2026 Annual Convention

St. Louis, MO | September 2–4
Hyatt Regency St. Louis at the Arch | #CAPCON26

Community Action Partnership
AMERICA'S POVERTY FIGHTING NETWORK

Strategic Restructuring from Governance Perspective

2026 NCAP Annual Convention

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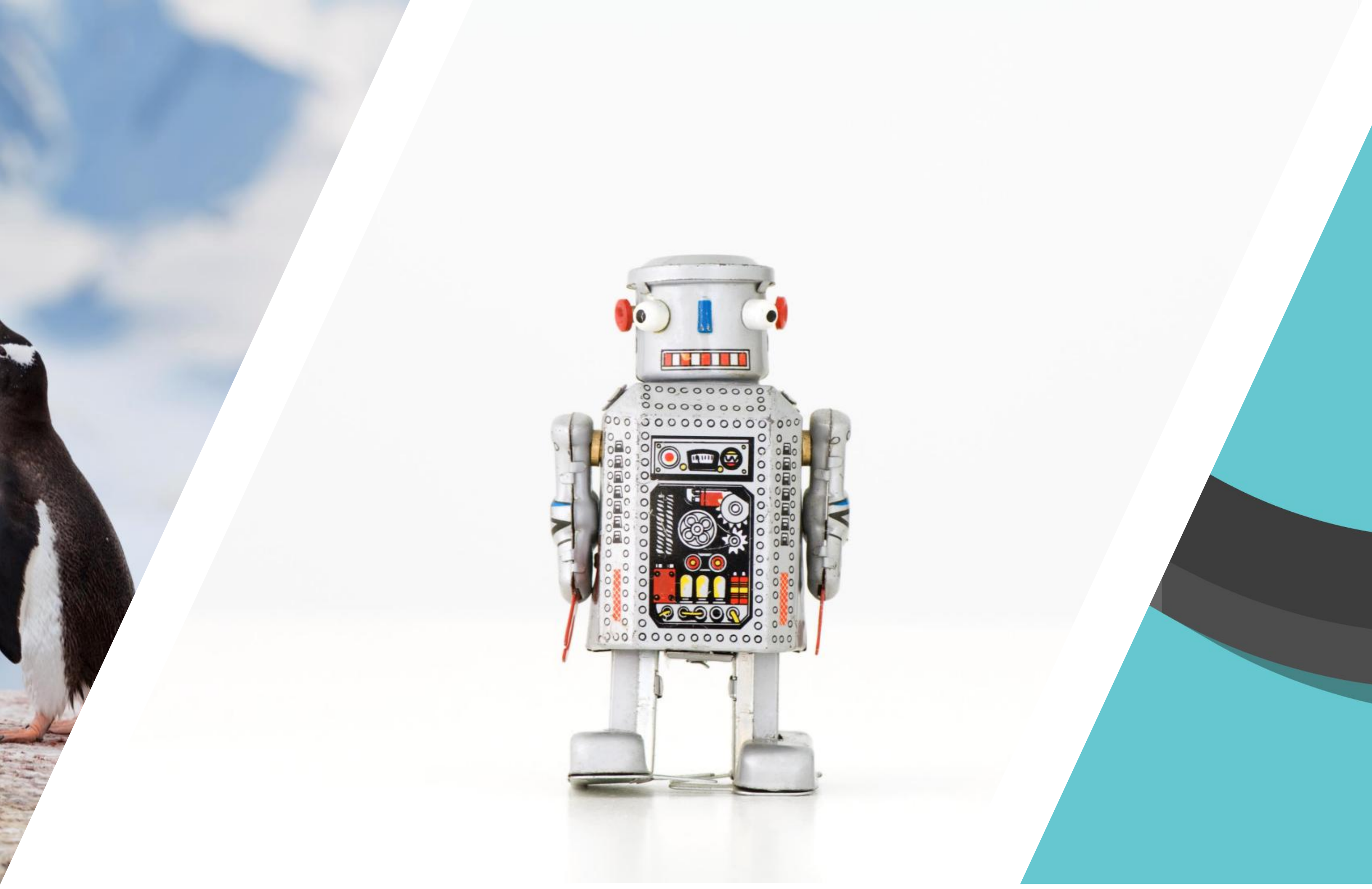

Our Current Environment is Complicated

What Are You Doing to Position Your Agency?

The Reality of the Moment May Call for a New Paradigm

- Organizations are facing tougher operating environments that may make long-term sustainability questionable

Mission & Purpose

Financial

People

Strategic Restructuring

- Strategic Restructuring can help an organization realign its structure to deliver on its mission
- An organization may use multiple strategies to align its operating structure to its environmental context and goals

Why Might an Organization Restructure?

- EXECUTIVE TRANSITIONS
- CHANGE IN FUNDING
- RESOURCE CONSTRAINTS
- CHANGE IN BROADER ECOSYSTEM
- OPPORTUNITY FOR IMPACT
- MISSION & PURPOSE
- CHANGE IN OPERATING MODEL

Board vs CEO vs CFO vs Staff roles

Board - Direction & Oversight

CEO - Vision & Leadership

CFO - Financial Stewardship

Leaders & Staff- Execution & Insight

Role of the Board

Board Involvement

- Stay informed about financial, operational & programmatic capacity
- Start with self-assessment
  - Motivations
  - Desired goals
  - Critical issues
  - Organizational obstacles & red flags
  - Financial position

Role of the Board

Board Involvement

- Analyze pros and cons of options, whether and how they will fulfill mission
- Board committee
  - Explores options and partners, including meeting with potential partners and overseeing negotiations
  - Oversees due diligence
  - Keeps full board informed
  - Engages outside experts
  - Confidentiality considerations

Role of the Board

Due Diligence

- Each organization conducts thorough investigation to ensure it understands the operations, assets, and liabilities (actual and potential) of the other organization
- Satisfies directors' fiduciary duties to respective organizations
- Categories of information to inspect:
  - ❑Corporate structure & records
  - ❑Contracts
  - ❑Finances/debts
  - ❑Existing or threatened lawsuits
  - ❑Intellectual property
  - ❑Employment matters
  - ❑Compensation arrangements

Role of the Board

Voting & Documenting the Decision

- Full board votes on:
  - ❑Creating committee and scope of its authority
  - ❑Whether to merge
  - ❑Shared services/merger agreement
  - ❑Corporate merger documents (plan of merger, articles of merger, etc.)
- Document board and committee discussions and votes in board minutes
  - Include the basis for board/committee decisions
  - Attach reports, other documents on which board/committee relied

Understanding the Basics

- Strategic restructuring includes multiple options to help an organization align its operations to its goals and realities.
- The decision to restructure requires board engagement
- Options have varying needed conditions for success, timelines, alignment potential, funding source requirements
- Being open to the conversation is key
- **Strategic Restructuring is not always the answer**

Understanding the Basics:

Internal Reorganization / Change in Business Model

Organization significantly alters its operating structure or business model without intervention from other entities.

- **Example:** *Consolidate offices, moving all program staff to Head Start Centers to provide one stop shop for all agency services, to save money and improve service delivery*

Typically used when an organization's core fundamentals are sound, but internal structures, staffing models, or service delivery approaches no longer align with operating realities or community needs. Necessary conditions include:

- Fundamentals of the organization are strong (governance, financials, risk);
- New model/restructure can sustain the organization without external intervention;
- Restructure aligns with organizational mission and purpose

Understanding the Basics:

Internal Reorganization / Change in Business Model Considerations

General:	Governance:
• May or may not save money initially but can position the org. for stronger growth moving forward • May carry reputational risks internally with staff and externally with funders and partners • May require changes to technology, workflows, reporting systems, and performance management	• Depending on level of reorg. or change, may require board approval and engagement
Legal:	**Financial:**
• May result in adjustments to data sharing, ex., may need to add language to releases/waivers • May have HR implications that require legal review, particularly if the restructuring changes job responsibilities, compensation, or staffing levels	• May result in cost allocation adjustments via direct cost allocation plan or indirect cost rate, ex., an employee taking on work from different sources, using resources paid for with one funding source for an aligned program, etc.

Typical Time Horizon: 3 – 18 months

Understanding the Basics:

Affiliation/Shared Services

Organization shares services or operations with another entity through a contractual agreement

- **Example:** *CAA enters Shared Service Agreement with a neighboring CAA to share a fiscal director; CAA enters Shared Service Agreement to share its transit services with a partner without vehicles*

Typically used when 2+ orgs seek to improve efficiency, access specialized expertise, or reduce risk by sharing for this strategy include capacity without fully integrating governance/operations. Necessary conditions include:

- Alignment of need/capacity/benefits between organizations
- Trusted Partner
- Compatibility of systems amongst organizations
- Terms, cost, and revenue for both entities must align
- Ability to assess partner capacity and alignment
- Ability of the organization to still perform necessary oversight

Understanding the Basics:

Affiliation/Shared Services

General:	Governance:
• May increase some risks, while mitigating others • Requires ongoing collaboration between both entities • May help both organizations access a higher level of expertise than they could engage individually • Can introduce risk/increase liability for the organization providing services	• Will require board buy-in/approval of both entities engaged
Legal:	**Financial:**
• Enter into and revise contracts • Will need to ID/assign employer responsibilities as part of a shared employment relationship • May trigger funding source procurement rules and/or employment laws (e.g., Title VII, ADA, FMLA, etc.) • May result in adjustments to data sharing, ex., may need to add language to releases/waivers	• May result in cost allocation adjustments via direct cost allocation plan or indirect cost rate, ex., an employee taking on work from different sources, using resources paid for with one funding source • Consider if income generated as a provider of a shared service(s) is subject to tax (UBIT)

Typical Time Horizon: 6 – 18 months

Program/Service Transfer

Organization stops (or starts) operating key programs/ services, transferring them to another organization

- **Example:** *CAA partners with neighboring CAA to transfer the Weatherization Assistance Program; CAA brings in partner organization's tax assistance program to continue critical service*

Typically used when a specific program or service is no longer sustainable or strategic for one organization, but the need remains and can be more effectively carried out by a trusted partner. necessary conditions for this strategy include:

- Continued community need for program/service
- Requires trusted partner
- Program/service transfer should result in improved operations/sustainability for both entities

Understanding the Basics:

Program/Service Transfer

General:	Governance:
• Provides continuity of service for community • May require funding source approval/collaboration	• Requires board buy-in/approval • May result in org. taking on risks/liabilities
Legal:	**Financial:**
• May result in changes in state-wide funding allocations; e.g., CSBG allocation may be impacted • May lead to staff changes that implicate employment laws (Title VII, ADA, FMLA etc.) • May require entering into contract for external transfers • May result in adjustments to data sharing, ex., may need to add language to releases/waivers	• May result in cost allocation adjustments via direct cost allocation plan or negotiated indirect cost rate, ex., an employee taking on work from different sources, using resources paid for with one funding source for another funding source

Typical Time Horizon: 3 – 18 months

Understanding the Basics:

Merger/Acquisition

Organization merges with another, with one organization ultimately formed.

- **Example:** *CAA works with another CAA to merge its programs, staffing, resources into one organization.*

Typically used when org determines long-term sustainability /continuity of services are best achieved through full integration of governance, operations, and resources. Necessary conditions include:

- At least one organization with strong fundamentals
- Appropriate time horizon, as mergers can take several months to years
- Legal counsel & legal guidance
- Due diligence to protect the interest of both organizations
- Clarity amongst partners about roles, governance structures, and timelines throughout the process
- Strong board alignment and commitment to purpose above organization
- Funder approval for transfer of programs/services
- Trust with community must be developed and managed

Understanding the Basics:

Merger/Acquisition

General:	Governance:
• Structural outcomes range from new org. to program transfers • Merged org may assume contracts, property, leases, etc. • Range of consulting support often needed to assist leaders with planning and execution • Special care to organizational culture is needed well beyond “completion” of merger • Careful analysis of staffing needs to prevent duplication and maximize efficiency in existing or new org.	• Will require board buy-in/approval of both entities engaged • May need updated governance structure, including adding board seats to meet funding source requirements, ex., CSBG tripartite board requirements • Requires in-depth due diligence; may risk taking on liability
Legal:	**Financial:**
• Funding source dictates what's required; e.g., CSBG state authority to designate; Head Start re-competition may be required if the grantee does not survive merger • May result in changes in state-wide funding allocations • State corporate laws apply and likely trigger State Attorney General involvement • 501(c)(3) tax exempt laws apply, e.g., must further charitable purposes, avoid private inurement, etc.	• Be prepared to incur costs to facilitate a structural change • Check allowability of costs associated with reorgs. (e.g., need prior approval if using federal funds) • Careful planning is needed to combine financial systems and maintain internal controls

Typical Time Horizon: 12 – 36 months

Funding Source Rules

Keep funding sources informed!

- **CSBG**
  - Get state CSBG office on board; designation; tripartite board composition
- **Head Start**
  - Need OHS approval of changes in "key personnel" and in the use of real property/facilities subject to a federal interest; notify OHS of name change
  - Re-competition required if grantee's "legal status" changes (e.g., if grantee does not survive a merger)
- **Uniform Guidance**
  - E.g., cost allocation, procurement

Communications: Getting the Board Talking

- Starting the conversation with “Hey, should we merge?” is not likely to be successful.
- Questions to get the board talking:

What does it mean to fulfill our mission today?

What would our organization look like if we started today? How would we be different?

Are we operating sustainability (Mission, Money, People, Programs)?

How can be most effectively fulfill our purpose?

Strategic Restructuring Principles

- Purpose Focus
- Self-Determination
- Care for Community Voice & Authority
- Community Action is a Network
- Bigger Is Not Always Better
- Delay is Not a Strategy

Strategic Restructuring Resources

- CAPLAW's Working Better Together: Guide to Mergers and Shared Services
- CAPLAW's Combining Forces: A Merger Manual for CAAs
- CAPLAW's Sample Due Diligence Checklist
- CAPLAW's Sample Shared Services Agreement
- CAPLAW's Sample Confidentiality Agreement
- Sustained Collaboration Network

NCAP Wants to Hear From You

Your Opinion is Very Important to Us!

- Please take a moment to evaluate this workshop in the event app.
- And please check the CAPCON26 eNews to complete our overall convention survey.