

Sample Fiscal Sponsor Contract

Agreement for Fiscally Sponsored Project

This agreement is between the ABC Organization (the Sponsor) and the XYZ Project (the Project). Having determined that the goals of the XYZ Project are within the mission of the ABC organization, the ABC Organization board of directors has resolved to sponsor this project and has established a restricted account to receive and disburse funds solely for the purpose of carrying out the objectives of the XYZ Project.

Both parties agree to the following conditions:

1. It is understood that the Project is a program of the Sponsor. The Sponsor will assume responsibility for the proper expenditure and accounting of funds spent for Project activities and shall be responsible for ensuring that Project activities are within the charitable purpose of the Sponsor.
2. All grants, contributions, and other funds earmarked for the Project shall be received by the Sponsor and disbursed according to the Project budget.
3. In exchange for administrative and accounting services as outlined below, the Sponsor will receive 10 percent of the funds contributed for Project activities.
4. The Project will make quarterly reports to the Sponsor regarding activities carried out by the Project. All grant proposals and donor solicitation efforts will be approved by the Sponsor.
5. The Sponsor will pay Project staff under its regular payroll procedures. Project staff will be employees of the Sponsor and will be employed under the rules described in the Sponsor's personnel policies. The Sponsor will make federal and state tax deposits and report earnings as required.
6. The Sponsor will approve and pay consultant fees within five days upon receipt of an invoice cosigned by the Project director. Consultant payments will be reported annually to state and federal tax authorities.
7. The Sponsor will prepare checks for bill payment within five business days of receipt of a check request. Proper receipts or invoices must be attached to check requests.
8. The Sponsor will prepare quarterly income/expense statements to report financial activities of the Project.
9. This agreement will begin on January 1, 2001 and continue until dissolved by either party by giving 60 days notice.

Sponsor Executive Director Date

Project Representative Date

After looking over the chapter on fiscal sponsorships it may behoove the Springfield Lions Club to just collaborate with "bags of love" since all the money is going to "bags of love" and we are merely just running a project in the auspices of their behalf with them acting as the benefactor. Please note: that this document was created using speech to text software (Dragon natural speak) and therefore may contain some context errors.

Using a fiscal sponsor: an alternative approach

If you are simply interested in providing a servant has, maybe you don't want to waste your time with the bureaucratic and legal matters that can complicate a new nonprofit startup. Or maybe you have a project that will end after a year or two, or you simply want to test the viability of an idea. Why bother to establish a new organization if it's going to close when you finish your project?

You may not need to start a nonprofit to carry out the program you're thinking of starting. Fiscal sponsorship may be the best route to take. In this approach, your new project becomes a sponsored program of an existing 501(c)(3) nonprofit organization. Contributions earmarked for your project are tax deductible because there may be the sponsoring agency.

Here's a hypothetical example. Joanna Jones, a paralegal for a Chicago law firm, has an interest in immigration law and wants to provide part-time assistance to recent immigrants from South Asia who are having visa problems. She has created an annual budget and spoken to several funders who have expressed a desire to make three-year grants to the project. However, in order to accept funding, Jones must either create a 501(c)(3) organization or find an alternative. Someone suggested that she seek a fiscal sponsor as that alternative. After doing some research, she contacted the Angeline community center, a nonprofit organization that provides health and other services to low income groups, including the immigrant population she hopes to help. The community center agreed to become the fiscal sponsor. The foundation funders made their grants to Angeline community center, earmarked for the immigration counseling program.

Jones now provides immigration counseling services under the auspices of the Angeline community center. Under this agreement, the community center provides basic accounting services for the project and is ultimately responsible to the funders to ensure that their grants are used as they were intended.

Important points to ponder

A fiscal sponsor or sometimes is called a "fiscal agent," but this term doesn't accurately described the relationship between a fiscal sponsor in the sponsored project. The term "agent" implies that the sponsoring organization is acting on behalf of the project, when really the project is acting on behalf of the organization. The project is simply a program of the sponsoring nonprofit. This distinction may seem nitpicky, but it is an important one to keep in mind in order to satisfy IRS requirements for this type of relationship. The 501 (small C) (3) sponsoring organization is responsible to both the funders and the IRS to see that the money is spent as intended and that charitable goals are met.

Here are important points to keep in mind if you decide to go the fiscal sponsor route:

1. The mission of the fiscal sponsor must be in alignment with the project. In other words, if you have a project to provide free food to the homeless, don't approach your local philharmonic orchestra as a potential sponsor. Find a nonprofit that has similar goals and its mission statement.
2. The Board of Directors of the sponsoring organization must approve the sponsorship arrangements. They are, after all, ultimately responsible.
3. Both parties should outline a contract or memorandum of understanding detailing the responsibilities of each.

4. The fiscal sponsor customarily charges a fee for sponsoring a project, usually between five and 15% of the projects annual revenues depending on what services it's providing to the project. Some fiscal sponsors can provide payroll services, office space, and even management support, if needed.

5. Contributions to the sponsored project should be written to the sponsor, with a note that instructs that they be used for the project.

Some foundations are reluctant to order it grants to fiscally sponsored projects, even announcing in their guidelines that they won't do it. One reason for this reluctance is there concern that boards of the sponsoring organizations exercised less oversight towards fiscal sponsorships than they do towards their agencies other programs. Those foundations also may be concerned that the sponsoring nonprofits are providing convenient access to 501 (small C) (3 close parentheses status to entities that don't qualify for that tax status from the IR capital as. Not all foundation said these prohibitions. Some, in fact, are proponents of fiscal sponsorship as a way of supporting new ideas and timely programs.

Fiscal sponsorship as a first step

Using fiscal sponsorship as a temporary solution while establishing a new nonprofit corporation and acquiring a tax exemption can be an effective approach for the following reasons:

1. You avoid the. When you have a nonprofit corporation that no tax exempt status.
2. You have an opportunity to test the viability of raising funds for your idea.
3. You have time to establish an organizational infrastructure and to create a board of directors in a more leisurely manner.
4. You can pay more attention to building your program services in the crucial beginning stages of your project.