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| SUBJECT – OUTSIDE ORGANIZATIONS Nonprofit Funding | Number 135.1 | Revised | Review Date | Effective Date X-XX-25 | Page 1 of 5 |
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I. Purpose and Intent:

- A. Under §160A-20.1 of North Carolina General Statutes, a local government may contract with a nonprofit to carry out any public purpose that the local government is authorized by law to engage in.
- B. This policy establishes the framework for funding nonprofit community partners through the General Fund to carry out a public purpose while ensuring transparent and equitable allocation of funds.
- C. This policy applies to all nonprofit community partners that do not fall under other North Carolina General Statutes that prescribe a process to fund and are not Joint City/County Agencies, regardless of award size.
- D. This policy does not apply to the funding of nonprofit organizations through state or federal grants where the granting agency prescribes the process to evaluate and allocate funds.

II. Definitions:

- A. Nonprofit Community Partner: A nonprofit organization incorporated by the State of North Carolina and determined by the Internal Revenue Service (IRS) to be organized under Section 501c3 of the United States Tax Code or other relevant tax-exempt organizations.
- B. General Fund: The General Fund is the principal fund of the City of Fayetteville. This fund accounts for all financial transactions except those more appropriately recorded in another fund. This fund includes the majority of city services including police, fire, emergency communications, inspections, streets, parks, recreation, and administrative functions. Revenues come from intergovernmental revenues, property taxes, user fees, permits and licenses, internal transfers, and other sources of revenue.

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C. Public Purpose: Defined as projects, services, or activities that the local government is authorized by law to fund and undertake.

III. Eligibility:

- A. Eligibility is limited to Nonprofit Community Partners which are located in or provide direct services to the City and which have a community service function considered to be of significant importance to the City and which have been established and active in providing services to the community for at least 90 days.
- B. The organization must be governed by a volunteer Board that includes a majority of members with no familial or business relationships as further defined by the IRS and is representative of the community.
- C. The organization must provide a clear public benefit that aligns with City priorities identified through Council direction, strategic plans, or community needs and agree to comply with reporting, documentation, and contractual obligations established by the City.
- D. The organization must comply with all applicable local, state, and federal laws to ensure nondiscrimination when providing services and appropriate record keeping of financial and operational information.

IV. Application:

- A. Organizations must apply through the process designated by the City Manager or their designee.
- B. Organizations shall submit at least the following: IRS Determination letter, most recent financial statement, a copy of its bylaws, a list of the membership on the governing board, a statement of need and proposed solution, and a proposed budget showing anticipated revenues and expenditures.

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V. Funding:

- A. Appropriations shall be made for a fiscal year period beginning July 1 and ending June 30. The amount and intent of such appropriations will serve as the basis for the application process designated by the City Manager or their designee.

- B. Monetary disbursements shall be made in accordance with each funding agreement and shall be subject to a review of operations and financial statements. Operational and financial statements shall be in such detail as required by the Chief Financial Officer acting in compliance with the local government budget and fiscal control act of the State of North Carolina. Each funding agreement shall include at a minimum clear guidelines and directives to the nonprofit community partner as to how and for what purposes public monies may be spent, and require documentation to demonstrate the use of city funds and delivery of services.

- C. The City Manager or their designee shall establish appropriate performance measures and deliverables in sufficient detail as to determine the effectiveness of the funding to provide a public purpose. These performance measures shall be incorporated into the funding agreement and may be provided as summary reports to Council as requested.

- D. The funding agreement shall impose requirements upon each nonprofit community partner that the City’s funding be acknowledged in advertising, media, or literature associated with the funded program.

VII. End of Fiscal Year:

- A. Nonprofit community partners receiving \$5,000 or more annually must provide or make available to any member of the public an audit or other financial statement by an independent third party in accordance with S.L 2012-169. Pursuant to G.S. §159-40(a), the City may require an audit or an independently prepared financial statement from nonprofit community partners

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receiving \$1,000 or more in public funds, as specified in the funding agreement The City Manager or their designee may establish such requirements through the funding agreement.

- B. Any unspent funds must be returned to the City’s General Fund unless otherwise authorized by the City Manager or their designee. Funding agreements should be structured as reimbursement-based whenever possible. Alternatively, funding may be provided on a quarterly basis, with the first quarter advanced and all subsequent quarterly payments issued on a reimbursement basis.