

# Fiscal Sponsorship Agreement



A Fiscal Sponsorship relationship is established when a nonprofit organization extends its tax-exempt status to groups engaged in activities related to the organization's mission. Minnesota Fringe's mission is to connect adventurous artists to adventurous audiences by creating open, supportive forums for free and diverse artistic expression. As an artistic disruptor, Minnesota Fringe programs encourage local and national artists to take bold risks, develop new ideas, and hoist themselves to the next rung of their artistic ladder.

## ELIGIBILITY

In order to be eligible for fiscal sponsorship by Minnesota Fringe your project/organization must adhere to all of the following statements:

- The project/organization is performing arts based in the state of Minnesota.
- The project/organization has a nonprofit purpose that is mission aligned with Minnesota Fringe.
- The project/organization is not involved in activities that would put Minnesota Fringe's tax-exempt status at risk.

Not complying with these criteria may result in termination of the sponsorship.

## APPLICATION

All potential sponsored projects/organizations must apply with the required materials, so Minnesota Fringe can assess your project/organization alignment with our mission. Applications will be reviewed by a selection committee and are subject to approval by Minnesota Fringe's Board of Directors.

## PROGRAM FEES

Fiscal sponsorship is a part of Minnesota Fringe's charitable mission. The fees below do not fully cover administrative costs.

SERVICE / ITEM	FEE AMOUNT or %
Application for fiscal sponsorship	\$0.00
Annual program fee – charged at admittance of fiscal sponsorship and each subsequent year at renewal	\$50.00
Administrative fee for processing every check, cash, ACH, GiveMN, or credit card deposit that Minnesota Fringe manages on your project/organization behalf	5%
Administrative fee for in-kind donations	0%
Administrative fee for rush services	\$50.00

## **APPROVAL**

Once approved as a fiscally sponsored project/organization, we recommend setting up a separate checking account, so you are not comingling project/organization money with personal funds.

- ❖ You can register a new business through the Minnesota Secretary of State website. <https://mblsportal.sos.state.mn.us/Business/Search>
- ❖ You can apply for a Tax ID, often referred to as an Employer Identification Number (EIN), at the Internal Revenue Service website. <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>
- ❖ If you plan to incorporate as a nonprofit in the state of Minnesota, you should fill out the necessary application paperwork with the IRS and the state before you open a business checking account and avoid individual tax liability.

## **RENEWAL**

You will receive an email notification based on the signing date of your most recent contract notifying you that your annual renewal is imminent. At that time, you will be asked to update any account contact and project information. If your project/organization does not renew within the specified time frame, the fiscal sponsorship will be terminated. You will be asked to submit a new budget at the beginning of each renewal.

## **SOLICITING FUNDS**

### **Contributed Income vs. Earned Income**

The only funds that can legally be routed through a fiscal sponsor are any type of "contributed income," which includes donations, grants, or other tax-deductible funds. If your project/organization received "earned income" through ticket sales, performances, or educational workshops, it does not need to be deposited into your fiscal sponsorship account. Minnesota Fringe will take the administrative fee on all funds deposited in a fiscal sponsorship account whether or not the funds are tax-deductible.

### **Donations**

Contributions from individuals are tax-deductible for your donors when you use a fiscal sponsor if they are managed correctly. You must clearly identify your relationship with Minnesota Fringe on all your fundraising materials and solicitations so that the donation is made directly to Minnesota Fringe in order to benefit from our 501c3 charitable status:

*[Project/Organization Name] is a fiscally sponsored project of Minnesota Fringe, a nonprofit arts service organizations. Contributions on behalf of [Project/Organization Name] may be made payable to Minnesota Fringe and are tax deductible to the extent permitted by law.*

## **Partially Deductible Donations**

Donations are only fully deductible if the donor does not receive good or services for their donation. If you plan to offer your donors something in return for their donation, like tickets to a performance, then the text should be written differently:

*[Project/Organizations Name] is a fiscally sponsored project of Minnesota Fringe, a nonprofit arts service organization. Contributions on behalf of [Project/Organization Name] may be made payable to Minnesota Fringe. The value of [GOODS RECEIVED] is [\$XX]. Any contribution above that amount is tax deductible to the extent permitted by law.*

## **Donor Advised Funding**

“Donor Advised Funding” refers to donations made by an individual who has direct control over how donated money is spent. If your project/organization received a start-up donation from a project/organization director, the director must recuse themselves from decision making on how the money is spent in order for the donation to be considered tax deductible, else it will be considered a transfer of funds.

## **In-Kind Donations**

An in-kind donation is one that is not cash, but rather goods that will benefit your project/organization or services you would normally pay a professional to provide but are given at no cost to your project/organization. Donations of property are fully deductible, but the donor must determine the value. Donated services are not tax-deductible under fiscal sponsorship. This includes rent, legal services, accounting services, graphic design, web design, or printing services.

## **Matching Donations**

If a business has a program to match an employee’s charitable donation, it is important to remind the employee before they sign up that Minnesota Fringe is the recipient of the funds, and they must designate the gift as specific to your project/organization in the memo to best ensure it is properly accounted.

## **Online Donations**

Online donations must be made through GiveMN.org, a site that is specifically designated for nonprofit organizations. Your GiveMN page will be fundraising for the cause Minnesota Fringe, and you will be creating a Fundraiser for the cause which carries the project/organization name.

GiveMN.org charges a 6.9% fee for processing donations online, though it offers doors the chance to cover that administrative fee. Minnesota Fringe calculates the administrative fee on the net amount of the donation.

## **Credit Card Donations**

Minnesota Fringe can help your project/organization process in-person or over-the-phone donations using Visa, MasterCard, American Express, or Discover via our PayPal virtual terminal or Square account. Credit card fees for these transactions are included in the 5% administration fee charged for each transaction.

Credit card readers and notebooks can be checked out for use at special events on a first come, first serve basis and are not guaranteed. Please note that keeping credit card information collected from donors is illegal.

## **Grants**

A primary benefit of fiscal sponsorship is that gain eligibility for additional funding sources that individual artists or for-profit businesses may not have. If you are planning to apply for a grant, Minnesota Fringe must be made aware of the grant proposal in advance of submission and we reserve the right to refuse management of funding from proposals that were not endorsed.

While you are welcome to apply for funding through governmental agencies such as the Minnesota State Arts Board or a Regional Arts Council, fiscally sponsored projects/organizations are prohibited from soliciting legislators for direct appropriations from the state.

It is important to research early each time you submit a proposal. Many large private and corporate foundations do not grant funds to sponsored projects/organizations and eligibility requirements can change frequently. It reflects poorly on both your project/organization and Minnesota Fringe to submit a proposal that is ill-fitted to the guidelines provided.

If a grantor accepts fiscally sponsored projects, they will probably require a letter of support or other supporting documentation from Minnesota Fringe that outlines the relationship to your project/organization and our financial status. You must request this documentation a minimum of 5 business days before your grant proposal is due. Requests made fewer than 5 business days in advance of the due date are subject to the \$50 rush fee. Requests made fewer than 2 full business days in advance may not be fulfilled.

## **Charitable Gambling**

Fiscally sponsored projects/organizations are not permitted to raise funds via charitable gaming, including raffles and bingo.

## **Donor Acknowledgement**

For donations over \$250 that are deposited in your fiscal sponsorship account, Minnesota Fringe will send an acknowledgement email or letter to your donor and copy you at the contact email provided. This acknowledgement will include Minnesota Fringe's federal ID number and serve as a receipt.

Minnesota Fringe will send acknowledgement letters for grants greater than \$250 when checks are sent directly to our office.

Acknowledgements for all donations received through GiveMN are completed automatically, and donors will not receive any additional materials from Minnesota Fringe

If your project/organization would like to send acknowledgements for gifts and grants under \$250, your letter must include the following paragraph:

*[Project/Organization Name] is a fiscally sponsored project of Minnesota Fringe, a nonprofit arts service organizations. Minnesota Fringe is organized and operated as tax-exempt under Section 501(c)(3) of the Internal Revenue Code; Taxpayer identification Number 41-1734179.*

## REMINDERS

DO	DO NOT
Ensure donation checks are made out to Minnesota Fringe with your project/organization name on the memo line	Record and keep credit card information from your donors
Keep close track of your records for your project/organization	Re-grant money from your fund to another entity or use contributed funds for anything outside of your stated project/purpose
Be aware of deadlines and needs because we may not be able to accommodate last minute requests	Use Minnesota Fringe's name, information, EIN, or Tax Exemption Certificate without our knowledge or prior consent
Ask questions if you need help	Lobby state or federal legislators for government funds through direct appropriation

## MANAGING YOUR FUNDS

### Deposits

You can collect checks and drop them off or mail them in batches to the Minnesota Fringe offices at 79 – 13<sup>th</sup> Avenue NE, Suite #112, Minneapolis, MN 55413. Do not instruct your donors to mail funds to Minnesota Fringe directly, as it may result in improper crediting if the project/organization is not clearly stated in the memo line of the check.

If you are receiving grant funding, it is possible that the funds will be mailed directly to our offices along with the grant notification letter from the funder that identifies your project/organization. Minnesota Fringe will deposit and acknowledge the donation without any additional prompts from you.

We can accept deposit donations made via check, cash, credit card, or GiveMN.org.

<b>To properly account for donations to your project/organization:</b>
Checks must be made out to "Minnesota Fringe" The memo line must include your project/organization name.
Minnesota Fringe will not accept checks made out to your project/organization name.
We can deposit cash, but it must be dropped off at Minnesota Fringe's office directly. Acknowledgement for cash will only be sent if the donor has provided all relevant contact information and received a detailed receipt for cash at the time of the gift.

## **Payment Requests**

Payment requests will be honored only if the request form is filled out in its entirety, funds are requested by an authorized signer on your organization's fiscal sponsorship contract, and the funds to cover the request are available in your account.

Requests received will be mailed or picked up within one business week.

Minnesota Fringe will not issue payments to third parties.

## **Taxes**

Minnesota Fringe treats unincorporated fiscally sponsored projects/organizations as independent contractors and will issue 1099 tax forms to any project/organization that receives more \$600 or more in a calendar year. Proper tax reporting for your project is your responsibility.

## **Reports**

Minnesota Fringe will issue financial statements to all fiscally sponsored projects/organizations on a monthly basis no later than the 10<sup>th</sup> of the month.

## **CREATIVE CONTROL AND INTELLECTUAL PROPERTY**

Your work is your work. Minnesota Fringe does not influence the content or creative aspects of sponsored projects/organizations. Copyright and ownership of intellectual property remain with their creators, and in return Minnesota Fringe is indemnified from all related liability. If your project includes performing a published script, it is your responsibility to secure the rights and gain permission from the publisher if you are making changes.

## **TERMINATION**

If eligibility requirements are violated or if required fees are not paid by the Fiscally Sponsored party, this agreement will be terminated with written notice. If either party breaches any provision of this agreement and if such breach is not cured within thirty (30) days after receiving written notice from the other party specifying such breach in reasonable detail, the non-breaching party shall have the right to terminate this agreement early by giving written notice thereof to the party in breach, which termination shall go into effect immediately on receipt.

## **DISPUTE RESOLUTION**

Minnesota Fringe and Fiscally Sponsored parties agree to attempt to work out any disputes between themselves. If a resolution cannot be reached, both parties agree to resolve the dispute through arbitration proceedings, not in a lawsuit.

## **INSURANCE**

Minnesota Fringe's General Liability Insurance, Workers Compensation Insurance, and Directors and Officers Insurance policies do not cover fiscally sponsored projects/organizations. If you are looking for an insurance policy or set of policies, we recommend applying to our [General Liability Insurance Program online](https://minnesotafringe.org/insurance) where you will be connected to a licensed agent that can help find the coverage to best suit your needs: <https://minnesotafringe.org/insurance>

## **CONFLICT OF INTEREST**

Any and all relationships, positions, or circumstances that could contribute to a Conflict of Interest as defined by the following excerpt from our corporate bylaws must be disclosed.

"No contract or other transaction between Minnesota Fringe and one or more of its Directors, or between Minnesota Fringe and any other corporation, firm, association or entity in which one or more of the Directors are directors or officers or have a material financial interest shall be entered into by the Corporation, unless the fact of such relationship or interest is disclosed to the Board of Directors. The Board of Directors may approve such contract or transaction provided it does so in accordance with Article VII of the Bylaws."

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## **BENEFITS**

- ❖ Extension of 501(c)(3) tax-exempt status of Minnesota Fringe, a 30 year reputable arts service nonprofit, with an established business model
- ❖ Provision of administrative, accounting, and fundraising services with fiscal sponsorship frees you from having to take time on onerous tasks and allows you to concentrate on your art
- ❖ Alleviation of administrative burdens of corporate filings and board structure.
- ❖ Ability to offer tax-exemption to your supporters and eligibility to apply for certain foundation and government grants
- ❖ Free advertisement in Fringe File newsletter (20,000 subscribers) for your show (September – June)
- ❖ Discounted advertisement for your show on Minnesota Fringe website (1.5 million views / 100,000 unique visitors) pages (July – August)
- ❖ Discounted application fee to the annual Minnesota Fringe Festival Lottery
- ❖ Free registration for all Minnesota Fringe workshops throughout the year
- ❖ Biweekly Fringe File with "HEADS UP ARTISTS" section listing current artist opportunities, relevant grants, workshops, residencies, and conferences