



# QUARTERLY NEWSLETTER

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## INSIDE FJC

### FJC Receives 4 Stars from Charity Navigator

At press time, FJC learned we received CN's highest rating – 4 stars! CN describes itself as the country's premier charity evaluator.

### Ben Marcus: FJC's new Staff Assistant

Ben received his B.A. in Business Administration from Emory University in May 2010.

Ben's career started early in the nonprofit sector. Before joining FJC, he was a Research Assistant for the Growth Philanthropy Network where he conducted research and recommended pursuing nonprofit partnerships that fit the organization's goals. Ben was a JCC Camp Counselor in Manhattan and worked for a publishing group.

## Giving USA 2012 Annual Report Shows Slight Growth in giving in 2011

**Giving USA** released its [Annual Report on Philanthropy for the Year 2011](#).

Researched and written by [The Center on Philanthropy at Indiana University](#), this edition of the report covers philanthropic activity in the U.S. across 10 nonprofit subsectors throughout 2011 and compares results to the previous 2010 year. While the economy has a significant impact in fundraising growth, it's encouraging that donors continue to be generous with donations despite the slow economic turn. The report seems to point in the right direction, giving nonprofits confidence that even in an uncertain economy, fundraising needs can still be met. The report concludes that there has been moderate growth when comparing results dollar for dollar in overall giving. Inflation, however, compromises this growth. The following are some highlights from this year's report:

- Overall charitable giving rose by 4.0% in 2011. With inflation, 2011 results were on par with 2010 with an increase of only 0.9%
- Bequests had the largest increase and factors for 8% of overall contributions. There has also been a slight decline in corporate giving; when inflation is factored, results show a decline of -3.1%
- 8 out of 10 subsectors saw an increase in giving, with International Affairs having the biggest jump of 7.6%

Sector	(+/-) 2010	(*/-) Inflation Factored In
International Affairs	7.6%	1.4%
Environmental & Animal	4.6%	1.40%
Art, Culture & Humanities	4.1%	1.00%
Education	4.00%	0.90%
Public-Society Benefit	4.00%	0.90%
Health-Related	2.7%	-0.40%
Human services	2.50%	-0.6%
Religion	-1.7%	-4.70%
Foundations	-6.1%	-8.90%

The free Executive Summary can be downloaded at [givingusareports.org](http://givingusareports.org). The full report is also available for purchase.

# Special Report

## IRS Advisory Committee on Tax Exempt and Government Entities Recommends Greater Use of Donor Advised Funds and Fiscal Sponsorship

([http://www.irs.gov/pub/irs-tege/tege\\_act\\_rpt11.pdf](http://www.irs.gov/pub/irs-tege/tege_act_rpt11.pdf))

FJC's two largest programs are its **Donor Advised Fund and Fiscal Sponsorship Program**. We were pleased to read that a recent IRS Advisory Committee is encouraging greater use of these philanthropic programs.

The Committee recommended that the IRS should coordinate with the Department of the Treasury on the issuance of precedential guidance about the use of tax-compliant alternatives to the creation of new Section 501(c)(3) organizations, such as fiscal sponsorships and donor-advised funds. The report noted that many regulators believe too many organizations seek recognition of exemption under Section 501(c)(3) without exploring possible alternatives that might be more appropriate in light of their goals and objectives. The Committee also observed that many small nonprofit organizations obtain recognition of exemption under Section 501(c)(3) to carry out activities of relatively short-term duration. Examples include organizations created to receive memorial contributions or to raise funds for a specific short-term project.. In these cases, the objective is to establish a way to receive charitable contributions for a specific, time-limited purpose “and not to create an organization that is intended to operate into the future.” While well-intentioned these organizations may be more vulnerable to fraud or theft because they lack basic internal controls.

Alternative structures, such as donor-advised funds, may meet the needs of families who want to create a charitable fund to receive memorial donations. Existing organizations may also act as fiscal sponsors for charitable projects in the community, as could other like-minded Section 501(c)(3) organizations. Either of these options—setting up a donor-advised fund or a fiscal sponsorship with an existing Section 501(c)(3) organization—offers many advantages. **Organizations such as FJC** “have the ability to receive charitable contributions for specific projects, the infrastructure to ensure compliance with applicable federal and state laws and adequate internal controls to ensure that the funds will be used for the intended charitable purposes.”

While the Committee was focused on reducing applications for 501(c)(3) status, it noted more guidance is needed. Although fiscal sponsorship arrangements are often used for large and sometimes complex projects, “the only precedential IRS guidance in this area has to be gleaned from a 1966 revenue ruling issued in the context of ‘American Friends’ organizations.”

Noting that “another useful alternative is the creation of a donor-advised fund as a vehicle to receive charitable donations that will be granted for a charitable purpose.” The Committee recognized that the IRS is currently working on guidance to implement the legislative changes affecting donor -advised funds that were made in 2006.

Such guidance could be a vehicle for confirming that donor-advised funds can be used, in appropriate cases, as alternatives to the creation of new Section 501(c)(3) organizations. “The use of a donor-advised fund to hold memorial donations is a perfect example, and the IRS will have an opportunity to communicate this by including appropriate examples about these types of uses in its donor-advised fund guidance.”

**FJC is proud to have more than a decade and a half of experience with both donor advised funds and fiscal sponsorships.** Despite the dearth of IRS guidance, FJC is widely recognized as a national leader of these programs. We encourage you to read more about our programs on our website.