How do I know that we are recovering whole costs?

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Purpose and Outcomes

- Review the available data about current cost recovery practices
- Test out a few tools that could help define the full costs of fiscal sponsorship services and assess how those compare against the collected revenues.
Agenda

- Welcome and Introductions
- Reflection on the overall cost recovery data from the field scan
- Review cost defining tools:
  - Level of effort planning tool
  - Cost allocation analysis
  - Cost vs Revenues projections
- Closing Reflections
Key Data Sets from the Field Scan

- 76% of respondents offer programs in addition to fiscal sponsorship
- 51% of respondents where fiscal sponsorship was >60% of overall expenses
- 58% of respondents using a fixed percent cost allocation applied to revenues
- 54% of smaller fiscal sponsors (<$10M) would benefit from subsidy for their sponsorship work
More than half of all sponsors (54%) report that they track their whole cost to deliver support to projects.
What can we learn from the field scan about cost recovery?

Most sponsors (78%) reported recovering most of their costs to deliver services, with 22% recovering few to none of their costs, or unsure about cost recovery.
Cost recovery for fiscal sponsor support via cost allocations (fees) from projects (perceived and actual)
Why?

When your client asks if you can do it cheaper
Focus for Today

- What are your full cost-to-deliver the services?
- Do you have a standard method/approach to calculate the indirect cost rates (overhead)?
- What business decisions are you making as a sponsor, knowing your whole cost-to-deliver rate? Are you allocating (charging) all or just some of that to projects?
- How do you track and allocate these costs in your day-to-day finance management?

Everything has a price, but not all prices appear on labels.
Shared Services Resource Generation Model

High to 100% Subsidized
Minimal cost recovery from sponsees

Moderately Subsidized
Some portion of whole cost is recovered from sponsees

100% Whole Cost Recovery
All fiscal sponsorship costs are recovered from sponsees

More akin to conventional nonprofit model

More potential to operate like a co-op/ shared ownership
Management Commons: Determinants of Financial Health

Revenues
- Additional investments
- Approach to Cost Recovery
- Portfolio: # and type of Fiscal Sponsees and Types of services

Costs
- Management infrastructure (technology) and capital
- Indirect Costs (Fixed)
- Direct and Allocable Costs (Variable)
What Costs Does the Fiscal Sponsor Steward?

**Direct Costs** - such as direct staff time supporting the projects, direct equipment, conference registrations, intake/exit costs, etc.

**Shared Costs** - such as software, shared support and development staff, insurances, etc.

**Indirect Costs (FS program specific)** - such as executive leadership supports, audit, compliance, software, board management, marketing/communications, banking, etc

**Portfolio (Project) Costs** - such as direct fiscal sponsees’ program costs

**Investment Costs** - such as endowment/ reserves, retirement fund management, technology, working and change capital, fixed asset additions, debt repayment
Tools to help capture full costs and estimate revenues

- Level of Effort Planning Tool
- Cost Allocation determination Tool
- Revenue Projection Tool
When we understand the revenue and cost drivers, we can

- Identify and prioritize cost-saving opportunities
- Fundraise from donors to cover the true costs of delivering the program
- Set fees at a level that covers the true costs of providing it
- Report the true costs of a program when claiming government reimbursements
- Establish “average cost per fiscal sponsee”
- Plan for additional resources and meet intended growth
Are you ready to capture these essential costs for your organization?
Fill Out The Session Evaluation Form

Scan the QR Code below to access the form!
Sustainability Drivers of the Resource Sharing Model

- How diversified and forecastable/ sustainable/ renewable is your revenue profile and portfolio?
- What are your whole cost-to-deliver of the services that you deliver?
- Do you have sufficient working capital (net assets or philanthropy) to innovate, take risks, and grow?