

Initiative seeks to reinvent charities

Catalyst Fund aims to inject innovation into the business models of struggling nonprofits.

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Nearly a year after it created a pool of money to help the homeless and hungry, Foundation for the Carolinas is launching another initiative to help the city's struggling nonprofits.

It's called the Community Catalyst Fund, and like last winter's critical needs initiative, it is based on a \$1 million challenge grant from the Leon Levine Foundation.

However, that's where the similarities end.

The new effort, which is expected to reach \$5 million in coming months, won't pay for food, utilities or rent. Instead, it will be seed money to come up with strategies that rethink the way nonprofits do business, including innovative ways to raise revenue, create partnerships or implement mergers.

Another big difference: Science and art agencies are welcome to apply for grants, the first of which will be issued Dec. 12.

"From my perspective, the Catalyst Fund is the perfect complement to the Critical Need Response Fund," said Cathy Bessant, a Bank of America executive and chair of the committee of 17 community leaders who spearheaded the creation of the new effort.

"The critical need fund addressed immediate, dramatic needs, and yet we didn't cause operating models to change," she said. "This fund is about making the models more efficient and effective, with less duplication." Those themes came up repeatedly during recent community meetings sponsored Mission Possible, a media coalition seeking solutions for the area's nonprofit crisis.

The same set of goals also appealed to Levine Foundation co-founders Sandra and Leon Levine, who have given millions in the past year to local charities dealing with increased demand.

"This is about helping nonprofits become stronger for the future," said Leon Levine. "We are delighted to be able to make an investment in the long-term growth and stability of this sector."

A study commissioned by the foundation this year revealed nearly 800 nonprofits have the potential for collaborations, partnerships and mergers.

It's those groups that the Catalyst Fund will reach out to, including invitations to attend seminars that will explain the possibilities. The foundation stressed that it isn't trying to force changes - read mergers - on nonprofits.

"Mergers are not the answer to every problem we face, and I think this response allows organizations to bring their own solutions," said Brian Collier, senior vice president of community philanthropy for the foundation. "It also allows us to bring some national best practices to the table and say: 'Can we make this a Charlotte solution?'"

Some local nonprofits have recently unveiled projects that are cited as examples of what the new money seeks to inspire. These include the merger of the Uptown Shelter and the Emergency Winter Shelter and a decision by Habitat for Humanity to save money by buying and repairing foreclosed homes, rather than building new ones. Most local nonprofits are operating this year with vastly trimmed programs because of the recession, including an average of 40 percent cuts from United Way.

It's that money shortage that prompted the creation of the Community Catalyst Fund, which will be managed at no charge by the foundation, in collaboration with United Way and the Arts & Science Council. All told, it's estimated the community's large charities will face cuts of about \$190 million this year.

"This (fund) is important because that gap is not going to be filled in traditional ways," said Laura Meyer, executive vice president of the foundation. "We are not in any way, shape or form going to be what we were before. But we do believe in the concept of hanging a lantern on a problem and attacking it."

Word of the new effort began trickling out weeks ago, and the Foundation for the Carolinas has already received a number of inquiries from nonprofits, most of them in human services.

Among those who intend to apply are Charlotte-based Youth Homes Inc., which is planning an alliance with the Greensboro-based Family Life Council and the Children's Home Society. The result will be similar to a merger, with the bigger Children's Home Society doing business in Mecklenburg County under the name Youth Homes Inc., said Ken Tutterow, president and CEO of the Children's Home Society of North Carolina.

"We plan to be knocking on the (fund committee's) door as soon as we can apply for a grant," said Tutterow, noting the money will be invested in such things as technology systems. "This fund is right on target for our industry. There are thousands of nonprofits, and we need to consolidate services to be more effective."

The foundation is making progress on amassing the \$4-million to match the Levines' grant. The money will come from leading philanthropic organizations, many of which are affiliated with the fund's 17-member committee, officials said.

Jane McIntyre, executive director of Charlotte's United Way, said the effort is well timed, given the pattern of state, federal and foundation dollars dropping in the year after a recession.

Arts & Science Council President Scott Provancher said cultural groups have equal reason for concern, having seen their corporate and individual gifts shrivel during the recession and banking crisis.

He says the grants might be put toward new partnerships in which groups try to boost their income by sharing and mining information on arts patrons' preferences and ticket-buying habits. Or, it might go toward projects in which groups share back-office functions or employees. For example, the McColl Center for Visual Art and the Charlotte Museum of History already share a chief financial officer.

No matter what the money goes for, Bessant said, this is an issue that the public needs to be concerned about, given the important role nonprofits play in the community.

"Our not-for-profit sector is a huge part of the social welfare and cultural fabric of our community," Bessant said. "Making the nonprofits sustainable into the future is a critical part of the continued vibrancy of Charlotte. They are fundamental to our way of life."