



Non Profit Organizations

Non-Profit Organization – is defined as an economic institution that operates like a business but does not seek financial gain. Examples are schools, churches, and community service organizations. Non-profit organizations often provide goods and services to consumers while they pursue other rewards such as improving educational standards, seeing the sick become well, and helping those in need. Many are legally incorporated to take advantage of the unlimited life feature such as private welfare groups, adoption agencies, and youth or civic clubs.

Non Profits organizations are generally those business organizations that exist to serve some public need without the intent of making a profit. There is a long history of service to consumers as well as producers in the American workplace. The actions of non profit organizations, while often unnoticed, are quite important.

Some economics students have noticed the different uses of the term non profit and not for profit and have inquired into the differences between the two. In recent discussions in one class we defined non profit as business organizations designed to perform a service for others and not for profit as charitable organizations. While this delineation does exist the terms used are wrong. There is, in reality, no difference between the two terms. Legal statutes even refer to the two terms as being synonymous. But the *practical* legal definition (as established by the wise and beneficial people at the IRS) does make a distinction.

- "Not-for-profit" refers to an activity, for example, a hobby (like fishing).
- "Nonprofit" refers to an organization established for purposes other than profit-making. Note here that nonprofit does not necessarily mean "charitable."

For example, a "nonprofit" organization can be an association of people who like fishing (though the activity does not have to be not-for-profit).

In the end, both terms are frequently used and frequently seen. There is no firmly established distinction, though some people have strong preferences between them.

The federal government has distinguished between the different types of non profit organizations based upon their tax code designations. The list below cites the type of non profit organization and the corresponding tax code. The following



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organizations are all exempt from income tax and are thus considered to be "non profit" by the federal government.

§ 501(c)(1) - Corporations Organized Under Act of Congress (including Federal Credit Unions)

§ 501(c)(2) - Title Holding Corporation For Exempt Organization.

§ 501(c)(3) - Charitable Organizations - Charitable, religious, educational, scientific, literary, etc. organizations.

§ 501(c)(4) - Civic leagues, community organizations, and other social welfare organizations.

§ 501(c)(5) - Labor unions, farm bureaus, and other labor and agricultural organizations.

§ 501(c)(6) - Trade associations, chambers of commerce, real estate boards, and other business leagues.

§ 501(c)(7) - Hobby clubs, country clubs, and other organizations formed for social and recreational purposes.

§ 501(c)(8) or § 501(c)(10) - Lodges and similar orders and associations.

§ 501(c)(19) and § 501(c)(23) - Posts or organizations of past or present members of the Armed Forces of the United States.

§ 501(c)(4) - Local associations of employees.

§ 501(c)(9) - Voluntary employees' beneficiary associations.

§ 501(c)(17) - Supplemental unemployment benefit trusts.

§ 501(c)(11) - Teachers' Retirement Fund Associations.

§ 501(c)(12) - Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, Etc.

§ 501(c)(13) - Cemetery Companies.

§ 501(c)(14) - State Chartered Credit Unions, Mutual Reserve Funds.

§ 501(c)(15) - Mutual Insurance Companies or Associations.

§ 501(c)(16) - Cooperative Organizations to Finance Crop Operations.

§ 501(c)(18) - Employee Funded Pension Trust (created before June 25, 1959).

§ 501(c)(21) - Black Lung Benefit Trusts.

§ 501(c)(22) - Withdrawal Liability Payment Fund.

§ 501(c)(25) - Title Holding Corporations or Trusts with Multiple Parents.

§ 501(c)(26) - State-Sponsored High-Risk Health Coverage Organizations.

§ 501(c)(27) - State-Sponsored Worker's Compensation Reinsurance Organizations.

§ 501(d) - Religious and Apostolic Associations.

§ 501(e) - Cooperative Hospital Service Organizations.

§ 501(f) - Cooperative Service Organization of Operating Educational Organizations.

§ 501(k) - Child Care Organization.

§ 521(a) - Farmers' Cooperative Associations

§ 527 - Political parties, campaign committees for candidates for federal, state, or local office, and political action committees.

In general, there are some basic non profit organizations that you need to know. They are:

Cooperative - voluntary nonprofit association of people performing some kind of economic activity for the benefit of its members. The three major classes are consumer, service, and producer cooperatives.



Consumer Cooperative - nonprofit association that buys bulk amounts of consumer goods so that its members can purchase at prices below those charges by regular businesses.

Service Cooperative – nonprofit association of consumers dealing with services rather than goods. Examples include credit unions, and some insurance and credit agencies. A credit union, which is made up of employees from a particular company or government agency, receives its funds from members. In return, members earn interest on their deposits and may borrow money from the credit union. In most cases, they can borrow at better rates and more quickly than they could from for-profit banks or commercial loan companies.

Producer Cooperative – nonprofit association of producers helping members sell or market products. In the U.S. most coops of this kind are made up of farmers. The coop helps the farmers sell their crops directly to central markets or to companies that use the members' products. Any savings that the producer coop makes in marketing costs go to its members.

Professional Association – nonprofit association of professional or specialized workers seeking to improve working conditions, skill levels, and public perceptions of its profession. Membership can be either mandatory or voluntary. Examples include The American Association of University Professors and the American Bar Association.

Trade Association – A trade association is a group of businesses within an industry that work together to build industry awareness, advocate certain political goals and provide services to members. The government watches trade associations rather carefully so that they do not violate collusion and anti-trust laws. An example of a trade association is NAM (National Association of Manufacturers). NAM members include any US corporation that manufactures anything. This is a HUGE organization. Members include General Motors, IBM, Caterpillar, etc. They spend enormous amounts of money lobbying Congress to get legislation they feel is beneficial to their members passed, or to block legislation they feel is harmful. They usually win.