



JACK KUSTRON | FOR BUSINESS FIRST

The **Faith Mission** homeless shelter operates a daytime catering business at Broad Street Presbyterian Church downtown. It raises money for the nonprofit, part of Lutheran Social Services, while providing job training.

## Getting down to business at nonprofits

**WITH TRADITIONAL GIVING** crushed by the recession, entrepreneurship is helping social service groups raise money and keep their missions alive.

BY ADRIAN BURNS | BUSINESS FIRST

Central Ohio nonprofit groups have long survived by asking for money, but more of them are turning to their own ways for making it.

As a battered economy limps along and the need for social services remains high,

nonprofits are increasingly entrepreneurial in hopes of generating cash in the face of a dim outlook for donations.

Spurred by a 2-year-old Fund for Financial Innovation grant program from the Columbus Foundation, a growing number are planning or  
**SEE NONPROFITS, PAGE 37**



implementing business ideas for making money while furthering their missions. Their advances reflect a growing national swing toward so-called social entrepreneurship in the nonprofit sector.

“(Nonprofits) have to have a diverse portfolio and can’t rely too heavily on government, foundation, corporate or individual giving,” said Lisa Courtice, vice president of community research and grants management at Columbus Foundation.

That more nonprofits are finding ways to generate income on their own is significant and encouraging. Some corners of the nonprofit sector have been wary of making organizations too businesslike for fear of losing sight of the groups’ social missions. But with donations flagging and unlikely to soar anytime soon, more are coming to the realization that a business approach, including pursuing entrepreneurship, can uphold their mission by bringing in cash to support key programs, said Chuck Gehring, CEO of LifeCare Alliance, which provides the Meals-on-Wheels nutrition program for the elderly.

“If you’re going to serve your mission, that equates to taking in more clients in need, and that equates to having enough money to do that,” he said.

## STRAPPED FOR CASH

There are two categories of income at nonprofits – contributed income and earned income, said Chad Jester, president of the Nationwide Insurance Foundation, which has handed out more than \$270 million in donations since 2000.

“That contributed income line item is becoming increasingly more difficult to enhance, especially with the tough economy,” he said. “If you are able to drive more income, then you’re able to put more back



**L. Courtice:**  
Columbus  
Foundation

into the organization to serve more people for the core mission.”

Indeed, nonprofits that serve the poor haven’t seen their revenue keep pace with the swelling number of those who fell on hard times during the recession. As of last November, the state’s human services nonprofits with \$1 million or more in annual revenue had generated combined revenue of \$4.4 billion, up 19 percent from

\$3.7 billion in 2006 – an annualized growth rate of a modest 4.4 percent, according to data from the National Center for Charitable Statistics, a research organization focused on nonprofits. Meanwhile, there were 579,000 out-of-work Ohioans in November, up 75 percent from 330,000 in November 2006, an annualized increase of 15.1 percent.

There simply isn’t enough money from donations available to serve the needs of the community, said Gehring, who has launched a catering business, cafe and wellness program service since starting at LifeCare in 2001. Those businesses now account for about 30 percent of the agency’s \$15 million in annual revenue. Without that money coming in, LifeCare likely would send meals to 3,000 customers instead of the 4,000 it now feeds regularly, he said.

And while business revenue can ebb and advance with the economy, it is unlikely to be wiped out the way donations or government funding can be with the stroke of a legislative pen or a changed priority at home, said Scott Arnold, executive director for Central Ohio Youth for Christ.

The provider of counseling and job opportunities for teens saw a large multiyear federal grant cancelled this fiscal year. That slashed the group’s expected revenue to \$2.1 million from \$2.7 million, sparking cuts in staff and programs, he said.



**C. Gehring:**  
LifeCare Alliance

But programs that support themselves can be less vulnerable to such catastrophic funding cuts, Arnold said. The group's 18-month-old embroidering business, which stitches logos, names and emblems onto apparel, is self-supporting and gives teenagers part-time jobs where they earn money and develop work skills, Arnold said. It has been approved for a \$45,800 foundation grant to buy more equipment to allow the business to make a profit, he said.

The Columbus Foundation's Fund for Financial Innovation program made a round of grants in February, its second year, with many going to support plans for businesses at nonprofits. The foundation is looking at how the program could evolve, Courtice said.

## BUSINESS APPROACH

Key to hitting on business success at a nonprofit is ensuring the entrepreneurial operation is closely tied to the organization's skills and mission, area nonprofit executives said.

That's important for many reasons. One is that even if the business only breaks even, it can remain worth pursuing because it supports itself while furthering an agency's purpose, said Sue Villilo, executive director of [Faith Mission](#), a homeless shelter that started a lunchtime catering company in 2009 that sends out as many as 600 meals a week. The catering operation is breaking even after 18 months but still benefits Faith Mission's goals, she said.

"I think with this particular venture, the added benefit is that we're able to do some good job training," she said. "This helps shelter residents get certified in kitchen techniques and things they need to know to get a full-time job."

Also, there are risks to starting a business, and a typical one is controlling start-up costs. Keeping a business aligned with



**S. Villilo:** Faith Mission

a nonprofit's mission can help reduce those risky expenditures, said Jim Stein, president of the Furniture Bank of Central Ohio, which collects and distributes furniture to the needy.

The furniture bank offers delivery services – for a fee – for its furniture that is typically paid by other nonprofits that refer clients to the furniture bank, he said.

The agency uses its trucks that already are picking up furniture, which is a key part of its mission.

"When we started delivery with our clients, we used the same trucks we were using to do pickups, just in reverse," he said.

But not every idea works.

The furniture bank has been pursuing the thought of recycling unusable mattresses and selling the materials, but has found it tough to get enough bad mattresses to make a recycling operation financially feasible, Stein said. It continues to explore the idea but it isn't clear whether it will work, he said.

One thing is for sure: Like any other businesses endeavor, starting a venture at a nonprofit requires careful planning, a lot of footwork and an appetite for risk, Stein said.

Also key is a board of trustees that includes some entrepreneurs and a CEO with a business background, said Stein, who ran a logistics company before arriving at the furniture bank in 2004.

"If you've got a nonprofit leader in the organization who doesn't really have a solid business background and that entrepreneurial drive, it can seem like a pretty big hill to climb," he said.

Gehring thinks lacking those pieces isn't reason for a nonprofit to turn its back on entrepreneurship. If a nonprofit needs some business experts from the community to weigh in or help with an idea, it can find them simply by asking, he said.

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