

# Creating a US 501(c)(3) “Friends of” Organization vs. Opening a CAF America Friends Fund

	US 501(c)(3) “Friends of” Organization	CAF America Friends Fund
Incorporate as a U.S. Entity	Required	Not Required
Submit Form 1023 for IRS Registration	Required	Not Required
Recruit and maintain staff, independent 3-person Board of Directors	Required	Not Required
Maintain legal mechanisms to ensure independent status from foreign charity to address the conduit issue	Required	Included
File Yearly Auditing and Form 990 Submission	Required	Not Required
Apply for state-by-state Registration for Gift Solicitation (required in approximately 40 U.S. states)	Required	Included
Provide tax receipts to U.S. taxpayers	Required	Included
Total Annual Costs - First Year	>\$22,000 (Depending on legal costs - the annual cost can run from <b>\$15,000+</b> for registration. This doesn't include the state registration fees, which can be another <b>\$2,700</b> to <b>\$3,000</b> . Plus administrative costs.)	\$3,500 (\$2,500 thereafter) plus transaction charges

## US 501(C)(3) “FRIENDS OF” ORGANIZATION REGISTRATION PROCESS

1. Register your new organization in a U.S. jurisdiction, which includes:
  - a. Recruiting and naming a minimum 3-person Board of Directors for the organization
  - b. Obtaining legal advice to create the organization’s bylaws and file Articles of Incorporation
2. Fill out IRS Form SS-4 to apply for your EIN number
3. Apply for tax-exempt status using Form 1023, which involves:
  - a. Drafting an Organizational Narrative that makes a compelling case for your organization to receive the tax exempt status under Section 501(c)(3) of the tax code
  - b. Hiring legal advisors to ensure that Form 1023 is filled out correctly and increase the chances of a favorable ruling from the IRS
  - c. Ensure that your submission to the IRS addresses the “conduit issue”, wherein a “Friends of” Organization must be seen as sufficiently independent from the foreign entity and it must have sole control and discretion over any donations it receives from U.S. donors
4. Receive 501(c)(3) determination letter (often after months of waiting)
5. Register to legally receive donations in each state in which your organization will be soliciting donations. Approximately 40 U.S. states currently require some form of registration.
6. Receive first tax-exempt donation, issue tax-receipt

## CAF AMERICA FRIENDS FUND REGISTRATION PROCESS

1. Fill out CAF America’s Grant Eligibility Application
2. Pay initial setup costs \$1,000 plus \$2,500 annual fee
3. Receive first tax-exempt donation after organization has passed CAF America’s vetting protocols

For more information on “Friend of” Organizations vs. Friends Funds, please see CAF America’s [blog](#).