

**So you're
considering fiscal
sponsorship?**

NEW YORK LAWYERS FOR THE PUBLIC INTEREST

NYLPI



FISCAL SPONSORSHIP GUIDE¹

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¹This document is not exhaustive or all-inclusive and is intended for general guidance only. For more information, please consult qualified legal counsel.



So you're considering fiscal sponsorship?

What is fiscal sponsorship?

Fiscal sponsorship is a formal arrangement in which an existing U.S. tax-exempt organization (the "Fiscal Sponsor") enters into an agreement with an individual, group or organization seeking to raise tax-deductible funds to conduct a charitable project (the "Sponsored Project") either prior to or without incorporating or obtaining recognition as a tax-exempt organization from the Internal Revenue Service (the "IRS"). A Fiscal Sponsor will only accept an individual, group or organization as a Sponsored Project if the charitable project furthers the Fiscal Sponsor's own charitable purposes.

In the typical fiscal sponsorship arrangement, a Fiscal Sponsor accepts contributions for the Sponsored Project and makes periodic grants to the Sponsored Project in response to specific funding requests, with the Sponsored Project required to report back to the Fiscal Sponsors periodically about the use of the granted funds. Under another kind of fiscal sponsorship arrangement (not discussed in this guide), a Fiscal Sponsor conducts the Sponsored Project directly using its own employees and volunteers and by directly paying expenses of the Sponsored Project.

Who should consider fiscal sponsorship?

Fiscal sponsorship is advisable for:

- Groups or organizations that want to test the viability of their charitable projects. In general, because there is no need to create and administer a separate tax-exempt organization, fiscal sponsorship can be a time-efficient and cost-effective way for a group or organization to determine whether sufficient funds can be raised so as to justify applying for tax-exempt status;
- Groups or organizations intending to operate charitable projects only for a short time. Instead of spending time and money obtaining tax-exempt status, these groups or organizations can get their projects underway more quickly and at less cost through fiscal sponsorship;



- Groups or organizations lacking administrative experience or “back office” capacity; and
- Individuals seeking grants and donations for discrete charitable projects (e.g., independent filmmakers).

What are the benefits of fiscal sponsorship?

Benefits to a Sponsored Project:

Fiscal sponsorship allows a Sponsored Project to focus on the development of its project and activities, while the Fiscal Sponsor provides administrative expertise and accepts contributions for the Sponsored Project’s benefit.

Fiscal sponsorship can bring the following benefits to a Sponsored Project:

- Ease in creation, administration, and termination of the Sponsored Project;
- Tax deductions for donors (because donations are made to the tax-exempt Fiscal Sponsor);
- Processing and acknowledgment of donations;
- Access to fundraising expertise and additional funding opportunities; and
- Increased credibility of the Sponsored Project.

On the other hand, fiscal sponsorship brings:

- Loss of identity for the Sponsored Project: The Sponsored Project may be perceived as a program run by the Fiscal Sponsor;
- Loss of legal ownership over donations: The Fiscal Sponsor maintains ownership and control over all donations it receives (donors are permitted to request, but not direct, that their donations be used for a Sponsored Project); and
- Potential source of concern for supporters: Some funders may not want to provide financial support through a Fiscal Sponsor.

Benefits to a Fiscal Sponsor:

Fiscal sponsorship can bring the following benefits to a Fiscal Sponsor:

- Attract new donors because of a Sponsored Project;



- Share attention and honors from a Sponsored Project's success;
- Leverage existing administrative capacity; and
- Further and highlight the Fiscal Sponsor's own mission.

What other services can a Fiscal Sponsor provide to a Sponsored Project?

The Fiscal Sponsor may also provide the following services to a Sponsored Project:

- Financial services (e.g., accounting/bookkeeping, tax filings, etc.);
- Administrative/Human resources services (e.g., staff, payroll processing, employee benefits, training services, insurance, legal advice, etc.);
- Office space;
- Publicity; and
- Capacity building (e.g., assist a Sponsored Project in developing the necessary organizational capabilities to ultimately become independent).

How much does a Fiscal Sponsor charge?

A Fiscal Sponsor typically charges a monthly or annual administrative fee based on the amount of donations received to support the Sponsored Project. This fee is often calculated as a percentage of donations received (generally no higher than 10%). A Fiscal Sponsor may also charge an initial "set-up" or due diligence fee.

How to I find the right Fiscal Sponsor for my project, group or organization?

An individual, group or organization looking for a Fiscal Sponsor should consider tax-exempt public charities meeting the following criteria:

- Mission consistent with the project that you are planning to develop;
- Experience in sponsoring projects similar to your project;



- Sufficient financial resources and staff to fulfill its responsibilities; and
- Established and tested sponsorship policies and procedures.

What does a fiscal sponsorship agreement typically include?

Although a fiscal sponsorship agreement is not required, it is strongly recommended in order to formally outline the rights and liabilities of both parties.

Fiscal sponsorship agreements should cover:

- Solicitation of funds;
- Maintenance and release of funds to the Sponsored Project;
- Grant requests by the Sponsored Project;
- Use of funds by the Sponsored Project;
- Recordkeeping and reporting by the Sponsored Project;
- Fees charged by the Fiscal Sponsor;
- Support services provided by the Fiscal Sponsor;
- Liability/indemnification;
- Duration and termination of the fiscal sponsorship; and
- Use of names and other intellectual property.

Do I need an attorney to have a Fiscal Sponsor?

A Fiscal Sponsor often has a standard sponsorship agreement. As the terms and conditions of the fiscal sponsorship arrangement, including the rights and liabilities of the parties, will be set forth in the agreement, it is advisable to have qualified legal counsel review the agreement before you sign it.

If I use a Fiscal Sponsor and later chose to become independent, what steps will I need to take?

If your group or organization decides to become independent and seek tax-exempt Status for the Sponsored Project, you should consult qualified legal counsel. Obtaining



tax-exempt status involves forming an organization under state law (if that has not already been done) and filing complex forms with the IRS (including the IRS Form 1023 referenced below). Once exempt, the organization will need to comply with annual filing requirements and satisfy other administrative responsibilities going forward.

If your group is not yet incorporated, the first step would be incorporation. After incorporating, and taking a number of other organizational actions, your organization would then seek to obtain recognition from the IRS of its tax-exempt status under section 501(c)(3) of the Internal Revenue Code. To do this, an organization generally must prepare and file IRS Form 1023 (Application for Recognition of Exemption) and pay an \$850 filing fee. Organizations whose annual gross receipts are not expected to exceed \$50,000 in any of their first three years may be eligible to file the much shorter and simpler IRS Form 1023-EZ (Streamlined Application for Recognition of Exemption) and pay a \$400 filing fee.

Need a Lawyer?

New York Lawyers for the Public Interest works with nonprofits and community groups in the New York City area and beyond to connect them with the resources of expert law firms. Contact NYLPI's Pro Bono Clearinghouse at 212-244-4664.

More information on incorporating and seeking recognition of exempt status can be found in the New York Lawyers for the Public Interest's guide *So You're Thinking of Forming a Nonprofit Organization?*.



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For more information contact:

New York Lawyers for the Public Interest

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NYLPI

www.nylpi.org



APPENDIX

New York City Area Fiscal Sponsors

ASTRAEA LESBIAN FOUNDATION FOR JUSTICE

116 East 16th Street, 7th floor
New York, NY 10003
(212) 529-8021
info@astraeafoundation.org
<http://www.astraeafoundation.org>

Issue Areas: People or communities of color/minorities; Political advocacy/social justice; Women.

BROOKLYN ARTS COUNCIL

55 Washington Street, Suite 218
Brooklyn, NY 11201
(718) 625-0080
<http://www.brooklynartscouncil.org>

Issue Areas: Arts and culture: specific projects by individual artists or arts groups forming as non-profits; activities of Brooklyn-based cultural organizations that are in the process of incorporating as nonprofits; specific cultural projects undertaken by for-profit organizations, that are nonprofit in nature and demonstrate strong benefit to Brooklyn residents.



CENTER FOR TRANSFORMATIVE ACTION

119 Anabel Taylor Hall
Cornell University
Ithaca, NY 14853
(607) 255-6202
www.centerfortransformativeaction.org

Issue Areas: Project must demonstrate an innovative approach to addressing a social issue.

CINE QUA NON

Westbeth 463 West Street #646B
info@incite-pictures.com
<http://www.incite-pictures.com>

Issue Areas: Arts and culture; Education; Festivals and events; Political advocacy/social justice.

THE FIELD

75 Maiden Lane, Suite 906
New York, NY 10038
(212) 691-6969
<http://www.thefield.org>

Issue Areas: Performing Arts: Theatre, Music, Dance, Performance Art, Multi-disciplinary & Hybrid Performance Work.

FJC – A FOUNDATION OF PHILANTHROPIC FUNDS

520 Eighth Avenue, 20th floor
New York, NY 10018
(212) 714-0001
fjc@fjc.org
<http://www.fjc.org/>

Issue Areas: Education; Intergroup relations; Health services; Social services; Religion; Science; Arts and Culture; Environment and any other project that is



operated exclusively for any activity defined by section 501(c)(3) of the Internal Revenue Service code.

***go-to sponsor**

FRACTURED ATLAS

248 W. 35th Street, 10th Floor
New York, NY 10001
(888) 692-7878
support@fracturedatlas.org
<http://www.fracturedatlas.org>

Issue Areas: Arts and culture.

FUND FOR THE CITY OF NEW YORK

121 Avenue of the Americas, 6th Floor
New York, NY 10013
(212) 925-6675
mmccormick@fcny.org
<http://www.fcny.org>

Issue Areas: The Incubator/Partner Project Program provides support to: (i) start-up organizations so they can concentrate their energy and resources on program and fundraising; (ii) organizations that are already incorporated but find themselves diverted from their mission because of unrelenting back office and administrative demand; or (iii) organizations that want to “outsource” their fiscal, administrative and human resource functions.

THE GLOBAL CENTER – THE INTERNATIONAL CENTER FOR GLOBAL COMMUNICATIONS FOUNDATION, INC.

PO Box 677
New York, NY 10035
(212) 246-0202
roc@globalvision.org

Issue Areas: Arts and culture; Education; All projects Global Center sponsors must fit with their mission to use media to educate and advance global communication and well-being.



INDEPENDENT FILMMAKER PROJECT INC. (IFP)

68 Jay Street Room 425
Brooklyn, NY 11201
(212) 465-8200
<http://www.ifp.org>

Issue Areas: documentary films and other works of nonfiction; short films; low-budget fiction/narrative features (50 minutes+) that are either: a) able to be fully financed by donations and grants alone (generally projects under \$3million); or, b) fundraising only for a discrete portion of the project’s budget (usually development); transmedia/multi-media projects with film/video as a primary component of the work.

MADRE

121 West 27th Street, # 301
New York, NY 10001 USA
(212) 627-0444
madre@madre.org
<http://www.madre.org>

Issue Areas: Disaster relief; Economic development; Environment/sustainable growth; Health/nutrition; International development; People or communities of color/minorities; Women; Youth development.

NEW YORK FOUNDATION FOR THE ARTS

20 Jay Street, 7th Floor
Brooklyn, NY 11201
(212) 366-6900
<http://www.nyfa.org>
<http://www.artspire.org>

Issue Areas: Arts and culture; All disciplines as long as the project or organization has arts-related activities.



NEW YORK LIVE ARTS

219 W 19th St.
New York, NY 10011
(212) 691-6500
<http://www.newyorklivearts.org>

Issue Areas: Arts and culture; Dance; Theater; Individual artists

NEW YORK WOMEN IN FILM & TELEVISION – NYWIFT

6 East 39th street, suite 1200
New York, NY 10016
(212) 679-0870 ext. 39
info@nywift.org
<http://www.nywift.org>

Issue Areas: Arts and Culture; Women; support educational, artistic or charitable purposes.

OPEN SPACE INSTITUTE INC. (OSI)

Citizen Action Program
1350 Broadway, Suite 201
New York NY 10018
(212) 290-8200 ext. 307
citizenaction@osiny.org
<http://www.osiny.org>

Issue Areas: Assists environmental groups that: protect natural habitats; make cities more livable; enhance local communities; provide environmental education; connect people with the land.

***go-to sponsor**



PENTACLE

75 Broad Street, Suite 304
New York, NY 10004
(212) 278-8111
john@pentacle.org
www.pentacle.org

Issue Areas: Dance and theater. Pentacle has three different fiscal sponsorship programs featuring different combinations of services: Foundation for Independent Artists, Unique +, and Unique Projects.

PUBLIC INTEREST PROJECTS

45 W 36th Street, 6th Floor
New York, NY 10018
(212) 378-2800
mguzman@publicinterestprojects.org
www.publicinterestprojects.org

Issue Areas: Focuses on a variety of social justice issues, including immigration reform and integration, educational equity, human rights, racial justice, and racial and gender equity, among other issues.

ROCKEFELLER PHILANTHROPY ADVISORS

6 West 48th Street, 10th Floor
New York, NY 10036
(212) 812-4330
info@rockpa.org
www.rockpa.org

Issue Areas: Projects must be aligned with RPA’s mission, expertise, values, and policies. In addition, projects generally need to have a duration of at least one year and have an annual budget of \$1 million or more.



TIDES CENTER

55 Exchange Place, Suite 402
New York, NY 10005
(212) 509-1049
nyinfo@tides.org
<http://www.tides.org/>

Issue Areas: environmental sustainability; social justice; human rights; health and community development; global warming, AIDS treatment and prevention, and economic disparity.

***go-to sponsor**

ADDITIONAL RESOURCES FOR FINDING A FISCAL SPONSOR

Fiscal Sponsorship Directory
<http://www.fiscalsponsordirectory.org/>