

“Friends of” Organization vs. Friends Fund

CAF America can expedite charitable donations to more than **1.8 million organizations** in **120 countries** around the globe



Registering as a US 501(c)(3) organization is a burdensome process. Opening a Friends Fund with CAF America is not only a more cost-effective option — it is much simpler process, guided by our staff of dedicated professionals.

	US 501(C)(3) “FRIENDS OF” ORGANIZATION	CAF AMERICA FRIENDS FUND
Incorporation as a US Entity	Required	Not Required
Form 1023 for IRS Registration	Required	Not Required
Staff and independent Board of Directors of at least 3 people	Required	Not Required
Legal mechanisms to ensure independent status (address the conduit issue)	Required	Included
Yearly Form 990 Submission	Required	Not Required
Apply for state-by-state Registration for Gift Solicitation (required in approximately 40 US states)	Required	Included
Provide tax receipts to US taxpayers	Required	Included

*(Depending on legal costs, the annual cost can run from \$15,000+ for registration. This doesn't include the state registration fees, which can be another \$2,700 to \$3,000, plus administrative costs.) **(\$2,500 thereafter) plus transaction charges.

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

- Register your new organization in a US jurisdiction, which includes:
 - A) Recruiting and naming a minimum 3-person Board of Directors for the organization
 - B) Get legal advice to create the organization's bylaws and file Articles of Incorporation
- Fill out IRS Form SS-4 to apply for your EIN number
- 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) Ensuring 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 discretion over any donations it receives from US donors
- Receive 501(c)(3) determination letter (often after months of waiting)
- Register to legally receive donations in each state in which your organization will be soliciting donations. Approximately 40 US states currently require some form of registration
- Receive first tax-exempt donation, issue tax-receipt

CAF AMERICA FRIENDS FUND REGISTRATION

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 validation process



QUESTIONS?

To learn more about CAF America's bespoke services, contact us at info@cafamerica.org or call our office at **+1 202-793-2232**.