Nonprofit Compared to For-Profit Corporations

Many people believe that nonprofits are completely different than for-profits. Many other people believe that major differences between organizations are determined primarily by their size, culture and current stage in their life cycle. Those people would assert that a small nonprofit is a lot more like a small for-profit than a large nonprofit.

However, there are *nonprofit-specific* features of nonprofits, including the strong focus on meeting a social need, volunteer staff members, fundraising and participation in advocacy and public policy. Otherwise, the operations of Boards, strategic planning, marketing, staffing, finances, facilities and evaluations are very similar between nonprofits and for-profits. Well-done program planning is very much like well-done business planning.

The following table depicts the most distinctive differences between nonprofit corporations and for-profit corporations. The next page describes differences in key terms between for-profits and nonprofits.

For-Profit Corporations	Nonprofit Corporations
Owned by stockholders	"Owned" by the public
Generates profit for the owners	Serves the public
Success is making sizeable profit	Success is meeting the needs of the public
Board members are paid	Board members are usually volunteers
Employees can make a very sizeable income	Staff should make a reasonable, not excessive, income
Money earned over and above that needed to pay expenses is kept as profit and distributed to owners	Money earned over and above that needed to pay expenses is retained as surplus, and should be spent soon on meeting the public need
The Chief Executive Officer is often on the Board of Directors, and may even be the President of the Board (although the trend is away from this)	Conventional wisdom suggests that the Chief Executive Officer not be on the Board
Usually not exempt from paying federal, state/provincial and local taxes	Can often be exempt from paying federal taxes, and some state/provincial and local taxes

Common For-Profit Terms	Common Nonprofit Terms
employees	staff
customers	clients
investors	funders
products and services	programs
results	outcomes
chief executive officer	executive director
sales	revenue
profit	surplus