

## Non-Profit and other Special funds for Cameron Park Airport District

As CPAD is a government agency it is subject to the laws and restriction of a Special District in the State of California. The district is able to seek various funding sources including fees, property taxes, grants and donation. Some of these funding sources can only be done as a governmental agency however some funding sources such as donations and some grants may more easily be obtained through other structures such as the use of a 501(c)(3). It is my understanding that government agencies cannot hold within its organizational structure a 501(c)(3). There are advantages and disadvantages to each structure as listed below. These are not the only advantages or disadvantage but highlight the major ones.

The district can collect and hold funds for the airports use.

Advantage to current structure

- (a) Nothing to do and minimal cost.
- (b) Easiest to obtain grant money.
- (c) Total control of all funds.

Disadvantage to current structure

- (a) Harder to get donations as donations are not tax deductible.
- (b) Some funding sources require 2/3 majority vote for approval

1. FOCA (Friends of Cameron Park Airport) is a 501(c)(3) non-profit organization. As such can accept donations for the benefit of the airport, but funds are property of FOCA. Such donations generally can be tax deductible (seek tax advice from professional to determine tax deductibility), which helps in soliciting donations. FOCA can set up a special account for all funds raised for airport district.

Advantage:

- (a) Non-profit already exist and no cost to district.
- (b) Less administrative work

Disadvantage:

- (a) Funds are controlled by FOCA so if non-profit has liability issues these funds could be in jeopardy.
- (b) If FOCA fails to distribute funds to airport district could create legal issue with donors but difficult for airport district to force release of funds.
- (c) If FOCA loses 501(c)(3) statues funds could become taxable.

2. Create new 501(c)(3)

Advantage:

- (a) Airport District can control non-profit and how funds are used. However, board of directors for non-profit should not be identical to Airport District. Some CPAD board members can be on non-profit but nonprofit board should include outside members. New non-profit should not be controlled by CPAD as IRS could invalidate non-profit statues if determined to be part of CPAD. Having outside board members is one step in resolving this issue.

Disadvantage:

- (a) Cost and time- would cost approximately \$1,500 and could be more, to have outside company completely setup new 501(c)(3) and takes 3 to 4 months (this cost and time based upon the development of my last non-profit).
- (b) Administration- the administration will take time and has some cost, annual regulatory fee, filing tax returns and banking cost.

If CPAD wanted to establish new non-profit the board could opt to create non-profit by filing required documents with IRS and Franchise Tax Board. The process is time consuming and takes expertise to create Articles of Incorporation, by-laws, and other required documents. These must first be filed with the IRS and get approved prior to filing with State of California.

Hiring an outside company that specialize in creating 501(c)(3) develop the non-profit will save a lot of time. These companies have a way, which cost extra, to fast tract the process down to about 3 to 4 months. The district would still be involved and would need to supply the company with documentation and information such as who the original board of directors would be.

Having an independent non-profit does require filing of tax returns along with other state filings. If the revenues are less than \$50,000 a short form returned is all that is required. Revenues above \$50,000 are required to fill full tax returns. No annual audits of non-profits are generally required unless donors and or grant organization mandate such.

The district may find that keeping the current structure and utilizing the benefits of a 501(c)(3) is the best way to go.