



Fiscal Sponsorship

What Does It Mean to Me?

What is a fiscal sponsor?

A fiscal sponsor is a 501(c)(3) or Canadian registered charity that agrees to receive and disburse the funds for your project, your project should have a purpose similar to that of the sponsor organization.

What are some reasons groups use fiscal sponsors?

Start-up groups that haven't yet committed to creating a 501(c)(3) or are not sure whether they will operate over a long period of time may find a sponsor relationship beneficial as a way to nurture a young charitable group.

What are some of the benefits of using a fiscal sponsor?

The primary benefits of most fiscal sponsorship agreements are financial, including receipt of tax-deductible donations, eligibility for certain grants and financial record keeping. Specific types of sponsorship and agreements will define the services and benefits provided by a sponsor.

Why would one organization be willing to act as a fiscal sponsor to another organization?

The most common reason a 501(c)(3) would agree to provide sponsorship to another group is because the other group wants to engage in an activity that is substantially similar or complementary to the activities of the 501(c)(3). By acting as a fiscal sponsor, for example, an organization can nurture a new, complementary effort and manage funds for a temporary project.¹

How is a fiscal sponsor relationship defined?

The relationship between the two organizations is often defined by a legal agreement that establishes how the groups will work together, the roles and responsibilities of each organization and any fees that will be paid for the services provided by the sponsor organization. For examples of different ways to define this relationship see Colvin, Gregory L., *Fiscal Sponsorship 6 Ways to Do it Right*, Silk, Adler & Colvin, 1993, 82pp. For examples of "Fiscal Sponsorship Agreements" contact Freshwater Future.

Who is responsible for the activities under a fiscal sponsorship agreement?

Because the "parent organization" is the legally responsible party, it has the ultimate control over grant management and financial management decisions. The sponsor should ensure that the sponsored group is meeting their requirements under any grants.

As a group being sponsored by another organization what should I keep in mind?

Because the sponsoring organization does have responsibility for the sponsored activities, you should always 1) be sure the sponsor is willing to sponsor an activity before applying for funding, 2) send any reports for funders to the sponsor, 3) coordinate work and financial arrangements through the sponsor, 4) have the sponsor write checks for work accomplished to the group and not to an individual, and 4) request permission before using the sponsor's name.

More questions? If you still have questions about fiscal sponsorship, please call Jill Ryan, Freshwater Future Executive Director at (231) 348 8200.²

¹ From Frequently Asked Question on the Nonprofit Genie website (www.genie.org) by David Barlow, CPA.

² This fact sheet was prepared for the use of grantees of Freshwater Future. This general information is not intended as legal advice. If you have specific concerns about your particular relationship you may wish to consult an attorney.