



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

Number: 202302013
Release Date: 1/13/2023

Date:
June 15, 2022
Taxpayer ID number:

Form:

Tax periods ended:

UIL: 501.03-00

Person to contact:
Name:
ID number:
Telephone:
Fax:

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Why we are sending you this letter

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

Our adverse determination as to your exempt status was made for the following reasons: You have not established that you conducted any charitable or exempt activity. In addition, your principal officers unlawfully appropriated funds for their personal use, which is a means by which net earnings of your organization have inured to your private shareholders or individuals. IRC Section 501(c)(3) requires organizations to operate exclusively for an exempt purpose, which includes having a primary activity accomplishing exempt purposes as described in Treasury Regulations Section 1.501(c)(3)-1(a). IRC Section 501(c)(3) precludes federal income tax exemption if net earnings inure to the benefit of private shareholders or individuals as described in Treasury Regulations Section 1.501(c)(3)-1(c)(2). As such, you are not an organization described in 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 www.irs.gov.

Contributions to your organization are no longer deductible under IRC Section 170.

What you must do if you disagree with this determination

If you want to contest our final determination, you have 90 days from the date this determination letter was mailed to you to file a petition or complaint in one of the three federal courts listed below.

How to file your action for declaratory judgment

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of IRC Section 7428 in one of the following three venues: 1) United States Tax Court, 2) the United States Court of Federal Claims or 3) the United States District Court for the District of Columbia.

Please contact the clerk of the appropriate court for rules and the appropriate forms for filing an action for declaratory judgment by referring to the enclosed Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status. You may write to the courts at the following addresses:

United States Tax Court
400 Second Street, NW
Washington, DC 20217

U.S. Court of Federal Claims
717 Madison Place, NW
Washington, DC 20439

U.S. District Court for the District of Columbia
333 Constitution Ave., N.W.
Washington, DC 20001

Processing of income tax returns and assessments of any taxes due will not be delayed if you file a petition for declaratory judgment under IRC Section 7428.

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.

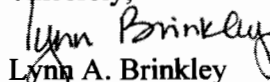
Find tax forms or publications by visiting www.irs.gov/forms or calling 800-TAX-FORM (800-829-3676).

If you have questions, you can call the person shown at the top of this letter.

If you prefer to write, use the address shown at the top of this letter. Include your telephone number, the best time to call, and a copy of this letter.

Keep the original letter for your records.

Sincerely,



Lynn A. Brinkley

Acting Director, Exempt Organizations Examinations

Enclosures:

Publication 1

Publication 594

Publication 892

cc:



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

Date:
02/23/2022
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:

CERTIFIED MAIL – Return Receipt Requested

Why you're receiving this letter

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

If you agree

If you haven't already, please sign the enclosed Form 6018, Consent to Proposed Action, and return it to the contact person shown at the top of this letter. We'll issue a final adverse letter determining that you aren't an organization described in IRC Section 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,

Acting Director, Exempt Organizations Examinations

Enclosures:

Publication 892

Publication 3498

Form 886-A, Exhibits A & B

Form 6018

Form 886-A	EXPLANATIONS OF ITEMS		Schedule number or exhibit
Name of taxpayer		Tax Identification Number	

Issues:

- (1) Should _____ tax exemption under section 501(c)(3) of the Internal Revenue Code be revoked because (1) its income inured to the benefit of its principal officers _____ and (2) the organization has not engaged in any exempt activity during its entire existence?
- (2) Is _____ liable for the penalty prescribed under IRC Section 6652(c)(1)(A)(ii)? Is _____ an organization exempt from tax under section 501(c)(3) of the Internal Revenue Code for failing to file complete and accurate Form returns for the years ending _____, _____, _____, and _____?

Facts:

Background

The _____, hereinafter "_____", was incorporated on _____ in the State of _____ by _____. _____ received its exemption from federal income tax under Section 501(a) on _____ as an organization described under 501(c)(3); and further classified as a publicly supported organization under section 170(b)(1)(A)(vi). _____ is required to file Form _____.

The organization's Articles of Incorporation state:

the organization is organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code

The organization's bylaws state in Article VII, Section 7.01:

PROHIBITION AGAINST SHARING IN CORPORATE EARNINGS

No director, trustee, officers or employee of or member of a committee of or person connected with the Corporation shall receive at any time any of the net earnings or pecuniary profit from the operations of the Corporation, and no such person or persons shall be entitled to share in the distribution of any of the corporate assets upon the dissolution of the Corporation.

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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The organization's bylaws state in Article VII, Section 7.03:

DISSOLUTION OF THE ORGANIZATION

Upon dissolution of this organization the remaining assets after all the debtors had been paid must be distributed to all exempt organizations within IRS 501 c3. None of the exempt recipients must be affiliated with the officers, directors, board members or any of the organization employees.

Form

The organization's Form ¹, Part IV, Narrative Description of Your Activities state:

Said Corporation is organized exclusively for charitable. To provide crucial resources to the elderly, disable and displaced persons in our local community and in . Such crucial resources are foods, clothing, and transportation assistance to doctors' visits, including for such purposes, the making of distributions to organizations that qualify as exempt organizations within the Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law), as well as any lawful purpose, as authorized by law.

Form , Part V, Compensation and Other Arrangements with Your Officers, Directors, Trustees, etc., Line 1a, reports the organization's officers:

<u>Name</u>	<u>title</u>	<u>Compensation Amount</u>
	President	None
	Secretary / Treasurer	None
	Director	None
	Director	None
	Director	None

checked negatively "No" to line 2a, which asked are any of your officers, directors, or trustees related to each other through family or business relationships? If "Yes," identify the individuals and explain the relationship.

also provided an attached statement, "#2a & 2c: At this time none of the officers are related but the organization has adopted conflict of interest policy."

and ² are cohabitants based on public record research.
Per IDR 2 & 3 response, is mother, is
mother. and are cohabitants.

¹ The organization's bylaws include this stated purpose in Article II Purpose, Section 2.01

² This report asserts in the government's position that organization was controlled by
and with no board oversight.

Form 886-A 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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positively checked "Yes" to Line 8a which asked Do you or will you have any leases, contracts, loans, or other agreements with your officers, directors, trustees, highest compensated employees, or highest compensated independent contractors listed in lines 1a, 1b, or 1c? If "Yes," provide the information requested in lines 8b through 8f.

- b Describe any written or oral arrangements that you made or intend to make.
- c Identify with whom you have or will have such arrangements.
- d Explain how the terms are or will be negotiated at arm's length.
- e Explain how you determine you pay no more than fair market value or you are paid at least fair market value.
- f Attach copies of any signed leases, contracts, loans, or other agreements relating to such arrangements.

attached a narrative to question 8, stating " is exclusively for charitable service to the public. In purchasing or leasing we do not discriminate. Our objective is to shop for the best goods, service and lease for the lowest price irrespective of the providers or sellers as long such businesses we are dealing with were not in violation of law".

did not report it would incur rental expense on Part IX, Financial Data, Line 20, Occupancy (rent, utilities, etc.) during the , , and years. also did not report occupancy expenses on its attached narrative of Part IX for through .

Form Part VIII, Line 4a, indicated that it would engage in mail, email, personal, phone, government grant & foundation solicitations; accept donations from website; etc. and checked that it would operate as a 509(a)(1) & 170(b)(1)(a)(vi) - an organization that receives a substantial part of its financial support in the form of contributions from publicly supported organizations, from a governmental unite or from the general public.

checked negatively "No" when asked if the corporation intends to solicit charitable / tax deductible contributions on its NONPROFIT INITIAL AUANNUAL LIST OF OFFICERS AND DIRECTORS form that it filed with the State of on

Form

reported its financial information on , , & Forms and Form , as follows:
Part I, Revenue, Expenses and Change in Net Assets of Fund Balances

Contributions, Gifts & grants

Total Revenue

\$
\$
\$
\$

\$
\$
\$
\$

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	

Exclusively all contributions were received from _____ and for-profit flow through corporations owned by _____.

<u>Professional Fees</u>	<u>Other Expenses</u>	<u>Total Expenses</u>	<u>Excess or Deficit</u>
\$	\$	\$	\$
\$	\$	\$	\$
<u>Salaries, other comp</u>	\$	\$	-\$
\$	\$	\$	-\$

Part II, Balance Sheets

<u>Cash</u>	<u>BOY</u>	<u>EOY</u>	<u>Other Assets</u>	<u>EOY Net Assets or Fund Balance</u>
\$	\$	\$		\$
\$	\$	\$		\$
\$	\$	\$		\$
			<u>Accounts receivable</u>	
\$	\$	\$		\$

Part III, Statement of Program Service Accomplishments

reported its primary exempt purpose was to "provide crucial resources to the elderly, disable and displaced persons in our local community and in _____. Such crucial resources are foods [sic], clothing, and transportation assistance to doctor's visits

reported on Line 28 that it provided food and clothing to over _____ people in both _____ and in _____ - \$ _____, \$ _____, & \$ _____ in _____, _____, and _____, respectively. It also included \$ _____ on line 4 of Form _____ for _____.

Line 29 reported that _____ provided transportation assistance for doctor's visits - blank, \$ _____ & \$ _____ in _____, _____ and _____, respectively. Assistance for doctor's visits was included in the amount on Line 4 of Form _____ for _____.

Line 30 reported that _____ provided medical equipment to the sick [sic] - and did not quantify the amounts.

attached Schedule O, Supplemental information, to its _____, _____, and Form _____ and Form _____, which listed the following "other" expenditure explanations and its "other asset":

Form 886-A	EXPLANATIONS OF ITEMS		Schedule number or exhibit
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Forms & Form Schedule O Information		
Transportation		Accounting Fees
Bank Fee		Auto Expenses
Feeding & Clothing		Benevolence
in and		Bank Charges
Liability Insurance		Feeding & Clothing
Promotion		Insurance
Utilities		Maintenance and Repair
		Office Supplies
		Postage and Shipping
		Rent
		Supplies
		Travel
		Transportation Assistance
		License and Permits
Receivable Loan		Receivable Loan
Amended		
Accounting Fees		Foreign Mission Exp
Auto Expenses		Insurance Expense
Benevolence		Postage & Shipping
Transportation Assistance		Professional & Legal Services
Bank Charges		Supplies Expense
Feeding & Clothing		Other Expenses & Fees & Pern
Insurance		Telephone expense
License and Permits		Utilities
Volunteers Meals and Snacks		
Maintenance and Repair		
Office Supplies		
Postage and Shipping		
Rent		
Supplies		
Telephone Exp		
Travel		
Utilities		
Receivable Loan		

Form 886-A	EXPLANATIONS OF ITEMS		Schedule number or exhibit
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Part IV, Officers Directors, Trustees, Key Employees

reported the governing body as follows:

-

Name	Average hrs per wk	Compensation
, President		\$
, Secretary /		
Treasurer		\$
, Director		\$
, Director		\$
, Director		\$

Part VI, Other Information

checked negatively "No" to the following questions:

Line 33, "did the organization engage in any significant activity not previously reported to the IRS? If Yes, provide a detailed description of each activity in Schedule O."

Line 38 (a) did the organization borrow from, or make any loans to, any officer director, trusted, or key employed or were any such loans made in a prior year and still outstanding at the end of the tax year covered by this return? (b) if yes, complete Schedule L, Part II and enter the total amount involved." Schedule L was not attached to the - Forms

Line 40 (b) "Did the organization engage in any section 4958 excess benefit transaction during the year, or did it engage in an excess benefit transaction in a prior year that has not been reported on any of its prior Forms or ? If yes, complete Schedule L, Part I." Schedule L was not attached to the - Forms

Information Document Requests

Form 4564, Information Document Request 1 (IDR 1) and initial exam letter was mailed to on to the organization's address, which is reported as the organization's mailing address on Form and Form Part I, Identification of the Applicant.

³ is the reported address on the organization's - Forms mailing address; on its bank statement mailing address; is also and personal residence; and is owned by . Because correspondence mailed to the was 'returned to sender' / "vacant" subsequent mail certified & uncertified mail (such as Forms , Summons Noticee Copies) were mailed to . The certified mailed items were 'returned to sender' as unclaimed.

Form 886-A	EXPLANATIONS OF ITEMS		Schedule number or exhibit
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A subsequent exam letter and IDR 1 was mailed⁴ on _____ to _____ . The letter was returned to sender which labeled the address as "vacant".

described its activity in IDR 1 response stating:

Since its establishment in _____, the _____ have [sic] partnered with many hospital discharge planners and owners of independent living houses especially in _____ & _____. These Independent living houses independently may house _____ to _____ individuals and or families for a short time following hospital discharge, preventing them from being discharged to a _____ shelter. There are at least _____ independent living houses operating in _____ and they have sheltered over _____ people since _____. While shelter is provided these house owners are not always able to meet the needs of these individuals and requires assistance from organizations such as the _____ to provide meals and assistance to individuals until they are able to secure their own housing, transportation, and financing. Here are a few addresses that have been supported by our organization since _____: See Exhibit A for the listing.

The Board members of _____ have a relationship with the community house owners and managers who identify independent living homes in the community. Known to our organization, independent living homes houses [sic] people of low income as well as no income. Due to this income deficiency, multiple adults share a living space so they can share the expenses and this leaves them little of nothing to survive on. The _____ will provide these individuals food, transportation and sometimes pay a small fee for individuals to allow them to reside in certain homes for a short period of time until their financial restrictions are lifted. Before individuals are accepted into independent living houses, their incomes [sic] are verified by hospital case managers as well as house owners and managers. Keep in mind that the average monthly payment by the state of _____ for _____ persons are \$ _____ / month which they are expected to pay for housing food and maintenance.

The organization's response to IDR 1 omitted the names and contact information of the property owners and/or purported program coordinators of the temporary housing shelters. The examining agent contacted property owners from the addresses provided by _____ to query their involvement in the organization's mission (providing temporary assistance to _____ individuals, financial, and non-cash assistance).

() responses were received, () in writing and _____ phone conversations were held. () individuals stated they had no affiliation with the organization, or that their property was not used to temporarily house

⁴ Second issuance of IDR 1 was mailed standard, i.e. uncertified

Form 886-A	EXPLANATIONS OF ITEMS		Schedule number or exhibit
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individuals. No property owner reported they receive any form of assistance or aid from .

Notably, of the negative responses were from charities that operate homeless programs in , in which one stated it did not recognize () as a collaborative partner and has no indication or evidence that it received support of any kind from . private property owner stated they "never heard of them" referring to the .

IDR 1 response did not provide contemporaneous receipts, invoices, credible explanations, or other satisfying documents to substantiate its exempt activity. Rather, substantiation consisted of hand-written notes prepared by . The notes explained numerous cash withdrawals (discussed below) as " ". Fast-food expenditures were described as " ", and lavish meals were described as "

Below is a sample of the handwritten explanations provided in IDR 1. The full expenditure listing consisted of pages:



#



Form 886-A	EXPLANATIONS OF ITEMS		Schedule number or exhibit
Name of taxpayer		Tax Identification Number	

was asked numerous times to substantiate its expenditures and activities in IDR's 1, 2, 3, 4, & 5, however, did not substantiate these expenditures to be charitable.

For instance, IDR 3, pertaining to years ending and asked, (6) provide any other substantiation for the organization's expenditures such as invoices, receipts and similar contemporaneous substantiation.

responded "Question 6 Response: All receipts and invoices for substantiation has been submitted to your office already. If there are any specifics that you need clarification on, I will be happy to provide it."

provided a loan agreement in response to IDR 1 dated . The agreement was post-dated, and covered funds previously borrowed by during and . The agreement was signed by and and stated that loaned a total of \$ (in &) and re-paid \$ (in &). The document further stated:

"The Remainder of the loan, \$ will be repaid with no interest at a rate of \$ over a course of months. Repayment of the loan will commence on , and end in ,."

As of , the outstanding loan balance of \$ appears to have not been repaid by (year and months past the repayment date in the loan agreement)⁵.

⁵ The exam of was expanded to year ending limited to addressing the cancellation of debt for the outstanding loan balance \$

Form 886-A)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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provided a lease agreement in its IDR 1 response. The parties of the lease were (landlord) and (tenant) and was executed purportedly for use of personal residence (,). The term of the lease was years (-) at a rental amount of dollars (\$). The lease further stated that the agreement cannot be changed orally. The lease was signed by as Landlord and as tenant and representative of the .

stated in response to IDR 1 that and hold organizational debit cards with . IDR 3 asked to identify the individual(s) that possess debit card(s) ending and , and replied that possessed both debit cards (and). However, information reported that the debit card ending in was under name and debit card ending in was under name.

IDR 5 asked (question 4) to Identify all participating hospitals by name, address and the representative / contact person's whom coordinated with as well as to provide the contact's name & telephone number to verify exempt activity.

responded: "All major medical and mental health hospitals in has benefitted from our services including , and many more. Discharge planners are individuals assigned to facilitate discharge and changes from time to time."

IDR 5 (question 5) asked: to provide the contract or agreement between your organization and each participating hospital identifying the description of services rendered by and remuneration received.

responded: "There are no contract or agreement [sic] between hospitals and my organization as our organization was not pressured to do it but these individuals especially mental health patients need the services and we provided it [sic]."

IDR 5 (question 6) asked: Provide all Hospital discharging documents, power of attorney forms, or any other required documentation; for all patients, authorizing you and your organization to take care or custody of each outgoing patient.

responded: "Absolutely not. All hospital discharge paperwork are covered under HIPAA. Your word custody tells me you have no clue about the voluntary nature of our organization. The organization will not be fighting for custody for some individuals it needs to help."

has not provided substantiation that it's a HIPAA⁶ covered entity. did not provided evidence that it furnishes, bills, or receives payment for healthcare

⁶A HIPAA transaction is an exchange of electronic information between two Covered Entities to carry out financial or administrative activities related to healthcare. An example would be when a healthcare provider sends a claim to a health plan to request payment for services.

Form 886-A	EXPLANATIONS OF ITEMS		Schedule number or exhibit
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services, nor did it provide evidence that it engages, transmits or sends any covered transaction(s) electronically in the normal course of business.

IDR 5 (question 7) asked to provide for each patient assisted:

- a) full name
- b) ssn
- c) phone number
- d) discharging hospital and address
- e) discharging date
- f) location of temporary housing including name, address and phone number of each individual housing provider
- g) dates patient stayed in the temporary location
- h) agreement contract between the organization and each temporary housing provider
 - i) records detailing and explaining the exact type of assistance provided for
 - ii) each individual named patient
- j) records identifying the amount, or each fund expended for on behalf of each individual named patient
- k) all documents reviewed and used to approve and verify each discharge patient qualifies as low-income.
- l) Provide reports provided by to each discharging hospital by your organization

responded: Absolutely not.

IDR 5 (question 8) asked to "Explain your role in the final care and disposition of each patient once the temporary housing has expired."

responded: "Our organization's role is to provide safe housing, food, transportation, assist with med co-pays until the individual is situated in the community this may include making use of shelters".

IDR 5 (question 9) asked : Explain what type of follow up visit is conducted by either your organization or the discharging hospital, provide supporting documentation

responded: Again, this is something done voluntarily to ease the burden on hospitals and the city/state. There are no contracts or timetable or babysitting by the discharge hospital. All the hospitals care about is that the patients have left their doors that is why there are so many persons and a broken state program with no assistance of these individuals.

Disqualified Persons

and are organizational managers and possess
signature authority over the organization's account
and are the organization's President and Secretary /
Treasurer, respectively. signed all Forms .

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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The organization's account revealed the following transactions during , , &

Bank Accounts

Expenditures conducted by (debit card ending) worth noting include:

- ATM cash withdrawals conducted at various totaling \$ classified as "feeding and clothing the underprivileged" on general ledger (G/L). explained these withdrawals in response to IDR 1 as " " (listed for each withdrawal).
 - Daily & reoccurring fast-food purchases, & purchases totaling \$ were classified on 's G/L as feeding and clothing the underprivileged.
 - Lavish meal at totaling \$ and Buffet totaling \$ was classified on G/L as feeding and clothing the underprivileged. explained this expenditure in response to IDR 1 as a " "
 - purchase of \$ classified on G/L as feeding and clothing the underprivileged. response to IDR 1 explained this expense as " "
 - Expenditure totaling \$ for classified as an auto expense. The organization's response to IDR 1 explained this expense as " ".
- Note that is an online ticketing company; the is an in , . The expenditure is payment for an entertainment event in , .
- Expenditure totaling \$ classified as a supplies expense. The organization's response to IDR 1 explained this expense as "entertainment"

Summary of debits from card ending :

ATM W/D	\$
Daily meals	\$
& Buffets	\$
Other entertainment	\$
Purchased items/Other	\$
, Groceries	
etc.	\$
Total	\$

Form 886-A	EXPLANATIONS OF ITEMS		Schedule number or exhibit
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did not provide contemporaneous substantiation to support these expenditures served an exempt purpose.

Expenditures conducted by (debit card ending) worth noting include:

<u>Date</u>	<u>Amt</u>	<u>Location</u>	<u>IDR Substantiation: classification</u>
	\$		Sponsored for Couple
	\$		reported as "Family Entertainment"
	\$		reported as "Family Entertainment"

The above expenditures were reported on [SIC] G/L as "Feed, Cloth, Underpriv"

- Daily & reoccurring fast-food purchases, totaled \$ and were classified on the " & purchases G/L as "feeding and clothing"
- Airfare "travel" totaling \$. provided no further explanation or contemporaneous substantiation.
- A \$ teller cash withdrawal conducted on G/L as feeding and clothing the underprivileged. classified on provided no further explanation or contemporaneous substantiation.
- : check numbers , , and for property maintenance, repairs and cleaning totaling \$; Check numbers , , totaling \$ for bookkeeping/ return preparation; miscellaneous unexplained checks totaling \$. provided no contemporaneous substantiation to prove these expenditures served an exempt purpose.

Summary of debits from card ending & other debits:

ATM W/D	\$
Daily meals	\$
Lavish Meals & Buffets	\$
Travel	\$

Form 886-A	EXPLANATIONS OF ITEMS		Schedule number or exhibit
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Purchased items/Other \$
, Groceries
etc.
Total debit card \$
Total teller w/d & checks \$
Total \$

did not provide contemporaneous substantiation these expenditures served any exempt purpose.

also provided interest free loans by the President during
and . The amounts are as follows:

\$
\$
\$
\$
\$ Customer Withdrawal
\$
Total Loan \$

The 'loans' were explained as funds borrowed from the account by president of the organization. Based on public record research, the loans were for some type of down payment for non-exempt property purchase(s) owned by /
to be used as rental, office space or apartments.

Total expenditures during were \$ (including loans)

The expenditures conducted by (debit cards ending and
) were similar to expenditures. Items worth noting include:

ATM cash withdrawals conducted at various totaling -
\$. The withdrawals were classified as "transportation assistance" on
G/L which was provided in response to IDR 2.

Dining, buffets, Fast food purchases, etc. totaling \$

Groceries totaling \$

Total debit card and expenditures - \$

Form 886-A	EXPLANATIONS OF ITEMS		Schedule number or exhibit
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The expenditures conducted by (debit card ending) were similar to expenditures. Items worth noting include:

ATM cash withdrawals conducted at various totaling ATM
Withdrawals at casinos totaling \$

Dining and fast-food purchases totaling \$

Groceries totaling \$

Other expenditures (, ,) totaled \$

Total Debit card expenditures \$

Checks and other Debits

The following checks totaling \$ were written to for 'rent payments':

Date	Check #	Amt	Payee	memo
		\$		"Rent payment"
		\$		"rent from -

Checks and were written by to as the payee. Check and was purportedly for end of the year rent for . In response to IDR 5, stated that " is and is Trust. The trust does not have an EIN"

Note that Form and IDR 1 response reported that \$ in occupancy / rental expenses would be paid by the .

Other transfers and payments to and flow-corporations owns include:

Date	Check #	Amount	Payee	Memo	Check Signer
		\$		Blank	
	Transfer	\$		Charitable	
		\$		Assistance in	

% owned by

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\$

Repayment
Of Travel
Expense to
for
date

response to IDR 5 stated check was a "loan to that has since been reconciled on previously requested documents"; check number "withdrew check for \$ for donation to different charitable organizations in but only needed to send \$. Deposited \$ back in account"; check number "repayment of ticket expense to for ticket bought from account for activities of ".

Summary of the transfers and check payments to :

\$
\$
\$
\$
\$
\$
\$

No contemporaneous substantiation has been provided to prove debit card purchases or checks and transfers to served a charitable or tax-exempt purpose.

The remainder of 'other' expenditures include:

<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Payee</u>	<u>Memo</u>	<u>Check Signer</u>
		\$		repair	
		\$		Properties	
		\$			
		\$			
		\$		Assistance	
		\$		With Funeral	
		\$		Expense for	
		\$			
		\$		Transport	
				Of <i>Illegible</i>	
				To picnic on	
				hrs.	

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Total Other Expenses \$

response to IDR 5 stated check was for "assistance with handyman services to purchase and repair damaged residence for people who could not afford it especially in the summer"; checks through were accounting fees for books and tax return preparations; check was "to assist family going through significant [sic] difficulties with funeral expenses"; check was " day (hrs.) payment for driver to transport people to location picnic and back home".

No contemporaneous substantiation has been provided to assert the Other expenses served a charitable or tax-exempt purpose.

Total expenditures:

Debit Cards (, ,)	\$
Transfers and check payments to	\$
Other Expenditures	\$
Total	\$

The expenditures conducted by (debit card ending)
Include:

ATM cash withdrawals conducted at various totaling \$

Buffet dining at totaling \$

Other Expenses \$

Total \$

The expenditures conducted by (debit card ending) were similar to & expenditures. Items worth noting include:

ATM cash withdrawals conducted at various totaling ATM

Withdrawals at casinos totaling \$

Dining and fast-food purchases totaling \$

Groceries totaling \$

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Travel totaling \$

Other debits \$ (Internet and cable tv, furniture, insurance payment, DMV, storage shed)

Total debits from card ending \$

These expenditures remain unexplained and unsubstantiated.

Other debits payable to include:

Check number dated totaling \$ was written by to as the payee which stated in the memo "amount owed after account reconciliation".

has not provided contemporaneous substantiation or documentation to prove this this expenditure served an exempt purpose.

On , conducted a bank teller withdrawal totaling \$. Per minutes provided by the cash withdrawal was for a purported project. The minutes discussed a " to assist with their construction project for orphans as well as provide food, total cost is \$. representatives of the organization will be present at these orphanages during to , after a brief discussion the board agreed".

has not provided contemporaneous substantiation or documentation to prove this this expenditure served an exempt purpose. Rather, provided vague and generic donor acknowledgement letters dated & from " " a purported overseas entity. These letters were dated () months before the \$ cash withdrawals. provided no other substantive information. The required information must include specific accounting, contemporaneous receipts, invoices & photo evidence, correspondence between parties of the transactions, documents detailing of what type of assistance was given and how much, to whom the grants were given (including contact information), whether the recipient is a qualified charity or member of a charitable class, follow-up grant reports, and other explanations (who, what, when, where, why, how?) Furthermore, the donor 'acknowledgement' letters do not name as the donor the donor.

Other unsubstantiated transfers to include a bank transfer on totaling \$ (Acct ending)

A bank teller withdrawal on totaling \$

Unsubstantiated Checks include:

Checks written to totaling \$ for bookkeeping/return preparation. has not provided documentation that the bookkeeping expenditures were solely for or whether the payments included bookkeeping fees for other owned businesses.

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Other unsubstantiated checks include:

Date	amt	check #	payee	memo
	\$			
	\$			Feeding the
	\$			Feed the ...
	\$			Feeding...(illegible)
	\$			repayment for...(illegible)
	\$			
	\$			

Total	\$			
	\$			Legal Representation

Total Expenditures:

Debit Cards	\$
Transfers and check payments to	: \$
Bookkeeping	\$
Other Expenditures	\$
<u>Audit representation</u>	<u>\$</u>
Total	<u>\$</u>

Note the other expenditures above (\$) includes check number for \$ on payable to mother, board member and disqualified person . This expenditure also remains unsubstantiated.

The only expenditure that was verifiable was the \$ payment for audit representation.

The expenditures conducted by (debit card ending) Include:

ATM cash withdrawal totaling \$

\$

Total \$

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No information was submitted that included specific accounting, contemporaneous receipts, invoices & photo evidence, correspondence between parties of the transactions, documents detailing of what type of assistance was given and how much, to whom the grants were given (including contact information), whether the recipient is a qualified charity or member of a charitable class, follow-up grant reports, and other explanations (who, what, when, where, why, how?)

Other unsubstantiated transfers to _____ include a bank transfer on
 totaling \$ _____ (Acct # ending _____). A Customer "image" withdrawal on
 totaling \$ _____.

Unsubstantiated Checks include:

Checks written to _____ totaling \$ _____ for bookkeeping/return
 preparation. _____ has not provided documentation that the bookkeeping expenditures
 were solely for _____ or if the payments included bookkeeping fees for
 other owned businesses.

Other unsubstantiated checks include:

Unsubstantiated Checks				
DATE	AMOUNT	CHECK #	PAYEE	MEMO DESCRIPTION
	.			Feeding underpriveleged
	.			House Supply of
	.			Repayment of Expenses
	.			Funeral Assistance During
	.			
	.			Dealer Fees & Transportation
	.			
TOTAL	.			

Total Expenditures:

Debit Cards	\$
Transfers and check payments to	\$
Bookkeeping	\$
Wire Transfers ()	\$
Payroll	\$
Other Expenditures	\$
Total	\$

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Note the other expenditures above (\$) includes check number for on payable to mother, board member and disqualified person . This expenditure also remains unsubstantiated. The only verifiable expenditures were the \$ payments for payroll.

Total - expenditures

\$	8	\$	\$	\$	2	Total
						\$

Review of summonsed bank information for its initial short year () and full year, bank accounts (), revealed 1st transaction conducted was at , , an all-you-can-eat buffet at the . The transactions in and mirrored the exam years' transactions through . See attached Exhibit B.

received a donated van from a public entity and continues to solicit donations from the State of , Federal Surplus Program; The Department of Social Service in ; and .

Law

Section 501(c)(3) of the Internal Revenue Code provides for exemption from taxation for organizations "organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or amateur athletic competition..., 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..."

Regulation Section 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."

Regulation Section 1.501(c)(3)-1(c)(2) Distribution of Earnings. - 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 § 1.501(a)-1.

Regulation Section 1.501(a)-1(c) Related Private Shareholder or Individual Defined. - The words private shareholder or individual in section 501 refer to persons having a personal and private interest in the activities of the organization.

⁸ Includes purported loans

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Regulation Section 1.501(c)-1(d)(1)(ii) states that "An organization is not organized or operated exclusively for one or more of the purposes specified ... unless it serves a public rather than a private interest. Thus, to meet the requirement of this subdivision, 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 4958(f) of the Internal Revenue Code - Other definitions

(1) Disqualified person

The term "disqualified person" means, with respect to any transaction—

(A) any person who was, at any time during the 5-year period ending on the date of such transaction, in a position to exercise substantial influence over the affairs of the organization,

(B) a member of the family of an individual described in subparagraph (A),

(C) a 35-percent controlled entity,

(D) any person who is described in subparagraph (A), (B), or (C) with respect to an organization described in section 509(a)(3) and organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the applicable tax-exempt organization,

(E) which involves a donor advised fund (as defined in section 4966(d)(2)), any person who is described in paragraph (7) with respect to such donor advised fund (as so defined), and

(F) which involves a sponsoring organization (as defined in section 4966(d)(1)), any person who is described in paragraph (8) with respect to such sponsoring organization (as so defined).

(2) Organization manager

The term "organization manager" means, with respect to any applicable tax-exempt organization, any officer, director, or trustee of such organization (or any individual having powers or responsibilities similar to those of officers, directors, or trustees of the organization).

Regulation 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 in inquiring into its exempt status and administering the provisions of subchapter F (section 501 and following), chapter 1 of subtitle A of the Code...."

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Rev. Rul. 59-95, An organization previously held exempt from Federal income tax was requested to produce a financial statement as of the end of the year and a statement of its operations during such year. However, its records were so incomplete that it was unable to furnish such statements. Section 6033 of the Internal Revenue Code of 1954 provides that every organization, except as provided therein, exempt from taxation under section 501(a) of the Code shall file an annual return, stating specifically the items of gross income, receipts, and disbursements, and shall keep such records, render under oath such statements, make such other returns and comply with such rules and regulations as the Secretary of the Treasury or his delegate may from time to time prescribe. Held, failure or inability to file the 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.

Rev. Rul. 56-304, Organizations privately established and funded as charitable foundations which are organized and actively operated to carry on one or more of the purposes specified in section 501(c)(3) of the Internal Revenue Code of 1954, and which otherwise meet 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.

In *John Marshall Law School v. U.S.*, 81-2 U.S.T.C. 9514 (Ct. Cl. 1981), in which the Court found that the Commissioner acted properly in revoking exemption under IRC 501(c)(3) on the grounds of inurement to the controlling officers and their families. The inurement included, but was not limited to, payments to the families as follows: automobile, education and travel expenses, insurance policies, basketball and hockey tickets, membership in a private eating establishment, membership in a health spa, interest-free loans, home repairs, personal household furnishings and appliances, and golfing equipment.

Better Business Bureau v. United States, 316 U.S. 279 (1945), holds that the existence of a single non-exempt purpose, if substantial in nature, will destroy the exemption under section 501(c)(3). An organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities that accomplish one or more of such purposes.

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In 63-1 USTC ¶9200, Cleveland Chiropractic College, a Corporation, Petitioner v. Commissioner of Internal Revenue, Respondent, --, (Jan. 17, 1963) Affirming Tax Court, 21 TCM 1, Dec. 25,299(M), T. C. Memo. 1962-1 [1939 Code Sec. 101(6)--similar to 1954 Code Sec. 501]--The court found: "A college was not entitled to exemption from corporate income tax for 1948-1951 where part of the net earnings of the college was found to have inured to the benefit of one of its trustees through payment of his personal expenses."

In 60-1 USTC ¶9371, Birmingham Business College, Inc.; John Ike Griffith; Hulon A. Spears and Audrey Spears; Carl B. Carter and Jewell Carter, and Jewell Carter, Petitioners v. Commissioner of Internal Revenue, Respondent, (Apr. 04, 1960); The court found that: "Taxpayer, an incorporated business college owned and operated by a brother and two sisters, was not a tax-exempt educational ... Substantial portions of its net earnings were distributed to its owner-operators for their personal benefit."

IRC 6652

(c) Returns by exempt organizations and by certain trusts

(1) Annual returns under section 6033(a)(1) or 6012(a)(6)

(A) Penalty on organization. In the case of--

(i) a failure to file a return required under section 6033(a)(1) (relating to returns by exempt organizations) or section 6012(a)(6) (relating to returns by political organizations) on the date and in the manner prescribed therefor (determined with regard to any extension of time for filing), or

(ii) a failure to include any of the information required to be shown on a return filed under section 6033(a)(1) or section 6012(a)(6)

or to show the correct information, there shall be paid by the exempt organization \$20 for each day during which such failure continues. The maximum penalty under this subparagraph on failures with respect to any 1 return shall not exceed the lesser of \$10,000 or 5 percent of the gross receipts of the organization for the year. In the case of an organization having gross receipts exceeding \$1,000,000 for any year, with respect to the return required under section 6033(a)(1) or section 6012(a)(6) for such year, in applying the first sentence of this subparagraph, the amount of the penalty for each day during which a failure continues shall be \$100 in lieu of the amount otherwise specified, and, in lieu of applying the second sentence of this subparagraph, the maximum penalty under this subparagraph shall not exceed \$50,000.

Government's Position:

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failed the operational test of IRC 501(c)(3) on the following grounds:

(1) Inurement of the organization's income and assets

Disqualified Persons

and are disqualified persons with respect to . Both are organizational managers that possess signature authority and debit cards over bank account; and control the affairs and are also disqualified persons, as they serve on board of directors, which constitute organizational managers. They were also able to exercise substantial influence over the affairs of the organization. is also a disqualified person by being a family member (Ancestor) to .

earnings inured to the benefit of its disqualified persons and private shareholders and operates to fund their gambling habits, personal entertainment, buffets, travels, and other personal purposes.

Analysis of the bank records reveals the total economic benefit provided to by was \$ during the -year period. These expenditures were personal in nature and did not serve any exempt purpose and constitute inurement:

				<u>Total</u>
ATM W/D	\$	\$	\$	\$
Daily meals	\$	\$		\$
	\$		\$	\$
Entertainment	\$			\$
Purchased Other	\$		\$	\$
, Groceries				
etc.	\$	\$	\$	\$
Total	\$	\$	\$	\$

The total economic benefit provided to by was \$ during the -year period (inclusion of the year to capture forgiven loan). These expenditures were personal in nature and did not serve any exempt purpose:

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				<u>Total</u>
ATM W/D	\$	\$	\$	\$
Daily meals	\$	\$	\$	\$
	\$			\$
Travel	\$	\$		\$
Purchased Other	\$	\$	\$	\$
, Groceries				
etc.	\$	\$	\$	\$
Total	\$	\$	\$	\$

Checks, transfers and other debits for the benefit of include but not limited to:

: check numbers , , and for property maintenance, repairs and cleaning totaling \$; a teller withdrawal totaling \$; Check numbers , totaling \$ for bookkeeping/ return preparation; miscellaneous unexplained checks deemed personal & totaling \$

: check number totaling \$ for property repairs; check numbers and totaling \$ for purported rent payments; online banking transfer & check numbers , , consisting of unsubstantiated payments / distributions of funds to totaling \$, check numbers , , totaling \$ for bookkeeping / return preparation; unexplained and unsubstantiated checks & totaling \$

: Teller cash withdrawals totaling \$, online bank transfers totaling \$; check numbers , , , totaling \$ for bookkeeping / return preparation; unexplained checks , , totaling \$; Check number totaling \$ consisting of a distribution to

: Teller cash withdrawals totaling \$, online bank transfers to account# ending , totaling \$; wire transfers to , totaling \$; check numbers , , , totaling \$ for bookkeeping / return preparation; withdrawals and checks, numbers , , totaling \$ for cable/internet; unexplained checks , , totaling \$; Check number totaling \$ consisting of a distribution to

Total Benefits to which constitute inurement:

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				<u>Total</u>
\$	\$	\$	⁹ \$	\$

The Combined economic benefit provided to _____'s disqualified persons totals \$ _____ (_____ - _____, includes loan forgiveness).

The organization's total expenditures (including loans issued) for _____ through _____ was \$ _____. The only verifiable expenditures were professional / legal fees paid to _____ current representative, the _____ / _____, totaling \$ _____, and payroll amounts (Total \$ _____) to _____ and _____. The total inurement of _____ income and assets by the disqualified persons' equals ¹⁰ _____ % during _____ - _____.

_____ and _____ received improper economic benefits from transactions over the course of _____, _____, & _____. They used funds for personal purposes unrelated to furthering an exempt purpose. The expenditures were not remuneration for the performance of services as the exam concluded that _____ did not conduct any activities. Furthermore, _____ did not file any Forms W-2 or 1099- Miscellaneous. _____ reported on both Forms _____ and _____ that no compensation would be paid to the disqualified persons. There is no other evidence, contracts, agreements or claims to suggest these expenditures were consideration for the performance of services.

In addition to the gambling & entertainment, buffets, travel, groceries, transfers and dividend type distributions, loan forgiveness, and other personal items, the inurement includes checks written to family members - disqualified persons _____ for repairs of _____ personal and business properties. _____ does not own any property, nor does it engage in any activity that would warrant such expenditures.

The bank transfers and dividend type distributions conducted in _____ and _____ are not loans or payments for charitable endeavors. For instance, the \$ _____ check written to _____ clearly stated these funds were owed to _____ as the check memo stated, "amount owed after account reconciliation". Furthermore, the _____ and _____ cash withdrawals totaling \$ _____ and \$ _____ respectively, nor the wire transfers totaling \$ _____ to the _____ during _____, constitute charitable expenditures as the exam concluded the _____ is a sham organization conducting no charitable activity.

_____ has not provided contemporaneous substantiation or sufficient documentation to show these expenditures served an exempt purpose. _____ provided no evidence that it exercised any expenditure responsibility regarding these purported foreign charitable grants. _____ did provide board approval minutes and generic donor acknowledgement letters from " _____ ", or any other source. The

⁹ Includes Loan Forgiveness of \$ _____

¹⁰ [\$ _____ - \$ _____ = \$ _____] \$ _____ / \$ _____ = _____ %

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acknowledgement letters submitted, fail the substantiation requirements based on the following information:

- The letters were dated _____ and _____, _____ months before the \$ _____ withdrawals occurred.
- The letters do not specify _____ as the donor the donor.
- The letters do not specify what was given and how, why and when

_____ did not provide expenditure responsibility or other substantiation, such as line-by-line accounting, contemporaneous receipts, invoices & photo evidence, descriptions of the type of assistance given, to whom, evidence that the recipients are of a charitable class or is a qualified charitable organization.

Board of Directors are 'in name only' because the Board is complacent and does not exercise fiduciary care because they allowed and failed to prevent the inurement of _____ assets by _____ and _____. The board also failed to compel accounting and expense authorization from _____ and _____. Furthermore, the Board of Directors also participates in the inurement of _____ assets, as _____ of _____ board members received unsubstantiated payments from _____ during the exam period that was not reported on _____ Forms _____.

The \$ _____ cash withdrawals conducted by _____ constitute inurement of _____ income and assets, and the acknowledgement letters and board approval are false attempts to legitimize the inurement.

The inurement of _____ income and assets is exacerbated further by the fact that _____ has attempted to pass off these personal expenditures as legitimate expenses; aimed at serving _____ purported mission to clothe and feed the _____. _____ has not provided substantiation that the bookkeeping and return preparation were exclusively for _____ as opposed to his personal for-profit entities. As a result, bookkeeping and tax return preparation expenditures are also deemed personal.

The Revenue Agent attempted to get further clarification from _____ as to how its expenditures, which appeared highly personal in nature, served to further tax-exempt purposes. _____ responses ranged from wholly unbelievable to obstructionist. For example, in one response, _____ claimed that the numerous cash withdrawals _____ and _____ conducted at casinos were for "yard sales". In a separate response to the Revenue Agent's requests for detailed information on the _____ patients that _____ helped support, the organization simply replied, "Absolutely not."

_____ paid \$ _____ in 'rent' expense during _____, yet _____ inexplicably produced a rental agreement¹¹ stating _____ would not charge _____ rent. _____ Form _____ and Forms _____ reported \$ _____ in occupancy expenditures. The exam of _____ concludes that it only operates to serve _____ and _____ and does not engage

¹¹ In initial IDR 1 response for the _____ year.

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in any activity to support the rental expense paid by to is a valid expense. The rent expense is an improper payment and constitutes inurement.

The disqualified persons siphoned nearly % of funds for the years , & . This constitutes inurement and is explicitly prohibited in IRC Code Section 1.501(c)(3)-1(c)(2), Distribution of Earnings.

operated like the organizations described in and Better Business Bureau. Those organizations were revoked due to inurement in the form of various improper payments to the controlling officers and their families.

The continued and constant inurement of assets demonstrate that there is no accountability, internal controls or safeguards in place to protect assets. There is no independent board oversight preventing the commingling and inurement of the organization's funds and assets. The board of directors is comprised of all family members who also participate in the inurement (to a lesser degree).

(2) has not engaged in any exempt activity during its entire existence.

expenditure incurred was in , which was a \$ expenditure at the in , for an all-you-can eat buffet located in the . transactions from through mirrored the inurement transactions of - . The Internal Revenue Service requested that the organization provide specific information about its activities during the years ending , , & . has refused to provide information on its charitable activity and has refused to show its transactions served an exclusive charitable purpose.

will not identified any individuals it purportedly assisted, nor will it describe a selection process used to screen and award a potential candidate. did not provided verification documents, or organizational policies describing its selection process. does have a website to advertise its services and is not located or referenced in any online directory as a provider assistance.

attempted to circumvent the substantiation requirement by falsely claiming it is a HIPAA covered entity subject to HIPAA's disclosure and confidentiality rules. However, is not a covered healthcare provided under HIPAA because it does not furnish, bill, or receive payment for healthcare, nor does it transmit (send) any covered transactions electronically in the normal course of business. More importantly, has not satisfied the record keeping requirements of Rev. Rul. 56-304.

As required by Revenue Ruling 56-304, the organization did not provide any records to show that it continues to operate for exempt purposes; and has failed to comply with the provision of section 6033 of the Code. An exempt organization must respond to Internal Revenue Service inquiries to establish that it is entitled to tax exempt status. In this case, the organization did not provide adequate records to show it was operated exclusively for exempt purposes. The primary position

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outlined above further demonstrates that the organization's assets inured to its private shareholder.

Despite not conducting any charitable activity and transferring exclusively all of its assets to and , as president of the continues to solicit donations from the State of , falsely claiming the is engaged in charitable activity; The in , ; and .

has operated as a sham charity since inception.

Penalties under 6652(c)(1)(A)(ii)

Part III, Statement of Program Service Accomplishments

reported its primary exempt purpose was to "provide crucial resources to the elderly, disable and displaced persons in our local community and in . Such crucial resources are foods [sic], clothing, and transportation assistance to doctor's visits

reported on Line 28 and Line 4 (Form ,) that it provided food and clothing to over people in both and in : \$, \$, \$ & \$ for the respective , , and years.

Line 29 reported that provided transportation assistance for doctor's visits - blank (), \$ & \$ for the respective , and years.

Line 30 reported that provided medical equipment to the sick [sic] - and did not quantify the amounts.

attached Schedule O, Supplemental information, to its and Form which listed the following "other" expenditure explanations and its "other asset":

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**Forms & Form
Schedule O Information**

Transportation
Bank Fee
Feeding & Clothing
in and
Liability Insurance
Promotion
Utilities

Accounting Fees
Auto Expenses
Benevolence
Bank Charges
Feeding & Clothing
Insurance
Maintenance and Repair
Office Supplies
Postage and Shipping
Rent
Supplies
Travel
Transportation Assistance
License and Permits

Receivable Loan

Receivable Loan

Amended

Accounting Fees
Auto Expenses
Benevolence
Transportation Assistance
Bank Charges
Feeding & Clothing
Insurance
License and Permits
Volunteers Meals and Snacks
Maintenance and Repair
Office Supplies
Postage and Shipping
Rent
Supplies
Telephone Exp
Travel
Utilities

Foreign Mission Exp
Insurance Expense
Postage & Shipping
Professional & Legal Services
Supplies Expense
Other Expenses & Fees & Pern
Telephone expense
Utilities

Receivable Loan

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This reporting on the Form is false. None of activities or expenditures during , , and served a tax-exempt purpose, rather, its income and assets inured to the benefit of the insiders and

Part IV, Officers Directors, Trustees, Key Employees

The organization reported the governing body as follows:

Name	Average hrs. per wk.	Compensation
, President		\$
, Secretary /		
Treasurer		\$
, Director		\$
, Director		\$
, Director		\$

This reporting on the Form is False. The total benefit provided by the organization to the disqualified persons was substantial and included payroll () to of \$ during the -year exam period.

Part VI, Other Information

checked negatively "No" to the following questions:

Line 33, "did the organization engage in any significant activity not previously reported to the IRS? If Yes, provide a detailed description of each activity in Schedule O."

This reporting is false because did not disclose to the Service that it exclusively served the benefit of the founders.

Line 38 (a) asked, "did the organization borrow from, or make any loans to, any officer director, trusted, or key employed or were any such loans made in a prior year and still outstanding at the end of the tax year covered by this return? (b) if yes, complete Schedule L, Part II and enter the total amount involved."

Schedule L was not attached to the - Forms

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Line 40 (b) asked "Did the organization engage in any section 4958 excess benefit transaction during the year, or did it engage in an excess benefit transaction in a prior year that has not been reported on any of its prior Forms or ? If yes, complete Schedule L, Part I."

This reporting is false because the exam determined that did engage in excess benefit transactions under 4958 during all years with its disqualified persons. Schedule I was not attached to the - Forms , or Form for .

Taxpayer's Position:

The organization has not submitted its position.

Conclusion:

Revocation of tax-exempt status under 501(c)(3) is proposed because (1) the assets inured to the organization's disqualified persons and and (2) has not conducted any charitable or exempt activity (since inception) and failed to failure to provide records to the Service regarding its expenditures. Exemption under Code section 501(c)(3) for should be revoked retroactively effective . The organization is required to file Forms for all taxable years.

has failed to show the correct information on its Forms or Form , as required by section 6033(a)(1) for the years ending through . The organization has not established reasonable cause and is therefore liable for penalties described under IRC Sec. 6652(c)(1)(A)(ii). The penalty prescribed by §6652(c) of \$ per day will be utilized for computational purposes as the organization has received less than \$ in gross receipts during each of the years.

Forms & Form

Gross Receipts	\$	\$	\$	\$
Due Date				
Days ¹²				
Rate \$ per day	\$	\$	\$	\$
Penalties	\$	\$	\$	\$
Total			\$	

¹² Report date

Board members of _____ have a relationship with the community house owners and managers who identify independent living homes in the community. Known to our organization, independent living homes houses people of low income as well as no income. Due to this income deficiency, multiple adults share a living space

so they can share the expenses and this leaves them little or nothing to survive on. _____ will provide these individuals food, transportation and sometimes pay a small fee for individuals to allow them to reside in certain homes for a short period of time until their financial restrictions are lifted.

Criteria for Helping those in Need:

Before individuals are accepted into independent living houses, their incomes are verified by hospital case managers as well as house owners and managers. Keep in mind that the average monthly payment by the state of _____ for persons are \$ _____ which they are expected to pay for housing, food and maintenance.

[illegible]

[illegible]

[illegible]

\$
\$

\$

\$

service fees

\$
\$
\$
\$
\$
\$
\$
\$
\$

W/D -
W/D -
W/D -

W/D -

\$

\$

Service Fee

\$
\$
\$
\$

W/D -
W/D -

W/D -

\$
\$

\$

\$	Service Fees	
\$		\$
\$		\$
\$		\$
\$	W/D -	\$
\$		\$
\$		\$
\$	W/D -	\$
\$	W/D -	\$
\$		\$
\$	Service Fees	\$
		\$
\$	W/D -	\$
\$		\$
\$		\$
\$	W/D -	\$
\$		\$
\$	Service Fees	
\$		\$
	W/D	
	\$	
Total	\$	

Exhibit B

Account		Short Year Ending				
<u>Date</u>	<u>Credit</u>	<u>Debit</u>	<u>Payee</u>	<u>Memo</u>	<u>Debit Card #</u>	<u>Balance</u>
	\$		- Checking Opening Deposit			
	\$		Interest Payment			
		\$		()		
		\$,)		
		\$		()		
		\$		()		
		\$				
		\$)		
		\$				
	\$		- Interest Payment		Check	\$
		\$	W/D			
	\$		-			
		\$	W/D			\$
		\$	W/D			

Grand Total \$
Less Loans Issued
Less Tax Law Center -\$
Plus Loan Forgiveness
total benefits \$

Total Expenditures including loans

%