

○ NATIONAL ≡ GATHERING → 2023

How do I know that we are recovering whole costs?

Session Lead:

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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.

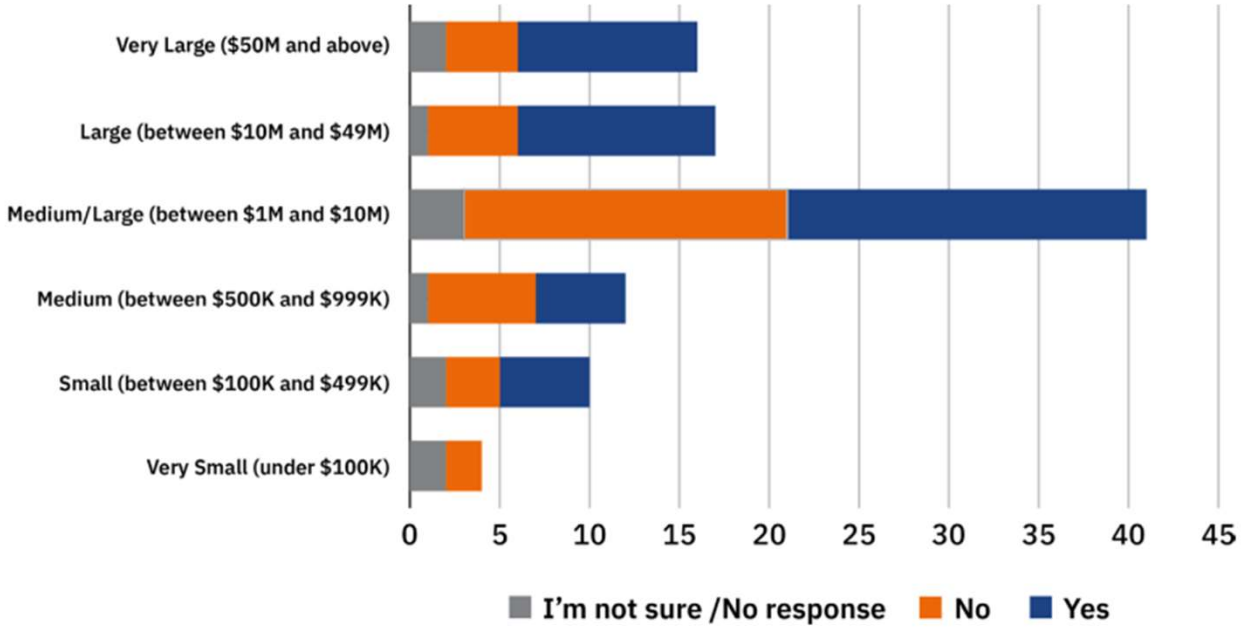
Agenda

- ❑ 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

Costs to Deliver Tracking Practices

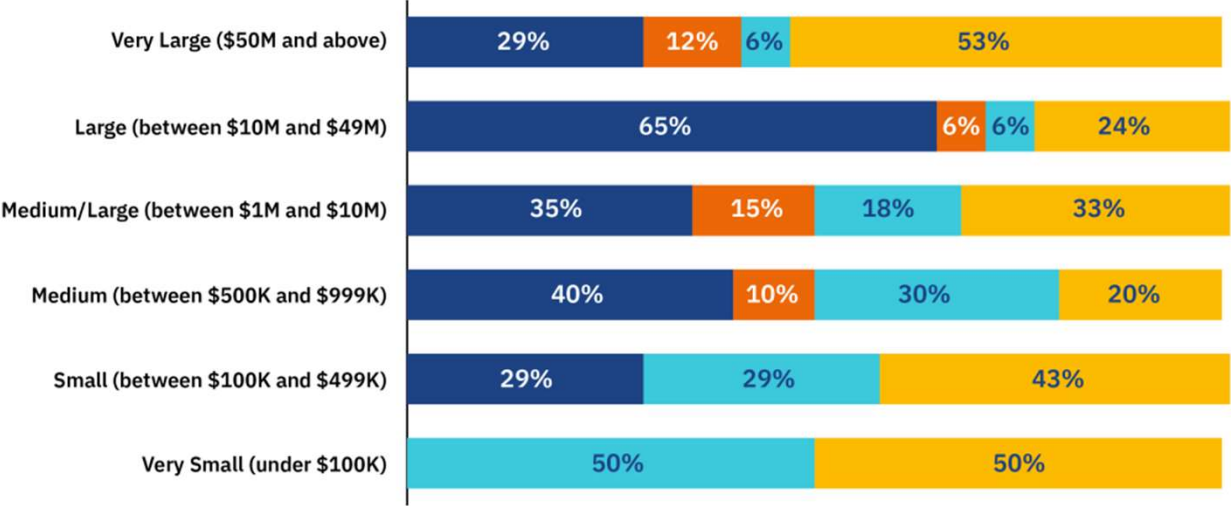


N = 90

More than half of all sponsors (54%) report that they track their whole cost to deliver support to projects

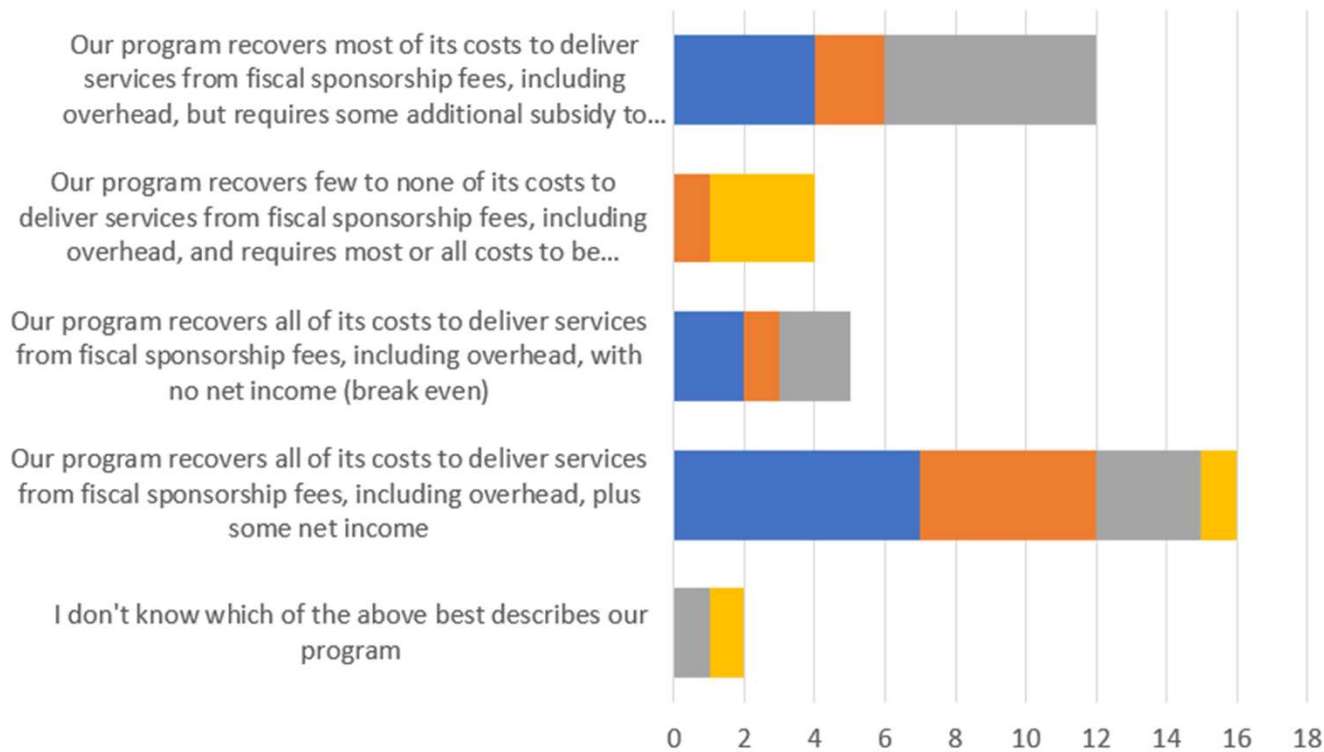
What can we learn from the field scan about cost recovery?

- Our program recovers all of its costs to deliver services from fiscal sponsorship fees, including overhead, plus some net income
- 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 few to none of its costs to deliver services from fiscal sponsorship fees, including overhead, and requires most or all costs to be subsidized
- Our program recovers most of its costs to deliver services from fiscal sponsorship fees, including overhead, but requires some additional subsidy to operate



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)



- 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

Why?



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



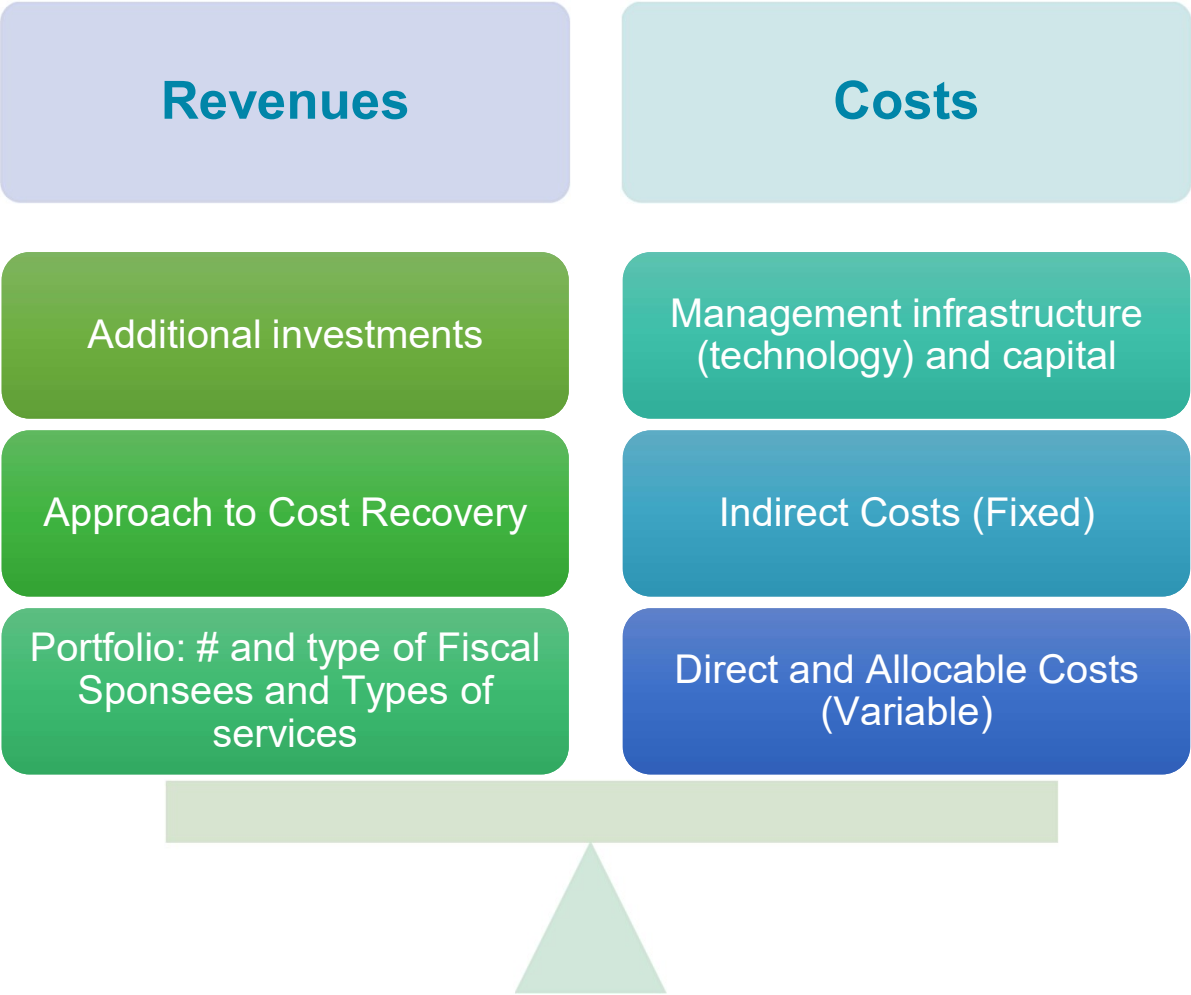
100% Whole Cost
Recovery
All fiscal
sponsorship costs
are recovered
from sponsees



More akin to
conventional
nonprofit model

More potential to
operate like a **co-
op/ shared
ownership**

Management Commons: Determinants of Financial Health



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?



Perfectly Imperfect

Art Collection



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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?