



Welcome to the Commons

An Introduction to Nonprofit Resource Sharing & Fiscal Sponsorship



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What do we mean by “shared resources”?



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

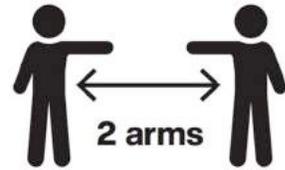


Systems & Infrastructure

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



What are the basic models for resource sharing?



Arm's Length

ATTRIBUTES

- Fully Independent Infrastructure
- Separate Mgmt./Governance
- Independent Compliance

EXAMPLES

- Alliances & Associations
- Management Services Orgs
- Community Development Finance Institutions (CDFIs)



Integrated

ATTRIBUTES

- Combined Infrastructure
- Co-mgmt/Co-fiduciary
- Consolidated Compliance

EXAMPLES

- Fiscal Sponsorship
- Cooperatives & Collectives
- Mergers & Acquisitions
 - Land Trusts



What is fiscal sponsorship?

A fiscal sponsor, or *commons manager* (our term), is a nonprofit backbone organization that provides shared corporate structure, finance, HR, legal, insurance, risk management and other resources among multiple semi-autonomous missions.

*A few **MYTHS** about fiscal sponsorship:*

- 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.
- 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.



What is fiscal sponsorship?

Fiscal sponsors provide the following integrated support.



Staff & Board

A full-charge, back-office team and shared governance.



Corporate Structure

Legal formation, tax-exempt status, and insurances.



Systems

Documents, policies, practices, and technologies for management.



Compliance

Keeping in good stead with regulators and tax authorities.



Who does fiscal sponsorship support?



Individual Change Makers

You are an individual culture bearer, social entrepreneur, change maker, artist, or community leader with a great social benefit idea or project you want to undertake. But you don't have a nonprofit, and you need support. Do what you do best, and have a fiscal sponsor take care of the rest!



Collectives & Collaborations

You are a collective or a collaborative of individuals and/or organizations working together on a project or initiative. You need a "neutral", shared management platform where you can access administrative support for your work and distribute financial and other risks more equitably.



Who does fiscal sponsorship support?



For-Profit Businesses

You are a for-profit business working on a short-term or long-term social good project that could qualify as charitable, such as a media company producing an educational documentary, or offering services to low-income communities. Your project could find a quick and easy home with a fiscal sponsor.



Nonprofit Organizations

You are an established nonprofit with your 501(c)(3) looking to save money or grow capacity by sharing back office staff and functions like bookkeeping, marketing, legal support, HR, etc. You may also seek a safe haven to explore new programs, business models, or generally reimagine your model.



Some Background

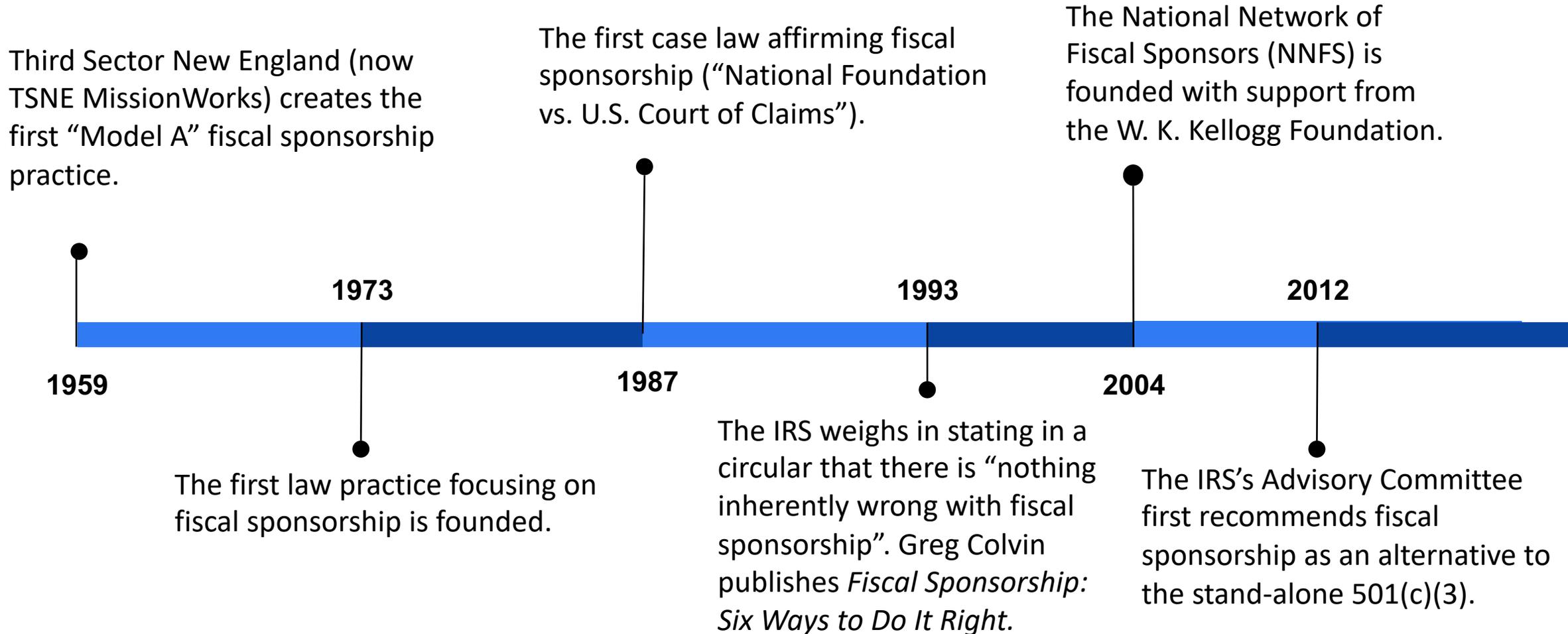
While nearly 60 years old, fiscal sponsorship has only recently started to mature as a field, as indicated by the previous slide. The legal structures for fiscal sponsorship were first catalogued by attorney Gregory Colvin of the San Francisco firm of Adler & Colvin. His landmark (and still only core text on the field), *Fiscal Sponsorship: Six Ways to Do It Right*, was first published in 1993. Colvin's naming conventions and work did not create *new* structures, but brought some intentional study to practices already in existence.

Colvin organizes his work around classifying various ways in which distinct nonprofit missions could share common backbone resources through a *sponsor-sponsee* relationship. His taxonomy of "models" is structured according to how operationally and legally "close" the sponsor is to the sponsee (program member), as determined by the amount of authority and responsibility the sponsor has over the sponsee. The resulting catalogue of models runs from "Model A", where the relationship is most direct/close--the program is internal to the sponsor--to approaches where there is more legal "distance", such as "Model C" where the sponsor is re-granting funds to a separate individual or entity, and so on.

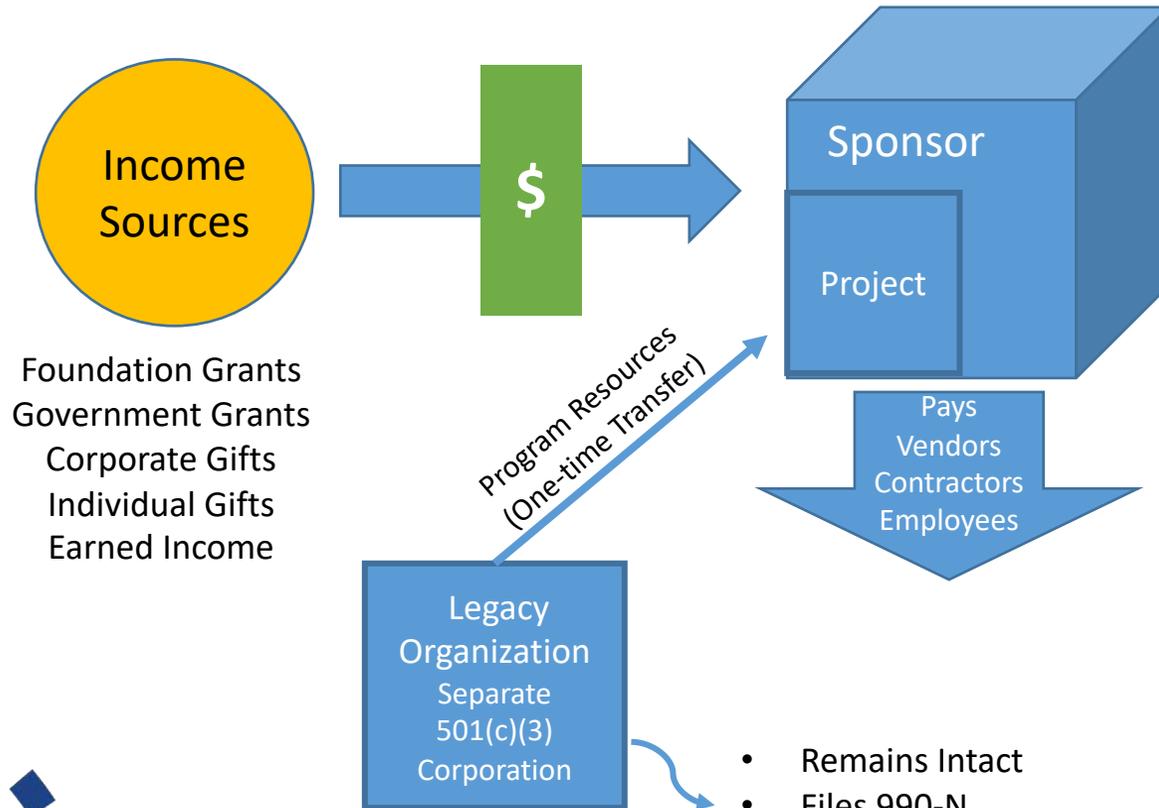
Of all of the models, the most commonly utilized are **Model A** (sometimes referred to as "comprehensive" or "direct project" fiscal sponsorship and occasionally paired with the "disregarded LLC" or **Model L**) and **Model C** (sometimes referred to as "pre-approved grant relationship", or incorrectly as the "passthrough" model). The following slides outline these different models and their shared supports.



History of Fiscal Sponsorship



Model “A” – Comprehensive or Direct Project



Foundation Grants
Government Grants
Corporate Gifts
Individual Gifts
Earned Income

Legacy Organization
Separate
501(c)(3)
Corporation

- Remains Intact
- Files 990-N
- Limited Operation
- Board becomes Advisory to Project

Attributes

- Close, internal program relationship
- Legacy Org’s program is acquired by sponsor
- Core Model A services/resources, often bundled
- Co-fiduciary and co-management relationship
- Boards may be distinct but share common fiduciary
- Sponsor responsible for all legal and compliance
- HR/vendor relationships move to sponsor

Potential Benefits

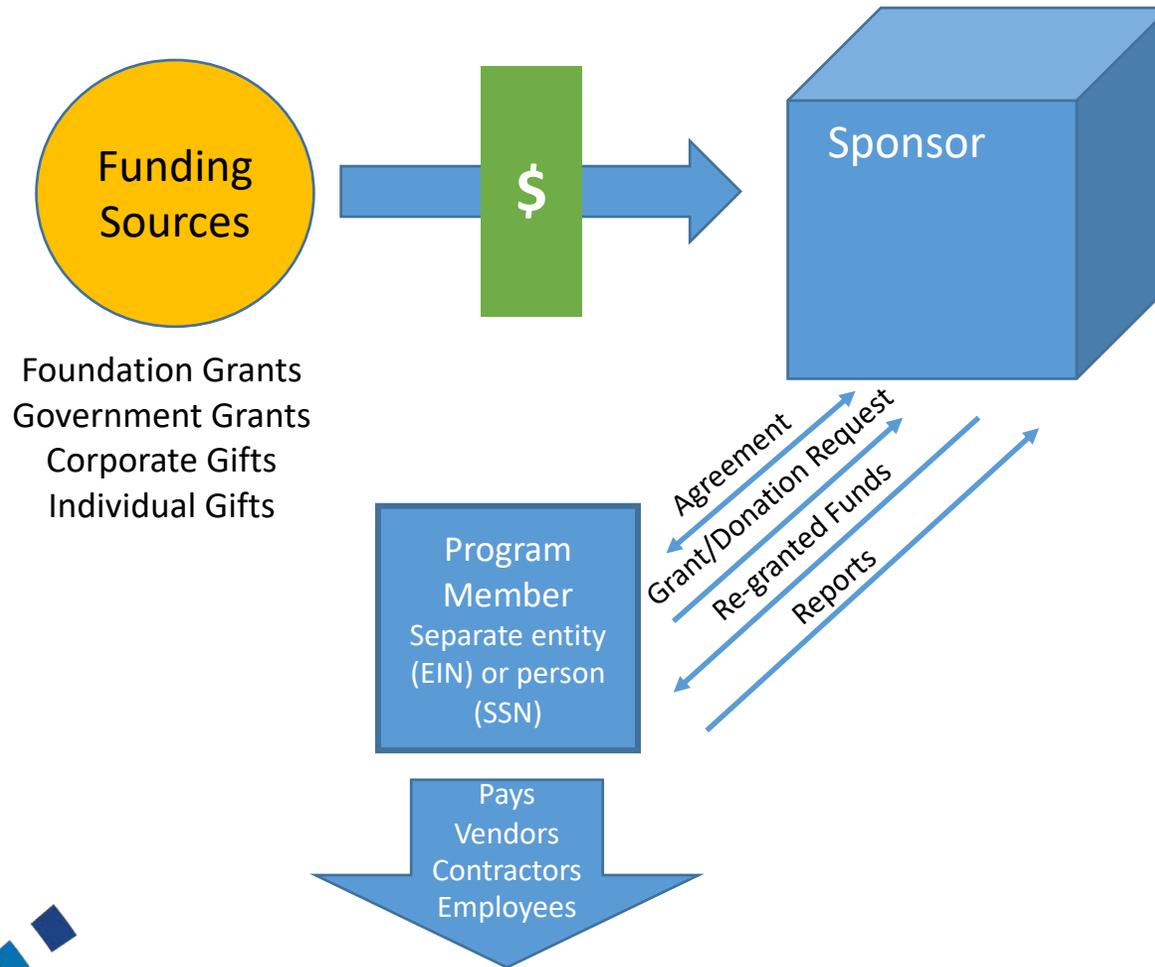
- Consolidated (lower) compliance/insurance costs (Legacy Org reduces/eliminates these costs)
- Programs are co-operated with sponsor’s back office
- Legal, compliance and operating risks are consolidated
- HR management and benefits are shared
- Legacy Org board remains in place and active

Potential Risks

- Legal, compliance and operating risks are consolidated
- Legacy Org board still retains fiduciary responsibility
- Dormancy prohibited by IRS, possible challenge
- Liabilities or negative events of Legacy Org



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

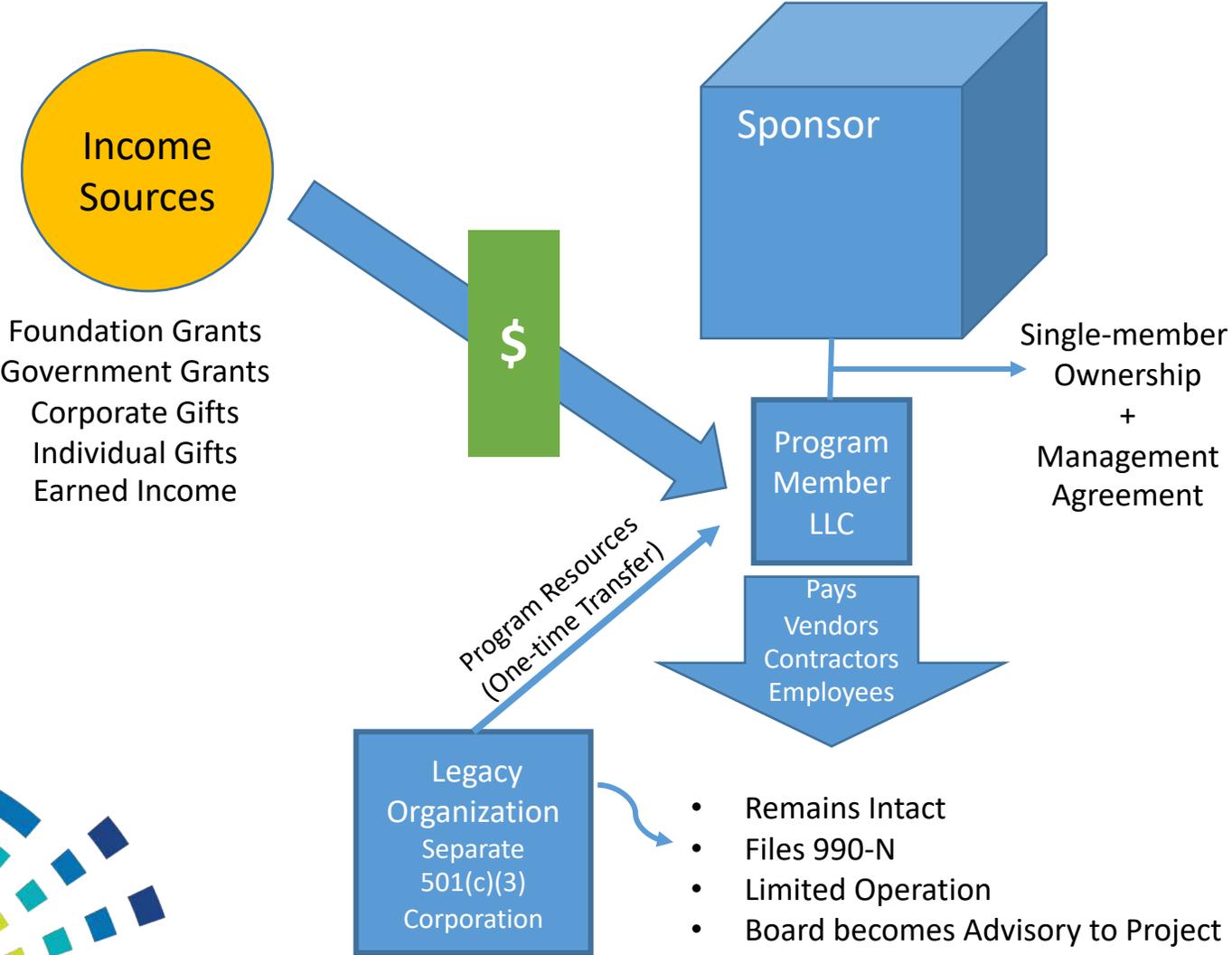
- Good model for nonprofits seeking independence
- Provides charitable compliance
- Fairly simple relationship to establish
- Complete corporate independence maintained

Potential Risks

- Reliance on partner/client
- systems/controls/policies
- Expenditure responsibility exposure
- Reputational risk of failure from poor policies/capacity



Model “L” – Disregarded Entity or Single-member LLC



Attributes

- Close, wholly owned program relationship
- Legacy Org’s program is acquired by LLC
- Core Model A services/resources (Model “A-L”)
- Co-fiduciary and co-management relationship
- Board of Legacy Org can be board of LLC
- Boards may be distinct but share common fiduciary
- Sponsor responsible for all legal and compliance
- HR/vendor relationships move to LLC

Potential Benefits

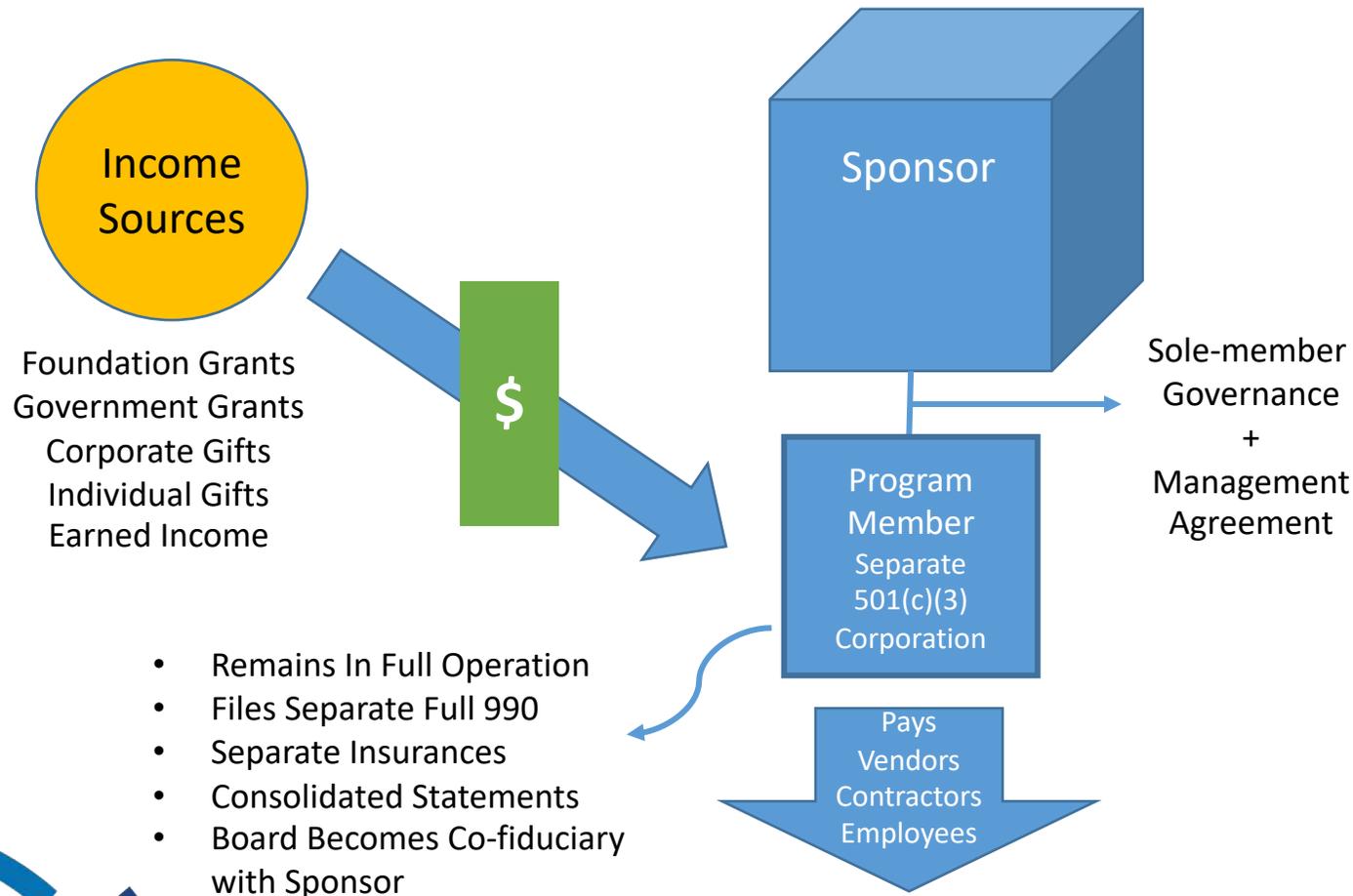
- Consolidated (lower) compliance/insurance costs (Legacy Org reduces/eliminates these costs)
- Programs operated through LLC with sponsor back office
- Legal, compliance and operating risks attach to LLC
- Employee liabilities held by LLC, benefits by sponsor
- “Portability” in the case of spin out
- Legacy Org board remains in place and active

Potential Risks

- Complex model to operate
- Legal, compliance and operating risks contained in LLC
- Legacy Org board still retains fiduciary responsibility
- Dormancy prohibited by IRS, possible challenge
- Liabilities or negative events of Legacy Org



Model “O” – Sole Member Organization Relationship



Attributes

- Close, whole/partial control relationship
- Legacy Org simply *moves under* sponsor
- Core Model A services/resources (Model “A-O”)
- Co-fiduciary and co-management relationship
- Boards may be distinct but share common fiduciary
- Sponsor responsible for compliance (both entities)
- HR/vendor relationships remain with Legacy Org

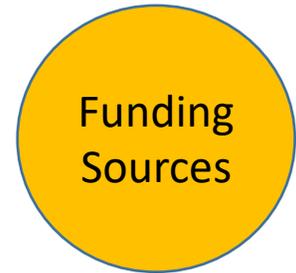
Potential Benefits

- Compliance/insurance costs – managed by sponsor
- Programs operate by Legacy Org/sponsor is back office
- Shared legal, compliance and operating
- Employee liabilities held or not held by Legacy Org
- Ease of spin out - simple reverse change in control
- Avoids UBIT risk in providing/charging for services
- Legacy Org board remains in place and active

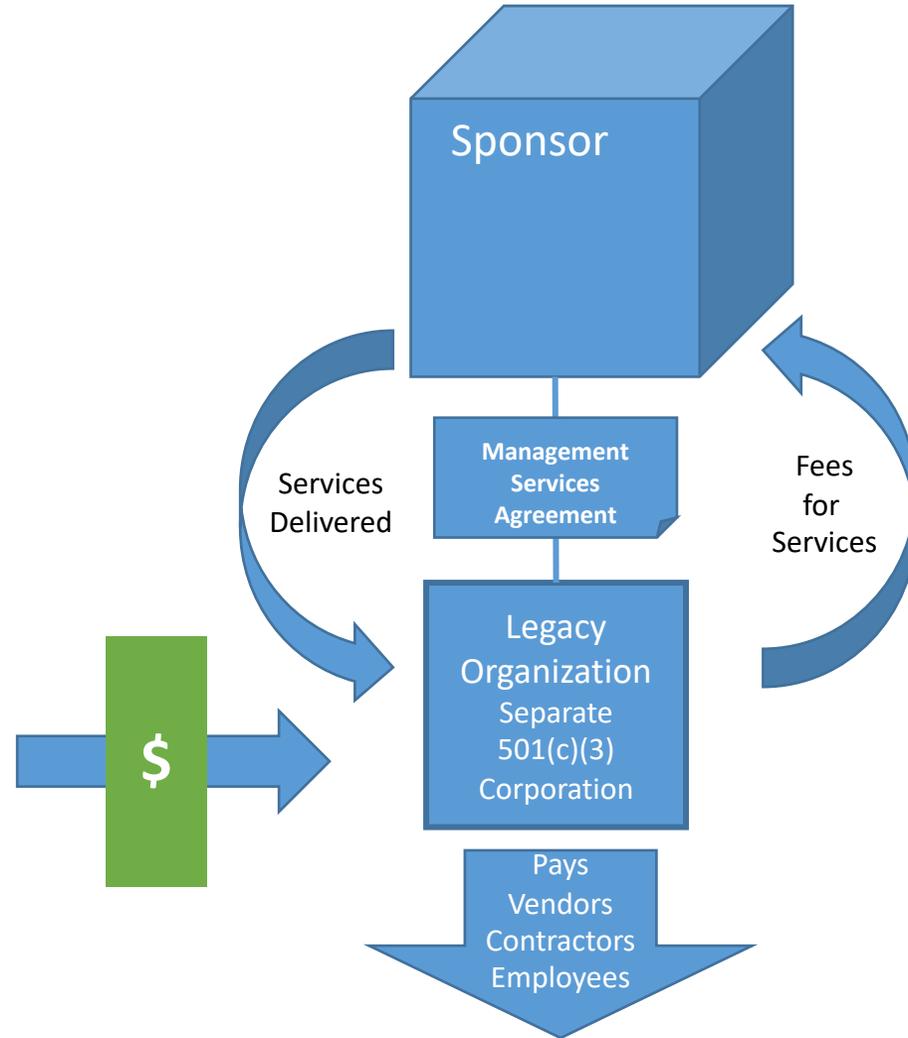
Potential Risks

- Legal and compliance risks in operating together
- Legacy Org board still retains fiduciary responsibility
- Liabilities or negative events of Legacy Org

Model “F” – Technical Assistance



Foundation Grants
Government Grants
Corporate Gifts
Individual Gifts
Earned Income



Attributes

- Arm’s-length, sub-contracted relationship
- Complete corporate independence
- Fee for service with à la carte flexibility
- Independent Revenue/Expense Streams
- Boards remain completely independent

Potential Benefits

- Below-market fees and customized supports
- No legal restructuring of assets/liabilities/governance
- Fairly simple/conventional relationship to establish
- Complete corporate independence maintained

Potential Risks

- Reliance on partner/client systems/controls/policies
- Unrelated Business Income Tax (UBIT) risk/cost
- Reliance on “sales cycle”/less mutual commitment
- Limited ability to “save the client from itself”
- Reputational risk of failure from poor policies/capacity

Shared Operating Benefits



More equitable access to human, knowledge, financial, and systems capital.
Sharing leads to more sustainable, affordable, and higher quality supports.



A supportive network of peers and friends and a platform for advocacy.
There is safety and case making in numbers.



Opportunities for creative collaboration and partnership.
Working more closely together amplifies intentionality and serendipity.



Ability to grow, contract, and pivot, as well as respond quickly to crises.
A platform for growth and reinvention and collective response to a changing environment.



Shared Economic Benefits



Fixed costs become variable costs.

Revenue sharing and monthly flexibility make fixed costs easier to carry.



All the benefits of restructuring without the muss and fuss.

All of the efficiencies of a merger at a fraction of emotional and financial cost.



A platform for collaboration, co-employment, and shared solutions.

Cohorts of members can share employees and sourcing with greater ease.



A platform for managing start up, re-structuring, or wind down.

A transition resource for organization, re-organization, or ending.





About Us



**is a nonprofit organization
supporting a national
community of fiscal sponsors,
our Members.**

A fiscal sponsor, or *commons manager* (our term), is a nonprofit backbone organization that provides shared corporate structure, finance, HR, legal, insurance, risk management and other resources among multiple semi-autonomous missions.

Social Impact Commons is an incubator and shared service provider for the fiscal sponsorship field, with the goals of *growing* and *strengthening* the field.

(We are *not* a fiscal sponsor, we *support* fiscal sponsors.)

Who We Serve

We support the creation of **new** fiscal sponsors as well as the growth of **emerging** and **established** fiscal sponsors.

As an ally organization, our focus is supporting fiscal sponsorship resources that are led by and serve BIPOC and other marginalized communities.

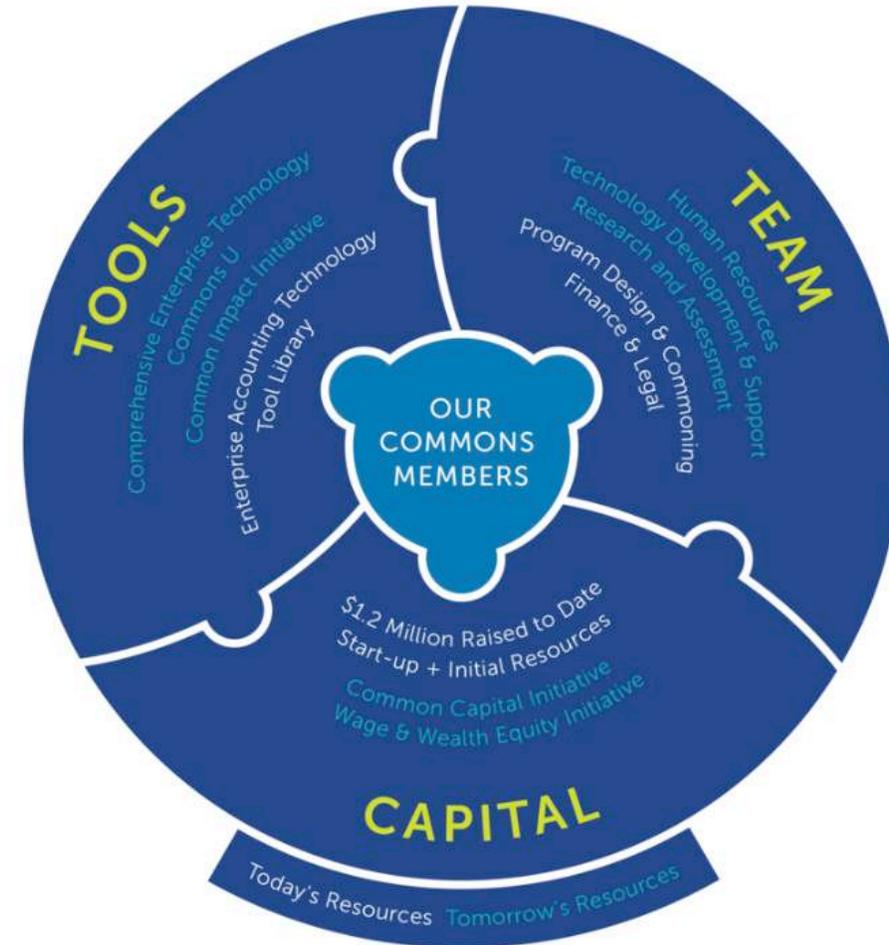
We build the capacity of the field through **shared knowledge, language, impact measures, tools, technology platforms** and **expertise** targeting the immediate needs of fiscal sponsors.



Shared Resources

Based on two years of field research, we have found that the chief *needs* for building the capacity of the field are:

- **Team:** Providing direct advisory support in finance, HR, legal, program development, assessment, technology development, and other key areas of capacity building.
- **Tools:** Shared cloud-based enterprise technology systems, common impact model, training curricula, forms, documents, etc.
- **Capital:** We are directly capitalizing the field through developing all of our shared resources, alongside creating targeted financial products: Multiple Employer Retirement Plan, Capital Fund Network, Incubation Fund, etc.



Commoning Practice

In the interest of centering equity, diversity, and inclusion in our work...

We have created a model that infuses *fiscal sponsorship practices* with principles of *commoning* to create the next generation of practice: **commons management**.

The field of commoning practice has a long history and is enjoying renewed interest, as it concerns more equitable and participatory management principles focused on mutual care and economic self-sufficiency.

Our model of commoning, applied to the fiscal sponsorship field, is lightly adapted from the work of Silke Helfrich and David Bollier and their notion of the “commoning triad”.

Commons Management





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and

