

# CONNECTICUT RIVER WATERSHED COUNCIL

## FISCAL SPONSORSHIP POLICY

This policy serves to outline the process and criteria by which the Council would become a fiscal sponsor for a group or project.

Per the Council's by-laws one of our functions is to help smaller, local groups work on specific projects on a temporary basis or to assist them for a period of time as they work to become their own non-profits.

The Council's by-laws state in Article X:

“As it is in the interests of the Council to foster and support the environmental conservation activities of ad hoc organizations or groups of citizens in the watershed, the Council may serve as an administrative umbrella and nonprofit sponsor on a temporary basis while such a group secures its own tax-exempt status or carries out a specific project or activity. Any such sponsorship must have the prior approval of the Board of Trustees and be in keeping with oversight procedures adopted by the Board.”

The Council will carefully evaluate all applications for fiscal sponsorship as it recognizes that it is assuming the fiduciary responsibility for the funds it is administering on behalf of the organization. It is extending its tax-exempt status to the project it is sponsoring and assuming all responsibility for grant and contract obligations held by the group it is sponsoring. As such all applications shall be carefully considered.

The Council shall hold all project funds as restricted funds and specifically designated and tracked for each project. Each restricted fund belongs to the Council, not the project or the group. However, the Council recognizes that each project fund is impressed with a trust commitment "for the charitable purposes of" the project, and the sponsor has the legal duty to honor that trust. Within the limits of those purposes, the sponsor has discretion and control over spending decisions.

### APPLICATION PROCESS

- All requests for fiscal agency should be submitted to the Executive Director for his review prior to submission to the Board. The request should be in writing and outline the group's name, contact information, purpose and mission, experience in pursuing the project, and expected duration of fiscal sponsorship requested. The application should also include information on the project or group's budget, compensation paid to staff or members (if any), source of funds, and the nature of the transactions to be facilitated by the Council as fiscal sponsor.
- The Executive Director shall compile what is deemed to constitute a complete application and submit the application to the Board for their review and approval.

Requests needing to be processed prior to a full Board meeting may be handled by the Executive Committee.

- Following the term of a fiscal sponsorship contract, an applicant must re-file for a continuance with the Executive Director. This shall also be reviewed and approved by the Board of Trustees.
- All fiscal sponsorships shall be codified by a written contract that is signed by the Executive Director, following Board approval of the fiscal sponsorship.

### CRITERIA FOR APPROVAL

The Council will use the IRS criteria for determining the elements of a valid sponsorship application as well as its own additional criteria. The IRS elements are as follows:

- Grants/donations are given to a 501(c)(3) tax exempt organization (the sponsor) that acts as a guardian of the funds for a project that does not have 501(c)(3) status
- The funds received by the sponsor must be used for specific charitable projects that further the sponsor's own tax exempt purpose.
- The sponsor must retain discretion and control as to the use of the funds.
- The sponsor must maintain records that establish that the funds were used for 501(c)(3) purposes.
- The project should either be short term or the non-exempt organization should be actively seeking its own tax exempt status.

In addition:

- The individual or group must demonstrate experience and competence in the proposed activity or group's mission.
- The Council will not undertake fiscal sponsorship of any activity unless it can be satisfied that by doing so it is not jeopardizing its tax-exempt status as a charitable organization.
- The Council may, as a condition of approval, require that employees or contractors paid to carry out the project carry sufficient and appropriate insurance that protects both individuals and the organization from any personal or property damages resulting from such an operation.
- The Council will not approve fiscal sponsorship requests that rely on the project or group receiving funds on a reimbursement basis.
- Fiscal sponsorship shall be for no longer than 2 years, but is renewable upon re-application.
- The Council reserves the right to limit the number of fiscal sponsorships it undertakes to ensure that it is not exceeding its ability to function with professional care and diligence as a sponsor.

### FEES

- Fiscal sponsorship fees shall be 7.5% of the organization's annual or project budget and shall be assessed at the time an organization has or receives funds for its work. In instances where a group receives revenue in increments or on an ad-hoc basis, the fee may be assessed on individual donations or receipts submitted to the Council.
- The Board reserves the right to assess a higher fee for unusual circumstances that involve many transactions or more than usual workload of Council staff.

#### REPORTING & FINANCIAL ADMINISTRATION

- The Executive Director shall report at least twice a year to the full Board on the current list of fiscal sponsorships, the date of their term, and the balance of funds held on their behalf.
- The Finance Director shall report to each group on an annual basis the status of its funds held by the Council and the date at which its fiscal sponsorship agreement expires.

Adopted: June 6, 2014