in limited partnerships that report income subject to unrelated business taxable income. The Form 990T is due on May 15th after the end of its tax year (tax year is the same as the calendar year). Corporations may request an automatic 6-month extension of time to file using Form 8868, Application for Extension of Time to File an Exempt Organization Return. The Foundation files an extension since most of the Schedule K-1s are not received until after May 15th.

During the tax year, the Foundation reviews the distributions received from the limited partnerships and tax estimates provided by these entities to determine if estimated tax payments are required.

Estimated tax payments are due May 15th, June 15th, September 15th, and December 15th. Tax estimate calculations are prepared by the Accountant and reviewed by the Controller and Vice President for Finance. Payments are made through the BNY Mellon TreasuryEdge tax payment system.

Each year the Foundation reviews the Schedule K-1s and tax information received from the limited partnerships to determine the Foundation's amount of unrelated business taxable income (UBTI). See Appendix A. K-1 Process for Preparation of Federal Forms 990-PF and 990-T for a detailed explanation of this process. The UBTI information is then entered into a spreadsheet listing each entity that generated the UBTI. See Exhibit A for an example. The information on this spreadsheet is used to complete the Form 990T and supporting schedules and forms.

Capital gains and losses are entered on Schedule D, Capital Gains and Losses, and Section 1231 gains and losses are entered on Form 4797, Sales of Business Property. Alternative minimum tax (AMT) information is entered on Form 4626, Alternative Minimum Tax – Corporations. A copy of the Schedule K-1s that report AMT are made and included in the tax workpapers. Net operating loss carrybacks and carryovers are tracked for AMT purposes. See Exhibit B for the tracking spreadsheet. Form 8886, Reportable Transaction Disclosure Statement, is prepared for any entity that generated UBTI. The entity's Schedule K-1 would provide the information to prepare the Form 8886. The Foundation prepares a general Form 8886 each year to encompass all of the Foundation's investment activities that might be reportable. These forms are attached to the Form 990T when filed.

The book value included in box C is calculated by adding the cost value per the Investment Summary audit workpaper and the property, plant, and equipment amount. The Foundation calculates the net state income taxes paid during the year and includes this amount on Line 19. This amount is calculated by adding the amount paid by the Foundation per the Great Plains general ledger and any taxes paid by the funds on behalf of the Foundation. The taxes paid by the funds on behalf of the Foundation can be found on the Schedule K-1. The Foundation hasn't allocated expenses in the past since the private equity program was winding down and the Foundation was incurring losses. A decision was made by the Board in 2005 to restart the private equity portfolio with a 15% allocation. Now that the private equity portfolio is growing and producing gains, the Foundation will evaluate whether or not expenses should be allocated on the Form 990T.

The Foundation tracks net operating loss (NOL) carrybacks and carryovers. If the Foundation reports unrelated business taxable income for the year, the Foundation will look to see if any NOLs exist and can then deduct up to the income amount. If a loss is reported, the Foundation determines if any NOL carrybacks exist and will then file Form 1139, Corporation Application for Tentative Refund, for the appropriate tax years. Form 1139 is due within 12 months of the end of the tax year in which an NOL arose. See Exhibit C for the tracking spreadsheet.

The Form 990T is prepared by the Accountant using IntelliForms, CCH tax software, and reviewed by the Controller and Vice President for Finance. After Foundation staff reviews the draft return it is then reviewed by Deloitte Tax LLP. It is signed by the Foundation's President and CEO and a representative of Deloitte Tax LLP. An original is sent to the IRS by certified mail/return receipt. Another original is sent to Deloitte Tax LLP and the third original is kept at the Foundation offices. The return is also scanned and saved as a PDF file on the Foundation's network at H:\Finance\IRS-Tax\Tax Year\Form 990T\Year Form 990T.

Exhibit A

	Line 1	Line 2	Line 3	Line 5	Line 6a	Line 7	Line 8	Line 9a	Line 10	Line 11	Line 12	Line 13	Line 15	Line 16
	Ordinary Income/ (Loss) from Trade or Business Activities	Net Income/ (Loss) from Rental R/E Activities	Net Income/ (Loss) from Other Rental Activities	Interest	Dividends	Royalties	Net Short-Term Cap Gain/(Loss)	Net Long-Term Cap Gain/(Loss) Total	Section 1231	Other Income	Section 179 Expense	Other Deductions	Credits	Foreign Taxes
Unrelated Business Income:														
Boston Ventures LP V	(\$12,643)								(\$1,842)			\$824		
Boston Ventures LP VI	\$10,402			\$11,419				(\$1,435)	(\$1,024)			\$48,403		
Madison Dearborn Capital Partners V-B, LP	\$23,945								(\$22)			\$17,459		
Merced Partners II, LP	(\$2,972)													
Merced Partners III, LP	(\$16,300)													
WLR Recovery Fund IV, LP	\$109	(\$15)		\$153				\$99		\$9		\$32		
GS Private Equity Partners	\$50,823					\$41		\$5,554				\$1,137		
Whitehall Street Real Estate L.P.: Partnership X	(\$2,567)													
Partnership I X	(\$9,453)													
GS PEP Technology Fund 2000, L.P.	(\$185)				\$1,016							\$1,433		
Greenwich Street Capital Partners II				\$7,052						(\$7,296)		\$7,752		
Total Unrelated Business Income (Loss)	\$41,159	(\$15)	\$0	\$18,624	\$1,016	\$41	\$0	\$4,218	(\$2,888)	(\$7,287)	\$0	\$77,040	\$0	\$0
Summary:	Total of Lines 1-16													
Ordinary Income/(Loss)	\$41,159	} (\$23,501)												
Net Investment Income	(\$64,660)													
Realized Gains/(Losses)	\$1,330													
Taxable Income - subtotal	(\$22,171)													
Capital Loss Not Allowed	-													
Taxable Income/(Loss)	(\$22,171)													

The Lynde and Harry Bradley Foundation, Inc.
Net Operating Loss Carrybacks and Carryovers - REVISED AMT
Form 990-T

Exhibit B

	2005	2006	2007	2008	2009	2010	2011	AMT NOL Lost	Total
Taxable income (loss) before NOL deduction	655,668	1,414,469	(304,741)	256,076	(132,600) *	(115,213)	(21,542)		1,752,117
Carryback of NOL:									
'2002-2003									-
'2003-2004									-
'2004-2005									-
'2005-2006									-
'2006-2007	(107,687)	(197,054)	304,741						-
'2008-2009		(132,600)			132,600				-
'2009-2010				(115,213)		115,213			-
Carryover of NOL:									
'2002-2003	(482,414)								(482,414)
'2003-2004									-
'2004-2005									-
'2005-2006									-
'2006-2007									-
Taxable income after NOL carrybacks and carryovers	65,567	1,084,815	-	140,863	-	-	(21,542)	-	1,269,703

NOTE: Reviewed all previous K-1 information and noted that 2006 is the first year that there were any AMT adjustments.

*Includes \$1,000 specific deduction from line 33 of Form 990T.

Can only carryback up to 90% of taxable income for AMT purposes.

The Lynde and Harry Bradley Foundation, Inc.
Net Operating Loss Carrybacks and Carryovers
Form 990-T

Exhibit C

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	NOL Lost	Total
Taxable income (loss) before NOL deduction	(90,123)	42,317	488,279	(502,617)	9,193	(147,443)	(710,110)	428,091	615,003	1,417,823	(291,980)	287,966	(131,280)	(126,021)	(23,265)		1,265,833
Carryback of NOL:																	
'1996-1997																	-
'1997-1998																	-
'1998-1999																	-
'1999-2000			(488,279)	488,279													-
'2000-2001																	-
'2001-2002																	-
'2002-2003																	-
'2003-2004																	-
'2004-2005																	-
'2005-2006																	-
'2006-2007									(132,589)	(159,391)	291,980						-
'2007-2008																	-
'2008-2009										(131,280)			131,280				-
'2009-2010												(126,021)		126,021			-
Carryover of NOL:																	
'1996-1997	90,123	(42,317)			(9,193)			(38,614)									(1)
'1997-1998																	-
'1998-1999																	-
'1999-2000				14,338				(14,338)									-
'2000-2001																	-
'2001-2002						147,443		(147,443)									-
'2002-2003							710,110	(227,696)	(482,414)								-
'2003-2004																	-
'2004-2005																	-
'2005-2006																	-
'2006-2007																	-
Taxable income after NOL carrybacks and carryovers	(0)	-	-	-	-	-	-	-	-	1,127,152	-	161,945	-	-	(23,265)	-	1,265,832