SAMPLE MOU

**MEMORANDUM OF UNDERSTANDING BETWEEN**

**ORG 1 AND ORG 2**

**SUMMARY OF THE AGREEMENT**

In their sole respective discretion and upon receipt of requisite organizational approvals; and negotiation and execution of definitive agreements, ORG 1 and ORG 2 contemplate entering into an Asset Transfer Agreement described in detail in the following paragraphs below. Effective on the date of the closing, ORG 1 would sell, convey, transfer and assign to ORG 2 all of its assets and goodwill owned by the organization, including service programs, the agency name, staff members, and other assets identified below in Section X, except for specifically identified excluded assets.

**EFFECTIVE DATE**

The effective date of this – shall be [Date].

**MISSION and VISION STATEMENTS**

The mission and vision statements of the combined organization going forward shall be the current mission and vision statements of ORG 2:

MISSION:

XXXXXXXX

VISION:

XXXXXXXX

PHILOSOPHY AND VALUES:

The consolidated organization will retain the current philosophy and values of ORG 2:

Philosophy

XXXXXXXX

Shared Values

XXXXXXXX

**CASE STATEMENT FOR THE ASSET ACQUISITION**

**STRATEGIC VISION OF SUCCESS FOR THE ASSET ACQUISITION**

By [DATE], ORG 2 aspires to be the premier nonprofit agency offering a full complement of exceptional services.

**GOALS**

1. Increase administrative efficiency through consolidating administrative functions into ORG 2. Functions to be consolidated include: finance, IT, case file management and tracking, HR and benefits, operations, and fund development. Savings identified can be reinvested into programming.

Asset Acquisition is contemplated to result in an estimated $$ - $$ in administrative savings. The following contracts and expenses will be terminated as a result of this Asset Acquisition:

* 1. Interim Executive Director: $$
  2. Development Coordinator: $$
  3. Community Organizing Consultant: $$
  4. Other expenses: totaling $$
     + Occupancy = $$
     + Accounting/Audit = $$
     + Tech Upgrades = $$
     + Office Supplies = $$
     + Professional Liability = $$
     + Insurance/Benefits = $$
     + Software = $$

Total all expenses from the ORG 1 budget to be eliminated: $$

These ORG 1 operational savings will be off-set by some increased ORG 2 operational expenses, including the following:

* ORG 1 Grant writing/reporting $$
* Tech upgrades, equipment, workspace

Total all increased costs to ORG 2 will be approximately $$ - $$

1. GOAL 2.
2. GOAL 3.

**AREAS OF MUTUAL BENEFIT**

**Benefits to Clients**

1. ORG 1's clients will have access to ORG 2's holistic service delivery.
2. Benefit 2.

1. Benefit 3.

**Benefits to the Organizations and their Donors**

1. Continuation of certain programs originated by ORG 1.
2. Benefit 2.
3. Benefit 3.

**PROGRAMS TO BE INTEGRATED**

To the extent judged appropriate by ORG 2, the ORG 1 model program will be integrated into ORG 2's direct service model. For example, X.

**GOVERNANCE ISSUES**

**1. LEGAL STRUCTURE**

The two organizations have agreed to an Asset Transfer and Assumption of Liabilities structure for ORG 1 and ORG 2. ORG 1 has agreed to transfer the following people and items to ORG 2:

**A. ORG 1 Staff Members**

1. A
2. B
3. B

**B. The Name**

ORG 1; all items associated with the brand, including the logo.

**C. Programs:**

The following programs will be transferred to ORG 2:

1. Program 1
2. Program 2
3. Program 3

**D. Financial Assets Remaining**

Cash and other non-asset receivables

**E. Records**

Donor database; client information files; case files; database; all IT and other equipment; other organizational records; PayPal account; Facebook account and other social media properties and accounts; web site URL; landline phone number.

**F. Remaining Liabilities** (see also Section X, Financial Issues, below)

Payables as of the execution of the MOU:

**2. BOARD OF DIRECTORS**

ORG 1 shall amend its by-laws in the following manner:

1. The number of directors shall be reduced to three.
2. The Board of Directors of ORG 1 will be composed of three ex officio officers of ORG 2

**4. NAME OF THE CONSOLIDATED ORGANIZATION**

Each organization shall retain its name; however the name ORG 1 may be used in association with the acquired programs being transferred to ORG 2.

Acquired ORG 1 will be a separate program within ORG 2. The Supervisor of the ORG 1 Program will directly report to the X.

**FINANCIAL ISSUES**

**1. Accounting/IT**

The accounting and IT system going forward shall be that of ORG 2’s. ORG 2 has estimated that it will cost approximately X for system upgrades and to integrate the finance and accounting for ORG 1.

**2. ORG 1 Assets**

ORG 1 has the following non-cash assets on its balance sheet:

**3. ORG 1 Cash Accounts**

Cash accounts for ORG 1 are held at [Bank], Address, with the following totals as of [DATE]:

|  |  |
| --- | --- |
| Checking |  |
| Account | $$ |
| **TOTAL** | **$$** |

**4. Financial Health**

Due diligence review concludes the following points about the financial health about each organization:

**5. Litigation Status**

There is currently no active litigation or known litigation by either party.

**6. Insurance**

A review of insurance during due diligence concludes the following:

[The parties have concluded the following regarding tail insurance]

**7. Audit Year**

Both organizations are on a [DATE] fiscal year. ORG 1's Auditors are [FIRM].

**8. Donors**

Representatives of both organizations conducted an assessment with common donors of the potential for loss of revenue due to ORG 2’s acquisition of ORG 1 and have concluded that there will not be any loss of funding.

The organizations share the following donors in common:

* Donor 1
* Donor 2
* Donor 3

**9. Budget for the Transaction**

|  |  |
| --- | --- |
| **EXPENSE** | **ESTIMATED AMOUNT** |
| **Legal** | $$ |
| **Consultants:** |  |
| * Asset Acquisition Consultant | $$ |
| * Financial | $$ |
| * Marketing/Communication | $$ |
| * IT Integration (database, web   site, email, equipment, phones, servers | $$ |
| SUBTOTAL | $$ |
| **Design and Printing** SUBTOTAL | $$ |
| **Severance**  SUBTOTAL | $$ |
| **Space:** |  |
| * Professional Movers | $$ |
| * Build-Out | $$ |
| * Terminating the Lease | $$ |
| SUBTOTAL | $$ |
| **Systems Integration:** |  |
| **Cultural Integration** | $$ |
| **Materials** | $$ |
| SUBTOTAL | $$ |
| Other: |  |
| Celebration | $$ |
| Close-out audit | $$ |
| SUBTOTAL | $$ |
| **GRAND TOTAL** | **$$** |

**ESTIMATED REVENUE FOR THE TRANSACTIONAL EXPENSES:**

1. Donor 1 $$
2. Donor 2 $$
3. Donor 3 $$

Estimated: $$ - $$

**HUMAN RESOURCES**

**1. ORG 1 STAFF**

**A. Transferring Staff**

The following Staff members will be offered the opportunity to become employed by ORG 2 and would be subject to the same terms and conditions of employment that apply to ORG 2employees. Their titles and salaries are noted below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| NAME | CURRENT TITLE | CURRENT STATUS | PROPOSED TITLE | CURRENT PAY | PROPOSED PAY |
| A | A | Full-time salary | X | $$ | $$ |
| B | B | Contractual | X | $$ | $$ |
| C | C | Part-time Hourly | X | $$ | $$ |

**B. Non-Transferring Staff**

Two staff members will not be transferred over to ORG 2. They are:

1. X
2. X

**2. HUMAN RESOURCE POLICIES**

A comparison of Human Resource policies has shown that X

Staff transitioning from ORG 1 to ORG 2 will maintain their years of seniority in the new organization. A comparison of salary schedules between the two organizations found that employees were paid at comparable rates and received comparable benefits.

**CAPITAL ISSUES**

**1. ORG 1’S OFFICE AND EQUIPMENT**

ORG 1 has an office lease at Address. There is a 90 day cancellation clause in the lease. The plan for the ORG 1 office is as follows: X

Other than the I. equipment, ORG 1 has an X that is on a Y lease. The plan for this X

The ORG 1 staff who are offered and accept jobs with ORG 2will move to ORG 2’s headquarters.

**COMMUNICATION**

**1. Messages to Key Stakeholders**

During the transition process, we will communicate the following messages to our key stakeholders including board members, clients, volunteers and donors:

**2. Messages to Staff**

Based on the reaction of staff, the following steps will be taken to help staff, particularly the ORG 1 staff, with the transition process:

1. A joint organization implementation team will be created to plan the week-by-week transition process for this agreement.
2. Starting with the voting approval of both boards of directors to the memorandum of understanding, there shall be scheduled joint meetings of the staff to get to know each other and to become familiar with each other.
3. The two executive directors will meet periodically with the ORG 1 staff to brief them on preparations for the transfer, to seek their feedback and to answer their questions.
4. If called for, the executive directors can enlist the help of consultants to de-brief with staff, plan focus groups, or confidential surveys, if requested.
5. A regular transition email update or newsletter will be published to all staff to keep them informed of decisions or progress being made during the transition process.

**3. Media**

In order to control the messaging about this positive event, we have developed a communications plan which includes the public media sources, key stakeholders, and the general public. This plan will be developed by X, and is attached to this MOU for further information to each board of directors.

OR:

We have agreed to issue a press release after the approval of the MOU and again when the legal documents have been approved by both boards of directors. Any member of the media who contacts us regarding this matter before it is resolved will be given the following message by both organizations:

XXXXXXX

In the event our organizations do not approve this asset transfer, we agree to use the following message to the public:

XXXXXXX