



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

Date: December 7, 2021

Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Release Number: 202243013

Release Date: 10/28/2022

UIL Code: 501.03-00

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

**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 Section 501(c)(3) of the Internal Revenue Code and exempt from tax under Section 501(a) must be both organized and operated exclusively for exempt purposes. You have failed to produce documents or otherwise establish that you are operated exclusively for exempt purposes and that no part of your net earnings inures to the benefit of private shareholders or individuals. Furthermore, you fail the organizational test for exemption because your articles of incorporation do not limit your activities to one or more exempt purposes and your dissolution clause does not ensure that assets will be dedicated exclusively to Section 501(c)(3) purposes.

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](http://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

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](http://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.

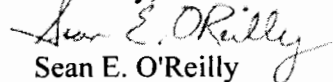
Find tax forms or publications by visiting [www.irs.gov/forms](http://www.irs.gov/forms) or calling 800-TAX-FORM (800-829-3676).

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

cc:



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

**Date:**  
September 14, 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:**  
October 14, 2020

**CERTIFIED MAIL – Return Receipt Requested**

:

**Why you're receiving this letter**

We enclosed a copy of our audit report, Form 886-A, Explanation of Items, explaining that we propose to revoke your tax-exempt status as an organization described in Internal Revenue Code (IRC) Section 501 (c)(3).

**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 [ENTER CODE SECTION] for the periods above.

After we issue the final adverse determination letter, we'll announce that your organization is no longer eligible to receive tax deductible contributions under IRC Section 170.

**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](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

**For 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](http://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,

Sean E. O'Reilly  
Director, Exempt Organizations  
Examinations

Enclosures:  
Form 886-A  
Form 6018

Form <b>886-A</b>	Department of the Treasury – Internal Revenue Service <b>Explanations of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

**ISSUE:**

- Whether the (“ ”) is an applicable tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (“the Code”)
- Whether the Benefits are taxable to participating parents under Code Section 61, of the Code

**FACT:**

The applied for Federal exemption described under IRC Section 501(c)(3). It formed on . The determination letter granted the exemption under Section IRC 509 (a)(2) as an organization that normally receives more than - % of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions and no more than - % of its support from gross investment income, and unrelated business taxable income. However, ’ Form , *Short Form Return of Organization Exempt From Income Tax* for tax years ended , , and , specifically, the Schedule A shows the Public Status as IRC 170(b)(1)(A)(vi), an organization that normal received a substantial part of its support from government unit or a from the general public with public support calculated as %. These returns are not consistent with the determination letter originally granted to the organization

The provides financial support for the at  
The is a membership organization. Common with most volunteer organizations, only a minority of ’ members provides most of the work required.

members receive additional benefits based on the hours they work as volunteers at fundraisers which is calculated and documented in the “Shares Program Benefits.” Once volunteers earned their , those shares are used at the discretion of the family that earned the hours.

During the year under audit, , the at had while only paid for the memberships. The cannot require fees paid for participant pursuant to which “...prohibits a enrolled in a from being required to pay a pupil fee, as defined, for participant in an educational activity.” The used “the term voluntary donations” as “membership fees’ to be a member.

The original Articles of the Incorporation in stated that the ’ purpose was to promote personal interest and educational development in the as individuals and as a group, to promote interest in the activities and to promote incentives through financial aids through fund-raising activities. It is a organization where all matters brought for a vote shall be determined by a simple majority of members present. All amendments to the By Laws shall be determined by a majority vote of members presents.

Form <b>886-A</b>	Department of the Treasury – Internal Revenue Service <b>Explanations of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

Its original By Laws, Article 14, stated that " Upon the dissolution, abandonment or winding up of this corporation, the assets remaining after payment or provision for payment of its debts and liabilities of this corporation shall be distributed nonprofit fund, foundation or corporation or corporation which is organized and operated exclusively for educational purposes and which has established its tax exempt status under Section 501 (c ) (3) of the Internal Revenue Code and under Revenue and Taxation Code."

An amendment to the laws adopted on \_\_\_\_\_ revised the organization's purpose of the \_\_\_\_\_ to state that it shall finance and promote the \_\_\_\_\_ at \_\_\_\_\_ and Membership and shall be open to any "interested adult" whose dues are current. In addition, The Article of Dissolution stated that "...in the event of dissolution, disbandment, inactivation, or other termination of this \_\_\_\_\_, the funds and properties of the \_\_\_\_\_ in excess of its liabilities shall be disposed of in accordance with the decision of the existing active membership, consistent with integrity and good judgment, by a majority vote of the members present a duty called general membership meeting".

The \_\_\_\_\_ raises money through the following programs:

- Memberships:** \_\_\_\_\_ sell memberships to interested \_\_\_\_\_. Memberships have additional benefits such as eligibility for \_\_\_\_\_, \_\_\_\_\_ for extracurricular \_\_\_\_\_, discounts, free program T shirts (\$ \_\_\_\_\_ value), and free prizes for Family \_\_\_\_\_. Memberships cover two types: \_\_\_\_\_ costs \$ \_\_\_\_\_. \_\_\_\_\_ costs \$ \_\_\_\_\_ (includes tickets to dinner dance auction and \_\_\_\_\_). \_\_\_\_\_ required members to volunteer at least \_\_\_\_\_ hours at the \_\_\_\_\_ games per quarter.
- Selling \_\_\_\_\_:** \_\_\_\_\_ sells \_\_\_\_\_ cards at the \_\_\_\_\_ every \_\_\_\_\_ night. This activity is crucial for \_\_\_\_\_ as it raises \_\_\_\_\_ of the annual budget. The organization has an arrangement with a \_\_\_\_\_ company named \_\_\_\_\_ will provide \_\_\_\_\_ volunteers to sell \_\_\_\_\_ to players and received \$ \_\_\_\_\_ per week. \_\_\_\_\_ revenue total is \$ \_\_\_\_\_ plus tips. \_\_\_\_\_ will allocate a portion of this revenue to the earned volunteers into their " \_\_\_\_\_ Account." This can be used to offset the cost of \_\_\_\_\_ and extracurricular experience (trips). This arrangement allows some families to cover the entire cost of the \_\_\_\_\_ by regularly volunteering at \_\_\_\_\_.
- In additions, \_\_\_\_\_ raised funds through the following programs: a dinner dance, \_\_\_\_\_, a \_\_\_\_\_ dinner, \_\_\_\_\_, sales of \_\_\_\_\_, etc. These activities provide \_\_\_\_\_ to volunteers similar to the selling of \_\_\_\_\_ to players.

One of the \_\_\_\_\_' biggest yearly events is organizing extracurricular trips. For the year in audit, ending \_\_\_\_\_, \_\_\_\_\_ organized a \_\_\_\_\_ to \_\_\_\_\_ on \_\_\_\_\_, for \_\_\_\_\_ days by bus. Per \_\_\_\_\_' cost analysis, each participant's cost is \$ \_\_\_\_\_. The trip included about \_\_\_\_\_ paying students and \_\_\_\_\_ paying \_\_\_\_\_. On day \_\_\_\_\_ and day \_\_\_\_\_, the \_\_\_\_\_ was on travel status by bus. On fay \_\_\_\_\_, The \_\_\_\_\_ performed at \_\_\_\_\_ at \_\_\_\_\_. On day \_\_\_\_\_, day \_\_\_\_\_, and day \_\_\_\_\_, The \_\_\_\_\_

Form <b>886-A</b>	Department of the Treasury – Internal Revenue Service <b>Explanations of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

group enjoyed sight-seeing at \_\_\_\_\_, \_\_\_\_\_, a dinner at \_\_\_\_\_, and a \_\_\_\_\_ . Only \_\_\_\_\_ members could use a \_\_\_\_\_ discount of \$ \_\_\_\_\_ and \_\_\_\_\_ to offset the cost of the \_\_\_\_\_ .

The \_\_\_\_\_ asserted a disclaimer under the membership application and donation solicitations as following: “Please note that you or your \_\_\_\_\_ is [sic] not required to purchase, donate, or contribute any of [sic] item or monetary donations associated with participating in the \_\_\_\_\_ . However, if you voluntarily decided to purchase, donate, or contribute any item or monetary donation associated with the participant in the \_\_\_\_\_ and provide them to the Director, the item or monetary donation will be shared equally amount [sic] all the members of the program in order for each totient [sic] to have the opportunity to participate. In addition, [sic] the \_\_\_\_\_ will be organizing fundraising events in which you and/or your \_\_\_\_\_ will have the option to participate or help raise money to support the \_\_\_\_\_ . It is not mandatory that you and your \_\_\_\_\_ participate in any fundraising events as a condition of participant in the \_\_\_\_\_”

The disclaimer is added as a result of the \_\_\_\_\_ investigation of potential violation of \_\_\_\_\_, where the \_\_\_\_\_, received high volume of uniform complaints regarding the imposition of student fees and/or improper fundraising efforts.

The \_\_\_\_\_ instructed \_\_\_\_\_ during the annual \_\_\_\_\_ fundraising event that “all donations are tax deductible and any donations over \$ \_\_\_\_\_ will receive a letter.”

Its Membership Form indicated fees for various of \_\_\_\_\_ programs and membership types ( \_\_\_\_\_ and \_\_\_\_\_). \_\_\_\_\_ collected total fees and called it as “Donation”

The \_\_\_\_\_ did not provide a written disclosure statement to \_\_\_\_\_ donors of a quid pro quo contribution in excess of \$ \_\_\_\_\_. A quid pro quo contribution is a payment made to a charity by a donor partly as a contribution and partly for goods or services provided to the donor by the charity. Per Section 6115, the required substantiation written disclosure must:

1. Inform the donor that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of any money (and the value of any property other than money) contributed by the donor over the value of goods or services provided by the charity and
2. Provide the donor with a good faith estimate of the value of the goods or services that the donor received.

A penalty is imposed on a charity that does not make the required disclosure in connection with a quid pro quo contribution of more than \$ \_\_\_\_\_. Per Section 6714, the penalty is \$ \_\_\_\_\_ per contribution, not to exceed \$ \_\_\_\_\_ per fund raising event or mailing. During the year under audit, you have \_\_\_\_\_ in the program, where \_\_\_\_\_ have paid memberships. There is no documentation to show you provided disclosure statements to



Form <b>886-A</b>	Department of the Treasury – Internal Revenue Service <b>Explanations of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

donors. In addition, the \_\_\_\_\_ claimed it received \$ \_\_\_\_\_ in donations from \_\_\_\_\_ to provide volunteers to each \_\_\_\_\_ night.

The \_\_\_\_\_ provided a function and program that allows \_\_\_\_\_ to have a discretionary pool of funding to enhance their \_\_\_\_\_ experience in the program. The money in the \_\_\_\_\_ can be used to pay for things like, food provided at \_\_\_\_\_, extra T shirts, \_\_\_\_\_, etc.

**Share Programs Policy:**

1. Reserved Funds are the result of money earned through a variety of fund-raising activities which are reserved for an individual family. These reserved funds are available to the family to use for the \_\_\_\_\_ trips and other specified activities.
2. Reserved Funds are recorded as a family total. Distribution among family members is left to the discretion of the family
3. Funds cannot be transferred from one family to another
4. Funds are held for a family for use by \_\_\_\_\_ when they enter the \_\_\_\_\_ program
5. Unused fund revert to the \_\_\_\_\_ General Fund.
6. The \_\_\_\_\_ may designate part or all the profits of specific fund raisers as eligible for the share program
7. Distribution to individual share accounts is based on the profits of the activity of the level of individual participation as determined by the \_\_\_\_\_

**Shares Program:**

1. Shares are the result of working or contributing to the \_\_\_\_\_ . Shares are accumulated by family and recorded as hours of credits. Shares cannot be transferred from one family to another
2. As the end of each quarter a dollar value is given to each share
3. Once the share value for the quarter has been set and authenticated by the treasurer, it is not changed as the result of subsequent corrections to shares accumulated
4. The share value can be adjusted to reflect subsequent corrections to the net \_\_\_\_\_ profit earned for the quarter.

**Script Shares Program:**

The \_\_\_\_\_ purchase \_\_\_\_\_ at a discounted rate. This is the “Cost”  
 Individuals purchase \_\_\_\_\_ from the \_\_\_\_\_ at the face value of the \_\_\_\_\_. This is the “Value”  
 The difference between the cost and the value is the “Margin”. The Margin is divided into Margin Shares according to \_\_\_\_\_ % individual buyer, \_\_\_\_\_ % Share Agent, and \_\_\_\_\_ %  
 Margin shares are recorded and accumulated by family. At the end of each quarter, a dollar value is given to a Margin Share based on the number of margin shares accumulated and the net profit for the quarter.

Form <b>886-A</b>	Department of the Treasury – Internal Revenue Service <b>Explanations of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

Dollar values are added to the family's share.

**Other Fund-Raising events:** , Banquet, , etc.

During the audit, we learned that the ' internal control policy and procedures are weak. In addition, the have oversight over the bookkeeper's roles. The bookkeeper served as a representative under a Form 8821, *Tax Information Authorization* and was terminated from both roles during the examination. were not able to provide reconciliation of bank statement or reconciliation of their accounting. were not able to provide general ledger accounts grouping that flows to the Form , *Return of Organization Exempt from Income Tax*. failed to give adequate explanation and documentation for the adjusted journal entry of \$ in prior years as a book correction. Its records and explanation are inadequate.

## LAW

Section 501(c)(3) of the Code provides for exemption from Federal Income Tax for 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 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, 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 (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

Regulation§1.501(c)(3)-1(a)(1) provides that, in order to be exempt as an organization described in section 501(c)(3), 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.

Regulation§1.501(c)(3)-1(c)(2) provides that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

To meet the organization test, in general, the organization's governing instruments must include an acceptable clause (Treas. Reg. Section 1.501©(3)-1(b)(1)(i)(a), not include a powers clause which is too broad (Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i)(b), include a dissolution clause in most cases (Treas. Reg. section 1.501 (c)(3)-1(b)(4).

Distribution of assets on dissolution clause: An organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt

Form <b>886-A</b>	Department of the Treasury – Internal Revenue Service <b>Explanations of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number ( <i>last 4 digits</i> )	Year/Period ended

purposes, or to the federal government, or to a state or local government, for a public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized. However, an organization does not meet the organizational test if its articles or the law of the state in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders

Reg. 1.501(c)(3)-1(d)(1)(ii) states that an organization is not organized or operated exclusively for exempt purpose unless it serves a public rather than a private interest. The regulation places the burden of proof on the organization to demonstrate that it is not organized or operated for the benefit of private interests such as designated individuals or persons controlled directly or indirectly by such private interests.

Reg. 1.501 (c)(3)-1(c)(1) indicates that an organization will not be exempt under IRC 501(c)(3) if more than an unsubstantial part of its activities is not in furtherance of an exempt purpose. Thus, an organization whose operations result in a private benefit that is more than insubstantial, will not be considered as serving as exempt purposes. This private benefit prohibitions applies to all kinds of persons and groups, not just to those” insiders” subject to the strictest inurement proscription. This private benefit prohibition is boarder in scope and overlaps the private inurement restriction to some extent, as in its coverage of “insider”. Each proscription must be individually satisfied by organization seeking recognition of exemption under IRC 501 (c)(3).

Section 61 of the Code defines Gross Income to mean all income from whatever source derived, including (but not limited to) “compensation for services, including fees, commissions, fringe benefits, and similar items.”

Section 6115 provides that charities must provide timely written disclosure statements to contributors who make payments described as “quid pro quo” contribution in excess of \$75. Also, Section 170(f)(8) (A) provides that no deduction will be allowed under IRC 170 for a contribution of \$250 or more (whether in cash or property) unless the contributor had a contemporaneous written acknowledgment from the charity substantiating the contribution. Charity must meet these two requirements

A “quid pro quo” contribution is defined as a payment made partly as a contribution and partly as payment for good or services provided to the contributor. Contribution is defined as a payment in excess of the fair market value of the goods or services received is a contribution depends on the intend of the donor.

Section 6714 imposed penalty to an organization failed to meet the disclosure requirement of Section 6115 with respect to a quid pro quo contribution, such organization shall pay a penalty of \$10 for each contribution in respect of which the organization fails to make the required disclosure, except that the total penalty shall not exceed \$5,000.

#### ANALYSIS:

Form <b>886-A</b>	Department of the Treasury – Internal Revenue Service <b>Explanations of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

Your governing instrument does not meet the organization test required under purpose clause, power clause, and dissolution clause

**Purpose Clause:** You do not meet the requirement  
Your Original Article of Incorporation stated the following:

- a. The specific and primary purpose are to promote personal interest and development in the Members as individual as a group, to promote interest in the activities and to promote incentive through financial aids

Or

- a. To operate a community organization for purposes
- b. The general purpose and powers are to have and exercise all rights and powers conferred on nonprofit corporation under the laws of , including the power of contract, rent, buy or sell personal or real property; provided, however, that this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the primary purpose of this corporation”

Your purpose clause is too broad as it does not limit the organization’s purpose to one or more purpose specified in IRC section 501(c)(3). To promote personal interest and educational development in the activities and to promote incentive through financial aids are too board because they are not necessary within the status of IRC Section 501 (c) (3).

**Power Clause:**

Your Article of Incorporation states that “The general purpose and powers are to have and exercise all rights and powers conferred on nonprofit corporation under the laws of , including the power of contract, rent, buy or sell personal or real property; provided, however, that this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the primary purpose of this corporation”

In addition, you do not have a power clause that will not allow your organization to carry on any activities not permitted by an organization exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Since the primary purpose of this corporation are too board and not within the status of section IRC 501(c)(3) of the Code, hence your’ s power clause does not meet the organization test.

**Dissolution Clause:**

Your amended by laws, approved on , Article , state that “ in the event of dissolution, disbandment, inactivation, or other termination of this , the funds and properties of the in excess of its liabilities shall be disposed of in accordance with the decision of the existing active membership, consistent with integrity and good judgment, by a majority vote of the members present a duty called general membership meeting,”

Form <b>886-A</b>	Department of the Treasury – Internal Revenue Service <b>Explanations of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

There is no provision in the amendment that requires that the \_\_\_\_\_ shall distribute its net assets for one or more exempt purposes with thin the meaning of section 501(c)(3) of the Code.

Hence, your dissolution clause does not meet the organization test.

Organizations seeking exemption under IRC 501 (c) (3) are subject to the inurement provision and the prohibitions regarding operating for private benefits purpose rather than public purposes contained in Reg. 1.501 (a)-1(d)(1)(ii).

Your parent- members of the \_\_\_\_\_ are in position to have such control over the activities of the club. They must be considered “insiders” for the purpose of determining whether there is inurement of income. The requirement that each \_\_\_\_\_ participates in the \_\_\_\_\_ activities in direct proportion to the benefits they expect to receive causes a direct benefit to flow to the \_\_\_\_\_. In fact, the earnings of the organizations are being used directly and specifically to pay for benefits to specific individuals rather than to a whole.

Inurement if income is strictly forbidden under IRC 501(c)(3) without regard to the amount involved. Because the financing arrangements of club have the effect of permitting the earnings of the organization to inure to the benefit of specific insiders (the controlled parents’ members and their children). Your organization can not qualify for exemption under this Section.

You have a difficulty that most parents will not volunteer or raise funds to support its purposes. Hence the burden will fall on the remaining \_\_\_\_\_ members who will choose to participate in fund-raising activities. For this reason, you created the \_\_\_\_\_ to give “additional benefits to \_\_\_\_\_ who participated in the Shares Program Benefits. This solution seems to favor \_\_\_\_\_ However, this solution triggers the inurement/private interest prohibitions under the IRC 501 (c)(3) of the Code.

In addition, this private interest is substantial in nature as you open \_\_\_\_\_ accounts for critical programs: \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, etc. The \_\_\_\_\_ program is your biggest money maker hence you require members to volunteer from \_\_\_\_\_ hours per quarter. You earned about \$ \_\_\_\_\_ per week or \$ \_\_\_\_\_ for \_\_\_\_\_ weeks plus tips. A Portion of this income is allocated to \_\_\_\_\_ who participated in the fundraising event.

Hence, \_\_\_\_\_ who earned \_\_\_\_\_ benefits from participating from fundraising programs are subject to IRC Gross income Section 61 (unless the income is excluded from other Code Section). We do not see any exclusion to exempt earned income from the Family Shared Benefits. Hence, the income is taxable to the participants.

Your \_\_\_\_\_ organization operates in such a manner to defeat recognition of exemption by crossing the line of these inurement/ private interest prohibitions.

**CONCLUSION:**

Form <b>886-A</b>	Department of the Treasury – Internal Revenue Service <b>Explanations of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number <i>(last 4 digits)</i>	Year/Period ended

1. You do not qualify under Section 501 (c)(3) of the Code as you failed both the organization test and operational test.

2. Benefits in each program is taxable under Code Section 61 to the participated

In addition, your records are inadequate. You are subject to the quid pro quo donation disclosure requirement and the applicable penalties under Section 6115 and Section 6714.