



Acknowledgement of Receipt of Fiscal Sponsorship Policies and Procedures

By signing this page, you are certifying that you agree with and understand the policies in the Fiscal Sponsorship Policies and Procedures. Sign the bottom portion of this page, and then return it to the Center for Transformative Action (CTA) at the address below. This page of the document must be signed and returned to CTA before your project may commence operations. CTA relies on your guarantee that you understand and will adhere to the provisions and policies set forth in this document. The Fiscal Sponsorship Policies and Procedures are designed to explain the procedures that CTA expects you to follow with respect to your CTA-sponsored project. The policies are meant both to protect the project and CTA and ensure adherence with Internal Revenue Service Code section 501(c)(3) and other applicable state and federal laws and regulations.

Please be sure you read the entire document and fully understand all its provisions. They are critical to the successful operation of your project, as well as the protection of your project and CTA. If you do not understand any of these provisions, please call us to discuss or consult with your attorney.

If you fail to adhere to any of the provisions set forth in this document, you may cause CTA to be exposed to liability, to incur federal corporate income tax for unrelated business taxable income, and/or be subject to legal fees and litigation expenses. Therefore, you agree to indemnify and reimburse CTA for all liability, claims, costs, taxes, damages, and expenses to which CTA may be subject as a result of a breach by you of any of the provisions in the Affiliation Agreement, including, but not limited to, those set forth in the Fiscal Sponsorship Policies and Procedures.

Your signature on this page of the Fiscal Sponsorship Policies and Procedures constitutes acknowledgment that you have received this document and are familiar with, understand, and shall adhere to all provisions contained herein. CTA must receive a copy of this signed page before any project activities may commence. The Fiscal Sponsorship Policies and Procedures document is subject to change. You will be provided with written notice of any changes. It is your responsibility to be aware of and abide by the most current terms and conditions set forth by CTA.

Printed Name of Project Director

Signature

Date



A Note from the CTA Executive Director

Dear New Project Director:

I would like to congratulate you on the acceptance of your project to the Center for Transformative Action (CTA)! Your project is now considered to be "fiscally sponsored" by CTA.

We deeply appreciate your commitment to creating communities that work for everyone. We know it takes courage to step up and work with others for systemic change; and we know that creating and maintaining the organization that allows this good work to happen is challenging. Making your project successful won't be such an overwhelming task if you use this document to help you. It contains the policies, procedures, and resources that you will need to conduct your project activities and to interact with CTA. **It is vital that you read and understand this document completely before you begin.** You will learn what you can expect from CTA as well as what we will be expecting from you.

Consult your project DropBox folder and the CTA Documents DropBox folder to find our forms, agreements, legal and financial information, as well as who to contact to get your questions answered.

Please make sure that we have your **correct email address**. We send regular policy updates, important reminders, and notices for upcoming deadlines. Please read through this entire document so that you are familiar with all our policies and operational procedures. We are here to support you and help you make your transformative endeavor a success.

Contact us anytime with questions at (607) 255-6202.

Regards,

Anke Wessels, PhD
Executive Director

P.S. After you've read this document, be sure to sign, date and return page 1. Once we receive this page, you're all set to go!

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TERMS AND CONDITIONS

The terms and conditions of this fiscal sponsorship relationship will be defined by the application to begin a project at the Center for Transformative Action (CTA), the Affiliation Agreement, and the Fiscal Sponsorship Policies and Procedures document. These documents supersede all prior agreements and understandings, both written and oral. As your project is accepted by CTA, you agree to abide by the procedures and requirements set forth in this document.

All present and future policy and procedures set forth by CTA must be followed. You will be notified of any changes to these procedures, to which you must adhere. CTA reserves the right in its sole discretion to determine future rules of operation.

About the Center for Transformative Action

The Center for Transformative Action helps create communities that are socially just, ecologically sound, and work for everyone. We do this through our educational programs, and by supporting system-changing organizations like yours with incubator and fiscal sponsorship services. Our projects work to transform the structures and habits of mind that produce inequities in our communities, country, and the world. Through your innovative methods, as well as your successes and challenges, you demonstrate that transformation is possible.

As an independent 501(c)(3) affiliated with Cornell University since 1971, we also offer projects a unique opportunity to collaborate with Cornell faculty, staff, and students on programming and events.

CTA provides fiscal sponsorship as a cost-effective way for charitable projects of any size and scope to be efficiently and effectively managed. We provide strict oversight of your project to ensure adherence with 501(c)(3) nonprofit regulations. CTA abides by the Guidelines for Comprehensive Fiscal Sponsorship from the **National Network of Fiscal Sponsors**. We strive to uphold the highest standards in charitable project management so that our projects can focus on what they do best—engaging stakeholders, building capacity, and working with others toward a common goal to create more just and sustainable communities.

When CTA accepts your application to become a project and you have signed the Affiliation Agreement and the signature page of this document, CTA will be considered the **fiscal sponsor of your project**.

About Fiscal Sponsorship

It is rather difficult in the U.S. to receive grants and donations for your project unless your organization has tax-exempt status. Filing for independent 501(c)(3) nonprofit tax-exempt status can be an expensive and time-consuming endeavor. Fiscal sponsorship, on the other hand, provides a way for your organization to receive grants and donations to operate charitable programs without having an independent 501(c)(3) nonprofit organization. **Fiscal sponsorship means a nonprofit organization (such as CTA) assumes the legal responsibilities for the activities of groups or individuals engaged in work that furthers the sponsor's mission and its own respective purposes.**

Fiscal sponsorship has evolved as an effective and efficient way of:

- starting grassroots or small community charitable programs;
- incubating new nonprofits that need time to grow before applying for independent status;
- supporting charitable events that happen infrequently (e.g., a charity golf tournament);
- accepting and managing grants from organizations; and,
- focusing your energy on project activities rather than building an independent nonprofit organization.

Services Provided by CTA

CTA adheres to the Guidelines for Best Practices set forth by the National Network of Fiscal Sponsors. CTA provides continual oversight of the activities of each of our sponsored projects to ensure adherence with all IRS tax-exempt organization rules and regulations. We file a consolidated IRS Form 990 that includes the financial activity of all our sponsored projects. You, as the Project Director, may, at any time, request a transactions report to get the most up-to-date financial activity report for your specific project. At a minimum, we provide quarterly financial reports and monthly transaction reports for each project.

Some of the other services that we provide for your sponsored project include:

- oversight and supervision of project activities to ensure adherence with 501(c)(3) tax-exempt regulations;
- deposits of all contributions and program revenues and disbursement of funds;
- secure online processing of donations and event registrations;
- payroll services and labor law compliance for projects with employees;
- timely responses and resolutions to inquiries from the Project Directors;
- easy access to forms, policies, and procedures via shared DropBox folders;
- access to legal guidance, as required;
- donation tax receipts to donors who give more than \$250 in a single transaction;
- maintaining solicitation registrations in New York State;
- assistance with grant management and any required financial reporting to funders;
- general liability insurance;
- individual project account financial reports quarterly, and transaction reports monthly;
- annual financial audit of CTA by an independent accounting firm; and
- all required IRS 501(c)(3) federal and state reporting and tax filings.

Who to Contact

Should you have questions, below is a list of contact information for CTA staff. Our office phone number is (607) 255-6202 and general email is ctaoffice@cornell.edu.

Executive Director

Anke Wessels
akw7@cornell.edu

Associate Operations Director

Naomi Smith
nrb97@cornell.edu

Bookkeeper

Christina Mead
csc4@cornell.edu

Director of Operations

Lisa Marsella
lam393@cornell.edu

Operations Coordinator

Brooke Ashton
ctaoffice@cornell.edu

Human Resources Coordinator

Francesca Austin
fa263@cornell.edu

Program Fees

The fees we charge are necessary to maintain CTA's ability to support its projects. The fees assist in paying for infrastructure costs such as office space, salaries, equipment, software, telephone, audit support, insurance, and more. With the exception of the Shared Administrative Expense, these fees are subject to change without notice.

GENERAL OPERATING FEES

Shared Administration Fee (SAE) – We charge an 8% fee on all gross incoming funds, donations, and payments for projects located in New York State.

Shared Administrative Expense on Government & Reimbursable Grants - At this time CTA DOES NOT accept federal grants. We accept other (state, county, city) government grants and reimbursable grants only for projects with the capacity to manage them. We charge an SAE fee of 15% on all non-federal government and/or reimbursable grants. If the granting agency sets an indirect cost rate on the grant award that is below 15% then the project must make up the difference from its general operating funds. For reimbursable grants, we recommend the project raise 90 days of operating budget in unrestricted funds so it can incur expenses against pending revenue. On a case-by-case basis, CTA may establish a line of credit (with interest) for a project unable to raise this level of discretionary funding. The amount of this credit line and the interest charged to the project is determined by CTA.

Annual Fee - Each project is assessed an SAE fee of \$400 each fiscal year to cover expenses for services provided by CTA. This fee will be assessed to your program account **each year in July**, starting in the first full year of fiscal sponsorship. This is not an additional fee but will be credited towards future revenues. The project will not be charged additional SAE until its revenues exceed \$5,000.

SPECIAL HANDLING FEES FOR DISBURSEMENT REQUESTS

Federal Express Delivery Fee - The actual fee varies, depending on delivery time requested and destination. Also applies to other forms of delivery (UPS, etc.).

Priority Mail Fee - This is the additional charge for USPS priority mail, without tracking or guarantee of delivery. However, the delivery time is usually 2-4 days.

Registered Mail Fee - This fee is dependent on the rate charged by USPS as well as the type of service requested (e.g., signature required, insurance, etc.).

Domestic Bank Wire Fee - \$20 fee to wire funds to U.S. banks; \$15 fee for incoming wires.

International Bank Wire Fee - \$30 fee to wire funds to banks outside of the United States; \$15 fee for incoming international wires.

BANKING FEES

International Check Fee - \$25. This fee is charged by the bank to process incoming checks from banks located outside of the U.S.

Returned Contribution Fee - \$10. This fee is charged by the bank on checks returned by the bank (e.g., for insufficient funds, closed account, etc.).

Returned ACH fee - \$8. This fee is charged by the bank when ACH payments are returned due to incorrect account information.

Payment Refund Fee - \$25. This fee is charged to refund a payment.

Stop Payment Fee - \$35. This fee is charged by the bank to stop payment on checks.

Credit Card Dispute Fee - \$25. This fee is charged when the cardholder disputes a donation or payment with their credit card company.

PAYROLL FEES

Base Employee Rate- beginning in 2022, \$80/year to cover time tracking software fees, benefits management, and payroll expenses. Please contact us for more information regarding payroll management.

BACKGROUND CHECK FEES

Background Check Fee- The base federal rate is \$17.50/employee plus additional county level fees dependent upon counties of residence for the employee. All employees who work with vulnerable populations or in a financial role will be subject to a thorough background check every three years. Only information relevant to the position description will be considered when reviewing results of background checks.

EXTRAORDINARY SERVICES FEES

Some services may be required beyond the sponsorship services outlined above and require additional charges. CTA reserves the right to assess these fees as we determine necessary. To the extent reasonably possible, CTA will disclose such extraordinary costs to the project in advance of proceeding with the fulfillment of requests that require work above and beyond our normal services. Examples are:

- Cost of insurance related to program activities beyond the scope of CTA's general liability insurance policies.
- Extraordinary administrative services due to failure to adhere to policies and procedures or other demanding circumstances. Such services will be charged at the prevailing rate.
- Extraordinary legal services due to failure to adhere to policies and procedures or other demanding circumstances. Services will be charged at the prevailing rate.
- Extraordinary accounting services due to failure to adhere to policies and procedures or other demanding circumstances. Such services will be charged at the prevailing rate.

Special circumstance may arise where other fees may apply.

Duties and Responsibilities of a Project Director

The Project Director is the leader and main contact person for the CTA sponsored project. **The Project Director must communicate regularly with CTA** to ensure a long-term successful relationship. The CTA Executive Director must approve all new Project Directors and when new directors are hired, the CTA Executive Director must be a member of the interview committee and provide final approval. At CTA's full discretion, Project Directors may need to submit to a background check to be approved. In addition to approving new Project Directors, CTA must approve in writing any changes in the management, name, or mission of the project. All new Project Directors must attend an administrative orientation and certify that they have read and understood the policies and procedures contained in the Affiliation Agreement and the Fiscal Sponsorship Policies and Procedures. All new advisory board members must be reported to CTA and attend an orientation. Whenever either of the two parties signing the affiliation agreement leave the organization, a new agreement must be executed.

The Project Director is the person who is responsible for fulfilling the following requirements:

- Completing and signing the application to begin a project, the Affiliation Agreement, and the Fiscal Sponsorship Policies and Procedures acknowledgement located in this document.
- Attending an Administrative Orientation with CTA Operations staff.
- Ensuring that everyone involved in the activities related to the project is trained in and is committed to following the relevant IRS rules and regulations regarding 501(c)(3) tax- exempt organizations. If you are unsure, please call us.
- Ensuring that the Project Director and project members do not use corporate titles such as President, CEO, Executive Director, etc. These titles will mislead your donors into thinking that your program is a nonprofit entity itself. Instead, please only use titles such as Project Director or Founder.
- Contacting CTA immediately regarding any proposed changes to the name of the project, the mission statement, key personnel, advisory board membership, successor information, and/or current or anticipated programs or events.
- Notifying CTA immediately if your address, email, phone, or other contact information changes. We regularly use email as a form of communication for important information and can only contact you at your last known address. You can update all your contact information by emailing us at ctaoffice@cornell.edu.
- Approving and submitting all credit card and disbursement requests using the online expense submission form. The link to the form can be found in the CTA Documents DropBox Folder. Original receipts and/or invoices must be uploaded with each submission. Faxed, scanned, and photographic copies of original receipts are acceptable.
- Ensuring that all donation checks are made payable to "Center for Transformative Action/Name

of Project” (or the name of your project in the memo line) and are mailed to CTA without endorsement. Use the online Deposit Form to submit detailed information about each check. The link to the online deposit form can be found in the CTA Documents Dropbox folder.

- Ensuring that project funds are not overspent.
- Ensuring that CTA's EIN number is never used for any direct registrations or transactions, including contracts, leases, bank accounts, or loans, without the express prior knowledge and written consent of CTA. The Project Director is not an agent of CTA for purposes of soliciting gifts, grants, and other contributions, and is not authorized to make any binding commitments, either expressed or implied to funding sources on behalf of CTA.
- Ensuring that all public solicitations, websites, newsletters, brochures, and marketing material are submitted to CTA for approval before publication. Always include the following identification: "(Name of Your Project) is sponsored by the Center for Transformative Action, a 501(c)(3) nonprofit organization." Further information can be found in the “Project Websites and Fundraising Materials” section of this document.
- Ensuring adherence by all project paid and volunteer staff to all additional policies and procedures as outlined in both the Affiliation Agreement and the Fiscal Sponsorship Policies and Procedures.

ENGAGING YOUR PROJECT'S ADVISORY BOARD

The role of the project's Advisory Board is to advise, assist, support, and advocate for the mission of the CTA-sponsored project. **Every project must have at least five Advisory Board members. Paid project staff cannot serve as Advisory Board members.** The Advisory Board is a valuable component of creating a successful project, and a way to have input and support from the community or from concerned persons.

Members of the Advisory Board are not financially compensated and serve on a volunteer basis. The Advisory Board has no legal responsibilities. Rather, the Advisory Board provides oversight of the project, represents the project publicly, and serves as a subordinate body to the CTA Board of Directors and as an integral part of CTA.

No matter how many people are on the Advisory Board or what their affiliation to the group is, the Advisory Board should meet several times a year and at least quarterly, depending on the schedule of the group and how active the project is. We strongly advise that the Advisory Board meet monthly for active projects. The Advisory Board operates in accordance with an organizing document that empowers the Advisory Board to work on behalf of the project. The organizing document must be submitted to CTA for approval.

During meetings, the Advisory Board will discuss the activities that the project is planning and will provide input on important matters pertaining to the project. Minutes of these meetings must be kept and uploaded to the shared CTA/Project Dropbox within ten (10) business days of the meeting.

All Advisory Board members must attend a CTA orientation session.

REQUIRED ANNUAL PROJECT REPORT

The Project Director must provide us with an End-of-the-Year Report each year. The Annual Report Form will be sent to you via email each year with the due date. On this form, you must describe in detail the project's charitable operations and activities that were conducted during the previous fiscal year. Due to our affiliation agreement with Cornell University, it is also important to provide information in this annual report detailing your collaborations with or work for the university. This information helps us justify our continued relationship with Cornell.

Don't worry; CTA will send out reminders to all Project Directors via email as the deadline for the Annual Report approaches.

REQUIRED ANNUAL BUDGET SUBMISSION

The Project Director must submit a budget for the upcoming fiscal year to the Director of Operations annually. A Budget template with instructions will be emailed to you in February with a due date. You will use this template to estimate revenue and expenses for the upcoming fiscal year which begins on July 1st. Because all project budgets are incorporated into the CTA organizational budget, they must be individually approved by the CTA Finance and Audit Committee. Please adhere to the schedule of admissions so that the CTA organizational budget is prepared and ready to go to the CTA Board of Directors for review and approval at the June board meeting.

All budgets must include a budget narrative/justification and be approved by the project advisory boards before submission to the CTA. Once submitted to CTA the Director of Operations will reach out to you with questions or requested edits before submitting to the CTA Finance Committee.

PROJECT STATUS AND ANNUAL PROJECT REVIEW

The CTA Executive Director will review all projects annually in July to verify the project's adherence to CTA's policies and procedures and determine whether the project will continue to be affiliated with CTA. Any deficiencies will be outlined in a meeting with the Executive Director in September. The Project Director will be given a six-month time period to correct the deficiencies and will meet with CTA's Executive Director again in April to review progress. The criteria used to determine adherence can be found in Appendix A.

Handling Charitable Contributions

Once your project has been accepted by CTA, all contributions are tax-deductible to the donors. **All** funds raised must be directed to CTA for deposit. CTA will deposit the funds and apply them to your project (minus our fees). This is imperative, as this is how donors receive their tax deduction.

CTA projects are allowed to accept contributions from individuals, organizations, businesses, government entities, and public and private foundations. These are generally tax deductible to the full amount of the donation (i.e., the face value of the check). However, there are instances when this is not the case. This is discussed below under "Quid Pro Quo Contributions."

MONETARY CONTRIBUTIONS

Restricted Funding Requests Require CTA Approval

Your website and appeal materials should not request donations in a manner that would require CTA to restrict those donations unless you have previous approval from CTA. CTA staff can assist you in crafting appropriate language. For example, if a project claims that it will use donated funds for a specific purpose, such as purchase of equipment or to fund a specific event or program, then those funds must be used for that purpose. CTA is legally responsible both for assuring that all contributions are used according to the donor's intent, and for required external reporting of restricted funds. In order to avoid restrictive language CTA must review all appeal publications and online campaigns BEFORE releasing them to the public. We must approve all restricted funding requests in order to properly restrict and report out on the funds.

Donation Checks

To ensure that the IRS recognizes and accepts the 501(c)(3) tax-deductible status of these donor contributions, **all donation checks should be made payable to "Center for Transformative Action/(Project Name)" or "Center for Transformative Action" with the name of your project in the memo line.** Checks made payable directly to the project are not tax deductible. Checks must be sent to CTA without endorsement. It is the Project Director's responsibility to send checks accompanied by an online deposit form submission to CTA. CTA will deposit and allocate the funds to the project and provide any required tax receipts to donors.

Project Directors will be notified if a check is returned by the bank and the bank fee charged to the project account. See the section on Bank Fees above in this document for additional information.

Online Contributions Via GiveGab

The online fundraising platform that CTA uses is GiveGab. Your project will create and manage its own GiveGab account which will be linked to the CTA umbrella account. You will create your own campaigns which will generate a code that can be inserted into your website as a "donate" button. Donors can directly enter their contributions via an easy-to-navigate secure payment and set up recurring donations. Project Directors are encouraged to customize these campaign pages to describe the mission of the program and encourage new supporters to share their donation pages with others via social media (e.g., Facebook, Twitter, etc.).

GiveGab generously allows CTA to share its annual Boost subscription with all its projects for no additional cost. In addition to the normal credit card fees which average around 3 - 4% GiveGab charges a 2% platform fee. Beginning April 1, 2020, the cost sharing plan for the CTA projects is based on each project's fund balance at March 31. For projects with fund balances below \$5,000 the annual share is \$0, for fund balances between \$5,000 and \$25,000 it is \$60, and for fund balances in excess of \$25,000 it is \$120. These amounts are not pro-rated or refundable.

Online Registrations and Ticket Sales

CTA maintains PayPal, Square, and EventBrite accounts for use by projects in managing course enrollment, onsite payments, and event sales that cannot be handled via GiveGab.

Cash Handling Procedures

All cash collected by a project must be brought to the CTA office in the Tompkins County History Center building on the Commons as soon as possible and must be accompanied by a submission through the online Deposit Form. You can find the link to this form in the CTA Documents DropBox folder. CTA staff will verify the amount of the cash to be deposited and the Project Director will sign off on the confirmed amount before leaving the CTA office.

PROJECT WEBSITES AND FUNDRAISING MATERIAL

It is vital that you include information about CTA on all your marketing material, whether in print or on a website. Remember, a donor can verify your project's charitable status only through your affiliation with CTA.

Please send us a copy of all marketing material that you create for our review and approval at least five (5) business days in advance of release. Please also send us the link for your project website prior to publishing. All publications and websites must be submitted for approval to CTA at ctaoffice@cornell.edu. All hard copies may be sent to our offices and will be retained in our files. If requests for changes to fundraising and marketing materials are not made within a reasonable amount of time, appropriate fees will be assessed (see "Extraordinary Service Fees" above).

The following are the items that we will check to make sure that your project's marketing materials are in adherence with our guidelines. Remember, these guidelines are also meant to help CTA be in compliance with IRS regulations.

Lobbying and Political Content

CTA will not allow a project to include content about a specific law or political candidate or other lobbying efforts on materials or websites without prior approval. The IRS prohibits a charitable organization intervening in a campaign for public office or devoting more than an insubstantial portion of expenditures to lobbying. This rule must be followed for CTA to remain a 501(c)(3) charitable organization. If your organization is interested in doing lobbying, please contact the CTA Director of Operations.

Link to CTA's Website

Your website must include a live link to CTA's website: www.centerfortransformativeaction.org.

Identification Statement

All project materials and websites must contain in plain view the following statement: *"The (Name of Your Project) is a project of the Center for Transformative Action,"* with a live link to CTA's website.

On hard copy and electronic materials information for donors or potential donors, it is important to let them know that your project is fiscally sponsored by CTA and therefore falls under CTA's 501(c)3 tax exempt status:

"The (Name of Your Project) is a fiscally sponsored project of the Center for Transformative Action, a 501(c)3 tax-exempt organization."

Your Program is NOT a Separate Nonprofit

As a part of CTA, your project is not separately incorporated, nor does it have nonprofit status. Make sure that your donors know that their contributions will be processed by CTA, which will be reflected on their credit card billing statement. **Disclosing that donor credit card statements will say "Center for Transformative Action" will prevent your donors from disputing the donations that they've made to your project and will prevent the project from incurring disputed transaction fees.**

Accepting Online Donations Using GiveGab

Your website may not use any other online donation modules other than GiveGab. You may place a donate button on the project website. The code for the donate button is found on the administrative dashboard of the project's GiveGab account. All GiveGab pages include a live chat button in case you have any questions or need support.

No Links to Other Activities or Entities

Your website cannot promote any for-profit business, related or unrelated to the project. If a business is a sponsor or supporter of the project, their logo may be placed on a "Donors" or "Sponsors" page. **Advertising or promoting the sale of specific products and services and live links to the supporter's website are not allowed. Live links to any website that promotes a specific political candidate or piece of legislation is also disallowed,**

DONOR CONTRIBUTION ACKNOWLEDGEMENT LETTERS (TAX RECEIPTS)

Online contributions placed via GiveGab will generate immediate acknowledgment messages back to the donor's email address (as provided during the checkout process).

The IRS states that it is the donor's personal responsibility "for obtaining a written acknowledgment from a charity for any single contribution of \$250." As a courtesy to project donors, CTA will acknowledge check, cash, or stock donations of \$250 or more processed by CTA with a personalized substantiation letter from our office. These letters are generally sent from our office monthly. For contributions that are less than \$250, the donor may use the cancelled check as proof of donation.

CTA encourages Project Directors to issue a thank you note for every donation received, regardless of the amount given. This is an opportunity for more personalized and project-specific conversation with donors.

For our tax receipting purposes, if only a portion of the donation is tax-deductible (e.g., a Quid Pro Quo contribution, explained below), the Project Director must provide us with a document that details the donor's information, the total donation amount, the Fair Market Value of the goods or services received, and the contribution amount.

"QUID PRO QUO" CONTRIBUTIONS

A contribution made by a donor in exchange for goods or services is known as a quid pro quo contribution. In addition to the requirements for documenting cash contributions described above, when a program provides a good or service in exchange for a donation of more than \$75,

you must provide written disclosure to the donor setting out the fair market value of the goods and services received and inform the donor that only the portion of the contribution that exceeds this fair market value is tax-deductible.

The two most frequently asked questions are: "**When do I have to disclose the value of something received in exchange for a donation?**" and "**How do I determine the value of those goods or services?**"

In order to decide if you need to disclose the value of items or services received in exchange for a payment to your program, you must first decide if those goods or services have more than "insubstantial" value. That means you must first make a "good faith estimate" of the fair market value (FMV) of the item or service. Below are some situations in which you can disregard certain goods or services.

Exceptions to Disclosure Requirements

Low Cost Articles - Goods or services that have "insubstantial value" as defined by the IRS are considered fully deductible and need not be disclosed by the charitable organization. These items and amounts are adjusted annually for inflation. For calendar year 2022 these "low cost articles" are those whose FMV is not more than two percent of the donor's payment or \$117.00 whichever is less; or when the payment is at least \$58.50 and the only benefits received are token items such as mugs, calendars, etc., that bear the Project's name or logo. These token items are deemed to be "low cost articles" if their cost (as opposed to their fair market value) does not exceed \$11.70, in the aggregate, for all items received by the donor during that year.

Determining Fair Market Value

As to the second part of the process, the IRS only allows a charitable deduction when a payment to the charity exceeds the fair market value of the goods or services received; otherwise there is no gift. Thus, whether you're figuring out if an item has an insubstantial value or if you're trying to inform the donor about how much they may legally deduct as a gift, you must be able to determine the fair market value. Generally, the charity's good faith estimate of the value of goods or services will be treated as the FMV, and a donor may rely on your estimate except when the donor knows your estimate is unreasonable.

Here are some examples:

Dinner Dances - The first thing to remember is that FMV is not the cost to your organization. If you're running a dinner dance as a fundraising event and the space, flowers, food, printing, and music are all donated, the FMV is not zero. The FMV is estimated at how much that evening would cost someone if he or she were to go out and purchase a similar evening of dinner and dancing commercial establishment.

Raffles - Raffle tickets are not deductible at all as contributions. The purchaser has bought a ticket to win something and the FMV of that chance is whatever was paid for the ticket.

Auctions - Auctions are tricky. If there is a catalog produced and distributed to potential purchasers before the auction, and the catalog or list includes the organization's estimates of FMV, then the general rule applies-- the purchaser may deduct as a charitable donation the amount paid above the stated FMV of the items. However, if there is no prior notice or estimate of the value of the item, the IRS may assume that the FMV of the item is what was paid for it and none of the payment will be considered as a gift.

Goods/Services Not Commercially Available - Examples in this category include personal services performed for the donor or her family, an open bar at a golf outing, etc. To assess these cases, you may make a good faith estimate using closely comparable items for guidance.

Celebrity Appearances - The key question here is whether the celebrity is actually doing what they are primarily famous for. For example, if a famous musician gives a concert to benefit your organization, then the FMV of the ticket is what a concert ticket would ordinarily cost to see that performer, and the donor may deduct only the portion of the purchase price that exceeds that FMV. However, if the same celebrity is merely appearing to sign autographs and is not performing, there is no FMV associated with the celebrity's appearance.

Basically, the policy of the Internal Revenue Service is that a sale is not a gift, which means the contribution is only that part of a payment above the value of what the donor gets in return for their payment.

IN-KIND CONTRIBUTIONS

In-kind contributions are non-cash services or material goods contributed to help or in support of your project. The tax laws governing in-kind contributions and deductions are quite complex. Donations of time (e.g., services) or space (e.g., rent) are not considered tax deductible by the IRS. Please contact CTA prior to the acceptance of any non-cash gift.

Please provide a detailed description of the goods that are being donated by an individual. For non-cash donations of more than \$500, please have the donor complete the IRS Form 8283.

NOTE: Per the current IRS rules and regulations regarding in-kind donations, CTA and our projects cannot be involved with valuations of non-cash contributions. The amount that the donors will claim on their tax returns is entirely up to them and their accountants to support with the proper back-up detail.

NON-CASH CONTRIBUTIONS

Stock Donations

As the need arises, CTA's brokerage account enables the receipt of stock as donations. Stock received as a contribution will be immediately sold and the proceeds deposited into CTA's master bank account and reflected in the project's fund balance. When a project has a donor who wishes to make a gift of stock, the most efficient transaction route is to contact the CTA office and arrange to have the donor transfer the stock through their broker. CTA will provide the number for our account, so that this transfer of stock may proceed. After the stock has been sold, CTA will send an acknowledgement letter specifying the details of the stock transfer to the donor. CTA will not hold stock while waiting for the price to fluctuate.

SALES TAX AND SALES INCOME

Sales Tax

CTA is exempt from paying New York State sales tax when purchasing program-essential items. However, this does not preclude your fiscally sponsored project from collecting state sales taxes when selling items to generate project revenue. If you are interested in selling items on an ongoing basis for the project, please contact ctaoffice@cornell.edu for guidelines. If approved by CTA, the Project Director is responsible for researching and collecting sales taxes for the sale of project-related items.

Sales Income – UBIT

The Project Director must first obtain permission from CTA before engaging in regular sales of items such as literature, t-shirts, videos, etc. Please contact the CTA office to discuss the nature of these sales. In general, anything sold that garners income may be subject to unrelated Business Income Tax (UBIT). UBIT is income derived from activities unrelated to a tax-exempt organization's purposes. It is taxed as if earned by a comparable for-profit entity. Generally, such income is subject to tax at the regular corporate rates and must be reported on a separate tax return.

UBIT is defined as income derived from a trade or business (e.g., selling chocolate bars), which (1) is regularly carried on; and, (2) is not substantially related to the performance of tax-exempt functions (i.e., it does not contribute importantly to the achievement of tax-exempt purposes). The fact that income was produced for use in furthering exempt purposes does not qualify the income as related; the income itself must be derived in the course of furthering an exempt purpose. Selling items as a means to raise funds does not further CTA's exempt purpose.

There is one exception to this rule for "Low-Cost Items." Income derived from the sale or gift of thank-you gifts, such as t-shirts and coffee mugs, by 501(c)(3) organizations only, are excluded from taxation if their distribution is "incidental to the solicitation of charitable contributions." IRC § 513(h)(1)(A). In order for this exception to apply, the recipient must be able to retain the item regardless of whether a contribution is made. A low-cost item is defined as:

- any token item or service that costs your project no more than \$11.70 (in 2022);
- the contribution received must be at least \$58.50 (in 2022) and the items must have your project's name and/or logo on them. Please call our office to discuss these different rules.

Grant Proposals and Applications

Foundation grants can be an important source of funding for CTA projects. Project Directors are required to submit all grant proposals to the CTA office for review at least **fifteen (15) days prior to the submission due date**. The Project Director must submit the final grant application package to CTA at least five (5) business days before the due date so CTA may ensure any requested changes have been incorporated. **CTA must approve the final draft of the grant application before it is submitted.**

The Executive Director or an officer of CTA must sign all grant contracts. A copy of the signed agreement and report requirement forms, if any, will then be sent to the Project Director. If you receive a grant agreement, please forward it to the CTA office. When CTA receives the grant check, an acknowledgment letter will be sent to the funder. If you have any questions about applying for grants, or the process of tracking grant expenditures, please contact ctaoffice@cornell.edu.

GRANT REPORTS

Grant contracts often include a deadline for submission of reports. Every funder has its own requirement and timeline for these reports. Generally, reports are due six months or one year after the award of the grant. They are to be mailed to the funding organization, with a copy to the CTA office. Project Directors are responsible for keeping records and writing reports in a timely fashion.

RAISE YOUR OWN PROJECT FUNDING

While our staff is available for discussing general fundraising ideas, we are not responsible for raising funds for your project. As the sponsoring charity, CTA is responsible for reporting -- to both the funding source and the IRS -- how the funds are raised and used. The IRS will consider your project's work a CTA activity.

Raising Funds Through Events

Events are a great way to raise funds for your project. You must inform **CTA at least 30 days in advance of a fundraising event** you wish to hold. CTA will review the event details to ensure they are consistent with state and federal laws, as well as the image and values of CTA. CTA will also ensure the appropriate permits and insurance coverage are in place. CTA will then notify you of approval for the event. **You may not hold an event without prior approval from CTA.**

Remember, there are **federal, state, and local laws that apply to fundraising**. For example, under federal law, lotteries (also known as "raffles") are generally prohibited. However, federal law provides a limited exception if the "charity raffle" is permitted by state law and is conducted in a certain way. Here is a link to the NY Gaming Commission's Guidelines for conducting raffles:

https://gaming.ny.gov/charitablegaming/raffle_guide.php There are state and local laws that pertain to insurance and certificates of occupancy for facilities where events are to be held. Moreover, CTA must determine if special insurance is needed. We want to help you make the event a success, which starts with making sure all applicable laws have been observed.

CTA will review proposed fundraising events on a case-by-case basis. You must confirm in writing that you understand the rules and regulations that govern the fundraising event and conduct.

CHARITABLE SOLICITATION—STATE REQUIREMENTS

Many states have laws regulating the solicitation of funds for charitable purposes. These statutes generally require organizations to register with a state agency before soliciting the state's residents for contributions. There are also laws in certain states that may impose additional requirements on fundraising activity involving paid solicitors and fundraising counsel. This is another important reason why you must communicate with CTA regarding any fundraising that you are planning, and especially fundraising that doesn't occur in New York State. **CTA is only registered in New York State for charitable solicitation.**

Contracts and Leases

If a project is considering entering a contract, lease, etc. with a vendor or service provider, contact CTA. Because the project is not a legal entity, CTA's Executive Director must sign all individual contracts and leases. If CTA is named or included whatsoever in a contract or lease without our express written consent, that project will be subject to termination and the contract or lease voided.

Other than specifically authorized officers and employees of CTA, **no person is authorized to cause any project at CTA and/or CTA to enter into a contract, lease, purchase, rental, order, loan, extension of credit on account and/or any other oral or written agreement that may subject any project at CTA and/or CTA to monetary or non-monetary liability, obligation, or indebtedness of any type.** If you believe a lease or purchase is needed in connection with the operation of your project, you must explain your reasons in writing and request CTA to authorize the proposed lease or purchase. You must make it clear to any potential lessor, seller, vendor or other person that only specifically authorized officers and employees of CTA have the power to enter into a binding commitment, and then only to the extent of available funds allocated to your project at CTA (and not the general assets of CTA). Additionally, the commitment must be: (a) in writing; and, (b) limit the remedy of the lessor, seller, vendor, or other person to the funds allocated to your program at CTA.

Project funds to cover the total cost of the life of the contract or lease will be considered restricted. This means that CTA will not include this amount when calculating the project's available operating funds. For example, if CTA approves and enters into a lease agreement on behalf of the project and the total liability created is \$500 per month for twelve months, then CTA will restrict \$6,000 of the project's fund balance.

Requests for Disbursements from a Program

Needless to say, the primary purpose for "raising funds" is to cover the numerous expenses that arise during the development and ongoing support of your project. At the same time, there are specific guidelines that the IRS has set forth to ensure all donated money that is disbursed toward the fulfillment of your project's charitable initiatives is used for expenditures that are aligned with the rules and regulations governing a 501(c)(3) tax-exempt organization. Please be aware that CTA requires 15 business days to process all payment requests submitted through the online expense form. We respectfully request that no inquiries be made about whether any submitted request has been processed until the fifteen-day window has passed.

DISBURSEMENT PROCEDURE

To request payments from the available balance in your project account:

1. **Verify the current project account balance using the income/expense tracking tool provided by CTA or by referring to your most recent financial reports.**
2. **Submit the proper payment request form.**
To request payment for general program operating expenses, please use CTA's online expense submission form, a link to which can be found in the CTA Documents DropBox folder. Remember to use the appropriate accounting code and class code.

Please note that CTA cannot reimburse Project Directors for their payment of taxable income for services provided by another person or entity. You must request that these payments be made directly from CTA, due to IRS tax reporting requirements.
3. **Include the supporting documents.** All requests for payment or reimbursement must be accompanied by verification and justification for the expense in the form of a receipt. Neither bank nor credit card statements will be accepted. A completed and signed IRS Form W-9 is required for all payments that result in taxable income.
4. **Project Director Expense Approval.** Please remember that the Project Director must always directly submit payment requests through the online form. This ensures to CTA that the Project Director has reviewed and approved the expense.
5. **Credit card purchases.** Expense forms and receipts for purchases made with a CTA credit card must be submitted within five (5) business days of the purchase by using the online expense form described above. CTA assumes that the Project Director has provided approval to the cardholder prior to purchase and therefore, cardholders who are not Project Directors may submit credit card expenses through the online form. It should also be noted that the CTA credit card should never be used with personal accounts including but not limited to Venmo, PayPal, etc.
6. **Cash advances.** Contact the CTA Operations office if cash is needed.

EXPENSE CATEGORIES

Receipts and Invoices

Obtaining and maintaining proper support documentation for all expenditures is one of the most important obligations for all nonprofit organizations. Therefore, it is imperative that all Project Directors submit fully legible IRS-compliant receipts or invoices to support all program-related payment requests. When incurring reimbursable expenses in a country located outside of the U.S., be certain to convert all receipts to U.S. dollars at the exchange rate on the day the money was spent. This is absolutely vital in the ongoing operation of your CTA project. There is no valid reason for anyone to endanger the nonprofit status of CTA by neglecting this mandatory IRS requirement.

Independent Contractors

Projects may need to secure special services from professional consultants or casual labor to assist in fundraising, facilitating, or training. **It is always necessary to obtain the vendor's signed W-9 when arranging to pay for services rendered.** Persons receiving payment for any services, including individuals and companies, will be compensated as independent contractors. Please note that CTA will not issue payment to a contractor or vendor unless the Project Director has submitted a W-9.

To propose payment to independent contractors, the Independent Contractor Agreement Form must be completed by the Project Director and the proposed independent contractor. The form must be accompanied by a W-9 if one is not already on file. If approved, invoices detailing the work performed will be presented to the Project Director for submission to CTA. Submission of an Independent Contractor Agreement Form or invoice does not guarantee approval and/or payment by CTA. The maximum extent of the source of funds to pay the independent contractor is limited to such funds as are credited to the account of the project at CTA, not the assets generally of CTA.

Income taxes will not be withheld by CTA, but instead paid by the recipient directly to the IRS. Please remember that **you may not pay an independent contractor out of pocket and then be reimbursed from funds in your project account.** This circumvents IRS tax laws. All W-9 contractor payments must be made directly to the contractor from the available funds in the project account.

IRS Form 1099

The 1099 Form is an Internal Revenue Service form used to report payments made to unincorporated recipients from categories such as rent, royalties, commissions, fees, prizes and awards, consultants, payments, honoraria, etc. The 1099 is essentially an independent contractor, sole proprietor, or partnership version of a W-2 form. Because 1099's must be prepared through the computerized accounting system on behalf of CTA, all payment requests to independent contractors (e.g. consultants, casual labor and some suppliers of goods) must be processed separately from expense reimbursements.

Form 1099s are issued by CTA each January to all appropriate vendors and service providers who were paid for services exceeding \$600 during the previous fiscal year. This applies to individuals, proprietors, partnerships, and most LLCs.

SPECIAL EXPENSE CATEGORIES

Unbudgeted Expenses

When a project wishes to make a purchase in excess of \$2,500 which was not included in the approved budget for the fiscal period, advance approval of the CTA Executive Director is required. In this case, the Project Director can submit a brief Advisory Board-approved proposal in writing or by email to the CTA Executive Director.

Equipment Purchases

When a project needs to purchase office or other equipment there must be sufficient funds to cover the purchase. All equipment purchased with project funds becomes temporary assets of CTA. These assets are granted to the project if or when it "spins off." If the project ends, the equipment must be donated to another nonprofit organization, re-purchased, or returned to CTA.

Fixed Assets

Fixed assets are items of value that belong to the project. These include expensive office furniture and valuable equipment (e.g. computer equipment). Major improvements made to premises you are renting, called "leasehold improvements," can also be considered fixed assets.

All equipment, such as computers, office machines, and vehicles purchased with project funds will be capitalized as assets if the price exceeds \$5,000. Therefore, we need to know exactly what type of equipment you are purchasing at the time of the transaction and may require photographs, serial numbers, and/or other identifying information for said equipment. As is customary, equipment that is less than \$5,000 will be expensed.

There are also expenses associated with owning fixed assets, such as depreciation. "Wear and tear" is a special kind of expense called "depreciation." Since there is no way to define exactly how much value your asset loses in a given period of time, accountants often evenly depreciate assets over a five-year period.

Office Rent/Utilities

Projects may have the need for dedicated office space either in the home, in a shared space, or in a commercial space. CTA must view all such arrangements in the same way the IRS views the tax-deductible aspect of business space:

In the Home or Other Shared Spaces - A home or shared office space must always be separate and fully dedicated to your charitable initiative in order to be reimbursable as a project expense. CTA will need a copy of any lease, rental agreement or mortgage payment schedule to satisfy third-party audit evaluations. A basic diagram of the overall floor plan with the dedicated office space shown is also required in order to verify the square footage used to calculate the allowable percentage of the total monthly payment. Please remember that receiving an office space reimbursement precludes your ability to also claim a home office as a tax deduction on personal tax returns. Also, receiving payment for rental for a portion of your home is considered a "sublease" to CTA; therefore, you will receive it as taxable income (with a 1099- Misc Form sent at the end of the year).

Commercial or Fully-Contained Office – Only the CTA Executive Director may sign a lease. The rent may be paid from the available funds in the project account. It is very important to disclose if the space is owned by, or produces financial benefit to, any family or business relationship.

Please note that CTA will restrict project funds to cover the entire cost of the lease.

Travel Mileage

The standard IRS mileage reimbursement rate for miles driven when undertaking activities for your project is determined by the IRS every year. For example, the reimbursement rate is \$0.585/mile for the 2022 tax year. To determine the current IRS mileage reimbursement rate, please refer to the IRS website. Please keep careful records of miles driven in relation to conducting business for your project (including date, miles traveled, destinations, and business purpose for travel) and submit these records with your reimbursement request via the online expense form.

Employees and Volunteers

EMPLOYEES

Projects that wish to hire employees must have at least four months' average operating expenses in reserve. Projects with employees must have two month's operating expenses in reserve **at all times**. If, at any time a projects' reserve funds dip below the two-month required threshold, CTA may lay off, furlough, or terminate the employment of the employees working on the project.

The selection process in hiring new project staff members is the responsibility of Project Directors with approval of their Advisory Boards. Project Directors must follow the CTA Equal Opportunity Employment hiring procedure. A hiring procedure list will be provided to the Project Director upon request when the decision to hire has been made. The CTA Executive Director provides final approval of all hires.

New hires are employees of CTA and not the project. Information relating to hiring and employment can be found in CTA's Hiring Procedure Document and the Employee Handbook of Personnel Policies and Procedures.

All CTA employees must provide their services in New York State.

VOLUNTEERS

All project volunteers must be reported to CTA. In some cases, CTA may require driver's license information for volunteers and may require volunteers to undergo background checks. All volunteers must attend mandatory sexual harassment training as required by New York State labor laws.

Important Miscellaneous Procedures and Resources

CTA is responsible to both the funding source (donors) and the IRS to account for the way that grants and donations are used. To ensure proper compliance with all IRS 501(c)(3) code rules and regulations, CTA has developed several policies and procedures to assist with efficient management and accountability.

EMAIL COMMUNICATIONS

Each project is an integral part of CTA. Communication between Project Directors and the CTA office is essential to maintaining adherence to policies and procedures and financial sustainability. As such, every Project Director is expected to respond in a timely manner to all office-generated inquiries. Please direct all project-related questions and concerns directly to ctaoffice@cornell.edu. It's your responsibility to let us know the most current, up-to-date contact information for all individuals working with the project. We can only communicate with you using the last known contact information that you have provided to us.

CTA staff endeavors to answer all inquiries in a timely manner. We do our best to respond to emails within 3 business days. **Please plan ahead and do not leave requests to the last minute.**

SHARED DROPBOX FOLDERS

CTA provides each project with a Dropbox folder which is shared with CTA. This folder is an excellent place to share and store information. Within this folder, you will find the link to the CTA Documents folder, the signed affiliation agreement, and the project's monthly financial reports. The project is required to use this folder to save advisory board meeting minutes, grant applications and appeal letters, and other documents that require secure transmission such as vendor w-9's or ACH authorization forms.

The CTA Documents folder contains a variety of forms and documents that you project may need. It also includes the links to the online expense and deposit forms.

SEPARATE BANK ACCOUNTS NOT ALLOWED

Never, under any circumstances, shall a bank account be opened using the CTA name and/or tax ID number without the express written consent and participation of the CTA Executive Director. Such action will result in the immediate closure of this bank account and could result in the termination of the project from CTA. In addition, you may not open any internet accounts, credit card accounts, merchant accounts, service provider accounts, utility accounts, securities accounts, vendor accounts, trade accounts or any other account whatsoever of any type or description in the name of any project at CTA and/or in the name of CTA.

EMPLOYEES VS. CONTRACTORS

It is critical that Project Directors correctly determine whether the individuals providing services are employees or independent contractors. For guidance in determining whether the individual providing the services for your project is an employee or an independent contractor, please refer to the IRS Guidelines online: <https://www.irs.gov/newsroom/understanding-employee-vs-contractor-designation>

If an individual is considered an employee-- When paid for their services, taxes will be withheld. In addition, an IRS Form W-2 is issued at the end of the year, rather than an IRS Form 1099. To enroll a staff member in our payroll system, please contact us.

If an individual is considered an independent contractor-- When paid for their services, taxes are not withheld. In addition, a Form 1099 is issued at the end of the year, rather than a W-2.

As with all other expenses, these worker's wages are paid out of available project funds. However, it is extremely important to distinguish these payments from reimbursement of expenses, i.e. out-of-pocket expenses, incurred by the individual who is being reimbursed.

The CTA office must have this information to be aligned with tax laws governing the payment of consultants.

In no case shall a Project Director pay a person directly. In all cases, when an outside consultant is paid (even if this is for a one-time casual labor situation) CTA must pay them directly. The Project Director must also supply CTA with the person's full name, social security number, mailing address, and phone number using a Form W-9.

All first payment requests must be accompanied with a completed Form W-9. The IRS requires information for tax reporting purposes.

If a contract that creates a financial liability is approved and signed by the CTA Executive Director, the total amount of the contract will be restricted.

NONDISCRIMINATION POLICY

CTA has a long-standing record and commitment to nondiscrimination in employment. Employees are hired based on their merit, ability, experience, and training without regard to race, color, national origin, ancestry, gender, gender identity, sex, sexual orientation, familial status, marital status, age, mental or physical ability, size, religious affiliation, military/veteran status, genetic makeup, sexual and other reproductive health decisions, or past participation in the discrimination complaint process. With the establishment of a project at CTA, you agree never to discriminate within your project in regard to employment proposals, the community to be benefitted, or the beneficiaries of the project.

SEXUAL HARASSMENT AND PHYSICAL AND MENTAL ABUSE POLICY

The Center for Transformative Action does not permit actual or threatened acts of physical or mental abuse, sexual abuse, sexual misconduct, or sexual molestation to occur in the workplace. All employees and non-employees (contractors, subcontractors, vendors, volunteers, and consultants) have a right to work in an environment free from discrimination, abuse, and harassment, including sexual harassment. Harassment based on an employee's race, color, religious affiliation, ancestry, national origin, age, mental or physical ability, sex, arrest or conviction record, marital status, sexual orientation, gender, gender identity, genetic makeup, size, sexual and other reproductive health decisions, and membership in the military reserve or other protected class is expressly prohibited under this policy.

This policy further prohibits any CTA representatives, staff members, volunteers, and contractors to have one-on-one contact with any member of a vulnerable population. CTA defines members of a vulnerable population to include children, minors, the elderly, and physically and/or intellectually disabled individuals.

CTA policy further prohibits harassment or discrimination based on gender stereotyping (gender stereotyping occurs, for example, when one person perceives a man to be unduly effeminate or a woman to be unduly masculine and harasses or discriminates against another person because that person does not fit their stereotype of being male or female). Moreover, CTA requests that all employees be addressed by their preferred pronoun and/or name. CTA encourages reporting of all perceived incidents of sexual or gender-based harassment or discrimination, regardless of who the offender may be.

REQUIRED ACKNOWLEDGEMENTS IN ALL PUBLISHED MATERIALS

On any **materials published in the course of any service, joint program, or mutual interest program with Cornell University** or for any publication written by faculty or staff members at the university, you must provide the following acknowledgement: *“From the Center for Transformative Action in cooperation with Cornell University”* (or *“in cooperation with the Department of [to be inserted], Cornell University”* if appropriate).

For all of your **publications with a Cornell University address** that don’t fall under the requirements above, you must include the following disclaimer: *“This publication is a product of the Center for Transformative Action and was not produced with Cornell University funds and does not represent the position of Cornell University on the subject matter herein.”*

For all other project publications, notices, and communications whether in hard copy or electronic you must state prominently the following: *“(Project Name) is a project of the Center for Transformative Action.”* This includes, but isn’t limited to, the footer of your emails, fundraising letters, posters, brochures, and websites.

REQUIRED LANGUAGE FOR CTA PROJECTS

All project materials and websites must contain in plain view the following statement: *“The (Name of Your Project) is a project of the Center for Transformative Action,”* with a live link to CTA’s website. On hard copy and electronic materials information for donors or potential donors, it is important to let them know that your project is fiscally sponsored by CTA and therefore falls under CTA’s 501(c)3 tax exempt status: *“The (Name of Your Project) is a fiscally sponsored project of the Center for Transformative Action, a 501(c)3 tax-exempt organization.”*

OWNERSHIP OF PRODUCTS—INTELLECTUAL PROPERTY

Every project is considered a legal activity of CTA. It is only through the tax-exempt affiliation with CTA that groups are able to raise funds and accept tax-deductible donations. Thus, the IRS considers all assets (physical and intellectual) to be owned by the public providing they were

procured via public funds and/or an organization with tax-exempt status. This means that if something is procured via a public charity (e.g., a project of CTA) it is owned by that public charity (CTA).

Because the IRS regulation is clear on this, CTA assumes all legal responsibility for any tangible or intellectual products (such as videos, films, books, works of art, research manuscripts, and patents or copyrights covering the aforementioned) while that project is affiliated with CTA. This privilege and responsibility transfers to the project when this affiliation changes, i.e., when the project "spins off" as an independent nonprofit entity, or transfers assets to another fiscal sponsor. CTA will not exercise any artistic control over the contents of the materials. However, CTA does need to verify that the content conforms to 501(c)(3) regulations.

The aforementioned is in keeping with nonprofit law, which stipulates that no public funds be used for the private benefit or inurement of an individual or business. If a product is produced or if something is acquired with funds from the public, i.e., through the tax-exempt affiliation with CTA, that product /acquisition must be channeled back to the public and not to the benefit of an individual or business. There are means by which the rights and ownership to a product or acquisition can be acquired by an individual or business. Generally, this means a monetary reimbursement to CTA in exchange for said rights and ownership. There are rules governing such transactions. CTA will handle all such requests on a case-by-case basis.

The responsibility for filing a formal application to obtain a copyright or patent lies with the project. The copyright name must be "Center for Transformative Action /project name."

The means of transferring the ownership of all tangible and intellectual assets, as well as any copyrights, patents and/or trademarks covering said assets, to another public charity will be arranged as such:

- To Transfer the Asset to Another Charity - CTA must receive a written request from the Project Director (email is acceptable) along with a copy of the IRS Letter of Determination documenting the official nonprofit status of the transferee. The CTA Board of Directors holds full discretion and control over the approval or denial of all transfer requests.
- In the event a project wishes to "graduate" and become an independent 501(c)(3), or migrate to another fiscal sponsor organization, all such possessions will be considered to transfer to the selected public charity upon providing a copy of the IRS Letter of Determination documenting the official nonprofit status of the transferee. Again, full legal control and discretion of all project transfer requests lies with the CTA Board of Directors and its officers.

In any case of ownership transfer of intellectual rights or patents, etc., it is best to call the CTA office for clarification and instructions.

PRIVATE BENEFIT AND INUREMENT

A public charity is prohibited from allowing more than an insubstantial accrual of private benefit to individuals or organizations. This restriction is to ensure that a tax-exempt organization serves a public interest, not a private one. If a private benefit is more than incidental, it could jeopardize CTA's tax-exempt status.

Therefore, no part of a project's net earnings may inure to the benefit of an insider. An insider is a person who has a personal or private interest in the activities of the organization such as a Project Director, advisor, or a key employee. An example of prohibited inurement would include payment of unreasonable compensation to an insider. Any amount of inurement may be grounds for termination of a project.

For more information about private benefit and inurement, please visit: www.irs.gov/eo.

LOBBYING GUIDELINES

Under the Internal Revenue Code, all section 501(c)(3) organizations are absolutely prohibited from directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for elective public office. Violating this prohibition will result in the termination of your program.

However, certain activities are allowed, depending on the facts and circumstances. For example, we do allow programs to engage in certain voter education activities (including presenting at public forums and publishing voter education guides) conducted in a non-partisan manner. In addition, other activities intended to encourage people to participate in the electoral process, such as voter registration and get-out-the-vote drives, would be acceptable activities if conducted in a non-partisan manner. Also, general research and education on issues of the day are acceptable activities. Again, the information provided must be provided for general educational purposes.

On the other hand, voter education or registration activities with evidence of bias that (a) favor one candidate over another; (b) oppose a candidate in some manner; or (c) have the effect of favoring a candidate or group of candidates, will constitute prohibited participation or intervention.

New York State requires an organization to register if it has or anticipates having lobbying expenses of more than \$5,000 in a calendar year. As an educational organization, CTA is not registered as a lobbying organization with New York State. Because of the low cost threshold, any proposal to engage in lobbying activity by a project must be reviewed by CTA.

Please call us to discuss your plans to ensure that your program is not violating any IRS or CTA regulations regarding lobbying.

LEGAL COUNSEL AND LITIGATION

The issue of legal matters is a very important one and should not be taken lightly by any project within CTA. CTA's policies and procedures are in place to mitigate legal risk. A project cannot enter into any litigation. Furthermore, if a project is named as a defendant in any legal action, or if a threat exists for such action, the CTA office shall be notified immediately.

If you need legal counsel and/or advice, call the CTA office. In general, legal fees are the responsibility of the particular project undertaking the legal action. Strict adherence to this policy is a must.

Project Sponsorship Termination

The Fiscal Sponsorship Affiliation Agreement shall terminate when:

1. The required annual minimum Shared Administrative Expense (SAE) fee has not been paid in full by the date it becomes due (or if there are insufficient funds within the program account to cover the fee);
2. The Project Director fails to correct issues identified in the annual review;
3. The objectives of the project can no longer reasonably be accomplished by CTA;
4. The Project Director and Advisory Board decide to end the project's operations;
5. The funds CTA holds for your project are insufficient to continue to pay your project's expenses;
6. The Board of Directors of CTA determines there is cause for termination (e.g., misconduct, risky or illegal behavior, breach of contract);
7. The project is migrating to another fiscal sponsor organization; or
8. The project has applied for and obtained independent tax-exempt status under IRS Section 501(c)(3).

Either CTA or the Project Director may terminate Fiscal Sponsorship Affiliation Agreement for any reason by giving ninety (90) days' written notice to the other party. Either party may terminate the Agreement, based upon a material breach of this Agreement, by giving thirty (30) days' written notice to the other party. If the objectives of the project can still be accomplished, but either the Project Director or CTA desires to terminate CTA's fiscal sponsorship of the project, the follow terms and conditions shall apply.

In the event of termination, the assets and liabilities of the project may be disposed of at the end of the applicable notice period as follows:

- a) **CTA may transfer the assets and liabilities to another organization** that is tax- exempt under IRS Section 501(c)(3), that is not classified as a private foundation under Section 509(a) ("Successor"), and is willing and able to sponsor the project (as used in this Paragraph, the word "able" shall mean that the Successor has charitable purposes compatible with the purposes of the project and has the financial and administrative capacity to competently manage the project). The balance of assets in CTA's restricted fund for the project, together with any other tangible and intangible assets held and liabilities incurred by CTA in connection with the project, shall be transferred to the Successor at the end of the applicable notice period or any extension thereof, subject to the approval of third parties that may be required.
- b) **CTA may transfer the assets and liabilities to a new 501(c)(3) organization formed by the project** that is qualified to be a Successor as set forth in the paragraph above, and has received a letter of determination from the IRS indicating that such qualifications have been met, no later than the end of the applicable notice period or any extension thereof.
- c) **If no Successor is found, CTA may dispose of the project assets** and liabilities in any manner consistent with applicable tax and charitable trust laws.

Frequently Asked Questions

Below are some frequently asked questions about beginning a charitable project at the Center for Transformative Action. Please feel free to contact us at (607) 255-6202 or ctaoffice@cornell.edu if you don't see a response to your particular question.

1. How much does the project application cost?

There is no application fee to begin a fiscally sponsored project. Nor is there a minimum requirement of funding or pledges.

2. What are the operating fees? Are there any annual fees?

CTA charges an 8% administrative fee on each donation made to your fiscally sponsored project. There is also an annual minimum Shared Administrative Expense (SAE) fee of \$400, which will be assessed to your project account each year in July.

3. How long does it take for approval of my project application?

After the CTA Executive Director reviews your application, she sends it on to the CTA Board's finance and program committees for their consideration. They may send questions back to the applicant. Once their review is complete, the application materials are sent to the full Board of Directors. On average, this process from receipt by the CTA Executive Director to consideration by the full CTA Board of Directors takes 3 months.

The following criteria are used to review the project application:

- **Purpose/Passion:** Applicants exhibit strong passion and commitment for the program area in which they plan to work, as well as personal integrity.
- **Resilience:** Applicants have demonstrated ability to overcome obstacles.
- **Leadership:** Applicants have demonstrated leadership potential
- **Ability to attract resources:** Applicants are capable of attracting money, people and other resources to cause.
- **Innovation:** Project is innovative and demonstrates a new approach.
- **Importance:** Project addresses a serious social problem.
- **Transformative:** Project will be a manifestation of the principles of Transformative Action.
- **Inclusive:** Those who experience the problem being addressed inform the project idea and implementation.
- **Potential for bold impact:** Project has clear potential for tangible impact to the beneficiary population.
- **A good organizational model:** Project has a clear and compelling mission and objectives, and has given real thought to program development and delivery, ways to measure success, raising money, and other key factors indicating potential for sustainability.

4. Are donations to the project tax-deductible?

Yes, as long as the donor is receiving nothing of value in return. If a donor is paying for services, such as a conference or a dinner, then the Fair Market Value of that item is not deductible. All donations must be sent to CTA for deposit. We will place these funds (minus our applicable fee(s)) into an internally segregated account to be used to further your charitable purpose. DO NOT open your own local bank account. THIS IS PROHIBITED.

Once your project has been accepted at CTA, we will send you the applicable forms to use when recommending disbursement of funds from the CTA account.

5. Are gifts of services tax deductible?

The IRS rules on this are clear: the answer is "no." For example, if a surgeon who charges \$5,000 for a heart valve replacement procedure donates his time to provide ten such procedures for needy patients without health insurance, he or she is not allowed any charitable deduction for the value of his/her time, even if there is an established "market" to substantiate value. This same rule applies to the time spent by an artist in providing services to or for a charity, or a hotel that donates a room for the night.

An artist is limited to a deduction of the actual cost of the materials used to create a work of art, but only if the artist has not "expensed" (or "deducted") the cost of such materials. Most professional artists deduct as "overhead" the cost of raw materials, paint, supplies, etc. These are deducted under IRS Code section 162, which allows a deduction for "ordinary and usual business expenses." There is no benefit to the artist in taking a Code section 170 charitable deduction if a Code section 162 business deduction is available. Donors should always check with their tax preparer for tax advice.

IRS Publication 526 provides a useful chart that summarizes what is and what is not deductible.

6. Can I open a local checking or bank account?

No, do NOT open a local checking account or a bank account of any kind! Local checking and bank accounts bearing the name of a project at CTA are not permitted. Please only use the Deposit Form to send in donations or revenue for your project at CTA. Any donation not received by CTA will not be tax-deductible by the donor. Our mailing address is:

Center for Transformative Action
P.O. Box 760
Ithaca, NY 14851-0760

7. How should donors write their checks to my project?

Checks may be made payable to "Center for Transformative Action/Project Name" or to the "Center for Transformative Action" with the name of the project in the memo line.

8. Do I have to do any Federal or State filing, registering, etc.?

No. When you have a project at CTA, we do all the paperwork. We file the IRS Form 990 annually, which includes the activity of all our projects. You do not need to register your project in New York State. You must, however, submit an Annual Project Report to CTA to tell us what you've been doing, both successfully and not so successfully.

9. Do all funds become the property of CTA?

Yes. There must be a "completed gift" to the charity in order to obtain any tax deduction. This means that all right, title and interest in the donated property must pass to the charity. Therefore, CTA is in control of all donated funds.

10. Why does CTA exert full discretion and control over each project that it sponsors?

CTA is the entity that is legally responsible for all funds received on behalf of a sponsored project. We must ensure that the project uses the funds for charitable and educational purposes. This is accomplished through an application process, internal procedures regarding disbursements and grants, and a sponsorship agreement between CTA and the project that details the specifics of the relationship. When a donor makes a contribution to CTA with a recommendation that this contribution be applied to your project, CTA monitors that their donations are properly used by your project. We also ensure that all tax-reporting requirements are met.

11. Once my project has been accepted by CTA as a fiscally sponsored project, have I become a nonprofit?

No. The project is neither a non-profit nor an independent, tax-exempt organization. Those who donate to your project via CTA, a 501(c)(3) organization, gain the benefit of a charitable deduction for income tax purposes.

12. Where can I find my program's EIN or Tax ID number?

Since your project is not separately incorporated, your project does not have its own EIN or Tax ID number. Your project has nonprofit status under CTA. CTA's Tax ID number is 16-0990318.

13. As the Project Director, can I use the title Executive Director, President, or CEO of my project?

No, you cannot use any corporate titles. This would mislead your donors to believe that your program is a separately incorporated nonprofit. Instead, please only use the titles "Project Director" or "Founder."

14. Do you assist with fundraising for my project?

No, CTA does not raise funds for your project. The Project Director and the Project Advisory Board are responsible for soliciting the funds and grant monies to support the project. CTA is

primarily responsible for receiving and administering charitable contributions, grants, and other expenditures or disbursements on behalf of the project, as well as the complete oversight of the activities of your project.



Appendix A: Annual Project Review Checklist

CTA will review projects annually in July or August of each fiscal year. The criteria for the review, which are based on CTA policies and procedures, are listed below. If a project is not in full adherence with the listed criteria, the CTA Executive Director will meet with the project director by the end of September to discuss areas where improvement is needed and to develop a plan for addressing these areas. The project will have six months to improve its practices, so they are in full alignment with all our policies and procedures.

The CTA Executive Director will meet with the Project Director again by the end of April to review progress made by the project. If, at this point, the project has resolved the areas of difficulty, then operations will continue until the next annual review in July/August. If the project has not, then the Project Director will receive a final warning to adhere fully to our policies and procedures within thirty days. If this is not achieved, then CTA will move to disaffiliate with cause.

Criteria for Project Annual Review

- The project has an active Advisory Board of at least five members.
- The project has an organizing document, approved by CTA, in place.
- Changes in the Advisory Board composition or organizing document have been provided to the CTA Executive Director.
- The Advisory Board meets regularly, at least quarterly.
- The project has submitted Advisory Board meeting notes to CTA within ten business days.
- The project has submitted its annual report on time.
- The project has completed and submitted an annual budget by the CTA deadline.
- The project identifies that it is a project of CTA on ALL digital and print materials and external communications.
- The project provided required documentation and Project Director approval for all deposits and expenditures.
- If the project has members with a CTA credit card, they have complied with the credit card policy.
- The project submitted grant and funding applications, including appeal letters and online campaigns, to CTA for review 15 days in advance of submitting to granting agencies or releasing to the public.
- The project promptly supplied requested documentation and cooperated with any reasonable request by CTA or its auditors.
- The project made CTA aware of any new programs or planned events for CTA to determine if any additional licensing or insurance is required.
- If the project has hired employees, it complied with CTA's Equal Opportunity Employer procedures and submitted the New Employee Hiring Form.

