



## The Importance of Incorporating Associations

There are thousands of incorporated associations in the Northern Territory (recognisable by 'Incorporated' or 'Inc.' in the name). They are not-for-profit clubs or community groups whose members decided to give their organisation a formal legal structure.

There is no legal requirement for a sport or recreation club to become incorporated, but all Northern Territory STARCLUBs must be incorporated. There are many benefits in incorporating your club and risks in not doing so. This fact sheet outlines those and the importance of incorporation.

### What is incorporation?

When a club incorporates, it becomes a legal entity in its own right and independent of its members. That means that individual members of the club are protected from any legal liability.

An incorporated club can sign contracts in its own name, such as to borrow money, lease a building or oval, or buy equipment.

Sport and recreation clubs incorporate under legislation in each state and territory. In the Northern Territory, that legislation is called the *Associations Act*. [Click here](#) to see it.

### How will our club benefit by incorporating?

1. Greater access to grant and sponsorship funds: many grant programs and sponsors will only provide funding to incorporated bodies.
2. Individual club members are largely protected from being sued; for example, if someone is injured during club-run activities.
3. The club exists as a separate legal 'person' regardless of changes in membership.
4. The club can enter into leases, open club bank accounts, borrow money and buy/lease land.

### What are the risks for unincorporated clubs?

- legal issues and debts incurred by the club can fall to individual members
- clubs can't borrow money, lease or buy land or equipment, or buy insurance in its own name
- grant givers and sponsors may refuse funding to unincorporated clubs.

## AT A GLANCE: should your club incorporate?

	Incorporated clubs	Unincorporated clubs
<b>Membership</b>	Club must have at least five (5) members.	Club can have any number of members.
<b>Not-for-profit status</b>	Club must NOT operate for a profit. But it can: <ul style="list-style-type: none"> <li>• pay reasonable remuneration to members for work they've done for or on behalf of the club</li> <li>• make payments or disposals that are incidental to the club's activities.</li> </ul>	Club is not restricted from operating for profit.
<b>Legal status</b>	Your club becomes a 'legal person' that isn't affected by changes in membership. That means it can: <ul style="list-style-type: none"> <li>• accept gifts or bequests</li> <li>• buy and sell property</li> <li>• open a bank account</li> <li>• borrow money</li> <li>• sue and be sued</li> <li>• take out public liability insurance.</li> </ul>	Your club isn't recognised as a legal entity in its own right and can't do any of those things.
<b>Legal protection for members</b>	Members and office bearers are protected from personal liability for the organisation's debts and other legal obligations.	Members could be personally liable if the club incurs debts or has legal problems.
<b>Statutory obligations</b>	Club must comply with accounting, auditing and annual reporting requirements of incorporated associations.	Club doesn't have to comply with the statutory obligations of incorporated associations.
<b>Costs</b>	Club must pay fees for incorporating and lodging some administrative forms. There are also costs involved in meeting ongoing statutory obligations, such as auditing.	Club will not have the expense of meeting statutory obligations.
<b>Disputes</b>	Your club should have a procedure for resolving internal disputes. Individual members are protected.	Disputes can become personal with no policy and/or legal protection.

**For more information or to register for incorporation:** The Department of the Attorney-General and Justice regulates incorporated associations in the Northern Territory through the *Associations Act*. [Click here](#) for information, fact sheets and application forms on becoming an incorporated association in the Northern Territory.