

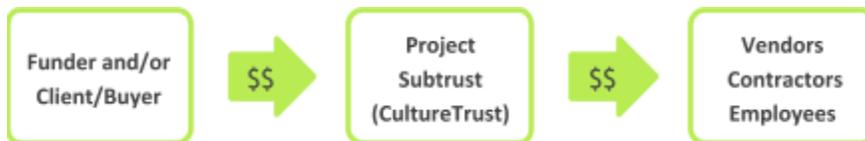
Pre-approved Grant (Model C) Fiscal Sponsorship Orientation

What is fiscal sponsorship?

CultureWorks Greater Philadelphia offers two forms of fiscal sponsorship through its subsidiary CultureTrust Greater Philadelphia: Comprehensive “Model A” Fiscal Sponsorship (Track 2) and Pre-approved Grant “Model C” Fiscal Sponsorship (Track 1). Fiscal sponsorship describes a range of legal structures and management practices where multiple organizations or projects (we refer to both as a “project”) can share the charitable status and other basic management resources of one nonprofit entity. We often hear fiscal sponsorship incorrectly called “fiscal agency”, which actually denotes a kind of relationship between the umbrella nonprofit and the project that the IRS would find objectionable. (So it’s good to stay away from this incorrect label.) Below is a brief comparison of Model C and Model A to illustrate the differences between the two.

Comprehensive “Model A” Fiscal Sponsorship: This is the closest relationship between sponsor and project—in fact there is no legal or corporate distinction between the parent nonprofit and the project. The project *is* the parent and vice versa. In our Model A program each project becomes its own subtrust under CultureTrust, where income and expenses are held (“restricted”) for the given project. The project retains control over its mission and artistic/programmatic vision, and CultureTrust serves as the direct contractor, insurer, and liability holder for all of the project’s activities, receiving all revenues and paying all expenses. The National Network of Fiscal Sponsors (NNFS), the professional association for fiscal sponsors, has determined that the best practice for cost allocation for this form of sponsorship is between 10% and 15% of total revenues, earned and contributed. CultureTrust currently allocates 12% of all revenues to cover the costs of the shared services and insurances that we provide.

Legal/Financial Relationships: “Model A” Comprehensive Fiscal Sponsorship Model



Pre-approved Grant “Model C” Fiscal Sponsorship: This model is more arm’s-length than the Model A, which is why we offer this as an optional “starter” relationship to Track 1 members. The relationship between the sponsor and the project is one of grantor (the sponsor) and grantee (the project) and *only concerns contributed revenues*. Earned revenues—income received in exchange for goods or services—are not touched by the sponsor. The sponsor must pre-approve the project to apply for grants or solicit donations. Funds are then contributed to the sponsor, which then re-grants them to the project. The project can be a non-exempt entity (LLC, S-Corp, or some form of sole proprietorship) or just a person with a bank account (no corporate structure). This model is often incorrectly referred to as a “pass-through” or “conduit” (both of which are prohibited by the IRS); it is a *re-granting* model. Because the project is not a legal nonprofit, the sponsor assumes “expenditure responsibility” for the project and must verify any expenditure of charitable funds as compliant with charitable purposes and the wishes of the donor or funder. To accomplish this, funds are re-granted as a *reimbursement*. According to NNFS, the cost allocation for Model C should be between 5% and 8% of *contributed revenues*, which covers charitable compliance and oversight costs. CultureWorks follows its peers in arts and culture with a cost allocation of 7%.

Legal/Financial Relationships: “Model C” Pre-approved Grant Fiscal Sponsorship



How does it work?

Here's how to be eligible as a Model C project.

In addition to having accomplished basic eligibility as a Track 1 member, we want to ensure that your project meets the below additional criteria, which we can discern through our 360-degree assessment process.

Charitable Status – Your Project must comply with the guidelines for exempt activities under section 501(c)(3) of the Internal Revenue Code. Your Project must also fall within the fields of arts, heritage, or creative enterprise according to the mission of CultureTrust.

Project Scope & Timeline – We must be able to understand the scope and basic goals for your project, who's going to be doing the work, and the feasibility of the proposed timeline for implementation.

Our Model C project for Track 1 lasts for 12 months, reckoned from the date you sign our Pre-approved Grant Agreement. (See below.) During that time you can test ideas, feel out your market, and ready yourself for Track 2, if you wish. At the end of 12 months, you need to be ready to move to Track 2 (our Model A program), renew for another 12-month period, or we can simply end the Model C relationship. You may also move to Track 2 any time *within* the 12-month period, provided you can affirmatively answer the below readiness questions.

What is your impact model, and what are your key metrics?

What are your business model, revenues assumptions, and key milestones for the next 12 months?

Did you generate at least \$5,000 within the last 12-month fiscal cycle?

What are your overall goals and action plan for the next 12 months?

Do you have the capacity to start work on this action plan?

Here's the process for getting started and managing with us as a Model C project.

1. You discuss your interest in utilizing our Model C program during your time in Track 1 with us, either at your 360-degree assessment meeting or another time. You can take advantage of our Track 1 fiscal sponsorship at any time, providing you meet the above eligibility requirements.
2. You review and fill out this orientation document. We take a look at your answers to the below information requests, address any questions of our own, and (hopefully!) approve your request.
3. You sign our Pre-approved Grant Fiscal Sponsorship Agreement. We keep this on file for the life of your work under the Model C relationship. (You only have to sign this Agreement once.) Per this Agreement, any gift, grant application, or other appeal needs to be made out to **"YOUR PROJECT of CultureTrust Greater Philadelphia"**. All checks and paperwork for contributions should be sent to CultureWorks to the attention of **"YOUR PROJECT of CultureTrust Greater Philadelphia"**. You get the idea.
4. Whenever you want to apply for a grant, seek a corporate sponsorship, or send a solicitation to one or more individuals, you let us know. If you want to set up online giving through your website or explore crowdfunding, you also let us know, and we help you with this process. We review the materials you're sending or your web copy to make sure things are in order. We want you put your best foot forward. You send the materials, launch your campaign, and follow through on the process. (Fingers crossed!)
5. We report to you whenever we receive a gift, grant, or other financial paperwork, electronic or snail mail, related to your project. We deposit your funds in a fully restrict CultureTrust account for your project.

6. When you're ready to spend your contributed funds, you need to submit a **Project Disbursement & Reimbursement Request Form**, which details the expenses that you have or want to incur. Documentation in the form of receipts, invoices, payroll reports, contracts, etc. are required as supporting documentation for the form. We process your request and issue you a reimbursement check to the project for the approved expenses. Voilà!

What you do, what we do.

The below chart outlines how we divide up responsibilities under our Model C program (Track 1), with a comparison to how we do it under the Model A program (Track 2).

Management Area	Model C – Pre-approved Grant	Model A – Comprehensive
<i>Program & Executive Direction</i>		
Mission, Vision, & Program Dev.	You lead and determine this.	You lead and determine this.
Choice of Personnel	You do this.	You do this.
Finance/Resource Decisions	You do this.	You do this.
Basic Board Oversight	We do this for you.	We do this for you.
General Liability Insurance		
General Liability Insurance	You obtain this for your project.	We obtain and manage this for you.
Worker's Comp Insurance	You obtain this for your project.	We obtain and manage this for you.
Employer/Contractor Status	You are the contractor/employer.	We are the contractor/employer for you.
Contract/HR Legal Management	You need to manage legal issues.	We manage legal issues for you.
Public Identity/Constituent Rel.		
Public Identity/Constituent Rel.	You maintain and lead this.	You maintain and lead this.
Marketing & Sales		
Marketing & Sales	You do this.	You do this.
Donor/Funder Relations Mgmt.		
Donor/Funder Relations Mgmt.	You do this.	You do this.
Fundraising (Grants & Gifts)		
Fundraising (Grants & Gifts)	You do this with our input and approval.	You do this with our input and approval.
Grant or Funder Reporting		
Grant or Funder Reporting	You do this with our input and approval.	You do this with our input and approval.
Earned Revenues		
Earned Revenues	You receive and track these.	We receive and track these.
Contributed Revenues		
Contributed Revenues	We receive and track these.	We receive and track these.
Paying Bills		
Paying Bills	You pay all of your bills.	We pay your bills following your instruction.
Accounting/Bookkeeping		
Accounting/Bookkeeping	You do all project accounting/bookkeeping.	We do all project accounting/bookkeeping.
Donor/Funder Compliance		
Donor/Funder Compliance	We do this for you.	We do this for you.
Tax/Regulatory Compliance		
Tax/Regulatory Compliance	You do all of this.	We do all of this.