

Media notebook

By Todd Cohen

Funding questioned after church burnings

In raising nearly \$9 million to help rebuild black churches destroyed in fires, the National Council of Churches has raised more money than needed for the rebuilding - and in the process boosted a previously stalled campaign to raise money for advocacy programs to fight racism and discrimination, *The Wall Street Journal* reported Aug. 9.

"A close look at the NCC's burned-churches campaign provides interesting - and, for some in the charity business, troubling - insights about how charity works in America," the *Journal* said.

"On one level it confirms the perennial generosity of Americans in opening their pocketbooks to worthy causes or those in need. But it also highlights what some fundraisers call the 'cause of the moment' phenomenon - the tendency of donors to heap money on causes in the news without regard to the amount actually needed."

The *Journal* cited critics who "wonder whether the NCC's pitch might be too creative, particularly the assertion that the church fires are part of a national racist conspiracy."

"About 60 churches, most of them housing black congregations, have indeed burned since January 1995," the *Journal* said. "But law enforcement officials have eliminated more than a dozen of those after determining they had nothing to do with racism. Of the rest, virtually all have been ascribed to individuals or hate groups acting alone; there is no credible evidence of a coordinated widespread conspiracy by white-supremacist or other racist groups."

Arts groups learn to sink or swim

Foundations and local arts funding agencies have begun using grants as a stick to force arts groups to tighten their bottom line, *The New York Times* reported on Aug. 5. So-called "stabilization" grants are designed "to help recipients impose financial discipline and institute long-range planning," the *Times* said.

"The soul-searching is more than a form of institutional therapy. In pondering the basics, arts organizations often end up changing the makeup of their boards, devising strategies to reach a broader audience and casting about for new income sources."

The *Times*, which also found a "growing acceptance of the notion that some arts organizations can and should die," cited the Arts & Science Council in Charlotte for encouraging local arts groups "to seek areas in which they could cooperate or, in the case of groups pursuing identical goals, to merge."

Cheney cites donor retreat from arts

Lynne Cheney, former chairman of the National Endowment for the Humanities, said in an opinion column in *The Washington Post* on Aug. 11 that a sharp drop in individual contributions poses a huge challenge for arts organizations.

Rather than relying on public funding to survive, said Cheney, now a senior fellow at the conservative American Enterprise Institute in Washington, arts organizations must learn to compete in the marketplace with offerings that earn the support of arts patrons and customers, particularly the baby boom generation born between 1946 and 1964.

Cheney also suggested that arts groups have not wanted to draw attention to declining private support for fear of making it "politically more

difficult to justify government underwriting."

Agency leaves United Way

Tracy Thompson, the new philanthropy reporter for *The Washington Post*, reported on July 20 that the National Capital and Virginia division of the Salvation Army was ending a 48-year relationship with the local United Way "because recent changes in United Way fundraising undercut traditional inner-city social services."

Under the United Way's new system, the *Post* said, "more nonprofit groups qualify to draw on the pool of donations, and individual donors are permitted to restrict their gifts to a favorite charity or to one geographic location. United Way says the approach is more inclusive and responds to what donors wanted." The change has had a "profound" impact on traditional social service providers, particularly those in the inner-city, the *Post* said. In 1995, for example, the local Salvation Army received \$71,173 in "undesigned" funds from the general pool of money the United Way divides among member agencies. That was down from \$376,589 in 1993.

IRS targets excessive pay

A new federal law authorizes the Internal Revenue Service to fine nonprofit executives who receive excessive pay and benefits, along with the officials who approved the compensation, *The Wall Street Journal* reported on Aug. 7. The law requires that nonprofits take steps to ensure that compensation is reasonable. Previously, the only sanction available to the IRS if it found excessive pay was to revoke a nonprofit's tax-exempt status.

Spelman raises \$114 million

Johnnetta Cole, president of Spelman College in Atlanta, was the subject of a story July 31 in *The New York Times* about a successful \$114 million capital campaign by the historically black women's college.

Spelman's success "lifted it into the rarefied fundraising world of elite liberal arts colleges," the *Times* said, noting that Bryn Mawr recently raised \$92 million and Mount Holyoke raised \$139 million.

The *Times* said that Cole, the first black woman to head Spelman, made 140 solicitation visits throughout the U.S. in the last year and a half - an average of two a week - to corporate and foundation chiefs and boards, wealthy alumni and others.

Colleges focus on community

The New York Times, in a special education section on Aug. 4, featured the trend in higher education that tries to instill in students a sense of social responsibility.

"In recent years, as the demands and definition of success have grown more complex, American college educators have been rethinking their mission to students," the *Times* reported. "No longer is it enough, many of them say, simply to equip graduates with the academic skills necessary to excel in their chosen careers."

The newspaper said the trend takes the form of "revamped freshmen orientation programs with emphasis placed on guidance, student seminars about character and values, [and] renewed interests in off-campus volunteerism."

LORD

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that foundations can play by directly or indirectly urging nonprofits to become active Internet users. It is important that foundations make a determined effort to consider ways in which the Internet has altered the fields in which they work and to develop thoughtful responses to these changes.

Foundations must first realize that the Internet is important to the work of nearly every grantee. It is tempting to fund organizations only for programmatic activities, activities that achieve concrete, immediate results. But building the capacity of an organization, helping it to do its work more efficiently and effectively, is an important goal as well. The Internet is a capacity-building tool that can dramatically improve the work of nonprofits. As such, its use by nonprofits merits support from foundations.

In addition to having concerns about what outcomes might result

from funding nonprofits to use the Internet, many foundations face the more fundamental barrier of not understanding the Internet themselves. How can a foundation respond intelligently to a request for funding for an Internet-related project if it does not understand the proposal?

Foundation staff and trustees must learn more about the Internet, even go on-line themselves, to become familiar with the benefits and challenges it can offer grantees. By going on-line, foundations also enrich the Internet for nonprofits, providing one more resource to tap as programs and proposals are developed.

Once foundations begin to explore ways in which the Internet can be used and some of the challenges organizations face in using it effectively, new grantmaking strategies can be developed. Like all organizations, foundations have their own missions and methods of operating, and their response to the opportunities presented by the Internet will vary. But certainly some will respond to the need for initiatives in this arena and will realize that nonprofits will be

much more willing to investigate using the Internet in their work if foundation support is forthcoming.

Caution is warranted. Going on-line will not be a high priority for all organizations, and for those for which it is a priority, different levels of activity will be appropriate. Foundations should also state clearly their funding priorities in this area and try to make sure that nonprofits understand the potential costs involved - in both money and personnel time - and know how much foundation support can be expected. Nonprofits must not leap blindly at an opportunity to explore the Internet without facing the ramifications of their actions.

Although beginning to use the Internet can be challenging for nonprofits, the changing world in which they work offers many new opportunities. Foundations must help nonprofits move forward by enabling them to explore the Internet and, if appropriate, to incorporate this new technology into their work. Only with the support of their funders can nonprofits reap the rewards of the Internet.

SNOW

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free).

For some nonprofits, marketing can expand to include sales - ticket sales, product sales - online. Why not?

Grants. Collaboration online has helped many agencies share information and draft documents quickly for editing and revision, many times making the difference between making a deadline and missing it. The online environment - once the initial face-to-face meetings are held - is becoming a key to creating grant proposals.

There's more, but you get the point.

Now, about barriers. You don't need a Pentium 166 with a 25-giga-

byte hard drive and 64 megabytes of RAM connected to ISDN. You need just about any computer connected with a 2400 baud modem to a telephone line. You can share your fax line. A 2400 baud modem costs \$10, and comes with free communication software.

In Mecklenburg County, we are working with 25 nonprofit agencies of different sizes. With the help of a \$5,000 grant from the Foundation for the Carolinas, we have been providing training, assistance and support so these agencies can join the "electronic culture". They are learning to use email, starting to collaborate, are beginning to see the efficiencies of the technology for both internal and external uses.

We're also working with homeless agencies to help them share common databases, among other things, and

with regional law enforcement agencies that need to communicate inexpensively.

But for all my exuberance, here are some important cautions: The Internet is not the Holy Grail. It will not bring world peace. It has plenty of limitations. It will not replace all face-to-face meetings. It is a new medium with its own limits and uniqueness. It does require learning, buy-in from staff and a commitment to sticking with it. At first you might not see benefits, but they will come. If you aren't willing to devote at least minimal resources to it, then don't do it. Wait until you are ready to make a commitment.

One thing is clear, though: This is NOT the wave of the future; it is the wave of the present. Grab a board and start surfing, or the wave just might knock you over.

BUDGET

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June Milby, the commission's public information officer, says the decision by lawmakers to close down the panel was a surprise.

But commission Co-Chair Carmen Hooker-Buell, wife of UNC-CH Chancellor Michael Hooker - says she does not believe that decision reflects a lack of commitment to address health-care reform.

"My experience has been that commissions have a certain lifetime," she says. "I don't think anyone wants any commission to live on in perpetuity. I think there are issues that this commission can highlight for the General Assembly - to provide them with information and make recommendations for which functions of the commission should be ongoing and should probably be placed in a state agency."

HOUSING

State lawmakers agreed to place \$3.5 million in the Housing Trust Fund and to allocate \$3 million to the Center for Community Self Help to help expand its home ownership loan program.

State housing groups had hoped for \$500,000 more for capacity-building grants to nonprofits and another \$10 million to \$12 million for the Housing Trust Fund - which provides money for affordable housing projects.

Linda Shaw of the North Carolina Low-Income Housing Coalition in Raleigh says perhaps the most positive result of the legislative session was a commitment to consider a study commission that would research permanent sources of dollars for the housing fund. "If we can get them to move on this, it would really be the first time since the original study commission came up with the trust fund idea in 1983 or 1984, that the legislature will sit down and take a serious look at housing," Shaw

says. "And we really need that in North Carolina."

ACCOUNTABILITY

Lawmakers approved a Nonprofit Disclosure/Accountability Act designed to ease red tape for nonprofits. The bill eliminates the more complicated "yellow book" audit requirement for nonprofits that receive less than \$100,000 in state grants. However, it mandates that nonprofits receiving \$15,000 or more in state funds file a detailed accounting of finances.

The measure also reduces the size and changes the wording of disclosure statements required on all printed solicitations or receipts sent out by nonprofits.

Kendall, of the N.C. Center for Nonprofits, says the ideas incorporated into the act came from the input of many nonprofits. The N.C. Center had recommended the above measures to the House Nonprofit Study Commission, which accepted all three recommendations.

In a separate measure, the General Assembly exempted YMCAs and YWCAs from the requirements of the state's Charitable Solicitations Act, which governs nonprofit fundraising.

SMART START

The General Assembly approved \$10.1 million for Smart Start expansion. That is \$10 million less than Gov. Hunt had requested.

David Walker, executive director of the North Carolina Partnership for Children - the nonprofit that oversees the early childhood program - says the money will allow 12 new Smart Start partnerships to receive planning dollars retroactive to July.

Eleven "third-year" Smart Start counties will receive program dollars beginning in January - sharing a pool of \$11.5 million. And the state partnership's budget will grow by \$1 million to \$1.7 million in order to help carry out new responsibilities mandated by the legislature.

Had Hunt's budget request been

approved, the third-year counties would have received dollars retroactive to July instead of January and money would have been available to expand most of the 32 first- and second-year partnerships, Walker says.

Under the approved budget, Mecklenburg and Cumberland are the only "pioneer" Smart Start counties that will receive expansion funds. In all, 55 counties will have Smart Start funding this year.

Smart Start leaders still will have to raise about \$7 million in private funds and in-kind contributions to ensure state funding for the program. The N.C. Partnership's contract with Raleigh fundraising consulting firm Capital Consortium runs out in October. After that, the firm will continue to advise Smart Start, but on a more limited basis, Walker says, because the state partnership is in the process of hiring a full-time development director.

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