



DEPARTMENT OF THE TREASURY

Internal Revenue Service
TE/GE EO Examinations
1100 Commerce Street MC 4920 DAL
Dallas, TX 75242

**TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION**

Date: JUL 05 2018

Number: **201843010**
Release Date: 10/26/2018

Person to Contact:
Identification Number:
Telephone Number:
In Reply Refer to:

LAST DATE FOR FILING A PETITION
WITH THE TAX COURT:

UIL: 501.03-00

CERTIFIED MAIL - Return Receipt Requested

Dear _____ :

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code. Your exemption from Federal income tax under section 501(c)(3) of the code is hereby revoked effective January 1, 20XX.

Our adverse determination was made for the following reasons:

You are not operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3). You are operated for substantial private purposes, including for the benefit of your officers, directors, employees, and fundraisers. In addition, your net earnings inure to the benefit of private shareholders or individuals, such as your officers, directors, and employees. Alternatively, it is also determined that you became inactive and that there have been no operations or regular financial activities conducted or planned. For each of these reasons, you fail to meet the operational requirements for continued exemption under Internal Revenue Code section 501(c)(3).

Contributions to your organization are no longer deductible under section 170 of the Code.

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the year ending December 31, 20XX and for all years thereafter.

Processing of income tax returns and assessment of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination in court, you must initiate a suit for declaratory judgment in the United States Tax Court, the United States Claim Court or the District Court of the United States for the District of Columbia before the 91st day after the date this determination was mailed to you. Contact the clerk of the appropriate court for the rules for initiating suits for declaratory judgment. You may write to the courts at the following addresses:

United States Tax Court
400 Second Street, NW
Washington, DC 20217

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20005

U.S. District Court for the District of Columbia
333 Constitution Ave., N.W.
Washington, DC 20001

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. We can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for our assistance, which is always free, we will do everything possible to help you. Visit taxpayeradvocate.irs.gov or call 1-877-777-4778.

We will notify the appropriate State Officials of this action, as required by section 6104(c) of the Internal Revenue Code.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

A handwritten signature in black ink that reads "Maria Hooke". The signature is written in a cursive, slightly slanted style.

Maria Hooke
Director, Exempt Organizations Examinations

Enclosures:

Publication 892



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities Division

Date:
September 5, 2017
Taxpayer Identification Number:

Form:

Tax year(s) ended:

Person to contact / ID number:

ID No.

Contact numbers:

Phone Number:

Fax Number:

Manager's name / ID number:

ID No.

Manager's contact number:

Phone Number:

Response due date:

Certified Mail - Return Receipt Requested

Dear _____:

Why you are receiving this letter

We propose to revoke your status as an organization described in section 501(c)(3) of the Internal Revenue Code (Code). Enclosed is our report of examination explaining the proposed action.

What you need to do if you agree

If you agree with our proposal, please sign the enclosed Form 6018, *Consent to Proposed Action – Section 7428*, and return it to the contact person at the address listed above (unless you have already provided us a signed Form 6018). We'll issue a final revocation letter determining that you aren't an organization described in section 501(c)(3).

After we issue the final revocation letter, we'll announce that your organization is no longer eligible for contributions deductible under section 170 of the Code.

If we don't hear from you

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final revocation letter. Failing to respond to this proposal will adversely impact your legal standing to seek a declaratory judgment because you failed to exhaust your administrative remedies.

Effect of revocation status

If you receive a final revocation letter, you'll be required to file federal income tax returns for the tax year(s) shown above as well as for subsequent tax years.

What you need to do if you disagree with the proposed revocation

If you disagree with our proposed revocation, you may request a meeting or telephone conference with the supervisor of the IRS contact identified in the heading of this letter. You also may file a protest with the

IRS Appeals office by submitting a written request to the contact person at the address listed above within 30 calendar days from the date of this letter. The Appeals office is independent of the Exempt Organizations division and resolves most disputes informally.

For your protest to be valid, it must contain certain specific information including a statement of the facts, the applicable law, and arguments in support of your position. For specific information needed for a valid protest, please refer to page one of the enclosed Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*, and page six of the enclosed Publication 3498, *The Examination Process*. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process. Please note that Fast Track Mediation referred to in Publication 3498 generally doesn't apply after we issue this letter.

You also may request that we refer this matter for technical advice as explained in Publication 892. Please contact the individual identified on the first page of this letter if you are considering requesting technical advice. If we issue a determination letter to you based on a technical advice memorandum issued by the Exempt Organizations Rulings and Agreements office, no further IRS administrative appeal will be available to you.

Contacting the Taxpayer Advocate Office is a taxpayer right

You have the right to contact the office of the Taxpayer Advocate. Their assistance isn't a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate can't reverse a legally correct tax determination or extend the time you have (fixed by law) to file a petition in a United States court. They can, however, see that a tax matter that hasn't been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate assistance. If you prefer, you may contact your local Taxpayer Advocate at:

Internal Revenue Service
Office of the Taxpayer Advocate

Phone Number:

For additional information

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Maria Hooke
Maria Hooke
Director, EO Examinations

Enclosures:
Report of Examination
Form 6018
Publication 892
Publication 3498

Form 886-A (May 2017)	Explanations of Items	Schedule number or exhibit
Name of Taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended 20XX

Issues:

1. Whether () continues to qualify for exemption under Section 501(c)(3) of the Internal Revenue Code?

Facts:

Articles of Incorporation

filed its original Articles of Incorporation with the State of on March 18, 20XX. Article 3, Character of Affairs, states that shall be organized and operated exclusively for charitable purposes and activities as permitted by Section 501(c)(3) of the Internal Revenue Code of 986 (or the corresponding provisions of any future United States Internal Revenue law), including, but not limited to the following purposes:

- a) To relieve stress and suffering by providing in-kind grants, funds, aid, support and financial assistance to children suffering from cancer and their families;
- b) To provide information to the public in regard to the prevention and treatment of cancers afflicting children;
- c) To underwrite, sponsor, and support academic and scholarly studies, symposia, and conferences related to research and public education in regard to cancers afflicting children in accord with the purposes stated above;
- d) To encourage state and federal governments to provide adequate funding for cancer research and public education as to the prevention and treatment of cancers afflicting children and;
- e) To accomplish the above purposes by all reasonable and practical means, including the dissemination of information concerning cancers afflicting children in all forms and through media including, but not limited to, publications in all forms, wherein such information may be communicated to the public, researchers, and government officials.

Article 4 states that "No part of the net earnings of the Corporation shall inure to the benefit of, or be distributed to, any director or officer of the Corporation or any other private person.

Article 5 Section 5.01 states that "the Corporation will not have members".

By-Laws

filed its original By-Laws with the State of on January 16, 20XX. Article 3.2 of the By-Laws states that the initial Board of Directors shall consist of no less than zero (0) nor more than zero (0) directors. Article 3.1(c) states that "The Board of Directors shall not permit any part of the net earnings or capital of the Corporation to inure to the benefit of any director, officer, or other private person or individual

Form 886-A (May 2017)	Explanations of Items	Schedule number or exhibit
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Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code

The Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, was signed on June 9, 20XX by _____ as a President. It was received in the Service on June 24, 20XX.

The attached narrative of Part IV, Past, Present, and Planned Activities, of the Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, stated that _____ planned activities were to provide patient care, assistance, and support to children suffering from cancer, and their families, through direct and indirect financial aid.. _____ planned to do this by:

1. Provide commodities that cancer-stricken children need.
2. Provide direct financial support to hospices and other health care institutions that care for children suffering from cancer.
3. Disseminate to the public cancer patient information concerning cancer, treatment, therapies, hospice care, and other issues affecting children suffering from their families.

The attached narrative of Part VIII, Item 4a, Form 1023, stated _____ sources of financial support would be:

1. Mail solicitations
2. Internet solicitations
3. Other solicitations
4. May engage the services of a professional fund raiser

_____ indicated the intended fundraising activities by checking the appropriate boxes in Item 4a.

The attached narrative of Part V, Item 1a, Form 1023 listed the officers and directors of _____ as:

1. _____ (Director / President)
2. _____ (Director / Secretary)
3. _____ (Director / Treasurer)

_____ received its initial Determination Letter on January 20, 20XX, granting _____ exempt status under IRC §§509(a)(1) and 170(b)(1)(A)(vi).

_____ filed its Form 990 for the tax year 20XX on November 13, 20XX. A Form 8275, Disclosure Statement, was attached to the return. Part II, detailed Explanation stated:

1. THE INFORMATION CONTAINED ON FORM 990, PAGES 1-10 AND SCHS A,B,D,E,G,I,J,M, AND O HAVE BEEN ANSWERED BASED ON THE LIMITED INFORMATION PROVIDED BY THE RECEIVER IN SOME CASES, THE QUESTIONS ANSWERED OR INFORMATION DISCLOSED IN THE RETURN WAS OBTAINED FROM THE PRIOR YEAR (20XX) FORM 990, WHERE CURRENT YEAR INFORMATION WAS NOT AVAILABLE IT IS POSSIBLE THAT SOME OF THE QUESTIONS OR INFORMATION PROVIDED IN THE RETURN COULD DIFFER IF ALTERNATIVE INFORMATION WERE READLY AVAILABLE ON

Form 886-A (May 2017)	Explanations of Items	Schedule number or exhibit
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2. THE PREVIOUS ACCOUNTING FIRM THAT PREPARED THE BOOKKEEPING FOR THIS ORGANIZATION RECORDED IN-KIND CONTRIBUTIONS AND RELATED IN-KIND GRANTS TO INDIVIDUALS AND ORGANIZATIONS IN THE CARRIBEAN AND OTHER FOREIGN COUNTRIES THE RECEIVER AND ITS ACCOUNTING FIRM CANNOT VERIFY IF THESE TRANSACTIONS WERE ACTUAL OCCURANCES, OR ENTRIES FABRICATED TO INFLATE THE REVENUES AND EXPENSES DESIGNED TO CREATE THE ILLUSION THAT THE ORGANIZATION WAS LARGER AND MORE EFFICIENT WITH DONORS' DOLLARS THAN THEY ACTUALLY WERE THEREFORE, THESE AMOUNTS ARE NOT REPORTED ON FORM 990 OR SCH F

Revenue and Expenses

utilized many contracted telemarketers to raise funds. Between 20XX and 20XX, the contracted telemarketers raised a total of \$0. Cash donations totaled \$0 (0% of the total), while non-cash donations totaled \$0. Of the total non-cash donations, \$0 were vehicle donations. The remainder were from Gift in Kind (GIK) donations.

<u>Revenue</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>
Federated campaigns			0	
All other contributions - Cash	0	0	0	0
All other contributions - Non-Cash	0	0	0	0
Investment Income	0	0	0	0
Sales of assets - Net		0	0	
COD income			0	
List rental			0	
Other Income			0	0
Total Income	0	0	0	0

major expenses for the years examined were Grants and Other Assistance – outside the U.S., Compensation of Officers and Directors, Other Salaries, and Professional Fundraising Expenses.

<u>Expenses</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>
Grants & other asst. - Orgs in U.S.		0		0
Grants & other assistance - U.S.	0	0	0	0
Grants & other asst. - Outside U.S.	0	0	0	0
Compensation of officers	0	0	0	0
Other salaries	0	0	0	0
Professional fundraising	0	0	0	0
Other Expenses	0	0	0	0
Total Expenses	0	0	0	0

Form 886-A (May 2017)	Explanations of Items	Schedule number or exhibit
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All the Compensation of Officers went to _____, President of _____. The majority of the Other salaries paid to _____ employees went to relatives of _____.

Related Salaries	20XX	20XX	20XX	20XX
	0	0	0	0
	0	0	0	0
	0	0	0	
	0	0	0	
	0	0	0	0
	0	0	0	0
	0			
	0	0		
		0		0
Total Related Salaries	0	0	0	0
Reported Salaries & Wages	0	0	0	0
% of Salaries & Wages	0%	0%	0%	0%

For the period under examination, _____ expenditures for its charitable grant programs, excluding grants and other assistance outside the U.S., averaged approximately 0% of total expenditures. The remaining 0% of the expenditures were for administrative (0%) and fundraising expenses (0%).

	20XX	20XX	20XX	20XX
Grants Paid				
Grants & other asst. - Orgs in U.S.		0		0
Grants & other assistance - U.S.	0	0	0	0
	0	0	0	0
Administrative Expenses			0	0
Compensation of officers	0	0	0	0
Other salaries	0	0	0	0
Professional fundraising	0	0	0	0
Other Expenses	0	0	0	0
Total Expenses	0	0	0	0
Total Expenses	0	0	0	0
% of Grants Paid	0%	0%	0%	0%
% Administrative	0%	0%	0%	0%
% Fundraising	0%	0%	0%	0%

Form 886-A (May 2017)	Explanations of Items		Schedule number or exhibit
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Gifts-In-Kind

Noncash donations, noncash grants, and non-cash goods are referred to as "gift-in-kind" ("GIK").

reported receiving GIK donations during the examination period. Schedules B and M of Form 990 are used for reporting receipt of GIK donations. For the years 20XX through 20XX, the noncash contributions received by are summarized below:

Revenue	Activity	2011	2012	2013	2014
Vehicle Donation Processing Services	Veh. Donat		0	0	
	GIK				
Medications		0	0		
	GIK				
Medicines , Med Supplies			0	0	0
				0	0
Other			0	0	
Total Revenue		0	0	0	0

would receive donations of clothes and other items from the public and distribute them to their clients.

was involved in major GIK programs, vehicle donation and international GIK. In the vehicle donation program worked with vehicle donation organizations in the U.S. The organization would either receive the donated vehicles from the public, auction them off, and send the proceeds to , or would take in the donated vehicles and have them auctioned off.

The other program was involved in was an international GIK program. indicated on Forms 990 that GIK goods that distributed internationally were originated from and . The GIK goods provided internationally included, clothing, industrial sewing machines, hospital beds, geriatric chairs, pediatric wheelchairs, shower stools, walkers, safety rails, medical supplies, food items, kitchen utensils, blankets, various household items, hygiene items, school supplies, tools and hardware, orphanage supplies, medical equipment, cancer medications, non-cancer medications, and computers, etc.

The noncash donations (GIK goods) that received and distributed internationally were procured from both for-profit and non-profit GIK brokers by paying procurement, cost of shipping in, warehousing, and shipping out fees. These companies are brokers that line up gifts in kind with charities. These gifts-in-kind are intended for international charities, and they need US charities, such as to handle the freight costs. By agreeing to accept goods and cover the shipping costs, can credit these shipments toward patient services with a substantial offset to fundraising costs.

reported on its Forms 990 for the years 20XX and 20XX that received noncash donations from of \$0 and \$0 for the tax years 20XX and 20XX respectfully. It further reported that it distributed the noncash

Form 886-A (May 2017)	Explanations of Items	Schedule number or exhibit
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donations received to foreign recipients in _____ and the _____ in the same amounts that it received from _____.

A review of _____ Forms 990 for 20XX and 20XX that it released for public inspection revealed that claimed a total of \$0 in non-cash contributions to _____ in 20XX and \$0 in 20XX. _____ is not listed as a donee on _____ Forms 990s for either tax year.

_____ reported on its Forms 990 for the years 20XX and 20XX that _____ received noncash donations from _____ of \$0 and \$0 for the tax years 20XX and 20XX respectively. It further reported that it distributed the noncash donations received to foreign recipients in _____ and the _____ in the same amounts that it received.

A review of _____ Forms 990 for 20XX and 20XX that it released for public inspection revealed that claimed a total of \$0 in Donations in 20XX and \$0 in 20XX. _____ is not listed as a donee on _____ Forms 990s for either tax year.

The _____ Complaint

DESCRIPTION OF COMPLAINT REDACTED.

Form 886-A (May 2017)	Explanations of Items	Schedule number or exhibit
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DESCRIPTION OF COMPLAINT REDACTED

Law:

Internal Revenue Code (IRC) §501(a) provides that an organization described in §501(c) (3) is exempt from income tax.

IRC §501(c)(3) exempts from federal income tax corporations organized and operated exclusively for charitable, educational, and other purposes, provided that no part of the net earnings inure to the benefit of any private shareholder or individual.

An IRC §170(b)(1)(A)(vi) organization is defined as an organization referred to in subsection (c)(2) which normally receives a substantial part of its support (exclusive of income received in the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under §501(a)) from a governmental unit referred to in subsection (c)(1) or from direct or indirect contributions from the general public.

IRC §170(c)(2)(B) defines a charitable organization as a corporation, trust, or community chest, fund, or foundation that is organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals;

Regulations §1.501(a)-1(b)(1)(iii) states that an organization described in section 501(c)(3) shall submit with, and as a part of, an application filed after July 26, 1959, a detailed statement of its proposed activities.

Regulations §1.501(a)-1(b)(2) states that in addition to the information specifically called for by this section, the Commissioner may require any additional information deemed necessary for a proper determination of whether a particular organization is exempt under section 501(a), and when deemed advisable in the interest of an efficient administration of the internal revenue laws, he may in the cases of particular types of organizations prescribe the form in which the proof of exemption shall be furnished.

Regulations §1.501(a)-1 (c) defines "private shareholder or individual" in section 501 as persons having a personal and private interest in the activities of the organization.

Regulations §1.501(c)(3)-1(a)(1) provides that, to be exempt as an organization described in Code §501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in

Form 886-A (May 2017)	Explanations of Items		Schedule number or exhibit
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such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Regulations §1.501(c)(3)-1(b)(1) provides that an organization is organized exclusively for one or more exempt purposes only if its articles of organization; (a) Limit the purposes of such organization to one or more exempt purposes; (b) Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

Regulations §1.501(c)(3)-1(c)(1) provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities that accomplish one or more of such exempt purposes specified in Code §501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. The existence of a substantial nonexempt purpose, regardless of the number or importance of exempt purposes, will cause failure of the operational test. Better Business Bureau of Washington, D.C. v. U.S., 326 U.S. 279 (1945).

Regulations §1.501(c)(3)-1(c)(2) provides that the operational test is not satisfied where any part of the organization's earnings inure to the benefit of private shareholders or individuals, and where the organization serves a private benefit rather than public interests.

Regulations §1.501(c)(3)-1(d)(ii) provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than private interest. Thus, it is necessary for an organization to establish that is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests. Prohibited private interests include those of unrelated third parties as well as insiders. Christian Stewardship Assistance, Inc. v. Commissioner, 70 T.C. 1037 (1978); American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989). Private benefits include an "advantage; profit; fruit; privilege; gain; [or] interest." Retired Teachers Legal Fund v. Commissioner, 78 T.C. 280, 286 (1982).

The presence of a single substantial nonexempt purpose can destroy the exemption regardless of the number or importance of exempt purposes. Better Bus. Bureau v. United States, 326 U.S. 279, 238, 90 L. Ed. 67, 66 S. Ct. 112 (1945); Am. Campaign Acad. V. Commissioner, 92 T.C. 1053, 1065 (1989); see also Old Dominion Box Co., Inc. v. United States, 477 F2d. 340 (4th Cir. 1973), cert. denied, 413 US 910 (1973) ("operating for the benefit of private parties who are not members of a charitable class constitutes a substantial nonexempt purpose".) When an organization operates for the benefit of private interests, such as designated individuals, the creator or his family, or persons directly or indirectly controlled by such private interests, the organization, by definition, does not operate exclusively for exempt purposes. Am. Campaign Acad. V. Commissioner, supra at 1065-1066.

Revenue Ruling 80-278, 1980-2 CB 175, (Jan. 01, 1980) provides that in making the determination of whether an organization's activities are consistent with exemption under section 501(c)(3) of the Code, the Service will rely on a three-part test. The organization's activities will be considered permissible under section 501(c)(3) if:

- (1) The purpose of the organization is charitable;
- (2) The activities are not illegal, contrary to a clearly defined and established public policy, or in conflict with express statutory restrictions; and

Form 886-A (May 2017)	Explanations of Items	Schedule number or exhibit
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- (3) The activities are in furtherance of the organization's exempt purpose and are reasonably related to the accomplishment of that purpose.

Revenue Ruling 75-384, 1975-2 CB 204, (Jan. 01, 1975) states that as a matter of trust law, one of the main sources of the general law of charity, no trust can be created for a purpose which is illegal. The purpose is illegal if the trust property is to be used for an object which is in violation of the criminal law, or if the trust tends to induce the commission of crime, or if the accomplishment of the purpose is otherwise against public policy. *IV Scott on Trusts* Sec. 377 (3d ed. 1967). Thus, all charitable trusts (and by implication all charitable organizations, regardless of their form) are subject to the requirement that their purposes may not be illegal or contrary to public policy. See Revenue. Ruling 71-447, 1971-2 C.B. 230; *Restatement (Second), Trusts (1959) Sec. 377, Comment (c)*.

Revenue Procedure 2016-5, 2016-1 I.R.B. 188, Section 12, states that a determination letter recognizing exemption may be revoked or modified: (1) by a notice to the taxpayer to whom the determination letter was issued. This Revenue Procedure further provides that the revocation or modification of a determination letter recognizing exemption may be retroactive if the organization omitted or misstated a material fact, operated in a manner materially different from that originally represented.

Government's Position:

Issue 1

It is the Government's position that _____ does not continue to qualify for exemption under Section 501(c)(3) of the Internal Revenue Code. _____ does not meet the operational test for exempt status under section 501(c)(3) of the Internal Revenue Code because _____ has failed to establish that it is operated exclusively for charitable purposes. The regulations define "exclusively" as engaging primarily in activities that accomplish one or more of the exempt purposes specified in section 501(c)(3) of the Code. _____ provided more financial benefits to _____ and members of her family than needy cancer patients.

Operations

_____ started as a special project of the _____ (). It split off from _____ in late 20XX. () served as its initial president while also employed at _____. Later, _____ operations were turned over to _____ (), ex-wife of _____ (), President and founder of _____. _____ left her position as Vice President of _____ to run _____.

The normal activity of _____ involved basically two activities on behalf of children cancer patients. The first involved sending out what are essentially care packages once a month to a list of cancer patients who called in and requested the package, and the second involved sending out checks for small amounts (usually \$0 or \$0) to patients who called once a month to request said amounts. This activity was scheduled to continue until the shutdown of operations anticipated in the Order.

_____ received deposits on a routine basis from zero fundraisers each month. Those deposits were made to different financial institutions, commissions paid to the fundraisers, and then the remaining funds normally transferred to the operating account.

Form 886-A (May 2017)	Explanations of Items	Schedule number or exhibit
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Revenue and Expenses

utilized many contracted telemarketers to raise funds (Exhibit 2). Between 20XX and 20XX, the contracted telemarketers raised a total of \$0. Cash donations totaled \$0 (0%), while non-cash donations totaled \$0. Of the total non-cash donations, \$0 were vehicle donations. The remainder were from Gift in Kind (GIK) donations.

<u>Revenue</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>
Federated campaigns			0	
All other contributions - Cash	0	0	0	0
All other contributions - Non-Cash	0	0	0	0
Investment Income	0	0	0	0
Sales of assets - Net		0	0	
COD income			0	
List rental			0	
Other Income			0	0
Total Income	0	0	0	0

major expenses for the years examined were. Grants and Other Assistance, Compensation of Officers and Directors, Other Salaries, and Professional Fundraising Expenses

<u>Expenses</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>
Grants & other asst. - Orgs in U.S.	0	0	0	0
Grants & other assistance - U.S.	0	0	0	0
Grants & other asst. - Outside U.S.	0	0	0	0
Compensation of officers	0	0	0	0
Other salaries	0	0	0	0
Professional fundraising	0	0	0	0
Other Expenses	0	0	0	0
Total Expenses	0	0	0	0

For the period under examination, expenditures for its charitable grant programs, excluding grants and other assistance outside the U.S., averaged approximately 0% of total expenditures. The remaining 0% of the expenditures were for administrative (0%) and fundraising expenses (0%).

Form 886-A (May 2017)	Explanations of Items	Schedule number or exhibit
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	20XX	20XX	20XX	20XX
Grants & Other Assistance				
Grants & other asst. - Orgs in U.S.	0	0	0	0
Grants & other assistance - U.S.	0	0	0	0
	0	0	0	0
Administrative Expenses				
Compensation of officers	0	0	0	0
Other salaries	0	0	0	0
Professional fundraising	0	0	0	0
Other Expenses	0	0	0	0
Total Expenses	0	0	0	0
Total Expenses	0	0	0	0
% of Grants Paid	0%	0%	0%	0%
% Administrative	0%	0%	0%	0%
% Fundraising	0%	0%	0%	0%

Salaries and Wages

For the period under examination, _____ paid a total of \$0 in Compensation to Officers and Directors. All that compensation went to _____, President of _____.

The majority (approx. 0%) of the Other salaries paid to _____ employees went to relatives of _____ (See Exhibit 1 for relationships).

Related Salaries	20XX	20XX	20XX	20XX
	0	0	0	0
	0	0	0	0
	0	0	0	
	0	0	0	
	0	0	0	0
	0	0	0	0
	0	0	0	
	0	0	0	0
	0	0	0	0
Total Related Salaries	0	0	0	0
Reported Salaries & Wages	0	0	0	0
% of Salaries & Wages	0%	0%	0%	0%

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also compensated step-nephew, , as an independent contractor.

paid its employees substantially more than it spent on grants and other goods provided to needy cancer patients domestically.

failed to meet the section 501(c)(3) of the Internal Revenue Code because has failed to establish that it is operated exclusively for charitable purposes. The primary purpose of was to provide employment and benefits to Ms. , her family members, and his relatives which is not exclusively for charitable purposes.

Non-cash donations (GIK)

Noncash donations, noncash grants, and non-cash goods are referred to as "gift-in-kind" ("GIK").

reported receiving GIK donations during the examination period. Schedules B and M of Form 990 are used for reporting receipt of GIK donations. For the years 20XX through 20XX, the noncash contributions received by are summarized below:

Revenue	Activity	20XX	20XX	20XX	20XX
Vehicle Donation					
Processing Services	Veh. Donat		0	0	
	GIK				
Medications		0	0		
	GIK				
Medicines			0	0	0
, Med Supplies				0	0
Other			0	0	
Total Revenue		0	0	0	0

would receive donations of clothes and other items from the public and distribute these items to their clients.

Received donation of was involved in major GIK programs, vehicle donation and international GIK. In the vehicle donation program worked with vehicle donation organizations in the U.S. The organization would either receive the donated vehicles from the public, auction them off, and send the proceeds to , or would take in the donated vehicles and have them auctioned off.

The other program was involved in was an international GIK program. indicated on Forms 990 that GIK goods that distributed internationally were originated from and . The GIK goods provided internationally included, clothing, industrial sewing machines, hospital beds, geriatric chairs, pediatric wheelchairs, shower stools, walkers, safety rails, medical supplies, food items, kitchen

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utensils, blankets, various household items, hygiene items, school supplies, tools and hardware, orphanage supplies, medical equipment, cancer medications, non-cancer medications, and computers, etc.

The noncash donations (GIK goods) that _____ received and distributed internationally were procured from both for-profit and non-profit GIK brokers by paying procurement, cost of shipping in, warehousing, and shipping out fees. These companies are brokers that line up gifts in kind with charities. These gifts-in-kind are intended for international charities, and they need US charities, such as _____ to handle the freight costs. By agreeing to accept goods and cover the shipping costs, _____ can credit these shipments toward patient services with a substantial offset to fundraising costs.

_____ reported on its Forms 990 for the years 20XX and 20XX that _____ received noncash donations from of \$0 and \$0 for the tax years 20XX and 20XX respectively. It further reported that it distributed the noncash donations received to foreign recipients in _____ and the _____ in the same amounts that it received from _____.

A review of _____ Forms 990 for 20XX and 20XX that it released for public inspection revealed that claimed a total of \$0 in non-cash contributions to _____ in 20XX and \$0 in 20XX. _____ is not listed as a donee on _____ Forms 990s for either tax year.

_____ reported on its Forms 990 for the years 20XX and 20XX that _____ received noncash donations from of \$0, 0 and \$0 for the tax years 20XX and 20XX respectively. It further reported that it distributed the noncash donations received to foreign recipients in _____ and the _____ in the same amounts that it received.

A review of _____ Forms 990 for 20XX and 20XX that it released for public inspection revealed that claimed a total of \$0 in Donations in 20XX and \$0 in 20XX. _____ is not listed as a donee on _____ Forms 990s for either tax year.

_____ did not retain control and discretion over the use of the non-cash goods, or maintain records that established the recipient used the non-cash goods for the organization's IRC § 501(c)(3) purposes.

_____ incorrectly reported the international non-cash donations (GIK) on its Forms 990 by using the unverified fair market values of the GIK goods procured from GIK brokers. Instead, _____ should have reported the total of its procurement fees on its Forms 990 as non-cash grants provided.

Form 990 is used by tax-exempt organizations to provide information required by IRC section 6033. Some members of the public and/or state agencies rely on Form 990 as the primary or sole source of information about an exempt organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, the return must be complete, accurate, and fully describe the organization's programs and accomplishments.

_____ filed Forms 990 inaccurately by claiming fair market values of GIK goods procured from GIK brokers as non-cash donations. The GIK transactions represented a flow-through of dollar amounts that were paper transactions only. _____ reported the fair market values of GIK goods procured on Forms 990 as revenue received and expenses paid. By reporting fair market values of GIK goods procured as revenue, _____ incorrectly increased the revenue received. By reporting fair market values of GIK goods procured as

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expenses, decreased the overall percentage of administrative costs and substantially offset its fundraising costs.

fails to meet IRC section 6033 of the Code which requires every organization exempt from taxation under 501(a) to file an annual return, stating specifically the items of gross income, receipts, disbursements and such other information for carrying out the internal revenue laws.

The Complaint

DESCRIPTION OF COMPLAINT REDACTED

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DESCRIPTION OF COMPLAINT REDACTED

fails to meet Revenue Ruling 80-278, 1980-2 CB 175, (Jan. 01, 1980) that provides that in making the determination of whether an organization's activities are consistent with exemption under section 501(c)(3) of the Code, the Service will rely on a three-part test. The organization's activities will be considered permissible under section 501(c)(3) if:

- (1) The purpose of the organization is charitable;
- (2) The activities are not illegal, contrary to a clearly defined and established public policy, or in conflict with express statutory restrictions; and
- (3) The activities are in furtherance of the organization's exempt purpose and are reasonably related to the accomplishment of that purpose.

The findings by the court clearly prove that was involved in fundraising practices that in conflict with express statutory restrictions. With this court decision, fails to meet Revenue Ruling 80-278, 1980-2 CB 175, (Jan. 01, 1980) requirements that the organization's activities are not contrary to a clearly defined and established public policy.

Summary:

does not continue to qualify for exemption under Section 501(c)(3) of the Internal Revenue Code. does not meet the operational test for exempt status under section 501(c)(3) of the Internal Revenue Code because in that has failed to establish that it is operated exclusively for charitable purposes and that no part of its earnings inure to the private benefit of its officers, directors or family members.

fails to meet IRC section 6033 of the Code which requires every organization exempt from taxation under 501(a) to file an annual return, stating specifically the items of gross income, receipts, disbursements and such other information for the purpose of carrying out the internal revenue laws. As part of involvement in GIK programs, caused its Forms 990 to report inaccurate GIK donations and expenditures not allowing members of the public and/or state agencies to receive accurate information about this organization.

In a suit filed by

DESCRIPTION OF SUIT REDACTED

With the above facts taken into consideration, it is determined that exempt status should be revoked back to the tax year ending December 31, 20XX, the beginning of the FTC investigation.

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Exhibit 1

CHART DELETED

Form 886-A (May 2017)	Explanations of Items	Schedule number or exhibit
Name of Taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended 20XX

Exhibit 2 – The detailed family relationships of CEO and employees

Exhibit 2

Professional Fundraising (Cash and Non-Cash Donations)

Professional Fundraising (Cash Donations)

Entity	Activity	20XX	20XX	20XX	20XX
Associated					
Community Services	Telmkt	0	0	0	0
Charitable					
Resource Foundation	Telmkt	0	0	0	0
Preferred					
Community Services	Telmkt	0	0	0	
	Telmkt				
Innovative					
Teleservices	Telmkt	0	0	0	0
Courtsey Call	Telmkt	0	0	0	0
Community					
Services Appeal	Dir Mail		0	0	
Vehicle Donation					
Processing Services	Car Donat.	0	0	0	0
	Car Donat.	0	0	0	
Other	Donations	0	0		
Total Cash		0	0	0	0

Professional Fundraising (Non-Cash Donations)

Entity	Activity	20XX	20XX	20XX	20XX
Cars & Vehicles	Car Auct		0		
Other			0	0	0
	GIK	0	0	0	0
	GIK		0	0	0
Total Non-Cash		0	0	0	0
Total Fundraising					
Cash		0	0	0	0
Non - Cash		0	0	0	0
		0	0	0	0