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BUSINESS

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Financial lifeline bolsters ailing charities

Loan program aiding survival of non-profits

By Ann Meyer
SPECIAL TO THE TRIBUNE

At Chicago Sinfonietta, the concerts will go on, but not without some sacrifices from workers—and a little help from an innovative loan program for non-profits.

Like charities throughout the nation, the 22-year-old orchestra's budget has been crunched by shrinking grants, corporate sponsorships and individual support. So it is imposing furloughs, salary freezes and reduced hours for some workers, said Executive Director Jim Hirsch, who took the first hit by cutting his own salary for next year.

While board members have increased their annual contributions, some other committed funders have been slow to make good on their pledges. The orchestra, which is dedicated to diversity and inclusiveness, has postponed paying some vendors while it waits for a \$200,000 grant check that was promised months ago.

"It has created an unexpected cash-flow challenge," Hirsch said.

But Chicago Sinfonietta is one of the first charities to receive a Capacity-Plus Loan from Chicago-based ShoreBank, secured with funds from the John D. and Catherine T. MacArthur Foundation. The program, designed for non-profits, is thought to be the first of its kind, using foundation investments as collateral for the loans to qualifying charities, experts said.

"If this program takes off, it could be significant," said Kate Starr, investment officer at F.B. Heron Foundation in New York, which has made deposits for ShoreBank's loan initiative. "It will help keep non-profits fully engaged in their work, so they're not having to pull back at a time when their products and services are needed even more."

ShoreBank announced the loans to non-profits about the same time that state and federal banking regulators asked the lender to improve its capitalization. However, the capacity loans for non-profits aren't affected, said Brian Berg, vice president of marketing. While the program could become a fixture in non-profit financing, it's particularly relevant in the current credit crunch, as even healthy for-profits groups are being turned down by banks.

"This is a real solution for non-profits to gain access to affordable credit," said Clare Golla, senior vice president of non-profit and foundation banking at ShoreBank, a community-development financial institution.

The program's focus is on small charities short on collateral and reserve funds but with a good track record for paying their bills.

"These are little businesses. If they're given



Jim Hirsch, executive director of Chicago Sinfonietta, cut his own salary as part of spending reductions imposed by the 22-year-old orchestra to make ends meet. The organization got a boost when it became one of the first charities to receive a Capacity-Plus Loan targeting non-profits. ANTONIO PEREZ/TRIBUNE PHOTO

Small firms, big stories

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these small forms of credit, they're able to cover their expenses" and sustain their operations, said Allison Clark, program officer in program-related investments at the MacArthur Foundation.

Foundations, which are required to pay out at least 5 percent of their endowment every year, can make deposits to ShoreBank as program-related investments. At MacArthur, the program-related investment dollars for the loans won't affect grant funds, said Elpeth Revere, vice president of the general program.

Several different loan products are available for arts organizations, including a standard line of credit ranging from \$50,000 to \$100,000 and bridge loans of \$25,000 to \$50,000. The interest rate on both products is prime, with a ceiling of 5 percent. Interested arts charities may contact the Executive Service

Corps of Chicago, which is helping arts organizations prepare needed financial documents for loan applications, Revere said.

Charities must fall into a sector served by a participating foundation. Besides MacArthur's \$1 million in funds for loans to arts organizations, the Heron Foundation's deposits will translate into \$750,000 in triple-impact loans for charities devoted to community economic development, such as business development in underserved communities.

ShoreBank is actively seeking investments from other foundations, Golla said.

The line of credit that Redmoon Theater recently obtained from ShoreBank will give it breathing room between productions.

"ShoreBank provided us with a booster shot, so we'll be able to manage the budget on a month-to-month basis," said Rebecca Hunter, executive producer.

The theater company raised \$1.8 million in a capital campaign in 2000, but the last portion of the funds was used in 2008, just as the recession began.

"It was a real crunch time for us," Hunter said.

After approaching several lenders to no

avail in 2008, Redmoon reorganized, reducing its full-time staff to nine from as many as 50 a few years ago, Hunter said. It also cut its 2009 operating budget to \$1.2 million from \$1.8 million in 2008 after sales slid for its events and catering arm, Redmoon for Hire.

Even so, the non-profit has stayed true to its mission of providing "unexpected theater in unexpected places," Hunter said. "We looked at how small can we be but still deliver the kind of programming we're good at and get funding for."

The financial uncertainty for charities likely will continue in the coming months, experts said.

"I've never seen anything like this business environment in my career," said Hirsch, who has worked as an executive director in the arts since 1982. "But you have to play the hand you're dealt."

"You figure out what you need to do to present concerts and fulfill your mission, and that's what you do."

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