Grassroots Fundraising Journal

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A PUBLICATION OF
GIFT
Grassroots Institute for Fundraising Training

Building a Strong Individual Donor Program

Raising Money from Donor-Advised Funds

Is Fiscal Sponsorship Right for You?

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ON OUR COVER

Our cover art is from the program book for the People's Action "Rise Up" Founding Convention in Washington, D.C. To mark and build upon the first 100 days of resistance to Donald Trump's presidency, People's Action convened more than 1,000 activist leaders from around the country in April 2017. People's Action unveiled a new political force comprised of people united against the Trump-Ryan-McConnell agenda and for a bold vision of an economy and democracy that work for everyone, not just the rich and powerful, big corporations, or purveyors of hate.

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Farewell 2017...

AS 2017 WINDS DOWN, I'm sure I'm not the only one feeling ready for the new year. I'm also feeling grateful for the practical tips, hope and inspiration I derive from the stories captured in the pages of the *Journal*—and this issue is no exception.

Mary Grace Wolf, Gaby Wagener-Sobrero, and Arturo Clark share how People's Action Institute and People's Action built their individual donor program from scratch, including tips for growing our lists and customizing our tactics based on donor preferences. Next, Jason Franklin documents the dramatic growth in giving through donor-advised funds, and provides practical advice for navigating what for many is new terrain. And because we know many of you are organizing resources outside of the nonprofit industrial complex, we revisit the topic of fiscal sponsorship. Priscilla Hung lays out the pros and cons of becoming fiscally sponsored and helps us think through the level and type of supports we may need.

I want to take this opportunity to appreciate two outgoing *Journal* editorial board members: Michael Robin and Will Cordery. Michael also served as GIFT's board secretary and used to helped out with GIFT's fundraising and outreach efforts even before he joined our board! Will served as an inaugural editorial board member since 2011, and has consistently contributed helpful ideas and articles to help us be more effective fundraisers. We look forward to staying connected with Michael and Will, and to welcoming Yna Moore from the National Committee for Responsive Philanthropy, who will be joining the editorial board starting in 2018.

If you missed GIFT's recent webinars on budgeting and year-end planning, you can view the recordings and download slides at grassrootsfundraising.org/budgetingwebinar and grassrootsfundraising.org/yearendwebinar. Get tips for finishing the year strong and get a solid plan in place for 2018.

Finally, please save the date: Money for Our Movements is coming to Atlanta July 27-29, 2018! We'll be in touch with more details soon, but for now please mark your calendars and plan to join us for the premiere fundraising conference of the year!

Jennifer

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PHOTO BY THOMAS BLIGH

People's Action canvasser Kevin O'Connor (pictured right) engaging potential members in the streets of Chicago.

From Zero to Sixty

How People's Action Institute and People's Action Built a Strong Individual Giving Program

By Mary Grace Wolf, Gaby Wagener-Sobrero & Arturo Clark

IT BECAME CLEAR TO OUR LEADERSHIP AND BOARD THAT IN ORDER TO ADVANCE A LONG-TERM STRUCTURAL REFORM AGENDA, THE NEW ORGANIZATION WOULD NEED TO ORGANIZE BOTH PEOPLE *AND* MONEY.

IN 2016, PEOPLE'S ACTION INSTITUTE (PAI) was formed through the merged operations of National People's Action (NPA), Alliance for a Just Society (AJS), USAction Education Fund (USAEF), and Institute for America's Future (IAF). We pursued this merger to make a quantum leap in our reach and capacity within the scale and alignment of organizing happening in low-income communities, communities of color and white rural and working class communities. The merger has already helped us become more powerful in geographic footprint, resources and capacity. We now have a combined network of 50 affiliate organizations and 600 organizers on the ground in 30 states, poised to build grassroots power to address economic and racial injustice. Our individual giving program has also benefitted from the merger as it allowed us to combine all of the lists of past contributors from the multiple organizations into one. We now have thousands of more people to fundraise from in more places across the country.

But this hadn't always been the case. In fact, up until only a few years ago most of our income came exclusively from institutional sources. Many of us as organizers had been trained to see ourselves in a battle between organized people and organized money. Soon after the merger, it became clear to our leadership and board that in order to advance a long-term structural reform agenda, the new organization would need to organize both people AND money. Critical to this challenge is generating independent forms of financing that reduce community organizations' dependence on philanthropic and labor dollars.

As crucial as foundation grants have been to sustaining our legacy organizations, the value of raising a budget from our communities is undeniable. At a financial level, it makes sense to diversify revenue streams because we don't want to put all of our eggs in one basket. Most of us know what it is like to lose a long-time foundation grant unexpectedly and the damage it can cause to our annual budget. The push for individual giving, however, goes beyond financial common sense. Grassroots fundraising grows a group's power, authority, and influence. If we can get our 50 affiliates to each bring in $350,000 annually from their members we can generate $175 million over ten years!

Revving Up

The process of shifting our organizational culture toward expanding our grassroots fundraising started long before our merger. In the fall of 2013 our legacy organization, National People's Action, made the decision to invest in the development of an individual giving program. Our intent at that point was to diversify our income streams and reduce our dependence on foundation dollars.

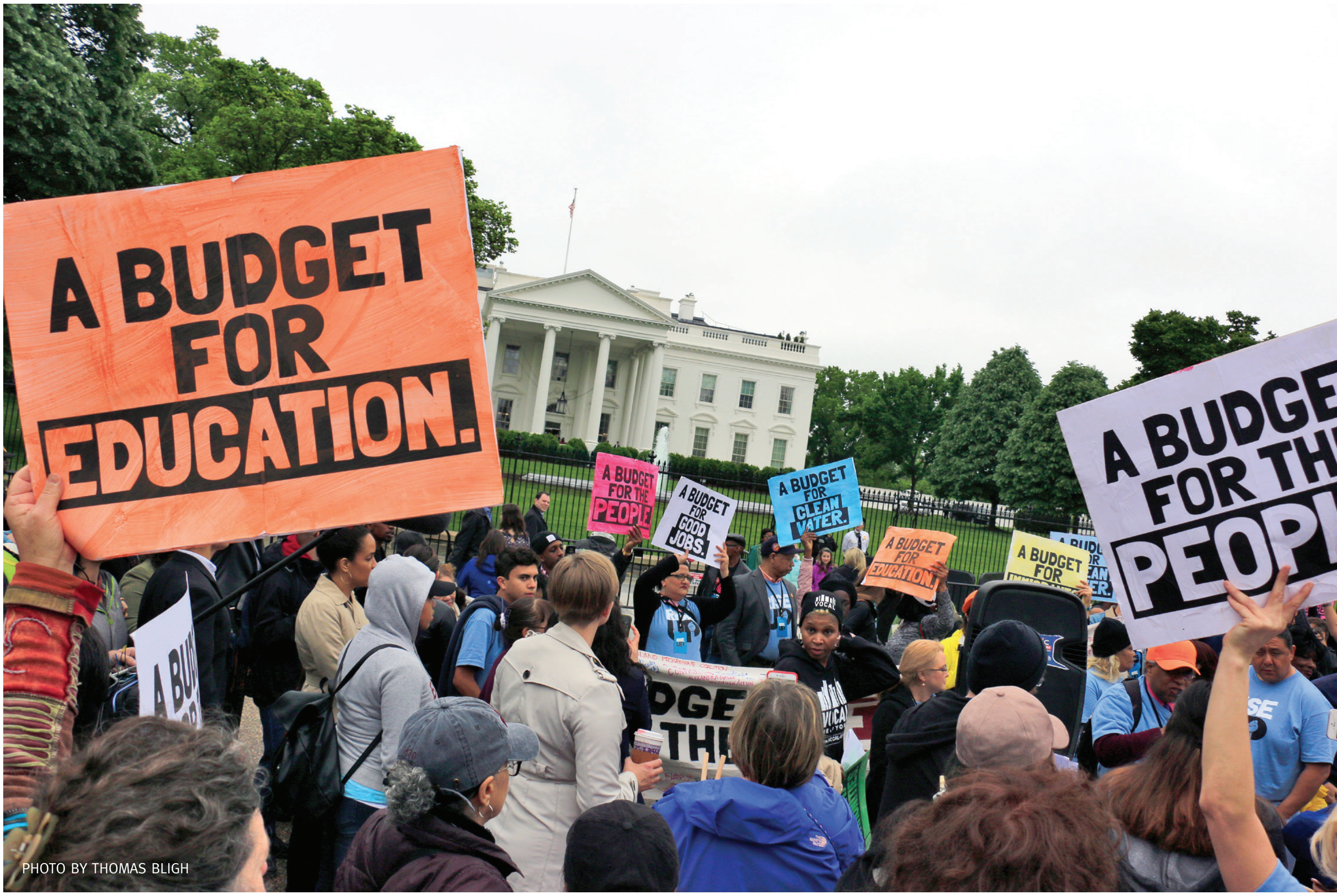
This was a critical move for an organization that had historically been reliant on foundation grants (making up almost 98 percent of our annual budget), and had only raised small amounts of money from everyday people. While the decision itself to pursue a grassroots fundraising strategy was an important first step, it quickly became clear that our contributor list was very small and out of date. There wasn't too much to work with there so our new priority became building a list of people who were dedicated to the issues we work on and were also willing to contribute.

Street Fundraising Canvass

The centerpiece of our list-building strategy has been the development of a fundraising canvass operation. One of the best ways to build a list is to have skilled, trained canvassers go out onto the streets and sign people up as dues paying members, a strategy that was very successful in Chicago. While many of our legacy organizations and affiliates had varying levels of experience running door-knocking canvasses, we hadn't fully seized on this experience in terms of fundraising potential. Through this focused fundraising canvassing campaign, we learned that racial and economic justice issues truly land with the public—even arcane issues like corporate tax policy—can resonate deeply. We've also found that sticking to a monthly sustainer model is the most cost-effective grassroots fundraising approach for our organization and in turn recruits very loyal members.

Our operation has also dispelled myths about grassroots fundraising. While national name recognition is a challenge, it has been less than we initially expected. We currently have eight staff on our street fundraising canvass team and are planning to expand further this year. We've also prioritized integrating our canvass

BUILDING A GOOD SUPPORTER LIST IS AN IMPORTANT FIRST STEP TO CULTIVATING A STRONG GRASSROOTS FUNDRAISING PROGRAM, BUT IN ORDER TO CONTINUE FUNDRAISING, A PROGRAM MUST EXPAND ITS POOL OF DONORS.



People's Action rallies outside the White House to demand the Trump administration put people and planet before profit.

staff into the overall life of the organization, and have found that this investment increases ownership and motivation, and a deeper understanding of the issues. In turn, this has helped us retain many of our canvassers instead of having high turnover rates. In addition to the money raised by our canvassers, they've also signed up over 12,000 contributors.

Building a good supporter list is an important first step to cultivating a strong grassroots fundraising program, but in order to continue fundraising, a program must expand its pool of donors. In order to cultivate new donors, we have launched a number of new programs over the past few years.

Individual donor visit program: Through our individual donor visit program, we identify people in a certain geographical area, reach out to them to set up in-person visits, and meet one-on-one with supporters to ask them to deepen their financial support by making more generous contributions. This has been a key tool in building a mid-level donor program out of a small donor program.

Fundraising event program: PAI is not an organization that has traditionally coordinated large-scale fundraising events but we've had success with throwing smaller events. House parties that are organized by staff, board members, or volunteer leaders are cost effective and require less preparation and overhead costs. These events have helped us recruit new people to our membership list and typically bring in $500–$2,500.

Phone canvass operation: Another way we're keeping in touch with members and continuing to fundraise from them is through phone calls. This tried and true method still works to renew memberships and raise money for our most pressing work. Additionally, we have experimented with setting aside two to three hours of phone banking during quarterly staff meetings. Such activity has worked well for us, and has allowed us to raise significant money from our list.

EACH NATIONAL STAFF PERSON SETS AN INDIVIDUAL FUNDRAISING GOAL...THIS HAS BEEN AN EFFECTIVE WAY TO SHIFT THE CULTURE AROUND GRASSROOTS FUNDRAISING AT THE STAFF LEVEL WHILE RAISING MORE MONEY EVERY YEAR.

Direct mail program: We send out a direct mail piece to a small segment of our list at the end of each year. We've found this method to be worth the cost and time it requires because there are some folks who will only give through the mail or that respond most favorably to that fundraising tactic. Furthermore, we've recognized that using such a tactic requires being strategic on identifying to whom we send mail, and who we should approach using a different fundraising method.

Online fundraising program: The staff running this program for the organization are very talented and have seen huge results appealing to the interests and concerns of people on our email list. We saw a significant increase in online giving right before and right after the election and have been able to sustain some of that support through this year as well.

Sponsorship: We have just recently implemented a sponsorship model for our organization. There are some individuals, organizations, and unions that will give to us as long as it's framed as a sponsorship.

In order to help reach our goals in all of these parts of the program, we rely heavily on our entire staff. Each national staff person sets an individual fundraising goal for the calendar year, which contributes to achieving our overall goal. This has been an effective way to shift the culture around grassroots fundraising at the staff level while raising more money every year.

Fundraising Results

Since we began our individual giving program in the fall of 2013, we've seen the following results:

- Canvass operation income: $412,290.
- Individual donor visit program income: $384,476
- Event program income: $77,333
- Phone canvass operation income: $16,500
- Direct mail program income: $42,334
- Online fundraising program income: $376,716
- Sponsorship income: $41,750

Working with Our Affiliate Network

In addition to raising more independent money for our national budget, our staff has worked closely with many of our affiliates from across the country to improve and strengthen their own individual giving programs. The ten groups that have participated in our Organized Money program over the past few years have gained valuable skills to raise more money back at home. Through continual experimentation and sharing key skills among their organizations, this cohort of affiliates raised $154,000 in 2014, $293,000 in 2015, and $418,000 in 2016. The upward income trajectory these organizations have established furthermore demonstrates the importance of training our affiliates on the skills, methods, and practices of individual fundraising.

Our Organized Money program provides training and technical assistance to these affiliate organizations to work their current membership and additional lists toward specific goals. The program focuses on eliminating fear of asking for money, training staff on how to make money asks, and building systems for growing and sustaining contributions over time.

"What was eye-opening to me was the spirit of participation from our staff," said Bob Fulkerson, co-founder and state director for the Progressive Leadership Alliance of Nevada (PLAN). The monetary results of their first two fundraising drives in 2014 were stunning: PLAN had budgeted $77,000 from individual donors for the year, and wound up bringing in nearly $100,000 by October of that year. Just as striking were the organizational triumphs. The process helped clarify goals around a ballot initiative campaign that they were running, and also galvanized energy within the group.

"The duration and intensity of the training was extremely helpful," Fulkerson added. "Everybody got motivated to do their individual donor visits. The stories that people brought back from their visits—the donors expressing such support—proved to be really inspirational."

Next Steps

While the work of building an individual program is not easy, it is well worth the effort. Contributions from individuals allow us to make much needed investments in our organizations and our work that foundations are not always willing to make, as they set us up for expanding our power and influence in the long-term. It's also important to remember that an individual giving program can be flexible, depending on your organizational budget and capacity.

Of course, our next step is to continue expanding our program to raise more and more money each year. We see the most opportunity around expanding our canvass operation and individual donor visit programs while steadily increasing the amount of money we're raising over the phone, through the mail, online, and at events. ■

Mary Grace Wolf has been working in grassroots fundraising for over 13 years. She has experience

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Translating Training to Culture Change: Two Case Studies by Priscilla Hung & Steve Lew as a fundraising canvasser, canvass director, development associate and director of individual giving. Mary Grace specializes in raising money from individuals and training other staff, leaders, and board members to do the same.

Gaby Wagener-Sobrero is the former development associate at People's Action Institute. Gaby has experience in foundational fundraising and has previous experience organizing Latinx students on immigration issues including DACA and others affecting the community on and off the University of Illinois' campus.

Arturo Clark is a Guatemalan immigrant living in Dallas. He is the deputy development director for People's Action Institute, a national organization and affiliate network with a mission to advance racial and economic justice.

Raising Money from Donor-Advised Funds

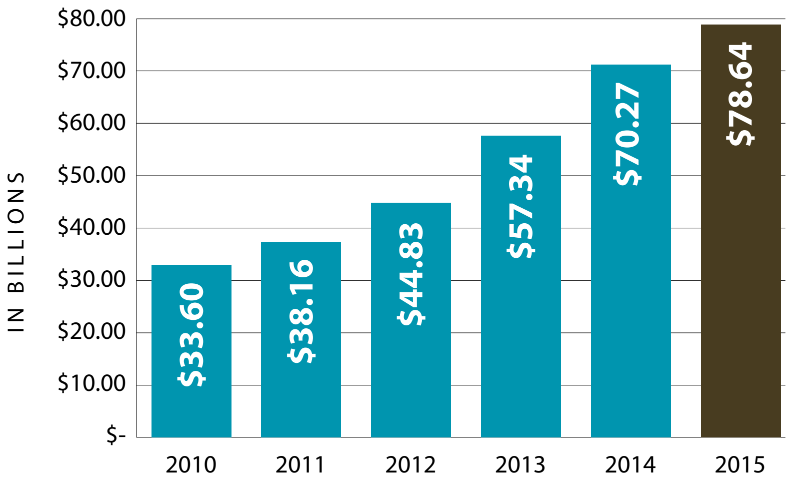
Navigating Today's Increasingly Complex Philanthropic Landscape

By Jason Franklin, Ph.D.

INDIVIDUAL DONORS, FOUNDATIONS, government agencies, and corporations—for over a century they formed the basic elements of any nonprofit's fundraising plan, in different proportions depending on their work. Today the landscape is increasingly complex with the rapid rise of donor-advised funds (DAFs) not to mention other vehicles like giving circles, grantmaking LLCs, funder collaboratives, social enterprise funds, and others. These new vehicles are helping donors give in new and different ways, but they are often harder to access for fundraisers with less transparency which can make prospecting a challenge. They have also turned the staff who help manage and support these DAF programs into increasingly important philanthropic players who you should engage and cultivate in your search for financial support. Given the rapid growth of DAFs (over 270,000 funds hold a combined $78+ billion in assets)[1], how should a nonprofit executive director or fundraiser change their fundraising to respond? As my colleague Michael Moody said in a 2015 article on DAFs in *Advancing Philanthropy,* "Donor-advised funds are changing the face of giving and we can't underestimate their impact."[2]

1 National Philanthropic Trust, 2016. "2016 Donor-Advised Fund Report." nptrust.org/daf-report/index.html

2 Lagasse, Paul, 2015. Deciphering DAFs. *Advancing Philanthropy.*



Growth in Total Charitable Assets in Donor-Advised Funds: 2010-2015
(Source: National Philanthropic Trust)

Last year I hosted a workshop on these issues entitled "Navigating Philanthropy's New Gatekeepers" with nonprofit leaders in Grand Rapids that sparked incredible ongoing conversations. Since then, I've had fundraisers across the region and around the country asking for advice as they are pressured to engage with these new funding sources but unsure how to do so. While there are no silver bullet solutions, I offer these initial observations as you start looking to engage with DAF holders and advisors as potential funding sources.

Pay Attention to DAFs but Set Appropriate Expectations

Donor-advised funds are essentially charitable savings accounts, which enable a donor to make a single contribution and receive an immediate tax credit on the gift, distributing smaller grants from that pool over time to a range of nonprofits. While DAF assets and grantmaking continue to grow dramatically, the pace at which individual donors give from their DAFs varies since they serve that "saving account" function. So, don't presume that a donor who establishes a large DAF will automatically be engaged in a lot of giving.

However, with the overall growth of DAFs, every fundraiser should be paying attention to these increasingly important vehicles. Nationally, contributions into DAFs grew over 11 percent to a high of $22.3 billion in 2015. Grantmaking from DAFs to nonprofits also reached a record high in recent years, jumping almost 17 percent to $14.5 billion in 2015.[3] That means grants from individual donors via their DAFs represent almost a quarter of all foundation grants in 2015, a number that is also approaching the total of all giving from corporations ($14.5 billion for DAFs vs. $18.5 billion for corporations).[4] Indeed, The Chronicle of Philanthropy estimates that DAF giving will soon account for one in every ten dollars given by individual donors in the U.S.[5] However, most experts agree that the growth of DAFs is not a sign of surging overall generosity but rather a shift in vehicles donors are using to move their money to charity. Ultimately this means there is not a big new source of funding to pursue, but a call to update your fundraising strategies to keep raising funds from the same audiences you've engaged in the past. You don't necessarily need to talk about your work differently or make a different type of pitch, but instead update how you invite people to say yes to your fundraising ask and what steps you take in cultivation and stewardship.

Finally, as we try to assess the type of gifts we might seek from DAFs, it's important to hold in mind the fact that while donors giving from DAFs have varied priorities, they tend to reflect wider trends with the most grants going to religious, education and human service nonprofits.[6] Additionally, while there are a small number of DAFs with hundreds of millions or even billions in assets (like Zuckerberg's famous gift to Silicon Valley Community

GRANTS FROM INDIVIDUAL DONORS VIA THEIR DAFS REPRESENT ALMOST A QUARTER OF ALL FOUNDATION GRANTS IN 2015.

Foundation or the three gifts to DAFs that made The Chronicle of Philanthropy's latest top 50 biggest givers list), most DAFs are smaller philanthropic savings accounts. For example, at the Fidelity Charitable Gift Fund, the nation's largest DAF provider, 61 per-

nxtbook.com/nxtbooks/afp/ap_2015summer/index.php#/30

3 National Philanthropic Trust, 2016. "2016 Donor-Advised Fund Report." nptrust.org/daf-report/pdfs/donor-advised-fund-report-2016.pdf

4 givingusa.org/see-the-numbers-giving-usa-2016-infographic/

5 Lindsay, Drew, Joshua Hatch, and Brian O'Leary. October 27, 2016. A New Way to Give: Inside the Donor-Advised-Fund Explosion. *The Chronicle of Philanthropy*. philanthropy.com/interactives/donor-advised-funds

6 givingusa.org/see-the-numbers-giving-usa-2016-infographic/

THERE IS NOT A BIG NEW SOURCE OF FUNDING TO PURSUE, BUT A CALL TO UPDATE YOUR FUNDRAISING STRATEGIES TO KEEP RAISING FUNDS FROM THE SAME AUDIENCES YOU'VE ENGAGED IN THE PAST.

cent of DAFs held balances under $25,000 while only 7.5 percent held more than $250,000 in balance (even if that 7.5 percent did represent a very large share of total gifts).[7]

So just as with other parts of the fundraising landscape, the concentration of wealth shows up in the distribution of assets held in the nation's donor-advised funds. More charitable dollars are moving through donor-advised funds, and given their unique structures, they merit specific fundraising strategies. But we can likely expect that monies moving through DAFs will follow similar patterns we've known for a long time from mid to large individual donors, but now with more structure and gatekeeping to access those charitable funds.

Integrate DAF Fundraising into Your Normal Practices

Given the growing importance of DAFs, it's smart for every nonprofit to start integrating basic good practices about raising money from these funds into your development plans and activities. For example, use language like "advise a gift to us through your donor-advised fund" as an option in your fundraising appeals and include "advise a DAF gift" in reply devices alongside check/credit card options. Similarly, it's ever more important to track what type of gifts you are receiving so you know how to steward your donors. Record donor-advised fund information in your database so you know how to ask for follow up gifts and figure out how to handle multiple relationships to gifts so your fundraising reports come out accurately. For example, if I wrote you a check last year and advised a DAF gift this year, both should show up under my name when you generate a "gifts in the last two years" report.

Treat DAF Holders like Major Donors

Whether they are giving at your major donor "level" or not, opening a DAF is often an indication that someone is treating their giving with more intention than the typical annual fund donor. In most cases, receiving a gift from a DAF should indicate to you that that donor should be treated like a major donor with more information sharing and cultivation attention. It can also be an indication that they may have capacity to become a larger donor with appropriate relationship building. For DAF gifts below your internal major donor threshold, you may want to create a new category in your stewardship tracking so you can do more prospect research to determine if those donors are a good fit for long-term major donor cultivation.

Remember: DAFs CANNOT Be Used to Pay Pledges or for Personal Benefit

As DAFs become more common vehicles for giving, understanding the limits on DAFs compared to direct personal giving or even a grant from a foundation becomes more important.[8] A donor cannot legally pledge a multi-year gift from a DAF.[9] You can ask a donor to advise a multi-year gift from a DAF (advising $10,000/year for next five years), but just remember that if they say yes and advise a gift that their advice is still not binding on the community foundation or other DAF manager and therefore shouldn't show up on your financials as a receivable like a personal pledge to give. Another option in this situation might be to ask them to advise a $50,000 gift now which you will internally restrict to using $10,000/year. Another important restriction is that donors cannot use a DAF to buy tickets to a fundraiser

IT'S EVER MORE IMPORTANT TO TRACK WHAT TYPE OF GIFTS YOU ARE RECEIVING SO YOU KNOW HOW TO STEWARD YOUR DONORS.

7 Fidelity Charitable Gift Fund, 2016. "2016 Fidelity Charitable Giving Report." fidelitycharitable.org/giving-report/index.shtml

8 Cantor, Alan. August 12, 2015. Strings on Donor-Advised Funds Are Making Charity Supporters Angry. *The Chronicle of Philanthropy*. philanthropy.com/article/Opinion-Strings-on/232197

9 Baker Tilly. September 11, 2014. Pledges and donor-advised funds don't mix. bakertilly.com/insights/pledges-and-donor-advised-funds-dont-mix/

where they get a benefit (so if you use text like "all but $XXX of your ticket purchase is a charitable deduction" then DAF funds cannot be used to buy any part of that ticket).[10]

Cultivate Donor Advisors like You Do Major Donors

A final critical difference between direct gifts from donors versus gifts they make from a DAF is the potential involvement of one or more staff in the giving process. While the most active or biggest donors may employ a philanthropic advisor to help them with their giving, the proliferation of DAFs has given more donors access to philanthropic advising than ever before. While large national fund sponsors note that the majority of grant recommendations were completed through online portals (and thus likely with no interaction with an advisor[11]), at the community foundation level some level of staff engagement is far more common. While they may not make a personal gift to your organization, donor advisors can be an integral part of your fundraising efforts as they work with one or often many donors who might be a match for your organization.

BE SURE TO THANK ADVISORS FOR SHEPHERDING YOUR GIFT THROUGH THE PROCESS IN ADDITION TO THANKING THE DONOR THEMSELVES.

To increase your effectiveness in raising and sustaining giving from donor-advised funds, make sure to thank advisors for shepherding your gift through the process (or recommending you if they proactively helped secure the gift) in addition to thanking the donor themselves. Invite advisors to learn more about your organization, offer to share information and resources they might use with their clients, and proactively identify the advising staff at your local community foundation, Jewish Federation, or branch office of key national DAF providers for ongoing cultivation. Rather than seeing these advisors as philanthropic gatekeepers who stand as hurdles to overcome or bypass in your fundraising journey, imagine an engaged donor advisor becoming your ally in fundraising.

Ultimately, raising money from individuals who use DAFs comes down to effectively carrying out an individual donor fundraising campaign with some of the tweaks suggested above. While some have criticized DAFs as capturing philanthropic resources into investment accounts rather than moving these resources quickly out to the nonprofit sector, I take a more optimistic view. Even using the most conservative estimating methods for donor-advised fund payouts, today we are seeing the largest fund providers all exceeding a 10 percent average annual payout level.[12] While we wait to see if future legislation may force a payout requirement on every individual DAF, overall the data tell us that funds are actively moving into and back out of donor-advised funds. So as fundraisers and nonprofit leaders, our biggest challenge and opportunity is to figure out how to effectively integrate DAF fundraising, cultivation and stewardship into our ongoing development work. All that's at stake is a share of this $14.5 billion pool of donations. ■

Jason Franklin is the W.K. Kellogg Community Philanthropy Chair at the Johnson Center for Philanthropy at Grand Valley State University, and serves as board chair of the Proteus Fund. Jason is also co-founder and co-chair of the Solidaire donor network.

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10 Nobler, Jane C. May-June 1998. That's the Ticket. *Foundation News & Commentary*. cof.org/sites/default/files/documents/files/Thats-the-Ticket.pdf

11 Giving USA 2016: The Annual Report on Philanthropy for the Year 2015, a publication of Giving USA Foundation, 2016, researched and written by the Indiana University Lilly Family School of Philanthropy. Available online at givingusa.org; Fidelity Charitable Gift Fund, 2016. "2016 Fidelity Charitable Giving Report." fidelitycharitable.org/giving-report/index.shtml

12 See note 5 above.

LA Commons Executive Director Karen Mack (far right) with members of event partner the Greater Los Angeles African American Chamber of Commerce, at their summer soiree fundraiser in conjunction with The UCLA Fowler Museum and their exhibit on African-print fashion.

Is Fiscal Sponsorship Right for You?

By Priscilla Hung

WHEN PEOPLE CRITIQUE THE NONPROFIT INDUSTRIAL COMPLEX, certain topics are frequently raised: a desire for more support for emergent organizations and leaders, more space for experimentation and risk-taking, less time spent on administrative matters, and more focus on program. While it is definitely not a one-size-fits-all solution, one way to get these things is to consider fiscal sponsorship rather than incorporating into a 501(c)(3).

Fiscal sponsorship means that an organization works with an existing tax-exempt nonprofit to receive and process charitable contributions, use their administrative infrastructure, and ensure financial and legal compliance. In return, the organization pays a fee to the nonprofit and has to adhere to their processes and policies.

An Important Role in the Sector

Most fiscal sponsors see their work as much more than just providing a service or a back office. Asian Americans Advancing Justice–Los Angeles is primarily a legal and civil rights nonprofit, but they also provide fiscal sponsorship for start-up groups that are aligned with their mission. As Patricia Neville, vice president of finance and administration, explained, "We are invested in building the field. It supports our mission to invest in strong partners who are able to eventually stand on their own."

Melinda Higgs is president & CEO of the Colorado Nonprofit Development Center, a nonprofit dedicated to providing fiscal sponsorship for a broad swath of groups throughout the state. When talking about the role of fiscal sponsors, she said, "We view it as a partnership. We each get to do what we're good at and leverage our core competencies. For them, it's doing the program, making connections in the community, and raising money. For us, it's providing infrastructure, policies, and capacity-building. It's a much smarter use of charitable resources."

Indeed, Stephen Bingham of the Sylvia Bingham Fund said he's happy to pay fees to his group's fiscal sponsor, Peace Development Fund (PDF), because, "It's a remarkable organization that supports lots of very grassroots organizations, which I believe strongly in."

Movement Strategy Center (MSC) supports fiscal sponsorship through their Innovation Center, which they see as a key strategy to build movement infrastructure. By leveraging their nonprofit status and larger size, they are able to move resources to emergent projects and innovative work. "Philanthropy has habits and assumptions about smaller, grassroots, front line, Black- and Brown-led work. Fiscal sponsorship helps interrupt that inequity," said Rachel Burrows, managing director.

Karen Mack of LA Commons, a fiscally sponsored project of Community Partners, encouraged fiscal sponsors to play an even greater role in supporting equity in the nonprofit sector. "Fiscal sponsors can think about how to support organizations that serve in areas where there is high need and where access to services is lacking. They can ask themselves, how can those groups get more support?"

Different Types and Models

The two most common ways a group obtains fiscal sponsorship is by approaching a nonprofit organization they already have a relationship with or by going to a dedicated fiscal sponsor.

Going to a nonprofit agency you know can be a wise choice if your groups already trust each other and understand each other's work and organizational cultures. It can be especially beneficial when the sponsoring agency can help make introductions to funders and partners, is well-respected in the field, and is willing to provide guidance and capacity-building. A potential drawback is that this kind of arrangement can often test the strength of the relationship. Common conflicts include: if your project is seen as competing for the same pots of funding; if a funder or donor is confused about which organization they are supporting; if the organization's policies and processes are not set up to handle the activities of a sponsored project; or if funds aren't clearly separated in financial reports. Also, the demands on the agency's time can end up being more than anticipated and not fully covered by the fees, so sometimes groups can sour on playing this role.

A dedicated fiscal sponsor might be a better path if you are looking for a neutral home with clear processes and guidelines. They can often provide a larger variety of services, such as dedicated human resources staffing, reporting for government grants, legal counsel, and workshops and training. Drawbacks include less flexibility in policies and procedures, potentially less expertise in your group's particular issue area or community, and less tailoring to your group's needs. Fees are also often higher to help pay for these additional services.

The two most common models of fiscal sponsorship are comprehensive fiscal sponsorship ("Model A") or as a grantee relationship ("Model C"). The biggest difference is that in Model A your group becomes fully integrated into the fiscal sponsor. In Model C you maintain a separate entity, but the fiscal sponsor accepts tax-deductible contributions on your behalf and then disperses the money back to you as a "grant."

Lisa Andrews of the Prison Birth Project, fiscally sponsored by Peace Development Fund, reminded us, "Fiscal sponsors are all different and provide different services. With PDF [which is Model C], we have more autonomy and pay a smaller fee, but we get fewer services. Each has its pros and cons."

To be clear, a group can operate programs and raise money without either a fiscal sponsor or its own nonprofit status. It means, however, that donations it receives are not tax-deductible, which can deter most foundations and government agencies as well as discourage individual donors from making large gifts. It can prevent you from getting access to services and resources that are typically reserved for nonprofits, such as in-kind donation programs. Not being part of a nonprofit structure can also cause community members and potential partners to question whether the organization is self-serving and to doubt its level of stability and accountability. Because it can be extremely challenging to work outside the Nonprofit Industrial Complex, fiscal sponsorship can serve as a helpful compromise.

Finding a Fiscal Sponsor

There are several standard items to ask different fiscal sponsors before deciding which one to apply to. These include what kind of services and benefits they offer, their fee structure, their application process, their schedule for cutting checks and generating reports, and authority and decision-making over different areas of management. If your group has some unique or complex circumstances, be sure to also ask how they would handle those.

Another important consideration that groups often overlook is organizational culture. Neville advised, "Look for a fiscal sponsor who is aligned in your way of thinking, your values, and where you want to go."

This is echoed by Higgs. "Organizational culture match is especially important for social justice groups and those doing advocacy," she said. "Make sure your fiscal sponsor is going to support your efforts and they know how to handle it. Check if they have a stance on advocacy, check what happens if groups under the same fiscal sponsor take different positions on a controversial issue."

At times when groups haven't been a good fit with MSC, Burrows pointed to the interplay between expectations and relationship. "Over time we have shifted our focus to supporting groups with whom we have strategic alignment and active partnership in our core work at MSC. We've had groups with complicated administrative needs who weren't that invested in the deeper relationship with us. And we've had groups who thought they would get deep strategic partnership from us, but there wasn't alignment with our current focus. We learned a lot about being clear about expectations at the front end."

Pros and Cons

Groups cite many reasons for why they choose fiscal sponsorship rather than incorporate into their own independent nonprofit. Positives include:

- Get to focus more on program, community building, and fundraising;
- Accounting, financial reporting, insurance, tax reporting, and an annual audit are provided;
- Processes and structures already in place for human resources, such as hiring, payroll, benefits, and background checks;
- Helps ensure you are in legal and financial compliance;
- Can be easier to recruit board members because they have fewer responsibilities;
- Funders have more confidence in your group's ability to manage funds;
- Access to expert advice, guidance and support;
- Access to training, workshops capacity-building;
- Access to a peer group of organizations; and,
- Possible access to additional services such as shared office space, product discounts, and marketing or communications.

Fiscal sponsorship can be a great fit for organizations that are just starting out and unfamiliar with running a nonprofit. Andrews shared, "When we started 10 years ago, I didn't know how to fundraise for a nonprofit or any of the regulations around that. It was helpful to have access to a system to track donations when I didn't know at the time what a donor database was. We were still figuring out how to run our program and we didn't have an experienced board. It was great to have a fiscal sponsor." Although they now have the expertise and experience, she appreciates the "creativity and naivete" they were able to bring at the beginning because of fiscal sponsorship.

In addition to administrative infrastructure, Aziza Hasan, executive director of NewGround: A Muslim-Jewish Partnership for Change, a fiscally sponsored project of Community Partners, pointed to another key benefit. "Anytime I have a question, I have an expert I can call. It's good to know there's someone who has a vested interest in my success and who knows what's compliant with the law."

Although administrative infrastructure may feel boring to some, Higgs reminded us, "Effective organizations need to have their house in order. Groups are more likely to close because of problems here, not because of problems with programming."

Challenges of fiscal sponsorship include:

- Little control over decisions such as when checks get issued, what your financial reports look like, or which insurance provider you can use;
- Can be difficult to do things or get things last minute or on your preferred schedule;
- May be a barrier to building trust with donors if they do not understand what fiscal sponsorship is or are confused by it;
- Any tools or services that require use of the fiscal sponsor's tax ID or EIN number requires approval from the fiscal sponsor;
- Can be difficult to transition your board of directors into a governance and fundraising board if they see themselves as just an advisory board;
- Required to follow laws or organizational policies—like background checks for people working with vulnerable populations and not paying people under the table—rather than hoping to "fly under the radar"; and
- Can be confusing to understand the different models and time-consuming to find a fiscal sponsor that best fits your needs.

Another consideration is timing, which can be both positive and negative. These days, incorporating a small nonprofit can actually be faster than getting set up with a fiscal sponsor. A few years ago, it could take almost two years to get IRS approval to establish your own nonprofit and groups often retained a lawyer to get through the process. Since then, under political pressure, the IRS changed its guidelines and released the Form 1023-EZ for organizations with annual revenue under $50,000, which has a quick turn-around, sometimes as fast as six weeks. But this can sometimes lead to people making rash decisions. Said Higgs, "IRS expediency can sometimes win out over the extensive application to become a fiscally sponsored project here, but groups realize it's helpful to go through the process." Groups often say that the application process helps crystallize their vision for their program and clarify what kind of supports they need.

Fundraising as a Fiscally Sponsored Project

Fundraising is the reason that many groups seek a fiscal sponsor to begin with—they need a tax-exempt entity to accept their donations. Fiscal sponsors are responsible for processing the donations you receive, sending gift acknowledgement letters when needed for tax purposes to donors, and providing you with financial reports at regular intervals. For grants, fiscal sponsors sign the grant agreement and are responsible for ensuring the funds will be used for the intended purposes and that proper reporting is submitted on time. Not all fiscal sponsors have the capacity to handle government grants, so make sure to ask about this if government funding is part of your business plan.

It's a common misconception that fiscal sponsors help groups raise money. Raising money—creating a fundraising plan, identifying prospects, carrying out various strategies, making the ask, maintaining relationships with donors—is the responsibility of the group. Some fiscal sponsors may help introduce you to funders and donors or invite you to be part of collaborative funding opportunities, they might provide guidance and advice such as reviewing appeal letters, or they might host workshops or trainings. But their main fundraising role is to provide you with the legitimacy and stability that funders and donors look for. As different fiscal sponsors provide different services, it's important to be clear about what kind of fundraising support your group is looking for and then to find a fiscal sponsor who can meet those needs.

When asked to share challenges they've experienced while fundraising as a fiscally sponsored project, most groups had few complaints, but there are a few things to watch out for. If you're looking at a particular fiscal sponsor, it's a good idea to reach out to groups who are already sponsored by them to learn more about their fundraising experiences.

One thing Bingham recommended paying attention to is if your fiscal sponsor also raises money from individual donors. As some of the donors to his project also give to PDF, he worries that people get confused about which appeal to respond to and might not consistently remember to note the name of his project on their contribution slips.

Andrews mentioned that one of their challenges early on was explaining fiscal sponsorship to fundraising volunteers and to their donors. "When we were a new organization getting started, I was already nervous having to ask for money," she explains. "And then to have to also say 'When you write your check, it's not going to us, it's going to this other organization. I swear we aren't stealing your money!' was hard."

Although the vast majority of her donors understand, occasional confusion from donors is also experienced by Hasan. "When we have a big event, I usually have four or five people who buy a ticket who end up contesting the credit card charge because they don't recognize the name, even though we tell them," she shared. "We have to call them and explain, and they still sometimes reverse the charge."

Online giving platforms can also present some challenges, such as not being able to use Amazon Smile because they only allow one tax ID per recipient. One executive director mentioned being frustrated at having to use the online donation system chosen by the fiscal sponsor rather than being able to choose for themselves.

While a lot of work has been done to help funders understand fiscal sponsorship and be supportive of it, some foundations and government agencies do not provide grants for fiscally sponsored projects or will only provide one grant per tax ID. Mack mentioned a few funders that would be a good fit for her group that have made it very challenging for her to apply. "I'd like to say to them that there's often an inverse relationship between institutionalization and connection to the community and their needs," said Mack. "There's programming doing a good job of serving needs and sometimes that programming is not formalized."

Whether and When to Incorporate

For most fiscally sponsored groups, the idea of eventually incorporating into their own nonprofit is always in the air. Sometimes it's part of their desired trajectory and sometimes funders, donors, or board members pressure them because they see it as a sign of organizational maturity. "Staying in the comfort zone of fiscal sponsorship can keep people from learning the nitty-gritty of running a successful organization," said Neville.

Most groups point to benchmarks around funding and board development that they would need to first meet. Mack acknowledged, "I would need to be able to afford to hire someone in a management position and have a board who is able to look at organizational sustainability and take on fiduciary responsibilities." This is echoed by Andrews. "We'd want to make sure we have a solid board, are raising a certain amount of money, and have a good donor relations flow in place."

For Hasan, her benchmark is when her group reaches a $1 million dollar budget. "That's when the amount we pay our fiscal sponsor (about 10 percent of revenue) would be enough to consider bringing the services they provide in-house or to hire a consulting firm," she reasoned.

But not all fiscal sponsors see sponsorship as time-limited, and not all groups see incorporation as part of their plan. Bingham is pleased to have his group continue indefinitely as a fiscally sponsored project. "I've been on boards of different nonprofits. I know the drill around boards, minutes, filings, 990s, and I just don't want to deal with it," he explained.

The most important thing when choosing an organizational structure is to go with the one that makes the most sense for your particular group. Burrows advised, "Make sure form follows function. Don't limit yourself to just whatever you're familiar with. Know the horizon of that form and don't let it trap you if it no longer serves your vision or strategy."

Conclusion

Fiscal sponsorship can always be an option when looking at the next phase of your organization, whether you're going from a pilot to an expansion or a start-up to a sustainable organization, whether you're revving up or winding down or changing structures altogether. Said Higgs, "Fiscal sponsorship is such a great resource. Anytime someone is starting a new project, it should be a consideration. For many groups, it's a great fit." ▪

Priscilla Hung is the deputy director of Move to End Violence, a movement-building initiative of the NoVo Foundation. She is a former program director at Community Partners and a fan of fiscal sponsorship. She also sits on the editorial board of the Journal.

ADDITIONAL RESOURCES

To find a fiscal sponsor in your region: fiscalsponsordirectory.org

For steps on finding the right fiscal sponsor for your group: grantspace.org/blog/find-a-fiscal-sponsor-that-fits

If your organization is interested in becoming a fiscal sponsor or your group is trying to figure out how to vet potential fiscal sponsors, the National Network of Fiscal Sponsors has helpful guidelines: fiscalsponsors.org

For the nitty-gritty and legalities of fiscal sponsorship and different models, Attorney Greg Colvin frequently writes about it: fiscalsponsorship.com as does the NEO Law Group: nonprofitlawblog.com/category/fiscal-sponsorship

Read a great case study about how a fiscally sponsored organization raises money: "No Staff? No c3 Status? No Problem! By members of ACT UP Philadelphia" (GFJ v30 n6)

For a compelling case for fiscal sponsorship: rainiervalleycorps.org/2017/06/stigma-fiscal-sponsorship-needs-end/

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