

FISCAL SPONSORSHIP MODELS

FISCAL SPONSORSHIP MODELS	BASIC CHARACTERISTICS	IS PROJECT LEGAL ENTITY?	BASIC RELATIONSHIP	CHARITABLE DONATIONS BELONG TO	SPONSOR'S LIABILITIES TO 3 RD PARTIES	OWNERSHIP OF RESULTS	IRS RETURNS FILED BY SPONSOR	PROJECT	COMMENTS
DIRECT PROJECT	Project belongs to sponsor and is implemented by its employees and volunteers	No	Employer-Employee	Sponsor	Total liability for acts of employees	Sponsor	990, payroll tax returns	Individual 1040s	Legally, project is no different than any other activity carried on by sponsor directly
DEPENDENT CONTRACTOR	Project belongs to sponsor but is conducted by separate entity under contract	Yes	Project contract	Sponsor	Varies, may be partial or total	Should be conveyed to sponsor	990, 1099 if person	Depends on contractor's legal status	Appropriate where project is integral to sponsor's work, may be legally done by independent contractor
PRE-APPROVED GRANT	Project applies to sponsor for one or a series of grants, sponsor funds project only to extent that money is received from donors	Yes	Grantor-Grantee	Sponsor	Selection and payment of grantee, plus terms set by funding source	Project usually	990	Depends on grantee's legal status	Used by non-501(c)(3) project, in order to raise tax-deductible support from donors, private foundations or government grants
GROUP EXEMPTION	Sponsor obtains federal group tax exemption, confers 501(c)(3) status on subordinate projects	Yes	Subordinate-Affiliate	Project	Only as provided in affiliation agreement	Project	Annual listing of orgs., no financial information	990, separate or group return	Project gets 501(c)(3) status without separate application to IRS; under sponsor's supervision/control
SUPPORTING ORGANIZATION	Project gets its own 501(c)(3) exemption, but public charity status is based on support of sponsor's policies	Yes	Degree of connection varies	Project	None	Project	None	990	Project must apply to IRS for 501(c)(3) status, but can be a public charity even with only one donor
TECHNICAL ASSISTANCE	Project has its own 501(c)(3) exemption but needs help with bookkeeping, tax returns, payroll, management, etc.	Yes	Management contract	Project	Only as provided in contract	Project	990 if fee charged	990 if fee paid	Sponsor provides financial management to project, but all funds are raised and spent in the name of project
X. PAYMENTS "FOR THE USE OF" SPONSOR	Project approved by sponsor, Trust account is set up for project separate from sponsor's assets, donors pay directly to trust account	May or may not be	Sponsor must control project	Project in trust for sponsor	Varies, may be partial or total	Project in trust for sponsor	None	Depends on trust's legal status	New, untested model based on U.S. Supreme Court decision on acceptable methods for Mormon parents to aid missionary children

- The further down the list, the greater the financial independence of the project
- Model X, "Payments 'for the Use of' Sponsor," is a hypothetical model that has only existed within the Mormon Church, would require additional and potentially extensive legal permission from a judge, and generally does not suit our purposes

See: Gregory L. Colvin, Fiscal Sponsorship: 6 Ways To Do It Right, Study Center Press, 1095 Market Street, Suite 602, San Francisco, California 94103, telephone 415-626-1650, fax 415-626-7276 (1993, 2005). See also www.fiscalsponsorship.com.