II. CHICAGO FOUNDATION FOR WOMEN

Eleanor Foundation ($5–6m assets) and the Chicago Foundation for Women ($6–7m assets) Form a "Strategic Alliance" (2012)

This merger involved a transfer of assets (termed "a conditional gift transfer") from the Eleanor Foundation to the Chicago Foundation for Women (CFW). Once conditions of the transfer were met by the acquiring organization, the Eleanor Foundation dissolved.

Industry

Empowerment, Fund-raising, Grant-making

Mission

CFW invests in women and girls as catalysts, building strong communities for all. To support its philanthropy, it promotes "increased investment in women and girls, raises awareness about their issues and potential, and develops them as leaders and philanthropists."

Background

In 1984, four leaders of Chicago's philanthropic community—Marjorie Craig Benton, Sunny Fischer, Iris Krieg, and Lucia Woods Linley—began a series of discussions that led to the creation of the Chicago Foundation for Women (CFW). Lack of economic opportunity, limited access to reproductive and other health services, domestic violence, and a host of other issues threatened many women's lives. Given the underrepresentation of women in philanthropy and the small amount of philanthropic resources devoted to addressing women's issues and needs, the founders incorporated CFW in 1985 and began an aggressive fund-raising effort that led to its first grants in 1986. Their vision, fund-raising, and networking prowess guide the foundation to this day.

The Eleanor Foundation (EF) dates to the turn of the 20th century (1902), when it provided housing and education for young, single women with no place to live. Under its founder, Ina Law Robertson, a contemporary of legendary social reformer Jane Addams, the Eleanor Foundation grew into a vast social organization that included residences for single women, a summer camp, banking facilities, a magazine, and the Eleanor League for Girls. Over time, real estate assets were sold off, including the residences for single women in Lincoln Park (2001). This helped capitalize the foundation at about $12 million as a public grant-making fund to focus regionally on helping female-headed households achieve economic self-sufficiency.

Significance

Exchanging Competencies, Maintaining a Legacy, Building Trust

The significance of this merger lies with how two organizations combined to exchange their competencies and resources and how the legacy of the Eleanor Foundation—its economic security grant-making program—prospers today. The parties achieved their separate and mutual objectives: doubling of asset size; robust fund-raising; continuation of the Eleanor Foundation's legacy grant program; and expanded grant-supported programs and projects. The case also exemplifies how two fully engaged boards, which took ownership of the asset transfer plan, succeeded in obtaining their mutual objectives by building trust among board members.

Why Merge?

These two grant-making organizations had much in common. Their missions were similar in their focus upon improving the conditions under which women live, work, and raise their families. Both were devoted to raising awareness of the barriers to economic and social progress for women. The Eleanor Foundation's mission, from its origins, focused on assisting low-income female heads of households to gain access to opportunities to achieve economic security. CFW had a similar focus though with a broader portfolio of interests that included both girls and women, health and health care access, and domestic violence. Both were public, community foundations: individual donors gave to the foundations, which, in turn, made grants to organizations. Aside from grant-making, both also engaged in research, advocacy, and capacity building.

The organizations also had significant differences. CFW had a 27-member all-women board made up of some of Chicago's most notable women leaders. It had developed a robust fund-raising operation capable of raising $1-2 million annually, several times the amount raised by EF. EF's board included men as well as women. Its grant-making model offered intensive services to beneficiaries to help them gain affordable housing, access to childcare, increased income, and increased savings. Grants totaling $1 million per year enabled 750–1,000 women to move from poverty to economic security. While this model had a productive impact, fund-raising was not keeping pace. EF was spending down its assets at a rate which, if continued, would have exhausted the foundation within ten years.

According to EF's Board Chair Nick Brunick, the lack of fund-raising success generated board discussion about longer-term options. Members realized that with the recession of 2008, charitable fund-raising nationally would not return to previous levels for many years. Also, donors in difficult times were more likely to give directly to causes and organizations than to pass-through foundations. EF could reduce its rate of expenditures but that would reduce its impact. It might spend down its assets and go out of business over the next ten years. Or the foundation might scale up through new arrangements, working with a partner who could help raise the funds needed to broaden its impact. The 2012 bankruptcy of Hull House accelerated the board's interest in pursuing a collaborative option. The six-month path to a merger began.

K. Sujata, President and CEO of the Chicago Foundation for Women since 2011, would be crucial to the successful collaboration of the two organizations. She had many years of executive experience in the nonprofit sector, including as Director of Chicago Continuum of Care, Executive Director of Apna Ghar, and Director of Programs at the Eleanor Foundation. Her familiarity with EF's programs, staff, and board would provide cohesion and continuity to the merger process.

Pre-Merger

The departure of the Eleanor Foundation's CEO and EF's link to CFW through K. Sujata served as catalysts to get the merger ball moving. EF board members agreed that they should meet with CFW and see whether a merger would serve the interests of both organizations.

CFW Board Chair Andrea Kramer viewed the opening to the Eleanor Foundation as a unique opportunity to strengthen both organizations. EF had lost its chief executive, was not operating with full staff, had no brick and mortar building, and was spending down its endowment. An alliance with EF would enable CFW to grow its asset base and increase its impact. In turn, CFW might consider admitting men to its board. At a spring 2012 meeting, Kramer, EF Board Chair Brunick, and another EF board member began a process to explore options. CFW referred to these early sessions as exploring a "strategic alliance," while Eleanor Foundation participants viewed them as merger discussions. EF did not consider any other merger partners or candidates, since these were the two principal foundations occupying the "women's issue space" in the Chicago region. CFW had a prior acquisition experience in 1996 when it acquired the assets of the Sophia Fund.

Merger Process

The EF board, which included many law and finance professionals, organized board committees to do separate due diligence assignments: financial tasks; programs and programming; board structure and board membership. Members took a businesslike approach to deciding whether CFW would be a good fit. As EF Board Chair Brunick reflected, "I was really impressed and amazed at how different individuals at our board stepped up and said 'I will do this' and 'I will do that.' We really divvied up the work and everybody did a lot of work." CFW also had its due diligence teams, while a small group from both sides engaged in actual negotiations.

From the CFW side, Board Chair Kramer felt that the resulting transaction, if it occurred, would be a rather straightforward quid pro quo: "You give us your money, and we'll keep the Eleanor name alive and we want you to be part of CFW." She developed this approach from the very first meeting with EF board members where "it was clear that they were ambivalent about doing anything that meant that their foundation's legacy would be gone." One EF board member observed, "We were concerned that since CFW made a lot of small grants, that they did not grasp our strategy of making big, impactful grants." It also became clear that some Eleanor board members wanted to continue on as members of CFW board. This was not a problem but an issue that would be negotiated among the merger participants.

No consultants were employed by either side. McDermott Will & Emery, Kramer's firm, was Counsel to CFW. EF's Counsel was Skadden Arps, where one of its board members was a partner. Both firms operated in a pro bono capacity. The CFW Board Chair and her partner, a nonprofit expert, drew up documents from CFW's side, and Skadden's five-lawyer group did them for EF. Because the Eleanor Foundation board did not tell its small staff (a development person and an office manager) about the merger, its interim CEO was not in a position to be very helpful. The board and Skadden lawyers did much of the background work.

While both sides attest to how smoothly the merger proceeded, issues arose as drafts were exchanged regarding funding initiatives, funding levels, staff positions, severance, and future board composition. One participant recalls that the lawyers had gone "draft happy" on these exchanges. There was much work to be done. In liquidating a foundation, due diligence required a full accounting of the grantor's multi-year obligations and any open-ended commitments.

The Eleanor Foundation's board considered maintenance of effort to be a major issue. It wanted language that committed CFW to funding EF's grant-making initiatives at their current level. CFW was receptive to this from the outset of discussions. "Whenever CFW gave a grant for economic security for women, we offered to name it 'The Eleanor Network,' " Kramer recalled, "It would not just be Eleanor money, but it would be both of our money together." Agreement on this point covered two issues: funding at the same level and preservation of the legacy grants, with grant-making for economic security being labeled the "Eleanor Network at Chicago Foundation for Women." These naming concessions were to be maintained over the next three-year period so that, as one EF board member put it, “they [the names and grant structures] would become part of CFW’s DNA after the merger.”

Another major issue involved board composition. Eleanor Foundation negotiators wanted a certain number of its board members to be on the CFW board so as to be in a position to exert influence over EF’s integration into CFW. It was agreed that 6 of EF’s 12 board members would join the CFW board, including Brunick (who is still on the CFW board and has served on CFW’s executive committee). No issues arose about allocating board seats by numerical considerations such as size of assets. As Kramer noted, “The whole point was that we’re one for all and all for one basically.” By welcoming EF Board Chair Brunick to the new CFW board, CFW agreed to permit men to join its board, a controversial issue to some, but not a deal-breaker.

Finally, the Eleanor Foundation expressed concern about its staff, whom it did not want to be unemployed as a result of the merger. Only three positions were at stake. It was agreed that staff was to be offered generous severance packages and the opportunity to apply for positions with CFW, which had no obligation to hire them. CFW did ask EF’s office manager to join the CFW staff and help with the Eleanor Network; she remains in a key position today.

Two negotiation leaders made sure issues were resolved; compromises occurred and the final merger decision was unanimous. EF board member Courtney Van Lonkhuyzen was given full credit by Brunick for taking the lead on negotiations with Kramer, who did corporate mergers and acquisitions for her law firm, McDermott Will & Emery. “If Courtney had not been willing to play her role as the top negotiator with [Kramer], I would not have been able to come in and be the nice guy to come up with compromise,” Brunick observed. The merger process took place over a six-month period and met the target date: the agreement was able to be announced before CFW’s annual fall fund-raising luncheon. There were no post-merger surprises. Board chairs give K. Sujata enormous credit for promoting trust among participants, and making them feel comfortable with the merger as being a good fit for both.

Sujata’s executive team and program staff were involved in the merger discussions from the onset. The program staff was particularly concerned with the process for making grants. The rest of the staff became involved as the merger got closer to the announcement stage. Large and small donors as well as stakeholders (partners, supporters, former board members) were informed within 24 to 48 hours prior to the public announcement, which came with a print story on the merger. The entire merger, from opening conversations to merger announcement, transpired over nine months. The due diligence stage lasted approximately four to five months. In selecting an asset transfer approach (termed a conditional gift transfer), participants chose what some characterized as the “simplest method” for the transaction.

The press release announcing the merger, drafted by both CFW and EF, spelled out the mutual benefits. It began, "The Eleanor Foundation and the Chicago Foundation for Women have formed a strategic alliance to maximize the impact of their efforts to boost economic security for female-headed households in the region." In the press release, Brunick noted that the two organizations were "joining forces because together we can do far more to help female-headed households reach the middle class than we can alone." As one article noted, "The alliance—a merger of sorts—will double the money the Chicago Foundation for Women gives away every year."[44.]

Outcomes

Several merger goals have been met. A robust fund-raising strategy and three-year investment plan have enabled CFW to double its asset size since the merger and to move closer to the $3 million annual distribution target that EF board members were particularly interested in achieving. The merger was immediately followed by a board retreat, where the integrated board worked on a strategic growth plan to cover the next three years and to meld their respective cultures. Within two years, the number of CFW donors, projects, and clients served had significantly increased. In 2014, CFW worked with more than 2,000 donors and partners to fund 150 projects in four counties serving 53,000 women and girls.

At the 30th Anniversary of the CFW in September 2015, K. Sujata celebrated CFW's tremendous growth and the advances it had helped make in the lives of women and girls. She also spoke of how the two boards had built a culture of trust and of their mutual interest in bringing other foundations into the fold. Comments from the Eleanor Foundation regarding the state of the merger included, "good for both organizations," "gone well," and "going well."

Takeaways

EF Chair Nick Brunick cited board ownership of the merger process and outcome as crucial to a successful merger. "If you really want to get to the right decision, you better make sure you figure out a way to get the whole board to take ownership over the process of taking seriously whether we should do this or not," he stated.

Brunick's second insight involves trust and finding ways to develop trust between the boards and organizations. "Take time to build relationships and to help the staff and people at each board to get to know each other and to understand the story behind these organizations."

Third, Brunick advocates a very serious process to evaluate whether a merger makes sense, saying, "It is easy to get lost in the weeds: we are losing our name; losing our turf;

44. Melissa Harris, "Eleanor Foundation To Merge Into Chicago Foundation for Women," *Chicago Tribune*, September 7, 2012, B1.

losing our donors. Some of that stuff you might have to do if it means that you're accomplishing larger goals that are at the heart of your mission." Finally, he advises, "Be clear about why you want a merger." At the Eleanor Foundation, "we were clear we wanted to preserve our grant-making model, grow it, and use it to serve more women in the region so we can have a bigger impact." These goals led the organization to transfer its assets to a larger organization and then dissolve, moves that led to a positive outcome.

The board member who initiated the merger discussions advises board members, "Take risks—just get the conversation going." As a deal-making entrepreneur, she also advises that once merger discussions have begun, "be sure to set and to keep to deadlines. Momentum is everything in getting a deal done."

Sujata found much comfort from the merger. "We would like to look at other opportunities where we can do another acquisition or two, particularly from the view of increasing our assets and sharing our expertise in some of our key areas," she concluded. Andrea Kramer, outgoing Chair of the CFW Board, offered that some mechanism or network should be created for "those who have led or been deeply involved in nonprofit mergers so that they might share their experiences and advice with those who might otherwise avoid or resist the idea of a merger out of concern that their legacy would be forgotten or lost."