



Institute for
Nonprofit News

Fiscal Sponsorship Program Manual

2018

Table of Contents

INN's Fiscal Sponsorship Program

Eligibility Requirements for Sponsorship

Sponsorship Services and Benefits

Program Fees

Sponsorship Overview

Sponsorship Operations and Policies

Project Responsibilities and Expectations

Project Tax And IRS Responsibilities

Project Insurance Responsibilities

Sponsor Responsibilities and Expectations

Project Separation/Termination

Contacts and Service Requests

Appendices

Appendix 1 – Fiscal Sponsorship Glossary

Appendix 2 – Sponsorship How-To's, Deadlines and Turnaround Times

Appendix 3 – Sponsorship Benefits and Services at a Glance

INN's Fiscal Sponsorship Program

To help journalists and others launch and run mission-driven investigative and public service news organizations, INN offers its members fiscal sponsorship.

Fiscal sponsorship is a way new nonprofits can use INN's tax-exempt status and start raising funds before they have their own nonprofit status with the IRS. INN handles their financial management for a fee, and for most organizations, this allows them to save time and expense while forming or converting to a nonprofit.

Organizations that are accepted into the Sponsorship are referred to as "Projects" or "fiscally sponsored Projects." In certain cases, established organizations also may become sponsored Projects.

This manual outlines Sponsorship benefits; general operating procedures and expectations of fiscally sponsored Projects. For a glossary of terms, please refer to **Appendix 1**.

Eligibility Requirements for Sponsorship

To be eligible to join INN's Fiscal Sponsorship Program, a Project must:

- Meet INN's [membership standards and be willing to join INN](#).
- Function within [501\(c\)\(3\) regulations](#) and be noncommercial in nature.
- **Not have** its own 501(c)(3) tax-exempt status – or be willing to give that up as a condition of joining the Program.
- Continually perform up to the standards outlined in the **Responsibilities and Expectations** section of INN's Fiscal Sponsorship Program Manual.
- Be based in the United States and be either 1) a registered nonprofit corporation in one of the 50 States or Washington, DC, or 2) in the process of incorporating as a nonprofit corporation in one of those locations. (Please note, this is different than having 501(c)(3) tax-exempt status.)
- Provide a viable business plan that includes financial projections and funds already committed to the Project.

Sponsorship Services and Benefits

As part of INN's fiscal sponsorship program, Projects receive the following core services and benefits:

- The ability to solicit and receive tax-deductible donations and grants, in-kind donations, stock donations, and corporate matching grants
- Charity registration with the appropriate government authorities in every state to receive charitable donations from anywhere in the U.S.
- Annual filing of the 990 with the IRS for all charitable funds raised
- An annual financial audit, as mandated by the IRS (all Projects are included in INN's annual audit)
- IRS mandated donor-acknowledgment letters for donations to the Project via INN (for donations greater than \$250)
- Monthly financial reconciliation reports
- The ability to quickly launch an organization, allowing it to meet grantor minimums for "length of operations" sooner.
- Two hours per month of INN bookkeeping time to maintain these records and accounts.
- The full benefits of INN membership services, training and peer networks

Sponsorship Fees

- There is a setup fee of \$500 for new applicants to the INN Fiscal Sponsorship Program. This fee should be submitted following acceptance into the Program.
- INN deducts an administrative fee of **seven percent (7%)** of (1) all charitable contributions received on behalf of the Project and (2) the cash value of noncash donations granted to the Project. This fee covers costs incurred as a fiscal sponsor including accounting, providing donation acknowledgment, administering fund disbursement, ensuring legal compliance and administering the restricted fund. The administrative fee is collected at the end of each month in which funds are received by INN on behalf of the Sponsored Program.

Minimums:

- For Projects in their first year of existence (and sponsorship), the minimum administration fee is \$300 per quarter (equal to \$1,200 annually).
- For Projects in their second year of existence and sponsorship and thereafter, the minimum administrative fee is \$600 (equal to \$2,400 annually).
- Following the months of March, June, September and December, if a Project has not raised enough funds to meet the minimum quarterly administrative fee from its 7% deductions, the difference of the fees billed and the minimum fee will be deducted from the Project's account.

Projects pay:

- Credit card, payment system fees (such as PayPal or Stripe) and any bank fees (such as bounced-check fees) directly related to their account.
- Any excess **bookkeeping fees** beyond the included two (2) hours per month. Two hours covers general bookkeeping as outlined above for most sponsored Projects, but those have complex financials to work through or want added INN help with their own tasks such as sorting out receipts or local record-keeping can get added help at \$65 per hour. They will be emailed to authorize the fees before any directly billed work is begun.
- **Emergency rush fees.** Rush requests are those requiring less than 48 hours response. After one emergency rush fee in a year, Projects may be subject to a \$100 fee for additional rush requests.

Sponsorship Overview

- INN provides an appropriate level of financial oversight of Projects and accepts tax-deductible donations on their behalf.
- Projects have certain responsibilities and obligations that must be satisfied in order to maintain their fiscal sponsorship, and thereby receive tax-deductible donations from individuals and businesses, and grants from foundations and government. (See “**Project Responsibilities and Expectations**” later in this manual.)
- For each Project, INN establishes a restricted fund to receive and manage gifts received on behalf of the Project, and from which INN re-grants funds to the Project, subject to the fiscal sponsorship agreement.
- Each Project is responsible for maintaining a record of all gifts delivered to INN on its behalf as well as all disbursements (also known as re-grants) transferred by INN to the Project. While INN also tracks this information, each Project should keep its own records as well, as they are essential to future planning and responsible spending.
- Projects also may have access to other services and resources normally available only to 501(c)(3) exempt organizations.

INN’s fiscal sponsorship program is based on the Model C sponsorship as described in [Fiscal Sponsorship: Six Ways to Do It Right](#) (by Gregory L. Colvin, Study Center Press, 2005).

In Model C, or “Preapproved Grant” relationship, the Project is a technically grantee of INN and has a legal, tax and accounting identity separate from INN. (See “**Program Overview and Administrative Fees**” section below)

Sponsorship Operations and Policies

Through INN's Fiscal Sponsorship Program:

- INN and the Project are separate legal, tax, and accounting entities. This means that while INN will manage administration of any **charitable funds** the Project raises and files all **federal tax documents related to charitable fundraising**, the Project is responsible for maintaining its own financial records along with any and all tax filings and payments at the state and local levels. We advise Projects to consult with local counsel on state and local requirements.
- INN controls administration of a restricted fund for each Project in the Sponsorship. As a grantee, the Project must use these funds solely for its intended purpose (as defined in the Project grant and the mission statement of the Project) and repay to INN any portion of funds that are not spent.
- However, **INN does not receive income earned by the Project**, and is not responsible for tax reporting on a Project's earned income. "Earned Income" includes funds obtained by the Project outside of grants and charitable donations. INN files all **federal tax documents related to charitable fundraising**. Projects are responsible for all **state and local taxes** and should consult a tax preparer or attorney to understand their responsibilities around reporting both earned income to the appropriate federal/state/local tax authorities as well as any state and local tax responsibilities the Project may have related to its charitable fundraising.
- INN is not responsible for Project's grant reporting, programming or operations. These operations, as well as incurred liabilities to third parties, are the ultimate responsibility of the Project.
- No one in a Project is considered an employee or independent contractor of INN.
- INN does not pay the Project's vendors or contractors. All reimbursed funds are paid directly to the Project.
- INN will provide IRS Form 1099s to Projects who have been directly disbursed funding to the extent required by law.
- All other responsibility related to the Project rests with the Project.
- Any Intellectual Property developed by the Project belongs to the Project. INN makes no claims to that work, nor will INN attempt to exert editorial control over the Project.
- The Project is responsible for filing an annual report with INN by or on Oct. 15 that includes the Project's financial projections for the upcoming calendar year along with notice of any major upcoming activities.

Sponsor Responsibilities and Expectations

As the Fiscal Sponsor, INN accepts responsibility to:

- Process all incoming donations and send donor acknowledgements in a timely manner (see **Appendix 2** for deadlines and expected turnaround times.)
- Review and process all funds requests in a timely manner (see **Appendix 2**.)
- Maintain accurate, up-to-date financial records for all sponsored Projects and share monthly financial reports with each Project.
- Respond to requests and questions from Project staff, to the best of its ability.
- Maintain its nonprofit status and ensure the Program is operated in a way to conform to all known laws and statutes.
- Maintain and pay for registered charitable status in all 50 states and the District of Columbia. This registration covers sponsored Project registration in those states.
- Conduct an annual audit, which is made public and shared with sponsored Projects
- File an annual federal tax return to the IRS
- Provide IRS Form 1099s to Projects that have been directly disbursed funding, as required by law.

Project Responsibilities and Expectations

Fiscal sponsorship comes with Project responsibilities that, if neglected, can have serious consequences, including termination of sponsorship, punitive actions by government agencies such as the IRS, and liability arising from insurance and legal claims.

To remain in good standing, Projects must:

- **Keep accurate records of all gifted and disbursed funds.** While INN will provide each Project with a monthly accounting of its restricted fund, each Project should maintain its own books to independently account for all gifted and disbursed funds.
- **Keep accurate records of all Project expenditures.** Treat all funds as restricted funds usable only for the purposes of the fiscally sponsored Project, and maintain receipts or other substantiation of expenditures for all disbursed funds.
- **Comply with federal, state and local tax and insurance requirements.** INN's federal tax return (990) includes all charitable funds raised by a sponsored Project. A Project is responsible for all tax liabilities and reporting at the state and local level, as well as filing any tax returns required if it has Earned Income.

Projects are responsible for obtaining and maintaining the appropriate types and coverage levels of insurance as required by state and/or federal law. (See "**Project Insurance Responsibilities**" below for more information.)

- **Comply with all third party grant conditions.** For grants from third party funders such as foundations and corporations, be sure to only use grant funds as permitted

under the conditions of that grant. If you have questions about the conditions of a particular grant, please work with the funder to get them answered.

- **Remain in control of third party fundraising activities.** Projects may only engage 3rd party fundraising activities if confirming that these activities comply with legal and ethical standards. Funding received that does not meet these requirements may be returned, and the Project may be subject to termination of sponsorship.
- **File annual reports with INN** on Oct. 15 or the nearest weekday. Reports should include financial projections for the upcoming calendar year, an outline of any major upcoming activities and any updates on the Project seeking its own 501(c)(3) status.
- **Pay the quarterly Sponsorship administrative fee** on revenues and non-cash gifts received by INN on the Project's behalf, plus any applicable bank and bookkeeping fees as outlined above.

Projects agree to:

- Maintain and advance their Project's tax-exempt purpose
- Respond to INN requests in a timely manner
- Acknowledge INN sponsorship with logo and URL on Project materials.
- Alert INN promptly of potential risks or material changes to the Project (e.g., an upcoming event, pending layoffs, threat of legal action against the Project, etc.)
- Alert INN immediately of accidents or incidents in connection with the Project
- Review monthly financial statements in a timely manner
- Pay expenses, including reimbursements, in a timely manner
- Raise all donated funding solely with and through INN, and forward any donations received by the Project to INN for deposit in a timely manner
- Notify INN of any in kind donations made directly to the Project with the expectation of receiving a tax deduction from the Project
- Abide by INN policies regarding non-discrimination, editorial independence, donor transparency and document retention, and any policies in this manual and the fiscal sponsorship agreement
- Attend an exit interview if Project leaves INN's fiscal sponsorship program
- If applicable, maintain Project records for four years after leaving the Program

Project Tax And IRS Responsibilities

Income received through INN's fiscal sponsorship program may be taxable by the IRS. INN is responsible for reporting all funds held in the Projects' restricted funds and files a 990 with the IRS each year that includes all **charitable funds** that Projects have raised.

However, each Project is responsible for reporting all **earned income** directly to the IRS. INN will also provide IRS Form 1099s to Projects that have been directly disbursed funding, as required by law.

Also, any **state** and **local** tax responsibilities related to **charitable OR earned income** are the sole responsibility of the Project.

INN, its bookkeepers/accounting service providers and attorneys are forbidden by federal law from providing individualized tax or legal advice to Projects and their donors. Please consult your Project's professional tax advisor or attorney for more details.

Project Insurance Responsibilities

INN strongly encourages all members (including fiscally-sponsored Projects) to carry **General Liability, Directors and Officers** and **Media Liability Insurance**.

Projects are responsible for these, and any other corporate insurance that may be required in their state.

INN may, at its discretion, require additional insurance to be held by the Project. In this case, INN can refer the Project to an insurance broker, or the Project can source and select its own. For more information on the resources that INN provides, [please visit the Insurance section of INN's website](#).

Project Separation

For any number of reasons, there may come a time when a Project graduates or chooses to separate from the Program. Here are the procedures:

1. The Project notifies INN in writing or by email when it files any paperwork with the IRS or State authorities seeking 501(c) status.
2. The Project notifies INN in writing when it receives its 501(c)(3) determination letter from the IRS (and includes a copy of the letter in its notification).
3. The Project provides INN a written notice **60 days in advance** of the date it intends to officially separate.
4. INN will make best efforts to ensure a smooth transition, and typically works with the Project to agree on a workable timeline, the transfer of any grants earmarked for the Project and so forth.

INN takes pride in helping nonprofits get off to a strong start and so works closely with "graduating" Projects to help ensure they're well set up for successful independent operation.

Project Termination

If a project is unable to meet the obligations of being a sponsored Project, INN will follow the process below to end the Sponsorship relationship:

1. INN will send an email alerting the Project to any breach in the Sponsorship agreement or these policies and requiring a remedy by a specified date.
2. A second email will be sent and/or phone call made reminding Project of the breach, requiring a remedy by the date specified by INN in Step 1, and alerting Project of possible sponsorship termination.
3. Should the Project fail to remedy the breach by the deadline specified by INN in Step 1, INN shall provide 15 days' written notice to the Project of INN's intent to terminate the fiscal sponsorship relationship in accordance with the Project's sponsorship agreement.
4. The Project will be given an opportunity to be heard, either orally or in writing, at least five days before the effective date of the proposed termination.

Contacts and Service Requests

For new fiscal sponsorship questions, contact:

Chip Potts
Director, Finance & Operations
chip@inn.org
703.627.2242

To submit an application or for general membership questions, contact:

Mara Jezior
Membership Coordinator
mara@inn.org
651.308.1989

Donation Checks should be mailed to:

Institute for Nonprofit News
Attention: [Project Name] Donation
714 W Olympic Blvd, #931
Los Angeles, CA 90015

For processing questions (established Projects)

Michelle Grohowski-Ray
accounting@inn.org
818.223.9658

Official written correspondence should mailed to:

Institute for Nonprofit News
714 W Olympic Blvd, #931
Los Angeles, CA 90015

Appendix 1 - Fiscal Sponsorship Glossary

Below are terms related to INN's Fiscal Sponsorship Program and fiscal sponsorship in general. If you have additional questions, please contact Membership Coordinator Laura Bertocci.

- 501(c)(3) Tax Status – This is the status granted by the IRS on U.S. nonprofit organizations to allow them to solicit and receive tax-deductible donations and grants.
- Fiscal Sponsorship – Fiscal sponsorship refers to the practice of non-profit organizations offering their legal and tax-exempt status to groups engaged in activities related to the organization's missions. It typically involves a fee-based contractual arrangement between a project and an established non-profit.
- Fiscal Sponsor – A fiscal sponsor is a nonprofit organization that provides fiduciary oversight, financial management, and other administrative services to help build the capacity of charitable projects.
- Fiscally Sponsored Project or “Project” – This is the organization or entity in the fiscal sponsorship arrangement that does not have its own 501(c)(3) Tax Status.
- Fiscal Sponsorship Program or “Sponsorship” – The set of benefits, processes and procedures offered by the Fiscal Sponsor to its Projects.
- Model C Sponsorship – A fiscal sponsorship type where the fiscally sponsored project is a separate entity responsible for managing its own tax reporting and liability issues. In this type, the sponsor accepts charitable funds on behalf of the project and re-grants those funds to the Project so that it may accomplish its work as described in the grant proposal.

Appendix 2 – Program How-To’s, Deadlines and Turnaround Times

The section explains key processes for Projects along with important deadlines and turnaround times for specific requests.

For questions related to these processes, please contact INN Fiscal Sponsorship bookkeeper Michelle Grohowski-Ray at accounting@inn.org.

Account Setup

Once a project has been approved for Fiscal Sponsorship, Laura Bertocci will schedule an on-boarding call between the Project, INN, and INN’s Bookkeeper to discuss procedures and answer any questions by the Project. Templates for INN Forms will be electronically sent to the Project prior to the on-boarding call.

The project must provide full contact information, bank account information, and IRS Form W-9.

In addition, Laura Bertocci will provide the Project with information on PayPal link and provide the INN logo for the Project’s website.

Donations and Deposits (aka Money In)

- Cash Donations are received electronically via Stripe or PayPal (or other approved online payment system), or by check or money order mailed to INN’s Bookkeeper.
- Checks must be payable to “Institute of Nonprofit News” or “INN” with the name of the Project in the check memo. Checks made out to the Project will be returned.
- When delivering five or more checks, please review the “Procedure for Donations by Check” later in this Appendix. Checks are photocopied, deposited in INN’s account, and securely stored electronically by INN along with other relevant deposit records.
- INN will notify Projects monthly by email when PayPal and Stripe donations, corporate matching donations, and third party grant/donation checks are received. If the Project knows a check or corporate matching donation is being sent directly to INN, please notify the Operations Manager to ensure fast and efficient processing.
- In-Kind Donations in the form of tangible items (such as furniture, food and beverages for special events) should be delivered directly to the Project. As soon as the Project knows it will be receiving an in kind donation, it should notify the Operations Manager and provide INN with the donor’s contact information, a detailed description of the donation and a monetary valuation of the tangible item so that INN may prepare the donor acknowledgment letter. Note that in-kind donations may require special handling and bookkeeping. If so INN may charge an administrative fee for costs in handling in-

kind donations. Any added fees would be discussed with the Project before the work is started.

- Donor Acknowledgment Letters: INN is responsible for providing donor acknowledgement letters for all gifts received greater than \$250, and will do so either by email or by a letter mailed to the donor via USPS prior to the annual tax-filing deadline. Projects are encouraged to also send their own acknowledgements as part of proper donor engagement.
- Monthly Financial Reports: Projects will receive by email monthly financial reports detailing all activity and current balances in their restricted fund. It is the Project's responsibility to review these reports monthly and to immediately contact INN with any comments or revisions.

Disbursement Procedures (Money Out)

- All requests for monies from a Project's restricted fund must be submitted via utilizing INN Funds Request Transmittal Form. The form needs to be filled out completely and signed/dated by the Project. Copies of all backup documentation (invoices, receipts, etc.) must be submitted along with the Funds Request Form. The documents should be sent as a pdf to: accounting@inn.org.
- When submitting the Form, please include a short description of how the funds were spent by the Project. Please include all backup documentation including receipts or invoices.

Projects are not required to provide INN with an IRS Form W9 for each payee – however, the Project may need to maintain all payee W9s for its own recordkeeping and tax purposes. Please contact your own accounting or tax professional for specific advice on tax reporting.

- If the disbursement request is approved, monies are disbursed on the 10th and 25th of each month, or the nearest business day after. In order for transfers to be made by the 10th or 25th of the month, all requests must be submitted 3 business days in advance.
- We cannot guarantee the timely disbursal of late requests.
- Disbursements are generally paid electronically.
- Correct P & L codes must be submitted with the Funds Request Transmittal Form.
- Reminder that INN will be reimbursing the Project for expenses which have already been paid by the Project. No monies will be disbursed without all documentation having been submitted

Procedure for Donations by Checks

This procedure is designed to ensure that all donations made by check and submitted by the Project to INN either by mail or in person for batches of greater than five (5) checks are appropriately catalogued prior to mailing.

The Project is responsible for providing the following information for each check donation. For each delivery of 5 or more checks, please provide all information using the Statement of Contributions Received Form.

1. Project Name
2. Date Checks Submitted
3. Project Contact Person's Name
4. Project Contact Person's Email
5. Donation Information:
 - ✓ Date Check was written
 - ✓ Total Amount of Deposit
 - ✓ Amount of Each Check
 - ✓ Check Number
 - ✓ First Name of Donor
 - ✓ Last Name of Donor
 - ✓ Company of Donor – If applicable
 - ✓ Address of Donor
 - ✓ Donor Email Address – if available
 - ✓ Donor Phone Number – if available

The completed Statement of Contributions Received form should be sent as a pdf to: accounting@inn.org prior to mailing checks to the INN bookkeeper.

Summary of Deadlines and Turnaround Time

This document is intended to provide Projects with a general overview of how long it may take INN to respond to certain types of requests, including how long it will take to process donations received by check and PayPal.

If there is an emergency and you need a response sooner, please contact INN directly to see if an accommodation can be made. As noted earlier in this Manual, Emergency requests requiring less than 48 hours response from INN may be subject to a \$100 rush fee.

Email Requests

- Email requests will be responded to within 2 business days of receipt. Depending on the nature of your request, it may take longer for the request itself to be completed.
- Emails received after 6:00 p.m. PST or on a holiday will be considered received on the next business day.

Funds Disbursement Requests (Money Out)

- Funds are dispersed on the 10th and 25th of each month (or the nearest business day thereafter).
- Generally, funds received on behalf of your project will be available for disbursement on the 10th of the next month. For example, any check received and deposited in April will be available by the May 10th payout date.
- All requests must be submitted through the INN Funds Request Transmittal form.
- and received no later than 3 business days prior to the 10th and 25th of each month.

Monthly Financial Reports and Account Balances

- Monthly financial reports will be sent by email no later than 7 business days after the last day of the month. This report will detail the prior month's activity and your final account balance at the end of the prior month.

Donations – By Check

- Donations received by check will be available for disbursement on the 10th of the next month. For example, any check received in April will be available by the May 10th payout date.
- Please review the Procedure for Check Donations if you are delivering to INN a batch of more than 5 checks.
- Checks must be payable to “Institute for Nonprofit News” or “INN” with the name of your project in the check memo. Checks made out to you or your project will be returned to you (not the donor). Your donors are welcome to mail donation checks directly to the INN Bookkeeper's address:

Institute for Nonprofit News

c/o Souza Associates, Inc.
PO Box 8606
Calabasas, CA 91372-8606

Donations – By PayPal Online

- Donations received online through PayPal will be available on the 10th of the next month. For example, all online donations received in April will be available by the May 15th payout date.
- Requests to modify your PayPal donation button may take up to 3 business days to complete.

Appendix 3 – Program Benefits and Services at a Glance

Included In the Quarterly Administrative Fees

- Use of INN's tax-exempt status (and tax ID number)
- Use of INN's registered charitable status in all 50 states, allowing your Project to accept donations from anywhere in the U.S
- Setting up your Project in INN's Fiscal Sponsorship bookkeeping system
- On-boarding for you and your team to the program, including time with our membership coordinator and bookkeeper
- Processing funds requests, or paying your organization's bills directly (depends on the arrangement)
- Processing donations/grants
- Sending acknowledgement letters for donations more than \$250
- Monthly reconciliations
- Filing an annual federal tax return (Form 990) that covers the charitable funds raised by your Project
- Conducting an annual, federally-required financial audit
- Up to two (2) hours of our bookkeeper's time per month to handle the above activities

Additional Charges to the Project

- INN's bookkeeper's time in excess of the two (2) hours provided. If your Project goes beyond the two (2) hours in a given month, you will be billed directly for the time used at a rate of \$65/hour.
- Postage and any other expenses; these are billed monthly at cost

Available to INN Members on a Case-by-Case Basis

- Promotional and fundraising support
- Support with grant applications and reporting
- Referrals for legal, insurance, and other professional services

Not Available Through the Program

- Accounting services, tax filings or payroll for your organization
- Filing and fees related to your State incorporation
- State and Local tax filings related to charitable and/or earned income
- Federal tax filings related to *earned* income
- Corporate insurance for your organization
- Your organization's general INN membership dues

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