

# FISCAL SPONSORSHIP DONE RIGHT AN IN-DEPTH CONVERSATION

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# Introductions

- Presenters
- Who's in the room?
  - ❖ What's your experience with/interest in fiscal sponsorship?
  - ❖ What do you hope to learn today?

# Agenda

- What is Comprehensive Fiscal Sponsorship?
- Why use a fiscal sponsor?
- How does it work?
- What does it take to do it well?
- Risks of fiscal sponsorship
- FAQ/Q&A





THIRD SECTOR  
*New England*

- Founded 1959
- Multi-service regional nonprofit capacity-builder
- Largest comprehensive fiscal sponsor in New England
- Executive Transitions Program
- Grantmaking (in hiatus for 2012)
- Training & convening
- Organizational assessments & mgmt consulting
- Operate a 110,000 ft<sup>2</sup> NonProfit Center in downtown Boston



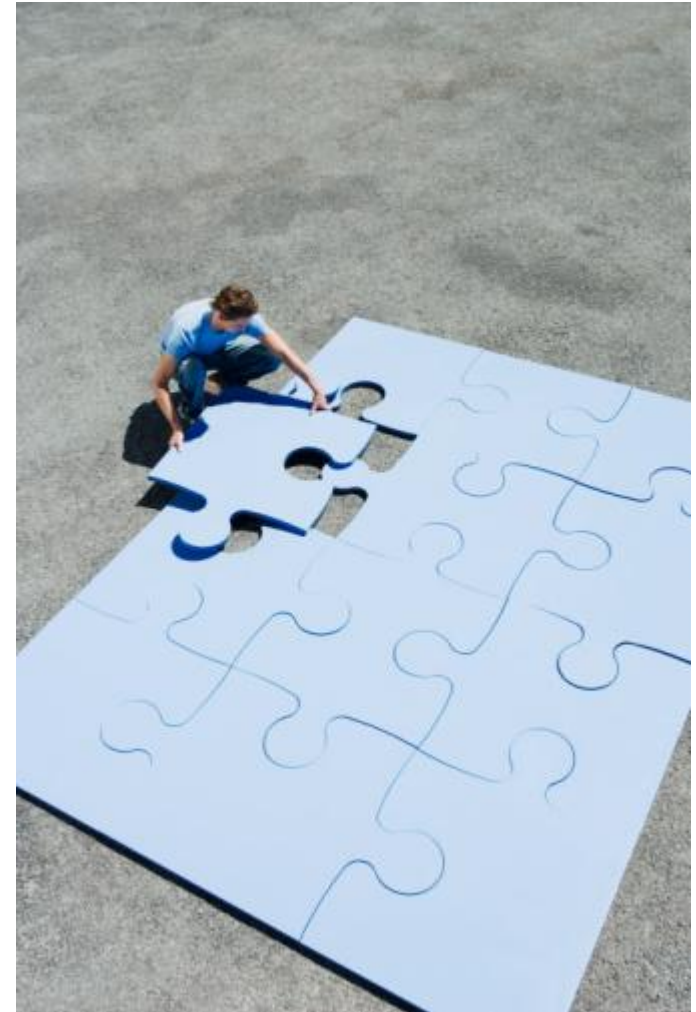
# About Comprehensive Fiscal Sponsorship

- 501(c)(3) organization supports projects engaged in activities that further its own charitable purpose
- Projects can receive charitable, tax-exempt funds
- Fiscal sponsors: legally & financially responsible for sponsored projects
- Services vary



# Why It Makes Sense

- ❑ Consolidation & collaboration
- ❑ More efficient & effective use of resources
- ❑ Improved administration & reporting
- ❑ Stronger outcomes
- ❑ Oversight and expenditure review



# Fiscal Sponsorship or c3 status?

- Operational/financial pros and cons
  - ❖ Refer to handout
- Psychological factors
- Political factors

# The Intake Process

- TSNE's intake process
- Importance of due diligence for both parties
- IHC – a cautionary tale
- NNFS Guidelines – a valuable tool





# Fiscal Sponsorship Operations



- How TSNE provides services: team approach
- MOU & Attachment A
- Role of advisory boards

# Key Elements of the MOU

- Board determination of mission fit
- Sponsor as employer
- Delegations of authority to project director
- Advisory boards
- IP rights
- Administrative costs
- Project termination or spinoff

# Some representative TSNE projects

- Mission Safe



- The Carrot Project



- SeaPlan



- MNN



# Why Funders Partner with Sponsors



- Easy entry & exit
- Accountability & transparency
- Neutral third-party home
- To create and design a managed project to meet their goals
- Creative solutions for innovative grantmaking programs

# Why projects partner with sponsors

- Don't have to build & maintain their own infrastructure – cost effective
- spend more time on mission-related work & fundraising
- We're experts in back office operations; they're experts in content
- Mission alignment
- Fringe benefits



# A Few FAQs about Fiscal Sponsorship



- Is fiscal sponsorship a pass-through?
- Isn't fiscal sponsorship only for incubation?
- What's the difference between fiscal sponsorship and a donor-advised fund?
- Do fiscal sponsors hamper the programmatic freedom of projects?



# Fiscal Sponsorship for c3's

## An Idea Whose Time Has Come?

- For groups in transition to independent status
- For existing (c)3's under pressure to merge or fold
- How it works



# Benefits

- ❑ Cheaper, faster, less stressful alternative to merger
- ❑ Enables org to retain identity, remain intact
- ❑ Preserves the mission
- ❑ Allows time to downsize and regroup in orderly way
- ❑ Allows startups time to develop



# Potential Barriers



- Fear of loss of independence or control
- Unfamiliarity with fiscal sponsorship
- General resistance to change

# Coalitions & Funding Collaboratives

- ❑ Collaborative partners are a group of nonprofits &/or funders that are invested in a program or initiative
- ❑ Staff employed by CFS
- ❑ Grants made to CFS
- ❑ Advisory board includes collaborative partners



# Benefits

- Staff and funds have a neutral home
- Keeps partner finances and staffing intact
- Collaborative partners provide oversight and guidance rather than management
- Reduces risk to funders of investing in an innovative and new collaborative
- Allows for easy sunseting of short-term collaboratives



# Options for smaller groups

- First question: is motivation mission- or ego-driven?
- May be too small for a comprehensive sponsor
- Community Foundation
- Affiliate with larger NPO
- Not all worthy ideas are viable or fundable



# Q&A



# THANK YOU!

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