



Pro Bono Partnership of Atlanta
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What You Need to Know About Fiscal Sponsorships

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What is Pro Bono Partnership of Atlanta?

- Free legal assistance for nonprofit organizations in Metro Atlanta
- To be eligible, the organization must be:
 - Nonprofit and 501(c)(3) tax-exempt
 - Primarily serving the poor & disadvantaged
 - Unable to pay for legal services without significant impairment of program resources
- Visit us on the web at www.pbpatl.org



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What is a Fiscal Sponsor?

- Tax-exempt entity that agrees to accept donations on behalf of another entity, usually non-exempt (the "Project")

Why Have a Fiscal Sponsor?

- Receive tax-deductible donations before or in lieu of obtaining tax-exempt status
 - New groups unsure of viability
 - Groups intending to operate for only a short time
- Project lacks administrative experience or infrastructure
- Alleviate donor wariness to funding start-ups and add credibility to new organization
- Individuals seeking grants and donations (such as independent filmmakers)

Requirements for a Fiscal Sponsor

- Must retain supervision and control of funds (cannot just be a pass-through)
- Must ensure that funds are used in manner that furthers sponsor's own mission

Pros and Cons for Project

- Pros
 - Allows project to focus on program itself
 - Having established sponsor will lend credibility to project
 - Guidance and support from sponsor
 - Easy to terminate project
- Cons
 - Loss of autonomy
 - Some funders won't give grants through fiscal sponsors
 - Fiscal Sponsor will withhold administrative fee (usually 5-15%)

Benefits/Risks to Sponsor

- **Potential Benefits to Sponsor**
 - Project may enable sponsor to expand its own services/programs
 - Sponsor will share benefits and honors from project's success
 - Sponsor may attract new donors because of project
 - Revenue

Benefits/Risks to Sponsor

- **Potential Risks to Sponsor**
 - Legal responsibility for project
 - Held accountable for use of all donations
 - Tax-exempt status is jeopardized

Services That May be Provided by Fiscal Sponsor

- **Financial**
 - Tax returns and accounting
 - Donation acknowledgments
 - Bookkeeping
- **Insurance**
- **Human Resources Administration**
 - Benefits packages
 - Payroll processing
- **General Administration**
 - Legal services
 - Fundraising assistance
 - Office space and equipment



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Two Common Models

- **Direct Project**
 - Project belongs to sponsor and is implemented by employees and volunteers
 - Project is not a separate legal entity
- **Pre-approved Grant Relationship**
 - Project is a separate legal entity, not 501c3
 - Sponsor agrees to accept donations on behalf of project and grant those funds to project under terms of grant agreement



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Fiscal Sponsorship Agreement

- **Written Agreement**
- **Sets out WHO is Responsible for WHAT?**



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Fiscal Sponsorship Agreements

- **Should Cover:**
 - Whether project is incorporated
 - Maintenance and release of funds
 - *Necessary documentation and time to ensure proper use of funds*
 - Type and frequency of reporting by project
 - Type and frequency of reporting by sponsor
 - Means of inspection and access to records
 - Any requirements of grantor

Fiscal Sponsorship Agreements

- **Should Cover (continued):**
 - Timeline and consequences if not met
 - Grant proposal responsibilities
 - Other services provided by sponsor
 - Whether project can lobby
 - Tax reporting
 - Administrative fees

Fiscal Sponsorship Agreements

- **Should Cover (continued):**
 - Will project staff be employees of project or of sponsor?
 - Amount of supervision and control sponsor will retain
 - Insurance and liability/indemnification
 - Ownership of tangible and intangible assets of project
 - Duration and termination of agreement

Fiscal Sponsorship Variations

- **Technical Assistance**
- **Group Tax Exemption**
- **Supporting Organization**
- **Independent Contractor Project (common with artists and filmmakers)**

Keep in Mind

- Missions must be consistent
- Sponsor retains control of funds
- Sponsor may take percentage of donations to cover risks
- Need detailed fiscal sponsorship agreement

Resources

- Gregory L. Colvin, *Fiscal Sponsorship: 6 Ways To Do It Right*, Study Center Press, 2005.
www.fiscalsponsorship.com
- http://foundationcenter.org/getstarted/faqs/html/fiscal_agent.html
- <http://www.compasspoint.org/askgenie/index.php?tpid=8>
- <http://www.probonopartnership.org/publications/Fiscal%20Sponsorship.htm>
