

SANTA FE COMMUNITY FOUNDATION MERGER FUND

WHY A MERGER FUND AT SFCF?

According to an Independent Sector report, there were 9,104 nonprofit organizations in New Mexico in 2016 – serving a population of less than two million. That number includes public charities, civic leagues, chambers of commerce, veterans’ organizations, some religious organizations and private and public foundations. In Santa Fe County alone, the National Center for Charitable Statistics tells us there were 849 nonprofits registered as 501c3s in 2015.

While the numbers of nonprofits, per se, doesn’t tell us anything about their effectiveness or redundancy, there are certainly instances where some nonprofits, especially smaller, more challenged groups, may be able to find strength and greater effectiveness by joining forces with like organizations.

We believe that there are circumstances where the community will be better served by nonprofits combining work, creating efficiencies and focusing on improved service delivery. Exploring, vetting, facilitating and finalizing a merger is bold undertaking for any nonprofit board. Through the establishment of the Merger Fund, Santa Fe Community Foundation will offer help to eligible nonprofits engaged in merger conversations.

Sources: <https://www.independentsector.org/wp-content/uploads/2016/12/New-Mexico-1.pdf>, <http://nccs.urban.org/sites/all/nccs-archive/html/PubApps/geoShowOrgs.php?id=c35049&code=c35049&v=n&lev=>

WHY NONPROFITS SHOULD CONSIDER A MERGER?

New Mexico is a small state with great needs, passionate citizens, and a limited pool of donors. When donors see overlap in the causes they are asked to support they see dilution of their financial support and of the talent of those they invest in.

Strategic reason for merger: organizations pursue merger to **increase service delivery and improve financial status.**

Primary survival reason for merger: **increasing long-term financial viability or solvency** for at least one pre-merger organization. A chance to **save services that would otherwise be lost**, or a way to **avoid imminent financial crisis.**

Source: <http://seachangecap.org/wp-content/uploads/2014/10/Success-Factors-in-Nonprofit-Mergers-A-Study-of-41-Minnesota-Nonprofit-Mergers-1999-2010-Full-Report.pdf>

A Stanford Social Innovation Research Study of mergers found that:

In 88 percent of the cases, both acquired and the acquiring nonprofits reported that their organization was better off after the merger, with “better” being defined in terms of achieving organizational goals and increasing collective impact. To be sure, we uncovered buyer’s remorse and founder regret among merger participants. In the vast majority of cases, however, the participants reported that the merger resulted in increased impact—the critical measure of merger success.

Other findings from the study:

- In 80 percent of the cases, **a prior collaboration existed between the merging organizations;**
- In 80 percent of the cases, **the merging parties engaged a third party neutral facilitator;**
- In 85 percent of the cases, **the board chair or a board member from one of the organizations emerged as the chief merger advocate;**
- In 60 percent of the cases, **the acquired organization initiated the merger discussion.**

Source: https://ssir.org/articles/entry/nonprofit_mergers_that_work

HOW WILL IT WORK?

Once or twice a year (depending on the balance in the Merger Fund), Santa Fe Community Foundation will make available a grant for two (or more) nonprofits that approach us with an agreed plan to merge. Boards will apply for a ‘merger grant.’ The nonprofit will need to have **established goals** and created an **‘intent-to-merge’ resolution** in order to be considered for a Merger Grant from SFCF. Typical merger process steps:

1. **Establishing goals** for the merger process and post-merger outcomes.
2. **Providing due diligence** through the assessment of potential risks and benefits associated with financial, legal, and service and staffing activities within each organization.
3. **Sometimes (but not always) participating boards feel it is necessary to engage a neutral mediator** to facilitate the process, provide expertise or knowledge, and maintain neutral perspectives in decision making.
4. **Involving key stakeholder groups** including executive leadership, management, board governance, and staff.
5. **Effectively integrating formal and informal systems** including organizational culture, human resources, organizational and leadership structures, and financial, accounting, and information technology systems.

WHAT CRITERIA WILL SFCF USE TO SELECT MERGER FUND GRANTEEES?

- We will give priority to requests from groups that approach us, who have already started the process of deliberations (*i.e.* it is unlikely that we would approach nonprofits and ‘suggest’ they consider a merger).
- We will give preference to nonprofits that fall into one (or more) of our areas of impact and are a fit with our funding priorities.

- At least at the outset, we will give preference to requests from nonprofits serving Santa Fe and/or northern New Mexico.

WHAT IS A TYPICAL MERGER BUDGET?

It is difficult to generalize about the costs of a merger, which vary widely depending on the following:

- Size of the organizations
- Number of locations
- Number of employees
- Goals the organizations are attempting to achieve
- Budget and revenue available
- Possible cost of neutral facilitator/mediator engaged during the merger process
- Legal expenses – attorneys’ fees, etc.

Each phase of the merger process generates different costs. In general, the costs associated with the first two phases, pre-merger planning and the merger negotiation process, are related to hiring a facilitator/mediator to assist with planning, legal and financial matters, marketing, and other critical tasks. The third phase, merger implementation, involves costs associated with integrating the organizations into a single entity.

Source: http://chicagonpmergerstudy.org/sites/default/files/toolkit/ToolKit_13.pdf

HOW WILL THE MERGER FUND BE FUNDED?

Santa Fe Community Foundation staff will fundraise from our existing donors, fundholders, and peer foundations. Donor advised fundholders can simply recommend an inter-fund transfer from their own fund at Santa Fe Community Foundation into the Merger Fund. Others can send their tax-deductible contributions, payable to the Santa Fe Community Foundation, with a note that the donation is to be directed to the Merger Fund.

In addition, we will publicize the existence of the Merger Fund to the broader community in the belief that there may be donors who are new to the Foundation who might be very interested in learning about such a fund. We will work with donors already committed to the idea to spread the word and possibly hold some information sessions for interested potential new supporters of the Merger Fund.

For additional information about the **Santa Fe Community Foundation Merger Fund** and how to join us, please contact our Vice President for Community Philanthropy, Christa Coggins, at 505-988-9715 (x7002) or at ccoggins@santafecf.org.