RESOURCES FOR GRANT APPLICANTS

A Guide to Using Fiscal Sponsors

IN THIS GUIDE

This guide does not advocate for or against a project bringing on a Fiscal Sponsor. The goal is to serve as a resource for anyone new to the concept of a Fiscal Sponsor, or new to the use of a Fiscal Sponsor in Submittable.

Fiscal Sponsors may be utilized by applicants and Grantees for the Nexus and Elevate grant programs.

If you have any questions about Fiscal Sponsorship, please contact culturalarts@austintexas.gov.

What is a Fiscal Sponsor?

A Fiscal Sponsor is a 501(c) organization that provides support to projects that lack nonprofit status. Often, the Fiscal Sponsor handles financial transactions and reporting duties on behalf of the Sponsored Project. Please note that all Fiscal Sponsors **must** be headquartered in Austin.

Pros and Cons of Utilizing a Fiscal Sponsor

Pros

Access to Nonprofit Status: Grantees can benefit from Fiscal Sponsor's nonprofit status; however, their grant funds would not be tax-deductible as earned income.

Financial and Project Management: Fiscal Sponsors may handle financial transactions, administrative tasks, and reporting responsibilities associated with the grant.

Credibility: Being associated with an established Fiscal Sponsor can enhance the marketability of the Sponsored Project or project.

Cost Savings: Obtaining nonprofit status can be costly and time-consuming. Using a Fiscal Sponsor eliminates these expenses and administrative hassles.

Cons

Fees: Fiscal Sponsors typically charge fees for their services, which may come out of the total grant award as a percentage of the grant amount. The City has set a maximum allowable service fee of 10% of the total grant award.

Loss of Total Autonomy: Depending on the sponsorship arrangement, the Sponsored Project may have more limited control over financial and administrative decisions, as these are often managed by the Fiscal Sponsor.

Mismanagement Risks: If the Fiscal Sponsor mismanages funds or fails to fulfill its obligations, it can negatively impact the Sponsored Project. It is important to choose a trustworthy, reputable organization to act as a Fiscal Sponsor.

Considerations when Choosing a Fiscal Sponsor

Who you choose to be your Fiscal Sponsor (FS) often depends on your specific needs. When searching for options, it's important to consider and ask about the following:

1. Is the FS headquartered in Austin?
2. What percentage of the grant award will the FS take as a fee? The fee cannot exceed 10% of the awarded funds.
3. Will the FS help you craft and revise the content of your application, beyond their task of submitting it on your behalf?
4. Does the FS offer training in grant-writing, accounting, or project management should you desire it?
5. Does the FS offer networking support should you desire it?
6. Does the FS provide insurance at no or low cost?
7. Is there a separate membership fee to enter into an agreement with the FS on top of their general administrative fee?
8. Will the FS support you through the application process (as is required) without charge, knowing that their fee will come from the grant itself, should you be awarded?
9. Does the mission of the FS align with the goals and objectives of your proposed project?
10. Does the FS align with industry professional standards? Please see the next page for a breakdown of these standards.
11. Will the FS have any limitations or restrictions on funds usage beyond the grant program's list of eligible expenses?
12. Does the FS have the capacity to support you and your project's needs for its duration, including the Final Report? This includes staffing, infrastructure, and additional resources.

Fiscal Sponsor Professional Standards

If you are interested in **being** a Fiscal Sponsor for a HOT grant program, please consider the professional standards and best practices outlined below.

If you are **looking for** a Fiscal Sponsor for your project, these standards should serve as a guide for finding one that is reputable and professional.

1. The Fiscal Sponsor should be a 501(c)3 nonprofit that has had its nonprofit determination for at least 5 years, with an arts-specific mission and an independent board of directors.
2. The Fiscal Sponsor should have at least two full-time employees, one of whom is directly responsible for all Fiscal Sponsorship activities, under the supervision of the other.
3. The Fiscal Sponsor should conduct an Annual Financial Audit by an independent CPA, which can be made available to the Long Center, the City of Austin and all sponsored projects.
4. The Fiscal Sponsor should not have other business relationships with the sponsored projects (to preempt self-dealing and conflicts of interest).
5. The Sponsored Project's artistic lead cannot be a staff member of the Fiscal Sponsor.

If you are looking for a Fiscal Sponsor, and do not already have an organization in mind, please email culturalarts@austintexas.gov. They have a list of some fiscal sponsors they have worked with in the past, and can provide additional support in locating one.

Fiscal Sponsors and Submittable

If a grant is awarded, the Fiscal Sponsor will be responsible for accepting the funds on behalf of the Sponsored Project. Because of this, they are required to be the "owner" of the account in Submittable at the Pre-Agreement stage." At time of submission, the Fiscal Sponsor and Sponsored Project must also upload a signed Fiscal Sponsorship agreement. For both these reasons, **if you wish to use or be a Fiscal Sponsor, that relationship *must* be set up before you begin the application process**.

Application Submission Process

- The Sponsored Project will apply on their own through Submittable. If awarded funding, the Sponsored Project will transfer ownership of the account to the Fiscal Sponsor during the Pre-Agreement process.
- The entire demographic section of the application pertains to the applicant/Sponsored Project, NOT the Fiscal Sponsor.
- Alongside other required application materials, they will submit a signed Fiscal Sponsorship Agreement. The template for this agreement is available both within the application, and in the Create Austin Resource Hub.
- The Fiscal Sponsor will submit the application on behalf of the Applicant/Sponsored Project by clicking the submit button in the Submittable application.
- They may set an earlier deadline for the Sponsored Project to allow time for them to review, approve and submit the application on the Sponsored Project's behalf.

Grant Awarding Process

The Fiscal Sponsor will be required to click the "submit" button for all progress and final reports. However, the Sponsored Project is responsible for providing the content for the application, progress report, and final reports.

The amount of support the Fiscal Sponsor provides the Sponsored Project in crafting and revising this content depends on the specific agreement in place between the two entities. However, it is very encouraged for the Fiscal Sponsor to support this work. Doing so aligns with industry standards of best practice and the Fiscal Sponsor's responsibility of administrative management.

Fiscal Sponsor Reporting Requirements

- The Fiscal Sponsor will hold administrative and financial responsibility for the project.
- They will review completed final report materials.
- They will click the "Submit" button on all forms and reports for the Grantee.
- They will hold and disburse funds on behalf of the Grantee, as outlined in their Sponsorship Agreement.
- They will review all changes requested by the Sponsored Project to their original project scope and will secure the City's written approval before allowing the Sponsored Project to proceed.

Grantee/Sponsored Project Reporting Requirements

- The Grantee/Sponsored Project will submit pay requests to the Fiscal Sponsor.
- They will carry out the programmatic elements of the grant award
- They will provide any information or documents needed by the Fiscal Sponsor for reporting purposes.
- They will be added as collaborators in the Pre-Agreement stage to the application and reporting forms to assist with content by the Fiscal Sponsor.
- They will submit changes requested for their original activity scope to their Fiscal Sponsor.
- They will complete all final report materials.

City of Austin Minimum Requirements for Fiscal Sponsors

All Fiscal Sponsors must adhere to the following requirements:

- Be a 501(c) organization located in Austin or its Extra-Territorial Jurisdiction (ETJ),
- Have a salaried Executive Director,
- Have an active volunteer Board of Directors that meets at least three times a year,

Been in existence for:

- at least one (1) year and Have at least a $50,000 annual operating budget as evidenced by the most recently completed IRS Form 990, OR
- at least five (5) years and have at least a $35,000 annual operating budget as evidenced by the most recently completed IRS Form 990

Additional Requirements for Both Sponsored Projects and Fiscal Sponsors

- Fiscal Sponsors that apply on behalf of creative businesses or individuals as the fiduciary agent must take on the legal responsibilities to carry out the contract.
- The Long Center will directly contract with the Fiscal Sponsor.

The Fiscal Sponsor will be responsible for all administration, financial management, reporting, and any other responsibilities associated with the project's completion. Failure to comply with fiduciary responsibilities, contract compliance, and/or contract management requirements may result in loss of eligibility to serve as a Fiscal Sponsor.

Examples of failing to meet sponsorship requirements include but are not limited to:

- Turning in late and/or incomplete applications, pre-contract materials, contracts, and/or final reports
- Failure to review materials for completeness and accuracy prior to submitting to Submittable.

The Fiscal Sponsor may charge up to 10% of the award amount as a sponsorship fee for serving as a fiscal agent in all applicable funding programs. Sponsored Project activities must be independent projects, separate from the general activities of the Fiscal Sponsor.

Applications for Sponsored Projects may not be for an extension of an organization's regular programs and/or services, nor may a Sponsored Project be used to fund activities, events, or services put on or provided by the Fiscal Sponsor. Applicable professional services provided by the Fiscal Sponsor may be considered as eligible expenses.