

PROCEDURES FOR ACTERRA FIDUCIARY GROUPS

1. Handling Funds for Fiduciary Groups

a. Policy on Handling Funds -- Since Acterra is responsible to donors, to the IRS and the State Franchise Board for reporting the source of all donations and the use of funds, Acterra is legally required to retain control over all funds contributed to fiduciary groups. Without exception, all income must be deposited with Acterra, and all expenses must be paid by Acterra. Failure to adhere to this policy may result in termination of fiscal sponsorship.

b. Procedures for Handling Funds:

1) Donations made to the fiduciary group should be made out to "ACTERRA /(name of project) _____." Information on any donations of \$5,000 or more must be recorded separately for reporting to the IRS.

2) The group's treasurer will total up each deposit for the group's records and give that total, along with all incoming checks and cash, to Acterra. Acterra's Business Manager will deposit the funds into the appropriate Acterra account. The fiduciary group will handle acknowledgment of donations. (The IRS requires a letter of acknowledgment for all gifts of \$250 or more.)

3) If a group's income includes money from product sales, the group needs to work with Acterra Business Manager to set up procedures for collecting and paying sales tax, if applicable.

4) The group's treasurer will give all incoming bills to the Acterra Business Manager. Receipts submitted for reimbursement should be stapled onto a standard 8-1/2 x 11 sheet and identified with the group's name and other pertinent information for filing. If a bill must be paid with haste, the group's officer will notify either the Business Manager or Acterra Executive Director of this urgency.

5) If a group is so inclined, it may charge project expenses to a credit card and submit the card statement to Acterra for reimbursement from the fiduciary account.

6) The Acterra Business Manager will write and mail checks for the fiduciary group. The group will designate in writing the person(s) authorized to request checks. The Acterra Business Manager will write checks only as authorized by one of those persons. In addition, if any bills are sent directly to Acterra, the Business Manager will check with a designated person before paying them. The Business Manager will also send the group a monthly statement of financial activity.

7) The Acterra treasurer will provide the fiduciary group's treasurer with a chart of accounts that will enable the group to keep records of both income and expenses according to the IRS Form 990 non-profit reporting requirements. The Acterra Treasurer and/or Business Manager will assist the group's treasurer in understanding how to use this format and why it is necessary.

8) The fiduciary group treasurer will also utilize the Acterra account numbers on all check requests and income reports.

9) With the knowledge of the Acterra Business Manager, the group may keep a petty cash fund of up to \$200 for reimbursement of routine expenses. Records should be kept of all disbursements from petty cash according to the chart of accounts mentioned above. Expenses must be reported to the Business Manager along with any requests for additional petty cash. No income should go directly into the group's petty cash fund.

2. IRS Tax Reports

As fiduciary agent for the group, Acterra is responsible for filing all required tax reports to the IRS regarding the income and expenses of the fiduciary group.

3. Fiduciary Group Personnel

a. Policy on Personnel Matters -- Because employees of fiduciary groups are technically employees of Acterra, the group may not offer employee benefits not listed in the Acterra Employee Handbook without additional approval of the Acterra Board. Other than in matters of financial accountability and legal matters, Acterra delegates

responsibility for a group's personnel decisions to that group. It is strongly recommended, however, that the group adopt the employment policies described in the Acterra Employee Handbook.

b. Procedures for Handling Personnel Matters

1) The fiduciary group is responsible for writing job descriptions, setting salaries, hiring and evaluating staff and other personnel-related issues. Whenever an employee's performance may possibly lead to dismissal, Acterra should be informed and the procedures in the Acterra Employee Handbook should be followed.

2) Acterra will write up a contract for the group's employee(s), stating that employment is contingent upon continued funding for the fiduciary group and its projects. If a group cannot meet its budget, the employee may voluntarily resign or, if necessary, will be laid off and may file for unemployment compensation.

3) Employees of a fiduciary group must fill out required pre-employment forms (W-4, I-9, etc.) and submit them with necessary documentation to the Acterra Business Manager.

4) Employee paychecks will be prepared by Acterra in accordance with the Acterra's regular bi-monthly schedule.

4. Loans to Fiduciary Groups

a. Policy on Loans -- Since Acterra is liable for repayment of any loans, a fiduciary group may not undertake a loan without approval of the Acterra Board of Directors. The Board may require a written guarantee of repayment for such loans from some other funding source. The group may decide whether it will agree with the lender to repay such loans with or without interest.

b. Loan Procedure -- To cover Acterra's check-handling and bookkeeping costs, Acterra will charge the usual fiduciary fee against any loans made to the fiduciary group.

5. Fiduciary Fees

a. To cover administrative costs, Acterra charges a 10% fee on the value of all revenues of the group. No other fees will be charged sponsored projects except an initial one-time application fee of \$100.

b. The group's funds will be placed in a fund with other Acterra monies and Acterra retains all interest generated by the deposit. Separate records are kept of the group's funds and no less than 90% of the group's assets will be available to them at all times.

c. Acterra's Board of Directors retains the option to waive or adjust the administrative fee under special circumstances.

6. Oversight and Reporting Procedures

a. Each fiduciary group shall have an Acterra administrative staff member contact.

b. The fiduciary group must provide, at least annually, a written report on activities as well as on finances. Start up groups should provide six -month reports.

7. Grant Applications

a. The Acterra Executive Director will have the final approval on to whom grants are submitted. Fiduciaries are strongly encouraged to engage their Acterra staff contact early in the process to avoid any conflicts in grant requests.

b. All grant applications and reports must be printed on –the project's letterhead that includes the notation "(name of project) is a sponsored project of Acterra." They should be accompanied by a cover letter on Acterra letterhead signed by its executive director stating that Acterra is the fiduciary agent. The Executive Director of

Acterra must review all grant applications prior to their submission.

c. Grant reports are the responsibility of the fiduciary group. If required grant reports are not completed in a timely manner, further funds for the project may be withheld.

e. The decision whether to allow fiduciary groups to obtain grants through another agent will be handled on a case by case basis.

8. Lobbying Restrictions

To maintain their tax-exempt status, 501(c)(3) organizations must not spend a substantial percentage of their budget on lobbying. To protect its tax-exempt status, Acterra will review, and may limit, lobbying activities by fiduciary groups. Public information campaigns about environmental issues or even about the impact a particular piece of legislation will have on the environment do not usually present a problem. However, direct financial support of political campaigns needs to be reviewed on a case-by-case basis to be sure it meets the IRS guidelines. 501(c)(3) organizations may not raise funds or campaign for individuals running for elective office.

9. Acknowledgment of Acterra

All written and electronic materials of the group, including its letterhead and its website, shall contain a statement that the group is a project sponsored by Acterra. Fiduciaries should have all materials reviewed by their Acterra contact prior to final printing. Non-conforming materials may be required to be re-printed.

10. Contracts; Limitation of Liability

All contracts which obligate the group to pay \$1000 or more, including any loan under paragraph 4 of these Procedures, shall be in writing, and shall include the following language: "Payment of the obligations of [Group] herein are dependent on generation of funds by the Group and are not an obligation of Acterra." Contracts must be reviewed by the Acterra Business Manager before being signed.

11. Legal Proceedings

The group shall obtain written authorization from the Acterra Board prior to initiating participation in a legal proceeding of any kind (e.g., lawsuit, administrative petition, etc.) or appealing any government decision. It shall also report in writing to its liaison to the Board all significant developments in any such proceedings to which it is a party.

12. Liability Insurance

Acterra maintains basic general liability insurance for all of its programs and projects, including fiduciary groups. A portion of the fiduciary fee is used to cover insurance costs. Any other insurance needs, for example property, workers' compensation or special liability coverage must be addressed by the fiduciary group itself. Evidence of insurance can be provided by contacting your administrative staff contact, please provide a minimum of two weeks notice to receive insurance certificates.

13. Bulk Mailing

Sponsored projects may take advantage of Acterra's non-profit bulk mail account. When doing so, Acterra name (as well as the project's), Acterra's address and Acterra's bulk mail imprint must be on the return envelope. For such mailings, the project must use Acterra's local post office (in Palo Alto) and pay for the mailing at the time it is submitted.

14. Publicizing Sponsored Projects

Acterra will publicize each of its sponsored projects on a page on its website and include a link to the project's website if that is requested.

ACTERRA

FISCAL SPONSORSHIP AGREEMENT

This Agreement, effective this ___ day of _____ between Acterra ("Sponsor" herein) and _____, a Fiduciary Group ("Project" herein), provides as follows:

RECITALS

1. Sponsor is a nonprofit corporation to which contributions are tax-deductible under Section 501(c)(3) of the Internal Revenue Code and the laws of the State of California whose mission is to protect and restore our region's natural environment through education, stewardship, and leadership. In furtherance of that purpose, Sponsor offers fiscal sponsorship, including tax-exempt status, to projects with compatible purposes.

2. Project is a group whose purposes are compatible with those of Sponsor but does not yet have formal tax-exempt status.

3. In pursuit of their common goals, the parties are entering into this Agreement in order to clarify the terms under which Sponsor will allow Project to utilize Sponsor's tax-exempt status.

AGREEMENT

In consideration of the foregoing Recitals, and of the mutual promises contained herein, the parties agree as follows:

A. FIDUCIARY OBLIGATION, OWNERSHIP AND AGENCY.

Under the Internal Revenue Code, Sponsor is held responsible as a Fiduciary to ensure that all funds distributed to Project are used solely to further tax-exempt purposes. This law requires that all funds raised, and all assets purchased with those funds, remain the property of Sponsor until this Agreement is terminated in such a

manner as to assure the furtherance of said purposes, and that Sponsor maintain "complete discretion and control" over said funds and assets. The law also makes Sponsor legally responsible for all project-related actions of volunteers and employees of the Project. In order to comply with this law, Sponsor has developed a set of "Procedures for Acterra Fiduciary Groups" (the "Procedures" herein), a copy of which is attached as Exhibit "A." Accordingly, all persons working on the Project will at all times comply with the Procedures.

B. FEES.

Project shall pay the following fees for Sponsor's services: 10% of all income.

C. RENEWAL.

The term of this Agreement is one year from its effective date. However, it shall be renewable annually, as follows: On or before 90 days prior to the end of each annual term, the Executive Director of Sponsor and the appropriate parties from Project will meet to review the past year's activities and determine whether continuation of the Agreement is in the mutual interests of the parties. Following such review, unless either party decides to terminate the Agreement as set forth below, the agreement shall be automatically extended for an additional year.

D. TERMINATION.

1. Termination by Mutual Agreement.

The parties may terminate this Agreement at any time by mutual written agreement.

2. Termination by Project.

Project may terminate this Agreement at any time on 90 days' written notice to Sponsor. Upon such termination, however, all property and funds of Project shall immediately be returned to Sponsor with a full accounting, unless Project establishes to Sponsor's written satisfaction that said assets will after termination continue to be utilized for tax-exempt purposes and that all liabilities of Project are adequately provided for.

3. Termination by Sponsor.

Sponsor may terminate this Agreement at any time upon 90 days' written notice to Project if Sponsor determines that Project has committed a material breach of Acterra's fiscal sponsorship policies (spelled out in the "Procedures"), is no longer fulfilling the tax-exempt purposes that led to to the Agreement, or has been inactive for one year or more. Upon such termination, Project shall return all property and funds of Project to Sponsor, together with a full accounting, prior to expiration of the 90-day notice period.

E. GUARANTEE OF PROJECT OBLIGATIONS.

The party or parties executing this Agreement on behalf of Project (or any successors agreed to in writing) agree to be personally responsible for Project's obligations hereunder.

Dated: _____

Acterra: Action for a Sustainable Earth

By _____

Dated: _____

(Project) _____

By _____

ACTERRA

Fiduciary Application Questions

- 1) How did you hear about Acterra and its sponsored projects program?
- 1) What need(s) or problem(s) does your project address and how was this determined?
- 1) Are there other groups doing similar work? If so, how are you different?
- 1) What is the mission (or primary goal) and the objectives of your project?
- 1) Please describe the activities you will undertake during the next year to accomplish your objectives?
- 1) How will you evaluate your success?
- 1) What is your project's budget for the next year?
- 1) What is the strategy for supporting your project financially? Do you have any funds committed at this point?
- 1) Please describe the expertise of key project members and your project's organizational structure?
- 1) How long do you anticipate operating your project? Do you plan to apply to the IRS for non-profit status at some point?