



## **Fiscal Sponsorship**

The Orcas Island Community Foundation primarily awards grants to organizations that qualify for exemption as a public charity under Section 501(c)3 of the Internal Revenue Code. However, OICF recognizes that not every charitable endeavor has the infrastructure required to become a formal tax exempt organization. Additionally, OICF promotes collaboration and supports organizations to work together on a common endeavor. Frequently, these collaborative efforts require a Fiscal Sponsor or lead organization to accept grant funding on behalf of project. Therefore, OICF *will consider* funding a Fiscal Sponsor for a project conducted by an organization or collaboration.

### **What is Fiscal Sponsorship?**

Fiscal Sponsorship an arrangement between a 501(c)(3) registered nonprofit organization and a project (that does not have that tax status) in which, typically, the nonprofit receives and expends funds to advance the charitable work of the project while retaining discretion and control over the funds.

### **The Role of the Fiscal Sponsor**

The Fiscal Sponsor must have 501(c)3 non-profit tax status. The Sponsor is considered the Grantee by OICF, and therefore is responsible for all legal aspects of the grant. As the Grantee, the Fiscal Sponsor agrees to be accountable to OICF for the programmatic and financial outcomes of the grant. All information requested in the application for the applicant organization, including the EIN number, is that of the Fiscal Sponsor.

Fiscal Sponsors should be well-informed of the risks and have the organizational structure and capacity to manage and accept these risks before agreeing to serve as a Fiscal Sponsor.

The mission statement of the Fiscal Sponsor must align with the mission statement of the Sponsored Organization (project, organization, individual or collaboration) it represents. OICF's Grant contract is between OICF and the Fiscal Sponsor. A condition of the grant requires the Fiscal Sponsor and the Sponsored Organization/Program it serves to establish the clearest possible understanding regarding each of their roles and responsibilities, and requires a copy of an agreement between the Fiscal Sponsor and Sponsored Organization prior to releasing grant funds.

Before entering into a Sponsorship, it is recommended that both the nonprofit and the project coordinators consider the following-

- How does the project match up with the mission of the sponsoring organization?
- What are the benefits to both sides?
- Is the relationship merely fiscal -- a pass through for the project for funding -- or are there other aspects to it like staffing and facilities? If so, what part of the funding is committed to offset the sponsor's costs?

The agreement should be drawn up so that everyone is clear on the roles and expectations for both parties. There is no single right way to structure a sponsorship -- it depends on the needs of both the project and the sponsoring organization. Attached is a sample Fiscal Sponsor Agreement that may be used for this purpose. Alternative agreements may be used; however, all of the components in this agreement must be included.

### **Fiscal Agents**

Calling a nonprofit a ‘fiscal agent’ implies that the project controls the nonprofit. To comply with tax-exempt law, the relationship must be the reverse; the charity must be in the controlling position, and the nonexempt project must act so as to further the charity’s exempt purposes.

OICF does not award grants to organizations affiliated with Fiscal Agents *unless* the charitable organization has qualified for exemption as a public charity under Section 501(c)3 of the Internal Revenue Code (the “Grantee”). The exempt organization (Grantee) may contract with a Fiscal Agent to provide various administrative services for the Grantee. However, OICF’s grant contract is between OICF and the tax exempt 501(c)3 Grantee and not the Fiscal Agent. The Grantee is accountable to OICF for all programmatic and financial outcomes of the grant.

**Questions** If you have any questions call OICF at 360-376-6423 or email [info@oicf.us](mailto:info@oicf.us).