

"THE CORPORATION"

What would you do, as a dancer and member of a club, if someone sued your Dance Club? Have you ever thought about it? Well, you should! You say it will never happen to your club? Ha, it has already happened several times in recent years. If someone should sue your non-incorporated club for liability in excess of your insurance coverage, for breach of contract or for civil damages, you and each member of your club could be held separately and jointly responsible. What that means is, if the court finds against your club and there isn't enough money in the club treasury, then the balance comes out of your pocket.

In the eyes of the Internal Revenue Service and the rest of the Government, the operation of Square, Round, Clogging, Contra, and Folk Dance Clubs is a business organization. The three most basic forms of business organizations are the "proprietorship", the "partnership", and the "corporation".

The single proprietorship is a business owned organization and is managed by one person.

The partnership consists of a contractual agreement between two or more persons, which sets forth the amount of capital to be supplied by each partner and defines the general framework of business operation. Typically, the partners own and manage the enterprise.

The corporation is the dominant form of business organization in the Western World. Thus it has become one of the most important institutions of modern times. In addition, the corporate form of organization has been widely employed

for public purposes and in private activities of a nonprofit nature.

The association of dancers in pursuit of a common objective is as old as history. However, the dancer's corporation has evolved into a collective entity that is separate and distinct from the individual dancers who constitute it.

Legally, the dancer corporation is an artificial person. It can act and contract; sue and be sued; and manage and convey property. Although its individual dancer members may change, the life of a corporation is normally perpetual unless limited by its charter or voluntarily dissolved by its members. An example of limited corporation life is seen by the National Square Dance Conventions. The organizations that sponsor the annual National Square Dance Convention incorporate for a limited time - until a set date after their convention. The purpose of that particular limited corporation is to plan and conduct their convention and then the corporation is dissolved.

The reasons that the corporation has become the dominant form of organization is as follows:

The corporation is generally considered the most practical form of business organization.

The corporation provides continuity of organization and its assets. It would be inconceivable to have an organization that automatically terminated with the death of one owner or manager. Accordingly, the dancer corporation with its limitless life-span, regardless of changes in the officers or members who

make it up, is the necessary type of organization for the square dance activity.

The corporation provides independent management. This modern enterprise could not expect all members to participate in the management of the organization; therefore there is a separation between the members and the management. The management has the most active concern with the operations of the corporation.

The corporation provides limited liability for the dancers and the officers. One of the most important characteristics of any corporation is that its members enjoy limited liability. The debts of the dance corporation are the debts of the separate legal "person" that is the corporation, and therefore the individual dancer members are not legally responsible for them under ordinary circumstances.

The corporation is an entity. The management of a dancer organization must be able to carry on its business not as a number of individuals but as one whole unit. The concept of the corporation as a legal person is essential.

The corporation provides operational freedom to management. The management of a Club or Association must have a great deal of freedom and flexibility to operate if it is going to deal adequately with the various associated dance related organizations. The corporation, with its separation of members from management and its ability to act as an independent unit, provides this required operational flexibility.

The laws pertaining to corporations vary from state to state. To incorporate requires the incorporators (usually three or more individuals) to complete the forms provided by your Secretary of State or local courthouse setting forth the required information about the proposed corporation. It is customary for the incorporators to seek broad powers for the corporation to provide substantial latitude in its undertakings. In addition to a statement of the purpose of the corporation, the Articles of Incorporation will usually contain the official name of the organization, the location or address, the initial officers who are to conduct the business of the corporation, the manner of selection of officers, how elected, and the signature of the initial individuals requesting the incorporation. The initial incorporators may hold office only a very short time until the documents are in place and then the regular elected officers assume control of the new incorporated organization.

The Board of Directors is the representative of the corporation. When the board makes decisions, undertakes contracts, or conducts any business, it is the corporation that acts. The power of the board belongs to the board as a whole, not to individual directors.

The incorporation of any Club, Association or Federation is an essential protection for the members and officers and certainly should not be ignored. By the simple act of completing and filing a Certificate of Incorporation the group becomes a legal entity, thereby relieving the individual dancers and officers from liability that can be financially damaging.

An organization that owns real property should incorporate if for no other reason than to hold title to the property. Additionally, the possibility of club liability falling upon one or more members of the club is another consideration for incorporating. A corporation offers protection to the members from liability suits. A club having some high-risk activity, such as a clubhouse or a club bus that could be involved in an accident creating a liability suit upon the club and its members definitely should consider incorporation.

In the absence of incorporation, if your organization is sued for a physical injury at a dance (in excess of insurance coverage), for breach of contract, or for moral damage, all the officers and members may be sued. That means every registered member of the club can be named in the suit and must share the legal expenses as well as the judgment (if the court finds against the organization).

IT IS HIGHLY RECOMMENDED THAT
EVERY CLUB AND ASSOCIATION
INCORPORATE FOR YOUR
PROTECTION AND PEACE OF MIND!

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CLUB INCORPORATION



This information sheet was developed by UNITED SQUARE DANCERS OF AMERICA, INC. and will provide a brief discussion of Incorporation of Clubs and Associations. For additional information about Club Incorporation, see USDA Pamphlet P-010.

Leadership Education material can also be printed directly from USDA web site at www.usda.org

Live Lively -



Square Dance!

IS-010

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