



The L³ C **the for profit with a nonprofit soul**

Effects of L³C on the Total Funds in the Charitable Pool

A frequently asked question concerns the effect the L³C will have on the total dollars available for charitable activities. This question is usually asked in a somewhat fearful manner by charities who are concerned that lots of foundations will start using their 5% for PRI's instead of grants. The short answer is quite the opposite. It will greatly increase the dollars available.

We need to think of the entire charitable sector as a pool that presently contains a fairly measurable, finite amount of money. Every year donations are made and money is used for various purposes but the total adjusted for inflation is fairly consistent. One of the major purposes of the L³C is to bring more money into the pool hopefully by a factor of 5 or more. This will be done by making many solutions to charitable problems solvable by applying business solutions. The PRI component of the L³C does this by absorbing most of the risk thereby attracting commercial and institutional investors to a project.

As a result many charities may be able to change the way they work by sponsoring businesses organized as L³C s that put people to work at well paying jobs rather than needing handouts. In many cases the need for pure charitable dollars will be reduced taking pressure off already overburdened nonprofits.. In many cases our charitable sector gets caught in a syndrome characterized by the old southern saying, "When you are up to your behind in alligators it is hard to remember that your original goal was to drain the swamp." The purpose of charity is to relieve problems not institutionalize them. If we can put people to work in meaningful jobs or make a symphony self sustaining then we have reduced the need for charitable dollars in those areas and more of what is left can go to other needed areas.

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