

Fiscal Sponsorship: A Brief Q&A of Fiscal Sponsorship for Non-Profits

Federation of Community Councils

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What is Fiscal Sponsorship?

“Fiscal Sponsorship is when a non-profit organization agrees to provide administrative services and oversight to, and assume legal and financial responsibility for, the activities of groups or individuals engaged in work that furthers the fiscal sponsor’s mission”¹.

“...is an arrangement in which a 501(c)(3) tax-exempt entity (the “Sponsor”) agrees to accept donations on behalf of another entity that is not tax-exempt (the “Project”). In a fiscal sponsorship, the Project can apply for grants, conduct fundraising activities, and accept tax-deductible donations through the Sponsor. The Sponsor can also provide other services to the Project, such as administrative support.”²

“Many nonprofits engage in fiscal sponsorship activity on an occasional basis. This practice carries certain inherent risks. Nonprofits should engage in fiscal sponsorship only if their executive leadership and board of directors are fully aware of the obligations and liabilities they legally assume as fiscal sponsors”³

What are the roles within a Fiscal Sponsorship?

“While fiscal sponsorships are not mentioned anywhere in the Internal Revenue Code, they are regarded as lawful arrangements so long as:

- 1) The Sponsor exercises supervision and control over funds raised for the Project; and
- 2) The funds are used by the Project in a manner that is consistent with, and in furtherance of, the Sponsor’s charitable mission.

The Sponsor’s board must make an independent determination that by giving funds to the Project, the Sponsor is furthering its own mission. The Sponsor cannot simply act as a pass through.”⁴

Fiscal Sponsors are responsible for:

- Providing the tax-exempt 501(c)(3) status
- Receiving the funding, grants, donations, or other contributions
- Retaining control and discretion over the funds

¹ National Network of Fiscal Sponsors. “Guidelines for Comprehensive Fiscal Sponsorship.” <https://www.fiscalsponsors.org/static1.squarespace.com/static/5e5e9444031f011bf0e6a0f8/t/5ee917c54cad2a63a46c1cc6/1592334279022/NNFS+Guidelines+for+Comprehensive+Fiscal+Sponsorship.pdf>. Accessed 23 May 2024.

² Pro Bono Partnership. “An Introduction to Fiscal Sponsorship.” www.probonopartner.com, www.probonopartner.org/wp-content/uploads/2016/01/Fiscal-Sponsorships-11.09.pdf. Accessed 23 May 2024.

³ National Network of Fiscal Sponsors. “Guidelines for Comprehensive Fiscal Sponsorship.” <https://www.fiscalsponsors.org/static1.squarespace.com/static/5e5e9444031f011bf0e6a0f8/t/5ee917c54cad2a63a46c1cc6/1592334279022/NNFS+Guidelines+for+Comprehensive+Fiscal+Sponsorship.pdf>. Accessed 23 May 2024.

⁴ Pro Bono Partnership. “An Introduction to Fiscal Sponsorship.” www.probonopartner.com, www.probonopartner.org/wp-content/uploads/2016/01/Fiscal-Sponsorships-11.09.pdf. Accessed 23 May 2024.

- Oversight of reports and records
- Communications with the project funder and the sponsored project

Sponsored Projects are responsible for:

- Relationships with donors or acquiring grant funding
- Administrative fee to the Sponsor
- Complying with record keeping requests
- Communications with the Sponsor

What needs to be decided before setting a Fiscal Sponsorship policy?

- 1) How do we intend to maintain sponsored project funds?
- 2) What is the process to release money to projects?
- 3) What type of reporting will we require?
- 4) What support will we provide?
- 5) What administrative fee will we charge?
- 6) How will project staff be employed?
- 7) What insurance will cover the project?

What does the FCC need to establish sponsorships?

- 1) “All nonprofits practicing ... [Comprehensive Fiscal Sponsorship] have established sets of criteria used to evaluate prospective projects”⁵
- 2) “A memorandum of understanding between the fiscal sponsor and the ... organization”⁶

What should the FCC consider when deciding on what projects to sponsor?

- 1) Does the project align with the FCC mission?
- 2) Does the project comply with federal, state, and local laws and requirements?
- 3) Are the project’s activities consistent with 501(c)(3) regulations?
- 4) Is there clear understanding of roles and responsibilities between the sponsor and the project?
- 5) What is the current staff workload and is there available space for another project?

How does the FCC engage in Fiscal Sponsorship now?

The FCC serves as the fiscal sponsor for the Community Councils. In its capacity as a recognized non-profit organization, the FCC is empowered to serve as the grantee for funding and collaborate with the presidents/chairs of Community Councils to offer administrative assistance on grants and other funding services.

⁵ Stattely, Joshua, Esq. “A White Paper: On Comprehensive Fiscal Sponsorship.” *Third Sector New England*, tsne.org/wp-content/uploads/2023/10/White-Paper-Fiscal-Sponsorship.pdf.

⁶ Stattely, Joshua, Esq. “A White Paper: On Comprehensive Fiscal Sponsorship.” *Third Sector New England*, tsne.org/wp-content/uploads/2023/10/White-Paper-Fiscal-Sponsorship.pdf.

What does the FCC do to be a Fiscal Sponsor?

The Federation maintains an Alaska Business License, an Alaska Corporation License, and a federal non-profit status.

Per AS 43.70.020(a) and AS 43.70.110(1) Alaskan businesses are required to hold a business license when a “for-profit or non-profit entity engaging or offering to engage in a trade, a service, a profession, or an activity with the goal of receiving a financial benefit in exchange for the provision of services, or goods, or other property.”⁷

To keep its 501(c)3 status, the FCC is a recognized corporation that exists for exclusively charitable purposes. It also files IRS form 990 yearly to report on the organizations income, tax-deductible contributions, and employees. These forms are public record.

⁷ Alaska Statutes and Regulations Business Licensing (2022).

Sources & More Information

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