



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

Date: May 5, 2021

Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:

ID number:

Telephone:

Number: 202238014

Release Date: 9/23/2022

UIL: 501.03-00

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Dear

Why we are sending you this letter

This is a final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), effective
Your determination letter dated , is revoked.

Our adverse determination as to your exempt status was made for the following reasons: Organizations described in IRC Section 501(c)(3) and exempt under IRC Section 501(a) must be both organized and operated exclusively for exempt purposes. You have not demonstrated that you are operated exclusively for charitable, educational, or other exempt purposes within the meaning of IRC Section 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.

Organizations that are not exempt under IRC Section 501 generally are required to file federal income tax returns and pay tax, where applicable. For further instructions, forms and information please visit www.irs.gov.

Contributions to your organization are no longer deductible under IRC Section 170.

What you must do if you disagree with this determination

If you want to contest our final determination, you have 90 days from the date this determination letter was mailed to you to file a petition or complaint in one of the three federal courts listed below.

How to file your action for declaratory judgment

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of IRC Section 7428 in one of the following three venues: 1) United States Tax Court, 2) the United States Court of Federal Claims or 3) the United States District Court for the District of Columbia.

Please contact the clerk of the appropriate court for rules and the appropriate forms for filing an action for declaratory judgment by referring to the enclosed Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status. You may write to the courts at the following addresses:

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

U.S. Court of Federal Claims
717 Madison Place, NW
Washington, DC 20439

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

Letter 6337 (12-2020)
Catalog Number 74800E

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under IRC Section 7428.

We'll notify the appropriate state officials (as permitted by law) of our determination that you aren't an organization described in IRC Section 501(c)(3).

Information about the IRS Taxpayer Advocate Service

The IRS office whose phone number appears at the top of the notice can best address and access your tax information and help get you answers. However, you may be eligible for free help from the Taxpayer Advocate Service (TAS) if you can't resolve your tax problem with the IRS, or you believe an IRS procedure just isn't working as it should. TAS is an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Contact your local Taxpayer Advocate Office at:

Or call TAS at 877-777-4778. For more information about TAS and your rights under the Taxpayer Bill of Rights, go to taxpayeradvocate.irs.gov. Do not send your federal court pleading to the TAS address listed above. Use the applicable federal court address provided earlier in the letter. Contacting TAS does not extend the time to file an action for declaratory judgment.

Where you can find more information

Enclosed are Publication 1, Your Rights as a Taxpayer, and Publication 594, The IRS Collection Process, for more comprehensive information.

Find tax forms or publications by visiting www.irs.gov/forms or calling 800-TAX-FORM (800-829-3676).

If you have questions, you can call the person shown at the top of this letter.

If you prefer to write, use the address shown at the top of this letter. Include your telephone number, the best time to call, and a copy of this letter.

Keep the original letter for your records.

Sincerely,



Sean E. O'Reilly

Director, Exempt Organizations Examinations

Enclosures:

Publication 1
Publication 594
Publication 892



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

Date:
10/29/2020
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:
ID number:
Telephone:
Fax:
Address:

Manager's contact information:

Name:
ID number:
Telephone
Response due date:

CERTIFIED MAIL – Return Receipt Requested

Dear _____ :

Why you're receiving this letter

If you agree

If you haven't already, please sign the enclosed Form 6018, Consent to Proposed Action, and return it to the contact person shown at the top of this letter. We'll issue a final adverse letter determining that you aren't an organization described in IRC Section 501(c)(3) for the periods above.

If you disagree

1. Request a meeting or telephone conference with the manager shown at the top of this letter.
2. Send any information you want us to consider.
3. File a protest with the IRS Appeals Office. If you request a meeting with the manager or send additional information as stated in 1 and 2, above, you'll still be able to file a protest with IRS Appeals Office after the meeting or after we consider the information.

The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to sign a consent to extend the period of limitations for assessing tax. This is to allow the IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

Fast Track Mediation (FTM) referred to in Publication 3498, The Examination Process, generally doesn't apply now that we've issued this letter.

4. Request technical advice from the Office of Associate Chief Counsel (Tax Exempt Government Entities) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS.

If you're considering requesting technical advice, contact the person shown at the top of this letter. If you disagree with the technical advice decision, you will be able to appeal to the IRS Appeals Office, as explained above. A decision made in a technical advice memorandum, however, generally is final and binding on Appeals.

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 adverse determination letter.

Contacting the Taxpayer Advocate Office is a taxpayer right

The Taxpayer Advocate Service (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. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

Additional information

You can get any of the forms and publications mentioned in this letter by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676).

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

Sincerely,

for Sean O'Reilly

Director, Exempt Organizations Examinations

Enclosures:
Form 886-A
Form 6018
Pub 3498

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

ISSUE

Whether _____ located in _____, continues to qualify for exemption under Section 501 (c)(3) of the Internal Revenue Code?

FACTS

EO's name was _____, changed its name to _____ on _____
 EO's President, _____ and Secretary, _____ signed this amendment.

EO was granted tax-exempt status as a §501(c)(3) organization in _____. The organization conducted its operations out of _____. According to its Articles of Incorporation the purpose of this corporation shall be charitable in nature and shall be fully engaged to wind down the affairs and business matters of the not-for-profit _____ business operations sold effective as of _____. Additionally, and without limitation, the corporation shall seek to accomplish its Mission Statement, as maybe amended from time to time, and which, at the time here of is as follows:

“Our Mission is to provide general community based and educationally based and related charitable works and efforts in _____ generally and such other communities and populations in order to spread the impact of the funds held and recovered by this organization.”

EO director provided a written statement explaining the history of the _____ summarized as follows:

- EO purchased _____ for \$ _____ from a for-profit entity,
- EO's could not sustain their operations and the insolvency began.
- The _____ were valued at \$ _____ and \$ _____ respectively.
- EO sold _____ for \$ _____.
- EO sold the _____ to _____, a for-profit organization.

to present – EO “continued to exist for purposes of winding up it's A/R and payables and handling audits and fiscal _____ adjustments (insurance billings) as well as coordination ongoing defense of a handful of _____ cases. The normal “wind-up” for a decent size _____ (that had more than _____ active employees and _____ is between _____ and _____ years. _____ also had Pension Plan audits that dragged on and finally resolved. Note also that none of the A/R or A/P was transferred to the Buyer (_____) because it would have triggered certain effects in the bond financing that would have cause the \$ _____ of bonds to be due by the State of _____.”

EO listed _____ wholly owned entities with no activities on its _____. They are:

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1. _____ – filed its final Form _____ for the year ended _____. It was under the care of an investment company.

2. _____ – filed its final Form _____ tax return for the year ended _____.

On _____, the IRS commenced an examination for the period ended _____ by issuing a customized cover letter and Information Document Requests (IDRs) to the EO address on file in _____.

IDR-3 dated _____ requested the following information from EO:

You explained to me that you don't have any charitable activities. Your continual existence has been to winddown matters related to the _____. You mentioned submitting reports for the _____ but could not say when was the last time you did this. I need to fully understand who did what, when and for what purposes. Please provide the following:

A. The Forms _____ you filed, after the _____ were sold, indicated most of the receivables and payables were gone in the year ended _____. All of them were gone during the year ended _____. You then reported \$ _____ revenue for litigation settlement in the year ended _____.

Please provide all documentations regarding this litigation to substantiate winding-down matters: court filings, settlement agreements, and records linking to your receivables.

B. Actions taken by your director, _____: You provided _____ bills from _____. Each of them stated, "Professional services rendered in connection with _____ affairs and matters attendant to wind-down and compliance issues; coordinate of legal matters and cost reports and audits of fiscal _____ matters; _____ matters; _____ issues; file review and destruction" for _____ services. Each bill also stated total hours worked, hourly rate, extended amount, courtesy adjustments, and final amount due. The following table summarized the amounts billed:

Billing date	Total hours	Rate	hours X rate	Amount shown	variance	Courtesy adjustment	Amount due

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Total							

worked _____ hours for the year ended _____, nearly a _____. These bills are not sufficient to substantiate what _____ did for the payments you made to him. Please provide copies all documents related to the work _____ did, including but not limited to the following:

1. Cost Reports
2. Court filings and related documents for legal matters
3. Audit reports
4. Records related to fiscal _____ matters, _____ matters and _____ issues
5. Descriptions and time frame of file reviewed and destroyed
6. The template _____ maintained for services _____ did for you
7. For meals _____ charged on the credit cards, including out-of-state and out-of-country charges, provide explanation for who _____ met, why _____ needed to meet this/these individual(s) and how did each meeting relate to your matter(s).
8. For all other expenses _____ charged on the credit cards, including out-of-state and out-of-country charges, describe purposes of charges and how they were related to your matters.

C. Consulting service by _____ : You provided _____ bills from him, all containing the statement "as former CEO of _____ and _____ ; COO of _____ for _____ : support for all wind-down; employee related issues; interface with _____ as to certain records; collection of A/R; rationalization of cost reports and updates and audits; factual assistance for malpractice defense; advise of _____ issues." You paid him \$ _____ /month for "retainer for on-call services." Please answer/provide the following:

1. Records substantiating each time you consulted _____, and resulting recommendation/assistance you received from him
2. The minutes dated _____ and _____ identified _____ as the Secretary and _____ signed these minutes with this title. Was _____ your director? If no, explain why _____ was identified as your director and the Secretary.
3. Explain why you continue to pay retainer fees to him when the winding down process was substantially completed a few years before.

D. Actions taken by _____ : You hired _____ in _____, and compensated \$ _____, \$ _____ and \$ _____ in the years ended _____ through _____ respectively. Since the bulk of your

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winding down work appeared to be completed within the _____ years, I need to understand why was hired, and why did _____ receive significant salary increases. Please provide the following:

1. Detail description of what _____ did for you and when did _____ do them (_____ job description you provided on _____ didn't have sufficient detail)
2. For meals _____ charged on the credit cards, including out-of-state and out-of-country charges, provide explanation for who _____ met, why _____ needed to meet this/these individual(s) and how did each meeting relate to your matter.
3. For all other expenses _____ charged on the credit cards, including out-of-state and out-of-country charges, describe purposes of charges and how they were related to your matters.

E. Services provided by _____, _____: I need clarifications for the _____ bills from _____. Describe in detail what _____ did for each of the following items and provide copies of records prepared on your behalf:

1. Fiscal intermediary billings _____ adjustments
2. Cost T adjustments
3. Negotiations and research of _____ and _____ (_____)
4. Correlation of prior appeals and adjustments
5. Open daily rate and license modification result on _____
6. Open audit issues and related services

F. You have _____ related entities on your Forms _____: _____ and _____. Please answer/provide the following:

1. Describe in detail each entity's purposes and activities.
2. Names of individuals who have control over these entities
3. If they no longer exist, explain in detail what happened to assets within these entities and when.

EO's response to IDR-3:

As I indicated to you when we spoke, in trying to obtain additional information and documentation, _____, who is _____, has been limited by significant memory issues for which _____ is seeking _____ treatment and for misplacing _____ documentation over the years as _____ has moved locations. While _____ will continue a diligent search for additional documentation, _____ does not have any of the additional documentation requested at this time. More specifically, with respect to the items requested in IDR 3, _____ on behalf of _____ responds as follows:

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- A. no longer has any of files regarding the litigation that resulted in the settlement during the year ended . This litigation represented a settlement of the last cost report filing adjustment. Cost reports were the filings with the fiscal intermediary for recovery of fees and expenses for patient services. The reports used then existing rates and charges and the got paid regularly by the fiscal intermediary for the billings subject to adjustments for reviews and credits. This settlement was for the final open cost report whose adjustment led to the recovery.
- B. prepared the invoices for the work performed that were based approximately on the work was performing on a monthly basis for . generally billed at approximately a % discount to normal rate. To the extent any charges were made on credit cards, would determine which, if any, charges were personal in nature and pay those expenses directly; business expense-related charges would be paid by . has no further documentation or detailed information.
- C. does not have any further documentation regarding the time consulted with and the matters they discussed. They would generally meet several times a month and speak on the telephone periodically concerning various matters. was the CEO of both before and after the bankruptcy and up to the sale. At annual salary was approximately \$ plus bonus, and he knew more about than anyone else. Note that at the closure/sale and even with the one there were more than employees and dozens of and groups and years of open cost reporting and billing issues to work through. went to work for the buyer of the () for several years before started helping with . After left , there were several years where the bulk of the administrative files were at 's offices in total disarray. started collecting those in around and through took away around approximately file boxes that were unmarked and unindexed. helped determine what was in some of the boxes that was useful in collecting future funds for and also spent time discussing and the several community-based programs that was either not supporting properly or trying to shut down. They also worked with the , which was the successor entity to the one that had been supported by and then to some extent by , by working on their outreach matters to all the way until mid- does not recall why was identified as a director of because, to knowledge, was not.
- D. hired in . In supplement to the work description previously provided, workload consisted over time of trying to organize unindexed and unmarked files in over boxes that received from in in order to determine how best to collect funds owed to . had to categorize thousands of files as to employee related files, personnel type files, contract files and/or construction files, licensing files, legal files, billing files, cost reporting matters, and the like. At some point in mid- received even more boxes from whose files reviewed and categorized so they could be either dealt with or destroyed. Some of the files in were set aside to be reviewed by to see if they could advise for any further adjustments that could result in any recoveries.
- E. was run by , who was a prior director of . business had been a billing and service company; was also previously in the (durable equipment) business. had significant and fiscal intermediary experience. Starting in approximately , asked him to go through reports from files to determine whether the file held a

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potential for recovery or the file could be destroyed. The issue of which files could be destroyed was important since by about , the storage bills for the boxes of files were around \$ /month at and had another or so file boxes at its offices that they required to take. combed through those files essentially looking for issues that might either need to be dealt with for adjustment against or in the hope that there might be some obvious way to collect more for has no further documentation concerning nor is able at this point to provide further clarification concerning the bills.

F. or (" Management") were both that provided space and operations to physicians so that they would choose to have their offices near the was formed in and suspended for lack of filing in . Its wind-up of activities was within the years after the sale to Management was formed by (the former for-profit predecessor to) in also to bring to the . Its name was changed to (rather than) in . Filings were done for both entities showing as CEO and as COO and as CFO (these were the key operations persons all the way through the sale. and went to work for is not aware of precisely where the assets of either entity went after they ceased to exist.

LAW

IRC § 501(c)(3) exempts from federal income tax corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.

IRC § 6001 provides that every person liable for any tax imposed by the IRC, or for the collection thereof, shall keep adequate records as the Secretary of the Treasury or his delegate may from time to time prescribe.

IRC § 6033(a)(1) provides, except as provided in IRC § 6033(a)(2), every organization exempt from tax under § 501(a) shall file an annual return, stating specifically the items of gross income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws. The Secretary may also prescribe by forms or regulations the requirement of every organization to keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

IRC § 6043(b) provides that every organization which for any of its last 5 taxable years preceding its liquidation, dissolution, termination, or substantial contraction was exempt from taxation under § 501(a) shall file such return and other information with respect to such liquidation, dissolution, termination, or substantial contraction as the Secretary shall by forms or regulations prescribe; except that —

6043(b)(1) no return shall be required under this subsection from churches, their integrated auxiliaries, conventions or associations of churches, or any organization which is not a private foundation (as

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defined in § 509(a) and the gross receipts of which in each taxable year are normally not more than \$5,000, and

6043(b)(2) the Secretary may relieve any organization from such filing where determines that such filing is not necessary to the efficient administration of the internal revenue laws or, with respect to an organization described in § 401(a), where the employer who established such organization files such a return.

Treasury Regulations (Treas. Reg.) § 1.503(c)(3)-1(c) Operational Test

(1) Primary activities. —An organization will be regarded as “operated exclusively” for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 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.

(2) Distribution of earnings. —An organization is not operated exclusively for one or more exempt purposes of its net earnings inure in whole or in part to the benefit of private shareholders or individuals. For the definition of the words “private shareholder or individual”, see paragraph (c) of §1.501(a)-1.

Treas. Reg. § 1.6001-1(c) states that in addition to such permanent books and records as are required by paragraph (a) of this section with respect to the tax imposed by section 511 on unrelated business income of certain exempt organizations, every organization exempt from tax under section 501(a) shall keep such permanent books of account or records, including inventories, as are sufficient to show specifically the items of gross income, receipts and disbursements. Such organizations shall also keep such books and records as are required to substantiate the information required by section 6033. See section 6033 and §§1.6033-1 through -3.

Treas. Reg. § 1.6001-1(e) states that the books or records required by this section shall be kept at all times available for inspection by authorized Internal Revenue Service officers or employees, and shall be retained as long as the contents thereof may be material in the administration of any Internal Revenue law.

Treas. Reg. § 1.6033-1(h)(2) provides that every organization that has established its right to exemption from tax, whether or not it is required to file an annual return of information, shall submit such additional information as may be required by the District Director for the purpose of enabling him to inquire further into its exempt status and to administer the provisions of subchapter F (section 501 and the following), chapter 1 of the Code and IRC § 6033.

Revenue Ruling 59-95, 1959-1 C.B. 627, concerns an exempt organization that was requested to produce a financial statement and statement of its operations for a certain year. However, its records were so incomplete that the organization was unable to furnish such statements. The IRS held that the failure or inability to file the required information return or otherwise to comply with the provisions of IRC § 6033 and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds that the organization has not established that it is observing the conditions required for the continuation of exempt status.

In accordance with the above cited provisions of the Code and Regulations under IRC § 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information (and other required

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status.

TAXPAYER'S POSITION

The taxpayer agreed to the IRS's proposal to revoke its exempt status under § 501(c)(3) beginning

GOVERNMENT'S POSITION

EO has failed to show that they meet the operational test for a § 501(c)(3) organization for the year under examination. In order to meet the operational test, they must show that they engage primarily in activities which accomplish one or more of such exempt purposes specified in § 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. Further, an organization is not operated exclusively for one or more exempt purposes of its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

The organization has demonstrated from that they did not operate for charitable purposes for the year under examination and in the year prior. Net earnings inured to the benefit of directors, which precludes the organization from being operated exclusively for exempt purposes. Without any operations, their main activities were divesting the assets, which is not an exempt purpose of a §501(c)(3) organization.

EO has failed to provide information about its exempt status, as required by the Code and Regulations. (IRC §6033(a)(1) and Treas. Reg. § 1.6033-1(h)(2)). By not complying with the Code and Regulations, the organization has jeopardized its exempt status.

The government proposes revocation of EO's exempt status beginning

CONCLUSION

During the examination, EO failed to provide records, as required by IRC §6033(a)(1). They have jeopardized their exempt status by failing to comply with record keeping requirements. Further, they have operated in a manner inconsistent with their exempt status in the distribution of their assets.

As a result of the examination, the IRS has determined that EO has failed to operate for exempt purposes as a §501(c)(3) organization. Accordingly, since the organization failed to operate primarily for exempt purposes their exempt status is revoked effective