

FISCAL SPONSORSHIP

What is a fiscal sponsor?

A fiscal sponsor is a 501(c)(3) organization with established infrastructure that provides shared corporate and tax structure, finance, HR, legal, insurance, risk management and other resources for another nonprofit organization or group to carry out a project or program of mutual interest. There are several models of fiscal sponsorship. The two most common forms are “[Model C](#)” and “[Model A](#).” The relationship between the fiscal sponsor and sponsored project determines which model is used.

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 or infrastructure 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, registered with the IRS and the State of Missouri, and meet [MFH 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:
 - a. The fiscal sponsor must have complete discretion and control over grant funds for the funds to be tax-deductible according to the IRS.
 - b. Roles, responsibilities, and other stipulations must be outlined.
 - c. The fiscal sponsor must review the financial activities of the sponsored project.
 - d. 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 is 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, a formal amendment may be completed. A letter signed by the fiscal sponsor and sponsored project requesting the grant be transferred to the sponsored project 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.

Additional fiscal sponsor resources:

- [Social Impact Commons](#)
- [Fiscal Sponsorship 101](#)

Note: “[Fiscal agency/agent](#)” is a commonly misused term. “Agency”, in the legal sense and used in this manner, would indicate the sponsored project has ultimate control over funds. This is a relationship the IRS would deem improper, so the term “fiscal agent” should never be used.