



# Governing in a Fiscally Sponsored Program

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# YNPN San Diego: Our Story

- Volunteer San Diego (2008 – 2011)
- Non Profit Management Solutions (2011 – 2014)
- Mission Edge (2014-)

# Fiscal Sponsorship

- Individuals or groups can be sponsored by an organization that already has 501(c)(3) status. Then, they can:
  - apply for and accept grants
  - accept tax-deductible donations
  - carry on other activities under the tax-exempt status of their sponsor
- Activities must be consistent with the exempt purposes of the sponsor.
- For example, a group that intends to provide services to homeless people cannot be sponsored by a 501(c)(3) that is tax-exempt for the purposes of providing classical music concerts.

# What are some of the services typically provided by fiscal sponsors?

- ❖ Federal, state and local tax & informational returns
- ❖ Receipt and acknowledgment of tax-deductible donations and grants
- ❖ Monthly financial statements
- ❖ Financial record-keeping
- ❖ Independent Audit
- ❖ Check processing and issuance for expenses, I-9s, 1099s
- ❖ Directors' & Officers, Volunteer, & General Liability Insurance
- ❖ Technical assistance on personnel issues
- ❖ General Administration
- ❖ Legal advice
- ❖ Grant progress reports

# What are the benefits of using a fiscal sponsor?

Groups may decide that using a fiscal sponsor makes sense for a variety of reasons;

- ❖ **Speed** - one could make arrangements in a day or less, although a couple of weeks is more typical.
- ❖ **Efficiency** – administration may be cheaper than doing it yourself – especially if you expect to be in existence for a short period of time.
- ❖ **Convenience** – focus on charitable activities instead of on infrastructure and administration.
- ❖ **Necessity** - There are some funding sources that will not fund brand-new groups. One way around this restriction is to become part of a group that has some history.

# What are the disadvantages?

Your "parent organization" may be legally responsible for everything you do.

Must comply with the terms of the grants you have been awarded and how you operate.

If you and your sponsor disagree, you may be forced to "do it their way".

The fiscal sponsor may also own the products of your work when you exit the relationship (again, this depends on the agreement).

Some foundations have policies that do not permit them to make grants through fiscal sponsors.

# How do I go about looking for a fiscal sponsor?

Some of the places to inquire about fiscal sponsorship services are:

- Local technical assistance provider such as the members of the California Management Assistance Partnership (C-MAP)
- Local community foundations
- Legal firms that specialize in nonprofits
- Prospective funders
- The internet under "fiscal sponsorship"

# Are there organizations that are "in the business" of fiscal sponsorship?

Yes. Some 501(c)(3)'s have received permission from the IRS to support "a very wide variety of charitable and educational activities". Fees and services can vary widely so it is important to understand each sponsor's "personality".

# Do we need an attorney to work out a fiscal sponsorship agreement?

- Have a written contract.
- Possibility of a standard contract.
- Includes how to terminate the relationship.
- Read the contract carefully and don't be afraid to ask the sponsor questions.
- Review of the document by an attorney paid to represent your interests is a good idea.

# What happens if we want to leave a fiscal sponsor?

- If you don't and later decide you want to leave you may find that the sponsor wants to keep the project but not you.
- Any good sponsorship agreement will have a mechanism to deal with how to terminate the relationship.
- Disclose legal restrictions on how the project's activities and assets are severed from the sponsor in the sponsorship agreement.

# What can a fiscal sponsor provide us that we could not do on our own?

- Useful advice and help point you in the right direction.
- Hopefully the sponsor will also have solid experience in the areas where they are providing services to you.
- If you wanted to put in the resources necessary to do everything on your own, you could do it all yourself.

# Our Research

SD Fiscal Sponsorship Providers	Services
<b>Del Mar Foundation</b>	Has acted as a 501(c)(3), or fiscal sponsor, to bring about an organization which should eventually stand on its own. Primarily 1 time projects, or are now a 501(c)(3) primarily for the Del Mar community.
<b>Media Arts Center SD</b>	Fiscal sponsorship is for members approved by a committee under the MACSD non-profit umbrella, tax deductible contributions from individuals.
<b>Mission Edge</b>	Info Technology for constituent tracking, financial and organizational structure set up, donor acknowledgment/donation processing, use of their facilities for meetings.
<b>Rancho Santa Fe Foundation</b>	Competitive grants only the orgs that align with their mission to improve the quality of life for residents of SD County and beyond. Grants are invitation only.

# Mission Edge

- <http://www.missionedge.org/fiscal-sponsorship/>



# Where can I find examples of a fiscal sponsorship agreements?

<http://www.northskynonprofitnetwork.org/sites/default/files/documents/Sample%20Fiscal%20Sponsorship%20Agreement.pdf>

- Please note that fiscal sponsorship policies and guidelines are unique to each fiscal sponsor and project. Still, you may find it helpful to see what issues are typically addressed in fiscal sponsorship agreements, so you can prepare yourself accordingly.

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# QUESTIONS?