



**SOCIAL IMPACT
COMMONS**

Issuing Grants to Individuals: Practical Guidance for Fiscal Sponsors



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Today's Goals

- Build knowledge around grantmaking to individuals
- Share practical steps and considerations
- Surface good questions and innovative solutions
- Other?



Many ways to pay individuals!

- Employees - wages, benefits, PTO, ect.
- Independent Contractors - service fees/reimbursements via contract
- Fellowship/program participants - stipends, housing allowances, reimbursements, ect.
- Awards recognizing achievement - typically cash
- Raffle/game of chance - cash or prize
- Volunteers - reimbursement and other relatively small amounts
- Scholarship - money for specific educational endeavors
- Individuals experiencing hardship - cash & noncash assistance
- 'Model C' regrant and other grants to individuals (e.g mutual aid, UBI Experiments)



Fiscal Sponsors and Grantmaking to Individuals: A Balancing Act

Fiscal Sponsor:

- Charitable Purpose
- No private benefit
- Compliance (state/fed)
- Effort to Administer
- Should we 1099?
- Recordkeeping



Project/Program:

- Mission Critical
- Project Needs & Wants
- Time sensitive
- Effort to administer
- Solidarity with community

Role of Fiscal Sponsor: help advance Projects' interests in grantmaking to individuals by being a good Communicator, Educator, Recordkeeper & Solutions-oriented Partner



General Considerations when issuing grants to individuals

- Compliance
 - Exempt Purpose
 - Charitable Class
 - Avoid private benefit issues/conflicts
 - Avoid Donor Earmarking
 - Private Foundation v. Public Charity
- Policies & Procedures
 - Selection/Approval Process
 - Systems & Operations
 - Documentation & Recordkeeping



Needs Based Assistance

- Grants to serve the needy or distressed. Needs assessment based on the recipients' financial resources and their physical, mental, and emotional well-being.
- Individuals receiving assistance are not generally subject to federal tax on the value of assistance they receive from a charity to meet their personal needs. No 1099s issued but reported on 990
- IRS says: An organization must maintain adequate records that show the amounts paid, the purpose of the payments, and information to establish that distributions were made to meet charitable purposes and individual's needs.



Needs Based Assistance Documentation

- A complete description of the assistance
- cost of the assistance
- the purpose for which the assistance was given
- the charity's objective criteria for disbursing assistance under each program
- how the recipients were selected
- the name, address, and amount distributed to each recipient* (but see below regarding short-term emergency assistance)
- any relationship between the recipient and officers, directors, or key employees of or substantial contributors to the organization
- the composition of the selection committee approving assistance

* A charitable organization that is distributing short-term emergency assistance should maintain the documentation noted above except for records of the name, address, and amount distributed to each recipient. Instead, organizations providing short-term emergency assistance should maintain records that describe the date, place, and estimated number of victims assisted. Examples of such short-term emergency aid would include blankets, hot meals, crisis shelter, electric fans, coats, hats, and gloves.



Non-needs Based Grants to individuals

- Examples:
 - 'Model C' and similar arrangements
 - Universal Basic Income Experiments (potentially)
 - Other?
- All general compliance considerations noted in Slide 5 apply
- Likely taxable. Issue 1099.
- Regarding taxability, be guiding hand steering individuals towards authoritative resources but don't be tax advisor!



Tips for Policy & Practice Development

- Do your homework
- Don't reinvent the wheel (but don't just copy)!
- Consistency promotes fairness & better user experience
- Get professional advice
- Communicate, communicate, communicate



Additional Resources

- NEO Law Group 4-part blog on grantmaking to individuals and businesses:
<https://nonprofitlawblog.com/grants-to-individuals-and-businesses-part-one/>
- IRS Guide to public charities providing disaster relief: <https://www.irs.gov/pub/irs-pdf/p3833.pdf>
- Urban Institute Paper on Funding Direct Cash Initiatives including innovative case study:
https://www.urban.org/sites/default/files/publication/104760/funding-direct-cash-initiatives_2.pdf

