



Fiscal Sponsorship FAQ's

What is fiscal sponsorship, exactly?

It's a way for a cause to attract donors even when it's not recognized as tax-exempt under IRS rules. In essence, the fiscal sponsor – a recognized not-for-profit organization such as the Eden Prairie Community Foundation – serves as the administrative “home” of the cause. Charitable contributions are given to the fiscal sponsor, which then grants them to support the cause.

What does a fiscal sponsor do?

It provides fiduciary oversight, financial management, and other administrative services to help with your charitable project. This includes providing tax-deductibility to donors, as stated above.

Why should a not-for-profit organization use a fiscal sponsor?

A new organization often seeks fiscal sponsorship because it has interested donors but doesn't have tax exemption. Or it's unsure of the success of the organization and would like to pursue donations before committing time and money to setting up an independent, not-for-profit organization. Sometimes a small not-for-profit organization wants to ally itself under the umbrella of a larger, more experienced nonprofit like the Foundation.

What are the advantages of using a fiscal sponsor?

With a fiscal sponsor, a not-for-profit organization, incorporated or not, can (through the sponsor) apply for and receive grants and tax-deductible deductions. It can also outsource some of the administrative duties to the fiscal sponsor – such as thanking donors – so that the sponsored organization can focus on its mission.

What are the disadvantages of using a fiscal sponsor?

A fiscal sponsor will charge a small fee for its services. The fiscal sponsor also serves as a “parent organization” to a sponsored organization. In addition, and most importantly, the funds received are under the control of the sponsoring organization.