

## **Update on the Nonprofit Sustainability Initiative**

**September 2015**

### **Background**

Nonprofit organizations increasingly need to find ways to work more effectively and deliver more services with greater impact (and often with less revenue). In 2012, in recognition of the ongoing pressures nonprofits were facing, California Community Foundation, The Ralph M. Parsons Foundation and Weingart Foundation introduced the Nonprofit Sustainability Initiative (NSI). The goal of the NSI is to help facilitate greater organizational effectiveness, impact and efficiencies among Los Angeles-based nonprofit organizations by supporting the exploration and pursuit of strategic restructuring. Partnerships supported through the initiative range from jointly managed programs and consolidated administrative functions to full-scale mergers or acquisitions.

The initiative was launched in April 2012 at an educational workshop on strategic restructuring attended by more than 700 nonprofit executive directors and board leaders representing over 300 nonprofits. In December 2012, funding was introduced to support the cost of consultant led facilitation of strategic restructuring negotiations between two or more organizations. Starting in January 2014, funding was also made available to support discrete implementation and integration costs once negotiations are completed.

A second NSI workshop was held in September 2014 with nearly 450 local nonprofit leaders in attendance. Participants at the 2014 workshop were once again invited to apply for funding to support the cost of consultant facilitated strategic restructuring negotiations.

### **Results to Date**

Grants have ranged from \$20,000 to \$50,000 and have supported a wide variety of agencies, including health providers, community development, housing, civil rights, arts and culture, youth programs and education. Funding is available for organizations that have identified a potential partner or partners and are ready to move into structured discussions aimed at developing a strategic partnership (e.g., administrative consolidation, program consolidation, mergers). Proposals are reviewed based on the following criteria:

- Demonstrated commitment to entering into strategic restructuring negotiations;
- Impact of a strategic restructuring on the clients and communities served by the partner organizations;
- Well-designed consulting contract with clearly articulated costs, goals, timeline and benchmarks; and,
- Signed board resolutions from each organization.

To date, 28 partnerships involving 75 nonprofit organizations serving every region of Los Angeles County have been awarded grants to support the cost of partnership negotiations. In addition, four integration grants have been made to support the implementation of those partnerships.

*NSI Results Total as of September 2015:*

Number of grantee organizations	75
Number of negotiation discussions	28
Completed mergers	4
Completed collaborations	7
Negotiations still in process	11
Negotiation grant distributions	\$928,150
Integration grant distributions (4 grants)	\$125,680
Total distributions	\$1,053,830

**What We Are Learning**

The collaborative has also engaged a third party evaluator, Blue Garnet, who is primarily focused on real time learning to inform and shape the ongoing work of the initiative. However, Blue Garnet will also assess the overarching impact of the NSI and help define key learning that can be shared with the broader nonprofit and funder community. While the evaluation is still underway, the following initial learnings have already surfaced:

- A neutral negotiation consultant/facilitator is viewed as extremely valuable and critical to the process;
- Although all negotiations have not resulted in partnership agreements, grantees find the strategic restructuring process itself valuable and educational, regardless of the outcome;
- NSI funding is viewed as the stimulus of most of the strategic restructuring conversations;
- Participation in the strategic restructuring process requires significant time investment on behalf of the grantees and often more than anticipated.

Additionally, the collaborative of funders agree that the guiding principles set out at the onset of the initiative still hold true and contribute to the positive outcomes to date:

- It is important for funders to remain flexible and neutral to support the most successful process and outcomes. Nonprofits need the space to explore partnership options

without the concern of funders meddling in the process or being wedded to any particular outcome.

- Funders must be comfortable with the ambiguity and shifting timelines that often accompany this work. Not all of the mergers that have concluded negotiations started the process with merger as the end goal. Others entered negotiations exploring various options unsure where they would end. Funders need to allow grantees the time needed to negotiate this very sensitive work.

### **Participating Foundations and Managing Structure**

Since launching the initiative in 2012, the NSI has grown to a collaborative of the following twelve foundations:

- The Ahmanson Foundation
- The Annenberg Foundation
- California Community Foundation
- The California Endowment
- Carol & James Collins Foundation
- Conrad N. Hilton Foundation
- The Durfee Foundation
- First 5 LA
- James Irvine Foundation
- JP Morgan Chase Foundation
- The Ralph M. Parsons Foundation
- Weingart Foundation

The three original funders, California Community Foundation, The Ralph M. Parsons Foundation and Weingart Foundation, operate collaboratively to manage the ongoing work of the initiative. A program manager was hired last year to help facilitate that effort on a day-to-day basis. The California Community Foundation provides fiscal agent services at no cost for the NSI. In addition to other responsibilities, the managing funders are responsible for: approving grant requests, ongoing fundraising for the NSI, communicating with all funders through regular funder convenings, organizing annual grantee and other stakeholder conferences, and participating in marketing opportunities such as participation in panels at GEO and other conferences.

Regular conferences, convenings and meetings are also a part of the NSI. In July 2015, all NSI former and current grantees were invited to a half-day convening to share their experiences, identify ways to normalize strategic restructuring, and network with each other and the funders in attendance. NSI funders meet regularly for updates on the initiative and to discuss the strategic vision for the NSI. At least two funder convenings are scheduled each year. Large-scale conferences took place in 2013 and 2014 that were open to all nonprofits served by the participating funders. A total of over 1,000 nonprofit representatives attended the conferences.

## **Conclusion**

The hope is that the NSI will help to further normalize the dialogue and activity around mergers and collaborations in the sector. The NSI's definition of success is: "By the end of the active NSI effort, Strategic Restructuring will be normalized in LA County's nonprofit ecosystem. This ecosystem understands, supports, and engages in SR as a tool for enhanced impact and sustainability." Part of the NSI's measure of success is whether we have helped to create an environment where nonprofits are more comfortable discussing strategic partnerships with their boards and with funders, where funders are more receptive to funding this type of work, and nonprofits have the tools and professional support needed to effectively engage in the work. The funders and the evaluation team believe that attitudes and perceptions around mergers and strategic partnerships within the local nonprofit and philanthropic sector have begun to shift since the launch of the initiative. However, the funders also recognize that beyond the life of the NSI, there may continue to be a need for education in the sector on the range of strategic partnership possibilities as well as training for consultants on facilitation of strategic restructuring and partnership work. Discussions are taking place among the funders now around what entity/entities might be best to carry that work forward.

This project has brought together funders and nonprofits in Los Angeles to focus on long-term sustainability issues in the nonprofit sector in a systematic way. The NSI continues to garner attention from nonprofits and funders throughout the country and is already being looked at as a model to support strategic restructuring within the nonprofit sector.

## **Continued Funding**

Funding is currently available for organizations ready to move into structured discussions aimed at developing a strategic partnership (e.g., administrative consolidation, program consolidation, mergers). This is a competitive application process and not all requests for funding will be awarded.

Proposals will be reviewed based on the following criteria:

- Demonstrated commitment to entering into strategic restructuring negotiations;
- Impact of a strategic restructuring on the clients and communities served by the partner organizations; and,
- Well-designed consulting contract with clearly articulated costs, goals, timeline and benchmarks.
- Signed Board Resolutions from each organization

Applications submitted by the following dates will receive a decision within six (6) weeks of the application deadline.

**June 22, 2015**

**August 14, 2015**

**October 16, 2015**

Additional information on the NSI and the application for funding can be found on the California Community Foundation's [website](#). Interested organizations should also free free to

contact Lynn Alvarez, Project Manager, at [alvarezlynn@sbcglobal.net](mailto:alvarezlynn@sbcglobal.net) or 818-906-8976.

*In addition the Nonprofit Sustainability Initiative, Weingart Foundation continues to support the exploration and facilitation of strategic partnerships through our regular grantmaking program. Nonprofits interested in learning more can review Weingart Foundation's [grant guidelines](#) and [contact](#) the Foundation for more information.*