



# FRACTURED ATLAS

## Fiscal Sponsorship Information Sheet for Tax Purposes

### **What is it?**

Fiscal Sponsorship is a financial and legal system by which a legally recognized 501(c)(3) public charity (such as Fractured Atlas) provides limited financial and legal oversight for a project initiated independently by an artist. That "project" might be a one-time project or an independent artist or even an arts organization that does not have its own 501(c)(3) status. Once sponsored in this way, the project is eligible to solicit grants and tax-deductible contributions to Fractured Atlas for the purposes of their work.

### **How does it work?**

The fiscal sponsorship relationship is structured as a grantor-grantee relationship. Fractured Atlas accepts donations and grants for the purposes of the project, holds them in a restricted fund until the project has relevant expenses, and then re-grants them to the project to cover those expenses. The project designates a legal entity to receive these grant funds, which may be an individual/sole proprietor, DBA/sole proprietorship, LLC, corporation, informal group, or partnership. Fractured Atlas exercises oversight over project expenditures to ensure compliance with IRS guidelines on charitability.

### **What does your accountant need to know?**

All of the funds released from Fractured Atlas for the purposes of the project are taxable income for the legal entity. Fractured Atlas releases all funds by Electronic Fund Transfer to a bank account provided by the project. The project/legal entity remains responsible for reporting this income on its taxes.



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## FAQs

### **What is the relationship between Fractured Atlas and the project?**

Fractured Atlas provides assistance in raising money for creative projects. The sponsored project enters into a grant agreement with Fractured Atlas. All funds released to the project are considered grant income.

### **Why did the project receive a 1099-MISC?**

The project's legal entity (with the exception of corporations) receives a 1099-MISC for any year in which grant income received from Fractured Atlas was \$600 or greater.

### **Does the project need to report funds under \$600 released to the IRS?**

Yes. There is no minimum amount that a taxpayer may exclude from gross income.

### **Are there project expenses that can be used to offset the grant income?**

The project may be able to offset grant income with project-related expenses. The project has access to its fund release history on the Fractured Atlas website, which may be helpful in calculating expenses.

### **The project received noncash donations through Fractured Atlas. Why is the value of these noncash items included on the 1099-MISC?**

Fractured Atlas accepted the noncash donation for the purposes of the project, issued a tax receipt to the donor, and released the noncash item to the project. The noncash item is considered a grant of property and is therefore included as taxable income to the legal entity.

### **Is there a legal agreement between the project and Fractured Atlas?**

Yes, here's a link to the grant agreement:

[https://fs.fracturedatlas.org/preview\\_fs\\_agreement.pdf](https://fs.fracturedatlas.org/preview_fs_agreement.pdf)

### **Is Fractured Atlas a lawyer or accountant?**

No. This information should be passed along to a qualified professional advisor.