

OTTO BREMER FOUNDATION

Fiscal Sponsorship

Fiscal sponsorship involves situations in which one organization asks for a grant that will be used at least in part to pay for another organization to do the proposed work. Put another way, a grant intended to be used by one organization is first paid to an intermediary organization. This fact sheet outlines the Otto Bremer Foundation's policies related to fiscal sponsorship grants. If you have additional questions not addressed here, please contact us at 651-227-8036 or toll free at 888-291-1123.

Language to Describe the Two Organizations

It can be confusing to talk about the organizations involved in a fiscal sponsorship situation. One organization receives a grant and uses the money to fund another organization to do some or all of the work. For this fact sheet, we will use these terms:

- **Grantee.** We use the term “grantee” to talk about the fiscal sponsor. The Foundation's legal relationship is with the grantee, and the Foundation sends the grant funds to the grantee.
- **Sponsored Organization.** We use the term “sponsored organization” to talk about the other organization—the organization that the grantee chooses to support to do the work.

When Fiscal Sponsorship Is Appropriate

Fiscal sponsorship can come up in many different situations, including:

1. **New Organization.** A new organization that does not yet have 501(c)(3) status seeks to raise funds through a grantee that does have such status. That grantee agrees because it is able to accomplish its charitable purpose through the new organization.
2. **Young Organization.** A young organization that is not able to manage the financial aspects of a project seeks to have a more sophisticated organization receive and administer the grant funds. That organization agrees to be the grantee because it is able to accomplish its charitable purpose through the young organization.
3. **Collaborative.** The grantee proposes to accomplish its charitable purpose through a collaborative that is doing just one project together (such as putting on a conference) and the collaborative is not a legal entity and/or does not have tax-exempt status.

In all fiscal sponsorship grants, two things must be true:

1. The proposed work must **further the grantee's charitable purpose**; and
2. The sponsored organization must be **qualified** to carry out the project.

Grantee (Fiscal Sponsor) Responsibilities

The grantee has full responsibility for grant funds for tax, accounting and other purposes. The grantee also has full responsibility for complying with the terms of the grant agreement, including preparing and submitting grant reports to the Foundation.

Other Rules

There are two more things that grantees should know about fiscal sponsor grants from the Otto Bremer Foundation.

1. If a grant is approved, the Foundation *expects* that the grantee will disburse the grant funds to or for the benefit of the sponsored organization identified in the proposal. However, the grantee is **not legally bound to disburse funds to the sponsored organization** and may decide to disburse the funds to other organizations instead, as long as that choice *effectively carries out the purpose of the grant*.
2. The Foundation requires the grantee to have a **written agreement** with the sponsored organization outlining the terms of the fiscal sponsorship. This agreement should lay out the grantee's responsibilities and the sponsored organization's responsibilities. Among other items, this agreement must:
 - Specify the amount or percentage of grant funds (if any) that the grantee is entitled to withhold to meet its reasonable expenses for administering the grant.
 - Acknowledge that the grantee is not legally required to disburse the grant funds to or for the benefit of the sponsored organization.

About the Foundation

The mission of the Otto Bremer Foundation is to assist people in achieving full economic, civic and social participation in and for the betterment of their communities. Our mission is based on the intent of our founder, Otto Bremer. His vision and longstanding commitment to communities during and after the Great Depression is carried forward today through our work in the places that are homes and neighbors to Bremer banks. We strive to help build healthy, vibrant communities—communities where basic needs are met, mutual regard is prized and opportunities for economic, civic and social participation are within everyone's reach.