Dear Mr. Mattingly:

Our recent examination of the above information return disclosed that your organization continues to qualify for exemption from Federal income tax. Accordingly, the return is accepted as filed.

However, the following marked item(s) were noted:

[X] See Attached

We will appreciate your compliance with the above requirements.

Sincerely,

R. C. Johnson
Director, EO Examinations
Section 6033 of the Internal Revenue Code of 1986 requires that income and expenses from all activities be stated separately on the appropriate line of the Form 990. The audit determined that the organization reported as "Other Revenue" receipts that should have been reported on other lines of the Form 990 - Contributions, Program Service Revenue and Special Events. In the future, please reflect the gross receipts from each activity and their related expenses on the appropriate lines of the Form 990.

The audit determined that expenses deducted on the filed Form 990-T, Exempt Organization Business Income Tax Return, were greater than expenses actually incurred. One hundred percent of one individual's salary and payroll taxes were deducted. The audit determined that only 60% should have been deducted.

The audit also determined that instead of deducting expenses that were directly connected with the earning of the income and that had a proximate and primary relationship, the organization deducted expenses based on the percentage of unrelated business income to total income. This method - Gross-To-Gross - has been determined not to be an acceptable method of allocating expenses (Income Tax Regulation 1.512(a)-1(f)(6)).

In the future, please maintain the records necessary to determine the accurate amount of expenses incurred in the earning of the unrelated business income.