



## **GROW**

### ***Fiscal Sponsorship – Frequently Asked Questions***

#### **What is a fiscal sponsor?**

Fiscal sponsorship is an agreement between GROW, an existing 501(c)3 tax-exempt organization, and a Sponsored Organization such as a P-Patch garden which provides the framework for GROW to provide accounting oversight and allows organizations that do not have their own IRS designated 501 (c)3 status to be eligible for funding by grant-making organizations that require that as a condition of application. Through this arrangement, funds intended for the project are deposited with GROW, which then disburses them to the project as expenses are incurred.

#### **What are the benefits of becoming a GROW fiscally sponsored project?**

GROW handles the back-office work so project volunteers can focus on their mission. Benefits include:

- Accounting is done by professional bookkeeping service.
- Donations are tax deductible.
- Even if garden leadership changes the funds remain with the garden.
- Recognition as a nonprofit entity under GROW's fiscal sponsor umbrella.
- Updated financial reports (profit & loss statements) available quarterly or as requested.
- All federal and state tax filings (990s and 1099s) handled.
  - Ability to accept donations by check, cash or credit card.
- Ability to apply for grants for which your group would not otherwise be qualified.

#### **Who bears legal responsibility for my project's activities?**

GROW bears financial and legal liability for the activities of its projects. The extent of this liability is defined by law. The funding raised for a Sponsored Organization's activities will be funds raised under the auspices of GROW for the benefit of the project.

#### **Why does GROW need to oversee the work of the project?**

GROW's Board of Directors accepts significant financial and legal liability when it embraces a project under its 501(c)3 designation. As the fiscal sponsor, GROW's Board of Directors is required to set expectations and monitor the project's activities.

#### **Do the funds I raise for my project belong to me or to GROW?**

All funds received and raised by you for the express purpose of operating the project are the property of GROW. This is because tax-deductible donations must be given to a 501(c)(3) organization. Funds raised for the project are the property of the Sponsored Organization only as

an operating unit of GROW. The disbursement of funds to cover expenses of the project is subject to the approval and review of the GROW Board of Directors or their designee. Under the fiscal sponsor agreement, GROW is obligated to restrict those funds to the Sponsored Organization with the exception of administrative expense fees used to cover shared costs for the projects and programs of GROW. GROW administrative expense fees range from 5% to 10% with a minimum fee of \$125. Projects are required to submit an operating project budget which must be received prior fundraising and disbursement of funds.

### **If the fiscal sponsor is the recipient of donations and grants, how does the project maintain control of its funding?**

While a Sponsored Organization is not a separate legal entity, it is distinguished by its name and purpose. Funding received for our projects is restricted for the purpose of engaging in the activities of the specific project as stated in its mission and as approved by the GROW Board of Directors. Project funding received from grants is also restricted by the conditions under which the grant was made.

### **How do I get reimbursed or invoices paid?**

Submitting your disbursement requests electronically is the fastest way to receive your reimbursement or an invoice paid. All requests for disbursements must be made in writing. A disbursement form with receipts or invoice attached should be emailed to GROW at [treasurer@grownorthwest.org](mailto:treasurer@grownorthwest.org) for processing. The disbursement form must be approved by a designated person authorized to represent Sponsored Organization as specified on the fiscal sponsor agreement.

### **How do I deposit funds?**

Once funds have been received, whether through outreach or a fundraiser, they need to be transmitted to GROW. Contact the GROW Treasurer at [treasurer@grownorthwest.org](mailto:treasurer@grownorthwest.org) for instructions.

Once the funds have been received by GROW, they will be deposited and entered into our accounting database. You can then begin submitting project expenses for reimbursement or payment. For those Sponsored Organizations that have a designated volunteer managing their funding, arrangements can be made for deposits to be made directly to GROW's financial institution.

### **How much does fiscal sponsorship cost?**

City of Seattle, Neighborhood Matching Grants: 10% of total grant award (minimum \$125)  
Contributions & Donations: 5% of total contributions, Private Grants (foundations & corporate): 10% of total grant award (minimum \$125) Fundraising & Special Projects: Varies. When applying for grants, be sure to include fiscal sponsorship costs in your budget.