

Memorandum of Understanding

This Memorandum of Understanding ("MOU") is entered into as of [Date] by and between the Federation of Community Councils (hereinafter referred to as the "Sponsor"), a Section 501(c)(3) tax-exempt organization, and Community Council XYX (hereinafter referred to as the "Sponsored Organization").

Purpose of Agreement

The Sponsored Organization has proposed that the Sponsor sponsors certain funding and exempt activities of the Sponsored Organization (the "Project"). The Sponsor has determined that the sponsorship of the Project would be consistent with its goals and wishes to make arrangements with the Sponsored Organization for the implementation and operation of the Project.

Terms and Conditions

1. Sponsorship and Responsibilities

1.1 The Sponsor agrees to sponsor the Project and to assume administrative, programmatic, financial, and legal responsibility for the requirements of support of the funding of the Sponsored Organization by assisting in the collection, management, reporting and distribution of Project funds in support of the Sponsoring Organization's exempt purposes.

1.2 The Sponsored Organization agrees to implement and operate the Project per the terms of this Agreement, applicable Internal Revenue Code provisions related to any restrictions and requirements imposed upon exempt organizations and requirements of funding organizations.

1.3 The Project shall be operated in a manner consistent with the Sponsor's tax-exempt status and as described in this Agreement. No material changes in the purposes or activities of the Project shall be made without prior written permission of the Sponsor and in accordance with any requirements imposed by funding organizations. The Sponsored Organization shall not carry on activities or use funds in any way that jeopardizes the Sponsor's tax-exempt status.

1.4 The Sponsor will maintain books and financial records for the Project in accordance with generally accepted accounting principles. The Project's revenue and expenses shall be separately recorded in the books of the Sponsor. The Parties agree that unless otherwise stipulated as an addendum to this agreement that separate bank accounts for the Project need not be maintained. All amounts deposited into the Sponsored Organization's account, or on behalf of the Sponsored Organization's into Sponsor's accounts, will be used in its support, less administrative charges, if any, and subject to the conditions set forth below. The Sponsored Organization will provide the Sponsor with reports reflecting revenue and expenses to the Project on a [monthly/bimonthly/quarterly] basis and shall allow with reasonable notice the audit and review of documents related to actual expenditures and activities related to the funds held or managed on behalf of the Sponsored Organization. It

is the responsibility of the Sponsor to fully account for the Project's income on the annual Form 990.

1.5 The Sponsor and Sponsored Organization will maintain all financial records relating to the Project according to generally accepted accounting principles, retain records as long as required by law, and make records available to the Sponsored Organization and auditors as required by law.

1.6 The Sponsor shall not, and shall not permit the Sponsored Organization to, attempt to influence legislation or participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office or otherwise engage in the carrying on of propaganda (within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986).

1.7 The Sponsored Organization designates the person last listed on *Exhibit A "Authorized Official"* to act as the authorizing official. The authorizing official shall act as the principal coordinator of the Project's daily business with the Sponsor and shall have the authority to sign disbursement requests. The Sponsored Organization's authorizing official should have decision-making authority for the project and must be approved in advance by the Sponsor.

1.8 The Sponsored Organization at all time shall following and comply with the Fiscal Sponsorship Policies of the Sponsor.

2. Funds and Disbursements

2.1 The Sponsor agrees to accept funds on behalf of the Sponsored Organization, place these funds in bank accounts, track those funds, and provide periodic accounting reports related to those funds.

2.2 The Sponsor will only approve the release of funds to the Sponsored Organization, or any contractor or vendor identified by the Sponsored Organization, if the funds are to be used for the purposes for which the Sponsored Organization was established.

2.3 The Sponsored Organization, with preapproval of the Sponsor, may maintain a bank account for which the Sponsor shall be the Owner of the account, and the Sponsored Organization may be provided with signature authority.

2.4 The Sponsored Organization agrees to only expend funds provided by the Sponsor on activities and upon the fulfillment of purposes directly aligned with the Sponsored Organization's espoused nonprofit purposes.

3. Term and Termination

3.1 This Agreement shall have a one-year term and shall automatically renew year to year unless notice to terminate is received 60 days before the end of any one-year term.

3.2 Either party may terminate the agreement with or without cause with 60 days' notice.

3.3 Upon termination of the agreement, no new funds will be accepted for the benefit of the Project and the funds held for the Sponsored Organization will be set aside for use by the Sponsored Organization on projects and expenditures directly associated with the operation and activities of the Sponsored Organization.

3.4 If the Sponsor reasonably determines that its continued fiscal sponsorship of the Project may jeopardize the Sponsor's tax-exempt status through misuse of funds, mission misalignment, or project dormancy defined as 2 years of inactivity (no requests for distribution of funds) of the Project, the Sponsor may terminate this Agreement immediately upon notice to the Sponsored Organization. Upon termination, any explicitly restricted and unused funds shall be returned to the original donors minus any administrative fee(s). If the original donor cannot be identified or found the funds shall be contributed to the general funds of the FCC for exempt purposes.

3.5 If the Project will continue to exist but the Sponsor terminates the fiscal sponsorship of the Project, the Sponsored Organization may identify another nonprofit corporation that is tax-exempt under IRC Section 501(c)(3), is not classified as a private foundation under Section 509(a), and that is willing and able to sponsor the Project (the "Successor"). If a Successor is found, the balance of assets held by the Sponsor for the Sponsored Organization, together with any other assets held or liabilities incurred by the Sponsor in connection with the Sponsored Organization, shall be transferred as described in Section 3.3 or to the Successor as soon as administratively practicable, subject to the approval of any third parties (including funding sources) that may be required. If no Successor is found, the Sponsor may allocate the Sponsored Organization's assets and liabilities in any manner consistent with applicable tax and charitable trust laws and other obligations.

4. **Indemnification** Each party agrees to indemnify, defend, and hold harmless the other party from and against any loss, cost, or damage of any kind (including reasonable outside attorneys' fees) to the extent arising out of its breach of this Agreement, and/or its negligence or willful misconduct.

5. **Miscellaneous**

5.1 Each provision of this Agreement shall be separately enforceable, and the invalidity of one provision shall not affect the validity or enforceability of any other provision.

5.2 This Agreement constitutes the only agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. This Agreement may not be amended or modified, except in writing signed by all parties to this Agreement.

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IN WITNESS WHEREOF, the parties hereto have executed this Memorandum of Understanding as of the day and year first above written.

Federation of Community Councils

By: _____

Title: _____

Date: _____

Community Council XYX

By: _____

Title: _____

Date: _____

EXHIBIT A

Authorized Official

DATE	Authorized Official	Executive Director FCC