



Strength through Solidarity

Management Commons and the Future of Nonprofit Resource Sharing

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Agenda

- Welcome & Introductions (10 Min)
- Presentation (35 Min)
- Q&A and Discussion (45 Min)



Today's goals

- Understand the transformative and impact potential of a comprehensive model of fiscal sponsorship.
- Discuss key considerations for funders of sponsored projects and how funders can support this transformational field.





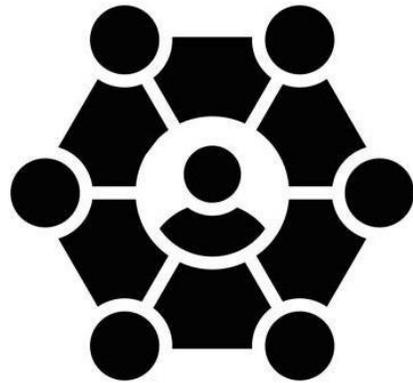
What is
fiscal sponsorship?

Features of fiscal sponsorship

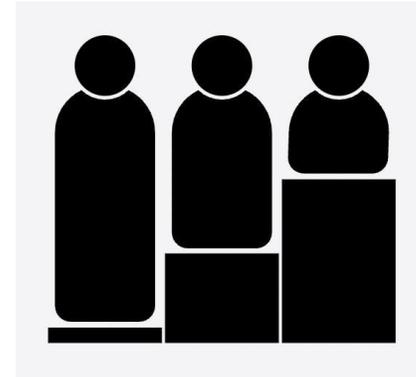
Fiscal sponsorship, or “commons management”, describes a range of legal structures and management practices that permit multiple distinct nonprofit missions to share essential backbone resources.



Accelerate and facilitate flows of money



Cooperatize backbone infrastructure



Offer equitable access to nonprofit resources



Share costs, resilience, and economies of scale



Comprehensive fiscal sponsorship supports



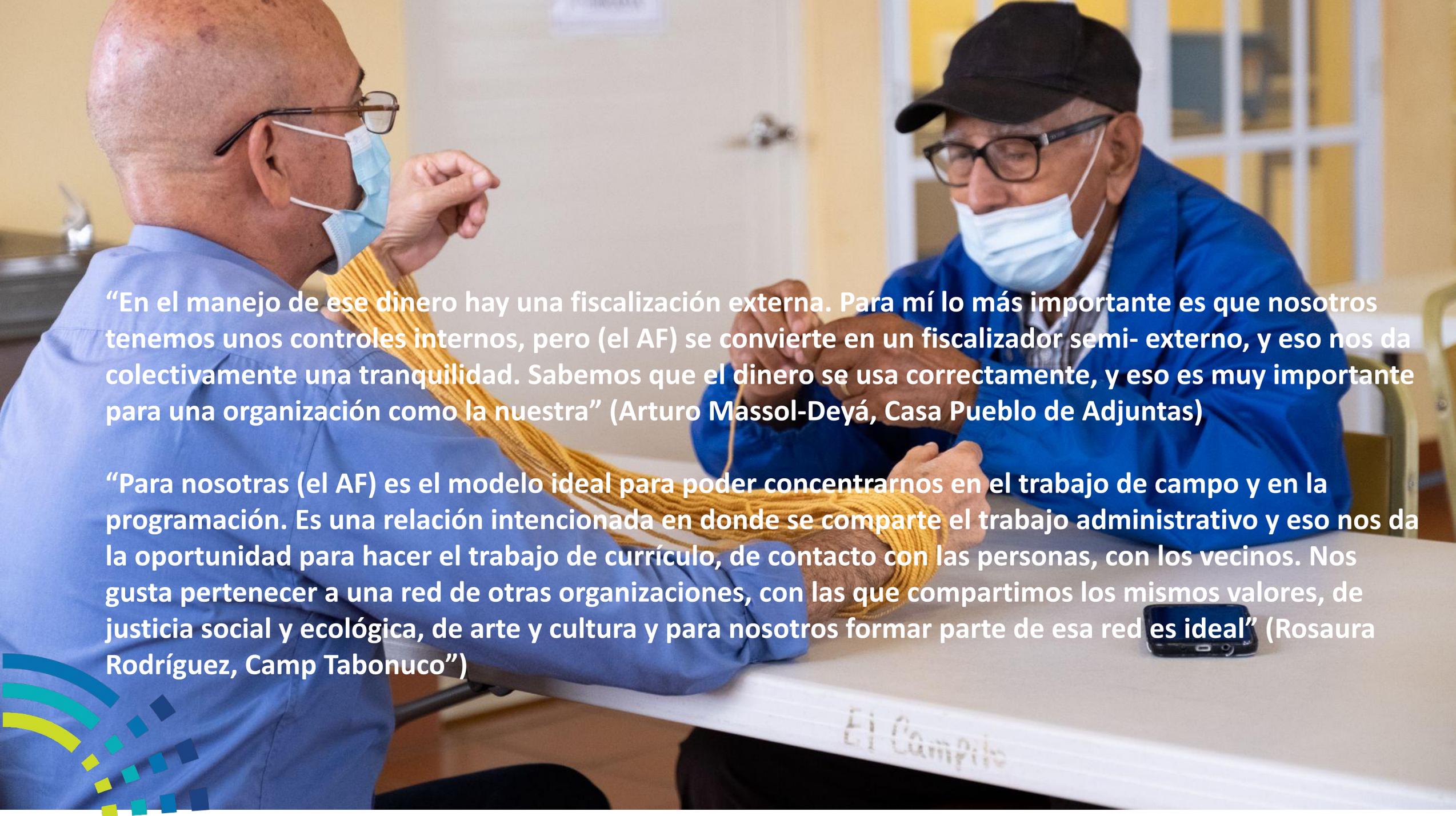
CORE SUPPORT

Legal Home
Federal & Local 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.)
Facilities & Logistics Management
Consulting & Advisory Support
Other Services & Resources
Space, Technology, & Other Systems





“En el manejo de ese dinero hay una fiscalización externa. Para mí lo más importante es que nosotros tenemos unos controles internos, pero (el AF) se convierte en un fiscalizador semi- externo, y eso nos da colectivamente una tranquilidad. Sabemos que el dinero se usa correctamente, y eso es muy importante para una organización como la nuestra” (Arturo Massol-Deyá, Casa Pueblo de Adjuntas)

“Para nosotras (el AF) es el modelo ideal para poder concentrarnos en el trabajo de campo y en la programación. Es una relación intencionada en donde se comparte el trabajo administrativo y eso nos da la oportunidad para hacer el trabajo de currículo, de contacto con las personas, con los vecinos. Nos gusta pertenecer a una red de otras organizaciones, con las que compartimos los mismos valores, de justicia social y ecológica, de arte y cultura y para nosotros formar parte de esa red es ideal” (Rosaura Rodríguez, Camp Tabonuco”)

Who fiscal sponsors support

>> **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.





Myths and Misconceptions...

A few myths and misconceptions

- You're not giving to a 501(c)(3) organization when granting to a sponsored project.
All gifts and grants to a fiscally sponsored project are made to a 501(c)(3) public charity.
- There is no compliance, oversight, or accountability for funds given to a sponsored project.
The job of the fiscal sponsor is to provide compliance, oversight, and capacity to projects. Done well, the model offers *enhanced compliance*.
- Fiscal sponsorship is only for start-up nonprofits or temporary projects.
It can be a solution for repositioning/restructuring established programs and organizations.
- Fiscal sponsorship is an exotic or untested nonprofit model.
It is actually just multi-program management, something most nonprofits do every day.
- Funders and donors are hesitant to work with fiscal sponsors.
There may be lack of understanding about how it works, but awareness is on the rise.





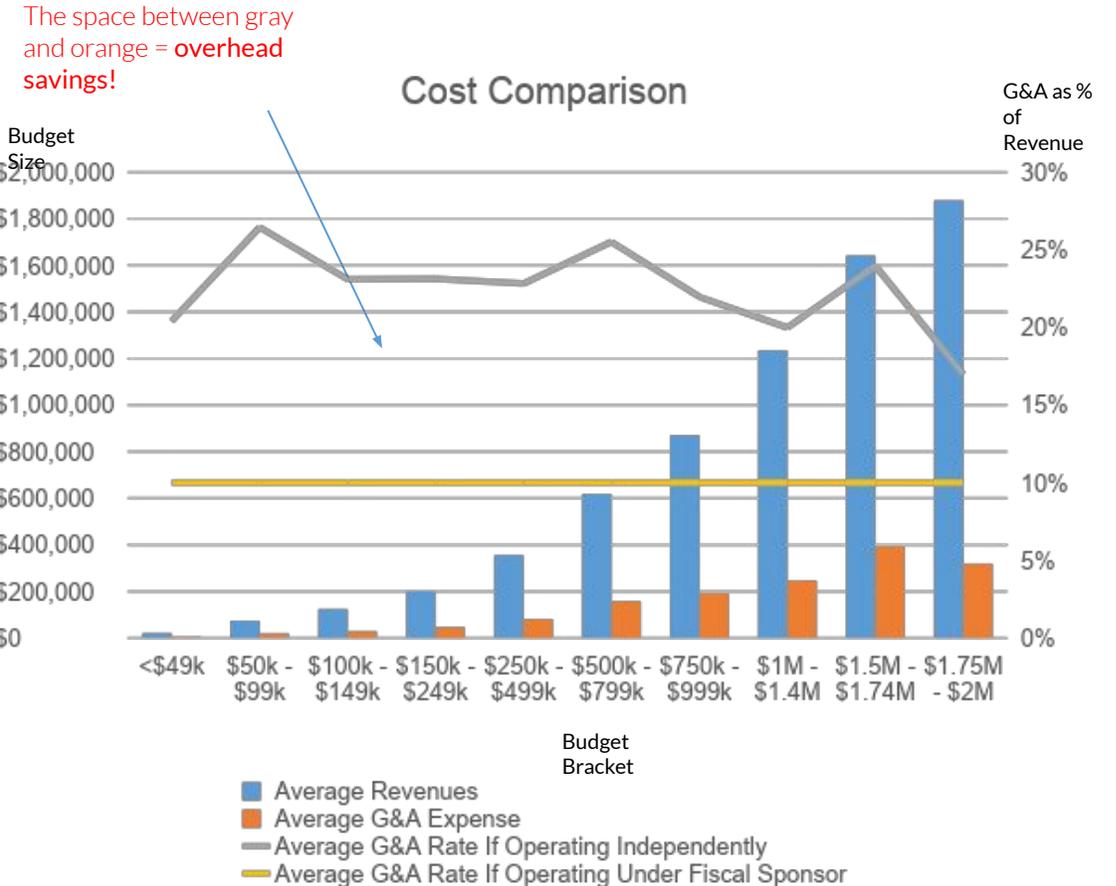
Fiscal Sponsors: Partners for Social Impact

More money for programs and services

Fiscal sponsors create economies of scale through shared systems, staff, and other wrap-around support.

Arts and culture organizations operating below \$2M spend between 17% and 27% of their revenues on the same resources that a comprehensive fiscal sponsor can provide for between 9% and 12%: a “savings” of about 10%!

If just 10% of PA arts organizations were fiscally sponsored, they could reallocate about \$5.3M to direct programs and services!



Source: (*) Research on 475 Pennsylvania cultural organizations with budgets less than \$2M completed in 2019 by Social Impact Commons in partnership with Accenture and SMU Data Arts, publication forthcoming.

Access with equity and solidarity

- **Engages in solidarity models** - constituent-governed and -led sponsors can provide solidarity and collective capacity building for marginalized groups.
- **Applies cost proportionate to need: low financial/knowledge barriers** - costs relate to need and size: “plug-and-play” access to expertise and infrastructure.
- **Can provide equitable access to enhanced employee benefits** - typically not accessible to small organizations, owing to scale and capacity.
- **Leverages cultural competency and established trust** - sponsored projects can find sponsors that align with their cultural experience, values, and networks of trust.
- **Organizes around common values and identities** - for sponsors that foster intentional communities, they can become a beacon for shared values and identity.



Impactful partners for philanthropy

Fiscal sponsors are partners and platforms for...

- **Launching, scaling, pivoting, and winding up nonprofit programs** with efficient and responsive support along the entire lifecycle of a nonprofit.
- **Efficient and equitable distribution of funding to multiple programs** for strategic growth, collaboration and coalition building, crisis response, and other needs.
- **High-quality, responsive, and consistent financial and compliance management**, including financial reporting, cash management, tax and regulatory reporting, etc.
- **Establishing lines of trust with communities and managing collective risk** with cultural competency and mindfulness of community needs.





How can funders and
PSOs help?

What funders can do . . .

Learn

- ✓ Orient your key staff and board to fiscal sponsorship structures and good practices.
- ✓ Develop fiscal sponsorship-compatible grants management systems and policies.
- ✓ Ensure that your professional advisors and peers understand fiscal sponsorship.
- ✓ Open your communities (PSOs) to fiscal sponsors.
- ✓ Peel back the layers and ask fiscal sponsors good questions.

Invest

- ✓ Fund the direct operations and provide capital support to fiscal sponsors.
- ✓ Invest in developing new fiscal sponsorship capacity in your grantee networks.
- ✓ Work strategically with sponsors on collaborative or cohort-based impact projects.





Program Considerations:
Funder as Fiscal Sponsor Partner
&
Funder as Fiscal Sponsor

Key Funder-as-Partner Policy Considerations

- **Board-approved Fiscal Sponsorship Policy:** Do you embrace fiscal sponsorship as an occasional work-around, preferred approach to capacity building, temporary relationship, or long-term operating solution?
- **View on Criteria Weighting (Sponsor-Project):** How do you weight the importance of key aspects of the sponsor (beyond basic compliance) relative to the attributes of the project seeking support?
- **Legal and Operating Standards:** To what degree do you wish to set standards of practice for sponsors supporting your projects (key legal terms, cost allocation rates, minimum capacity/track record standards, etc.)?
- **Grantmaking Process & Ecosystem Development:** Do you wish to pre-approve sponsors to allow for more fluid application review? Do you wish to invest in the capacity of the fiscal sponsorship ecosystem serving your community?



Key Funder-as-Sponsor Considerations

- **Integrated Mission/Theory of Change** How does your fiscal sponsorship work support/complement your overall organizational mission and theory of change?
- **Optics & Politics:** How do you manage the role of funder and direct program support partner (fiscal sponsor) under one institutional umbrella? Or do you set up a supporting/sister organization to run FS program?
- **Participant Discernment:** What are your target beneficiaries for your fiscal sponsorship work? Are they the same as your grantees? Are criteria for accessing your fiscal sponsorship work similar or different from those of your grantmaking?
- **Business Model & Costing:** Do you allocate (“charge”) a fee to projects for your fiscal sponsorship work, do you internally subsidize, externally fundraise, or some combination of all of the above?



Key Funder Documents

- **Grant Application** that contemplates documentation and responses from both sponsor and project, as well as proof of sponsor-project relationship (and specific type of relationship).
- **Grant Review Protocol** that allows for sponsor and project to be assessed individually, but as integral related parts of the work that is seeking support.
- **Grant Agreement** that contemplates fiscal sponsorship and requires some manner of Fiscal Sponsorship Agreement as contract exhibit or funding prerequisite.
- **Reporting Forms** that accommodate, where appropriate/desired, data from both sponsor and project.
- **Approved Sponsorship Agreement Templates (optional)** for grantseekers or new or occasional sponsors to use in applying for funding.



Grantee Review Protocols & Application Documents

When reviewing a sponsored project, funders often look at *sponsor* and *project* as distinct but integral parts of the grant review process, whether in the case of unrestricted (GOS) or restricted project funding. Regardless of specific criteria or priorities, there is a basic architecture of review focused on *compliance, organizational health, quality of program or project, and operating capacity.*

FISCAL SPONSOR

Is responsible for:

Charitable Compliance

(Tax Letter, IRS Form 990, Registration)

Overall Financials

Independent Financial Statements

Back Office Health & Capacity

Sponsor General Operating Budget

Appropriate Sponsor Staff Team

Basic Management Systems and Policies

PROJECT

Is responsible for:

Quality/Impact of Program/Project

(Project/Program Narrative)

Program/Project Financials

(Project P&L, Balance Sheet)

Program/Project Health & Capacity

Program/Project Operating Budget

Appropriate Project Staff Team

Project Management Systems and Policies



How Social Impact Commons helps funders.

Workshops



We offer both introductory and advanced group workshops in 60 to 90-minute, virtual or in-person formats. Our most popular introductory workshop, *Welcome to the Commons: Why Fiscal Sponsorship, Why Now?* provides an overview of the field and its impact as well as considerations for funders.

We provide direct consulting and technical assistance to philanthropies and Philanthropy Service Organizations (PSOs) covering a wide range of fiscal sponsorship-related policies, practices, and capacity building strategies.

Consulting & Tools



Community-Based Projects



We are partnering with funders to develop and build shared management capacity among nonprofits in your funding areas. This could include ecosystem research, building the capacity of a cohort of new or established fiscal sponsors, as well as exploring the potential to develop new fiscal sponsorship models in your community.



Thank you!



<http://socialimpactcommons.org>



<https://www.hasercambio.org/en/main/>

Generous support for the development and work of Social Impact Commons has been provided by:



and





Additional Resources

Whole systems infrastructure and support



Services (HR)

- Finance & Accounting
- Legal & Compliance
 - Risk Management
 - Human Resources
- Marketing & Fundraising
- IT & Technology Support
 - Operations/Impact Assessment
- Consulting/Coaching
- Outreach/Co-learning
- Other Staff Functions



Systems & Infrastructure

- Corporate/Legal Formation
- Tax & Compliance Status
 - Insurance Policies
- Employee Benefit Packages
 - Management Policies/Practices
- Impact Measures/Models
- Enterprise Technology
- Work & Convening Space



A few notes on language

There are a number of terms arising for fiscal sponsorship: fiscal hosting, commons management, nonprofit commons, none of which bears any specific *legal* meaning, *except* “fiscal agent”, which is generally discouraged from use for legal reasons.

- “**Project**” is the generic term for an operating unit under a sponsor (“sponsored project”), alongside “sponsee” and other terms, such as “member” and “partner”.
- “**Project Director**” is the generic term for the authorized individual representing the project in its relationship with the sponsor. (A different title may be used publicly.)
- “**Model**” refers specifically to the alphabetical taxonomy created by attorney Greg Colvin in the early 1990s to refer to the different legal and compliance structures through which nonprofits can share resources and infrastructure.



The most common models

>>> There is a non-exempt individual, group of individuals, or entity without 501(c)(3) status, and they just want to access grants and donations.

“Model C” Pre-approved Grant Fiscal Sponsorship (the “re-granting” model) provides this ability, with the sponsor’s support usually limited to oversight and compliance – a lighter touch support.

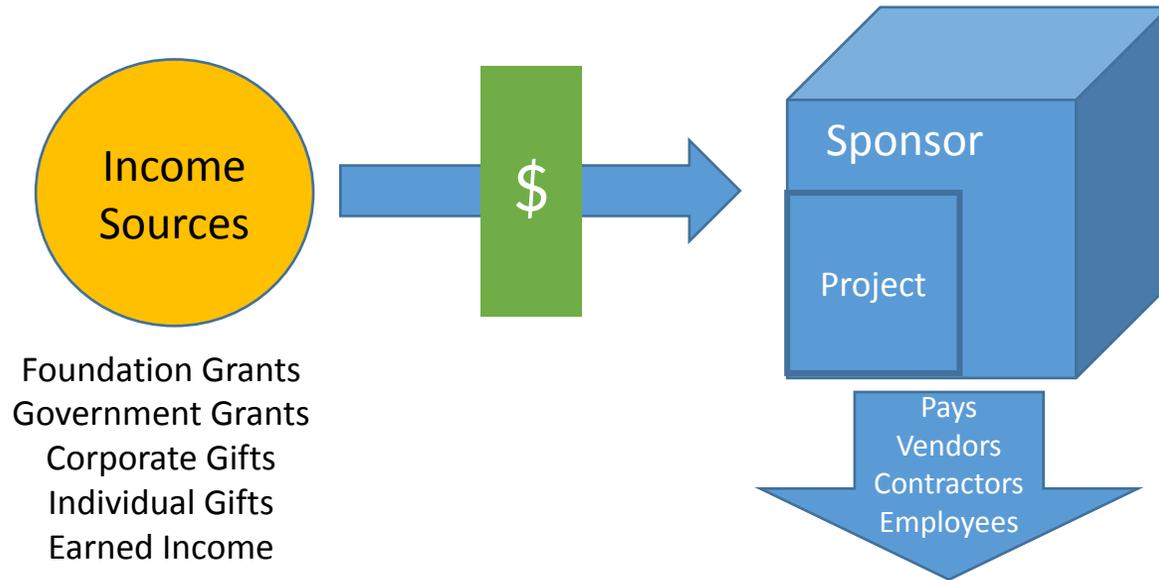
>>> There is a a non-exempt individual, group of individuals, or entity with 501(c)(3) status, and they want to share more comprehensive back office support and costs.

“Model A” Comprehensive Fiscal Sponsorship provides this ability for many different “projects” and organizations to share more holistic back-office supports – heavier touch support.

Sponsors organize themselves around models, geography, mission/field, cultural or other identity, core values, and theory of change or impact strategy -- and often some or all of the above.



Model “A” – Comprehensive or Direct Project



Attributes

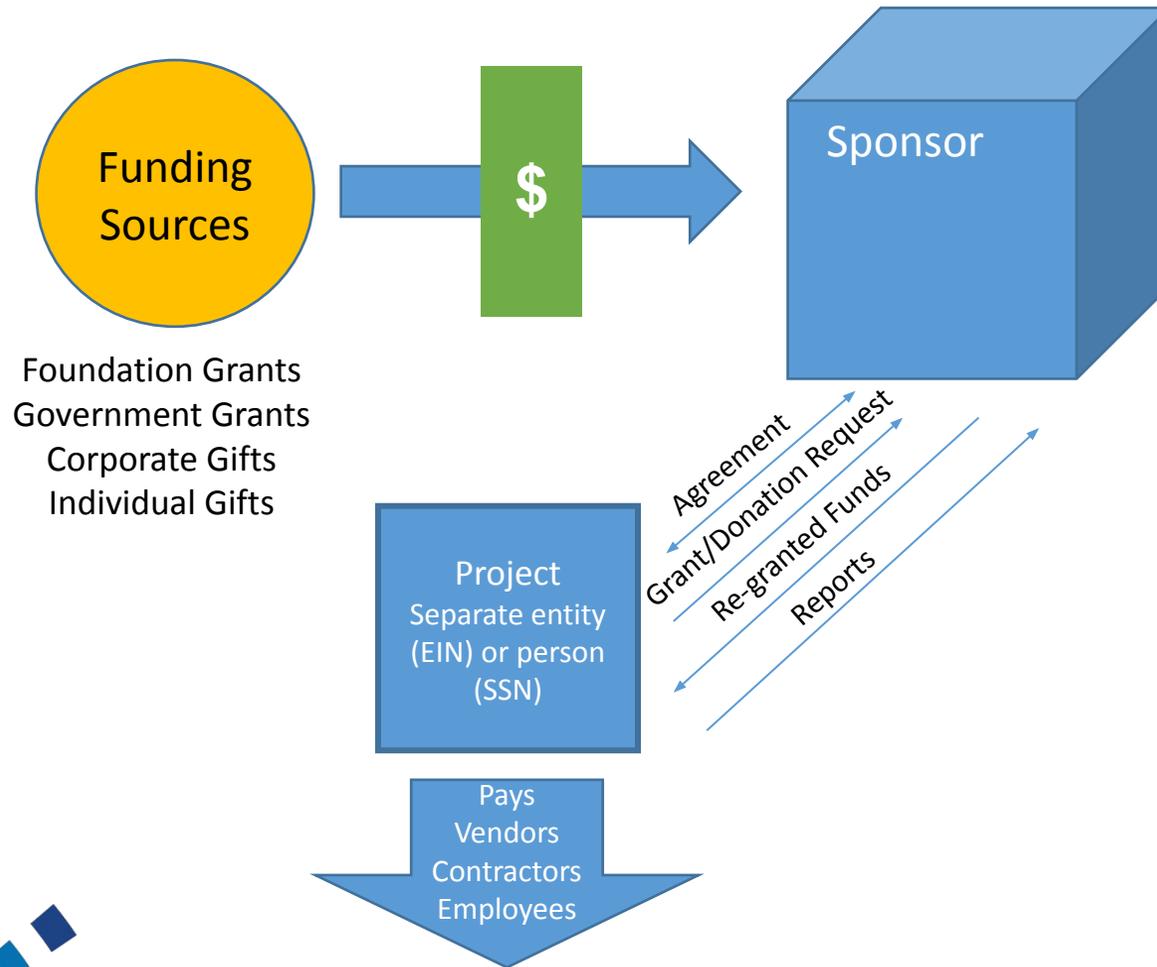
- Close, internal program relationship
- Solution for comprehensive shared services
- Core Model A services/resources, often bundled
- Shared governance and co-management relationship
- Project maintains an advisory body
- Sponsor responsible for all legal and compliance
- All revenue and expenses managed directly by sponsor

Potential Benefits

- Consolidated (lower) compliance/insurance costs
- Programs are co-operated with sponsor’s back office
- Legal, compliance and operating risks are consolidated
- HR management and benefits are shared
- Legacy Org board remains in place and active



Model “C” – Pre-approved Grant



Attributes

- Arm’s-length, re-granting relationship
- Complete corporate independence
- Only addresses contributed revenue receiving
- Independent earned revenue/expense streams
- Boards remain completely independent

Potential Benefits

- Good model for nonprofits seeking independence
- Provides charitable compliance
- Fairly simple relationship to establish
- Complete corporate independence maintained



Comparison of core services and resources

Model C

CORE

Federal Tax Exemption
Contributed Income Receiving/Accounting
Contributed Income Compliance
Board/Fiduciary Responsibility

ADDITIONAL

All Insurances
Consulting & Advisory Support
Other Services & Resources
Space, Technology, & Other Systems

Model A

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



Comparison of common models

	Independent Formation	“Model A” Comprehensive	“Model C” Pre-approved Grant
Costs (% of Revenue)	17% - 27%*	10% - 15%	4% - 8%
Back Office Services	Project provides all finance, HR, legal, compliance, insurance, both staff and other direct costs.	Sponsor provides all finance, HR, legal, compliance, insurance, both staff and other direct costs.	Sponsor provides compliance <i>for contributions only</i> . Project does the rest of the back office work.
Identity & Relationships	Project retains relationships with donors, patrons, funders, partners, etc.	Project retains relationships with donors, patrons, funders, partners, etc.	Project retains relationships with donors, patrons, funders, partners, etc.
Mission, Program, Finance Decisions	Project makes key program, staffing, financial, and strategic direction decisions.	Project makes key program, staffing, financial, and strategic direction decisions, in advisory relationship with sponsor.	Project makes key decisions concerning contributed income, with approval of sponsor.
Employees & Contractors	Project holds all employee/contractor liability and responsibility.	Sponsor holds all employee/contractor liability and responsibility.	Project holds all employee/contractor liability and responsibility.
Compliance & Liability/Insurance	Project is 100% responsible for all compliance and risk management, including costs of insurance and CPA services.	Sponsor is 100% responsible for all compliance and risk management.	Sponsor is responsible for compliance on contributions <i>only</i> . Project is responsible for the rest, incl. insurance.
Governance	Project maintains independent governance and advisory relationships.	Project is in a shared fiduciary and co-management relationship with sponsor.	Project is in a co-fiduciary/co-management relationship with sponsor <i>only</i> concerning contributions.

(*) Based on Southeastern PA Data Arts study of 475 organizations <\$2M in budget.

About Us



- We are a 501(c)(3) public charity and Type I Supporting Organization.
- We believe that independence of nonprofit mission and vision does not require independence of infrastructure and tax status.
- We help build equitable, resilient, and impactful Commons Managers to create a more just and flourishing nonprofit sector.

What Social Impact Commons does

We support the creation of **new fiscal sponsors** as well as the growth of **emerging and established fiscal sponsors** and similar backbone organizations (collectively our “Organization Members”). We provide:

- Consulting & Management Support
- Enterprise Technology (Customized Accounting System - Sage Intacct)
- Shared Tools & Templates
- Learning Community

We also:

- Work with **funders** so they can be more effective partners to fiscal sponsors and their projects.
- Are building and educating a community of **individuals practioners** around the principles of commoning and nonprofit resource sharing.



How We Do It

Sharing Resources

Based on two years of field research, we have found that the chief *needs* for building the capacity of the fiscal sponsorship field fall into four areas of focus.

We offer customizable support in all four areas that are designed to be flexible and responsive to the dynamic needs of fiscal sponsors.



We take a commoning approach to our work (and encourage fiscal sponsors to do the same).

Commons Management



- 1. Clarity in what services and resources are being shared and how they are managed and accessed.**
- 2. Commitment to intentional community building and ongoing learning about patterns of practice.**
- 3. Peer governance: stewardship by and for those who benefit directly from the shared resource.**