A Governing Board Considers
Closure: A Dramatic Narrative in
Three Acts

by

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Program on Non-Profit Organizations
Institution for Social and Policy Studies
Yale University
A Governing Board Considers Closure
A Dramatic Narrative in Three Acts

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Summary
In this case the reader must decide how the governing board of a floundering arts organization should respond to a motion for closure. The case illustrates the unique traits that founding executive directors often possess, the limitations of uninvolved boards, the dangers of inert programs and policies, the need for transformational leadership in floundering organizations, and the factors that may influence a board to consider closure. The case is presented through a play-like narrative of three acts.*

Play Notes: In this dramatic narrative in three acts, the relationship between the executive directors and governing board of Metro Arts Film and Education Program (MAFEP) is revealed. MAFEP was founded by Chris Cross in 1978 as a 501(c)(3) nonprofit organization to provide instruction in film-making, still photography, video taping, and related recording mediums. To serve as members of MAFEP’s governing board, Chris recruited successful, financially secure business executives and professionals whom he identified through their participation on other nonprofit boards in the city. Chris himself served as MAFEP’s first executive director.

The drama takes place in March, 1995. Act I opens on the MAFEP board room as members are gathering for their regular monthly meeting and closes about an hour later when members are recessing for a ten minute break. Act II takes place two days before Act I and is a luncheon attended by three veteran MAFEP board members and four newly recruited members. Act III opens on the MAFEP board room as members are returning to their seats following the ten minute break.

*This case is based on actual circumstances that have been altered slightly for instructional purposes.
ACT I

Wednesday evening, March 25, 1995, 7:30 p.m.

Setting: Regular monthly meeting of the governing board of Metro Arts and Film Education Program (MAFEP)

Attending: Laurel, board president; Jackie, executive director; 15 board members

Laurel looked warily around the room. If she could change history, she would have never agreed to be president of the governing board of the Metro Arts and Film Education Program (MAFEP). Meetings had been especially trying over the eighteen months since the board had asked the founding executive director, Chris Cross, to resign.

Laurel scanned the faces of board members as they chatted among themselves, waiting for the meeting to begin. MAFEP's struggles during the past year and a half had taken their toll, and several of the old hands looked rather drained. Laurel was tired too. When Chris had resigned, seven of his loyal supporters on the board had also resigned, and she had spent what seemed like hundreds of hours recruiting the eight new members needed to bring the board to its full complement of sixteen.

Laurel circulated among the group, seeking out the four members for whom this was the first meeting. Each thanked her again for hosting a get-acquainted lunch earlier in the week to talk about MAFEP and its board. Laurel had felt it only fair to let the new members know what they were in for --after all, for three of them, MAFEP was their first board membership. She moved to the head of the table, a quick check of her watch confirming that it was time to call the meeting to order.

Laurel made a few welcoming remarks and introduced the four new members. She turned to the executive director, Jackie, and as usual asked for her report. "I had planned a lengthy report on the health and future of MAFEP," Jackie began, "but I'm afraid I'm not going to get to talk about any of it tonight." She was visibly rattled. "I'll cut right to the chase. Yesterday morning I got a letter from the State Arts Board. They've decided to cut their support to MAFEP by 85 percent."
A deep silence fell over the room. After some moments Jackie resumed. “Those of you who were at last month’s meeting remember our extensive review of balance sheets and budgets. Peter, was it you who said that MAFEP’s position is ‘fragile’?”

Peter, the board treasurer, looked up with surprise. “I’m sure what I said was ‘difficult but sustainable.’”

Jackie began handing around a thin pile of paper, indicating that every member should take a sheet. “This one-page exhibit is based on the detailed financials that we spent so much time on at last month’s meeting. It summarizes our position over several time periods. I thought it might be a reminder for everyone and helpful to the new members.” (Exhibit 1) For the benefit of new members Jackie spent the next ten minutes explaining that MAFEP relied heavily on private foundations and large government grants for operating expenses. MAFEP had balanced its budget in some years but had run deficits ranging from $7,700 to $74,000 in other years. The deficits now equaled the organization’s cash reserves of $300,000. “Peter, is there anything to add?” Jackie asked.

“Only that we rent our premises on a year-to-year lease that’s up for renewal in two months.” Peter managed a smile. “Our rent may increase slightly, but that’s no problem.”

Jackie cleared her throat as if to begin anew. “After I got the letter announcing the 85 percent cut I called the State Arts Board to find out what the problem was, but all they would talk about was their own budget cuts and the need for them to use their own resources wisely. Their budget is set for the year. They said there's no chance they'll reconsider their decision.”

For a minute there was another silence. Then Laurel said, “Jackie, when you and I spoke earlier today, you were concerned about how the State Arts Board decision would affect our other funders. Talk a bit about what you mean.”
"Well, we all know that arts funding is very tight right now, even for the most attractive programs," Jackie responded. "So after calling the State Arts Board I called the National Endowment for the Arts (NEA) to check on our status there. Believe it or not, they already knew about the State Arts Board budget. The NEA has decided to cut their contribution to us by 60 percent. They'll send out their letter in a few weeks."

Laurel felt betrayed by the government agencies whose staffs must have known for some time that they would be cutting their support to MAFEP. It infuriated her that the agency staffs had been talking to each other about the cuts without giving any hint to those on the receiving end.

A new member motioned for recognition. "Any chance that some of our other grants can be increased to make up for this kind of cut?"

The board’s oldest member, Mrs. Eisenbarth, a long-time arts supporter now in her seventies, spoke up. "I've seen this before," she said. "When an organization like the State Arts Board takes their funding away, you know their signal is going to be picked up by your other funders. We don't have to send grant requests to the community foundations and the Knoke Trust to know that when the State Arts Board votes in that way it's going to impact what we receive from other funders as well. This seems to be a vote of 'no-confidence' in us by the State Arts Board."

For the next few minutes, most of the board members sat quietly in their chairs. Two of the newer members talked softly with those around them. Everyone looked defeated except, curiously, Peter, who had been on the board for a year, accepting the role of treasurer even before he had attended his first meeting. In recent months he had warned the board that cuts in MAFEP's government grants were very likely, and he had pointed out last month that over time government grants were accounting for a decreasing proportion of income. Tonight he did some quick figuring in his head and, looking around the table as he spoke, stated that the new cuts actually reduced MAFEP's operating budget by less than a fifth. "This news is undoubtedly serious, but not necessarily fatal," he concluded. The board had come to rely on Peter's
expertise over the past year. His comments left the group unprepared for what happened next.

Jackie stood up. "I lay awake thinking about this for a long time last night," she said, "and I talked to Laurel at some length this morning." It seems to me that the best thing to do is to close down MAFEP. The writing's on the wall; we just aren't going to have the resources to keep it going."

The board members reacted in a variety of ways. Some stared blankly at the sheet of financials, some talked animatedly among themselves, and others tried to ask Jackie questions amid an increasing din of voices. Laurel was struck that she had never seen this much energy within the MAFEP board. She was surprised at her impression that many members actually seemed cheerful, as if the idea of closing MAFEP had uncovered some unspoken desire.

"Let's take a break," Peter interjected. "I see Cokes on the credenza back here, and I'd like a breath of fresh air." People moved to the back of the room and into the hall, leaving Laurel alone as she mechanically shuffled through papers. She saw that the new board members were walking out together and congratulated herself on the lunch she had hosted for them two days before. Although she had not known about the State Arts Board cut at the time of the lunch, she had wanted the new members "to get a running start with MAFEP." To help her explain the organization's past, she had also invited Eric and Jonathan, each in his second three year term as a member. Both had supported Laurel's recruitment of new blood to fill the vacancies produced when a number of the "old boys" had angrily resigned the previous year.
ACT II

Monday noon, March 23, 1995

Setting: A popular Metro City restaurant for business diners
Attending: Laurel, board president; Jonathan and Eric, members of the board for several years; four board members recently recruited by Laurel

Once lunch was ordered, Laurel had begun by explaining that MAFEP was a product of Chris Cross's vision to establish a multi-faceted arts organization in Metro City. MAFEP's goals, as listed in the 1978 Articles of Incorporation, were to provide instruction in film-making, still photography, video taping, and related recording mediums, and to offer academic credit for junior and senior high schools. Initially, the Metro Area Public Schools endorsed the program, contributing substantially to MAFEP's visibility and legitimacy. The program grew to include over 250 secondary school students, until the schools developed their own programs and withdrew their participation. Chris secured new means of support from major metropolitan foundations. To replace the secondary school program, he created a visiting artists program, a community extension program that worked with low income groups, and a national summer photography program.

By the late 1980's, MAFEP was a well-established part of the Metro City arts community. Chris was happy with the projects he had created and saw little need for changing the formula. MAFEP had three foci: exhibition, education, and equipment rental. Since each focus targeted a different clientele and was funded by different combinations of fees and grants, each exerted unique financial pressures on MAFEP as the funding environment began to change.

"I remember those times," Eric said, his fork in mid-air. "I think we lost a lot of money that way in the beginning, with funders saying 'Look, we're not giving to organizations like yours anymore. We're giving to street people and people who need our help more, more of a social service area.'"

"I don't think Chris's view of what was possible was particularly realistic," added Jonathan. "When funds got tight, his reaction was to offer
more of the same, which was fine with our clients, but didn’t make us attractive to funders. Our Exhibition Hall cost us an arm and a leg. It was a money loser from the minute it ever opened.”

“We don't need to rehash that, Jonathan,” said Laurel, gently.

Jonathan ignored her. “When I began to realize that we were in trouble financially, Chris was talking about expanding. ‘We’re going to get big,’ he said. ‘We’re going to start a school. We’re going to join up with the University. And if they aren’t interested in joining hands with us, then we’re just going to build this huge gigantic facility and we’re going to be like the film centers at USC and UCLA.’ ”

“And we didn't challenge him on it, either, Jonathan,” said Laurel. “We were listening to him building his castle in the sky and thinking, ‘This sounds good. Maybe this will work.’ Don't you remember?”

“Yeah, I remember,” replied Jonathan. “I don’t know why I didn't say something at the time. Looking back, it seems so dumb.”

“Don’t beat yourself up too bad,” chimed in Eric. “The wishful thinking in exhibition was no more than what went on in education. We threw some opportunities away there, too. Chris ruled the roost around here, and the board members at the time didn’t ever try to make him do anything any differently than how he wanted to do it. I'm not sure we knew whose organization it was then--Chris's or the board's. In situations like that, when tough decisions have to be made, who makes them?”

One of the new members asked why Chris had resigned. After all, he had founded MAFEP and most of the people in Metro City associated him with it.

“There were lots of reasons, I'd say,” Laurel replied hesitantly, not sure how to respond. Chris had been a good friend of hers, and the circumstances around his dismissal were bitter memories. He had asked her to take on the presidency of the board two and a half years ago, and because MAFEP had
been her only volunteer activity for many years, she had accepted. Even now, the sense that she had betrayed Chris lingered with her.

“He had a very strong personality,” said Jonathan. “We used to have a very good relationship with North Side Community College, and one of their instructors taught the College’s film classes on-site at MAFEP. That was a very good set-up for us because we were able to use revenues from the College to cover a lot of fixed expenses. But Chris clashed with the instructor, tried to treat him like he was an employee of MAFEP instead of an instructor at the Community College. There was a fight, and the project was terminated.”

“Yeah, that was a big deal,” Jonathan added. “But Chris also didn't work too well with the MAFEP staff either. The best idea I ever had was to recommend that the board bring in an organizational consultant to see where the problems were. I had assumed that things went pretty well on a day-to-day basis, but the employees apparently thought Chris was a controlling personality who never acknowledged their work.”

Eric took up the story. “The part of the consultant’s report I remember said that MAFEP was like an alcoholic or dysfunctional family--no predictability, the parent blowing up, lots of secrets, and lots of blaming and punishment.”

Eric and Jonathan smiled at one another. They had been in the minority of board members who had taken the consultant’s report seriously. At that time, the board was dominated by a group of men who were fiercely loyal to Chris and had full faith in his ability to run the organization. “They were all a generation older than we are,” said Jonathan, “and thought we didn't know much because MAFEP was the first and only board we were on. They sort of discounted the consultant’s report as staff jealousy. It was weird. The report had all kinds of recommendations, but nothing happened.”

“Things came to a head one and a half years ago,” Laurel said, smiling ruefully at the four new members. “Chris went on sabbatical and the assistant director took over. She began educating the board about the personnel and program cuts that were required if MAFEP was going to
survive—and she wasn't sure it could. But she couldn't get the then-chairman to listen, so one morning she took me out for breakfast and just laid it on the line that the staff had all sorts of grievances against Chris. They felt he was unrealistic. She said to me 'Look, here's the bottom line. This has got to go, this has got to go, this has got to go,'” recalled Laurel. She sighed. “I'm not a manager—I'm a board member.”

“We did what we had to do,” said Jonathan, “even if we pushed harder on some issues than people were ready for.”

Moving her lunch plate to one side, Laurel sat back in her chair, remembering the details and feeling it was her story to tell. “In November 1993 the assistant director, who has since left, persuaded the then-chairman to ask Chris to interrupt his sabbatical and fly home to sit in on the board's financial review of programs. The assistant director said that without Chris's blessing the changes wouldn't stick when he returned from sabbatical. Chris flew home to attend a special board meeting.”

Laurel frowned as she remembered her confrontation with her old friend. A couple of us met with Chris before the meeting. “He wouldn't listen to the assistant director as she laid the problems right out there in from of him. I finally said, 'Chris, you've got to understand that I think the board is going to vote in agreement on these things. And you've got to get a sense of reality about where we are right now.' And his response was 'Well then, we ought to get some new board members.'”

At the special board meeting, members were divided between those who were loyal to Chris's vision and those who recognized the danger of failing to change. The atmosphere was poisoned by everyone's refusal to be candid. “I didn't challenge Chris and neither did the assistant director and neither did anyone else,” Laurel told the new members. “It would have been like insulting a family friend. During the meeting Chris listened quietly to the assistant director's suggestions, neither endorsing nor criticizing them. Later, everyone agreed that the meeting had been 'a big nothing.'”
“Not totally,” added Eric, “that meeting really crystallized some of the younger members’ attitudes toward Chris. Jonathan and I were determined to get the board to vote on whether Chris should continue as executive director, and we went to work recruiting some allies.” When the board met again in December of 1994, Eric, Jonathan, and three other members strongly requested that the board review Chris’s performance and consider dismissing him.

“That December meeting was a bad one, too,” said Laurel, mostly to Eric and Jonathan. “That was a terrible meeting because there were people on the board who were really close friends of Chris’s—and they were furious. In the end I had to do what I felt was right, which was to vote for him to resign. I felt that he was not helping MAFEP and that maybe if he wasn’t there, there was a chance for the organization to survive. But there was no chance if he was coming back, because over half the staff had told either Jonathan or Eric or me that they were prepared to resign if he stayed. It was him or them.” When Chris submitted his letter of resignation, Laurel explained, six of his seven supporters on the board resigned as well. With them went about $25,000 in annual gifts.

One of the new board members changed the subject. “Well, I met with Jackie, the current executive director, the other day,” she said cheerfully. “I understand that she was located through a year-long national search. How’s she doing?”

Laurel shrugged, and smiled. “I think she’s doing fine. I like her a lot.” Jonathan shook his head in agreement.

“I’m not so sure,” said Eric. “She seems pretty competent, but she’s been here six months, and in my opinion she’s not a turn-around artist. MAFEP needs somebody with a little bit of fire right now. She may know about film-making and running an organization, but I think she may be in over her head as director of MAFEP. I don’t know how she’d respond if something really bad, something unexpected, happened.
“You know,” Eric said to the new members as Laurel paid the check, “I’ve heard through the Senate grapevine—I’m legislative assistant to State Senator Jeffries—that the State Arts Board has its eyes on Jackie. They’re looking to see if she can revitalize MAFEP. If she’s not able to be the kind of transformational leader I’m talking about, I’m afraid for what they might do.”

ACT III

Wednesday evening, March 25, 1995, 8:35 p.m.

Setting: Resumption of the regular monthly meeting of the governing board of MAFEP

Attending: Laurel, board president; Jackie, executive director; 15 board members

As members were settling themselves in their chairs after the break, Mrs. Eisenbarth seemed particularly agitated. “Why is it that I never feel as if I know what’s going on around here?” the older woman asked the group pointedly. “I’m also on the board of the Metro Arts Center, and the trustees there are always involved in the projects that are going on. In fact, the staff say we do too much and sometimes ask us to get out of the way.”

Laurel felt as if her leadership were being questioned, although she knew that relations between MAFEP’s operating organization and its governing board were no different now than in the past. Chris had run MAFEP with very little oversight from the board, and the board had always seemed to like it that way. However, this was not the approach recommended when Laurel attended a seminar at Metro University for board presidents of small nonprofit organizations. She was surprised to find that some of the presidents knew a lot more about the internal workings of their organizations than she knew about MAFEP. She was further surprised to hear that some board members were actively involved in the programs they oversaw. Since this was the only board that Laurel had ever served on, she had assumed that all boards played a distant, advisory role. Although she had emerged from the seminar inclined toward a change in the MAFEP board’s role, at this point
she was still unfamiliar with the nuts and bolts of daily operations at MAFEP.

Laurel took a deep breath and replied confidently to Mrs. Eisenbarth's question. "We may not have been very involved in the past, and maybe that was wrong, but we've got a big decision to make right now," she said. As she faced the dispirited faces around the room, she suddenly felt sure that a decision to close would be the right one. "I think we should make a motion for the dissolution of MAFEP."

"Close MAFEP? Why?" demanded Peter, visibly struggling to keep his anger in check. "I've been a student and a client at MAFEP for most of my adult life. We can't just close. There are a lot of people who rely on the services we provide. Chris brought us through a lot worse crises than this!" Before joining the board, Peter had seen the organization from the perspective of a client. MAFEP had been the springboard for his career as a film editor, and he felt a responsibility to stand behind what he still perceived to be 'Chris's organization.'

Although Peter didn't say so, he blamed Jackie for the current state of affairs. When the board had narrowed down its candidates for the job of executive director, he had argued vehemently that the main problems facing MAFEP were maintaining legitimacy in the community and staff morale, not finances. If the board could hire someone with the charisma to revitalize the staff and to win over the State Arts Board, the NEA, and private foundations, then the organization would be reborn. An ordinary, competent administrator, he argued, would be the wrong choice. Although he had been happy with Jackie at first, he had become disappointed in her attitude toward the organization.

"This isn't a question about where we are now," said Jonathan, quietly, forcefully. "This is an issue about where we're going to be in six months. If we don't close now, we've got to face the prospect of continued cuts during the year as our grants run out. We'll have to trim the staff, run more deficit, and then probably be forced out of business with our creditors holding the bag. No, if we're going to stay respectable on this, we need to close up now."
Peter persisted. “We aren't in trouble financially! Look at the summary balance sheets Jackie gave us earlier. Our reliance on the State Arts Board and the NEA has been decreasing steadily since we got our first big grants in the early 1980s. And look at our revenues from programs! Our service revenues are now by far our largest source of revenue and won't be affected by these government cuts! Plus, we're paid up on all our bills. Our long-term debt is to our cash reserve. The only people we really owe money to is ourselves.”

Peter could see that most of the board members didn't understand the details of MAFEP's financial situation. To them, a debt to the cash reserve was still a debt, and a big one at that. Peter also sensed that the dreary mood, emanating most strongly from veteran board members, had little to do with money. He sensed they were exhausted by MAFEP, particularly events surrounding Chris's resignation and the protracted search for a new executive director.

Jackie was the only one with an answer to Peter's objections. “We're getting good money from our programs, Peter, but those programs aren't self-sustaining. We need grants from the State Arts Board and the NEA to keep our programs operating at their current levels. It won't be long before program cuts will cause those program revenues to take a dive.”

“Yes,” said Eric, agreeing with nothing in particular. “If we try to float this now without the support of the State Arts Board, we're just going to frustrate the funding community and burn out the last bit of credibility MAFEP has. Some of our programs can still survive if we give them the opportunity to survive on their own. Closing the organization isn't really that bad. In some ways, it died when Chris left. If we do it right, MAFEP can live on through other organizations. But it just wouldn't be right to keep the administration going now. That's the worst thing we could do.”

Jonathan spoke directly to Peter. “You've not seen the things we've seen, Peter,” he said. “This place needs a fresh start.” Jonathan shifted his gaze to Laurel. “I move for closure of MAFEP.”
Peter was confused. “Why didn't you say these things a year ago, before we went to all this trouble to find and hire Jackie?”

“I don't know,” said Jonathan, sheepishly. “Maybe I should have.”

Peter turned to Laurel. “And why have you gone to all this trouble to recruit new board members?” he asked. “This is a setback, but is it bad enough to make us throw away all that hard work?”

“I don't know,” said Laurel, now unsure of herself. “But I think so.”

The discussion continued for about an hour, during which Peter strongly questioned all the rationales for closing. He proposed an amendment to the motion, including options to hire a new director or spin off autonomous programs, but no one around the table supported him. One new member asked who would head the newly autonomous units. After Jackie left the room and the board was in executive session, a member asked pointedly if anyone in the room—he looked suggestively at Peter—was willing to become acting executive director and see MAFEP through this crisis. No one responded. Peter reiterated that the motion to close was too sudden and much too limiting.

When it appeared that all the arguments had been heard, Eric called for a vote on Jonathan’s motion to close MAFEP. Laurel looked at her watch. It was 10:15.
Questions for Discussion

1. Founding executive directors of nonprofit organizations often differ in management style from executive directors who are hired to manage an organization. How do you explain these differences? What unique challenges do founding executive directors pose for nonprofit organizations and their governing boards?

2. More than a year separated Chris's dismissal and the board's vote on the motion to close MAFEP. If the board had not asked Chris to step down, would the crisis of March, 1995 have occurred? Explain.

3. Who is most “to blame” for the organization's decline: the founding executive director (Chris); the assistant director; the new executive director (Jackie); the board president (Laurel), or the board as a whole? Why?

4. Consult Exhibit 2. Which internal and external factors apply to MAFEP at the time its board is voting on closure? Rank the influence of each factor on MAFEP's situation.

5. The new board members in this case did not object to the motion to close MAFEP. As a new board member, what could you have done to challenge the defeatist atmosphere in the meeting?

6. As a new board member, how would you vote on the motion to close MAFEP? Why? What other options are available to the board?
Exhibit 1

MAFEP Income and Expenses for Selected Years

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<td>Total Income</td>
<td>303,800</td>
<td>1,009,000</td>
<td>1,216,300</td>
<td>962,000</td>
</tr>
<tr>
<td>Gain or (Loss)</td>
<td>(7,700)</td>
<td>54,000</td>
<td>(73,700)</td>
<td>(21,000)</td>
</tr>
</tbody>
</table>
Exhibit 2

The following list outlines a range of **internal** and **external** factors that may contribute to an organization's instability, decline, or demise. In the space to the far left of each statement, check those items which you feel applied to MAFEP at the time the board was voting on a motion to close the organization. In the space to the near left, rank the relevant factors (1=most important) according to their influence on your vote as a new board member on the motion to close.

**Part I: Internal Factors**

<table>
<thead>
<tr>
<th>Applies</th>
<th>Rank</th>
<th>Organization was too small. For example, the organization did not have enough space, resources, or personnel to carry out its goals.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td></td>
<td></td>
<td><strong>Organization was too large.</strong> For example, the organization proved to be too far-flung or unwieldy given the nature of administration or amount of resources available to it.</td>
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<td><strong>Organization was young.</strong> For example, the fledgling organization never found a place in the market or established a name or vision to give it an opportunity to succeed.</td>
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<tr>
<td></td>
<td></td>
<td>Financial difficulties. The organization suffered any of a variety of problems in operating with limited financial reserves.</td>
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<tr>
<td></td>
<td></td>
<td>Personnel capabilities. For example, the organization suffered from insufficient technical or professional knowledge on the part of the staff.</td>
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<tr>
<td></td>
<td></td>
<td>Personnel loss or turnover. The organization suffered from a loss of important staff or frequent turnover of staff, resulting in loss of efficiency.</td>
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<tr>
<td></td>
<td></td>
<td>Conflict among staff. The organization suffered from subtle or overt negative conflict among members of the professional or volunteer staff.</td>
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<tr>
<td></td>
<td></td>
<td>Power struggles. For example, the organization suffered from displays of power in defending ideas, programs, or other 'turf.'</td>
</tr>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unclear mission. The organization suffered from unclear direction, or from multiple directions that caused division in the organization.</td>
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<tr>
<td></td>
<td></td>
<td>Goal changes. For example, the organization suffered from changes of goals or direction that were not supported by the staff or volunteers.</td>
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<td></td>
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<tr>
<td></td>
<td></td>
<td>Organization completed its mission. The organization lived out the purpose for which it was established.</td>
</tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other. Any other internal factors that may contributed to organizational decline or instability.</td>
</tr>
</tbody>
</table>

17
Part II: External Factors

Funding Difficulties

- Major contributors failed to continue their funding of the organization, whether by conscious choice or by changes in giving guidelines or priorities.

- Revenues from services, contracts, or third party payers decreased due to changes in the market environment.

- Fewer major funders (businesses, corporations, foundations, government) were available to the organization.

- The organization was unable to make or keep contact with key funding sources (businesses, corporations, foundations, government, etc.).

Service Provision Factors

- Changes in the market for services left the organization with fewer members, patrons, clients, or consumers.

- Cultural, economic, or technological changes in the local environment altered the way services needed to be delivered.

Control by Outsiders

- The organization was threatened by increased regulation by government, or by associated businesses or corporations.

- The organization experienced undue influence by outsiders in internal operations.

Isolation from Others in the Sector

- Few board members were members of other nonprofit boards.

- The organization failed to make connections with complementary organizations, or lost critical connections with the local community.

- The organization was unable to share information and resources with other nonprofit organizations, or establish joint programs.

- Organization staff did not hold memberships in associations or task forces.
Exhibit 2, continued

Image or Legitimacy

The organization suffered from criticisms or negative opinions held by important outsiders (for example, the public, community leaders, media, funders, clients).

The organization suffered from the perception that it had become different in some way.

The organization suffered from the perception that it was not needed or important.

Other Issues

Other external factors that may contributed to the closure of an organization.
Annotated Bibliography


Practitioner oriented guide to creating effective boards of directors. Discussion of dynamics of fruitful relationships between boards and executive directors in chapter 6.


Sets forth and tests theoretical notions about when and how organizations should change when faced with large-scale changes in their external environment.


Chapter 6, “The Nature of Low Performance Cultures,” relevant to MAFEP. Argues that executives hired to promote business strategy rather than mission tend to be arrogant, to devalue customers and employees, and to be hostile toward change.


Argues that sustained low performance by an organization may occur when constituencies (workers, clients, communities) more interested in survival than performance resist attempts to reallocate resources or close.


Future classic article holding that neighborhood-based organizations should act in the best interests of and be judged by their contributions to their communities. Suggests that closure, especially compared to wasting resources