



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

Date:
September 5, 2024
Taxpayer ID number (last 4 digits):

Form:

Tax periods ended:

Release Number: 202448014
Release Date: 11/29/24
UIL Code: 501.03-00

Person to contact:
Name:
ID number:
Telephone:
Fax:
Last day to file petition with United States
Tax Court: December 4, 2024

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 operated exclusively for charitable, educational, or other exempt purposes within the meaning of IRC Section 501(c)(3) because more than an insubstantial part of your earnings inured to the benefit of a private shareholder or individual. 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. 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).

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 if 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. Visit TaxpayerAdvocate.IRS.gov/contact-us or call 877-777-4778 (TTY/TDD 800-829-4059) to find the location and phone number of your local advocate. Learn more about TAS and your rights under the Taxpayer Bill of Rights at TaxpayerAdvocate.IRS.gov. Do not send your Tax Court petition to TAS. Use the Tax Court address provided earlier in the letter. Contacting TAS does not extend the time to file a petition.

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.

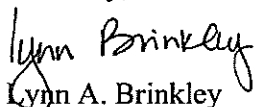
Find tax forms or publications by visiting IRS.gov/forms or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

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,

A handwritten signature in black ink that reads "Lynn Brinkley". The signature is written in a cursive style with a large initial "L".

Lynn A. Brinkley

Director, Exempt Organizations Examinations

Enclosures:

Publication 1

Publication 594

Publication 892



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

Date:
March 22, 2024
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:
April 20, 2024

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.

For additional information

You can get any of the forms and publications mentioned in this letter by visiting our website at www.irs.gov/forms-pubs 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,

Lynn A. Brinkley

Lynn A. Brinkley
Director, Exempt Organizations
Examinations

Enclosures:
Form 886-A
Form 6018

Form 886A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

ISSUES

Whether (the Organization) qualifies for exemption from federal income tax under Internal Revenue Code (IRC) Section (Sec.) 501(c)(3).

FACTS

Formation

The Organization was incorporated as a nonprofit corporation on , in using the generic Articles of Incorporation (AOI) provided by the state and listed and as Directors. , also listed as the Statutory Agent and the Incorporator of the Organization, signed the AOI.

Application for Recognition of Exemption

The Organization submitted a Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, on .

The Organization's Form 1023-EZ application listed the same group of Directors as were listed on its AOI, listed as the state of incorporation, with , as the date of incorporation, and was signed by .

The application described the Organization's mission as " " and indicated that the Organization was organized and operated exclusively to further charitable and educational purposes.

The Organization's Form 1023-EZ further attested that the Organization was a public charity that normally receives more than one-third of its support from a combination of gifts, grants, contributions, membership fees, and gross receipts (from permitted sources) from activities related to its exempt functions and normally does not receive more than one-third of its support from investment income and unrelated business taxable income, as required under IRC 509(a)(2).

Exemption

On , the Organization received recognition of exemption under IRC §501(c)(3) as a public charity, effective .

Activities

The Organization reached out to people in , specifically to churches and people that Director knew were very active in these churches, to notify them of the type of assistance the Organization hoped to provide, which was to be scholarship funds to certain deserving students with financial needs. The Organization also sent emails to containing the same information but didn't indicate in these emails which school a student was required to attend.

Due to , however, the Organization was unable to accomplish its goal of providing financial assistance to deserving students with financial needs since schools were or otherwise in into . Subsequently, the Organization offered scholarships to two or three students attending the University of during the academic school year, although minimal.

Form 886A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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Financials Per Form 990-EZ

For the Tax Year Ended

Revenue:		
Contributions, Gifts, Grants, & Similar Amounts Received		\$
Total Revenue		<u>\$</u>
Expenses:		
Professional Fees and Other Payments to independent Contractors		\$
Occupancy, Rent, Utilities, and Rent		\$
Printing, Publications, Postage, and Shipping		\$
Other Expenses		\$
Total Expenses		<u>\$</u>
Assets:		
Cash, Savings, and Investments	<u>BOY</u>	<u>EOY</u>
Other Assets	\$	\$
Total Assets	<u>\$</u>	<u>\$</u>
Liabilities:		
Liabilities	\$	\$
Total Liabilities	<u>\$</u>	<u>\$</u>

Financials Per Forms 990

For the Tax Year Ended

Revenue:	
All Other Contributions, Gifts, Grants, & Similar Amounts Not Included	\$
Refund of Bank Charges	\$
Total Revenue	<u>\$</u>
Expenses:	
Fees for Services (Non-Employees): Legal	\$
Occupancy	\$
Travel	\$
Depreciation, Depletion, and Amortization	\$
Insurance	\$
Supplies	\$
Medical Expenses	\$
Office Supplies	\$
Program Expenses	\$
All Other Expenses	\$
Total Expenses	<u>\$</u>

Form 886A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

Assets:		<u>BOY</u>	<u>EOY</u>
Cash-non-interest-bearing		\$	\$
Land, Buildings, and Equipment			
Cost or Other Basis	\$		
Accumulated Depreciation	\$	\$	\$
Other Assets		\$	\$
Total Assets		<u>\$</u>	<u>\$</u>
Liabilities:			
Other Liabilities		\$	\$
Total Liabilities		<u>\$</u>	<u>\$</u>

For the Tax Year Ended

Revenue:		
All Other Contributions, Gifts, Grants, & Similar Amounts Not Included		\$
Total Revenue		<u>\$</u>

Expenses:		
Occupancy		\$
Travel		\$
Depreciation, Depletion, and Amortization		\$
Program Expenses		\$
Medical Expenses		\$
Office Supplies		\$
All Other Expenses		\$
Total Expenses		<u>\$</u>

Assets:		<u>BOY</u>	<u>EOY</u>
Cash-non-interest-bearing		\$	\$
Loans and Other Receivables from Officers		\$	\$
Land, Buildings, and Equipment			
Cost or Other Basis	\$		
Accumulated Depreciation	\$	\$	\$
Other Assets		\$	\$
Total Assets		<u>\$</u>	<u>\$</u>
Liabilities:			
Other Liabilities		\$	(\$)
Total Liabilities		<u>\$</u>	<u>(\$)</u>

Examination

The initial examination was opened by Tax Compliance Officer (TCO) _____ on _____, as an Office Correspondence Examination Program (OCEP) audit and was subsequently transferred to TCO _____

Form 886A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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on TCO and TCO were unable to adequately work the examination due to other work obligations. Further, it was determined that the examination should be worked by an Exempt Organizations Revenue Agent (RA) as a field examination. As such, the examination was transferred to RA on

RA reviewed the documents and material contained in the case file and contacted TCO regarding the case to determine whether she had any other information not included in the case file. TCO explained that she didn't have anything other than what was in the file and that her workload had prohibited her from moving the case forward. After further review of the materials included in the case file, RA contacted his Group Manager, , to discuss the case. At that time, it was determined that a statute extension for the Return F990-EZ would be requested. The case findings were also discussed and decided that the and subsequent tax years should be opened to determine if the Organization was operating in a manner that furthered its tax-exempt purpose in the subsequent tax years.

As such, RA prepared Form 872 to request a statute extension for the F990-EZ examination, opened the and Forms 990 for examination, conducted the pre-contact analysis for the and tax years, and prepared the Initial Contact Letter, L6031, Initial Information Document Request (IDR) for the and tax years, and a follow up IDR for the F990-EZ examination.

RA called CFO to introduce himself and explain that the case had been transferred to him. He also intended to explain that we'd need to extend the statute for the F990-EZ and that he'd opened the and Forms 990 for examination. CFO stated that he is no longer affiliated with the Organization and that would be the best contact. RA contacted and provided the information as previously stated herein.

RA mailed out the package containing the F872 and the follow up IDR for the F990-EZ examination, along with the L6031 and initial IDR for the and Forms 990 examination, on signed and returned the F872 via fax on , and sent in the partial IDR responses (she was waiting on the revised AOI, the and bank statements and a few other items) via email on . She continued to send emails with other items she was waiting on as she obtained them.

After reviewing the IDR responses received, RA prepared a list of follow up interview questions and scheduled a call to conduct the follow-up interview for . He noted that was still waiting on the and bank statements and that reviewing these would be critical in determining if the Organization was operating in a manner that furthered its tax-exempt purpose. As such, he included a dialogue and question early in the interview to discuss this with .

During the follow-up interview with on , after explaining the purpose of the interview and discussing a few of the items still needed in response to the IDRs., RA asked if TCO or TCO had explained to her what potential outcomes might result from the examination. She said that it was so long ago that she really couldn't remember.

Form 886A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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RA explained that based on his findings thus far it appeared that the best case scenario for the Organization would be reclassification to a Private Foundation with the potential of officers who might have misused the Organization's funds being subject to paying back those amounts with interest and a 25% penalty if they were deemed Excess Benefit Transaction (EBT) or accepting a discrepancy adjustment to their personal and/or business income tax returns if that was possible. He further explained that if the Organization's and bank statements were like the Organization's bank statements, the result of the case might be a proposed revocation and would still include a potential EBT correction with penalty or, possibly, a discrepancy adjustment as previously discussed.

At that point stated that the Organization's and bank statements would reveal the same types of transactions as were included in the Organization's bank statements and said that she was prepared to accept the proposed revocation as she wanted to be done with the Organization due to the headaches it presented. RA explained that if she were to dissolve the Organization prior to revocation of its tax-exempt status, all the assets would need to be transferred to another tax-exempt Organization, preferably one that has a similar tax-exempt purpose. stated that she would just send the assets (all assets are cash except for the vehicle, which belongs to one of the other directors and will need to be addressed with an EBT or discrepancy adjustment) to the tax-exempt school where the students the Organization was attempting to support attended.

RA also explained that , as the sole contributor to the Organization might have to amend her personal and/or business returns if she took a charitable contribution deduction during the affected tax years. She indicated that she understood. RA went on to explain that if was willing to accept the revocation and the associated discrepancy adjustments, he'd be willing to work with her to determine the amounts of the discrepancy adjustments, if that option is available, for each officer and come to an agreed upon amount. He explained that either way he'd need to review the Organization's and bank statements. indicated she'd agree to these adjustments and agreed to obtain and send those statements.

Once provided the Organization's and bank statements, RA reviewed those bank statements along with the Organization's bank statements to prepare the preliminary discrepancy adjustments. RA worked with to prepare the final workpaper (see attached) and agree to the total amounts as follows:

Discrepancy Adjustments

			<u>Total</u>
\$	\$	\$	<u>\$</u>
\$	\$	\$	<u>\$</u>

Form 886A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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LAW

Internal Revenue Code (IRC)

IRC Sec. 501(c)(3) 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 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.

Treasury Regulations (Treas. Reg.)

Treas. Reg. Sec. 1.501(c)(3)-1(a)(1) states that to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Treas. Reg. Sec. 1.501(c)(3)-1(c)(1) 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.

Treas. Reg. Sec. 1.501(c)(3)-1(c)(2) states that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals. For the definition of the words private shareholder or individual, see paragraph (c) of section 1.501(a)-1.

Treas. Reg. Sec. 1.501(a)-1(c) states that the words *private shareholder* or *individual* in section 501 refer to persons having a personal and private interest in the activities of the organization.

GOVERNMENT'S POSITION

It is the Government's position that the Organization does not qualify for exemption under IRC Sec. 501(c)(3).

For an organization to qualify for exemption under IRC Sec. 501(c)(3), no part of the net earnings of the organization can inure to the benefit of any private shareholder or individual.

Under Treas. Reg. Sec. 1.501(c)(3)-1(c)(1), 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 IRC Sec. 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.

Form 886A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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Under Treas. Reg. Sec. 1.501(c)(3)-1(c)(2) an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Under Treas. Reg. Sec. 1.501(a)-1(c) the words *private shareholder* or *individual* in section 501 refer to persons having a personal and private interest in the activities of the organization.

Based on the facts and circumstances stated above, _____ and the other Directors are individuals that have a "personal and private interest in the activities of the organization" and, thus, are "private shareholders and individuals" of the Organization.

Since _____ and _____ used the Organization's funds to pay for their own personal expenses in _____, _____ and _____, these amounts represent net earnings which "inure in whole or in part to the benefit of private shareholders or individuals," _____ and _____.

As such, the Organization failed to meet the requirements for tax exemption under IRC Sec. 501(c)(3) and the Regulations thereunder.

TAXPAYER'S POSITION

The Examiner discussed his findings with _____ and explained that the Government will be recommending revocation of the Organization's exemption under IRC Sec. 501(c)(3) and will be proposing discrepancy adjustments for both _____ and _____. As previously stated, _____ indicated that she would accept the proposed revocation of the Organization's tax exemption along with the agreed upon discrepancy adjustments. As such, it appears the Organization will accept the proposed revocation and discrepancy adjustments.

The Organization is being solicited for its position currently.

CONCLUSION

The Organization does not qualify for exemption from federal income tax as it failed to substantiate that it is operated exclusively for one or more exempt purposes due to inurement, resulting in its failure to comply with the requirements of IRC Sec. 501(c)(3) and Treas. Reg. Sec. 1.501(c)(3)-1(c)(2).

It is the Government's position that the Organization failed to operate exclusively to accomplish one or more of such exempt purposes specified in IRC Sec. 501(c)(3). Because the Organization was not operated exclusively for the exempt purpose under IRC Sec. 501(c)(3), its Federal tax-exempt status under such section should be revoked effective _____. The Organization is liable for filing Form 1120, *U.S. Corporation Income Tax Return*, and paying any related tax liabilities for the tax year ended _____, and all years thereafter.