

United Way of Santa Cruz County Nonprofit Effectiveness Fund  
Sponsored by the David and Lucile Packard Foundation

## I. Current Conditions

Santa Cruz County nonprofits are facing unprecedented declines in philanthropic support, state contracts, and individual donations at a time when service demand is rising. The sector is experiencing what many view as a need for restructuring and possible downsizing. The recession affects nonprofits in several ways:

- Immediate downward pressure on government, philanthropic and discretionary individual revenue sources
- Limited and/or more expensive access to credit
- Increasing demand for basic and critical human services
- "In early and out late" – the nonprofit sector may have begun to feel the recession early, and may come out of the recession late in the cycle

A national survey conducted by the Nonprofit Finance Fund showed that few nonprofits expect to cover their operating expenses this year. A majority anticipates the recession will have a long-term or permanent negative effect on their organizations. Many organizations in the study said they are taking steps to adjust, including cutting programs, reducing salaries and delaying paying vendors.

A recent Silicon Valley Council of Nonprofits (SVCN) surveys on local nonprofit health and human service agencies on the economic issues facing nonprofits showed:

- Rising concern about massive cutbacks from traditional government funding sources and the reduced level of services to those living in poverty.
- Increased client needs over last year
- Concern about layoffs and staff downsizing in the nonprofit sector
- The overall number of individual donors has increased over last year, while overall giving is down
- Corporate giving drastically down from last year and is expected to continue downward well into next year due to the downsizing of many local corporations
- Foundation giving seems to have had the greatest impact on support for emergency assistance for food, clothing, and housing assistance agencies

Nonprofits in Santa Cruz County are facing their own economic downturn, and are under immense pressure to stay afloat in these challenging economic times: layoffs, furloughs, and staff reductions throughout the sector, increased need for training of nonprofit leaders to understand the legal requirements and ramifications for downsizing as well as how to create a positive work environment. Others need help to pursue restructure, merger or program collaborations to create new efficiencies, reduce redundancies and ensure continued service to the community.

## **II. Purpose of the Project**

The purpose of this project is to provide support for and grants to nonprofits who are considering transition activities such as mergers, acquisitions, consolidations through the establishment of the Santa Cruz County Nonprofit Effectiveness Fund. This broad timeline will ensure that funds and training provided by the Community Foundation of Santa Cruz County will be available to both nonprofits who are currently considering transitions, and to those who require training and coaching before they will be ready to apply for funding.

The Fund will be available over a two-year period for transition training and funding to the nonprofit sector in Santa Cruz County. The goal of the Fund is to help nonprofits reduce the costs and time spent on administrative work, as well as increase productivity and will support serious transition planning efforts, consultants, due diligence, and other expenses related to transition, restructuring or merger.

## **III. Description of Project**

### ***A. Educational Sessions/Workshops for Nonprofits***

To help organizations learn more about gaining organizational efficiencies and nonprofit strategic re-structuring or mergers, Community Foundation of Santa Cruz County will sponsor a series of workshops. Topics to be covered in the workshops will range from the basics of nonprofit partnerships to assessing an organization's readiness for a merger.

Community Foundation of Santa Cruz County will utilize consultants with expertise in these topics to deliver the actual sessions and will be soliciting input from the nonprofit sector for ideas on how best to implement this component of the project: timing, length of sessions and format.

### ***B. Grant Funding to Individual Organizations***

A total of \$200,000 of Packard Foundation support is available to provide individualized grants to nonprofit organizations for activities that would help organizations rethink and regroup in response to the downturn in the economy.

Applications for funding will be accepted on a rolling basis beginning in March, 2010. It is recognized that transition activities, especially mergers and acquisitions, are usually a longer process that requires more time for planning and development (as indicated above).

## **IV. Goal of the Grant Funding**

Grants will be provided to nonprofits to support serious transition planning efforts, consultants, due diligence, and other expenses related to the following activities:

- Merger/acquisition/consolidation
- Service delivery joint ventures

- Back office collaborations (including rent, equipment, group insurance, joint purchasing, and centralizing human resources, payroll, and benefits administration and financial and grants management)
- Dissolution (voluntary/involuntary)
- Bankruptcy/reorganization
- Post-merger integration or closure costs

*Note: This fund is not intended to be used for normal capacity building or strategic planning*

## **V. Who will be eligible to apply?**

Nonprofit tax-exempt direct service health and human service agencies, visual or performing arts and environmental organizations serving the residents of Santa Cruz County will be eligible to apply (affiliation with United Way of Santa Cruz County is not required).

Applicant organizations will be expected to operate in a manner consistent with the values of The David & Lucille Packard Foundation of Advancing Diversity and Effectiveness in Grant-making: "The Foundation believes that these values are best realized by assuring that a wide array of expertise and ideas, cultures and people shape the work of the Foundation. This is why the Foundation is committed to diversity in our workplace and in the programs we fund." To see this or for more information about The Packard Foundation's Commitment to Inclusiveness and Diversity and for their Code of Conduct and Statement of Values for our Board of Trustees, visit their website at [www.packard.org](http://www.packard.org).

## **VI. How much funding will be available in the grants?**

Grant sizes will range from \$10,000 to \$30,000 and will be used in the areas of exploration, negotiation, and integration planning. Nonprofit organizations can apply for a second round of funding should additional funds be required for the execution of their transition plan.

## **VII. What will applicants be expected to provide?**

To be considered for a grant, organizations will complete and submit a letter of intent form (LOI) which will be reviewed and selected by United Way of Santa Cruz County staff. Select organizations would then be invited to apply and submit a full application which details key considerations including but not limited to:

- Evidence of buy-in from staff, board, and constituencies
- Clear and realistic expectations of benefits/risks
- What niche/role organization(s) serves in local and regional needs
- Mission compatibility
- Relative competitive position
- Financial strengths
- Cultural fit, including board and staff compatibility
- Awareness of obstacles such as asset restrictions, endowment/bequest issues, current liabilities, deferred revenue, and other legal barriers

## **VIII. When and how will the application process begin?**

Interested nonprofit organizations are encouraged to contact Mary Lou Goeke of the United Way of Santa Cruz County staff to commence an initial intake discussion process.

During this call or visit, Mary Lou Goeke and the organization(s) will discuss proposed ideas. Mary Lou Goeke will advise on the readiness of the applicant and may suggest submittal of a Letter of Intent (LOI). This form can be found on the NEF section of the United Way of Santa Cruz County web site. United Way of Santa Cruz County may recommend that prospective applicant agencies seek legal, technical and/or financial consultation before the submittal of a LOI.

Once an LOI is submitted, applicants will be notified within two weeks, and if selected, the applicant will be invited to submit a full application. Applicants approved to submit a full application will be expected to submit the information within 21 days or notify United Way of Santa Cruz County on their changed plans and decision not to proceed with an application at that time. Application forms also can be found on the NEF section of the United Way of Santa Cruz County web site.

Applicants may wish to use consultants for the restructuring/transition work. A list of consultants can be found on the NEF section of the United Way of Santa Cruz County web site. These firms have expressed interest in supporting restructuring work under the Fund, and have experience serving this community. Consultants on the list are not endorsed, thus, it is most important for applicant agencies to use consultant(s) that are the best fit for serving the unique needs of the organization(s) applying for the grant.

Additionally, as needed, United Way of Santa Cruz County may consult with independent advisors on individual applications. These ad-hoc experts will include representatives from the corporate, nonprofit, and philanthropic sectors. Corporate sector representatives will bring expertise in mergers & acquisitions, law, and finance, and will provide skill-based expertise and consultation to United Way of Santa Cruz County on individual applications.

Once a grant decision is made, United Way of Santa Cruz County will contact the applicant organization regarding determination and a check will be processed within 14 days. The anticipated application approval process will take no more than 21 days from submittal of the application to a final decision.

Applications will be evaluated on the merits of each proposal (not in a comparative manner with other requests). All decisions by United Way of Santa Cruz County will be final and there will be no appeal process.

**For more information, please contact:**

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