



# Side Project Inc.

## FISCAL SPONSORSHIP & MANAGEMENT PROGRAM

### *WHAT IS FISCAL SPONSORSHIP & MANAGEMENT?*

A fiscal sponsor is a tax-exempt, nonprofit corporation that receives and disburses funds for programs that may or may not be incorporated. As a fiscal sponsor, Side Project provides administrative and financial services to these groups, which may lack administrative capacity. Having a fiscal sponsor can benefit a group that is not tax-exempt by providing a pathway for it to receive funding.

### *HOW DOES FISCAL SPONSORSHIP & MANAGEMENT WORK?*

A newly formed nonprofit finds another nonprofit (one that is already tax-exempt and generally has a similar mission) that agrees to accept the administrative responsibility of receiving charitable gifts on behalf of the sponsored organization. The fiscal sponsor must first determine that serving as a fiscal sponsor is consistent with its mission (and does not jeopardize its own tax-exempt status).

The sponsored organization arranges with the fiscal sponsor to receive grants or contributions on its behalf. This arrangement allows the sponsored organization to solicit contributions to support its programs, with the understanding that the donation will be made to the fiscal sponsor, not to the sponsored program/organization directly. Since the fiscal sponsor is tax-exempt, the donor's contribution will qualify as a deductible contribution.

Using a fiscal sponsor satisfies IRS requirements as long as the fiscal sponsor maintains the right to decide, at its own discretion, how it will use the contribution and, in fact, uses it consistently with its own tax-exempt status. Maintaining control over the donated funds is a requirement of a legitimate fiscal sponsor arrangement.

## *IS FISCAL SPONSORSHIP RIGHT FOR MY PROJECT?*

- Groups may choose to be a project of a fiscal sponsor because it is more efficient than operating as a stand-alone organization.
- Some groups choose to be a project because their work is short-term (such as a film project).
- In other cases, the group wishes to be a project of a fiscal sponsor until such a time that it can incorporate as an independent nonprofit organization.
- Fiscal sponsorship might be chosen by a newly formed nonprofit that seeks to test-drive its ideas or operate less formally than what is required of groups that make the commitment to apply for tax-exempt recognition from the IRS.
- Some organizations remain in a fiscal sponsorship relationship for a long time, deciding that their mission can be achieved in that structure without the need to be recognized by the IRS as an independent tax-exempt entity.
- Finally, some organizations—including those that are tax-exempt—find that utilizing a fiscal sponsor to outsource administrative responsibilities, whether back-office tasks or those relating to fundraising and disbursement of funds, is the right business model for them.

## *WHAT ARE THE FEES?*

Our fees for fiscal sponsorship typically fall within the range of 10% to 15% of the project budget. This fee is based on the nature and complexity of the project and on the specific services that will be provided. The fee and the services being provided will be clearly described in the Fiscal Sponsorship Agreement.

## *WHAT SERVICES DOES FISCAL SPONSORSHIP INCLUDE?*

The basic service of fiscal sponsorship is administering and accounting for project funds. This includes managing incoming money as well as paying bills and expenses. Once a quarter, an Income Statement and Balance Sheet will be provided to sponsored organization. Project staff will have online access to view their project bank accounts.

## ***WHAT ARE MY ROLES AND RESPONSIBILITIES IF MY PROJECT DECIDES TO HIRE SIDE PROJECT AS OUR FISCAL SPONSOR?***

As a nonprofit Side Project has a duty to carry out its activities and operations in a way that advances our charitable and tax exempt purpose and has a positive benefit in the communities we work in. Side Project's mission is to support socially-minded people and organizations that are engaging in charitable, philanthropic, or educational activities by providing legal and administrative support. As such, you must agree to only engage in activities that have a charitable or philanthropic purpose. Additionally, sponsored organizations are required to track and document project outputs and outcomes. Side Project staff members are here if you have any questions regarding the charitable or tax-exempt purpose of your group's projects or programs, and how to capture and measure your impact.

Your project is included on Side Project's annual federal tax return. This means that all income and expenses must be accounted for. You will keep track and document expenses as they arise. This includes keeping receipts or invoices for ALL project-related expenses.

At this time, Side Project does not carry general liability or event liability insurance. This means that you are responsible for your project and the events you conduct. It is advised that you contact an insurance salesperson to learn more about the types of event liability insurance available. Side Project staff members are happy to work with the insurance agent to try and secure coverage for you event.

For a summary of you roles and responsibilities see the *Chart of Work Responsibilities* below.

### ***HOW ELSE CAN SIDE PROJECT HELP MY PROJECT OR ORGANIZATION?***

In addition to managing your project's finances, Side Project staff can help in a variety of other administrative-type roles too. We offer competitively priced legal and administrative support services, such as help with charitable registration and fundraising laws, charitable foundation and grant research, and program development and evaluation services.

### ***WHAT IS THE NEXT STEP?***

Side Project Inc. is selective in our fiscal sponsorships. We support socially minded groups and people who are doing their part to make their community a better place to live for everyone. Included with this information sheet is a link to a short application. If you or your project is interested in having your project managed by Side Project, please complete the project description and send it to [jeff@sideprojectinc.org](mailto:jeff@sideprojectinc.org). Your application will be reviewed by the Side Project Finance Committee within 30 days, after which we will call you to discuss your project.

### ***I WANT TO KNOW MORE ABOUT FISCAL SPONSORSHIP.***

Below are some links we have found useful to understanding what a fiscal sponsorship is.

- E-Learning Course "Guide to Fiscal Sponsorship" (<http://grantspace.org/Classroom/Online-Classes/Guide-to-Fiscal-Sponsorship>)
- Council of Nonprofits: (<http://www.councilofnonprofits.org/fiscal-sponsorship>)

### **REFERENCES:**

*Fiscal Sponsorship Field Scan*, The Tides Centers. Available at: [http://www.tides.org/fileadmin/user/pdf/WP\\_FiscalSponsorFieldScan.pdf](http://www.tides.org/fileadmin/user/pdf/WP_FiscalSponsorFieldScan.pdf)

*Fiscal Sponsorship*, Council of Nonprofits, (<http://www.councilofnonprofits.org/fiscal-sponsorship>)

Roles and responsibilities should be negotiated and documented in a written agreement. Every sponsorship is different, but these are the basics:

## Fiscal Sponsorship: Who Does What?



As fiscal sponsors, tax-exempt organizations can provide infrastructure and support for a start-up project or new organization, as well as a home for that organization's donations.

## CHART OF WORK RESPONSIBILITIES

<b>Activities</b>	<b>Side Project Staff</b>	<b>Sponsored Organization Staff</b>
<b>Receiving &amp; managing all project-related funds</b>	√	
<b>Managing grant reporting requirements</b>	√	
<b>Acknowledging/thanking donors</b>		√
<b>Tracking expenses and submitting documentation</b>		√
<b>Writing grants &amp; fundraising</b>		√
<b>Reviewing grant proposals</b>	√	
<b>Creating a logic model for project</b>	√	
<b>Tracking and documenting output and outcomes</b>		√