

This article presents general guidelines for Georgia nonprofit organizations as of the date written and should not be construed as legal advice. Always consult an attorney to address your particular situation.

Fiscal Sponsorship Separation Checklist

A fiscal sponsorship can be a valuable and efficient alternative to starting a nonprofit. There are many different types of fiscal sponsor relationships. Greg Colvin's book *Fiscal Sponsorship: 6 Ways To Do It Right* is one of the definitive resources on fiscal sponsorship. A synopsis of the book can be found [here](#). If you found a fiscal sponsor for your project, at some point and for any number of reasons, you may start to wonder about the possibility of going out on your own. This checklist briefly outlines some of the important considerations for various fiscal sponsorship projects that are contemplating separating from their fiscal sponsor. **Keep in mind that this is not an exhaustive list, but just a start.** Depending on your specific situation, the type of work you do and the type of relationship with your fiscal sponsor, some of the items on this list may not apply to you.

Step 1: Reflect: Take a step back and analyze why you want to separate.

- Sponsorship Fees: You pay a monthly fee to the sponsor for its services. Weigh this against the hard costs, in addition to the intangible and hidden costs of separation.
- Your Size: Engage in a thoughtful assessment of whether and how you have outgrown your sponsor's services.
- Poor Relationship: If your sponsor's services do not match what they agreed to provide, tactfully address this with your sponsor. Sometimes the sponsor may be able to meet your expectations or the contract terms after a discussion. But sometimes, your sponsor cannot.

Step 2: Feasibility Analysis: Determine whether you can financially and operationally manage everything your sponsor manages.

- Make a business plan to help you determine how you would operate independently. Your business plan should include specifics about how you would handle, provide and budget for: [payroll](#), accounting and bookkeeping, [employee benefits](#), [business insurance](#), office/programming space and technology.
- Research vendors for all of the administrative functions/ services outlined above as well as potential new banking relationships. Consider what roles you would hire employees to handle.
- Review your Fiscal Sponsorship Agreement ("FSA"), including the termination and intellectual property ownership sections. Are you able to take the program materials, trademarks, etc. with you if you leave? How do the termination provisions affect the timing for separation?

Step 3: Start That Paperwork: If you have put together your business plan and you are confident about the sustainability of an independent entity, then get started.

- Depending upon your situation, you may or may not be an entity already. If you are not, most likely you will need to incorporate as a Georgia nonprofit corporation with the [Georgia Secretary of State](#).
- Also depending on your situation, you may or may not be recognized by the IRS as a §501(c)(3) organization. If not, you will need to apply for and obtain recognition using [Form 1023 or Form 1023EZ before separating](#).
- Review your FSA again. You will need to provide written notice to your fiscal sponsor of your intention to separate based on the requirements of your FSA.

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Step 4: Prepare While You Wait: While you are waiting for your IRS determination letter, you will continue to operate under your fiscal sponsorship agreement.

- Depending upon what is in your FSA, begin discussions with your sponsor regarding the process for separation.
 - This may involve taking programming materials, trademarks, copyrights, processes and employees with you, obtaining or transferring donor lists, transferring websites, social media, accounting information and files (electronic and paper), etc.
 - It may also involve the transfer of real property and personal property.
- Based upon your negotiations, begin to move [forward](#) with all of the vendors/brokers that you decided to work with in Stage 2.
- Begin discussions with your existing workers to review the changes to their employment.
- Review (with an attorney) all of your legal documents and update or create [new policies](#) accordingly.
- Obtain any necessary [business licenses](#).

Step 5: Spread Your Wings: At the time of separation, begin operating independently.

- If you have employees, provide offer letters to them, obtain unemployment and workers compensation insurance, create an employee handbook and properly classify your workers.
- Migrate technology systems, websites and social media.
- Have funds, outstanding expenses and pledges transferred and establish fully independent accounting and financial systems including potentially new banking relationships.
- Register for [charitable solicitation](#) in Georgia and any other jurisdiction that requires you to register if you solicit in that jurisdiction.
- To the extent applicable, make sure all contracts, agreements and documents include your new corporate name and EIN number.
- Refer to [PBPA Resources](#).