



A Network Constellation of Entrepreneurial Organizations Using Our Collective Talent, Systems & Orchestration to Benefit Missions & Communities

INPERIUM AFFILIATION: A STRATEGIC ALTERNATIVE

Introduction

In recent years, there has been an increase in mergers/acquisitions, asset transfers, and affiliation involving nonprofit & profit organizations; Inperium's method uses a unique strategic alternative affiliation model to achieve business combinations. A business combination is the voluntary joining of two organizations for the purposes of achieving a common objective. These business combinations have been necessary in an environment that has become more challenging for nonprofits to obtain the financial support needed to advance their missions.

The process includes the use of letters of intent or term sheets, due diligence, and the negotiation and execution of documents to effectuate the combination is very similar to the process used with for-profit entities. Nevertheless, business combinations involving nonprofits have important differences from their for-profit counterparts because of the unique nature of nonprofits; our model is applicable for both nonprofit and for-profit companies.

Considerations for Moving Forward with Business Combinations

An initial step in any business combination is determining whether such a combination will advance the nonprofit's mission. The factors that a nonprofit Board needs to take into consideration in such evaluations are very similar to those factors a for-profit Board considers, including the prospects for future growth, enhancements to service quality, opportunities for cost savings and other efficiencies that can be achieved through the combination which allow for scalability and reduce staffing issues. Moreover, the fiduciary duties imposed on nonprofit Directors in acting on business combinations are very similar to the fiduciary duties imposed on for-profit Directors. Still, there are some important differences between for-profit and nonprofit business combinations because nonprofit trustees do not have an ownership interest in the nonprofit. The differences between for-profits and nonprofits lead to other unique factors that need to be considered by a nonprofit Board when evaluating a possible business combinations.

Affiliation Type Arrangements

While nonprofit corporations differ from for-profit entities in that nonprofits have no owners, a Sole Member structure can still be implemented with nonprofits. The main difference is that the "Consolidator" or the "Sole Corporate Member" nonprofit does not own any shares or other interest in the nonprofit. Instead, it is the Sole Member because of the standing it has with the nonprofit. This is typically accomplished as the result of the "Consolidator" nonprofit (Inperium) becoming the sole voting member of the "affiliate" nonprofit, with the right to approve limited actions of the affiliate nonprofit and a focused set of other reserved powers required to effectuate the consolidations.



The arrangement, typically referred to as an affiliation, can be accomplished by amending the Articles of Incorporation and Bylaws of the “affiliate” nonprofit. The parties often enter into an affiliation agreement that covers similar topics addressed in other business partnership agreements. For instance, an affiliation agreement might address the approval of the activities of the affiliate nonprofit as well as certain representations and warranties about the parties.

One of the main advantages of a sole member-affiliate type structure is that the corporate existence of the affiliate is maintained, the affiliate Board continues to function, and there is typically no need to relicense existing services or to pursue assignment of the affiliate’s contracts/assets.

Unique Due Diligence Considerations Involving Nonprofit Business Combinations

Similar to business combinations involving for-profits, many of the considerations are important in business combinations for nonprofits, related to due diligence activities. These include reviewing various information and documents relating to the other entity, including its governance documents (such as Articles of Incorporation, Bylaws, and Board policies), financial information (including audited financial statements and any audit report), contractual arrangements, real and personal property, litigation, insurance coverages, regulatory and compliance records, and workforce/employees (and employee benefits).

The Board’s Role in Affiliation

The governing body of a nonprofit corporation defines the organization’s mission, establishes its goals, approves strategic plans, and authorizes major transactions. Fundamental corporate transactions such as affiliation present trustees with the possibility of a new and more effective path to Mission & future Vision fulfillment. While requiring committed effort to form and sustain, successful affiliations can increase the availability for types of programming, strengthen organizational capacity/quality, expand knowledge/connections, and enhance effectiveness through collaborative leadership, combined staff and volunteers, joint fundraising, shared technology and facilities and many other shared services elements.

The Outcome & Benefit of Affiliation with Inperium

The affiliation aids and disseminates innovation & resources across its partners, facilitates the accumulation of capital for reinvestment in staff/technology, advances revenues & net assets, offers access to larger lines of credit & cash for operational needs, dramatically reduces administrative expenses due to scale economies, lowers costs for back office supporting services like Fiscal & HR and expands geographies in which it operates, likely affording the organization centralized platforms better than what they would have afforded themselves.

The affiliation uses a flexible approach, is customizable based on the unique circumstances that exist, allows for the affiliate to maintain its Mission, Vision, Staff and Board, expands and strengthens services and creates new opportunities for nonprofit and profit organizations through our GLOBAL LOCAL approach.