501(c)(3) Project Analysis

Prepared for the National Fish Habitat Board

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1 EXECUTIVE SUMMARY

1.1 Background

This paper is an analysis of three options for the creation of a 501(c)(3) not-for-profit[1] corporation to support the National Fish Habitat Partnership. The paper develops these options based on presentations given to the National Fish Habitat Board at meetings in October 2012 and February 2013 and other materials.

The options are:

1. operate strictly based on the Board's charter
2. operate under the current model--or "status quo"--in a fiscal sponsorship arrangement
3. phase in the establishment of a not-for-profit corporation.

These three options can be considered in the context of a continuum for long-term program development in the charitable arena. Many non-profit organizations started off as distinct programs with a specific set of objectives that were "sponsored" by other organizations. Over time they grow and add their own governance structures and operational tools. Eventually many of them spin off from their original fiscal sponsors and incorporate as non-profits. The National Fish Habitat Partnership is on a similar path.

FIGURE 1. LIFE-CYCLE OF CHARITABLE PROGRAMS

This analysis is organized around a series of issues that are somewhat typical in analyzing whether or not to form a not-for-profit corporation and were identified by board member Mike Andrews as follows:

TABLE 1. KEY ISSUES ADDRESSED IN THE ANALYSIS

Benefits	Risks	Costs
Funding	**Span of Control**	**Financial**
Branding	**Liability**	**Efficiencies**
Advocacy	**Agility**	**Prospective Costs**

In addition, each of the benefits is analyzed in the context of a set of organizational objectives that are based on existing Board operations and/or strategies and actions identified in the *National Fish Habitat Action Plan, 2nd Edition*.

[1] "Not-for-profit" is used interchangeably with the common shorthand "non-profit" for readability purposes, though the term "non-profit" is not technically accurate; non-profits do, and should, earn excess revenue.

1.2 Recommendation

We recommend a deliberate yet phased approach to establishing a 501(c)(3) non-profit corporation to support the National Fish Habitat Partnership. This is based on three major needs:

- providing a group tax exemption umbrella for at least 17 FHPs[2]
- providing cost efficiencies for the National Fish Habitat Board
- establishing direct fundraising abilities at the national level.

The phased approach requires a series of check-ins along a path to full operation for the non-profit. A phased approach creates immediate cost efficiencies while providing the tangible benefit of an umbrella non-profit status for the FHPs. It is also realistic in managing the corporation start-up process.

Staff recommends that the Board approve the following motion:

> *The National Fish Habitat Partnership staff is charged with working to establish a 501(c)(3) not-for-profit corporation using a phased, check-in approach. A workgroup of Board members is created to work with staff on this project. The workgroup is charged with oversight and with approval for moving to each step.*
>
> *Staff shall work with partners to minimize the start-up costs for the corporation, but may use non-federal funds not to exceed $5,000 to complete the incorporation and tax exemption. If additional funds are required, staff must request approval for that expenditure from the National Fish Habitat Board.*
>
> *The phased approach includes three steps:*
>
> 1. *Project initiation and document creation.*
> - *establish a board workgroup*
> - *draft and finalize articles of incorporation and bylaws*
> - *establish a name*
> 2. *Incorporation*
> - *secure a registered agent*
> - *secure a Federal Employer Identifcation Number*
> - *select the incorporators and the initial board of directors*
> - *adopt a governance model and record keeping system for official records*
> - *register with state unemployment bureau*
> - *obtain directors' and officers' liability insurance.*
> 3. *Tax exempt application.*
> - *submit a tax exemption request to secure group exemption for the new corporation and the FHPs*
> - *file for state and/or local tax exemptions*
> - *file for charitable solicitation*
> - *apply for non-profit mailing permit*

2 BACKGROUND AND KEY ISSUE AREAS

Staff presented information on the development of a not-for-profit corporation (non-profit) at two board meetings in October 2012 and February 2013. The value of a non-profit to the National Fish Habitat Partnership was discussed while considering some important concepts, including:

- the current structure of the National Fish Habitat Board (NFHB)
- how the NFHB operates and handles its finances, and
- the role of federal agency representatives to the NFHB.

[2] The Reservoir Fisheries Habitat Partnership has already established a not-for-profit corporation, Friends of Reservoirs.

It was clear from the discussions that the current National Fish Habitat Board, which comprises individuals from state and federal agencies as well as other non-profits, would not be able to become a non-profit itself since federal employees would be barred from serving. A model was developed to show how a "related organization" could provide the services and tools needed by the National Fish Habitat Partnership (national partnership) and the regional Fish Habitat Partnerships (FHPs).

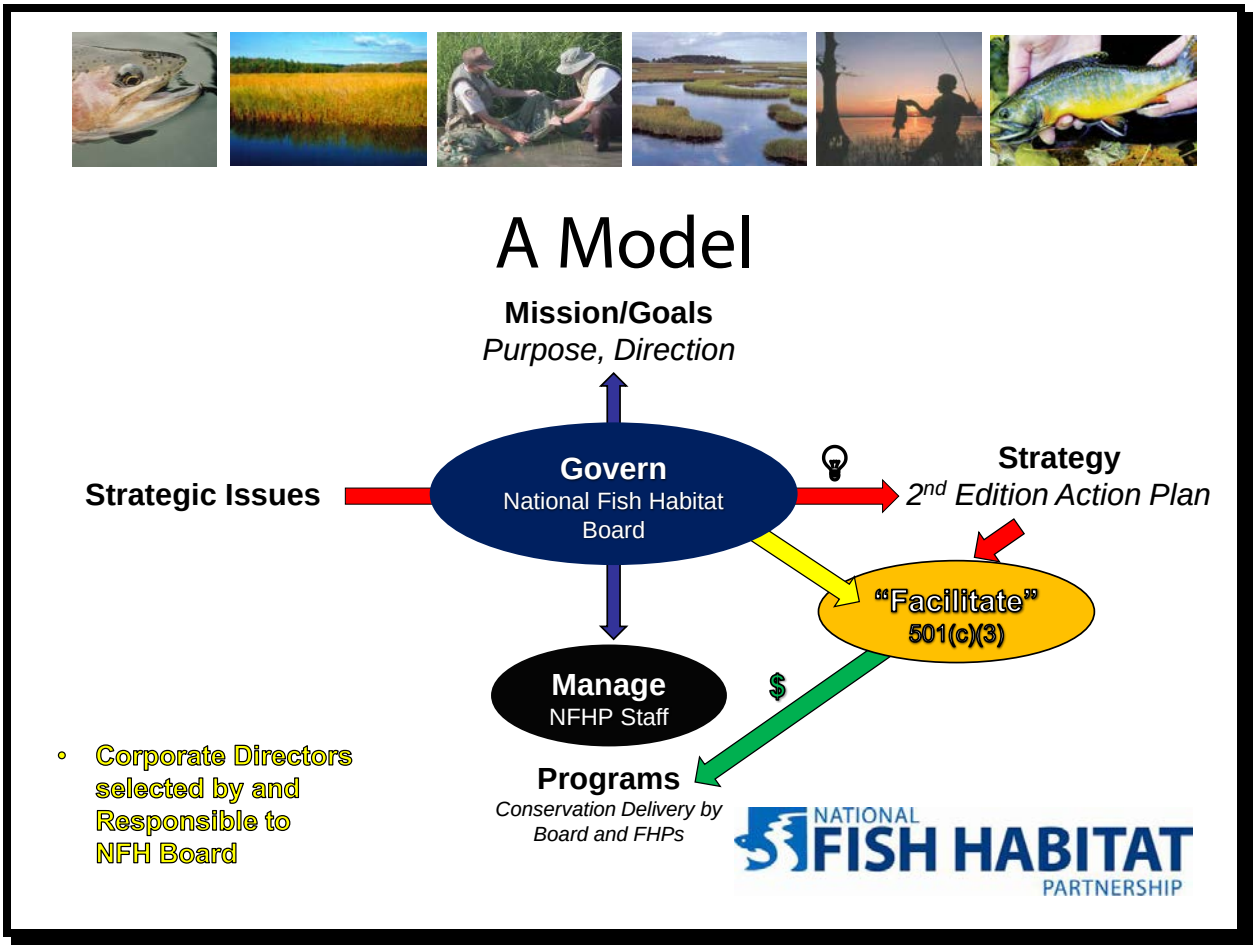

FIGURE 2. MODEL FOR A NOT-FOR-PROFIT CORPORATION'S RELATIONSHIP TO THE OVERALL NFHP EFFORT

Following the February 2013 meeting, the NFHB asked the staff to develop a decision support document that would look closely at the National Fish Habitat Conservation Act (NFHCA) as a framework for a decision on establishing a non-profit. The NFHB also asked for a set of clear objectives and options with analysis. This paper considers those questions based on the model identified above.

We will examine in detail the benefits, risks, and costs associated with each option. The key issues are examined below. The benefits are further defined with objectives that could be met through a non-profit corporation.

2.1 Fundraising

Clearly a major function of a non-profit will be fundraising. It is important to have a sense of the Partnership's overall financial requirements, and thus be aware of the range of fundraising required by a non-profit.

Revenues for the Partnership are currently derived from (1) USFWS funds of approximately $7 million annually, (2) voluntary state agency contributions, and (3) Multi-state Conservation Grants (MSCGs) administered jointly by the USFWS and AFWA. In addition, the FHPs receive support from competitive state and federal grant programs, local and regional sponsorships, National Fish and Wildlife Foundation and other foundation grants, and direct and in-kind contributions. Combined, these sources are clearly insufficient to provide the long-term funding necessary to meet the objectives laid out in the *National Fish Habitat Action Plan, 2nd Edition*.

While the Board has not completed an overall financial analysis which identifies revenue targets associated with detailed programmatic or project needs, there are four broad areas for funding:

1. FHP operational requirements
2. FHP conservation projects
3. National-level science and data requirements
4. Board operational requirements.

A cursory review of these requirements leads to an easy conclusion that the Partnership requires somewhere in the $20-40 million range for an annual operating budget. While this is not immediately achievable, it is a starting point towards establishing a long-term goal (perhaps by 2020). A new non-profit structure must be designed to give us the ability to reach that goal.

There are three fundraising avenues that a non-profit could pursue. These include:

1. Individual contributions -- generally require an organization to hold 501(c)(3) exemption in order to make charitable contributions attractive to individuals.
2. Foundation grants – foundations are generally restricted to only funding 501(c)(3) organizations.
3. Corporate sponsorship or cause marketing – while not necessarily restricted to 501(c)(3) organizations, corporations generally prefer funds to be received by charitable organizaitons.

Fundraising has been limited under the existing operational model and has been largely restricted to federal cooperative agreements and grants, with additional funds from state government.

TABLE 2. FUNDRAISING OBJECTIVES

Fundraising Objectives
Secure sufficient funding to support the basic operations of 18 FHPs while increasing the level of project funding available to each FHP.
Secure sufficient funding for the science and data needs of the Partnership.
Secure sufficient direct funding for the operations of the National Fish Habitat Board.
Establish financial controls and accounting procedures that maximize the level of funding for the objectives above while creating Partnership-wide cost efficiencies.

2.2 Branding

With limited resources, the Board is currently unable to distinguish itself in a crowded field of conservation organizations that compete for limited governmental, foundation, and corporate funding. In order to be successful in fundraising, the Board must invest in its brand identity. This is a clear and achievable task that could be managed effectively through a board-affiliated non-profit.

The National Fish Habitat Board recently decided to focus the identity of the national conservation effort embedded in the action plan on the "National Fish Habitat Partnership" brand. While modest strides have been made to reframe our efforts and draw greater attention from government officials and the public, a tremendous amount of work still needs to be done. In addition, the Board is currently seeking opportunities to expand the identity of its signature public awareness effort, the *10 Waters to Watch* campaign.

TABLE 3. BRANDING OBJECTIVES

Branding Objectives
Leverage the National Fish Habitat Partnership into a top-of-mind habitat conservation brand in the conservation community and with anglers.
Leverage the 10 Waters to Watch campaign into an annual public relations endeavor that provides the counterpart to American Rivers' Most Endangered Rivers campaign.

2.3 Advocacy

The National Fish Habitat Partnership relies on its Partner Coalition of approximately 2800 affiliated organizations to serve as its grassroots network. This is a typical coalition model that provides the national partnership with greater reach than it would have by developing its own membership base.

To date, the coalition has not been used very effectively to mobilize advocacy support for the National Fish Habitat Conservation Act, the Board's signature legislation. In addition, the Board has not developed an overall strategy to engage the network in broadening the community of support for fish habitat conservation[3].

Many non-profit board members incorrectly believe 501(c)(3) organizations are barred from lobbying. It is important to note that non-profit organizations are able to lobby with certain restrictions[4].

TABLE 4. ADVOCACY OBJECTIVES

Advocacy Objectives
Secure passage of the National Fish Habitat Conservation Act and annual appropriations to support the Act, and increase annual appropriations for aquatic habitat conservation overall through education and advocacy.
Leverage the National Fish Habitat Partnership Coalition into an effective voice for fish and aquatic habitat conservation at the federal and state level.

[3] Objective 3, *National Fish Habitat Action Plan, 2nd Edition*.

[4] Restrictions are set by the IRS. The common rule of thumb is not-to-exceed 20 percent of annual revenue.

2.4 Span of Control

Span of control is used to refer to the roles and responsibilities of the National Fish Habitat Board, its staff, and the non-profit. While these roles and responsibilities are relatively straightforward, it is important to clearly identify the areas for which each entity has control. If we were not to place limits on the span of control of each entity, there would be the potential for long-term conflicts between the parties.

Of particular interest is protecting and maintaining the existing role of the National Fish Habitat Board, particularly in setting direction for the National Fish Habitat Partnership, national policy, and national science and data issues.

Based on the model developed for the Board earlier (see Figure 2), the span of control for the National Fish Habitat Board, its staff, and an affiliated non-profit is summarized as:

TABLE 5. SPAN OF CONTROL

	National Fish Habitat Board	Affiliated 501(c)(3)	NFH Board Staff
Aquatic Habitat Conservation National Policy	✓		
Coordination of the Partnership/Partnership Communications	✓		✓
Fundraising		✓	
Brand Development and Marketing		✓	
Advocacy	✓	✓	
FHP Review and Approval	✓		✓
FHP Guidance	✓		✓
FHP Umbrella Non-Profit		✓	
Conservation Project Support	✓	✓	✓
Science and Data	✓		✓

2.5 Liability

Forming a non-profit corporation protects the directors, officers, and members of the non-profit from personal liability for the corporation's debts and other obligations. Called limited liability, this shield ensures that anyone who obtains a judgment against the non-profit can reach only the assets of the corporation, not the bank accounts, houses, or other property owned by the people who manage, work for, or participate in the business.

Another important function for a non-profit corporation is to provide 501(c)(3) status to the 17 FHPs that currently do not have the status, through an umbrella relationship. In essence, the national non-profit would provide group exemption for affiliate "chapters" under an affiliation agreement. This would provide liability protection to the FHPs, reduce paperwork, eliminate redundant costs, and allow the FHPs to operate as autonomous units.

2.6 Agility

A non-profit corporation would provide the National Fish Habitat Partnership with a tool that could increase its overall agility, which is defined as the Partnership's ability to react to changing circumstances by taking advantage of strategic opportunities.

A non-profit corporation should be structured with relatively flexible organizational policies and governance to allow it to be proactive in the fundraising market place while pursuing its strategic objectives for advocacy and branding.

2.7 Financial Costs

It is anticipated that the start-up costs for establishing a non-profit would be up to $10,000 or more in attorney fees plus IRS filing fees of $750 and state fees. Some or all of these costs might be donated or provided in-kind by partners.

In addition to start-up costs, the long-term general and administrative (G&A) costs for a non-profit must be considered. The following expense list is based on an estimate of G&A requirements for a three person organization in the DC region, excluding labor costs.

TABLE 6. SAMPLE GENERAL AND ADMINISTRATIVE COSTS

Expense	Amount
Rent ($55/ft x 500/ft)	$27,500
Supplies	$2000
Duplication	$5000
Insurance	$4000
Bank Fees	$3000
Telephone	$2500

Expense	Amount
Audit	$10,000
IT	$2000
Website	$2000
Contingency	$2000
Meeting Expenses	$5000

It is important to remember, however, that these costs will be met through indirect cost recovery on grants and cooperative agreements managed by the non-profit. These costs are already incurred in current operations under the status quo model with the costs largely invisible under the affiliation agreements with the Association of Fish and Wildlife Agencies and the National Fish and Wildlife Foundation. The National Fish Habitat Board is currently paying between seven and 24 percent of its revenues to cover indirect costs. In 2013, as an example, that is estimated to be approximately $65,000.

2.8 Efficiencies

During the January 2013 FHP Organizational Development Workshop, there was significant interest expressed in the value of an umbrella non-profit to the FHPs. Efficiencies are discussed in that context.

Efficiencies can be found for the overall National Fish Habitat Partnership by consolidating the administrative requirements of the National Fish Habitat Board and at least 17 FHPs (one FHP has already gone through the expense of establishing its own non-profit corporation). As identified above the National Fish Habitat Board is already assuming general and administrative costs of approximately $65,000 annually. A new non-profit must operate within the existing G&A cost structure thus holding the line on short-term operational costs. Those costs will be continuous for as long as the National Fish Habitat Partnership is in operation but ultimately will rise based on the program structure of the non-profit plus inflation. From an efficiency perspective those prospective costs can be leveraged by providing the benefits of non-profit status to 17 FHPs.

In addition, securing one umbrella non-profit organization would limit the upfront expenses the FHPs would otherwise incur if they pursue their own non-profits. A back-of-the-envelope calculation would suggest that one non-profit would save a minimum of $85,000 in start-up costs (appx. $5000 x 17) and annual G&A costs of over $750,000 (appx. $45,000 x 17).

2.9 Prospective Costs

The long-term costs of operating a non-profit are generally unknown at this time, but there are certain long-term costs that must be considered. The chart below identifies some expected cost areas along with some assumptions for the Board to consider.

TABLE 7. LONG-TERM COST ASSUMPTIONS

Expense	Considerations
Personnel	It is assumed that a small non-profit, based in DC, would operate with a small staff. We would build a staff that could ultimately include a manager, a project specialist, and a communications and marketing coordinator geared at fulfilling the role of the non-profit. This would be done on a pay-as-you-go basis.
Travel	It can be assumed that the staff would be required to travel for NFHP purposes. As a comparison point, AFWA budgets appx. $1750/trip for estimating purposes.
Programs	The programs of the non-profit, based on the span of control identified in this document, would include grassroots advocacy, marketing, fundraising, and conservation project support. These programs would be direct costs for the non-profit and would drive the overall budget structure.

3 Fiscal Sponsorship vs. 501(c)(3)

This section lays out some of the distinctions between these two stages in program/organizational development. It is important to note, however, that the National Fish Habitat Board itself may already reside in a somewhat gray area between fiscal sponsorship and 501(c)(3) non-profit corporation status. The Board may in fact be operating as an unincorporated non-profit association (UNA) under the Uniform Unincorporated Non-Profit Act (UUNA) adopted by the District of Columbia.

An unincorporated nonprofit association is a legal entity distinct from its members and managers, which has perpetual duration unless the governing principles specify otherwise. An UNA has the same powers as an individual to do all things necessary or convenient to carry on its purposes and may engage in profit-making activities but profits from any activities must be used or set aside for the association's non-profit purposes.

3.1 501(c)(3) organizations

Organizations that meet the requirements of Internal Revenue Code section 501(c)(3) are exempt from federal income tax as "charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals. The term *charitable* is used in its generally accepted legal sense and includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.[5]"

Contributions made to charitable organizations by individuals and corporations are deductible under Code section 170. Every exempt charitable organization is classified as either a *public charity* or a *private foundation*. Generally, organizations that are classified as public charities are those that:

1. are churches, hospitals, qualified medical research organizations affiliated with hospitals, schools, colleges and universities;
2. have an active program of fundraising and receive contributions from many sources, including the general public, governmental agencies, corporations, private foundations or other public charities;
3. receive income from the conduct of activities in furtherance of the organization's exempt purposes; or
4. actively function in a supporting relationship to one or more existing public charities[6].

Private foundations, in contrast, typically have a single major source of funding and most have as their primary activity the making of grants to other charitable organizations and to individuals, rather than the direct operation of charitable programs.[7]

3.1.1 Forming a Non-profit Corporation

Forming a non-profit corporation is very similar to forming a regular corporation: articles of incorporation are filed with a state's corporations division, and federal and state applications for tax exemptions must be completed. The following steps need to be taken (not necessarily in this sequence):

1. Choose an available business name that meets the requirements of state law.
2. File formal paperwork, usually called articles of incorporation, and pay a small filing fee (typically under $125).
3. Apply for your federal and state tax exemptions.
4. Create corporate bylaws, which set out the operating rules for your non-profit corporation.
5. Appoint the initial directors. (In some states you must choose your initial directors before you file your articles, because you must list their names in the document.)
6. Hold the first meeting of the board of directors.

Obtain licenses and permits that may be required for your corporation.

3.1.2 Who Plays Which Roles in Running a Non-profit Corporation?

Most non-profit corporations are run by a board of directors—called trustees in some states. The directors' main role is to set policy for the non-profit and oversee areas like finance, strategic planning, and management-level hiring.

A non-profit corporation also has officers, who are usually appointed by the board of directors. Most non-profit corporations have a president, secretary, and treasurer, and some have other positions such as a vice-president or assistant secretary, depending on their needs and any state law requirements.

Officers may serve on the board of directors or they may be non-board members who play an active role in the day-to-day management of the non-profit. For example, the person appointed president could serve

[5] http://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/Exempt-Purposes-Internal-Revenue-Code-Section-501%28c%29%283%29
[6] www.irs.gov
[7] www.irs.gov

as the executive director of the non-profit in a paid staff position and be in charge of running the organization. Or the president could be the chair of the board (sometimes called the "president and chair of the board") whose primary role would be to run board meetings and oversee board matters. The same is true for the treasurer and secretary or any other officer position. These positions can be filled by people in board advisory roles or by non-board members who are paid staff and actively running the corporation. How this is handled in any particular non-profit is usually determined by the organization's articles of incorporation and bylaws. And some states have rules about officer positions—what officer positions are required, whether one person can hold more than one role, and whether paid officers can serve on the board.

Once an organization gets big enough, the board typically authorizes the hiring of a full slate of salaried personnel, including program staff, administrative assistants, and development staff.

3.1.3 Following the Rules on Corporate Behavior

Non-profit corporations must observe most of the same formalities as regular corporations. These include keeping good corporate records, holding and preparing minutes of directors' (and possibly members') meetings, and maintaining a separate bank account.

Unlike regular corporations, a non-profit corporation cannot distribute any profits to its members, or contribute money to political campaigns.

3.2 Fiscal sponsors

In the early 1990s, charities sought to maximize the ability of philanthropic entities to give by serving as "fiscal agents." This would allow organizations with no tax status to receive grants to do so through the services of a fiscal agent. However, the term, "fiscal agent" was deemed a misnomer because it implied that the project controls the non-profit. Instead, "to comply with tax-exempt law, the relationship must be the reverse; the charity must be in the controlling position, and the nonexempt project must act so as to further the charity's exempt purposes."[8]

The reason for that is that the term "fiscal sponsor" more accurately describes a relationship in which the non-profit chooses to support a project. A fiscal sponsor is a tax-exempt, non-profit corporation that receives and disburses funds for organizations that lack or will never have non-profit status, or for organizations that are en route to becoming non-profits, but need to temporarily have a fiscal sponsor. Fiscal sponsors can provide administrative and financial oversight, and "assume legal and financial responsibility for the activities of groups or individuals engaged in work that furthers the fiscal sponsor's mission."[9]

The National Network of Fiscal Sponsors provides guidelines for comprehensive fiscal sponsorship.[10] Key points are summarized below.

3.2.1 Comprehensive Fiscal Sponsorship Distinctions

The sponsored project becomes a program of the fiscal sponsor, (a distinct difference from the pre-approved grant relationship), and is a fully integrated part of the fiscal sponsor who maintains all legal and fiduciary responsibility for the sponsored project, its employees and activities. Any work product is available to the public or to the charitable sector. The fiscal sponsor assures funders that the purposes and any restrictions of all grants and/or contributions will be met.

[8] http://www.fiscalsponsorship.com/images/WCTEO_Gregory-Colvin.pdf
[9] http://www.tidescenter.org/fileadmin/tc_pdfs/nnfs/NNFS-Guidelines-for-Comprehensive-Fiscal-Sponsorship.pdf
[10] Ibid.

3.2.2 Guidelines and Recommended Best Practices

1. Public Interest Mission and Program Focus—The fiscal sponsor expresses a clear mission intended to advance the public interest; programs and related activities support that mission.
2. Legal, Tax and Regulatory Compliance—The fiscal sponsor fulfills all legal, tax and regulatory requirements of philanthropic and charitable non-profit organizations and complies with the letter and the spirit of all laws.
3. Fiscal Integrity—The fiscal sponsor manages all funds, assets and other resources under its control with a high degree of responsibility, integrity, transparency and accountability.
4. Administrative and Operational Integrity—The fiscal sponsor manages all administrative duties and responsibilities professionally and with a high degree of integrity and accountability.
5. Board Accountability, Ethical Conduct and Governance—The fiscal sponsor's board of directors governs ethically, avoiding conflicts of interest in conducting the affairs of the organization and in carrying out its legal, fiduciary and policy making responsibilities. This active and engaged board of directors serves as the ultimate governing body of all fiscally sponsored projects.
6. Assessing and Selecting Projects—The fiscal sponsor engages in a clear, systematic process when assessing and selecting projects for sponsorship.
7. Fiscal Sponsor Service Commitment to Projects—The fiscal sponsor pursues its public interest mission through the projects it sponsors; recognizes and respects project leaders for their knowledge, skill and expertise; and, places a high priority on encouraging and facilitating efficacy in its projects to achieve beneficial societal ends.
8. Expectations of Projects—The fiscal sponsor expects project leaders to adhere to clearly stated standards of ethical conduct, organizational policies and operational procedures.

3.3 Comparing Organizational Structures

Gregory Colvin, of Silk, Adler, and Colvin, (San Francisco, CA) is considered an authority on tax exempt organizations. He compared the factors that should be considered when an organization is debating the merits of different types of tax exempt structures.[11] Colvin's assessment considers the existing capacity of an organization (staff, resources), the type of project for which funding is sought, governance attributes, waiting period, and the particulars relative to how each type of tax exempt structure functions.

TABLE 7. COMPARISON OF A 501 (C) (3) ORGANIZATION WITH A FISCAL SPONSOR[12]

	501(c)(3)	Fiscal Sponsorship
1. Best option for	Projects with funding assured; program has track record, administrative and financial staff in place	New, experimental, incubating projects wanting administrative 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 and 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

[11] Note: Colvin describes several types of fiscal sponsor models; in the interests of time, his Model B is the model described in this report, as it best aligns with NFHP's current operations. The Partnership might be considered an independent contractor to the Association of Fish and Wildlife Agencies and the National Fish and Wildlife Foundation.
[12] Source: Gregory Colvin, Adler and Colvin, a Law Association, San Francisco, California.

	501(c)(3)	Fiscal Sponsorship
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 is submitted	No wait; once sponsor accepts your project, immediate
8. Cost	Attorneys fees (TBD), 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.
10. Charitable purpose required, no excessive private benefit	Yes	Yes
11. Public support test (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 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 administration, 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 non-profit corporation

4 Conclusion

As noted above, a deliberate yet phased approach to establishing a 501(c)(3) non-profit corporation to support the National Fish Habitat Partnership is recommended.

Over the past three years, the National Fish Habitat Partnership has entered a phase of organizational maturity. The Board's staff have noted that the Partnership seems to be "firing on all cylinders." We have achieved significant strides in governance, operations, and accomplishment. In addition, the Board is supporting the organizational development of the FHPs through a Multi-state Conservation Grant project led by AFWA, the USFWS, and The River Network.

The Board now has the opportunity to carefully launch a new phase in the program's maturity that provides needed tools, achieves efficiencies, and protects the work of the Board and the national partnership to date. When launched, a supporting non-profit organization will add to the strength of the program at low risk.