



## Working Through Intermediaries

34th Annual  
Nonprofit Organizations Institute



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## Terminology

- Fiscal Sponsorship refers to properly structured relationships where the intermediary retains sufficient discretion and control
- Fiscal Agency refers to where the intermediary serves as a conduit through which funds are passed without serving any meaningful role
- Don't use terminology such as "conduit", "pass-through", or "fiscal agent" unless that's what you intend to create



## Discretion and Control

- IRS says: A to B earmarked for C = A to C
- Excessive funder control can occur either at the time of the gift/grant, or can arise over implementation of the grant/project.
- If intermediary is disregarded, funder will be treated as having made the expenditure, and PF rules and (likely) penalties will apply
- Restrictions imposed at time of the gift can be ok, but intermediary must have discretion



## Reasons for Using Intermediaries

- Efficiency and economies of scale
- Technical support
- Compliance and risk management
- Fundraising / public support
- Anonymity / privacy
- Reputation / credibility



## Common Situations for Using Intermediaries

### **Incubation / Exemption Pending**

- § 4945 requires expenditure responsibility for grants to non-charities
- Once granted, status is retroactive, but ER is prudent while status is pending
- New organizations often need support well before application can even be filed
- Once filed, IRS backlog fluctuates but can range from months to over a year

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