



Guidelines for Fiscal Sponsors
Discussion Document

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The Purpose of Fiscal Sponsorship

Fiscal sponsorship has evolved as an effective and efficient mode of starting new nonprofits, seeding social movements and delivering public services. Fiscal sponsorship means a nonprofit organization - a "fiscal sponsor" - assumes legal and financial responsibility for the activities of groups or individuals engaged in work that furthers the fiscal sponsor's mission and their own respective purposes.

Fiscal sponsorship confers significant potential benefits on the leaders of sponsored projects and the issues those projects address, permitting the efficient testing of ideas for addressing social and civic issues in a supportive, collegial atmosphere. Fiscal sponsors link civic innovators, activists and prospective service providers with experienced people who have extensive nonprofit organization experience and useful knowledge. They allow new community ventures to more quickly and efficiently get up and off the ground, without the delay or bureaucratic red-tape associated with incorporating and filing federal and state applications for tax exemptions.

Fiscal sponsors conserve precious charitable funds by supplying a streamlined set of accounting, insurance, payroll, personnel and other systems - essentially one unified "back office" - to many different ventures more efficiently, with higher quality and at lower cost than if each of those ventures operated separately. Because they are typically organized as tax-exempt, charitable ventures themselves, fiscal sponsors permit project leaders - from the moment the sponsor agrees to accept the project - to legally solicit and receive charitable contributions from individuals and grants from private foundations. Fiscal sponsors place program implementation responsibility in the hands of project leaders, even as the fiscal sponsor stays carefully attuned to project financial and program performance and remains informed about, sometimes even active in the project mission and activities.

Even as they hold in common the purpose of advancing the common good, fiscal sponsors express a range of goals that animate their mission. These goals include:

- Testing and accelerating public interest ideas into effective social and civic action;
- Fostering social innovation and entrepreneurship;
- Advancing the emergence of able, creative community leadership;
- Promoting well-managed solutions and fiscal efficiency in addressing social problems or challenges;
- Transferring the knowledge, skills and habits of excellent organizational operation; and,
- Strengthening the presence, voice and effectiveness of civil society.

Recognizing the value of these goals to civil society and community development efforts around the world, fiscal sponsors have emerged and grown in size and capability over the last three decades in places as diverse as San Francisco, Los Angeles, Denver, Boston and New York City. In October of 2004, representatives of several fiscal sponsor organizations met to share what they have learned and to compare practices. One result of that meeting and others which followed has been the development of a set of guidelines to inform their work and to guide others wanting to create or build fiscal sponsorship capability.

Members of this informal group practice fiscal sponsorship on a comprehensive basis. That is, their organizations were created and operate with a significant - if not singular - operational emphasis on fiscal sponsorship. Still, many nonprofits engage in fiscal sponsorship activity on an “occasional” or “casual” basis. While this practice is common, it carries certain inherent risks; nonprofits should engage in fiscal sponsorship only if their executive leadership and boards of directors are fully aware of the obligations and liabilities they legally assume as fiscal sponsors. We hope these guidelines will help to raise that awareness.

Group members recognize that fiscal sponsorship is practiced in many different forms and that these guidelines may not apply to all models of fiscal sponsorship. It is our hope that this document can help to foster an open dialogue involving fiscal sponsors across the country to consider both our commonalities and our differences.

Draft Guidelines and Recommended Best Practices

1. Public Interest Mission and Program Focus

The fiscal sponsor expresses a clear mission intended to advance the public interest, and all programs and related activities support that mission.

Recommended Best Practices

- A. *Written Mission Statement. The fiscal sponsor has a written statement of its mission.
- B. *Active Mission Management. The fiscal sponsor integrates the intent of the mission into all of its organizational practices and selects projects for sponsorship that relate to its mission and charitable purpose.

2. Community Stewardship

The fiscal sponsor adheres to the highest standards of integrity in acting as a steward (1) for charitable, taxpayer and other funds entrusted to it for the public benefit, and (2) on behalf of the long-term interests of the programmatic cause, geographic region or demographic population at the center of its mission.

Recommended Best Practices

- A. Public Benefit Concern. The fiscal sponsor, through its programs, services, staff and decisions, demonstrates authentic caring, compassion and concern for people,

the human condition, the places people inhabit, and the condition of the physical systems upon which all life depends.

- B. Source of Knowledge and Insight. The fiscal sponsor serves as an active, accessible source - through its staff, volunteers and project leaders as well as through active research and intentional learning - of knowledge about and insight into the people, causes and issues central to its mission.
- C. Commitment to Advance the Field. The fiscal sponsor actively advances general community knowledge about and understanding of the field of fiscal sponsorship, including the standards and practices that promote excellence in the field.

3. Legal, Tax and Regulatory Compliance

The fiscal sponsor fulfills all legal, tax and regulatory requirements of philanthropic and charitable nonprofit organizations and complies with the letter and the spirit of all laws.

Recommended Best Practices

- A. *Compliance with Laws. The fiscal sponsor is knowledgeable about and complies with all applicable federal, state and local laws, routinely informing and educating leaders of sponsored projects about the practical intent and application of such laws.
- B. *Nonprofit Incorporation and Bylaws. The fiscal sponsor has incorporated as a nonprofit entity according to the requirements of state and federal law and remains in good standing.
- C. *Public Policy Engagement. The fiscal sponsor, when engaging in public policy activities or overseeing public policy activities of its projects, complies with federal, state and local lobbying limitations and reporting requirements and informs its project leaders and staff of such requirements.

4. Fiscal Integrity

The fiscal sponsor manages all funds, assets and other resources under its direct control with the highest degree of responsibility, integrity, transparency and accountability.

Recommended Best Practices

- A. *Financial Solvency and Resilience. The fiscal sponsor maintains sufficient financial resources to assure continuous, uninterrupted operation.
- B. Annual Budget. The fiscal sponsor prepares an annual administrative operating budget that is reviewed and approved by its board of directors and is available for public examination.
- C. Annual Financial Audit. The fiscal sponsor retains the services of an independent certified public accountancy firm to conduct and present to the board of directors an annual financial audit consistent with Generally Accepted Accounting Principles (GAAP) and available to the public.
- D. *Assumption, Management and Mitigation of Risk and Liability. The fiscal sponsor assumes financial and legal responsibility for the projects it sponsors, setting in

place and maintaining adequate systems to assess risk and mitigate exposure to liability through insurance and other risk management methods.

- E. *Uses of Project Funds and Assets. The fiscal sponsor, with the exception of the agreed-upon administrative overhead charges to sponsored projects, does not expend funds dedicated for project purposes for any other purpose, unless ordered by a court of law or government agency.
- F. *Pass-Through of Specific Costs. The fiscal sponsor discloses in advance of incurring them any charges, such as legal fees or insurance premiums, for which projects are liable.
- G. *Systems for Handling Funds. The fiscal sponsor, for all funds in its care, establishes and maintains sound systems, policies, procedures and internal controls that are based on generally accepted financial and accounting principles and regulations including project expense sign-offs and approvals, written project agreements, and clear, line-item project budgets.
- H. *Project Fund Accounting. The fiscal sponsor establishes and maintains the means to account for and report on each of its sponsored project's funds separately, providing regular and timely fund documentation to project leaders for management, stewardship and reporting purposes. The fiscal sponsor maintains the capability of reporting project financial activity at multiple levels of specificity, including down to the level of individual grants.
- I. *Project Fund Monitoring. The fiscal sponsor monitors all projects for appropriateness of expenditures and for fiscal solvency and routinely reviews project fund balances down to the level of individual grants.
- J. Investment and Management of Financial Assets. The fiscal sponsor establishes policies and maintains a system for responsible, prudent investment and management of financial assets.

5. Administrative and Operational Integrity

The fiscal sponsor manages all administrative duties and responsibilities professionally and with the highest degree of integrity and accountability.

Recommended Best Practices

- A. Operational Policies and Procedures. The fiscal sponsor maintains clear written operational policies and procedures, orienting all staff and project leaders about their intent and practical implementation.
- B. Sufficiency of Staffing. The fiscal sponsor hires, trains and develops operational staff, management and leadership necessary to the demands of its mission and that meet or exceed the support needs of projects.
- C. Sufficiency of Systems. The fiscal sponsor builds, maintains and continually improves financial management, accounting, administrative, reporting, human resources, training, risk management and technical assistance systems in ways that meet or exceed the support needs of projects.
- D. Sufficiency of Employment Protections. The fiscal sponsor extends to its core administrative staff, and strongly encourages in the operation of sponsored projects, competitive compensation (while requiring that all project and core staff

receive a reasonable health and benefits package), safe and respectful working conditions and aggressive non-discrimination practices.

- E. *Compliance with Terms of Grants and Contracts. The fiscal sponsor ensures projects comply with financial, programmatic, and administrative requirements of grants and government contracts.
- F. *Legal Signatory. The fiscal sponsor reviews, approves and signs all contracts, leases, and other legally binding project commitments.
- G. *Document Retention. The fiscal sponsor retains and protects financial and personnel records, required minutes of board meetings, and all other documents in accordance with all applicable laws.
- H. *Whistleblower Protection. The fiscal sponsor's board of directors has in place a policy that both encourages disclosure and protects from retaliation any volunteer, employee or board member who reports fraudulent activity, violations of any state or federal statute, noncompliance with a state or federal rule or regulation, or the presence of situations that pose a threat to employee health or safety due to unsafe working conditions or work practices. The policy includes provisions and procedures for the fiscal sponsor's board or for appropriate management staff to confidentially investigate and resolve such claims in a timely way.
- I. Non-Discrimination Policy. The fiscal sponsor has a written non-discrimination policy.

6. Board Accountability, Ethical Conduct and Governance

The fiscal sponsor's board of directors governs ethically, avoiding both the appearance and actuality of conflicts of interest in conducting the affairs of the organization and in carrying out its legal, fiduciary and policy making responsibilities.

Recommended Best Practices

- A. Code of Ethics/Conduct. The fiscal sponsor's board of directors promulgates standards of ethical conduct for itself and for the entire organization, insuring that managers incorporate them into all organizational practices and, directly or by reference, into all written personnel policies, operational manuals, employment agreements and employee handbooks.
- B. *Board Compensation-Setting Responsibility. The fiscal sponsor's board of directors sets the salaries of and retains sole authority over the hiring, evaluation and firing of the fiscal sponsor's chief executive officer.
- C. *Board Governance. The fiscal sponsor's board of directors approves or ratifies all new projects, periodically reviews organizational risks and liabilities, and follows generally recognized policies and practices of good governance expected of nonprofit sector organizations.
- D. Community Accountability. The fiscal sponsor's board of directors assures that project oversight mechanisms exist to protect the public interests served by sponsored projects.
- E. Project Advisors and Governance. The fiscal sponsor's board of directors encourages, and requires where appropriate, advisory groups for community-based

projects, and assures that a system exists for periodic formal training of and communication with advisors.

- F. Conflict of Interest Policy. The fiscal sponsor’s board of directors establishes a written conflict of interest policy to ensure that members of the board of directors, paid and voluntary project leaders, project advisors and staff avoid any actual or apparent conflicts of interest.

7. Assessing and Selecting Projects

The fiscal sponsor engages in a clear, systematic process when assessing and selecting projects for sponsorship.

Recommended Best Practices

- A. *Mission Fit. The fiscal sponsor assures that the public interest purposes of all projects support the sponsor’s organizational mission and charitable purpose.
- B. Project Assessment Criteria and Guidance. The fiscal sponsor uses a clear set of evaluation criteria in considering all projects in assessing new projects for sponsorship.
- C. Project Leadership Fit. The fiscal sponsor evaluates the capability, potential, experience, and integrity of project leaders to assure a constructive, mutually respectful working relationship between fiscal sponsor staff and project leaders.
- D. Project Sponsorship Application. The fiscal sponsor requires sponsorship applicants to submit a detailed written project plan that articulates the civic, social and community benefits the project intends to pursue.
- E. *Written Mutual Understanding. The fiscal sponsor and designated project leader(s) execute a written understanding detailing the terms and expectations of the relationship, including the financial terms or administrative overhead charges established for providing fiscal sponsorship services. The understanding provides that the fiscal sponsor retains full legal control of the project, its staff and its activities, and also obligates project leaders to adhere to the fiscal sponsor’s organizational policies and operational procedures.

8. Fiscal Sponsor Service Commitment to Projects

The fiscal sponsor pursues its public interest mission through the projects it sponsors; recognizes and respects project leaders for their knowledge, skill and expertise; and, places the highest priority on encouraging and facilitating efficacy in its projects to achieve beneficial societal ends.

Recommended Best Practices

- A. *Joint Responsibility. The fiscal sponsor strives for an equitable balance between delegating full program responsibility to project leaders and the fiscal sponsor’s fiduciary and other obligations as the legal and ethically accountable organization through which the project operates.
- B. *Financial Oversight. The fiscal sponsor commits to timely reporting on project finances to project leaders.

- C. *Relating to Project Funders. The fiscal sponsor, in partnership with project leaders, seeks to assure that project funders receive timely, accurate and comprehensive reports on project performance.
- D. Sponsor-Donor Communication. The fiscal sponsor communicates as necessary and appropriate with project donor(s) or funding agency(ies) in ways that supplement project leader communications.
- E. *Continuous Reciprocal Communication. The fiscal sponsor establishes and maintains processes for ensuring frequent communication between sponsor administrative staff and project leaders analyzing and addressing issues critical to the success of the project.
- F. Training, Counsel and Technical Assistance. The fiscal sponsor makes available to project leaders, staff and volunteers training, counsel and technical assistance relevant to the pursuit of project success.
- G. Periodic Evaluation. The fiscal sponsor's administrative staff and project leaders exchange periodic evaluative and professional performance feedback.
- H. Periodic Service Quality Assessment. The fiscal sponsor facilitates a periodic process for gathering candid assessments of the quality of its services from project leaders and other key stakeholders, using the results to improve service.
- I. Disposition of Project Assets. The fiscal sponsor, when terminating or separating projects, will consult with the original donors where appropriate or required; transfer remaining project assets to a successor charity; and/or otherwise reach a responsible decision about disposition of remaining project assets that concurs with the original purposes for which they were acquired.

9. Expectations of Projects

The fiscal sponsor expects project leaders to adhere to clearly stated standards of ethical conduct, organizational policies and operational procedures.

Recommended Best Practices

- A. Ethical Conduct. The fiscal sponsor expects that all project personnel will act with the highest standards of ethical conduct in accordance with the fiscal sponsor's ethical standards.
- B. *Avoiding Conflicts of Interest. The fiscal sponsor requires that project leaders understand and abide by the fiscal sponsor's conflict of interest policy.
- C. Commitment to Organizational Policies and Operational Procedures. The fiscal sponsor provides its organizational and operational policies and procedures in writing and orients project leaders, staff and volunteers about them through trainings and other means.
- D. *Active Project Fundraising. The fiscal sponsor expects project leaders to conduct the primary work of resource development.
- E. Project Reports. The fiscal sponsor expects project leaders to assume responsibility for reporting orally and in writing to project donors and for maintaining relationships with donors.

- F. *Public Policy Engagement. The fiscal sponsor provides and expects project leaders to understand and comply with the required legal and ethical guidelines when engaging in lobbying and public policy advocacy activities.
- G. *Disclosure and Communication of Project Status. The fiscal sponsor requires projects to clearly disclose and state in writing their affiliation with the fiscal sponsor in all grant proposals, solicitations and published or online materials.
- H. Injurious Activities. The fiscal sponsor expects that no project will knowingly engage in any activity that jeopardizes the sponsor's corporate, nonprofit or tax-exempt status or otherwise create injurious liability.
- I. Dispute Resolution. The fiscal sponsor, while retaining full legal and fiscal control of projects, works to fairly resolve disputes that may arise between the fiscal sponsor and project leaders.
- J. *Project Termination and Separation. The fiscal sponsor has a process through which fiscal sponsor staff and project leaders discuss the timing, steps and procedures for separating or terminating the project.