



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

Release Number: 202340019
Release Date: 10/6/2023
UIL Code: 501.03-00

Date:
July 12, 2023
Taxpayer ID number (last 4 digits):

Form:

Tax periods ended:

Person to contact:
Name:
ID number:
Telephone:
Fax:
Last day to file petition with United States
Tax Court:
October 10, 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 did not establish that you are organized and operated exclusively for exempt purposes within the meaning of IRC Section 501(c)(3). You provided private benefits to relatives of the board members (siblings and in-laws). Thus, part of your net earnings inure to the benefit of private shareholders or individuals. You also did not create or maintain records regarding grants to individuals, as required by IRC Sections 6001 and 6033(a)(1). As such, you failed to meet the requirements of IRC Section 501(c)(3) and Treasury Regulations Section 1.501(c)(3)-1(a) because you did not establish that you were organized and operated exclusively for exempt purposes and part of your earnings inured to the benefit of private shareholders or individuals.

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. 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

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
usefc.uscourts.gov

US District Court for the District of Columbia
333 Constitution Avenue, NW
Washington, DC 20001
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.

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 [IRS.gov/forms](https://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.

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

Director, Exempt Organizations Examinations

Enclosures:

Publication 1

Publication 594

Publication 892

cc: Eric Lafazank (Representative). Form 2848 was never revoked. Thus, mailing is required.



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

Date:

04/28/2023

Taxpayer ID

number: Form:

Tax periods ended:

Name:

ID number:

Telephone . . .

Fax: . . .

Manager's contact information:

Name:

ID number

Telephone . . .

Response due date:

May 31, 2023

CERTIFIED MAIL – Return Receipt Requested

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 170(b)(1)(A)(vi).

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 170(b)(1)(A)(vi) 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 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,

Laura J. Chambers Digitally signed by Laura J. Chambers
Date: 2023.04.26 09:55:45 -0500

for Lynn A. Brinkley

Director, Exempt Organizations Examinations

Enclosures:

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

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items – Revocation of Tax-Exemption	Schedule number or exhibit 1
Name of taxpayer	Tax Identification Number <i>(last 4 digits)</i>	Year/Period ended

ISSUE

Does _____ (hereafter _____ continue to qualify for exempt status under Section 501(c)(3) of the Internal Revenue Code?

FACTS

_____ is an exempt organization described in IRC § 501(c)(3) and was incorporated in _____ in the _____. _____ received its determination letter from the IRS on _____, granting it exemption under Section 501(c)(3) effective _____. According to its *Application for Recognition of Exemption under 501(c)(3) of the Internal Revenue Code*, _____ provided the response below to Part _____ which asks to describe the past, present and planned activities in a narrative.

The board of directors remain the same from the time of formation, _____ (President), _____ (Vice-President), and _____ (Secretary). _____ and _____ are husband and wife. _____ and _____ reside in _____ and have _____ and in the _____. _____ travels to the _____ throughout the year for business but _____ in _____.

_____ has a Conflict-of-Interest Policy, submitted with its original application for exemption. The policy was signed by all the board members, dated _____ below is an excerpt from the policy.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items – Revocation of Tax-Exemption	Schedule number or exhibit 1
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

Article - Purpose

The purpose of the conflict-of-interest policy is to protect the interest of _____ when it is contemplating entering in a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction.

Article – Definitions

1. Interested Person – Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.
2. Financial Interest – A person has financial interest if the person has, directly or indirectly, through business, investment, or family:
 - a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement.
 - b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
 - c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement. Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. A financial interest is not a conflict of interest only if the appropriate governing board committee decides that a conflict of interest exists.

The IRS began an examination of _____ Form 990 for the tax year ending _____ by letter dated _____ which requested the books and records for the organization. On _____ the Revenue Agent (hereafter RA) conducted a phone interview with _____ to familiarize himself with operations and their books and records. During the interview, _____ stated that _____ does not hold any board meetings, maintain any bylaws, meeting minutes. _____ stated he is the only active board member of the organization and is responsible for all _____ operations including bookkeeping. _____ stated his wife, _____ acts as an advisor and _____ assists _____ when needed but provided no specifics.

_____ stated that _____ makes foreign grants directly to individuals in _____ who are _____. He stated that _____ stated he physically checks on the _____ to ensure the funds are being used for the intended purposes, however _____ does not control or operate the _____. _____ solicits funds for verbally through his personal and professional networks but stated he does not intend on expanding the organization or attracting new public support.

_____ did not maintain any completed grant award letters as a part of its records, despite distributing a total of \$ _____, in purported grants to individuals in _____. Of that total, \$ _____ (_____ %) was distributed to individuals in _____. _____ provided the RA with a bank statement labeled “_____” showing _____

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items – Revocation of Tax-Exemption	Schedule number or exhibit 1
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

currency being transferred to an bank account and then being transferred to various individuals in The statement only shows the transaction date, currency exchange rate, fees, and recipient name. Further, did not maintain any follow-up reports, pre-grant inquiries, or detailed records on the use of assets. also stated that as a precondition to receiving grant funds, must ensure that the individuals and organizations are in compliance with (however no written evidence of compliance verification was provided during the examination

The RAs inspection of books and records revealed that reimbursed himself for expenditures charged on his personal credit card, which he purported were to pay for expenses on behalf of an individual. The transaction was listed in books and records as, “ - with .” There was no application or documentation regarding this assistance paid out. Per bank statements, the utility company is located is and this specific individual received the same assistance with his utility bill on separate occasions in tax year

On the RA conducted a follow-up phone interview with and confirmed that he is related to & (hereafter wife, is sister to received payments totaling \$ in tax year from is the largest individual recipients of funds in from receiving individual disbursements or payments made on their behalf, such as payments made directly to their personal mortgage, credit cards, and bank account. stated that his in-laws were facing financial hardships due to a false lawsuit against them and was providing financial support. had total discretion over disbursements of funds, including to or for his relatives.

LAW

501(c)(3) generally

Section 501(a) exempts organizations described in Section 501(c) of the Code from federal income taxation.

Section 501(c)(3) of the Code exempts from federal income tax organizations organized and operated exclusively for charitable, educational, and other exempt purposes, provided that no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

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

Section 1.501(c)(3)-1(c)(1) of the regulations provides 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

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items – Revocation of Tax-Exemption	Schedule number or exhibit 1
Name of taxpayer	Tax Identification Number (<i>last 4 digits</i>)	Year/Period ended

more of such exempt purposes specified in IRC 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.

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

Section 1.501(c)(3)-1(d)(ii) of the regulations provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Thus, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Section 1.501(c)(3)-1(d)(2) of the regulations defines the term "charitable" for 501(c)(3) purposes as including relief of the poor and distressed or of the underprivileged; advancement of religion; advancement of education or science; erection or maintenance of public buildings, monuments, or works; lessening of the burdens of Government; and promotion of social welfare by organizations designed to accomplish any of the above purposes, or (i) to lessen neighborhood tensions; (ii) to eliminate prejudice and discrimination; (iii) to defend human and civil rights secured by law; or (iv) to combat community deterioration and juvenile delinquency.

The term "charitable" also includes the advancement of education. Section 1.501(c)(3)-1(d)(3)(i) of the regulations provides, in part, that the term "educational" as used in section 501(c)(3) of the Code relates to the instruction of the public on subjects useful to the individual and beneficial to the community.

The term "charitable" as used in Section 501(c)(3) is used in its generally accepted legal sense and therefore is not to be construed as limited by the separate enumerations in section 501(c)(3). See Redland Surgical Services v. Commissioner, 113 T.C. 47 (1999), aff'd per curiam, 242 F.3d 904 (9th Cir. 2001).

Operational test, generally

Section 1.501(c)(3)-1(c)(1) of the regulations 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 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.

The operational test of Section 1.501(c)(3)-1(c)(1) of the regulations is designed to ensure that the organization's resources and activities are devoted to furthering exempt purposes. The operational test examines the actual purpose for the organization's activities and not the nature of the activities or the organization's statement of purpose. What an organization's purposes are and what purposes its activities support are questions of fact. To pass the operational test, the organization must be primarily engaged in activities which accomplish one or more of the exempt purposes specified in Section 501(c)(3) and the net earnings must not be distributed in whole or in

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items – Revocation of Tax-Exemption	Schedule number or exhibit 1
Name of taxpayer	Tax Identification Number <i>(last 4 digits)</i>	Year/Period ended

part for the benefit of private shareholders or individuals. America Campaign Academy v. Commissioner, 92 T.C. 1053 (1989).

The existence of a single nonexempt purpose, if substantial in nature, will cause failure of the operational test, regardless of the number or importance of truly exempt purposes. Better Business Bureau v. United States, 326 U.S. 279 (1945). See also Stevens Bros. Foundation, Inc. v. Commissioner, 324 F.2d 633, 638 (8th Cir. 1963), cert denied, 376 U.S. 969 (1964) (if there is present in an organization’s operations a single noncharitable purpose substantial in nature, though it may have other truly and important charitable purposes, it is not entitled to be exempt).

Private Benefit

An organization is not organized or operated exclusively for an exempt purpose unless it serves a public rather than a private interest. To meet this requirement, an organization must establish “that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.” TR 1.501(c)(3)-1(d)(1)(ii).

In Basic Bible Church v. Commissioner, 74 T.C. 846 (1980), the organization's founder and his wife executed vows of poverty and transferred all their possessions and income to the organization on the condition that it qualified under IRC 501(c)(3). The founder controlled all financial decisions of the organization. The court found that a substantial purpose of the organization was to serve the private interests of the founder and his wife. Accordingly, the court held that the organization did not qualify under IRC 501(c)(3).

In Ramses School of San Antonio, Texas. v. Commissioner of Internal Revenue, T.C. Memo 2007-85, 2007 2007 WL 1061871, the court held that the IRS properly revoked the exempt status of a school that failed to satisfy the operational test because of private benefit to the founder, who also served as its executive director, president, and CEO. The governing board failed to provide oversight, direction, supervision and control over the administration of the school as required by its charter thus allowing its founder to exercise authority over the school’s finances. The record lacked supporting documentation of exempt purposes for payments for personal services of the founder; purchasing property as an individual and not as a representative of the school using school funds; and other disbursements for personal use of the founder. The organization had provided no credible information to support an exempt purpose for the expenditures. The court noted that upon a conclusion that relevant facts reveal private benefit; the organization will not qualify as operating primarily for exempt purposes “absent a showing that no more than an insubstantial part of its activities further the private interests or any other nonexempt purposes.”

Prohibited private interests include those of unrelated third parties as well as insiders. Christian Stewardship Assistance, Inc. v. Commissioner, 70 T.C. 1037 (1978); American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989). Private benefits include an “advantage; profit; fruit; privilege; gain; [or] interest.” Retired Teachers Legal Fund v. Commissioner, 78 T.C. 280, 286 (1982).

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service		Schedule number or exhibit
	Explanations of Items – Revocation of Tax-Exemption		1
Name of taxpayer		Tax Identification Number <i>(last 4 digits)</i>	Year/Period ended

Grants to individuals

Assuming that an organization qualifies for exemption under section 501(c)(3), contributions to individuals, non-charitable organizations and to non-charitable activities in furtherance of the organization's exempt purpose does not result in loss of exempt status (assuming there is no inurement or private benefit), especially when the contributions are insubstantial. See Center on Corporate Responsibility, Inc. v. George P. Shultz, 368 F. Supp. 863 (D.D.C. 1973) in which the Court stated:

The Defendants' Revenue Rulings, as well as case law clearly permit charitable organizations to contribute their proceeds both to individuals, Rev. Rul. 56-304, 1956-2 C.B. 306; Rev. Rul. 72-559, 1972-2 C.B. 247; and to non-charitable activities in the furtherance of its charitable purposes. Rev. Rul. 73-313, 1973-30 I.R.B. 15; Rev. Rul. 71-29, 1971-1 C.B. 150; Rev. Rul. 62-78, 1962-1 C.B. 86; Edward Orton, Jr., Ceramic Foundation, 65 T.C. 147.

Revenue Ruling 56-304, 1956-2 C.B. 306 states that an organization which otherwise meets the requirements for exemption from Federal income tax are not precluded from making distributions of their funds to individuals, provided such distributions are made on a true charitable basis in furtherance of the purposes for which they are organized. However, organizations of this character which make such distributions should maintain adequate records and case histories to show the name and address of each recipient of aid; the amount distributed to each; the purpose for which the aid was given; the manner in which the recipient was selected and the relationship, if any, between the recipient and (1) members, officers, or trustees of the organization, (2) a grantor or substantial contributor to the organization or a member of the family of either, and (3) a corporation controlled by a grantor or substantial contributor, in order that any or all distributions made to individuals can be substantiated upon request by the Internal Revenue Service.

Part of the educational analysis determines whether the education benefits the private interest of the individuals receiving the information and whether the individuals who receive the education are in a charitable class. Retired Teachers Legal Defense Fund, Inc. v. Commissioner, 78 T.C. 280 (1982) (organization which issued newsletter to New York City Teacher Retirees advising them of status of litigation held not be exempt. The information was only useful for the retirees' private interests---to ensure the financial stability of pension plan. Moreover, most of the retirees were not members of a charitable class. The provision of free services to persons who are not poor is not an exempt purpose and aid to pensioners without regard to need is not a charitable purpose).

In The Church of Boston v. Commissioner, 71 T.C. 102 (1978), the court found the church's documentation inadequate where the records of its grants to individuals were a list of grants made to individuals which included the name of the recipient, the amount of the grant, and the "reason" for the grant which was specified as either unemployment, moving expenses, school scholarship, or medical expense. The court concluded that this stated documentation failed to establish whether exempt charitable purposes were served in fact.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items – Revocation of Tax-Exemption	Schedule number or exhibit 1
Name of taxpayer	Tax Identification Number (<i>last 4 digits</i>)	Year/Period ended

Records requirements, generally

Section 6001 of the Code states that "Notice or regulations requiring records, statements, and special returns," provides that every person liable for any tax imposed by this title (Title 26 of the United States Code, which is the Internal Revenue Code), or for the collection thereof, shall keep such records, render such statements, make such returns, and comply with such rules and regulations as the Secretary may from time to time prescribe. Whenever in the judgment of the Secretary it is necessary, he may require any person, by notice served upon such person or by regulations, to make such returns, render such statements, or keep such records, as the Secretary deems sufficient to show whether or not such person is liable for tax under this title.

Section 1.6001-1(a) of the Procedure and Administration Regulations provides, in general, that any person subject to tax under subtitle A of the Code or any person required to file an information return with respect to income shall keep such permanent books of account or records, including inventories, as are sufficient to establish the amount of gross income, deductions, credits, or other matters required to be shown by such person in any return of such tax or information.

Section 1.6001-1(c) of the regulations provides that for exempt organizations, in addition to such permanent books and records required by section 1.6001-1(a) with respect to the tax imposed by section 511 on the 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.

Rev. Rul. 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 Service held that the failure or inability to file the required information return or otherwise to comply with the provisions of section 6033 of the Code 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.

TAXPAYER'S POSITION

Not known at this time.

GOVERNMENT'S POSITION

Based on the application of the law to the facts described above, the Service has determined that _____ has not demonstrated that is operated exclusively for exempt purposes within the meaning of section 501(c)(3).

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items – Revocation of Tax-Exemption	Schedule number or exhibit 1
Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

Private benefits

operated for the substantial non-exempt purposes of providing private benefits to relatives of board members (siblings and in-laws), as done under the discretion of founder and officer As explained in Treasury Regulation 1.501(c)(3)-1(d)(1)(ii), to satisfy the operational test, an organization must establish “that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.” is like the organizations in Basic Bible Church and Ramses School of San Antonio in that a lack of oversight and internal controls effectively ceding control over the organization to a single individual contributed to use of funds to further private rather than exempt interests.

has engaged in multiple instances of private benefit by diverting assets (\$ in to & the in-laws of for personal reasons including credit card payments, mortgage payments, and direct transfers of funds. This practice represents clear violation of the 501(c)(3) requirements, which demands that the organization operate solely for charitable, educational, or scientific purposes. No justification was provided for this diversion of assets for private use, which violated conflict of interest policy. did not have an active board which monitored the use of assets which allowed such transitions to occur without objection.

Lack of documentation of expenditure responsibility

did not maintain records sufficient to demonstrate that its individual grant program furthered exempt purposes within the meaning of section 501(c)(3), educational or otherwise. As explained in Rev. Proc 56-304. Organizations which make distributions to individuals or non-exempt organizations should maintain adequate records and case histories to show the name and address of each recipient of aid; the amount distributed to each; the purpose for which the aid was given; the manner in which the recipient was selected and the relationship, if any, between the recipient and (1) members, officers, or trustees of the organization, (2) a grantor or substantial contributor to the organization or a member of the family of either, and (3) a corporation controlled by a grantor or substantial contributor, in order that any or all distributions made to individuals can be substantiated upon request by the Internal Revenue Service. Further, as explained in Retired Teachers Legal Defense Fund, Inc. v. Commissioner, the payments should generally be demonstrated to benefit a charitable class.

is like the organization in The Church of Boston v. Commissioner, because its documentation was inadequate in that its records of its grants to individuals was a list of grants made to individuals which included the name of the recipient and the amount of the grant, did not require applications to the award of individual grants. Despite representations in its application that it would provide grant letters which set out conditions for the use of grant funds by individuals, it did not issue such letters or maintain any records other than the names of the individuals who received funds. Further, there is no board review or approval process for grants, rather has exclusive authority to disperse funds.

charged utilities and other living expenses for the “grantees” to his personal credit card and then reimbursed himself. Just as with the direct transfers of funds to the individuals in there were no records maintained to demonstrate that these payments were made for charitable or educational purposes.

Form 886-A (May 2017)	Department of the Treasury – Internal Revenue Service Explanations of Items – Revocation of Tax-Exemption	Schedule number or exhibit 1
Name of taxpayer	Tax Identification Number <i>(last 4 digits)</i>	Year/Period ended

Failure to maintain adequate records

the organization has failed to maintain proper records to demonstrate that it is operated exclusively for exempt purposes as required by IRC sections 6001 and 6033. is like the organization in Rev. Rul. 59-95 in that the lack of documentation including board meeting minutes, bylaws, and records of its purported grant expenditures has made it difficult to determine whether the organization is operating in accordance with its stated purpose and whether its activities are exclusively charitable. has displayed poor internal controls such as not maintaining a governing body, lack of separation of duties, grant applications or follow-ups, which has left its assets are more susceptible to misuse.

CONCLUSION

The Service has determined that no longer qualifies for exemption under Section 501(c)(3) as it is not operated exclusively for exempt purposes evidenced by its lack of adequate internal controls, records, governing body, and other facts and circumstances detailed in this report. None of the documents provided by the organization supports that is operating exclusively for exempt purposes. The RA determined that the size and scope of the organization’s regular an ongoing activity do not further the exempt purpose while being consistent with the code requirement for a 501(c)(3) organization.

The Service is proposing revocation of tax exempt status effect

If you agree to this conclusion, please sign the attached Forms 6018.

If you disagree, please submit a statement of your position.