

INCORPORATION FOR SQUARE DANCE CLUBS

Incorporating your nonprofit square dance club will set legal protections in place that can keep you and your directors' personal assets separate from the company's liabilities. There are a number of other benefits to forming a nonprofit, as well.

In general, nonprofit corporations enjoy the following benefits:

- **Limited liability protection.** Directors and officers are not personally liable for the organization's debts and liabilities.
- **Perpetual existence.** The corporation continues even if a director leaves the business or passes away.
- **Eligibility for grants.** Nonprofits may be eligible for certain public and private grants.

While nonprofits are bound by different state laws than for-profit enterprises, in general their formation processes are quite similar. Like a regular corporation, nonprofits must file Articles of Incorporation with the state in which they wish to incorporate. Since every state has different criteria, a good place to start is with the Internal Revenue Service's website:

<https://www.irs.gov/charities-non-profits/state-nonprofit-incorporation-forms-and-information>

This website will direct you to the state of your choice.

ARTICLES OF INCORPORATION

The first step to incorporation is the creation of your Club's Articles of Incorporation, and while these are similar to Bylaws, they are a separate document and more simplistic, and similar to the following sample:

ARTICLES OF INCORPORATION OF A TAX EXEMPT

_____ NON-PROFIT CORPORATION
(State) _____, INC.
(Name of Club)

I. Name and Location

The name of this corporation is _____, INC.
(Name of Club)

a non-profit corporation, with its primary location at _____
(Street, City, State, Zip)

II. Purpose

The _____, INC.
(Name of Club)

shall be organized exclusively for charitable and educational purposes to promote the extension of Square Dancing in all its forms (Square, Round, Contra, Clogging, Traditional and Line) by informing and encouraging the general public to support and enjoy this healthy lifestyle through dance programs and events that provide fun and effective exercise for both mind and body, all within a unique system of social interactions through holding regular dances for all to enjoy, including for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(C)(3) for the Internal Revenue Code, or the corresponding section of any future federal tax code.

III. Duration

The term for which this corporation shall exist shall be perpetual.

IV. Initial Trustees of the Corporation

1. _____
(Name of Individual Trustee) (Address of Individual Trustee)
2. _____
(Name of Individual Trustee) (Address of Individual Trustee)
3. _____
(Name of Individual Trustee) (Address of Individual Trustee)

V. Operation

No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its members, trustees, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article Third hereof. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

VI. Dissolution

Upon the dissolution of the Corporation, any assets remaining thereafter shall be conveyed to such organization or organizations as shall be selected by the affirmative vote of a majority of the Board of Directors entitled to vote in respect thereof, however, that such organization or organizations shall be exempt under Section 501(c) (3) of the Internal Revenue Code of 1986.

VII. Indemnification of Officers

No person who is serving or who has served as a Director of the corporation shall be personally liable to the corporation for monetary damages for breach of duty as a Director. No such provision shall be effective with respect to (i) acts or omissions that the Director at the time of such breach knew or believed were clearly in conflict with the best interests of the corporation, (ii) any liability under G.S. ' 55A-8-32 or G.S. ' 55A-8-33, (iii) any transaction from which the Director derived an improper personal financial benefit, (iv) acts or omissions occurring prior to the date the provision became effective. As used herein, the term *improper personal benefit* does not include a Director's reasonable compensation or other reasonable incidental benefit for or on account of his service as a Director, trustee, officer, employee, independent contractor, attorney or consultant of the corporation. No amendment or repeal of this article, nor the adoption of any provision to these Articles of Incorporation inconsistent with this article, shall eliminate or reduce the protection granted herein with respect to any matter that occurred prior to such amendment, repeal or adoption.

Signed in the City and State of Incorporation.

(Name)

Incorporator

It is strongly advised that the typical Square Dance Club incorporate as a non-profit 501(c)(4) Civic Leagues, Social Welfare Organizations, OR a 501(c)(3) educational organization and NOT as a 501 (c)(7) – which is the category for closed social organizations such as private country clubs not allowed to accept visitors as guest to their dances. See IRS Publication 557 –

Tax-Exempt Status for Your Organization for more information:

www.irs.gov/pub/irs-pdf/p557.pdf

Employer identification number (EIN). Every exempt organization must have an EIN, whether or not it has any employees. An EIN is required before an exemption application is submitted. Information on how to apply for an EIN can be found online at *Employer ID Numbers (EIN)*. The EIN is issued immediately once the application information is validated.

<https://www.irs.gov/businesses/small-businesses-self-employed/employer-id-numbers-eins>



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This information sheet was developed by the Education Committee of the UNITED SQUARE DANCERS OF AMERICA, INC. and will provide a general overview of the process for incorporating a non-profit Square Dance club.

Leadership Education material can also be printed directly from USDA web site at www.usda.org

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