Fiscal Sponsorship FAQ's

How do we know whether our organization is classified as a nonprofit under section 501(c)(3)?
An organization must apply to the IRS and receive written notification confirming that this status hasbeen granted. This process can take several months and usually requires the help of an attorney. Having a tax-exempt letter from a State or a Federal Employer Identification Number (EIN) does NOT automatically mean that a group has been granted 501(c)(3) status by the IRS.

If we are not a 501(c)(3), how do we know if our group can seek Community Foundation Sonoma County grant funds through a fiscal sponsorship arrangement?
Groups organized to carry out a specific project or program must have an established advisory board or oversight committee in order to demonstrate broad community support for their efforts before seeking a fiscal sponsor. Such groups must also have a clearly articulated mission statement or project goal with a not-for-profit purpose.

How do we find a fiscal sponsor?
You should find a fiscal sponsor for your project *before* you apply for a grant from the community foundation. Identify a tax-exempt nonprofit organization that has a similar mission as your group does and establish a working relationship. Once the tax-exempt organization has taken on your project as one that furthers its own mission, then your group is eligible to apply for grant funding through a fiscal sponsorship arrangement.

What are the responsibilities of a fiscal sponsor?
The fiscal sponsor maintains full discretion and control over the funds received for a project and has the right to withdraw financial support from the project if its original goals are not being accomplished or the grant agreement is not followed. This means that the non-exempt group and the fiscal sponsor should maintain a good working relationship, and the fiscal sponsor should monitor the project in some way to ensure the funds are properly spent. Grant funds awarded through such an arrangement should appear on the fiscal sponsor's IRS Form 990 tax return. If grant funds are used to pay individuals for their services, the fiscal sponsor will need to determine whether they are acting as partners, employees, or independent contractors, and comply with tax reporting requirements accordingly. The fiscal sponsor may also charge a fee (usually no more than ten percent of the grant) for administrative costs.

Are there other ways to accomplish this relationship?
Yes. If the fiscal sponsor wants to have more control over the project and own the results of the project (e.g. art or a study), then the group carrying out the project can be treated as an independent contractor rather than a grantee. This has different tax and reporting implications for the sponsoring organization. Please seek legal guidance if you are considering establishing any type

of fiscal sponsor arrangement.

What does having a fiscal sponsor mean for our application to the Community Foundation Sonoma County?
Your application must include our completed Fiscal Sponsorship Agreement form. With this form, the application will be reviewed based on the grant criteria, just as all other competitive proposals.

Does Community Foundation Sonoma County act as fiscal sponsor for non-exempt groups?
No, we do not act as a fiscal sponsor at this time.