Building the Fiscal Sponsorship Field: Understanding Full Costs

April 2024
Purpose and Outcomes

- Review the available data in the field scan as it relates to fiscal sponsor’s cost recovery
- Introduce couple tools to help think through full costs to deliver the services from top down as well as bottom up perspective
Key drivers to successful resource sharing models

- **Organizational and Portfolio Liquidity**: What are your whole cost-to-deliver your support?
- **Portfolio Size and Complexity**: How diversified, forecastable, sustainable and renewable your portfolio is?
- **Awareness of Full Costs**: Do you maintain sufficient cash balances (operating capital) for your organization and the portfolio to operate?
- **Cost Recovery Approaches**: Do you and the portfolio have sufficient working capital (net assets) to innovate, take risks, and grow?
Field Scan: Results
Awareness of Full Cost

➢ 76% of respondents offer programs in addition to fiscal sponsorship
➢ 51% of respondents where fiscal sponsorship was >60% of overall expenses
➢ More than half of all sponsors (54%) report that they track their whole cost to deliver support to projects
➢ Most sponsors offer “Model A” and “Model C” sponsorship as well as other programs and services.

Our sample was 68% “Model C” Pre-approved Grant and 72% “Model A” Comprehensive, with 48% of respondents offering both “Model C“ and “Model A”. Most (76%) respondents carry out other programs and services in addition to fiscal sponsorship.
Cost to Deliver Tracking Practices

While 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.
More than half of all sponsors (54%) report that they track their whole cost to deliver support to projects.
Diversity in reported cost recovery vs % of cost to deliver

Our program recovers most of its costs to deliver services from fiscal sponsorship fees, including overhead, but requires some additional subsidy to...

Our program recovers few to none of its costs to deliver services from fiscal sponsorship fees, including overhead, and requires most or all costs to be...

Our program recovers all of its costs to deliver services from fiscal sponsorship fees, including overhead, with no net income (break even)

Our program recovers all of its costs to deliver services from fiscal sponsorship fees, including overhead, plus some net income

I don’t know which of the above best describes our program

- FS Costs to deliver are less than 5% of FS Portfolio Expenses
- FS Costs to deliver are between 5% and 10% of FS Portfolio Expenses
- FS Costs to deliver are between 10 and 20% of FS Portfolio Expenses
- FS Costs to deliver are over 20% of FS Portfolio Expenses
Focus for today

- What is your 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.

Morgan Housel, *The Psychology of Money*
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)
Different Types of Costs

**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

**Investment Costs** - such as endowment/ reserves, retirement fund management, technology, working and change capital, fixed asset additions, debt repayment

**Portfolio (Project) Costs** - such as direct fiscal sponsees’ program costs
<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial services, including fund receipts and payments, bookkeeping, reporting, and oversight</td>
<td>92%</td>
<td>857</td>
</tr>
<tr>
<td>Grant Management</td>
<td>83%</td>
<td>774</td>
</tr>
<tr>
<td>Charitable Regulatory and Tax Compliance</td>
<td>76%</td>
<td>699</td>
</tr>
<tr>
<td>Basic Nonprofit Business Insurances (General Liability and Directors &amp; Officers)</td>
<td>69%</td>
<td>626</td>
</tr>
<tr>
<td>Contract/Vendor Management</td>
<td>67%</td>
<td>606</td>
</tr>
<tr>
<td>Human Resources Management</td>
<td>63%</td>
<td>580</td>
</tr>
<tr>
<td>Corporate/legal home</td>
<td>62%</td>
<td>570</td>
</tr>
<tr>
<td>Organizational Development/Other Capacity Building Coaching</td>
<td>61%</td>
<td>559</td>
</tr>
<tr>
<td>Professional/Leadership Development/Coaching</td>
<td>57%</td>
<td>522</td>
</tr>
<tr>
<td>Fundraising and/or Marketing Support</td>
<td>49%</td>
<td>447</td>
</tr>
<tr>
<td>Strategic Financial Advice</td>
<td>48%</td>
<td>441</td>
</tr>
<tr>
<td>Other insurances (e.g., Property, Errors &amp; Omissions, Unlawful Sexual Conduct, etc.)</td>
<td>47%</td>
<td>432</td>
</tr>
<tr>
<td>Equity, Diversity, Inclusion, and Accessibility Guidance</td>
<td>44%</td>
<td>405</td>
</tr>
<tr>
<td>Office, program, or administrative space</td>
<td>33%</td>
<td>300</td>
</tr>
<tr>
<td>IT/Technology advisory and services support</td>
<td>30%</td>
<td>285</td>
</tr>
<tr>
<td>Strategic Legal Guidance</td>
<td>29%</td>
<td>260</td>
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<tr>
<td>Impact Assessment/Data Collection and/or Theory of Change Design</td>
<td>15%</td>
<td>143</td>
</tr>
<tr>
<td>Communications management</td>
<td>14%</td>
<td>130</td>
</tr>
<tr>
<td>Other Services (specify)</td>
<td>12%</td>
<td>112</td>
</tr>
</tbody>
</table>

n=951
How can we achieve more sustainable future?
Sustainability starts with Intentional practice tracking

Key Performance Measures

Portfolio level
- # of projects supported
- Revenues under management
- Expenses under management
- Shared costs collected
- Carryover Net Assets of FS Portfolio
- Cash Balances for the Portfolio
- Burn Rate
- Spending Rate
- Net Assets by months
- Available Cash by months
- Average Cost Recovery Rate

Organizational level
- Number of Staff providing supports
- Costs of providing supports
- Available cash for FS portfolio management
- Reserve & Carry Over Net assets for FS portfolio
- FS Cost Recovery Rate
- Additional Fundraising needed
- Burn Rate
- Net Assets by months
- Available Cash by months
And how do you approach sustainable resource sharing

Organizational and Portfolio Liquidity
Portfolio Size and Complexity
Awareness of Full Costs
Cost Recovery Approaches

Practices incorporating Equity, Transparency and Power Sharing Principles
Asta Petkeviciute, Chief Financial Steward
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