

WINSLOW

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establish a price for the work.

Once the workplan is set and individual staff hours are allocated, we calculate the contract fee, based upon pre-established hourly rates for each staff member that are determined as follows:

$$(MV/260) = (DMV + (DMV \times OHR)) (1 + PM\%) = DR/8 = HR$$

Translated: The market value of the particular staff member divided by the number of working days per year equals the daily market value. Add the daily market value to the

daily market value times the overhead rate, then multiply the sum by the hoped-for profit margin to arrive at the daily rate for that staff member. Divide by 8 to get the hourly rate.

The project hours estimated for all staff members who will be working on a particular contract are multiplied by each staff member's hourly rate to produce the total contract fee.

It's a straightforward approach. On a contract for the federal government several years ago, our fee structure was scrutinized in detail (including analysis of our direct and indirect overhead costs) by the General Services Administration.

This approach to the setting of fees met GSA's guidelines.

Calculating the overhead rate and market value, of course, are among the more complex issues. On many occasions, we have seen nonprofit organizations pay consultants hourly fees that have no basis in reality - hourly fees that, if analyzed for true overhead costs and established market value, would suggest overcharging by a factor of two or three times. We have spent considerable time trying to define and establish the real overhead costs inherent with operating our firm. And we suspect that the other major firms in the state have struggled with the same question.

Boring stuff? Let's make it more interesting. Want to know your street value on an hourly or daily basis? If you are a typical nonprofit staff member, simply take your market value - that's what you are being paid in gross salary in your job right now - and apply the formula given above. But be fair in setting your profit margin; most service industries average less than 20 percent profit. And for the sake of argument - and this makes the assumption that you pay for such items as your own office space, equipment, supplies, marketing, insurance (life, health, liability and disability) and support staff from your own pocket - you might use a figure of 0.8 to 1.5 times

your market value to establish overhead. (A large firm would probably have the higher overhead rate, simply because of the number of support staff required to manage such an operation.) Chances are your hourly or daily cost is a lot less than you thought it would be.

In a perfect world in which all consultants are "right" for a client and vice-versa, what I have described would solve a lot of problems. Nonetheless, approaching the process of setting fees and hourly rates in a market-driven, businesslike manner can only be a good first step in the direction of providing value to nonprofit corporations everywhere.

HOOD

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• Vouchers - This strategy converts existing public assistance programs into vouchers with which recipients can purchase needed services from nonprofits or private firms. About 50 percent of state social service agencies and 43 percent of counties use vouchers for social service, with the most common usage in the day care field. A state program such as the Smart Start child-care initiative would be a perfect candidate for conversion to vouchers or tax credits.

• Volunteers - Approximately 34 percent of states and 37 percent of counties use volunteers to help deliver social services, ranging from nursing home care to staffing rape and suicide hotlines.

• Load-shedding - This is the most complete form of privatization. It means permanently turning over what was once a public service or facility to private operators. In 1992, the city of Pittsburgh turned over the city-owned aviary to a group of concerned citizens. In 1993, the city of Norfolk turned its botanical gardens over to the nonprofit Norfolk Botanical Society. Other cities have put museums, libraries, zoos, and farmers markets into the hands of nonprofits.

In North Carolina, local officials have pursued many of these strategies. In 1986, Mecklenburg County turned the publicly operated Center for Mental Health over to the managers of Carolinas Medical Center for operation. Today the center treats more patients, with a better-trained and larger staff, than it did in the 1980s - and taxpayers pay less for

mental health services. Now, county commissioners are considering allowing Carolinas Medical Center to operate some or most of the county health department.

In 1992, the Mint Museum in Charlotte was leased to the museum's private board of trustees. Onslow County is considering contracting out its food stamp distribution system, while a reform plan proposed for Buncombe County last year expected \$7.4 million in savings through cutting, consolidating, and privatizing various county services.

There are certainly important considerations in any privatization plan involving nonprofits, such as defining benchmarks for performance, finding jobs for displaced government workers, ensuring competition for contracts or vouchers, and monitoring the quality of services delivered by volunteers.

But make no mistake: Governments are going to have to privatize if they want to maintain or increase the quality of services and at the same time alleviate the punitive effects of high taxes on families. The good news is that studies demonstrate a clear connection between taxation and philanthropy: As the cost of government rises, people have less money and time to donate to nonprofits. So reducing costs through increased use of nonprofits to provide services can, in fact, make more money available to the nonprofit sector to help finance the necessary expansion.

Some services simply do not belong in the public sector and can be provided more effectively and efficiently by other institutions. For that reason, nonprofits have a crucial role to play in the future of North Carolina communities.

ARTS

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the rest of the country has a lot to learn from North Carolina," says Anita McGlynn, executive director of the National Coalition of United Arts Funds, a division of the American Council for the Arts. "The first arts council was started here and in a lot of ways, it's been an innovative state in this field.

"We've been dying to hold a conference where we can finally

celebrate the accomplishment of the state's united arts funds."

Not on the conference agenda but sure to be discussed is the recently released report by the National Assembly of Local Arts Agencies in Washington, D.C. The report shows what arts fundraisers have said all along: Investment in the arts yields economic benefits.

For example, the study reports that for every \$100,000 spent locally by nonprofit arts organizations in communities with populations

similar to Wake County's, an average of 4.05 full-time jobs are created. Nationally, the nonprofit arts industry spends \$36.8 billion a year, supporting 1.3 million jobs.

The report, "Jobs, the Arts and the Economy," is based on a three-year study of the economic impact of the nonprofit arts industry on 33 communities.

Arts in education is another topic that's sure to draw attention at the conference.

"If you look at communities where arts have been a part of the

educational system or network, you see a whole lot of the social ills in the county diminish," says Wilkerson of Asheville. "Studies are showing that the arts are a basic component of education and civilization, and it's incumbent upon us to reinforce that and to educate a generation of folks who have lost that message."

For information on the conference, call (212) 223-2787 ext. 231. For a copy of "Jobs, the Arts and the Economy," call (202) 371-2830.

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MASCO

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ture company plans to raise money and provide employees to build a Habitat for Humanity house in Richmond, Va.

Most companies want the good press that comes with telling how much they give. For example, Ben & Jerry's ice cream gives 7.5 percent of its pretax earnings to charities. Sunshine Makers' Simple Green, a biodegradable cleaner, donates 1 percent of sales to a foundation to educate kids about environmental responsibility.

Sheri Bridges, assistant professor of management at the Babcock Graduate School of Management at Wake Forest University in Winston-Salem, is surprised at Masco's reluctance to disclose the percentage.

"A lot of people will think it might be pennies on a sofa, or less than pennies," she says "You don't have an idea of their magnanimity."

Bridges says the furniture industry may have come late to the cause-related marketing trend because most firms lack strong name recognition. And name recognition helps make the arrangement work for the companies.

"Most companies who've done this have strong, well-known, mass-marketed brands," she says. "Johnson & Johnson has done it; American Express with helping the Statue of Liberty restoration; Kimberly Clark and RIF, Reading is

Fundamental. But they had names that were constantly in front of the public in ad campaigns, and strong brand identity."

The trend is popular with businesses because consumers have become more socially aware and want to reward companies who share their attitudes.

Masco spokesman Linda Jones agrees. "We're aware that our customer base is concerned about people on the planet," she says. "We're a citizen of the world. We want people to feel good about buying [the line] because it's helping someone. We're very aware of what's going on and became even more aware after talking to CARE about the suffering that goes on."

From the nonprofit organization's point of view, linking up with a corporation can mean easy money, says Ann Kaplan, editor of "Giving USA," a New York publication that tracks charitable giving. The organization can receive funds and exposure for doing little more than lending its name.

"What do you gain?," she asks. "A little bit of revenue, a little publicity. It's not that lucrative to a charity, but I don't think it's harmful, either. Assuming you can work the arrangement out efficiently, then you can get money without doing very much."

There is a danger that if the company gets involved in a controversy, it can taint the charitable group affiliated with it, says Bridges of Wake Forest.

Also, corporations probably will pass up charitable organizations that are themselves at all controversial. That means there might be a lot of interest in groups like the Boy Scouts and Girl Scouts, but perhaps less in organizations like Planned Parenthood.

"They want a group that has an overall positive image," Bridges says.

CARE spokesman David Morris says the organization provided Masco with information on the countries selected - Cameroon, Kenya, Egypt, Ecuador, Peru and Indonesia - plus background on Kids CARE for Lexington's line for children. Masco then created designs based on the art and heritage of the nations, with the intention of showing the beauty of the areas.

"We want people to not just perceive these places as the images you see in the media, of starving children with flies in their eyes," says Philip Johnson, CARE president and chief operating officer. "We want to celebrate the diversity that makes the Earth rich."

Three outside companies will make other CARE-inspired items: Sasaki will have tableware; Cannon, bedding; and Couristan, area rugs.

High Point-based Masco Home Furnishings also has produced a marketing campaign that includes posters featuring children of the different nations, CARE literature for retail stores, product tags featuring the name of the organization and videos to be shown on airplanes.

Schools receive big gifts

Wake Forest University, Greensboro College and Davidson College each has received \$5 million, and a Durham high school has received \$1 million.

Cliff Clarke, a San Francisco businessman and a 1962 Wake Forest alumnus, pledged \$5 million to expand the school's international studies.

At Greensboro College, an anonymous

donor gave \$5 million to establish a charitable trust - the largest single donation ever to the college.

Thompson Simkins Baker, a 1926 Davidson graduate, gave \$5 million - the school's biggest gift ever - to create a scholarship endowment.

The GE Foundation in Fairfield, Conn., gave \$1 million over five years to Southern Durham High School with a goal of doubling the number of college-bound students.

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