FISCAL SPONSORSHIP 101

WHAT IT IS & WHAT TO CONSIDER

Hartford Foundation FOR PUBLIC GIVING

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INTRODUCTION

Fiscal sponsorship has been around for decades, but in recent years, it has received increasing attention as an alternative to starting a nonprofit, an incubator for emerging nonprofits, and a means of funding and supporting grassroots initiatives, particularly those led by communities of color. The approach has many other uses and limitations. We'll touch on all of that in this guide.

What fiscal sponsorship is and how it can be structured are well documented, thanks largely to Gregory Colvin's book, *Fiscal Sponsorship: 6 Ways to Do It Right*, now in its third edition (2019), co-authored by Stephanie Petit. Just like any relationship, each fiscal sponsorship arrangement has unique features. Being clear about what both parties need and expect is paramount to each arrangement's success—and it's another set of considerations that we'll introduce.

DISCLAIMER: This introductory orientation to fiscal sponsorship is for educational purposes only—and it's just the tip of the iceberg. If you're seriously considering fiscal sponsorship as a sponsor or a project, you are encouraged to seek legal advice before entering into any formal agreement.

RECOMMENDED READING

Several recent studies examine who is providing fiscal sponsorship, the range of services sponsors offer, and emerging practices that promote equity. People interested in learning more about these topics will want to read the following:

- "Fiscal Sponsor Field Scan 2023: Survey Report" by Social Impact Commons and the National Network of Fiscal Sponsors (2023) examines the field's composition, attributes, and needs though comprehensive data shared by 100 fiscal sponsors.
- "Leveraging Fiscal Sponsorship for Racial Equity" by New Venture Fund (2021) also considers the composition of the field of fiscal sponsorship and how to strengthen it through collaboration.
- "Reimagining Fiscal Sponsorship in Service of Equity" by TSNE (2021) focuses on equity-centered practices for fiscal sponsors and shares four in-depth case studies on sponsors that exhibit these practices – CultureWorks in PA, Movement Strategy Center in CA, Urban Affairs Coalition in PA, and The Foraker Group in AK.
- "Centering Equity in Intermediary Relationships" by Change Elemental (2020) offers four key ways funders can support equity-focused fiscal sponsors and intermediaries.

All these sources offer important information and considerations for fiscal sponsors, sponsored projects, and their funders.

WHAT IS FISCAL SPONSORSHIP?

Fiscal sponsorship can be defined in terms of its structure and its purposes.

Structurally, fiscal sponsorship is a legal arrangement in which a nonprofit organization chooses to support a mission-aligned project that does not have its own IRS 501(c)(3) status by providing it with financial and administrative support and tax advantages.

For sponsored projects, a fiscal sponsor can provide:

- A temporary or permanent alternative to independent 501(c)(3) status and, in some cases, separate corporate existence.
- The ability to operate in partnership with a pre-existing charity while retaining its public-facing identity.
- The ability to apply for philanthropic and government grants and offer tax deductions to donors because of the sponsor's 501(c)(3) status and oversight.
- Core administrative support and reporting and, thus, more time to focus on programs.
- And increasingly, access to other organizational or capacity-building supports.

For the nonprofit serving as a fiscal sponsor, sponsored projects are assets that provide a strategic means of advancing its own mission and impact. Sponsor motivations might include:

- Expanding access to relevant programming or proximity to key populations.
- Encouraging innovation while limiting or managing project-related risks (testing ground).
- Enabling and resourcing a community-led response to a crisis.
- Promoting community engagement, activism, and/or enrichment by providing a 501(c)(3) "home" and resources for mission-aligned projects, including individual efforts and community initiatives.
- Providing a backbone—or oversight, coordination, and infrastructure—for a community impact collaborative or coalition.
- Building the capacity of emerging organizations and broader fields or networks within an ecosystem.

WHAT DOES FISCAL SPONSORSHIP LOOK LIKE?

Fiscal sponsorship arrangements are more common than you might think. They can occur for a range of reasons, at different stages of a project's development, and for varying lengths of time.

- Sponsored projects may be **responding** to some immediate need or charitable want in their community.
- They can be **organizing** efforts led by community members or nonprofits working toward collective impact.
- **Incubating, emerging, or early-stage** organizations can use sponsorship as a temporary or longer-term solution.
- Even **established** programs or nonprofits may find sponsorship a beneficial solution that allows them to resource their organization's infrastructure efficiently and focus on their mission.

FOR EXAMPLE

Below are just a few example scenarios organized by the project type or stage of development.

Responding to some immediate community need or charitable want:

- A hurricane decimates a community. The local community foundation sponsors a relief project to ensure donations pouring in from across the country are directed to entities that are organizing temporary housing, supplies, volunteers, and longer-term rebuilding efforts.
- A local arts organization sponsors an individual artist who wants to apply for a city grant and solicit donations from residents and local businesses to develop a community art installation and event.

Organizing efforts led by community members or nonprofits working toward collective impact:

- A passionate group of community members have organized to advocate for public policy changes. They want to apply for a grant to resource an awareness and letter-writing campaign. A like-minded nonprofit values the network and drive of the grassroots group and agrees to be their fiscal sponsor so they can receive grant funding.
- Several nonprofits focused on reducing economic insecurity want to create a collective impact coalition. Their local United Way agrees to oversee the project and serve as the fiscal sponsor for this collaborative effort.

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Incubating, emerging, or early-stage organizations using sponsorship as a temporary or longer-term solution:

- An established fiscal sponsor agrees to take on an innovative project concept that needs a few years to test its effectiveness and financial viability before it becomes an independent 501(c)(3) nonprofit.
- A startup nonprofit has filed an application with the IRS for its 501(c)(3) status but needs to fundraise for its programs while it waits for approval. The organization finds a temporary fiscal sponsor to enable it to apply for grants and solicit donations in the interim.
- An all-volunteer group with great momentum wants to access charitable funds and move toward hiring a few staff. They become a fiscally sponsored project so the steering committee can focus on growing the organization, knowing that their sponsor is taking care of the administrative and reporting matters that come with grants and donations. The sponsor can also provide benefits for the project's eventual employees. Their agreement includes separation terms if they decide to become an independent 501(c)(3), but they feel they can grow under this arrangement for at least three to five years.

Organizing programs or nonprofits looking to resource their organization's infrastructure efficiently and focus on their mission:

- Volunteers run a summer lunch program out of a church basement each year. The church agrees to fiscally sponsor the project so it can receive tax-deductible donations from local grocery stores, the town's Department of Human Services, and individual donors.
- A small nonprofit with its 501(c)(3) status and one paid director carefully weighs the pros and cons of fiscal sponsorship. The board decides to dissolve its independent corporate status and become a sponsored project so the director can focus on the mission and fundraising and the organization can benefit from the sponsor's administrative efficiencies and capacity-building supports. They flourish under the arrangement and remain a fiscally sponsored project for many years.

WHAT KINDS OF SUPPORTS DO FISCAL SPONSORS PROVIDE AND HOW MUCH DOES IT COST?

The answer depends on the fiscal sponsorship model (see pages 8-9) and what services the sponsor chooses to include.

Most sponsors charge a percentage of the project's revenue to cover the expenses related to sponsoring the project.

The table below outlines some examples of what a sponsor might offer.

LEVEL OF SUPPORT	TYPE OF SERVICES	APPROPRIATE CIRCUMSTANCES
Basic Functions	Legal "home"	Model A only
	Core administrative functions (finance, compliance, legal, HR)	Model A only
	Charitable fund administration and reporting*	Models A & C
More Robust Administrative Supports	Group purchasing (e.g., insurance and benefits)	Model A only, may incur and additional fee
	Other "back office" or professional services (e.g., IT, grant writing, marketing)	Included in fee or as an add-on service option
Capacity Building	Consulting services (e.g., strategy leadership, and board development)	Included in fee or as an add-on service option
	Communities of practice (shared learning and network building among projects)	Sometimes under larger sponsors
Other	Access to office and meeting space (e.g., space in the sponsor's building, nonprofit center)	Discretion of sponsor

** In every fiscal sponsorship model, the sponsor MUST maintain discretion and control over the assets associated with the project.*

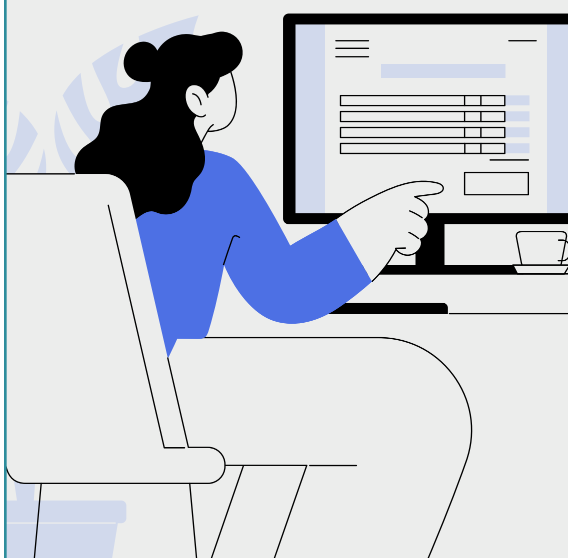
FEES

- For projects where the sponsor just re-grants and ensures the appropriate use of funds (Model C), the fee may be less than 5% of the funds received for the project.
- For projects looking for a legal home, core administrative functions, and more (Model A), the fee may be 5-15% of the project's operating revenue because the sponsor provides much more and has much greater responsibilities and risks.
- In some instances, additional amounts may be charged to cover the costs associated with a project's insurance coverage, legal advice, employee benefits, professional services like IT, optional capacity- building supports, etc.

If you are considering serving as a fiscal sponsor, carefully examine what the actual costs of delivering the intended services would be and set your administrative fee accordingly.

WHAT FISCAL SPONSORSHIP CAN SOUND LIKE—BUT IS NOT

It's also important to clarify what fiscal sponsorship is not.



Fiscal sponsorship is **not simply serving as a "pass-through"** to fund a non-501(c)(3).

Sponsors are intermediaries that, per the IRS, must retain discretion and control to ensure that contributed funds are used as intended (Colvin & Petit, 2019). The sponsor owns and controls the funds it receives and is responsible for ensuring that those funds remain dedicated to the charitable purpose of the project. Oversight by the sponsor is what enables it to extend the benefits of its 501(c)(3) status to a sponsored project.

Similarly, fiscal sponsorship is **not simply providing administrative or back-office services to another organization.**

Small 501(c)(3) nonprofits that want to remain independent and just want back-office services can outsource these functions through various fee-for-service arrangements, including with a larger nonprofit or a management services organization—but these arrangements are not fiscal sponsorship.

On the sponsor's side, it's important to realize that **fiscal sponsorship is not a money-maker in most cases.**

Larger sponsors for whom fiscal sponsorship is a core (or the only) charitable activity may generate surplus revenue by achieving economies of scale, especially if they use technology effectively. However, most sponsors will break even or need to raise funds to offset the costs of the services they provide (TSNE, 2021), especially if they approach the work with an equity lens. This is why setting a sufficient administrative fee and mission alignment are so important—fiscal sponsorship is a strategic investment in advancing a common cause.

The documentation and policies governing fiscal sponsorship can be standardized and streamlined, making it easier for a fiscal sponsor to deploy new projects. This section overviews the most common models of fiscal sponsorship, Model A (direct project) and Model C (preapproved grant relationship).

At **FiscalSponsorship.com**, you can access a **summary of all six models**, a chart comparing **starting a new 501(c)(3)** to using Model A fiscal sponsorship, and **specific tips for fiscal sponsors** around project intake, project transfers, grant applications, and more!

Purchase the book *Fiscal Sponsorship: 6 Ways to Do It Right* at **FiscalSponsorDirectory.org** to gain an in-depth understanding of each model, its potential uses, and important considerations. The book's appendix includes grant agreement outlines for Models A and C.

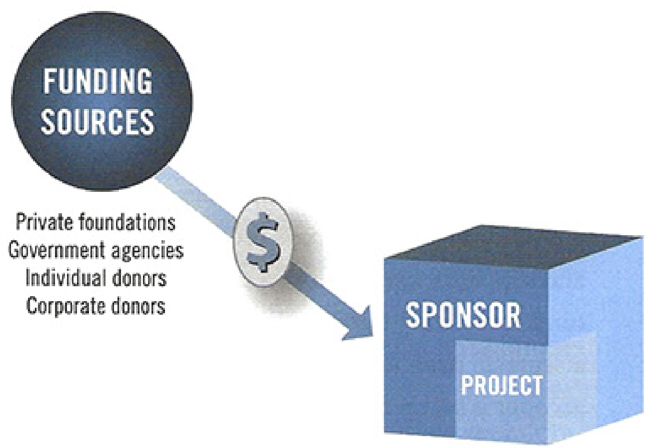
MODEL A

Model A is often called "comprehensive" fiscal sponsorship because of the range of services sponsors provide to Model A projects.

Because the sponsor takes the project in-house, it must provide core administrative functions (i.e., legal and compliance, accounting, charitable fund administration, and human resources) just as it would for "its own" programs and employees. That relief of administrative burden makes Model A an enticing option for some projects. The sponsor handles everything from payroll and benefits to tax filings and insurance, and often offers infrastructure in other areas like IT.

Because Model A sponsorship involves the most work by and risk to the sponsor, the costs of administering the project are typically higher than the administrative costs of Model C.

MODEL A | Direct Project



In Model A, the project has no separate legal existence. The sponsor approves the charitable project's activities as furthering its own purposes and takes the project in-house.

This means:

- The people conducting the project become employees or volunteers of the sponsor for the duration of the project. The fiscal sponsor enters into an agreement with the project's leadership (often in the form of an "advisory committee"), documents the terms of the arrangement, and delegates to them the authority to supervise the project on a day-to-day basis.
- All the project's assets (money, physical and intellectual property, results, etc.), as well as all related risks and liabilities, belong to the sponsor, underscoring the importance of clear documentation from the outset of any shared expectations about what will happen if the project dissolves or leaves the sponsor.
- Grants and donations supporting the project's purposes are made to the sponsor, who issues receipts and maintains the funds in a designated account.
- The project's operation is subject to the ultimate authority of the sponsor's board of directors. That said, sponsor boards typically delegate authority over the operations to the project's advisory committee.

EXAMPLES:

Model A is commonly used to support projects (often in the same field) that would benefit from shared back-office services; short-term projects; long-term projects that want deeper and sustained support; responses to a sudden need or disaster; and collaboratives and coalitions.

MODEL C

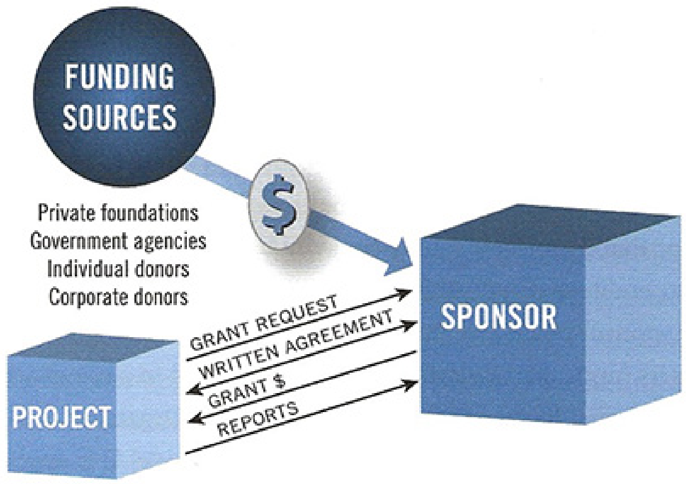
Structurally, Model C is all about enabling a non-501(c)(3) entity to raise tax-deductible funds from donors, private foundations, or government grants to conduct charitable activity.

It is also known as a “pre-approved grant” or “re-grant” arrangement as the fiscal sponsor and project take on a grantor-grantee relationship.

In this case, the project is, or is conducted by, a separate legal entity—it just doesn’t have 501(c)(3) status.

The sponsor declares that the project’s purpose aligns with its own charitable goals and is eligible to receive grants from the sponsor from donations received for that purpose. Model C sponsorship can be a one-time arrangement enabling a non-charity to receive a single grant to support a charitable project. It can also be an ongoing arrangement where a sponsor regularly receives and re-grants funds to a non-charity.

MODEL C | Preapproved Grant Relationship



Because the project is a separate entity, it’s responsible for its own accounting, tax and legal obligations, insurance, liabilities, etc. Its assets also remain its own. Under Model C, it’s also usually easy to transfer the project’s restricted funds to another fiscal sponsor—or to the project if it obtains 501(c)(3) status.

The sponsor’s role is to receive donations, issue receipts to donors, maintain the project’s restricted funds, and responsibly manage the grant by exercising discretion and control, which it does by:

- Clearly specifying the sponsor’s discretion and control over the funds, both to donors and in the grant agreement with the project
- Evaluating all funding requests from the project entity
- Requiring and reviewing periodic reports from the project and asking for follow-up if needed
- Refusing to make further grants and seeking repayment if there are indications of misspending.

The grant agreement should also set forth the **terms and conditions** regarding the project’s use of the grant funds, its relationship with funders, and expectations for reporting (frequency and substance). While the project team will communicate with potential funders and prepare proposals, the sponsor holds the legal relationship and should submit them. Contributions received by the sponsor are considered its revenue. The sponsor then re-grants the funds to the project per the grant agreement.

EXAMPLES:

Model C is commonly used to support program or organization incubation; project fundraising while waiting for IRS recognition of tax-exempt status; high-liability activities; and charitable projects conducted by noncharitable entities.

Fiscal sponsors are as unique as their projects. There are large national sponsors with massive portfolios, small nonprofits supporting community-led initiatives, and everything in between.

A sponsor's orientation to the work, where mission alignment occurs, and whether they approach sponsorship with an equity lens all influence the kind of arrangement and relationship they might have with their project(s).

See the ***Appendix*** for reflection questions for entities considering becoming a fiscal sponsor or sponsored project.

HOW SPONSORS MAY BE ORIENTED TO THE ROLE

Fiscal sponsors come to the work with a range of purposes and strengths.

Recognizing this can help a potential project assess which mix aligns with its technical and relational needs. It can also help potential and current sponsors reflect on their origin stories and focus on how they might want to develop as sponsors.

Origin Story

Fiscal sponsors may assume this role by request or as a core part of their work. Broadly and generally speaking:

- **Mission-driven** sponsors are nonprofits that agree to take on a relevant project in their community or field of service. They are often new to fiscal sponsorship and usually only take on a project or two because they were asked. They're in it to be supportive. They can be strong local partners or can find themselves in over their heads if they don't fully understand what the role requires. They might serve as a fiscal sponsor for a limited time or may purposefully expand that role over time.
- **Purpose-built** sponsors offer fiscal sponsorship and technical assistance as a core part of their mission. They intend to be an ongoing fiscal sponsor and build systems and processes to meet the needs of incubating and ongoing projects. They may have a specific, limited clientele (e.g., artists, start-ups, BIPOC-led projects) or accept a wide range of project types. They're in it because they're committed to fiscal sponsorship as an impactful model.

Strengths

Similarly, New Venture Fund (2021) notes that fiscal sponsors have varying strengths:

- Some sponsors are more proficient at providing **technical support**. These sponsors often have a large portfolio and the capacity to offer core administrative services at scale.
- Others are **"deep equity"** sponsors committed to providing more culturally relevant, relational, and supportive approaches to sponsorship.
- Some sponsors are (or are working on becoming) proficient at both, while others have a dominant strength.

What kind of sponsor is right for your project?

It depends! A grassroots effort might prefer a trusted local nonprofit that shares their commitment to the project's work—or they may want a purpose-built, deep equity sponsor that can also train them in organizing. An artist might just need a sponsor that will enable them to access grants and donations, while a program looking for a longer-term arrangement may want a sponsor offering a range of customized capacity-building supports.

In any case, the "right" choice involves making the selection based on both the sponsor's skills and capacity and the project's needs and circumstances.

THE IMPORTANCE OF MISSION ALIGNMENT

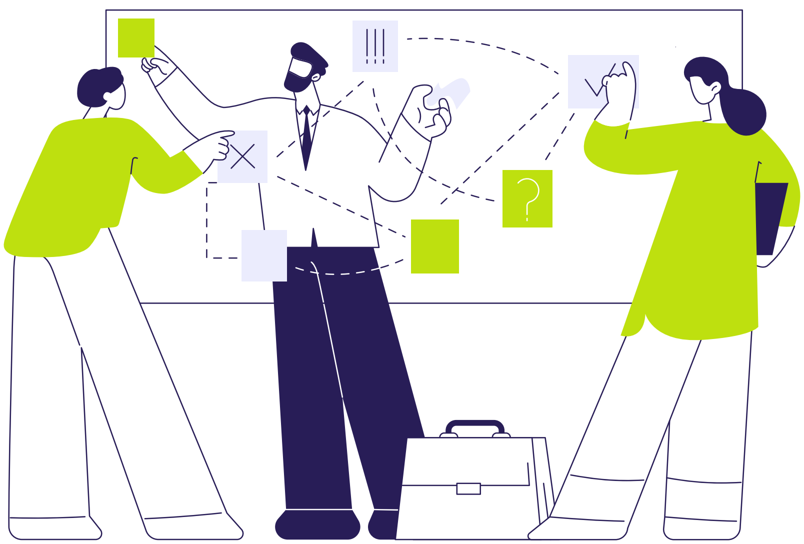
With such a wide array of fiscal sponsors and projects, the importance of mission alignment cannot be understated.

Legally, in order to extend a nonprofit's 501(c)(3) benefits to a sponsored project, the project must further the nonprofit's exempt purposes. More generally, strategic alliances like fiscal sponsorship are intended to advance a common cause.

Mission alignment supports the ideas of:

- **Mutual benefit** – The sponsor is looking to advance its own mission and impact through the project, and the project is looking for a range of benefits and resources so it can succeed. Both the sponsor and the project "win" when there is shared commitment to advance a common mission through a successful partnership.
- **Strategic investment** – An extension of mutual benefit, strategic investment is about resources and attitude. In many cases, fiscal sponsorship represents an investment on the part of the sponsor. When sponsors consider projects as investments in advancing mutually desired outcomes, projects are more likely to be viewed as assets than as liabilities. This framing can also help sponsors weigh the financial and capacity costs and benefits of serving as a project's sponsor.
- **Healthy oversight** – Sponsors need to ensure fiduciary oversight, but that does not necessarily require them to manage their projects' daily work. Conversely, projects need to respect their sponsor's oversight role and needs. Fostering the trust in this relationship to strike a healthy balance between oversight and autonomy is also supported by...

- **Shared values and expectations** around equity, relationship norms, and risk. Using tools or frameworks to assess mutual fit early on is important (New Venture Fund, 2021). For example, where are both parties in their equity journey? Do the project and sponsor expect a low or high-touch relationship? While they may be aligned with a mission in theory, will the sponsor view the project's activities and messaging as a risk to its status, relationships, and funding?



These concepts and questions also raise the issue of the **power dynamic** inherent to the structure of fiscal sponsorship. For a sponsorship relationship to succeed, both parties must acknowledge the oversight that comes with it.

Some projects may not see oversight as an issue or even welcome it, while others could see it as another example of an oppressive system that forces unwanted structures and formalities in exchange for funding. Even with equitable practices in place, issues of power, control, and compliance—elements of harm—mean that despite best intentions and better practices, fiscal sponsorship still may not be right for every project.

That said, if approached with an equity lens, the relationship between the fiscal sponsor and project can be transformational and yield powerful results for the community, which is the subject of the next section.

RELATIONSHIPS TAKE TIME.

Sometimes, entities rush into a fiscal sponsorship arrangement because a project wants to meet a grant application deadline or secure a big donation. In some cases, that might work out fine—but in other cases, making a short-term, transactional decision may lead to longer-term, relational woes. Both potential fiscal sponsors and projects should take appropriate time to get to know each other's needs and expectations before proceeding.

Many purpose-built sponsors are also upfront about the minimum time required for their application process, which may include interviews and an intake assessment to gauge mission fit, financial position, risks, and capacity needs. Being accepted as a project also requires the approval of the sponsor's board of directors. All these things take time, so plan accordingly.

EQUITABLE APPROACHES TO FISCAL SPONSORSHIP

In many ways, the conversation about equitable approaches to fiscal sponsorship is an extension of the conversations about transformational capacity building (Nishimura et al., 2020) and **trust-based philanthropy**. All three conversations start with recognizing the harm of some historical approaches, especially toward small organizations and grassroots initiatives that are BIPOC-led and -serving.

The overall recommendations echoed across the field are simple in theory and demanding in practice: build relationships, listen, challenge assumptions, share power, communicate openly, and be responsive. This means less transactional and more relational approaches that also connect projects to a broader range of supports.

When sponsors listen to and build relationships with their projects, especially those that are BIPOC-led and serving, they can better understand how their projects define leadership, value, and effectiveness and what their true needs are—which may differ from what the sponsor would conventionally assume. In fact, New Venture Fund (2021) found that "More than unique tools or offerings, grassroots groups elevated *understanding, alignment*, and trust as a necessary foundation for a strong partnership with their fiscal sponsor."

Building from a place of trusting relationship, holistic or equity-minded sponsors also:

1. **Integrate fiscal sponsorship and customized, culturally aligned capacity-building services** (TSNE, 2021) like coaching, strategic planning, grant writing, marketing, and training. Some sponsors have found that grant writing is one of the most effective services they can offer their projects (Nishimura et al., 2020). Capacity building needs are often assessed during the project's intake process and revisited annually.

2. **Leverage external relationships and internal project networks to resource and empower their projects** (New Venture Fund, 2021; TSNE, 2021). As intermediaries, sponsors are encouraged to connect their projects with funders and advocate on their behalf. They can also foster peer-to-peer connections and learning communities among their projects to further their individual and collective strength.

3. **Invest in their own equity journeys**. Sponsors that examine their own assumptions, policies, and practices can make shifts to reduce barriers and be better partners to their projects. Fiscal sponsors are also urged to work together to center racial equity and build the capacity of the field (New Venture Fund, 2021).

Efforts like these are investments in relationships and the success of sponsored projects. They go beyond the required transactional administration and oversight and emphasize listening, valuing a project's strengths, responding with relevant supports, and fostering shared learning and impact.

Fiscal sponsorship has the potential to enable tremendous social impact, especially when approached with an equity lens.

The legal structure involves a power dynamic (discretion and control) that must be acknowledged and negotiated to minimize risk, harm, and conflict; however, with clear mission alignment, a thoughtfully considered arrangement, and ongoing investment in the relationship, it truly can be a mutually beneficial and strategic alliance.

It also helps to remember that fiscal sponsorship is just one tool in the toolbox. Sometimes, it might be the right tool to use. Other times, it might not be. Above all, if you're thinking about becoming a fiscal sponsor or a sponsored project, **take the time to get clear about your strategic objectives, needs, and expectations regarding fiscal sponsorship**. Proceeding with clarity (and good legal counsel) will greatly improve your shared chances of success.

Some parting words of encouragement and suggestions to consider:

Sponsors:

- **Don't go it alone.** Get legal and accounting guidance and either join a community of practice or find a more experienced fiscal sponsor that is willing to be a sounding board.
- **Be realistic** about your own capacity limitations and where you are on your equity journey. Assess and build from where you are.
- **Keep the lines of communication open** with your project(s) to ensure healthy oversight and nurture a trusting relationship.
- **Keep learning.** Fiscal sponsorship is a rapidly evolving and expanding field.
- **Keep examining and updating your practices,** just like you would for any other program you run. Listen, evaluate, and adapt.
- **Don't be afraid to advocate for funding** for your project(s) and yourself. If serving as a fiscal sponsor is a strategic investment in your mission, tell that story and fundraise for it!

Projects:

- **Don't rush the wedding.** Before entering into an agreement, get clear about your needs and ambitions and get to know your potential partner.
- **Be realistic** about what fiscal sponsorship can and cannot do for you and whether it's even the right tool to solve your problem.
- **Keep the lines of communication open** with your sponsor to ensure healthy oversight and nurture a trusting relationship.
- **Don't be afraid to advocate for funding** to cover the administrative fees associated with fiscal sponsorship. Include those costs in grant applications!
- **Know that it's ok to move on... or to stay.** Let your mission and principles define your project's value, effectiveness, and success. Choose what's going to help you keep advancing the work.

We hope you've found this guide helpful. Thank you for all you do for your community.

The following questions are for entities considering becoming a fiscal sponsor or sponsored project. They are intended to support thoughtful reflection only—*Seek legal advice before entering into any formal agreement. New sponsors will also want accounting guidance.*

WHAT POTENTIAL PROJECTS SHOULD CONSIDER

About your needs:

- What **kinds of supports** do you need your sponsor to provide right now? (Refer back to page 5.)
- Do you envision sponsorship as a **shorter-term or longer-term** relationship?
  - If longer term, how do you intend to grow? How do you think your needs might evolve over time?
- What **kind of relationship** do you want with your sponsor? (e.g., low- or high-touch)
  - How often do you want to meet with your sponsor? About what?
  - Are you looking for coaching or guidance from your sponsor?
  - How often do you think it's reasonable for your sponsor to expect a report of your activities and expenses?
- What's your entity's current **legal status**? Will it need to change based on the sponsorship model you're considering?
  - Are you already formed as a legal entity? Do you have an EIN? Do you have your 501(c)(3) status?
  - If you are a separate legal entity and considering Model A, are you willing to dissolve the separate legal entity?
- Suppose you decide to switch sponsors or become an independent organization. What tangible and intangible **assets** (e.g., donor lists, work product, the project's name or brands, etc.) are important to protect and take with you?

Regarding a potential sponsor's fit:

- How are your **missions aligned**? How does your project advance their charitable purposes?
- Do they have **supports** that meet your current and anticipated needs?
- Are you on the same page regarding what the **relationship** should look like, both in terms of structure and expectations of one another?

About what a potential sponsor will want to know:

- See the questions about what sponsors should consider regarding a potential project's fit and situation. Be prepared to provide the needed information and answers.

WHAT POTENTIAL SPONSORS SHOULD CONSIDER

About fiscal sponsorship as an offering:

- What are your **strategic motivations** for becoming a fiscal sponsor? (Refer back to page 2.) How might serving in this capacity further your mission or tax-exempt purposes?
- What is your organization's **comfort with risk**?
  - Are you comfortable with providing fiscal oversight without controlling the project's daily activities?
  - If a project does not deliver on its purpose or use contributed funds as intended, are you prepared to intervene and redirect or return funding if necessary?
  - What if you (or your funders) disagree with a position or approach that your project is taking?
- Do you have the **capacity** (especially in accounting) to fulfill the administrative and reporting requirements of fiscal sponsorship?
- What supports will you provide beyond the transactional minimum, if any? What **level of support** aligns with your mission, values, and commitments to equity?
- Is the **administrative fee** you intend to charge enough to cover all your project support costs? If not, do you have philanthropic or donor partners willing to help fund this program, especially if you're integrating capacity building for your projects?

Regarding a potential project's fit:

- Is the project's **charitable purpose** aligned with your own?
  - How would the project help advance your mission? In what ways would partnering with them be a strategic investment?
- Do you have an existing **relationship** with the entity's leader(s)? Why are they coming to you for sponsorship?
- Do any of their positions, approaches, or activities pose a **potential risk** to your organization (reputational, relational, financial, insurance liability related, or other)? Is it a risk you're willing to take?
- Is this project intended to be **time-bound** (e.g., an event, waiting on 501(c)(3) status) **or sustained** indefinitely?
- Do the project's leaders (including any current board or steering committee) know what kind of relationship they want (**low- or high-touch**)?
- What kinds of **capacity building** supports do they want?
- Does the project know what **model of fiscal sponsorship** it wants? Are you willing and able to support that model? (Remember that under Model A, if the project has staff, they will become your employees.)
- In **relationship to other projects** in your portfolio:
  - Does the addition of this project to your portfolio support a sustainable mix of project needs in terms of the degree of investment required (e.g., staff time and capacity building supports)?
  - What other knowledge, relationships, or skills could the project contribute to your project peer learning community?

WHAT POTENTIAL SPONSORS SHOULD CONSIDER

Regarding a potential project's situation:

- What is the entity's **legal status**? Are they already tax-exempt?
- Do they have a prior **fiscal sponsor**? What is the sponsor's attitude toward the transfer?
- Is there a clear project budget? **Business plan** or strategic plan and financial projections?
- Has the project raised any **money** yet, in hand or committed? From whom and how much?
- Are there any **assets or liabilities** to transfer in, i.e. cash balance, grants payable, bills to be paid?
- What are the project's **insurance needs**, if any, and/or activities involving risk exposure?
  - Will you require that any additional insurance coverage you may require as a result of the project's activities be paid for from project funds?
- Does the group propose any political or **lobbying activity**, and if so, what?
  - How will the project's activities affect your tax status?
- Does the group appear to have needs or issues that would make them **administratively difficult**?
- What should **ending the fiscal sponsorship** agreement look like?
  - Are there any of the project's tangible or intangible assets (i.e., intellectual property, copyrights, trademarks, contact lists) that you expect to keep?
  - How will restricted funds be handled if the project transfers sponsors, becomes an independent nonprofit, or dissolves?

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Hartford Foundation for Public Giving

The Hartford Foundation for Public Giving is the community foundation for Hartford, Connecticut and 28 surrounding towns. Through partnerships, the Foundation seeks to strengthen communities in Greater Hartford by putting philanthropy in action to dismantle structural racism and achieve equity in social and economic mobility. Made possible by the gifts of generous individuals, families and organizations, the Foundation has awarded grants of more than $998 million since its founding in 1925. For more information, visit hfpg.org.

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