



GROW

Fiscal Sponsorship – Frequently Asked Questions – Appendix A

What is a fiscal sponsor?

Fiscal sponsorship typically involves an arrangement under which GROW, an existing 501(c)3 tax-exempt organization assists a Sponsored Organization by permitting the project to solicit tax-deductible contributions or grants through the fiscal sponsor that the project is not eligible to receive on its own. Through this arrangement, funds intended for the projects are deposited with GROW, which then disburses them to the project.

Who bears legal responsibility for my project's activities?

GROW bears full 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 (ranging from 5% to 10% with a minimum fee of \$125). Projects are also required to submit an annual operating project budget. In addition to an operating budget, for those projects with multiple funding sources, a budget is required for each funded project. A budget is required prior to disbursement of funds. Unspent funds are maintained in an account that is set-up for your project.

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 project as stated in its mission as approved by the GROW Board of Directors. Project funding received from grants is 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 attached should be scanned and emailed to the GROW accountant for processing. The disbursement form must be approved by a designated person authorized to represent Sponsored Organization as specified on the fiscal sponsor agreement. If a check request needs to be expedited, please contact the GROW accountant. When a “rush” check is needed, it can be processed within 24 to 48 hours. Normal check processing takes about 14-days. GROW does not issue independent checking accounts or petty-cash accounts to Sponsored Organizations. GROW maintains full discretion and control over the funds received for a project. In the event that GROW is ever audited or investigated by a governmental entity, it will be absolutely imperative for GROW to show fiscal responsibility and control for any portion of the work that occurs while a project is under the auspices of GROW.

How do I deposit funds?

Once funds have received, whether through outreach or a fundraiser, they need to be transmitted to the GROW accountant. Once the funds have been received, they will be photocopied, deposited and entered into our accounting database. You can then access the funds for project purposes. 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 with supporting paperwork forwarded to the GROW accountant.

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

GROW handles back office work so project volunteers can focus on their mission.

Benefits include:

- All accounting is done in-house.
- Donations are tax deductible.
- Liability and volunteer insurance coverage.
- 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.
- Even if garden leadership changes the funds remain with the garden.
- Ability to accept donations by check, cash or credit card.
- Ability to apply for grants.

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