

**Application for Recognition of Exemption
Under Section 501(c)(3) of the Internal Revenue Code**

OMB No. 1545-0056
Expires 5-31-96

If exempt status is
approved, this
application will be open
for public inspection.

Read the instructions for each Part carefully.

A User Fee must be attached to this application.

If the required information and appropriate documents are not submitted along with Form 8718 (with payment of the appropriate user fee), the application may be returned to you.

Complete the Procedural Checklist on page 7 of the instructions.

Part I Identification of Applicant

1a Full name of organization (as shown in organizing document) CHILD-CENTERED SCHOOLS INITIATIVE OF THE GREATER HOUSTON AREA		2 Employer identification number (If none, see instructions.) 76 : 0513493
1b c/o Name (if applicable) c/o Ms. Andrea White		3 Name and telephone number of person to be contacted if additional information is needed Andrea White (713) 523-5133
1c Address (number, street, and room or suite no.) 2215 Stanmore		
1d City or town, state, and ZIP code Houston, TX 77019		4 Month the annual accounting period ends December
5 Date incorporated or formed March 15, 1996	6 Activity codes (See instructions.) 059 429 602	
7 Check here if applying under section: a <input type="checkbox"/> 501(e) b <input type="checkbox"/> 501(f) c <input type="checkbox"/> 501(k)		
8 Did the organization previously apply for recognition of exemption under this Code section or under any other section of the Code? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," attach an explanation.		
9 Is the organization required to file Form 990 (or Form 990-EZ)? <input type="checkbox"/> N/A <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach an explanation (see instructions).		
10 Has the organization filed Federal income tax returns or exempt organization information returns? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," state the form numbers, years filed, and Internal Revenue office where filed.		

11 Check the box for the type of organization. BE SURE TO ATTACH A CONFORMED COPY OF THE CORRESPONDING DOCUMENTS TO THE APPLICATION BEFORE MAILING (See **Specific Instructions, Part I, Line 11.**) Get Pub. 557, **Tax-Exempt Status for Your Organization**, for examples of organizational documents.)

- a ☒ Corporation—Attach a copy of the Articles of Incorporation (including amendments and restatements) showing approval by the appropriate state official; also include a copy of the bylaws.
- b ☐ Trust—Attach a copy of the Trust Indenture or Agreement, including all appropriate signatures and dates.
- c ☐ Association—Attach a copy of the Articles of Association, Constitution, or other creating document, with a declaration (see instructions) or other evidence the organization was formed by adoption of the document by more than one person; also include a copy of the bylaws.

If the organization is a corporation or an unincorporated association that has not yet adopted bylaws, check here ☐

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

Please
Sign
Here


Andrea White (Signature)

Secretary (Title or authority of signer)

9/20/96
(Date)

For Paperwork Reduction Act Notice, see page 1 of the instructions.

Cat. No. 17133K

Part II Activities and Operational Information

- 1** Provide a detailed narrative description of all the activities of the organization—past, present, and planned. **Do not merely refer to or repeat the language in the organizational document.** Describe each activity separately in the order of importance. Each description should include, as a minimum, the following: (a) a detailed description of the activity including its purpose; (b) when the activity was or will be initiated; and (c) where and by whom the activity will be conducted.

The mission of the Child-Centered Schools Initiative of the Greater Houston Area is to promote an academically rich and purposeful education for more of our children and to demonstrate how such an education could become possible for all our children.

The work of the Child-Centered Schools Initiative will be to build new capacity at the school level which will engage parents, teachers, administrators, and the community in creating effective learning environments at home, at school, and in the community. This multi-district, city-wide campaign focuses the community's energies and financial resources for a strategic investment in networks of public schools and their community partners to thoughtfully work toward whole school change.

The Child-Centered Schools Initiative will provide funding in three categories. The primary financial commitment of the Child-Centered Schools Initiative will be directly to schools so that people closest to the children can build a school program that assures each student is expected, taught, and nurtured to learn. Two additional funding categories will encourage activities that insure success and create the infrastructure to carry the momentum from networks to systemic reform.

See Exhibit "A" for more detailed information.

The timetable for these activities, which will begin in late 1996, is contained in Exhibit "A".

- 2** What are or will be the organization's sources of financial support? List in order of size.

Contributions from charitable foundations
Contributions from corporations and individuals
Contributions from public school funds

- 3** Describe the organization's fundraising program, both actual and planned, and explain to what extent it has been put into effect. Include details of fundraising activities such as selective mailings, formation of fundraising committees, use of volunteers or professional fundraisers, etc. Attach representative copies of solicitations for financial support.

The attached proposal to the Annenberg Challenge for Public School Reform requests \$20,000,000 to be matched 2 to 1 by local dollars. Gifts from local foundations are expected to be pledged. Once hired, staff will solicit matching contributions from local foundations, corporations, and individuals.

Part II Activities and Operational Information (Continued)**4** Give the following information about the organization's governing body:**a** Names, addresses, and titles of officers, directors, trustees, etc.**b** Annual compensation

1. Maconda O'Connor, President and Trustee
2980 Revere #300, Houston, TX 77098-5607
2. H. Joe Nelson, III, Treasurer and Trustee
600 Travis #6400, Houston, TX 77002-3007
3. Rosie Zamora, Trustee
c/o Telesurveys of Texas, 4715 Greeley
Houston, TX 77006
4. Isabel Wilson, Trustee
230 Westcott, Houston, TX 77006

1. -0-
2. -0-
3. -0-
4. -0-
5. -0-

5. Andrea White, Secretary and Trustee 2215 Stanmore, Houston, TX 77019

c Do any of the above persons serve as members of the governing body by reason of being public officials or being appointed by public officials? ☐ Yes ☒ No

If "Yes," name those persons and explain the basis of their selection or appointment.

d Are any members of the organization's governing body "disqualified persons" with respect to the organization (other than by reason of being a member of the governing body) or do any of the members have either a business or family relationship with "disqualified persons"? (See Specific Instructions, Part II, Line 4d.) ☐ Yes ☒ No

If "Yes," explain.

5 Does the organization control or is it controlled by any other organization? ☐ Yes ☒ No

Is the organization the outgrowth of (or successor to) another organization, or does it have a special relationship with another organization by reason of interlocking directorates or other factors? ☐ Yes ☒ No

If either of these questions is answered "Yes," explain.

6 Does or will the organization directly or indirectly engage in any of the following transactions with any political organization or other exempt organization (other than a 501(c)(3) organization): (a) grants; (b) purchases or sales of assets; (c) rental of facilities or equipment; (d) loans or loan guarantees; (e) reimbursement arrangements; (f) performance of services, membership, or fundraising solicitations; or (g) sharing of facilities, equipment, mailing lists or other assets, or paid employees? ☐ Yes ☒ No

If "Yes," explain fully and identify the other organizations involved.

7 Is the organization financially accountable to any other organization? ☐ Yes ☒ No

If "Yes," explain and identify the other organization. Include details concerning accountability or attach copies of reports if any have been submitted.

Part II Activities and Operational Information (Continued)

- 8 What assets does the organization have that are used in the performance of its exempt function? (Do not include property producing investment income.) If any assets are not fully operational, explain their status, what additional steps remain to be completed, and when such final steps will be taken. If "None," indicate "N/A."
- N/A
- 9 Will the organization be the beneficiary of tax-exempt bond financing within the next 2 years? . . . ☐ Yes ☒ No
- 10a Will any of the organization's facilities or operations be managed by another organization or individual under a contractual agreement? . . . ☐ Yes ☒ No
- b Is the organization a party to any leases? . . . ☐ Yes ☒ No
- If either of these questions is answered "Yes," attach a copy of the contracts and explain the relationship between the applicant and the other parties.
- 11 Is the organization a membership organization? . . . ☐ Yes ☒ No
- If "Yes," complete the following:
- a Describe the organization's membership requirements, and attach a schedule of membership fees and dues.
- b Describe the organization's present and proposed efforts to attract members, and attach a copy of any descriptive literature or promotional material used for this purpose.
- c What benefits do (or will) the members receive in exchange for their payment of dues?
- 12a If the organization provides benefits, services, or products, are the recipients required, or will they be required, to pay for them? . . . ☐ N/A ☐ Yes ☒ No
- If "Yes," explain how the charges are determined, and attach a copy of the current fee schedule.
- b Does or will the organization limit its benefits, services, or products to specific individuals or classes of individuals? . . . ☐ N/A ☐ Yes ☒ No
- If "Yes," explain how the recipients or beneficiaries are or will be selected.
- 13 Does or will the organization attempt to influence legislation? . . . ☐ Yes ☒ No
- If "Yes," explain. Also, give an estimate of the percentage of the organization's time and funds that it devotes or plans to devote to this activity.
- 14 Does or will the organization intervene in any way in political campaigns, including the publication or distribution of statements? . . . ☐ Yes ☒ No
- If "Yes," explain fully.

Part III Technical Requirements

- 1 Are you filing Form 1023 within 15 months from the end of the month in which your organization was created or formed? ☒ Yes ☐ No
If you answer "Yes," do not answer questions on lines 2 through 7.

- 2 If one of the exceptions to the 15-month filing requirement shown below applies, check the appropriate box and proceed to question 8.

Exceptions—You are not required to file an exemption application within 15 months if the organization:

- ☐ a Is a church, interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church (see instructions);
- ☐ b Is not a private foundation and normally has gross receipts of not more than \$5,000 in each tax year; or
- ☐ c Is a subordinate organization covered by a group exemption letter, but only if the parent or supervisory organization timely submitted a notice covering the subordinate.

- 3 If the organization does not meet any of the exceptions on line 2, are you filing Form 1023 within 27 months from the end of the month in which the organization was created or formed? ☐ Yes ☐ No

If "Yes," your organization qualifies under section 4.01 of Rev. Proc. 92-85, 1992-42 I.R.B. 32, for an automatic 12-month extension of the 15-month filing requirement. Do not answer questions 4 through 7.

If "No," answer question 4.

- 4 If you answer "No" to question 3, has the organization been contacted by the IRS regarding its failure to file Form 1023 within 27 months from the end of the month in which the organization was created or formed? ☐ Yes ☐ No

If "No," your organization qualifies for an extension of time to apply under the "reasonable action and good faith" requirements of section 5.01 of Rev. Proc. 92-85. Do not answer questions 5 through 7.

If "Yes," answer question 5.

- 5 If you answer "Yes" to question 4, does the organization wish to request relief from the 15-month filing requirement? ☐ Yes ☐ No

If "Yes," give the reasons for not filing this application prior to being contacted by the IRS. See Specific Instructions, Part III, Line 5, before completing this item. Do not answer questions 6 and 7.

If "No," answer question 6.

- 6 If you answer "No" to question 5, your organization's qualification as a section 501(c)(3) organization can be recognized only from the date this application is filed with your key District Director. Therefore, do you want us to consider the application as a request for recognition of exemption as a section 501(c)(3) organization from the date the application is received and not retroactively to the date the organization was created or formed? ☐ Yes ☐ No

- 7 If you answer "Yes" to the question on line 6 above and wish to request recognition of section 501(c)(4) status for the period beginning with the date the organization was formed and ending with the date the Form 1023 application was received (the effective date of the organization's section 501(c)(3) status), check here ☐ and attach a completed page 1 of Form 1024 to this application.

Part III Technical Requirements (Continued)

8 Is the organization a private foundation?

- ☒ **Yes** (Answer question on line 9.)
☐ **No** (Answer question on line 10 and proceed as instructed.)

9 If you answer "Yes" to the question on line 8, does the organization claim to be a private operating foundation?

- ☒ **Yes** (Complete Schedule E)
☐ **No**

After answering the question on this line, go to Part IV.

10 If you answer "No" to the question on line 8, indicate the public charity classification the organization is requesting by checking the box below that most appropriately applies:

THE ORGANIZATION IS NOT A PRIVATE FOUNDATION BECAUSE IT QUALIFIES:

- | | |
|---|--|
| a <input type="checkbox"/> As a church or a convention or association of churches
(CHURCHES MUST COMPLETE SCHEDULE A.) | Sections 509(a)(1)
and 170(b)(1)(A)(i) |
| b <input type="checkbox"/> As a school (MUST COMPLETE SCHEDULE B.) | Sections 509(a)(1)
and 170(b)(1)(A)(ii) |
| c <input type="checkbox"/> As a hospital or a cooperative hospital service organization, or a
medical research organization operated in conjunction with a
hospital (MUST COMPLETE SCHEDULE C.) | Sections 509(a)(1)
and 170(b)(1)(A)(iii) |
| d <input type="checkbox"/> As a governmental unit described in section 170(c)(1). | Sections 509(a)(1)
and 170(b)(1)(A)(v) |
| e <input type="checkbox"/> As being operated solely for the benefit of, or in connection with,
one or more of the organizations described in a through d, g, h, or i
(MUST COMPLETE SCHEDULE D.) | Section 509(a)(3) |
| f <input type="checkbox"/> As being organized and operated exclusively for testing for public
safety. | Section 509(a)(4) |
| g <input type="checkbox"/> As being operated for the benefit of a college or university that is
owned or operated by a governmental unit. | Sections 509(a)(1)
and 170(b)(1)(A)(iv) |
| h <input type="checkbox"/> As receiving a substantial part of its support in the form of
contributions from publicly supported organizations, from a
governmental unit, or from the general public. | Sections 509(a)(1)
and 170(b)(1)(A)(vi) |
| i <input type="checkbox"/> As normally receiving not more than one-third of its support from
gross investment income and more than one-third of its support from
contributions, membership fees, and gross receipts from activities
related to its exempt functions (subject to certain exceptions). | Section 509(a)(2) |
| j <input type="checkbox"/> The organization is a publicly supported organization but is not sure
whether it meets the public support test of block h or block i. The
organization would like the IRS to decide the proper classification. | Sections 509(a)(1)
and 170(b)(1)(A)(vii)
or
Section 509(a)(2) |

If you checked one of the boxes a through f in question 10, go to question
 15. If you checked box g in question 10, go to questions 12 and 13.
 If you checked box h, i, or j, go to question 11.

Part III Technical Requirements (Continued)

- 11 If you checked box h, i, or j on line 10, has the organization completed a tax year of at least 8 months?
- ☐ Yes—Indicate whether you are requesting:
- ☐ A definitive ruling (Answer questions on lines 12 through 15.)
- ☐ An advance ruling (Answer questions on lines 12 and 15 and attach two Forms 872-C completed and signed.)
- ☐ No—You must request an advance ruling by completing and signing two Forms 872-C and attaching them to the application.
- 12 If the organization received any unusual grants during any of the tax years shown in Part IV-A, attach a list for each year showing the name of the contributor; the date and the amount of the grant; and a brief description of the nature of the grant.

- 13 If you are requesting a definitive ruling under section 170(b)(1)(A)(iv) or (vi), check here ☐ and:

- a Enter 2% of line 8, column (e) of Part IV-A _____
- b Attach a list showing the name and amount contributed by each person (other than a governmental unit or "publicly supported" organization) whose total gifts, grants, contributions, etc., were more than the amount entered on line 13a above.

- 14 If you are requesting a definitive ruling under section 509(a)(2), check here ☐ and:

- a For each of the years included on lines 1, 2, and 9 of Part IV-A, attach a list showing the name of and amount received from each "disqualified person." (For a definition of "disqualified person," see **Specific Instructions, Part II, Line 4d.**)
- b For each of the years included on line 9 of Part IV-A, attach a list showing the name of and amount received from each payer (other than a "disqualified person") whose payments to the organization were more than \$5,000. For this purpose, "payer" includes, but is not limited to, any organization described in sections 170(b)(1)(A)(i) through (vi) and any governmental agency or bureau.

15 Indicate if your organization is one of the following. If so, complete the required schedule. (Submit only those schedules that apply to your organization. Do not submit blank schedules.)	Yes	No	If "Yes," complete Schedule:
Is the organization a church?			A
Is the organization, or any part of it, a school?			B
Is the organization, or any part of it, a hospital or medical research organization?			C
Is the organization a section 509(a)(3) supporting organization?			D
Is the organization a private operating foundation?			E
Is the organization, or any part of it, a home for the aged or handicapped?			F
Is the organization, or any part of it, a child care organization?			G
Does the organization provide or administer any scholarship benefits, student aid, etc.?			H
Has the organization taken over, or will it take over, the facilities of a "for profit" institution? . . .			I

Part IV Financial Data

Complete the financial statements for the current year and for each of the 3 years immediately before it. If in existence less than 4 years, complete the statements for each year in existence. If in existence less than 1 year, also provide proposed budgets for the 2 years following the current year.

A. Statement of Revenue and Expenses

	Current tax year	3 prior tax years or proposed budget for 2 years			(e) TOTAL
	(a) From...7/96 to 12/96	(b) 19.97...	(c) 19.98....	(d) 19.....	
Revenue					
1 Gifts, grants, and contributions received (not including unusual grants—see instructions).	-0-	6,705,000	9,725,00		\$16,430,000
2 Membership fees received	-0-	-0-	-0-		-0-
3 Gross investment income (see instructions for definition)	-0-	-0-	-0-		-0-
4 Net income from organization's unrelated business activities not included on line 3	-0-	-0-	-0-		-0-
5 Tax revenues levied for and either paid to or spent on behalf of the organization	-0-	-0-	-0-		-0-
6 Value of services or facilities furnished by a governmental unit to the organization without charge (not including the value of services or facilities generally furnished the public without charge)	-0-	-0-	-0-		-0-
7 Other income (not including gain or loss from sale of capital assets) (attach schedule)	-0-	-0-	-0-		-0-
8 Total (add lines 1 through 7)	-0-	6,705,000	9,725,000		16,430,000
9 Gross receipts from admissions, sales of merchandise or services, or furnishing of facilities in any activity that is not an unrelated business within the meaning of section 513	-0-	-0-	-0-		-0-
10 Total (add lines 8 and 9)	-0-	6,705,000	9,725,000		16,430,000
11 Gain or loss from sale of capital assets (attach schedule)	-0-	-0-	-0-		-0-
12 Unusual grants	-0-	-0-	-0-		-0-
13 Total revenue (add lines 10 through 12)		6,705,000	9,725,000		16,430,000
Expenses					
14 Fundraising expenses	-0-	100,000	100,000		
15 Contributions, gifts, grants, and similar amounts paid (attach schedule) see Exh. B	-0-	6,345,000	9,380,000		
16 Disbursements to or for benefit of members (attach schedule)	-0-	-0-	-0-		
17 Compensation of officers, directors, and trustees (attach schedule)	-0-	-0-	-0-		
18 Other salaries and wages see Exh. C	-0-	175,000	180,250		
19 Interest	-0-	-0-	-0-		
* 20 Occupancy (rent, utilities, etc.)	-0-	5,000	5,000		
21 Depreciation and depletion	-0-	-0-	-0-		
22 Other (attach schedule) see Exh. D	-0-	80,000	59,750		
23 Total expenses (add lines 14 through 22)	-0-	6,705,000	9,725,000		
24 Excess of revenue over expenses (line 13 minus line 23)	-0-	-0-	-0-		

* Donated use of office space and equipment is anticipated.

Part IV Financial Data (Continued)

B. Balance Sheet (at the end of the period shown)		Current tax year Date 1996.....
Assets		
1	Cash	1 -0-
2	Accounts receivable, net	2 -0-
3	Inventories	3 -0-
4	Bonds and notes receivable (attach schedule)	4 -0-
5	Corporate stocks (attach schedule)	5 -0-
6	Mortgage loans (attach schedule)	6 -0-
7	Other investments (attach schedule)	7 -0-
8	Depreciable and depletable assets (attach schedule)	8 -0-
9	Land	9 -0-
10	Other assets (attach schedule)	10 -0-
11	Total assets (add lines 1 through 10)	11 -0-
Liabilities		
12	Accounts payable	12 -0-
13	Contributions, gifts, grants, etc., payable	13 -0-
14	Mortgages and notes payable (attach schedule)	14 -0-
15	Other liabilities (attach schedule)	15 -0-
16	Total liabilities (add lines 12 through 15)	16 -0-
Fund Balances or Net Assets		
17	Total fund balances or net assets	17 -0-
18	Total liabilities and fund balances or net assets (add line 16 and line 17)	18 -0-
If there has been any substantial change in any aspect of the organization's financial activities since the end of the period shown above, check the box and attach a detailed explanation <input type="checkbox"/>		

Schedule E. Private Operating Foundation

Income Test		Most recent tax year
1a	Adjusted net income, as defined in Regulations section 53.4942(a)-2(d)	1a
b	Minimum investment return, as defined in Regulations section 53.4942(a)-2(c)	1b
2	Qualifying distributions:	
a	Amounts (including administrative expenses) paid directly for the active conduct of the activities for which organized and operated under section 501(c)(3) (attach schedule)	2a
b	Amounts paid to acquire assets to be used (or held for use) directly in carrying out purposes described in section 170(c)(1) or 170(c)(2)(B) (attach schedule)	2b
c	Amounts set aside for specific projects that are for purposes described in section 170(c)(1) or 170(c)(2)(B) (attach schedule)	2c
d	Total qualifying distributions (add lines 2a, b, and c)	2d
3	Percentages:	
a	Percentage of qualifying distributions to adjusted net income (divide line 2d by line 1a)	3a
b	Percentage of qualifying distributions to minimum investment return (divide line 2d by line 1b). (Percentage must be at least 85% for 3a or 3b)	3b
Assets Test		
4	Value of organization's assets used in activities that directly carry out the exempt purposes. Do not include assets held merely for investment or production of income (attach schedule)	4
5	Value of any stock of a corporation that is controlled by applicant organization and carries out its exempt purposes (attach statement describing corporation)	5
6	Value of all qualifying assets (add lines 4 and 5)	6
7	Value of applicant organization's total assets	7
8	Percentage of qualifying assets to total assets (divide line 6 by line 7—percentage must exceed 65%)	8
Endowment Test		
9	Value of assets not used (or held for use) directly in carrying out exempt purposes:	
a	Monthly average of investment securities at fair market value	9a
b	Monthly average of cash balances	9b
c	Fair market value of all other investment property (attach schedule)	9c
d	Total (add lines 9a, b, and c)	9d
10	Acquisition indebtedness related to line 9 items (attach schedule)	10
11	Balance (subtract line 10 from line 9d)	11
12	Multiply line 11 by 3 1/4% (3/4 of the percentage for the minimum investment return computation under section 4942(e)). Line 2d above must equal or exceed the result of this computation	12
Support Test		
13	Applicant organization's support as defined in section 509(d)	13
14	Gross investment income as defined in section 509(e)	14
15	Support for purposes of section 4942(j)(3)(B)(iii) (subtract line 14 from line 13)	15
16	Support received from the general public, five or more exempt organizations, or a combination of these sources (attach schedule)	16
17	For persons (other than exempt organizations) contributing more than 1% of line 15, enter the total amounts that are more than 1% of line 15	17
18	Subtract line 17 from line 16	18
19	Percentage of total support (divide line 18 by line 15—must be at least 85%)	19
20	Does line 16 include support from an exempt organization that is more than 25% of the amount of line 15?	<input type="checkbox"/> Yes <input type="checkbox"/> No
21	Newly created organizations with less than 1 year's experience: Attach a statement explaining how the organization is planning to satisfy the requirements of section 4942(j)(3) for the income test and one of the supplemental tests during its first year's operation. Include a description of plans and arrangements, press clippings, public announcements, solicitations for funds, etc. See Exhibits "E" and "F"	
22	Does the amount entered on line 2a include any grants that the applicant organization made? If "Yes," attach a statement explaining how those grants satisfy the criteria for "significant involvement" grants described in section 53.4942(b)-1(b)(2) of the regulations.	

For more information, see back of Schedule E.

Instructions

If the organization claims to be an operating foundation described in section 4942(j)(3) and—

a. Bases its claim to private operating foundation status on normal and regular operations over a period of years; or

b. Is newly created, set up as a private operating foundation, and has at least 1 year's experience;

provide the information under the income test and under one of the three supplemental tests (assets, endowment, or support). If the organization does not have at least 1 year's experience, provide the information called for on line 21. If the organization's private operating foundation status depends on its normal and regular operations as described in a above, attach a schedule similar to Schedule E showing the data in tabular form for the 3 years preceding the most recent tax year. (See Regulations section 53.4942(b)-1 for additional information before completing the "Income Test" section of this schedule.) Organizations claiming section 4942(j)(5) status must satisfy the income test and the endowment test.

A "private operating foundation" described in section 4942(j)(3) is a private foundation that spends substantially all of the smaller of its adjusted net income (as defined below) or its minimum investment return directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated. The foundation must satisfy the income test under section 4942(j)(3)(A), as modified by Regulations section 53.4942(b)-1, and one of the following three supplemental tests: **(1)** the assets test under section 4942(j)(3)(B)(i); **(2)** the endowment test under section 4942(j)(3)(B)(ii); or **(3)** the support test under section 4942(j)(3)(B)(iii).

Certain long-term care facilities described in section 4942(j)(5) are treated as private operating foundations for purposes of section 4942 only.

"Adjusted net income" is the excess of gross income for the tax year over the sum of deductions determined with the modifications described below. Items of gross income from any unrelated trade or business and the deductions directly connected with the unrelated trade or business are taken into account in computing the organization's adjusted net income.

Income Modifications

The following are income modifications (adjustments to gross income):

1. Section 103 (relating to interest on certain governmental obligations) does not apply. Thus, interest that otherwise would have been excluded should be included in gross income.

2. Except as provided in 3 below, capital gains and losses are taken into account only to the extent of the net short-term gain. Long-term gains and losses are disregarded.

3. The gross amount received from the sale or disposition of certain property should be included in gross income to the extent that the acquisition of the property constituted a qualifying distribution under section 4942(g)(1)(B).

4. Repayments of prior qualifying distributions (as defined in section 4942(g)(1)(A)) constitute items of gross income.

5. Any amount set aside under section 4942(g)(2) that is "not necessary for the purposes for which it was set aside" constitutes an item of gross income.

Deduction Modifications

The following are deduction modifications (adjustments to deductions):

1. Expenses for the general operation of the organization according to its charitable purposes (as contrasted with expenses for the production or collection of income and management, conservation, or maintenance of income-producing property) should not be taken as deductions. If only a portion of the property is used for production of income subject to section 4942 and the remainder is used for general charitable purposes, the expenses connected with that property should be divided according to those purposes. Only expenses related to the income-producing portion should be taken as a deductions.

2. Charitable contributions, deductible under section 170 or 642(c), should not be taken into account as deductions for adjusted net income.

3. The net operating loss deduction prescribed under section 172 should not be taken into account as a deduction for adjusted net income.

4. The special deductions for corporations (such as the dividends-received deduction) allowed under sections 241 through 249 should not be taken into account as deductions for adjusted net income.

5. Depreciation and depletion should be determined in the same manner as under section 4940(c)(3)(B).

Section 265 (relating to the expenses and interest connected with tax-exempt income) should not be taken into account.

You may find it easier to figure adjusted net income by completing Column (c), Part 1, Form 990-PF, according to the instructions for that form.

An organization that has been held to be a private operating foundation will continue to be such an organization only if it meets the income test and either the assets, endowment, or support test in later years. See Regulations section 53.4942(b) for additional information. No additional request for ruling will be necessary or appropriate for an organization to maintain its status as a private operating foundation. However, data related to the above tests must be submitted with the organization's annual return, Form 990-PF.

EXHIBIT A**Funding Category I: Direct Support to Reforming Schools Through Development, Planning, and Implementation Grants**

Any school inside the designated districts is eligible to apply for planning grants or for implementation grants as part of a network, depending on the eligibility criteria for the type of funding requested. Applications will be solicited through an RFP process inviting applications for the following types of grant support:

Development Grants for the First Network of Beacon Schools

- Purpose:** To invest in individual schools and their community partners where child-centered education is underway. To bring forth leadership schools and to link them together to form the first network and prepare them to serve as anchors for future networks.
- Use of funds:** Must include teacher learning and professional development; personalizing the learning environment, including reorganization and budgeting; time and support for work with the school-community partner network; parent involvement; evaluation and documentation; providing support for other schools. Additionally, use of funds may include but is not limited to resource materials, instructional resources, consulting support, support for waivers, collaboration with community organization.
- Duration:** One to two years.
- Amounts:** \$100,000 - \$200,000 per year per school with continued funding tied to progress along approved benchmarks.

Planning Grants for Subsequent Schools

- Purpose:** To assist schools and networks of schools and community partners in assessing needs, identifying partners, establishing specific goals and objectives, and planning.
- Use of funds:** Must include teacher learning, identifying partner schools and community partners, and planning for personalizing the learning environment. May also include but is not limited to principal/leadership development, development of alternative assessment methods, and technical assistance.
- Duration:** Six months to one year.
- Amounts:** \$10,000 - \$100,000 per year per applicant, network depending on number and sizes of schools.

Implementation Grants

- Purpose:** To invest in networks of schools and their community partners to carry out plans for improvement, addressing the key issues of size, teacher learning, isolation, and including evaluation.
- Use of funds:** Must include teacher learning and professional development; personalizing the learning environment, including reorganization and budgeting; time and support for work with the school-community partner network; parent involvement; evaluation and documentation; providing support for other schools. Additionally, use of funds may include but is not limited to resource materials, instructional resources, consulting support, support for waivers, collaboration with community organization.
- Duration:** Four to five years.
- Amounts:** \$50,000 - \$175,000 per year for each school in the network, with continued funding tied to results.

EXHIBIT A**Funding Category II: Indirect Support to Reforming Schools**

Funding in this category is intended to make available to schools the expertise, services, and technical assistance they need to be successful. Funds will be awarded through RFP processes, through recommendations of the Council, and through initiatives undertaken by the Trustees. Types of grants will include training, dissemination, and evaluation. This funding may be used for activities such as

- *Communicating Successes and Challenges*
- *Educating and Recruiting a Strong Faculty for the Future*
- *Teacher Learning and Principal/Leadership Development*
- *Regional Faculty*
- *Cross-Site Evaluation*

Funding Category III: Building a Community of Support for Reforming Schools

To create the public patience for reform, the strong advocacy needed for schools to dedicate themselves to teaching all children well, and the policy climate which allows and encourages schools to take risks to change, the Child-Centered Schools Initiative will commit a modest portion of its funds to educating the community to be smarter about kids and schools. These funds may be used for activities such as:

- *Public Policy Forums Related to Children and Children's Issue*
- *Research Consortia*
- *Public Information and Dissemination*
- *Public Policy Advisement*

EXHIBIT A

IMPLEMENTATION TIME TABLE

Year 1

1996	Governance/Administration	CCSI Reform Effort
Sept.-Dec.	Expand Board of Trustees	Planning Team drafts nomination process for Council
	Develop CCSI by-laws	
	Urban School Reform Workshop for Trustees	Planning Team assembles School Reform Resource Guides for Trustees and Council
	Select fiscal agent; initial budgeting and accounting process	Planning Team assists Trustees in designing process for identifying Beacon Schools for lead grants
	Establish staffing plan; task force conducts national search for Executive Director	Trustees host meetings with groups to identify public dollar share of match
	Identify additional lead gifts and fund-raising plan	
	Task forces refine process for Council membership and RFP's	
	Issue Call for Nominations for the Council, due 10/15	
	Begin public information campaign	
	Hire Executive Director; financial manger; administrative assistant	
	Select Council members	
	Two-day Urban School Reform/Team Building Workshop for Council	

EXHIBIT A

November	Establish procedures for matching funds	Council/Trustees host series of informational forums for schools and the community about Initiative and technical assistance
Dec - Feb	Trustees and Council establish process for creation of Regional Faculty to assist reforming schools	Selection of first network of Beacon Schools Staff and Council provide assistance to proposing schools Issue RFP for initial planning grants; letter of intent due 1/1/97
1997		
January	RFP for participation in Research Consortia	Trustees award implementation grants to Beacon Schools
February		Planning Grant proposals due.
March		First Touchstone Conference on policy issues related to children
May		First round of planning grants to school networks awarded.

Years II Through IV

In years II through IV, a systematic plan for documentation and evaluation will be incorporated. At least two cycles of planning grants and two cycles of implementation grants will be awarded each year. Implementation grants will be renewable from year to year, contingent upon their progress toward established benchmarks.

EXHIBIT A

The Touchstone Conferences, publications, and public forums will build a deeper level of community support for reforming schools. The networks will be calling on the Regional Faculty, the faculties across the networks, their community providers and partners and other local resources for programmatic and technical assistance to make the change process work.

New relationships will emerge among urban superintendents across districts, among schools working toward similar goals, and between schools and their parent communities. An annual "taking stock" conference among reforming schools will help formalize the sharing of reform processes and assessments of progress, in addition to other forms of evaluation and documentation.

Year V

In the fifth year, no new planning grants will be awarded. A final cycle of new implementation grants may be awarded or the Trustees may determine that the final year's grants will be to deepen and extend the work in existing networks, perhaps by expanding membership in those networks of reforming schools. Technical assistance to reforming school networks, the publications, public forums, Touchstone Conferences, and documentation will all proceed with more schools participating as resources.

The comprehensive evaluation of the Initiative will include school-based, network-based, and Initiative-wide assessments of schools, district support to schools, student performance, and community involvement. At the end of five years, as many as 50-100 individual schools organized into 30 networks of reforming schools and their community partners are expected to be making progress along significant benchmarks.

PROPOSED VII Budget

This budget framework is based on a \$60,000,000 five-year plan:
\$20M Annenberg funding; \$30M Private/Corporate funding; \$10M Public Funds

Funding Category	Year I (11%)	Year II (16%)	Year III (25%)	Year IV (25%)	Year V (23%)	Total
I. Program						
Direct Support to Reforming School Networks						
Annenberg 69%*	\$1,200,000	\$2,100,000	\$3,500,000	\$3,500,000	\$3,500,000	\$13,800,000
Public 75%**	\$750,000	\$1,025,000	\$1,875,000	\$1,875,000	\$1,875,000	\$7,400,000
Donor 45%***	\$1,350,000	\$2,025,000	\$3,375,000	\$3,375,000	\$3,375,000	\$13,500,000
Indirect Support to Reforming Schools						
Annenberg 10%	\$300,000	\$400,000	\$500,000	\$400,000	\$400,000	\$2,000,000
Public 15%	\$150,000	\$225,000	\$375,000	\$375,000	\$375,000	\$1,500,000
Donor 11%	\$330,000	\$495,000	\$825,000	\$825,000	\$825,000	\$3,300,000
Building a Community of Informed Support						
Annenberg 5%	\$200,000	\$150,000	\$250,000	\$250,000	\$150,000	\$1,000,000
Public 2%	\$50,000	\$30,000	\$50,000	\$50,000	\$20,000	\$200,000
Donor 5%	\$375,000	\$225,000	\$375,000	\$375,000	\$150,000	\$1,500,000
The Collaborative (RFP Process, Documentation, Research, Dissemination)						
Annenberg 5%	\$100,000	\$150,000	\$250,000	\$250,000	\$250,000	\$1,000,000
Public 3%	\$30,000	\$45,000	\$75,000	\$75,000	\$75,000	\$300,000
Donor 10%	\$300,000	\$450,000	\$750,000	\$750,000	\$750,000	\$3,000,000
Building a Faculty for the Future****						
Annenberg 0%	\$0	\$0	\$0	\$0	\$0	\$0
Public 0%	\$0	\$0	\$0	\$0	\$0	\$0
Donor 25%	\$1,000,000	\$1,750,000	\$1,875,000	\$1,875,000	\$1,000,000	\$7,500,000
Evaluation						
Annenberg 5%	\$100,000	\$150,000	\$250,000	\$250,000	\$250,000	\$1,000,000
Public 5%	\$50,000	\$75,000	\$125,000	\$125,000	\$125,000	\$500,000
Donor 2%	\$60,000	\$90,000	\$150,000	\$150,000	\$150,000	\$600,000
II. Administration						
Administration of Grant, Board of Trustees*****						
Annenberg 6%	\$300,000	\$250,000	\$250,000	\$250,000	\$250,000	\$1,300,000
Public 0%	\$0	\$0	\$0	\$0	\$0	\$0
Donor 2%	\$60,000	\$90,000	\$150,000	\$150,000	\$150,000	\$600,000
TOTAL DOLLARS	\$6,705,000	\$9,725,000	\$15,000,000	\$14,900,000	\$13,670,000	\$60,000,000

*% of Total Annenberg funds

**% of Total Public funds

***% of Total Donor funds

****Support for on-going programs and organizations whose work is vital to the reform initiative and for upgrading of teacher education/teacher recruiting related to child-centered teaching

*****Fiscal management, staff, clerical & related costs

Annenberg 5 Year Plan (\$60,000,000)**YEAR I**

	<u>Num. of Awards</u>	<u>Amount Each</u>	<u>Total</u>	
Planning(1)	5	\$100,000	\$500,000	
	15	\$80,000	\$1,200,000	
Implementation	0	\$0	\$0	
	0	\$0	\$0	
Beacon Schools	8	\$200,000	\$1,600,000	
	28	Total	\$3,300,000	\$3,300,000

YEAR II

Planning(2)	10	\$80,000	\$800,000	
Implementation	15	\$150,000	\$2,250,000	
	5	\$120,000	\$600,000	
Beacon Schools	8	\$200,000	\$1,600,000	
(Total number of awards)	38	Total	\$5,250,000	\$5,250,000

YEAR III

Planning	10	\$100,000	\$1,000,000	
Implementation	27	\$180,000	\$4,860,000	
	2	\$165,000	\$330,000	
	1	\$160,000	\$160,000	
Beacon Schools(3) and Networks	8	\$300,000	\$2,400,000	
(Total number of awards)	48	Total	\$8,750,000	\$8,750,000

(1) Assumes network of 2-3 schools and partner. A small number of planning grants may be awarded to individual schools.

(2) Planning award in year 2 reduced to allow increase in planning applicants.

(3) Beacon School and networks, award increased.

Annenberg 5 Year Plan (\$60,000,000)**YEAR IV**

Planning	5	\$60,000	\$300,000	
Implementation	20	\$150,000	\$3,000,000	
	10	\$125,000	\$1,250,000	
	10	\$100,000	\$1,000,000	
Beacon Schools and Networks	8	\$400,000	\$3,200,000	
(Total number of awards)	53	Total	\$8,750,000	\$8,750,000

YEAR V

Planning (No planning awards)	0	\$0	\$0	
Implementation	20	\$140,000	\$2,800,000	
	10	\$125,000	\$1,250,000	
	15	\$100,000	\$1,500,000	
Beacon Schools and Networks	8	\$400,000	\$3,200,000	
(Total number of awards)	53	Total	\$8,750,000	\$8,750,000
				\$34,800,000

(1) Assumes network of 2-3 schools and partner. A small number of planning grants may be awarded to individual schools.

(2) Planning award in year 2 reduced to allow increase in planning applicants.

(3) Beacon School and networks, award increased.

Part IV

EXHIBIT "C"

#18

Proposed 1997

Salaries & Wages	
Executive Director	\$ 70,000
Chief Financial Officer	\$ 50,000
Administrative Assistant	\$ 30,000
Secretary	\$ <u>25,000</u>
TOTAL	\$175,000

Proposed 1998

Salaries & Wages	
Executive Director	\$ 72,100
Chief Financial Officer	\$ 51,500
Administrative Assistant	\$ 30,900
Secretary	\$ <u>25,750</u>
TOTAL	\$180,250

Part IV
EXHIBIT "D"

#22

Proposed 1997

Office expenses	\$ 7,000
Travel costs for staff & trustees	\$ 15,000
Consultant Professional fees & travel	\$ 20,000
Staff Benefits (Insurance,Pension,FICA,etc.)	\$ 35,000
Liability Insurance for Trustees & Staff	<u>\$ 3,000</u>
TOTAL	\$ 80,000

Proposed 1998

Office expenses	\$ 7,000
Travel costs for staff & trustees	\$ 8,000
Consultant Professional fees & travel	\$ 5,700
Staff Benefits (Insurance,Pension,FICA,etc.)	\$ 36,050
Liability Insurance for Trustees & Staff	<u>\$ 3,000</u>
TOTAL	\$ 59,750

Schedule E. Private Operating Foundation

Income Test		PROPOSED 1997	
1a	Adjusted net income, as defined in Regulations section 53.4942(a)-2(d)	1a	6,705,000
b	Minimum investment return, as defined in Regulations section 53.4942(a)-2(c)	1b	-0-
2 Qualifying distributions:			
a	Amounts (including administrative expenses) paid directly for the active conduct of the activities for which organized and operated under section 501(c)(3) (attach schedule)	2a	360,000
b	Amounts paid to acquire assets to be used (or held for use) directly in carrying out purposes described in section 170(c)(1) or 170(c)(2)(B) (attach schedule)	2b	-0-
c	Amounts set aside for specific projects that are for purposes described in section 170(c)(1) or 170(c)(2)(B) (attach schedule)	2c	6,345,000
d	Total qualifying distributions (add lines 2a, b, and c)	2d	6,705,000
3 Percentages:			
a	Percentage of qualifying distributions to adjusted net income (divide line 2d by line 1a)	3a	100 %
b	Percentage of qualifying distributions to minimum investment return (divide line 2d by line 1b). (Percentage must be at least 85% for 3a or 3b)	3b	-0- %
Assets Test			
* 4	Value of organization's assets used in activities that directly carry out the exempt purposes. Do not include assets held merely for investment or production of income (attach schedule)	4	6,705,000
5	Value of any stock of a corporation that is controlled by applicant organization and carries out its exempt purposes (attach statement describing corporation)	5	N/A
6	Value of all qualifying assets (add lines 4 and 5)	6	6,705,000
7	Value of applicant organization's total assets	7	-0-
8	Percentage of qualifying assets to total assets (divide line 6 by line 7—percentage must exceed 65%)	8	100 %
Endowment Test			
9	Value of assets not used (or held for use) directly in carrying out exempt purposes:		
a	Monthly average of investment securities at fair market value	9a	-0-
b	Monthly average of cash balances	9b	558,750
c	Fair market value of all other investment property (attach schedule)	9c	-0-
d	Total (add lines 9a, b, and c)	9d	558,750
10	Acquisition indebtedness related to line 9 items (attach schedule)	10	-0-
11	Balance (subtract line 10 from line 9d)	11	558,750
12	Multiply line 11 by 3 1/3% (3/4 of the percentage for the minimum investment return computation under section 4942(e)). Line 2d above must equal or exceed the result of this computation	12	18,606
Support Test			
13	Applicant organization's support as defined in section 509(d)	13	6,705,000
14	Gross investment income as defined in section 509(e)	14	-0-
15	Support for purposes of section 4942(j)(3)(B)(iii) (subtract line 14 from line 13)	15	6,705,000
16	Support received from the general public, five or more exempt organizations, or a combination of these sources (attach schedule). <u>Exhibit G</u>	16	6,705,000
17	For persons (other than exempt organizations) contributing more than 1% of line 15, enter the total amounts that are more than 1% of line 15	17	-0-
18	Subtract line 17 from line 16	18	6,705,000
19	Percentage of total support (divide line 18 by line 15—must be at least 85%)	19	100 %
20	Does line 16 include support from an exempt organization that is more than 25% of the amount of line 15?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
21	Newly created organizations with less than 1 year's experience: Attach a statement explaining how the organization is planning to satisfy the requirements of section 4942(j)(3) for the income test and one of the supplemental tests during its first year's operation. Include a description of plans and arrangements, press clippings, public announcements, solicitations for funds, etc. See Exhibit "F"		
22	Does the amount entered on line 2a include any grants that the applicant organization made? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," attach a statement explaining how those grants satisfy the criteria for "significant involvement" grants described in section 53.4942(b)-1(b)(2) of the regulations.		

For more information, see back of Schedule E.

**The Child-Centered Schools Initiative
of Greater Houston, Inc.**

**Proposal to the
Annenberg Challenge for Urban School Reform**

July 1996

**Child-Centered Schools Initiative of the
Greater Houston Area
Tax I.D. # 76-0513493**

EXHIBIT "F"

Schedule E

EXHIBIT G

#16 Attachment

Over a five-year period the Child-Centered Schools Initiative of the Greater Houston Area anticipates receiving funding from the following sources:

Annenberg Challenge for Public School Reform/Annenberg Foundation	\$ 20,000,000
The Brown Foundation	\$ 10,000,000
Houston Endowment Inc.	\$ 10,000,000
Corporations and other foundations	\$ 10,000,000
Reallocation of local, state & national education funds to support school reform.	\$ 10,000,000

User Fee for Exempt Organization Determination Letter Request

▶ Attach this form to determination letter application.
(Form 8718 is NOT a determination letter application.)

For IRS Use Only

Control number _____
Amount paid _____
User fee screener _____

1 Name of organization **Child-Centered Schools Initiative of the Greater Houston Area** 2 Employer Identification Number **76 : 0513493**

Caution: Do not attach Form 8718 to an application for a pension plan determination letter. Use Form 8717 instead.

3 Type of request

Fee

- a ☐ Initial request for a determination letter for:
- An exempt organization that has had annual gross receipts averaging not more than \$10,000 during the preceding 4 years, or
 - A new organization that anticipates gross receipts averaging not more than \$10,000 during its first 4 years ▶ **\$150**
- Note:** If you checked box 3a, you must complete the Certification below.

Certification

I certify that the annual gross receipts of _____ name of organization
have averaged (or are expected to average) not more than \$10,000 during the preceding 4 (or the first 4) years of operation.

Signature ▶ Title ▶

- b ☒ Initial request for a determination letter for:
- An exempt organization that has had annual gross receipts averaging more than \$10,000 during the preceding 4 years, or
 - A new organization that anticipates gross receipts averaging more than \$10,000 during its first 4 years ▶ **\$465**
- c ☐ Group exemption letters ▶ **\$500**

Instructions

The law requires payment of a user fee with each application for a determination letter. The user fees are listed on line 3 above. For more information, see Rev. Proc. 96-8, 1996-1 I.R.B. 187.

Check the box on line 3 for the type of application you are submitting. If you check box 3a, you must complete and sign the certification statement that appears under line 3a.

Attach to Form 8718 a check or money order payable to the Internal Revenue Service for the full amount of the user fee. If you do not include the full amount, your application will be returned. Attach Form 8718 to your determination letter application.

To avoid delays, send the determination letter application and

Form 8718 to the applicable IRS address shown below. Use the address below even if a different address appears in another form or publication.

If the organization is in

Send fee and request for determination letter to

Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Vermont

Internal Revenue Service
EP/EO Division
P. O. Box 1680, GPO
Brooklyn, NY 11202

Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia, any U.S. possession or foreign country

Internal Revenue Service
EP/EO Division
P. O. Box 17010
Baltimore, MD 21203

Indiana, Kentucky, Michigan, Ohio, West Virginia

Internal Revenue Service
P. O. Box 192
Covington, KY
41012-0192

Arizona, Colorado, Kansas, Oklahoma, New Mexico, Texas, Utah, Wyoming

Internal Revenue Service
EP/EO Division
Mail Code 4950 DAL
1100 Commerce Street
Dallas, TX 75242

Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee

Internal Revenue Service
EP/EO Division
P.O. Box 941
Atlanta, GA 30370

Alaska, California, Hawaii, Idaho, Nevada, Oregon, Washington

Internal Revenue Service
EO Application
EP/EO Division
McCaslin Industrial Park
2 Cupania Circle
Monterey Park, CA
91755-7406

Illinois, Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Wisconsin

Internal Revenue Service
EP/EO Division
230 S. Dearborn
• DPN 20-5
Chicago, IL 60604

Attach Check or Money Order Here

Child-Centered Schools Initiative
of the Greater Houston Area
#76-0513493 Page 25.

