NSI NONPROFIT SUSTAINABILITY INITIATIVE Q & A

FOR NONPROFITS

What are the phases of NSI funding?
NSI provides two phases of funding: 1) negotiation funding, toward the facilitation of an agreement; and 2) integration funding, toward the implementation of an agreement.

How many organizations have participated in NSI so far?
As of June 30, 2020, 242 organizations have received NSI funding to explore and/or implement 90 strategic restructuring agreements. Of these, 50 have resulted in partnerships (29 mergers and 21 sustained collaborations of other types), 16 did not reach an agreement, and 24 are still in process. NSI has awarded 37 integration grants for one-time costs related to implementing an agreement.

What type of organizations participate in NSI?
To be eligible for NSI funding, the lead applicant organization must be based in and/or primarily serving Los Angeles County. Past NSI grantees have ranged broadly, including Youth and Family Services (35%); Human Services including community development, housing, legal, etc. (21%); Healthcare providers (18%); Arts organizations (13%); Education organizations (12%); and Animal Welfare organizations (1%).

What are allowable allocations for NSI funding?
Negotiation grants are designated towards the cost of engaging third-party consultants to help facilitate the negotiation process. Integration grants can be allocated towards a range of one-time costs related to implementing a strategic restructuring agreement, such as consultation, IT integration, marketing materials and rebranding, legal fees, severance packages, lease-breaking fees, asset transfer, and board development.

Does NSI funding cover the full cost?
Typically Negotiation grants do cover the full cost of a third party facilitator ($20,000 - $40,000). The cost of integration depends on the nature of an agreement, but Integration grants also range from $20,000 - $40,000 and do not typically cover the full cost of implementing an agreement.

Does NSI provide resources beyond funding?
Yes, NSI's Project Manager is available for confidential exploratory conversations to organizations considering pursuing a negotiation. NSI also partners with Public Counsel to connect organizations with necessary pro bono counsel throughout the process. For more information about pro bono legal counsel, call (213) 385-2977, or complete the application here. Read more here on legal considerations.

What are the typical outcomes of a strategic restructuring negotiation?
The outcomes range from fully integrated organizations (mergers, parent-subsidiary relationships, asset transfers, joint-venture partnerships), to shared service agreements (co-location, shared staffing, back-office consolidation, fiscal sponsorship), to the creation of alliances and networks among several organizations.

What are the common challenges of pursuing strategic restructuring?
The most commonly reported challenges are allocating the time for the necessary negotiation meetings and due diligence, board engagement/availability, communicating the process to staff and navigating staff concerns, navigating power dynamics and ensuring representation of interests regardless of organizational size.

What are the benefits of the strategic restructuring exploration process?
As reported by past NSI grantees, benefits include increased board engagement, internal clarity and strategic direction, financial strategy/awareness, general industry knowledge, employee engagement, fundraising/fund development capabilities, openness to future strategic partnership opportunities, and enhanced external reputation. Read more about partnership benchmarks for healthy organizations.

What are the key success factors?
We have observed that organizations that reported successful negotiations had the time to devote to the process, demonstrated internal clarity regarding what they aimed to gain from the process, engaged in honest upfront conversations with their partner(s), had some amount of positive previous working experience with one another, had compatible missions and cultures, had a clear understanding of the strategic restructuring process, and worked with a third party consultant to facilitate the process. Read more here on success factors in 41 case studies in Minnesota.

Do we need to use an NSI-vetted consultant?
NSI provides a list of consultants on our website that have facilitated at least three strategic restructuring negotiations. While we do not require NSI applicants to work with these consultants, we do expect that applicants choose a consultant with demonstrated experience specific to the strategic restructuring process, and a realistic scope of work.

We are considering dissolution. Does NSI support dissolution activities?
Yes, NSI supports mission preservation and program/asset transfer activities related to dissolution. You can reach out to Project Manager Carrie Harlow to discuss further. Read more about nonprofit dissolution at Council of Nonprofits, Nonprofit Quarterly, Nonprofit Law Blog, and IRS.

As a nonprofit leader, what should I be considering when reflecting on my organization's readiness to engage in a strategic restructuring process?

- **Identifying a partner**: Who are the organizations within your existing networks? What peer organizations have you partnered with in the past? Are any of these organizations pursuing succession planning? Have any of these organizations undergone an executive transition or board development that may position them differently than in the past? What organizations are providing similar services in a different geographic area? What organizations are providing complimentary services to the same population you are serving? Read more here from La Piana Consulting.

- **Understanding your partner(s):** Conduct a brief inventory of program sites, staff, executive staff, board(s), executive committees and who may participate in the negotiation. Characterize populations served, geography covered, and demographics of clients. Are organizations familiar with how they are similar/ differ and how their challenges and strengths may be compatible? Read more on how to craft your organization's financial story.

- **Motivations & Vision**: What is incentivizing each organization to come to the table? What do you each hope to get from the exploration? Do you have an aligned vision of an ideal outcome?

- **Board engagement:** How involved are your respective boards? Is there any resistance? If so, what are the underlying concerns/hesitations? Do any of the board members know one another already?

- **Staff engagement:** Who on staff is aware of the conversation? Who will be participating in the process? When do you plan to inform other staff? How do you anticipate the potential agreement may impact staff?

- **Cultural Compatibility**: Are there major cultural differences? Is it important for you to consider cultural competency when looking for a consultant? Do executive leaders appear to have a good rapport and clear communication with one another? Do the organizations agree on how to operationalize equity? Read more about cultural integration.

- **Anticipated Challenges**: What is each organization most concerned about? Are there power dynamics at play? How important will financial analysis be to the negotiation process? How do you think having a facilitator present may be helpful in navigating these difficult aspects of the negotiation? Would there be other resources that may be helpful in setting you up for success, such as legal counsel or external accounting services? Read more about assessing nonprofit readiness for health partnerships.

- **Consultant**: Did you speak with more than one consultant? What was your selection criteria for the consultant? Have they facilitated a strategic restructuring negotiation? Is the scope of work realistic?

What do I need to prepare before submitting an application for NSI funding?
All applicant organizations need to have identified their partner(s). Each partner organization should have discussed the process with board members, and together the organizations should have vetted and chosen a consultant. Your application will require a scope of work from this consultant, as well as a board resolution from each participating organization.

FOR FUNDERS

How much funding has NSI provided to date?
As of June 30, 2020, NSI has awarded over $4 million in grants.

How frequently does NSI make grants?
On average, NSI receives about two grant applications a month, and awards 15-21 grants a year.

How do grant decisions get made?
NSI grant decisions are recommended by the Project Manager and reviewed and approved by a committee representing the four current Managing Funders: The Ahmanson Foundation, California Community Foundation, The Ralph M. Parsons Foundation, and UniHealth Foundation.

Is there a minimum expectation from participating funders?
No. Current NSI funders contributions range from $20,000 - $500,000. Foundation grant cycles include annual and multi-year grants.

How often do NSI funders meet?
NSI funders convene at least twice a year to review the activities of the Initiative, discuss next steps, and learn first-hand from the experiences of nonprofit participants.

How is NSI engaged in national field-building efforts?
NSI is one of the founding initiatives of the national Sustained Collaboration Network, a community of practice which includes similar initiatives in New York, Philadelphia, Pittsburgh, Dallas, Austin, and Arizona. For more information, visit www.sustainedcollab.org.

RESOURCES

For additional information on NSI and the Sustained Collaboration Network, see the following publications:

"Will Crisis Lead More Nonprofits to "Marry"? Network Aims to Make Mergers Less Taboo", Inside Philanthropy, 2020

"Building Capacity for Sustained Collaboration" Stanford Social Innovation Review, 2020 *in partnership with Open Impact*

"Growing Network Helps Nonprofits with Partnerships and Mergers", The Chronicle of Philanthropy, 2020

"From Idea to Initiative: Real-time Learning for a Funder collaborative on Nonprofit SR" The Foundation Review, 2019 *in partnership with Blue Garnet*

For additional information on Strategic Restructuring:

"Mergers, collaborations, and strategic alliances" Council of Nonprofits

"Merger and Alliance Toolkit" La Piana Consulting

"Exploring Greater Impact Through Strategic Partnerships" BoardSource

"A Board Member's Guide to Mergers" CompassPoint