



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

Date:  
January 17, 2023  
Taxpayer ID number (last 4 digits):

Form:

Tax periods ended:

Release Number: 202321012  
Release Date: 5/26/2023  
UIL Code: 501.03-00

Person to contact:  
Name:  
ID number:  
Telephone:  
Fax:  
Last day to file petition with United States  
Tax Court: April 17, 2023

**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: You have not demonstrated that you are both organized and operated exclusively for charitable, educational, or other exempt purposes within the meaning of IRC Section 501(c)(3). Your primary activity was investing in security instruments. This does not accomplish one or more exempt purposes under IRC Section 501(c)(3). As such, you failed to meet the requirement of IRC Section 501(c)(3) and Treasury Regulations Section 1.501(c)(3)-1(a).

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 [IRS.gov](https://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 can file an action for declaratory judgment under the provisions of Section 7428 of the Code in either:

- The United States Tax Court,
- The United States Court of Federal Claims, or
- 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. You can download a fillable petition or complaint form and get information about filing at each respective court's website listed below or by contacting the Office of the Clerk of the Court at one of the addresses below. Be sure to include a copy of this letter and any attachments and the applicable filing fee with the petition or complaint.

You can eFile your completed U.S. Tax Court petition by following the instructions and user guides available on the Tax Court website at [ustaxcourt.gov/dawson.html](http://ustaxcourt.gov/dawson.html). You will need to register for a DAWSON account to do so. You may also file your petition at the address below:

**United States Tax Court**  
400 Second Street, NW  
Washington, DC 20217  
[ustaxcourt.gov](http://ustaxcourt.gov)

The websites of the U.S. Court of Federal Claims and the U.S. District Court for the District of Columbia contain instructions about how to file your completed complaint electronically. You may also file your complaint at one of the addresses below:

**US Court of Federal Claims**  
717 Madison Place, NW  
Washington, DC 20439  
[uscfc.uscourts.gov](http://uscfc.uscourts.gov)

**US District Court for the District of Columbia**  
333 Constitution Avenue, NW  
Washington, DC 20001  
[dcd.uscourts.gov](http://dcd.uscourts.gov)

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:

Internal Revenue Service  
Taxpayer Advocate Office

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.

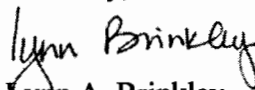
Find tax forms or publications by visiting [IRS.gov/forms](http://IRS.gov/forms) or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

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.

You may fax your documents to the fax number shown above, using either a fax machine or online fax service. Protect yourself when sending digital data by understanding the fax service's privacy and security policies.

Keep the original letter for your records.

Sincerely,



Lynn A. Brinkley

Acting 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:  
05/18/2022  
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:  
ID number:  
Telephone:  
Fax:  
Address:

**CERTIFIED MAIL – Return Receipt Requested**

Manager's contact information:

Name:  
ID number:  
Telephone:  
Response due date:  
06/17/2022

Dear \_\_\_\_\_ :

**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 501(c)(3) 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.

**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,

**Christopher M. Holmes** Digitally signed by Christopher M. Holmes  
Date: 2022.05.18 08:52:50 -0700  
Lynn A. Brinkley  
Director, Exempt Organizations Examinations

**Enclosures:**

Form 4621-A  
Form 886-A  
Form 6018  
Publication 892  
Publication 3498

cc:

Form <b>886-A</b> (May 2017)	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number <i>(last 4 digits)</i>	Year/Period ended

**ISSUES:**

Whether \_\_\_\_\_ continues to qualify for exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**FACTS:**

**Formation**

\_\_\_\_\_ (“ the organization”) was incorporated in the state of \_\_\_\_\_ on \_\_\_\_\_. According to clause II of the Articles of Incorporation filed by the organization, its specific purpose is to “promote philanthropy within the community through the Arts”.

The organization’s bylaws that were adopted on \_\_\_\_\_, included the following items:

- Article II discusses shareholders of the organization.
- Article VI mentions certificates for shares and their transfer.

**Form 1023-EZ**

On \_\_\_\_\_, the organization filed a Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*. To be eligible to file a Form 1023-EZ, the organization attested that it answered “no” to the thirty questions listed on the Form 1023-EZ Eligibility Worksheet. Some of the pertinent questions asked on the eligibility worksheet were:

- Q1. Do you project that your annual gross receipts will exceed \$50,000 in any of the next 3 years?
- Q2. Have your annual gross receipts exceeded \$50,000 in any of the past 3 years?
- Q3. Do you have total assets the fair market value of which is in excess of \$250,000?
- Q20. Is a substantial purpose of your activities to provide assistance to individuals through credit counseling activities such as budgeting, personal finance, financial literacy, mortgage foreclosure assistance, or other consumer credit areas?
- Q21. Do you or will you invest 5% or more of your total assets in securities or funds that are not publicly traded?
- Q26. Do you maintain or intend to maintain one or more donor advised funds?

The Form 1023-EZ listed two officers:

1. \_\_\_\_\_, President
2. \_\_\_\_\_, CFO.

In Part III of the Form 1023-EZ, the organization attested, by checking the applicable box, that it has not conducted and will not conduct activities that violate the following prohibitions and restrictions.

- Ensure that its net earnings do not inure in whole or in part to the benefit of private shareholders or individuals (that is, board members, officers, key management employees, or

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other insiders).

- Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially.
- Not to be organized or operated for the primary purpose of conducting a trade or business that is not related to its exempt purpose(s).

Additionally, the organization selected "no" to question 8 on whether it would engage in financial transactions (such as, loans, payments, rents, etc.) with any of its officers, directors, or trustees, or any entities they own or control.

The organization attested, by selecting the applicable box, that it qualified for public charity status under Sections 509(a)(1) and 170(b)(1)(A)(vi); that it normally received at least one-third of its support from public sources, or it normally received at least 10 percent of its support from public sources and has other characteristics of a publicly supported organization. Under penalties of perjury, the application was signed by \_\_\_\_\_ as CFO, declaring she had examined the application and to the best of her knowledge it was true, correct, and complete.

On \_\_\_\_\_, the organization received its exemption from the Internal Revenue Service ("Service") as a public charity under Section 170(b)(1)(A)(vi) with a fiscal year ending of \_\_\_\_\_.

The organization filed \_\_\_\_\_, beginning with the calendar year ending \_\_\_\_\_, and reported the following information:

	Tax Period			
<b>Revenue:</b>				
Contributions	\$	\$	\$	\$
Investment				
Income	\$	\$	\$	\$
<b>Total Revenue</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Expenses:</b>				
Grants	\$	\$	\$	\$
Legal fees	\$	\$	\$	\$
Accounting fees	\$	\$	\$	\$
Office expenses	\$	\$	\$	\$
<b>Total Expenses</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue less expenses</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

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Assets	Tax Period							
	Beginning of year	End of year	Beginning of year	End of year	Beginning of year	End of year	Beginning of year	End of year
Cash	\$	\$	\$	\$	\$	\$	\$	\$
Savings	\$	\$	\$	\$	\$	\$	\$	\$
Notes & loans receivable	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total Assets</b>	\$	\$	\$	\$1	\$	\$	\$	\$

On Part VII of the Form \_\_\_\_\_, the organization listed \_\_\_\_\_ officers:

1. \_\_\_\_\_, President and CEO, worked an average of \_\_\_\_\_ ( ) hours per week for the organization.
2. \_\_\_\_\_, CFO, worked an average of \_\_\_\_\_ ( ) hours per week for the organization.

No Form \_\_\_\_\_ was filed for the period covering \_\_\_\_\_, to \_\_\_\_\_.

**Public Support Test**

On Schedule A, *Public Charity Status and Public Support*, that was filed with the Form \_\_\_\_\_, the organization selected that it was a public charity under section 509(a)(2) and normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions-subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income.

The organization reported the following support schedule in Schedule A, Part III, Section A:

		Year				Total
1	Gifts, grants, contributions, and membership fees received	\$	\$	\$	\$	\$
7a	Amounts included on line 1 received from disqualified persons	\$	\$	\$	\$	\$
8	<b>Public support</b> (Line 1 less Line 7)	\$	\$	\$	\$	\$



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On Schedule A, Part III, Section B, Line 10a, the organization reported no income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources. As a result, the organization reported a zero percentage for its investment income percentage in Schedule A, Part III, Section D.

Per the Schedule B, *Schedule of Contributors*, filed with the Forms the organization reported the following sources of support:

Contributor	Tax Period			
Neilia LaValle	\$	\$	\$	\$
<b>Total Contributions</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**Grants**

Per Schedule I, *Grants and Other Assistance to Organizations, Governments and Individuals in the United States*, the organization reported that it made the following grants that exceeded \$5,000 for any recipient.

Name of Organization	Purpose of Grant	Tax Period				Total	%
		\$	\$	\$	\$	\$	%
		\$	\$	\$	\$	\$	%
		\$	\$	\$	\$	\$	%
	<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>

**Examination**

On , the examining revenue agent ("agent") sent an initial contact letter to the organization notifying them that their Form , ending for the fiscal period , had been selected for examination. A Form 2848, *Power of Attorney and Declaration of Representative*, was received for ("POA"), who had also prepared the organization's Forms . In response to the information document request ("IDR"), the POA stated that the organization was

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unable to provide electronic \_\_\_\_\_ due to \_\_\_\_\_ computer crashing and losing all records. In lieu of the \_\_\_\_\_, the agent received bank statements and a summary prepared by the POA. [EXHIBIT 1]

A phone interview was held on \_\_\_\_\_, with \_\_\_\_\_ (“President”) and the POA. The President stated that her sister had suffered from \_\_\_\_\_ disease and in memory of her sister she wanted to raise funds for \_\_\_\_\_ research. When asked why the organization used her name, instead of her sister’s name, the President stated it was how her friend had done it. The President’s friend, \_\_\_\_\_ (“CFO”), had started her own nonprofit organization, \_\_\_\_\_, and had given the President the idea to start a similar organization.

The President and POA were asked how they learned of the Form 1023-EZ and if they understood the difference between a private foundation and a public charity under IRC Section 501(c)(3). The POA stated they had discussed the options and the President added that an associate of the CFO had handled all the paperwork, such as filing the articles of incorporation and Form 1023-EZ. This associate, \_\_\_\_\_, was involved in real estate and nonprofits; he had helped \_\_\_\_\_ or other individuals set up their nonprofit organization in the same manner. When asked why the bylaws included shares and shareholders, the POA speculated that \_\_\_\_\_ had probably not understood the difference between corporate and nonprofit bylaws but confirmed that the organization did not have shareholders.

When asked to clarify the exempt purpose that was stated in the organization’s articles of incorporation, the President explained that she had wanted to auction her sister’s artwork using a silent or live auction, just like the fundraisers she had attended for her friends’ nonprofit organizations. In \_\_\_\_\_, the President had been in the process of selling her for-profit business and planned to be involved in the organization, however, the sale did not go through. Due to the President being occupied with running her for-profit business and \_\_\_\_\_, no activities, aside from grant disbursements, were conducted by the organization from inception to present day. The President explained that \_\_\_\_\_ was the primary recipient for grants and an initial pledge of \$ \_\_\_\_\_ a year for \_\_\_\_\_ years had been made and was being fulfilled by the organization. [EXHIBIT 2] Additionally, the organization had made grants at fundraisers the President had attended for \_\_\_\_\_, \_\_\_\_\_, and a nearby clinic that provided \_\_\_\_\_; along with a grant made to \_\_\_\_\_. [EXHIBIT 3]

In response to the \$ \_\_\_\_\_ discrepancy in assets between the \_\_\_\_\_ and \_\_\_\_\_ fiscal years, the POA explained that he had not been aware of assets, known as \_\_\_\_\_, in the prior years and tried to correct the balance sheet by reporting it in the exam year. When asked for the source of the funds to purchase these \_\_\_\_\_ the POA stated that the \_\_\_\_\_ fiscal year Form \_\_\_\_\_ was missing additional donations made by the President. Additionally, the POA stated he had overlooked filing a Form \_\_\_\_\_ covering the period \_\_\_\_\_ to \_\_\_\_\_; however, there had been no activity during that period.

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The organization was the first person or lien holder on these \_\_\_\_\_ and would receive monthly interest payments until the loan was paid off. In instances of default, the collateral property would go into foreclosure with eviction and the organization would anticipate a return of their principal, with the possibility of back interest. It was the POA's suggestion that the President invest the organization's funds in \_\_\_\_\_ so the funds would grow until she had time to be active in the organization. The President stated during the interview that the organization began investing in \_\_\_\_\_ in the Fall of \_\_\_\_\_ and the typical time frame for these \_\_\_\_\_ was to years. \_\_\_\_\_, President of \_\_\_\_\_ ("\_\_\_\_\_"), would approach the President with a \_\_\_\_\_ and the President would conduct online research to determine the appropriate loan to value, interest rate, return, and time frame. The POA stated there was no guarantee on these \_\_\_\_\_ but due to the loan being only \_\_\_\_\_ to \_\_\_\_\_ % of the property value, there was a low probability of not receiving a return of the principal.

The agent inquired as to why there was a \_\_\_\_\_ from \_\_\_\_\_ . POA explained that the CFO had worked with \_\_\_\_\_ at \_\_\_\_\_, her nonprofit may have not had enough funds to make the investment, and that the President and CFO help each other. The President added that the CFO has presented her with an opportunity. Unfortunately, the CFO and Mr. \_\_\_\_\_ had a falling out and the CFO was no longer associated with \_\_\_\_\_.

In the IDR dated \_\_\_\_\_, the agent requested a copy of \_\_\_\_\_ that detailed the following:

- Loan amount
- Due date of the loan
- Description of collateral used to secure the loan
- Interest rate and repayment terms
- Authorized names and signatures

The POA stated that the organization did not have copies of the \_\_\_\_\_ with the above listed information and provided an email from the CFO and a letter from \_\_\_\_\_ to explain why the \_\_\_\_\_ were unavailable. [EXHIBIT 4] In lieu of the requested information, the POA provided a spreadsheet prepared by himself and the CFO to explain the \_\_\_\_\_ activities.[EXHIBIT 5]

Additionally, during the interview the agent asked if there was an investor questionnaire or investment criteria or list of fees for the organization's relationship with \_\_\_\_\_. The POA stated that there was no formal documentation, it was based on personal relationships and a handshake.

**LAW:**

**Internal Revenue Code ("IRC")**

Section 501(c)(3) of the IRC exempts from income tax entities 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

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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.

IRC Section 7602(a) gives examiners the authority to examine any books, papers, records or other data which may be relevant or material for the purpose of ascertaining the correctness of any return, making a return where non has been made, determining the liability of any person for any internal revenue or the liability at law of any internal revenue tax, or collecting any such liability.

IRC Section 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 Section 6033(a)(1) provides, except as provided in IRC Section 6033(a)(3), every organization exempt from taxation under section 501(a) shall file an annual return, stating specifically the items of gross income, receipts, and disbursements, and such other information for the purpose of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and shall 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 Section 6033(b) provides further clarification by stating that every organization described in section 501(c)(3) which is subject to the requirements of subsection (a) shall furnish annually information, at such time and in such manner as the Secretary may by forms or regulations prescribe, setting forth –

- (1) Its gross income for the year,
- (2) Its expenses attributable to such income and incurred within the year,
- (3) Its disbursements within the year for the purposes for which it is exempt,
- (4) A balance sheet showing its assets, liabilities, and net worth as of the beginning of such year,
- (5) The total of the contributions and gifts received by it during the year, and the names and addresses of all substantial contributors
- (9) such other information with respect to direct or indirect transfers to, and other direct or indirect transactions and relationships with, other organizations described in section 501(c) (other than paragraph (3) thereof) as the Secretary may require to prevent-
  - (A) diversion of funds from the organization's exempt purpose, or
  - (B) misallocation of revenues or expenses
- (13) such information with respect to disqualified persons as the Secretary may prescribe,

### **Treasury Regulations ("Regulations")**

Section 1.501(c)(3)-1(a) of the Regulations states 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

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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.

Regulations Section 1.501(c)(3)-1(c) states that 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.

Regulation Section 53.4958-3(a)(1) defines a disqualified person, with respect to any transaction, as any person who was in a position to exercise substantial influence over the affairs of an applicable tax-exempt organization at any time during the five-year period ending on the date of the transaction (the lookback period). Paragraph (c) of this statute includes the following as persons having substantial influence (1) voting members of the governing body, (2) presidents or chief executive officers, and (3) treasurers and chief financial officers.

Regulation Section 1.6001-1(c) states that every organization exempt under section 501(a) shall keep such permanent books of accounts or records as are sufficient to show specifically the items of gross income, receipts and disbursements. Such organization shall also keep such books and records as are required to substantiate the information required by section 6033.

Section 1.6001-1(e) of the Regulations 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.

**TAXPAYER'S POSITION:**

Unknown at this time.

**GOVERNMENT'S POSITION:**

It is the Government's position that \_\_\_\_\_ does not continue to qualify for exemption under IRC Section 501(c)(3).

The organization should have not filed a Form 1023-EZ, since it was not eligible due to failing the following items from the eligibility worksheet.

- Annual gross receipts exceeded \$ \_\_\_\_\_ in the \_\_\_\_\_ years since filing the application, primarily due to donations from the President.
- Invested a substantial amount of its funds in \_\_\_\_\_ in the fall of \_\_\_\_\_, these are loans which would be considered a form of consumer credit.
- \_\_\_\_\_ for the \_\_\_\_\_ property [EXHIBIT 5], which was created on \_\_\_\_\_,

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had a principal amount of \$ ; this exceeds the \$ total asset fair market value limitation.

- The organization invested more than % of its assets in , which are not a publicly traded asset.

In addition to not being eligible to filing a Form 1023-EZ, the organization voided the attestations required in the application by engaging in a substantial activity, the , that (1) did not further their exempt purpose and (2) involved financial transactions with an officer, the CFO.

Based on the interview and a review of Forms and documentation, the organization's primary activity is the investment in . These trusts or loans do not meet the criteria listed under Section 501(c)(3) of the IRC as being an exempt activity. Per Regulation Section 1.501(c)(3)-1(c), if more than an insubstantial part of the organization's activities is not in furtherance of an exempt purpose, then it will not be regarded as operating exclusively for an exempt purpose.

Another requirement for an organization to be exempt under IRC Section 501(c)(3), is that it must meet certain reporting requirements, such as filing a complete and accurate annual information return and retaining records sufficient to determine whether such an organization is operated for its exempt purpose. The Forms filed by the organization indicate the following cash flows based on the reported revenue and expenses.

Form 990	Tax Period			
Contributions	\$	\$	\$	\$
Interest Income	\$	\$	\$	\$
<b>Total Revenue</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Grants	\$	\$	\$	\$
Fees	\$	\$	\$	\$
<b>Total Expenses</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Net Cash Flow</b> (Revenue less Expenses)	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

However, the net cash flow amounts do not support the amounts invested by the organization into the . For example, in the organization had only \$ net cash flow but the provided schedule of shows that it had invested \$ in in that year.

Form <b>886-A</b> (May 2017)	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

Property	Creation Date			
	\$	\$	\$	\$
	\$	\$	\$	\$
	\$	\$	\$	\$
	\$	\$	\$	\$
	\$	\$	\$	\$
	\$	\$	\$	\$
	\$	\$	\$	\$
	\$	\$	\$	\$
	\$	\$	\$	\$
<b>Total Investment Per Year</b>	\$	\$	\$	\$

During the interview, the POA did acknowledge that there were items missing from the Forms filed with the Service. Thus, the organization failed to meet the reporting requirements laid out in IRC Section 6033(a)(1) and (b).

**CONCLUSION:**

The Organization does not meet the requirements for exemption under IRC Section 501(c)(3) and its exemption from federal income tax should be revoked effective . The Organization is liable for filing Form 1120, *U.S. Corporation Income Tax Return*, for the fiscal year ending , and all years thereafter.

**Attachment to Form 886-A: Exhibit 1**



## Itemized Categories

through

Date	Account	Num	Description	Tag	Memo	Clr	Amount
------	---------	-----	-------------	-----	------	-----	--------

**INCOME**  
Interest Inc

**EXPENSES**

Donations To

**TOTAL DIFFERENTIAL INCOME TO EXPENSES**

**Attachment to Form 886-A: Exhibit 2**

Dear \_\_\_\_\_,

This letter serves as a confirmation that we have received the below listed contributions from the \_\_\_\_\_ account.

Please see the list of checks received including check date, amount, and check numbers.

Check Date	Check Number	Check Amount
		\$ _____
		\$ _____
		\$ _____
		\$ _____
		\$ _____

Hoping this letter will suffice your request. Please let us know if you have any questions.

Sincerely,

President & Chief Executive Officer

**Attachment to Form 886-A: Exhibit 3**

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### Donation Receipt

We acknowledge with thanks, the receipt of

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

which you have so generously contributed.

Donor: \_\_\_\_\_

Received by: \_\_\_\_\_ Date: \_\_\_\_\_

is recognized as a nonprofit organization  
by the IRS. IRS Code: Section 501 (c)(3)  
Tax Identification Number: \_\_\_\_\_

**Attachment to Form 886-A: Exhibit 4**

[Redacted]

Dear [Redacted],

I received your message requesting copies of the underlying notes.

First, none of the notes will line up with the [Redacted] since you have partial assignments and partial interest in the underlying notes.

Secondly, the note interest rates do not correspond with the interest you are paid since some of the notes were at lower rates and some at higher rates and you were paid as an investor based upon a fixed rate which was a negotiated rate.

Third, I do not have access to the files, including a portion of closed and stored files. Further, as you are aware I am no longer affiliated with [Redacted] and [Redacted] or their companies.

Should you need interest rates or payment amounts for the [Redacted] loans, please contact me and I will do my best to obtain the information for you.

Sincerely,

[Redacted]

Date:

To: ,

From: ,

Re:

In regards to the above files, all files were confiscated as a result of a federal investigation of a corporation that shared our office space. I do not know when to expect our files back as it been around        years now without any communication.

---

by: , President



**Attachment to Form 886-A: Exhibit 5**

PROPERTY ADDRESS	DATE CREATED	PERCENTAGE OWNERSHIP	PRINCIPAL AMOUNT	INTEREST RATE	DUE DATE
		%	\$	%	
		%		%	
		%	\$	%	
		%	\$	%	
			\$	%	
			\$	%	
		%	\$	%	
		%	\$	%	
		%	\$	%	
		%	\$	%	

\* all were written as year with an automatic renewal for up to years, due on sale