

Taking Things Apart:

Unwinding Organizations, Fiscal Sponsorships and Collaborative Initiatives

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Roadmap—Scenarios for Discussion

1. Terminating a fiscal sponsorship.
2. Dissolving a charitable organization.
3. Winding up a multi-party collaborative (e.g., jointly funded program initiative).



Fiscal Sponsorship 101

- A 501(c)(3) charity may act as “fiscal sponsor” to accept donations on behalf of:
 - A charitable organization awaiting approval or reinstatement of its own 501(c)(3) exemption, or
 - A charitable project of an existing non-exempt organization.
- Donors give to the “Sponsor” knowing that their contributions will support the “Project.”
- Sponsor typically charges a fee to cover administrative/compliance costs.



Fiscal Sponsorship 101

- Key premise of a fiscal sponsorship is that the Sponsor retains **discretion and control** over the funds. Donors’ charitable deductions (IRC 170) depend on that.
- Sponsor evaluates the project for compliance with 170(c)(2)(B)/501(c)(3) and adopts it as a program of the Sponsor. Project revenues/expenses are reported on the Sponsor’s Form 990.
- Written agreement *should* cover key terms: scope of Project, term, fees, restrictions on use of funds, fund accounting, mechanics of funds (donations) flow from Sponsor to Project, ownership of any IP developed during the Term, and **Termination**.



Fiscal Sponsorship – Termination

What triggers termination of the agreement?

- Term expires.
- Sponsored Project receives its own 501(c)(3) determination letter (or reinstatement, in the case of IRC 6033(j) auto-revocation).
- Sponsored Project ends.
- Sponsor determines that the Project is no longer consistent with its mission, or not furthering 170(c)(2)(B) purposes.
- Contract disputes.



Fiscal Sponsorship – Termination

Read the Agreement.

- Termination (automatic?)
- Distribution of Funds/Final Accounting
- Ownership of Intellectual Property
 - Reports, publications produced during the Term
 - Name/logo of the Project itself going forward
 - Mailing list
- Confidentiality
- Notice to Donors
 - Who owns the donor list? Does the Sponsor have the right to contact Donors post-Term?
- Publicity/PR around the transition



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