

CACF Fiscal Sponsorship Policy

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What is Fiscal Sponsorship?

To be eligible for a grant at the Charlottesville Area Community Foundation, an applicant must be a 501(c)(3) organization, school, governmental or religious entity, or a group **fiscally sponsored** by a 501(c)(3) organization. Fiscal sponsorship is a mechanism or arrangement whereby a charitable project or program can operate and receive contributions (including grants and tax-deductible donations) under the tax-exempt status of a mission-aligned Fiscal Sponsor organization. The Fiscal Sponsor then provides the sponsee with fiduciary oversight, financial management, and other administrative services to advance the charitable project or program.

At CACF, we believe fiscal sponsorship is a well-founded, strategic, and valuable tool to support projects and programs that can improve the quality of life of those living in our region. Fiscal sponsorship can be especially useful for grassroots and non-mainstream organizations that are leading critical work in our communities (but that may not have or want tax-exempt status) to receive funding and support that carries forward their missions and builds their capacity for deeper impact. Seeking fiscal sponsorship may also be a good fit for those who are 1) leading a temporary and/or time sensitive project 2) waiting to obtain 501(c)(3) status 3) want to focus resources on the mission and reduce administrative burden, or 4) building a coalition or facilitating collaboration amongst many groups.

For more information and resources on fiscal sponsorship, please reach out to Kisha Bwenge, Senior Capacity Building Manager, at kbwenge@cacfonline.org.

Requirements

To be regarded as a lawful and to be eligible for CACF grants, fiscal sponsorship arrangements must meet the following conditions:

1. **Fiscal sponsorship model:** The arrangement must fall under one of the two following Fiscal Sponsorship models (for more information on the two models, see here):
 - a. Comprehensive Fiscal Sponsorship (Model A), where the sponsor takes in a project as an internal program and the project has no separate legal entity. The assets, liabilities, and exempt activities collectively referred to as the project are housed within the fiscal sponsor.
 - b. Pre-Approved Grantee Relationship (Model C), where the sponsor and project/program representatives have a grantor-grantee relationship, and the project is a separate legal entity.
2. **Fiscal oversight:** By definition, under either of the above arrangements, the Fiscal Sponsor organization must exercise control over funds raised for the project or program.
3. **No pass-through activity:** The sponsor cannot simply act as a passive conduit (i.e. pass-through entity), funneling donations from outside contributors to the project. Fiscal sponsorship works for tax purposes because the sponsoring charity is re-sponsible for and legally in control of the funds raised for the tax-exempt purposes pursued by the project. The sponsor maintains records that substantiate the use of funds for appropriate charitable purposes.
4. **Mission alignment:** The funds must be used by the project or program in a manner that is consistent with, and in furtherance of, the Fiscal Sponsor's charitable mission. A nonprofit organization may agree to act as the fiscal sponsor for a project because fiscal sponsorship is a core service offering of their organizational model, and/or because they have experience with the project's purpose as it is closely aligned with the Fiscal Sponsor's established goals and priorities.
5. **Separate fiscal sponsor agreement:** Sponsored Applicants must submit a brief Fiscal Sponsor Grant Application Agreement form, signed by their Fiscal Sponsor as well. But we expect that all Fiscally sponsored arrangements will also have their own written and detailed fiscal sponsorship agreements that clearly outline the specific requirements, roles, and responsibilities of each party. For examples, see here and here.
6. **CACF grant application frequency:** Fiscal sponsors may only submit one application for themselves in any grant cycle. However, fiscal sponsors may be listed as the sponsor on multiple proposals. Sponsored Applicants may only submit one application in any grant cycle and must list their fiscal sponsor.

7. **No for-profit businesses or LLCs:** The Community Foundation is unable to accept grant applications from fiscally sponsored businesses or for-profit organizations at this time. That said, we do encourage social entrepreneurs to partner with existing non-profit organizations to advance shared goals (e.g. as a subcontractor), and we also provide some capacity building resources for social entrepreneurs via our Insights & Impact Convenings. For more information, please contact Kisha Bwenge, Senior Capacity Building Manager, at kbwenge@cacfonline.org.

Roles & Responsibilities

Fiscal Sponsor

To be regarded as a lawful and to be eligible for CACF grants, the Fiscal Sponsor must meet the following conditions:

1. **501(c)3 status:** A nonprofit, charitable organization that is tax-exempt under section 501(c)(3) of the Internal Revenue Code, and that is not classified as a private foundation under section 509(a)(3), but that may be classified as an organization described in sections 509(a)(1) or 509(a)(2) (which includes churches, educational organizations, hospitals, medical research organizations, endowment funds supporting certain colleges/universities, governmental units, and publicly supported organizations). 501(c)3 status must be in good standing and in full compliance with the tax laws. The Fiscal Sponsor's tax-exempt status may not be revoked, under active investigation from tax law violation, or under an active reinstatement application process. The Fiscal Sponsor must be current with all state and federal reporting requirements, such as filing of 990 tax forms.
2. **Expenditure responsibility:** Again, by definition, the Fiscal Sponsor is agreeing to accept fiscal responsibility for grant funds and exercise appropriate discretion and control of the donated funds. The Fiscal Sponsor must therefore demonstrate the capacity to exercise expenditure responsibility, ensuring that the grant is used only for the purpose for which it was made. This includes obtaining full and complete reports from the Sponsored Applicant on how the funds were spent and maintaining records of receipts and expenditures and making records available to CACF upon request. As the grantee of record, the Fiscal Sponsor is fully responsible for tracking, assuring submission of, and maintaining copies of any required reports, and will be required to repay any portion of the amount granted which is not used for the purposes of the

grant. CACF will also request the Fiscal Sponsor's most recent annual financial statements (i.e. 990, organizational budget, and/or audited financials if applicable) for evidence of strong financial management practices.

3. **Accounting requirements:** At a minimum, revenues and expenses for the Sponsored Applicant will need to be accounted for/classed separately in the Fiscal Sponsor's accounting system (e.g. with a distinct accounting code). It is recommended, though, to hold all fiscally sponsored project funds in a separate banking account, keeping it separate from your programming and operations in your financials, and keeping clear operational records to supplement and support your financial documents. This is especially relevant for Pre-Approved Grantee Relationship (Model C) arrangements, but either way this is not a requirement.
4. **Fiscal sponsorship capacity:** Fiscal Sponsors must be able to provide fiduciary oversight, financial management, and other administrative services in their role. This includes having the in-house accounting and back-office/administrative capacity to effectively execute on the fiscal sponsorship agreement and manage the contributions and grant funding for the Sponsored Applicant. This also means ensuring that the size of the grant or loan request is comparable in size to what the Fiscal Sponsor organization has the capacity to manage. Lastly, the Fiscal Sponsor must have Board approval to engage in any Fiscal Sponsorship arrangement.
5. **CACF approval:** While a Fiscal Sponsor is not required to provide fiscal sponsorship services as a core part of its organizational model, they must still meet all of the requirements listed above and must be approved by the CACF team in order to receive grant funding from the Foundation on behalf of a Sponsored Applicant. Fiscal sponsors are encouraged to meet with our team to potentially become pre-vetted local fiscal sponsors, who will be on a shortlist on our website for potential Sponsored Applicants to review.

Sponsored Applicant

To be regarded as a lawful and to be eligible for CACF grants, the Sponsored Applicant must meet the following conditions:

1. **501(c)3 status:** Sponsored Applicants cannot have any existing tax status, but can be in the process of considering, applying for, or waiting to receive 501(c)3 status.

2. **Charitable purpose:** Must be organized to carry out a clearly articulated project or program that is in compliance with the Internal Revenue Service “Charitable” purposes legal definition/ requirement:
 - a. *The term **charitable** is used in its generally accepted legal sense and includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erection or maintenance of public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.*
3. **Fiscal sponsorship grant application agreement form:** Sponsored Applicants are responsible for submitting a completed form with their online grant application, co-signed by their fiscal sponsor. In addition to reviewing this policy and completing the form, all Sponsored Applicants are encouraged to meet with Programs staff prior to submission to ensure compliance with grant guidelines and our fiscal sponsorship policy.
4. **Advisory board:** Sponsored Applicants are not required by CACF to have an established advisory board or oversight committee, but note that some Fiscal Sponsors may require one to provide oversight and guidance (although the Fiscal Sponsor’s board will always maintain legal and fiduciary oversight over the sponsored project/program). Sponsored Applicants may consider an advisory board to oversee responsibilities such as annual review of the director, fundraising and expansion of supporter and community partner networks, serving as community ambassadors, and providing program oversight or advice/expertise for strategic planning. The size of the board should be manageable for a newly fiscally sponsored organization; three to five members is recommended.

Additional Resources and Recommended Best Practices:

- [Fiscal Sponsorship: A Balanced Overview \(Nonprofit Quarterly\)](#)
- [Fiscal Sponsorship for Nonprofits \(National Council of Nonprofits\)](#)
- [National Network of Fiscal Sponsors \(NNFS\) Guidelines for Best Practices of Fiscal Sponsorship](#)
- [Ten Questions Potential Projects Should Ask a Fiscal Sponsor \(NNFS\)](#)
- [Ten Questions Funders Should Ask Grantees Who Use Fiscal Sponsors \(NNFS\)](#)
- [A Board’s Guide to Fiscal Sponsorship \(Propel Nonprofits\)](#)

