

SE Uplift's Fiscal Sponsorship Program for Neighborhood Associations Frequently Asked Questions

1. What is fiscal sponsorship?

Fiscal sponsorship arrangements typically arise when a person or group (we will call this a project) wants to get financial support from a private foundation, a government agency, individuals or corporate donors. By law or preference, the funding source will make payments only to organizations with 501(c)(3) tax-exempt status.

Fiscal sponsorship opens opportunities for organizations to receive grants and tax-deductible donations, and can provide them with financial management and reporting services. The fiscal sponsorship relationship must be formally outlined in a mutually agreed upon contract, signed by the sponsor (SE Uplift) and the project (neighborhood association or other legal entity).

At a minimum, the sponsor should collect all pertinent information and records. It should approve all financial expenditures, and all significant decisions in running the project, and it should have the power to terminate the relationship if the project engages in any activity that jeopardizes its tax-exempt status. It is illegal for a fiscal sponsor to take funds and simply pass them through to a project. The project funds (grant, donations, etc) belong to the sponsor (SE Uplift). Projects must request reimbursement in order to access funds for pre-approved activities and expenses.

2. Why would a neighborhood association be interested in fiscal sponsorship?

Currently only 3 of the 20 neighborhood associations in the coalition have their own organizational 501(c)(3) status, which allows tax-exempt fundraising. This application process for 501(c)(3) status typically takes a year, sometimes longer. This is not a simple process, and should be done in consultation with a lawyer specializing in this area. Errors in the application can cause problems later on, including permanent exclusion from non-profit status, and may result in fines and penalties.

Fiscal sponsorship is an excellent alternative for neighborhood associations that would like to solicit tax-deductible donations or apply for grants, without the lengthy process of applying for their own 501(c)(3) designation. Being fiscally sponsored is extremely cost effective and efficient, particularly for neighborhood associations, which are run entirely by volunteers who may change from year to year.

3. How does fiscal sponsorship work at SE Uplift?

- In order to pursue fiscal sponsorship with SE Uplift, a project must benefit the coalition area and be compatible with our mission, "To assist the citizens and neighborhood associations of Southeast Portland to create communities which are livable, socially diverse, safe and vital. SE Uplift provides an organizational structure and forum to empower citizens to effectively resolve issues of livability and community

development.” All neighborhood association projects should be an easy fit within these guidelines.

- In the past, we have only offered fiscal sponsorship on a per-project basis, for specific projects on a one-year timeline, with the option for extensions each year. Beginning April 2011, we are providing fiscal sponsorship bundled agreements to neighborhood associations for multiple fundraising events and activities expected for the upcoming year. We hope that this streamlined approach will make fundraising much easier for our associations.
- In order to pursue fiscal sponsorship, projects must complete and submit a fiscal sponsorship application detailing anticipated fundraising activities.
- Completed applications are then submitted to SE Uplift’s Executive Committee for review and official approval of the activities outlined for the fiscal sponsorship project.
- Approved projects must meet with SE Uplift’s Fiscal Sponsorship Manager to discuss the project and sign off on an official contract, which describes important policies and procedures for the fiscal sponsorship relationship.
- Once the contract has been signed, a designated account will be set up for the neighborhood association and the year’s projects.

4. How are project funds handled?

- Once a neighborhood association is approved for fiscal sponsorship, SE Uplift sets up a designated account for the bundled agreement, with sub-accounts for the approved individual projects and activities.
- **All funds generated through SE Uplift’s tax-exempt status (grants and donations) must be deposited into the designated project account at SE Uplift.** Neighborhood associations will still maintain their own checking accounts for day-to-day business and funds generated without tax exemption, however we require that funds generated through fiscal sponsorship be held at SE Uplift. This ensures that we have oversight of the use of project funds and that we will be able to accurately account for these funds on SE Uplift’s form 990 each year.
- Donation checks must be made out to “SE Uplift” with the name of the neighborhood and/or activity or event, for which the donation is intended. Project coordinators may also deposit cash at SE Uplift for their account. Incoming funds that are not dedicated to specific activities will be deposited into the association’s general account.
- In order to access funds, project managers may pay out of pocket and submit a request for reimbursement or submit a check request to pay a vendor directly.
- In the event that a neighborhood association wishes to terminate its fiscal sponsorship arrangement, funds must first be spent down to close out the account or funds may be transferred to another 501(c)(3), which has offered to serve as the association’s fiscal sponsor to manage the remaining project funds.

5. How are in-kind donations handled?

It will be the responsibility of the project to track all in-kind items (goods and services) that are donated for events and activities. We have created a sample spreadsheet that outlines the

information that you will be required to track and submit to SE Uplift. This spreadsheet should be filled out and submitted at a minimum once a quarter.

Gift cards are handled similar to in-kind donations that you must track, however you will also be required to submit all receipts for purchases made with the donated card.

6. What is the process to acknowledge donors for their project contributions?

Financial donations- There are four possible ways to handle acknowledgement:

- SE Uplift can send letters out to all individuals that contributed donations over the term of the quarter in one bundle at the end of each quarter (January, April, July and October). The donation letter will serve as receipt of the funds received for your project and include SE Uplift's tax ID number for tax exemption. The letter can also be tailored to your project, with a paragraph provided by the project coordinator.
- The second option is similar to the first where SE Uplift will create letters on your behalf, however we would mail them to the project coordinator at the end of the quarter so that a personal thank you can be added from your neighborhood association. The mailing would then be the project coordinator's responsibility.
- The third option is for SE Uplift to create and send out letters as described in the first option, but rather than once a quarter we would mail out letters as donations are received. This process is more time consuming for staff, so we will charge a 5% administrative fee on all incoming funds each quarter.
- Some projects may opt to send out their own thank you letters to donors, with SE Uplift's tax ID number.

Regardless of the option that you choose, SE Uplift will generate a quarterly report with your project balance and a list of all donations received during the quarter and the date, amount, name and address of each person that donated.

In-kind donations- Project coordinators will be responsible for thanking donors for their contributions and providing each donor with our tax ID number for their tax records. We have created a sample donation receipt for you to use for this purpose, as in-kind donations are received.

7. Is there a fee for fiscal sponsorship?

Fiscal sponsorship services will be offered to neighborhood associations free of charge. A 5% administrative fee will be charged, however, if the association would like SE Uplift to process thank-you letters on behalf of the project as donations are received as described in #6 or if the project would like to use SE Uplift's PayPal account for electronic donations.



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