

# Future-Proofing Nonprofits

## A Guide to Dissolution Planning

The sustainability and longevity of nonprofit organizations are vital for the communities they serve. However, it's essential to acknowledge and plan for the possibility that a nonprofit might one day dissolve. This guide is designed to help nonprofits, donors, and fund creators understand the importance of dissolution planning, what it entails, and how to approach it effectively.

## The Basics

### DISSOLUTION DEFINED

Dissolution planning refers to the process a nonprofit undertakes to thoughtfully and responsibly close its operations.

### PURPOSE

The importance of dissolution planning lies in its ability to safeguard the nonprofit's legacy and ensure that any remaining assets are used in a manner consistent with the organization's mission and donor intent.

### WHY

This plan becomes crucial when an organization decides to dissolve due to various reasons, such as fulfilling its mission, lack of funding, or strategic realignment.

### WHO

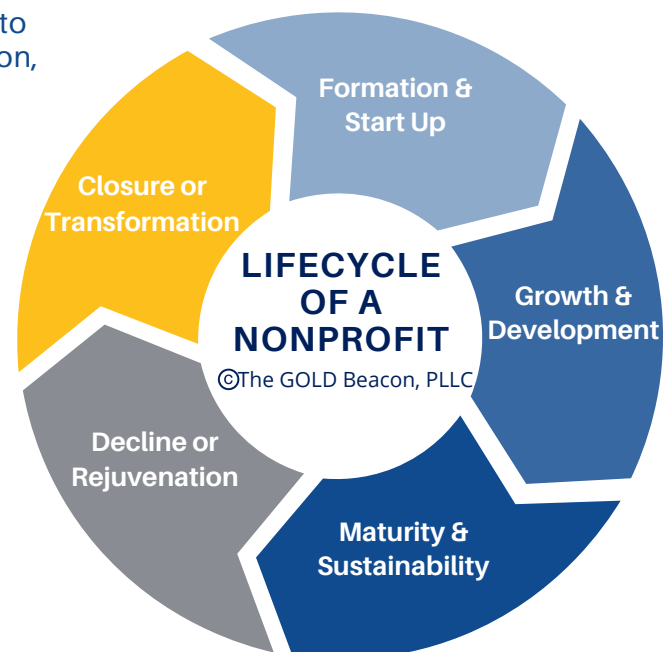
The responsibility for dissolution planning in a nonprofit organization typically falls on several key stakeholders including the Board of Directors, Executive Leadership, Staff Members, and other Stakeholders.

### GIVING SECURITY

Effective dissolution planning ensures that the nonprofit's assets continue to benefit the community and support causes aligned with its mission, even after the organization ceases to exist.

## When to Start

While discussing dissolution might seem premature during the "Formation and Start Up" stages of a nonprofit's journey, it is a vital part of strategic planning. This foresight not only protects the organization's mission in the event of closure but also reinforces a commitment to responsible stewardship throughout the organization's existence. Dissolution planning should be incorporated at all stages of a nonprofit's development.



# Nonprofit Dissolution Checklist

This checklist is designed to guide your organization in developing a comprehensive dissolution plan, well before any signs of distress appear. By taking these proactive steps, your organization not only safeguards its assets and legacy but also reinforces its commitment to responsible governance and community impact.

## 1. Develop a Dissolution Policy

- Create a clear policy for how and under what circumstances dissolution would occur.
- Ensure this policy is understood and agreed upon by the board.

## 2. Regular Financial Assessments

- Conduct annual financial reviews to assess the organization's financial health and sustainability.

## 3. Establish a Reserve Fund

- Set up a reserve fund to cover potential future liabilities or expenses in case of dissolution.

## 4. Document Asset Distribution Plans

- Clearly document how assets should be distributed in the event of dissolution, respecting donor intent and legal requirements.

## 5. Review and Update Bylaws

- Ensure that the organization's bylaws include specific procedures for dissolution.

## 6. Stakeholder Communication Plan

- Develop a plan for communicating with stakeholders (staff, donors, beneficiaries) about dissolution in a respectful and transparent manner.

## 7. Succession Planning:

- Implement succession planning for key leadership roles to ensure continuity and preparedness.

## 8. Legal and Compliance Knowledge:

- Regularly update knowledge about legal and tax obligations related to dissolution.

## 9. Asset Management Strategies

- Create strategies for managing and liquidating assets in a way that maximizes their value and benefit to the organization's mission

## 10. Contingency Plans for Programs and Services

- Plan for the continuation or transition of key programs and services in the event of dissolution.

## 11. Regular Policy Review and Updates

- Schedule periodic reviews of the dissolution plan to ensure it remains relevant and effective.

## 12. Training and Awareness

- Conduct training sessions for the board and key staff members on dissolution procedures and policies.

## 13. Collaboration with Legal and Financial Advisors

- Engage with legal and financial advisors to ensure all planning is compliant and well-informed.

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