



'Model C' Fiscal Sponsorship Agreement Template Version Date: Feb 15, 2022

What follows is a 'Model C' fiscal sponsorship agreement template developed by Social Impact Commons in partnership with our members. The purpose of this type of agreement is to establish a relationship between a 501(c)(3) public charity and a group or individual to fund and carry out a public benefit project of mutual interest. Our intention was to create a straightforward and fair agreement and in developing this template we reviewed examples of fiscal sponsorship agreements (notably from HASER, Inc., Brooklyn Arts Council, Inc., the law firm of Adler & Colvin, the Organizations and Transactions Clinic at Stanford Law School, and Fractured Atlas) and received direct feedback from fiscal sponsors and their partners, and were guided by our [Principles of Equitable Contracting](#). In the template you will see **highlighted areas** where information unique to the parties can be inserted. Additionally, each situation is different and the "Practice Points" positioned immediately following each pertaining section in **bold italics** are intended to help think through some decisions on structure and language. We anticipate this flexible template will continue to be improved upon based on user feedback and the most recent version will always be found at www.SocialImpactCommons.org.

A companion document titled *Key Definitions, Features, & Expectations of 'Model C' Fiscal Sponsorship Relationship* provides summaries of the key elements of the relationship.

Your use of this agreement template does not constitute legal advice from Social Impact Commons. Social Impact Commons is making this template available for informational purposes only. Different circumstances and jurisdictions may call for different contract language. We assist our members in tailoring this and other templates to their particular needs and always recommend working with qualified and local legal counsel when preparing agreements of this nature.



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This means you can remix, adapt, and build upon your work even for commercial purposes, as long as you credit Social Impact Commons and license any new creations under the identical terms. Fiscal Sponsors do not need to credit Social Impact Commons when using this template to help structure 'Model C' fiscal sponsorship relationships.

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'Model C' Fiscal Sponsorship Agreement
between **NAME OF NONPROFIT SERVING AS FISCAL SPONSOR**
and
NAME OF ENTITY/PERSON RECEIVING REGRANTED FUNDS

1. Description of the Parties to this Agreement:

NAME OF NONPROFIT SERVING AS FISCAL SPONSOR is a 501(c)(3) public charity with a mission, . . . **GENERAL MISSION OF FISCAL SPONSOR**. **NAME** is referred to in this Agreement as "Fiscal Sponsor". Fiscal Sponsor has established a "Model C" fiscal sponsorship program where it accepts and regrants funds it receives to other entities capable of carrying out mission-aligned projects.

NAME OF ENTITY/PERSON RECEIVING REGRANTED FUNDS is a SENTENCE OR TWO ON LEGAL STRUCTURE AND GENERAL PURPOSE OF ENTITY. **NAME** is referred to in this Agreement as "Project Partner".

Fiscal Sponsor and Project Partner are collectively referred to in this Agreement as "Parties."

Practice Point: The names "Fiscal Sponsor" and "Project Partner" are just suggestions to describe the parties throughout the agreement. They hold no special legal meaning here and can be replaced with other identifiers. Whatever name is used to identify each party should be used consistently throughout the agreement.

2. Purpose of this Agreement: Project Partner has proposed carrying out certain activities described in its fiscal sponsorship application dated **DATE** (the "Project") and wishes to work with Fiscal Sponsor to receive and administer funds in support of the Project. After reviewing the Project, Fiscal Sponsor determined: (1) the Project will advance the Fiscal Sponsor's mission; and (2) Project Partner is ready, willing, and able to carry out the purposes of the Project if given sufficient financial resources. Once signed by both Parties, the terms of this Agreement will govern the fiscal sponsorship relationship between the Parties regarding the Project.

Practice Point: Consider adding a sentence or two to this section summarizing the project. The reference to application may also be replaced with reference to an exhibit describing the Project such as a grant proposal or some type of planning document. It is important to be clear about the purpose and activities of the project.

3. Start and End Dates: This Agreement starts on **DATE** (the "Start Date") and unless shortened or lengthened as allowed under this Agreement will conclude one year after the Start Date.

Practice Point: If Fiscal Sponsor will be applying for grant(s) with duration that will go beyond the 1 year period, have the term of the FS Agreement coincide with the date all final reports are due on the grant anticipated to run the longest. Additionally, while Impact Commons encourages use of properly structured Model C relationships to support time-bound projects as well as new initiatives seeking 501(c)(3) status and needing a fundraising bridge, we recommend Fiscal Sponsors carefully approach open-ended Model C relationships with the same organization working on the same Project year-after-year where a Model A relationship or independent 501(c)(3) status is more appropriate. We do however, respect differences of opinion and this template can be adapted to accommodate long-term Model C relationships. If a fiscal sponsor is considering a "standing" Model C relationship, detail the process in this section (or in your policies) as to how to determine where one initiative ends and new one begins, so that the sponsor can account and manage funds and distributions for discrete initiatives run by the same person or group under one fiscal sponsorship agreement. You can also require a new agreement

4. Relationship Management:

- a. Project Partner. The person signing this Agreement on behalf of/as Project Partner is authorized to make all requests and approvals for Project Partner and will be the main point of contact with Fiscal Sponsor. This person may assign this responsibility to another Project stakeholder by informing Fiscal Sponsor.

Practice Point: If Project Partner is an individual rather than entity, consider having this person personally assume full legal, fiscal, and oversight responsibility for all obligations of Project Partner under this Agreement.

- b. Fiscal Sponsor. Fiscal Sponsor will assign and inform Project Partner of a primary point of contact (“Fiscal Sponsor Contact”) who will be responsible for most communications with Project Partner including communicating decisions and approvals made by Fiscal Sponsor related to this Agreement. If Fiscal Sponsor determines a different staff member can better support the Project Partner or if the Fiscal Sponsor Contact becomes unavailable to serve in this capacity, Fiscal Sponsor may assign a new Fiscal Sponsor Contact and will notify Project Partner in advance of doing so. Fiscal Sponsor will orient any future Fiscal Sponsor Contact to the Project and Project Partner.

Practice Point: If you don't like the term “Fiscal Sponsor Contact”, choose a preferred name/job title for this individual and search and replace “Fiscal Sponsor Contact” with that identifier throughout the agreement.

- c. Communications. Healthy communication is critical to a successful fiscal sponsorship relationship. Project Partner and the Fiscal Sponsor Contact will communicate and cooperate on a frequent basis by (a) keeping each other advised about potential issues; (b) promptly responding to e-mail, phone messages, and other agreed-upon communication methods from the other; and (c) providing each other with information as may be appropriate in connection with the Project activities. At a minimum, the Project Partner and the Fiscal Sponsor Contact will meet for an hour on a quarterly basis. Project Partner is encouraged to direct any questions about this Agreement or the fiscal sponsorship relationship to their Fiscal Sponsor Contact.

5. **Seeking Funds:** Project Partner may solicit gifts and contributions and prepare grant applications for submission by Fiscal Sponsor seeking charitable contributions to initially be received by the Fiscal Sponsor for the purposes of the Project. Project Partner's choice of funding sources to be approached, online fundraising vendors used (if any), and the text of Project Partner's fundraising materials, including grant applications, are subject to Fiscal Sponsor's prior review and approval. Grant applications will be directly submitted by Fiscal Sponsor and not the Project Partner. Fiscal Sponsor will make itself reasonably available to review proposals, answer questions prospective funder(s) may have regarding the fiscal sponsorship relationship and provide funders with routinely requested documents such as Fiscal Sponsor's IRS 501(c)3 determination letter, Form 990s from recent years, and a relationship letter describing the 'Model C' fiscal sponsorship relationship between the Parties.

Practice Point: If Fiscal Sponsor has written policies on soliciting and administering funds for Model C relationships, it can simply reference those policies and link to them in the Agreement but be clear those policies are subject to change.

Practice Point: Fiscal Sponsors may want to require a certain amount of time to review prior to a grant application being submitted. If grants are sought, the relationships tend to work best when the parties closely coordinate on the grant application process.

6. **Accepting Funds:** Project Partner will instruct all third parties making grants or donations to support the Project (“Donors”) to make contributions via check or Electronic Funds Transfer payable to “PROJECT NAME of FISCAL SPONSOR” (FEIN: ###-#####). All official correspondences from Donor(s) should be addressed to: FISCAL SPONSOR ADDRESS AND CONTACT. All funds contributed by Donors to support the Project must be received by the Fiscal Sponsor and not go directly to the Project Partner. Fiscal Sponsor will enter into all necessary agreements with Donors. Project Partner is not authorized to make any binding commitments, either express or implied, to funding sources on behalf of Fiscal Sponsor.

Practice Point: Except for accepting in kind gifts (addressed further below in the agreement), this template only speaks to accepting government-backed currency (i.e Cash). It does not address accepting securities, real estate, digital currency or other complex assets. Fiscal Sponsors need to carefully consider if and how to accept gifts that are not traditional cash gifts.

7. **Disbursing Funds:** Fiscal Sponsor will notify Project Partner of any pledge letters, grant agreements, or charitable funds received within ten (10) business days of receipt. Fiscal Sponsor has created a restricted fund (the “Project Fund”) designated for the purposes of the Project and, unless otherwise provided for under this Agreement, will grant all amounts that it may receive from Donors for the purposes of the Project, less any administrative charges described in this Agreement, to Project Partner. The timing of disbursements shall be as follows: SCHEDULE

Practice Point: Decisions on payment schedules are largely driven by funding sources and the needs of the Project Partner. For instance, foundation grants may be front-loaded but have several payments spread out to ensure work is completed. Likewise, Projects relying on frequent donations can have monthly transfers.

8. **Use of Funds:**
 - a. By Project Partner. Project Partner will spend all funds received from the Project Fund solely on the Project and according to the Project budget approved by Fiscal Sponsor. and will do so prior to the End Date of this Agreement. Project Partner will repay Fiscal Sponsor any funds Project Partner receives from Fiscal Sponsor but does not spend on approved purposes related to the Project. Any changes in the purposes for which funds are spent by Project Partner must be approved by Fiscal Sponsor (in writing or by email) before implementation.
 - b. By Fiscal Sponsor. Fiscal Sponsor, may, either at the request of Project Partner or in its sole discretion, use Project Funds to pay third parties Project Partner has engaged with to carry out activities in furtherance of the Project’s purposes. It is agreed that, in making such payments, Fiscal Sponsor does not assume any obligations or liabilities. Prior to any such transfer, Fiscal Sponsor may require Project Partner and/or the third party to provide certain documentation evidencing a payment obligation, legal existence of the third party, and completed work. Project Partner is responsible for approving such payments and ensuring payments are accurate, in alignment with underlying contracts and that no double payments result from Fiscal Sponsor issuing payments on behalf of Project Partner. As Project Partner manages and oversees its vendor relationships, Project Partner, and not Fiscal Sponsor is responsible for issuing 1099s to its vendors for amounts

Fiscal Sponsor directly paid to said vendors. Fiscal Sponsor will support Project Partner's 1099 preparation by providing Project Partner with financial transaction information on all payments made to third party vendors on behalf of Project Partner.

Practice Point: Some fiscal sponsors, under limited circumstances, make payments under a 'Model C' relationship to third parties on behalf of the Project Partner if Project Partner does not have the accounting systems and practices in place to pay third parties in a timely and accountable manner. This can be determined during due diligence and the pricing should reflect this additional level of effort by the fiscal sponsor. This practice requires careful planning and administration to ensure funds are accounted for appropriately and fiscal sponsor does not assume undue liability. At a minimum, it is recommended the fiscal sponsor furnish the third party being paid with a brief note at time of payment stipulating the fiscal sponsor is acting in the sole capacity as payor and the payment does not create any obligation or liability for the sponsor. A [sample of such note is found here](#) complements of the Adler Colvin law firm.

9. **Control of Funds:** The intent of the Parties is Project Partner will have broad discretion in how funds are spent to support the Project. However, Project Partner understands that in order for Fiscal Sponsor to ensure funds are used for appropriate mission-aligned purposes in support of the Project, and to protect Fiscal Sponsor from regulatory or civil actions, Fiscal Sponsor retains full legal ownership of, and discretion and control over, funds contributed to Fiscal Sponsor for the purposes of the Project. It is the intent of the Parties that this Agreement be interpreted to provide Fiscal Sponsor with variance powers necessary to enable Fiscal Sponsor to treat the Project Fund as Fiscal Sponsor's asset in accordance with the Accounting Standards Codification (ASC) paragraphs ASC 958-605-25-25 and -26, formerly expressed in Statement No. 136 issued by the Financial Accounting Standards Board (FASB).
10. **Visibility Into Project Fund:** Fiscal Sponsor will provide Project Partner with timely visibility into Project Fund balance and activity history.

Practice Point: Sponsor should think about what kind of access it can reasonably provide and consider stating that here. This may be a monthly update or upon any material change in the funds balance. In other instances, sponsor may be able to provide real time "self service" access if its systems are built for that.

11. **Limits on Claims:** Because the Project Fund is held for the purposes of the Project, the Parties intend that its assets are not subject to the claims of any creditor or to legal process resulting from activities of Fiscal Sponsor unrelated to such purposes.
12. **Donor Benefits Notice:** Project Partner is responsible for notifying Fiscal Sponsor of any benefits provided by Project Partner to Donors in exchange for any contribution, and for estimating the fair market value of such. For example, if Project Partner holds a fundraising event to support its sponsored activities and sells tickets for \$50, but ticket buyers receive \$20 worth of entertainment and refreshments at the event, then Project Partner must provide this information to Fiscal Sponsor so that Fiscal Sponsor may issue appropriate and accurate tax receipts to said Donors.
13. **Tax Deductibility:** All Donors are responsible for consulting with their own professional advisers to address questions on deductibility or donative intent. Fiscal Sponsor assumes no responsibility for ensuring contributions to Fiscal Sponsor for the purposes of the Project are tax-deductible to any particular Donor. Fiscal Sponsor does provide donor acknowledgement letters for any donations received above \$250 from a Donor but does not provide individual tax advice.

14. **In-Kind Contributions:** Prior to accepting any non-monetary donations from a Donor such as equipment or inventory, Project Partner will consult with its Fiscal Sponsor Contact to determine the appropriateness and process for accepting the gift. Any such in-kind gift to support the Project may only be used to advance the purposes of the Project.

Practice Point: *If a fiscal sponsor routinely accepts in-kind gifts and has a policy that speaks to the process, use alternative language such as "Fiscal Sponsor and Project Partner agree to follow Fiscal Sponsor's policy on accepting in kind gifts. A copy of this policy will be provided to Project Partner upon request." or create a hyperlink to the policy.*

15. **Earned Revenue by Project Partner:** As noted, Fiscal Sponsor will accept grants and donations to support the Project. However, Fiscal Sponsor will not accept revenue earned by Project Partner from Project Partner's commercial activities.

Practice Point: *There is no prohibition on the Fiscal Sponsor accepting earned revenue on behalf of the Project Partner but this practice could raise unrelated business income complications and unless there's some revenue match component to a grant award that must be received by the Fiscal Sponsor, it may be more cost effective and practical for the Project Partner to receive those revenues directly.*

16. **Additional Resource Exchange.**

Practice Point: *Include such a provision if, as part of the arrangement, either party will provide additional services/supports to the other. Note the flow of services can go in either direction!*

17. **Cost Allocations to Fiscal Sponsor:** In order to help pay Fiscal Sponsor's costs of administering the Project Fund and any additional supports provided under this Agreement, Fiscal Sponsor will deduct X% of all amounts received for the Project. This administrative charge will be deducted each time a donation is received into the Project Fund. Fiscal Sponsor may additionally, at its sole discretion, deduct from the Project Fund any special or unusual costs it incurs in administering the Project Fund (such as bank penalty fees resulting from a Donor's bounced check). Unless not permitted by a Donor agreement Fiscal Sponsor enters into in support of the Project, any interest earned on amounts held in the Project Fund shall be retained in Fiscal Sponsor's general fund.

Practice Point: *What a reasonable charge is depends on the complexity of the funding stream(s), the fiscal sponsor's level of effort and the services provided in addition to the basic Model C relationship. Though generally, Model C allocations range between 4% and 8% of received revenues. The fiscal sponsor may also wish to subsidize the costs for strategic reasons. Although a percentage of revenue is the most common allocation method, there are other options. And if you plan to set the minimum fees, they should be listed here. The team at Social Impact Commons is here to help you think through an equitable and sustainable pricing structure!*

18. **Property Rights:** Unless a Donor agreement Fiscal Sponsor enters into stipulates otherwise, any tangible or intangible property obtained or created by Project Partner in connection with the Project will become the property of Project Partner but must be used in a way that that will continue to further the underlying charitable purposes of the Project, even once the Project is considered complete. However, if the Project Partner does not complete the Project, the Fiscal Sponsor will have an unrestricted right to use all or part of said property created under this Agreement in any manner it deems appropriate to accomplish the purposes of the Project.

Practice Point: Ownership and permissions around property rights - especially Intellectual property - will vary depending on the circumstances. Like all provisions of this Agreement template, we do not recommend you simply use as-is but carefully consider the particular engagement and work with an exempt law attorney to craft both legally appropriate and fair language.

19. **Confidentiality:** In working together on the Project, Fiscal Sponsor and Project Partner may share nonpublic information (“Confidential Information”) with one another. All Confidential Information furnished under this Agreement is and will remain the property of the furnishing party. The receiving Party of Confidential Information will use the same only for the purposes related to its disclosure or as required by law or regulation and will exercise reasonable care and precaution to protect the disclosing Party’s Confidential Information to prevent unauthorized disclosure. Confidential Information does not include information generally available to the public, information already known by the receiving party before entering into this Agreement, or information independently developed.

20. **Documenting Project Activity:**

- a. General. Project Partner will provide periodic narratives describing the Project activities carried out along with backup financials showing how the Project Funds were spent. Project Partner will maintain its books and make all financial information related to the Project available to Fiscal Sponsor when requested. This obligation will survive termination of this Agreement for a period of 7 years.

Practice Point: We recommend that fiscal sponsors specify the nature and frequency of reporting by the project to the sponsor, what happens if the Project Partner doesn’t adhere to timelines, and provide reporting templates to promote consistent and reliable reporting. For example, if a grant has a budget, the Fiscal Sponsor could provide a budget-to-actual template.

- b. Donor-specific Reporting & Compliance. If a Donor requires certain restrictions, compliance, and reporting obligations (“Donor Obligations”), Fiscal Sponsor will notify Project Partner of these Donor Obligations prior to disbursing such funds to Project Partner. Project Partner agrees to comply with all Donor Obligations as a condition of receiving funds originating from said Donor. Fiscal Sponsor and Project Partner will work together to ensure compliance with all Donor Obligations. The Parties agree any reports required to be submitted to a particular Donor will be prepared by Project Partner and then submitted to Fiscal Sponsor for review and approval prior to final submission to the Donor.

21. **Lobbying Activities:** Lobbying is generally defined as any activity that seeks to influence legislation. 501(c)(3) nonprofits may engage in limited lobbying so long as expenditures are tracked and reported on. However, limits apply on how much lobbying is allowed and certain funders may prohibit lobbying with their funds. All lobbying plans and expenditures must be submitted to Fiscal Sponsor in advance for approval. If approved, the Project Partner will work with Fiscal Sponsor to track and appropriately report on lobbying expenditures.

Practice Point: It is important to discuss planned advocacy efforts and potential limitations when evaluating a fiscal sponsorship relationship.

22. **Legal Compliance including Political Activity Prohibition:** No funds to support the Project can be used to participate or intervene in any political campaign on behalf of or in opposition to any candidate for public office, to induce or encourage violations of law or public policy, to cause any

private inurement or improper private benefit to occur, nor to take any other action inconsistent with IRC Section 501(c)(3).

- 23. Media Inquiries:** Fiscal Sponsor agrees to consult with the Project Partner prior to responding to any media inquiries related to the Project. Likewise, the Project Partner will not respond to any media inquiries related to the Project without first consulting with its Fiscal Sponsor Contact.
- 24. Indemnification:** Each Party will defend, indemnify and hold harmless the other Party, including each of its respective officers, directors, employees, representatives, agents, successors and assigns from and against all claims of third parties, and all associated losses, to the extent arising out of the indemnifying Party's gross negligence or willful misconduct.

Practice Point: Carefully consider the indemnification provision in relation to the power dynamics of the parties and associated risks inherent in the work being pursued. Generally, we recommend mutual and balanced indemnification clauses.

- 25. Insurance:** Project Partner is responsible for procuring and maintaining its own insurance.

Practice Point: Depending on the activity carried out by the Project Partner, additional more robust insurance requirements such as adding fiscal sponsor as an additional insured on Project Partner's policy may warrant consideration. It is also possible for sponsors to insure Model C Projects as "additionally insured" under their General Liability policy. In the interest of equity, Projects may not be able to afford insurance or obtain insurance independently, and sponsors may be able to step in to help manage risk.

- 26. Dispute Resolution.** In the event of a breach by one of the Parties or disagreement between the Parties concerning this Agreement, both Parties agree to use their best efforts to resolve the dispute between them, and failing that, with the use of an independent mediator prior to taking legal action.

- 27. Ending the Relationship:**

Practice Point: When evaluating a fiscal sponsorship relationship, the Parties should carefully consider various scenarios for ending the relationship. Termination rights and the effect of termination will vary considerably depending on the nature of the Project (e.g. bridge to 501(c)(3) status or a short-term discrete project) and the reason for ending the relationship. The language below is intended as a starting point in crafting the right termination language, not an end point!

- a. Termination Rights. Either Party may terminate this Agreement at any time by giving 30 days written notice to the other Party. In addition, either party may immediately terminate this Agreement upon a material breach by the other or if Fiscal Sponsor reasonably determines that Project Partner's conduct or the Project itself could adversely affect Fiscal Sponsors's tax status. Such notice must be in writing.
- b. Fund Allocation after Termination. After termination, Fiscal Sponsor may allocate any remaining balance in the Project Fund to carry out activities it deems substantially similar to the Project, subject to restrictions and/or permissions from donors and funders. Prior to making any such allocation, Fiscal Sponsor will seek advice from Project Partner regarding disposition of Project Funds.
- c. Effect of Termination. Project Partner will be responsible for providing a final activity report along with reports, if any, detailing compliance with Donor Obligations.

Additionally, Sections #, #, # will survive expiration or termination of this Agreement.

Practice Point - Determine the provisions of the agreement that should survive its termination. Typical ones include: Property Rights, Confidentiality, Record Keeping, Reporting Responsibilities, Indemnification, Governing Law, Termination language around what happens once terminated.

28. Miscellaneous:

- a. Independence of the Parties. The Parties are independent parties working together to advance the Project. This Agreement does not create any relationship of partnership, joint venture, or other agency between Fiscal Sponsor and Project Partner.
- b. Tax Status and Staff Changes: Either party will immediately notify the other of any change in their legal or tax status. Project Partner will immediately notify Fiscal Sponsor of any changes to Project Partner's executive staff or key staff responsible for carrying out the purposes of the Project.
- c. Assignment. Neither Party may assign its rights or delegate duties under this Agreement to anyone else without the prior written consent of the non-assigning Party.
- d. Entire Agreement; Amendments. This Agreement, together with the **Fiscal Sponsorship Application/Project Description**, expresses the final, complete, and exclusive agreement between Fiscal Sponsor and Project Partner as relates to the Project, and supersedes any and all prior or contemporaneous written and oral agreements or communications between Fiscal Sponsor and Project Partner relating to its subject matter. The terms of this Agreement may be changed at any time by mutual agreement of Fiscal Sponsor and Project Partner so long as the changes are in writing and signed by an authorized representative of each party.
- e. Governing Law: This Agreement shall be governed by, and construed under, the laws of **STATE/TERRITORY**.

Practice Point: Carefully consider the governing law/venue provision in relation to the power dynamics of the parties. For example, is it fair to require a small program in Puerto Rico to travel to California to resolve a dispute or are there more equitable ways to address?

- f. Severability. If any provision of this Agreement is held by a court or arbitrator of competent jurisdiction to be contrary to law, such provision will be changed by the court or by the arbitrator and interpreted so as to best accomplish the objectives of the original provision to the fullest extent allowed by law, and the remaining provisions of this Agreement will remain in full force and effect.
- g. No Waiver. Neither Party to this Agreement will be deemed to have waived any rights under this Agreement unless it does so in writing.
- h. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which will be taken together and deemed to be one instrument. Transmission by fax or PDF of executed counterparts will constitute effective delivery.

Agreed:

Fiscal Sponsor NAME

Name, Title

Date

PROJECT PARTNER NAME

Name, Title

Date