

What are Fiscal Agents and Fiscal Sponsors? What's the Difference?

Grants can help an organization achieve goals, grow their programs, or expand their outreach; however, the requirements that accompany grants can be a heavy lift for small organizations. Small organizations do not always have the bandwidth to manage the requirements of federal grants and avoid applying for grant opportunities because of the requirements. It can also be as simple as the organizations may not be eligible for grant opportunities if they are in the process of obtaining a 501(c)(3) exemption status. Fiscal Agency and Fiscal Sponsorship provide support and opportunities for small organizations to apply and utilize grant funds when they do not have the resources to apply on their own.

What is a fiscal agent?

A fiscal agent is a large nonprofit organization that provides administrative and financial support (managing funds, reporting, and administration of grant funds) on behalf of small nonprofit organizations that may not be fully established or need the support of a large organization. The use of a fiscal agent is advantageous for small organizations who might not otherwise be able to manage the requirements of a full grant cycle, including application processes, budgets, reporting, etc. but want to be in full control of how the funding is used.

Fiscal agents cannot receive donations on behalf of the small organization as it has no legal responsibility for the projects beyond financial management. For this reason, fiscal agents tend to be more advantageous to a small organization that possesses a 501(c)(3) tax exemption status. If the organization does not have a 501(c)(3), then using a fiscal sponsor, rather than a fiscal agent, would be more beneficial.

What is a Fiscal Sponsor?

A fiscal sponsor is a tax exempt 501(c)(3) entity that provides tax exempt status and additional benefits on a short or long term basis to small organizations. This arrangement does limit the small organization's authority in the management of grant funds because ultimately the fiscal sponsor has full control over the grant funds and administrative responsibilities such as compliance, reporting, reimbursements, and audit responsibilities. Because the fiscal sponsor provides tax exempt status for those small organizations, it allows for gift and donations from other sources to increase funding and build larger programs which can be advantageous for the small organization; however, they are limited in how those additional funds are managed.



Fiscal sponsors and organization relationships are usually tied to the organization because they share the same purpose, goal, or cause which allows peace of mind for the small organization since they do not have full control of the management. This partnership is good for those small organizations that are volunteer based or need oversight of the organization.

