



Funding Fiscal Sponsors

Strategies & Opportunities

January 2024

Impact Case



Stewarding extensive resources

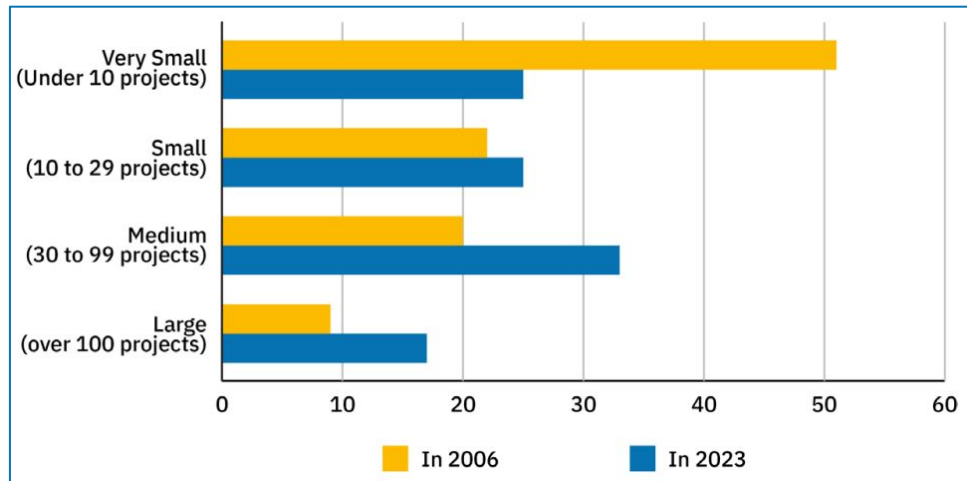
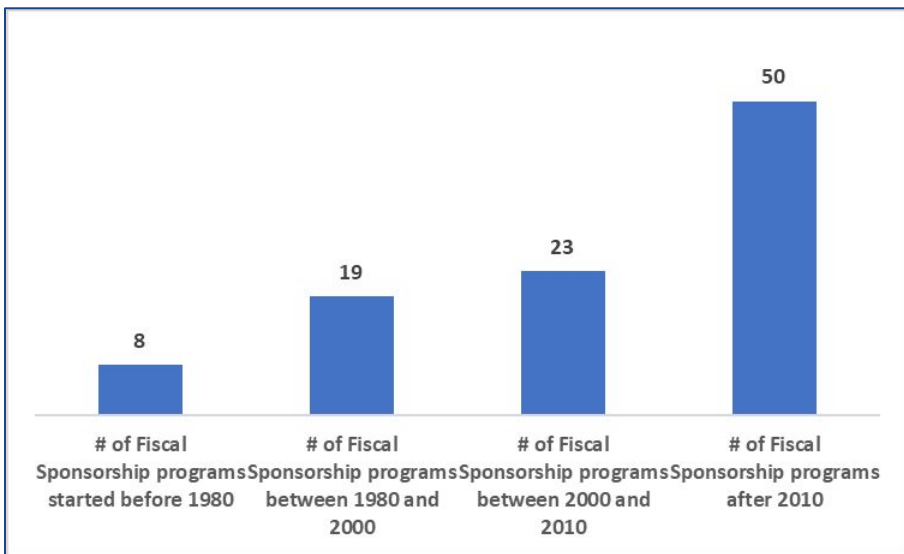
Over winter of 2022/23 we surveyed a sample of 100 fiscal sponsors of varied model, age, size, focus, and geographic reach, gathering basic descriptive data, DEIA information, and data on sponsorship practices and program capacity. Our sample of sponsors stewarded:

- **Over 12,000 charitable projects;**
- **More than \$2.6 billion in sponsored project funds;**
- **\$575 million in government funding to projects;**
- **18,000 staff members employed and contractors managed;**
- **Almost \$700 million in contributions to individual income (employees and contractors combined).**

We estimate our sample to represent between 10% and 20% of the identifiable population of sponsors. A keyword search in Candid, filtering for activity over \$50,000 annually, returns just over 500 organizations with “fiscal sponsor/ship” in their IRS Form 990 narratives, and some financial activity.

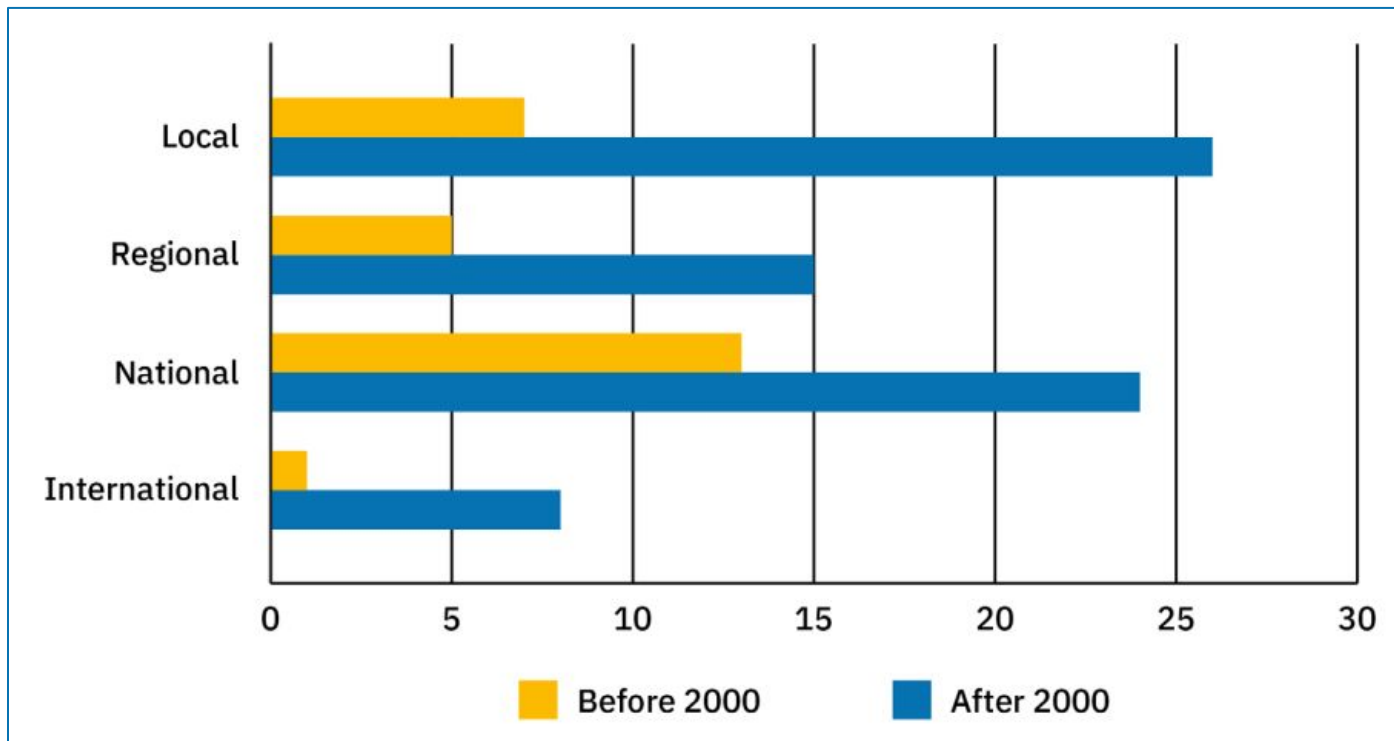
Through a growing field

The fiscal sponsorship field has been growing rapidly over the last two decades, with 73% of our sample fiscal sponsors having been launched after 2000.



(*) Comparative data between 2023 and 2006 field scans.

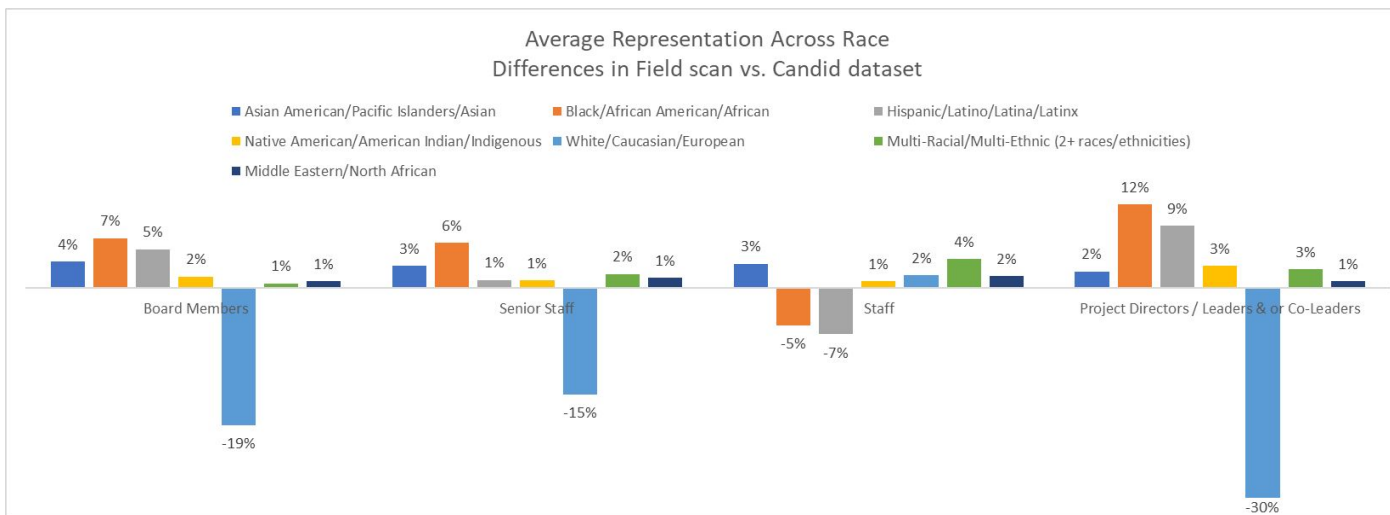
Where much growth is place-based



Supporting diverse communities

Field scan respondents (with roughly 50% reporting), evidenced consistently greater overall diversity in project leadership served, staff, and board constituency than the broader sector.

Using the same protocol developed by Candid/Guidestar in partnership with CHANGE Philanthropy, we gathered key demographic information on the field and compared it to Candid's data set. Though just a sample, the declination is clear.



Comparison of total Candid DEIA data for 2020 - 2023 (“Candid”) with our Field Scan sample (“Field Scan”) for roughly the same time period. The baseline is Candid’s data set with the bars showing the Field Scan data deviation from that baseline. Similar patterns were observed for other demographic dimensions: gender, sexual identity, transgender, and disability.

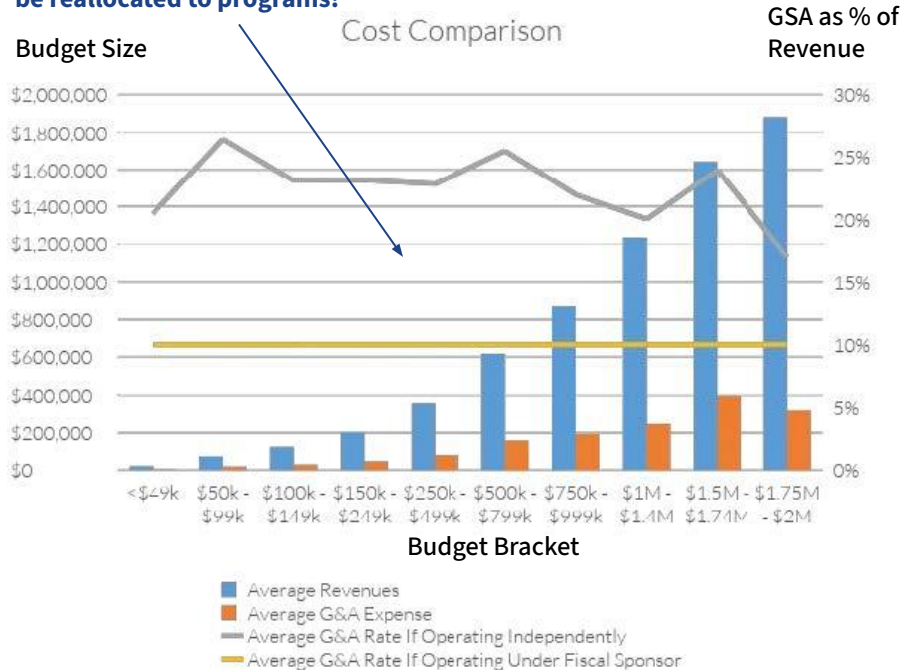
Offering financial economies

Comprehensive sponsors create economies of scale through shared systems, staff, and other support.

A sample comparative cost analysis of arts and culture organizations operating below \$2 million found that they spend between 17% and 27% of their revenues on the same resources that a commons can provide for between 10% and 15%—**a 50% cost reduction!**

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.

The space between gray and orange = **overhead can be reallocated to programs!**



Others...?

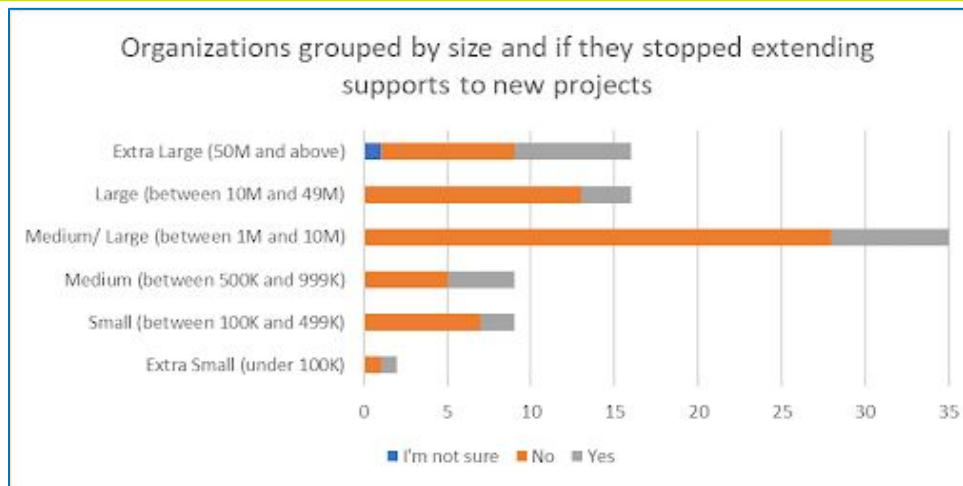
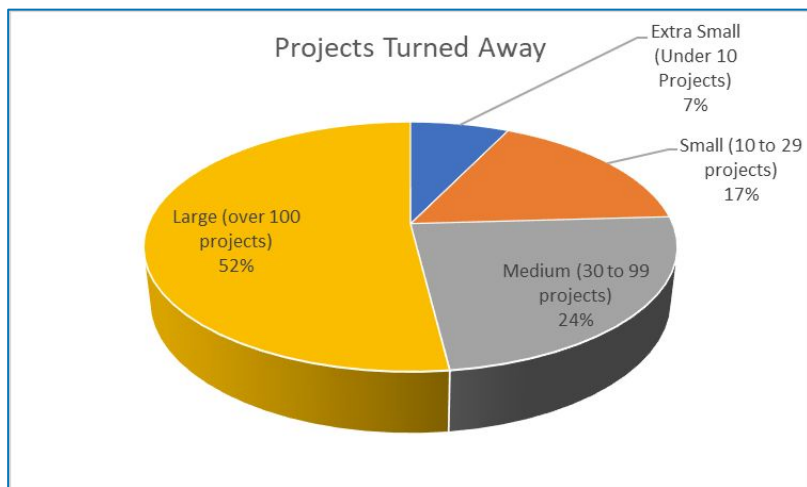
Investment Case



There is robust demand and limited bandwidth

For every two new projects brought in, sponsors turned away one.

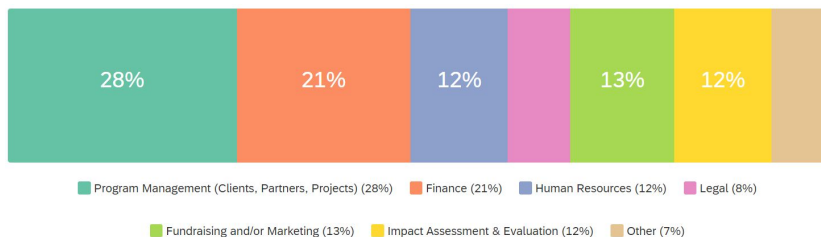
Seventy five respondents (86%) stated that they turned away projects over the reporting period, a total of 897 projects, which is about half (46%) of all *new* projects.



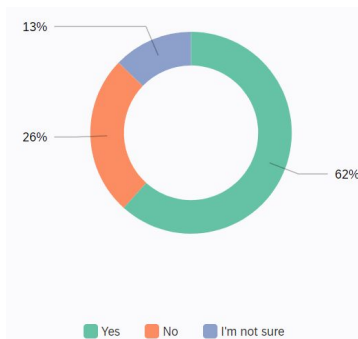
A quarter of our overall sample reported temporarily suspending new project intake during the reporting period. 80% of these respondents mentioned lack of capacity as the main driver of this decision, with 38% citing strategic planning.

And a need for investment...

The greatest staff capacity needs reported were in program (project) management (28%) and finance (21%).

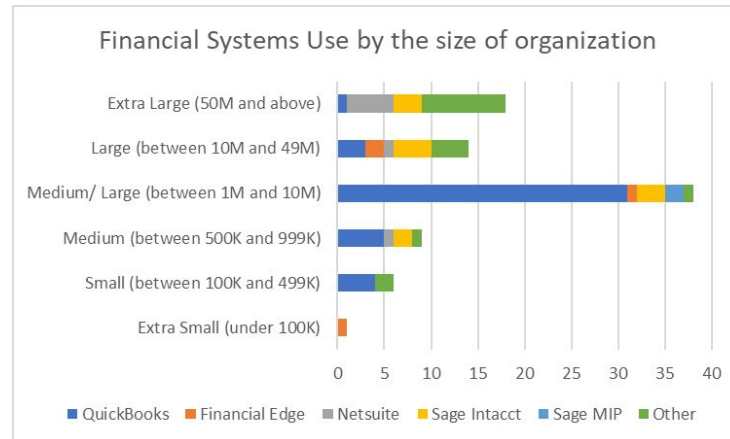


n=118 across 59 respondents



62% of respondents anticipated adding sponsorship staff in the next 12 months.

n=86



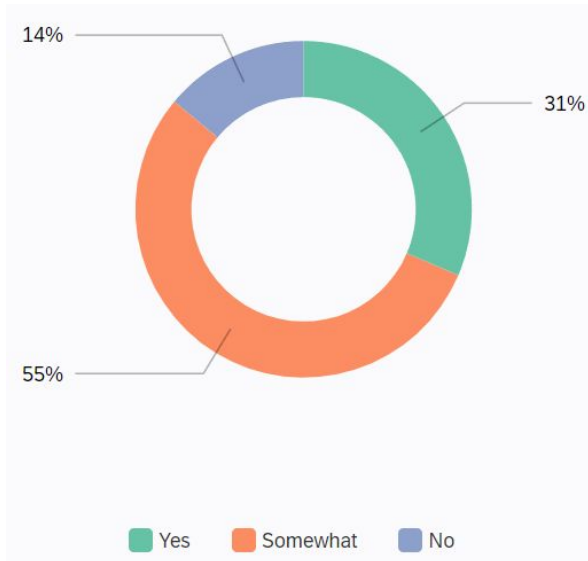
While portfolio size and complexity should be the reason to graduate to more enterprise-level accounting systems, we found that the biggest driver was overall budget size, suggesting that capitalization is a the barrier for developing better systems.

There is room to grow in project access to data

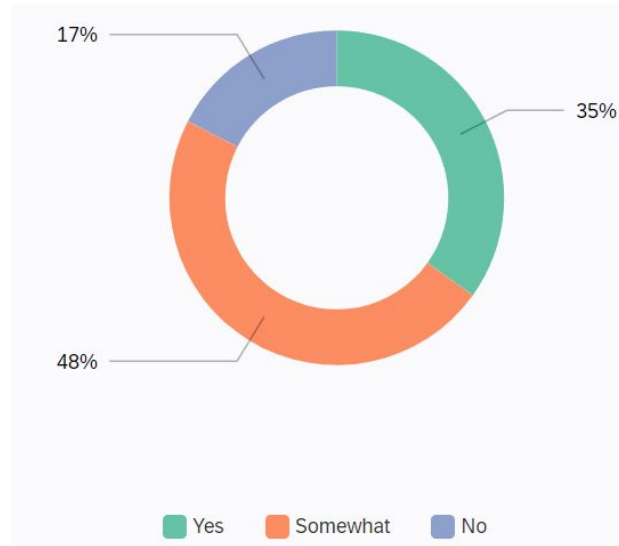
Financial Reports and Access to them



Fiscal sponsors feel under capacity

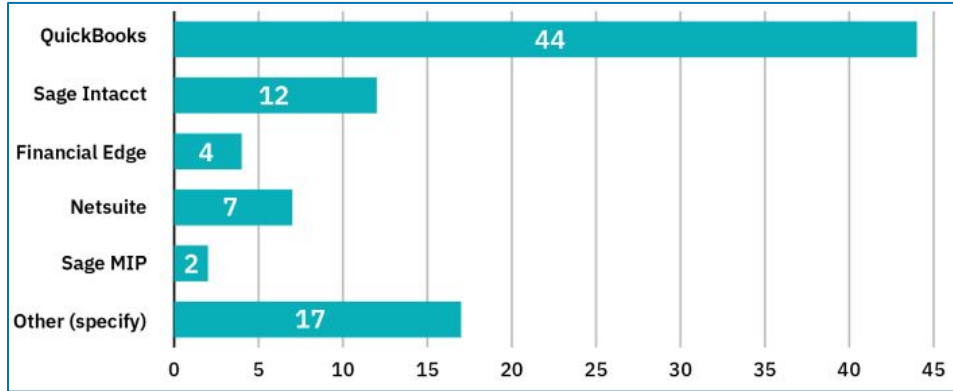


Do you have adequate staff to support your fiscally sponsored projects?

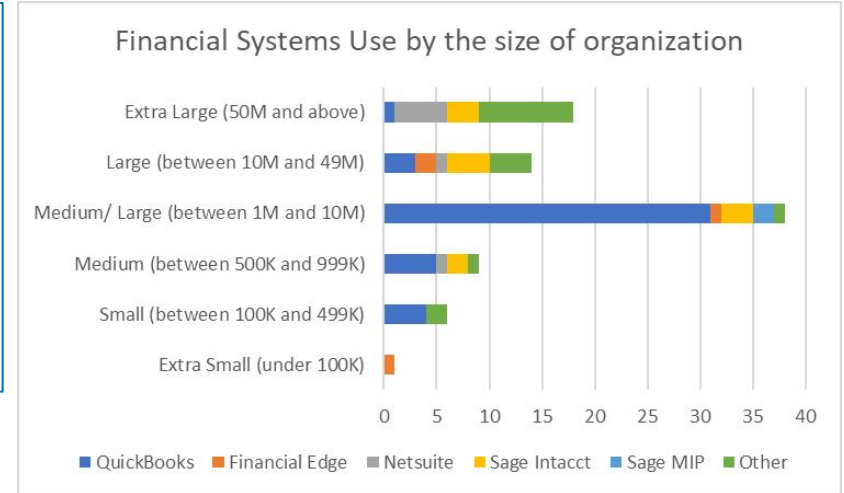


Do you have adequate technology resources to support your fiscally sponsored projects?

Larger sponsors need enterprise accounting.



We don't start to see preponderance of enterprise accounting systems until organization budgets exceed \$10 million.



Philanthropic capital is needed for...

Working Capital & Operating Subsidy

- Project portfolios tend to be more liquid than *sponsors proper*.
- Ongoing/sustained subsidy for sponsorship services, where allocations fail to cover.
- The ability to increase capacity *in advance* of demand, not after.

Staff Capacity

- More/better program, finance, and fundraising/marketing support staff.
- Training, orientation and overall *fiscal sponsorship* professional development.
- Benefit packages and other incentives are needed.

Philanthropic capital is needed for...

Major Systems

- Enterprise accounting among sponsors \$1M-\$10M.
- Growth in cloud-based, self-service data access for projects.
- HRM/CRM/Grants Management systems, integrated with financial systems.

Assessment & Data Gathering

- Increased gathering of DEIA data, demography and structures/practices.
- Capacity for more regular whole cost-to-deliver analysis and scenario planning.
- A more robust model for measuring *fiscal sponsor* impact (financial +).

Where do we go from here?

- (1) Invest in building the capacity of established and scaling sponsors.
- (2) Create standards for and regularly collect more data on the field.
- (3) Research the emerging benefits and impacts of fiscal sponsorship.





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