

UNDERSTANDING FISCAL SPONSORSHIP

Attachment #3
Understanding Fiscal Sponsorship
January 10th, 2023
Arts & Cultural Affairs Committee



Groups might use fiscal sponsorship if they don't have a long life expectancy, want better access to funding, or need help with financial and administrative tasks.

Fiscal Sponsorship is a formal arrangement in which a 501(c)(3) public charity agrees to provide limited financial and legal oversight of a project for the benefit of the public, usually in exchange for a portion of the project's funds.



Fiscal Sponsorship can be an extremely beneficial arrangement for both artists and arts organizations, as it allows them to receive funding from sources that might otherwise be unavailable.

Sometimes, the fiscal sponsor helps the group develop the skills they need so they can eventually become their own independent nonprofit.



There are many different types of fiscal sponsorships, but the most common arrangement is for the sponsor to serve as the fiscal agent for the project, accepting and managing funds on its behalf (not a conduit or pass through).

Fiscal Sponsorship is when a nonprofit offers their legal and tax-exempt status to another group of people/business who are doing something related to the nonprofit's mission.

ABC offers Fiscal Sponsorship Plus (FS+)



which provides artists and arts organizations with access to a wide range of services, including financial management, grant writing, and administrative supports.

Contact us today to learn more about this program and how it can benefit you.

programs@artsbusinesscollaborative.org



CONSIDERING FISCAL SPONSORSHIP?

What kind of unique support does ABC offer?

Technical Assistance

Two hours of free quarterly Technical Assistance (TA) provided by our Arts Business Network (ABN) of Consultants of Color who specialize in grant writing, financial management, marketing and communications, human resources, operations, and board development. Sponsored projects enjoy a 25% discount on any additional TA contracted with an ABN consultant.

Funder Research

We offer research on funders we think would be interested in Sponsored Projects work. When possible, we will provide a direct introduction to funders.

Program Check-Ins

Regular check-ins with ABC Program staff and/or CEO to discuss project goals and connect on ways to support. This could be in the form of marketing shout-outs, program feedback, or business strategy, etc.

There are several options for fiscal sponsorship here at ABC that serve different kinds of entities such as, LLC, L3C, Unincorporated/sole proprietorship, 501c3, not-for-profit C-corporation. Fiscal sponsorship, in addition to providing an umbrella for your organization's legal status, also allows you to apply for grants and other types of funding that may not be available if your organization was not sponsored.

For more information: contact
programs@artsbusinesscollaborative.org



ABC'S FISCAL SPONSORSHIP PLUS OPTIONS

OPTION 1

(Most Autonomous)

Business Types:

- LLCs with a financial infrastructure

Perks:

- Limited Financial & Legal Oversight and Reporting
- Program Check-Ins
- CEO Check-ins
- 2 hours of quarterly Technical Assistance
- Funder Research

OPTION 2

(Most Limited)

Business Types:

- Only for 501 c 3s without financial infrastructure

Perks:

- Limited Financial Oversight Only
- Monthly Program Check-Ins

OPTION 3

(Most Comprehensive)

Business Types:

- Unincorporated

Perks:

- Comprehensive Financial and Legal Oversight & Reporting
- Program Check-Ins
- 2 hours of quarterly Technical Assistance
- Funder Research
- CEO Check-Ins

Fiscal Sponsorship with ABC

There are several options for fiscal sponsorship here at ABC that serve different kinds of entities such as, LLC, L3C, Unincorporated/sole proprietorship, 501c3, not-for-profit C-corporation. Fiscal sponsorship, in addition to providing an umbrella for your organization's legal status, also allows you to apply for grants and other types of funding that may not be available if your organization was not sponsored.

Reach out to find out what other kinds of arts business supports we offer at ABC!
programs@artsbusinesscollaborative.org



ARTS BUSINESS

FISCAL SPONSORSHIP FEES

EXPLAINED

Option 3: Most Comprehensive

We reduce sponsorship % as the budget size increases because we are not interested in charging more than we absolutely have to for the organizations we incubate.

Option 3: Most Comprehensive		
Organization Budget Size	Sponsorship Fee %	Total Min Admin Fee
\$0 - \$75,000	10%	\$6,500.00
\$75,001 - \$500,000	9%	\$15,088.63
\$500,001 - \$1,500,000	8%	\$18,936.97
\$1,500,001 - \$3,000,000	7%	\$26,250.02
\$3,000,001 - \$5,000,000	6%	\$45,000.02
\$5,000,001 - \$10,000,000	5%	\$62,500.01
10,000,001 +	4%	\$100,000.00
If ABC is in possession of Funds for the benefit of SPONSOREE or a Project or program of SPONSOREE prior to the signing of this Agreement, such funds shall be included for purposes of calculating the applicable Sponsorship Fee and Administrative Fee set forth herein.		

When projects transition from this comprehensive model to a more independent model as an LLC (Option 1) or a 501(c)(3) (Option 2), this becomes helpful so the sponsorship % counter doesn't reset when they change their relationship with us.

As you receive donations, ABC will charge the sponsorship fee %. At <\$75k budget, you will be charged a max of \$7,500 per year, or a min of \$6,500.00 depending upon the income you have generated.

Notice that the min admin fees increase as the budget increases. There is more legally mandated financial reporting and oversight required as more funds are managed by ABC.

Terms:

Budget Size: This is the amount of funds that have been deposited in ABC's account from your organization as a sponsored project of ABC. This means that any and all additional funds will be added to your total budget size. This DOES NOT refer to how much you have generated OUTSIDE of ABC.

Sponsorship Fee %: This is the % ABC will charge you on the income moved through ABC that year. For example, if \$500 came to your organization, and you are in the \$75,000-\$500,000 Budget Size (see definition above), then ABC would charge you \$45 of that \$500 (or 9%) to administer the funds.

Minimum Administrative Fee: This is the minimum we must charge you to pay for the cost of the services provided to you each year. This includes program check-ins, CEO check-ins, access to research resources and funder introductions, 2 hours of free technical assistance per quarter, bookkeeping and financial management, required nonprofit registrations in all 50 states, and additional income reporting to the federal government via an outside audit and the Form 990 for your project.

In this Option, we are your ENTIRE back office. When you are ready to transition your relationship with us, we will provide you manuals describing how we ran your back office so a new person (ideally, a Finance Manager, Finance Director, or CFO) can run your back office with little to no interruptions. We will also provide operations documentation to help out your Operations Manager, Operations Director, or COO if requested.

Because of the intensity of this arrangement, there is a 5-year limit on this option.

Contact: programs@artsbusinesscollaborative.org



FISCAL SPONSORSHIP FEES

EXPLAINED

Option 2: Most Limited

We reduce sponsorship % as the budget size increases because we are not interested in charging client organizations more than we absolutely have to.

When projects transition from the comprehensive model (Option 3) to this more independent model as a 501(c)(3) (Option 2), this becomes helpful so the sponsorship % counter doesn't reset when they change their relationship with us.

Option 2. Most Limited		
Organization Budget Size	Sponsorship Fee %	Total Min Admin Fee
\$0 - \$75,000	10%	\$3,416.90
\$75,001 - \$500,000	9%	\$19,736.90
\$500,001 - \$3,000,000	8%	\$36,032.90
Over \$3,000,000	6%	\$55,328.90
If ABC is in possession of Funds for the benefit of SPONSOREE or a Project or program of SPONSOREE prior to the signing of this Agreement, such funds shall be included for purposes of calculating the applicable Sponsorship Fee and Administrative Fee set forth herein.		

As you receive donations, ABC will charge the sponsorship fee %. At <\$75k budget, you will be charged a max of \$7,500 per year, or a min of \$3,416.90 depending upon the income you have generated.

Notice that the min admin fees increase as the budget increases. There is more legally mandated financial reporting and oversight required as more funds are managed by ABC. However, because the funds are not in ABC's possession, but in the 501(c)(3)'s possession, and the option is limited in services, all min admin fees are less than Option 3.

Terms:

Budget Size: This is how much income you have generated WHILE BEING a sponsored project of ABC. This counter starts at \$0 when you first enter the program. Then, upon donations being received, the total budget size increases.

Sponsorship Fee %: This is the % ABC will charge you on the income moved through ABC. For example, if \$500 came to your organization, and you are in the \$0-\$75,000 Budget Size (see definition above), then ABC would charge you \$50 of that \$500 (or 10%) to manage and oversee the funds.

Minimum Administrative Fee: This is the minimum we must charge you to pay for the cost of the services provided to you each year. This includes program check-ins, CEO check-ins, bookkeeping and financial management, and collaboration with your organization's auditing firm to complete both the audit and the 990 during tax season if your budget size requires them.

Important Note: You are responsible for your organization's audit; Form 990; bank accounts; board oversight and approval; and appropriate city, state, and federal registrations.

In this Option, we are your Finance Department only. If and when you are ready to bring Finance in-house, we will provide you manuals describing how we ran your Finance Department so a new person (ideally, a Finance Manager, Finance Director, or CFO) can run your Finance Office with little to no interruptions. We will also provide operations documentation to help out your Operations Manager, Operations Director, or COO if requested.

There is no time limit on this Option.

Contact: programs@artsbusinesscollaborative.org



FISCAL SPONSORSHIP FEES

EXPLAINED

Option 1: Most Autonomous

Option 1: Most Autonomous		
Organization Budget Size	Sponsorship Fee %	Total Min Admin Fee
ALL	6%	\$9,671

As you report income quarterly, ABC will charge the sponsorship fee of 6%. You would need to raise \$161,183 to fully cover the minimum administrative fee if you didn't want to pay it directly.

Terms:

Budget Size: Because you are managing all of your financials internally and working with us primarily for our program services and the 501(c)(3), there is only 1 fee level.

Sponsorship Fee %: ABC will charge you 6% on the income reported to ABC. For example, if \$500 came to your organization, then ABC would charge you \$30 of that \$500 (or 6%) to support the FS+ program and confer 501(c)(3) status to your LLC.

Minimum Administrative Fee: This is the minimum we must charge you to pay for the cost of the services provided to you each year. This includes program check-ins, CEO check-ins, access to research resources and funder introductions, 2 hours of free technical assistance per quarter, and additional income reporting to the federal government via an outside audit and the Form 990 for your project.

Important Note: All funds received by the LLC directly must be reported to ABC to maintain your tax-exempt status and to ensure your compliance with state and federal laws.

In this Option, we are your program partner and designated 501(c)(3). If and when you are ready to become a 501(c)(3), we will provide you manuals describing how we ran your oversight and reporting so a new person (ideally, a Finance Manager, Finance Director, or CFO) can keep you legally compliant with little to no interruptions. We will also provide operations documentation to help out your Operations Manager, Operations Director, or COO if requested.

There is no time limit on this option.