



DOUGLAS LAKE IMPROVEMENT ASSOCIATION, PO BOX 472, PELLSTON, MI 49769

June 26, 2019

Dear DLIA Member,

Since last August, your DLIA Officers and Executive Board have been assessing the status of the Association. Past President Holly Gedert asked Gail Gruenwald, Executive Director of the Tip of the Mitt Watershed Council, to examine our Articles of Incorporation, 2016 Bylaws and recent financial and budget documents and to make recommendations about deficiencies or possible changes. In November 2018, I had an extended meeting with Gail to hear her analysis of the Association. You have already been informed about one thing we learned - that is, the collection of Michigan sales tax for Merchandise sales and the payment of that tax as required by law.

Gail also noted several deficiencies in our current Articles of Incorporation and Bylaws. Recently an ad hoc committee made a number of recommendations to the Executive Board to address these issues. The Executive Board approved those recommendations at their meeting Thursday, June 20th. This letter and attachments share the proposed changes (with the original language) and some explanatory information about these proposed changes.

Articles of Incorporation Review. DLIA Articles have remained unchanged since filed with the State of Michigan in 1967. In comparison, the Bylaws have changed at least 4-5 times since 1977, most recently in 2016. A quick comparison will show the considerable disparity between the Association's Purpose in 1967 and the Purpose Article II of the 2016 Bylaws. Gail recommended that the Association amend its Articles of Incorporation to align with the Purpose stated in the Bylaws. (See attached document which shows the original Articles Purpose and the proposed new language which is the existing Bylaws Purpose, as amended in the proposed revisions to the Purpose Article as itemized below.)

Bylaws Review. Gail noted several deficiencies in the 2016 Bylaws that are either required in MI for nonprofits or should be discussed by a nonprofit board and probably addressed in Bylaws, although not required. She also pointed out that if the Association wanted to apply to the Internal Revenue Service for tax-exempt status, a clear statement of public benefit would have to be included in the Purpose of the Association.

- The Executive Board approved language to be added to the Purpose of the Association that addresses a public benefit in the Purpose statement of the Association. (See new language that is proposed for Bylaws Article II.A.)



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- At this time, DLIA is registered in the State of Michigan as a nonprofit organization. DLIA has no tax-exempt status. DLIA would need to apply to the Federal Internal Revenue Service for recognition as a tax-exempt organization, probably as a 501(c)3 entity. (Other lake associations in our area such Burt Lake and Mullet Lake as well as the Tip of the Mitt Watershed Council are 501(c) 3 entities.). The Board approved language permitting the Association to apply for tax-exempt status contingent on the approval of such application by the DLIA general membership. (See highlighted new language in Article II. Section B. Item 4.)

Please note, Gail also identified several pros and cons to be weighed in any decision to obtain Federal tax-exempt status. The membership is advised that at this time, the Executive Board has not discussed the pros and cons of applying for tax-exempt status nor has it decided to seek that status. Prior to going to the Membership for a vote of approval to apply to the IRS, the Executive Board needs to complete a diligent review of the merits of pursuing tax-exempt status, and with Executive Board approval, would then proceed to seek Membership Approval.

- Nonprofit bylaws are required by the State to include a statement of what would happen to the Association's assets in the event of dissolution of the Association. Language that addresses this is included in the proposed Bylaws revision. (See highlighted new Article II. C.)
- The Executive Board approved the Committee's recommendation to include language in revised Bylaws that addresses liability insurance for Officers and Directors. (See highlighted new language in Article V. Section C.)

At this time, we are sharing these proposed changes as DRAFTS for your review and comment. We are not seeking any vote of approval/disapproval. If you have questions or comments, you can address them to info@douglaslake.org or talk to your Zone Representative. The Executive Board will be meeting in several weeks to review all comments and concerns. **Please submit any comments submitted by July 12th.**

Thank you for your consideration.

Mary Ellen Sheridan

President, DLIA