



**SOCIAL IMPACT  
COMMONS**

# Commons Management: The fiscal sponsorship resource model



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# Right Sizing Rubric

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A tool for fiscal sponsors and their projects to think about scaling to “right size”, which could influence decisions to:

- **Scale up *and* down.**
- **Spin in *and* out.**

The four *dimensions* of this rubric are *relational*: a decision made in one dimension will affect decisions in another.

Dimensions leading growth decisions will vary in weighting across organizations over *time*.



# Financial Model & Capitalization

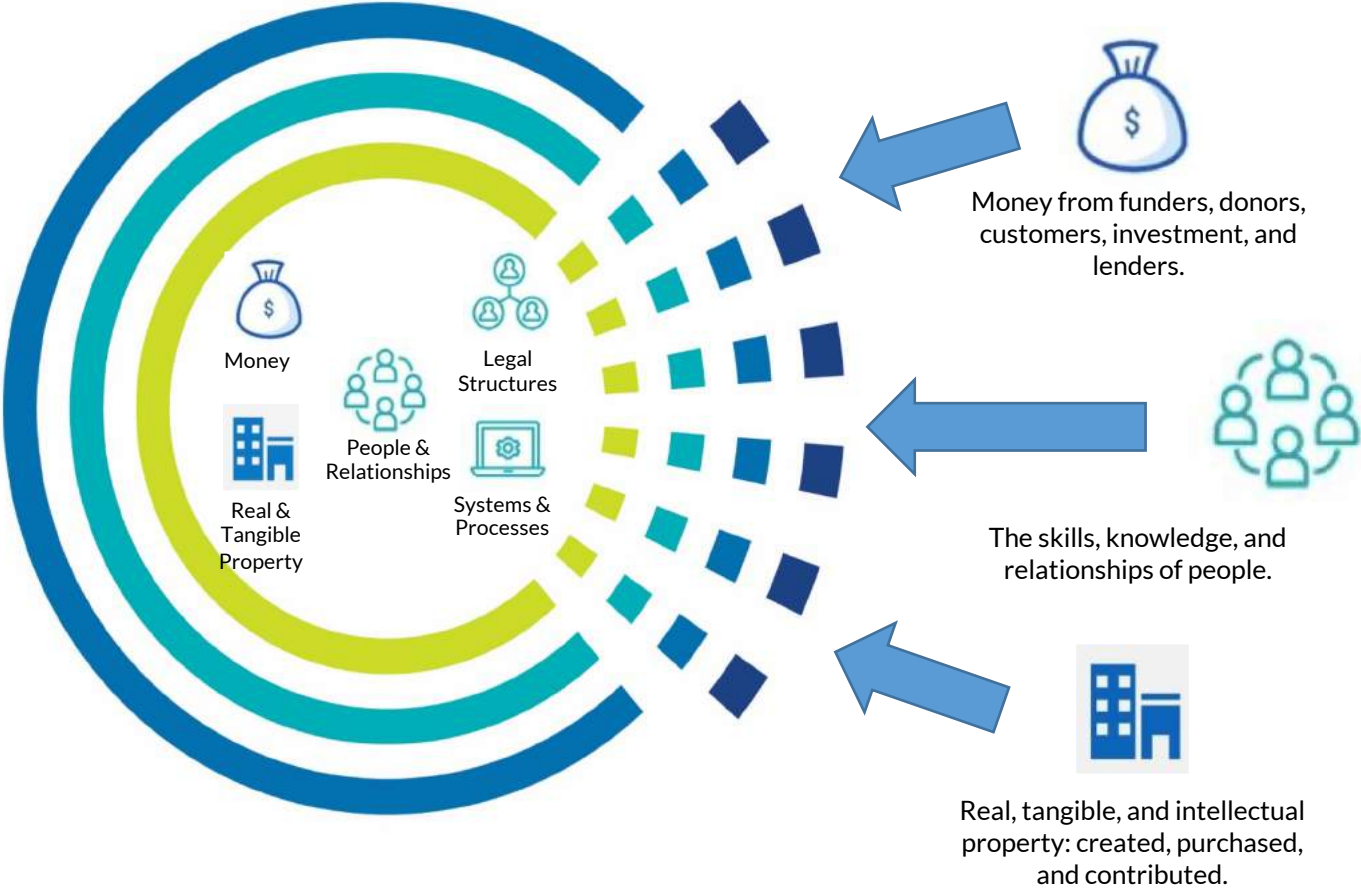
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- How diversified and forecastable, sustainable, or renewable is your overall revenue profile and portfolio?
- What are your whole costs-to-deliver the services that you offer?
- Do you have sufficient working capital (net assets or philanthropy) to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



# Building Commons Resources

A **commons**: managing resources with intention for the benefit of a defined but open community.



How do we *manage* our existing commons resources and how do we *build* new or additional resources?

# Determinants of Financial Health

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**Revenues**

**Costs**

Philanthropic Investments

Management Infrastructure  
Space, Staff, Tech, and  
Systems

Approach to Cost Recovery

Indirect Costs  
(Fixed)

Portfolio: No. and Type of  
Sponsees and Kinds of  
Services

Direct and Allocable Costs  
(Variable)



# What do you know about your portfolio?

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## Overall Portfolio

- Total # of projects supported
- Total revenues under management
- Total expenses managed
- Total fees collected
- Total beginning and ending net assets
- Average effective rate charged

## Organizations within the Portfolio

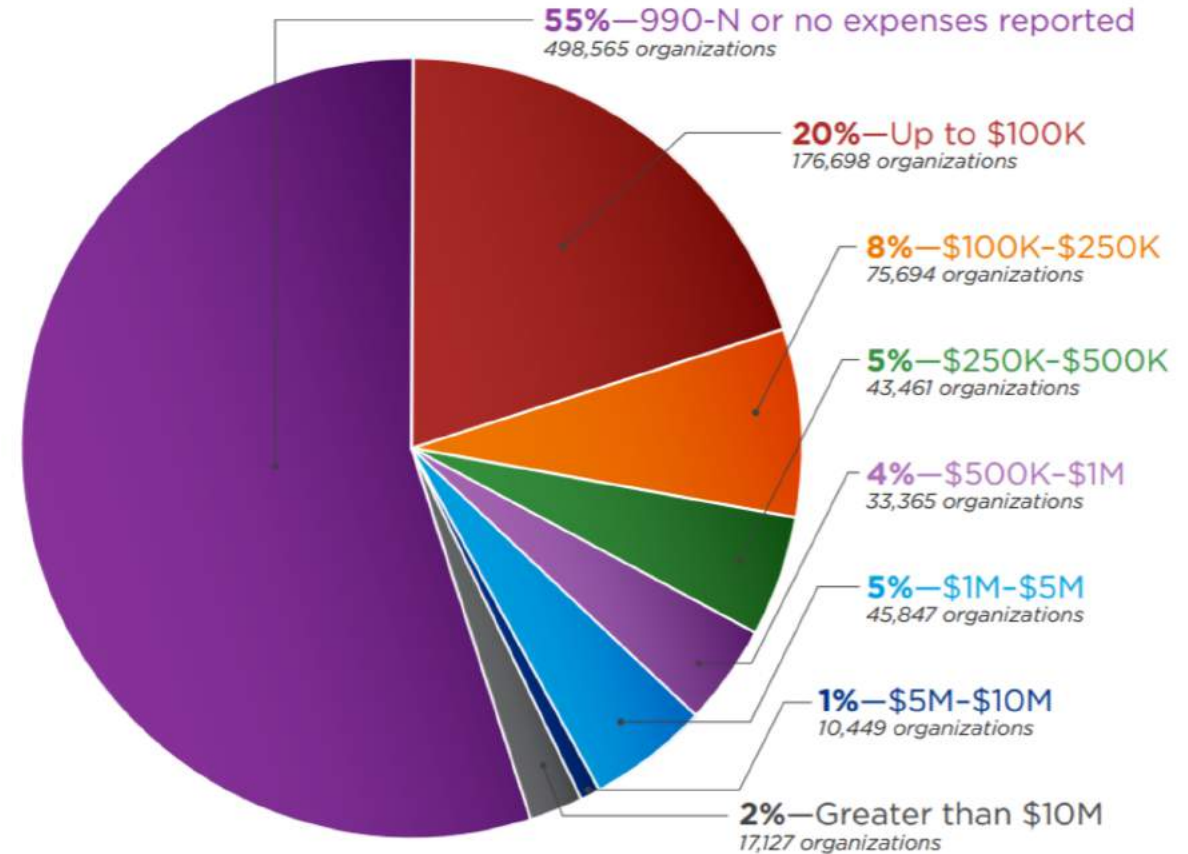
- # of sponsees by mission type
- # of sponsees by supports
- # of sponsees by financial activity (revenues, expenses, fees contributed)
- Liquidity (Available Cash)
- LUNA (Available Net Assets)
- Largest and smallest contributors

## Changes in Portfolio Over Time

- Growth in overall revenues and # of revenue streams
- Growth within projects
- Growth in expenses and # of contracts, # of employees
- # of sponsees staying static or becoming insolvent

# Composition and Fragility of Nonprofit Sector

- 88% operate below \$500k in annual expenses.
- 30% of the country's nonprofits have lost money over a three-year period.
- Nearly 50% of all nonprofits (including fiscal sponsors!) have less than 30 days cash on hand.
- Candid has recently predicted that we may lose between 3% and 38% of our nearly 1 million nonprofits as a result of economic and other stresses of COVID.



## How can we use this information?

**True costs** = all costs of running a program, not simply those that are directly associated with its production

- Direct
- Allocable
- Indirect

**Data to summarize:**

- All organizational costs, both program specific (direct) and overhead (indirect)
- Expenses incurred by each program, as reported by program heads
- Estimates of how staff members spend their time, by program, by services
- Estimates of infrastructure usage (e.g. facilities, equipment, IT licenses) by program





## Additional Planned Costs: Capital and Program Investments

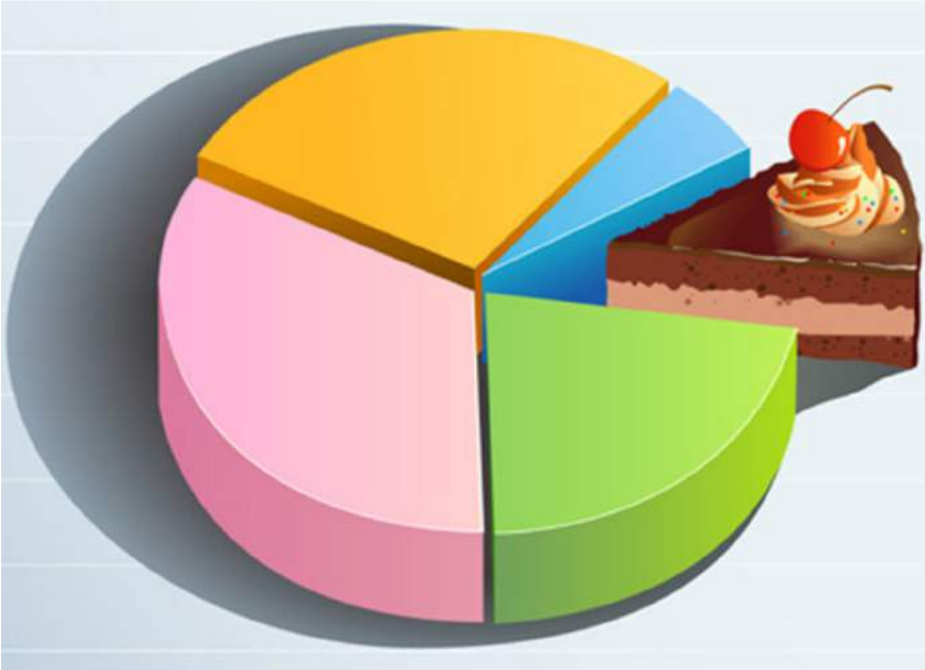
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- ❖ Intentional growth in net assets
- ❖ Reserves (i.e. Loss reserve
- ❖ Programmatic investments
- ❖ Innovation
- ❖ Intentional growth
- ❖ Changes needed in infrastructure



# Approach to Cost Recovery

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## Some approaches in practice:

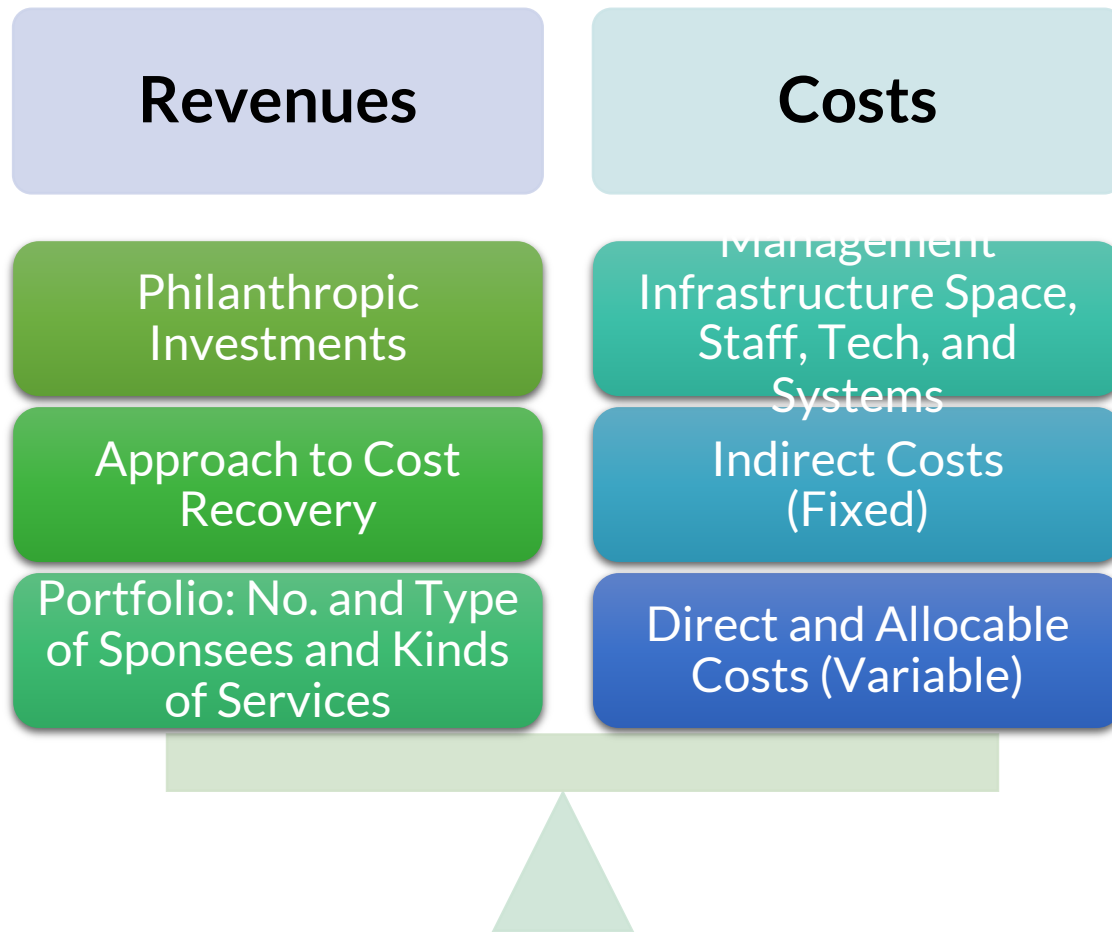
- Fees are consistent for all (same % applied on all revenues and expenses);
- Fees depend (vary) based on the services rendered;
- Minimum annual fee (plus % allocation);
- Fixed annual fee for services;
- Fees are based on field practices (what others charge);
- Fees are based on true costs to deliver services;
- Fees are based on most recent past financial and operational performance (i.e., budget size).



**How do you define the fair share?**

# Centering Financial Health

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## When we understand 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 services;
- 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.



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