

# Differentiate Between “For Profit” and “Not for Profit” Organizations

**Unit:** Entrepreneur Skills and Business Concepts

**Problem Area:** Identify Various Types of Business Ownerships

**Lesson:** Differentiate Between “For Profit” and “Not for Profit” Organizations

- **Student Learning Objectives.** Instruction in this lesson should result in students achieving the following objectives:

- 1 Describe the characteristics of a “for profit” organization.**
- 2 Describe the characteristics of a “not for profit” organization.**

- **List of Resources.** The following resources may be useful in teaching this lesson:

Boone, E., Louis Kurtz, and David Kurtz. *Contemporary Marketing*, 12th ed. Thompson South-Western, 2006.

Farese, Lois, Grady Kimbrell, and Carl Woloszyk. *Marketing Essentials*. Glencoe/McGraw-Hill, 2006.

“Non-Profit Organization,” *Wikipedia: The Free Encyclopedia*. Accessed Nov. 10, 2007 <[http://en.wikipedia.org/wiki/Non-profit\\_organization](http://en.wikipedia.org/wiki/Non-profit_organization)>.



## ■ List of Equipment, Tools, Supplies, and Facilities

- ✓ Overhead or PowerPoint projector
- ✓ Visual(s) from accompanying master(s)
- ✓ Copies of sample test, lab sheet(s), and/or other items designed for duplication
- ✓ Materials listed on duplicated items
- ✓ Computers with printers and Internet access
- ✓ Classroom resource and reference materials

## ■ Terms. The following terms are presented in this lesson (shown in bold italics):

- ▶ “for profit” organization
- ▶ “not for profit” organization
- ▶ profit
- ▶ shareholders
- ▶ tax deductible

## ■ Interest Approach. Use an interest approach that will prepare the students for the lesson. Teachers often develop approaches for their unique class and student situation. A possible approach is included here.

*Ask students to brainstorm regarding how organizations such as the Salvation Army, Red Cross, Boy Scouts, Make-a-Wish Foundation, and Ronald McDonald House make money to stay in business. Record student responses on the board. Next, ask students why people donate to these organizations. Then ask what the difference is between these types of business organizations and others (e.g., Boeing, Nike, Monsanto, Edward Jones, and Macys). Then introduce the terms “for profit” and “not for profit.”*

# SUMMARY OF CONTENT AND TEACHING STRATEGIES

**Objective 1:** Describe the characteristics of a “for profit” organization.

**Anticipated Problem:** What is a “for profit” organization?

- I. “For profit” organizations
  - A. **“For profit” organizations** are those organizations that exist to generate **profits** (the positive gain from an investment or business operation after subtracting all expenses) or revenues above and beyond the costs.
    1. Make money for all stakeholders involved, including employees, **shareholders** (people who own stock shares in a corporation or mutual fund), and the organization itself.
    2. The main goal is to make a profit.
  - B. Characteristics of “for profit” organizations
    1. Shareholders can increase their wealth as the organization becomes successful.
    2. As the organization becomes more successful and profits increase, employees’ salaries tend to increase.
    3. Successful “for profit” organizations tend to employ more workers.
  - C. Most U.S. businesses are categorized as “for profit” organizations.

*Many techniques can be used to help students master this objective. After reviewing this objective, show students different stock prices for some well-known and local companies. Highlight how stock prices tend to increase as companies become more profitable.*

**Objective 2:** Describe the characteristics of a “not for profit” organization.

**Anticipated Problem:** What is a “not for profit” organization?

- II. “Not for profit” organizations
  - A. **“Not for profit” organizations** are groups, institutions, or corporations formed for the purpose of providing goods and services under a policy where no individual (e.g., stockholder, trustee) will share in any profits or losses of the organization; this type of organization is not seeking or producing a profit.
    1. These organizations often support causes, such as feeding young children, assisting in disaster relief, preserving wildlife, or helping single mothers find work.

2. “Not for profit” organizations are usually given tax-exempt status.
  3. Most have been granted exemption from federal taxes by the Internal Revenue Service. Many of these organizations refer to themselves according to the IRS Code section under which they receive exempt status—for example, 501(c)(3) organizations. This identification lets donors know that their contributions to these organizations may be deductible for income-tax purposes.
  3. Revenue is generated through gifts and donations.
  4. Profit is not the primary goal of nonprofit entities but may develop under a different name (e.g., surplus or increase in fund balance).
  5. Assets are typically provided by sources that do not expect repayment or economic return.
- B. Characteristics of “not for profit” organizations
1. These organizations may not pay taxes on income generated.
  2. Donations are **tax deductible** (an item or expense subtracted from adjusted gross income to reduce the amount of income subject to tax).
  3. These organizations assist worthy causes.
- C. Examples of “not for profit” organizations are governments, charities, universities, religious institutions, and some hospitals.
1. Environmental (e.g., Greenpeace, Sierra Club, Friends of the Chicago River)
  2. Humanitarian (e.g., Red Cross, UNICEF, Salvation Army, Goodwill, Habitat for Humanity)
  3. Animal protection and animal rights (e.g., American Society for the Prevention of Cruelty to Animals and The Humane Society)
  4. Educational (e.g., schools and universities)
  5. Religious (e.g., religious orders and churches)
  6. Health-related (e.g., Red Cross)
  7. Political (e.g., local and national)

*Many techniques can be used to help students master this objective. Ask students to list local and national charitable causes and record their responses on the board. Then ask students to relate any experience they, or their parents, may have in donating time, money, or expertise to any local or national “not for profit” causes. Use LS–A to learn more about “not for profit” organizations.*

- **Review/Summary.** Use the student learning objectives to summarize the lesson. Have students explain the content associated with each objective. Student responses can be used in determining which objectives need to be reviewed or taught from a different angle. Questions at the ends of chapters in the textbook may also be used in the review/summary.
- **Application.** Use the included visual master and lab sheet to apply the information presented in the lesson.

- **Evaluation.** Evaluation should focus on student achievement of the objectives for the lesson. Various techniques can be used, such as student performance on the application activities. A sample written test is provided.

- **Answers to Sample Test:**

**Part One: True or False**

1. F
2. T
3. T
4. T
5. T
6. F
7. F
8. T

**Part Two: Short Answer**

1. Characteristics of “not for profit” organizations may include any of the following:
  - They may not pay taxes on income generated.
  - Donations are tax deductible.
  - They assist worthy causes.
2. Characteristics of “for profit” organizations may include any of the following:
  - Shareholders can increase their wealth as the organization becomes successful.
  - As the organization becomes more successful and profits increase, employees’ salaries tend to increase.
  - Successful “for profit” organizations tend to employ more workers.

**Part Three: Matching**

1. c
2. a
3. e
4. b
5. d

# Differentiate Between “For Profit” and “Not for Profit” Organizations

## ► Part One: True or False

**Instructions:** Write T for true or F for false.

- \_\_\_\_\_ 1. The goal of a “not for profit” organization is to generate revenues above and beyond their costs to make money for all stakeholders involved.
- \_\_\_\_\_ 2. “Not for profit” organizations hope to generate as much revenue as possible to support their causes (e.g., feeding children, preserving wildlife, or helping single mothers find work).
- \_\_\_\_\_ 3. Most “not for profit” organizations have tax-exempt status.
- \_\_\_\_\_ 4. Profit is the positive gain from an investment or business operation after subtracting all expenses.
- \_\_\_\_\_ 5. “Not for profit” organizations often assist worthy causes.
- \_\_\_\_\_ 6. Nike Corporation is an example of a “not for profit” organization.
- \_\_\_\_\_ 7. One characteristic of a “not for profit” organization is employees’ salaries tend to increase as the organization becomes more successful and profits increase.
- \_\_\_\_\_ 8. Most donations to “not for profit” organizations are tax deductible.

## ► Part Two: Short Answer

**Instructions:** Complete the following.

1. List two characteristics of a “not for profit” organization.



2. List two characteristics of a “for profit” organization.

► **Part Three: Matching**

**Instructions: Match the term with the correct definition.**

- a. “for profit” organization
- b. “not for profit” organizations
- c. profit
- d. shareholders
- e. tax deductible

- \_\_\_\_\_ 1. The positive gain from an investment or business operation after subtracting for all expenses
- \_\_\_\_\_ 2. Generate profits to make money for all stakeholders involved, including employees
- \_\_\_\_\_ 3. An item or expense subtracted from adjusted gross income to reduce the amount of income subject to tax
- \_\_\_\_\_ 4. Generate as much revenue as possible to support their causes
- \_\_\_\_\_ 5. A person who owns stock in a corporation or mutual fund

# “FOR PROFIT” VERSUS “NOT FOR PROFIT”

---



## For-Profit & Not-for-Profit



# For-Profit Organizations

- These organizations exist to generate revenues above and beyond their costs to make money for all stakeholders involved, including employees, shareholders and the organization itself.
- Their main goal is to make a profit.

# For-Profit Companies

■ Boeing

■ Ford

■ Monsanto

■ GM

■ Sears

■ Sprint

■ Nike

# Benefits of For-Profit Organizations

- Shareholders can increase their wealth as the organization succeeds financially.
- As the organization becomes more successful and profits increase, employee salaries tend to increase.
- A successful “for-profit” organization tends to employ more workers.

## Stock Prices

- Boeing \$89.93
- Google \$666.00
- Sprint \$14.63
- GM \$29.90

# Not-for-Profit Organizations

- These organizations generate as much revenue as possible to support their causes, such as feeding children, preserving wildlife or helping single mothers find work.



# Not-for-Profit Organizations

- Nonprofit organizations generate revenues through gifts and donations and are not interested in earning a profit. Some organizations sell goods or services which generate income.

# Not-for-Profit Organizations

- Difference between “for-profit” and “not for profit” organizations is that not-for-profit revenue is often used to fund the cause versus providing dividends to shareholders.

# Characteristics of Not-for-Profit Organizations

- Most have tax-exempt status.
- Most donations are tax deductible.
- Assist worthy causes



# Not-for-Profit Organizations

- Red Cross
- Ronald McDonald House
- Salvation Army
- UNICEF
- Make-a-Wish Foundation

# Research a “Not for Profit” Organization

## Purpose

The purpose of this activity is to research a “not for profit” organization.

## Objectives

1. Define the mission of the “not for profit” organization you selected.
2. List ways to support the “not for profit” organization you selected.

## Materials

- ◆ lab sheet
- ◆ writing utensil
- ◆ computers with Internet access

## Procedure

1. Research a “not for profit” organization of your choosing and define the organizational mission.
  
2. Where is this organization located?



3. What geographic area does this organization serve?
  
4. Who are the “clients” of this “not for profit” organization?
  
5. List ways individuals and groups may support the “not for profit” organization.
  
6. How does this organization raise revenue?
  
7. What is/are the biggest fundraising activity(ies) the organization conducts?
  
8. When making a donation, who is the payee? Where are donations mailed (address)?