



PRINCE HALL

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FOUNDATION

A Helping Hand To Our Communities

Fiscal Sponsorship Background Information and Process

Why is Fiscal Sponsorship Needed?

Many individuals or groups engage in great charitable acts and programs without becoming tax-exempt nonprofit organizations. However, these charitable acts and programs often are not eligible to receive charitable gifts, grants or sponsorships. In addition, they may not have the infrastructure (e.g. people, bank accounts, bookkeeping, central mailing address, etc.) needed to be successful. As a fiscal sponsor, PHSF, Inc. can help with those issues. Fiscal sponsorship is a legal arrangement through which PHSF, Inc. can accept tax-deductible contributions and other revenue to support charitable acts and programs that are not tax exempt.

How does it work?

Fiscal sponsorship is often done incorrectly and PHSF, Inc. is committed to doing it properly to better serve our partners and communities. We use the widely accepted models of fiscal sponsorship created by attorney Gregory Colvin in his book *Fiscal Sponsorship: 6 Ways to Do it Right*, which has been endorsed by the IRS.

Example

The IRS has a strict policy against “conduit” arrangements. When A makes a donation to B, earmarked for C (the project), it is in reality a donation from A to C. But if C is not exempt under Section 501(c)(3), the gift is not a tax-deductible contribution. To be deductible, the IRS requires that B (the sponsor) have “complete discretion and control” over the funds, and holds the sponsor legally responsible to see that its payments to the project further the sponsor’s tax-exempt purposes.

Colvin, Gregory. *Fiscal Sponsorship 6 Ways To Do It Right* (p. 3). Study Center Press. Kindle Edition.

Fiscal Agent vs Fiscal Sponsor

Calling a charity a “fiscal agent” implies that the project controls the charity. To comply with tax-exempt law, the relationship must be the reverse; the nonexempt project must act so as to further the charity’s exempt purposes.

Colvin, Gregory. *Fiscal Sponsorship 6 Ways To Do It Right* (p. 3). Study Center Press. Kindle Edition.



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How much does Fiscal Sponsorship cost?

Fiscal Sponsors usually charge a fee based on a percentage of projects revenue to cover management expenses. These expenses include staff time, bookkeeping costs, postage, phone bills, fees and other costs incurred through the sponsorship. PHSF, Inc. charges around 5% - 10% of the gross revenue of the project depending on the complexity of the sponsorship. The percentage is decided upon before fiscal sponsorship begins and is included in the written sponsorship agreement.

What is the process for fiscal sponsorship?

Groups or individuals interested in fiscal sponsorship should first contact PHSF, Inc. President. The process below usually takes two to four weeks.

1. Initial meeting to determine if fiscal sponsorship is appropriate and feasible for both parties.
2. Formal application- PHSF, Inc. needs the below written application completed, including a budget, to properly evaluate each sponsorship request. Applicants should treat this application like a grant application.
3. Review of the application by PHSF, Inc. staff and additional information gathering if necessary.
4. Review of the application by PHSF, Inc. Board- preliminary approval or denial.
5. Drafting the sponsorship agreement- this is a substantial, detailed legal contract that is critical to proper fiscal sponsorship. PHSF, Inc. staff, and occasionally board members, will work collaboratively with the applicant to draft the agreement.
6. Review of the final agreement by the applicant and PHSF, Inc. board.
7. If both parties approve the final agreement, the PHSF, Inc. President and a project representative will sign it and the sponsorship will begin.