

# What You Need to Know About Fiscal Sponsorships

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## Mission of Pro Bono Partnership of Atlanta:

*To provide free legal assistance to community-based nonprofits that serve low-income or disadvantaged individuals. We match eligible organizations with volunteer lawyers from the leading corporations and law firms in Atlanta who can assist nonprofits with their business law matters.*

## Pro Bono Partnership of Atlanta Eligibility & Other Information

- *In order to be a client of Pro Bono Partnership of Atlanta, an organization must:*
  - Be a 501(c)(3) nonprofit organization.
  - Be located in or serve the greater Atlanta area.
  - Serve low-income or disadvantaged individuals.
  - Be unable to afford legal services.
- Visit us on the web at [www.pbpatl.org](http://www.pbpatl.org)
- *Host free monthly webinars on legal topics for nonprofits*  
To view upcoming webinars or workshops, visit the [Workshops Page](#) on our website

# What is a Fiscal Sponsor?

- ***Tax-exempt entity that:***
  - Agrees to accept donations on behalf of non-exempt entity
  - Retains supervision and control of funds (cannot just be a pass-through)
  - Ensures that funds are used in manner that furthers sponsor's own mission

## Why Have a Fiscal Sponsor?

- *Receive tax-deductible donations before obtaining tax-exempt status*
- *Program lacks necessary infrastructure*
  - Staff
  - Accounting/bookkeeping
  - Fundraising capabilities
- *Alleviate donor wariness to funding start-ups*
- *Add credibility to new organization*

## Who Should Use a Fiscal Sponsor?

- *New groups unsure of viability*
- *Groups intending to operate for only a short time*
- *Groups lacking administrative experience*
- *Individuals seeking grants and donations (such as independent filmmakers)*

# What to Look for in a Fiscal Sponsor

- Similar mission
- Demonstrated interest in fiscal sponsorship and in projects similar to yours
- Sufficient financial resources and staff
- History of support from funders
- Strong policies and procedures

# Services That May be Provided by Fiscal Sponsor

- ***Financial***
  - Tax Returns
  - Donation Acknowledgments
  - Bookkeeping
- ***Insurance***
- ***Human Resources Administration***
  - Benefits Packages
  - Payroll Processing
- ***General Administration***
  - Legal Advice
  - Grant Progress Reports



# Benefits/Risks to Sponsor

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

# Benefits/Risks to Sponsor

- ***Potential Risks to Sponsor***
  - Legal responsibility for project
  - Held accountable for use of all donations
  - Tax-exempt status is jeopardized
  - Not a good idea for a new 501(c)(3)

# 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 Sponsorship Agreement

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

# Fiscal Sponsorship Agreements

- ***Should Cover:***
  - Whether project is incorporated
  - Maintenance and release of funds
  - Type and frequency of reporting by program
  - Grant proposal responsibilities
  - Other support 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

## 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://www.fiscalsponsorship.com)
- [http://foundationcenter.org/getstarted/faqs/html/fiscal\\_agent.html](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>



## **For More Information:**

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