

Inside Philanthropy

Who's Funding What & Why

Inside the Murky, Labyrinthine World of Fiscal Sponsors

Wendy Paris | December 16, 2024



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If you're looking to start a nonprofit and plan to use a fiscal sponsor to get it going — a common approach — the search for the right one can feel overwhelming, like you're peering through a jungle of options, because when it comes to the growing world of fiscal sponsorship, well, it's a jungle out there. There are giant, sequoia-like groups, such as [Rockefeller Philanthropy Advisors](#), which serves as fiscal sponsor for more than 100 projects and bills itself as one of the world's largest philanthropic service organizations. There are rare, exotic-species-like fiscal sponsors catering to

the hothouse crowd (celebrities), such as the Social Impact Fund (SIF), which [we wrote about in July](#). There are community-based foundations that serve as fiscal sponsors for local projects; others focus on specific interests, like documentary films. Some nonprofits with their own programming add fiscal sponsorship to their roster of activities. You might be worried that there are kudzu-like, opportunistic ones that offer the service mainly as a way to bring in revenue, then charge excessive fees, process donations sluggishly and have insufficient staff to meet your back-office needs.

Then there is the question that a new charitable organization founder might ask: “Will they take me on?” Does the same fiscal sponsor that hosts Charlize Theron’s Africa-focused charity want to do all the paperwork for my little journalism fellowship, intergenerational study group or community garden? What about that one advising the Rockefellers?

Fiscal sponsors are a crucial source of help for start-up nonprofits

The practice of fiscal sponsorship started in the 1950s as the nonprofit world adapted to meet the need created by a newly implemented tax code governing the sector. It slowly gained traction over the decades, then took off. [More fiscal sponsors have sprouted up over the past 20 years](#) than in the 50 years before that.

At IP, we see the growth of fiscal sponsorship as a good thing overall. Fiscal sponsors facilitate getting work done more quickly and efficiently than if every social service visionary had to stop and form a 501(c)(3) first. Starting a nonprofit is time consuming, complicated and expensive. Meeting government regulations is more complicated than ever, and technology impacts business formation in many ways. “A nonprofit is a kind of business,” said Marjorie Beggs, who manages the [Fiscal Sponsor Directory](#) at the [San Francisco Study Center](#) and has been a writer and editor there since 1977. “When I started at the Study Center, everything was manual. Now it all has to be automated and more people are scrutinizing it.”

Fiscal sponsors reduce barriers to entry for would-be do-gooders, democratizing nonprofit founding. They also help wealthy individuals and families get into philanthropy without having to start their own foundations. They can do the paperwork for pop-ups — short-lived organizations formed to help hurricane victims, say, or an experimental, one-year journalism fellowship. Fiscal sponsors also serve as training wheels

for new organizations planning eventually to ride solo. For existing nonprofits, fiscally sponsoring value-aligned groups can be a way to amplify their own impact and earn money; a sponsor takes about 7 to 15% of each project's revenue.

Craig Cichy, executive director of Social Impact Fund, which sponsors about 60 projects and is always vetting new ones, was busy doing end-of-year state filings when we spoke by phone last week — meaning SIF's sponsored programs were free to focus on their charitable activities and fundraising work instead. "What I'm doing is the same as any nonprofit," he said (presumably pushing aside a pile of papers on his desk). "We file our 990, which includes all sponsor programs running at Social Impact Fund in aggregate."

All of this can be critical for a new organization eager to focus on the work, not the paperwork, especially in today's complex regulatory environment. As Bryce Bennett, CEO of Vote Early Day, told *The Chronicle of Philanthropy* last year, using [New Venture Fund](#) as a fiscal sponsor to launch the group in 2020 (along with MTV and others), let them "[really focus on the program](#) and to make sure that as much time as possible is focused on the impacts that we're looking to create for voters."

An impediment to transparency — and a shield for high-profile figures

One critique: Fiscal sponsorship reduces the transparency of the new organization because its 990 is buried in the overall accounting of the sponsor. Does it have shady donors? Are its executives' salaries too high? Does the new organization have inadequate oversight and internal controls? All these nonprofit accountability questions — and more — can be obscured by the use of fiscal sponsors.

Cichy does not share these worries. "I think it's stronger oversight because the fiscal sponsor has an experienced board and is already going through audits every year. You as a project can also enjoy all that, knowing you are at a place [that's] very safe and compliant," he said. As for the transparency question, projects can share as much information publicly as they want. Social Impact Fund's activities, for example, are transparent, but the relative privacy it affords also provides benefits for famous donors trying to do good work without engendering controversy. "We see a lot of misrepresentation of philanthropic activity. People don't know what they're

looking at when viewing a 990, then they report on it,” Cichy said. He cited articles claiming that Harry and Meghan Markle, the Duke and Duchess of Sussex, spend only one hour a week on their Archewell Foundation. “That statement is very misleading and likely not accurate. That’s a common misrepresentation,” he said, explaining how the forms can be misread. “Everyone puts down one hour or 40 hours because they’re volunteers. That doesn’t mean that’s all the time they give.”

The increasing professionalization of the field over the years has reduced opportunities for potential abuse, according to the team at the Study Center. And fiscal sponsors allow individuals and groups to address problems they see that might otherwise go ignored due to overwhelming logistics. “It’s kind of like the venture capital secret of the nonprofit sector,” said Gregory Colvin, an attorney and author of the (very helpful) book “Fiscal Sponsorship: 6 Ways To Do It Right” [and its companion website](#).

How to find your ideal fiscal sponsor

There are two main ways to find your fiscal sponsor amid the thicket out there. One is to look for an existing fiscal sponsor. It might be one dedicated to supporting new organizations, focused on a cause that aligns with yours or that is working in your community — ideally one whose expertise could help your new group grow. [New Venture Fund](#), for example, has experience with advocacy and lobbying compliance. [Community Partners](#) in California offers community organizations around the country the chance to “gain access to funding sources and thought partnership to manifest their vision.” The [Community Foundation of Orange County](#), in New York, is the fiscal sponsor for its county’s Newburgh Urban Farm and Food Initiative, a local initiative. Universities often serve as fiscal sponsors, though they may not always realize it, as do hospitals.

To find a possible match, you can search the Study Center’s [Fiscal Sponsor Directory](#), which connects community projects to a network of about 380 fiscal sponsors in 40 states. Or try the [National Network of Fiscal Sponsors](#), which has a directory and information for getting started. Or Google foundations in your area.

The other way to get a fiscal sponsor is to approach a nonprofit doing work similar to yours and ask if they can help you. “Even if they don’t do it now, they may take your project. There are some nonprofits that may be doing fiscal sponsorship without realizing it,” said Cichy. But, as he warns, “they

need to be set up administratively to track your funds out of all their funds.”

If you’re starting a locally focused program, Colvin recommends looking for a local sponsor, such as a community foundation that is already holding money in DAFs and knows how to work in the area: “Personal contact between the project and sponsor personnel is really important. You need a level of trust. It’s important to meet them face to face and get a sense of their reliability and how genuine they are. Both sides need to have that.”

Some fiscal sponsors have economic thresholds. “You have come to them with a certain amount of funds in hand,” said Geoff Link, the executive director of the Study Center (who has also been there since the 1970s) “At the Study Center, there is not an economic threshold. If someone comes with no funding but an idea that will benefit the community and be able to attract funding and has leadership that is entrepreneurial, we’ll take them on. A lot of fiscal sponsors wouldn’t see that as a good business model, but we’re pretty open and it’s worked for us.”

Remember, this is a relationship

Before you reach out, draft a plan for running your organization and who you will approach for funding. When you approach a fiscal sponsor, ask questions: Are your values aligned? Do they have experience in fiscal sponsorship? How are they administering their fiscally sponsored projects? You want to have a good fit with a reliable organization. If they do other sponsored projects, talk to other organizations in their network. “We supply references for new projects all the time,” said Cichy.

Once you’ve found a fiscal sponsor, make sure to have an agreement that covers their role and how to end it, when the money you’ve raised will be spent, and when you are able to spin out your initiative into a freestanding group. It should cover their fee, or “administrative assessment,” the percentage they’ll take from your fundraising to cover their costs helping you.

Should you add fiscal sponsorship to your existing nonprofit?

While fiscal sponsorship can allow nonprofits to make money, it could lead to legal or financial issues they haven’t thought about — making it more of

a bleating goat than a cash cow. “You need to know how it works from the ground up. One of the most important things you can do as a fiscal sponsor is help that project understand whether... the program they are working on works or doesn’t, and how to make it work better,” said Link.

“Our job as a fiscal sponsor is to help them succeed,” said Link. “I feel like we’re part of so many different organizations. Each one is out there, working their hearts out for a neighborhood or community. It’s a wonderful feeling to work with them.”