Resourcing Communities
Place-based Funders & Fiscal Sponsors

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Goals

- Understand some of the basic attributes of fiscal sponsorship and place-based foundation/funding work.

- Explore the potential mission- and impact-related intersectional work between place-based foundations and fiscal sponsorship.

- Envision some possible futures for foundations working with and as fiscal sponsors for their stakeholders.
Setting the table
Institutional trust is down, but highest among nonprofits.

<table>
<thead>
<tr>
<th>Share of Americans Who Trust Charities and Philanthropy to Do What's Right</th>
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</thead>
<tbody>
<tr>
<td>Religious charitable organizations</td>
</tr>
<tr>
<td>Community foundations</td>
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<td>Secular charitable organizations</td>
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<td>Private foundations</td>
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<tr>
<td>Crowdfunding campaigns (e.g., GoFundMe)</td>
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<tr>
<td>Donor-advised funds</td>
</tr>
<tr>
<td>High-net-worth individual donors</td>
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<tr>
<td>Impact investing</td>
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<tr>
<td>Giving by corporations</td>
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</tbody>
</table>

Includes people who say they completely or very much trust charitable entities.

Source: What Americans Think about Philanthropy and Nonprofits, Indiana University, Lilly Family School of Philanthropy (April 2023)
The fiscal sponsor ecosystem is growing.

What’s motivating this growth?

Among many forces at work, we hear three main motivations emerging:

- **Solidarity** – Comprehensive fiscal sponsors provide nonprofit commonized backbones, shared capacity for diverse missions that share values; changemakers today are increasingly turning to Solidarity Economy solutions for powering collective action.

- **Equity** – Fiscal sponsors provide services in proportion to need, with low financial and knowledge barriers to entry. With the growth of more BIPOC-led and -serving sponsors, we have platforms of trust and cultural competence to meet community needs.

- **Efficiency** – Economies of scale enable fiscal sponsors to offer comprehensive back-office support (and often more) for between 10% and 20% less than it would cost a stand-alone nonprofit, allowing more resources to be allocated to programs/services.*

(*) Comparative economic analysis on the SMU Data Arts data set, conducted by Social Impact Commons in 2020 on 475 arts and culture organizations operating in Southeastern Pennsylvania operating below $2M in annual budget.
What is a comprehensive fiscal sponsor?

A comprehensive fiscal sponsor, or *commons manager* (our term), is a nonprofit backbone organization that provides *shared corporate structure, finance, HR, legal, insurance, risk management and other resources* among multiple semi-autonomous missions, supporting:

>> **Individual Change Makers**
seeking turnkey access to nonprofit status and support infrastructure.

>> **Collectives & Collaboratives**
seeking a common platform for operating and managing together.

>> **For-profit Businesses**
engaged in charitable work in their communities.

>> **Nonprofit Organizations**
seeking greater efficiency and sustainability through shared back-office resources.
Model “A” – Comprehensive fiscal sponsorship.

Income Sources
- Foundation Grants
- Government Grants
- Corporate Gifts
- Individual Gifts
- Earned Income

Sponsor Pays
- Vendors
- Contractors
- Employees

Project

Commonized Services
CORE
- Federal Tax Exemption
- Contributed Income Receiving/Accounting
- Full-charge Accounting (AP/AR)
- Nonprofit/Employer Compliance
- Board/Fiduciary Responsibility
- Legal & Transactional Partner
- Human Resources (Employer)
- General Liability/D&O Insurances
- Strategic Financial Guidance

ADDITIONAL
- Special Insurances (RE, E&O, etc.)
- Consulting & Advisory Support
- Other Services & Resources
- Space, Technology, & Other Systems
What do we mean by place-based funders and fiscal sponsors?

Place-based funders and fiscal sponsors serve local, regional, field-specific, and/or identity-specific communities.

Place-based funders include:
- Community (Public) Foundations
- Local Private Foundations (Conversion and Other)
- Public Charities Housing Funder Collabs/Donor Advised Funds

Place-based fiscal sponsors include:
- Place-based organizations offering occasional sponsorship
- Dedicated local, regional, field, or identity-specific fiscal sponsors
- Hybrid organizations housing funding (DAF/Collab) and sponsorship programs
We see a mutual opportunity and shared goals.

**Place-based Sponsor(ship)**
- Holders of...
  - Community knowledge
  - Relationships of trust
  - Cultural competencies
- Motivated by...
  - Solidarity
  - Equity
  - Efficiency
  - Shared Infrastructure

**Place-based Funders**
- Holders of...
  - Community knowledge
  - Relationships of trust
  - Cultural competencies
- Motivated by...
  - Solidarity
  - Equity
  - Efficiency
  - Community Funding
What’s at stake? Shifting the paradigm.

Is building nonprofit infrastructure really the goal of mission-based work?

Our traditional capacity building paradigm...

- **Supporting infrastructure building one organization at a time**, subject to the vagaries of people, operating environment, and other parts of the system.

Perhaps should give way to a new paradigm...

- **Providing the collective capacity for organizations** in your community, assuring a sustained, culturally competent, and community-focused backbone.
We see the potential for *structural subsidy* and other *intentional resource sharing* relationships between place-based sponsors and funders, enabling true *sustainable collective capacity*.
Spectrum of approaches.

Arm’s Length

Funder

Fiscal Sponsor(ship)

- Affiliated relationship
- Dedicated/responsive funding for core sponsor operations
- RFP funding programs for sponsored projects

Subsidiary relationship (shared board)

- Dedicated/responsive funding or internal subsidy for core sponsor operations
- RFP funding programs for sponsored projects

Integrated relationship

- Internal subsidy for core sponsor operations
- RFP funding programs for sponsored projects

Integrated
What if?
Every geographic, field, or identity-based community had one or more locally acting fiscal sponsors with sustained subsidy from aligned place-based funders?

Instead of perpetuating the old model of making every small nonprofit build its own infrastructure, funders and fiscal sponsors link their systems to simply be the infrastructure for their communities?

We could vastly accelerate the growth of equitable and sustainable support for the needs of communities.
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