

STARTING A NEW 501(C)(3) COMPARED WITH USING MODEL A FISCAL SPONSORSHIP

| | New 501(c)(3) | Model A Fiscal Sponsor |
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| 1. Best option for | Projects with funding assured; program has track record, admin and financial staff in place | New, experimental, sudden need or incubating projects needing admin and financial management |
| 2. First step | Incorporate in a state | Find a fiscal sponsor |
| 3. Application paperwork | IRS forms 1023 or 1023-EZ, SS-4, state forms, attachments | Sponsor's form: proposal, budget, personnel list |
| 4. Governing documents | Articles and bylaws | Fiscal sponsorship agreement |
| 5. Governance | Project's board of directors | Project/advisory committee, under sponsor's board of directors |
| 6. Control, independence | Corporation is independent and autonomous | Sponsor has ultimate control but can delegate much authority to project director and committee |
| 7. When donors and grantors can be certain their contributions are tax-deductible | 3 to 6 months or more to receive IRS letter after submitting Form 1023 | No wait; immediate once sponsor accepts your project |
| 8. Cost | Up to \$10,000 or more in attorney fees, several hundred dollars in IRS and state filing fees | Sponsor fees vary from 0% to 15% of project revenue or expenditures; may be negotiable |
| 9. Annual paperwork | IRS Form 990, state forms, payroll forms | Progress reports to sponsor; sponsor files IRS Form 990 |
| 10. Charitable purpose, no excessive private benefit, required | Yes | Yes |
| 11. Public support test (10%-33%) to meet to avoid private foundation status | Yes | No |

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| 12. Lobbying allowance | 5%-20% of annual budget | May be more lobbying depending on sponsor's other projects |
| 13. Donations and grants are payable to | Project's corporation | Sponsor, in support of project's purposes |
| 14. Who raises money | Project's corporation, in its own name | Project, with sponsor's cover letter and IRS recognition letter |
| 15. Who owns assets | Project's corporation | Sponsor, in an account dedicated to its project's purposes, subject to terms of exit agreement |
| 16. Who pays the bills | Project's corporation | Sponsor, from project account |
| 17. Who hires staff and does payroll and benefits | Project's corporation | Sponsor |
| 18. Who is liable for project debts and claims | Project's corporation | Sponsor |
| 19. Insurance provided by | Project's corporation | Sponsor |
| 20. Administrative and technical support | Project on its own (may get Model F technical assistance from a sponsor) | Financial management and admin support. Sponsor also may provide HR, IT, office space and organizational development advice |
| 21. If project fails | Dissolve corporation | Sponsor closes project account, government filings, etc. |
| 22. If project succeeds | Corporation grows | Project may "leave the nest," transfer assets and liabilities to its own new, separate nonprofit corporation |