

## **FISCAL SPONSORSHIP**

North Dakota Council on the Arts (NDCA) grant programs Community Arts Access Tier 1 & 2, Special Projects, and Institutional Support accepts applications from informal or unincorporated arts groups using a fiscal sponsor.

Applicants applying with a fiscal sponsor are required to provide a written, signed fiscal sponsorship agreement and the sponsor's IRS recognition letter. NDCA program officers will review all sponsorship materials as part of the application eligibility review process.

### **The fiscal sponsorship agreement must include:**

- A statement that the fiscal sponsor retains complete discretion and control over the use of funds and is not legally required to distribute funds for the benefit of the fiscally sponsored organization.
- A description of the responsibilities of both applicant and fiscal sponsor in carrying out the project.
- Termination provisions that indicates what the process is and provisions for who will own the project assets in the case of a separation.
- An indication of fiscal sponsor administrative fees, if any, charged to the applicant.
- Signatures of both the fiscal sponsor and applicant.

In addition, good fiscal sponsorship agreements often contain the following:

- Information about how funds for the fiscally sponsored organization will be held and tracked, and information on how those funds can be accessed and who can do so.
- Other legal matters:
  - How conflicts are resolved.
  - How amendments to the agreement are handled.
  - Dates or timeframe for the sponsorship.
  - What happens if the sponsored project is dissolved.
  - Any restrictions on lobbying or political activity.
  - Intellectual property and ownership rights.
- Who is responsible for:
  - Fundraising, and any guidance for doing so
  - Filing reports to donors
  - Filing taxes
  - Paying expenses
  - Maintaining insurance
  - Ancillary/support services provided (e.g., accounting, grants management, and marketing)
- Any required project reporting from the fiscally sponsored organization to the fiscal sponsor.
- Required record retention.

### **What is Fiscal Sponsorship**

Fiscal sponsorship, at its core, is when a nonprofit organization extends its tax-exempt status to select groups engaged in activities related to the organization's mission. Most often, fiscal sponsorship is used by organizations, individuals, or collaborations who are doing charitable work but who want an alternative to becoming a 501(c)(3) organization with the IRS.

In a fiscal sponsorship arrangement, the sponsor accepts tax deductible donations and grants on behalf of the sponsored project/organization. The sponsor accepts responsibility for the use of those funds and ensures their application toward charitable purposes, along with any additional donor restrictions. To ensure this is not merely a pass-through of charitable dollars from the 501(c)(3) to the project, the IRS requires that the sponsor have “complete discretion and control” over the funds.

Fiscal sponsors often offer additional services and supports to their sponsored projects; the range of services provided varies by sponsor. Most fiscal sponsors charge sponsored projects a fee to offset the additional cost. Generally, that fee is somewhere between 5%-10% of all funds held on behalf of the sponsored group. – *“A Board's Guide to Fiscal Sponsorship”* by Propel Nonprofit and Springboard for the Arts

### **Identifying a Fiscal Sponsor**

The most important criteria when entering into an agreement with a fiscal sponsor is the mission fit. The mission of your project must further the mission of the fiscal sponsor. As a project, you need to know the scope of your work so you can select a fiscal sponsor that offers the appropriate services for your project's needs.

## **FISCAL SPONSORSHIP RESOURCES AND PROGRAMS**

### **National Network of Fiscal Sponsors**

The National Network of Fiscal Sponsors promotes the understanding and professional practice of fiscal sponsorship. <http://www.fiscalsponsors.org>

### **Guidelines for Pre-Approved Grant Relationship Fiscal Sponsorship by National Network of Fiscal Sponsors**

<http://www.cascadepacific.org/shop/wpimages/nfs-guidelines-for-pre-approved-grant-fiscal-spon>

This document was developed, with extensive input from the field, by a subgroup of fiscal sponsors, many of whom are arts organizations, who primarily or exclusively practice this model of fiscal sponsorship.

### **Fiscal Sponsorship Directory**

A national directory of nonprofits offering fiscal sponsorship: <https://fiscalsponsordirectory.org/>

### **Fractured Atlas**

Fractured Atlas is a national arts service organization based in New York with many great professional development services for artists, including fiscal sponsorship. You can find out more at: <https://www.fracturedatlas.org/>

### **Tides Center**

The Tides Center is “The nation’s largest fiscal sponsor of progressive initiatives,” operating more than 200 projects nationwide. Their website includes resources, information, and advocacy for fiscal sponsorship: <https://www.tides.org/impact-partners/>

### **Propel Nonprofits**

A Minnesota-based organization that serves North Dakota, South Dakota, Iowa, Wisconsin, and Minnesota, that provides reliable infrastructure and financial and regulatory oversight, plus ongoing training and support as a part of their fiscal sponsorship program:

<https://www.propelnonprofits.org/fiscal-sponsorship/>

**North Dakota Community Foundation**

<https://www.ndcf.net/partner/fiscal-sponsorship.html>