



ATTORNEYS AT LAW
T: 262.241.8900
F: 262.241.8911
WWW.MELNICKMELNICK.COM
161 SOUTH 1ST STREET | SUITE 400
MILWAUKEE, WISCONSIN 53204

August 3, 2022

VIA E MAIL

Board of Directors
Washington Heights Neighborhood Association, Inc.
c/o Heidi Steeno, Vice President
hsteeno@sbcglobal.net
c/o Kevin Driscoll, Secretary
k.driscoll.wi@gmail.com

RE: Proposed Amendments to Bylaws

Dear Board of Directors,

I am writing to update you concerning suggested amendments to the Association's bylaws. The amendments add important language necessary for the Association's forthcoming application for tax exempt status with the Internal Revenue Service ("IRS") pursuant to Section 501(c)(3) of the Internal Revenue Code ("IRC"). Accordingly, as counsel to the Association, we recommend the following substantive additions:

1. Adding a purpose statement (in Article II) to make clear that the Association is organized exclusively for the charitable purposes allowed under Section 501(c)(3) of the IRC.
2. Adding a conflict-of-interest clause (in Article IX) that helps protect the Association from allegations of impropriety. The clause requires disclosure of any conflicts of interest that arise due to officers' or directors' financial interests related to the Association's work. For example, a conflict of interest may arise if the Association hires an officer's spouse's business to provide services. Pursuant to the proposed clause, the officer would be required to notify the Association of the possible conflict of interest and give the Board the opportunity to discuss whether to contract with the party in light of the

disclosure. Wisconsin Statutes Section 181.0831, which applies to nonstock corporations like the Association, imposes similar requirements for conflicts of interest for directors.

3. Adding a dissolution clause (in Article VIII) that identifies how the Association's assets must be disposed of in the event of dissolution. Section 501(c)(3) of the IRC requires that any assets of a tax-exempt organization remaining after the Board pays all liabilities must be used for exempt purposes, such as another tax-exempt organization.

In addition to the above provisions required for 501(c)(3) tax-exempt entities, we suggest adding additional sections for operational purposes, including: (a) authority of members (Section 4.04); (b) meetings section for Directors (Section 5.10); (c) a provision allowing officers to be reimbursed for approved out-of-pocket expenses (Section 6.03); (d) an indemnification provision that provides protections for officers and directors (Article X); and (e) clarification of members' rights to access the Association's records (Article XI). Moreover, per the Board's request, we updated the fiscal year to the calendar year and updated other related sections accordingly (Section 12.01).

The benefits of applying for tax exempt status with the IRS pursuant to Section 501(c)(3) of the IRC include the following:

- Exemption from federal income tax;
- The ability to receive tax-deductible charitable contributions;
- Reduced postal rates;
- Availability of tax-exempt financing; and
- Exemption from Wisconsin sales and use tax for certain purchases and services. A summary of sales tax exemptions for nonprofit organizations in Wisconsin can be found on the Department of Revenue's website at <https://www.revenue.wi.gov/DOR%20Publications/pb206.pdf>.

Please let us know if you have any questions or if you would like further clarification regarding any of the issues listed above.

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Very truly yours,

MELNICK & MELNICK, S.C.

/s/ Sarah K. Haas

Sarah K. Haas