

Frequently Asked Questions **Dancers' Group's Fiscal Sponsorship Program**

Q: What is fiscal sponsorship and why is it needed?

Individual dance artists and new dance organizations are constantly searching for new funding resources to support their work. Often they are hindered by the legal status of the project, as most foundations, government agencies or corporate funders restrict grants to 501(c)(3) tax-exempt organizations.

Similarly, individual donors can be motivated to donate to projects knowing there is a tax incentive for their charitable contribution. Many independent artists, including small or new dance companies, have not taken on the 501(c)(3) nonprofit structure that makes those donations legal and desirable.

Individual artists and new organizations may also face a funder's concerns about the project's viability: Will the funds be used properly? Can the recipient properly document and report use of grant money? Does the organization have the administrative capacity to manage a grant? Will the project be able to attract other funds?

That's where fiscal sponsorship comes in.

Fiscal Sponsorship occurs when an artist or group creates an affiliation with a tax-exempt 501(c)(3) organization, and through that affiliation they receive access to funding opportunities and other resources available only to 501(c)(3) non-profit organizations.

Fiscal Sponsorship programs help address concerns from funders and donors by providing the necessary organizational infrastructure and experience through technical assistance and financial services.

Q: What does 501(c)(3) mean?

501(c)(3) is the tax determination given to a non-profit charitable organization at the federal level.

Q: What is the difference between corporate sponsorship and fiscal sponsorship?

Corporate sponsorship generally consists of support (usually in the form of money or materials) given directly to the project. Often the corporate sponsor expects something in return for their investment in the project, such as advertising or use of the project for publicity purposes.

Fiscal sponsorship enables artists to gain access to funding opportunities and materials that are only available to 501(c)(3) tax-exempt organizations. For example, many corporations have philanthropic programs that donate to tax-exempt charitable organizations. In order for a non-exempt project to gain access to this funding, the project would need to have a fiscal sponsor.

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Q: Does Dancers' Group's Fiscal Sponsorship program provide direct funding?

No. The Fiscal Sponsorship program is not a grant-making program. However, having a fiscal sponsor allows an individual to apply to many funders who do not accept applications from individuals.

Q: Why does the Fiscal Sponsorship program have an application process?

Dancers' Group must insure that the activities of sponsored projects are aligned with our mission and will be conducted according to IRS regulations. For Fiscal Sponsorship to comply with these regulations, Dancers' Group must establish discretion and control over funds awarded to a sponsored project. The program accomplishes this through an application process and internal policies and procedures regarding grants and contributions to sponsored projects. In addition, a Letter of Agreement—which each accepted project must sign to commence sponsorship—governs the relationship between Dancers' Group and the sponsored project in order to meet the needs of all the parties involved.

Q: Why does Dancers' Group need to establish discretion and control over a sponsored project?

Dancers' Group is legally responsible for the funds received on behalf of a sponsored project and must insure that the project uses the funds for charitable activities and that donor reporting requirements are met by the project.

Q: In addition to fiscal sponsorship, what other services does Dancers' Group's Fiscal Sponsorship program provide to projects?

Dancers' Group's Fiscal Sponsorship program provides technical assistance and financial services to sponsored projects. Technical assistance takes the form of consultations via phone, fax, email and in-person on a range of subjects, including, but not limited to: fundraising, proposal writing, budgeting, strategic planning and Board development. Financial services range from check-writing services to acting as the bank and bookkeeper, depending on the type of project. The program also allows sponsored projects to secure certificates of liability insurance for their performances.

In addition, projects fiscally sponsored by Dancers' Group receive all the benefits of membership, including weekly ebulletins, *In Dance*, and many other artist resources.

Q: Does the project retain its own legal identity if it has a fiscal sponsor?

Every organization that provides fiscal sponsorship practices it differently. Projects that are fiscally sponsored by Dancers' Group are considered independent contractors and they retain their own identity and are not part of Dancers' Group. In this way, projects retain creative control and ownership of their project. However, the project is also responsible for tax reporting and liability issues.

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Q: What administrative fees does Dancers' Group charge projects that are accepted into the Fiscal Sponsorship program?

- No fee to apply
- Annual membership fee of \$50
- 10% fee on all contributed funds raised for the project, which is reduced to 5% on single grants or donations over \$20,000
- 2.5% fee on all earned income. Please note—Projects are not required to put earned income through Dancers' Group, they are only required to submit contributed funds that are required to go to a 501(c)(3).
- Dancers' Group charges the Project directly for banking fees, credit card service charges, and PayPal fees incurred on behalf of the Project. These fees are listed in the sponsorship agreement and are subject to change.

Q: Does fiscal sponsorship allow the project to be absolved from tax reporting?

No. Funds received through a fiscal sponsor are considered income and are potentially taxable. Therefore, Projects raising funds through Dancers' Group are legally responsible for reporting those funds as income to the IRS.

Dancers' Group sends out 1099's at year-end to all vendors (individuals or businesses that are unincorporated using a social security number or federal ID number). Although incorporated projects do not receive a 1099, they are responsible for reporting charitable funding to the IRS.

Q: How quickly can I be accepted for sponsorship?

Applications can be submitted at anytime and are reviewed on a case-by-case basis. The Executive Director reviews each request and will contact you shortly thereafter to set up the first of two meetings. These meetings allow each party to ask questions about the others work. Many artists inquire how long the process takes and our response is never definitive: it can take, minimally, two weeks and has taken as long as several months. This is dependant on your availability and Dancers' Group's activities at that moment.