

**MASTATE CHARITABLE FOUNDATION**  
411 25<sup>th</sup> Avenue E.  
Seattle, Washington 98112-4717  
(206) 860-8875

Internal Revenue Service  
Exempt Organizations  
Attn: Mr. Stephen D. Seok  
P.O. Box 2508  
Cincinnati OH 45201

Subject: Information Request for Mastate Charitable Foundation Form 1023  
Employee Identification Number: 20-1633894

Dear Mr. Seok:

I am the secretary of the Mastate Charitable Foundation ("MCF"), and am authorized to file this response to your additional information request to confirm that the Mastate Charitable Foundation is entitled to an exemption under IRC § 501(c)(3). MCF's response is as follows:

1) Activity Detail: The following projects are those currently being carried out by MCF. They represent 100% of the time expended.

a) Provide educational opportunities for five, indigent residents of the rural village of Mastatal or environs, Costa Rica - 40% of the total activities.

Where: Santa Maria del Dota organic coffee plantation, Durika private reserve and sustainable community, Hacienda Baru private reserve, Monte Verde private reserve, and Palo Verde tropical dry forest science field station in Costa Rica.

When: Off and on for one week periods from March 28 through June 4, 2005.

What: Some of the residents will accompany MCF president, Dr. Susan M. Bolton, to one or more of the above listed sites in Costa Rica for a one week period, where they will learn about such things as sustainable agriculture and alternative methods for growing crops. For example, some of the residents are going to Santa Maria del Dota, which is an organic coffee center. While there, the residents will learn about organic coffee growing techniques, including the environmental advantages of growing shade grown coffee, which is a method that preserves local fauna and does not disrupt local species. They will learn how the coffee is grown, selected, and will also learn roasting techniques, as well as the sustainable agriculture methods. Other residents will go to Hacienda Baru, Monte Verde or Palo Verde, which are private reserves, where they will learn conservation techniques for plants and for endangered species, such as the agouti and the paca. The residents will be able to take their education and techniques back to their village and teach other residents.

COPY

By Whom, For Whom: Conducted by Dr. Susan M. Bolton for indigent residents of Mastatal and environs, Costa Rica, with the assistance of members and residents of the aforementioned communities.

b) Construction projects – 40% of the total activities.

Where: Mastatal or San Miguel and environs, Costa Rica

When: Sometime between April 17 and June 4, 2005.

What: Construction of one or more composting toilets and bus stops; paint or refurbish public schoolhouse. The goal for 2005 is construct one composting toilet and one bus stop, and paint or refurbish one public schoolhouse; the goal for 2006 is 2 composting toilets and one bus stop, and paint or refurbish one public schoolhouse.

By Whom, For Whom: MCF volunteers, volunteer staff and students from the University of Washington will construct the toilets, with the possible assistance of residents of the rural areas of Mastatal or San Miguel for the regions residents. Site planning will occur and possible construction of one bus stop may happen during this timeframe. Painting and refurbishing will be done by volunteers with help from the kids attending the school; paint and materials will be donated by the school and by MCF. In short, the materials will be purchased by MCF and the labor donated by the volunteers and residents.

c) Library project – 10% of the total activities.

Where: Mastatal Region.

When: Off and on during 2005. No set dates. Volunteers will meet with regional residents to plan the library project.

What: Construct library building or find suitable building; collect books for library. As this project grows in scope, MCF expects that it will take as much as 70% of its total activities. However, adequate funding for a building will be required before a substantial amount of time is devoted to this project.

By Whom, For Whom: MCF volunteer staff, for regional residents.

d) Stream and River Data Collection – 5% of the total activities

Where: Rivers and streams in the Mastatal region, including La Congreja Mountain, and surrounding land.

When: Three to four times per year.

What: Collection of stream flow data, including speed, depth, and temperature, as well as collection of rainfall data.

By Whom, For Whom: MCF volunteers and volunteer staff, primarily Dr. Susan M. Bolton and students from the University of Washington. The data is collected, loaded into a computer, and then it is provided to the Costa Rica Ministry of Environment and Energy, which analyzes the data for stream and river preservation and enhancement.

e) Administrative Activities – 4% of the total activities.

Where: From a member's house. There is no charge from this member for the use of the house.

When: Monthly.

What: Compilation of emailing lists, review and reconciliation of MCF checking account, contacting charitable organizations regarding possible future grants to MCF. Review of progress on existing projects.

By Whom, For Whom: Members of the board of directors and MCF officers will conduct these activities on behalf of MCF.

f) Fund Raising – 1% of the total activities.

Where: From a member's house. There is no charge from this member for the use of the house.

When: Once a year solicitation, generally in February or March of each year, with the possibility of making one to two more solicitations per year.

What: Send an email to a list compiled by the board of directors and MCF officers.

By Whom, For Whom: Members of the board of directors and MCF officers will draft the solicitation email and send it to the list they have compiled.

2) Additional Information Regarding Stream Sample Activity in September 2004

a) Stream, River and Rain Data Collection – 95% of the total activities in 2004; and 5% of the total activities for 2005.

Where: Rivers and streams, and nearby areas in the greater Mastatal region, including the top of La Congreja mountain.

When: Three to four times per year, preferably on a quarterly basis.

What: Collection of stream and river flow data, including speed, depth, and temperature, along with measurement of total rainfall. This also involved the repair of instruments damaged during high water or flooding.

By Whom, For Whom: MCF volunteer staff, primarily Dr. Susan M. Bolton. During the second quarter of 2005, Dr. Bolton may be assisted by students from the University of Washington. The data was collected and provided to the Costa Rica Ministry of Environment and Energy, at its regional station in Puriscal, Costa Rica, which thereafter analyzed all of the data for stream and river preservation and enhancement, including analysis of the rainfall data.

b) Names addresses of participants in 2004.

Data collection commenced in September 2004 was done by Dr. Susan M. Bolton, whose address is 411 25<sup>th</sup> Ave. E., Seattle WA 98112-4717, assisted by Joel G. Green, whose address was 9919 NE 119<sup>th</sup> Court, Apt. 3, Kirkland WA 98034.

c) Duration of project.

This project has no current end date. Stream and river data samples must be taken over long periods of time in order for meaningful data to be provided to the Costa Rica Ministry of Environment and Energy. MCF estimates that at least 5 years of data will need to be collected and it is anticipated that 10 years of data are required for purposes of compiling statistically valid data.

d) Expense details.

To date, no expenses have been incurred by MCF. Dr. Bolton has donated all of her time, and has also donated all travel expenses, room and board. Dr. Bolton also paid for the instruments used to collect the data. Joel Green donated his labor, travel expenses, room and board. Thus, MCF has paid no expenses for this project and no other entity has paid any expenses either.

e) Source of funding.

As noted above, Dr. Bolton has donated her time and the instruments required to collect the data, as well as the travel, room and board expenses, and Mr. Green donated his time, travel, room and board expenses.

3) Expense analysis and accomplishment of goals.

The information on page 8 of Form 1023 was incorrectly scheduled. In calendar year 2004, MCF received \$255 in seed money, not \$250. Of that amount, \$100 was used to register MCF with the State of Washington and pay the annual fee for non-profit corporations, \$150 was used to pay the fee to the IRS for Form 1023, and \$5 was used to open a corporate banking account. A new page 8 has been completed and is filed herewith.

In addition, line 15 on page 8 indicated that MCF would make contributions, gifts, grants and similar amounts in 2004, 2005 and 2006. However, MCF did not make such contributions in 2004 and will **not** make such contributions. The new page 8 correctly indicates that the funds expended in 2004 were for expenses, which will be the case for 2005

and 2006. Thus, these amounts should have been listed in line 22, instead of line 15. We apologize for this error.

In 2005 to date, MCF has received approximately \$900.00 from its annual solicitation. But, MCF will still be able to attain its goals for 2005 because overall expenses for its various projects are very small, and the labor and other services are donated by its volunteer staff and other volunteers. In addition, the volunteers pay for their own travel, room and board expenses. Thus, MCF's expenses are limited to the purchase of materials for construction projects, and for library books.

To further understand how MCF can accomplish its current goals, one must understand that things are very inexpensive in Costa Rica. Furthermore, the projects will take place in remote, rural areas, where the average and median monthly incomes are extremely low and the cost of materials is concomitant with the income. Per capita income is less than \$10,000 per year in Costa Rica, but in rural areas is significantly less than that. Housing in these rural areas is as little as \$1000 for a four room house; housing with a cost of \$3000 would include arable land for farming. Most rural residents in these remote areas of Costa Rica live at or slightly above subsistence level. So they are in need of assistance.

The cost for a one-week trip for the educational opportunities is about \$18 to \$40 per person, including room, board and travel; MCF pays for the room, board and travel expenses directly to the service provider. The cost of materials to build a composting toilet is \$250 to \$400 depending upon the design. A composting toilet will decrease pollution of freshwater sources. The cost of materials to build a bus stop is \$800-1200. A solidly built bus stop will become communal focal and meeting place for residents. Paint and other materials for refurbishing a schoolhouse will be donated by the school and purchased by MCF; the labor involved is the key factor. Natural resources for building materials are abundant, and MCF can use such renewable resources as cob and bamboo. So, the main cost will be for paint. Any funds not used on educational or construction projects will be used to purchase books.

Another key factor is the volunteers and staff pay for their own expenses, including travel, meals and lodging. As noted above, they also donate their labor, which significantly reduces MCF's project costs, and permits MCF to use the funds for materials and books.

Costa Rica currently ranks amongst the worst nations with respect to land and air pollution, and water and sanitation problems in rural areas. MCF's educational and construction projects are designed to improve the environmental sustainability of land, water and sanitation problems in such areas.

The bulk of the services for 2005 and in the future will be donated by the volunteer staff and by other volunteers, such as students from the University of Washington. As noted above, all of the volunteers will donate their travel, room and board expenses, as well as their labor to build the composting toilets and bus stops, and to collect the water data.

MCF's dream is big, as indicated on page 2 of Form 1023. MCF would like to expand its charitable works to other subtropical countries. MCF currently has members of its board of directors who are U.S. citizens residing in Costa Rica. These board members are

capable of providing the requisite oversight to ensure that MCF's charitable projects are properly carried out. Future expansion into other countries will include the creation of regional boards of directors, made up of U.S. citizens residing in the particular country, so that the same oversight may be provided to ensure that MCF's activities are carried out properly. As MCF builds its track record, it will seek funding from other non-profit entities and expand into other subtropical countries. MCF expects its funding to grow, as its charitable works are made known. Ultimately, MCF would like to build a foundational fund of \$100,000 and use the interest earned on those funds to do its charitable projects through as many subtropical countries as possible.

Finally, as noted above, it cannot be stressed more how a prominent feature of MCF's ability to do several projects at a time at a relatively low cost is based upon the willingness of volunteer labor, from U.S. citizens who will travel to Costa Rica to participate in MCF's projects at their own expense.

4) MCF does not give any money to other organizations.

MCF will not be giving any funds to non-501(c)(3) domestic organizations, and at this time has no plans to donate to 501(c)(3) organizations. In short, MCF has no plans to give money to other organizations.

5) No funding to individuals.

MCF does not give money to individuals. The native Costa Ricans ("Ticos") who benefit from the educational opportunities receive no money from MCF. MCF pays their travel, room and board expenses directly to the service provider. This ensures that MCF's funds are not misused by the educational participants.

6) MCF does not intend to distribute funds to foreign organizations.

MCF has not and does not intend to distribute funds to foreign organizations.

7) Revised Lines 15 and 22 of page 8 of Form 1023:

Attached hereto are the Schedules for line 22 of the enclosed, corrected page 8, rather than for line 15. As noted above, the amounts on page 8 of Form 1023 should have been included in line 22, not line 15.

In conclusion, we trust that we have adequately answered your questions. If you have any further questions, please feel free to contact me at the above address or you may leave a message at the above phone number. If you wish to speak with me directly, you may call me at my personal phone: (206) 550-1900.

Yours sincerely,  
Mastate Charitable Foundation

  
By Joel G. Green  
Its secretary

## SCHEDULES FOR LINE 22, PAGE 8, FORM 1023

Current Tax Year (2004)

Expedited registration fees with the State of Washington as a nonprofit corporation: \$100  
Fee to IRS for Form 1023: \$150  
Open bank account: \$5  
Total: \$255

Tax Year 2005

Annual State of Washington nonprofit corporation registration fee: \$10  
Room, board and travel expenses for 5 indigent individuals for educational activity: \$150  
Materials for one bus stop: \$1200  
Materials for one composting toilet: \$250  
Paint and refurbishing materials: \$100  
Books for library: \$290  
Total: \$2000

Tax Year 2006

Annual State of Washington nonprofit corporation registration fee: \$10  
Room, board and travel expenses for 5 indigent individuals for educational activity: \$150  
Materials for one bus stop: \$1200  
Materials for two composting toilets: \$500  
Paint and refurbishing materials: \$100  
Books for library: \$540  
Total: \$2500

**Part IV** Financial Data

Complete the financial statements for the current year and for each of the 3 years immediately before it. If in existence less than 4 years, complete the statements for each year in existence. If in existence less than 1 year, also provide proposed budgets for the 2 years following the current year.

**A. Statement of Revenue and Expenses**

	Current tax year	3 prior tax years or proposed budget for 2 years			(e) TOTAL
	(a) From 9/15/04 to 12/31/04	(b) 1/1/05 to 12/31/05	(c) 1/1/06 to 12/31/06	(d) .....	
<b>Revenue</b>					
1 Gifts, grants, and contributions received (not including unusual grants—see page 6 of the instructions).	255	2000	2500		4755
2 Membership fees received					
3 Gross investment income (see instructions for definition)					
4 Net income from organization's unrelated business activities not included on line 3					
5 Tax revenues levied for and either paid to or spent on behalf of the organization					
6 Value of services or facilities furnished by a governmental unit to the organization without charge (not including the value of services or facilities generally furnished the public without charge)					
7 Other income (not including gain or loss from sale of capital assets) (attach schedule)					
8 Total (add lines 1 through 7)	255	2000	2500		4755
9 Gross receipts from admissions, sales of merchandise or services, or furnishing of facilities in any activity that is not an unrelated business within the meaning of section 513. Include related cost of sales on line 22					
10 Total (add lines 8 and 9)	255	2000	2500		4755
11 Gain or loss from sale of capital assets (attach schedule)					
12 Unusual grants					
13 Total revenue (add lines 10 through 12)	255	2000	2500		4755
<b>Expenses</b>					
14 Fundraising expenses					
15 Contributions, gifts, grants, and similar amounts paid (attach schedule)					
16 Disbursements to or for benefit of members (attach schedule)					
17 Compensation of officers, directors, and trustees (attach schedule)					
18 Other salaries and wages					
19 Interest					
20 Occupancy (rent, utilities, etc.)					
21 Depreciation and depletion					
22 Other (attach schedule)	255	2000	2500		
23 Total expenses (add lines 14 through 22)					
24 Excess of revenue over expenses (line 13 minus line 23)	0	0	0		

Internal Revenue Service  
Director, Exempt Organizations  
Rulings and Agreements

Department of the Treasury  
P.O. Box 2508 - Room 4522  
Cincinnati, Ohio 45201

Date: March 18, 2005

Mastate Charitable Foundation  
c/o Dr. Susan M. Bolton  
411-25<sup>th</sup> Avenue East  
Seattle, WA 98112-4717

Employer Identification Number:  
20-1633894  
Person to Contact - ID#:31-07855  
Stephen D. Seok Group# 7827  
Contact Telephone Numbers:  
513-263-3625 Phone  
513-263-4488 FAX  
Response Due Date: April 9, 2005

Dear Sir or Madam:

Before we can determine whether your organization is exempt from Federal income tax, we must have enough information to show that you have met all legal requirements. You did not include the information needed to make that determination on your Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

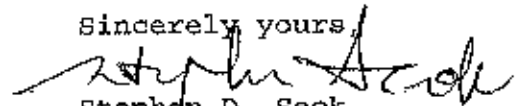
To help us determine whether your organization is exempt from Federal income tax, please send us the requested information by the above date. We can then complete our review of your application.

If we do not hear from you within that time, we will assume you do not want us to consider the matter further and will close your case. In that event, as required by Code section 6104(c), we will notify the appropriate state officials that, based on the information we have, we cannot recognize you as an organization of the kind described in Code section 501(c)(3). As a result, the Internal Revenue Service will treat your organization as a taxable entity. If we receive the information after the response due date, we may ask you to send us a new Form 1023.

In addition, if you do not provide the requested information in a timely manner, we will consider that you have not taken all reasonable steps to secure the determination you requested. Under Code section 7428(b)(2), your not taking all reasonable steps in a timely manner to secure the determination may be considered as failure to exhaust administrative remedies available to you within the Service. Therefore, you may lose your rights to a declaratory judgment under Code section 7428.

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

Sincerely yours,

  
Stephen D. Seok  
Exempt Organizations Specialist

Enclosure(s)

Letter 1312 (DO)

Name: Mastate Charitable Foundation  
EIN: 20-1633894

Note: Your response to this letter must be submitted over the signature of an authorized person or of an officer whose name is listed on page 3 of the application.

Thank you for your continued support and cooperation,

PLEASE ATTACH A COPY OF THIS LETTER TO ALL CORRESPONDENCE.

Additional Information Requested:

- 1) You have described your organizational goals/missions for/on page 2 of Form 1023 well. However, you did not provide actual activity details, which we really need to process your application. Provide the following. What actual activities will be conducted to achieve those goals? Please submit a list showing each activity you have conducted, currently conduct or plan to conduct. Beside each activity, indicate the percentage of total time devoted to the activity. In addition, explain when, where and how each activity is conducted. For whom are the activities conducted? By whom are activities conducted?

Please see Exhibit-1 for an example of activity detail description.

- 2) Provide the following for the project conducted in Costa Rica commenced from 9/2004.
  - a) Provide the activity details - see the Exhibit 1 for how much detail we need.
  - b) Provide the person's names and addresses who participated that project.
  - c) What is the duration of that project?
  - d) Submit the expense details. The expense detail must be separated out the expenses paid by your organization and paid by other organizations or individuals.
  - e) Where did you get the fund for the projects? Explain in detail.
- 3) Your page 8 of the application has only about \$2000 revenue in average per year and even those money will be used for donation purpose. How do you accomplish your huge projects involved foreign countries with almost

Name: Mastate Charitable Foundation  
EIN: 20-1633894

no money. Explain. Submit new page 8, if necessary - blank page 8 enclosed.

- 4) If you give funds to non-501(c)(3), domestic organizations, how do you have make sure that your donated funds are used for charitable purposes under Section 501(c)(3).

If you only give funds to 501(c)(3) organizations, please state so.

If you do not give any money to other organizations, please state so as well.

- 5) Do you give out fund (money) to individuals? If so, provide the following (if you do not give any fund to individuals, please state "no funding to individuals"):

a) How do you let the public know your scholarship/fund are available? Provide the brochures, publications, letters, etc.

b) Describe the complete selection process and criteria you will use to select beneficiaries. Specifically, will selection be based on demonstrated financial need? Provide copies of any application materials you may have.

c) Are selection committee members of your organization or their relatives eligible to receive assistance? If so, how will the organization ensure that selection of recipients will be made in an unbiased manner? Will that committee member excuse himself or herself from the selection process when the conflict of interest arise for a committee member?

d) Describe how you maintain records and case histories to show the name and address of each recipient of aid; the amount distributed to each; the purpose for which the aid was given; the manner in which the recipient was selected and the relationship, if any, between the recipient and any member of the organization or disqualified persons.

- 6) Answer the following for fund distributions to foreign organizations if you do have such funding plan:

a) Explain the route how your organization distribute funds to the foreign country in detail if you send funds directly to foreign organizations.

Name: Mastate Charitable Foundation

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- b) Does your organization maintain control and responsibility over the use of any funds or goods granted to other organizations in foreign countries: If yes, how?
- c) Does anyone from your organization make any field investigations to ensure your funds or goods are being used properly: If yes, how often?

7) Provide the schedules of line 15 of the enclosed page 8.

Please provide the name, telephone number, and fax number of your organization's officer as a contact person who can be reached during business hours, Monday through Friday if you did not provide them on your Form 1023 application.

PLEASE DIRECT ALL CORRESPONDENCE REGARDING YOUR CASE TO:

US Mail:

Internal Revenue Service  
Exempt Organizations  
P. O. Box 2508  
Cincinnati, OH 45201  
ATT: Stephen D. Seok  
Room 4522  
Group 7827

Street Address:

Internal Revenue Service  
Exempt Organizations  
550 Main St, Federal Bldg.  
Cincinnati, OH 45202  
ATT: Stephen D. Seok  
Room 4522  
Group 7827