

**COMPARISON OF STARTING A NEW 501(C)(3) ORGANIZATION
WITH USING A FISCAL SPONSOR (MODEL A)**

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	New 501(c)(3)	Fiscal Sponsorship
1. Best option for	Projects with funding assured; program has track record, admin and financial staff in place	New, experimental, incubating projects wanting admin and financial management
2. First step	Incorporate in a state	Find a fiscal sponsor
3. Application forms	IRS Forms 1023 and SS-4, state forms, and attachments	Sponsor's form-proposal, budget, personnel list
4. Governing documents	Articles & Bylaws	Fiscal Sponsorship Agreement
5. Governance	Your Board of Directors	Advisory Committee, under Sponsor's Board of Directors
6. Control, independence	Your corporation is independent and autonomous	Sponsor has ultimate control, but much authority is delegated to Advisory Committee and Project Director
7. Time to wait before donors and grantors can be sure their contributions are tax-deductible	3 to 6 months or more to receive IRS letter, after Form 1023 submitted	No wait; once sponsor accepts your project, immediate
8. Cost	Up to \$10,000 or more in attorney fees, IRS filing fee of \$750, state fee of \$25	Sponsor fees vary from 0% to 15% of revenues or expenditures; may impose minimums
9. Annual forms to file	IRS Form 990, state forms, payroll forms	Progress reports to sponsor; sponsor files Form 990, etc.

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10. Charitable purpose required, no excessive private benefit	Yes	Yes
11. Public support test ($\frac{1}{3}$) to meet to avoid private foundation status	Yes	No
12. Lobbying allowance	5-20% of annual budget	May be more, depending on use by other projects
13. Donations and grants are payable to:	Your corporation	Sponsor, in support of your project's purposes
14. Who raises money	Your corporation, in its own name	Your project, with cover letter and IRS status of sponsor
15. Who owns assets	Your corporation	Sponsor, in an account dedicated to your project, subject to exit agreement
16. Who pays the bills	Your corporation	Sponsor, from your project account
17. Who hires staff and does payroll and benefits	Your corporation	Sponsor
18. Who is liable for project debts and claims	Your corporation	Sponsor
19. Insurance provided by	Your corporation	Sponsor
20. Administrative and technical support	You are on your own	In addition to financial admin, sponsor may provide HR, IT, office space, and organization development advice
21. If project fails	Must dissolve corporation, do government filings, etc.	Sponsor closes project account
22. If project succeeds	Corporation grows	Project may "leave the nest," transfer assets and liabilities to its own, new, separate nonprofit corporation