**FISCAL SPONSORSHIP**

**What does a fiscal sponsor do?**

A fiscal sponsor is an organization recognized by the Internal Revenue Service (IRS) as a nonprofit with established infrastructure and staff that provides fiduciary oversight, financial management, and other administrative services for grant activities being carried out by another organization or group. The organization or group is referred to as the “sponsored project.” The fiscal sponsor receives grant payments on behalf of the sponsored project.

**When should a fiscal sponsor be used?**A fiscal sponsor should be used when:

1. An organization has IRS nonprofit status but does not have the capacity to manage a grant; or
2. An organization has applied to the IRS for nonprofit status but has not yet officially received their designation; or
3. A group (e.g., coalition) does not wish to establish itself as a legal entity registered with the IRS and State of Missouri.

**What are the requirements for fiscal sponsorship arrangements?**

1. Fiscal sponsors must be established as a legal entity and registered with the IRS and the State of Missouri and meet [MFH funding guidelines](https://mffh.org/the-foundation/grantees/funding-guidelines/).
2. The activities of the sponsored project funded by the grant must be consistent with the fiscal sponsor’s tax-exempt purpose.
3. Execute a formal agreement between the fiscal sponsor and sponsored project:
	1. The fiscal sponsor must have complete discretion and control over grant funds for the funds to be tax-deductible according to the IRS.
	2. Roles, responsibilities, and other stipulations must be outlined.
	3. The fiscal sponsor must review the financial activities of the sponsored project on an ongoing basis.
	4. The fiscal sponsor administrative fee, if applicable, must be reasonable as it relates to the services provided to the sponsored project. MFH has the right to negotiate the fee.
4. A copy of the agreement signed by both parties is required at the time of proposal submission.
5. If awarded, the fiscal sponsor and sponsored project are both responsible for all terms and conditions described in the grant award agreement with MFH for the duration of the grant.
6. If the group receives nonprofit status and registers with the State of Missouri or if the organization establishes operations to the extent they no longer require a fiscal sponsor during the grant, a formal amendment may be completed. A letter signed by the fiscal sponsor and sponsored project requesting a change to the agreement along with the IRS tax determination letter for the newly formed organization must be submitted to MFH. The fiscal sponsor will submit a final financial report and appropriate documentation to MFH within 30 days of the change.