

**Exempt Organization Business Income Tax Return**  
(and proxy tax under section 6033(e))

OMB No. 1545-0687

**2006**

For calendar year 2006 or other tax year beginning 6/01, 2006,  
and ending 5/31, 2007

Department of the Treasury  
Internal Revenue Service

▶ See separate instructions.

Open to Public Inspection for  
501(c)(3) Organizations Only

<p><b>A</b> <input type="checkbox"/> Check box if address changed</p> <p><b>B</b> Exempt under section  <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 220(e)  <input type="checkbox"/> 408(e) <input type="checkbox"/> 530(a)  <input type="checkbox"/> 408A <input type="checkbox"/>  <input type="checkbox"/> 529(a)</p>	<p>Print or Type</p>	<p>( <input type="checkbox"/> Check box if name changed and see instructions.)</p> <p>The Junior League of Houston, Inc. 1811 Briar Oaks Lane Houston, TX 77027</p>	<p><b>D</b> Employer identification number (Employees' trust, see instructions for Block D.) 74-1185659</p> <p><b>E</b> Unrelated business activity codes (See instructions for Block E.) 722100 541800</p>
<p><b>C</b> Book value of all assets at end of year 18,993,968.</p>		<p><b>F</b> Group exemption number (See instructions for Block F.) ▶</p>	
<p><b>G</b> Check organization type . . . . ▶ <input checked="" type="checkbox"/> 501(c) corporation <input type="checkbox"/> 501(c) trust <input type="checkbox"/> 401(a) trust <input type="checkbox"/> Other trust</p>			

**H** Describe the organization's primary unrelated business activity.  
▶ Full Service Restaurant, Advertising

**I** During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? . . . ▶  Yes  No  
If 'Yes,' enter the name and identifying number of the parent corporation . . . ▶

**J** The books are in care of. ▶ Kelli Tonn, Financial VP Telephone number. ▶ 713-622-4191

Part I Unrelated Trade or Business Income	(A) Income	(B) Expenses	(C) Net
1 a Gross receipts or sales. . . . . 2,032,898.			
b Less returns and allowances . . . . . c Balance. ▶	1 c 2,032,898.		
2 Cost of goods sold (Schedule A, line 7) . . . . .	2 468,265.		
3 Gross profit. Subtract line 2 from line 1c . . . . .	3 1,564,633.		1,564,633.
4 a Capital gain net income (attach Schedule D) . . . . .	4 a		
b Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797) . . . . .	4 b		
c Capital loss deduction for trusts . . . . .	4 c		
5 Income (loss) from partnerships and S corporations (attach statement) . . . . .	5		
6 Rent income (Schedule C) . . . . .	6		
7 Unrelated debt-financed income (Schedule E) . . . . .	7		
8 Interest, annuities, royalties, and rents from controlled organizations (Schedule F) . . . . .	8		
9 Investment income of a section 501(c)(7), (9), or (17) organization (Sch G) . . . . .	9		
10 Exploited exempt activity income (Schedule I) . . . . .	10		
11 Advertising income (Schedule J) . . . . .	11 85,257.	48,915.	36,342.
12 Other income (See instructions; attach schedule.) . . . . .	12		
13 Total. Combine lines 3 through 12 . . . . .	13 1,649,890.	48,915.	1,600,975.

Part II Deductions Not Taken Elsewhere (See instructions for limitations on deductions.) (Except for contributions, deductions must be directly connected with the unrelated business income.)			
14 Compensation of officers, directors, and trustees (Schedule K) . . . . .	14		
15 Salaries and wages . . . . .	15	769,819.	
16 Repairs and maintenance . . . . .	16	22,201.	
17 Bad debts . . . . .	17		
18 Interest (attach schedule) . . . . .	18		
19 Taxes and licenses . . . . .	19	103,317.	
20 Charitable contributions (See instructions for limitation rules.) . . . . .	20		
21 Depreciation (attach Form 4562) . . . . .	21	169,145.	
22 Less depreciation claimed on Schedule A and elsewhere on return . . . . .	22 a		22 b 169,145.
23 Depletion . . . . .	23		
24 Contributions to deferred compensation plans . . . . .	24		
25 Employee benefit programs . . . . .	25	130,278.	
26 Excess exempt expenses (Schedule I) . . . . .	26		
27 Excess readership costs (Schedule J) . . . . .	27	30,028.	
28 Other deductions (attach schedule) . . . . . See Statement 1	28	566,156.	
29 Total deductions. Add lines 14 through 28 . . . . .	29	1,790,944.	
30 Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13 . . . . .	30	-189,969.	
31 Net operating loss deduction (limited to the amount on line 30) . . . . . See Statement 2	31		
32 Unrelated business taxable income before specific deduction. Subtract line 31 from line 30 . . . . .	32	-189,969.	
33 Specific deduction (Generally \$1,000, but see line 33 instructions for exceptions) . . . . .	33		
34 Unrelated business taxable income. Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32 . . . . .	34	-189,969.	

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**Part III Tax Computation**

**35 Organizations Taxable as Corporations.** See instructions for tax computation.  
 Controlled group members (sections 1561 and 1563) check here . See instructions and:  
**a** Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order):  
 (1) \$ \_\_\_\_\_ (2) \$ \_\_\_\_\_ (3) \$ \_\_\_\_\_  
**b** Enter organization's share of: (1) Additional 5% tax (not more than \$11,750) ..... \$ \_\_\_\_\_  
 (2) Additional 3% tax (not more than \$100,000) ..... \$ \_\_\_\_\_  
**c** Income tax on the amount on line 34 ..... **35c** 0.

**36 Trusts Taxable at Trust Rates.** See instructions for tax computation. Income tax on the amount on line 34 from:  Tax rate schedule or  Schedule D (Form 1041) ..... **36**

**37 Proxy tax.** See instructions ..... **37**

**38 Alternative minimum tax** ..... **38**

**39 Total.** Add lines 37 and 38 to line 35c or 36, whichever applies ..... **39** 0.

**Part IV Tax and Payments**

**40 a** Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116) .... **40a**

**b** Other credits (see instructions) ..... **40b**

**c** General business credit. Check here and indicate which forms are attached:  
 Form 3800  Form(s) (specify) ▶ ..... **40c**

**d** Credit for prior year minimum tax (attach Form 8801 or 8827) ..... **40d**

**e Total credits.** Add lines 40a through 40d ..... **40e** 0.

**41** Subtract line 40e from line 39 ..... **41** 0.

**42** Other taxes. Check if from:  Form 4255  Form 8611 ..  Form 8697  Form 8866  
 Other (attach schedule) ..... **42**

**43 Total tax.** Add lines 41 and 42 ..... **43** 0.

**44 a** Payments: A 2005 overpayment credited to 2006 ..... **44a**

**b** 2006 estimated tax payments ..... **44b**

**c** Tax deposited with Form 8868 ..... **44c**

**d** Foreign organizations: Tax paid or withheld at source (see instructions) ..... **44d**

**e** Backup withholding (see instructions) ..... **44e**

**f** Credit for federal telephone excise tax paid (attach Form 8913) ..... **44f**

**g** Other credits and payments:  Form 2439 .....  Form 4136 .....  Other ..... Total ... ▶ **44g**

**45 Total payments.** Add lines 44a through 44g ..... **45** 0.

**46** Estimated tax penalty (see instructions). Check if Form 2220 is attached .....  **46**

**47 Tax due.** If line 45 is less than the total of lines 43 and 46, enter amount owed ..... **47**

**48 Overpayment.** If line 45 is larger than the total of lines 43 and 46, enter amount overpaid ..... **48**

**49** Enter the amount of line 48 you want: **Credited to 2007 estimated tax** ▶ **Refunded** ▶ **49**

**Part V Statements Regarding Certain Activities and Other Information** (see instructions.)

**1** At any time during the 2006 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file Form TD F 90-22.1.  
 If YES, enter the name of the foreign country here. ▶ ..... **Yes** **No**

**2** During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? ..  
 If YES, see the instructions for other forms the organization may have to file. .... **Yes** **No**

**3** Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ 0. .... **Yes** **No**

**Schedule A - Cost of Goods Sold.** Enter method of inventory valuation ▶ **Actual**

<b>1</b> Inventory at beginning of year ..... <b>1</b>	<b>6</b> Inventory at end of year ..... <b>6</b>		
<b>2</b> Purchases ..... <b>2</b> 468,265.	<b>7</b> <b>Cost of goods sold.</b> Subtract line 6 from line 5. Enter here and in Part I, line 2 ..... <b>7</b> 468,265.		
<b>3</b> Cost of labor ..... <b>3</b>			
<b>4a</b> Additional section 263A costs (attach schedule) ..... <b>4a</b>			
<b>b</b> Other costs (attach sch) ..... <b>4b</b>			
<b>5</b> <b>Total.</b> Add lines 1 through 4b ..... <b>5</b> 468,265.	<b>8</b> Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization? ..... <b>Yes</b> <b>No</b>		X

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

**Sign Here**

Signature of officer: **Inspection Copy** Date: \_\_\_\_\_ Title: \_\_\_\_\_

May the IRS discuss this return with the preparer shown below (see instructions)?  **Yes**  **No**

**Paid Preparer's Use Only**

Preparer's signature: **Inspection Copy** Date: **1.15.08** Check if self-employed:  Preparer's SSN or PTIN: **P00072674**

Firm's name (or yours if self-employed), address, and ZIP code: **Blazek & Vetterling LLP**  
**2900 Wesleyan, Suite 200**  
**Houston, TX 77027-5132**

EIN: **76-0269860** Phone no.: **(713) 439-5739**

**Schedule C – Rent Income (From Real Property and Personal Property Leased With Real Property)** (see instructions)

1 Description of property		
(1)		
(2)		
(3)		
(4)		
2 Rent received or accrued		3 Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	
(1)		
(2)		
(3)		
(4)		
Total	Total	<b>Total deductions.</b> Enter here and on page 1, Part I, line 6, column (B) . . . ▶

**Total income.** Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) . . . . . ▶

**Schedule E – Unrelated Debt-Financed Income** (see instructions)

1 Description of debt-financed property		2 Gross income from or allocable to debt-financed property	3 Deductions directly connected with or allocable to debt-financed property	
			(a) Straight line depreciation (attach sch)	(b) Other deductions (attach schedule)
(1)				
(2)				
(3)				
(4)				
4 Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5 Average adjusted basis of or allocable to debt-financed property (attach schedule)	6 Column 4 divided by column 5	7 Gross income reportable (column 2 x column 6)	8 Allocable deductions (column 6 x total of columns 3(a) and 3(b))
(1)				
(2)				
(3)				
(4)				
<b>Totals</b> . . . . . ▶			Enter here and on page 1, Part I, line 7, column (A).	Enter here and on page 1, Part I, line 7, column (B).
<b>Total dividends-received deductions</b> included in column 8 . . . . . ▶				

**Schedule F – Interest, Annuities, Royalties, and Rents from Controlled Organizations** (see instructions)

Exempt Controlled Organizations					
1 Name of Controlled Organization	2 Employer Identification Number	3 Net unrelated income (loss) (see instructions)	4 Total of specified payments made	5 Part of column 4 that is included in the controlling organization's gross income	6 Deductions directly connected with income in column 5
(1)					
(2)					
(3)					
(4)					
Nonexempt Controlled Organizations					
7 Taxable Income	8 Net unrelated income (loss) (see instructions)	9 Total of specified payments made	10 Part of column 9 that is included in the controlling organization's gross income	11 Deductions directly connected with income in column 10	
(1)					
(2)					
(3)					
(4)					
<b>Totals</b> . . . . . ▶			Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A).	Add columns 6 and 11. Enter here and on page 1, part I, line 8, column (B).	

**Schedule G — Investment Income of a Section 501(c)(7), (9), or (17) Organization** (see instructions)

1 Description of income	2 Amount of income	3 Deductions directly connected (attach schedule)	4 Set-asides (attach schedule)	5 Total deductions and set-asides (column 3 plus column 4)
(1)				
(2)				
(3)				
(4)				
Totals..... ▶		Enter here and on page 1, Part I, line 9, column (A).		Enter here and on page 1, Part I, line 9, column (B).

**Schedule I — Exploited Exempt Activity Income, Other Than Advertising Income** (see instructions)

1 Description of exploited activity	2 Gross unrelated business income from trade or business	3 Expenses directly connected with production of unrelated business income	4 Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute columns 5 through 7.	5 Gross income from activity that is not unrelated business income	6 Expenses attributable to column 5	7 Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals..... ▶		Enter here and on page 1, Part I, line 10, column (A).	Enter here and on page 1, Part I, line 10, column (B).			Enter here and on page 1, Part II, line 26.

**Schedule J — Advertising Income** (See instructions.)

**Part I Income From Periodicals Reported on a Consolidated Basis**

1 Name of periodical	2 Gross advertising income	3 Direct advertising costs	4 Advertising gain or (loss) (column 2 minus column 3). If a gain, compute columns 5 through 7.	5 Circulation income	6 Readership costs	7 Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals (carry to Part II, line (5))..... ▶						

**Part II Income From Periodicals Reported on a Separate Basis** (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

(1) Houston News	85,257.	48,915.	36,342.	11,139.	41,167.	30,028.
(2)						
(3)						
(4)						
(5) Totals from Part I..... ▶						
Totals, Part II (lines 1-5)..... ▶		Enter here and on page 1, Part I, line 11, column (A).	Enter here and on page 1, Part I, line 11, column (B).			Enter here and on page 1, Part II, line 27.
		85,257.	48,915.			30,028.

**Schedule K — Compensation of Officers, Directors, and Trustees** (see instructions)

1 Name	2 Title	3 Percent of time devoted to business	4 Compensation attributable to unrelated business
		%	
		%	
		%	
		%	
Total. Enter here and on page 1, Part II, line 14..... ▶			

**Depreciation and Amortization**  
**(Including Information on Listed Property)**

▶ See separate instructions. ▶ Attach to your tax return.

Name(s) shown on return

The Junior League of Houston, Inc.

Identifying number

74-1185659

Business or activity to which this form relates

Form 990-T

**Part I Election To Expense Certain Property Under Section 179**

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See the instructions for a higher limit for certain businesses.	1	\$108,000.
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation.	3	\$430,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions.	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29.	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7.	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8.	9	
10	Carryover of disallowed deduction from line 13 of your 2005 Form 4562.	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs).	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11.	12	
13	Carryover of disallowed deduction to 2007. Add lines 9 and 10, less line 12.	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

**Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)** (See instructions.)

14	Special allowance for qualified New York Liberty or Gulf Opportunity Zone property (other than listed property) placed in service during the tax year (see instructions).	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

**Part III MACRS Depreciation (Do not include listed property.)** (See instructions)

**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2006	17	165,181.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here.		

**Section B – Assets Placed in Service During 2006 Tax Year Using the General Depreciation System**

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only – see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property		38,841.	5	HY	S/L	3,766.
c 7-year property		11,530.	7	HY	S/L	108.
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27.5 yrs	MM	S/L	
i Nonresidential real property	Various	7,629.	39 yrs	MM	S/L	90.

**Section C – Assets Placed in Service During 2006 Tax Year Using the Alternative Depreciation System**

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

**Part IV Summary** (see instructions)

21	Listed property. Enter amount from line 28.	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations – see instructions.	22	169,145.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs.	23	

The Junior League of Houston, Inc.

74-1185659

**Statement 1**  
**Form 990-T, Part II, Line 28**  
**Other Deductions**

See detail schedule attached..... \$ 566,156.  
 Total \$ 566,156.

**Statement 2**  
**Form 990-T, Part II, Line 31**  
**Net Operating Loss Deduction**

Loss Year Ending	Original Loss	Loss Previously Used	Loss Available
5/31/01	\$ 191,934.	\$ 0.	\$ 191,934.
5/31/02	193,312.	0.	193,312.
5/31/03	96,682.	0.	96,682.
5/31/04	168,142.	0.	168,142.
5/31/05	208,297.	0.	208,297.
Net Operating Loss Available.....			\$ 858,367.
Taxable Income.....			\$ -189,969.
Net Operating Loss Deduction (Limited to Taxable Income).....			\$ <u>0.</u>

Part II, Line 28 - Other deductions

Amortization expense	\$ 151
Cost of Function--Guest Parking	5,430
Cost of Function--Night Security	10,564
Cost of Function--Flowers/Decorations	1,077
Check Printing Expenses	55
Postage	653
Rental-Equipment	1,920
Rental-Small Copy Machine	2,460
Supplies-Office	1,271
Supplies-Other Admin	691
Telephone	2,666
Telephone - Long Distance	138
Administrative Overhead	12,185
Work Related Medical Expenses	225
Insurance Pd by Tea Room to the AF	83,467
ADP	11,049
Technology Fees	11,053
Building Operation Overhead	245,111
Armored Car	2,235
Flowers-Volunteer	2,358
Grease Removal	1,362
Kitchen Fuel	229
Laundry	47,342
Menus	772
Uniforms	3,099
Bank Card/Visa/Amex	12,266
Public Relations-Marketing	1,055
Public Relations-Promo Calendar	10,614
TR Promo Calendar-Postage	1,735
Public Relations-Special Events	10,540
Public Relations-Style Show	698
Supplies - Bar	135
Supplies - Beverage	4,288
Supplies- Building	24,223
Supplies China	3,013
Supplies--Food Packaging	28,463
Supplies--Glassware	2,913
Supplies-Kitchen	10,828
Supplies-Silverware	1,644
Supplies--Utensils	1,773
Travel TRSP Package	768
Printing	2,598
Miscellaneous	1,037
Cash Over/Short	2
	<u>\$ 566,156</u>