



FINANCE AND REVENUE

# Mergers Have Become a Lifeline for Nonprofits. Will Foundations Help Cover the Costs?



By **Ben Gose**  
Senior Editor



PeerForward

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September 9, 2025 | Read Time: 6 minutes

## Charities are looking for strategic partners to survive a rough 2025, and they hope foundations — which have long pushed for consolidation — will help pay for the mergers.

It's easy to picture a scenario in which Community Link, a 96-year-old Charlotte nonprofit, simply faded away.

The charity, which helped low- and middle-income residents with home-buying and tax preparation, received much of its \$3 million budget from the U.S. Department of Housing and Urban Development. Even before the start of President Trump's second term, Community Link was already struggling with fundraising — especially the 25 percent match that HUD requires, says Tameka Gunn, the organization's former president. With the new administration came tougher requirements and a funding freeze — prompting the charity's board to decide this summer that it was time to wind down.

As local residents bemoaned the loss, another charity saw opportunity. Ada Jenkins Center, a financially stronger Charlotte nonprofit serving a similar clientele, swooped in to acquire Community Link's most important programs, focused on asset-building and tax prep. Gunn now works at Ada Jenkins, and only two of Community Link's employees lost their jobs.

Harold Rice, CEO of Ada Jenkins, says the asset-building program adds a new layer to the charity's anti-poverty work. Now the organization can assist a client all the way through to the purchase of a new home.

"That argument alone really allowed my board members to get behind this deal," Rice says.

The many curveballs being thrown at nonprofits in 2025 are expected to yield a growing appetite for mergers and acquisitions — as struggling charities like Community Link are forced to reckon with the reality of major federal funding cuts, increased costs related to tariffs, and growing demand for services. The last big period for nonprofit mergers was more than a decade ago, when vulnerable charities sought lifelines during and immediately after the Great Recession.

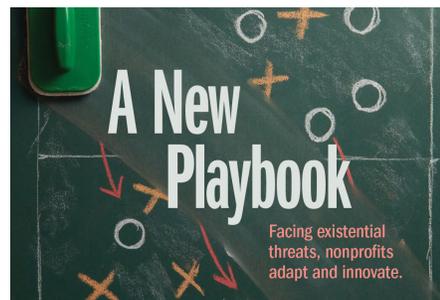
Experts thought the pandemic would yield mergers between strong organizations with a solid financial base and weak ones that were struggling, but the abundant federal spending that began early in that crisis helped keep many charities afloat without the need for consolidation.

"Everyone got the Paycheck Protection Program loans, and so organizations kind of Frankenstein'd along," says Isaac MacDonald, a strategy consultant who works with nonprofits. "The level of attrition that might happen now is not what I would hope for, but it's sort of like the little mammals that flourished after the dinosaurs were taken out by the meteor. There will be some necessary adaptation. What will emerge in this moment of crisis?"

## Surge in Interest

Roughly 150 nonprofit leaders in the Philadelphia area are now meeting regularly to discuss how to navigate the challenges coming from Washington. The coalition, called the Nonprofit Leaders Group, recently surveyed more than 600 charity leaders in a five-county area, asking them to choose among 13 resources that would be most helpful. More information about mergers and strategic acquisitions ranked third, behind scenario planning and fundraising workshops.

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“That was really striking,” says Cynthia F. Figueroa, the charity CEO who started the coalition. “If you had put that question in a survey a year ago, mergers would have been at the bottom of the list.”

Figueroa heads JEVS, a human-services charity with a \$130 million budget. This summer, it has held merger talks with two midsize charities, in human services and behavioral health, with budgets between \$10 million and \$20 million. The charities and their boards approached JEVS after deciding they were unlikely to survive on their own due to federal funding and policy changes.

“I hate to say it,” Figueroa says, “but mergers are almost like a business imperative if we want the same level of services to continue to exist in Philadelphia.”



PeerForward is part of a discussion about mergers with other nonprofits that also help low-income and first-generation students go to and complete college.

PeerForward, a charity that prepares and encourages students from low-income communities to go on to college, is facing a 37 percent hit to its earned revenue, as cuts to federal programs like GEAR UP and [AmeriCorps](#) leave PeerForward's college and school-district partners with fewer resources.

The organization, which has 28 employees, needs to make up \$500,000 and is considering layoffs, says Gary Linnen, the charity's CEO. PeerForward is also working with La Piana Consulting, a mergers expert, to explore a strategic reset. The nearly 30-year-old charity has long relied on adult volunteers and student peers to

encourage college-going, but Linnen says it needs a better digital strategy to meet potential students where they now spend most of their time — on their phones.

America's Promise Alliance, a coalition of 150 youth-serving and work-force-development charities, is leading a discussion about mergers that PeerForward has been involved in. Eighteen percent of the alliance's members are actively exploring mergers, and more than three-quarters are considering strategic partnerships.

PeerForward is better prepared for the current challenges than many of its peers, thanks in part to an ample reserve bolstered by a \$5 million MacKenzie Scott gift in 2022. Linnen believes his charity will be an acquirer.

“The market is very saturated, and this is just pushing us to be much more aggressive,” Linnen says. “There need to be more mergers and acquisitions.”

## Call for Foundation Help

Experts have grumbled for more than two decades that there are too many charities, and foundations periodically commit funds to encourage consolidation. As nonprofits become more interested in mergers, leaders say it's time for foundations to step up.

Linnen says he has several board members who have expressed interest in helping out with potential merger costs.

In Charlotte, Rice says area foundations have agreed to help out with the costs of integrating Community Link's programs into Ada Jenkins.

After the Great Recession, "the foundations came together and put a catalyst fund together for organizations to merge, but it didn't go well because it was top down," Rice says. "This was an opportunity for us to approach them in a bottoms-up approach, and it went really, really well."

Figuroa, a former commissioner of the Philadelphia Department of Human Services, says that during her time in that office she witnessed a number of foundations making illogical investments in charities that they had long supported, but that were failing.

"Instead of encouraging partnership or talking about challenges, they would just continue to grant to them," Figuroa says. "I think folks are realizing we really can't do that anymore."

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