

Nonprofit Faced with Dissolution? Think Collaboration Instead

Everyone knows that 2010 was a brutal year for nonprofits. Anecdotally, we had more requests to assist nonprofits in closing their doors than in my last 15 years of practice combined. In nearly every case, after meeting with the client, we found one or more key programs or core activities that could be salvaged. In every case where programs were saved, a collaborative partner made it possible for the nonprofit to continue on in some form or to at least ensure the continuity of its most crucial programs.

While most people think of mergers or joint ventures when they think of nonprofit collaborations, the possibilities are really endless. Some examples of collaborative relationships we have helped to create include the following:

1. Merger. A merger is the legal assimilation of one organization into another. The board of the consolidated organization is either disbanded or absorbed, in whole or in part, into the surviving organization. The assets, liabilities, and other legal obligations are also absorbed by the surviving organization.
2. Consolidation. A consolidation typically refers to a legal combination of organizations by creating a new organization with a new name, appointing a board and staff made up of representatives of each organization to lead it, and appointing one CEO answerable to the combined board.
3. Joint Venture. Joint ventures are amazingly flexible arrangements that can be with for-profit or nonprofit partners. Joint ventures typically involve the creation of a new organization that the partner organizations govern jointly.
4. Program Transfer. A program transfer refers to the transfer of administration of one or more programs from one organization to another organization. This can be accomplished by a transfer of the assets and liabilities of the program or by the organizations entering into a management agreement.
5. Parent-Subsidiary. Creating a parent-subsubsidiary structure typically involves a change of ultimate control and integration of some administrative functions while the organization and its programs remain intact.
6. Contractual Relationship. The organizations remain legally independent but contractually agree to collaborate on a project or program such as shared administrative services or a joint funding proposal.
7. Strategic Alliance/Affiliation. The organizations remain legally independent, but alter their board structure so that the board membership overlaps. Additional approval or veto rights may be granted. This arrangement may also lead to shared staffing arrangements.
8. Contribution and Affiliation. The organizations create a membership structure whereby one organization becomes a member of the other with various governance and distribution rights.

The party gaining membership rights also contributes certain assets to the organization in exchange for these rights.

Dissolution is something no nonprofit board member or CEO wants to face, however, it does not have to mean failure of the nonprofit's mission. With the right strategic partner and a will to collaborate, there is nearly always a way to save the programs that provide the greatest benefit to the community.