

Internal Revenue Service
Appeals Office

Department of the Treasury

Employer Identification Number:

Date: FEB 19 2019

Person to Contact:

Number: **201921019**
Release Date: 5/24/2019

Employee ID Number:
Tel:
Fax:

UIL Codes: 501.03-00
501.03-30

Certified Mail

Dear :

This is a final adverse determination that you do not qualify for exemption from federal income tax under Internal Revenue Code (the "Code") section 501(a) as an organization described in Section 501(c)(3) of the Code.

We made the adverse determination for the following reason(s):

You have not demonstrated that you operated exclusively for an exempt purpose as described in section 501(c)(3).

Treasury Regulation section 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not operated exclusively for exempt purposes unless it serves a public rather than a private interest. You operated for the benefit of the private interests of your officers through providing business referrals.

Treasury Regulation section 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 on activities which accomplish one or more of such exempt purposes specified in section 501(c)(3). You did not operate exclusively to serve a charitable purpose because your services for individuals are not limited to a charitable class.

Contributions to your organization are not deductible under section 170 of the Code.

You're required to file Federal income tax returns on Form 1120, U.S. Corporation Income Tax Return, OR Form 1041, U.S. Income Tax Return for Estates and Trusts. Mail your form to the appropriate Internal Revenue Service Center per the form's instructions. You can get forms and instructions by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676).

We'll make this letter and the proposed adverse determination letter available for public inspection under Code section 6110 after deleting certain identifying information. We have provided to you, in a separate mailing, Notice 437, *Notice of Intention to Disclose*. Please review the Notice 437 and the documents attached that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437.

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of section 7428 of the Code in either:

- United States Tax Court,
- The United States Court of Federal Claims,
- The United States District Court for the District of Columbia.

You must file a petition or complaint in one of these three courts within 90 days from the date we mailed this determination letter to you. Contact the clerk of the appropriate court for rules and the appropriate forms for filing petitions for declaratory judgment. You can 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

Note: We will not delay processing income tax returns and assessing any taxes due even if you file petition for declaratory judgment under section 7428 of the Code.

Please refer to the enclosed Publication 892, How to Appeals an IRS Determination on Tax -Exempt Status, for more information about the Appeals process.

You also have the right to contact the Taxpayer Advocate Service (TAS). TAS is an independent organization within the IRS that can help protect your taxpayer rights. TAS 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. Advocate assistance, please contact the Taxpayer Advocate for the IRS office that issued this letter. You If you qualify for TAS assistance, which is always free. TAX will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

TAS assistance is not a substitute for established IRS procedures, such as the formal appeals process. TAS cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States Court.

If you have any questions, contact the person at the top of this letter.

Sincerely,

Appeals Team Manager

Enclosure: Publication 892



Department of the Treasury
Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Date: FEB 19 2019

Employer ID number:

Contact person/ID number:

Contact telephone number:

Contact fax number:

Legend:

B = Date

C = State

D = State

H = Program

J = Individual

K = Individual

L = Company

M = Company

n dollars = Amount

p dollars = Amount

q dollars = Amount

r dollars = Amount

s dollars = Amount

t dollars = Amount

u dollars = Amount

v dollars = Amount

x dollars = Amount

y dollars = Amount

z dollars = Amount

UIL:

501.00-00

501.03-00

501.31-00

501.33-00

Dear ..

We considered your application for recognition of exemption from federal income tax under Section 501(a) of the Internal Revenue Code (the Code). Based on the information provided, we determined that you don't qualify for exemption under Section 501(c)(3) of the Code. This letter explains the basis for our conclusion. Please keep it for your records.

Issues

Do you qualify for exemption under Section 501(c)(3) of the Code? No, for the reasons stated below.

Facts

You were incorporated in the State of C on B. Your Articles in Incorporation state, in part, that you were formed to provide economic aid, resources, and literacy to distressed homeowners victimized by the foreclosure epidemic plaguing America. You will provide a myriad of services to help America's homeowners who are

struggling with mortgage debt to get relief. Your purpose is to help each client and/or family preserve the American Dream of homeownership.

You provided a receipt indicating that you had used a particular service company located in the state of C to file your application for exemption. You operate in the state of D. The receipt included a statement from the service provider that they pledge to do all they can to provide you with one-stop convenience and a full spectrum of services to help you "protect your assets and maximize your profits." You paid this service provider a certain dollar amount for their services.

Your Bylaws state that you will provide resources, recovery, and a resolve to homeowners facing foreclosure. Your primary purpose is to help homeowners preserve homeownership which has been fractured by catastrophic foreclosure.

Your Bylaws also include a conflict of interest policy, which states, in part, that no employee, officer, director, or agent shall participate in the selection, award or administration of a contract, where, to his or her knowledge, the employee, officer, director, or agent or his or her immediate family or partner has a financial interest. The financial interest must be fully disclosed to the board prior to the selection process. If the board, in its sole and absolute discretion, determines that there is a potential contract of interest, permission shall be denied. The Bylaws state that a person has a financial interest, either directly or indirectly, through business, investment or family if there is:

- An ownership or investment interest in any entity with which you have a transaction or arrangement
- A compensation arrangement with you or with any entity or individual with which you have a transaction or arrangement, or
- A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which you are negotiating a transaction or arrangement.

You indicated on Form 1023 that none of your officers are related through business or family relationships and that you do not have any business relationship with any of your officers. We asked for additional information about any past or present board members, officer or key employees who has served on the board of any organization with whom you do business, has an ownership interest in any for-profit entity that business with you, or who would otherwise be treated as a disqualified person. We asked you to explain the nature of the relationship with you. To this you simply responded, "regarding the ownership interest in For-Profit Entities:"

- J - relationship to you – Secretary and Director
- K - relationship to you – President

You omitted the names of the for-profit organizations in which J and K have an interest. You further stated that you have no directors who receive a financial benefit, either directly or indirectly through your activities. You also asserted that none of your directors have special knowledge or expertise in credit or financial education, are public officials, or are community leaders.

In our second inquiry, we asked for resumes of your current officers, directors and/or trustees. To this you provided very little detail. You indicated that K's employment includes M and an investment company. J's employment includes M. A third director was also included. You said this individual is K's father.

You will make referrals to two entities, M and L. M is a real estate investment company and L is a real estate brokerage firm. Initially, you did not mention any relationship between you and M. However, we then sent you

public information from the internet which states that M was formed jointly by J and K. In response to this, you stated that two of your officers have a business relationship and have an ownership interest in M. This contradicts prior information submitted.

You will have a homeowner foreclosure bailout program. This program will benefit the following:

- Homeowners by making their home affordable or by relocating them to more affordable housing
- The community by keeping neighborhoods beautiful and stabilizing the housing market in neighborhoods by attempting to halt mass foreclosures and thus averting depreciating home values, and
- The economy by stimulating economic growth through job creation and reducing housing vacancy and loss.

You described one of your programs as a cash purchase program. You will acquire foreclosed real estate from homeowners, short sales, and REO bulk purchases at a _____ percent discount. Your strategy will be to purchase, rehab homes and relocate displaced victims of foreclosure into more affordable housing.

Another one of your programs is called H, which is designed to give homeowners an “out” with benefits and without liability, hassle, or endless paperwork. You assist homeowners down the road of charitable giving by having them donate their property to you so that you can house veterans, single parents with children _____ years of age and younger, disabled persons, and more.

Your employees will guide clients down the road to foreclosure recovery and enjoying life after debt. This will be achieved by counseling each homeowner on their specific situation and needs, determining their eligibility for available programs and funding, create a plan based on their preference to keep, sell, or donate their home. Clients provide you with basic financial information as well as information regarding their current mortgage debt. You will facilitate the process from beginning to end for the home retention, liquidation, or donation services. In return, clients will be afforded the following benefits supported by the financial endorsements you receive to:

1. Gift clients:

- Up to x dollars towards saving their home (you anticipate _____ participants the first year)
- y dollars to z dollars for doing a short sale (you anticipate _____ participants the first year), or
- z dollars for donating their property (you anticipate four participants the first year).

2. Refer clients attempting to save their home from foreclosure by permanently modifying their existing mortgages to third-party companies that are authorized by the Department of Justice and have a bond on file with the Secretary of State to obtain an “Analysis Report” outlining the specific requirements for them to obtain the best possible loan modification.
3. Protect clients from unlawful foreclosure prevention and/or mortgage scams by filing a claim with the Department of Justice to recover any monies they lost as victims of a foreclosure relief scam by another company and or individual(s).
4. Loans, grants and/or gifts will be used to assist participants in addition to you extending employment opportunities to those in need of supplementing their income by getting another job.

5. Provide temporary financial assistance to homeowners experiencing short-term (unforeseeable situations lasting only months), situational hardships to pay their mortgage and/or reinstate their home loan that is in default and between days past due.
6. Fund the investment capital requirement to allow you to be the liaison between investors by creating jobs that will:
 - a. Allow unemployed yet aspiring homeowners to achieve the "American Dream" of home ownership by maintaining gainful employment with job security
 - b. Assist struggling homeowners with preserving the "American Dream" by supplementing their incomes with gainful employment to make their mortgage more affordable until permanently modified, and
 - c. Further exfoliate the economic turmoil fueling the cyclic epidemic of foreclosure.

Your initial application stated that your financial assistance criteria is as follows:

- The subject property is located in specific counties in the state of D
- Original loan amount: n dollars or less, and
- Income per month (gross): p dollars or less.

We later asked for some additional information regarding your programs. In response to our inquiry you indicated the homeowner's qualifications are as follows:

- Gross annual income limit = r dollars or less for individuals
- Gross annual income limit = s dollars or less for couples
- Net worth = q dollars or less or q dollars or less in total assets
- Have and meet documented hardship limits
- Have sufficient income to sustain a modified mortgage if retention of the property is the goal
- Have qualifying sources of income for clients that want to keep their home
- The property must be located in the United States, and
- To qualify for a mortgage, the homeowner must be serviced by a participating servicer if they want to keep the property, must not be a HELOC, Credit union loan, or private lender loan, and be in active foreclosure status, have a pending trustee or auction sale date scheduled, or be facing a pending pre-foreclosure.

In your response to our second inquiry, you provided the guidelines which you consider for approval. The total monthly household income maximums are as follows:

- One adult household monthly income – v dollars
- Two adult household monthly income – v dollars times two, and
- Three plus adult household monthly income – v dollars times three.

You said that if the client's income exceeds these amounts, they will not be approved for funding. However, if they are facing foreclosure, and they are eligible to receive assistance from one of your relocation specialists, as a courtesy you will provide customer service and administrative support.

We then asked for a clarification of the discrepancy between the criteria from your application and your response to our questions. You said to disregard the initial criteria as it is no longer applicable.

You provided copies of your brochures. One of them states that you have many relocation assistance services and tools available through your network. You offer a full-service relocation program to qualifying homeowners working with industry professionals approved through your network. You also have an all-inclusive moving package, which includes packing, loading/unloading of household items/furniture to storage or to a new residence with transportation costs and labor included, and settling in. The brochures also state that you provide up to t dollars per homeowner when selling a property through one of your approved agents and brokerages.

You provided a script for your "outbound pre-foreclosure" calls. There is a place on the script for the property address and it indicates which employee is assigned to make the call. The caller states that they are the Intake Counselor and they are calling to see how they can help them avoid the "pending foreclosure" on their property. If the individual is interested in your services, you continue by explaining who you are and what you do. That includes, helping get them pre-qualified for a loan modification, refinance of their existing loan, or referring them to one of your network providers who can purchase the home from them without charging a real estate brokerage fee or any other fees.

You provided prints from your website. Your website states that the reader can get approved for free money. It further states that you offer y dollars to u dollars in relocation assistance and x dollars toward loan modification.

You will stabilize the housing market by purchasing abandoned properties and selling and/or renting them to reduce vacancy and loss. You will also acquire, rehabilitate, and then sell distressed properties to eliminate eyesores and problem properties to keep your communities beautiful and home values consistent. In doing so, you will create jobs for unemployed and/or underemployed persons by employing them to rehabilitate these properties acquired to stimulate economic growth with tax revenues.

You will create various jobs employing directors, managers, human resource personnel, social workers, computer programmers and IT staff, marketing personnel, accountants, construction workers, researchers, and many other skilled workers. You will also create jobs through your trade training program. This program will recruit unskilled, unemployed individuals and have your employed, skilled construction workers and educators to teach them a trade. Once they graduate this program, you will employ these newly trained workers in the trade they learned. You will accomplish this by meeting the greater needs in our communities and using foreign investment, private resources, donations, government subsidies, and direct grant support dollars to ensure the job stability for our employees in their perspective positions. You will use innovation coupled with eliciting the best practices of stable and thriving businesses to ensure your efficacy by providing services and resources the government does not and/or no longer provides and employ people to facilitate these innovations and services.

In response to our first request for additional information you stated that all services by the following employee categories, including all members of the Board of Directors, will be donated, volunteer-based services with no compensation: Administrative Staff, Processor, Counselor/Case Manager, Relocation Specialist, Program Coordinator, Donations Coordinator, and Bookkeeper. The only employee that will be compensated is the Program Manager. That employee will be paid a fair market hourly rate for the like-kind service in a for-profit company. You said there will be no arms-length bargaining to determine the salary. Your budgets provided no expenses for salaries. You also provided the following:

- Training your Counselors must have: high school diploma (or its equivalent) and some college. No other formal education required as they are trained on the-job
- Experience your Counselors must have: Familiarity or experience with computers

- Training your Counselors receive before their employment with you: communications course, information systems, one week on-the-job training in daily operations/administration, your systems, introductory course to foreclosure processes and options for homeowners by state, and phone etiquette training
- Training your Counselors receive during their employment with you: fundraising course, time management skills, advertising, and marketing, and
- For unqualified counselors that remain interested in earning their employment with you, training includes: high school vocational education programs that teach office skills and keyboarding.

In response to a second letter seeking additional information, you said that all of your staff are volunteers on a to year minimum commitment.

If the client is buying a new home, you confirm that they wish to use an “authorized real estate service, e.g., L, hires their own real estate agent,” or works with you to set up property sales alerts. When grant funding is awarded to a client, you pay all associated moving services fees directly to the vendor(s) on behalf of the client. Otherwise, the client is fully responsible to pay for all of the moving costs. If the client receives one of your moving cost stipends, then you pay the moving costs up front via the funds available. The client must then utilize one of your full service moving partner companies.

In response to the third request for additional information, you stated that you do not have a commitment agreement since resources are provided by third parties and you would only serve the function of a referral resource. You will provide referrals for various types of leads: seller, buyer, investor, refinance, credit repair, bankruptcy, litigation, probate, deed-in-lieu, and loss mitigation leads. M is one of entities selected by you to receive referrals. M specializes in stopping foreclosures. M buys, sells, and rents homes.

You have a transition assistance program that will provide up to t dollars per homeowner. This benefit is available to homeowner’s when selling a property through one of your agency-approved agents and brokerages. Additional services provided include:

1. Relocation counseling on topics including financial management, housing, stress management, and shipment and storage of household goods
2. Assistance in locating affordable housing at the destination location
3. Referral to credit repair agency for financial education services and credit rebuilding
4. Referral to Transition Assistance Programs
5. All-inclusive moving: packing, loading/ unloading of household items/ furniture to storage or your new residence with transportation costs and labor included, and settling in, and
6. Financial assistance and additional information on moving costs, housing, child care, spousal employment and managing the emotional effects of relocation.

You have assisted more than 40 clients find an alternative housing solution in the past year. You have held no educational seminars or financial workshops in the last year. Participants in your programs are not required to engage in ongoing educational programs. You do not plan to apply to HUD for certification as an approved housing counseling agency. You also do not plan to apply for funding from the National Foreclosure Mitigation Counseling Program.

The budgets you submitted indicate you anticipate grossly insufficient revenue to cover your expenses. When we asked about this deficiency you said it was “definitely a typographical error.” You then, without more, said

you “hope this addresses the error and that all questions have been satisfactorily answered.” You did not provide revisions to the budgets, which you assert were incorrect. You said that the bulk of your fundraising income will be received from rents paid by the beneficiaries of your services in furtherance of your mission. The proposed budgets you provided with Form 1023 include revenue received for services performed. In response to our first letter seeking additional information you stated you do not charge fees for services. You anticipate a large amount of your revenue will be received from government grants, although you included very little in your proposed budgets.

Law

Section 501(c)(3) of the Code provides an exemption for corporations organized and operated exclusively for religious, charitable, scientific literacy, or educational purposes, no part of the net earnings of which inures to the benefit of any shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) states that to be described in Section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Treas. Reg. Section 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 Section 501(c)(3) of the Code. An organization will not be regarded as exempt if more than an insubstantial part of its activities further a non-exempt purpose.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. To meet the requirements of this subsection, an organization must establish that it 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.

Treas. Reg. Section 1.501(c)(3)-1(d)(2) provides that the term “charitable,” is used in Section 501(c)(3) of the Code in its generally accepted legal sense and includes the relief of the poor and distressed or of the underprivileged.

Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) provides that the term “educational,” as used in section 501(c)(3) of the Code, relates to:

- (a) The instruction or training of the individual for the purpose of improving or developing his capabilities; or
- (b) The instruction of the public on subjects useful to the individual and beneficial to the community.

Revenue Procedure 2018-5, 2018-1 I.R.B. 233, Section 3 states that a determination letter or ruling on exempt status is issued based solely upon the facts and representations contained in the administrative record. The applicant is responsible for the accuracy of any factual representations contained in the application. Section 6 (and its predecessors) provides that a favorable determination letter or ruling will be issued to an organization only if its application and supporting documents establish that it meets the particular requirements of the section under which exemption from federal income tax is claimed.

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 179 (1945), the Supreme Court held that the presence of a single non-exempt purpose, if substantial in nature, will destroy a claim for exemption regardless of the number or importance of truly exempt purposes.

In Old Dominion Box Co. v. United States, 477 F.2d. 344 (4th Cir. 1973) cert. denied, 413 U.S. 910 (1973), the court held that operating for the benefit of private parties constitutes a substantial non-exempt purpose.

In Consumer Credit Counseling Service of Alabama, Inc. v. United States, 78-2 U.S.T.C. 9660 (D.D.C. 1978), the court held that an organization that provided free information on budgeting, buying practices, and the sound use of consumer credit qualified for exemption from income tax because its activities were charitable and educational. They are an umbrella organization made up of numerous credit counseling service agencies. These agencies provided information to the general public through the use of speakers, films, and publications on the subjects of budgeting, buying practices, and the sound use of consumer credit. They also provided counseling on budgeting and the appropriate use of consumer credit to debt-distressed individuals and families. They did not limit these services to low-income individuals and families, but they did provide such services free of charge. As an adjunct to the counseling function, they offered a debt management plan. Approximately 12 percent of a professional counselor's time was applied to the debt management plan as opposed to education. The agencies charged a nominal fee of up to \$10 per month for the debt management plan. This fee was waived in instances when payment of the fee would work a financial hardship. The professional counselors employed by the organizations spent about 88 percent of their time in activities such as information dissemination and counseling assistance rather than those connected with the debt management programs. Thus, the court concluded that "each of the plaintiff consumer credit counseling agencies was an organization described in Section 501(c)(3) as a charitable and educational organization."

Pius XII Academy, Inc. v. Commissioner, T.C. Memo, 1982-97, affd. 711 F.2d 1058 (6th Cir. 1983), provides that an organization must establish through the administrative record that it operates as an exempt organization. Denial of exemption may be based solely upon failure to provide information describing in adequate detail how the operational test will be met.

In Solution Plus, Inc. v. Commissioner, T.C. Memo, 2008-21, the Tax Court held that a credit counseling organization was not exempt under Section 501(c)(3) because it was not organized and operated exclusively for educational or charitable purposes and impermissibly served private interests. The organization was formed by an individual with experience selling debt management plans. The founder and his spouse were the only members of the organization's board of directors. The organization did not have any meaningful educational program or materials for providing to people who contacted the organization, and its financial education seminars for students constituted an insignificant part of the organization's overall activities. The Tax Court further held the organization would operate for the private interests of its founder because the founder and spouse were the only directors, the founder was the only officer and employee, and his compensation was based in part on the organization's DMP sales activity levels. The organization was "a family-controlled business that he personally would run for financial gain, using his past professional experience marketing DMPs and managing a DMP call center."

In Ohio Disability Association v. Commissioner, T.C. Memo 2009-261 (2009), the Tax Court held that the taxpayer's responses to Service requests for additional information failed to clarify its purposes and activities and the generalizations did not provide sufficient detail to determine that it would be operated exclusively for exempt purposes. Therefore, the Service was justified in denying exempt status.

Application of law

You do not meet the operational test of Section 501(c)(3) of the Code because you are not operating exclusively for educational or charitable purposes as required under Treas. Reg. Sections 1.501(c)(3)-1(a)(1) and 1.501(c)(3)-1(c)(1).

First, you do not provide an educational program for your clients. Your counseling sessions are used to solicit the information required by third parties in an effort to obtain a loan modification, credit repair, or other services. Your interactions with clients do not provide instruction or training “useful to the individual and beneficial to the community” within the meaning of Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i).

You are distinguishable from the organization described in Consumer Credit Counseling Service of Alabama, Inc. You have not held any seminars, clinics, workshops or other educational programs. The only activity that you conduct is collecting information and making third party referrals. Clients provide you with basic financial information as well as information regarding their mortgage. Unlike the organization in Consumer Credit Counseling Service of Alabama, Inc., you do not offer counseling sessions that are structured primarily to improve your clients' understanding of their financial problems or their skills in solving them. While your counselor does explain options to the client, your main objective is to make referrals. Communicating with a homeowner to complete an intake sheet is not an educational activity because the communication does not provide a development from the relevant facts that would materially aid a listener or reader in a learning process.

Like the organization in Solution Plus, Inc., you did not provide evidence that you help clients develop an understanding of the cause of their financial problems or a plan to address their financial problems. You provided no evidence that you intend to establish long-term counseling relationships with your clients. Thus, your activities are not educational within the meaning of Section 501(c)(3) of the Code.

Additionally, an organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than a private interest, as described in Treas. Reg. Section 1.501(c)(3)-1 (d)(1)(ii). The financial assistance you provide to homeowners is not limited to low-income individuals. Providing individuals cash to “donate” their homes or other monetary incentives to use your third-party contacts in order to avoid foreclosure is providing a direct and substantial private benefit to the homeowners.

You are not as described in Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) because you are not operated exclusively for purposes specified in Section 501(c)(3) of the Code. Your activities serve the private interests of two of your officers, whose for-profit company, M, receives referrals from you. As held in Better Business Bureau of Washington D.C., Inc. the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes. Your activity of providing referrals to a company owned by insiders is a substantial non-exempt purpose. Therefore, you are not exempt under Section 501(c)(3).

Furthermore, in order to be recognized as exempt under Section 501(c)(3) of the Code, we must have a clear and unambiguous understanding of your activities. Under the standard described in Rev. Proc. 2018-5, we will recognize your exempt status only if your operations are described in sufficient detail to permit a conclusion that you will meet the requirements of Section 501(c)(3). You have not described your activities clearly or unambiguously and, consequently, we are unable to conclude that you meet the requirements of Section 501(c)(3).

You have provided contradicting information throughout the process. First, you stated you had employees, but then you said they were largely volunteers. You stated no officers or directors have any relationships with one another, but then, only after public information was shared with you, you stated that two of your directors are directors of a for-profit company, M, which is approved to receive referrals from you. The criteria for the homeowners you will assist was inconsistent – although it was never limited to those classified as low-income. Your budgets lack sufficient revenues to cover expenses and you failed to provide details, even when requested. The inconsistencies in the information provided did not enhance our understanding of your activities, and were not sufficient to determine that you are operated exclusively for exempt purposes, as explained in Ohio Disability Association.

A ruling on exempt status is based solely on facts and representations in the administrative file. The additional information you provided did not establish that you are entitled to exempt status. As stated in Pius XII Academy, Inc., an organization must establish, through its administrative record, that it meets the requirements for exemption. Because you failed to provide sufficient details in your initial application and the additional information you provided did not meet the statutory and regulatory requirements for exemption, you have not established that you meet the requirements for exemption under Section 501(c)(3) of the Code.

Conclusion

Based on the above facts and analysis, you do not qualify for exemption under Section 501(c)(3) of the Code. You are not operated exclusively for educational purposes as described in Section 501(c)(3). Rather, you further the private interests of your officers and individuals that use your services, which is a substantial non-exempt purpose. Additionally, the information you provided is inconsistent and lacking sufficient detail. Therefore, you do not qualify for exemption under Section 501(c)(3).

If you don't agree

You have a right to file a protest if you don't agree with our proposed adverse determination. To do so, you must send a statement to us within 30 days of the date of this letter. The statement must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A copy of this letter highlighting the findings you disagree with
- An explanation of why you disagree, including any supporting documents
- The law or authority, if any, you are relying on
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization, or your authorized representative
- One of the following declarations:

For an officer, director, trustee, or other official who is authorized to sign for the organization:
Under penalties of perjury, I declare that I examined this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

For authorized representatives:

Under penalties of perjury, I declare that I prepared this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, Power of Attorney and Declaration of Representative, with us if he or she hasn't already done so. You can find more information about representation in Publication 947, Practice Before the IRS and Power of Attorney.

We'll review your protest statement and decide if you provided a basis for us to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't provided a basis for reconsideration, we'll forward your case to the Office of Appeals and notify you. You can find more information about the role of the Appeals Office in Publication 892, How to Appeal an IRS Decision on Tax-Exempt Status.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court at a later date because the law requires that you use the IRS administrative process first (Section 7428(b)(2) of the Code).

Where to send your protest

Please send your protest statement, Form 2848, if needed, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
EO Determinations Quality Assurance
Room 7-008
P.O. Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Room 7-008
Cincinnati, OH 45202

You can also fax your statement and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that he or she received it.

If you agree

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

You can find all forms and publications mentioned in this letter on our website at www.irs.gov/formspubs. If you have questions, you can contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosure:
Publication 892