**Transferring Grant Obligations**

**from One Entity to Another**

When a charitable program or initiative operating under one nonprofit (the “Initial Grantee) transitions to another nonprofit (the “Successor Entity”), oftentimes there are funds associated with active grants awarded by a funder (the “Funder”) to support the program that need to be moved from the Initial Grantee over to the Successor Entity so the work can continue to be funded. Unless the funds are truly unrestricted with no future reporting requirements back to the Funder and the underlying grant agreement doesn’t require the Funder’s permission to transfer the award, the involved parties should agree on how the funds and associated grant obligations will be transferred to the Successor Entity. Below are several options to accomplish this followed by a comparison chart:

* **Grant Assignment.** If the Funder permits assignment in the original Grant Agreement, the parties should execute a simple grant Assignment Agreement providing for the Successor Entity to take the place of the Initial Grantee as the official grantee and by doing so, the Successor Entity accepts full responsibility for the grant going forward. The Assignment Agreement is typically entered into between the Initial Grantee and the Successor Entity. The Funder may also sign the Assignment Agreement to acknowledge and consent to the assignment. If the Funder explicitly prohibits assignment, the Initial Grantee may seek permission from the Funder to allow an exception, or one of the other approaches detailed below may be undertaken. Once executed, the Initial Grantee may transfer the balance of grant funds to the Successor Entity. Depending on the practices and comfort level of the Funder, this assignment may alternatively be memorialized via an email exchange that clearly sets forth the understanding and agreement of the parties. The grant assignment is often the cleanest and most efficient way to transfer the grant funds and obligations to the Successor Entity.
* **Subgrant/Subcontract.** Here the Initial Grantee continues to hold responsibility for ensuring the work is done but enters into a subgrant or subcontract with the Successor Entity to “outsource” most or all future deliverables/work to be performed as the Successor Entity now holds the staff and other capacities needed to carry out the work. The Initial Grantee and Successor Entity then coordinate to ensure grant compliance and reporting back to the Funder. This solution may be necessary if the Funder does not permit assignment (per above) or if the Successor Entity is a new organization and does not yet have the systems and processes in place to hold and manage the grant outright. A subgrant/contract may also be needed if part of the grant is dedicated to supporting the work at the Initial Grantee beyond the program being transferred and thus needs to remain with the Initial Grantee. Depending on the practices and requirements of the Funder, an amendment to the budget of the existing award may be appropriate to account for these changes.
* **Fully Retain Grant.** In limited circumstances, usually when one or more program staff/contractor positions or other major cost centers are fully funded by a grant that will end in the near future, the parties may decide that the Initial Grantee will continue to hold the grant and the funded program staff and other costs will stay with the Initial Grantee until the grant period is over. Once the grant is closed out, the staff/contractors may join the Successor Entity which has already taken on all other staff and assets associated with the program. Although no changes or amendments are required to the existing grant agreement, this approach adds administrative complexity for both the Initial Grantee and Successor Entity and results in short-term fragmentation of the program. In this case, the Initial Grantee retains all final reporting, close out and compliance obligations related to the grant.
* **New Award.** The Funder may require the award with the Initial Grantee be terminated with the balance of funds returned to the Funder. The Successor Entity then applies to the Funder to be awarded a newly issued grant. This approach might arise if the Funder feels formal termination of the grant is warranted by force of internal policy, accounting, or legal liability considerations. Note that this approach is relatively rare, as the return of charitable funds raises complex accounting and compliance issues for both the Initial Grantee and Funder alike, not to mention entails time-consuming process, creating uncertainty for the Successor Entity.

|  | **Official Grantee (from Funder’s perspective)** | **Responsibility for work performed post-transition** | **Reporting responsibility to Funder** | **Booked as. . .**  | **Best when. . .**  |
| --- | --- | --- | --- | --- | --- |
| **Transfer of unrestricted funds** | Initial Grantee | Successor Entity | n/a | For Funder: * 1 grant to Initial Grantee

For Initial Grantee:* Grant from Funder
* Re-grant or contribution to Successor Entity

For Successor Entity:* Re-grant or contribution from Initial Grantee
 | Funds are unrestricted and Funder permission to transfer is not required.  |
| **Grant Assignment** | Successor Entity | Successor Entity directly accountable to Funder | Successor Entity (depending on what’s agreed upon, Initial Grantee may be responsible for reporting on pre-assignment activity) | For Funder:* 1 grant with assignment of official Grantee from Initial Grantee to Successor Entity

For Initial Grantee:* Grant from Funder
* Balance Transfer to Successor Entity

For Successor Entity:* Grant from Funder with Initial Grantee as Payor
 | Successor Entity has systems and capacity to independently administer the award. Allows for prompt closer of relationship between Initial Grantee and Successor Entity while ensuring accountability to Funder. Generally preferred approach for restricted awards. |
| **Subgrant/****Subcontract** | Initial Grantee | Successor Entity accountable to Initial Grantee. Initial Grantee accountable to Funder | Often shared per agreement between Initial Grantee and Successor Entity | For Funder:* 1 grant to Initial Grantee
* Potential budget modification to that award.

For Initial Grantee:* Grant from Funder
* Subgrant/subcontract to Successor Entity

For Successor Entity:* Grant/contract from Initial Grantee
 | Successor Entity does not have systems or capacity to independently administer the award or Funder is not otherwise comfortable with Successor Entity directly holding the award or assignment is otherwise prohibited by Funder. |
| **Fully Retain Grant** | Initial Grantee | Initial Grantee | Initial Grantee | For Funder:* 1 grant to Initial Grantee

For Initial Grantee:* Grant from Funder

For Successor Entity:* No activity related to this award on Successor Entity’s books
 | Grant is nearly spent out and Initial Grantee can retain staff, operating, and reporting capacity until grant period concludes. |
| **New Award** | Initial Grantee for original award. Successor Entity for new award. | Successor Entity directly accountable to Funder | Initial Grantee and Successor Entity independently responsible for directly reporting to Funder on their respective awards | For Funder: * Two separate grants. One to each party

For Initial Grantee:* Grant from Funder - Initial amount minus amount returned

For Successor Entity: * Grant from Funder of balance
 | When Funder, because of self-imposed restrictions, is unable to support any of the above approaches. |