

## **Sponsored Project Information for RBF Grantees and Grantseekers**

Sponsored projects are contractual relationships that allow a person, group, or business to advance charitable or other exempt activities through the benefit of the tax-exempt status of a sponsoring organization, also referred to as a fiscal sponsor. A sponsoring organization is a nonprofit organization that provides fiduciary oversight, exercises legal and fiscal control over the sponsored project, as well as either managerial control of the project, or of its results, or of a pre-approved grant relationship. **If a sponsored project would like to apply for support from the RBF, the sponsoring organization (and not the project) must request the funds, is the organization that would receive the grant, and would be responsible for monitoring and reporting on the grant.** In this situation, it is important for the Fund to understand the relationship between the sponsoring organization and the project. Please take note of the following background information on sponsored projects and the information required in the cover letter.

### **Background Information**

**Key principles for sponsored projects** include:

1. The project aligns with the sponsoring organization's mission.
2. The sponsoring organization has full discretion and control over the project or the project funds.
3. The sponsoring organization assumes legal and financial responsibility for the project or the project funds.
4. A sponsoring organization may not serve as a mere conduit for channeling charitable funds to a project.

**The sponsoring organization is responsible for all proposal materials and exercising managerial and fiscal control of the project or project funds. If a grant is awarded, the sponsoring organization will be responsible for managing the grant, including all reporting and grant requirements.**

**The Direct Project, or Comprehensive Model A fiscal sponsorship, is the most common form of fiscal sponsorship arrangement.** In the Direct Project model, the sponsoring organization takes the project "in-house" and is responsible for all aspects of the project. The project has no separate legal existence. The assets, liabilities, and exempt activities collectively referred to as the project are housed within the fiscal sponsor. Typically, there is a contract or memorandum of understanding between the sponsoring organization and the sponsored project that details each party's responsibilities. Project staff are hired by and under the sponsoring organization's direct supervision. Project funds are disbursed for salaries and other costs of the project. A Model A fiscal sponsorship is often appropriate to incubate a new charitable project or idea, implement a program with a fixed time frame, or host a collaboration among public charities and/or private foundations.

**Two other models of fiscal sponsorships are:**

1. **Independent Contractor Project or Model B fiscal sponsorship** – The project is an integral part of the sponsoring organization's program activities, but the actual operation of the project is contracted out by the sponsoring organization to a separate legal entity, which could be a person, a business firm, or another nonprofit. The sponsoring organization maintains control over the ultimate results of the project. Project staff are hired by and under the contractor's direct supervision and the sponsoring organization provides programmatic and fiscal oversight of the project to ensure the desired results. Project funds are disbursed

for the contractor's fees and expenses. The relationship between the sponsoring organization and the project should be spelled out in a written contract.

2. **Pre-approved Grant Relationship or Model C fiscal sponsorships** – The sponsoring organization supports the project by pre-approving/making grants and has legal and financial oversight over the grant. The project is run by a separate entity funded by the fiscal sponsor. The sponsoring organization chooses to further its exempt purposes indirectly by giving financial support to another entity or person for a specific project that the sponsoring organization believes will advance its charitable goals. The IRS requires that the sponsoring organization maintain full discretion and control over the funds once they are given to the sponsoring organization. The sponsoring organization is not legally obligated to fund the project and may withdraw financial support from the project and re-direct the funds to another purpose within its charitable mission. The sponsoring organization disburses project funds by making grant payments. Model C fiscal sponsorships are common in the arts community. The sponsoring organization and the project should create their own grantor-grantee relationship before approaching the Fund.

In Models A and B, the sponsoring organization owns and controls the project, has legal/financial oversight of the project, selects/replaces project staff or contractors, disburses project funds by paying expenses, usually owns the work product, and signs all project contracts and grant agreements. Disbursements are included as expenses on the sponsoring organization's Form 990.

In the Model C fiscal sponsorship, the sponsored project, which is actually a grantee of the fiscal sponsor, usually owns the work-product and project property and the sponsor usually only signs grant agreements. Disbursements are included as grants on the sponsoring organization's Form 990.

For more information on fiscal sponsorships, please see Greg Colvin's book, *Fiscal Sponsorship: Six Ways to Do It Right*, which describes the different types of fiscal sponsorship relationships in detail and is an authoritative resource on the subject.

### **Cover Letter to the RBF**

**The cover letter requesting support from the Fund for the sponsored project should come from the sponsoring organization and address issues related to the managerial and financial oversight of the sponsored project. The cover letter should:**

- Include the amount requested from the RBF for "its project, the \_\_\_\_\_ (name of the project)"
- Include the timeframe of the project
- Be on the sponsoring organization's letterhead
- Be signed by the chief executive office or an authorized individual from the sponsoring organization
- State what fiscal sponsor model is being used for the project by including one of the following:
  - A. The sponsoring organization exercises legal, managerial, and financial control of the project (Model A).
  - B. The sponsoring organization exercises legal, programmatic, and financial control over the results of project (Model B).

- C. The sponsoring organization has complete discretion and control over the use of the donated funds and has the ability to withhold, withdraw, and demand return of the grant funds from the project if the performance requirements are not met and/or redirect support from the project to spend the donated funds for some other project within its overall charitable purposes (Model C).

### **Online Grant Application to RBF**

The sponsoring organization will also be required to answer the following questions in the Fund's online grant application regarding the fiscal sponsor relationship:

- What is the relationship of project staff to the sponsoring organization? Are they employees, contracted consultants, or do they have some other status?
- Who at the sponsoring organization is responsible for the managerial and fiscal oversight and supervision of the project?
- Has the board of the sponsoring organization approved the project? If so, is the relationship ongoing, or is there a specific time period?
- Do the financials of the project appear as part of the audited financial statements of the sponsoring organization?
- Does the project have a written sponsorship agreement or memorandum of understanding with the project?
- What other services beyond use of the sponsoring organization's tax-exempt status does the project receive?
- There is also space to provide any other information that you feel is relevant about the relationship between the sponsoring organization and the project.