



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

Date:  
November 8, 2023  
Taxpayer ID number (last 4 digits):

Form:

Tax periods ended:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Last day to file petition with United States  
Tax Court:

Tuesday, February 6, 2024

Release Number: 202405012

Release Date: 2/2/2024

UIL Code: 501.03-00

**CERTIFIED MAIL - Return Receipt Requested**

Dear

**Why we are sending you this letter**

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

Our adverse determination as to your exempt status was made for the following reasons: You do not satisfy qualifications for exemption under IRC Section 501(c)(3) as a supporting organization described in IRC Section 509(a)(3): Type III supporting organization (SO). Under Treasury Regulation (Treas. Reg.) Section 1.509(a)-4 (b)(1) an SO must be both organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more specified publicly supported organizations. If an organization fails to meet either the organizational or the operational test, it cannot qualify as an SO. You did not meet the operational test because you have not awarded scholarships or engaged in activities to benefit the supported organization in approximately years. In addition, you have not indicated a remedy to this issue nor provided plans to award scholarships in the future. Managing investments without intending to award scholarships is not operating exclusively to the benefit of the supported organization or its individual members. Thus, to reiterate, you do not meet the operational test. Treas. Reg. Section 1.509(a)-4(i)(1) provides that a Type III SO is operated in connection with a supported organization only if it satisfies: the notification requirement, the responsiveness test, and the integral part test. In the periods under examination, you did not fulfill the notification requirements because you did not provide annual written notice to a principal officer at the supported organization. You did not fulfill the responsiveness test because your trustees are not elected or appointed by the supported organization. Lastly, your activities do not further the exempt purposes of the supported organization. Thus, you are not functionally integrated with the supported organization. Therefore, to reiterate, overall, you do not qualify for exemption under IRC Section 501(c)(3) as an SO within the meaning of IRC Section 509(a)(3).

Organizations that are not exempt under IRC Section 501 generally are required to file federal income tax returns and pay tax, where applicable. For further instructions, forms and information please visit [IRS.gov](https://www.irs.gov).

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

**What you must do if you disagree with this determination**

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

**How to file your action for declaratory judgment**

If you decide to contest this determination, you can file an action for declaratory judgment under the provisions of Section 7428 of the Code in either:

- The United States Tax Court,
- The United States Court of Federal Claims, or
- The United States District Court for the District of Columbia

You must file a petition or complaint in one of these three courts within 90 days from the date we mailed this determination letter to you. You can download a fillable petition or complaint form and get information about filing at each respective court's website listed below or by contacting the Office of the Clerk of the Court at one of the addresses below. Be sure to include a copy of this letter and any attachments and the applicable filing fee with the petition or complaint.

You can eFile your completed U.S. Tax Court petition by following the instructions and user guides available on the Tax Court website at [ustaxcourt.gov/dawson.html](http://ustaxcourt.gov/dawson.html). You will need to register for a DAWSON account to do so. You may also file your petition at the address below:

**United States Tax Court**  
400 Second Street, NW  
Washington, DC 20217  
[ustaxcourt.gov](http://ustaxcourt.gov)

The websites of the U.S. Court of Federal Claims and the U.S. District Court for the District of Columbia contain instructions about how to file your completed complaint electronically. You may also file your complaint at one of the addresses below:

**US Court of Federal Claims**  
717 Madison Place, NW  
Washington, DC 20439  
[uscfc.uscourts.gov](http://uscfc.uscourts.gov)

**US District Court for the District of Columbia**  
333 Constitution Avenue, NW  
Washington, DC 20001  
[dcd.uscourts.gov](http://dcd.uscourts.gov)

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

**Information about the IRS Taxpayer Advocate Service**

The IRS office whose phone number appears at the top of the notice can best address and access your tax information and help get you answers. However, you may be eligible for free help from the Taxpayer Advocate Service (TAS) if you can't resolve your tax problem with the IRS, or you believe an IRS procedure just isn't working as it should. TAS is an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Contact your local Taxpayer Advocate Office at:

Internal Revenue Service

Or call TAS at 877-777-4778. For more information about TAS and your rights under the Taxpayer Bill of Rights, go to **taxpayeradvocate.irs.gov**. Do not send your federal court pleading to the TAS address listed above. Use the applicable federal court address provided earlier in the letter. Contacting TAS does not extend the time to file an action for declaratory judgment.

**Where you can find more information**

Enclosed are Publication 1, Your Rights as a Taxpayer, and Publication 594, The IRS Collection Process, for more comprehensive information.

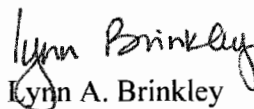
Find tax forms or publications by visiting [IRS.gov/forms](https://www.irs.gov/forms) or calling 800-TAX-FORM (800-829-3676). If you have questions, you can call the person shown at the top of this letter.

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.

You may fax your documents to the fax number shown above, using either a fax machine or online fax service. Protect yourself when sending digital data by understanding the fax service's privacy and security policies.

Keep the original letter for your records.

Sincerely,



Lynn A. Brinkley  
Director, Exempt Organizations Examinations

**Enclosures:**

Publication 1  
Publication 594  
Publication 892



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

**Date:**  
06/06/2023  
**Taxpayer ID number:**

**Form:**

**Tax periods ended:**

**Person to contact:**

**Name:**  
**ID number:**  
**Telephone:**  
**Fax:**  
**Address:**

**Manager s contact information:**

**Name:**  
**ID number:**  
**Telephone:**  
**Response due date:**  
07/07/2023

**CERTIFIED MAIL – Return Receipt Requested**

Dear \_\_\_\_\_ :

**Why you're receiving this letter**

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

**If you agree**

If you haven't already, please sign the enclosed Form 6018, Consent to Proposed Action, and return it to the contact person shown at the top of this letter. We'll issue a final adverse letter determining that you aren't an organization described in IRC Section 501(c)(3) for the periods above.

After we issue the final adverse determination letter, we'll announce that your organization is no longer eligible to receive tax deductible contributions under IRC Section 170.

**If you disagree**

1. Request a meeting or telephone conference with the manager shown at the top of this letter.
2. Send any information you want us to consider.
3. File a protest with the IRS Appeals Office. If you request a meeting with the manager or send additional information as stated in 1 and 2, above, you'll still be able to file a protest with IRS Appeals Office after the meeting or after we consider the information.

The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to sign a consent to extend the period of limitations for assessing tax. This is to allow the IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

Fast Track Mediation (FTM) referred to in Publication 3498, The Examination Process, generally doesn't apply now that we've issued this letter.

4. Request technical advice from the Office of Associate Chief Counsel (Tax Exempt Government Entities) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS.

If you're considering requesting technical advice, contact the person shown at the top of this letter. If you disagree with the technical advice decision, you will be able to appeal to the IRS Appeals Office, as explained above. A decision made in a technical advice memorandum, however, generally is final and binding on Appeals.

**If we don't hear from you**

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final adverse determination letter.

**Contacting the Taxpayer Advocate Office is a taxpayer right**

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit [www.taxpayeradvocate.irs.gov](http://www.taxpayeradvocate.irs.gov) or call 877-777-4778.

**For additional information**

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

*Oscar E. Salcido*

For: Lynn A. Brinkley  
Director, Exempt Organizations  
Examinations

Enclosures:  
Form 886-A  
Form 6018  
Form 4621-A  
Publication 892  
Publication 3498

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

**ISSUE**

Whether \_\_\_\_\_ (“\_\_\_\_\_”) continues to qualify for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code (“IRC”) as a supporting organization within the meaning of IRC 509(a)(3).

**FACTS**

\_\_\_\_\_ is an \_\_\_\_\_ recognized as an exempt supporting organization under IRC 509(a)(3). It was created in \_\_\_\_\_ to support \_\_\_\_\_ an exempt \_\_\_\_\_ described in IRC 509(a)(1).

\_\_\_\_\_ is \_\_\_\_\_ Its \_\_\_\_\_ instructs the \_\_\_\_\_ to distribute \_\_\_\_\_ percent of net income to fund a scholarship program for students of \_\_\_\_\_. The remaining \_\_\_\_\_ percent of net income is to be retained to be accumulated and added to principal.

Scholarship eligibility is limited to students of \_\_\_\_\_ who reside or work in the state of \_\_\_\_\_. The \_\_\_\_\_ instrument states recipients are to be determined by a comprised of \_\_\_\_\_ members: a member of the Board of Directors of the \_\_\_\_\_ members selected by \_\_\_\_\_ and a \_\_\_\_\_ member selected by the \_\_\_\_\_ members of the \_\_\_\_\_. The \_\_\_\_\_ instrument states preference is given \_\_\_\_\_ a descendant of the grantor family. Except as otherwise provided, any action of the \_\_\_\_\_ requires the affirmative vote of the majority of its members.

The \_\_\_\_\_ instrument provides that \_\_\_\_\_ anticipates \_\_\_\_\_ will annually offer the \_\_\_\_\_ a list of students who are eligible to receive a scholarship. The \_\_\_\_\_ is instructed to select a recipient from the list of names provided.

\_\_\_\_\_ has not awarded a scholarship, or otherwise distributed funds to or for \_\_\_\_\_ or its students since \_\_\_\_\_. From \_\_\_\_\_ to present, the \_\_\_\_\_ funds \_\_\_\_\_ distributed were administrative fees paid to its \_\_\_\_\_ and tax return preparer. During this time, all net income after administrative fees was retained and accumulated in \_\_\_\_\_ account.

\_\_\_\_\_ represents the reason it has not awarded a scholarship in \_\_\_\_\_ is because \_\_\_\_\_ ) has not selected \_\_\_\_\_ members to serve on the \_\_\_\_\_ and \_\_\_\_\_ ) does not provided a list of eligible students for the \_\_\_\_\_ to select from.

In \_\_\_\_\_ and \_\_\_\_\_ mailed to \_\_\_\_\_ an \_\_\_\_\_ account statement of its \_\_\_\_\_ account activity. The account statement was sent to the \_\_\_\_\_ general mailing address. It was not directed to any specific individual or department within the \_\_\_\_\_ The account statement was not accompanied by letter or other written correspondence that identified \_\_\_\_\_ as the supporting organization. Beyond mailing the account statement, \_\_\_\_\_ had no documented communication with the \_\_\_\_\_ in \_\_\_\_\_ and \_\_\_\_\_

Form <b>886-A</b> (May 2017)	Department of the Treasury – Internal Revenue Service <b>Explanations of Items</b>	Schedule number or exhibit
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filed Form 990 returns for and tax periods to report net income of \$ and \$ , respectively | and a fund balance of \$ and \$ , respectively | On of its returns identified itself as a Type III functionally integrated supporting organization.

total support of \$ filed Form 990 returns for years ended and to report and \$ , respectively |

## LAW

IRC 501(c)(3) provides for exemption from Federal income tax of organizations organized and operated exclusively for "charitable" purposes. An organization described in this section is classified as either a private foundation or a public charity.

Income Tax Regulations section ("Treas. Reg.") 1.501(c)(3)-1(d)(2) provides the term "charitable", is used in IRC 501(c)(3) in its generally accepted legal sense. Such term includes the advancement of education.

IRC 509(a) provides that public charity status, as opposed to private foundation status, is conferred to organizations described in IRC 509(a)(1), (2), or (3). Organizations described in paragraphs (1) and (2) are considered publicly supported organizations. Organizations described in paragraph (3) are supporting organizations.

Treas. Reg. 1.509(a)-4(b)(1) provides that supporting organizations must be both organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more specified publicly supported organizations. If an organization fails to meet either the organizational or the operational test, it cannot qualify as a supporting organization.

Treas. Reg. 1.509(a)-4(c) provides that an organization is organized exclusively for one or more purposes specified in IRC 509(a)(3)(A) only if its articles of organization:

- (i) Limit the purposes of such organization to one or more of the purposes set forth in IRC 509(a)(3)(A);
- (ii) Do not expressly empower the organization to engage in activities which are not in furtherance of the purposes in subdivision (i);
- (iii) State the specified publicly supported organizations on whose behalf such organization is to be operated; and
- (iv) Do not expressly empower the organization to operate to support or benefit any organization other than the specified publicly supported organizations in subdivision (iii).

Treas. Reg. 1.509(a)-4(e)(1) provides that supporting organizations are regarded as operated exclusively to support one or more supported organizations if they engage solely in activities which may include making payments to or for the use of, or providing services or facilities for, individual members of the charitable class benefited by the specified publicly supported organization(s).



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

Treas. Reg. 1.509(a)-4(e)(2) provides that a supporting organization may also be operated exclusively to support one or more supported organizations by using its income to carry on an independent activity or program, which supports or benefits the specified publicly supported organization(s).

Treas. Reg. 1.509(a)-4(j) provides that a supporting organization may not be controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations.

IRC 4946(a)(1) provides that the term “disqualified person” includes, but is not limited to, a substantial contributor, a family member of a substantial contributor, and a trust in which persons

Treas. Reg. 1.509(a)-4(f)(2) sets forth three different types of relationships, one of which must be met in order to qualify as a supporting organization. A supporting organization may be:

- (i) Operated, supervised, or controlled by,
- (ii) Supervised or controlled in connection with, or
- (iii) Operated in connection with, one or more publicly supported organizations.

Treas. Reg. 1.509(a)-4(i)(1)(ii) provides that Type III supporting organizations must satisfy the requirements of the notification requirement, which is set forth in paragraph (i)(2) of this section.

Treas. Reg. 1.509(a)-4(i)(2)(i) provides that Type III supporting organizations must provide annual notifications to its supported organization(s).

Treas. Reg. 1.509(a)-4(i)(2)(i)(A) provides that a supporting organization must annually provide written notice addressed to a principal officer of the supported organization(s) describing the type and amount of all support the supporting organization provided to the supported organization during the preceding taxable year.

Treas. Reg. 1.509(a)-4(i)(2)(iv) provides that purposes of paragraph (i)(2)(i)(A) of this section, a principal officer includes, but it not limited to, a person who, regardless of title, has ultimate responsibility for:

- (A) Implementing the decisions of the governing body of a supported organization;
- (B) Supervising the management, administration, or operation of the supported organization; or
- (C) Managing the finances of the supported organization.

Treas. Reg. 1.509(a)-4(i)(2)(i)(A) provides that a supporting organization must annually provide a copy of its Form 990, “Return of Organization Exempt from Income Tax” to the supported organization for the preceding taxable year.

Treas. Reg. 1.509(a)-4(i)(1)(ii) provides that Type III supporting organizations must satisfy the requirements of the responsiveness test, which is set forth in paragraph (i)(3) of this section.

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Treas. Reg. 1.509(a)-4(i)(3)(i) provides that a Type III supporting organization must be responsive to the needs or demands of a supported organization. Except as provided in paragraph (i)(3)(v) of this section, in order to meet this test, a supporting organization must satisfy the requirements of paragraphs (i)(3)(ii) and (i)(3)(iii) of this section.

Treas. Reg. 1.509(a)-4(i)(3)(ii) provides that a supporting organization satisfies the responsiveness test only if:

- (A) one or more officers, directors, or trustees of the supporting organization are elected or appointed by the officers, directors, trustees, or membership of the supported organization;
- (B) one or more members of the governing body of the supported organization are also officers, directors, or trustees of, or hold other important offices in, the supporting organization; or
- (C) the officers, directors, or trustees of the supporting organization maintain a close and continuous working relationship with the officers, directors, or trustees of the supported organization.

Treas. Reg. 1.509(a)-4(i)(3)(iii) provides that a supporting organization satisfies the requirements of the responsiveness test if the officers, directors, or trustees of the supported organization have a significant voice in the investment policies of the supporting organization, the timing of grants, the manner of making grants, and the selection of grant recipients by such supporting organization, and in otherwise directing the use of the income or assets of the supporting organization.

Treas. Reg. 1.509(a)-4(i)(1)(iii) provides that Type III supporting organizations must satisfy the requirements of the integral part test, which is set forth in paragraph (i)(4) of this section.

Treas. Reg. 1.509(a)-4(i)(4) provides that Type III supporting organizations meet the integral part test and will be considered functionally integrated if they engage in activities substantially all of which directly further the exempt purposes of one or more supported organizations.

Treas. Reg. 1.509(a)-4(i)(5) provides that a Type III supporting organization meets the integral part test and will be considered non-functionally integrated if it satisfies the distribution requirement in paragraph (i)(5)(ii) and the attentiveness requirement in paragraph (i)(5)(iii).

Treas. Reg. 1.509(a)-4(i)(5)(ii) provides that a Type III non-functionally integrated supporting organization annually must distribute to a supported organization substantially all its adjusted net income.

Rev. Rul. 76-208, 1976-1 C.B. 161 defines "substantially all" for purposes of the integral part test as at least 85 percent and prohibits counting accumulating income even if it must be paid to the supported organization.

Treas. Reg. 1.509(a)-4(i)(5)(iii) provides that a non-functionally integrated Type III supporting organization must distribute one-third or more of its distributable amount to one or more supported organizations that are attentive to the operations of the supporting organization, and to which the supporting organization is responsive.

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Treas. Reg. 1.509(a)-4(i)(5)(iii)(B) provides that a supported organization is attentive to the operations of the supporting organization during a taxable year, if at least one of the following requirements is satisfied:

- (1) The supporting organization distributes to the supported organization amounts equaling or exceeding 10 percent of the supported organization's total support;
- (2) The amount of support received from the supporting organization is necessary to avoid the interruption of the carrying on of a particular function or activity of the supported organization; or
- (3) Based on the consideration of all pertinent factors, including the number of supported organizations, the length and nature of the relationship between the supported organization and supporting organization, and the purpose to which the funds are put, the amount of support received from the supporting organization is a sufficient part of a supported organization's total support to ensure attentiveness.

#### TAXPAYER'S POSITION

has not expressed a position on these issues.

#### GOVERNMENT'S POSITION

does not satisfy the requirements to qualify for exemption from Federal income tax under IRC 501(c)(3) as a supporting organization described in IRC 509(a)(3). Its exempt status should be revoked effective

An organization described in IRC 501(c)(3) is classified as either a private foundation or a public charity. To be classified as a public charity, an organization must be described in IRC 509(a)(1), (2), or (3). Organizations described in IRC 509(a)(1) and (2) are generally known as publicly supported organizations. Organizations described in IRC 509(a)(3) are known as supporting organizations. Supporting organizations achieve their public charity status by supporting one or more organizations described in IRC 509(a)(1) or (2), which in this context are referred to as supported organizations.

To be described in IRC 509(a)(3), an organization must satisfy (1) an organizational test, (2) an operational test, (3) a control test, and (4) a relationship test. The organizational and operational tests require that a supporting organization be organized and at all times thereafter operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more supported organizations. The control test requires that a supporting organization not be controlled directly or indirectly by certain disqualified persons. The relationship test requires a supporting organization to establish one of types of relationships with one or more supported organizations. Each test is a necessary requirement for an organization to establish it qualifies as a supporting organization.

#### ORGANIZATIONAL TEST

Treas. Reg. 1.509(a)-4(c) provides that a supporting organization be organized exclusively to perform the functions of, or to carry out the purposes of one or more supported organizations. fulfills this requirement. Its instrument identifies as the organization on whose behalf it is to be operated. The is recognized as a publicly supported tax-exempt organization.

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The instrument limits purpose to supporting the It does not authorize to engage in activities that do not further this purpose. is permitted to substitute its supported organization only if the substantially changes its purpose or activities, or if it fails to qualify as an exempt organization. Should they occur, these events are beyond its control.

OPERATIONAL TEST

Treas. Reg. 1.509(a)-4(b)(1) provides that a supporting organization be operated exclusively for the benefit of, or to carry out the purposes of one or more supported organizations. Treas. Reg. 1.509(a)-4(e)(1) and (2) provides that “operated exclusively” means to engage solely in activities which may include making payments to or for the use of, or providing services or facilities for, the supported organization or its individual members.

does not satisfy the requirements of the operational test because it does not engage in activities or make payments to or for the use of or its students. In the preceding approximately year period starting in has not awarded scholarships or engaged in activities to benefit the During this period, its only documented activity was managing its investment portfolio and annually distributing a portion of investment income to its and tax return preparer. has paid these administrative fees annually despite not having awarded a scholarship since

provided no indication it will remedy the issues at hand or begin to award scholarships in the Managing investments without intending to award scholarships does not benefit the or its students. is not operated exclusively to benefit its supported organization or its individual members.

CONTROL TEST

Treas. Reg. 1.509(a)-4(j) provides that a supporting organization may not be controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations. As used here, the term “disqualified person” includes, but is not limited to, a substantial contributor, and family member of a substantial contributor.

meets the requirements of the control test. While its does not identify individual it does provide for an unrelated It also assigns the task of distributing funds to a Members of this are instructed to select a member with preference given to a descendent of the grantor family who may be a disqualified person. However, as previously described, does not have a Even if such had been formed and had selected a descendent of the grantor family, that member would not have a controlling interest of voting power. is not controlled by disqualified persons.

RELATIONSHIP TEST

Treas. Reg. 1.509(a)-4(f)(2) sets forth three different types of relationships, one of which must be met to qualify as a supporting organization.

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Type I relationships occur where a supporting organization is operated, supervised, or controlled by a supported organization. To establish this relationship the supported organization must appoint or elect the governing body of the supporting organization. does not have a Type I relationship because does not appoint or elect governing body.

Type II relationships occur where a supporting organization is supervised or controlled in connection with a supported organization. To establish this relationship the persons that control or manage the supported organization must have vested control or management of the supporting organization. does not have a Type II relationship because no representatives of have vested control or management of

Type III relationships occur where a supporting organization is operated in connection with a supported organization. To establish this relationship the supported organization must have a significant voice in the operations and handling of assets of the supporting organization, which must perform the functions of and provide financial support to the supported organization.

Treas. Reg. 1.509(a)-4(i)(1) provides that a Type III supporting organization is operated in connection with a supported organization only if it satisfies: the notification requirement, the responsiveness test, and the integral part test.

#### NOTIFICATION REQUIREMENT

The notification requirement in Treas. Reg. 1.509(a)-4(i)(2) requires that a Type III supporting organization must annually provide written notice addressed to a principal officer of the supported organization describing the type and amount of all support the supporting organization provided to the supported organization during the preceding year. Treas. Reg. 1.509(a)-4(i)(2)(iv) provides that purposes of this section, a principal officer includes, but is not limited to, a person who, regardless of title, has ultimate responsibility for:

- (A) Implementing the decisions of the governing body of a supported organization;
- (B) Supervising the management, administration, or operation of the supported organization; or
- (C) Managing the finances of the supported organization.

does not fulfill the notification requirement of Type III supporting organizations. It does not provide annual written notice to a principal officer of In and the documented communication had with the was to mail an account statement to the general mailing address. The account statement was not mailed to a principal officer or any other specific individual or department within the It was not accompanied by letter or other documents that identified as a supporting organization. There is no indication anyone with a degree of responsibility within the received the account statement and considered its meaning.

#### RESPONSIVENESS TEST

The responsiveness test in Treas. Reg. 1.509(a)-4(i)(3) requires a Type III supporting organization to be responsive to the needs or demands of the supported organization. The requirements of the

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responsiveness test are met if the officers, directors, or \_\_\_\_\_ of the supported organization have a significant voice in the policies of the supporting organization and in directing the use of the income and assets of the supporting organization.

\_\_\_\_\_ does not fulfill the requirements of the responsiveness test. Its \_\_\_\_\_ are not elected or appointed by the \_\_\_\_\_ members of the governing body of the \_\_\_\_\_ are \_\_\_\_\_ or hold other important offices within \_\_\_\_\_. Moreover, \_\_\_\_\_ does not maintain a close and continuous working relationship with the governing body of the \_\_\_\_\_. It had \_\_\_\_\_ documented communication with the \_\_\_\_\_ except to annually mail an account statement to no \_\_\_\_\_ in particular. As evidenced by \_\_\_\_\_ the \_\_\_\_\_ does not have a voice in \_\_\_\_\_ investment policies, including the timing of grants, the manner of making grants, and the selection of grant recipients. By no measure does the \_\_\_\_\_ direct the use of \_\_\_\_\_ income or assets.

**INTEGRAL PART TEST**

The integral part test requires a Type III supporting organization to maintain a significant involvement in the operations of the supported organization. It also requires the supported organization to be dependent on the supporting organization. On its Form 990 returns, \_\_\_\_\_ reports it is functionally integrated with the \_\_\_\_\_ by maintaining significant involvement in the \_\_\_\_\_ through its activities. Treas. Reg. 1.509(a)-4(i)(4) provides that Type III supporting organizations are considered functionally integrated if they engage in activities that relate to performing the functions of, or carrying out the purposes of, the supported organization. However, \_\_\_\_\_ only activities are to maintain its investment portfolio and use such income to pay administrative fees. These activities do not further the exempt purposes of the \_\_\_\_\_ is not functionally integrated with the \_\_\_\_\_

Treas. Reg. 1.509(a)-4(i)(5) provides that a Type III supporting organization meets the integral part test as a non-functionally integrated organization if it satisfies the distribution requirement in paragraph (i)(5)(ii) and the attentiveness requirement in paragraph (i)(5)(iii).

The distribution requirement in Treas. Reg. 1.509(a)-4(i)(5)(ii) provides that the supporting organization annually must distribute to the supported organization substantially all its adjusted net income. For purposes of the integral part test, the term “substantially all” means at least 85 percent and prohibits counting accumulating income. Accordingly, \_\_\_\_\_ does not satisfy the distribution requirement of the integral part test set forth in Treas. Reg. 1.509(a)-4(i)(3)(iii) because it does not distribute any of its income to or for the use of the \_\_\_\_\_

The attentiveness requirement in Treas. Reg. 1.509(a)-4(i)(5)(iii)(A) provides that the supporting organization must distribute one-third or more of its distributable amount to a supported organization that is attentive to its operations. Treas. Reg. 1.509(a)-4(i)(5)(iii)(B) provides that a supported organization is attentive to the operations of the supporting organization if, in a taxable year, \_\_\_\_\_ of \_\_\_\_\_ requirements is satisfied.

The first requirement is for the supporting organization to distribute to the supported organization an amount equal or greater than \_\_\_\_\_ percent of the supported organization’s total support. In \_\_\_\_\_ and \_\_\_\_\_ reported total support of \$ \_\_\_\_\_ and \$ \_\_\_\_\_, respectively. To equal or exceed the \_\_\_\_\_ percent threshold for total support, \_\_\_\_\_ would need to have distributed to the \_\_\_\_\_

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\$ \_\_\_\_\_ and \$ \_\_\_\_\_, respectively. Since it distributed no funds in \_\_\_\_\_ years, the is not attentive to \_\_\_\_\_ by measure of its distributions.

The second requirement is whether the amount of support received from the supporting organization is necessary to avoid the interruption of a particular activity of the supported organization. As previously described, \_\_\_\_\_ has not provided any support to \_\_\_\_\_ for approximately the last \_\_\_\_\_ years. Despite lacking \_\_\_\_\_ support during this period, the \_\_\_\_\_ has continued to operate as an exempt \_\_\_\_\_ and to award other scholarships to its students without interruption. The \_\_\_\_\_ is not attentive to \_\_\_\_\_ by this measure.

The \_\_\_\_\_ requirement considers all pertinent factors, including the number of supported organizations, the length and nature of the relationship between the supported organization and supporting organization, and the purpose to which the funds are put, the amount of support received from the supporting organization is a sufficient part of the supported organization's total support to ensure attentiveness.

Regarding the \_\_\_\_\_ aspect of the attentiveness requirement, the \_\_\_\_\_ is \_\_\_\_\_ listed supported organization. The length of the relationship is extensive, as \_\_\_\_\_ was formed in \_\_\_\_\_ to support the \_\_\_\_\_. However, this relationship has been dormant for approximately the last \_\_\_\_\_ years. During this period, \_\_\_\_\_ has not distributed any funds to the \_\_\_\_\_ and the \_\_\_\_\_ has declined to involve itself with any aspect of \_\_\_\_\_. A supported organization is not considered to be attentive \_\_\_\_\_ because it may have enforceable rights in a \_\_\_\_\_. In considering the sum of relevant factors, the \_\_\_\_\_ is not attentive to the operations of \_\_\_\_\_.

\_\_\_\_\_ is not considered a Type III non-functionally integrated supporting organization within the meaning of Treas. Reg. 1.509(a)-4(i)(5) because it does not meet the distribution requirement and the attentiveness requirement of the integral part test and the responsiveness test and the notification requirement of the relationship test. Moreover, it does not qualify as a Type III functionally integrated supporting organization within the meaning of Treas. Reg. 1.509(a)-4(i)(4) because it does not satisfy the integral part test, the responsiveness test and the notification requirement of the relationship test. Additionally, \_\_\_\_\_ does not qualify to be described as a Type I supporting organization within the meaning of Treas. Reg. 1.509(a)-4(f)(2)(i) because it is not operated, supervised, or controlled by \_\_\_\_\_. Likewise, it does not qualify to be described as a Type II supporting organization within the meaning of Treas. Reg. 1.509(a)-4(f)(2)(ii) because it is not supervised or controlled in connection with the \_\_\_\_\_.

Furthermore, if \_\_\_\_\_ did satisfy the relationship test and each of its components, it still would not satisfy the operational test because it does not engage in activities or make payments to or for the use of \_\_\_\_\_ or its students. \_\_\_\_\_ does not qualify for exemption from Federal income tax under IRC 501(c)(3) as a supporting organization within the meaning of IRC 509(a)(3). Its exempt status should be revoked effective \_\_\_\_\_ the \_\_\_\_\_ of the exam period.

## CONCLUSION

\_\_\_\_\_ does not continue to qualify for exemption from Federal income tax under IRC 501(c)(3) as a supporting organization within the meaning of IRC 509(a)(3). Its exempt status should be revoked.

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**- Income**

Investment Income	Gain from Sale of Securities	Total Revenue	Administrative Fees	Net Income	Scholarships/ Grants Awarded	Excess Net Assets
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Investment Income	Gain from Sale of Securities	Total Revenue	Administrative Fees	Net Income	Scholarships/ Grants Awarded	Excess Net Assets
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**- Fund Balance**

Fund Balance Year	Excess Net Assets	Other Changes to Net Assets	Fund Balance End of Year
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Fund Balance Year	Excess Net Assets	Other Changes to Net Assets	Fund Balance End of Year
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**- WALU Total Support**

Gifts, grants, contributions, membership fees	Gross income from interest, dividends, similar sources	Net income from unrelated business activities	Support
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Gifts, grants, contributions, membership fees	Gross income from interest, dividends, similar sources	Net income from unrelated business activities	Support
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