

Critical issues: written assignment 12



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Critical Issues Critical Issues Some organizations fuse a for-profit and non-profit organization into a hybrid structure. In such an organization one usually find organizations that are charitable or nonprofit institutions that establish other business in order to earn money and support these nonprofit organizations. There are both advantages and disadvantages to such organizations, which are as follows:

ADVANTAGES

Creating a hybrid organization helps protect the status of a charitable organization.

The greatest advantage of all is the exemption from taxes at federal, state and local levels.

Nonprofit organizations usually depend on their ability to get funds through gifts, donations, bequests etc. however some states provides a fund-raising privilege to such organizations as soon as the incorporation is filed.

Nonprofit organizations are privileged with the facility of low-postage rates, meaning that they are able to use US mail at lower rates than for profit organizations.

These organizations also enjoy exemption from the labor rules. They get exemption from many rules and regulations from the collective bargaining of a union if they are represented by one.

These organizations in some states are immune to tort liability, though it is very important to identify in which states this immunity is recognized. The immunity only protects the organization and not the employees or the agents.

DISADVANTAGES:

the cost of incorporation is the greatest disadvantage of these

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incorporations.

Unincorporated nonprofit organizations are structured very informally with no proper system of record keeping. However incorporate nonprofit organizations become governmental entities which are why a proper record keeping system is maintained.

These organizations lose their personal control depending on what the incorporating organization is like. They may have to appoint the board of directors to take control of the operations.

The government expects cooperation from such organizations for exchange of the corporate status.

The Mission statement, message, staff members, image and the organizational structure may be affected by such a incorporation because the organization making it might want to add their board of directors and take control of the operations after providing all the benefits. Therefore, it is very important that these specifications be discussed before finalizing the incorporation or making such a move because it changes the whole purpose and the strategy of an organization. The major disadvantage also includes the diversification of the income especially if the for-profit organization is the major contributor for funds. The assets of the organizations become locked in and they cannot be easily transferred or sold without a mutual agreement by both parties.

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