

Association TRENDS

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ASAE/GWSAE consolidation:

**Due diligence committee reports due April 15;
combined GWSAE (c)6, (c)3 budgets show surplus**

A due diligence process of looking at all legal, financial and administrative components of the Am Soc of Assn Execs, the Greater Washington Soc of Assn Execs and their fldns is in process to gather necessary materials to help the assns' boards and mbrs determine the feasibility of consolidating the natl assn and the regional one.

Although board mbrs have as yet received no information not released to the public, reports from 11 staff work groups are due April 15 to CEOs John Graham and Susan Sarfati, CAE, with the joint boards to meet on May 25.

Materials available last week on the financial condition of the Ctr for Assn Leadership, GWSAE's fldn, show the current consolidated \$12.3-mil budget of GWSAE and the Center has unrestricted reserves of \$6-mil. Unrestricted surpluses of the 2 related organizations were FY03, \$86,329; FY02, \$15,135; FY01, \$72,334.

Figures for the Center, an educational c(3), show that GWSAE subsidized the fldn in the form of a \$748K gift and a loan of \$960K to support educational mbr services that were not self-supporting, a common assn practice. Audited financial statements for FY02 and FY03 show, for FY02, a surplus of \$415.8K and, for 03, a deficit of \$144.9K. The reports show capital campaign pledges, made during FY99 and FY00 before the launch of the Center, recorded at full value. Ensuing years show the expenditure of those funds for buildout and creative costs for the facility and its programs.

Accountants and attorneys for the components of the proposed consolidation have reviewed documents for both ASAE and GWSAE and have cleared all questions that arose. They will make their reports to the boards as needed for full disclosure.

If for any reason, should consolidation not proceed, Sarfati said the Center and GWSAE boards have discussed the idea of the Center being the groups' primary brand.

However, both ASAE and GWSAE staffs are concentrating on creating preliminary plans of action in the event of consolidation. The target date for consolidation, should it be approved by the boards and then GWSAE

What information is needed for due diligence?

As the GWSAE/ASAE consolidation process goes forward, some questions have been raised. Since it is the boards of the 4 organizations who will vote to go forward with the consolidation, what information should the boards receive when doing their due diligence? Who should gather the material? Should the staffs be involved or should the entities hire outside assistance? Is the process the same for consolidating assns as it is for merging companies in the for-profit arena?

Those who are interested in this process will find a number of Web sites with due diligence information. There are chapters in both Webster's *Law of Assns* and Jacobs' *Assn Law Handbook* on the due diligence required in mergers and consolidations. Both references are available at the *Association Trends* Book Center, www.asstrends.com.

mbrship, is June 30, the end of both assns' fiscal year. However, GWSAE sr. VP Lori Derkay, CAE, said the schedule is not final, and the boards can choose to adjust deadlines if they believe more time is needed to gather information or to complete reports.

Because the corporate entity of the regional group would be dissolved in the new organization, mbrs of GWSAE will be required to vote. Individual mbrs of ASAE will not vote but their board representatives will.

The GWSAE board still is determining how the ballot for such a vote — which will include both in-person and mail balloting — will be handled (see 3/5, p. 4).

Also, there is a question of whether a "consolidation" or a "merger" is appropriate. A merger occurs when one or more corporations are folded into another and the latter one survives. A consolidation exists when 2 or more corporations join together and create a completely new organization, with none of the original components surviving (see 1/30, p. 1).

Details: asaenet.org; gwsae.org/bettertogether.

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Straightforward



Are your mbrs
passionate about
volunteer service?

By Jill Cornish, IOM

We continue to watch... as ASAE and GWSAE mbrs and staff dig deep to determine the viability of consolidation. The boards of the 2 assns and their fldns will review reports, due mid-April, and are scheduled to vote on May 25. According to GWSAE CEO Susan Sarfati, the outcome of the board vote will be either, yes, no or not yet — we need more time/info. That "more info" hasn't yet been gathered; both staffs are currently in "due diligence" mode.