March 05, 2012

## Nonprofit Governance with a Twist

By Mike Burns

One fact that is very unusual about this Washington Post article is that it is about nonprofit governance, although the article is actually about how the manner in which board members are selected might effect an organization's nonprofit status at the Federal level.  I think this worth considering not because I would like to question the nonprofit's legitimacy but because the process offers an interesting fundraising opportunity.

According to the article, the Cato Institute (the free-market folks housed in a really nice building not far from the Capitol):

The Cato Institute, one of the largest think tanks in Washington, is governed by four people, each with a 25 percent stake in the organization. That stake can be bought and sold for cash under an arrangement, only legal in a handful of states, that is frowned upon by the Internal Revenue Service. ... Although they (the Koch brothers, two of the four "owners") don't receive dividends like shareholders of a for-profit company, the structure gives the Koch brothers power to appoint half of Cato’s board. In most nonprofits, new directors are elected by the organization’s membership or the current board members.

Think of the possibilities though.  A couple of folks really want a particular mission to go forward and then make a major financial investment (I know, that's not exactly what's going on with Cato) and when these investorss tire, new investors come in.

This could be one answer for nonprofit sustainability...  governance up for sale!