

From "The Fundraising Guru," Society Section, *The South Florida Sun-Sentinel*, August 23, 2004

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We Need To Do Away With Nonprofits In America

Hardly anyone knows what a nonprofit *really* is. Most people will tell you that it's a charity that does good things for society, so they can deduct contributions to it from their taxes. Others will admit to thinking that nonprofit implies something second-rate in America--a cut below for-profit businesses, in which making money, not asking for it, is the name of the game. To them, the big players are in the rough-and-tumble business world. Lesser mortals work in non-profits--taking handouts, frequently trying to solve social problems that seem never to get fixed.

The longtime head of one prestigious cultural group even told me that a nonprofit is an organization that, "because of what it does, cannot make money." (The surprise is not that she is constantly in debt, even on the verge of bankruptcy, but that she can continue to bamboozle donors into supporting her year after year.)

I guess that only about 1 in 10 people knows that nonprofits certainly *can* "make" money, but that what defines and distinguishes them from for-profit businesses is simply what they do with any money they generate above expenses. Nonprofits call their extra dollars "surplus," not profit, and they reinvest them in their organization. They don't distribute their excess funds to shareholders who are entitled to a dividend, as businesses may. My cultural doyenne aside, nonprofits not only can make money, they *should*. The term really means "not having profit for investors to share in."

So, we need to do away with nonprofit organizations. Well, not with *them* per se, but with the *term* nonprofit and replace it with a clear, positive one--like Community Investment Organization or CIO.

First, the word "investment" in CIO might help remind people working with them that the donated dollars they allocate to doing good in their community should produce a documentable return. For example, a cultural program might tout the dollars it generates by attracting out-of-town visitors and positive press. A program for teen substance abusers could estimate the cost to society of their continuing to be on drugs, track successful graduates of its program, and total the money it saved the public by rehabilitating them. Creative CIOs can find compelling ways to prove that they use contributions prudently to produce a financial, not just a "feel good," return. Like public companies, every CIO should publish an annual report that documents the return on its community investment

Second, renaming non-profits could help invigorate the fundraising process. CIOs could make a strong case to potential donors to give money to efforts they can show make a positive difference, instead of approaching them for what too often may appear to be hopeless causes. Contributors to CIOs wouldn't receive dollar dividends as they might from their stock portfolio, but they should be shown how their donations paid dividends to society in general and to the organization they support, in particular. Informed donors are likely to contribute more money and more often.

Needless to say, the IRS is not going to change nonprofit to CIO anytime soon, and nonprofits themselves may be slow to redefine themselves. But savvy nonprofits can have the best of both worlds by explaining why they really are Community Investment Organizations. A rose by any other name might smell as sweet, but a nonprofit smart enough to market itself as a CIO might truly blossom.#

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