The Merger of Two Youth Services Nonprofits
A Case Study on East Bay Asian Youth Center and Oakland Asian Students Educational Services

INTRODUCTION

In January 2012, Oakland Asian Students Educational Services (OASES) and East Bay Asian Youth Center (EBAYC) entered into formal merger discussions. They completed their merger after six months of planning and negotiations. Together, these two nonprofits represent a collective 70 years of experience serving low-income Oakland youth. The post-merger entity retains the EBAYC organizational name but utilizes the OASES brand for its programs in Oakland Chinatown, where OASES has enjoyed 20 years of positive brand recognition.

The impetus for merging was the continued decrease in both private and public funding sources brought on by the economic recession in 2008. As the merger assessment and negotiations progressed, staff and board from both organizations realized that merging could position both organizations not only to react to the current funding landscape but also to plan proactively for long-term impact and sustainability.

The purpose of this case study is to highlight an example of a successful nonprofit merger; inform the field (nonprofits, funders, and other stakeholders) about issues, outcomes, and lessons learned in EBAYC’s first full year of post-merger operations; and reflect on EBAYC’s next steps to leverage its post-merger momentum so that it can achieve maximum impact and sustainability.
Before the 2008 economic recession, OASES operated after-school and summer programs at two elementary schools, a middle school, and a high school (based at the local community center). By 2009, struggling with continuing budget challenges, OASES had eliminated its middle school and high school programs. Private and public funding continued to decrease over the next four years. By 2012, the operating reserve of $400,000 was projected to only marginally cover the budget gap for two more school years.

Despite increasing its grassroots fundraising efforts, OASES Executive Director Nhi Chau and its board decided that merging with another nonprofit was the only contingency plan that would allow OASES to continue serving elementary school students beyond the 2013-2014 school year. Before approaching possible partners, OASES identified its criteria for ideal merger partners and conducted preliminary due diligence. From an initial list of 12 possible partners, it became clear that EBAYC, with whom OASES had a positive history of working together in the past and which met all other criteria, was the ideal merger partner.

Chau approached EBAYC Executive Director David Kakashiba during the Fall of 2011. Due to their own financial concerns, the EBAYC board approved Kakashiba’s proposal to explore the merger. Most of EBAYC’s revenue came from case management and after-school contracts from school districts and public agencies. Such contracts do not fully cover the indirect costs associated with administering these programs. In the three to four year period before the merger, EBAYC had developed a cash deficit and was operating without a reserve, primarily because of this gap in funding for indirect costs. The merger would help EBAYC to streamline its overhead while also strengthening its capacity to generate unrestricted revenues.

The Decision to Merge
Organizational Commonalities

A successful merger not only results in the formal merging of two entities but also positions them to achieve more than they could have separately. Commonalities in history, mission, programs, and communities helped pave the way to a successful merger.

First, both organizations had an established history of serving primarily low-income and immigrant families in Oakland: EBAYC since 1976 and OASES since 1983. Because of their longevity and quality of programming, both organizations enjoyed a reputation as anchor institutions in their local neighborhoods. EBAYC served primarily in the San Antonio neighborhood of southeast Oakland while OASES served primarily in the adjacent Chinatown neighborhood. They also shared similar funding sources, including after-school contracts from the Oakland Unified School District (OUSD).

EBAYC’s mission to inspire young people to be life-long builders of a just and compassionate multi-cultural society dovetailed with OASES’ mission to inspire youth with limited resources through education, mentorship, and services to strengthen the Oakland community. OASES’ elementary after-school, summer, and mentoring programs fit well with EBAYC’s existing programs, which included violence prevention, community organizing, and after-school programs serving elementary through high school students.

These commonalities played a significant part in allowing the groups to come to early agreement on key issues including the following:

RetentionPolicyoftheOASESnameto honorits20-yearhistoryandlegacy.
OASES programs, events, and related collateral materials would continue to be identified with the OASES name, with the tagline “A Project of EBAYC.” Since 1983, OASES had enjoyed high credibility among parents, students, and OUSD. For example, in 2009, OASES was recognized as one of the highest quality after-school providers in an independent district-wide evaluation of Oakland after-school program providers. As a fellow long-time presence in the Oakland community, EBAYC understood and acknowledged both the symbolic importance and tangible benefits of retaining the OASES brand.

Continuati onofOASESprograms.
One of the main priorities for OASES was that its programs at Lincoln Elementary School, Cleveland Elementary School, and the UC Berkeley/Laney College Student Volunteer Mentor programs would continue to operate without interruption, in accordance with OASES’ original mission and their program designs. Mission and program compatibility helped ensure that OASES’ programs could continue to operate without substantial modifications.

“It almost felt like our organization was dying and then the merger was like a new birth. It became not just about survival, but more and more about growth and the future. Although the decision to merge and the process itself were not without complications, it turned out to be a blessing in disguise.”

Nhi Chau was the Executive Director of OASES at the time of the merger and is now EBAYC’s Deputy Director of Strategic Development
**EBAYC Criteria for Ideal Merger Partner**

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<th>FINANCE</th>
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<tr>
<td>✔ Strong unrestricted revenue</td>
<td>✔ Serves similar student populations</td>
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<td>✔ Grassroots fundraising experience</td>
<td>✔ Encourages implementation of best practices through cross-program learning</td>
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<tr>
<td>✔ Look at 990s from three previous years</td>
<td>✔ Programs complement each other</td>
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<td>✔ Strong management and leadership</td>
<td>✔ Brand awareness in community</td>
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<tr>
<td>✔ Commitment to organizational effectiveness and efficient use of resources</td>
<td>✔ Diverse network of organizational champions from both the nonprofit and for-profit/business sectors.</td>
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**OASES Criteria for Ideal Merger Partner**

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<td>✔ Strong federal funding stream</td>
<td>✔ Students continue to receive services</td>
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<td>✔ Financial stability</td>
<td>✔ Allow OASES to continue its mission and brand identity</td>
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<td>✔ Access to major funders</td>
<td>✔ Ability to diversify in future</td>
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<tr>
<td>✔ Look at 990s from three previous years</td>
<td>✔ Potential for OASES to operate as sub-unit</td>
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Commonalities in history, mission, and programs also helped the post-merger organization to respond to demographic shifts within and across different neighborhoods. Both OASES and EBAYC were founded in response to the lack of culturally appropriate educational enrichment opportunities for low-income and immigrant API youth, most of whom primarily resided in the Chinatown and San Antonio neighborhoods. As these neighborhoods became more ethnically and racially diverse, both organizations strived to adapt to the changing demographic. However, there was still a perception among some stakeholders that they only served the Asian and Pacific Islander communities. EBAYC and OASES recognized the merger as an opportunity to improve their visibility and accessibility among non-API students.

The merger also provided the opportunity to respond to service recipients’ migration patterns across different neighborhoods. For many low-income immigrant families in Chinatown, where OASES operated, four people often live crowded together in a one-bedroom apartment. As their elementary-school age children approached middle-school age, some families would move to the San Antonio neighborhood, where EBAYC operates. The merger allowed for better coordination and a continuum of services for these students as they transitioned from attending elementary school in one neighborhood to middle school and high school in another neighborhood.

The complementary and similar nature of their programs also positioned the post-merger organization to join a collaboration of five youth services nonprofits whose goal is to enhance mentorship programs for middle school students. Last year, the Department of Justice’s Office of Juvenile Justice and Delinquency Prevention (OJJDP) awarded the collaboration a 3-year grant of $1.2 million. This was one of only ten grants awarded nationwide. Pre-merger, neither EBAYC nor OASES would have been able to participate. While OASES had maintained its mentoring program for elementary school students, budget cuts a few years before the merger had required OASES to eliminate its middle school mentorship program. And while EBAYC had several programs at Roosevelt Middle School, it did not have a mentorship program. The merger made it possible to renew OASES’s successful volunteer-mentor program, which now serves 75 Roosevelt Middle School students.
In contrast to organizational commonalities, stakeholders can perceive organizational differences as likely obstacles to a successful merger. The OASES/EBAYC merger demonstrated that differences could actually be complementary strengths.

The most significant difference was the size and structure of their respective boards. EBAYC had a 30-member board of directors, of which a supermajority was comprised of the parents or guardians of children enrolled in EBAYC programs. OASES had a 12-member board of directors comprised of working professionals such as lawyers, bankers, and businesspeople. The OASES board met as a whole while EBAYC’s board caucused into language groups.

The primary concerns for the OASES board had to do with the functionality of a large board, knowledge of governance and management, and whether there was an inherent conflict of interest when service recipients sat on the board, especially when it came to making budget allocations for different programs. In contrast, the primary concerns for the EBAYC board were that professionals might not understand community issues and might lead the organization away from its community empowerment model to a more charity-based model.

Although the board continues to work through some issues, the general consensus is that many of these differences actually contributed to the success of this merger. As part of the merger, four members of OASES’ original board, all of whom are working professionals, transitioned over to the EBAYC board. Additionally, in keeping with EBAYC’s policy of including community members on the board, four parents from OASES’ elementary school programs (two from each school site) also joined the EBAYC board. Post-merger, this blended board has now spent a full fiscal year working together as a single body. Board members who came from OASES see that the community board members in fact have the big picture in mind and use data to drive decisions that are based on the best interests of the entire organization rather than a single program. Board members from EBAYC learned to appreciate the OASES board members’ care, thoroughness, and experience with fundraising from individual donors.

EBAYC’s introduction of an affordable tuition policy for its after-school programs is a clear example of the positive synergy between the two groups. In light of the economic landscape, EBAYC decided it was necessary to implement, for the first time in its thirty-year history, a tuition structure to help fund the after-school programs. The successful development and implementation of the tuition policy was a direct result of having a blended board. The OASES members brought what they learned from their experiences with having a tuition policy at the Chinatown schools, while the EBAYC board members whose children participated in EBAYC programs were able to offer the community stakeholder perspective. The fact that the tuition policy was developed with the insight of board members who would be directly impacted by this new tuition policy helped ensure buy-in from other community stakeholders.
Summary of Key Factors Behind Success

Compatible missions and programs.
Compatible missions and programs helped ensure agreement on some key negotiating points, contributed to smooth and consistent program delivery, and better coordination of services across different neighborhoods.

Strong working relationship prior to merger.
EBAYC and OASES had an established history of working together in the past. The two Executive Directors also had a strong working relationship based on mutual respect. Their prior working history helped create trust early in the process and a negotiating environment that was conducive to addressing challenges in a timely and honest manner. This in turn helped facilitate buy-in from their boards, staff, funders, and other stakeholders because they could see that both sides were operating in good faith.

Naming and discussing concerns early in the process.
Surfacing concerns about differences in their respective boards helped both organizations to mentally reframe their differences as strengths. This early reframing of differences laid the groundwork for the boards to blend together and realize concrete, tangible successes.

Strong merger champions within each organization.
The OASES/EBAYC merger was unusual in that, unlike many nonprofit mergers, the decision originated within the organizations themselves rather than in response to funders’ suggestions. The two Executive Directors invested substantial time and effort to outline a merger process that involved both governing boards, as well as taking on a lot of the work themselves and reaching out to external consultants.

Strong board involvement.
Board members from both organizations participated in the Joint Negotiation and Management Transition Teams and provided technical assistance related to legal issues, due diligence, and financial sustainability planning.

“This was a classic case of both crisis and opportunity and as we worked together, it became more about the opportunity. It was a great learning opportunity in many ways.”

EBAYC Executive Director David Kakashiba
Post-Merger: First Year Outcomes

One year later, EBAYC has enjoyed the following results:

Increased capacity to engage and mobilize individual donors.
The EBAYC annual event, held in September 2012, grossed $75,000 in unrestricted revenue from individual donors, which is significantly higher than what EBAYC or OASES ever raised alone. For example, EBAYC’s previous record for highest funds raised at a single event was $40,000. And although OASES had the staff expertise and experience with grassroots fundraising, the merger allowed them to engage an expanded individual donor base that combined both EBAYC and OASES supporters.

Expansion of student tuition as a source of revenue to cover program structural deficit.
Post-merger, EBAYC has combined OASES’ previous tuition policy experience and the parent-board members’ experience as service recipients to create an organization-wide policy that is helping to resolve the structural program deficit.

Increased confidence in and capacity for program expansion.
The merger gave EBAYC greater confidence in its ability to raise unrestricted revenue, which in turn gave it the confidence to accept an invitation to expand its high school program to two additional schools. Without the merger, EBAYC would not have been able to take on these two additional high schools.

Expansion of college student mentors.
The merger allowed EBAYC to learn from OASES’ past successes with engaging college student volunteers to mentor elementary school students. In Oakland, the college student volunteer mentors program has expanded from the two elementary school sites in Oakland Chinatown to include additional schools in the San Antonio neighborhood, allowing more students to have access to one-on-one mentors. Also, when EBAYC received a grant to expand its Street Team program into the Central Valley, EBAYC was able to initiate new partnerships with Fresno State University and local community colleges. These partnerships will connect Central Valley court-involved youth to college student mentors.

Cost savings.
Office space consolidation and integration of staffing and management systems have allowed the newly merged EBAYC to benefit from costs savings of over $120,000 each year.

Formation of staff learning cohorts.
The merger increased EBAYC’s staffing size and expertise. As a result, EBAYC is forming staff learning cohorts within each program unit so that staff can share best practices and lessons with each other in order to provide the highest quality of services to the community.
Post-Merger: First Year Outcomes

Throughout the past year, EBAYC has identified some key lessons. For example, it could have created more collaborative and team-building opportunities for line staff during the planning and implementation process. Also, because some people’s impressions about mergers are shaped by popular images of hostile corporate takeovers, taking time to revisit and reaffirm the values that drive community-based organizations like OASES and EBAYC could have helped mitigate some initial anxieties.

As with any merger or change process, some challenges will continue past the formal conclusion of the change process. EBAYC has identified the following challenges and responses:

Clarity around decision-making roles and decision-making power.
For example, the OASES Executive Director became the EBAYC Deputy Director of Strategic Development. Because this is a new leadership position at EBAYC, defining how this leadership position relates to other leadership positions is an ongoing process. Continuing to maintain open communications is helping to clarify decision-making roles and decision-making power.

Merging of different organizational cultures.
For example, in external communications and messaging, EBAYC wants to figure out how to continue lifting up EBAYC’s community empowerment values and its community leaders (students and parents/guardians), while also recognizing the financial contributions of individual donors. Another ongoing concern is how to create robust discussion and debate within a large multilingual and multicultural board. Management team meetings and the strategic planning process will help facilitate the ongoing merging of organizational cultures.

What next? How can EBAYC continue to leverage post-merger momentum to maximize impact and ensure sustainability?

Over this past year, EBAYC and OASES experienced three phases of evolution in their merger experience. First, the merger made it possible for OASES to keep its doors open and continue serving existing clients. Second, it allowed for the reduction of duplicate costs and increased operating efficiencies. Third, and most significantly, the merger has positioned the new organization for long-term sustainability and impact that neither organization could have achieved alone. The merger team sometimes referred to this final phase as “building a longer runway for takeoff.” EBAYC wants to use this longer runway to work at a higher level and scale its impact. In order to accomplish this, EBAYC has identified the following next steps:

- Further integration of database, HR, and operations systems.
- Develop a new strategic plan.
- Increase marketing and branding efforts to raise visibility.
- Develop program evaluation tools and processes to assess programs for continuous improvement and learning.
- Support the broader civic engagement of parents, guardians, and youth. Empower parents and guardians as advocates for their children inside the school, but also empower them as advocates in other spaces and on other issues. For example, board service could be a possible platform for developing parent leadership.
- Continue to strengthen its grassroots fundraising and increase unrestricted revenue. Diversify its funding through other avenues such as social enterprise.
**December 2011**  
OASES and EBAYC Executive Directors approach their respective boards to discuss the possibility of merging. Each organization conducts its own self-assessment and identifies criteria for its ideal merger partner.

**January 2012**  
EBAYC and OASES agree to negotiate and outline the initial proposed terms for merger. The boards and executive directors set a goal to reach a contract by April 2012. The executive directors sign a letter of intent that outlines the proposed terms. Pursuant to their communications plan, they talk to their major funders, especially those whose grants and contracts are time-sensitive. They conduct initial due diligence and continue to explore mission, vision, values, and program alignment.

**February 2012**  
EBAYC and OASES put together a joint negotiation team comprised of the executive directors and board members from each organization. This joint negotiation team has over 30 combined years of legal, financial, or other merger-related expertise. The team is responsible for conducting financial and legal risk analysis; defining the terms of the merger agreement which include staffing structure, board composition, programs, brand and identity, and assets and grants transfer; and finalizing a multi-stage communications plan to announce the merger. Program Directors from each organization are informed of the pending merger and sign up for various committees to assist with planning and implementation (Facility, Technology, Communications). The Management Transition Team spearheads each working committee and coordinates overall merger logistics.

**February-April 2012**  
The Management Transition Team organizes program site visits for board and staff, facilitates question and answer sessions, and holds one-on-one meetings to outline the possibilities and address issues or concerns. The anticipated benefits of merging were identified as: reduced operating costs, expanded reach and ability to fulfill mission by achieving economies of scale, coordinated continuum of services for K-12 students (after-school and summer programming, youth and parent leadership development, community organizing/community building), ability to connect Chinatown and San Antonio neighborhoods, increased fundraising capacity that combines EBAYC’s major grants and contracts and OASES’ grassroots fundraising experience, and increased organizational leadership capacity and staff expertise in empowering culturally diverse youth and families.

**April-May 2012**  
The joint negotiation team finalizes a legally binding Merger Agreement and files all necessary legal documents with the California Attorney General and Secretary of State. They also work with the Management Transition Team and committees to integrate board, payroll, human resources management, budgets, and accounting. The Management Transition team implements a two-phase communications plan, in which “inner” circle stakeholders are first informed of the pending merger, followed by “outer” stakeholders. The team garners support from various stakeholder groups through individualized one-on-one meetings, phone conversations, and email communications.

**June 2012**  
Public notices, including a formal press release, announce the merger. The Management Transition Team and committees continue with integration for information, files, vendors, facility, risk management policies, and donor databases.

**November 2012**  
To celebrate the successful merger, EBAYC hosts a merger debut event. The event generates $75,000, which is the highest single-event amount ever raised by either EBAYC or OASES alone.
Concluding Commentary

As a long time active member of the East Bay Asian American community, I am familiar with both OASES and EBAYC and many of their board and staff members. Their recent merger is noteworthy as an example of how nonprofits are successfully adapting to current economic trends. My fellow board members at the Chinese American Community Foundation (CACF) and I are pleased to share their story with you in the hopes that one candid experience can set the stage for future opportunities that strengthen the bonds in our community and put our limited resources to more impactful use.

The 2008 economic downturn impacted all industries, including the public sector. Nonprofit social service organizations found themselves in a predicament where demand for their services grew while revenues decreased. OASES and EBACYC were not immune to this dilemma as they endured cutbacks from the City of Oakland, County of Alameda, and Oakland Unified School District’s budgets. Confronting these changes were the key staff and board members of both organizations. It was critical that they step outside of their normal business practices and do something different in order to continue to meet their constituents’ needs. The merger was not only a solution to the funding crisis but also a great opportunity for both groups to complement each other’s strengths and build a stronger organization for years to come.

There are many lessons learned from this merger and what I see are generally good practices of successful organizations. These include:

1. **While passion fuels the drive to serve, good management practices are vital to sustaining the organization itself.** Knowing how to balance a budget, market the organizational brand, identify multiple revenue sources, understand their “competition,” control expenses, and complete long-term strategic plans help an organization to overcome challenges and grow.

2. **A board governance model that includes individuals with professional expertise and community representatives creates a strong foundation for the organization.** Board members with financial, legal, business, or other professional experience can contribute specialized and technical skills. Parents, legal guardians, and other community residents provide on-the-ground perspective on community needs. A diverse board can help the organization understand how to prioritize needs and to address them with the resources available.

3. **Organizations must be able to anticipate and adapt quickly to changes in the political and economic climate.** Sometimes solutions require thinking outside of the box and trying something new. They also require a willingness to learn from good practices in both the public and private sectors. Case studies of how other organizations handle crisis can serve as excellent learning tools.

We are impressed with the leadership of both organizations in their abilities to recognize the opportunity to do more for the community and to take the necessary calculated risks required. We are also thrilled that the new leadership believes in the importance of sharing their experiences and serving as a resource for the community. The Chinese American Community Foundation is pleased to have the opportunity to document this story and hope it will add value to the collective knowledge in making our community stronger.
Acknowledgements

Christen Lee served as primary author of the report. Editorial support was provided by Nhi Chau, Dien S. Yuen, and Anh Ton.

**Christen Lee** is as an advisor to Kordant Philanthropy Advisors. She has designed and implemented technical assistance programs for grassroots and national nonprofits, social enterprises, and funders that serve low-income communities, immigrants, and communities of color. Christen is a member of the California State Bar and is a graduate of U.C. Berkeley School of Law and Yale University.

**Nhi Chau** currently serves as the Deputy Director of Strategic Development with the East Bay Asian Youth Center (EBAYC). Prior to this, she was the Executive Director of the Oakland Asian Students Educational Services (OASES) and led the merger between the two organizations. Her previous roles include serving as Program Manager with the UC Berkeley California Alumni Association and Teacher/Facilitator with the Alameda Community Learning Center, a charter school that she co-founded.

**David Kakishiba** has served as the Executive Director of the East Bay Asian Youth Center since 1980. A life-long children’s advocate, David authored Measure K – The Kids First! Initiative, Oakland’s landmark ballot measure that has generated over $10 million in revenues each year for children without raising taxes. For the past ten years, David has served on the Oakland Board of Education, representing the San Antonio, Eastlake, Chinatown, Bella Vista, Haddon Hill, Grand/Lake, and Crocker Highlands neighborhoods. David has played a leading role in the founding of several Oakland-based youth development organizations, including Oakland Kids First, Youth Together, and Youth Sounds.