POLICY FOR ACCEPTING FISCAL SPONSORSHIP FUNDS

Adopted March 19, 2009

The Foundation Staff is authorized by the Board to act on behalf of the Foundation in the administration of this policy.

The Foundation may choose to provide fiscal and project sponsorship for charitable projects that further the purposes of the Foundation. Sponsorship services include the provision of non-profit status to a project (thus making contributions tax-deductible), the receipting and managing of contributions, and the authorization and payment of grants and expenses from the fund created for the project. Sponsorship services do not include extensive administrative or fundraising support, or financial support.

The primary beneficiaries of sponsorship services are typically new charities without 501(c)(3) status and community groups planning a specific, or a finite project that is clearly charitable in nature and in furtherance of the charitable purposes of the Foundation.

Procedures: The Foundation will be guided by the following guidelines, which are designed to protect the interest(s) of both donors and the Foundation. The Foundation reserves the right to either accept or decline any fund. It also reserves the right to close out a fund. *The Foundation will consider each situation individually.* Exceptions to this policy may be made in extenuating circumstances and upon approval by the Foundation's Board.

1. The Foundation requests that interested groups complete a detailed application form that includes (a) a description of the project; (b) its purpose, goals, and expected life span; (c) fundraising plans; (d) budget, bylaws and other organizational documentation; (e) and a concise statement of how the proposed fund meets the charitable purposes of the Foundation. The application also should explain if any feasible alternative is available for the fund, (i.e.) why does the donor believe it is necessary to use the Foundation as a fiscal sponsor, and what are the alternatives. Applicants are encouraged to discuss their projects and applications with Foundation staff prior to submittal.

2. The Foundation's staff will review the application and decide whether to provide fiscal sponsorship. If the staff so decides, a fund agreement between the applicant and the Foundation will be drafted. Once the agreement is approved by the Foundation Board, a fund bearing the project's name will be established. The project is then accounted for as "*The XYZ Fund, a project of the Golden Belt Community Foundation*" for IRS auditing, financial reporting, marketing, and fundraising purposes. It is requested that groups credit

the Foundation in publications and news releases or stories. Likewise, the Foundation may give the project mention in the Foundation's newsletter(s) and annual report.

3. As fiscal sponsor, the fund will be deemed to be a fund of the Foundation and the Foundation is legally responsible for the project's administration, management, and disbursement of funds. Typically, the Foundation assures programmatic oversight by authorizing an existing advisory group to fulfill that function. A roster of the group and minutes of meetings are to be forwarded to the Foundation.

4. When the staff resolves to provide fiscal sponsorship, it retains the right to approve payments from the fund created to carry out the purposes of the project. The project advisory group makes recommendations for the specific expenditures. The Foundation staff reviews the recommendations, and if staff concurs, authorizes payments.

5. The Foundation prepares receipts and acknowledgments for all gifts to the project fund. If desired, a custom thank-you letter can accompany the acknowledgment. The Foundation will provide regular financial reports to the advisory group.

Groups may apply to other funding sources under the auspices of the Golden Belt Community Foundation, but the Foundation is not in any way responsible for actual fundraising or for providing financial support for the project. Foundation staff must review in advance all fundraising plans and requests for funding. In addition, all copy used in marketing or fundraising must be approved by Foundation staff.

Compensation: For administrative costs associated with handling a fiscal sponsorship fund, the Foundation charges a fee to be determined on a case-by-case basis, depending on the anticipated level of effort required to service the fund. Fees are calculated monthly and deducted quarterly. The Foundation reserves the right to modify this fee, should administration of the Fund prove to be more time-consuming than anticipated.

The Basic Legal Rules: When any donor makes a gift or grant to a secondary grantee (such as a charitable project), by first routing it through an intermediary grantee (such as the Foundation), the IRS, the Internal Revenue Code and the relevant Treasury regulations consistently apply a basic legal principle.

> If the gift or grant is "earmarked" and the intermediary grantee does not "exercise control" over the funds, then the gift or grant is treated as if it had been made directly by the donor to the secondary grantee.

A gift or grant is "earmarked" if it is subject to an agreement, either written or oral, whereby the donor binds the intermediary grantee to transfer the funds to the secondary grantee (or to use the funds to assist a specific individual). To say it another way: a donor cannot do indirectly what he or she cannot legally do directly. The intermediary grantee (the Foundation) must, by law, be vigilant to confirm the charitable nature of the secondary grantee(s), and not simply a passive conduit for such funds.

Improper Use of Fiscal Sponsorship: While this list is not exclusive**,** improper use of a fiscal sponsor, or intermediary grantee, includes making gifts or grants: to individuals; by a private foundation to a new charity without an IRS determination letter; to non-charities doing charitable work; to a foreign charity; from one private foundation to another, or designed to avoid the two percent limit on private foundations. *Misusing fiscal sponsors can result in: denial of donor's tax deduction; penalty tax on private foundations; loss of fiscal sponsor's public charity status; damage to public reputation of donor(s) and fiscal sponsor; and liability to directors and officers.*