



Questions to Ask a Potential Fiscal Sponsor

Before contacting a potential sponsor, go to Guidestar.org and download the organization's form 990s to review their financial information.

Specifically, you want to look at their balance sheet and make sure that their Unrestricted Net Assets represent at least 3 months of their expenses, which is a measure of financial health. Also, make sure that their Cash represents about 3 months of their expenses so that you know your funds will be available as needed and won't cover shortages of the sponsor. You'll also want to make sure that the sponsor's budget is large enough [about twice your anticipated budget is a good starting guideline but it could be lower] so that there won't be any tipping point issues, Tipping means that your combined sources of revenue would be so concentrated in only a few foundations that you would fail the public support test from the form 990 and be tipped into private foundation status. You must show at least 33.3% support from sources outside your largest funders.

1) Do you currently sponsor other groups?

If yes, can you talk to one about their experience?

If no, have you sponsored groups in the past?

Here you are looking for an organization that has a good track record of administering a fiscal sponsorship program.

2) Are there any restrictions on your ability to seek donations from foundations, government, or individuals? Do they need to review proposals before they are submitted?

Most sponsors will at least want to know whom you are soliciting funds from so there are no conflicts such as you and the sponsor applying to the same funder.

3) How are you notified when funds are received [if they go directly to the sponsor] and what is the system for keeping your funds segregated from the sponsor's funds? Will they use a separate bank account and if so does your project keep the interest if there is any?

Most sponsors do not keep a separate bank account for fiscally sponsored projects because it can be cumbersome to administer. If they do, however, you should be clear about where interest from the account goes. It's not unreasonable for the sponsor to keep the interest generated so it's really a bonus if your project does keep it. Most sponsors will use a Class or Department coding system in their accounting software to keep track of your funds. You do want to make sure that they have a system that can track your remaining funds at the end of the year and carry that balance forward for you.

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4) Are they able to track your funds by funding source?

Not all sponsors are set up to do fund accounting. This may not be a problem if you receive mostly foundation funding but if you receive any government support you will need it tracked by funding source.

5) Do they have a system for invoicing for government grants/contracts and what documentation will you need to provide?

If you receive government support, you should look for a sponsor who does as well. Government contracts and grants can be difficult to administer so you want someone who has a good track record already.

6) How do they handle the grant reporting process and what parts are you responsible for? How much advance notice do they need to get you financial reports for funders?

Most sponsors will expect you to write the narrative reports to funders and some might expect you to do the financial reporting as well based on the reports that they submit to you on a regular basis. It's a good idea to clarify on the front end what pieces, especially for the financial reports, the sponsor can provide.

7) Do you have to fit your expenses and budget into their existing categories [also known as the Chart of Accounts] or can they modify their Chart of Accounts to accommodate how you want to track your income and expenses?

Most sponsors will want you to use their Chart of Accounts whenever possible but you should be able to negotiate to have accounts added if they are important for your budgeting and tracking purposes. At the very least, you should be clear about how the items you track in your budget line up with their accounts so you know where expenses in your budget will end up on your reports.

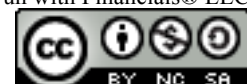
8) What is the process for submitting bills and expenses to be paid? And how long does it take once you submit a bill for the check to go out?

Most sponsors have a set schedule of when they pay bills, which could be as little as once a month. You want to find out if there's a process to handle emergency payments between cycles if necessary.

9) If they will handle payroll for you, how often do they run payroll and when do you need to submit changes to have them included in a payroll run? Are there any other employee benefits that they will be administering for you?

You want to know if your employees are covered under their personnel policies and practices, for example in regard to sick and vacation time, or whether you can set your own standards for pay and benefits, etc.

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10) Do they have a system for entering your budget into their accounting software? Can it be entered by funder? Is there a process for updating the budget during the year?

Not all sponsors are set up to track your budget. If they aren't, you will have to take the information you receive and cut and paste it to be able to compare to your budget. Also, it's not unreasonable for a sponsor to only allow you to submit your budget once, but it's good to negotiate to be able to update your budget with the sponsor at least at mid-year.

11) What reports will you receive from the sponsor and how frequently and timely are the reports?

Ideally, you should receive reports by the end of the month for the previous month, so February's reports would be received at the end of March. You should receive an Income and Expense report that compares actual income and expenses for the year-to-date with your budget. If they are tracking by funder then you should receive actuals vs budgets for each funder as well as a total of all income and expenses compared to budget. Most importantly, you should also receive a report that shows the remaining funds by funder and a total that includes any unspent funds from previous years. This is critical information because, if you decide to become independent in the future, your remaining funds are what the sponsor would need to pay out to you at that time.

12) What is their fee and when is it assessed?

Most sponsors will charge between 9-12% of any income for your project, depending on how many services they are providing like payroll, tracking by funder, etc. Usually, the fee is assessed as each grant or check is deposited but some sponsors may assess it monthly or quarterly.

