



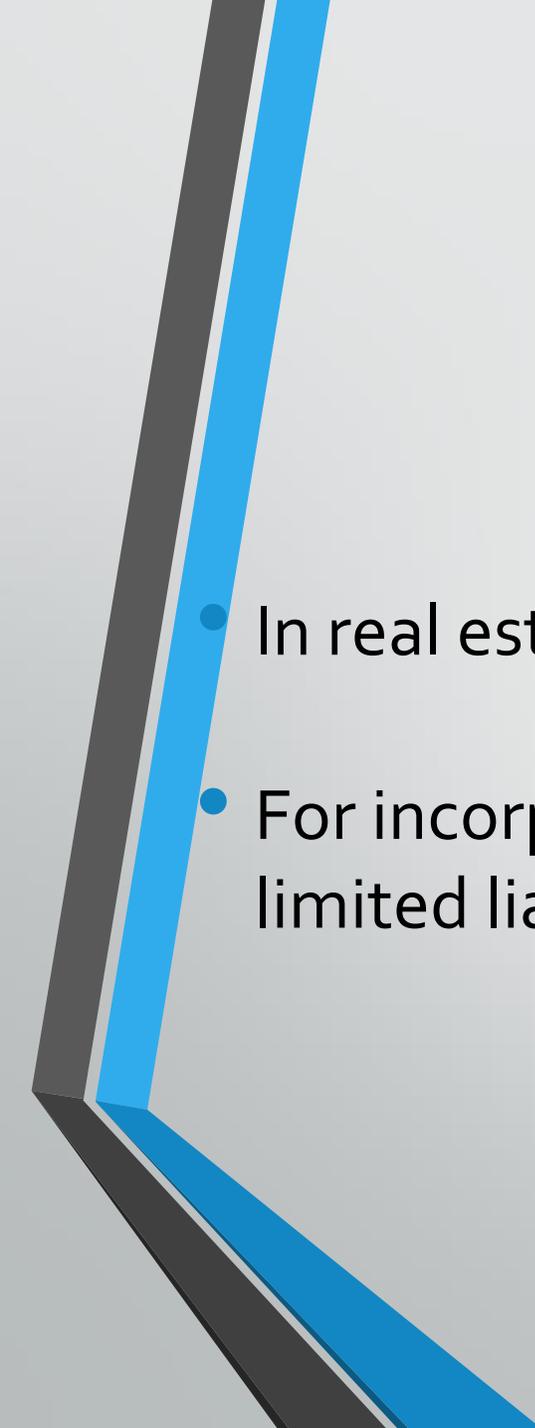
Incorporation of the Mono Pickleball Club

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Disclaimer

- This presentation does not constitute legal or financial advice and is of a general nature only for the purposes of discussion. Legal counsel should be consulted for assistance with the incorporation process and interpretation of the legislation if necessary.

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- In real estate the mantra is “location, location, location”
 - For incorporation, the mantra is “limited liability, limited liability, limited liability”

Context

- Mono Pickleball Club is currently an unincorporated entity created to promote and facilitate the sport of pickleball for its members without a profit motive
- The club has grown to approximately 250 to 300+ members
- The club provides a complex environment offering court access at outdoor and indoor venues, lessons and clinics, social events and social tournaments for fundraising, and holiday events
- The lessons could potentially be taxable, subject to the GST threshold exemption- another level of complexity

Terminology

- Not-for-Profit corporation (NFP): a corporate entity that does not have a profit objective, although may provide some commercial goods and services that are an ancillary function of the entity and support the overall not-for-profit purpose of the organization
- Incorporation is governed, in this case, by the Ontario Not-for Profit Corporations Act, 2010 (ONCA or “the Act”) and regulations under this Act
- Incorporated NFPs **must** comply with the Act
- A corporation has a legal person status that is independent of directors and officers and therefore has continuity over time.
- Officers of an NFP are primarily the president, vice-president, secretary and treasurer

Why incorporation?

- In an unincorporated entity, all liability and risk, in a complex environment, rests with the **board of directors** and with the **membership**
- The liability and risk is with the **incorporated entity** when a club incorporates, and not with the directors and the membership
- Pickleball Canada recommends that all clubs incorporate for the limited liability and for other reasons, summarized in following slides

Advantages

- **Limited liability** for officers, directors, and membership
- ONCA sets out the rights of members with respect to membership, meetings and voting, record keeping, financial reporting, and changes to the corporation
- ONCA sets out the responsibilities and authority of directors and officers including a “duty of care”-providing greater certainty with respect to these roles

Advantages (2)

- Favoured in contractual arrangements with other parties such as municipalities, churches and school boards for indoor space, etc. The corporation is the contracting entity, not individuals.
- Favoured by granting agencies: single entity, continuity, reporting standards
- Creates the discipline of compliance with external standards set by the ONCA, including the financial reporting standards
- Important to have a legal person structure if GST is payable-it is the responsibility of the corporation and not of an individual(s)

Disadvantages

- There is a cost to incorporation of approximately \$1400 plus incidentals, and of consultation with respect to process and by-laws
- Annual reporting cost to the Province-approx. \$200
- Cost of an annual financial Review Engagement (preparation of financial statements) of perhaps \$1500 (guestimate)
- Formalized processes and detailed record keeping
- By-laws may not contradict the ONCA, but flexibility still exists to customize by-laws



Summary

The Board of Directors of the Mono Pickleball Club strongly recommends **incorporation** of the Club to the membership. The benefits to the directors and members greatly outweigh any additional costs and administration.