

**Sponsor ‘Paying on behalf of’ Model C Entity**

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When fiscal sponsors enter into a ‘Model C’ relationship, they are occasionally asked to pay vendors of the sponsee entity directly. Although we generally recommend against this practice as it can create bookkeeping and reporting challenges as well as legal exposure in not handled carefully, there are limited instances where the additional burden is justified such as providing emergency response grants when the sponsee entity does not have the systems or the capacity to issue payments in a timely manner. What follows is suggested language ‘Model C’ fiscal sponsor practitioners may consider adding to their fiscal sponsor agreement templates to account for this scenario as well as a letter the fiscal sponsor can provide to third party payees when the fiscal sponsor issues any such payments.

**Your use of this agreement template does not constitute legal advice from Social Impact Commons. Social Impact Commons is making this template available for informational purposes only. Different circumstances and jurisdictions may call for different contract language. We assist our members in tailoring this and other templates to their particular needs and always recommend working with qualified and local legal counsel when structuring payments of this nature.**

**Suggested language to include in “Use of Funds” provision of ‘Model C’ Agreement when fiscal sponsor may pay vendors on behalf of sponsee, referred to in this sample language as “Project Partner”:**

By Fiscal Sponsor. Fiscal Sponsor, may, either at the request of Project Partner or in its sole discretion, use Project Funds to pay third parties Project Partner has engaged with to carry out activities in furtherance of the Project’s purposes. It is agreed that, in making such payments, Fiscal Sponsor does not assume any obligations or liabilities. Prior to any such transfer, Fiscal Sponsor may require Project Partner and/or the third party to provide certain documentation evidencing a payment obligation, legal existence of the third party, and completed work. Project Partner is responsible for approving such payments and ensuring payments are accurate, in alignment with underlying contracts and that no double payments result from Fiscal Sponsor issuing payments on behalf of Project Partner. As Project Partner manages and oversees its vendor relationships, Project Partner, and not Fiscal Sponsor is responsible for issuing 1099s to its vendors for amounts Fiscal Sponsor directly paid to said vendors. Fiscal Sponsor will support Project Partner’s 1099 preparation by providing Project Partner with financial transaction information on all payments made to third party vendors on behalf of Project Partner.

**Draft Letter to Accompany Initial Payment:**

*[FISCAL SPONSOR letterhead]*

Date

Name

Address

Re: Name of Project Partner Entity Payment

Dear Name:

Partner Name (“Partner Acronym”) has informed FISCAL SPONSOR NAME (“Fiscal Sponsor”) that you are one of its vendors. The purpose of this letter is to make clear the nature of the relationship between Partner Acronym and Fiscal Sponsor in the event Fiscal Sponsor, on behalf of Partner Acronym, issues one or more payments to you.

Fiscal Sponsor and Partner Acronym entered into a Fiscal Sponsorship Agreement in [month, year]. Pursuant to that agreement, Fiscal Sponsor may make payments to vendors of Partner Acronym using available funds restricted to support the charitable purposes Partner Acronym carries out. However, Fiscal Sponsor is not a party to any contracts Partner Acronym may have with its vendors nor does paying said vendors create any liability or future obligation for Fiscal Sponsor. No one is authorized to commit Fiscal Sponsor to any direct obligation to pay any Partner Acronym vendor except me, as the Executive Director of Fiscal Sponsor, and I have not done so.

By accepting disbursements from Fiscal Sponsor, you acknowledge and agree **Partner Acronym is solely responsible** for any bills, invoices, debts, claims, or other obligations arising in connection with any goods or services you have provided or may provide to Partner Acronym. Partner Acronym is a separate legal entity and incurs liabilities, expenses, and obligations on its own behalf. If Fiscal Sponsor has issued or in the future issues payments directly to you related to such goods or services, please understand that Fiscal Sponsor does so only as a convenient means of disbursing grant funds for the benefit of the charitable work Partner Acronym is engaged in and is **not under any legal obligation to you.** Please contact me if you have any questions.

Sincerely,

NAME & Title

FISCAL SPONSOR NAME