CNPS Fiscal Sponsorship
Procedures

Fiscal sponsorship allows an organization that is not a registered 501(c)(3) non-profit organization to receive tax exempt contributions through a sponsorship relation with a registered 501(c)(3) tax exempt non-profit organization. CNPS may act as a fiscal sponsor to further its goals through the activities of an organization that does not have tax-exempt status and would be limited in its ability to get contributions.

CNPS may benefit from sponsoring projects in several ways:

- Sponsorship can help complete projects and initiatives that advance CNPS's mission, can enable a project to accept funds that would otherwise be unavailable, and so can be an effective means in which CNPS can accomplish it goals.
- Sponsorship can allow projects to forgo developing organizational overhead (e.g. board of directors and essential committees, financial management, tax reporting, insurance, required compliance policies) and instead focus more fully on their conservation objectives; by sponsoring projects CNPS prevents organizational balkanization of the California conservation landscape.
- Sponsorship allows CNPS to reaffirm its role as a senior organization, central to California conservation.

A CNPS chapter may identify a potential sponsorship that is of value to the chapter. However, since chapters are a part of a single CNPS non-profit organization, any fiscal sponsorship is also a concern of the statewide CNPS organization. This document establishes a policy that defines acceptable fiscal sponsorships and a process for approval.

Fiscal Sponsorship Procedures

1. CNPS will act as a fiscal sponsor only for organizations that are working to accomplish goals important to CNPS's mission, vision and goals.
2. Requests for fiscal sponsorship must originate within CNPS. This advocate/sponsor may be one or more chapters, one or more CNPS staff members.
3. Advocates/sponsors must have adequate knowledge of the sponsored organization to give confidence that the sponsored organization will use funds in accordance with rules for non-profit organizations and be effective in achieving the goals of the sponsoring relationship.
4. Advocates/sponsors must supply answers to the fiscal sponsorship request questionnaire about the sponsored organization and the project that is the basis for the relationship.
5. The fiscal sponsorship request must be made in writing to the CNPS Executive Director and will be reviewed CNPS staff. Requests for sponsorship that do not sufficiently serve CNPS's mission, vision and goals will be denied. Requests will be denied if the arrangements for performing the sponsorship are not adequate or place unacceptable burdens or risks on CNPS.
6. Following careful review of the project and project proponents, and after negotiating any required modifications to the proposed sponsorship agreement, the CNPS Executive Director will make a determination of suitability of the project for sponsorship. The Executive Director may decline an application for sponsorship, in which case they must notify the CNPS Board of

the application and the denial and the Board may direct reconsideration, alteration, or reversal of the decision. If the Executive Director determines that the project is deserving of sponsorship then they will present the application to the CNPS Board for approval or rejection.

7. Once a request has been approved, a fiscal sponsorship agreement will be signed by the CNPS Executive Director or Board President, and by the leader of the sponsored project (generally the Chair of the Project Advisory Committee). This agreement will outline responsibilities of each party and the conditions for ending the sponsorship, including ownership of any assets acquired with sponsorship funds.
8. CNPS will maintain a restricted fun for each sponsored project. These funds will be administered by CNPS staff. CNPS staff will provide regular reports to the project's advisory committee detailing contributions, payments, and balances. CNPS generally will not advance funds to the sponsored organization in advance of actual receipt of contributions. However, this does not preclude local CNPS chapters from contributing chapter funds in support of projects that are fiscally sponsored by CNPS.
9. As per terms of the Fiscal Sponsorship agreement, the sponsored project is expected to provide annual budgets, provide budgets updates as needed, and keep CNPS staff informed with regard to changes or forecasts. Additional responsibilities shall be outlined in the Fiscal Sponsorship Agreement and associated documents, and the sponsored organization is expected to responsibly fulfill these requirements.
10. CNPS generally charges an administrative fee for its fiscal sponsorship services. That fee is a percentage of the total dollar amount CNPS handles on behalf of those projects it sponsors. In most cases, the percentage varies from 0 to 20 percent depending on the nature of the project. In some cases (for example, if the CNPS administrative burden is small; if liability is low; if the project serves important CNPS interests) administrative fees may be reduced or even waived. In such cases, the value of forgone fees should be included as a contribution provided by CNPS to support the project and may be used as in-kind match in project funding grants, subject to approval by and coordination with CNPS staff.
11. As a project of CNPS, the sponsored project will follow the policies and procedures that apply to other CNPS projects and committees, including: complying with employee laws and other policies outlined in the Employee Handbook; following contracting policies; submitting an annual conflict of interest disclosure for all Committee members; filing timely requests for special event insurance or other special insurance needs; submitting reimbursement requests in a timely fashion and with appropriate documentation; providing contact and accounting information required for acknowledgement and tax reporting of donations; providing quarterly sales tax reports.
12. The activities and use of funds by a sponsored organization reflect on CNPS and may expose CNPS to liability in several possible ways. For this reason, staff will be responsible for monitoring activities of the sponsored organization to ensure that the organization is using the funds as intended and that the sponsored organization is not engaging in activities that are not allowed for a 501(c)(3) organization. In practice, chapter leadership or other designated representatives may at times act as liaison between CNPS and the sponsored project. CNPS should have a role in decisions on how the sponsorship funds are used and be able to prevent unacceptable uses of funds or activities that are not compatible with CNPS's status as a 501(c)(3) organization.

CNPS Fiscal Sponsorship
Application Questionnaire

Date of request:

Name of Project:

Name of Principal Contact:

Telephone: Email (required):

Address:

Website:

1. What is the legal status of this project? (Check one)

   - ☐ Sole proprietorship
   - ☐ Unincorporated association
   - ☐ California nonprofit corporation
   - ☐ 501(c)(3) Corporation
   - ☐ California nonprofit corporation that has applied for 501(c)(3) status
   - ☐ Governmental Agency
   - ☐ A fiscally sponsored project of another 501(c)(3) organization
   - ☐ Other:

2. Nonprofit purpose of the project (one sentence):

3. Current Project Assets—how much do you have now? $

4. Anticipated Annual Budget: $

5. Anticipated Source(s) of Revenue. Indicate status (received, committed, applying, etc.):
   Foundation Grants: $ *Government Grants: $* *Donations: $*
   Events: $ *Fee for Service: $* *Other: $*

6. Number on Advisory Committee (minimum of three):

7. Number of each of the following:

   Employees
   Volunteers
   Independent Contractors

   For budgeting purposes, adjusted labor burden (cost of benefits and employee-paid taxes) is 33% of the base salary.

8. Do you anticipate that the project will include any of the following activities? If so, please describe each of the anticipated activities:

   a. Supporting or opposing any federal, state, or local legislation?
      ☐ No ☐ Yes If yes, please describe anticipated activities:

   b. Supporting or opposing any initiative, bond, or other ballot measure to be voted on directly by the general public?
      ☐ No ☐ Yes If yes, please describe anticipated activities:

   c. Encouraging the public to support or oppose any such legislation?

☐ No ☐ Yes If yes, please describe anticipated activities:

d. Conducting voter registration, get-out-the-vote, or other activities related to elections?
☐ No ☐ Yes If yes, please describe anticipated activities:

e. Supporting or opposing, or favoring or disfavoring, any candidate for election to public office? (Federal law prohibits CNPS and its sponsored projects from supporting or opposing any candidate for election to public office.)
☐ No ☐ Yes If yes, please describe anticipated activities:

9. Would any of your anticipated project activities involve risk or require special insurance?
☐ No ☐ Yes If yes, please describe:

10. Do you anticipate any administrative difficulties for CNPS in managing this project?
☐ No ☐ Yes If yes, please describe:

11. Are you currently using another fiscal sponsor? ☐ No ☐ Yes

Fiscal Sponsor Name: Name of contact:
Phone: Email:
Please describe their attitude toward this transfer:

12. Are you exploring other fiscal sponsors for this project? ☐ No ☐ Yes

Who?

13. Project location/area of service:

14. Have you applied for 501(c) (3) status? ☐ No ☐ Yes
Do you anticipate applying within the next five years? ☐ No ☐ Yes ☐ Maybe

15. Is this project a one-time special event? ☐ No ☐ Yes

16. Do you anticipate this project being completed within:
    a. Two years ☐
    b. Five years ☐
    c. Ten years or more ☐

17. Please attached a description of your project indicating the following:
    - When it began
    - Its size, scope, and aspirations
    - Its nonprofit purpose
    - The number of participants
    - The target beneficiaries of your activity

18. Please attach:
    a. An income-and-expense budget for this current year and past year, if available.
    b. A list of your Advisory Committee (minimum of three) with their contact information and brief biographies.
    c. A bio or resume for the project director.

CNPS Fiscal Sponsorship
Questionnaire to be completed by CNPS proponent

Describe the organization to be sponsored. (Name, history, key individuals, purpose and relation to CNPS)

What experience have you or other CNPS members had with the sponsored organization or with key members of that group? Do you feel that this experience is a basis for trust in the sponsored organization?

Have you or other CNPS members previously worked with this organization on a project that serves CNPS's mission, vision and goals?

What is the nature of the project that will be enabled as a result of the sponsorship? Is this a joint project involving a CNPS chapter or (state) CNPS as well as the sponsored organization?

How does this project advance the mission, vision and goals of CNPS?

Is there chapter representative or other CNPS leader interested in working with the sponsored project to monitor actions and participate in decision-making? Who?

Describe any circumstances in will the fiscal sponsorship relation be brought to a close (e.g., completion of joint project, or sponsored organization becomes a registered 501(c)(3), etc.)?

FISCAL SPONSORSHIP AGREEMENT

Between

_____ Project

and the

California Native Plant Society

This Agreement is made by and between the California Native Plant Society (CNPS) and the ___ _____ Project (Project). CNPS is a California nonprofit public benefit corporation located in Sacramento, California, qualified as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The Sacramento Office of CNPS is 2707 K Street, Suite #1, Sacramento, CA 95816. _____ Project is a newly formed unincorporated organization that has independence from CNPS and is guided by a separate Advisory Committee and separate operating guidelines.

RECITALS

A. CNPS agrees to serve as the fiscal agent for the Project and to make disbursements of grant funds, donations, and other revenues earmarked for the furtherance of the Project's mission. The Project's mission fits within the mission of CNPS: to conserve California native plants and their natural habitats, and increase understanding, appreciation, and horticultural use of native plants.

B. CNPS desires to act as the fiscal sponsor of the Project by receiving assets and incurring liabilities identified with the Project beginning on the effective date and using them to pursue the objectives for which the Project is being established. CNPS has determined that these objectives will further the charitable and educational goals of CNPS.

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. **Term of Agreement**. On _____, CNPS shall assume the fiscal operation of the Project, which operation shall continue in effect unless and until terminated under Section 5 below.

2. **Project Activities and Sponsorship Policies**. All community programs, public information work, fundraising events, processing and acknowledgment of cash and non-cash revenue items, accounts payable and receivable, negotiation of leases and contracts, disbursements of Project funds (including grants), and other activities planned by the Project shall be the ultimate responsibility of CNPS and shall be conducted in the name of CNPS beginning on the effective date.

   a. Unless otherwise agreed, and subject to their consent, all personnel to be compensated for working on the Project shall become at-will employees, contractors, consultants, or

vendors of CNPS on the effective date. Employees shall be subject to the same personnel policies and benefits as are required by law to apply to all employees of CNPS.

b. Unless otherwise agreed, any tangible or intangible property, including copyrights, obtained or created in connection with the Project shall be the property of CNPS while this Agreement is in effect.
c. Authority to manage the program activities of the Project is delegated to The Project's Advisory Committee, represented by the undersigned Project chair, subject at all times to the ultimate direction and control of the CNPS Executive Director and CNPS Board of Directors.
d. The Project shall abide by the Sponsorship Policies of CNPS set forth on the attached Exhibit 1, which may be amended from time to time with the consent of The Project and which include administrative fees to be paid from revenues as received described in Sections 3 and 4 below.
e. The Project may solicit gifts, contributions, and grants in support of the purposes of the Project. The Project's choice of funding sources to be approached, and the text of the Project's fundraising materials, are subject to CNPS prior written approval and shall include an express disclosure of CNPS's variance power under Section 4 below. All grant agreements, pledges, or other commitments with funding sources to support this Project shall be executed by CNPS.

3. **Delegation**. As of the effective date, day-to-day oversight of the program activities of the Project is delegated by CNPS to the individual members of the Project Advisory Committee, subject to the ultimate direction and fiduciary responsibility of CNPS Board. Acting in their individual capacities, the members of the Committee serve as a subordinate body to the CNPS Board to assist with the fulfillment of the purposes of the Project. In matters governed by this Agreement: (a) the Committee's separate legal existence as an unincorporated nonprofit association will be solely for the limited purpose of holding, exercising, and enforcing the contractual duties and obligations CNPS may owe to the Committee under this Agreement, and (b) those participating on the Committee do not serve as representatives or agents of any funding source, employer, or any party other than CNPS.

4. **Restricted Fund**. Beginning on the effective date, CNPS shall place all gifts, grants, contributions, and other revenues received by CNPS (less administrative fees as described above and specified in Exhibit 1) and identified with the Project into a restricted fund to be used for the sole benefit of the Project's mission as that mission may be defined by the Project from time to time with the approval of CNPS. Neither party shall spend or otherwise obligate CNPS to pay for an amount or amounts exceeding the balance in the restricted fund, nor shall either party authorize or permit anyone to do so. CNPS retains the unilateral right to spend such funds as to accomplish the purposes of the Project as nearly as possible within CNPS's sole judgment, subject to any donor-imposed restrictions, as to purpose, on the charitable use of such assets. The parties agree that all revenue and the fair market value of all property, in the restricted fund be reported as income for CNPS, for both tax purposes and for purposes of CNPS's financial statements. It is the intent of the parties that this Agreement be interpreted to provide CNPS with variance powers necessary to enable CNPS to treat the restricted fund as CNPS assets in accordance with Accounting Standards Codification (ASC) paragraphs ASC 958-605-25-25 and -26, formerly expressed in Statement No. 136 issued by the Financial Accounting Standards

Board (FASB). Because the restricted fund is held under the charitable trust doctrine for the purposes of the Project as understood by and with funding sources, the parties intend that assets in the restricted fund are not subject to the claims of any creditor or to legal process resulting from activities of Sponsor unrelated to the Project.

5. **Restricted Fund Management / Performance of Charitable Purposes**. All of the assets received by CNPS under the terms of this Agreement shall be devoted to the purposes of the Project as long as they remain within the tax-exempt purposes of CNPS. No item of revenue shall be earmarked to be used in any attempt to influence legislation within the meaning of IRC Section 501(c)(3); no agreement, oral or written, to that effect shall be made between CNPS and any revenue source. CNPS shall not use any portion of the assets to participate or intervene in any political campaign on behalf of or in opposition to any candidate for public office, to induce or encourage violations of law or public policy, to cause any private inurement or improper private benefit to occur, nor to take any other action inconsistent with IRC Section 501(c) (3). CNPS has determined that the restricted fund is not a donor-advised fund within the meaning of IRC Section 4966(d)(2) as presently interpreted under federal tax authorities.

6. **Termination**. This Agreement shall terminate when the objectives of the Project can no longer reasonably be accomplished by CNPS. If the objectives of the Project can still be accomplished but either the Project or CNPS desires to terminate CNPS's fiscal sponsorship of the Project, the following understandings shall apply. Either CNPS or the Project may terminate this Agreement on 60 days' written notice to the other party, so long as another nonprofit corporation which is tax-exempt under IRS Section 501(c) (3), and is not classified as a private foundation under Section 509(a) (a Successor), is willing and able to sponsor the Project and is approved in writing by both parties by the end of the 60-day period. If the parties cannot agree on a Successor to sponsor the Project, the Project shall have an additional 60 days to find a Successor willing and able to sponsor the Project. If a Successor is found, the balance of assets in CNPS's restricted fund for the Project, together with any other assets held or liabilities incurred by CNPS in connection with the Project, shall be transferred to the Successor at the end of the notice period or any extension thereof, subject to the approval of any third parties that may be required. If the Project has formed a new organization qualified to be a Successor as set forth in this Paragraph, such organizations shall be eligible to receive all such assets and liabilities so long as such organization has received a determination letter from the Internal Revenue Service indicating that such qualifications have been met no later than the end of the notice period or any extension thereof. If no Successor is found, CNPS may dispose of the Project assets and liabilities in any manner consistent with applicable tax and charitable trust laws. The Project shall notify CNPS within 7 days if the Project files articles of incorporation, applies for IRS federal tax exemption, or otherwise undertakes action that would qualify it to become Successor. Either party to this Agreement may terminate this Agreement based upon a material breach of this Agreement by the other party by giving 30 days' written notice to the other party.

6. **Miscellaneous**. In the event of any controversy, claim, or dispute between the parties arising out of or related to this Agreement, or the alleged breach thereof, the prevailing party shall, in addition to any other relief, be entitled to recover its reasonable attorneys' fees and costs of sustaining its position. Each provision of this Agreement shall be separately enforceable, and the invalidity of one provision shall not affect the validity or enforceability of any other

provision. This Agreement shall be interpreted and construed in accordance with the laws of the State of California. Time is of the essence of this Agreement and of each and every provision thereof.

7. **Arbitration**. In the event of any dispute under this Agreement, the parties shall attempt to resolve the matter themselves in an amicable manner. Failing such resolution, any dispute under this Agreement shall be resolved by binding arbitration in Sacramento in accordance with commercial arbitration rules of the Judicial Arbitration and Mediation Services (JAMS) then in effect, or any other rules mutually agreed to by the parties. Any award or order made in any such arbitration may be entered as a judgment in a court of competent jurisdiction. Any dispute, and the resolution thereof in any manner, shall be and remain confidential information, and all parties shall protect the confidential information from public disclosure using any and all reasonable legal and technical means.

8. **Entire Agreement**. This Agreement constitutes the only agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. All Exhibits hereto are a material part of this Agreement and are incorporated by reference. This Agreement, including any Exhibits hereto, may not be amended or modified except in writing signed by all parties to this Agreement.

9. In a special case where a chapter has a working relationship with the sponsored organization and detailed knowledge and interest in the project to be sponsored, CNPS staff may delegate handling of contributions and payment of expenses to the chapter. This delegation would be done after review and approval by the Executive Director and state board and only for cases where the chapter's ability and willingness to perform the tasks had been established.

IN WITNESS WHEREOF, the parties have executed this Fiscal Sponsorship Agreement effective on _____, 20__.

By: _____ Date: _____
First name last name
Project Committee Chair

By: _____ Date: _____
Dan Gluesenkamp
Executive Director
California Native Plant Society

EXHIBIT 1

CNPS will retain the interest accrued on all restricted funds for which it serves as a fiscal sponsor as a partial offset of administrative expenses. CNPS also charges an administrative fee for its fiscal sponsorship services. That fee is a percentage of the total dollar amount CNPS handles on behalf of those projects it sponsors. The percentage varies from 0 to 20 percent depending on the nature of the project. The administrative fee charged for the Project is __(__) percent of revenues as received.

As part of its fiscal sponsorship services, CNPS will keep detailed financial records, create account statements on a regular basis, process checks for expenses and payroll, address tax reporting obligations, administer employee benefits, and provide other administrative support as needed. Project will be included under existing CNPS insurance, including Worker's Compensation and General Liability insurance. In the event that the Project requires additional insurance or other vendor-provided services (e.g. special event insurance), CNPS will endeavor to inform the Project in advance and these additional services will be assumed by the Project.

CNPS will provide:

- Banking services
- Bills paid within 30 days
- Processing of all deposits
- 990 tax returns filed
- Financial oversight of expenditures
- Donor acknowledgment of gifts larger than $250
- EDD report filing on independent contractors
- Out of state report filing on independent contractors (in states where required)
- 1099 tracking and reporting
- HR consultation
- Hire/termination process
- Full benefits program: vacation, health, retirement as described in the Employee Handbook
- General liability, property, umbrella, accident, crime insurance
- Workers compensation
- California State Disability Insurance for employees

The CNPS Executive Director may delegate certain duties to other CNPS staff members and others. The CNPS Finance and Administration Manager will administer financial records and payroll. CNPS will be responsible for personnel administration, including hiring, firing, and performance reviews, and will work with the Project Advisory Committee and personnel to coordinate fundraising activities. As fiscal sponsor, CNPS ultimately is responsible for all Project activities, including fundraising. All fundraising activities shall be conducted in the name of CNPS and are subject to the approval of the CNPS Executive Director.

As a project of CNPS, the Project will follow the policies and procedures that apply to other CNPS projects and committees, including: complying with employee laws and other policies outlined in the Employee Handbook; following contracting policies; submitting an annual

conflict of interest disclosure for all Committee members; filing timely requests for special event insurance or other special insurance needs; submitting reimbursement requests in a timely fashion and with appropriate documentation; providing contact and accounting information required for acknowledgement and tax reporting of donations; providing quarterly sales tax reports. Policies and forms are available from CNPS office and at http://cnps.org/cnps/admin.

The Project will:

- Submit Annual Budget Projections, including both Income and Expense projections
- Monitor cash flow so that they maintain enough funds to cover payroll at all times. Failure to do so could result in employee layoffs
- Maintain the project's nonprofit purpose
- Maintain an Advisory Committee of at least three people
- Inform CNPS promptly of changes in contact information for Advisory Committee and Project Director
- Alert CNPS promptly of potential risks (e.g., pending layoffs)
- Alert CNPS immediately of accidents or incidents on the project
- File grants reports in keeping with funders' deadlines
- Provide CNPS with all communication with funders (proposals, etc.)
- Adhere to CNPS's processes and procedures, including use of attribution and CNPS logo on project materials (e.g. "The Project is a project of the California Native Plant Society")
- Respond to CNPS requests in a timely manner
- Refrain from entering into contracts that conflict with CNPS policies and procedures

The Project understands that CNPS will not authorize any expenditure from the Project's restricted fund if such expenditures would cause the balance in the Project's restricted fund to fall below zero. Exceptions to this rule may be made at the discretion of the CNPS Executive Director if and only if the Project Advisory Committee accepts full responsibility for repayment of any deficit spending in the event that fundraising for the Project is unsuccessful.