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Funding for nonprofits is changing

Dallas Business Journal - by [Joyce Tsai](#) Staff writer

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New Approach: Molly Bogen of The Senior Source said her nonprofit is starting a for-profit venture, Platinum Care Solutions, to provide geriatric care management as a way to boost revenue to support her nonprofit mission to help the elderly.

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More and more North Texas nonprofits are creating their own for-profit subsidiaries as a way to insulate themselves from the ups and downs of traditional fundraising efforts. The trend is likely to become even more common as nonprofits, like other businesses, try to survive in an increasingly volatile economy.

Historically, nonprofits have relied on a hodgepodge of government and foundation grants as well as individual and corporate contributions to help them provide their services.

But many nonprofits, which receive tax advantages in return for their nonprofit status, are providing goods or services that increasingly can compete with for-profit entities — and the number of nonprofits is increasing faster than the funds to support them. As a result, nonprofits have seen the revenue tied to their for-profit subsidiaries grow more than 200% in the past two decades, and such dollars now account for more than 57% of nonprofits' \$251 billion annual revenue stream, according to the Social Enterprise Alliance in Washington, D.C.

There are currently more than 14,000 nonprofits in North Texas, according to Diana Peacock, a senior consultant for Community Wealth Ventures. One of those is Dallas-based [The Senior Source](#), which has provided a range of services to seniors for the past 45 years.

It is on the cusp of launching a for-profit venture called Platinum Care Solutions, designed to provide geriatric care management to seniors, including professional assessment, written care plans, coordination of medical appointments, home health, transportation, and evaluations of nursing homes, assisted-living facilities and retirement communities, said Executive Director Molly H. Bogen.

It is a natural extension of what the agency has offered in some form since 1994 through its Elder Support program, which currently serves about 5,000 clients. The program offers financial services and case work consultations to caregivers and the elderly at little or no cost.

The nonprofit hopes to compete with the independent players in a fairly fragmented field of about 15 geriatric care managers in the Metroplex and has drawn a detailed business plan that calls for an initial capital investment of \$275,000 to start the venture. The Senior Source hopes to add a new geriatric care manager position — to the two staff members it currently has — every year for the first five years once it launches Platinum Care Solutions.

By targeting baby boomers and older adults with incomes of more than \$100,000, a demographic that is expected to surge in the future, the nonprofit is placing its faith in its business plan to boost funding for the nonprofit, which currently has a \$3.5 million annual budget. It expects to generate sales of more than \$910,000 and a profit of about \$290,000, by year five, Bogen said.

It's a way for the nonprofit to become more self-sustaining, Bogan said. About 43% of its annual funding comes from government grants, which have stayed stagnant. And government funding certainly isn't assured even when the country is not dealing with a financial crisis, Bogen acknowledged.

Also, donations from individuals, corporations and foundations, which make up another 22% of the nonprofit's funding, are "discretionary money" that can disappear or dwindle depending on the ups and downs of the economy.

Every dollar earned by the for-profit Platinum Care Solutions will pay to provide services to the elderly who cannot pay, she said, and help expand its mission of helping seniors.

Local guidance

As for-profit business ventures for nonprofits have grown, so have the concerns of their for-profit competitors.

For-profits can sometimes resent the encroachment of nonprofits into their market, Peacock said. One classic case involved the lawsuit filed against the [YMCA](#) by gyms who complained that the YMCA had an unfair advantage. (The YMCA eventually won.)

And as more nonprofits are seeing a need to understand the pitfalls of starting these kind of ventures, the tools and instruction for nonprofits in North Texas has grown.

The Senior Source sought the advice and training of the Dallas-based Center for Nonprofit Management, which has this year started to offer a 10-month business planning program to area nonprofits in conjunction with the Washington D.C.-based [Community Wealth Ventures Inc.](#), a social enterprise consulting firm. The cost of the program to the agencies is \$5,000.

Diana Peacock, a senior consultant for Community Wealth Ventures, said nonprofits are increasingly looking at fee-for-service activities, whereas many years ago "they felt like they would need to be providing those services for free."

To see examples of nonprofits creating for-profit subsidiaries, one doesn't have to look far.

Consider Goodwill Industries International with its thrift stores, YMCA with its health and fitness centers, and [Girl Scouts of America](#) with its cookies.

But the efforts of smaller, lower-profile nonprofits to undertake these efforts have gained momentum in the past few years, Peacock said. Also, there's more diversity in the range of business services and goods they will offer.

In North Texas, for instance, the Catholic Charities Dioceses of Fort Worth Inc. is planning to expand its translation and interpretation services into a for-profit enterprise. It will draw upon the diverse immigrant population it serves, train them as translators and serve as a job placement service to provide those much-needed services at hospitals, public safety departments and the courts.

The Autism Treatment Center is planning a for-profit outpatient diagnostic and therapy agency in North Texas. Dallas-based ChildCareGroup hopes to expand its child care resources and referral service for corporate clients, and Big Thought, a nonprofit group that partners with communities, school districts and others to educate children through cultural and arts programs, is planning to offer its consulting services to those who want to develop more public and private partnerships.

Cynthia Nunn, president of the Center for Nonprofit Management, said that the current Wall Street crisis has only heightened concerns about funding, causing more nonprofits to look to diversifying their funding base.

And whether these for-profit ventures will find the funding they need in tough economic times will depend very much on the individual nonprofits and what services they offer, she said.

Nonprofits should undertake these for-profit ventures by carefully weighing the risks, and developing detailed business plans, like any for-profit business would, said Stacy Caldwell, executive director of Dallas Social Venture Partners, which pools the investments of individuals to support local nonprofits' for-profit business ventures.

That's because the risks to a nonprofit's bottom line can be even greater in a sense, said Ray McLeod, vice president of client services communications for the Center of Nonprofit Management.

When for-profits see their numbers go in the red, they are able to redistribute their assets or make cuts to reduce staff or programs, he said.

"But if we don't meet revenue goals, it means we have to turn away people for much needed services, and that already happens too much everyday."

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