

**From:** Brad Cole [mailto:bcole@iml.org]  
**Sent:** Monday, March 30, 2015 3:32 PM  
**To:** Adam Andrzejewski  
**Subject:** FW: IML entity status and pay/pension reforms - Andrzejewski

See below for the response (in red) to each question (in blue) as you listed them, I thought that would be easier for reference. These responses were directly based on information received from our auditing/cpa firm. Thanks.

**BRAD COLE, Executive Director**  
**Illinois Municipal League**  
**500 East Capitol Avenue**  
**Post Office Box 5180**  
**Springfield, Illinois 62705**

**From:** Adam Andrzejewski [mailto:adam@openthebooks.com]  
**Sent:** Friday, March 27, 2015 8:26 PM  
**To:** Brad Cole  
**Cc:** [adam@openthebooks.com](mailto:adam@openthebooks.com)  
**Subject:** FW: IML entity status and pay/pension reforms - Andrzejewski

Hi Brad,

Thank you for your response earlier today. I do have some follow up questions and these must be on the record:

1. Since Illinois Municipal League (IML) is an instrumentality of the state... does that mean that IML has never filed an income tax return with either federal or state tax agencies? **My understanding is that the IML used to file a nonprofit return with the IRS. This happened long before we came on board as auditors. There was an examination conducted by the IRS around 1979. During that examination, the IRS revoked the IML's tax exempt status as a 501(c)(4). The IRS determined that the IML was a political subdivision of the State of Illinois for income tax purposes, therefore exempt from tax under Section 115 of the Internal Revenue Code. Those organizations do not file income tax returns with federal or state agencies.**

2. In the definition of instrumentality, you define it in part as... "may be a private entity." Does this fit IML and if so, please specifically delineate the owners of the IML private entity.

Please clarify: IML is not a form of corporation, partnership, unit of government, or non-profit entity? Who are its "owners" - individuals, corporations, non-profits, or governments? **The Internal Revenue Service is discussed above in 1. For financial reporting purposes, since the organization is authorized by State of Illinois statute, and no other government has any legal authority over it (to make decision, appoint Board members, etc.), IML is considered a special purpose for financial reporting purposes. A special purpose for financial reporting purposes is a legally separate entity that performs only one (or a**

few) specific activities. There are numerous types of special purposes. There are effectively no “owners”, unless you consider the members of the League as owners as they elect the governance structure of the organization.

For example, Illinois Association of Park Districts (IAPD) is a 501c3 non-profit organization. On paper, IML and IAPD have many similarities, but they file an IRS990 as a non-profit. **IAPD did not receive a statute as the IML did.**

What public authority controls and supervises IML? If not a public authority, then what private authority controls and supervises IML? **As mentioned above, the membership of the IML controls/supervises the IML via election of the Board at the Annual Conference, according to the Constitution of the IML.**

3. Does IML pay federal and state employment taxes, i.e. FICA? **Yes, our employees are subject to state and federal taxes and FICA, etc.**

Brad, you must understand that we are just trying to understand. It seems like IML is very unique. **“Far from unique,” according to our auditors.**

Adam

**Adam Andrzejewski**

Founder, OpenTheBooks.com

office: 630.974.6181 cell: 312.320.1867

email: [adam@openthebooks.com](mailto:adam@openthebooks.com)

**[www.OpenTheBooks.com](http://www.OpenTheBooks.com)**