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Firms find profit in nonprofits

Work takes patience, but effort pays off for many

By Fran Hawthorne
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ENOUGH ALREADY! Graphic designer Tom Dolle insists that he likes designing invitations for fund-raising dinners and other functions for nonprofits. He also says he really doesn't mind the discounts on his fees that they usually demand or the extra explanations that they frequently need.

What bugs Mr. Dolle is the number of times those clients send his own invitations back to him with a card asking him to make a donation.

"We're a business, and we have to pay the overhead," says the creative director of Manhattan-based Tom Dolle Design. "We feel that we are making a pretty considerable donation in the [discounts on] the services we offer."

Special skills needed

Welcome to the world of the scores of small companies that make their money from serving clients that make none--New York's vast and growing corps of nonprofits. Selling nonprofits everything from computers and office furniture to accounting and party-planning services can be lucrative enough, but the business also requires special skills and patience.

Clients expect discounts

For openers, most charities expect discounts or even outright donations. Beyond that, many require extra handholding, and all operate under special legal, tax and accounting rules that vendors should be aware of. Nonetheless, the market's appeal is clear.

"Our motivation is a combination of rampant idealism and an untapped niche," says Paul Wolf, a principal at Denham Wolf Real Estate Services Inc., which does virtually all of its work with nonprofits.

The firm's focus on arts organizations reflects Mr. Wolf's own social passions--sustainable economic development and the arts. Clients of the nine-year-old, seven-person Manhattan-based firm include Dance New Amsterdam in lower Manhattan and the Joseph P. Addabbo Family Health Center in the Rockaways.

At stake for Mr. Wolf and others is a market that in the city alone includes over 9,000 charitable organizations, according to a survey conducted under the aegis of the City University of New York Graduate Center. They range from giants such as the Museum of Natural History down to neighborhood groups such as the Brooklyn Rescue Mission, a social services organization in Bedford-Stuyvesant.

Particular needs

Their biggest needs are for bookkeeping and benefits-related services, printing, office supplies, legal work and real estate, notes Marcia Brown, director of programs at the Nonprofit Coordinating Committee of New York.

They also require something else--price breaks that range from 10% to 30%. The NCC, for example, has negotiated group discounts of at least 25% on payroll services, office supplies and other goods with a host of providers for its 1,420 members. Among the vendors are such giants at MetLife and AIG.

Annalee Van Kleeck, a Hoboken, N.J.-based consultant who helps organizations manage their fund-raising databases, is one of those who offers discounts. Her company, Lyric Solutions, derives all of its \$200,000 in annual revenues from nonprofit clients, including the New York Public Library and the CUNY Graduate Center. Despite offering clients a 10% price break and even throwing in the occasional day of work without charge, Ms. Van Kleeck is happy.

"I have a niche," says the sole practitioner, who trained as an opera singer and took her first job, in the fund-raising department at Channel 13, as a way to support her singing. "There aren't a lot of people doing what I'm doing."

One factor that limits competition is that nonprofits really are different. Even when it comes to helping them find something as basic as office space, special skills are often required. Landlords typically look at tax returns to assure themselves that a prospective tenant can pay the rent. For nonprofits, that poses a problem.

"A landlord looks at a 990 [a nonprofit's tax return] and says, 'You're broke,' because he's looking for retained earnings," says Mr. Wolf, the real estate broker. "We explain to landlords that they're in excellent shape, that a not-for-profit's goal is to essentially break even each year."

Because Mr. Wolf's firm has given that talk hundreds of times, it enjoys a huge edge over the bulk of real estate brokers in the city, which don't specialize in that kind of work.

Even in terms of their cultures, nonprofits are different. **Sinu Inc., an information technology firm in TriBeCa**, found that out last summer when the Sexuality Information and Education Council of the U.S. signed on as its first nonprofit client.

SIECUS, a 40-year-old group that creates teaching materials for sex-education classes, bought **Sinu's** standard package of tech support, but that's where similarities with other clients ended.

First, Sinu officials were surprised that their new client expected to get a 10% discount. Then there was the discovery that the client was trying to run its own e-mail server.

"The system was too expensive and labor-intensive for the resources they had," says **David Owen, Sinu's vice president of business development**.

New work situations

Even the client's work atmosphere took some getting used to.

"I did feel bad for the technician they sent over," says Martha Kempner, the council's vice president of information and communication. "He had to listen to us discuss testicles."

Having made the adjustment, Mr. Owen is eager to sign up more nonprofits--a desire that is not just about the money.

"People go into nonprofits because they're passionate about something other than the bottom line," he says. "There's a corporate culture in nonprofits that's a little bit kinder and gentler."