

IS YOUR NONPROFIT IN STAGNATION



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Financial Red Flags

- Reliance on a single funding stream.
- Recurring and chronic cash flow problems
- Inability to meet grant obligations.
- Delayed payments to vendors or missed payroll taxes.
- Decrease in donations, donors and grants
- Reliance on reserves.
- Using restricted assets to cover general operating costs.



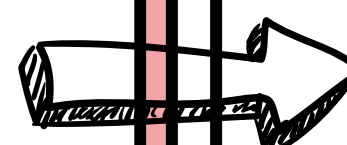
Immediate Actions:

- Confirm whether funding obligations can be met.
- Cut expenses.
- Pay immediate liabilities (especially payroll taxes).
- Consult funders before reallocating or returning funds.
- Assess whether dissolution is necessary—and follow a legal process.



Employee & Culture Red Flags

- High turnover or “quiet quitting”
- Staff disengaged, burned out, or fearful
- Decisions made in silos or withheld from staff
- Rumors or misalignment with leadership messages



Immediate Actions:

- Create safe, consistent spaces for honest feedback
- Encourage staff to name problems clearly—before jumping to solutions
- Prioritize clarity over control
- Conduct a culture or climate assessment
- Affirm programs meet mission impact expectations.



Board Engagement Red Flags

- Few board members actively participate
- Difficulty in recruiting new board members.
- Board lacks understanding of its role
- No regular financial or strategic oversight
- Difficult conversations are avoided



Immediate Actions:

- Verify the mission is still relevant
- Clarify governance roles and responsibilities
- Create agreements around transparency and communication
- Use a board matrix to assess skills, gaps, and engagement

STEPS TO DISSOLVING YOUR NONPROFIT

Dissolving a nonprofit in Michigan involves a specific legal and procedural process to ensure compliance with state law, IRS requirements, and fiduciary responsibilities. **These are the key steps to dissolving a nonprofit organization in Michigan:**

1. BOARD APPROVAL AND VOTE

- Review the bylaws for dissolution procedures (e.g., required vote threshold, notice requirements).
- Hold a board meeting and formally vote to dissolve the organization.
- Record the decision with a board resolution noting the vote outcome and reasons for dissolution.

2. FILE A CERTIFICATE OF DISSOLUTION

- Use Form 502 (Nonprofit Corporation Certificate of Dissolution) available from the Michigan Department of Licensing and Regulatory Affairs (LARA).
 - [LARA Form 502 PDF](#)
- Submit to:
 - Corporations Division, LARA
 - Include the \$10 filing fee (as of 2025).

3. NOTIFY THE MICHIGAN ATTORNEY GENERAL

- Michigan law requires that charitable nonprofits notify the Attorney General's Charitable Trust Section before dissolution.
- File the "Dissolution Questionnaire":
 - [Charitable Trust Dissolution Packet](#)
- The Attorney General must approve the plan for asset distribution (see step 5).
- You may also need to provide financial records or a final report.

4. FILE IRS FORM 990 (FINAL RETURN)

- Check the "Final Return/Terminated" box on the last Form 990, 990-EZ, or 990-N.
- Attach a Schedule N, which explains how remaining assets will be distributed.
- If your organization has tax-exempt status (501(c)(3)), notify the IRS in writing of your dissolution.

5. DISTRIBUTE ASSETS PROPERLY

- All remaining assets must be distributed in accordance with:
 - The organization's bylaws and articles of incorporation
 - IRS 501(c)(3) regulations, if applicable (assets must go to another 501(c)(3), government agency, or public charity).
- You cannot distribute assets to board members, staff, or private individuals.

6. PAY DEBTS AND FINAL OBLIGATIONS

- Ensure all:
 - Debts are paid
 - Grants and contracts are fulfilled or closed out
 - Payroll taxes and withholdings are submitted
 - Leases, subscriptions, and insurance policies are terminated or transferred

7. CANCEL LICENSES, REGISTRATIONS, AND ACCOUNTS

- Cancel:
 - Charitable solicitation registration (via AG Charitable Trust Section)
 - State tax accounts and sales tax licenses (if applicable)
 - EIN (inform the IRS, though EINs are never reissued)

8. KEEP RECORDS

- Maintain copies of:
 - Dissolution filings
 - Board meeting minutes and resolutions
 - Final 990 and related IRS forms
 - Asset distribution documentation

⚠ Important Reminders

- You must follow both state and federal rules—do not skip the Attorney General or IRS steps.
- If your organization received government grants, verify any required closeout procedures.
- Noncompliance may result in penalties or revocation of tax-exempt status—even after the organization has ceased operations.
- Ask for help - email Info@nonprofnetwork.org