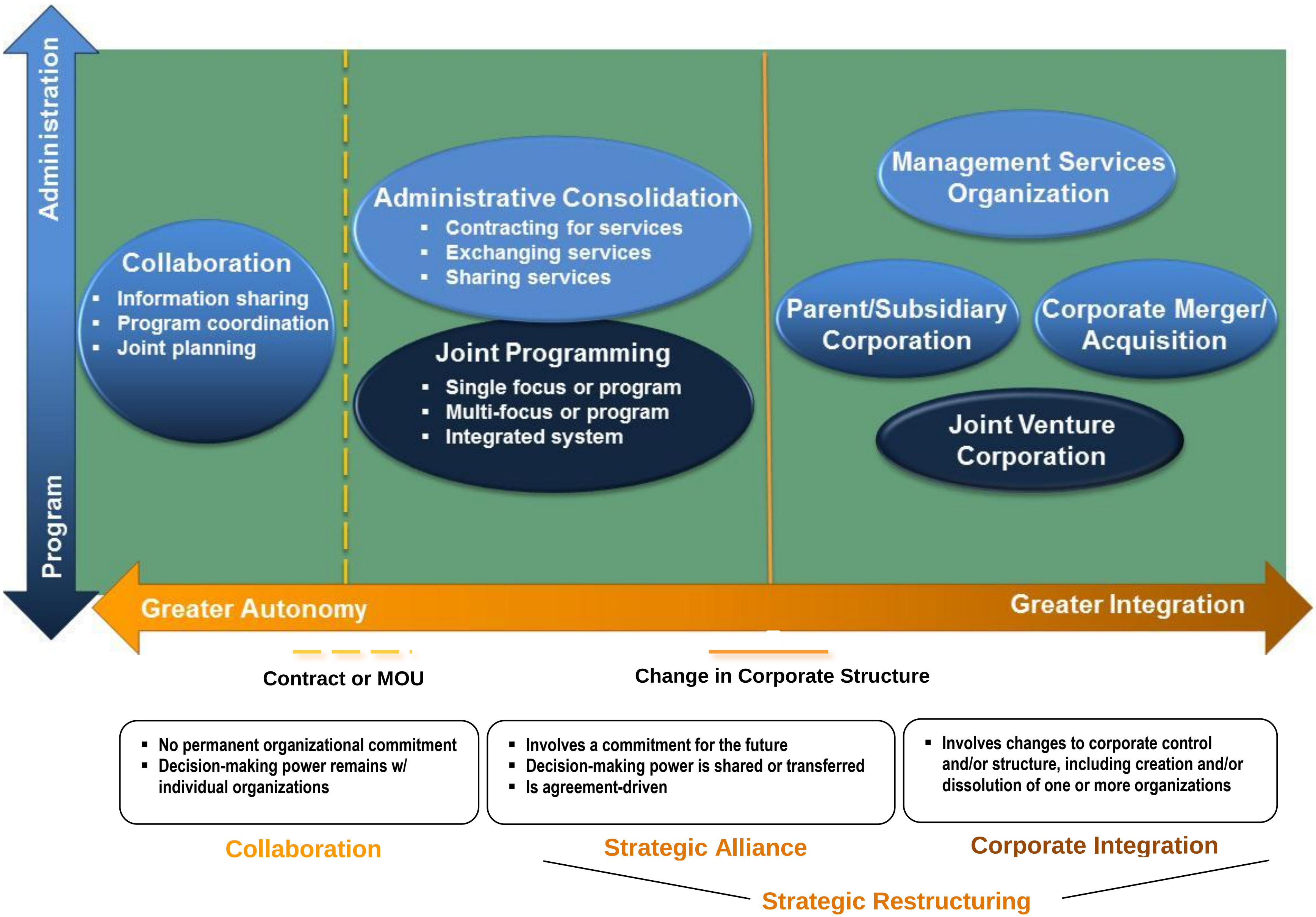
The Partnership Matrix



The Partnership Matrix

Strategic restructuring occurs when two or more independent organizations establish an ongoing relationship to increase the administrative efficiency and/or further the programmatic mission of one or more of the participating organizations through shared, transferred, or combined services, resources, or programs. Strategic restructuring ranges from jointly managed programs and consolidated administrative functions to full-scale mergers.

Alliance

An alliance is a strategic restructuring that includes a commitment to continue, for the foreseeable future, shared or transferred decision-making power and some type of formal agreement. However, it does not involve any change to the corporate structure of the participating organizations.

- An **administrative consolidation** is a restructuring that includes the sharing, exchanging, or contracting of administrative functions to increase the administrative efficiency of one or more of the organizations.
- A **joint programming** is a restructuring that includes the joint launching and managing of one or more programs to further the programmatic mission of the participating organizations.
- A **joint earned income** revenue generation activity occurs when two or more organizations jointly create an earned income activity. This could include: a combined capital campaign or social entrepreneurial ventures.
- A **joint advocacy** effort occurs when two or more organizations combine their advocacy efforts either on a single issue/time-limited basis or for ongoing advocacy campaigns.

Integration

An integration is a strategic restructuring that includes changes to corporate control and/or structure, including the creation and/or dissolution of one or more organizations.

- A **joint venture corporation** is entered into when multiple nonprofit corporations (two or more), want to consolidate administrative, programmatic or advocacy functions within a jointly owned subsidiary corporation. Partner organizations share governance of the new organization.
  - A **management service organization (MSO)** is an integration that includes the creation of a new organization in order to integrate administrative functions, and thus to increase the administrative efficiency of participating organizations.
  - A **joint program and/or advocacy corporation** is an integration that includes the creation of a new organization to further a specific advocacy or programmatic end of two or more organizations.

- A **parent-subsidiary** structure is an integration of some or all administrative functions and programmatic services, with the goal of increased administrative and programmatic efficiency/efficacy. Although the visibility and identity of the original organizations often remain intact in a parent-subsidiary relationship, some organizations involved in such restructurings consolidate to the point where they look and function much like a merged organization. A parent-subsidiary structure is sometimes entered into due to the restrictions on transferability of contracts, licenses or certifications. These restrictions may be temporary in nature. The creation of a parent-subsidiary structure allows the organizations to achieve the benefits of a consolidated organization while maintaining multiple corporations.
- A **merger or acquisition** is an integration that includes the integration of all programmatic and administrative functions to increase the administrative efficiency and program impact of one or more organizations. Note: FASB (Financial Accounting Standards Board) requires an “accounting” determination of either a merger or acquisition described below.
    - A **merger** occurs when two or more organizations are dissolved into a newly created corporation that includes some or all of the resources, administrative infrastructure and programs of the original organizations.
    - An **acquisition** occurs when one corporation is dissolved (acquired corporation) with all activities and resources transferred into the surviving (acquirer) corporation. The selection of an acquisition form of consolidation does not limit the identity/branding, governance or leadership options of the participating organizations. However the selection of an acquisition form of consolidation does impact the booking of assets within the surviving corporation as outlined by FASB Statement No. 164. An acquisition may also involve formation of a new entity where one participating entity has obtained control of the nonprofit activities or businesses of all participating entities (e.g., by appointing significantly more of the governing board of the newly formed entity, retaining its bylaws and policies, etc.).

Asset Liquidation/Transfer

Asset liquidation occurs when an organization is no longer able to sustain its services. Liquidating organization settles all of its liabilities, closes its nonprofit corporation and then transfers its remaining assets to another nonprofit organization of similar mission. Organizations in this situation need to obtain legal services to help determine the appropriate path to asset liquidation and debt resolution. **Asset transfer** occurs when an organization determines it cannot or chooses not to continue with a program/service or capital asset. The goal is to transfer these programs/services and/or capital to another organization. Assets and liabilities related to the specific program/services need to be assessed for appropriate disposition, along with appropriate compensation.