

Subject: [HacDC:Members] Member Meeting Discussion/Vote on HacDC Acting as Fiscal Sponsor
From: Ken Kenworthy <kkenworthy@knowledgerealm.com>
Date: 03/12/2017 01:44 PM
To: members@hacdc.org

I would like to request that, at the March 14 membership meeting, the HacDC membership discuss the feasibility of HacDC acting as a fiscal sponsor for projects that further HacDC goals. And vote on whether to seek additional information, to include lawyer review. A vote could then be taken at the April membership meeting authorizing the board to approve/disapprove, on a project by project basis, HacDC acting as fiscal sponsor for projects that directly support HacDC's mission and charitable status.

Fiscal Sponsorship would bring in revenue for HacDC, e.g. 5% of project total project funding (there is no set rate, rate must be acceptable to funder), expand outreach, and possibly add to HacDC equipment (e.g. Equipment used for project but no longer needed at the completion of the project).

A project I have in mind would use "Model C (Pre-Approved Grant) as described in the book "Fiscal Sponsorship, 6 Ways to do it Right" by Gregory L. Colvin

Background Information:

>From PRESENTATION on Fiscal Sponsorship Western Conference on Tax Exempt Organizations November 17, 2006 Los Angeles Gregory L. Colvin, Esq. Silk, Adler & Colvin San Francisco
at http://fiscalsponsorship.com/images/WCTEO_Gregory-Colvin.pdf

"Model C (Pre-Approved Grant) is a grantor-grantee relationship between the sponsor and the project. This includes the one-time arrangement enabling a project to obtain the proceeds of a grant from a private foundation via a sponsor, as well as the ongoing arrangement where a sponsor receives and transfers funds to a project as funds are raised. "

Excerpt from book "Fiscal Sponsorship, 6 Ways to do it Right" by Gregory L. Colvin, Model C - Preapproved Grant Relationship

"Step 1: The person or organization that wants to do the project presents a written grant request to the sponsor, describing a specific program to be conducted.

Step 2: The sponsor evaluates the grant proposal to determine whether the project is charitable and carries out the sponsor's tax-exempt

purposes.

Step 3: The sponsor's board of directors reviews and approves the project as furthering the sponsor's exempt purposes. In a board resolution, the sponsor states its conclusions and approves a grant to the project, to be funded to a certain amount, or to the extent that the sponsor receives outside funds for the project. Thus, before funds are solicited from donors, foundations, or government agencies, the sponsor has preapproved the project as its grantee. It is important that the project be approved or ratified ultimately at the board level rather than merely by staff.

Step 4: The sponsor and the project sign a written grant agreement setting forth all the terms and conditions that apply to the project's use of the grant and relations with funding sources. The specific work to be performed by the project using grant funds should be spelled out in the grant agreement, in a cover letter, or by reference to the written project proposal.

Step 5: The project, the sponsor, or some combination of the two, solicits funds for the specific grant to be made by the sponsor to the project. The sponsor's bylaws provide that such solicitations shall be made only on the condition that the sponsor retains complete control and discretion over the use of all contributions it receives. That element of sponsor discretion and control should be made known, in writing, to the funding sources.

Step 6: As the sponsor receives donations and grants for the specific project, the money is taken into income by the sponsor and then disbursed as grant payments to the person or organization conducting the project, subject to the terms of the grant agreement.

Step 7: The project makes periodic written reports to the sponsor, in accordance with the grant agreement, showing its actual expenditures of grant funds and its progress toward accomplishing the purposes of the grant. It is important to understand that, like the independent contractor, a project under Model C has its own legal, tax and accounting identity.

The project could belong to an individual (as a sole proprietor) or to a nonprofit organization of some kind other than a 501(c)(3). It also could be a partnership or a business corporation."

See sample agreement at:

https://www.adlercolvin.com/resources/basic-resources.php#tab_forms

Briefing at:

http://www.fiscalsponsorship.com/brushes_with_the_law.pdf

Websites:

<http://www.adlercolvin.com/>
<http://fiscalsponsorship.com/>

Book "Fiscal Sponsorship: 6 Ways to Do It Right"

<https://www.amazon.com/Fiscal-Sponsorship-Ways-Do-Right/dp/0936434651>

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