

# Fiscal Sponsorship

## WHAT IS A FISCAL SPONSORSHIP?

A **fiscal sponsor** is a nonprofit organization that provides fiduciary oversight, financial management, and other administrative services to help build the capacity of charitable projects in exchange for an administrative fee.

The purpose of a fiscal sponsorship is to provide services until the project is complete or the group applies for and receives their own tax-exempt status.

Through a fiscal sponsorship, MAF partners with mission-driven groups looking to advance innovative projects and programs or those finding solutions to unique community challenges. This formal relationship allows MAF, acting as the fiscal sponsor, to provide tax-exempt status to select groups engaged in activities that align with the Foundation's mission. Most often, fiscal sponsorship is used by organizations, individuals or collaborations who are facilitating a short-term project but want an alternative to becoming their own nonprofit organization. Other groups may partner with MAF as they begin the process of becoming a nonprofit. Under those circumstances, the Foundation provides the infrastructure and financial oversight—allowing the groups to jump-start their initiative while they take the necessary steps to qualify as their own nonprofit organization. Fiscal sponsorship is a temporary relationship in which MAF supports an initiative until the project or program is complete OR the group has received its own nonprofit 501(c)(3) designation.

## HOW A FISCAL SPONSORSHIP WORKS

Donations to fiscally sponsored projects are directed to a tax-exempt fiscal sponsor. Most commonly, the fiscal sponsor is a public charity exempt under Section 501(c)(3) of the Internal Revenue Code and a qualified recipient of charitable contributions that are deductible to the donor. The donations intended to support a particular project are treated as restricted funds dedicated to furthering that project's charitable purpose.

**Fiscal sponsors provide infrastructure and expertise.** Fiscal sponsors often provide “back office” for groups they sponsor. This includes financial management, compliance, disbursement of funds, grants management and reporting. Overseen by experienced boards of directors and nonprofit professionals, reputable fiscal sponsors provide initiatives with the counsel and knowledge of best practices that ensure transparency and impact.

**Fiscal sponsors facilitate collaboration** by providing an immediate, yet reputable and established, vehicle for different constituencies—from individuals donating online to private foundations to government entities—to contribute funds.

**Fiscal sponsors provide value to funders.** By providing services across multiple initiatives, the cost of operations is lower for the funder. In addition, funders benefit from the knowledge base of professionals who work with multiple initiatives.