

What is Fiscal Sponsorship?

Fiscal sponsorship allows individual artists and emerging organizations to apply for funding normally available only to organizations with 501(c)3 nonprofit status and to receive tax-deductible donations from individuals. A fiscal sponsor is a nonprofit organization that agrees to act as a fiscal umbrella for an artist or group, receiving charitable donations and grant funds on their behalf.

Through fiscal sponsorship, a broader range of funding sources is made available to artists and new organizations. Organizations that offer fiscal sponsorship programs that serve a significant number of artists may also provide technical assistance during the fundraising process, accounting services and other project-related assistance.

How Does Fiscal Sponsorship Work?

When an organization agrees to act as a fiscal sponsor for an artist or new organization, a contract may be issued that outlines the responsibilities of the artist and the fiscal sponsor. LMCC strongly recommends executing a contract at the beginning of a fiscal sponsor relationship to ensure a clear working relationship.

The following is a broad outline of some of the more common aspects of fiscal sponsor relationships:

Fundraising

- The artist is responsible for identifying potential funding sources and soliciting all funds
- The artist will prepare fundraising materials subject to the fiscal sponsor's final approval
- The artist is responsible for submitting all final reports required by funders in a timely manner

Financial

- Fiscal sponsor receives grant funds and donations on behalf of the artist
- Fiscal sponsor will issue a thank you letter and/or receipt to individual donors to use for tax purposes (obtaining a deduction)
- Fiscal sponsor disburses payment to or on behalf of the artist
- Fiscal sponsor files an IRS 1099 form reflecting all payments as payments to the artist
- The artist is responsible for the tax implications of these monies and must reflect the activities of the fiscally sponsored project on his/her own federal, state and local tax returns

Fees and Charges

- Fiscal sponsor may charge an administrative fee on funds received/dispensed on behalf of the artist. Fees tend to range from 5% to 10% depending on the level of administrative support provided by the fiscal sponsor. Therefore, it is important for artists to factor this cost into their project budgets and fundraising plans.
- Fiscal sponsor may charge an annual administrative flat fee in lieu of the percentage model.

What to look for in a fiscal sponsor:

- Clarity in communication
- Responsiveness
- Financial expertise
- Previous experience as a fiscal sponsor

The most important thing in a fiscal sponsorship relationship is trust. Only enter into this relationship with an organization you know and that you trust to receive and manage your project funds. While any nonprofit organization may enter into a fiscal sponsorship relationship, keep in mind that organizations that offer fiscal sponsorship programs have the most reliable policies and processes to support this relationship.

Who offers fiscal sponsorship?

These are just a few of the local arts service organizations that offer fiscal sponsorship programs. Make sure to obtain current sponsorship information directly from the organization.

Dance Theater Workshop
Fractured Atlas
Independent Feature Project

New York Foundation for the Arts
The Field
Women Make Movies