

Subject Corporations
fees & taxes
Copy to _____



STATE OF KANSAS

Office of the Attorney General

State Capitol Bldg. (913) 296-2215 Topeka, Kansas 66612

VERN MILLER
Attorney General

June 24, 1974

Opinion No. 74-211

Honorable Elwill M. Shanahan
Secretary of State
2nd Floor--The Statehouse
Topeka, Kansas 66612

Att: Sherman A. Parks

Dear Secretary Shanahan:

K.S.A. 17-7504 requires every corporation organized not for profit to file an annual report which shall include, inter alia, a "complete and detailed statement of the assets, liabilities and net worth of the corporation." [Emphasis supplied.]

You enclose with your letter a copy of an annual report filed with your office by a corporation organized not for profit which is connected in some fashion with a Class A club organized under K.S.A. 41-2601 et seq. The report contains no statement whatever of any assets or liabilities of the corporation, for which the explanation attached to the report states thus:

"The corporation, not for profit, for which this Annual Report is being submitted, has no assets and no liquidated liabilities. It was formed as a social organization and has contracted with a catering organization to the effect that all membership fees and other income automatically becomes the property of the catering organization.

"This corporation does maintain a liquor pool trust account on behalf of its members. The funds in the trust account, however, as well as any liquor on hand, do not belong to the corporation but rather to the individual members thereof, and therefore the funds on deposit are shown neither as an asset or a liability."

Hon. Elwill M. Shanahan
June 24, 1974
Page Two

As you point out, under K.S.A. 41-2601(b)(2), the premises of a class A club shall be owned or leased by a nonprofit corporation. If owned by the corporation, the premises would certainly constitute an asset. Obligations of the lease, if the premises are leased by the corporation, would certainly constitute liabilities subject to reporting under the statute. The lease itself may be deemed an asset. As you point out, many management contracts contain provisions that the corporation which is the licensee may retain from the dues sufficient amounts to pay license fees, taxes, maintenance expenses, and the like. It may be that the corporation operates merely as a "conduit" of any funds received by it from its members. However, many corporations serve this purpose, and nonetheless have assets and have incurred liabilities.

We agree with you that K.S.A. 17-7504 makes no exceptions under which class A non-profit club corporations are relieved from the responsibility to file a complete and detailed report of assets and liabilities.

We fully concur in your view that you may not accept the annual report in its present form and with the explanation which is furnished.

Yours very truly,



VERN MILLER
Attorney General

VM:JRM:jsm