

Fiscal Sponsorship Backgrounder

Because SE Uplift is a well-established, non-profit, tax-exempt corporation, there are many projects we could tackle that smaller, start-up groups cannot. The fact that SE Uplift could tackle a project, however, does not mean we have the staff and money to do so. Fortunately the Tax Code allows an organization like SE Uplift to take on projects proposed by smaller groups through a mechanism called Fiscal Sponsorship.

The basic mechanism is that a group (incorporated or not) gets an idea for a project that fits within the mission of SE Uplift, and also gets an idea for raising the money to do the project - perhaps direct fund-raising, perhaps applying for a grant. Because they are not a tax-exempt organization, and because they do not have the accounting experience and staff to manage such a project, they come to SE Uplift and ask our help. They fill out an application describing their project, and it is reviewed by a SE Uplift staff member. If the project fits with our mission - that is, if it is something we would do ourselves if we had the resources - the executive committee approves the project and takes it "under our wing".

The advantage to SE Uplift is that we help provide yet another service, event, resource to our coalition neighborhoods. The advantage to the small group is that they gain the right to accept donations as tax-exempt; that they gain accounting assistance; and that they gain our guidance.

There are rules which must be followed in this process. Most importantly, SE Uplift, as the project sponsor, must maintain discretion and control over funds raised by the sponsored group. It must review and approve any fund-raising material, and also assure that expenditures are in support of the project. Funds raised by the project are technically SE Uplift funds which we hold for the project. In our accounting system, each project is given a separate code which allows for quarterly reports to the project staff. All of the projects we sponsor are collectively known as "Funds held for others".

Many projects are originally planned to have a specific duration: perhaps the goal is an event or the completion of a physical entity. When the event is over or the entity complete, the project is terminated. Some projects either hope from the beginning to become sustaining, or develop that way over time. Some projects simply do not perform as hoped, and dwindle to inactivity. The way that projects eventually separate from SE Uplift is closely proscribed by the tax code - if we don't do it right, we could lose our tax-exempt status. Basically, SE Uplift cannot just "write a check" for remaining funds to members of the project. Money must be spent on project related activities. If the project will be ongoing, money can be transferred to another tax-exempt corporation which will act as the ongoing fiscal sponsor, or to the group itself if it has attained that status.

The work done by SE Uplift in support of fiscal sponsorships costs money. Staff time is spent in original investigation, in providing ongoing discretion and control, and in providing accounting services. Although subject to change, the current policy of SE Uplift is to provide this service free to Neighborhood Associations within our coalition, unless the project is "complex". The term "complex" isn't defined, but implies lots of work by SE Uplift staff. Complex projects by Neighborhood Associations, and all projects by other groups are assessed a fee as a

percentage of the funds they raise. At the time of this writing, they fee is 7.5%.

SE Uplift believes that the work done by the groups that we sponsor significantly enhances the lives those living in our coalition area. When project missions fit, we are glad to provide this service to allow these projects to move forward. We will continue to provide appropriate discretion and control over the projects as required of us.