

Article V – Dues, Assessments, and Fund Raising

- Section 1: Annual dues adopted by the Club at its annual meeting and shall cover the period of April 1 through March 31 of the following fiscal year. In no event shall the dues be anything other than a nominal amount, the minimum necessary to cover replacement, maintenance, or operation of the equipment owned by The Club.
- Section 1a: Associate Membership: Dues shall be waived in the event that paying of such dues would work a hardship on a resident (owner or renter), or in any way prevent such a resident from joining The Club. This would be an associate membership with no voting rights..
- Section 2: The Club may, at any regularly scheduled or special meeting, agree to sponsor a fund raising project for a purpose deemed beneficial to its membership and to the residents of Happy Trails Resort, subject to the approval of the HTCA Board of Directors.

Reason per IRS Publication 557 Page 50:

Limited membership. The membership in a social club must be limited. To show that your organization has a purpose that would characterize it as a club, you should submit evidence with your application that there are limits on admission to membership consistent with the character of the club.

A social club that issues **corporate membership** is dealing with the general public in the form of the corporation's employees. Corporate members of a club are not the kind of members contemplated by the law. Gross receipts from these members would be a factor in determining whether the club qualifies as a social club. See *Gross receipts from nonmembership sources*, later. Bona fide individual memberships paid for by a corporation would not have an effect on the gross receipts source.

The fact that a social club may have an **associate (nonvoting) class of membership** will not be, in and of itself, a cause for nonrecognition of exemption. However, if one membership class pays substantially lower dues and fees than another membership class, although both classes enjoy the same rights and privileges in using the club facilities, there may be an inurement of income to the benefited class, resulting in a denial of the club's exemption.

Support. In general, your club should be supported solely by membership fees, dues,

Article XI – Dissolution

Section 1: In the event of the dissolution of the Happy Trails Pickleball Club, its property, funds, and other assets shall be transferred to whatever organization or organizations operated exclusively for charitable, educational, and/or purposes as Happy Trails Pickleball Club may determine, provided such organization or organizations qualify as tax-exempt under the Internal Revenue Code of the United States.

Section 2: (delete)

Reason per IRS Publication 557 Page 20:

Dedication. To establish that your organization's assets will be permanently dedicated to an exempt purpose, the articles of organization should contain a provision insuring their distribution for an exempt purpose in the event of dissolution. Although reliance may be placed upon state law to establish permanent dedication of assets for exempt purposes, your organization's application probably can be processed much more rapidly if its articles of organization include a provision insuring permanent dedication of assets for exempt purposes.

Distribution. Revenue Procedure 82-2, 1982-1 C.B. 367, identifies the states and circumstances in which the IRS will not require an express provision for the distribution of assets upon dissolution in the articles of organization. The procedure also provides a sample of an acceptable **dissolution** provision for organizations required to have one.

If a **named beneficiary** is to be the distributee, it must be one that would qualify and would be exempt within the meaning of section 501(c)(3) at the time the dissolution takes place. Since the named beneficiary at the time of dissolution may not be qualified, may not be in existence, or may be unwilling or unable to accept the assets of the dissolving organization, a provision should be made for distribution of the assets for one or more of the purposes specified in this chapter in the event of any such contingency.

Sample Articles of Organization

The following are examples of a charter (Draft A) and a declaration of trust (Draft B) that contain

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