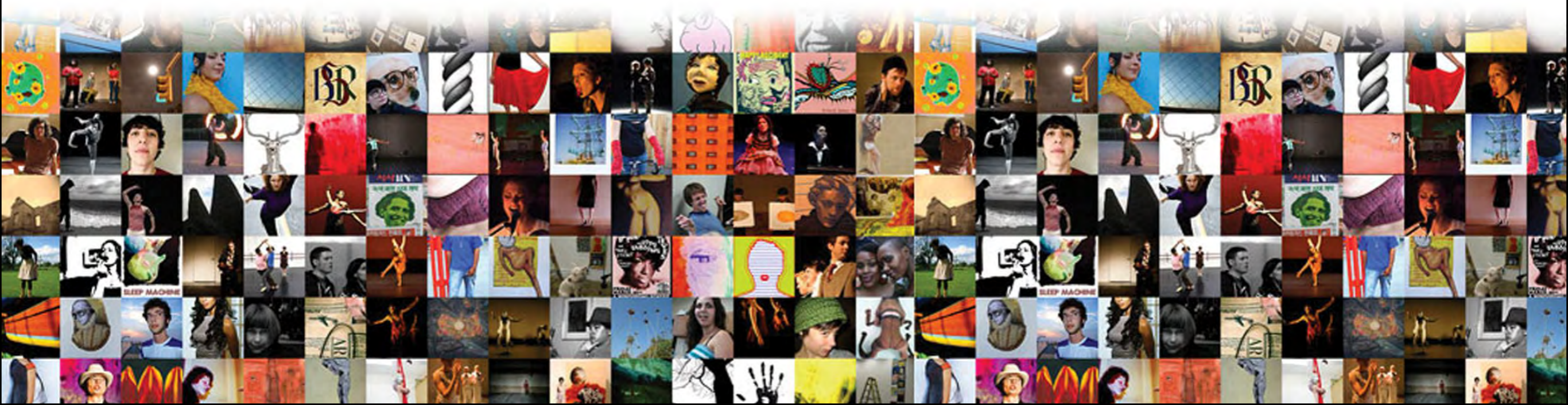


# FRACTURED ATLAS

## Fiscal Sponsorship for Artists and Arts Organizations: Everything You Need to Know

Dianne Debicella - Program Director, Fiscal Sponsorship

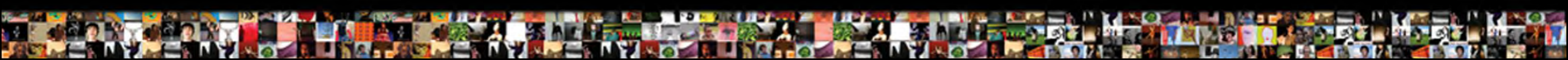


# What we're going to cover:

The pros and cons of fiscal sponsorship

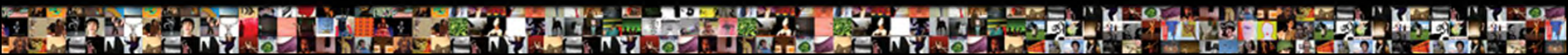
How to assess if fiscal sponsorship is right for you

What to look for in a fiscal sponsor  
(agreements, mechanics, ownership)



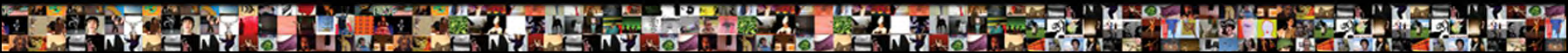
# But First... Nice to Meet You!

Dianne Debicella & Juliana Steele



## What is 501(c)(3) status?

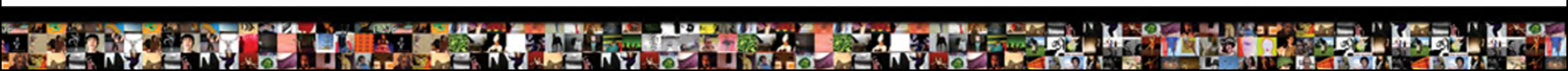
- It's a designation granted to an organization by the IRS
- Once your organization applies and is approved by the IRS for 501(c)(3) status, it is exempt from paying federal income tax
- Donations made to your organization are generally tax-deductible for the individual making the contribution
- The terms “non-profit” and “tax-exempt” do not necessarily mean the same thing





## What is fiscal sponsorship?

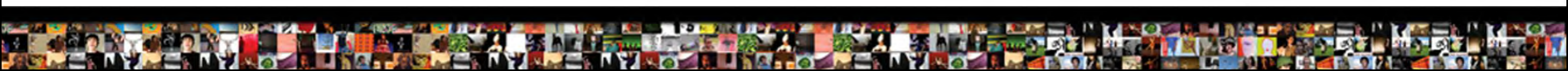
- It is a legal arrangement between a person or group (project) and an IRS-approved 501(c)(3) organization
- The project is interested in getting funding from private foundations, government agencies, individuals, or corporate donors
- When a 501(c)(3) organization fiscally sponsors a non-exempt project, it agrees to receive funds in behalf of the project, which are then passed along to cover project expenses
- There are different models for sponsorship relationships, but in general the project must fall within the organizational mission of the sponsor and be charitable in nature





## Pros of 501(c)(3) status

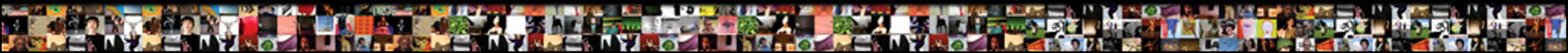
- The documents you complete will cause your group to be clear about your mission and set up operational rules and procedures that will facilitate future decision making
- Your organization will be exempt from federal income tax, federal unemployment tax, and most state taxes
- Your organization will be able to apply for any government or foundation grant under the sun as long as you meet the eligibility criteria
- Individual donors will appreciate the tax deduction you offer.
- Formalizing your organization as a 501(c)(3) corporation also provides a credibility boost





## Cons of 501(c)(3) status

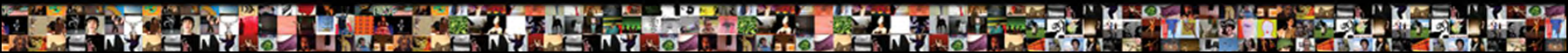
- Paperwork. Paperwork. Paperwork.
- The application process can take anywhere from six months to a year or longer
- Accountants and attorneys – you'll need them
- Fees
- Form 990, annual reports with your state's Secretary of State and Attorney General, audited financial statements
- Board meetings and official minutes
- Accounting systems and non-profit accounting standards
- Rules for soliciting contributions, acknowledging and recording them
- Corporations are designed to exist in perpetuity





## Pros of fiscal sponsorship

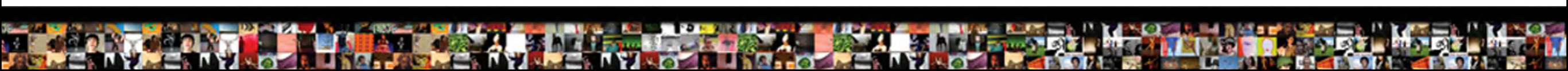
- You can spend your time creating instead of balancing the books and filing reports
- Fiscally sponsored projects are eligible to apply for most government and foundation grants through their sponsoring organization
- Working with a fiscal sponsor can provide you with a built in support staff that wants your project to succeed
- Eliminates the legal and filing fees that go along with 501(c)(3) status





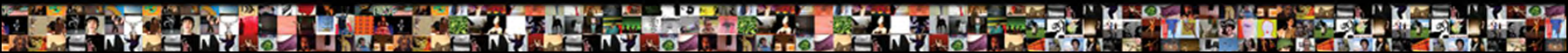
## Cons of fiscal sponsorship

- The sponsoring organization is required by law to exercise a certain amount of oversight over your activities
- Every sponsor is different, but the reputable ones will all want to know how the money they re-grant to you is being spent, which inevitably means some recordkeeping and periodic reporting
- You'll need to adhere to a contract and guidelines set forth by the sponsor, so make sure to review them
- Funding conflicts between you and the sponsor
- Fiscal sponsors charge fees for their services



# Is fiscal sponsorship right for you?

- Talk to others who have used fiscal sponsorship
- Make a list of what is important for you
- Start a dialogue with your attorney, accountant, staff, and potential fiscal sponsor before deciding which is the right option for you
- <http://www.fiscalsponsordirectory.org>

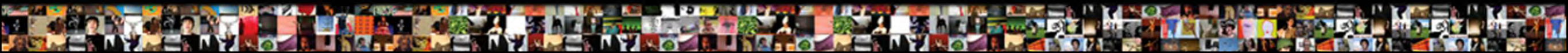


# What to look for in a fiscal sponsor

- Contract
- How will you work together?
- What are the fees?
- What level of involvement do you want them to have?
- Look at their current projects – and contact one!
- Reporting requirements
- Is the program exclusive?
- How are the funds managed?
- Fundraising procedures



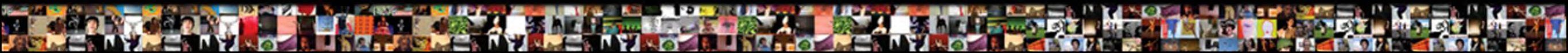
**FISCAL SPONSORSHIP**  
**6 WAYS TO DO IT RIGHT**  
NOW 120 PAGES WITH INDEX





## Additional Resources

- <http://foundationcenter.org>
- <http://foundationcenter.org/getstarted/tutorials/fiscal/>
- <http://www.fiscalsponsordirectory.org/>
- <http://www.tidescenter.org/fiscal-sponsorship/n nfs/index.html>
- <http://www.irs.gov/charities/charitable/article/0,,id=122670,00.html>
- <http://www.stayexempt.org/>
- <http://fiscalsponsorship.com/>



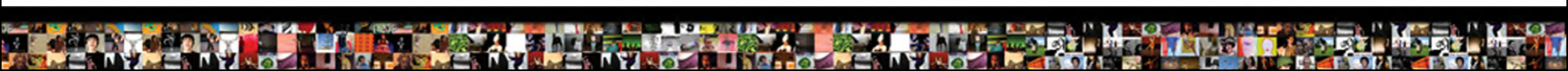


## Final thoughts

- Applying for 501(c)(3) status can be a long and involved process – make sure you're ready before diving in!
- Fiscal sponsorship can be a great alternative to 501(c)(3) status and can be used at any point in your project or organization's development.

**To contact Fractured Atlas with specific questions please email:**

**[support@fracturedatlas.org](mailto:support@fracturedatlas.org)**





# At Last – A Way to Evaluate Fiscal Sponsors



Is fiscal sponsorship right for you? This checklist will help you decide.

By Gerald R. Solomon

**F**iscal sponsorship has become quite common in the nonprofit world. Yet fiscal sponsorship is alarmingly misunderstood. Many nonprofits agree to become fiscal sponsors and lend their 501(c)(3) status to others without realizing the legal risk of doing so. Many don't fully understand what fiscal sponsorship entails. And few think carefully enough about what such a partnership means and what the consequences could be.

Till now, there hasn't been a set of criteria that a nonprofit can check before agreeing to become a fiscal sponsor or that others can use if they want to hire one. This article fills that gap by providing a set of desperately needed metrics. You can use this list of benchmarks to evaluate a fiscal-sponsorship arrangement and answer that

Fiscal sponsorship  
is alarmingly  
misunderstood.

all-important question: Is this partnership right for my organization?

### What Is Fiscal Sponsorship?

Fiscal sponsorship is a relationship among three entities: (1) a **funder** (individual, foundation, or government); (2) a **service provider** (the group that performs the services for which the funds are given); and (3) a **fiscal sponsor** (a nonprofit) charged with responsibility to manage the funds and the delivery of services.

The fiscal sponsor must be a

nonprofit that agrees to let another group use its 501(c)(3) tax-exempt status. Those seeking fiscal sponsorships are usually groups that have ideas for a project but lack the 501(c)(3) designation necessary to obtain a grant. Often these are short-term or pilot projects. Sometimes the group looking for a fiscal sponsor hopes to become a nonprofit organization but needs time to develop the necessary infrastructure. Or it may be a group that has applied for tax-exempt status, is awaiting IRS approval, and needs a sponsor in order to receive grant money in the meantime.

The fiscal sponsor receives the funds, writes checks for program expenses, includes the grant in its annual tax return, and is liable for all deliverables for the project. In

addition, the fiscal sponsor may provide personnel, payroll, training, publicity, and other management services.

The fiscal sponsor also assumes 100% of the risk and liability in the partnership. That's why, if a group approaches you and asks you to become their fiscal sponsor, it's important not to agree too quickly. First, be sure your organization has the capacity needed to support such a partnership.

Here are standards you can use to decide if a fiscal sponsorship is right for you. If you're a group looking for a fiscal sponsor, you can apply these benchmarks to assure that the nonprofit you choose will make a good partner for you. If you're a nonprofit organization thinking of becoming a fiscal sponsor, you should first be sure you comply with all these standards. Otherwise, you may be putting your organization at risk.

### Mission-Related Benchmarks

If a group asks your organization to become a fiscal sponsor for them, or if you're choosing a nonprofit to be your fiscal sponsor, the first questions you need to ask are these: Does it feel right? Will we work well together? Does the potential partner understand our project and mission? Without that common foundation of values, purpose, and internal cultures, the relationship begins with a lack of stability.

In its broadest sense, it's about how well both groups' cultural competency<sup>1</sup> and mission are aligned (see *Standard 1* in "Standards to Evaluate a Fiscal Sponsorship," page 12). Engaging in a mission dialogue will help you identify strengths and challenges so that you can put appropriate safeguards in place.

If you're the one being asked to take on the fiscal-sponsor role, make certain that the project proposed by your potential partner furthers your own mission. If it doesn't, you could risk losing your tax-exempt status.

If both groups decide to go ahead with the fiscal sponsorship, the next step is to have an attorney prepare a contract setting forth the

Many nonprofits agree to become fiscal sponsors without realizing the legal risk of doing so.

roles each party will play (*Standard 2*). This agreement should address such fundamental issues as:

- the fees the fiscal sponsor will charge for its services
- how the fiscal sponsor will deal with risk and what insurance coverage it possesses
  - the financial and human-resource policies that will be used
  - how communication systems will be managed
  - how conflicts will be resolved
  - the responsibilities of each of the parties
  - termination provisions, including who can terminate, when, and the ramifications of doing so.

### Fiscal Standards

Financial principles of accountability, transparency, and integrity are the cornerstones of a fiscal sponsorship. It's crucial for the fiscal sponsor to comply with applicable regulations (*Standard 3*), such as:

- Generally Accepted Accounting Standards (GAAP) (guidelines for financial accounting and reporting)
- Federal Acquisition Regulations (FAR) (rules on competing for contracts)
- Circular A-133 (audit requirements for nonprofits)
- the Sarbanes-Oxley Act (standards to deter fraud and increase accountability)<sup>2</sup>

The openness with which the fiscal sponsor operates (*Standard 4*) will reveal whether the organization is following all necessary regulations.

To evaluate a fiscal sponsor's compliance with financial standards (*Standard 5*), ask the following questions:

- Are the fiscal sponsor's financial records accessible on demand?
- What written policies provide checks and balances to safeguard

funds?

- What role does the fiscal sponsor's board play in overseeing finances?

- What system does the fiscal sponsor use to monitor program expenditures and activities?

Next, it's important to assure that the fiscal sponsor has the financial stability and resources to provide a continuum of services without interruption (*Standard 6*).

- Does the fiscal sponsor have a good relationship with its bank, including a credit line to cover unforeseen costs?

- Does the fiscal sponsor arrange for an annual audit of its finances (*Standard 7*), overseen by an independent audit committee?<sup>3</sup>

- Does the fiscal sponsor post its 990 and the results of its annual audit on its Web site?

- What are the qualifications of the fiscal sponsor's staff (*Standard 8*)?

At least once a year, an attorney should review and approve the employee handbook.

### Human-Resource (HR) Capacity Standards

Fiscal sponsors sometimes provide their partner groups with human-resource services, such as personnel management, payroll processing, and benefits management. In today's litigious environment, it's essential for the fiscal sponsor to manage people and the associated risks effectively. If you're considering becoming a fiscal sponsor, remember that you can be exposed to liability for the actions of the projects you sponsor for your partner. Ask these questions to be sure risks are well controlled:

- Does the fiscal sponsor have a written risk-management program (*Standard 9*)?

- What measures are used to mitigate risk and educate people about possible risks?

- Does the fiscal sponsor have sufficient insurance policies in the

*continued on page 12*

# Standards to Evaluate a Fiscal Sponsorship

## MISSION

**Standard 1. Alignment.** The mission and cultural competency of the fiscal sponsor and its partner group should be in alignment.

**Standard 2. Engagement Agreement.** The fiscal sponsor must provide its partner group with a written agreement for its services. This contract should clearly set forth the terms and conditions of the relationship, including (but not limited to) provisions covering fees, costs, risk of loss, financial and personnel management policies, respective duties, and conflict-resolution procedures.

## FINANCIAL CAPACITY & INTEGRITY

**Standard 3. Compliance.** The fiscal sponsor must comply with all government and philanthropic requirements, including nonprofit governance regulations, Sarbanes Oxley, GAAP, and Circular A-133.

**Standard 4. Financial Accountability.** The fiscal sponsor must provide its financial services in an open, accountable manner with the highest level of integrity.

**Standard 5. Secure Financial Systems.** The fiscal sponsor needs to use an accounting system that insures the highest level of checks and balances, as well as board oversight.

**Standard 6. Financial Stability.** The fiscal sponsor must maintain sufficient resources and credit capacity to provide continual and uninterrupted financial service.

**Standard 7. Annual Audit.** The fiscal sponsor should have an audit committee. This committee should arrange for an outside firm to conduct an annual audit, with results open to public view.

**Standard 8. Financial Staffing.** The fiscal sponsor's financial staff should consist of highly trained professionals with certifications or experience indicating the highest level of financial knowledge and ability. For example, the Chief Financial Officer (CFO) should hold a CPA degree or have at least 10 years of high-level CFO experience. Department or division supervisors should possess certifications or degrees in their respective disciplines.

## HUMAN RESOURCE CAPACITY

**Standard 9. Risk Management.** The fiscal sponsor should maintain a comprehensive risk-management program. This program should be overseen by a certified risk-management professional responsible for securing, managing, and implementing the widest variety of insur-

ance coverage. Coverage should include: general-liability insurance, directors' & officers' liability insurance, employment-practices' liability insurance, workers'-compensation insurance, fiduciary insurance, crime insurance, and property & casualty policies with a minimum policy limit of \$1,000,000 per occurrence.

**Standard 10. Whistle-Blower Program.** The fiscal sponsor should have an independently operated whistle-blower program that encourages people to report fraudulent activity, violations of government regulations, and unsafe work practices. This program should ensure that anyone who makes such a report will be protected from retaliation.

**Standard 11. Human Resource (HR) Policies.** The fiscal sponsor needs to maintain an employee handbook (a written set of employment policies and procedures) and thoroughly explain these policies to all employees. Staff members should sign statements declaring that they understand and agree to follow these policies and procedures. At least once a year, an attorney should review and approve the employee handbook. The attorney should note as an addendum to the handbook that the organization complies with all local, regional, state, and federal regulations.

**Standard 12. Human Resource (HR) Staffing.** The fiscal sponsor's HR staff should consist of highly trained professionals with certifications or experience demonstrating the highest level of knowledge.

**Standard 13. Legal Counsel.** The fiscal sponsor must have (in house or under contract) competent legal counsel to provide legal review, support, and assistance as needed.

## BOARD GOVERNANCE

**Standard 14. Board Responsibilities.** The fiscal sponsor's board of directors needs to provide appropriate oversight. Board members must avoid conflicts of interest and adhere to a formal, written code of conduct.

## GRANTS MANAGEMENT

**Standard 15. Infrastructure System.** The fiscal sponsor must use a secure database system to manage its relationships with funders and customers.

## TECHNOLOGY INFRASTRUCTURE

**Standard 16. Security and Compliance.** The fiscal sponsor needs to provide its services in a technologically secure environment. This environment should be overseen by a director who holds the requisite technology certifications and whose department maintains current software and hardware licenses.

areas of general liability, directors' & officers' (D & O) liability, employment practices, and workers' compensation?<sup>4</sup>

- Does the fiscal sponsor have a whistle-blower program? Are measures in place to ensure that people who report problems are free from

retaliation (*Standard 10*)?

- If the fiscal sponsor uses volunteers, is there sufficient insurance to cover them?<sup>5</sup>

- Does the fiscal sponsor have legally approved personnel policies (*Standards 11 and 13*)? Do its human-resource employees have

the proper credentials and experience (*Standard 12*)?

## Board Governance Standards

The fiscal sponsor must have a highly functioning board. Board members must be active and  
*continued on page 14*



## Are You Ready to Be a Fiscal Sponsor?

Before becoming a fiscal sponsor, make sure you're complying with the 16 standards discussed in this article. Here are *Nonprofit World* articles (available at [www.snpo.org](http://www.snpo.org)) to help you do so:

- **The Most Likely Lawsuits — and How to Protect Yourself** (Vol. 19, No. 1)
- **Finding the Right Bank** (Vol. 11, No. 4)
- **What Is the Board's Role in Managing Risk?** (Vol. 15, No. 5)
- **How to Avoid Retaliation Claims** (Vol. 21, No. 6)
- **Conflict of Interest in the Board Room** (Vol. 17, No. 2).
- **Setting Up a Control System for Your Organization** (Vol. 16, No. 3)
- **How to Prepare Board Members to Govern Effectively** (Vol. 25, No. 6)
- **Analyze Your Finances to Ensure Your Mission** (Vol. 19, No. 5)
- **Your Duty to Investigate Workplace Complaints** (Vol. 19, No. 3)
- **Six Ways to Reduce Risk & Comply with the Law** (Vol. 25, No. 6)
- **How to Write Excellent HR Policies** (Vol. 24, No. 5)

knowledgeable in overseeing the organization's activities (*Standard 14*). The fiscal sponsor should provide extensive training and development opportunities for its board members.

### Infrastructure Standards

The fiscal sponsor needs to have a secure system to track and manage grant funds (*Standards 15 & 16*). ■

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734-451-3582 • [www.snpo.org](http://www.snpo.org)

You could risk losing your  
tax-exempt status.

### Footnotes

<sup>1</sup>Cultural competency is the ability to accept people with different beliefs, work effectively with them, and communicate adeptly across cultures. See "Cultural Competence: What Does It Mean for You?," *Nonprofit World*, Vol. 26, No. 5, [www.snpo.org](http://www.snpo.org).

<sup>2</sup>More information on Generally Accepted Accounting Standards (GAAP) is available from the FASB (Financial Accounting Standards Board, [www.fasb.org](http://www.fasb.org)), the FASAB (Federal Accounting Standards Advisory Board, <http://www.fasab.gov/accepted.html>), and the AICPA (American Institute of Certified Public Accountants, [www.aicpa.org](http://www.aicpa.org)). More on Federal Acquisition Regulations (FAR) is available at [www.arnet.gov/far](http://www.arnet.gov/far). For information on Circular A-133, issued by the Office of Management and Budget, see [www.whitehouse.gov/omb/circulars](http://www.whitehouse.gov/omb/circulars). For more on Sarbanes-Oxley, see "The Sarbanes-Oxley Act & Nonprofits: But I Thought That Didn't Apply to Us," *Nonprofit World*, Vol. 22, No. 5, [www.snpo.org](http://www.snpo.org).

<sup>3</sup>See *Nonprofit World* articles on audit requirements at [www.snpo.org](http://www.snpo.org), including: "How to Have an Audit without Breaking the Bank" (Vol. 20, No. 4), "Nonprofits without Audit Committees Risk Disaster" (Vol. 22, No. 2), and "How to Find the Perfect Auditor" (Vol. 22, No. 3).

<sup>4</sup>Many *Nonprofit World* articles on insurance for nonprofits are available at [www.snpo.org](http://www.snpo.org), including: "Does Your Board Need Liability Insurance?" (Vol. 12, No. 6) and "Get the Best Protection for Your Insurance Dollar" (Vol. 24, No. 4).

<sup>5</sup>See these *Nonprofit World* resources at [www.snpo.org](http://www.snpo.org): "What Are We Doing to Protect Our Volunteers from Lawsuits?" (Vol. 9, No. 4), "Volunteer Protection Act: What Does It Mean for You?" (Vol. 16, No. 2), "Don't Let Volunteers Put Your Organization at Risk" (Vol. 10, No. 1), and "Volunteers: Resource or Risk?" (Vol. 15, No. 5).

Articles in this department are written by the staff and members of the Alliance for Nonprofit Management ([www.allianceonline.org](http://www.allianceonline.org)).

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# CMAMatters

CHAMBER MUSIC AMERICA

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*For small arts groups, organizing as a 501(c)(3) not-for-profit corporation is not necessarily the way to go. There's also the "fiscal sponsorship" alternative.*

## The Other Route— Fiscal Sponsorship

by DIANNE DEBICELLA

**Y**ou're an artist with big plans. Rather than sitting around and waiting to be "discovered," you're going to start a company and make your own opportunities. It's not going to be easy, but fortunately your work is strong enough to attract philanthropic support. Time to start a 501(c)(3) and apply for some grants, right?

For generations, the conventional wisdom has been that individual artists and new arts groups should organize themselves as non-profit corporations and apply for 501(c)(3) status from the IRS. Given the economics of our industry, exemption from most taxes and the ability to solicit tax-deductible contributions have historically been vital survival skills. Yet operating as a 501(c)(3) incurs substantial financial and administrative overhead. Fortunately, an increasing number of alternative models offer many of the benefits of 501(c)(3) status with few of the drawbacks. One of the most attractive options for an individual artist, ensemble or an organization to consider is fiscal sponsorship.

Before you take the plunge, though, it's important to do a little due diligence. This article will attempt to sort through the



pros and cons of independent 501(c)(3) status vs. fiscal sponsorship.

### First, some definitions

501(c)(3) is a tax status granted by the IRS to nonprofit corporations that are organized and operated exclusively for charitable, educational, or religious purposes. Once your organization applies and is approved by the IRS for such status, it is exempt from paying federal income tax. Furthermore, any donations made to your organization are generally tax-deductible for the individual making the contribution. Keep in mind that many people use the terms "non-profit" and "tax-exempt" interchangeably. They are not the same thing. Nonprofit status depends on state law, while tax-exempt status comes from the IRS. This means that you may incorporate as a nonprofit on the state level, but not yet be recognized as a tax-exempt charity on the federal level.

Fiscal sponsorship is an arrangement between a person or group (project) and an IRS-approved 501(c)(3) organization. The project is interested in getting funding from private foundations, government agencies, individuals, or corporate donors. Most institutional funders are either required by law, or simply prefer, to make their contributions to organizations with 501(c)(3) status. Individual donors, meanwhile, are more likely to give when the donation is tax-deductible. When a 501(c)(3) organization fiscally sponsors a non-exempt project, it agrees to receive funds on behalf of the project, funds that are then passed along to cover project expenses. Models for sponsorship relationships differ, but in general the project must fall within the organizational mission of the sponsor and be charitable in nature.

### PROS AND CONS OF 501(c)(3)

#### Oh yeah, the good stuff

Forming and applying for tax exemption from the IRS can be a tedious task, but the documents you complete will cause your group to be clear about your mission and set up operational rules and procedures that will facilitate future decision-making. Your organization will be exempt from federal income tax, federal unemployment tax, and most state taxes. You'll be able to apply for any government or foundation grant under the sun as long as you meet the eligibility criteria. Individual donors

# Spring 2009 **First Tuesdays** Seminars

Saint Peter's Church  
54th Street and  
Lexington Avenue  
New York, NY

**March 3**  
**3:00–5:00pm**

**CMA SPRING GRANT  
INTENSIVE: COMMISSIONING  
AND NEW WORKS**  
Led by Susan Dadian and  
Jeanette Vuocolo,  
CMA Program Directors

**April 7**  
**3:00–5:00pm**

**OPPORTUNITIES FOR  
WOMEN IN JAZZ**  
with Jamie Baum and Gail Boyd

**May 5**  
**3:00–5:00pm**

**GRANTS ROUNDTABLE**  
with Leading Arts Grantmakers

Recordings of First Tuesdays seminars  
are available online at [www.chamber-music.org](http://www.chamber-music.org). First Tuesdays is presented in  
collaboration with Midtown Arts Common  
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AUDIO DOCUMENTATION.

For more  
information, visit

[www.chamber-music.org](http://www.chamber-music.org)

To register contact Marc Giosi  
[mgiosi@chamber-music.org](mailto:mgiosi@chamber-music.org).  
212-242-2022, ext. 14

will appreciate the tax deduction you offer.

Formalizing your organization as a 501(c)(3) corporation also provides a credibility boost. Going through the application process and instituting a board of directors that is accountable for the work your organization produces can inspire confidence in donors, grantors, and audiences.

Finally, there are myriad minor perks that come from having 501(c)(3) status. You'll have access to lower postal rates on bulk mail. You'll receive discounted rates from some vendors. You'll have access to services like Network for Good and Facebook Causes that accept online donations on your behalf, along with affinity programs that give you a percentage of the sale whenever a purchaser mentions your name.

## **Ugh, I have to do what?**

There are three words that you should ponder before spending your time, energy, and money on applying for 501(c)(3) status: Paperwork. Paperwork. Paperwork.

Applying for 501(c)(3) status can take anywhere from six months to a year or longer. You'll need to hire an accountant and attorney who can help with the forms and advise you on the application. You'll also need to pay a filing fee that can range from \$350 to \$750. That doesn't include legal or accounting fees, which can be ten times that much.

The red tape doesn't end when you triumphantly receive your determination letter from the IRS. In fact, it's only just begun. At the conclusion of each fiscal year you'll need to file form 990 with the IRS. You'll also be required to file annual reports with your state's Secretary of State and Attorney General. As a corporation you're required to hold regular board meetings and record official minutes. You'll need to institute an accounting system and keep your books in accordance with nonprofit accounting standards. Most institutional funders will require that your annual financial statements be audited, which takes an enormous amount of time and for a small organization can cost \$5,000 or more. There are rules for how to solicit contributions, how to acknowledge contributions, and how to record contributions.

For large organizations with the budget to hire a dedicated staff to handle this stuff, none of this should be particularly intimidating. But as an individual artist or

even a small group of artists, you'll need to decide how much of your creative time and finances you're willing to invest to become a 501(c)(3). You'll be building a formalized organization from the ground up and will need to make sure you and the others involved have the stamina and know how to keep it together.

Another consideration is that corporations are designed to exist in perpetuity. Regardless of what happens to you or your co-founder or your chairman of the board, the organization will live on. Everyone you work with could get hit by a bus, but the organization will still be there and the IRS will still expect a 990 at the end of the year. There's an undeniable appeal to this kind of immortality, but it's important to make sure your organization is committed to the idea of a permanent existence and has the infrastructure to sustain it.

## **PROS AND CONS OF FISCAL SPONSORSHIP**

### **Oooh, an alternative!**

You're an artist, not a business. Fiscal sponsorship exists so that you can spend your time creating instead of balancing the books and filing reports. As a fiscally sponsored project, you have access to many of the benefits of 501(c)(3) status without the accompanying migraine.

Fiscally sponsored projects are eligible to apply for most government and foundation grants through their sponsoring organization. Applying through a reputable sponsor can even lend your project credibility, since the funder will likely be familiar with your sponsor even if the project itself is a complete unknown. The sponsor will also accept tax-deductible donations from individuals and corporations in behalf of your project and then pass those funds along to you.

*"Working with a fiscal sponsor can provide you with a built-in support staff that wants your project to succeed."*

*“Every sponsor is a little different, but the reputable ones will all want to know how the money they re-grant to you is being spent.”*

Working with a fiscal sponsor can provide you with a built in support staff that wants your project to succeed. Your sponsor can help you navigate the fundraising world, carry some of the administrative burden, and help you get organized. Many sponsors also provide ancillary services like networking, accounting and bookkeeping, consulting, human-resources management, employee benefits, shared office space, technology support, legal advice, or management training.

Having a fiscal sponsor will also eliminate the legal and filing fees that go along with 501(c)(3) status. This makes particular sense for short-term projects that do not need to be in perpetual existence. It can also be a great place to start if you think you might eventually want to apply for 501(c)(3) tax-exemption.

Something else to keep in mind, a corporation owns the rights to its creations in perpetuity (or in the case of copyrights, for 95 years). Some fiscal sponsors retain an ownership stake in whatever you create using sponsored funds, but most do not.

### **It's not 100 percent carefree, but it's close**

Fiscal sponsorship does not mean you can grab the money and run. It's a legal agreement between your project and the sponsor (if it's not you should find another sponsor!). The sponsoring organization is required by law to exercise a certain amount of oversight over your activities. Every sponsor is different, but the reputable ones will all want to know how the money they re-grant to you is being spent, which inevitably means some recordkeeping and periodic reporting. You'll also need to adhere to a contract and guidelines set forth by the sponsor, so make sure to review them carefully.

At times, funding conflicts may arise between you and the sponsor. For example,

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some institutional funders have strict rules that they can only make one grant to a given organization in a single year. If that funder has already made a grant to another of the sponsor's projects, or to the sponsor itself, then you'll be ineligible to apply. This is a rare occurrence, but an important consideration nonetheless.

You could also be prevented from applying to certain funders (such as the National Endowment for the Arts) that have policies prohibiting applications from fiscal sponsors in behalf of their sponsored projects.

Finally, fiscal sponsors charge fees for their services. Some charge a flat fee per year, while others deduct a percentage of the funds you raise (usually ranging from 5–10 percent).

### **Which one? How to choose....**

Talk to others who have done it. Don't be afraid to call up an organization to find out what worked for them. Make a list of what is important for you. Start a dialogue with your attorney, accountant, staff, and potential fiscal sponsor before deciding which is the right option for your ensemble. If you decide to go the fiscal sponsorship route, the San Francisco Study Center (<http://www.fiscalsponsordirectory.org/>) has a comprehensive directory of fiscal sponsors to help you find one that is right for you.

*Dianne Debicella is the program director of fiscal sponsorship at Fractured Atlas, a non-profit organization providing services and support to artists and arts organizations.*

*“Going through the application process and instituting a board of directors that is accountable for the work your organization produces inspires confidence in donors, grantors, and audiences.”*

## CMA Matters

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### DateLine

#### CMA Grant Opportunities

**CMA Commissioning Program**—Support to ensembles, presenters and festivals for new ensemble works. The grant provides funds for the composer's fee, ensemble honorarium and copying costs. **DEADLINE: April 3, 2009.** FMI: [www.chamber-music.org](http://www.chamber-music.org), Susan Dadian (212) 242-2022, ext. 13 or [sdadian@chamber-music.org](mailto:sdadian@chamber-music.org).

**New Works: Creation and Presentation Program**—Support for the creation and performance of new works in the jazz idiom. These three-year grants offer commissioning funds, support for performances and recordings of the commissioned work, travel, and professional development. **DEADLINE: May 1, 2009.** FMI: [www.chamber-music.org](http://www.chamber-music.org), Jeanette Vuocolo (212) 242-2022, ext. 17 or [jvuocolo@chamber-music.org](mailto:jvuocolo@chamber-music.org).

#### Other Grant Deadlines

**Access to Artistic Excellence**—Provides funding to encourage and support artistic excellence, preserve our cultural heritage, and provide access to the arts for all Americans. **DEADLINES: March 12 and August 13, 2009.** FMI: [www.nea.gov](http://www.nea.gov).

**Commissioning Music/USA**—Support for works that involve music, multimedia and other visual or performing art forms. **DEADLINE: March 13, 2009.** FMI: [www.meetthecomposer.org](http://www.meetthecomposer.org).

**ArtsConnect Touring Fund**—Provides support for projects in which at least three performing arts presenters work collaboratively to present a single artist or touring company. **DEADLINE: March 30, 2009.** FMI: [www.midatlanticarts.org](http://www.midatlanticarts.org).

**Creative Connections**—Provides support for American composers to participate in public activities related to specific performances of their original music. **DEADLINE: April 1, 2009.** FMI: [www.meetthecomposer.org](http://www.meetthecomposer.org).

**Challenge America: Reaching Every Community Fast-Track Review Grants**—Offers support for projects that extend the reach of the arts to underserved populations. **DEADLINE: May 28, 2009.** FMI: [www.nea.org](http://www.nea.org).

**Learning in the Arts for Children and Youth**—Offers funding to advance arts education for children and youth in school-based or community-based settings. **DEADLINE: June 11, 2009.** FMI: [www.nea.org](http://www.nea.org).

**Pennsylvania Performing Arts on Tour**—Opportunities for professional, Pennsylvania-based performing artists to obtain successful touring engagements. **DEADLINE: June 15, 2009.** FMI: [pennpat.org](http://pennpat.org).

**Aaron Copland Fund for Music/Performing Ensembles Program**—Supports organizations whose performances encourage and improve public knowledge and appreciation of serious contemporary American music. **DEADLINE: June 30 2009.** FMI: [www.coplandfund.org](http://www.coplandfund.org).

**Trust for Mutual Understanding**—Grants to nonprofits conducting cultural exchanges with institutions and individuals in Russia and Eastern/Central Europe. Letter of inquiry required prior to application. **DEADLINE: August 1, 2009.** FMI: [www.tmuny.org](http://www.tmuny.org).