

Form 5500-SF Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Short Form Annual Return/Report of Small Employee Benefit Plan This form is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA), and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ► Complete all entries in accordance with the instructions to the Form 5500-SF.	OMB Nos. 1210-0110 1210-0089 2015 This Form is Open to Public Inspection
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Part I Annual Report Identification Information	
For calendar plan year 2015 or fiscal plan year beginning <u>07/01/2015</u> and ending <u>06/30/2016</u>	
A This return/report is for:	<input checked="" type="checkbox"/> a single-employer plan <input type="checkbox"/> a multiple-employer plan (not multiemployer) (Filers checking this box must attach a list of participating employer information in accordance with the form instructions) <input type="checkbox"/> a one-participant plan <input type="checkbox"/> a foreign plan
B This return/report is	<input type="checkbox"/> the first return/report <input type="checkbox"/> the final return/report <input type="checkbox"/> an amended return/report <input type="checkbox"/> a short plan year return/report (less than 12 months)
C Check box if filing under:	<input checked="" type="checkbox"/> Form 5558 <input type="checkbox"/> automatic extension <input type="checkbox"/> DFVC program <input type="checkbox"/> special extension (enter description)

Part II Basic Plan Information—enter all requested information			
1a Name of plan <u>THE KARAFIN SCHOOL PROFIT SHARING PLAN</u>	1b Three-digit plan number (PN) ►	<u>001</u>	
	1c Effective date of plan	<u>07/01/1994</u>	
2a Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>THE KARAFIN SCHOOL</u> <u>PO BOX 277</u> <u>MOUNT KISCO, NY 10549</u>	2b Employer Identification Number (EIN) <u>13-2727173</u>		
	2c Sponsor's telephone number <u>914-666-9211</u>		
	2d Business code (see instructions) <u>611000</u>		
3a Plan administrator's name and address <input checked="" type="checkbox"/> Same as Plan Sponsor.	3b Administrator's EIN		
	3c Administrator's telephone number		
4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN, and the plan number from the last return/report. a Sponsor's name	4b EIN		
	4c PN		
5a Total number of participants at the beginning of the plan year	5a	<u>33</u>	
b Total number of participants at the end of the plan year	5b	<u>33</u>	
c Number of participants with account balances as of the end of the plan year (defined benefit plans do not complete this item)	5c	<u>21</u>	
d(1) Total number of active participants at the beginning of the plan year	5d(1)	<u>24</u>	
d(2) Total number of active participants at the end of the plan year	5d(2)	<u>24</u>	
e Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	5e	<u>0</u>	
Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established. Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including, if applicable, a Schedule SB or Schedule MB completed and signed by an enrolled actuary, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.			
SIGN HERE	Filed with authorized/valid electronic signature. Signature of plan administrator	03/28/2018 Date	BART A. DONOW Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature. Signature of employer/plan sponsor	03/28/2018 Date	BART A. DONOW Enter name of individual signing as employer or plan sponsor
Preparer's name (including firm name, if applicable) and address (include room or suite number)			Preparer's telephone number

- 6a** Were all of the plan's assets during the plan year invested in eligible assets? (See instructions.) ☒ Yes ☐ No
- b** Are you claiming a waiver of the annual examination and report of an independent qualified public accountant (IQPA) under 29 CFR 2520.104-46? (See instructions on waiver eligibility and conditions.) ☒ Yes ☐ No
- If you answered "No" to either line 6a or line 6b, the plan cannot use Form 5500-SF and must instead use Form 5500.**
- c** If the plan is a defined benefit plan, is it covered under the PBGC insurance program (see ERISA section 4021)? ☐ Yes ☐ No ☐ Not determined

Part III Financial Information

7 Plan Assets and Liabilities		(a) Beginning of Year	(b) End of Year
a Total plan assets.....	7a	236316	226192
b Total plan liabilities	7b		
c Net plan assets (subtract line 7b from line 7a)	7c	236316	226192
8 Income, Expenses, and Transfers for this Plan Year		(a) Amount	(b) Total
a Contributions received or receivable from:			
(1) Employers	8a(1)		
(2) Participants	8a(2)		
(3) Others (including rollovers)	8a(3)		
b Other income (loss)	8b	-8840	
c Total income (add lines 8a(1), 8a(2), 8a(3), and 8b)	8c		-8840
d Benefits paid (including direct rollovers and insurance premiums to provide benefits)	8d	471	
e Certain deemed and/or corrective distributions (see instructions)	8e		
f Administrative service providers (salaries, fees, commissions).....	8f	813	
g Other expenses	8g		
h Total expenses (add lines 8d, 8e, 8f, and 8g).....	8h		1284
i Net income (loss) (subtract line 8h from line 8c)	8i		-10124
j Transfers to (from) the plan (see instructions)	8j		

Part IV Plan Characteristics

- 9a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
2E 2F 2G 3D 3B
- B** If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

Part V Compliance Questions

10 During the plan year:		Yes	No	N/A	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? (See instructions and DOL's Voluntary Fiduciary Correction Program)	10a		X		
b Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 10a.)	10b		X		
c Was the plan covered by a fidelity bond?	10c	X			10000
d Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	10d		X		
e Were any fees or commissions paid to any brokers, agents, or other persons by an insurance carrier, insurance service, or other organization that provides some or all of the benefits under the plan? (See instructions.)	10e		X		
f Has the plan failed to provide any benefit when due under the plan?	10f		X		
g Did the plan have any participant loans? (If "Yes," enter amount as of year end.)	10g		X		
h If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	10h		X		
i If 10h was answered "Yes," check the box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.....	10i				
j Did the plan trust incur unrelated business taxable income?	10j				

Part VI Pension Funding Compliance

11 Is this a defined benefit plan subject to minimum funding requirements? (If "Yes," see instructions and complete Schedule SB (Form 5500) and line 11a below)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
11a Enter the unpaid minimum required contribution for all years from Schedule SB (Form 5500) line 40.....	11a
12 Is this a defined contribution plan subject to the minimum funding requirements of section 412 of the Code or section 302 of ERISA? ...	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

(If "Yes," complete line 12a or lines 12b, 12c, 12d, and 12e below, as applicable.)

- a** If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions, and enter the date of the letter ruling granting the waiver. Month Day Year

If you completed line 12a, complete lines 3, 9, and 10 of Schedule MB (Form 5500), and skip to line 13.

- b** Enter the minimum required contribution for this plan year **12b**
- c** Enter the amount contributed by the employer to the plan for this plan year **12c**
- d** Subtract the amount in line 12c from the amount in line 12b. Enter the result (enter a minus sign to the left of a negative amount) **12d**
- e** Will the minimum funding amount reported on line 12d be met by the funding deadline? ☐ Yes ☐ No ☐ N/A

Part VII Plan Terminations and Transfers of Assets

- 13a** Has a resolution to terminate the plan been adopted in any plan year? ☐ Yes ☒ No
- If "Yes," enter the amount of any plan assets that reverted to the employer this year **13a**
- b** Were all the plan assets distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? ☐ Yes ☒ No
- c** If during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)
- | 13c(1) Name of plan(s): | 13c(2) EIN(s) | 13c(3) PN(s) |
|--------------------------------|----------------------|---------------------|
| | | |

Part VIII Trust Information

- 14a** Name of trust
- 14b** Trust's EIN
- 14c** Name of trustee or custodian
- 14d** Trustee's or custodian's telephone number

Part IX IRS Compliance Questions

- 15a** Is the plan a 401(k) plan? ☐ Yes ☐ No
- 15b** If "Yes," how does the 401(k) plan satisfy the nondiscrimination requirements for employee deferrals and employer matching contributions (as applicable) under sections 401(k)(3) and 401(m)(2)? ☐ Design-based safe harbor method ☐ ADP/ACP test
- 15c** If the ADP/ACP test is used, did the 401(k) plan perform ADP/ACP testing for the plan year using the "current year testing method" for nonhighly compensated employees (Treas. Reg sections 1.401(k)-2(a)(2)(ii) and 1.401(m)-2(a)(2)(ii))? ☐ Yes ☐ No
- 16a** Check the box to indicate the method used by the plan to satisfy the coverage requirements under section 410(b): ☐ Ratio percentage test ☐ Average benefit test
- 16b** Does the plan satisfy the coverage and nondiscrimination tests of sections 410(b) and 401(a)(4) by combining this plan with any other plans under the permissive aggregation rules? ☐ Yes ☐ No
- 17a** Has the plan been timely amended for all required tax law changes? ☐ Yes ☐ No ☐ N/A
- 17b** Date the last plan amendment/restatement for the required tax law changes was adopted ____/____/____. Enter the applicable code ____ (See instructions for tax law changes and codes).
- 17c** If the plan sponsor is an adopter of a pre-approved master and prototype (M&P) or volume submitter plan that is subject to a favorable IRS opinion or advisory letter, enter the date of that favorable letter ____/____/____ and the letter's serial number _____.
- 17d** If the plan is an individually-designed plan and received a favorable determination letter from the IRS, enter the date of the plan's last favorable determination letter ____/____/____.
- 18** Is the Plan maintained in a U.S. territory (i.e., Puerto Rico (if no election under ERISA section 1022(i)(2) has been made), American Samoa, Guam, the Commonwealth of the Northern Mariana Islands or the U.S. Virgin Islands)? ☐ Yes ☐ No
- 19** Were in-service distributions made during the plan year? ☐ Yes ☐ No
- If "Yes," enter amount **19**
- 20** Were required minimum distributions made to 5% owners who have attained age 70 ½ (regardless of whether or not retired), as required under section 401(a)(9)? ☐ Yes ☐ No ☐ N/A



Nationwide Retirement Plans

STATEMENT OF REASONABLE CAUSE TO REQUEST WAIVER OF § 6652(e) PENALTY FOR LATE-FILED FORM 5500 FOR THE KARAFIN SCHOOL PROFIT SHARING PLAN

THE KARAFIN SCHOOL (hereinafter "the Employer") hereby submits the attached late-filed 5500 for Plan Year 2015 for the THE KARAFIN SCHOOL PROFIT SHARING PLAN (hereinafter "the Plan") and makes the following submission of reasonable cause to request a waiver of the late-filing penalties.

I. Taxpayer Identification Information

- A. Taxpayer: THE KARAFIN SCHOOL EIN: 13-2727173
- B. Plan: THE KARAFIN SCHOOL PROFIT SHARING PLAN
EIN: 13-2727173

II. Statement of Facts

The THE KARAFIN SCHOOL PROFIT SHARING PLAN was adopted by the THE KARAFIN SCHOOL with an effective date of July 1, 1994.

The Employer is a first time Plan Sponsor and had never been a Plan Trustee or Plan Administrator until the adoption of the THE KARAFIN SCHOOL PROFIT SHARING PLAN in 1994. The form 5500 for the preceding plan year(s) Plan year was timely filed. The Employer has normally relied on the Recordkeeper to help with filing the correct forms for the Plan.

The Employer got all of the necessary documents to the Recordkeeper for completing 2015 reporting and testing well in advance of the January 31, 2017 deadline for filing. In the normal course of business, a Form 5558 extension would have been automatically filed for the Employer prior to that deadline by the Recordkeeper.

Because of an internal software update to the Computer systems of the Plan's Recordkeeper a report that would have normally shown that the Recordkeeper should file a Form 5558 extension was never run. Thus no form 5558 was filed on behalf of the THE KARAFIN SCHOOL PROFIT SHARING PLAN. Because of the regular business practice on the part of the Recordkeeper, the Employer erroneously believed their filing deadline would be automatically extended, if the January 31, 2017 date was not met.

As soon as the error was discovered both the Employer and the recordkeeper quickly worked to file the form 5500. It was filed only an additional 50 days beyond the deadline of January 31, 2017. This was well within what would have been the extension period.

Because the error was not The Plan now submits this Reasonable Cause Statement, to the Internal Revenue Service (IRS) and asks for a waiver of any accrued penalties.

III. Certification of Recordkeeper

I, MICHELLE REPPERT, declare under penalty of perjury under the laws of that State of Ohio that the foregoing Statement of Facts is true and correct to the best of my knowledge and belief.

Michelle Reppert

FINANCIAL SERVICES ANALYST

Date: 3/22/2017

Place: Nationwide Retirement Plans

THE KARAFIN SCHOOL PROFIT SHARING
PLAN

A. Applicable Law. IRC § 6652(e) provides that the Secretary can waive the penalties imposed for a late-filed 5500 upon a showing of reasonable cause by the person who was responsible for the filing. The applicable regulation provides that an affirmative showing of reasonable cause is to be made by a written statement of facts, signed by the appropriate individual by declaration made under the penalty of perjury. Treas. Reg. § 301.6652-3(b)(3).

Neither the statute nor the regulations set forth standards for a reasonable cause showing. Our research indicates that reasonable cause is a question of facts and circumstances to be determined by the Secretary. *See* IRS General Counsel Memorandum 36372 (Aug. 11, 1975). Although not expressly applicable in this situation, reasonable cause has been shown when for example the taxpayer relied on a written legal opinion from legal counsel when that opinion was "reasoned," i.e., the opinion was based on the facts and applicable law even if the opinion reached an incorrect conclusion. *See* IRS TAM 7902019 (Sept. 29, 1978).

In an Internal Revenue Bulletin dealing with "Returns Required on Magnetic Media" the IRS drew an analogy to the standards for a reasonable cause showing by reference to Treas. Reg. § 301.6724-1(c)(3). *See* 2005-10 I.R.S. 665, T.D. 9175 (Jan. 12, 2005). Treasury Regulation section 301.6724-1 addresses a waiver of penalties for a corporation's failure to file a corporation income tax return. The Treasury Regulation states that reasonable cause will be found where there are "significant mitigating" factors or where the failure to file was due to "events beyond the filers control" and where the filer established he acted in a responsible manner exercising ordinary business care.

The regulation goes on to list what would constitute mitigating factors. Those factors listed include: whether prior to the failure the filer was "never required to file the particular type of return or furnish the particular type of statement with respect to which the failure occurred"; the filers history of filing timely (or lack thereof); and events that would generally be considered beyond the filers control including but not limited to unavailability of business records, undue economic hardship relating to filing by magnetic media, sickness, death, unavailability of the person who is needed to file, etc..

Hence the remainder of this submission will focus on the application of the facts to the standards set forth in that regulation.

B. Analysis of Reasonable Cause Factors. The Statement of Facts sets forth a number of significant mitigating factors that are present in these circumstances. Addressing those factors in the order presented by the regulation, the facts support the following:

1. The failure to timely file was due to circumstances beyond control of the Employer. The Employer relied on the Recordkeeper for filing an extension for the IRS form 5500. The Recordkeeper due to a computer upgrade did not file timely.
2. Once the error regarding the report was known the Recordkeeper immediately sought to remedy the situation. Computer error is to be expected occasionally with the multiple uses of Computers for data collection and year-end filings.
3. Both the Employer and the Recordkeeper acted with due diligence exercising ordinary business care in the timely preparation and filing of the Form 5500. Even with the understanding that an extension had been filed and the due date was April 15, 2017, the Employer filed only 50 days after the initial deadline of January 31, 2017. The failure to file was not the result of willful neglect either by the Employer or by the Recordkeeper. As evidenced by these dates, both parties worked diligently to complete the required 5500 Form as soon as possible.

C. Arguments for Waiver. The significant mitigating factors listed above speak for themselves. As a policy matter, the IRS and DOE should encourage Recordkeepers and Employers to embrace new technologies with the hopes of streamlining processes and keeping costs down for Plan Administration and Recordkeeping, additionally the IRS should encourage non-filers to come forth voluntarily, and when the taxpayer does so in good faith with mitigating factors as present here, the IRS and DOL should freely exercise its discretion by providing a waiver of the penalties that would otherwise be applicable.

IV. Request for Relief

The Employer respectfully requests that the IRS and DOL exercise its discretion under Treas. Reg. § 301.6652-3(b) and waive the late filing penalty in full on the Employer's 2015 5500. The Employer

asks the IRS and DOL issue a no-action letter or other such documentation to evidence the requested waiver.

Respectfully submitted March 22, 2017

BART A. DONOW

THE KARAFIN SCHOOL

THE KARAFIN SCHOOL PROFIT SHARING PLAN