



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

Date:

October 25, 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:

January 23, 2024

Release Number : 202403018

Release Date: 1/19/2024

UIL Code: 501.03-00

CERTIFIED MAIL - Return Receipt Requested

Dear :

Why we are sending you this letter

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

Our adverse determination as to your exempt status was made for the following reasons: You have not demonstrated that you are operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3) and that no part of your net earnings inure to the benefit of insiders. As such, you no longer meet the operational requirements to continue your exemption status under Internal Revenue Code (IRC) Section 501(c)(3).

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**.

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
uscfc.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.

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

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.

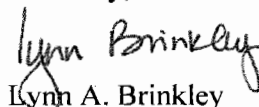
Find tax forms or publications by visiting [IRS.gov/forms](https://irs.gov/forms) or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

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:



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

Date:
07/10/2023
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:
08/10/2023

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 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 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,

John A. Matias

John A Matias, Supervisory, Internal Revenue Agent for
Lynn Brinkley

Director, Exempt Organizations Examinations

Enclosures:
Form 886-A
Form 6018

F886-A,

Events List

F886-A, - Bank Statement Transactions

Bank Statement Transactions

Date	Deposits and Other Credits	Withdrawals and Other Debits	Description	Balance
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F886-A, - Bank Statement Transactions

Bank Statement Transactions

Date	Deposits and Other Credits	Withdrawals and Other Debits	Description	Balance
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F886-A, - Bank Statement Transactions

F886-A, - Bank Statement Transactions

F886-A, - Bank Statement Transactions

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

ISSUE:

Whether the section 501(c)(3) tax exemption status of (“ ”) should be revoked due to failure to maintain records per sections 6001 and 6033 of the Internal Revenue Code and inurement to a disqualified person?

FACTS:

Background of

(“ ”) was incorporated under the laws of the State of as a Nonprofit Public Benefit Corporation on .

On its Form 1023 *Application for Recognition of Exemption*, indicated its primary activities will be to

On , received tax exemption as a charitable organization within the meaning of section 501(c)(3) of the Internal Revenue Code (IRC) and was classified as a public charity under IRC section 509(a)(2) based on information provided on its Form 1023 *Application for Recognition of Exemption*. The effective date of tax exemption was

filed Form 990-N, Electronic Notice (e-Postcard) annually its in .

Initial Contact with

On , the mailed the initial contact letter to to inform of the examination and to request financial records for the examination year of .

On , during the ’s initial phone call with (“ ”), ’s (“ ”) and (“ ”), stated that received income its in , and it did not have any books and records. The requested to send a letter stating that to the .

On , faxed a letter to the in response to the ’s request. In the letter, stated “

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Interview with

On _____, the _____ conducted a phone interview with _____, _____'s accountant _____ its _____, was also present in the interview. The following information was collected during the interview:

- _____ has _____ board members, _____ and _____ (Secretary). _____ of _____ and _____ are _____ in the _____ is the _____ of _____ located at _____, which _____ with _____ (the _____ noticed the _____ website was closed down after the examination started). _____ group and individual _____ is a _____ and _____ instructor.
- When the _____ asked about the activities conducted and income received _____ its _____, _____ affirmed _____ had not conducted any programs or activities _____ its _____, thus, no incomes were received, and no expenses were incurred.
- Later on during the interview, the _____ asked about the fundraising activities, _____ stated _____ fundraising event was conducted in _____. This event was held at a private venue in _____ and roughly US\$ _____-\$_____ was raised. _____ asserted that the fund raised from this event was _____ income _____ received _____ its _____ also stated that there were a few promotional events in _____. Those events were to promote for _____ not to fundraise, thus, no income was raised.

The _____ Grants

On _____, the _____ sent information document request (IDR) # _____ to _____ request the _____ bank statements and additional information needed for the examination. While reviewing _____'s _____ bank statements, _____ noticed a deposit of \$ _____ into _____'s bank account on _____. The deposit description indicated that it's an Economic Injury Disaster Loan (EIDL) grant payment from the _____ (_____). In _____, as part of the _____'s EIDL program, _____ could apply for an emergency grant of \$ _____ per employee, up to \$ _____ as an advancement with their loan applications. The advance payment is treated as tax-free grant that does not need to be repaid, and businesses could cancel the EIDL loan without returning the EIDL advance payment.

The purpose of the EIDL grant was to help businesses that suffered a substantial economic injury as a result of the pandemic. The grant proceed may be used to keep employees on payroll, pay

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for sick leave, meet increased production costs due to supply chain disruptions, or pay for business obligations, including debts, rents, and mortgage payments. However, if the grant was used for other than these permissible purposes, then the business will have to immediately pay back the grant with one and a half times of its original amount. Also, the business may have to pay possible criminal charges.

According to _____, _____ has _____ uncompensated volunteer officers _____ its _____ (interview on _____). _____ also claimed that there were _____ expenses incurred _____ . The _____ checked the filing record and confirmed that _____ had _____ filed any employment tax related returns including the Forms 941, *Employer's Quarterly Federal Tax Return*. For _____ to receive a \$ _____ grant (\$ _____ per employee), _____ had to report _____ employees on its EIDL application. _____ did not provide a copy of the EIDL application when requested by the _____. Instead, _____ provided _____ a copy of the letter from _____ regarding _____ EIDL loan cancellation. The letter indicated _____ had requested to withdraw or had failed to proceed with the EIDL loan application. Nevertheless, _____ kept the \$ _____ grant received.

At the time of the Economic Injury Disaster Loan (EIDL) application, each applicant needs to acknowledge that the grants received could _____ be used on the following purposes allowable under Section 7(b)(2) of _____, including:

1. Providing paid sick leave to employees unable to work due to the direct effect of the COVID-19;
2. Maintaining payroll to retain employees during business disruptions or substantial slowdowns;
3. Meeting increased costs to obtain materials unavailable from the applicant's original source due to interrupted supply chains;
4. Making rent or mortgage payments; and
5. Repaying obligations that cannot be met due to revenue losses.

On _____, _____ inquired _____ if _____ used the _____ grant received for the purposes stated above, and if yes, which _____ of the _____ purposes (IDR # _____)? In response, _____ stated that the grant received was used on _____'s _____ bank account fee, equipment, and to support the _____ program in _____ by facilitating the _____ with money for the _____ (IDR# _____ & # _____). However, _____ was not able to substantiate the expense on the equipment purchase. Based on _____'s responses, the _____ could not conclude that the grant received was used according to the grant requirements.

City of _____ -

During the examination, the _____ discovered from the internet that in _____, _____ had received a _____ for _____. The _____ asked _____ to describe what did _____ do to receive that award (IDR # _____). In response,

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stated “ (IDR #). ’s responding statement was contradictory to what had conveyed to the stated that had fundraising event and a promotional events its incorporation.

Undisclosed Events and Inconsistent Responses

While the was conducting research on , the found event announcements on the internet. Of all the events found publicized on the internet, disclosed of the events to the as of . The events disclosed were the promotional event at in , and the fundraiser event at in . The asked to provide details including the fund raised and the expense incurred for the events announced on the internet. Throughout the process of collecting the needed information for the examination, constantly changed his responses to the ’s inquiries including the dates of the events, the incomes raised, and the expenses incurred. The list of the events and the responses provided by was summarized in , ’s Events List attached to this report.

Unsubstantiated Withdraws and Expenses

This examination was initially year . However, after examining the bank statements, noticed that the beginning balance did not simulate the information provided by regarding the incomes received and the expenses incurred by its . In addition, the explanations provided by could not be verified by the related substantiation documents, thus, the examination was expanded to include , and .

Of all the withdraws and expenses incurred from (based on the debit transactions reflected on ’s bank statements), excluding the bank fees and the fees to the and the Secretary of the State, was able to provide substantiation receipts / invoices for of the expenses (see below). Of all the deposits and incomes received from (based on the credit transactions reflected on ’s bank statements), was able to provide reasonable explanations and check images for of the deposits. See , Bank Statement Transactions attached to the back of this report for a summary of the banking activities and the information collected pertaining to the activities.

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Name of taxpayer	Tax Identification Number <i>(last 4 digits)</i>	Year/Period ended

Banking Activities

Date	Deposits and Other Credits	Withdrawals and Other Debits	Description
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Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

Table - Substantiated & Unsubstantiated Expenses

Descriptions	Amount
Total Withdrawals & Other Debits	\$
Withdrawals & Debits with Substantiations (A)	\$
Withdrawals & Debits with Substantiations (B)	\$
Withdrawals & Debits with Substantiations (C)	\$
Withdrawals & Debits without Substantiations	\$

Note (A): Per _____, the \$ _____ withdrawal on _____, was for a wire to _____, the Director of _____ in _____, for the provision of salaries for the _____ in _____ (IDR # _____). _____ provided a receipt of a wire exchange on _____ of USD _____ from _____ (_____'s Secretary) to _____ as substantiation. A letter dated _____ written by _____ stating _____ gave _____ to the _____ in _____ was also provided as substantiation. However, in the letter, _____ stated the US\$ _____ was awarded on _____, which was before the date of the cash withdraw from the bank account and the wire transaction.

Note (B): When the _____ inquired about the \$ _____ from the fundraising event in _____ stated the fund collected was used to cover the expenses incurred for the fundraising trip to _____. According to _____, the roundtrip airfare was purchased with cash, thus, no receipts or substantiation documents could be provided. _____ presented to _____ a letter dated _____ from _____, the director of _____ in _____, stating that _____ had awarded the _____ of _____ on _____ (roughly US\$ _____ using exchange rate on _____), and the fund was used to cover _____ for _____, wages for _____, and an accompanist (IDR # _____).

Note (C): _____ also provided _____ a purchase invoice of _____ dated on _____. The invoice amount was _____ (about US\$ _____ using exchange rate on _____). According to _____, the _____ purchase was made in cash, and the _____ were awarded to the _____ in _____. _____ also provided a letter dated on _____ from _____ stating that the _____ fund provided _____ with _____ instruments in the year _____ and these _____ were given to _____ different _____.

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Name of taxpayer	Tax Identification Number (last 4 digits)	Year/Period ended

stated in his revised IDR # response that had a fundraising tour in and from to . However, the US\$ was awarded to the on and the cash purchase of the was on . The dates provided by and the dates on the substantiation documents given, which were created post factum, did not match.

's Suspension Status with the

On , the website shows that 's status has been suspended by the (). When a business has been suspended, it is not in good standing and loses its rights, powers, and privileges to do business in . Additionally, a business cannot retain its tax-exempt status when the business is suspended. The tax-exempt status is revoked as of the suspension date ().

was aware of the suspension status with the . The had requested to take all the steps necessary to reinstate the organizations status to active on every information document requests (IDRs) exchanged with . Nevertheless, the status is still suspended as of , the report completion date.

LAW:

Laws on Operational Requirement and Inurement

IRC section 501(c)(3) 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.

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

Treasury Regulation section 1.501(c)(3)-1(c)(1) provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in Code section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities in not in furtherance of an exempt purpose.

Treasury Regulation section 1.501(c)(3)-1(c)(2) provides that the operational test is not satisfied where any part of the organization's earnings inure to the benefit of private shareholders or individuals, and where the organization serves a private benefit rather than public interests.

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Name of taxpayer	Tax Identification Number (<i>last 4 digits</i>)	Year/Period ended

Treasury Regulation section 1.501(c)(3)-1(d)(ii) provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than private interest. Thus, it is necessary for an organization to establish that 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.

In Spokane Motorcycle Club v. United States, 222 F. Supp. 151 (E.D. Wash. 1963), net profits were found to inure to private individuals where refreshments, goods and services amounting to \$825 (representing some 8 percent of gross revenues) were furnished to members. A small amount of private inurement is fatal to exemption.

Laws on Record Keeping

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)(2), every organization exempt from tax 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 purposes of carrying out the internal revenue laws. The Secretary may also prescribe by forms or regulations the requirement of every organization to keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

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

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

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Name of taxpayer	Tax Identification Number (<i>last 4 digits</i>)	Year/Period ended

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

Treas. Reg. Section 1.6033-2(i)(2) provides that every organization which is exempt from tax, whether or not it is required to file an annual information return, shall submit such additional information as may be required by the Internal Revenue Service for the purpose of inquiring into its exempt status and administering the provisions of Subchapter F (section 501 and following), Chapter 1 of Subtitle A of the Code, section 6033.

Treas. Reg. Section 1.274-5 addresses the substantiation requirements with respect to the business purpose of an expense. If the substantiation requirements are not met no deduction is allowed with respect to that expense.

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 IRC section 6033 and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds that the organization has not established that it is observing the conditions required for the continuation of exempt status.

In Church of Gospel Ministry, Inc. v. United States, 640 F. Supp. 96, (D.D.C. 1986), due to the taxpayer's failure to keep adequate records, the court held that the taxpayer failed to sustain its burden to show that it was qualified for federal tax exemption as a corporation organized and operated exclusively for religious and charitable purposes, as required under IRC 501(c)(3), and that it was further qualified to receive deductible charitable contributions under IRC 170(c)(2). The court found that the inadequate records failed to show that the taxpayer's operations did not inure to the private benefit of its officers, as provided under IRC 6001.

TAXPAYER'S POSITION:

's position is unknown.

GOVERNMENT'S POSITION:

Failure to Maintain Records

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

In accordance with the above cited provisions of the Code and Regulations under IRC section 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status and to determine its liability for any unrelated business income tax.

During the examination, _____ had either provided inconsistent information or failed to meaningfully respond to the _____'s requests for the information needed for the examination. _____ concealed the activities conducted, the incomes received, and the expenses incurred until evidence of occurrence were presented by the _____ during the examination. Toward _____ of the _____, attempts were made to request the information needed for the examination of tax years _____, _____ was entirely unresponsive to the _____'s requests.

Internal Revenue Code section 6033(b) sets out an affirmative duty on the part of the organization to furnish annual information in such a manner as the Secretary may prescribe via forms or regulations. Tax exemption is a matter of legislative grace, and an organization seeking an exemption must prove that it "comes squarely within the terms of the law conferring the benefit sought". Nelson v. Commissioner, 30 T.C. 1151, 1154 (1958); see also Florida. Hosp. Trust Fund v. Commissioner, 103 T.C. 140, 153, (1994), affd. 71 F.3d 808 (11th Cir.1996). Because an exemption from tax is a deviation from the norm of taxation, courts have reasoned that "a heavy burden" to establish satisfaction of all requisites for such status falls on the entity. Harding Hosp., Inc. v. United States, 505 F.2d 1068, 1071 (6th Cir.1974); Western Catholic Church v. Commissioner, 73 T.C. 196, 210 (1979).

_____ had failed to provide records as required in Code Section 6033(a)(1) and Regulation Section 1.6033-1(h)(2). _____ failed to provide substantiation documents for _____ of its incomes received, expenses incurred, and the cash withdrew by _____ when _____ requested them during the examination. The _____ attempted to obtain these records numerous times via Information Document Requests. Without _____'s records, the _____ could not verify that _____ solely operated according to its exempt purposes, and if any of the expenses or cash withdrawals were for inurement purposes.

Revenue Ruling 59-95, and Church of Gospel Ministry, Inc. v. United States, 640 F. Supp. 96, 1986, supra, provide that failure or inability to file a required information return or otherwise to comply with the provision 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 an exempt status. Therefore, the _____'s position is that _____'s tax exemption status should be revoked as it was not observing the conditions required for the continuation of its exempt status. _____ had provided little evidence to the contrary. _____ failed

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to provide the needed substantiation documents to allow the to examine its records regarding receipts, expenditures, or activities as required by sections 6001 and 6033(a)(1) of the Internal Revenue Code.

Failure to Meet Operational Test and Inurement

Because of 's failure to meaningfully respond and provide information, had not established that it was observing the conditions required for the continuation of its exempt status. had not established that it was organized and operated exclusively for an exempt purpose and that no part of its net earnings inured to the benefit of private shareholders or individuals. For example, the \$ purchase made on , at , the ATM cash withdrawals of \$ made in , the ATM withdrawal of \$ on , and the \$ online banking payment to on failed to provide any explanations and substantiations for these purchases and withdrawals.

Even with the expense items ①, ②, and ③ in below (discussed in detail in the Facts section of this report), proper supporting documents were not kept and provided to the Expenses are the costs a business incur for normal business operations. The supporting documents for the expenses should identify the payee, the amount paid, proof of payment, the date incurred, and include a description of the item purchased or service received. Documents for expenses include 1) canceled checks or other documents reflecting proof of payment/electronic funds transferred; 2) cash register tape receipts; 3) account statements; 4) credit card receipts and statements; and 5) invoices and receipts. Sometimes, a combination of supporting documents may be needed to substantiate all elements of the expense. For the expense items mentioned above, was able to provide written statements created by the same individual post factum, and with mismatched dates, as substantiation. found these statements to carry little weight on credibility as they could not be verified.

Table - Substantiated & Unsubstantiated Expenses

Descriptions	Amount
Total Withdrawals & Other Debits	\$
Withdrawals & Debits with Substantiations ①	\$
Withdrawals & Debits with Substantiations ②	\$
Withdrawals & Debits with Substantiations ③	\$
Withdrawals & Debits without Substantiations	\$

Documentations were essential to validate these expenses and withdrawals were for genuine exempt purposes and not for personal expenses. was in a position of complete financial control during the years under examination. Because of this control, was able to use the 's bank account to pay for any expenses including his personal expenses. It was crucial

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for to provide substantiation documentation to show these transactions which have an appearance of inurement do not constitute inurement.

Without evidence that the withdrawals and the expenses serve any kind of a charitable purpose, or that they were ordinary and necessary to carry out its charitable program, can conclude that any unsubstantiated expense incurred is inurement. Furthermore, the deposits of \$ on , \$ on , any explanations and substantiation documents, the could not determine the sources of these deposits, and whether they were income related to 's exempt purpose or 's personal musical businesses.

inurement issues are highly fact dependent, the courts do not look with favor on an organization's failure to provide relevant facts and they are not hesitant to find that an organization has failed to carry its burden. See Gondia Corporation v. Commissioner, T.C. Memo. 1982-422; Schoger Foundation v. Commissioner, 76 T.C. 380 (1981); The Basic United Ministry of Alma Karl Schurig v. Commissioner, 670 F. 2d 1210 (1982); First Libertarian Church v. Commissioner, 74 T.C. 396 (1980); Church of Gospel Ministry, Inc. v. United States, 58 AFTR 2d 86-5232 (D.C. 1986); Universal Bible Church, Inc. v. Commissioner, T.C. Memo. 1986-170.

Treas. Reg. section 1.501(c)(3)-1(c)(2) indicates an organization is not operated for exclusively exempt purposes if its net earnings inure in whole or part to an individual. Pursuant to IRC section 501(c)(3), any amount of inurement is ground for revocation. Even a small amount of private inurement is fatal to exemption. In Spokane Motorcycle Club v. United States, 222 F. Supp. 151 (E.D. Wash. 1963), net profits were found to inure to private individuals where refreshments, goods and services amounting to \$ (representing some % of gross revenues) were furnished to members. Not to mention, the total unsubstantiated amount during the years of examination was \$ for (representing % of gross revenues). Therefore, revocation of 's section 501(c)(3) status is warranted.

In addition to the inurement issue, appeared to have fraudulently applied and misused the Economic Injury Disaster Loan (EIDL) grant payment of from the . To access the advance grant payment, needs to apply for an EIDL and then request for the advance on the application. On the application, the applicant also needs to provide the number of employees as of . The advance is \$ per employee and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments. had no employees its and the grant advance received was not used for the required purposes.

Furthermore, as of 's status with the () is suspended. When a business is suspended, it loses its rights to do business in . As a

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result, it cannot retain its tax-exempt status when the business is suspended. 's
tax-exempt status was revoked as of the suspension date On

CONCLUSION:

failed to establish that it met the reporting requirements under IRC section 6001 and 6033 to be recognized as exempt from federal income tax under IRC section 501(c)(3). Additionally, had not established that it observed the conditions required for the continuation of its exempt status or that it was organized and operated exclusively for its exempt purpose. failed to provide documentation to validate its expenses occurred. It also failed to provide documentation to demonstrate that certain transactions which has an appearance of inurement do not constitute inurement. Accordingly, the is proposing revocation of 's exempt status effective due to failure to maintain records per sections 6001 and 6033 of the Internal Revenue Code and inurement.

Forms 1120, *U.S. Corporate Income Tax Return*, should be prepared and filed by for the period of examination forward.