

## **Fiscal Sponsorship Policy**

Adopted by the Board of Directors on October 22, 2018

### **Background**

Kitsap Community Foundation recognizes the importance, beyond its role as grantmaker, of Foundation involvement in and support of community initiatives and other charitable endeavors. Fiscal sponsorships are common to community foundations. They are also essential to meeting the changing opportunities and needs of the Kitsap community. The Foundation is eager to fulfill this role in appropriate circumstances consistent with its vision, mission and capacity.

Sponsorship services include the provision of non-profit status to a project (thus making contributions tax-deductible), the receipting and managing of contributions, and the authorization and payment of grants and expenses from the fund created for the project. Sponsorship services do not include extensive administrative or fundraising support, or financial support.

The primary beneficiaries of sponsorship services are typically new charities without 501(c)(3) status and community groups planning a specific or a finite project that is clearly charitable in nature and in furtherance of the charitable purposes of the Foundation.

### **Purpose**

The purpose of this policy is to describe the manner in which the Foundation will consider acceptance of and manage the various types of fiscal sponsorships that may be requested.

### **Eligibility**

The Foundation will first determine whether a different more suitable fiscal sponsor exists and might be willing to serve in that capacity. If so, applicants will be directed to the appropriate organization. Barring any such alternatives, the Foundation:

1. Will accept completed and satisfactory applications for fiscal sponsorship from groups fundraising for time limited:
  - a. Capital projects that require a fiscal agent for one of the following reasons:
    - i. The group does not have its 501(c)(3) determination and does not intend to pursue such,
    - ii. The group has its 501(c)(3) determination but does not have the capacity to manage the amount of funds involved,
    - iii. Two or more entities are involved and desire a third party to act as fiscal agent, or
    - iv. A non-governmental fiscal sponsor is required to facilitate private sector support; and
  - b. Non-capital projects that require a fiscal agent for one of the reasons described above;

2. Will consider applications from groups in the process of seeking their 501(c)(3) determination from the Internal Revenue Service and be particularly receptive to such organizations that are facing a specific time-sensitive opportunity or threat which cannot be resolved prior to obtaining their 501(c)(3) determination, and
3. Will not consider applications from individuals or from groups where an appearance of personal benefit exists.

In order to be accepted by the Foundation, a fiscal sponsorship must:

1. Be consistent with the mission and priorities of the Foundation,
2. Have a significant community benefit,
3. Include:
  - A basic business plan, including anticipated timing and distribution of funds,
  - A signed Fiscal Sponsorship Agreement including a Foundation fee amount that takes into account the project duration (including any necessary modifications required for renewal options), processing needs, external grant applications, reporting requirements and other considerations, and will, at a minimum, cover all Foundation costs including staff time, and
  - A risk assessment acceptable to the Foundation Board,
4. Involve public acknowledgement on the part of the applicant group of the Foundation's role, and
5. Be approved by the Board.

## **Two Types of Sponsorships**

Most fiscal sponsorships will fall into one of two types: Model A – Direct Project or Model C – Preapproved Grant Relationship.<sup>1</sup> A “Model B – Independent Contractor Relationship” is a subcategory of Model A. Regardless of the type of sponsorship, each fiscal sponsorship will be a “fund” on the books of the Foundation.

The Foundation prefers Model C sponsorships. A Model C sponsorship requires that the sponsored project be a legal entity. Under a Model C sponsorship, the Foundation preapproves a grantmaker relationship with the organization. The Foundation does not in this situation own the sponsored project.

In situations where the organization/project/group requesting sponsorship is not a legal entity, the Foundation may consider using a Model A sponsorship; however, the Foundation may only enter into a Model A sponsorship if the legal, reputational, and other risk created by the sponsorship is fully explored by the Foundation and found to be of an acceptably low level. Under a Model A sponsorship, the sponsored project legally becomes a project or program of the Foundation, any staff employed for the project become staff of the Foundation, etc.

## **Fiscal Sponsorship Versus Pass-Through Fund**

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<sup>1</sup> See *Fiscal Sponsorship: 6 Ways to Do it Right*, by Gregory L. Colvin, Study Center Press, 2005.

It is easy to confuse a fiscal sponsorship fund with a pass-through fund.

A project that is being conducted by an organization that has its own 501(c)(3) status would not need a fiscal sponsorship. For instance, if a 501(c)(3) organization wants the Foundation to act as a “fiscal agent” for a large capital campaign, that “fiscal agent” relationship would not take the form of a fiscal sponsorship. Instead, it would take the form of an agency pass-through fund. Fiscal sponsorships are only needed when the funding raised under the fiscal sponsorship is going to be used for a project that does not have its own 501(c)(3) status or an organization that is not itself a 501(c)(3).

Likewise, if a group of people approach the Foundation with a desire to raise funds for a different 501(c)(3) organization, that would not require a fiscal sponsorship. In this case, the relationship would take the form of a designated pass-through fund or a donor advised fund and the Foundation’s “Donor Initiated Fundraising Policy” would apply.

### **Procedures/Guidelines**

The Foundation will be guided by the following guidelines, which are designed to protect the interest(s) of both donors and the Foundation. The Foundation reserves the right to either accept or decline any contribution to a fiscally sponsored project or organization. It also reserves the right to close out a fiscal sponsorship. The Foundation will consider each situation individually. Exceptions to this policy may be made in extenuating circumstances and upon approval by the Foundation’s Board.

1. The Foundation requires that interested groups complete a detailed application form that includes (a) a description of the project; (b) its purpose, goals, and expected life span; (c) fundraising plans; (d) budget, bylaws, list of advisory group members and other organizational documentation; (e) and a concise statement of how the proposed fund meets charitable purposes. The application should also explain if any feasible alternative is available for the fund, (i.e.) why does the organization/project believe it is necessary to use the Foundation as a fiscal sponsor, and what are the alternatives? Applicants are encouraged to discuss their projects and applications with Foundation staff prior to submittal. (*See Attachment A – “Application for Fiscal Sponsorship”*)
2. The Foundation’s CEO will review the application and decide whether to forward the fiscal sponsorship to the Foundation’s Board of Directors for approval. If the Board approves a fiscal sponsorship, a fund agreement between the applicant and the Foundation will be completed and a restricted fund bearing the project’s name established. The project is then accounted for as “*The XYZ Fund, a project of Kitsap Community Foundation*” for IRS auditing, financial reporting, marketing, and fundraising purposes. It is required that groups credit the Foundation in publications and news releases or stories. Likewise, the Foundation may give the project mention in the Foundation’s newsletter(s) and annual report.
3. Fiscal sponsor services will be extended by KCF for up to 18 months. At the end of 18 months, the services may be renewed through a modified application and renewal

process.

4. When the Foundation provides a fiscal sponsorship, it retains the right to approve payments from the fund created to carry out the purposes of the project. The project advisory group makes recommendations for the specific expenditures (for a Model A sponsorship) or make requests for grants (for a Model C sponsorship). The Foundation staff reviews the recommendations, and if staff concurs, authorizes payments or grants.
5. The Foundation prepares receipts and acknowledgments for all gifts to the project funding in accordance with IRS regulations. If desired, a custom thank-you letter can accompany the acknowledgment. Tax deductions are only eligible on regular donations and deductible portion of events (i.e. dinner cost \$20 but tickets cost \$100 -- \$80 is tax deductible, \$20 is considered program revenue). KCF will provide regular financial reports to the key member of the advisory group.
6. The Foundation will accept funds from private foundations and individual donors to assist them in administering specific programs of interest with the understanding that as long as Kitsap Community Foundation is the fiscal sponsor of the project, disqualified individuals, as defined by the IRS, do not have any expectation of advising on expenditures from the fund.
7. Groups may apply to other funding sources under the auspices of the Foundation, but the Foundation is not in any way responsible for actual fundraising or for providing financial support for the project. Foundation staff must review in advance all fundraising plans and requests for funding. In addition, all copy used in marketing or fundraising must be approved by Foundation staff.
8. All printed materials, including fundraising requests, must identify the project as “a fiscal sponsorship of Kitsap Community Foundation” or similar language. One copy of all pieces used in fundraising efforts (annual appeal letters, brochures, invitations, advertisements, etc.) should be sent to KCF.
9. Any asset donated for the purpose of creating or adding to a fund constitutes an irrevocable gift and becomes the property of KCF. KCF has exclusive legal control over all contributed assets of fiscal sponsorship funds. All contributions to the fund qualify for the maximum charitable deduction allowed by law.
10. KCF will not be responsible for any debts incurred by the organization/project, nor will it release any funds in amounts greater than the current balance of the fund at any time.
11. Organization assumes responsibility for event costs and all insurance. KCF must be named as one of the additional insured as the organization or projects funds are assets of KCF.

## **Foundation Fees**

The Foundation charges a fee to be determined on a case-by-case basis, depending on the anticipated level of effort required to service the fund. Currently, the Foundation has authorized the CEO to charge a fee between 5% and 15%, to be set by the CEO at a level that is likely to cover all of the Foundation’s costs involved in managing the sponsorship, including staff time. Fees are charged as contributions are received into the Fund. The Foundation reserves the right

to modify this fee, should administration of the Fund prove to be more time-consuming than anticipated.

If a fiscal sponsorship is a Model C sponsorship and the organization being sponsored receives earned income, the sponsored organization must report that earned income to the Foundation and the Foundation will assess its fee against the earned income.

### **The Basic Legal Rules**

When any donor makes a gift or grant to a secondary grantee (such as a charitable project), by first routing it through an intermediary grantee (such as the Foundation), the IRS, the Internal Revenue Code and the relevant Treasury regulations consistently apply a basic legal principle.

If the gift or grant is “earmarked” and the intermediary grantee does not “exercise control” over the funds, then the gift or grant is treated as if it had been made directly by the donor to the secondary grantee.

A gift or grant is “earmarked” if it is subject to an agreement, either written or oral, whereby the donor binds the intermediary grantee to transfer the funds to the secondary grantee (or to use the funds to assist a specific individual). To say it another way: a donor cannot do indirectly what he or she cannot legally do directly. The intermediary grantee (the Foundation) must, by law, be vigilant to confirm the charitable nature of the secondary grantee(s), and not simply be a passive conduit for such funds.



### Application for Fiscal Sponsorship

#### Organization Information

1. Individual, organization or group submitting request:

Organization Name: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Email: \_\_\_\_\_

Contact: \_\_\_\_\_ Title: \_\_\_\_\_

Employee ID No. (Tax ID) \_\_\_\_\_

2. Please attach a list of committee or board members.

3. What is the purpose of your group? \_\_\_\_\_  
\_\_\_\_\_

4. For what period of time is the Foundation being asked to serve as fiscal sponsor (how long do you expect the project to last)?

Begin date: \_\_\_\_\_ End date: \_\_\_\_\_

How did you arrive at that "end date"? \_\_\_\_\_  
\_\_\_\_\_

5. Has your group incorporated with the state as a separate legal entity responsible for its own actions? (circle one) yes no  
If so, please attach a copy of articles of incorporation, bylaws, and board or committee lists. If not, please explain your organizational structure in an attachment.

6. Does your group plan to obtain non-profit 501(c)(3) status? (circle one) yes no  
If you circled "no", why not? \_\_\_\_\_  
\_\_\_\_\_

If you circled "yes", what has been done to date in securing 501(c)(3) status.  
\_\_\_\_\_  
\_\_\_\_\_

7. Do you have liability insurance? \_\_\_no\_\_\_yes If so, please attach a copy of the policy.

8. Please attach a revenue and expense budget for the current year of operations.

9. If you have a written plan of activity and fundraising for your program, please attach a copy. If you do not, please explain why. \_\_\_\_\_  
\_\_\_\_\_



Project Description

10. What specific charitable outcomes does your group hope to bring about and when? (The lives of *how many* people will be better, *in what specific ways* and *by when*?)

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11. Who else is currently providing this service to the community? \_\_\_\_\_

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12. The Foundation’s service area is Kitsap. What geographic community(ies)” do you expect to benefit?

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13. The Foundation strives to work with all sectors of the community. Please describe the specific group(s) of citizens you expect to benefit. \_\_\_\_\_

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14. What other individuals or groups have been involved in planning this effort? When did they begin? (Please include approximate number of people and tell why they have been involved.) \_\_\_\_\_

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15. A primary objective for the Foundation is to encourage endowment-building. If your plans include an endowment-building component to help assure long-term attention to your charitable objectives, please describe them.

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**Kitsap Community Foundation Services Requested**

16. How much money do you anticipate being directed to this fund within the first twelve months after the first deposit has been made? \$ \_\_\_\_\_

17. When do you expect the first deposit to be made (month & year)? \_\_\_\_\_



- 18. How do you plan to raise the money? Will you hold special events?  
\_\_\_\_\_  
\_\_\_\_\_
  
- 19. How many checks do you think the Foundation will be asked to process?  
\_\_\_\_\_ per month or \_\_\_\_\_ per year \_\_\_\_\_
  
- 20. When do you expect to ask the Foundation to make the first disbursement? \_\_\_\_\_  
\_\_\_\_\_
  
- 21. Who will submit invoices or requests for reimbursements for payment, and why does that person or group of people have this authority?  
\_\_\_\_\_  
\_\_\_\_\_
  
- 22. If you need (or may need) services beyond accepting, managing and disbursing funds, please tell what those services are: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  
- 23. If the Foundation does not serve as fiscal sponsor for this effort, please tell which other non-profit, governmental or religious organization(s) could be a likely candidate to do so, and your reasons for not making this request to them. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

While serving as your fiscal sponsor, Kitsap Community Foundation must ensure that the outcomes of your project are charitable. By signing this request, you are agreeing that to the best of your understanding, the outcomes of your project are charitable and that you will provide the Foundation with written notification of all meetings of your board or steering committee and will respond in writing to periodic questions regarding the activities of your project.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_

Position: \_\_\_\_\_