

# Guidance for Applicants – Use of Fiscal Sponsors

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## Overview

The Internet Society Foundation (Foundation) can make grants to Fiscal Sponsors to support innovative and important work being implemented by Sponsored Organizations or Individuals that may not yet have the proper financial or organizational controls in place. In this way, Fiscal Sponsors provide a cost-effective, efficient, and impactful benefit to Sponsored Projects.

Any time a Fiscal Sponsor is used, the Fiscal Sponsor is the Grant Applicant. If awarded, they are responsible for proper financial management and project oversight of the awarded funds. As

described in the grant agreement between the Foundation and a Fiscal Sponsor, all parties must understand and have agreed that the Fiscal Sponsor:

- Retains control of how the grant funds are used and
- Maintains records that clearly show those expenses aligned with the grant terms.

Although the Application will be submitted by the Fiscal Sponsor, **both the Fiscal Sponsor and the Sponsored Organization must register in the Foundation's Grants Management System (Fluxx) independently, ideally prior to an Application being submitted.** It is important that the Foundation has a record of each organization and their respective contacts.

## When is a Fiscal Sponsor Required?

A Fiscal Sponsor is required when an Organization does not hold or cannot obtain tax exemption status under Section 501(c)(3) of the U.S. Internal Revenue Service code – [or its equivalent](#)– due to age, location, current legal registration, or other factor.

An Individual may utilize a Fiscal Sponsor in cases where they are not able to receive award funds from the Foundation due to location, size of the award, or other factor.

Whether an Organization or an Individual using a Fiscal Sponsor, it is the responsibility of the two parties involved to determine the process by which grant funds are managed during the term of the award.

In this guidance document, "Sponsored Organization" refers to either an Organization or Individual who is utilizing a Fiscal Sponsor.

## Legal Requirements of the Fiscal Sponsor

The Foundation will conduct due diligence on the Fiscal Sponsor and its relationship with the Sponsored Organization. In addition to the Fiscal Sponsor meeting the Foundation's general funding [eligibility requirements](#), the Foundation will need to confirm the following:

- The Sponsored Organization is aligned with and supports the Fiscal Sponsor's exempt purpose(s) and the Fiscal Sponsor will use funds received for charitable purposes to further its tax-exempt purpose
- That the Fiscal Sponsor and Sponsored Organization understand and have agreed that the Fiscal Sponsor retains discretion and control as to the use of granted funds; and
- That the Fiscal Sponsor maintains records that substantiate the use of funds in compliance with the grant terms and for appropriate 501(c)(3) purposes.

## Role of the Fiscal Sponsor as the Grantee

Applications for projects that will utilize a Fiscal Sponsor must be submitted, in Fluxx **by the Fiscal Sponsor**. The Fiscal Sponsor is, for all purposes, the Applicant and if the proposed project is awarded, the Grantee. If funds are awarded to the Fiscal Sponsor, the Sponsored Organization will have the capacity to view grant information in Fluxx, but the Fiscal Sponsor will be the applicant, signatory, and party responsible for proper financial management and project oversight of the awarded funds.

This means that if awarded funds, the Fiscal Sponsor:

- Agrees to the reporting and payment schedule as set forth in the Grant Record in Fluxx and signs the grant agreement
- Has full access to the Grantee Portal and Grant Record in Fluxx
- Receives all Grant Payments from the Foundation and promptly dispenses funds to the Sponsored Organization according to their agreed terms
- Sufficiently monitors the use of grant funds by the Sponsored Organization to ensure proper use of funds and maintenance of eligibility status
- Initiates requests to the Foundation for any type of Amendment to the Grant
- Submits all Grantee Reports in Fluxx or participates in any verbal check-in calls that replace narrative reports, and as such, is responsible for ensuring adequate narrative and financial information is provided by the Sponsored Organization in order to complete Grantee Reports.

Doing so ensures that:

- 1) The Fiscal Sponsor is aware of what is being submitted in the report and ensures that it meets requirements as mentioned above, and
- 2) The Foundation is assured that the Fiscal Sponsor, as the Grantee of Record, approves the submission.

## Role of the Sponsored Organization

While a Sponsored Organization is not the Grantee, they may have many of the same- and some additional- responsibilities. It is important that they understand these potential responsibilities before agreeing to use a Fiscal Sponsor.

A Sponsored Organization should determine, in mutual agreement with a potential Fiscal Sponsor, how they will ensure that the *Fiscal Sponsor* can meet their responsibilities to the Foundation as the Grantee of Record. The Foundation does **not** facilitate the development of this agreement nor advise on its terms. The Foundation does **not** require a copy of the agreement between the Fiscal Sponsor and the Sponsored Organization.

The Fiscal Sponsor/ Sponsored Organization relationship may differ in each case but some typical areas that the Sponsored Organization may consider as part of their role include:

- Carrying out the awarded project within the terms that are agreed upon with the Fiscal Sponsor
- Ensuring that project funds are utilized according to the terms agreed upon with the Fiscal Sponsor
- Monitoring outcome/ output indicators and any other metrics that are described in the Grant Record and providing measurements of these metrics to the Fiscal Sponsor as agreed with their terms so that Grantee Reports can be completed
- Collaborating with the Fiscal Sponsor to complete and submit Grantee Reports and accompanying financial reports

## Frequently Asked Questions: Sponsored Organizations

### I want to use a Fiscal Sponsor for a project. What do I do?

If your organization does not meet the Foundation's funding eligibility requirements, you may seek to partner with an organization which *does* meet the Foundation's eligibility [requirements](#). The Foundation is not able to facilitate the Fiscal Sponsor/ Sponsored Organization relationship.

- You should ensure that your Fiscal Sponsor is aware of their [responsibilities](#) as described in this guidance document, as well as familiarizing yourself with the [responsibilities](#) you may need to take on if the application is awarded. The Foundation does not advise on or require any formal agreement between a Fiscal Sponsor and a Sponsored Organization. However, any formal agreement between the two parties should describe how each will uphold their responsibilities such as those described above.

### I have a Fiscal Sponsor that has agreed to Sponsor my project. What happens next?

After you have identified a Fiscal Sponsor and they have agreed to sponsor your project, both organizations should register in Fluxx. Once your registrations have been approved, the Fiscal Sponsor can begin and [submit an application](#) via the Grantee Portal.

- If the Application is selected to progress in the Application process, Foundation staff will reach out to you if any further information is needed.
- If awarded, you will be notified and the Foundation will liaise directly with your Fiscal Sponsor to sign the Grant Agreement. After the agreement is signed, you will have access to a copy of the agreement and associated payment and reporting schedules in the Grant Record in Fluxx.

### How do I account for Fiscal Sponsor fees in the application budget?

Fees charged by a Fiscal Sponsor can be included in the “Indirect Costs” budget category. Total Indirect Costs are limited to 20% of Direct Costs. The Foundation does not advise on any fees charged to a Sponsored Organization by a Fiscal Sponsor. When you are considering a potential Fiscal Sponsor, ensure that you understand their fee structure and how this may impact your budget.

### I started or submitted an Application but now I want to use a Fiscal Sponsor. What should I do?

While the Foundation’s requirement is that Applications are submitted by the Fiscal Sponsor directly, we understand that on occasion this may not happen. If you have initiated or submitted an Application directly on behalf of your organization but now wish to utilize a Fiscal Sponsor, please contact the Foundation at your earliest opportunity. We will review the situation and advise on any next steps.

## Frequently Asked Questions: Fiscal Sponsors

### I have been asked to be a Fiscal Sponsor for an Organization interested in submitting an Application to a Foundation Grant program. What should I do?

Before you agree to act as a Fiscal Sponsor for another Organization, you should ensure you have a good understanding of best practices, and the potential risks involved in Fiscal Sponsorship.

The guidance provided [here](#) gives a good general overview of considerations for Fiscal Sponsors. Please note, the guidance linked to above is authored by a US-based organization and some pieces may not be applicable to your organization.

### I am a Fiscal Sponsor partnering with a Sponsored Organization to submit an Application. What do I do?

As mentioned above, the Foundation does not advise on or require any formal agreement between a Fiscal Sponsor and a Sponsored Organization. However, you are encouraged to establish a formal agreement of terms and responsibilities. Any agreement between the two parties should describe how each will uphold the responsibilities as described above. You should ensure that the Sponsored Organization is aware of their potential [responsibilities](#) as described in this guidance document, as well as familiarizing yourself with the [responsibilities](#) of a Fiscal Sponsor.

Both organizations should register independently in Fluxx. Once your registration has been approved, you, the Fiscal Sponsor, can [begin the application](#) in the Grantee Portal.

- If the application is selected to move forward in the review process, Foundation staff will reach out to you if any information is needed, including requesting any documentation to support eligibility requirements.
- If awarded, the Foundation will liaise directly with you to sign the Grant Agreement.

### How are Fiscal Sponsorship fees accounted for in an application budget?

Fees charged by a Fiscal Sponsor can be included in the “Indirect Costs” budget category. Total Indirect Costs are limited to 20% of Direct Costs. The Foundation does not advise on any fees charged to a Sponsored Organization by a Fiscal Sponsor. When you are considering sponsorship of a project, ensure that the Sponsored Organization understands your fee structure.

## Noting the Fiscal Sponsor / Sponsored Organization Relationship in the Application

As mentioned above, both the Fiscal Sponsor and the Sponsored Organization will have access to the Application or Grant Record in Fluxx. The Fiscal Sponsor will have access because they are the applicant, and the Sponsored Organization will be connected to the Application/ Grant Record:

1. By the Fiscal Sponsor on the application prior to submission and,
2. Via manual updates to the Application/ Grant Record by Foundation staff after submission.

Applications forms will contain a question asking the applicant if the proposed project is sponsored by a Fiscal Sponsor, and if the submitting organization is the Fiscal Sponsor or not:

<p>Is the proposed project sponsored by a Fiscal Sponsor or submitted by a Fiscal Sponsor on behalf of a Sponsored Organization?</p>	<p><input checked="" type="checkbox"/> My organization is a Fiscal Sponsor submitting this application on behalf of a Sponsored Organization.</p> <p><input type="checkbox"/> My organization is a Sponsored Organization and the proposed project will be sponsored by a Fiscal Sponsor.</p> <p><input type="checkbox"/> My organization is not acting as a Fiscal Sponsor for the proposed project, nor submitting an application for a project that will be sponsored by a Fiscal Sponsor.</p> <p><a href="#">Relationship/Hole Information - Internal Only</a></p> <p><a href="#">Related Applications/Grants - Internal Only</a></p>
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If the applicant indicates that they are a Fiscal Sponsor, submitting a proposal on behalf of a Sponsored Organization, they will be asked to provide information about the Sponsored Organization:


**Please provide the following information about the Sponsored Organization: Address, website, name of Primary Contact, email, and phone number if available.**

***Please note: The Sponsored Organization must also register in Fluxx. Please ask them to do this prior to submitting this application if at all possible.***

Foundation staff will review the information provided on the Application, and depending on where the Application is in the review process, as needed will contact the applicant for any additional information.

If an applicant indicates on the Application form that they are a Sponsored Organization submitting an Application for a Sponsored Project, the below message will show, and the Application cannot be submitted:

**Is the proposed project sponsored by a Fiscal Sponsor or submitted by a Fiscal Sponsor on behalf of a Sponsored Organization?**

My organization is a Sponsored Orga  

Applications for projects that will be sponsored by a Fiscal Sponsor **must** be submitted by the Fiscal Sponsor, in Fluxx, on behalf of the Sponsored Organization. Please work with your Fiscal Sponsor to ensure the application is submitted from their Grantee Portal.

Guidance about the Fiscal Sponsor/ Sponsored Organization process can be found [here](#).

If you have questions about this process, please contact us at [fluxx\\_help@isocfoundation.org](mailto:fluxx_help@isocfoundation.org)

Applicants who encounter this message will need to coordinate with their Fiscal Sponsor to submit the Application from the Fiscal Sponsor Grantee Portal on their behalf.

## Application Review and Grant Management

Applications from Fiscal Sponsors are reviewed in the same manner as all others.

If an application is selected to progress in the review process, Foundation staff will reach out to respective parties if any information is needed, including requesting any documentation to support eligibility requirements.

As described above, both the Fiscal Sponsor and the Sponsored Organization have a role in ensuring proper management of the awarded project. Fiscal Sponsors will have full access to the Grant Record so that they can submit reports as agreed to in the Grant Agreement. Sponsored Organizations will be able to view the Grant Agreement, Grant Record, and associated report and payment schedules, but will not have the ability to edit or submit reports.

Both the Fiscal Sponsor and the Sponsored Organization should keep in mind that any discussion regarding changes to the grant record that may lead to an Amendment should involve the Fiscal Sponsor.

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*If at any point during the application process or Grant award either the Fiscal Sponsor or Sponsored Organization has questions or concerns about their ability to uphold their responsibilities as agreed to either 1) in the agreement between the Fiscal Sponsor and the Sponsored Organization or, 2) the Foundation Grant Agreement signed by the Foundation and Fiscal Sponsor, either party should immediately reach out to their Foundation Staff contact.*

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