

## Fiscal Sponsorship

### The Need

Artist residency programs need funding to launch and to be sustained, but many individuals, foundations, corporations or government organizations restrict funding to U.S. tax-exempt organizations. The Alliance's fiscal sponsorship program assists those artist residency programs that are just getting started, international residencies, and temporary entities that lack 501(c)(3) tax status recognized by the U.S. Internal Revenue Service, by providing an opportunity for these residency programs to solicit contributions from grant-makers and individual donors.

The Alliance offers a variety of professional development services to its members, and fiscal sponsorship is one more way that we can provide critical capacity-building support to artist residency programs.

### Overview

Fiscal Sponsorship is a financial and legal system by which a legally recognized 501(c)(3) public charity (such as the Alliance of Artists Communities) provides limited financial and legal oversight for a project initiated independently by another entity. That "project" might be a one-time project or simply the activities of an arts organization or entity that does not have its own 501(c)(3) status. Once sponsored in this way, the project is eligible to solicit and receive grants and tax-deductible contributions that are normally available only to U.S. 501(c)(3) organizations.

### Eligibility

Our fiscal sponsorship program is open and accessible to individuals and arts organizations throughout the U.S. and internationally, that are:

- Emerging Program Members or Organizational Members of the Alliance in good standing
- Actively programming or involved in the active creation of artists' residencies, defined as:
  - Organizations/entities that provide dedicated time and space to artists/creators of any discipline for the development of new creative work
  - Artists/creators are "in residence" for a finite period of time
  - Artists/creators are selected by pre-determined criteria (either by open application or by invitation)
  - Residencies are/will be provided for free or are/will be significantly subsidized

## Benefits

The Alliance of Artists Communities' fiscal sponsorship program offers many benefits, including:

- Donors can make online donations by credit card
- Donors can make automatic recurring monthly donations
- Fund release checks are issued monthly at the sponsored entity's request
- Regular reports are issued with your fund balance, donation and fund release history, donor contact information, etc.
- Donors receive prompt acknowledgement of their contributions

## Terms

- The applicant is fully responsible for proper use of funds in accordance with the intent for which they were solicited (whether from a donor or a grantor). Failure to deliver on the intended use of funds is grounds for cancellation of our agreement and the applicant is responsible for any return of funds that may be required by the donor or grantor.
- The Alliance of Artists Communities deducts an administrative fee equal to the greater of \$10 or 6% of each grant and donation contributed through fiscal sponsorship
- Sponsored funds may only be used for charitable, non-commercial purposes
- Sponsored entities agree to credit the Alliance of Artists Communities on the project for which funds are solicited
- Sponsored entities must submit an annual report by December 15 of each year

See *"Fiscal Sponsorship Agreement"* for more details.

# Apply for Fiscal Sponsorship

## Step 1: Understanding who we are and what we sponsor

### Application Timeline

Applications are accepted on an ongoing basis; however, applications are subject to quarterly Board approval. Please contact the Alliance to determine the date of the next Board meeting.

### What Do We Sponsor?

The Alliance of Artists Communities supports fiscally sponsored projects that are consistent with our IRS-approved charitable mission. Projects must advance the field of artist residencies, be artistic in nature, and may not be produced solely for commercial gain. The term "project" is used very broadly, and may refer to a one-time project, an ongoing organization or entity, or the work of an individual.

Examples of the types of projects we sponsor include:

- One-time or finite artist residency projects
- Grassroots or DIY entities, collectives, or facilities engaged in artist residency activities
- Emerging artist residencies
- Arts organizations that have applied for a 501(c)(3) tax exempt determination and are awaiting IRS approval
- International artist residency programs
- Individuals involved in developing new residency programs

### What is the Relationship Between the Alliance of Artists Communities and its Sponsored Projects?

Fiscal sponsorship has many different models. The Alliance of Artists Communities' fiscal sponsorship is structured as a program of the Alliance for its members, in keeping with the Alliance's mission to support artists' communities in order to advance the endeavors of artists.

As a sponsored project, you are treated as a separate legal entity responsible for your own tax returns, employment taxes, insurance, debts, liabilities and other legal obligations. Although fiscal sponsorship does not give projects their own 501(c)(3) status, it does enable them to access many of the benefits of the Alliance of Artists Communities' 501(c)(3) status.

The Alliance of Artists Communities provides a legal and efficient mechanism for funders and donors to support charitable, arts-related activities.

### Fiscal Sponsorship Contract

By submitting an application you agree to be legally bound by the fiscal sponsorship agreement. Please review it carefully before applying.

## **Step 2: Program eligibility and benefits**

### **Program Eligibility**

In order to be approved, you must demonstrate the following criteria:

- You are an Emerging Program Member or Organizational Member of the Alliance in good standing
- Project activities are related to artist residencies
- Activities are charitable in purpose
- If based in the U.S., you have a legal entity with a U.S. tax identification number (either a Social Security Number or Employee Identification Number) that will be responsible for all money released from the fund
- You have a valid email address that you regularly check

### **Program Benefits**

The core program benefit is the ability to solicit tax-deductible contributions or grants in support of your activities.

## **Step 3: Policies and procedures**

### **Upon Approval**

- Review the contract and check out the FAQs.
- Keep your contact information on file up to date – if we don't have a current email address we can't alert you to donations your project received!
- Alert the Alliance of Artists Communities of other individuals authorized to act on behalf of your project (including anyone who will be contacting the Alliance of Artists Communities staff regarding the fund).

### **Crediting and Reporting**

- All written solicitations for funding that you produce must include standard language regarding the Alliance of Artists Communities' fiscal sponsorship, as provided by the Alliance.
- The Alliance of Artists Communities is to be credited as a funder/donor where appropriate. You are requested, though not required, to include the Alliance logo where appropriate.
- Grantees must file an annual report by December 15 of each year describing the activities undertaken with grant funds (we will provide a reporting form).

## **Review and Cancellation**

All projects will be reviewed by the Alliance of Artists Communities annually and fiscal sponsorship may be cancelled **for any reason at any time**, including:

- Grantees fail to follow reporting, crediting, and fundraising procedures detailed herein
- Grantees fail to deliver on the terms of grant funds and donations, or fail to enact the purpose for which funds were solicited
- The grantee's project terminates or is significantly changed to the extent that it no longer fits within the eligibility criteria for fiscal sponsorship
- The grantee's membership in the Alliance lapses

## **Fundraising Procedures**

- You **may not solicit funds** using the Alliance's fiscal sponsorship until you have received written approval of your sponsorship application.
- As a fiscally sponsored project, you are responsible for your own fundraising; the Alliance will not solicit funds on your behalf. You are responsible for compliance with grant and donor requirements for any funds you receive.
- All grant applications for which you will be using the Alliance of Artists Communities as a fiscal sponsor must be reviewed by the Alliance of Artists Communities staff at least 10 days before being submitted to the funding source.
- When soliciting funds, inform your potential donors that all donations (checks, wire transfers, and credit card transactions) must be made payable to the Alliance of Artists Communities in order to be tax-deductible.

## **Fund Disbursement**

- You will receive a monthly report of any funds received on your behalf, along with names and addresses of donors.
- You may complete a funds request form at any time to request funds we have received on your behalf. The Alliance will send you a check within 10 business days. If you are requesting funds by wire transfer, the Alliance will deduct the wire transfer fee from the amount to be transferred.

## **Some Important Notes**

- The legal entity associated with the fund is responsible for reporting all money released from the fund to the IRS as taxable income. The Alliance of Artists Communities will issue 1099 forms as required by law.
- The legal entity associated with the fund may be transferred at any time by signing a contract amendment agreement.

#### **Step 4: Complete the application form**

Download and complete the application form and submit it to the Alliance of Artists Communities. If you have any questions, please contact us at [info@artistcommunities.org](mailto:info@artistcommunities.org) or 401-351-4320.

# THE ALLIANCE OF ARTISTS COMMUNITIES

## FISCAL SPONSORSHIP AGREEMENT

**WHEREAS** by submitting an application for fiscal sponsorship, the applicant indicates that he/she has read and understood the below Terms and Conditions in full and that, in the event that the application is approved for sponsorship, agrees and intends to be legally bound;

**WHEREAS** these terms and conditions shall become effective if, only if, and at such time as the Alliance of Artists Communities ("Grantor") decides by affirmative resolution of its Board of Directors that financial support of the project described in the associated fiscal sponsorship application (the "Project") will further Grantor's tax-exempt purposes;

**WHEREAS** in the absence of such a resolution, no part of this Agreement shall be binding in any way on either party;

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

### TERMS AND CONDITIONS OF FISCAL SPONSORSHIP

Grantor is willing to receive tax-deductible charitable gifts, grants and contributions to be awarded by donors ("Donors") to Grantor for the benefit and use of the Project. In furtherance of this purpose, Grantor has created a restricted fund designated for the Project and will grant all amounts that it may receive from Donors for the Project, less any administrative handling charge as set forth below, to the responsible legal entity identified by the Project ("Grantee"), subject to the following terms and conditions (the "Agreement"):

- 1) If Grantee is an organization, Grantee shall provide Grantor with its governing documents, a completed and filed IRS Form SS-4 or other documentation satisfactory to Grantor, showing Grantee's separate existence as an organization. If Grantee is an individual, Grantee personally assumes full legal, fiscal, and oversight responsibility for all aspects of this Agreement in particular and the grantor-grantee relationship in general.
- 2) Grantee shall use the grant or donation solely for the Project, and Grantee shall repay to Grantor any portion of the amount granted which is not used by the Project, provided, however that:
  - a. Any changes in the purposes for which grant/donor funds are spent must be approved by Grantor (in writing or by email) before implementation.
  - b. Grantor retains the right, if Grantee breaches this Agreement or if Grantee's conduct of the Project jeopardizes Grantor's legal or tax status, to withhold, withdraw, or demand immediate return of grant funds, and to spend such funds so as to accomplish the purposes of the Project as nearly as possible within Grantor's sole judgment.
  - c. Grantee understands that this Agreement is tied to and partially predicated on Grantee's status as an active Emerging Program Member or Organizational Member of the Alliance of Artists

Communities. Should Grantee's membership in the Alliance of Artists Communities lapse, the Grantor-Grantee relationship as detailed in this Agreement will be terminated in accordance with paragraph 15 below, and subject to paragraph 16 below, the Alliance of Artists Communities may, at its sole discretion, allocate any remaining balance in the restricted fund to another project or projects that it believes may accomplish goals substantially similar to those described in the accompanying application. Any tangible or intangible property, including copyrights, obtained or created by Grantee as part of the Project, shall remain the property of Grantee.

- 3) Grantee may solicit gifts, contributions, and grants to Grantor on behalf of the Project. Grantee's choice of funding sources to be approached and the text of Grantee's fundraising materials are subject to Grantor's prior approval (in writing or by email). All grant agreements, pledges, or other commitments with funding sources to support the Project via Grantor's restricted fund shall be executed by Grantor. Grantee is not an agent of Grantor and is not authorized to make any binding commitments, either expressed or implied, to funding sources on behalf of Grantor. The cost of any reports or other compliance measures required by such funding sources shall be borne by Grantee.
- 4) Grantee understands that, in compliance with IRS regulations, Grantor retains full legal ownership of and control over funds contributed on behalf of the Project until such funds are released to Grantee in accordance with this Agreement.
- 5) Grantee is responsible for notifying Grantor of any benefits provided by Grantee to its donors in exchange for any contribution, and for estimating the fair market value of such. For example, if Grantee holds a fundraising event to support its sponsored activities and sells tickets for \$50, but ticket buyers receive \$20 worth of entertainment and refreshments at the event, then Grantee must provide this information to Grantor so that Grantor may issue appropriate and accurate tax receipts to said donors.
- 6) Grantee understands that contributions to Grantor on behalf of the Project are only tax-deductible under the Internal Revenue Code to the extent that they are motivated by donatives intent. Anyone making a contribution on behalf of the project without the requisite intent, especially the Grantee or a member of the Grantee's family, should consult a professional tax advisor. Grantor reserves the right to reject any contribution that it believes is likely not to meet the IRS's criteria for donatives intent. Grantor assumes no responsibility for ensuring that contributions to Grantor in behalf of any Project are tax-deductible. Grantor does not provide individual tax advice; therefore all donors to the Grantor in behalf of a Project are encouraged to consult their own outside professional advisers to address questions on deductibility or donative intent.
- 7) In order to defray Grantor's costs of administering the restricted fund and this grant, Grantor shall deduct an administrative charge equal to the greater of \$10 or 6% of any amount paid to Grantee from the restricted fund. This administrative charge shall be assessed, recorded, and deducted each time Grantee requests and receives a disbursement from the restricted fund. Grantor may additionally, at its sole discretion, deduct from the restricted fund any special or unusual costs it incurs in administering the restricted fund, including wire transfer fees to international accounts and bank penalty fees resulting from a donor's bounced check.
- 8) Nothing in this Agreement shall constitute the naming of Grantee as an agent or legal representative of Grantor for any purpose whatsoever except as specifically and to the extent set forth herein. This Agreement shall not be deemed to create any relationship of agency, partnership, or joint venture between the parties hereto, and Grantee shall make no such representation to anyone.
- 9) Grantee shall submit a full and complete report to Grantor no later than 90 days following the end of each of Grantor's fiscal years within which any portion of this grant is received or spent. The report shall describe the charitable programs conducted by Grantee with the aid of this grant and the expenditures made with grant funds, and shall report on Grantee's compliance with the terms of this grant.



10) This grant is not earmarked to be used in any attempt to influence legislation within the meaning of Internal Revenue Code (IRC) Section 501(c)(3). No agreement, oral or written, to that effect has been made between Grantor and Grantee.

11) Grantee shall not use any portion of the funds granted herein to participate or intervene in any political campaign on behalf of or in opposition to any candidate for public office, to induce or encourage violations of law or public policy, to cause any private inurement or improper private benefit to occur, nor to take any other action inconsistent with IRC Section 501(c)(3).

12) Grantee shall notify Grantor immediately of any change in

- a. Grantee's legal or tax status, or
- b. Grantee's executive staff or key staff responsible for achieving the grant purposes.

13) Grantee hereby irrevocably and unconditionally agrees, to the fullest extent permitted by law, to defend, indemnify, and hold harmless Grantor, its officers, directors, employees, and agents, from and against any and all claims, liabilities, losses, and expenses (including reasonable attorney's fees) directly, indirectly, wholly, or partially arising from or in connection with any act or omission of Grantee, its employees, or its agents, in applying for or accepting the grant, in expending or applying the funds furnished pursuant to the grant, or in carrying out the program or project to be funded or financed by the grant.

14) This Agreement may be terminated by

- a. Grantee with or without cause ten (10) business days after Grantee provides notice (in writing or by email) of such termination to Grantor,
- b. Grantor without cause forty (40) business days after Grantor provides notice (in writing or by email) of such termination to Grantee, or
- c. Grantor with cause ten (10) business days after Grantor provides notice (in writing or by email) of such termination to Grantee.

15) In the event this Agreement is terminated and the balance of the restricted fund designated for the Project is greater than zero, Grantor shall distribute all remaining amounts to Grantee within fifteen (15) business days of receiving a final distribution request for any legitimate, Project-related anticipated or unreimbursed expenses (the "Final Request"). Grantee shall submit the Final Request no later than ninety (90) calendar days after this Agreement is terminated and notwithstanding any provision to the contrary, this provision shall survive the termination of this Agreement so long as the Final Request is being processed by Grantor. Grantor shall process the Final Request in accordance with the standard policies and procedures for fund disbursements as described in paragraph 7 above or in the Instructions (defined below) as in effect at the time a notice of termination is sent by either party.

16) Grantor, at any time and at its sole discretion, may conduct an audit of the Project's activities. Such audits are intended to investigate and document that the Project is being carried out in accordance with the approved application, this contract, Grantor's exempt purposes, and all applicable laws. Failure on the part of Grantee to provide full cooperation and adequate documentation in the event of an audit will be considered a breach of this Agreement.

17) This Agreement shall be governed by and construed in accordance with the laws of the State of Rhode Island.

18) This Agreement, in conjunction with the instructions posted in the fiscal sponsorship section of the Alliance of Artists Communities website (at <http://www.artistcommunities.org/fiscal-sponsorship>) (the "Instructions") constitutes the entire agreement of the parties with respect to the subject matter hereof. Grantor reserves the right to modify or amend

- a. the Instructions at any time, provided that such modification or amendment shall be effective twenty (20) business days after (x) written notice (either in writing or by email) describing such modification or amendment is provided to Grantee and (y) the modified or amended Instructions are published on the website described in this paragraph 18, and
- b. this Agreement at any time, provided that any modification or amendment of this Agreement shall be effective forty (40) business days after (x) written notice (either in writing or by email) describing such modification or amendment is provided to Grantee and (y) the modified or amended Agreement is published on the website described in this paragraph 18. Notwithstanding the foregoing, this paragraph 18 and the Instructions that relate hereto shall not be modified or amended without the prior written consent of Grantor and Grantee.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement effective at such time as the Grantor decides by affirmative resolution of its Board of Directors that financial support of the Project will further Grantor's tax-exempt purposes.