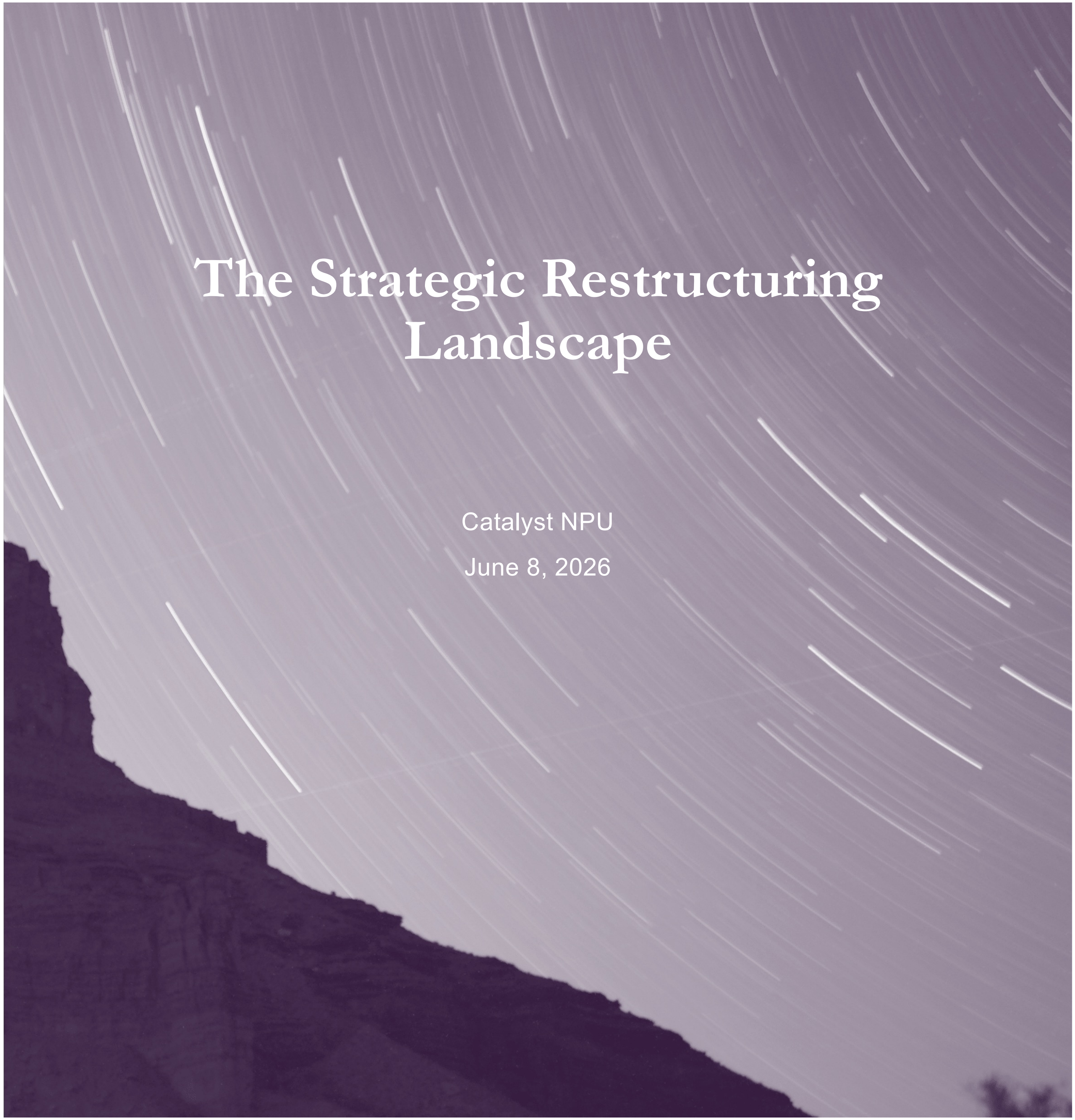

The Strategic Restructuring Landscape

Catalyst NPU

June 8, 2026

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Our Experience in Collaboration

- SeaChange has been a resource to support nonprofits exploring mergers and collaborations since 2008
- We provide a safe space for discussion, referrals to unaffiliated third-parties who may be of assistance, and grants to help defray the associated costs
- We have reviewed ~1,200 situations and made ~600 seed, exploratory and implementation grants
- Our grant-making is organized into five funds:
  - The Nonprofit Repositioning Fund (Philadelphia);
  - The New York Merger and Collaboration Fund;
  - The Fund for Delaware Collaboration;
  - The SeaChange-Lodestar Fund (National);
  - The Transformational Partnerships Fund (Higher Education)

The Sustained Collaboration Continuum

Collaboration: Any transaction whereby two or more nonprofits combine some (or all) of their important activities in a formal, long-term way.

Alliances and Networks

- Coalitions
- Collaboratives
- Movements
- Collective impact

Shared Service Arrangements

- Co-location
- Shared staffing
- Back-office cooperation
- Fiscal sponsorship

Integrated Organizations

- Joint-ventures
- Parent-subsidiary models
- Asset transfers
- Mergers

← Informal, short-term

Formal, long-term →

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Collaboration Motivations

Nonprofits seek collaborations to achieve greater impact and resiliency as well as solve for complex challenges often in three common areas:

Financial:

- Desire to achieve economies of scale, stabilize financial position, increase stability/resilience, advance fundraising opportunities

Programmatic

- Grow, enhance or preserve programs

Organizational Capacity

- Succession planning and talent recruiting / retention (board, C-suite, program teams)
- Infrastructure investments

Collaboration Fears

- Loss of independence, identity, and mission
- Loss of donor confidence, reduction in funding, failure to cover one-time or on-going costs
- Loss of credibility, reputation, and support in the community
- Lack of board, leadership, and staff support resulting in staff resignations
- Challenging integration due to organizational cultural differences
- Lack of organizational capacity to merge

Successful Collaborations Begin Internally

Leaders (executive directors and boards) who take time to organize around key areas are more likely to benefit from the exploratory process:

1. **Define mission, values, and culture:** Ask what you do, who you serve, how you approach the work, how do you measure success, what assumptions do you make about the world
2. **Understand assets:** Hard (real estate, endowment, licenses, etc.) vs. soft (network, funder relationships, brand)
3. **Determine challenges:** Succession, financial need, administrative capacity, programmatic or geographic expansion, etc.
4. **Prioritize potential partners:** Start with your network
5. **Identify non-negotiables:** Brand, leadership, governance, financial position, etc.
6. **Assess your timing:** Are there natural milestones around which to make a decision?

Collaborative Process Overview

CONSIDERATION
During the pre-exploratory phase, organizations assess their current financial and operational conditions, research and discuss possible paths forward, and develop relationships with partner organizations. This phase can take weeks, months, or years, and discussion about possible structural transitions can begin during strategic or scenario planning, long before a transition is on the table.

Once a core strategy (merger, program transfer, closure, etc.,) and one or more partner organizations (if applicable) have been identified, organizations enter the exploratory phase.

EXPLORATION
Once a core strategy and applicable partners have been selected, organizations begin a process of due diligence, negotiation, developing and stress-testing plans, and engaging their communities. Due diligence includes not only financial and legal considerations, but also technology, funding stream, HR, organizational culture, and other considerations.

The conclusion of the exploration phase is the approval of an MOU or board resolution that details the planned changes.

IMPLEMENTATION
The decisions and plans that were made during the exploratory phase are detailed and put in place during the implementation phase. Systems are integrated or wound down, employees are transitioned, and formal reports and filings are made with funders and government agencies.

The full implementation of an organizational transition often takes well over a year to complete, with the most activity in the early months and a long tail of administrative tasks and cultural adjustment.

A Two-Step Approach: Step 1 – Explore

Goal: Decide to move forward with the collaboration (or not) on a timely basis

- Start with the single, best prospective partner
  - Resist a “competitive-bid” strategy
- Executive Director leads, with board and senior staff support
  - Can be more time consuming than expected; 3 to 18 months (6 months is average)
- Prioritize mission and cultural alignment alongside legal, financial, and program discussion
- If part ways, codify lessons for future opportunities and leave as friends
  - Coordinate communication to stakeholders “in the know”

A Two-Step Approach: Step 2 – Plan

Goal: Sustain mission and increase impact

- Develop detailed integration plans for governance, programs, staff, IT systems, real estate, financial systems, etc.
  - Cultural integration is especially important for direct-program staff; their experience will most impact clients
- Typically takes 12 months to complete
- Budget for one-time costs (lawyers, facilitators, accountants, IT integration, branding, marketing, severance, lease breaking, etc.)
  - Range from $25,000 to $300,000
- Define success
- Celebrate! The toughest work begins the day after you close
  - 79% of our grantees took one- to two-years to fully execute integration plans

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Collaborative Restructuring

At the Intersection of Sustained Collaboration and Structural Transition

Sustained Collaboration

Two or more nonprofits combining core activities in a formal, long-term agreement.

Collaborative Restructuring

Structural Transition

Modifying an organization's operating model and/or corporate structure to align operations with intended impact

Structural Transition Strategies

Programmatic Changes

- Modify a program's design or operation
- Change a program's intended beneficiaries
- Transfer a program to another organization
- Suspend or sunset a program

Revenue Model Changes

- Build out the primary revenue source
- Build on a secondary revenue source
- Initiate a largely new revenue stream

Back-Office Structure Changes

- Reduce back-office staff by outsourcing one or more functions:
  - Finance
  - Human Resources
  - IT
  - Compliance

Corporate Entity Changes

- Modify corporate structure
- Engage in collaborative restructuring with a partner organization
- Dissolve the organization

Common Motivations for Exploring Alternate Operating Models

- Leadership Transition or Vacancy
- Board Fatigue & Disengagement
- Dramatic Reduction in Revenue
- Too Long in "Survival Mode"
- New Opportunity for Expansion
- Shift in Mission or Intended Impact

Risk & Collaborative Restructuring

REPUTATIONAL RISK

- Stakeholder perception
- Client/participant engagement
- Funder communication

FINANCIAL RISK

- Revenue volatility or the loss of a key funding streams
- Cash flow management
- Business model sustainability

IMPACT/MISSION RISK

- Administrative capacity or infrastructure
- Alignment between mission and programs
- Ability to adapt to changing needs or environment

GOVERNANCE RISK

- Leadership transitions or vacancies
- Role clarity
- Communication and decision-making

The *Evolving* Role of the Board

During Collaboration and Restructuring

- New or Expanded Roles
- Fulfill Fiduciary Duties in New Ways
- Authority to Approve Structural Changes
- Steward the Mission

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The *Evolving* Role of the Board

Duty of Care

- Informed, thoughtful decision-making
- Deep engagement in understanding and articulating risks, options, non-negotiables, and tradeoffs
- Ask critical questions and evaluate multiple pathways (including collaboration and/or wind-down)
- Ensure decisions are based on data, scenario planning, and appropriate stakeholder input

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The *Evolving* Role of the Board

Duty of Loyalty

- Acting in the best interest of the mission – prioritize organization's mission and role in the community over personal or institutional attachment
- Avoid personal bias if another structure best serves the impact
- Navigate conflicts of interest transparently and fairly – especially in partnerships and mergers (trust-building)

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The *Evolving* Role of the Board

Duty of Obedience

- Ensure mission alignment and compliance – confirm that restructuring advances the charitable purpose
- Maintain compliance with donor intent, legal requirements, and other contractual obligations
- Ensure that changes are implemented in alignment with governing documents and pertinent regulations

Common Success Factors

- Time to devote to the process
- Demonstrated internal clarity regarding what they aim to gain from the process
- Engaged in honest, upfront conversations with partner(s)
- Some amount of positive working experience with one another
- Compatible missions and organizational cultures
- Clear understanding of the strategic restructuring process
- Worked with a third-party consultant to facilitate the negotiation process

Common Challenges

Degree of Difficulty		
	Hard	○ **Preserving total level of support from overlapping funders** – Mitigant: Coordinated outreach; multi-year commitments ○ **Legal & regulatory waiting game** – Mitigant: MOU or other structure to "in-effect" launch collaboration (e.g., parent-subsidiary relationship)
	Harder	○ **Financial distress for one (or more) of the nonprofits** – Mitigant: Mutual understanding of runway, commitment to timely decision making; back pocket "plan B" for distressed organization(s) ○ **Outsized influence (e.g., founder, funder, etc.)** – Mitigant: Committee process; neutral, third-party facilitator
	Hardest	○ **Multiple, strong CEO candidates** – Mitigant: Mission-first board decision; coordinated communication plan ○ **Cultural or board misalignment** – Mitigant: Move at the speed of "trust"

Lessons Learned

1. Sustained collaboration is not generally a "cost-savings" exercise

- "Success" may mean higher costs (program growth, investments in technology, recruitment & retention of talented staff) coupled with more sustainable and diverse revenue models

2. Communication missteps can derail the process

- Language matters; gossip happens
- Coordinate outreach (staff, funders, etc.), but be sure big issues have been resolved

3. When it gets hard, remember your mission and seek help!

- Maintaining momentum is a key indicator of success
- A network of experienced facilitators exists
- Funders are supportive: community foundations, capacity builders, Sustained Collaboration Network, NRF and others

Q & A

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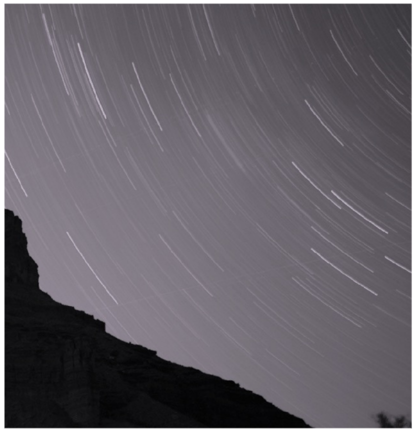
SeaChange Mission, History, and Guiding Principles

MISSION

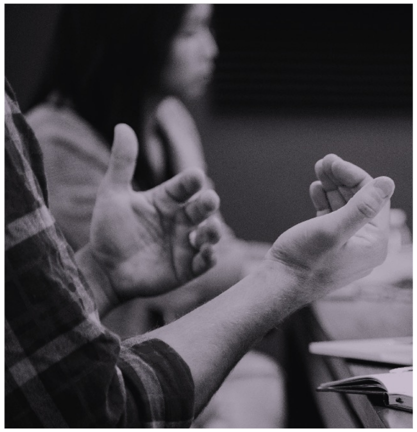
Nonprofits are critical, yet the deck is stacked against them—they're under-resourced and have inadequate outside support. We use our experience, financial resources and connections to help nonprofits navigate complex challenges. We create new ways for funders to support them. Together with our nonprofit and funder partners, we relentlessly fight for a healthier and more just society.



HISTORY

SeaChange was founded as a nonprofit in 2007 in the belief that some of the skills developed in finance, technology, and real estate could, if combined with empathy and humility, help nonprofits facing complex challenges while meeting the needs of funders.

After an initial focus on education and youth development, we gradually expanded our activities into grant-making in support of mergers and sustained collaboration, high-impact lending, and consulting. We also share the insights yielded from our on-the-ground engagements with nonprofits. SeaChange's work continues to evolve in response to the challenges faced by nonprofits and unmet needs of funders.



GUIDING PRINCIPLES

- We are guided by the facts.
- We are professional and level-headed even in challenging and delicate situations.
- We are entrepreneurial in seeking new ways to fight for nonprofits.
- We are creative in drawing upon the best practices of the nonprofit, for-profit, and public sectors.
- We value our independence and financial stability.
- We respect our partners—nonprofit and funder—and one another.
- We strive to do no harm.

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