Fiscal Sponsorship Models
Viewed Operationally and as a Community of Practice

The Impact Commons Toolkit

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Summary: why this matters

- Understanding the core models along the lines of *integrated* and *arm’s length* relationships may aid in focusing and clarifying decision making conversations with projects and new sponsorship programs.

- Since fiscal sponsorship is a self-identifying field, understanding the edges and borders of this identity is important for research and advocacy work.

- In our efforts to gather data on the field, we need to prioritize and focusing on Models “A” (“A-L”), “B”, and “C” seems practical, as these are also the models for which financial data *visibility* are the most acute problems.
Exempt law attorney Greg Colvin’s *Fiscal Sponsorship: Six Ways to Do It Right* is an excellent legal taxonomy of IRS-compliant structures for accessing charitable dollars and sharing nonprofit infrastructure.

The impetus to create it was a need to clarify and correct (usually unintentionally) improper practices and relationships and bring more definition to the field, in the interest of fending off challenges to operate.

This essential and foundational work remains a defining reference point for the field and is our starting point for this conversation.
Why this conversation?

Colvin’s alphabetical taxonomy is organized from “A” to “F” by relative degree of legal distance/differentiation or structural integration.

While this makes sense as an organization from a legal perspective, there are other ways to examine how the models are understood and relate to each other:

● As a self-identifying community of practice
● As operational relationship types: arm’s-length OR integrated
● As platforms for sharing certain bundles of resources/support

These different views may inform how data collection on the field is prioritized, as well as new projects and sponsors find the right model to support their needs.
The preponderant models: “A” and “C”

(f) Which model(s) of fiscal sponsorship do you actively practice? n=99

Model A - Comprehensive/Direct Project Relationship
Model C - Pre-Approved Grant Relationship
Model B - Subcontractor Relationship
We offer a hybrid of two or more of the above models
(Please indicate which models below)
Disregarded Entity (LLC) Relationship
Model E - Supporting Organization Relationship
Model F - Technical Assistance Relationship
Model O - Member-Governed Charitable Organization (Corporation)
I'm not sure what models we practice
Model D - Group Exemption Relationship
Model X - “Payment for the Use Of” Relationship
Based on the 2023 Field Scan, Models “A” and “C” are the prevalent, followed by Models “B” and “A-L”, with Models “D” and “F” being the least represented in the community of practice.

Since the community of practice is not defined along legal or compliance lines, it is a self-identifying dynamic.

This means that “D” and “F” may be widespread and useful, these do not always identify as fiscal sponsorship.
Viewed operationally

Integrated (Commons Structure)

Model “A” & “A-L”

SPONSOR

PROJECT

Arm’s Length (Intermediary Structure)

Model “C” & “B”

SPONSOR

PROJECT

Income Sources
Viewed in terms of shared resources

Integrated (Commons Structure)

Model “A” & “A-L”
SPONSOR
Comprehensive Finance
Legal/Compliance
Human Resources
Insurances
And more...

PROJECT

Arm’s Length (Intermediary Structure)

Model “C” & “B”
SPONSOR
Contributed Income
Recognition
Re-granting OR
Subcontracting
And more... (?)

PROJECT
As both projects and sponsors, there is often a journey from model to model, for sponsors in building their program, for projects in moving from incubative or short-term support to more sustained shared infrastructure.

There are challenges in shifting across models that relate to the difference between integrated and arm's length solutions.
Decision making

1. What kind of support and resources are you looking for/able to provide?

2. What kind of operational relationship do you feel comfortable with?

3. What values and identity/culture attributes are important to you?
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