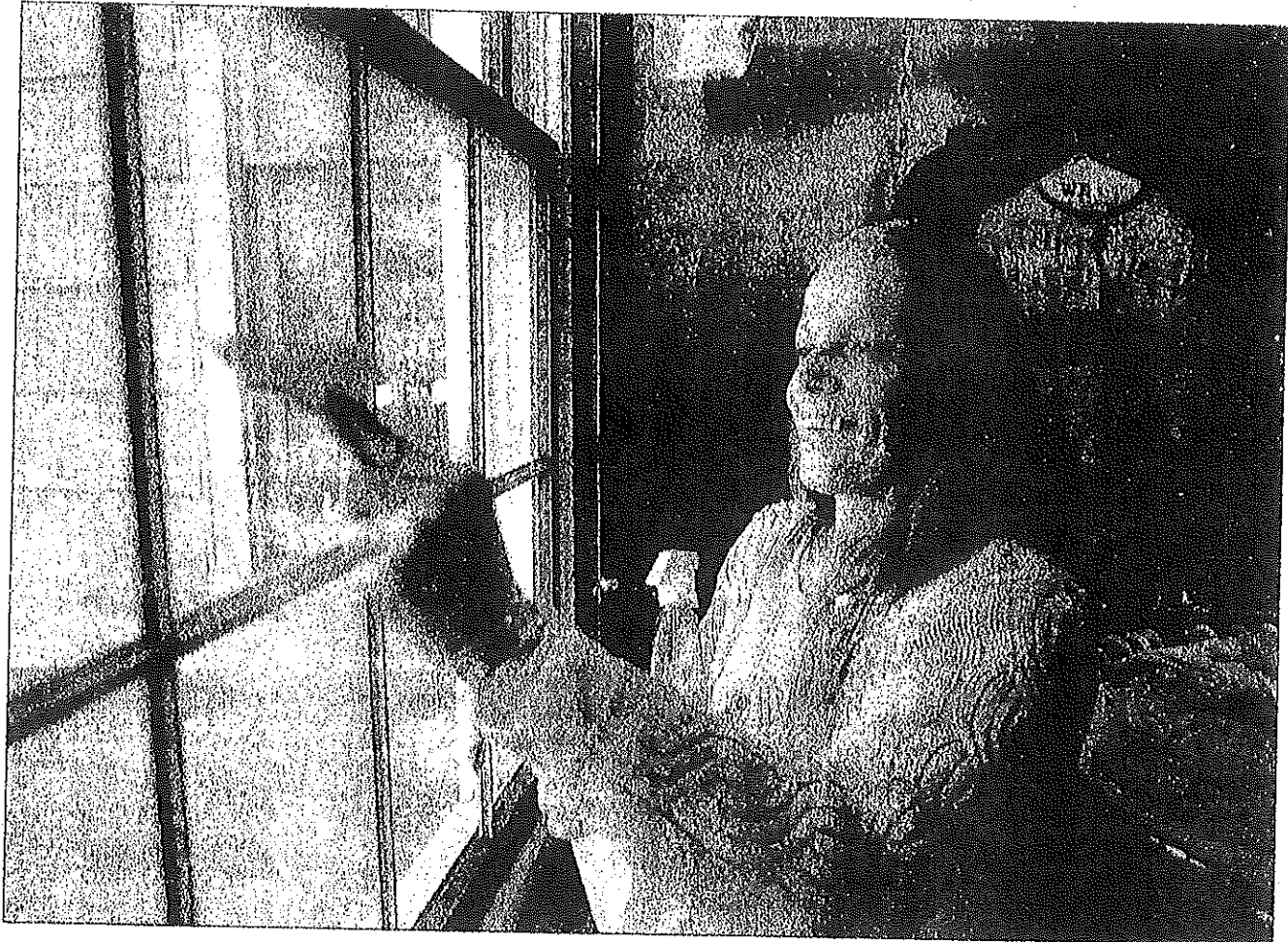


# Profit with honor



Ethel Fawcett cleaning a house. Strengthen Our Sisters, a domestic violence shelter, set up job for Fawcett, an ex-welfare recipient who had to find work. KLAUS-PETER STEITZ/STAFF PHOTOGRAPHER

## In filling need for jobs, some charities begin at home

By **OVETTA WIGGINS**  
Trenton Bureau

**T**wice a month, Ethel Fawcett travels to more than a half-dozen homes in northwestern Passaic County, towing a vacuum and a small brown bucket crammed with toilet bowl cleaner, window spray, and furniture polish.

She's the lone employee of the SOS Cleaning Service — a business project started by a non-profit organization to help fill the demand created by the work requirements in the recently enacted welfare reforms.

Strengthen Our Sisters, a domestic violence shelter in West Milford, made the decision to go into business — not as a change in ideology, but largely out of desperation.

### MAKING WELFARE WORK

As more people, because of changes in welfare, seek help from charitable organizations, the non-profit groups, because of dwindling donations and funding streams, find themselves with fewer resources to provide assistance.

So, in a struggle for survival — their own and that of the people they try to help — non-profit organizations, at an increasing rate, are venturing into the world of profits.

There are no statistics available on how many non-profit social-service providers, like SOS, have made such moves, but experts say there is a trend in the making.

Some North Jersey non-profits operate or plan to run such businesses as child care, mail services, and even auto repair.

"The prime buzzword among non-profit managers these days is social entrepreneurship," said Jon Van Til, an urban studies professor at Rutgers University in Camden, who conducts research on non-profit organizations. "Non-profits are supported in a variety of ways — from government contracts, fees for services, grants, and contributions from charitable donors — and occasionally a non-profit will find that it can sell some

sort of product or service to support its ongoing work."

But the entrepreneurial ventures that social-service providers are considering these days have little resemblance to the smaller projects taken on in the past, such as bake sales, raffles, and thrift shops.

For example, the New Jersey Community Development Corp. in Paterson, a social-service provider that runs homes for the developmentally disabled and training for the unemployed, has three projects either up and running or in their planning stages. They include a mail business, a child-care center, and an endeavor that would provide transportation for city residents and train the unemployed

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# PROFIT: Charities

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in transportation-related jobs.

The plan to start the child-care business is funded by a \$350,000 federal grant. Through the project, the community development corporation will be able to hire some welfare recipients to run a child-care center at its headquarters. It also would be able to train other welfare recipients to start their own family day-care centers in their homes.

"I would consider it a badge of honor going from being exclusively non-profit to paying the unrelated business income tax," said Bob Guarasci, president of NJCDC, of the tax required by non-profits if their business is "unrelated" to the service they provide. "We're just not there yet."

Under Work First New Jersey, welfare recipients are required to participate in a so-called work activity or risk losing their benefits. The law also carries a 60-month lifetime limit on benefits.

While the half-dozen cleaning jobs Fawcett manages have yet to send profits rolling into the shelter's coffers, the business has allowed the 36-year-old, who once was homeless and living in a domestic violence shelter, to leave the welfare rolls.

Fawcett traded her \$700 a month in cash and food stamps for \$1,056 each month after taxes.

In the beginning, Fawcett's clientele included just a parent or friend of one of the social workers at the shelter. But, over the past six months, she has passed out fliers and helped design a web page.

"And to think I was shy, timid, and quiet," said Fawcett of her years enduring domestic violence. "Now, I've gotten pushy."

Word-of-mouth efforts by her and her clients have resulted in two additional jobs over the last couple of months.

Sandra Ramos, executive director of the Strengthen Our Sisters shelter, says that will do — for now. But she envisions a day when Fawcett will be managing a staff of cleaning people — all former welfare recipients — and directing them not only to homes but to office buildings across northern New Jersey.

But non-profit organizations running businesses aren't necessarily new.

Look no further than the National Football League or the American Association for Retired Persons — both non-profits that have their own for-profit arms. Even the local hospital or area museum fall into the category because of the gift shops they operate.

But the difference with SOS and some of the other agencies considering business ventures is that they are service providers. Many receive state or federal funds, under their non-profit status.

"What it points to is that not only can it benefit clients, but the desperate situations that the shelters and programs are in," said Regina Purcell of the New Jersey Catholic Conference.

Officials at Straight and Narrow Inc., a drug-treatment program for men that was founded in Paterson in 1964, realized during the turbulent Sixties that the only way its operation would stay afloat was to find creative ways to support the program.

So the men participating in the program began picking up used furniture, fixing it, then selling it. The proceeds paid for the residential treatment. Today, the program, which includes recycling and catering businesses, has an annual budget of \$11.5 million — \$4 million of which deals with the businesses. Unlike SOS, the participants in the program don't get paid. Instead, their work is considered part of their treatment.

According to the Internal Revenue Service's most recent figures, there were nearly 50,000 non-profits nationwide in 1995 that had a for-profit subsidiary. That number was up from about 41,000 in 1991.

In New Jersey, the number has risen from 1,000 to 6,200 over the same time frame, said Bob Kobel, a spokesman for the IRS. That means that about one-sixth of the 37,082 active non-profits in New Jersey have a for-profit arm.

Van Til said that as the numbers increase, so could the concern from regular small businesses that are in competition with these start-ups.

He said the backlash issue came up about 10 years ago in response to the YMCA's selling health club memberships and university bookstores selling books unrelated to the schools' curriculum.

"There's the competition issue," said Judith Trackenberg, an attorney who represents non-profit organizations. "And small businesses have been very vocal about that.

But they don't understand that if it's unrelated, it's taxed."

She added that at times, the tax status of an operation depends solely on how officials of the non-profit describe the work of the subsidiary.

Fawcett is not sure about the status of her new employer (Ramos said she pays taxes); all she is concerned about is getting off welfare.

"I went from rags," said Fawcett. "Now, I'm hoping to go to riches."