

# Nonprofit organization

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A **nonprofit organization** (NPO) (also known as a **non-business entity**<sup>[1]</sup>) is an [organization](#) with the purpose of which is something other than making a profit.<sup>[2]</sup> A nonprofit organization is often dedicated to furthering a particular [social cause](#) or advocating for a particular point of view. In economic terms, a nonprofit organization uses its [surplus revenues](#) to further achieve its purpose or mission, rather than distributing its surplus income to the organization's shareholders (or equivalents) as profit or [dividends](#). This is known as the non-distribution constraint.<sup>[3]</sup> The decision to adopt a nonprofit legal structure is one that will often have taxation implications, particularly where the nonprofit seeks income tax exemption, charitable status and so on.

The terms **nonprofit** and **not-for-profit** are not consistently differentiated across [jurisdictions](#). In [layman's terms](#) they are usually equivalent in [concept](#), although in various jurisdictions there are [accounting](#) and [legal](#) differences.

The nonprofit landscape is highly varied, although many people have come to associate NPOs with charitable organizations. Although charities do make up an often high-profile or visible aspect of the sector, there are many other types of nonprofit organization. Overall, they tend to be either member-serving or community-serving. Member-serving organizations include mutual societies, cooperatives, trade unions, credit unions, industry associations, sports clubs, retired serviceman's clubs and peak bodies – organizations that benefit a particular group of people i.e. the members of the organization. Typically, community-serving organizations are focused on providing services to the community in general, either globally or locally: organizations delivering human services programs or projects, aid and development programs, medical research, education and health services, and so on. It could be argued many nonprofits sit across both camps, at least in terms of the impact they make.<sup>[4]</sup> For example, the grassroots support group that provides a lifeline to those with a particular condition or disease could be deemed to be serving its members (by directly supporting them) and the broader community (through the provision of a service for fellow citizens).

Many NPOs use the model of a [double bottom line](#) in that furthering their cause is more important than making a profit, though both are needed to ensure the organization's sustainability.<sup>[5][6]</sup>

Although NPOs are permitted to generate surplus revenues, they must be retained by the organization for its self-preservation, expansion, or plans.<sup>[7]</sup> NPOs have controlling members or a [board of directors](#). Many have paid staff including management, whereas others employ unpaid [volunteers](#) and executives who work with or without compensation (occasionally nominal).<sup>[8]</sup> In some countries, where there is a token fee, in general it is used to meet legal requirements for establishing a contract between the executive and the organization.

Designation as a nonprofit does not mean that the organization does not intend to make a profit, but rather that the organization has no 'owners' and that the funds realized in the operation of the organization will not be used to benefit any owners. The extent to which an NPO can generate surplus revenues may be constrained or use of surplus revenues may be restricted.