DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
TEGE: EO Examinations
1100 Commerce Street, MC 4920 DAL
Dallas, TX 75242

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: NOV 29 2017

Number: **201911006**
Release Date: 3/15/2019

Person to Contact:

Identification Number:

Contact Telephone Number:

EIN:

UIL: 501.03-00

CERTIFIED MAIL - Return Receipt Requested

Dear :

This is a final revocation letter as to your exempt status under section 501(c)(3) of the Internal Revenue Code. Our favorable determination letter to you dated in April 20xx recognizing you as an organization described in section 501(c)(3), is hereby revoked effective January 1, 20XX.

The revocation of your exempt status was made for the following reasons:

You are not operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3). You have not established that your activities exclusively serve a charitable class or further any purpose defined in section 501 (c)(3). Furthermore, you are operated for substantial private purposes, including for the benefit of your officers, directors, employees, and fundraisers. In addition, your net earnings inure to the benefit of private shareholders or individuals, such as your officers, directors, and employees. It is also determined that you have become inactive and that there have been no operations or regular financial activities conducted or planned. As such, you fail to meet the operational requirements for continued exemption under Internal Revenue Code section 501(c)(3).

As such, you failed to meet the requirements of I.R.C. Section 501(c)(3) and Treasury Regulation Section 1.501(c)(3)-1 (d)(l)(ii) in that you have not demonstrated that you are operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3).

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code, effective January 1, 20XX.

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the year ending December 31, 20xx, and for all subsequent years. Processing of income tax returns and assessment of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination in court, you must initiate a suit for declaratory judgment in the United States Tax Court, the United States Claim Court or the District Court of the United States for the District of Columbia before the 91st day after the date this determination was mailed to you. Contact the clerk of the appropriate court for the rules for initiating suits for declaratory judgment. Please contact the clerk of the respective court for rules and the appropriate forms regarding filing petitions for declaratory judgment by referring to the enclosed Publication 892. Please note that the United States Tax Court is the only one of these courts where a declaratory judgment action can be pursued without the services of a lawyer. You may write to the courts at the following addresses:

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

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20005

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

You may call the IRS telephone number listed in your local directory. An IRS employee there may be able to help you, but the contact person at the address shown on this letter is most familiar with your case. You may also call the Internal Revenue Service Taxpayer Advocate.

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. We 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 our assistance, which is always free, we will do everything possible to help you. Visit taxpaycradvocatc.irs.gov or call 1-877-777-4778.

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

Sincerely yours,

Maria Hooke
Director, EO Examinations

Enclosures:
Publication 892

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

Date:
March 9, 2017
Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:
Telephone:
Fax:
Manager's Name/ID Number:

Manager's Contact Number:

Response due date:

Certified Mail – Return Receipt Requested

Dear :

Why you are receiving this letter
We propose to revoke your status as an organization described in section 501(c)(3) of the Internal Revenue Code (Code). Enclosed is our report of examination explaining the proposed action.

What you need to do if you agree
If you agree with our proposal, please sign the enclosed Form 6018, *Consent to Proposed Action – Section 7428*, and return it to the contact person at the address listed above (unless you have already provided us a signed Form 6018). We'll issue a final revocation letter determining that you aren't an organization described in section 501(c)(3).

After we issue the final revocation letter, we'll announce that your organization is no longer eligible for contributions deductible under section 170 of the Code.

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 revocation letter. Failing to respond to this proposal will adversely impact your legal standing to seek a declaratory judgment because you failed to exhaust your administrative remedies.

Effect of revocation status
If you receive a final revocation letter, you'll be required to file federal income tax returns for the tax year(s) shown above as well as for subsequent tax years.

What you need to do if you disagree with the proposed revocation

If you disagree with our proposed revocation, you may request a meeting or telephone conference with the supervisor of the IRS contact identified in the heading of this letter. You also may file a protest with the IRS Appeals office by submitting a written request to the contact person at the address listed above within 30 calendar days from the date of this letter. The Appeals office is independent of the Exempt Organizations division and resolves most disputes informally.

For your protest to be valid, it must contain certain specific information including a statement of the facts, the applicable law, and arguments in support of your position. For specific information needed for a valid protest, please refer to page one of the enclosed Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*, and page six of the enclosed Publication 3498, *The Examination Process*. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process. Please note that Fast Track Mediation referred to in Publication 3498 generally doesn't apply after we issue this letter.

You also may request that we refer this matter for technical advice as explained in Publication 892. Please contact the individual identified on the first page of this letter if you are considering requesting technical advice. If we issue a determination letter to you based on a technical advice memorandum issued by the Exempt Organizations Rulings and Agreements office, no further IRS administrative appeal will be available to you.

Contacting the Taxpayer Advocate Office is a taxpayer right

You have the right to contact the office of the Taxpayer Advocate. Their assistance isn't a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate can't reverse a legally correct tax determination or extend the time you have (fixed by law) to file a petition in a United States court. They can, however, see that a tax matter that hasn't been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate assistance. If you prefer, you may contact your local Taxpayer Advocate at:

Internal Revenue Service
Office of the Taxpayer Advocate

For additional information
If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Mary A. Epps
Acting Director, EO Examinations

Enclosures:
Report of Examination
Form 6018
Publication 892
Publication 3498

Form **886-A** (Rev. January 1994)	**EXPLANATIONS OF ITEMS**	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended Dec. 31, 20xx

ISSUE

Should the tax exempt status of be revoked as described in section 501(a) of the Internal Revenue Code?

FACTS

was incorporated on October 9, 19xx in the State of as a non-profit corporation. Articles of Incorporation stated that the corporation shall be organized and operated exclusively as a charitable and educational organization to promote and provide direct financial assistance to cancer patients whose financial resources have been depleted due to the huge cost of their treatment and care.

The Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, was signed by the president of , on December 12, 19xx.

Part III of the Form 1023 sets forth the purposes of . It stated that the organization was created to provide direct financial assistance to persons suffering from cancer who do not qualify for Medicaid or other governmental assistance programs.

Internal Revenue Service granted tax exempt status to on May 9, 19xx.

was the executive director and president of since 19xx.

Form 990 for the year 20xx was not received by the Service. Form 990 for the year 20xx was filed on July 31, 20xx. Part I of the 20xx Forms 990 provided that exempt activities were to provide direct financial aid in the form of products and other support and services to financially indigent cancer patients and their families, to provide products to hospices, other health care providers and various non-profit community service organizations within and outside the United States. The Forms 990 filed by for the years from 20xx through 20xx are compared and summarized in table below:

Table 1: Revenue and Expenses reported on Forms 990 from 20xx through 20xx

Revenue	20xx	20xx	20xx	20xx	20xx	20xx
Federated Campaigns	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xx,xxx	xx,xxx
Related Organization	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
All other contributions – cash	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
All other contributions – non-cash	x,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	x,xxx,xxx
Investment Income	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	-xxx
Other revenue	xx,xxx	xx,xxx	xxx,xxx	xx,xxx	xx,xxx	xx,xxx
Total Revenue	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	x,xxx,xxx

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS		Schedule number or exhibit
Name of taxpayer		Tax Identification Number	Year/Period ended Dec. 31, 20xx

Expenses	20xx	20xx	20xx	20xx	20xx	20xx
Grants paid - cash	xx,xxx	x,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx
Grants paid non-cash	x,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	x,xxx,xxx
Salaries, other compensation	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Professional fundraising fees	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Other expenses	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Total Expenses	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	x,xxx,xxx

Fundraising Revenue and Expenses

Under the direction of , created its fundraising organization, , , also d/b/a , in 20xx.

sole propose was to operate a fundraising call center in that solicits the public donations. After expenses, gave virtually all funds it had raised to as "grants."

was run by officer(s) since its inception. employees had served as board members of , undertaking -related functions during work hours. board members had also served as board members.

was the chief financial officer of and received his salary from . also served as chief financial officer of at least from 20xx through 20xx. did not pay a salary because part of job duties[1] at were to be the volunteer president of , manage , and keep president informed regarding fundraisers' progress.

has maintained books and records on its computers and has issued credit cards to employees for business use[2].

Between 20xx and 20xx, the raised a total of $xx.xx million for , and received a total of $x.xx million after the fundraising costs. See Table 1 of Exhibit 1 Fundraising Table Summary.

utilized many contracted telemarketers to raise fund for . Between 20xx and 20xx, the contracted telemarketers raised a total of $xx.xx million for , and received a total of $x.xx million after the fundraising fees. See Table 2 of Exhibit 1 Fundraising Table Summary.

and contracted telemarketers combined raised a total of $xx.xx million, and received a combined net total of $xx.xx million after the fundraising costs between 20xx and 20xx. See Table 3 of Exhibit 1 Fundraising Table Summary.

Cash and Non-Cash Grants

The Forms 990 filed by revealed that provided cash and non-cash grants to cancer patients. The amounts and percentages of cash and non-cash grants made by from 20xx through 20xx are summarized in the table below:

[1] Case x:xx- -xxxxx- Document xxx-x Filed 12/16/xx Page xx of xxx.
[2] Case x:xx- -xxxxx- Document xxx-x Filed 12/16/xx Page xx of xxx and Page xx of xxx.

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended Dec. 31, 20xx

Table 2: Cash and Non-cash Grants reported on Forms 990 from 20xx through 20xx

	20xx	20xx	20xx	20xx	20xx	20xx	Totals
Grants paid- cash	xx,xxx	x,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xxx,xxx
Grants paid -non-cash	x,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx
Total Grants paid	x,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx
Cash Grants %	x.xx%	x.xx%	x.xx%	x.xx%	x.xx%	x.xx%	x.xx%
Non-Cash Grants %	xx.xx%	xx.xx%	xx.xx%	xx.xx%	xx.xx%	xx.xx%	xx.xx%

reported a total of $xxx,xxx cash grants made from 20xx through 20xx, which represented x.xx% of total cash and noncash grants made from 20xx through 20xx. Among the total cash grants of $xxx,xxx, made $xx,xxx to , $xx,xxx to , $x,xxx to , and $xx,xxx to individuals between 20xx and 20xx. The , , and were related entities. The amounts and percentages of cash grants made by between 20xx and 20xx were summarized and shown in the table below:

Table 3: amounts and percentages of cash grants made by between 20xx and 20xx

	Amount	Percentage
	xx,xxx	xx.xx%
	xx,xxx	xx.xx%
	x,xxx	x.xx%
	xx,xxx	xx.xx%
Totals	xxx,xxx	xxx.xx%

made a total of $xx,xxx,xxx cash and noncash grants, $xx,xxx,xxx was noncash grants, which represented xx.xx% of total cash and noncash grants made from 20xx through 20xx.

did not file Schedule B, *Schedule of Contributors*, to report the details of noncash contributions received for the year 20xx. filed the Schedule B of Forms 990 for the years 20xx through 20xx. The noncash contributions received by from 20xx through 20xx are summarized in the below:

Table 4: Noncash contributions reported on Forms 990 from 20xx through 20xx

Year	Noncash Contributions Received From	Amount reported on its Form 990
20xx		xx,xxx,xxx
20xx		xx,xxx,xxx
20xx		x,xxx,xxx
20xx		xxx,xxx
20xx		x,xxx,xxx

Form **886-A**
(Rev. January 1994)

EXPLANATIONS OF ITEMS

Schedule number or exhibit

Name of taxpayer	Tax Identification Number	Year/Period ended
		Dec. 31, 20xx

Year	Noncash Contributions Received From	Amount reported on its Form 990
20xx		x,xxx,xxx
20xx		x,xxx,xxx
20xx		xxx,xxx
20xx		xxx,xxx
20xx		xx,xxx,xxx
20xx		xxx,xxx
20xx		xxx,xxx

The noncash donations, noncash grants, and non-cash goods are referred to as "gift-in-kind" ("GIK").

The GIK goods provided by consisted of sending individuals cancer patients, hospices, clinics, hospitals, or other cancer patient service providers in the United States with cancer boxes of various household items.

In the response to a request for interrogatories by on March 22, 20xx, indicated that the GIK packages typically included a small quantity of Liquid nutritional supplements ( ), bar soaps, hand soap, shampoo, conditioner, snacks, toothpaste, mouthwash, toothbrushes, body wash, deodorant, air freshener, lotion, clothing, toys, bandages, over-the-counter ("OTC") medications, family DVDs, etc.[3]

also indicated in the response that the GIK goods that distributed internationally were originated from , , , and . The GIK goods provided internationally include, clothing, industrial sewing machines, hospital beds, geriatric chairs, pediatric wheelchairs, shower stools, walkers, safety rails, medical supplies, food items, kitchen utensils, blankets, various household items, hygiene items, school supplies, tools and hardware, orphanage supplies, medical equipment, cancer medications, non-cancer medications, and computers, etc.[4]

was a registered charity. Schedule B of Form 990 reported by for the year 20xx provided that the noncash donations from were received on 06/20/20xx, 08/20/20xx, 09/09/20xx, 10/27/20xx, and 11/12/20xx. The website[5] of provided that the Agency had revoked on April 25, 20xx.

reported on its Forms 990 showed that received the noncash donations from , and the totals of fair market value of the noncash donations received were $xx,xxx,xxx, $x,xxx,xxx, and $xx,xxx,xxx for the years 20xx, 20xx, and 20xx, respectively. Furthermore, Forms 990 indicated that distributed the noncash donations received to foreign recipients. released its Forms 990 for the years 20xx, 20xx, and 20xx for public inspection. The Forms 990 revealed that did not report any gift-in-kind shipments due to the problems with verifying values and or ownership.

[3] Case x:xx- -xxxxx- Document xxx-x Filed 12/16/xx Page xxx of xxx.
[4] Case x:xx- -xxxxx- Document xxx-x Filed 12/16/xx Page xxx of xxx.
[5] The website address is .

Form **886-A** (Rev. January 1994)	**EXPLANATIONS OF ITEMS**	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended Dec. 31, 20xx

reported on its Form 990 for the year 20xx indicated that received the noncash donations from the and the total of fair market value of the noncash donations was $xxx,xxx. The released its Form 990 for the year 20xx for public inspection. The Form 990 revealed that the did not make grant (cash and/or noncash) in the year 20xx. The filed Form 990-N for the year 20xx due to its gross receipts was less than $xxx,xxx.

reported on its Form 990 for the year 20xx indicated that xxxx received the noncash donations from the and the total of fair market value of the noncash donations was $x,xxx,xxx. In the response to a request for interrogatories by on March 22, 20xx, revealed that [6] was located in of which had the same address of . The website of provided that no record of was found.

The noncash donations (GIK goods) that received and distributed were procured from both for-profit and non-profit GIK brokers by paying procurement, cost of shipping in, warehousing, and shipping out fees. The for-profit GIK brokers were , , and . The non-profit GIK brokers were , and . The fees that paid for its procurements for the years 20xx through 20xx are summarized in the table below[7].

Table 5: Fees paid by for its procurements between 20xx through 20xx:

Year	International			Domestic		
20xx	xx,xxx		xx,xxx	xx,xxx	xxx,xxx	
20xx	xxx,xxx		x,xxx	xx,xxx	xx,xxx	
20xx	xxx,xxx	xx,xxx	xx,xxx	x,xxx	x,xxx	
20xx	xxx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	
20xx	xxx,xxx		xx,xxx	xx,xxx	x,xxx	x,xxx
Total	xxx,xxx	xxx,xxx	xx,xxx	xxx,xxx	xxx,xxx	x,xxx

son, , introduced the international GIK shipping to the board on December 5, 20xx, while he was still vice-president. According to board meeting minutes, " has hosted three international shipments[8] through a company called . This company is a broker that lines up gifts in kind with charities. These gifts-in-kind are intended for international charities, and they need US charities, such as to handle the freight costs. By agreeing to accept goods and cover the shipping costs, can credit these shipments toward patient services with a substantial offset to our fundraising costs."

[6] Case x:xx- -xxxxx- Document xxx-x Filed 12/16/xx Page xxx of xxx
[7] Case x:xx- -xxxxx- Document xxx-x Filed 12/16/xx Page xxx of xxx
[8]

Country	Agency	Commodities	Value	Shipping costs
		Med Supplies, etc.	$xxx,xxx	$xx,xxx
		Medicine, Clothes, etc.	$xxx,xxx	$xx,xxx
		Food, clothes, meds	$xxx,xxx	$xx,xxx

Form **886-A** (Rev. January 1994)	**EXPLANATIONS OF ITEMS**		Schedule number or exhibit
Name of taxpayer		Tax Identification Number	Year/Period ended Dec. 31, 20xx

is a for-profit GIK broker which facilitates the GIK transactions. advertised that participants in its GIK program could help "reduce fundraising percentages by booking large gift values for a low service fee" and "receive high value donations of items whose value is booked as revenue."

provided with information about "available" shipments that donors wanted to ship to pre-selected foreign recipients. The information provided included shipping costs, the fees charged by , the estimated value of the shipment, the goods in the shipment, and the destination and recipient of the shipment. After agreed and accepted the "available" shipment, would arrange to ship the goods and provide the with paperwork such as receipt of the donated GIK goods from the donor, the value of the donated goods, and distribution of the goods to the foreign recipient.

itself did not possess or hold title to any of the goods. stated in its website that does not solicit donations, nor do we plan, conduct, manage, or prepare any materials in connection with the solicitation of contribution, advice, or act as a consultant with respect to the solicitation of contributions.

The vice president of , asked the VP of Business Development of , , in the mail dated June 14, 20xx that the documents that provided meet all of the tests to satisfy the IRS. responded back in the e-mail dated June 14, 20xx that these . documents have passed audits for the past x years with no problems.

The e-mail dated August 9, 20xx was sent by to and provided the information for shipment . The information provided the shipment was 1x40' of medicine and medical supplies, provider was , the consignee was , the approximately donation value was \$x,xxx,xxx.xx[9], and the procurement fee was \$xx,xxx. received the donation certificate dated August 13, 20xx from indicated that is please to donate to one 40' container of medicine and medical supplies suitable for cancer patients and their families with a total donated value of \$x,xxx,xxx.xx USD. The letter sent on August 16, 20xx by included the inventory valuation signed by indicated the total value of donated goods was \$x,xxx,xxx.xx.

In 20xx, paid a total of \$xxx,xxx to to procure GIK shipments that were shipped to for a total fair market value of \$xx,xxx,xxx.xx that claimed on its Form 990 for the year 20xx.

<u>vehicles and funds used by officers and employees</u>

owned several vehicles from time to time. The vehicles were used by its officers and employees. In the response to a request for interrogatories by on March 22, 20xx, provided a list of the officers and employees who used the vehicles[10], and they were: , , , , , , , , and . Except and , the rest of the people shown on the list were , his family members, and his relatives.

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[9] The shipment contained xx pallets; xx boxes per pallet; xxx packets per box . Each packet was \$x.xx and the total value was \$x,xxx,xxx (\$X.XX x XXX x XX x XX = \$X,XXX,XXX).

[10] Case x:xx- -xxxxx- Document xxx-x Filed 12/16/xx Page xx of xxx

Form **886-A** (Rev. January 1994)	**EXPLANATIONS OF ITEMS**	Schedule number or exhibit
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The statements[11] of for the year 20xx revealed that used funds to pay for gasoline, repairs, and car washes. There were receipts attached with the monthly statements. However, there was no mileage log and/or explanations of the gasoline, repairs, and car washes expenses used by .

No discussion was found in the board meeting minutes regarding the vehicles of used by its officers and employees.

As the executive director of , had hire employees, set their salaries, authorized employee benefits, determined bonuses and raises, authorized loans of charity funds to employees, and made promotion decisions – including for his relatives.

had made these decisions on his own, with little or no input or supervision from the board of directors. As president of the board, had voted on annual employee bonuses awarded by the board - including his own.

had made a short-term, interest free loan, approved by to , and paid college tuition for , , , , and .

also provided employees with company credit cards without providing written policies about personal use of such cards to employees. The credit cards[12] showed the purchases of gas, car washes, meals at and other restaurants, cell phone apps and games, and movie tickets. Reimbursement for personal charges on company cards was not required until the end of each year, and some personal charges were not repaid.

<u>related entities</u>

and his family members had founded five cancer charities, , , , and .

[11] The information was provided by Court ordered Receivership, .
[12] Case x:xx- -xxxxx- Document x Filed 05/18/xx Page xx of xxx

Form **886-A** (Rev. January 1994)	**EXPLANATIONS OF ITEMS**		Schedule number or exhibit
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started in 20xx to help raise funds for . He and directed the operations of from headquarters.

At , employed his family members and relatives: , , , , , , , , , , , , , and (deceased). See Exhibit 2 for the detailed family relationships of board members and employees.

had continued to employ family members regardless of where in the country they live. When and moved to , had open a "chapter" in to keep them on the payroll.

paid a total of $x,xxx,xxx in salaries for , his family members and relatives for the years 20xx through 20xx. The detailed salaries paid by to and his family members are shown in the Exhibit 3.

started as a special project of . It split off from in late 20xx. , served as its initial president while also employed at . Later, they turned over to Ex-wife, , who left to run . In 20xx, at direction, gave a grant of $xx,xxx.

At , employed her family members and relatives: , , , , , [13], , , , . also compensated step-nephew, , as an independent contractor. See Exhibit 4 for the detailed family relationships of CEO and employees. paid a total of $x,xxx,xxx in salaries for , her family members and relatives for the years 20xx through 20xx. The detailed salaries paid by to , her family members and relatives are shown in the Exhibit 5.

, , who began working at when he was xx, learned the cancer business from his father. Before starting , while at , , tested fundraising specifically for breast cancer patients, setting up a separate fundraising campaign with main telemarketer, . Donations for this campaign were deposited into accounts until , established and signed a separate fundraising contract with . In 20xx, at direction, provided a grant of $xx,xxx.

At , , employed his family members and relatives: , , , , and . See Exhibit 6 for the detailed family relationships of CEO and employees. paid a total of $x,xxx,xxx in salaries to , , his family members and relatives the years 20xx through 20xx. The detailed salaries paid by to , , his family members and relatives are shown in the Exhibit 7.

At , wife, , started in 20xx. She employed her relative, . paid a total of $xxx,xxx in salaries from 20xx through 20xx.

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13 is also known as .

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS		Schedule number or exhibit
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On May 19, 20xx, the and filed a federal lawsuit again , , , and the former chief financial officer for both organizations, . In March, 20xx, and were shut down by and state charity regulators.

also shut down as part of a lawsuit due to spent less than x percent of its collections helping cancer patients.

LAW

I.R.C. § 501(c)(3) exempts from federal income tax, organizations organized and operated exclusively for religious, charitable, scientific, or educational purposes whereby no part of the net earnings inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation and which does not intervene on behalf of (or in opposition to) any candidate for public office.

Treas. Reg. § 1.501(c)(3)-1 states that in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more purposes specified in such section. If an organization fails to meet either the organizational or the operational test, it is not exempt. An organization is organized exclusively for one or more exempt purposes only if its articles of the organization as defined in subparagraph (2) of this paragraph: (a) Limit the purposes of such organization to one or more exempt purposes; and (b) Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

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

Treas. Reg. § 1.501(c)(3)-1(c)(2) 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) provides that the terms "private shareholder or individual" as used in section 501 refer to persons having a personal and private interest in the activities of the organization.

Treas. Reg. § 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not organized or operated exclusively for charitable purposes unless it serves a public rather than a private interest. 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.

Treas. Reg. § 1.501(c)(3)-1(e) states that an organization may meet the requirements of section 501(c)(3) although it operates a trade or business as a substantial part of its activities, if it operates the trade or business in furtherance of its exempt purposes. The organization must not be organized or operated for the primary purpose of carrying on an unrelated trade or business.

IRC § 6033(a)(1) provides, except as provided in IRC § 6033(a)(2), every organization exempt from tax under section 501(a) shall file an annual return, stating specifically the items of gross income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

GOVERNMENT'S POSITION

does not meet the operational test for exempt status under section 501(c)(3) of the Internal Revenue Code because has failed to establish that it is operated exclusively for charitable purposes. The regulations define "exclusively" as engaging primarily in activities that accomplish one or more of the exempt purposes specified in section 501(c)(3) of the Code. provided more financial benefits to and members of his family than the needy cancer patients.

In order to explain the complete operations of , the explanations below are using the information provided to on March 22, 20xx which contained financial information from 20xx through 20xx.

Salaries and benefits for , his relatives, and employees

Under the directions of , utilized many contracted telemarketers to raise fund for . In the period between 20xx and 20xx, paid a total of $xx,xxx,xxx to telemarketers. paid total salaries of $x,xxx,xxx to and his relatives, and $x,xxx,xxx to other employees.

also made a total of $xxx,xxx cash grants to needy cancer patients, and paid a total of $x,xxx,xxx for GIK procurements.

The expense amounts and percentages are summarized and shown below table:

Table 6: The expense amounts and percentages between 20xx through 20xx:

Expenses	20xx	20xx	20xx	20xx	20xx	Totals	Percentage
Grants paid – cash	xx,xxx	x,xxx	xx,xxx	xx,xxx	xx,xxx	xxx,xxx	x.xx%
Procurements Fees	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	x,xxx,xxx	x.xx%
Salaries, family members	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	x,xxx,xxx	x.xx%
Salaries, other employees	xxx,xxx	xxx,xxx	xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx.xx%
Professional fundraising fees	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx,xxx,xxx	xx.xx%
Other expenses	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx.xx%
Total Expenses	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx,xxx,xxx	xxx.xx%

paid its employees substantially more than it spend on the cash and GIK goods provided to needy cancer patients domestically and internationally. The other expenses also included the loan payments, gas, and maintenance fees of the vehicles that driven by , his family members, and his relatives.

provided employees with company credit cards without providing written policies about personal use of the cards. Reimbursement for personal charges on company cards was not required until the end of each year. It actually created floating short-term, interest-free loans to its employees.

Based on the information shown above, it showed that exempt purpose activity is secondary to that of paying salaries for professional fundraising fees, salaries for and his relatives, salaries for other employees, free auto for and his relatives, and interest-free short-term loans to employees.

and its related entities

and its related entities, , , , and are all run by and members of his family.

started in 19xx. He described[14] and as "spin-offs" of , and explained that setting up and helped because was "really top heavy" with executives. started in 20xx to help raise funds for . He and directed the operations of from headquarters. son, served on the board of directors.

started as a special project of , and split off from in late 20xx. , served as its initial president while also employed at . Later, he turned over to . other employees joined at , and individuals left the board to serve on the board. In 20xx, at direction, gave a grant of $xx,xxx.

started as a separate fundraising campaign of . Donations for this campaign were deposited into accounts until , established and signed a separate fundraising contact with a telemarketer. In 20xx, at direction, provided a grant of $xx,xxx.

wife, , worked at for years before she started in 20xx. also provided $x,xxx cash grants to in 20xx.

The information above provided that operated and its related entities like a family business to providing employments and benefits for him, his family members, and his relatives.

failed to meet the section 501(c)(3) of the Internal Revenue Code because has failed to establish that it is operated exclusively for charitable purposes. The primary purpose of and its related entities was to providing employments and benefits to , his family members, and his relatives which is not exclusively for charitable purposes.

Non-cash donations (GIK)

, , revealed the purpose to board of why needs to procure non-cash donations (GIK) from GIK brokers during its board meeting held on December 5, 20xx. It is because can credit these GIK shipments toward patient services with a substantial offset to its fundraising costs.

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incorrectly reported the non-cash donations (GIK) on its Forms 990 by using unverified fair market values of the GIK goods that procured from GIK brokers. Instead, should report the total of procurement fees on its Forms 990 as non-cash grants provided.

In addition, did not retain control and discretion over the use of the non-cash goods, and maintain records that establish the recipient uses the non-cash goods for the organization's IRC § 501(c)(3) purposes.

Form 990 is used by tax-exempt organizations to provide information required by IRC section 6033. Some members of the public and/or state agencies rely on Form 990 as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, the return must be complete, accurate, and fully describe the organization's programs and accomplishments.

filed Forms 990 inaccurately by claiming fair market values of GIK goods procured from GIK brokers as non-cash donations. The GIK transactions represented a flow-through of dollar amounts that were paper transactions only. reported the fair market values of GIK goods procured on Forms 990 as revenue received and expenses paid. By reporting fair market values of GIK goods procured as revenue, incorrectly increased the revenue received. By reporting fair market values of GIK goods procured as expenses, decreased the overall percentage of administrative costs and substantial offset its fundraising costs.

fails to meet IRC section 6033 of the Code which requires every organization exempt from taxation under 501(a) to file an annual return, stating specifically the items of gross income, receipts, and disbursements, and such other information for the purpose of carrying out the internal revenue laws.

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended Dec. 31, 20xx

Exhibit 1: Fundraising Table Summary

Table 1 - Fundraising Table Summary

Year	Cash Raised	Kept	Net Cash Received	% Net Cash Received over Cash Raised
20xx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx.xx%
20xx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx.xx%
20xx	xx,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx.xx%
20xx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx.xx%
20xx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx.xx%
20xx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx.xx%
Totals	xx,xxx,xxx	xx,xxx,xxx	x,xxx,xxx	xx.xx%%

Table 2 - Telemarketers' Fundraising Table Summary

Year	Cash Raised	Fundraising Fees	Net Cash Received	% Net Cash Received over Cash Raised
20xx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx.xx%
20xx	x,xxx,xxx	x,xxx,xxx	xxx,xxx	xx.xx%
20xx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx.xx%
20xx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx.xx%
20xx	x,xxx,xxx	x,xxx,xxx	xxx,xxx	xx.xx%
20xx	x,xxx,xxx	x,xxx,xxx	xxx,xxx	xx.xx%
Totals	xx,xxx,xxx	xx,xxx,xxx	x,xxx,xxx	xx.xx%

Table 3 – & Telemarketers' Combined Totals Fundraising Table Summary

Year	Cash Raised	Fundraising Fees/Kept	Net Cash Received	% Net Cash Received over Cash Raised
20xx	xx,xxx,xxx	xx,xxx,xxx	x,xxx,xxx	xx.xx%
20xx	xx,xxx,xxx	xx,xxx,xxx	x,xxx,xxx	xx.xx%
20xx	xx,xxx,xxx	xx,xxx,xxx	x,xxx,xxx	xx.xx%
20xx	xx,xxx,xxx	xx,xxx,xxx	x,xxx,xxx	xx.xx%
20xx	xx,xxx,xxx	xx,xxx,xxx	x,xxx,xxx	xx.xx%
20xx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx.xx%
Totals	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	xx.xx%

Exhibit 2 – The detailed family relationships of board members and employees

EXHIBIT 2 - DELETED

Form **886-A** (Rev. January 1994)	**EXPLANATIONS OF ITEMS**	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended Dec. 31, 20xx

Exhibit 3 – the salaries paid by to and his family members for the years 20xx – 20xx

Name	20xx	20xx	20xx	20xx	20xx	20xx	20xx
	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
	xx,xxx	xx,xxx	xx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xx,xxx
	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx
	xx,xxx	xx,xxx	xx,xxx	xx,xxx			
	xx,xxx	x,xxx	xx				
	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx
	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx		
	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	x,xxx
	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx
	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx
	x,xxx			xx,xxx	xx,xxx	xx,xxx	xx,xxx
	xxx,xxx						
Sub Total	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended Dec. 31, 20xx

Exhibit 4 – The detailed family relationships of CEO and employees

EXHIBIT 4 - DELETED

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended Dec. 31, 20xx

Exhibit 5 – the salaries paid by to and her family members for the years 20xx – 20xx

Name	20xx	20xx	20xx	20xx	20xx	20xx	20xx
	x,xxx	x,xxx	x,xxx	xx,xxx	x,xxx	xx,xxx	x,xxx
	x,xxx	x,xxx	x,xxx				
			x,xxx				
	x,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	x,xxx	
			x,xxx				
	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx
	xxx	x,xxx	x,xxx				
	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xx,xxx
	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	x,xxx	
	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx
	xx,xxx	xx,xxx	xx,xxx	xx,xxx			
	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	x,xxx
	x,xxx	xx,xxx		xx,xxx	x,xxx		
					x,xxx	xx,xxx	xx,xxx
Sub Total	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx

Form **886-A** (Rev. January 1994)	**EXPLANATIONS OF ITEMS**		Schedule number or exhibit
Name of taxpayer		Tax Identification Number	Year/Period ended Dec. 31, 20xx

Exhibit 6 – The detailed family relationships of CEO and employees

EXHIBIT 6 - DELETED

Form **886-A**
(Rev. January 1994)

EXPLANATIONS OF ITEMS

Schedule number or exhibit

Name of taxpayer	Tax Identification Number	Year/Period ended
		Dec. 31, 20xx

Exhibit 7– the salaries paid by to and his family members for the years 20xx – 20xx

Name	20xx	20xx	20xx	20xx	20xx	20xx	20xx
	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
		xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx
			x,xxx	xx,xxx	xx,xxx	xx,xxx	
		x,xxx	xx,xxx	x,xxx			
		x,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx
			x,xxx	x,xxx			
Sub Total	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx