# Memorandum of Understanding (MOU)

Between [Fiscal Sponsor Organization] and [Sponsored Organization or Project]

Term: Begin Date: \_\_\_\_\_\_\_\_\_\_\_ End Date: \_\_\_\_\_\_\_\_\_\_\_

## 1. Parties

This Memorandum of Understanding (MOU) is entered into by and between:

 [Name of Fiscal Sponsor Organization] (“Fiscal Sponsor”), a Texas nonprofit corporation recognized as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code; and [Name of Sponsored Organization] (or, if no organization name, use Project Name), an unincorporated (select one: a grassroots organization] or [nonprofit entity] that seeks to operate under Fiscal Sponsor’s auspices.

**2. Purpose**

The purpose of this MOU is to set forth the terms and conditions under which Fiscal Sponsor will provide fiscal sponsorship and administrative services to Sponsored Organization or Project in support of its charitable activities, which further the exempt purposes of Fiscal Sponsor.

**3. Need**

This MOU for a **fiscal sponsor** is needed because many grassroots groups, early-stage or low-capacity nonprofits, and community projects do not have the legal or administrative infrastructure to operate independently as a 501(c)(3) nonprofit. If a grassroots group or community project is not incorporated or approved by the IRS, a fiscal sponsor allows them to receive tax-deductible donations and grants immediately. The grant funds distributed through the RIIF require that the grantee is a nonprofit 501(c) (3) organization.

## 4. Roles and Responsibilities

4.1 [Adapt this section to reflect agreed upon roles and responsibilities]
Fiscal Sponsor agrees to:

1. Assume the legal responsibility for the project’s activities and finances.
2. Maintain board-level fiduciary responsibility for the Sponsored Organization or Project.
3. Maintain regulatory compliance with all applicable federal, state, and local laws.
4. Assume liability for contracts, staff, insurance, and compliance matters for the Sponsored Organization or Project.
5. Disburse funds to Sponsored Organization or Project for approved grant purposes.
6. Accept and manage tax-deductible donations, grants, and contributions on behalf of the Sponsored Organization or Project.
7. Ensure funds are used according to donor intent, grant restrictions, and charitable purposes.
8. Issue donor acknowledgments and tax receipts.
9. Manage grant agreements and funder reporting obligations.
10. Ensure donor funds are receipted and stewarded properly.
11. Establish separate accounting and tracking for project funds.
12. Provide bookkeeping, financial reporting, audit support, tax filings, payroll, contracting, risk management and insurance.
13. File all necessary federal, state, and local reports, including IRS Form 990.
14. Provide insurance coverage (e.g., liability, workers’ comp, D&O) as applicable.
15. Ensure all contracts, leases, or agreements entered into by the project have been reviewed and approved to meet legal standards.
16. Serve as the employer of record for project staff if the arrangement includes payroll services.
17. If applicable, manage payroll, benefits, tax withholdings, and compliance with labor laws.
18. Provide HR policies and systems for conflict resolution and workplace compliance.
19. Provide templates, policies, and systems for financial requests, contracting, and reporting.
20. Include Sponsored Organization’s or Project’s activities in Fiscal Sponsor’s annual Form 990 and other required filings.
21. Act as a resource and advisor on compliance and operational matters.

4.2 [Adapt this section to reflect agreed upon roles and responsibilities]
Sponsored Organization agrees to:

1. Be responsible for mission, strategy, program design, fundraising, and day-to-day operations—but must operate within the guardrails set by the fiscal sponsor, who holds the ultimate legal and financial accountability.
2. Use funds only for charitable purposes aligned with the approved purpose of the grant and IRS rules.
3. Develop and manage the grant funded program or project according to approved workplans and budgets.
4. Ensure that your activities comply with the laws (e.g., charitable solicitation, lobbying restrictions) and intent of the grant received.
5. If applicable, recruit and manage volunteers or employees and utilize Fiscal Sponsor Organization’s HR and payroll system for employee compensation and benefits.
6. Follow the fiscal sponsor’s policies on contracting, procurement, fundraising, use of funds, compliance, and employment.
7. Submit project plans, budgets, and financial requests for review.
8. Maintain and submit receipts, invoices, activity reports, and documentation for expenses in a timely manner.
9. During the term of this MOU, coordinate new or renewal grant proposals and solicitations through the fiscal sponsor to avoid conflicts and ensure compliance.
10. Ensure that donors understand contributions are made to the fiscal sponsor, not directly to the Sponsored Organization or project.
11. Provide timely reporting and requests for information so the fiscal sponsor can meet IRS, state, and funder requirements.
12. Report progress and outcomes to the fiscal sponsor for donor, grant, or compliance reporting.
13. Communicate major decisions (new grants, contracts, program shifts) to the fiscal sponsor for review and approval.
14. Clearly represent itself in public-facing documents and communications as being fiscally sponsored by [name of Fiscal Sponsor Organization].

## 5. Financial Arrangements

1. Funds Management: All funds received on behalf of Sponsored Organization or Project will be deposited in Fiscal Sponsor’s accounts and tracked separately.
2. Fee for Services: Fiscal Sponsor will retain [\_\_\_\_]% of all funds received on behalf of Sponsored Organization or Project as an administrative fee.
3. Disbursements: Fiscal Sponsor will make disbursements for approved expenses within [\_\_\_\_] days of receiving appropriate documentation.
4. Budget Approval: Sponsored Organization or Project will submit an annual budget and/or Project budget for review by Fiscal Sponsor.

## 6. Governance

1. Sponsored Organization may have its own advisory committee or leadership group, which will make programmatic recommendations.
2. Final legal and fiduciary responsibility for Sponsored Organization or Project rests with the Board of Directors of Fiscal Sponsor.

## 7. Term and Termination

1. This MOU shall remain in effect until \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, unless renewed by mutual agreement.
2. Either party may terminate this MOU with [30/60] days’ written notice.
3. Upon termination, Fiscal Sponsor will use any remaining funds for purposes consistent with Sponsored Organization’s mission or Project purpose, as approved by Fiscal Sponsor’s Board, in compliance with IRS regulations.

## 8. Indemnification and Liability

Each party shall indemnify and hold harmless the other from any claims, damages, or liabilities arising from its own negligence or misconduct in connection with this agreement.

## 9. Amendments

This MOU may be amended only by written agreement of both parties.

## 10. Entire Agreement

This MOU constitutes the entire understanding between the parties and supersedes all prior discussions or agreements regarding fiscal sponsorship of Sponsored Organization or Project.

## 11. Signatures

[Fiscal Sponsor Organization]
By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[Sponsored Organization or Project]
By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_