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**THE CHOICE BETWEEN DOING WELL AND DOING GOOD**

Bill Moritz

Today we have massive social issues that need to be solved, yet a tiny nonprofit sector assembled to address these significant social problems. The way that we think about charity and nonprofit organizations is wrong and we are undermining the causes that we love. Charity is the marketplace for love and we have handicapped our organizational effectiveness with some faulty thinking. We are forcing our best and our brightest to make a critical choice between doing well for their families and doing good for society. The way that we think about charities causes us to discriminate in 5 major areas:

1. **COMPENSATION.** One primary element of the problem is that often the people best able to tackle the problems, our most promising social entrepreneurs, as they start to head toward age 30 must make a critical choice between doing well for their family and doing good for society. A study was done of Stanford MBAs who were now 40 years old. The study found that the average median income for a graduate working in business was \$400,000. The average median income for a graduate working in a nonprofit organization, other than a university or hospital, was \$85,000. Over a \$300,000 a year difference! Over the course of 10 years, the graduate working in the nonprofit sector, can be expected to earn as much as \$2,000,000 less than his or her counterpart working in business. A business graduate would be far better off financially if, at the end of 10 years, he made a \$500,000 contribution to a nonprofit organization and received a charitable tax deduction, instead of working for the nonprofit. He would also receive much greater accolades from society and would probably wind up being on the board of the nonprofit and, in essence, being the nonprofit Director's boss. We are losing the talent battle in the nonprofit arena as people grow older because of the huge sacrifices we ask them to make.

2. **ADVERTISING AND MARKETING.** We chastise charities that spend a lot of money on fundraising, advertising and marketing like there is greater virtue in a bake sale that spends 5% of its budget on marketing and makes \$200 versus an international relief organization that spends 40% of its budget on marketing, but raises \$2,000,000 for the cause. We have confused morality with frugality and the disadvantaged of the world have suffered for it. People are yearning to be involved in something worthwhile and they are weary of being asked to just give the least of what they can do. People want to be a part of a grand vision to do great things, contrary to popular belief, most people over 30 also want to save the world.

3. **TAKING RISKS.** We are reluctant to try anything new in nonprofit organizations particularly in fundraising, marketing and advertising. If you kill innovation in these areas, you can't raise more revenue. Without more revenue you can't grow and if you can't grow, how will you ever solve big social problems. In the real world, 50% of the jobs that people have today did

not exist 10 years ago. In the nonprofit world 98% of the jobs today all existed 50 years ago. We have created a closed system with very little innovation and entrepreneurs are driven from our ranks. From 1970-2010 the number of new businesses with revenues of more than \$5M grew by 1,000 times more than the number of nonprofit organizations with \$5M.

4. **TIME.** Amazon went for 6 years without making any profit and people had patience because of their big vision, it was easy for people to see and understand. People in nonprofit organizations are not rewarded for having big visions that may take time to develop. Regardless of the size of the vision, charities have to make a difference today or they are not worthy and will be gone tomorrow. This forces nonprofits to play small ball nibbling away at problems instead of taking them on with bold ideas. Some good ideas take time to mature and we must have the patience to stay with what we believe in.

5. **PROFIT.** We do not allow organizations that make a profit to operate in the nonprofit sector and in fact they are shut out of capital markets. If you want to make \$50,000,000 selling violent video games to kids, we will put you on the cover of a magazine, but if you want to make money in a charitable organization helping people move out of poverty by helping them establish businesses or find a cure for cancer then you better not make a profit doing it. Even though you do significant good for social problems, you are a pariah with questionable motives that needs to be investigated. We need new models of partnership between business and nonprofits if we are to generate any scale to deal with the massive social problems of today. One of the killer questions for innovation today is, "What percentage of my gift is going to overhead?" Overhead is not a negative, in fact overhead in the form of fundraising, marketing and advertising is what we need if are going to grow our nonprofits to meet the challenges. It is the engine that will get us where we want to go. The better question to ask is "what is your vision and what was the organization able to accomplish?"

We must expand the way we think about the funding and operation of nonprofit organizations if we are going to meet the challenges ahead. New ways of funding must be created and tried that expand on what we have always known or done before. Fundraising or marketing needs to be viewed, in many cases, as a series of experiments looking for evidence of repeatable outcomes. We need to be constantly looking at things in new ways and staying up with social media and trends in society so that what we present is fresh and interesting to the people we want to support our cause. The lines between for profit and nonprofit may become blurred as we explore creative ways to change the world and structure a better playing field for social entrepreneurs.

The New Horizons Foundation has been in operation for 25 years, sponsored over 400 projects and invested over \$100,000,000 in charities and charitable projects in the US and around the world, we have the experience that you need. We specialize in helping social entrepreneurs make the most of their time, treasure and talent to change the world. Old solutions are not always adequate to solve today's problems and so we specialize in creative solutions. **You bring the vision, we will supply everything else!** We would be happy to discuss your vision and give you a no obligation review of different ways that you might consider structuring and funding your project or charitable organization to accomplish your goals and objectives.