

To 501(c)3 or not to 501(c)3?

PROS	CONS
<ul style="list-style-type: none">• Tax exemptions• Limited liability for members and staff• May be easier to apply for and obtain grants and other funding• Existence not tied to individual members or partners• Possible eligibility for discounts on memberships, advertising and postage	<ul style="list-style-type: none">• Organizational overhead: paperwork, record-keeping requirements, and federal and state and reporting requirements• Filing fees for incorporating as a nonprofit entity• Staff and coalition members may become preoccupied with maintaining the nonprofit and be diverted from the work of the coalition

Appropriate legal and fiscal organization

There are both pros and cons to incorporating as a nonprofit organization—known under IRS guidelines as a “501(c)3” organization. While incorporating gives your coalition a measure of independent functioning and enables you to apply for and receive funding under your coalition’s name, it also carries the burdens of recordkeeping and reporting. Some coalitions attempt to achieve most of the advantages of incorporation—without the distress and cost of registering as a 501(c)3—by partnering with another local nonprofit or public agency as their fiduciary. This can be a highly successful interim approach for smaller coalitions or those in their early stages of development, or when the amount of money that passes through the coalition may be small. For some coalitions this partnership arrangement works so well that they never incorporate. However, others find they want or need an independent legal identity.

Regardless of whether your coalition decides to incorporate, you will need to have a clear plan and accounting procedures for monies the coalition receives and spends. If a fiduciary organization agrees to maintain the budget and books for your coalition, you will need to negotiate procedures and approval mechanisms for spending. If your coalition incorporates, you will not only need