

WFL

INTERNAL REVENUE SERVICE

DEPARTMENT OF THE TREASURY

Copy

501.07-05

DISTRICT DIRECTOR

Date: MAY 29 1999

- > Form: 990
- > Tax Period(s) Ended:
- > Person to Contact:
- > Contact Telephone Number:

Dear Sir or Madam:

We have enclosed a copy of our report of examination of your return for the period shown above.

This report, which is for your information and files, reflects the adjustments previously discussed with you. If you have any questions, please contact the person whose name and telephone number are shown above.

Thank you for your cooperation.

Sincerely,

Ladd Ellis Jr

Ladd Ellis Jr
District Director

Enclosure:
Examination Report

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|-------------------------------|----------------------|----------------------------|
| Form 886-A (Rev Jan. 1994) | EXPLANATION OF ITEMS | Schedule No. or Exhibit |
| Name of Taxpayer | TIN | Year/Period Ended |

Your organization was incorporated for the purpose of the betterment and preservation of the fish and wildlife of

In you were granted exempt status under section 501(c)(7) of the Internal Revenue Code. Section 501(c)(7) permits exempt status for social clubs which are organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. A club which engages in business, such as making its social and recreational facilities available to the general public, is not organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, and is not exempt under section 501(c)(a). (Reg. 1.501(c)(7)-1)

Examination of your Form 990 for the tax year ending indicated that effective your organization's activities consisted of; conducting weekly bingo sessions open to the general public, selling food service items to the general public during said sessions, and renting your facility to other organizations. It was determined and agreed upon that following the retirement of certain club members any and all club specific activities were terminated.

P.L. 94-568 substituted "substantially all" for "exclusively" in section 501(c)(7). The committee report made it clear that social clubs may receive up to 35 percent of their gross receipts from outside sources. This modification changed the limitations in Revenue Procedure 71-17. Revenue Procedure 71-17 lists record keeping requirements necessary to make the calculations in determining substantially all. Per examination it was determined that none of the necessary records were kept and that the 35 percent gross receipts standard would be exceeded even had the club maintained records. This was determined based on club membership and attendance at the various bingo sessions.

Article XVIII of your By-laws provides for the issuance of scholarships to the child, grandchild, or great-grandchild of a bona fide member in good standing. The statute prohibits exemption if any part of the organization's net earnings inures to the benefit of any private shareholder. The term "shareholder" includes a member of an organization. See West Side Tennis Club v. Commissioner, 111F 2d 6 (1940). In that scholarships are limited to children of members, this provides inurement to shareholders.

Accordingly, since the organization no longer serves an exempt purpose, nor does it members desire to pursue an exempt purpose we propose to revoke your organization's exempt status effective . Your organization's officers have indicated agreement to this action by signing Form 6018 and by filing Form 1120 for Tax years and . Therefore, you are required to file Form 1120 for years

If the proposed revocation becomes final, appropriate State Officials will be advised of the action in accordance with IRC 6104(c)

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and applicable regulations.