

Application for Recognition of Exemption

Under Section 501(c)(3) of the Internal Revenue Code

To be filed in the District in which the organization has its principal office or place of business.

This application, when properly completed, shall constitute the notice required under section 508(a) of the Internal Revenue Code in order that organizations may be treated as described in section 501(c)(3) of the code, and the notice under section 508(b) appropriate to those organizations claiming not to be private foundations within the meaning of section 509(a).

Part I.—Identification (See instructions)

1 Full name of organization Mountain Association for Community Economic Development Inc.	2 Employer identification number (If none, attach Form SS-4) Form attached - Enclosure 7
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3(a) Address (number and street)

200 Short Street

3(b) City or town, State and ZIP code Berea, Kentucky 40403	4 Name and phone number of person to be contacted William A. Duncan 606-986-8888
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5 Month the annual accounting period ends April	6 Date incorporated or formed December 13, 1976	7 Activity Codes (see instructions) <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; border: 1px solid black; text-align: center;">400</td> <td style="width: 33%; border: 1px solid black; text-align: center;">402</td> <td style="width: 33%; border: 1px solid black; text-align: center;">603</td> </tr> </table>		400	402	603
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Part II.—Organizational Documents (See instructions)

- 1 Attach a conformed copy of the organization's creating instruments (articles of incorporation, constitution, articles of association, deed of trust, etc.).
- 2 Attach a conformed copy of the organization's by-laws or other rules for its operation.
- 3 If the organization does not have a creating instrument, check here (See instructions)

Part III.—Activities and Operational Information (See instructions)

- 1 What are or will be the organization's sources of financial support? List in order of magnitude. If a portion of the receipts is or will be derived from the earnings of patents, copyrights, or other assets (excluding stock, bonds, etc.), identify such item as a separate source of receipt. Attach representative copies of solicitations for financial support.

The corporation has received initial funding of \$49,946 from the Kentucky Highlands Investment Corp. of London, Kentucky and Southwest Virginia Community Development Fund, both of which are Community Development Corporations funded by CSA and qualified under IRS 170(b)(1)(A)(VI). (See Enclosure 3 for solicitation from KHIC to Lilly Endowment.)

Principal sources of support in order of magnitude are expected to be: 1) Grants from church organizations; 2) Grants from foundations; 3) Grants from government agencies; and 4) Fee for service as part of exempt function.

- 2 Describe the organization's fund-raising program and explain to what extent it has been put into effect. (Include details of fund-raising activities such as selective mailings, formation of fund-raising committees, use of professional fund raisers, etc.)

The corporation will submit grant applications and write letters to selected foundations; government agencies, and churches soliciting funds. Mass mailing solicitation is not anticipated, nor is the use of professional fund raisers anticipated.

To date the only grant application submitted has been to the Lilly Endowment.
 (Enclosure 3)

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and I have examined this application, including the accompanying statements, and to the best of my knowledge it is true, correct and complete.

 (Signature)

 (Title or authority of signer)

 (Date)

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Part III.—Activities and Operational Information (Continued)

- 3 Give a narrative description of the activities presently carried on by the organization, and also those that will be carried on. If the organization is not fully operational, explain what stage of development its activities have reached, what further steps remain for the organization to become fully operational, and when such further steps will take place. The narrative should specifically identify the services performed or to be performed by the organization. (Do not state the purposes of the organization in general terms or repeat the language of the organizational documents.) If the organization is a school, hospital, or medical research organization, include sufficient information in your description to clearly show that the organization meets the definition of that particular activity that is contained in the instructions for Part VII-A on page 3 of the instructions.

The organization has been operational since June 15, 1976, though it did not incorporate until December 13, 1976. Work carried on to date has been:

- 1) Delivery of technical assistance to projects, organizations, community development corporations, and new small businesses operated by or for the benefit of disadvantaged local residents in Central Appalachia who are striving to reduce poverty in the area by stimulating economic development. This assistance has been in development planning, systems design, personnel, production, business plan preparations, and financial planning. Included in this category are:
 1. Preparation of business plan and locating of funding for a sawmill run by a community controlled non-profit corporation.
 2. Consultation on staff structure and internal membership communications with a 125-member CDC.
 3. Consultation on and final restructuring of a honey producers' coop.
 4. Assistance in the planning of a cooperative.
 5. Assistance in planning and preparations to open a cooperatively owned craft shop.
- 2) Research into the recurring problems encountered by community development corporations, area development districts, local governments, and others in reducing widespread poverty through economic development. This has included:
 1. Planning a conference for people from government, church, foundations, and local development organizations on economic development problems in the area and preparing case studies for that conference.
 2. Preparing three case studies on area development efforts.
 3. Holding two workshops on the role of the board in community development organizations and on the managerial skills necessary for running a crafts coop.
- 3) Planning of the organizations's first year operations.

The activities of the organization closely resemble those described in Revenue Rule 74-587, Enclosure 5.

Part III.—Activities and Operational Information (Continued)

4 The membership of the organization's governing body is:

(a) Names, addresses, and duties of officers, directors, trustees, etc.	(b) Specialized knowledge, training, expertise, or particular qualifications
See Enclosure 4 (Board of Directors)	

(c) Do any of the above persons serve as members of the governing body by reason of being public officials or being appointed by public officials? Yes No
 If "Yes," please name such persons and explain the basis of their selection or appointment.

(d) Are any members of the organization's governing body "disqualified persons" with respect to the organization (other than by reason of being a member of the governing body) or do any of the members have either a business or family relationship with "disqualified persons"? (See specific instructions 4(d).) Yes No
 If "Yes," please explain.

5 Does the organization control or is it controlled by any other organization? Yes No
 Is the organization the outgrowth of another organization, or does it have a special relationship to another organization by reason of interlocking directorates or other factors? Yes No
 If either of these questions is answered "Yes," please explain.

6 Is the organization financially accountable to any other organization? Yes No
 If "Yes," please explain and identify the other organization. Include details concerning accountability or attach copies of reports if any have been rendered.

The corporation will have an annual audit. This audit will be furnished, on request, to those who have contributed the corporations's funding. Also, any quarterly reports, etc., requested by specific grantors will be completed and submitted. To date, no reports have been rendered by the corporation.

7 What assets does the organization have that are used in the performance of its exempt function? (Do not include income producing property.) If any assets are not fully operational, explain what stage of completion has been reached, what additional steps remain to be completed, and when such final steps will be taken.

- 1. Cash and accounts receivable: \$39,343.18
- 2. Office equipment valued at \$482.62

Part III.—Activities and Operational Information (Continued)

8 (a) What benefits, services, or products will the organization provide with respect to its exempt function?

The corporation will provide technical assistance to CDC's, local governments, and other organizations fostering economic development, in establishing small businesses and industries in the Kentucky and Virginia portions of Central Appalachia, and will assist them in locating technical and financial support, with the express purpose of improving economic conditions in this area.

(b) Have the recipients been required or will they be required to pay for the organization's benefits, services, or products? Yes No

If "Yes," please explain and show how the charges are determined. MACED has delivered 82 days of direct one-to-one technical assistance during its first 6½ months of operation, of which 1½ days plus expenses were charged for at cost. We expect to continue to deliver services without charge to 90 - 95% of the community projects, local government agencies, and others whom we serve. However, groups who agree that they are able to pay for services rendered

9 Does or will the organization limit its benefits, services or products to specific classes of individuals? Yes No (cont. on bottom*)

If "Yes," please explain how the recipients or beneficiaries are or will be selected.

The corporation plans to work with all low income or governmental groups in the Kentucky and Virginia counties of Central Appalachia (as defined by ARC), whose aim is to combat poverty through economic development.

10 Is the organization a membership organization? Yes No

If "Yes," complete the following:

(a) Please describe the organization's membership requirements and attach a schedule of membership fees and dues.

(b) Are benefits limited to members? Yes No
If "No," please explain.

(c) Attach a copy of the descriptive literature or promotional material used to attract members to the organization.

11 Does or will the organization engage in activities tending to influence legislation or intervene in any way in political campaigns? Yes No

If "Yes," please explain.

Part IV.—Statement as to Private Foundation Status (See instructions)

1 Is the organization a private foundation? Yes No

2 If question 1 is answered "No," indicate the type of ruling being requested as to the organization's status under section 509 by checking the applicable box below:

- Definitive ruling under section 509(a)(1), (2), (3), or (4) — complete Part VII.
- Advance or extended advance ruling under section 509(a)(1) or (2) — See instructions.

3 If question 1 is answered "Yes," and the organization claims to be a private operating foundation, check here and complete Part VIII.

*will be charged our cost. This cost will consist of the actual salaries of staff delivering the services, as well as specific travel, telephone, office rent, and other costs related to delivery of the service to that group.

V.—Financial Data (See instructions) Budget for period from June 15, 1976, to April 30, 1978
 Statement of Receipts and Expenditures, for period ending December 30, 1976 Enc.

Receipts		
1	Gross contributions, gifts, grants and similar amounts received	49,946
2	Gross dues and assessments of members	0
3	Gross amounts derived from activities related to organization's exempt purpose	\$175
	Less cost of sales	0
		175
4	Gross amounts from unrelated business activities	0
	Less cost of sales	0
5	Gross amount received from sale of assets, excluding inventory items (attach schedule)	0
	Less cost or other basis and sales expense of assets sold	0
		0
6	Interest, dividends, rents and royalties	0
7	Total receipts	50,121
Expenditures		
8	Contributions, gifts, grants, and similar amounts paid (attach schedule)	0
9	Disbursements to or for benefit of members (attach schedule)	0
10	Compensation of officers, directors, and trustees (attach schedule)	0
11	Other salaries and wages	7,386.11
12	Interest	0
13	Rent	52.50
14	Depreciation and depletion	8.04
15	Other (attach schedule) See Schedule 1	2,805.55
16	Total expenditures	10,252.20
17	Excess of receipts over expenditures (line 7 less line 16)	39,868.80

Balance Sheets		Enter dates	Beginning date	Ending date
			June 15, 1976	December 30, 1976
Assets				
18	Cash (a) Interest bearing accounts			10,000
	(b) Other			4,436.22
19	Accounts receivable, net			25,148.00
20	Inventories			0
21	Bonds and notes (attach schedule)			0
22	Corporate stocks (attach schedule)			0
23	Mortgage loans (attach schedule)			0
24	Other investments (attach schedule)			0
25	Depreciable and depletable assets (attach schedule) See Schedule 2			474.58
26	Land			0
27	Other assets (attach schedule)			0
28	Total assets			40,058.80
Liabilities				
29	Accounts payable			190
30	Contributions, gifts, grants, etc., payable			0
31	Mortgages and notes payable (attach schedule)			0
32	Other liabilities (attach schedule)			0
33	Total liabilities			190
Fund Balance or Net Worth				
34	Total fund balance or net worth			39,868.80
35	Total liabilities and fund balance or net worth (line 33 plus line 34)			40,058.80

Part VI.—Required Schedules for Special Activities (See instructions)	If "Yes," check here;	And, complete schedule—
1 Is the organization, or any part of it, a school?		A
2 Does the organization provide or administer any scholarship benefits, student aid, etc.?		B
3 Has the organization taken over, or will it take over, the facilities of a "for profit" institution?		C
4 Is the organization, or any part of it, a hospital?		D
5 Is the organization, or any part of it, a home for the aged?		E
6 Is the organization, or any part of it, a litigating organization (public interest law firm or similar organization)?		F

Part VII.—Non-Private Foundation Status (Definitive ruling only)

A.—Basis for Non-Private Foundation Status

The organization is not a private foundation because it qualifies as:

✓	Kind of organization	Within the meaning of	Complete
1	a church	Sections 509(a)(1) and 170(b)(1)(A)(i)	
2	a school	Sections 509(a)(1) and 170(b)(1)(A)(ii)	
3	a hospital	Sections 509(a)(1) and 170(b)(1)(A)(iii)	
4	a medical research organization operated in conjunction with a hospital	Sections 509(a)(1) and 170(b)(1)(A)(iii)	
5	being organized and operated exclusively for testing for public safety	Section 509(a)(4)	
6	being operated for the benefit of a college or university which is owned or operated by a governmental unit	Sections 509(a)(1) and 170(b)(1)(A)(iv)	Part VII.—B
7	<input checked="" type="checkbox"/> normally receiving a substantial part of its support from a governmental unit or from the general public	Sections 509(a)(1) and 170(b)(1)(A)(vi)	Part VII.—B
8	normally receiving not more than one-third of its support from gross investment income and more than one-third of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions (subject to certain exceptions)	Section 509(a)(2)	Part VII.—B
9	being operated solely for the benefit of or in connection with one or more of the organizations described in 1 through 4, or 6, 7 and 8, above	Section 509(a)(3)	Part VII.—C

B.—Analysis of Financial Support

	(a) Most recent taxable year	(Years next preceding most recent taxable year)			(e) Total
		(b) 19.....	(c) 19.....	(d) 19.....	
1	Gifts, grants, and contributions received	49,946	NA	NA	49,946
2	Membership fees received	0			
3	Gross receipts from admissions, sales of merchandise or services, or furnishing of facilities in any activity which is not an unrelated business within the meaning of section 513	175			175
4	Gross income from interest, dividends, rents and royalties	0			
5	Net income from organization's unrelated business activities	0			
6	Tax revenues levied for and either paid to or expended on behalf of the organization	0			
7	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)	0			
8	Other income (not including gain or loss from sale of capital assets)—attach schedule	0			
9	Total of lines 1 through 8	50,121			50,121
10	Line 9 less line 3	49,946			49,946
11	Enter 2% of line 10, column (e) only				998.92

12 If the organization has received any unusual grants during any of the above taxable years, attach a list for each year showing the name of the contributor, the date and amount of grant, and a brief description of the nature of such grant. Do not include such grants in line 1 above. (See instructions)

Schedule 1 (Line 15, other expenses, page 5)

Travel	\$1,094.75
Office supplies, books, material	407.38
Telephone	<u>1,303.42</u>
TOTAL	\$2,805.55

Schedule 2 (Line 25, depreciable assets, page 5)

IBM executive typewriter	\$460.00
Letter tray and desk top	<u>22.62</u>
TOTAL	\$482.62
less depreciation (1 month)	<u>8.04</u>
TOTAL	\$474.58

D.—Analysis of Financial Support (Continued)

13 If the organization's non-private foundation status is based upon:

(a) Sections 509(a)(1) and 170(b)(1)(A)(iv) or (vi).—Attach a list showing the name and amount contributed by each person (other than a governmental unit or "publicly supported" organization) whose total gifts for the entire period exceed the amount shown on line 11.

None

(b) Section 509(a)(2).—With respect to the amounts included on lines 1, 2, and 3, attach a list for each of the above years showing the name of and amount received from each person who is a "disqualified person."

None

With respect to the amount included in line 3, attach a list for each of the above years showing the name of and amount received from each payor (other than a "disqualified person") whose payments to the organization exceeded \$5,000. For this purpose, "payor" includes but is not limited to any organization described in sections 170(b)(1)(A)(i) through (vi) and any government agency or bureau.

C.—Supplemental Information Concerning Organizations Claiming Non-Private Foundation Status Under Section 509(a)(3)

1 Organizations supported by applicant organization:

Name and address of supported organization

Has the supported organization received a ruling or determination letter that it is not a private foundation by reason of sections 509(a)(1), or (2)?

2 What does the applicant organization do to support the above organizations?

NA

3 In what way do the supported organizations operate, supervise, or control the applicant organization, or in what way are the supported and applicant organizations operated in connection with each other?

4 Is the applicant organization controlled directly or indirectly by one or more "disqualified persons" (other than one who is a disqualified person solely because he is a manager) or by an organization which is not described in section 509(a)(1) or (2)? Yes No

If "Yes," please explain.