

## **Nonprofit Basics**

Nonprofit organizations (are) ...

1. usually formed by a group of people organized to solve a problem or fill a need.
2. benefit the public at large or its members.
3. business entities that are usually incorporated in their state of origin.
4. not owned by founders or investors and therefore excess earnings are not distributed in the form of dividends.
5. allowed to have a surplus at the end of the year.
6. reinvest excess income into programs and services.
7. assigned a tax code by the IRS; charitable organizations are known as 501(c)3 organizations.
8. exempt from paying federal income tax.
9. exempt from paying state sales tax.
10. able to sell products and charge participants for services.
11. may be subject to Unrelated Business Income Tax.
12. either public charities supported broadly by the community or private foundations supported by one person or a cohesive group.
13. may or may not have members who elect officers.
14. governed by a volunteer board of directors.
15. usually able to accept charitable donations for which the donor can take a tax deduction.
16. just as complex and challenging to manage as for-profit organizations.
17. responsible for and accountable to the community served.
18. staffed by professionally competent people.
19. supported by volunteers who perform a variety of tasks.
20. expected to operate efficiently and effectively 'like a business'.