

# **Not-for-Profit Consolidation**

**Presented to:**

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# Current status

## Survey by Nonprofit Finance Fund:

- 87% feel the recession isn't over
- 77% saw an increase in demand for services
- 28% have 1 month or less of cash
- 55% added or expanded programs
- Nonprofits were able to meet demand of services

2009 – 56%

2010 – 51%

2011 – 46% (expected)

# Motivations

1. Significant loss in funding
2. Insufficient working capital
3. Increase community visibility and promote more shared programs

# Questions to ask

1. How can we provide a better service to the community?
2. What resources do we need that we do not have to do so?
3. What other organizations in our community provide overlapping and/or complimentary service to our own, and with which ones do we work well?
4. How can we best compete for a finite pool of donors, grants and charitable dollars?
5. What do our funders expect of us now and what will they expect and support in a merger/acquisition?

## Questions to ask

6. What core competencies do we have that we can share and that have value?
7. How can we improve the financial health of the organization?
8. Are financial resources available from funders or internally to cover the costs of an assessment and organizational merger?

# Tax Considerations

- Good standing with regard to non-profit status with the IRS
  1. Material participation
  2. Other – private benefit/inurement
  3. Lobbying
  4. Political campaign activity
  5. Activities that generate too much unrelated business income
- Proper notifications are made to the IRS
  1. Merger - New entity will probably be needed and new determination letter from the IRS
  2. Acquisition - No new entity and new determination letter probably won't be needed , but consult with tax preparer to be sure

# Financial Reporting Considerations

- A merger is the union of two or more organizations into on new entity
- An acquisition is one organization taking over another
- Financial reporting requirements of each of the organization
  1. Fiscal or calendar year end
  2. Basis of accounting
  3. Compliance requirements
  4. Debt restrictions
  5. Federal reporting requirements

**Thank You!**

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