

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.