

Alzheimer's Association Tries to Consolidate, But Splits Apart

01.14.16 | Linda J. Rosenthal, JD



Recently, the Chicago-based Alzheimer's Association embarked on a strategic change of course to fully integrate its independent chapters nationwide into a single charitable organization. There were some unexpected consequences, though, that may have lessons for other affiliated groups. Instead of uniting – as the national board planned – chapters are starting to peel off and go it alone.

Merger Plan Proposed

Nationwide, many charitable organizations are structured with affiliates or chapters in various forms of confederation. It's not a one-size-fits-all plan. Some charities choose to be strongly tied together; the national organization files for a group tax exemption, and the chapters operate under the umbrella of that group ruling. Others are more or less loosely affiliated; chapters may be “independent.”

The Alzheimer's Association has the latter structure. At the time of its recently announced merger plan, called “Mission Forward,” it had already merged 27 formerly independent chapters into the national association. With the proposed new merger agreement, the national board hoped to bring the more than 50 remaining independent chapters into one single charity. The board touted the merger “as a way to sharpen its attack on a fast-growing disease that affects more than 5-million Americans.”

Early on, there was a lack of unanimity about this proposal. “Only half of the then 54 independent chapters voted in favor of the consolidation in early fall, shortly before the national board voted unanimously to move ahead with the plan.” In particular, the local groups have been worried they will “lose control over their local assets and programs.”

Chapters Drop Out of Merger Plan

First, in early December, the New York chapter decided to leave. A few days later, two more – Orange County and San Diego/Imperial County – decided to bolt. These Southern California affiliates feared that “the consolidation plan would jeopardize the local services they provide to Alzheimer’s patients and their caregivers.” Also, on December 18, 2015, the Greater New Jersey affiliate voted to separate. Each of these four affiliates had voted against the Mission Forward plan earlier in the fall.

“Simply hearing ‘We don’t plan on major changes’ isn’t great when you’re handing them the keys to the store,” said Jim McAleer, president of the former Orange County chapter, now called Alzheimer’s Orange County. Mary Ball, head of the San Diego/Imperial County affiliate, commented: “When you look at the merger agreement, it’s fairly clear that the national association in Chicago will have all the control.” Under the restructuring, 100 percent of donations would go to the national organization, and chapters would be required to dissolve their independent boards. “Chapters did not have a meaningful say in the decision,” according to a statement released by the San Diego area group.

Three of these organizations already have new names and websites: Alzheimer’s Orange County, Alzheimer’s San Diego, and Alzheimer’s Greater New Jersey. The New York City chapter is expected decide on a new name this month.

These four chapters accounted for almost \$18 million in total revenue in the most recent fiscal year (2014): New York City, \$7 million; Orange County, \$4.5 million, Greater New Jersey, \$3.3 million, and San Diego, \$3.1 million. The organization’s total reported revenue for 2014 was approximately \$273. Stewart Putnam, the chairman of the board of the national association, said that “he’s heard from about a half-dozen affiliates that committed to continuing with the organization,” but “he still expects the “vast majority” of the independent chapters to join the unified organization.

However, more affiliates are expected to split off from the national organization in the coming weeks.

Conclusion

The Orange County group indicated in a letter to the national organization that it “had a great relationship with the national organization” and “[t]here was nothing derogatory in any way in our decision” to disaffiliate.

“Hopefully, like any divorce, it’s one that can be done as smoothly as possible,” said Mike Lancaster, Orange County’s board chair. “We know the accounting aspects that need to be flushed out, know the particulars of what we need to do. Those are being done, hopefully done in very open and good fashion, and not any animosity.”

But the national's Stewart Putnam, indicated that he is "committed to introducing [the national organization's] services in areas where chapters disaffiliate."

In split-ups like this, there are going to be questions about money, property, and – of course – who will get custody of the kids. The new local groups may or may not be able to bring along with them all of the patient-beneficiaries, caregivers and families, and other supporters. Time will tell.