



Ring Incorporation

by Steve Burton

It has been said by at least one social critic that modern culture has become a "litigious society." This means that more and more people turn to the courts to settle their disputes. For Ring coordinators, it could mean a serious problem if someone sues our clubs for real (or imagined) damages. Even if the organization is victorious in a lawsuit the cost of litigation can be quite high. Often the entire membership is named in the suit and in such cases the members' personal assets become a target in the legal battle. Fortunately, there is a solution to the problem. The club can become incorporated as a "non-profit corporation" or "not-for-profit" entity in its state (or territory) and avoid many of the complications of litigation against its members. This doesn't mean the club won't have to pay if it is proven guilty of causing damage to someone or something or that Ring officers will not be a party to the lawsuit. It simply means that the general members' own assets are not at risk. This can be a very comforting thought especially when the club is engaged in events (such as a public show) where the general populace is invited. Accidents can happen to anyone at any time and it is better to prepare against them than to simply hope for the best. Please realize that that this article is not written to offer legal advice. I am speaking from personal experience and I realize that countries other than the United States have radically different laws concerning incorporation. To further complicate matters, the states all have unique regulations concerning non-profit corporations so you must find out the specifics of the process for your region.

In Texas, I got this information from the office of the Secretary of State. We found that we were required to become what is known as a "non-profit corporation." Having our Ring become such a corporation was much easier than I would have guessed. We did not need the services of an attorney and were able to file all the necessary documents directly to the office of the Secretary of State. I found that the creation of these organizations is usually formed by an act of the state legislature. In our case it was the Texas Non-Profit Corporation Act. This act was created using guidelines from Section 501(C) of the Internal Revenue Code of 1954. You need to call the office of the Secretary and tell them that you would like to incorporate your "hobby club" as a non-profit entity. They will send you the necessary information or tell you to call the office that handles such matters.

After receiving the information we put together a package of information that proved our club was worthy of being

designated non-profit. We had to include a club newsletter, membership roster, copy of our club's charter and Constitution and Bylaws. Don't worry if your club has been operating for a number of years prior to your application. In our Bylaws we were required to state that, upon dissolution of the club, the assets would pass to another non-profit organization. We also had to put in a statement that no member of the club could use the club's assets for personal purposes. We also needed to name a Board of Directors since we were to become a corporation. An individual had to be named as a "registered agent" for the club. This meant a contact person had to be selected that the state could use to inform and inquire about club activities. Can you guess who that turned out to be?

After fulfilling the requirements we created a document entitled, "*Articles of Incorporation of International Brotherhood of Magicians Ring 39.*" Article One was the name of the corporation (I.B.M. Ring 39). Article Two was the type of corporation i.e. non-profit. Article Three was the duration of the organization (perpetual). Article Four was its purpose. This article was worded exactly as the state required spelling out the objectives and restrictions. One restriction was that organization could not openly support a political candidate for office or attempt to influence legislation. Again, you will need to put this together using the documents your own state or territory provides. Article Five was the name of the registered agent and Article Six was the names and addresses of the members of the Board of Directors. Article Seven was the name and address of three "incorporators." These were three club officers (in our case, it was the president, secretary and immediate past president) who had to appear before a notary. The notary witnessed the signatures of these three individuals and affixed his seal to the *Articles of Incorporation*. After this we sent it to the Secretary of State's office and included the fee for incorporation. The fee was nominal in our case (\$35.00) but I don't know what other states will charge for the service. A few weeks later we received our Charter of Incorporation and we now proudly display an "Inc." after our club's name.

Be aware that you will probably need to file a yearly statement that shows your club is still a viable entity. This is where a lot of clubs fall down. The old officers forget that you need to file such a document or the Registered agent moves and the state's communications become lost in the shuffle. If this happens your club will lose its non-profit status and the Ring will have to start all over again.

After becoming an incorporated club you should look into becoming a "tax-exempt" organization as well. But you must become incorporated or your request for tax exemption will be denied. First things first. Help your Rings to become incorporated and you will be helping all the members of your organization.