

# [ ADVANTAGES OF STARTING A NONPROFIT ]

## SOCIAL BENEFITS

### **Providing Service:**

Nonprofits can help people—they have the potential to do a lot of good! Nonprofit organizations that are well-designed and well-managed can provide services and support for a target community.



### **Protection From Personal Interests:**

The organizational structure of nonprofits can help protect the organization's larger mission from personal interests. Nonprofits have stakeholders rather than shareholders; they adhere to their mission and vision statements and must make many of their records publicly available. This kind of public accountability and distributed internal authority makes it difficult for individual actors to seize the nonprofit's resources for personal interests.



### **Sustainability:**

A nonprofit with invested stakeholders and clear missions can be sustained for a long time, even when key figures like the organization's founders are no longer involved.



### **Volunteer Involvement:**

Many nonprofits use the assistance of volunteer workers, which can generate a sense of personal investment in the success of the organization for those members of the community.



### **Invested Employees:**

Some studies have shown that employees at nonprofit organizations are more motivated by intrinsic rewards that come from the work itself, than by extrinsic rewards like pay. In some cases, this may mean that nonprofits are better positioned to attract employees who care deeply about the organization's mission.



## FINANCIAL BENEFITS

### **Tax Exemptions:**

Nonprofits that are covered under IRS Code section 501(c)(3)s are exempt from paying federal income taxes, and in most cases are also exempt from both state and local income taxes as well.



### **Grant Support:**

Some sources of funding are exclusively available for nonprofit organizations. Many public and private grants restrict their funds to supporting nonprofit organizations, and so only 501(c)(3)s are eligible for that support.



### **Foundation Support:**

Furthermore, foundations only give financial support to non-profit, rather than for-profit, organizations. Foundations are themselves nonprofits, and they are established with the purpose of providing funding for other organizations, institutions, or individuals that are doing charitable work. Foundations may be private or public, depending on their source of funding.



### **Tax Deductions for Donors:**

Individual donors who choose to support nonprofits are often able to deduct their donations to nonprofits from their taxes, and bequests are sometimes exempt from federal estate taxes.

