

How To Receive Grants and Donations Through a Fiscal Sponsor

A Bite-Sized Legal Guide

Who should use this guide: Anyone considering starting a nonprofit or otherwise conducting activities that may be eligible for grants and donations.

What is Fiscal Sponsorship?

Fiscal sponsorship is a relationship between a 501(c)(3) nonprofit organization and a project that does not currently have tax-exemption, but furthers the tax-exempt purposes of the fiscal sponsor. The new project is typically not yet able to receive tax-deductible grants and donations, so the funds are donated to the fiscal sponsor, which passes them on to the project. Depending on the model, the fiscal sponsor may provide additional administrative services and have varying degrees of control over the project operations.

Fiscal Sponsorship vs. Forming a 501(c)(3)

Fiscal sponsorships allow new, experimental charitable projects to work under an existing 501(c)(3) organization without formalizing as an entity itself. They give charitable projects room to expand and be tested without needing to go through corporate formalities. It also typically allows the sponsored project to apply for grants under the sponsoring 501(c)(3)'s tax-exempt ID number. In exchange, the fiscally sponsored projects typically pay its sponsor an administration fee (anywhere between 0% to 15% of revenues). Moreover, depending on the exact model and details of the fiscal sponsorship, the sponsor may have control and ownership over the sponsored project's outputs.

Models of Fiscal Sponsorship

The two most common types of fiscal sponsorship are the Model A and the Model C fiscal sponsorship. Model A sponsorships are more formal, and require the sponsoring organization to take more responsibility for the charitable project. In a Model A agreement, the sponsor has an employer-employee relationship with the charitable project, and the output of the charitable project is attributed to the sponsoring organization. Sponsors in a Model C agreement are typically more hands-off: they mainly act as a conduit for grant applications, and the project deliverables are attributed to the project, and not the sponsor. Generally speaking, for charitable projects which want to retain its own branding and eventually establish its own entity, the Model C approach may be a better fit because it allows the project to retain ownership over its work.

Overview of Model A and Model C Fiscal Sponsorship

	Model A “Direct Project”	Model C “Pre-approved Grant Relationship”
Description	Project belongs to sponsor and is implemented by its employees and volunteers.	Project applies to sponsor for one or a series of grants, sponsor funds the project only to the extent that money is received from donors.
Relationship between sponsor and project	Employer-employee	Grantor-Grantee
Liability	Total liabilities for acts of employees.	Selection and payment of grantee, plus terms set by funding source.
Ownership of output and results	Sponsor	Project usually
Other comments	Legally, the project is no different than any other activity carried on by the sponsor directly.	Used by a non-501(c)(3) project, in order to raise tax deductible support from donors, private foundation or government grants.

Source: Colvin, Greg. “Presentation on Fiscal Sponsorship,” Western Conference on Tax Exempt Organizations (November 17, 2006), available at http://www.fiscalsponsorship.com/images/WCTEO_Gregory-Colvin.pdf.

Steps to Forming a Fiscal Sponsorship Relationship

1. Determine what type of fiscal sponsorship relationship you want: at this stage, consider what types of rights and ownership you want to retain during the fiscal sponsorship. Balance this with the immediate needs of your project. This help you decide whether you want to pursue Model A, Model C, or some other type of sponsor relationship.
2. Find a fiscal sponsor: look for possible fiscal sponsors using resources like [this fiscal sponsorship directory](https://fiscalsponsordirectory.org/) (<https://fiscalsponsordirectory.org/>).
3. Contact the sponsor: once you have identified possible sponsors, contact them to ask about their availability for sponsorship. Look for fit between their mission and the mission of your charitable project. Don’t be shy about asking about fees and the terms of sponsorship.
4. Execute a fiscal sponsorship agreement: before signing the fiscal sponsorship agreement, take some time to read and understand the terms of the arrangement. Make sure you are aware of any fees involved as well as any restrictions on your rights over the project before signing the

agreement. A properly executed agreement that is aligned with both the goals of the project and the sponsor is important to establishing a strong foundation for a fiscal sponsorship.

More Resources

- [In-depth summary of fiscal sponsorship models](#)
- [An overview of the pros and cons of fiscal sponsorship](#)
- [Comparison of starting a new 501\(c\)\(3\) and Model A fiscal sponsorship](#)
- [Directory of fiscal sponsors](#)

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