Chapter 7
Nonprofit Governance: When the Private Sector Controls

Gwyneth Edwards
https://orcid.org/0000-0002-5450-4250
HEC Montréal, Canada

ABSTRACT

Using longitudinal case research methods, this paper demonstrates how a for-profit public firm controls a nonprofit organization, using the specific case of Intrawest Corporation, a Canadian property developer, and its timeshare program, Club Intrawest. The research demonstrates how the governance structure allows the for-profit firm to control the assets and revenue streams of the nonprofit organization, while passing on the costs and risk to the timeshare consumers. This chapter exposes this non-standard governance relationship, questioning both the legality and ethics of such a structure.

INTRODUCTION

In 2016, Gretchen Morgenson of the *New York Times* published a story entitled "The Timeshare Hard Sell Comes Roaring Back" (Morgenson, 2016), which described the sales mechanisms employed by many of North

DOI: 10.4018/979-8-3373-1260-6.ch007

America's timeshare developers. Although the notion of the high-pressure timeshare sale was not new, the article touched upon a fundamental component of the timeshare business model: developer control of the nonprofit homeowners' association (HOA), the legal entity created by the developer that is charged to maintain and operate the timeshare program. The control of the HOA by the developer is documented in the timeshare program instruments, but is not explained to the end consumer in typical high-pressure timeshare presentation.

A typical timeshare sale is performed under a time constraint (e.g. 90 minutes), in absence of the detailed developer contract and HOA documents, all of which can run up to hundreds of pages in length. As a result, consumers may believe that they are purchasing an appreciating asset that they own and control when, in fact, they are purchasing access to a commodity (e.g. room nights) that loses its value immediately upon purchase and comes with significant constraints that make the item worthless on the secondary market.

In 2020, the National Association of Attorneys General reminded the public once again of the fraudulent nature of timeshares (Ordonez & Mée, 2020), followed by warnings from the Federal Bureau of Investigation in 2024 (Smith, 2024). And yet, timeshares persist; in 2023, Arizton Advisory & Intelligence (2023) projected a compound annual growth rate of 7–8% to 2028 (a market value of US$15.3 billion).

This paper demonstrates that the developer controls the HOA and the associated revenue streams through a set of legal documents that are created by the timeshare developer itself, and involve several different developer-owned entities (e.g. developer, manager, and declarant). As part of the developer sales process, the timeshare plan is identified as a stand-alone nonprofit operation (run by the HOA) that is controlled by those who have purchased the timeshares. However, the HOA is not actually independent. Due to an intricate set of rules and guidelines, the developer controls key aspects of the program and therefore retains material control. In both research and practice, however, this little-known phenomenon is not well understood. Nonprofit governance research has focused primarily on charitable fund-raising, social good, and public service organizations, for example. Government regulations also continue to treat for-profits and