What is a Fiscal Sponsor Fund?

- ”Fiscal Sponsorship” describes an arrangement where a tax-exempt organization, usually a charity, accepts contributions for the purposes of a project that is spearhead by someone outside the charity but that furthers the sponsor’s own charitable purposes.
- Sponsor agrees to accept contributions **designated for the project’s purpose**, **gives the project access to those contributions** under the sponsor’s oversight, and usually provides administrative and logistical support for the project
- In turn, the project agrees to use this funding from the sponsor to perform the charitable program it has proposed
- **<u>Sponsoring charity is in the drivers seat</u>**, responsible for and legally in control of the funds raised for the tax-exempt purpose pursued by the project. The sponsor must own the funding and have full discretion and control over the use of this funding, and exercise reasonable oversight over the project activities.
- Community foundation’s may offer fiscal sponsorships, among other services to promote philanthropy and charitable work in their localities. Often not having more than a general programmatic or geographic interest in the projects
- Funds are raised for a charitable purpose not for the project leaders, committee or external entity
- **<u>Fiscal sponsorship is not directly addressed in the Internal Revenue Code and thus the IRS does not have an approval process for fiscal sponsorships</u>**

Full Discretion and Control Means:

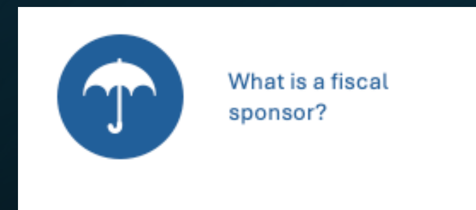
What is a fiscal sponsor?

The sponsor’s board of directions must retain the legal right to withhold disbursements to the sponsored project if it determines, for example that the sponsored project is misusing the funds or is no longer capable of performing the charitable purposes for which the money was raised

The sponsor can re-direct the funds to a different project – i.e., different project leaders – for the same charitable purpose. It can also grant the money out to anther fiscal sponsor, again to perform the same charitable purpose

This control, authority, and responsibility of the sponsor begins when the fund is opened and ends when the fund ends.

Reasons for Fiscal Sponsorship



THE INCUBATED PROJECT

THE PERPETUAL PROJECT

THE ONE-TIME-EVENT PROJECT

THE QUICK-LAUNCH PROJECT

Fiscal Sponsor Funds

Recommended framework/recourse for violations of Foundation policy by component funds

What is a fiscal sponsor?

Two Models

- Model A (comprehensive) and Model C (preapproved grantee)

BCF - Model A

- Reasonable Oversight of a project: The sponsor's board of directors must retain the legal right to withhold disbursements to the sponsored project if it determines
  - Preapproved Grantor/Grantee relationship to extend the the charitable mission of the Foundation

Administrative and financial Management

- Liable for staff (if any)
- Activities that carry an inherently higher risk (e.g., program for children)
  - Additional insurance require

Improper use of fiscal sponsorship examples:

- Funds being raised for purpose other than what the fund was approved and set up to accomplish
- Fiscal Sponsor advisors using funds for personal benefit
- Funds used to raise support for or against political party, candidate or issue-oriented campaign (lobby)
- Funds being used for a purpose that goes against the mission, vision, and values of the BCF