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If It Is Time To Close It: Considerations for Dissolving An Organization

When is it time to close?

An organization should consider closing at the point where the reasons for staying open no longer outnumber the reasons for closing. Generally, places consider closing when:

- They can no longer attract people willing to serve on the board
- The financial liabilities of operating are consistently larger than the museum's abilities to raise funds.
- The organization is in long term debt, with no reasonable way to get out of it.
- Community support, as measured in attendance, volunteers, and financial support has dwindled to insignificant levels
- The organization determines that its mission is no longer needed and/or the organization is no longer able to carry it out.

This last point, determining that the mission is no longer needed, is worth further discussion. In the business world it is not unusual for companies to thrive for a number of years and then to close their doors for lack of business. The lack of business might be from bad business practices, but it could also be because of changing needs and desires of the customer base, a decline in the local economy, or any number of factors not the fault of the business. In the business world a company in this situation might restructure, merge with another business, or simply go out of business.

We find this same concept hard to accept in the non-profit world. Once we found a non-profit organization, we assume that it should, and will, operate in perpetuity. Perpetuity in non-profit businesses probably does not make any more sense than it does in the for-profit world. A history organization that is founded, promotes and teaches history over a period of years, and helps to educate a new generation of local citizens should be deemed a success whether it eventually closes its doors or not. It may simply have reached the end of its mission's usefulness to its community, in which case, closing is not something to fear or be ashamed of.

How To Dissolve a Non-Profit Organization in Texas

Fortunately, there are abundant resources to guide organizations that reach the point of dissolution. Dissolving the organization is fairly straight forward. The more difficult part comes with disposing of any historical collections. In reading the information, some of which is summarized below, three things are obvious:

- Step one is to contact the Secretary of State's Office in Texas, because they have jurisdiction over objects held in trust for the public (which most museum artifacts are).
- The organization should also have the advice of an attorney.

- Trustees should be under no illusions that dissolving the non-profit and responsibly disposing of its history collections is quick or easy. The museum, historical society or library has objects important to the community, and at the very least has an ethical responsibility to make sure that their disposal is handled gracefully.

Resources

There are many resources available on the internet from groups like Nolo, the American Association for State and Local History (AASLH), and there is even a Dissolving a Non-Profit for Dummies book.

- Nolo <http://www.nolo.com/about.html> outlines the process step by step.

NOLO advises: “Texas’s laws for nonprofits are contained within its more general Business Organizations Code and are unique and complex. You are strongly urged to consult with a lawyer to obtain additional information regarding the winding up and termination of a Texas nonprofit corporation.”

- **Board Source** has a publication called **the Nonprofit Board Answer Book** that has a chapter called “When Should a nonprofit Organization Consider Closing up Shop? Practical Guide for Board Members and Chief Executives.” This is the Expanded Edition from 2002. It can be ordered directly from Board Source.
- **The IRS** has information, including the Non-Profit Termination Form: <http://www.irs.gov/Charities-&-Non-Profits/Termination-of-an-Exempt-Organization>
- **Texas Secretary of State’s Office:** http://www.sos.state.tx.us/corp/forms/652_boc.pdf
- **The National Trust for Historic Preservation** has published a Historic House Closedown <http://download.aaslh.org/webinars/Historic+Site+CloseDown+OLC+2011.pptx>
- A further discussion of the ethics involved with closing a museum is found in the **American Alliance of Museums** publication, Museum: Ethical Considerations for Museum Closures, by Amy Rogers Nazarov, Museum, July-August 2009; and Death With Dignity
- The **American Association for State and Local History** (AASLH) Committee on Professional Standards and Ethics published an ethics position paper, When A History Museum Closes, in the Summer 2007 issue of History News.

What Happens to the Historical Collections?

The issue that haunts everyone in the history field is the ultimate disposition of historical collections. This is a very sensitive subject because of the importance of collections to their community and the fact that, in many cases, the donors of these materials are still alive.

As is often the case, however, a museum may not have complete records of its collections, making it difficult to prove ownership, much less dispose of these items. The latest edition of “**A Legal Primer on Managing Museum Collections**,” by Marie C. Malaro and Ildiko Pogany

DeAngelis has a chapter on “Objects Found in the Collections.” Among many other important points are these:

- A museum can transfer custody of objects without transferring legal title. This might be done when it is determined that the likelihood of a claimant is remote and the burden of proof would be on the claimant.
- Low market value may suggest that there is not likely to be a claimant for an object.
- Many states have abandoned property laws that may help to establish ownership of undocumented object

The **AASLH** has a Technical Leaflet that details the legal and ethical responsibilities of history organizations that dissolve and dispose of collections assets:

http://download.aaslh.org/history+news/ethics_paper_no2.pdf

The issue of the responsible disposition of historical collections is important enough to be dealt with at the state level. For a quick summary of what happened to the collections of several museums that closed in the past few years: <http://hyperallergic.com/84447/resting-in-pieces-the-scattered-fate-of-closed-museums/>

How big an issue is it? No one knows at this point. There are anecdotal accounts of museums that have gone out of business or simply shut their doors. What is happening to those collections, and what would responsible options be? This is an issue that deserves further study.