

Funding Gap

By *SHERRI CRUZ* - 9/21/2009

Orange County Business Journal Staff

The recession has tested many of Orange County's nonprofits and in the years ahead, things could get tougher.

People have cut back on their donations as demand for services has jumped.

To cope, charities have cut expenses and staff. They also have scrambled to boost income through events, grant proposals and side businesses, among other things.

"It will take some time for donors to feel a sense of health and recovery," said Shelley Hoss, president of the Orange County Community Foundation, based in Irvine.

No one knows what the "new normal" is going to be, Hoss said.

For the Orange County Rescue Mission, the "new normal" means doing more with less.

The Tustin-based nonprofit provides housing, food, medical and job assistance to the poor and homeless, what it calls "the least, the last and the lost."

It has seen demand for its services go up more than 300% year-over-year, according to Jim Palmer, executive director.

"We've had to work three times as hard," Palmer said.

The Rescue Mission has had to give more tours and make more visits to donors and potential donors.

"We got the word out to volunteers that we could use their help," Palmer said.

Volunteers help the mission by collecting canned goods and other food.

Finding Funds

The Rescue Mission cut five positions unrelated to providing direct services. Then it went in search of more money.

The mission prides itself on getting most of its donations from the private sector. But it has seen much of these funds disappear as private donors pull back on spending or give to organizations that are in danger of closing.

It has replaced some of that money with federal funds that previously were unavailable.

“We normally (would not) go after government funding, but the demands were so high for our services,” we targeted all available money, Palmer said.

Nonprofits likely are to feel the effects of high demand and fewer donations long after the recession ends, according to OC Community Foundation’s Hoss.

Donors are hanging on to their money because there is a sense of uncertainty about the economy and a loss of net worth, she said.

The OC Community Foundation is a nonprofit that sets up funds for donors to give money in a strategic manner.

Many wealthy donors tie their giving to stock portfolio profits, Hoss said. But since Wall Street still hasn’t fully recovered from this past fall’s meltdown, “stock giving is almost disappearing,” she said.

The foundation is relying on other avenues of funding, including grants that were already in place and special campaigns.

Special Campaigns

The foundation put on a Seed the Need campaign, which raised an additional \$852,000 that went to fund “safety net” organizations, which are those that are meeting peoples’ immediate food, clothing and shelter needs.

Orange County United Way held a similar Bridge the Gap campaign to boost the amount of funding it could grant to safety net agencies.

These campaigns are getting extra attention because of personal touches major donors and volunteers are doing. Many events are getting personal and are being held at homes instead of hotels or restaurants.

“Now is the time to have your donor love-in,” Hoss said. “I’ve become a big fan of the living room gathering.”

Restaurateur Antonio Cagnolo held an underwriting event at his home to cover expenses for Canyon Acres’ fall fundraiser next month. The event usually is held at his Antonello Ristorante in Santa Ana. Canyon Acres provides homes, care, treatment and supportive services for abused and neglected children.

Cagnolo’s not the only one to open his living room.



From left to right: Mark Whitley, President of Easter Seals Southern California, Debby Boone, American singer and theatre actress known for her hit "You Light Up My Life" and Saywitz, the host of the event.

Real estate developer Barry Saywitz puts on fundraising shindigs for autism charities and Newport-Mesa School District programs at his Newport Beach home. A few weeks ago, Saywitz wrapped up his second annual An Evening for Autism benefit.

The proceeds go toward Costa Mesa-based Talk About Curing Autism, Bethesda, Md.-based Autism Society of America and Santa Ana-based Easter Seals Southern California, the largest donor of funds for autism research.

Saywitz is a motivated fundraiser—he has a son with autism.

"He recruited us," said Lisa Ackerman, executive director for Talk About Curing Autism. "What Barry's done is not only open up his home, he's opened up his Rolodex."

Saywitz, whose business is slow right now, did much of the planning for his most recent benefit himself, assisted by a handful of people from the agencies.

The event attracted OC's movers and shakers and celebrities alike.

"You'd be surprised by how many people who know somebody who has autism," he said.

Last year, the event raised \$200,000. This year, the event—which was held Sept. 12—raised a little more than that.

Saywitz promotes it as the social event of the year.

There were seven bars, three chocolatiers, six bands and catering from nine restaurants.

Fox 11 News anchor Christine Devine and KJazz DeeJay Bubba Jackson co-hosted the event. Other attendees included singer and actress Debby Boone, State Assemblyman Chuck DeVore, State Sen. Lou Correa of Santa Ana and Jay Johnstone, former Los Angeles Dodger.

Social Enterprise

For many nonprofits, social enterprise—essentially a side business—has been a complement to traditional fundraising.

Many nonprofits have long run businesses as a way to boost revenue, including Rockville, Md.-based Goodwill Industries International Inc. and Alexandria, Va.-based The Salvation Army, both of which run thrift stores.

Domestic abuse shelter and counselor Laura's House, based in Ladera Ranch, runs Portobello Road, a high-end thrift shop in Lake Forest. Working Wardrobes in Fountain Valley also operates stores.

The Junior League of Orange County runs the Christmas Co. at the OC Fair & Event Center. Every year, 80 to 120 crafters sell their balsamic vinegars, day planners, home decorations and other goods to benefit the Junior League.

The vendors give 15% of the proceeds back to the Junior League, which donates to charities such as Laura's House and the Santa Ana-based Orange County Bar Foundation Inc., which works to keep kids drug free and out of jail.

In addition to retail stores, nonprofits are coming up with other ways to make money.

The Fullerton-based Volunteer Center Orange County, for example, is ramping up its business services to nonprofits.

For example, the Volunteer Center, which matches volunteers to nonprofits, is doing the accounting for Santa Ana-based Campfire USA Orange County.

About 75% of its income is derived from business services and consulting, said Dan McQuaid, president of the Volunteer Center. The rest of its income comes from grants and private donations.

Seminars

Learning the skills of how to make money outside of direct fundraising is where Irvine-based Social Enterprise Institute comes in. The not-for-profit hosts extensive seminars and events to teach nonprofits how to pair with for-profit companies to make money.

Betsy Densmore, vice president of operations for the institute, says the number of nonprofit agencies attending its academy was 50 this year, compared to eight at its first one a few years ago.

The Social Enterprise Institute's six to nine month academy trains and mentors nonprofits on how to generate business profits, which can be plowed back into the charity.

"There is no reason that charities couldn't make a profit," Densmore said.

The Social Enterprise Institute itself is a prime example of social enterprise. It is a not-for-profit that earns nearly 100% of its income.

Some nonprofits are stuck in “charity think,” Densmore said. They believe they can’t make money to sustain themselves, she said.

But the recession has spurred more charities to consider selling services to compensate for lost donations.

The Council on Aging Orange County, based in Santa Ana, recently started offering continuing educational courses for health professionals for a fee.

“They have a history of never charging for anything,” Densmore said.

The Council on Aging went through the academy training, some of which is free to nonprofits.

Private investors also are getting interested in social enterprise, Densmore said.

Chris Clark of Laguna Hills-based The Smart Foundation, another academy graduate, has secured investor money to expand his nonprofit business that rents musical instruments to schools. Part of the rental money is donated to school music programs.

“Banks lending to nonprofits is unusual,” Densmore said. “That said, banks are starting to get interested.”