



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Release Number: **201122028**
Release Date: 6/3/2011
Date: March 9, 2011

Contact Person:
Identification Number:
Contact Number:
Employer Identification Number:
Form Required To Be Filed:
Tax Years:

UIL: 501.33-00

Dear _____ :

This is our final determination that you do not qualify for exemption from Federal income tax under Internal Revenue Code section 501(a) as an organization described in Code section 501(c)(3).

We made this determination for the following reason(s):

You have failed to establish that you are organized and operated exclusively for exempt purposes described in section 501(c)(3) of the Code. Rather, your activities primarily further a substantial nonexempt commercial purpose of conducting spa retreats for a fee and manufacturing and selling bottled water. In addition, you have not shown that you are operated for the public interest, rather than the private interest of select individuals. You have not established that your assets do not inure to any private individual. Your failure to provide additional information and records, despite our repeated requests for you to do so, reinforces the conclusion that you are not operated exclusively for section 501(c)(3) purposes, and that you operate for substantial private interests.

Because you do not qualify for exemption as an organization described in Code section 501(c)(3), donors may not deduct contributions to you under Code section 170. You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

If you decide to contest this determination under the declaratory judgment provisions of Code section 7428, you must initiate a suit in the United States Tax Court, the United States Court of Federal Claims, or the District Court of the United States for the District of Columbia before the 91st day after the date that we mailed this letter to you. Contact the clerk of the appropriate

court for rules for initiating suits for declaratory judgment. Filing a declaratory judgment suit under Code section 7428 does not stay the requirement to file returns and pay taxes.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose*, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, you should follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

In accordance with Code section 6104(c), we will notify the appropriate State officials of our determination by sending them a copy of this final letter and the proposed adverse letter. You should contact your State officials if you have any questions about how this determination may affect your State responsibilities and requirements.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at 1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Lois G. Lerner
Director, Exempt Organizations

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: December 23, 2009

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

UIL: 501.33-00

- L =
- M =
- N =
- O =
- P =
- X =

Dear :

We have considered your application for recognition of exemption from Federal income tax under Internal Revenue Code section 501(a). Based on the information provided, we have concluded that you do not qualify for exemption under Code section 501(c)(3). The basis for our conclusion is set forth below.

Facts:

You are a nonprofit corporation formed for the specific purpose of promoting the gospel of Jesus Christ and Holistic Healing. In your form 1023 application you stated that your primary activity will be to host three to thirty day retreats for individuals to encourage personal development and strengthening of Christian faith in spirit, soul and body to include personal counseling, mineral baths/hydrotherapy (pool and spa), spiritual education and health education. The cost of the retreat will be a sliding scale up to \$200 a day which would include all meals, snacks, services and special products. The cost of a seven day retreat is \$1400.00 and a mini three day retreat costs \$600.00.

Your directors, L, M, N, and O conduct the retreats and are the only ministers of your organization. You indicated that, L, M, and N, were ordained by your organization. O was ordained by another church. Although you state that they do not receive salaries or benefits at this time, you indicated that you would eventually like to offer a housing allowance to cover their mortgage/rent and utilities. You also provide that you would like to offer your employees a standard benefits package, but did not describe the benefits package in detail.

The retreats are currently being conducted out of the home owned and occupied by Q and her family. Q is the President and Executive Director of your organization. You provide that your retreats offer education for a balanced lifestyle which includes natural whole foods, nutritional supplements, safe moderate exercise, massage therapy, detoxification practices, and mineral hydrotherapy. You state that "No activities are planned or required. The retreats are a time of rest with spiritual counseling available." You further provide that "Each individual who stays for a retreat has different needs, so no schedule is developed ..." and that you provide meals and laundry service during their stay. You did not provide copies of any educational or other materials used during your retreats.

You describe your retreats as follows:

Your retreat is designed to separate you from the external world and free you from your schedule. Regenerate and go back into the world renewed and strengthened physically. All your physical needs are taken care of in a serene and quiet environment. You will be able to rest deeply. Detoxification, bodywork, and water therapies will be available to you.

You have provided that your retreats are open to the public. According to board meeting minutes you submitted, only a small number of private individuals have made use of your "retreat home." Two guests were directors of your organization. Your Assistant Executive Director, L "requested to go into retreat for [ten] days to rest, over come [sic] some emotional issues and develop a closer relationship with the Lord." You stated that the board voted and agreed to start her retreat and that the cost would be \$500 to cover food expenses. We asked you to provide an agenda for the retreat and to describe the activities and services provided during this retreat. You provided that "No activities were scheduled for the retreat. We only offer space, a hot tub and hiking trails for individuals to rest and rejuvenate the soul." P, who currently serves as your worship director, also stayed in the retreat home while visiting for a local expo.

In another instance you provided job referral, temporary housing and emotional support to a single individual who stayed in the retreat home. According to board meeting minutes this individual is still at the retreat home and is volunteering by cleaning the spa and helping out with paperwork.

The only other individuals identified as having used the retreat facility were a married couple that were "in need of shelter due to mold poisoning in their home and are very distressed marital problems." You offered to provide shelter, health counseling, spiritual counseling and a safe haven for rest and regeneration. You provided that their retreat lasted two months and would cost \$1400 per month not to include food or other services. When asked to provide an itinerary or agenda for the retreat, copies of any materials/handouts used during the retreat and to provide information as to how you determined the cost of the retreat you responded "N/A"

You also manufacture and sell X, a bottled mineral water which you represent is designed to promote health. You state that you plan to sell X as a mineral concentrate or bottled ready to drink. You also state that you will sell a mineral solution to be used in pools, baths, and hot tubs. Sizes and price schedules are to be developed. You will sell these products to individuals, recovery centers, on the internet, to hospitals, health professionals, organizations, and others within the health and wellness industry. All profits will be credited to your organization. The bottled water is manufactured at a professional bottling facility, where it is bottled, labeled and sent to a fulfillment house for shipping.

The financial information you submitted shows that during your first year of operation, approximately 80% of your total budgeted expenses were attributable to "bottling expenses" and "Product Supplies" including "bottles, labels, art work, printing fees, packing material, etc...." For your second and third year of operation, you projected that 29% and 25% of your total budgeted expenses would continue to be attributable to bottling expenses and product supplies.

The financial information also indicates that beginning in your second year of operation you plan to compensate certain of your directors. You project that 51 % of your total budgeted expenses in year two will be attributable to wages paid to your Executive Director, O, Event Planner, L, and a financial planner. In year three, you project that 53% of your total budgeted expenses will continue to be attributable to executive compensation and salaries.

According to the website materials you provided, your directors "have been called by God to a healing ministry, to evoke the presence of the Holy Spirit, and direct individuals back to God. We are not a religion or a church." You provide that you operate a 24 hour 800 number to provide counseling to those in need. Your board meeting minutes indicate instances where some of your directors have attended conferences and "preaching engagements."

You indicated in your initial application that O had a business partnership with M. You indicated that the two directors owned a for-profit pool and spa maintenance business. In a later response you indicated that O and M did not go into business as planned.

According to the resume you submitted, O specialized in alternative and preventative health care and owned an alternative healing practice for 4 years. L owned a successful day spa for 4 years. You sold your bottled water at the day spa and have conducted other healing activities at the day spa. When asked to describe your relationship with the day spa you replied that it no longer existed.

LAW:

Section 501(c)(3) of the Internal Revenue Code ("Code") provides, in part, for exemption from Federal income tax of organizations organized and operated exclusively for charitable, religious or educational purposes, provided no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations ("regulations") states that in order to qualify under section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more exempt purposes. If an organization fails to meet either the organizational or operational test, it is not exempt.

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

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

benefit of private shareholders or individuals. Section 1.501(a)-1(c) defines the words "private shareholder or individual" in section 501 to refer to persons having a personal and private interest in the activities of the organization.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations states that an organization is not operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. It must not be operated for the benefit of designated individuals or the persons who created it.

Section 1.501(c)(3)-1(e)(1) of the regulations provides that an organization may meet the requirements of section 501(c)(3) of the Code although it operates a trade or business as a substantial part of its activities if the operation of the trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized and operated for the primary purpose of carrying an unrelated trade or business, as defined in section 513 of the Code. In determining the existence or nonexistence of such primary purpose, all the circumstances must be considered, including the size and extent of the activities that are in furtherance of one or more exempt purposes

Restatement (Second) of Trusts, section 368 and section 372 (1959) provides that a trust for the prevention or cure or treatment of diseases or otherwise for the promotion of health is charitable. Thus, a trust to establish or maintain a hospital, or to maintain a ward or a bed in a hospital, or a trust for the study of the causes or cure or treatment of diseases, or a trust to maintain conditions conducive to health, as by draining swamps, disposing of sewage, establishing pest houses, or otherwise preventing the spread of disease, is charitable.

Rev. Rul. 69-545, 1969-2 C. B. 117, provides that a nonprofit organization whose purpose and activity are providing hospital care is promoting health and it may, therefore, qualify as organized and operated in furtherance of a charitable purpose if it meets the other requirements of section 501(c)(3) of the Code.

Rev. Rul. 75-286, 1952-2 C.B. 210, held that an organization with membership limited to the residents, property owners, and business operators within a city block and formed to preserve and beautify the public areas on the block did not qualify for section 501(c)(3) status. The Service reasoned that the organization served the private interests of its members because of the restricted nature of the membership and the limited area in which the improvements were made.

Rev. Rul. 77-366, 1977-2 C. B. 192 held that a nonprofit organization that arranges and conducts winter-time ocean cruises during which activities to further religious and educational purposes are provided in addition to extensive social and recreational activities is not operated exclusively for exempt purposes and does not qualify for exemption.

Rev. Rul. 77-430, 1977-2 C.B. 194, held that an otherwise qualifying organization that conducts weekend religious retreats, open to individuals of diverse Christian denominations, at a rural lakeshore site at which the participants may enjoy the recreational facilities in their limited amount of free time and that charges no fees qualifies for exemption under section 501(c)(3) of the Code as an organization operated exclusively for religious purposes. This organization is clearly distinguishable from the one in Rev. Rul. 77-366 because the facts show the primary emphasis was on religious not recreational activities.

In Scripture Press Foundation v. United States, 285 F.2d 800 (1961), the Court of Claims considered whether the sale of religious literature was incidental to the stated purpose of stimulating growth in Sunday schools in the United States or vice versa. The organization in that case consistently spent between three and five percent of its yearly accumulated profit on actual religious education. The court found that the organization was primarily engaged in the sale of religious literature and that its purpose of stimulating Sunday school growth was incidental to that commercial activity. As a result, the court held that the organization was not entitled to exemption.

In Founding Church of Scientology v. United States, 412 F.2d 1197 (Ct. Cl. 1969), cert. den., 397 U.S. 1009 (1970), the court, without considering the organizations beliefs, held that it did not qualify for exemption under section 501(c)(3) of the Code because its net earnings inured to the organization's founder and members of his family. The organization argued that it had paid its founder for expenses incurred in connection with his services, made reimbursements to him for expenditures on its behalf, and made some payments to him as repayments on a loan. The organization could produce no evidence of contractual agreements for services, documents evidencing indebtedness, or any explanation regarding the purposes for which expenses had been incurred.

In Bubbling Well Church of Universal Love, Inc. v. Commissioner, 74 T.C. 531 (1980) the Tax Court held that the organization did not qualify for exemption under section 501(c)(3) of the Code because it was operated for the benefit of the founder and his family and it could not be shown that no part of its net earnings inured to the benefit of the founder and his family. The court found that the organization was, at all times, "completely dominated by the family—a father, mother and son." They were the only voting members, composed the board of directors and were in a position to control the operations and activities of the organization indefinitely. The family could, without challenge, dictate the organizations programs, operations, budget, and spend its funds. The Tax Court also found inurement from the church to its founders and their son, who were the church's only employees. Almost all of the church's income was spent for the family members' "living allowances", parsonage allowance, medical expenses, travel and other items.

In The Schoger Foundation v. Commissioner, 76 T.C. 380 (1981), an organization operating a religious retreat facility did not qualify for exemption under section 501(c)(3) of the Code because it failed to show that the retreat facility was operated exclusively for religious purposes. Although the organization's mountain lodge offered guests religious, recreational, and social activities; however, none were regularly scheduled or required. The court concluded that the organization had not met its burden of proof to show that the lodge was operated primarily for an exempt religious purpose and that the recreational and social activities at the lodge were only incidental to a religious purpose. In making that finding the court stated:

Wholesome family recreation or just sitting on a rock contemplating nature way well provide a family or individual with a religious, or at least a spiritually uplifting experience, but it is difficult to see how that experience differs, if it does, from the same experience one can have at any quiet inn or lodge in the beautiful mountains of Colorado.

In Living Faith, Inc. v. Commissioner, 950 F. 2d 365 (7th Cir. 1991) aff'g 70 T.C. 352 (1978), the court held that a vegetarian restaurant and health foods store that adhered to the principles of

the Seventh Day Adventist Church was not operated exclusively for exempt religious purposes, but rather for a substantial commercial purpose. The court examined the method of operations to infer the purposes. Although the organization catered to the dietary restrictions of the Church, its primary activities were managing a restaurant and health food store, operated in competition with commercial entities, charging competitive prices set by formulas common in the retail food business, and using commercial promotional methods.

RATIONALE:

Based on the information provided in your Form 1023 and supporting documentation, we conclude that you are not organized or operated exclusively for purposes described in section 501(c)(3) of the Code.

You state in your Articles that you were formed for religious purposes, specifically to promote the gospel of Jesus Christ and Holistic Healing. However, based on the information you have provided, it appears that you are primarily operated to manufacture and sell bottled water in a commercial manner. Section 1.501(c)(3)-1(c)(1) of the regulations states that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3) of the Code. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. Because you are operated for a substantial non-exempt commercial purpose we conclude that you do not qualify for exemption under section 501(c)(3).

You describe your retreats as religious retreats and claim that they promote your religious purposes because they offer individuals an opportunity for personal and spiritual development through personal counseling, and spiritual and health education. Your retreats include meals, snacks, laundry service, and can extend for up to 30 days or in one case 2 months. A 7 day retreat costs \$1400. You offer a variety of recreational activities including, mineral baths/hydrotherapy, exercise, massage therapy, and detoxification practices during your retreats. You have not submitted any materials used in your counseling programs, nor have you provided any educational materials, handouts, or even a description of such material. Your retreats do not appear to be any different than those offered by any other commercial day spa. You state that "We only offer space, a hot tub and hiking trails for individuals to rest and rejuvenate the soul." You are similar to the organization described in Rev. Rul. 77-430, supra, which operated winter time cruises for more than insubstantial non-exempt social and recreational purposes. Unlike the organization in Rev. Rul. 77-430, supra, you have failed to show that your recreation and social activities are incidental to your overall religious purposes. Your Director, L, owned a for-profit day spa, and your Executive Director, O, practiced alternative medicine and owned her own practice. Both L, and O, are essentially performing the same or substantially similar types of activities that they performed prior to becoming directors with your organization and being ordained as ministers by your organization. You have failed to show how your organization is operated in a manner different from the commercial day spa and for profit alternative healing practice that your directors used to own.

Furthermore, your retreats have no structured religious activities. The participants in the retreat are unsupervised for the entire time they are at the retreat. You provide that "No activities are planned or required ..." that each individual is different and that "no schedule is developed." You even describe your retreat as designed to separate individuals from the external world and free

them from their schedule. You advertise "Regenerate and go back into the world renewed and strengthened physically. All your physical needs are taken care of in a serene and quiet environment. You will be able to rest deeply. Detoxification, bodywork, and water therapies will be available to you." You are like the organization described in the Schoger Foundation v. Commissioner, supra, in that although you may offer your retreat participants some religious activities, none are regularly scheduled or required. The court stated that "...just sitting on a rock contemplating nature may well provide a family or individual with a religious, or at least a spiritually uplifting experience, but it is difficult to see how that experience differs, if it does, from the same experience once can have at any quiet inn or lodge in ...the mountains...." Accordingly, we find that you are not operated for exclusively exempt purposes as required by Section 1.501(c)(3)-1(c)(1) of the regulations.

Based on the information you have provided we conclude that you are in fact, primarily operated for the purpose of manufacturing and selling bottled water. You have failed to show that the manufacture and sale of bottled water furthers any exempt purpose and have not demonstrated how you are different from any other for-profit bottled water company. Section 1.501(c)(3)-1(e) of the regulations provides that the conduct of a trade or business cannot be the primary activity of an organization exempt under section 501(c)(3) of the Code unless it furthers an organization's exempt purposes. Manufacturing and selling bottled water is a commercial activity and does not promote health nor does it further any exempt religious purpose. Since you are not otherwise operated for any exempt purpose your operation of a business is not related to and does not further an exempt purpose. A single substantial non-exempt purpose is sufficient to preclude exempt status. Better Business Bureau, supra.

Although you state that you will spend 100% of your time and resources conducting religious retreats, financial records submitted with your Form 1023 indicate that during your first year of operation, approximately 80% of your total budgeted expenses were attributable to "bottling expenses" and "Product Supplies" including "bottles, labels, art work, printing fees, packing material, etc...." For your second and third year of operation, you projected that 29% and 25% of your total budgeted expenses would continue to be attributable to bottling expenses and product supplies. You are similar to the organization described in Scripture Press Foundation v. United States, supra, that primarily engaged in the sale of religious literature. The court found that the organization's stated purpose of stimulating growth in Sunday School classes was incidental to its primary commercial activity. Although you state that the sale of the water furthers your religious purposes because the water has healing properties and all of the profits will be credited to your organization, we have already concluded that your religious retreats do not further an exempt purpose, thus you are primarily operated to sell a commercial product to the public. The fact that your product is religiously oriented or inspired does not make such activity automatically further an exempt religious purpose.

Nor does the manufacture and sale of your bottled water serve to promote health. In the general law of charity, the promotion of health is considered to be a charitable purpose. Restatement (Second) of Trusts, section 372; See also Rev. Rul. 69-545, supra. However, not every activity that promotes a healthy lifestyle, such as drinking bottled mineral water, as you have represented, qualifies as the charitable promotion of health. For example, in Living Faith, Inc. v. Commissioner, supra, an organization that claimed to be religious and charitable by advancing the doctrine of the Seventh-day Adventist Church by operating vegetarian restaurants and health food stores was denied exemption because it operated in a commercial manner in direct competition with other restaurants and health food stores., You are likewise

operated in a commercial manner. You provided that the bottled water is manufactured at a professional bottling facility, where it is bottled, labeled and sent to a fulfillment house for shipping. You sell your water as both a mineral concentrate and bottled. In addition to selling bottled water to drink you will sell a mineral solution to be used in pools, spas, and hot tubs. You plan to sell your products to individuals, recovery centers, on the internet, to hospitals, health professionals, and others in competition with other bottled water purveyors. In fact, you sold X at a commercial day spa owned by L. You indicated that two of your directors, N, and O, owned a for profit pool and spa maintenance business. It was not clear whether you intended to sell X at that business; when asked to describe this business relationship in more detail you provided that they did not go into business as planned. Since we find that you are operated for a substantial non-exempt commercial purpose we conclude that you do not qualify for exemption under section 501(c)(3) of the Code.

It appears that some of your directors have engaged in some religious activities, such as healing services, Sunday Services, a telephone hotline, and other preaching engagements, but these activities are not related to your retreat activities and you have even stated specifically that your organization is not a religion or a church. Thus, it appears that these other activities were conducted by your directors in their own individual capacities and not on your behalf. Even if we did find that these activities furthered a religious purpose we would still find that your organization does not qualify for exemption under section 501(c)(3) because you are operated for a substantial non-exempt commercial purpose.

In addition to the requirement of operating for exempt purposes, you must operate for public benefit. Section 1.501(c)(3)-1(d)(1)(ii) of the regulations requires you to establish that you are not operated for the benefit of private individuals, such as your creator. It is not clear that your retreats are in fact open to the general public or that your retreats are operated primarily for public purposes.

In one instance your board voted to host a retreat for a married couple, which lasted for two months. In another instance you conducted a retreat solely for one of your directors. The retreat lasted for ten days for the cost of \$500 to cover food expenses. You did not provide an agenda for the retreat nor did you describe the activities and services provided during this retreat. P, who currently serves as your worship director, stayed in the retreat home while visiting for a local expo. In another instance you provided job referral, temporary housing and emotional support to a single individual who stayed in the retreat home. According to board meeting minutes this individual is still at the retreat home and is volunteering by cleaning the spa and helping out with paperwork. Your "retreat home" is actually the home of your executive director, Q. In Rev. Rul. 75-286, *supra*, the Service reasoned that an organization formed to preserve a city block served the private interests of its members because of the restricted nature of the membership and the limited area in which the improvements were made. Likewise, your services, even if we determined they were being offered to further an exempt religious purpose, have been offered to such a small select group of individuals, that is difficult to conclude that you are operated for primarily public purposes.

In addition, you have not established that your assets do not inure to any private individual in accordance with Section 1.501(c)(3)-1(c)(2) of the regulations. Section 1.501(a)-1(c) defines the words "private shareholder or individual" in section 501 to refer to persons having a personal and private interest in the activities of the organization. Your directors, by virtue of their ability to influence the expenditure of funds or the use of your assets would all be considered insiders of

your organization. All of your directors are also ministers of your organization and are your only employees. Three of your four directors were ordained by your organization. Although you don't currently offer benefits to your ministers you plan to offer a housing allowance to cover mortgage/rent and utilities and would like to offer your employees a standard benefits package. In Bubbling Well Church, supra, the court found that the organization was, at all times, "completely dominated by the family -a father, mother and son." The family members were the organizations only employees. Your directors, like the family in Bubbling Well, supra, are also your only employees, are in control and can spend the organization's funds in any manner they choose, including for the payment of housing allowances, and employee benefits to themselves as ministers and/or as officers or other employees of the organization. For example, beginning in your second year of operation you plan to compensate certain of your directors. You project that 51% of your total budgeted expenses in year two will be attributable to wages paid to your Executive Director, Q, Event Planner, L, and a financial planner. In year three, you project that 53% of your total budgeted expenses will continue to be attributable to executive compensation and salaries. Therefore you have not established that you are operated for public rather than private purposes as required by the regulations and that your assets do not inure to the benefit of your directors.

CONCLUSION:

Based on the information provided in your Form 1023 and supporting documentation, we conclude that you are not operated exclusively for purposes described in section 501 (c)(3) of the Code. You have failed to establish that that you are organized and operated for exclusively exempt purposes because your primary activities are to conduct spa retreats for a fee and to manufacture and sell bottled water. You have failed to show how these activities exclusively serve a charitable purpose as defined in section 501(c)(3). We conclude that your activities will primarily promote commercial purposes. In addition, you have not shown that you are operated for primarily public purposes or that your assets do not inure to any private individual.

Accordingly, you do not qualify for exemption as an organization described in section 501(c)(3) of the Code and you must file federal income tax returns.

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter. We will consider your statement and decide if the information affects our determination.

Your protest statement should be accompanied by the following declaration:

Under penalties of perjury, I declare that I have examined this protest statement, including accompanying documents, and, to the best of my knowledge and belief, the statement contains all the relevant facts, and such facts are true, correct, and complete.

You also have a right to request a conference to discuss your protest. This request should be made when you file your protest statement. An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you. If you want representation during the conference procedures, you must file a proper power of attorney, Form 2848, *Power of Attorney and Declaration of Representative*, if you have not already done so. For more information about representation, see Publication 947, *Practice before the IRS*

and Power of Attorney. All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications.

If you do not file a protest within 30 days, you will not be able to file a suit for declaratory judgment in court because the Internal Revenue Service (IRS) will consider the failure to protest as a failure to exhaust available administrative remedies. Code section 7428(b)(2) provides, in part, that a declaratory judgment or decree shall not be issued in any proceeding unless the Tax Court, the United States Court of Federal Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted all of the administrative remedies available to it within the IRS.

If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter. That letter will provide information about filing tax returns and other matters.

Please send your protest statement, Form 2848 and any supporting documents to this address:

Internal Revenue Service
SE:T:EO:RA:T:1
Susan M. Cundiff (3P4)
1111 Constitution Ave, N.W.
Washington, DC 20224

You may also fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Lois G. Lerner
Director, Exempt Organizations