

Obsolete nonprofit organization

A prospective client recently wrote to Bill:

I am currently an officer of two non-profit organizations. They are both California nonprofit public benefit corporations. One has become obsolete and is no longer necessary. It has essentially gone into hibernation.

Can you give me an idea the paperwork needed to close this organization down? There are very little assets at this time so I imagine it would be a very simple process.

Bill replied:

It is possible to close down the obsolete organization either by dissolving the obsolete organization or by merging it into the continuing organization. The steps are similar: (1) have the board of directors and the members, if any, of the obsolete organization approve the transaction, (2) obtain the approval of the California Attorney General's office, (3) obtain a tax clearance certificate from the California Franchise Tax Board, then (4) file with the Secretary of State the papers to effect the transaction. The obsolete organization then files final tax returns. In a merger the board and members, if any, of the continuing organization would need to approve the merger, too.

This is similar to the process of dissolving or merging an inactive, closely-held for-profit corporation, but the Attorney General has a role for nonprofit corporations.

I look forward to hearing from you.

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