



## **POLICY and GUIDELINES FOR ACCEPTING FISCAL SPONSORSHIP, PROGRAM AND PROJECT OPPORTUNITIES**

**Background:** The Community Foundation of Southern Indiana (the “Foundation”) recognizes the importance, beyond its role as grant maker, of Foundation involvement in and support of community initiatives and other charitable endeavors. Fiscal sponsorships provide a way for new charities without an IRS determination letter and community groups planning a specific project that is clearly charitable in nature with a means to raise funds and to appropriately and legally acknowledge gifts and pay expenses. However, the creation of a fiscal sponsor relationship involves acceptance of certain legal and fiduciary obligations on the part of the Foundation. In effect, the Foundation is adopting the program or project as its own program or project. Therefore, it is important to recognize that the Foundation is not the appropriate fiscal sponsor for every good work that is happening in the community. The Foundation’s ability to accept the fiscal sponsorship of a charitable project or group is limited by available staff time and resources, and by whether the proposed project or program furthers the mission and strategic objectives of the Foundation. All decisions about fiscal sponsorship will be made with the ultimate sustainability of the Foundation in mind. Therefore, the Foundation Board of Directors exercises great discretion over the specific projects that it selects for fiscal sponsorship, and may choose to provide a limited number of fiscal sponsorships only for charitable projects that are closely aligned with the Foundation’s vision, mission, strategic plan and capacity, and which are or can be made cost effective.

The establishment of a fund at the Foundation to accept contributions for a specific program or project does not, in and of itself, create a fiscal sponsorship relationship with the Foundation or create an endorsement by the Foundation of the program or project. For a program or project to become an official fiscal sponsorship of the Foundation formal action is required, in the form of a resolution, by the Foundation Board of Directors to adopt the program or project as a fiscal sponsorship.

Sponsorship services include the provision of non-profit status to a project (thus making contributions tax-deductible), the receipting and managing of contributions, and the authorization and payment of grants and expenses from the fund created for the project (which requires the Foundation to perform expenditure responsibility for each such payment). Sponsorship services do not include or imply administrative or fundraising support, or financial support.

The primary beneficiaries of sponsorship services are typically new charities without 501(c)(3) status and community groups planning a specific, or a finite project that is clearly

charitable in nature and in furtherance of the charitable purposes of the Foundation.

**Purpose:** The purpose of this policy is to describe the manner in which the Foundation will consider for approval the various types of fiscal sponsorships that may be requested.

### **Step 1. Application**

The Foundation requires any individual, corporation or group that would like to establish a fund for fiscal sponsorship purposes to complete an application. Information requested includes, but may not be limited to:

- Description of the program including purpose, goals and expected life span
- Fundraising plan
- List of advisory group members
- Current and future budgets
- Bylaws (if available)

An application form is available from the Foundation and must be submitted for review and approval. There is no charge to apply. Applications will be reviewed in a timely manner, dependent upon the other business of the Foundation. Applicants are encouraged to discuss their projects and applications with Foundation staff prior to submittal.

### **Step 2. Eligibility**

Upon receipt of the application information, the Foundation may first explore whether other more or equally suitable fiscal sponsors exist that might be willing to serve in that capacity. If so, applicants will be directed to the appropriate organization. This determination may from time to time occur before a formal application has been submitted, based upon initial conversations between the applicant and the Foundation.

### **Step 3. Qualifications**

Barring the identification of any willing alternative fiscal sponsors for the project, the Foundation will accept applications for fiscal sponsorship from applicants:

1. Soliciting and fundraising for time limited:
  - a. Capital projects that require a fiscal agent for one of the following reasons:
    - i. The group does not have its 501(c)(3) determination and does not intend to pursue such,
    - ii. The group has its 501(c)(3) determination but does not have the capacity to manage the amount of funds involved,
    - iii. Two or more entities are involved and desire a third party to act as fiscal sponsor, or
    - iv. A non-governmental fiscal sponsor is required to facilitate private sector support;
  - and
  - b. Non-capital projects that require a fiscal sponsor for one of the reasons described above;

2. Facing a specific time-sensitive opportunity or threat which cannot be resolved prior to obtaining their 501(c)(3) determination.

The Foundation discourages applications from groups in the process of seeking their 501(c)(3) determination from the Internal Revenue Service for which no special circumstance exists, and will not consider applications from individuals or from groups where an appearance of personal benefit exists.

To be considered, all fiscal sponsorship applications must:

1. Be consistent with the mission and priorities of the Foundation,
2. Be closely aligned with the objectives of the Foundation's current strategic plan,
3. Fit within the available staff capacity and Foundation resources,
2. Have a significant community benefit,
3. Include:
  - A basic business plan, including anticipated timing and distribution of funds,
  - A signed Fiscal Sponsorship Agreement (*see Attachment A – Fiscal Sponsorship Agreement*) including Foundation Services pricing that takes into account project duration (including any necessary modifications required for renewal options), processing needs, external grant applications, reporting requirements and other considerations, and will, at a minimum, cover all Foundation costs including staff time, and
  - A risk assessment acceptable to the Foundation Board,
4. Involve public acknowledgement on the part of the applicant group of the Foundation's role, and
5. Be formally approved by the Foundation Board by the adoption of a resolution.

#### **Step 4. Procedures/Guidelines**

The Foundation will be guided by the following guidelines, which are designed to protect the interest(s) of both donors and the Foundation. The Foundation reserves the right to either accept or decline any request for fiscal sponsorship. It also reserves the right to close out a fiscal sponsorship fund. *The Foundation will consider each situation individually.*

Exceptions to this policy may be made in extenuating circumstances and upon approval by the Foundation's Board.

1. The Foundation requests that interested applicants complete a detailed application form that includes (a) a description of the project; (b) its purpose, goals, and expected life span; (c) fundraising plans; (d) budget, bylaws, list of advisory group members and other organizational documentation satisfactory to the Foundation showing the applicant's separate existence as an organization; (e) and a concise statement of how the proposed fund meets the charitable purposes of the Foundation. The application should also explain if any feasible alternative is available for the fund, (i.e.) why does the applicant believe it is necessary to use the Foundation as a fiscal sponsor, and what are the

alternatives. Applicants are encouraged to discuss their projects and applications with Foundation staff prior to submittal. (*See Attachment B – “Application for Fiscal Sponsorship”*).

2. The Foundation’s staff will complete a preliminary review of the proposed project’s eligibility and will evaluate its alignment with the Foundation’s mission and strategic plan, its costs and its impact. Upon completion of that review, the Foundation’s Board of Directors or Executive Committee, whichever meets soonest upon completion of the staff review of the application, will review the application and decide whether to provide fiscal sponsorship. If the Board so decides, a fund agreement between the applicant and the Foundation will be completed and a restricted fund bearing the project’s name established. The project is then accounted for as “*The XYZ Fund, a project of The Community Foundation of Southern Indiana*” for IRS auditing, financial reporting, marketing, and fundraising purposes. It is required that groups credit the Foundation in publications and news releases or stories and follow the *Foundation’s Donor-Initiated Fundraising Policy* if seeking funding for the project. Likewise, the Foundation may give the project mention in the Foundation’s newsletter(s) and annual report.
3. Fiscal sponsor services will be extended by the Foundation for up to 18 months. At the end of 18 months, the services may be renewed through a modified application and renewal process. However, the fees charged for the fiscal sponsor services will be reviewed and adjusted, if necessary, annually. *See Step 5, Compensation.*
4. As fiscal sponsor, the fund will be deemed to be a fund of the Foundation and the Foundation is legally responsible for the project’s administration, management, and disbursement of funds. Typically, the Foundation assures programmatic oversight by authorizing an existing advisory group to fulfill that function. The Foundation may require a staff or Board member to attend the advisory group meetings. A roster of the group and minutes of meetings are to be forwarded to the Foundation.
5. When the Board resolves to provide fiscal sponsorship, it retains the right to approve payments from the fund created to carry out the purposes of the project. The project advisory group makes recommendations for the specific expenditures. The Foundation staff reviews the recommendations, exercises expenditure responsibility due diligence, and if staff concurs, authorizes payments.
6. The Foundation prepares receipts and acknowledgments for all gifts to the project fund in accordance with IRS regulations. If desired, the advisory group may then send their own custom thank-you letter to the donor. Tax deductions are only eligible on regular donations. The Foundation will provide regular financial reports to the Chair of the advisory group.
7. The Foundation will accept funds from private foundations and individual donors to assist them in administering specific programs of interest with the understanding that as long as the Community Foundation of Southern Indiana is the fiscal sponsor of the project,

disqualified individuals, as defined by the IRS, do not have any expectation of advising on expenditures from the created special projects fund.

8. Groups may apply to other funding sources under the auspices of the Community Foundation of Southern Indiana, but the Foundation is not in any way responsible for actual fundraising or for providing financial support for the project. Foundation staff must review in advance all fundraising plans and requests for funding. The advisory group, and not the Foundation, must provide any required reporting in situations where reporting is required on the use of contributed funds (as when a grant is awarded to the project from a foundation). In addition, all copy used in marketing or fundraising must be approved by Foundation staff. *Please reference our document "Donor Initiated Fund Raising Policy".*
9. All printed materials, including fundraising requests, must identify the project as "a fiscal sponsorship fund of the Community Foundation of Southern Indiana." One copy of all pieces used in fundraising efforts (annual appeal letters, brochures, invitations, advertisements, etc.) should be sent to the Foundation for its records.
10. Any asset donated for the purpose of creating or adding to fiscal sponsorship funds constitutes an irrevocable gift and becomes the property of the Foundation. The Foundation has exclusive legal control over all contributed assets of fiscal sponsorship funds. By virtue of the fiscal sponsorship arrangement, all contributions to the fund qualify for the maximum charitable deduction allowed by law.
11. The Foundation will not be responsible for any debts incurred by the organization/project, nor will it release any funds in amounts greater than the current balance of the Fund at any time.
12. The applicant organization assumes responsibility for event costs and all insurance. The Foundation must be named as one of the additional insured as the organization or projects funds are assets of the Foundation.
13. In the event of federal and/or state regulation changes, fiscal sponsorship guidelines will be amended to fully comply with required regulations.
14. If the organization or project ceases or materially changes operation, the balance remaining in the fund will be directed to the successor charities, as noted on Fiscal Sponsorship Exhibit A document, following approval of the Foundation's Board of Directors.

#### **Step 5. Compensation**

For administrative costs associated with handling a fiscal sponsorship fund, the Foundation generally charges a minimum fee of \$250.00 per month for the first year. However, a project may be charged an increased first year fee depending on staff's estimate of actual costs projected to be incurred during the first year. Actual administrative costs in excess of the first year fee charged to the project will be considered the Foundation's contribution to the

community project. In each subsequent year, using the support required in the previous year as guidance, the fee will be determined on a case-by-case basis, depending on the anticipated level of effort required to service the fund. Fees are calculated quarterly and deducted quarterly. The Foundation reserves the right to modify this fee at any time, should administration of the Fund prove to be more time-consuming or costly than anticipated.

**The Basic Legal Rules:** When any donor makes a gift or grant to a secondary grantee (such as a charitable project), by first routing it through an intermediary grantee (such as the Foundation), the IRS, the Internal Revenue Code and the relevant Treasury regulations consistently apply a basic legal principle - if the gift or grant is “earmarked” and the intermediary grantee does not “exercise control” over the funds, then the gift or grant is treated as if it had been made directly by the donor to the secondary grantee. A gift or grant is “earmarked” if it is subject to an agreement, either written or oral, whereby the donor binds the intermediary grantee to transfer the funds to the secondary grantee (or to use the funds to assist a specific individual). To say it another way: a donor cannot do indirectly what he or she cannot legally do directly. The intermediary grantee (the Foundation) must, by law, be vigilant to confirm the charitable nature of the secondary grantee(s), and not simply a passive conduit for such funds.

#### **Acknowledgement/Exceptions:**

The Foundation understands that adopting this policy may mean that some good and charitable works in the community which seek to operate under the Foundation’s auspices may not be permitted to do so because they are not closely aligned with the Foundation’s mission and/or Strategic Plan objectives, or they cannot cover their costs or maintain long term sustainability.

The Foundation understands that the need for exceptions arises from time to time. In the event that an exception to this policy is requested, the Foundation will consider such requests on a case by case basis.

Approved by the CFSI Executive Committee  
December 17, 2015



By: Gary T. Banet, Secretary