Powerful & Proximate

Fueling the Dreams of Grassroots Organizations through Fiscal Sponsorship

EQUIVOLVE CONSULTING

FOUR YEARS AGO, Equivolve partnered with Open Society Institute-Baltimore to release *Young Gifted, and Underfunded*, which offered sobering evidence of the chasm that often exists between foundations and youth-led, largely grassroots efforts. The landscape analysis revealed staggering disparities in funding for predominantly grassroots movements and organizations compared to their larger-sized, often white-led counterparts. What was true then and now is that grassroots leaders have innovative solutions and nuanced insights with respect to longstanding challenges, and that they are deeply rooted in their communities. It is also widely held that foundations possess a panoply of critical resources that can incubate and accelerate positive impact and outcomes within these communities. One of the most salient takeaways and recommendations coming out of that report was the urgent need to build trust, capacity, and mutual accountability between grassroots leaders and program officers.

One such mechanism that could help to bridge grassroots organizations and philanthropy is fiscal sponsorship. We believe, as this report shows, that fiscal sponsorship, when mission- and values-aligned, can serve as vital connective tissue for closing this gap and supporting grassroots organizations, which hold tremendous community power and have the relevant proximity necessary to solve important social issues—if only they were equipped with resources that support their full activation.

Building on what we learned in *Young, Gifted, and Underfunded* and our own observations about the ways that the social sector has evolved since its release, we teamed up with the Meyer Foundation, based about 45 miles south of Baltimore in Washington, D.C., to further explore the ways that fiscal sponsorship might help close this gap.

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Commissioned by the **Meyer Foundation**

ABOUT EQUIVOLVE CONSULTING

Equivolve (EQ) is a Black-owned social research and strategy firm fueled by equity and driven by our belief in the abundant potential that exists around the world. We see equity as the greatest means by which we actualize a just, inclusive, and vibrant society where the gap between human potential and its full activation no longer exists. Our work is exclusively in service of closing this gap.

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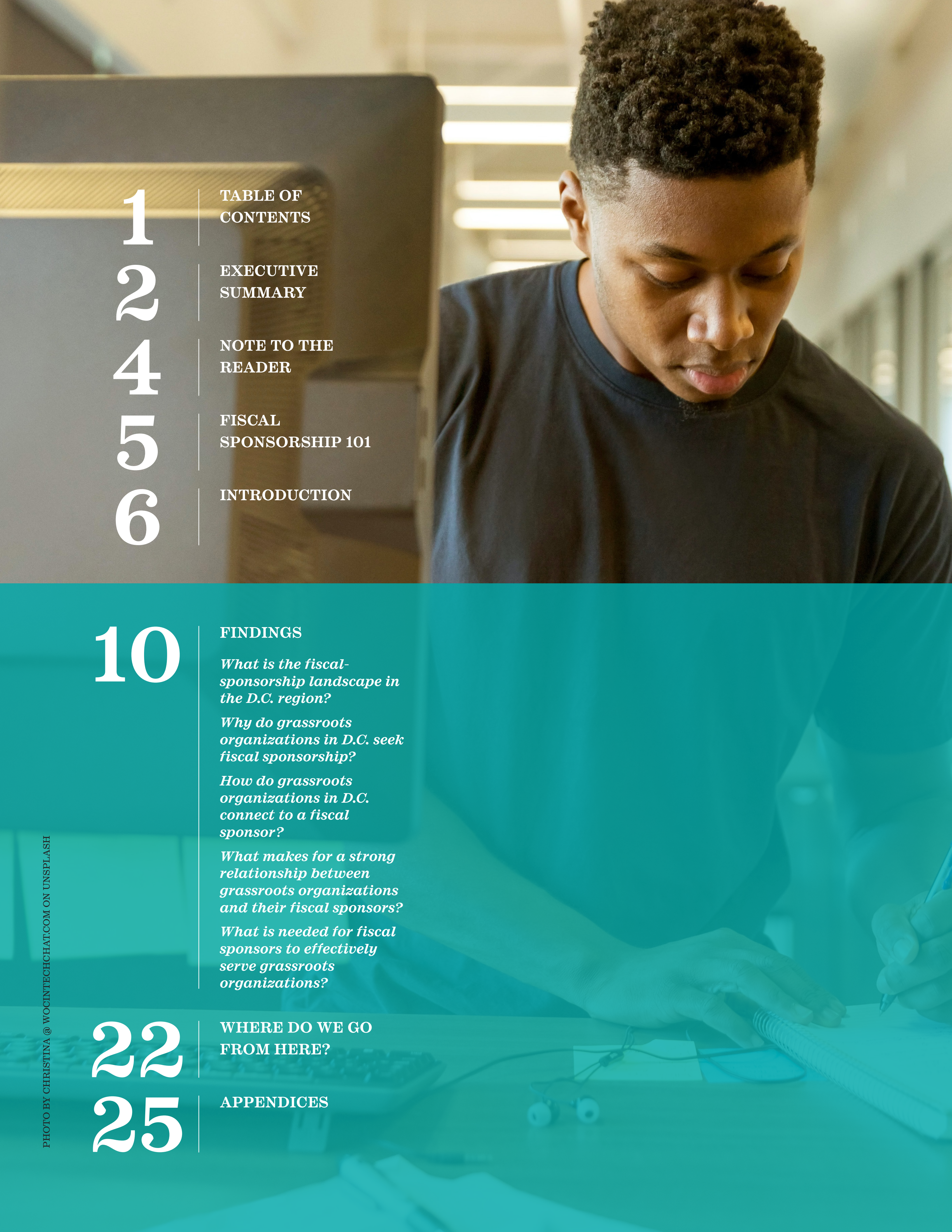

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Executive Summary

Fiscal sponsors are underutilized or not properly leveraged to uplift and activate grassroots organizations and the community-based power they hold. This report explores how to realize the opportunity that exists to better support grassroots organizations through fiscal sponsorship. It explores how philanthropy can also step up to assist grantee partners that are choosing fiscal sponsorship. In addition, the report provides insights to transform the current ecosystem so grassroots organizations can access the full benefits of fiscal sponsorship. The findings herein, while focused on the D.C. region, have implications that reach far beyond the nation's capital.

Fiscal sponsors ideally act as necessary connective tissue between grassroots organizations and funding sources. They present an important opportunity to elevate and effectively support grassroots organizations while honoring their vision for sustainability and remaining responsive to where they are in their growth. However, there is often a disconnect when it comes to grassroots organizations' knowledge of the fiscal-sponsorship landscape, or the services provided by fiscal sponsors; this creates a missed opportunity, given the deficit in knowledge that could potentially support the organizations' missions and activities. Moreover, fiscal sponsors in the D.C. region are not all currently equipped to meet the diverse needs of grassroots organizations.

Equivolve's primary research findings are:

1. **Grassroots and racial justice–focused organizations are overlooked and underfunded:** The exact number of grassroots organizations receiving fiscal sponsorship is difficult to know from publicly available data. However, we can deduce that fiscal sponsorship, both in the D.C. region and across the country, remains relatively uncommon and underfunded compared to incorporated nonprofits.
2. **There is limited access to fiscal sponsors in the D.C. region:** Fiscal sponsorship doesn't seem to be common or accessible in the D.C. region, but the landscape of grassroots organizations continues to grow. There is a small number of nonprofit organizations that provide fiscal-sponsorship services, and an even smaller number that provide them for organizations focused on social and racial equity work.
3. **Information about fiscal sponsorship is not accessible to grassroots organizations:** Grassroots organizations have limited knowledge of and access to information about the fiscal-sponsorship landscape and of the services provided by fiscal sponsors. Organizations seeking fiscal sponsorship in the D.C. area primarily find their fiscal sponsor through word of mouth.
4. **Grassroots organizations use fiscal sponsorship for two primary reasons:** For some grassroots organizations, fiscal sponsorship exists as a stepping stone to acquiring their own nonprofit status. Others have no desire to obtain nonprofit status, citing that the additional capacity, funding, and scale required do not make it a strategic objective.
5. **The current landscape of fiscal sponsorship does not meet the needs of grassroots organizations:** There is a clear disconnect between the services grassroots organizations say they want, and the services fiscal sponsors prioritize. Effective, sustainable partnerships between grassroots organizations and fiscal sponsors require flexible, transparent, accessible arrangements; however, fiscal sponsors are often under-resourced themselves, with limited capacity.

To address the challenges and gaps identified through this research, we identify six ways the D.C. region can transform the current fiscal-sponsorship ecosystem for grassroots organizations:

1. **Develop a tool or set of resources** for grassroots organizations to identify their options and make an informed decision when selecting a fiscal sponsor.
2. **Address the misalignment** between what fiscal sponsors provide and what grassroots organizations say they need.
3. **Create alternative funding mechanisms** and fee structures to ensure that both grassroots organizations and fiscal sponsors are adequately resourced to do their work.
4. **Encourage funders to pay the full cost of project grants** by including fiscal-sponsorship fees in their disbursements.
5. **Explore additional funding for fiscal sponsors** and address the role community foundations and funder partnerships could play in meeting fiscal sponsors' sustainability needs.
6. **Implement an influence agenda** to change reporting practices for fiscal sponsors.

A Note to the Reader

What kind of transformative change is possible for our communities when grassroots organizations are supported adequately and appropriately, regardless of nonprofit status?

What is the opportunity for fiscal sponsorship to serve as a key lever for creating an environment in which grassroots organizations—especially those led by people of color and/or focused on social justice and racial equity—can thrive?

In 2021, the Meyer Foundation approached Equivolve to explore these questions, with a particular focus on the D.C. region, where their funding is focused. However, what we discovered, is that the findings in this report have implications that reach far beyond the nation's capital. In fact, we believe there is tremendous opportunity to transform fiscal sponsorship into a decisive lever for uplifting and fully activating grassroots organizations and the community-based power they hold. It is imperative that grassroots organizations receive the support they need to do the critical work of addressing the needs and well-being of our communities. **We are producing this report to offer important recommendations that, beyond leveling the playing field for grassroots and racial-justice organizations, honor the inimitable contributions they are making.**

This report starts by exploring the current state of fiscal sponsorship of D.C.–based grassroots organizations within the broader context of national fiscal sponsorship. It then shares insights gathered through our research on why D.C.–based grassroots organizations choose fiscal sponsorship, as well as why other organizations choose to serve as fiscal sponsors. From there, we offer key learnings about the relationship between organizations and their fiscal sponsors. We explore a few examples of new models for fiscal sponsorship, developed specifically to support racial-equity and organizations, followed by an overview of the most pertinent gaps and challenges that both organizations and fiscal sponsors experience. Lastly, the report offers approaches, policies, and practices that can be implemented in support of greater equity and community-based power—and we give specific consideration to the needs of organizations and leaders with a racial-equity focus.

The report, while focused on the D.C region, draws on models and learning from other areas of the United States and references national data where available. We use the term *D.C. region* to refer to the geographic area inclusive of the District of Columbia, Northern Virginia, and the Maryland counties of Prince George's and Montgomery. The qualitative data reflect the experiences of individuals and organizations based in the D.C. region.

Definitions of key terms—*grassroots organizations*, *fiscal sponsor*, and *nonprofit*—can be found in Appendix A.

Fiscal Sponsorship 101

A fiscal sponsor is a type of nonprofit organization that can share its 501(c)(3) tax-exempt status with unincorporated organizations and projects. The term *fiscal sponsorship* broadly refers to a contractual relationship that allows an organization or project that lacks nonprofit status to receive grants and tax-deductible donations from individuals, foundations, and government agencies. Often, fiscal sponsors and the organizations they sponsor are aligned in their missions, enabling a mutually beneficial relationship.

The fiscally sponsored organizations or projects are typically charged an administrative fee that is paid to the fiscal sponsor for the services it provides; if these services are comprehensive, they may include the management and/or administration of charitable solicitations, donations, grants, human resources (including payroll and benefits), volunteers, financial reporting, audits, government filing requirements, and appropriate risk-management tools (e.g., insurance, legal counsel, etc.). When appropriately structured and implemented, fiscal sponsorship is a valuable alternative to forming a nonprofit organization, particularly where the sustainability of a separate entity is uncertain; the project has a relatively short life span; or the organizations or project founders lack the capacity to properly administer a compliant nonprofit, tax-exempt organization.[1]

Fiscal sponsors can serve as crucial connective tissue between funders and some smaller nonprofit and organizations. Instead of an organization becoming its own 501(c)(3) organization, which requires a baseline financial and administrative capacity, they can turn to fiscal sponsorship as a useful, cost-saving alternative that helps them focus on the goals of their work rather than administrative and operations-related functions. When done well, fiscal sponsorship supports organizations by enabling them to qualify for and accept a wide range of funding and providing other key services, such as professional development, technical assistance, and back-office supports—all crucial to implementing and advancing the organizations' work.[2]

1 Takagi, Gene. (2020, January 28). *Fiscal Sponsorship: A Balanced Overview.* Nonprofit Quarterly.

2 Building Movement Project. (2020). *Race to Lead Revisited: Obstacles and Opportunities in Addressing the Nonprofit Racial Leadership Gap.* New York, NY: Building Movement Project.

Introduction

Grassroots organizations play a significant role in serving communities of color, with whom they've built trust and longstanding relationships—often, because they are spearheaded by people within the communities they are seeking to support. However, a variety of structural and institutional factors can prevent grassroots organizations, especially those led by Black, Indigenous, and People of Color (BIPOC), from being able to access the resources that are appropriate and necessary for them to thrive.

PHOTO BY CHRISTINA @ WOCINTECHCHAT.COM ON UNSPLASH

GRASSROOTS ORGANIZATIONS occupy a unique position in society. As the name implies, grassroots organizations engage people who are directly affected by a problem and use bottom-up approaches that allow for a distinct level of relevancy, constituent leadership, and effective means for social change. Much of the power that grassroots organizations wield derives from their proximity; they are often created by individuals who have been directly impacted by the issues themselves and led by people who are directly from the communities in which they work. Grassroots organizations are frequently the first point of contact for marginalized communities, usually emerging out of a specific community need and with an important ability to build trust with and "stand alongside the community."[3]

A grassroots organization can be structured as a 501(c)(3) tax-exempt organization (a nonprofit) or lack nonprofit status altogether, precluding it from receiving grant funding or charitable donations. Grassroots organizations may be small both in terms of budgets and the number of full-time paid staff, and they may not have the infrastructure to support extensive fundraising or organizational growth. While being small may benefit grassroots organizations in some ways, such as in maintaining proximity and trust among the communities they serve, it can also result in the perception that such organizations do not have the capacity or experience to successfully achieve outcomes. They may not be considered viable grantees when funders are seeking scalable strategies, putting them at a disadvantage when being considered for funding.

Despite their important role in society, grassroots organizations often struggle to obtain adequate financial resources to scale or even sustain their programs for a range of reasons, including: 1) a lack of connections or relationships between grassroots organizations and funders; 2) inequitable distribution of grant funds rooted in structural and institutional bias; and 3) institutional practices and structures that intentionally or inadvertently exclude funding access for grassroots organizations.

It is important for us to look specifically at grassroots organizations that focus on racial justice and/or are led by Black, Indigenous, and People of Color (BIPOC) because these organizations offer critical solutions to communities greatly impacted by systemic and deeply rooted oppression. BIPOC-led organizations and racial-equity organizations are continually hindered in their work and limited in their potential for widespread social change because they disproportionately face challenges that other organizations do not. BIPOC-led grassroots organizations have the capacity to spearhead radical change not just for their proximate communities but for larger systemic issues that affect us all; however, they are not accorded the same value as larger, white-led organizations that are often viewed by philanthropy as more legitimate or more sustainable. The impacts of racism and structures of white supremacy perpetuated and exacerbated by people and institutions in positions of power are lasting and entrenched. They result in the work of these vibrant organizations suffering, as they are forced to compete for smaller, shorter-term grants with more stringent requirements relative to larger, white-led organizations.

Despite their important role in society, grassroots organizations often struggle to obtain adequate financial resources to scale or even sustain their programs for a range of reasons, including:

1) a lack of connections or relationships between grassroots organizations and funders;

2) inequitable distribution of grant funds rooted in structural and institutional bias;

3) institutional practices and structures that intentionally or inadvertently exclude funding access for grassroots organizations.

3 Jayshree Satpute, T. P. (2020, December 20). *Grassroots organisations are essential to empowering the communities they serve*. Retrieved from The Elders website: https://theelders.org/news/grassroots-organisations-are-essential-empowering-communities-they-serve

As is true of nonprofits more broadly, grassroots organizations depend on grants and donations to support their work. As an important source of funding, philanthropy is critical to the success and sustainability of nonprofit organizations. However, there are many expectations and responsibilities that come with receiving grant funds. The organization must identify funding sources, establish a relationship with a funder, navigate funding cycles, spend significant time writing grant proposals and reports, prepare the back-end systems required to accept and manage the funds, and more. These responsibilities are time-intensive, and the process of managing the grant and the external relationship with the funder is in danger of taking precedence over the work.

PHOTO BY URBAN SANDEN ON UNSPLASH

"The lack of trust of people of marginalized communities is pervasive. It is stifling and demoralizing. In funding, it looks like the constant need to prove ourselves. As I've mentioned in the past, it is no coincidence that the smallest, most burdensome grants are often the only ones accessible to grassroots organizations led by marginalized communities. I've been around the block and have seen white colleagues getting multi-million-multi-year grants with nothing more than a two-page concept paper, while my colleagues of color must submit a dissertation, a customized budget, a logic model, a theory of change, a work plan, an evaluation plan, board roster, and the astrological chart of every volunteer, only to be rejected for a 10K grant."

NonprofitAF captured this dynamic in one of its blogs:

For these reasons, fiscal sponsors have come to serve an important role for grassroots organizations, allowing them to access funding without their own tax-exempt status and with potentially fewer requirements acting as a ceiling for funding. However, poorly executed fiscal sponsorship can cause confusion about or diversion of funds; generate questions about control and accountability; and expose sponsors, projects, and funders to unnecessary legal liability. For BIPOC-led organizations in particular, poorly executed fiscal sponsorship can engender distrust among grassroots organizations and uphold well-documented barriers to developing and advancing solutions led by the communities most proximate to the issues they are working to address.

Nonprofits have been critiqued for reinforcing oppressive structures and systemic issues that grassroots organizations often fight against.[4] Fiscal sponsors, which are also themselves nonprofit organizations, may subscribe to broadly defined "best practices," which are often rooted in white supremacy.[5] It is not yet common practice for fiscal sponsors and funders to engage community leaders about how to best support their work; this lack of transparency can harm grassroots organizations and prevent them from fulfilling their missions. Moreover, as this report demonstrates, findings from our landscape scan and qualitative research reveal a disconnect between the services organizations say they want and what fiscal sponsors prioritize.

While we are beginning to witness a discussion around the limitations of fiscal sponsorship at a national level, this engagement sought to explore the dynamics of fiscal sponsorship within the D.C. region. **We conducted research to explore the following guiding questions:**

4 Squire, T. (2020, September 16). *Fiscal Sponsors & the Question of Equity*. Retrieved from Social Impact Commons: https://www.socialimpactcommons.org/ideas-blog/fiscal-sponsors-amp-the-question-of-equity-a-provocation

5 The Praxis Project. (n.d.). *Movement Building Fiscal Sponsorship*. Retrieved from The Praxis Project: https://www.thepraxisproject.org/fiscal-sponsorship

1. **What is the fiscal-sponsorship landscape in the D.C. region?**
2. **Why do grassroots organizations in D.C. seek fiscal sponsorship, and how do they connect to a fiscal sponsor?**
3. **What makes for a strong relationship between grassroots organizations and their fiscal sponsors?**
4. **What do the findings suggest is needed in the landscape to ensure excellent support of grassroots organizations in the D.C. region?**

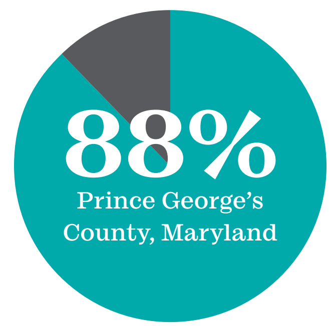
In the following sections, we present findings from a fiscal scan of nonprofit and grassroots organizations in the D.C. region, interviews with local organizational leaders, and interviews with staff from fiscal-sponsorship organizations (see Appendix B for more information on methodology and a profile description of the organizations interviewed). Using the findings as a foundation, we identify actions that can help minimize the current limitations of fiscal sponsors and create a more supportive landscape in which grassroots organizations can make informed decisions about funding and fiscal sponsorship that best supports their work and and helps them flourish.

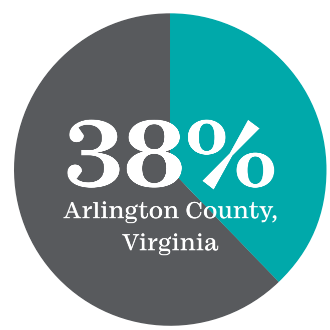
CONTRIBUTING TO A GROWING BODY OF RESEARCH

Many reports in recent years have identified common challenges and shortfalls within fiscal sponsorship, particularly related to the role of fiscal sponsorship in supporting racial equity. New models are being developed in response to a growing desire to address some of the gaps that have been identified—offering new practices and structures for making fiscal sponsorship an effective option for smaller, community-based projects and organizations. Other reports emphasize the importance of fiscal sponsors and other intermediaries, explicitly naming and centering racial equity and justice. *Centering Equity in Intermediary Relationships*, a report from Change Elemental, highlights the lack of an equity analysis in the current funding landscape, which allows for major gaps in supporting racial equity and justice work. *Leveraging Fiscal Sponsorship for Racial Equity* from the New Venture Fund calls for the creation of a shared community of practice within fiscal sponsorship to focus specifically on supporting organizations committed to improving racial justice. Finally, *Reimagining Fiscal Sponsorship in Service of Equity* from Third Sector New England (TSNE) offers case studies and emerging practices that could help remove systemic barriers to accessing funding and promote more equitable services for justice-oriented nonprofits.

These reports, however, do not explore the distinct landscape of the D.C. region and the experience of grassroots organizations and fiscal sponsors within the context of the nation's capital. We believe there are important lessons to be learned from the experience of organizations in the D.C. region, specifically those that are BIPOC-led, because D.C.–based grassroots organizations primarily serve people of color and many are led by BIPOC leaders.

Percentage of people of color in the D.C. region





The D.C. landscape is abundant with organizations that are doing important work but that are overshadowed. In addition, the D.C. region's population is largely people of color, ranging from 38% of the population in Arlington County, Virginia, to 88% of the population in Prince George's County, Maryland.[6]

6 Census Reporter. "Census Reporter: Making Census Data Easy to Use." Retrieved from https://censusreporter.org

Findings

There is a clear need for additional fiscal-sponsorship capacity to serve D.C.–based organizations—particularly those led by BIPOC and those that focus on racial equity, which often overlap.

PHOTO BY JD MASON ON UNSPLASH

What is the fiscal-sponsorship landscape in the D.C. region?

Grassroots and racial justice–focused organizations are a minority of D.C.'s nonprofits and are overlooked and underfunded. Fiscal sponsorship doesn't seem to be common or accessible in the D.C. region, but the landscape of grassroots organizations continues to grow.

The exact number of grassroots organizations receiving fiscal sponsorship is difficult to know; publicly available data don't fully illuminate the size and scope of fiscally sponsored projects because they are not legally defined entities that nonprofits are required to report on annual tax returns. However, we can deduce from our research that fiscal sponsorship, both in the D.C. region and across the country, remains relatively uncommon compared to incorporated nonprofits.

According to publicly reported grant-making in Foundation Directory Online, between 2016–2021, 17,331 projects across the country were supported through fiscal sponsorship. By comparison, in D.C., available data show that only 69 grants went to 43 organizations that were listed as being fiscally sponsored over that same time period, despite 176,981 grants going to 16,610 organizations across the city. Considering the smaller scale, it becomes even more difficult to identify how many organizations in the D.C. region both consider themselves to be grassroots organizations and are fiscally sponsored. Our fiscal scan found that only about 1% of D.C.–based organizations identify as doing grassroots work, 2.5% have language related to addressing racism, and less than 5% identify as community-based. These numbers are not exact because the Foundation Center relies on funders to self-report and also on IRS data (which is limited due to the lack of publicly available information overall, considering the low percentage of grants awarded to fiscally sponsored organizations in D.C.). We can deduce that grassroots and racial justice–focused organizations are a tiny minority of D.C.'s nonprofits, and are overlooked and underfunded.

In the D.C. region, there are generally two types of organizations that serve as fiscal sponsors: those whose sole organizational purpose is to serve as a fiscal sponsor, and nonprofit organizations that have a different primary function but are asked by an organization or project to contractually serve as a fiscal sponsor. Nonprofit organizations in the D.C. region whose primary function is fiscal sponsorship often focus their services on organizations or projects that align with their priority issues or organizational goals. For example, some fiscal sponsors in the D.C. region choose to fund only organizations or projects related to youth climate activism, marine conservation, or media. Others choose to focus on specific geographical areas, such as ACT for Alexandria, a fiscal sponsor that is "committed to projects that serve or benefit the residents of Alexandria."

Given restrictive eligibility and capacity limitations of fiscal sponsors in the D.C. region, there are limited options available for grassroots organizations seeking fiscal sponsorship, and this creates a demand for more fiscal sponsors to serve the city. In D.C., there is a small number of nonprofit organizations that provide fiscal-sponsorship services, and an

A search of the National Network of Fiscal Sponsors Directory found only five fiscal sponsors located in the D.C. region, most of which did not focus on social and racial equity work.

17,331

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69

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even smaller number that provide them for organizations focused on social and racial equity work. Most focus on specific topics unrelated to racial equity, while others are not currently offering fiscal-sponsorship services to new projects. A search of the National Network of Fiscal Sponsors Directory found only five fiscal sponsors located in the D.C. region, most of which did not focus on social and racial equity work. There is a clear need for additional fiscal-sponsorship capacity to serve D.C.–based grassroots organizations—particularly those led by BIPOC and those that focus on racial equity, which often overlap.

Why do grassroots organizations in D.C. seek fiscal sponsorship?

Grassroots organizations seek fiscal sponsorship primarily to receive funding and to obtain administrative support that allows project staff to focus on addressing organizational and programmatic goals.

Grassroots organizations may seek fiscal sponsorship for many reasons. However, the organizations interviewed for this report shared that their primary reason for using a fiscal sponsor was to receive grant funds and donations. Without 501(c)(3) status, organizations are usually unable to receive grant funding from foundations and donors. The diversity in business model, issue concentration, size, and type of grassroots organization results in an assortment of potential needs, beyond receiving funds. **These might include:**

1. **Additional human-resources and bookkeeping assistance**
2. **Increasing the amount of grants or funding that can be received**
3. **Assistance with realizing the future goals of the organization**
4. **More flexibility around governance and board structures**

For organizations that are small and intend to stay small, fiscal-sponsorship needs may remain consistent over time. However, the reasons for seeking fiscal sponsorship will likely evolve as organizations grow, especially for those organizations with an intention to develop long-term sustainability.

> ***"...We have a lot of small, grassroots organizations, and more and more every year... . Some of them are around [for] one or two years, and then they're gone. Some of them just want to stay small. They are passion projects, doing work in their community, on their block, whatever, and they're just going to keep doing it at that level. They're never going to get big. They're never going to hire staff, and that's cool. And we love supporting them, too. And then, some of them are on a growth trajectory. They're starting small, but they have a vision for being a major force in the city. And we want to support all of those models of racial-justice organizing and advocacy in the city. And they all are going to need different things at different times."***
>
> INTERVIEWEE, D.C.– BASED FISCAL SPONSOR

While some grassroots organizations view fiscal sponsorship as a stepping stone to acquiring their own nonprofit status, others have no desire to obtain it, citing that the additional capacity, funding, and scale required to maintain nonprofit status does not make strategic sense.

> ***"I'm surprised by how few projects want to leave [fiscal sponsorship]. I kind of imagine that, you know, you start an organization, and at some point, you just want to do your own thing in your own way. But a lot of projects really don't. They like having support. As long as everything is working out fine, my bills are paid on time, my staff is happy, I'm happy just to stay here."***
>
> INTERVIEWEE, D.C.– BASED FISCAL SPONSOR

How do grassroots organizations in D.C. connect to a fiscal sponsor?

In D.C., grassroots organizations most often connect to fiscal sponsors through personal connections or word of mouth.

Nearly all organizations interviewed for this report became connected to their fiscal sponsors by tapping into their networks or by hearing about them from another organization. These personal relationships led some nonprofit organizations that did not initially identify as a fiscal sponsor to become one for the primary reason of assisting a specific grassroots organization. In fact, among those with whom we spoke in D.C., we learned that some fiscal sponsorships developed from a request of a friend or close colleague running a grassroots organization to provide a service typically offered by fiscal sponsors, such as accepting funding dollars on behalf of that organization.

> ***"[We] did not intend on being a fiscal sponsor. What happened was, we are an organization that happens to have our 501(c)(3) status that does a significant amount of grassroots organizing... and most people that we're in community with know that and know us. During the pandemic, in particular, we're getting a lot of opportunities to get more resources for the work and needed somewhere for those funds to be housed. People came to us really on a grant-by-grant basis, to see if we can fiscally sponsor them for***

> ***that specific grant. So, very low-barrier, short-term offerings. …The most common requests that we get [are] very rapid, like literally maybe within the same week.”***
>
> INTERVIEWEE, D.C.– BASED FISCAL SPONSOR

Because these organizations spontaneously accept a fiscal-sponsorship role but do not consider fiscal sponsorship to be their main organizational purpose, they do not often take on additional projects or organizations if approached, as they are ill equipped to provide additional support, which is typically offered by full-time fiscal sponsors. The request-specific, relationship-based approach to developing fiscal sponsors means that grassroots organizations that don’t have those relationships or that would simply not make the ask may have a hard time securing fiscal sponssorship. This approach, combined with the quickly expanding landscape of small grassroots organizations in D.C., has left a clear gap in local fiscal sponsors’ capacity to serve D.C.–based grassroots organizations. One organization described the need for fiscal sponsorship across the city and the constantly evolving grassroots organization landscape.

What makes for a strong relationship between grassroots organizations and their fiscal sponsors?

Developing and sustaining strong partnerships between grassroots organizations and fiscal sponsors requires mission alignment and arrangements that are flexible, accessible, transparent, and responsive to organizations’ needs. It is also important to consider protections that help organizations maintain their independence and organizational identity, as well as consider the long-term sustainability of their relationship with fiscal sponsors.

MISSION AND VALUES ALIGNMENT

Grassroots organizations frequently uphold mission alignment as critical to the relationship with their fiscal sponsor. Our findings highlight that local fiscal sponsors in the same geographic area may have more insight and context related to the community and mission of organizations, but geographic proximity does not guarantee a beneficial partnership; additionally, mission alignment is a much stronger factor for grassroots organizations when seeking fiscal sponsorship. In fact, many D.C.–based organizations use fiscal sponsors that are not based in the D.C region. Of the 22 fiscally sponsored organizations funded by the Meyer Foundation since 2019, 12 were supported by national organizations, while the remaining 10 were supported by regionally based D.C. fiscal sponsors.

Many grassroots organizations want fiscal sponsors that both reflect similar goals and values, and deeply understand their work. Various reports, like *Reimagining Fiscal Sponsorship in Service of Equity*, by TSNE, emphasize the importance of fiscal sponsors and other intermediaries explicitly naming and centering racial equity and justice.

> ***"I think I would put political alignment and values alignment ahead of proximity, like regional proximity. And just like to be real, in our area, there weren't that many options first off, but then second... the politics of some of the options weren't great. So, for us, it was better to go with the other [better-aligned] ones...I think ideally, it'd be a relationship where we feel that there is mutual support, right? We support each other in our visions, and then we can count on each other, from administrative pieces to ideally shared movement-building and just understanding that we each are playing a different role in that, and that we are also able to reach out to them not just for finances, but kind of more broad administrative pieces or infrastructure-building that organizations, or coalitions, or movement spaces need."***
>
> INTERVIEWEE, D.C.– BASED FISCAL SPONSOR

While 86% of the organizations listed in the National Fiscal Sponsor Directory purport to prioritize mission and value fit as their main eligibility criteria when deciding whether to accept a new project, very few explicitly name racial equity or justice in their mission statements or as project categories that they support—highlighting a potential gap in the types of support available to grassroots organizations focused on racial justice.

> ***"It's like political alignment and the values, especially for our work. We recognize that there is surveillance or targeting that can happen...just having the commitment from our fiscal sponsor, that if anything were to happen, they would have our backs."***
>
> INTERVIEWEE, D.C.– BASED FISCAL SPONSOR

FINANCIAL FLEXIBILITY

Many grassroots organizations initially seek fiscal sponsorship to help them receive and manage funds, so they need a fiscal sponsor that can be flexible and disburse funds quickly, whether that entails timely refunds for staff for out-of-pocket expenses or the ability to quickly distribute mutual-aid funds.

Grassroots organizations report slow disbursement and reimbursement of funds as a primary challenge to sustaining a relationship with their fiscal sponsor. Accordingly, organizations need fiscal sponsors with flexible, responsive, and timely financial processes and guidelines that allow them to access their funds efficiently.

> ***"There are some things that [former fiscal sponsor] would let us do that our current fiscal sponsor won't let us do, and that's a little frustrating. With [former fiscal sponsor], they let us have our own bank account, which is great, because when funds are deposited, they go straight into our bank account. That's not how our [new] fiscal sponsor works. You have to wire the money to their bank***

Core Fiscal Sponsor Elements for D.C. Grassroots Organizations

> ***account, have them get around to finding the money, and tell us it's going into our thing. And I've got to be honest—sometimes that takes a long time and I do not like it."***
>
> INTERVIEWEE, D.C.– BASED FISCAL SPONSOR

CUSTOMIZABLE SERVICES

In addition to financial flexibility, grassroots organizations require fiscal-sponsorship arrangements that offer customizable services based on the organization's needs—which may vary over time—such as administrative support, grant-writing, and capacity-building, which can be adapted as organizations grow. Contract transparency and general good reputation are also stronger factors in deciding whom to partner with for fiscal sponsorship.

Fiscal sponsors often offer a range of services. In fact, fiscal sponsors in the D.C. region shared that they would ideally like to provide comprehensive financial and accounts management, human-resources services, and connections to funders and other grassroots organizations. However, findings from our research reveal a disconnect between the services grassroots organizations say they want and the services fiscal sponsors prioritize. And although mission alignment is an important factor for fiscal sponsors when deciding to partner with grassroots organizations, there is no guarantee that a fiscal sponsor with an aligned mission will also provide the support required by a grassroots organization.

Organizations we interviewed in the D.C. region articulated many additional services and offerings that would be valuable to them. While some fiscal sponsors may offer these services to varying degrees, they are not common or expected—but if offered, they would help grassroots organizations grow and thrive. **These services include:**

- **Assistance receiving and managing funds and budgets**
- **Assistance with the process of becoming a 501(c)(3) for those grassroots organizations that want to make that transition**
- **Quick access to and disbursement of funds**
- **Legal and human-resources support**
- **Transparency about requirements for the fiscal sponsorship and terms of contracts**
- **Technical assistance and capacity-building opportunities**
- **Professional development**

Finding a fiscal sponsor that meets all their organizational needs is a challenge, especially when looking for a sponsor based in the same geographic location. The size and scope of a grassroots organization can also be a barrier. Smaller organizations tend to seek fiscal sponsorship for administrative support, including human resources, accounting, and bookkeeping, as well as help navigating the needs of a growing organization. This can include grant and proposal writing, reporting, and legal support. Larger grassroots organizations may also require support becoming a 501(c)(3), although it should be noted that not all organizations seeking fiscal sponsorship have any desire to eventually seek nonprofit status.

As grassroots organizations grow, there is no guarantee that their fiscal sponsors will be able to support additional activities, such as grant-writing assistance, receiving and distributing additional funding, or providing further administrative services. In these situations, organizations are often forced to identify a new fiscal sponsor to support their work.

In whatever ways an organization chooses to grow, a successful fiscal-sponsorship relationship helps them receive tailored support to meet their goals. In April 2021, TSNE released six emerging equity-centric practices for fiscal sponsors that align with much of what grassroots organizations identified as important in the fiscal-sponsorship relationship. **Their guidelines (or what they call "emerging practices") are as follows:**

1. **Provide a range of integrated administrative fiscal-sponsorship and capacity-building services to ensure grassroots organizations have access to culturally aligned and customized supports.**
2. **Build organizational cultures that center relationship-building, mutual learning, and open and frequent dialogue as a means to provide services that culturally align with the values and goals of BIPOC-led grassroots organizations.**
3. **Use cross-functional service-delivery models as a means to ensure that grassroots organizations have access to holistic, customized, and integrated capacity-building and fiscal-sponsorship services.**
4. **Develop and take advantage of external partnerships to complement and supplement current service offerings for grassroots organizations.**
5. **Experiment with revenue models that allow for integrated fiscal-sponsorship and capacity-building services to be rendered sustainably for grassroots organizations.**
6. **Ensure all grassroots organizations have access to resources by using flexible criteria to determine risk, a multi-step risk assessment during the application process, and organizational health assessments to continuously review and understand projects' evolving work.**

TRANSPARENCY AND INDEPENDENCE

Our research reveals additional areas of importance for effective fiscal sponsorship of D.C.–based grassroots organizations. One such area is the need for transparent and accessible information about the fiscal-sponsor relationship. Another is the desire of grassroots organizations to maintain their independence and organizational identity within the relationship, including maintaining ownership of their intellectual property. Given the way historically marginalized groups have been treated by those in power, it is essential that grassroots organizations are protected against co-opting of their work or resources, through transparency and discussions of ownership early in the establishment of the fiscal-sponsorship agreement.

> ***"Our first fiscal sponsor only charged us 6%, but I think they were kind of unaware of what their role was as a fiscal sponsor, and then that relationship kind of died. Then our second one, they constantly went for the same money that we were going for, and then they started doing events very similar to our events. We recognized that that was happening and had to cut ties with them, as well. . . . There was a hashtag situation, and these people who had championed our hashtag ended up stealing our platform at times. There have been a lot of times where we have had to argue and prove that it is us literally doing the work. So, with us not having that organizational structure when we were first doing the work, it was really easy for these other groups to come in and say, 'No, it was us,' especially when they partnered with us and were doing similar work."***
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Many of the aforementioned issues discussed in this report coalesce to create difficulties in sustained relationships between grassroots organizations and their fiscal sponsors. As one fiscally sponsored organization described, "You really need to stand up for yourself, to negotiate for what you need." This highlights the need for grassroots organizations to learn about, assess, and identify their fiscal-sponsorship needs, and for fiscal sponsors to create agreements that ensure their receptivity and responsiveness to an organization's needs.

What is needed for fiscal sponsors to serve grassroots organizations more effectively in the D.C. region?

Fiscal-sponsor fees are inadequate to cover the operational needs of fiscal sponsors, which makes it difficult for the fiscal sponsor to offer the breadth of services needed by grassroots organizations. Fiscal sponsors in the D.C. region need to be better resourced to support the diverse needs of grassroots organizations.

MORE OPTIONS AND SUSTAINABLE MODELS

In D.C., there are not enough fiscal sponsors in the local area to accommodate the number of grassroots organizations that could benefit from fiscal sponsorship. Simply put, the state of fiscal sponsorship for grassroots organizations in the D.C. region is lacking, especially for grassroots organizations that are BIPOC-led and/or working to address issues related to racial justice and equity. Of the fiscal sponsors identified by our fiscal scan, many were no longer operational or were no longer taking on new projects. Other fiscal sponsors opt only to serve projects that closely align with their specific mission, or they have criteria, such as minimum funds raised or minimum size of awarded grant, that act as a barrier for the sponsorship of most grassroots organizations.

Our research found that sustainability and capacity are major challenges for organizations whose primary function is fiscal sponsorship, as well as organizations that offer fiscal-sponsorship services to fill a need in the community. Fiscal sponsors often have limited capacity to take on new grassroots organizations, leading to more organizations being unable to access needed services.

As we've mentioned, fiscal sponsors may have requirements, such as a minimum of awarded grant dollars or particular focus of awarded grants, that prohibit grassroots organizations with less funding from receiving services. A seemingly clear solution would be that fiscal sponsors lower funding requirements in order for more grassroots organizations to be eligible for support. However, lowering the required amount of funding a grassroots organization receives may not be an option for fiscal sponsors to maintain their own financial sustainability; in order to provide services, fiscal sponsors often rely on fees that are a percentage of grants received by sponsored organizations. **Among fiscal sponsors in the D.C. region, these fees range from 4–15%, with the average fee being 8% of grants received**. Even after paying these fees, grassroots organizations may not receive the services they need, because the fees are inadequate to cover the operational needs of the fiscal sponsor. This makes it difficult for the fiscal sponsor to offer anything beyond bare-bones support for the organizations and projects it serves. Additionally, paying fiscal-sponsorship fees reduces the usable funding that grassroots organizations receive, limiting the funding that directly supports their work and operations.

CAPACITY GAPS AND DIFFERING PRIORITIES

Even when a grassroots organization becomes connected to a fiscal sponsor, maintaining a balanced relationship can be a challenge. As we have previously mentioned, interview and focus-group respondents named barriers such as limited accessibility to fiscal-sponsor staff, fiscal sponsors being unable to distribute funds or reimburse organizations as quickly as needed, and the inability of fiscal sponsors to provide the range of services that organizations require.

Many of the fiscal sponsors expressed that this is largely due to their own capacity gaps and lack of resources to offer these services. In addition, fiscal sponsors and grassroots organizations are not always in alignment about which services are important for sustaining grassroots work or which services are a priority. This results in many grassroots organizations turning to fiscal sponsors based in other parts of the country in an attempt to meet their needs. National fiscal sponsors such as Rockefeller Philanthropy Advisors, NEO Philanthropy, and Borealis Philanthropy sponsor a greater number of D.C.–based grassroots organizations than fiscal sponsors in the D.C. region. Of course, many of the aforementioned organizations are much larger and better resourced than the fiscal sponsors in the D.C. region, meaning their size and capacity likely have a great deal to do with why grassroots organizations may prefer to use them as fiscal sponsors. This reveals a clear need to provide fiscal sponsors in the D.C. region with the requisite resources to support the diverse needs of grassroots organizations.

> ***"Even though I personally would like to accept more people, our capacity to accept a lot more fiscal sponsorships is just not there. . . . We take these things on a limited basis. Not because there aren't such great programs out there—there are—but a lot of them are very small, and even the very small programs take up a lot of capacity and time. There is only a couple of us at [fiscal-sponsor organization] that work with fiscal sponsorship, so the fact [is] that we can't do payroll and other organizations can provide more wrap-around services than we can."***
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Examples of how organizations are attempting to create fiscal sponsorship that is more responsive

A number of organizations, both D.C.–based and not, are creating responsive fiscal sponsorship and grappling with how to best support grassroots organizations, especially those focused on racial equity and justice. While we cannot definitively say whether and to what level fiscal sponsors in the D.C. region have attempted to address these problems, we can conclude that the landscape is ripe for deeper investment. One D.C.–based example is Black Swan Academy, who found themselves responding to the need to serve as a fiscal sponsor at the request of grassroots organizations.

Additionally, while we did not interview them for this report because they were outside of our geographical scope, Possibility Labs and the Nafasi Fund offer case studies of how groups are intentionally creating fiscal sponsorship that is more responsive to grassroots organizations focused on racial equity and justice. One notable factor across these examples is that they were familiar with grassroots organizations' needs from the start. Finally, they foster organizational and professional development by connecting projects with a growing network of leaders, businesses, intermediaries, donors, and funders through forums, digital networking events, and direct messaging.

THE NAFASI FUND

The Nafasi Fund is a national, Black-led fiscal sponsor serving Black-led organizations. In acknowledgment that Black-led organizations are often underrepresented, underfunded, and undervalued, the Nafasi Fund intentionally and explicitly connects fiscal sponsorship to racial equity, with the goal of creating sustainable social change for Black-led organizations and their communities. Operating from the belief that "those closest to the problems are closest to the solutions," Nafasi seeks to upend the transactional nature of fiscal-sponsor relationships and meaningfully invest in organizations through a unique model that pairs temporary incubation with a low-fee structure and tailored support for each organization. They offer a variety of services, including comprehensive fiscal sponsorship, technical advisement, pre-approved grant relationships, and a fiscal home for independent contractors.

In addition to their core services and offerings, they prioritize building relationships and supporting the total healing, well-being, and development of the individuals they partner with. Their efforts include a week-long annual healing retreat to help Black leaders prioritize their well-being, as well as various organizational and program-development resources, such as financial management, effective governance, and program evaluation.

"[We] did not intend on being a fiscal sponsor. We are an organization that happens to have our 501(c)(3) status that does a significant amount of grassroots organizing. …During the pandemic, in particular, organizers were getting a lot of opportunities to get more resources for the work and needed somewhere for those funds to be housed. So, we were asked. People came to us really on a grant-by-grant basis, to see if we can fiscally sponsor them for that specific grant. So, very low-barrier, short-term offerings. …The most common requests that we get are very rapid, like literally within the same week."

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POSSIBILITY LABS

Based in San Francisco, California, Possibility Labs was founded in 2020 to redress the unmet needs of groups leading social-change work; one of their core services is fiscal sponsorship. Led by a team with experience in racial, gender, and economic justice, as well as tech, global corporate finance, IT, and operations, Possibility Labs "envisions an economy where BIPOC and historically low-income communities have the wealth and power to determine their futures, and where our collective practices produce clean air, clean water, and clean energy for everyone." Possibility Labs outlines an array of services that respond to documented challenges in fiscal sponsorship. Key to their appeal is an explicit focus on shifting capital and building power in BIPOC and low-income communities. Among their many benefits, they uplift the importance of accessing funds quickly and offer "an adaptive platform to help organizations regain ownership of integrated capital in its movement." **Their platform allows projects to:**

1. **Manage a bank account and a line of credit for payments and reimbursements**
2. **Create customizable financial reports and budgets for grantees and funders**
3. **Analyze data and transactions in real time to forecast for the future**
4. **Utilize design and marketing services for online fundraising**

Where Do We Go from Here?

Our findings on fiscal sponsorship for grassroots organizations in the D.C. region reveal many actions that can be taken to greatly improve the funding and fiscal-sponsorship environment in support of grassroots organizations, particularly those that are BIPCO-led and/or focus on social justice and racial equity.

PHOTO BY TAYLOR GROTE ON UNSPLASH

Recommended Next Steps

1. Develop a tool for grassroots organizations to identify their options and make an informed decision when selecting a fiscal sponsor.

The most frequently mentioned solution to the lack of transparent and accessible information about fiscal sponsorship was to create a hub of information available to all nonprofits and tailored to grassroots organizations. This tool or set of resources should help organizations know what to be aware of in advance of entering into a fiscal-sponsor relationship; offer key questions that organizations should ask themselves in the decision-making process, including whether the fiscal sponsor's mission aligns with theirs or whether it offers the necessary services; provide critical decision-making information, such as fees, services provided, etc.; and finally, populate a set of possible fiscal sponsors based on their specific needs.

As described by one interviewee, a founder and director of a D.C.–based grassroots organization, "Big fiscal sponsors are not very accessible to grassroots orgs because of their size or lack of dedicated funding." In response to the overwhelming need articulated by grassroots organizations and fiscal sponsors, the philanthropic community in D.C. should consider building an interactive tool or easily accessible source of information about fiscal sponsorship and options for organizations seeking a fiscal sponsor.

2. Address the misalignment between what fiscal sponsors provide and what grassroots organizations say they need.

There is a clear need for fiscal sponsors to expand their services to better support grassroots organizations, especially if the ecosystem is to be supportive of organizations that are BIPOC-led and/or focus on social justice and racial equity. The evidence from our research suggests that existing fiscal sponsors are unable to provide the range of services needed, or they view the needed services as extending beyond their purpose or capacity. In response, philanthropic organizations could consider establishing or supporting the development of a fiscal sponsor tailored to serving grassroots organizations or providing support for existing fiscal sponsors, to enable them to expand their services to the organizations they support.

Misalignment between what fiscal sponsors provide and what grassroots organizations say they need is also partially due to a lack of communication and the opportunity for information sharing and discussion between grassroots organizations, fiscal sponsors, and philanthropic organizations. This creates an opportunity for fiscal sponsors and/or philanthropic organizations to build better feedback and communication loops with grassroots organizations. This could take the form of regular convenings structured to better understand organizations' needs.

3. Create alternative funding mechanisms and fee structures to ensure that both grassroots organizations and fiscal sponsors are adequately resourced to do their work.

Fiscal sponsors may consider offering grassroots organizations a "sliding scale" or more tailored fee model depending on the services needed and funding available. Not all grassroots organizations have the same needs, and set fees for fiscal sponsorship based on higher-need organizations can be cost-prohibitive for organizations with more basic needs. Likewise, some grants, such as those for flexible general support, take more work to administer than others. By offering lower fees for more easily administered grants, fiscal sponsors can incentivize foundations to offer more flexible grants that have the dual benefit of better responding to grassroots organizations' needs while also reducing the workload of fiscal-sponsorship staff.

4. Encourage funders to pay the full cost of project grants by including fiscal-sponsorship fees in their grants.

Foundations can support alternative funding models to offset costs placed on grassroots organizations and fiscal sponsors. They must recognize that fiscal-sponsorship fees take away from the funds grassroots organizations ultimately receive to carry out their programmatic work. Thus, foundations can increase their grant amounts to cover any fiscal-sponsor fees on top of the amount requested by grassroots organizations, rather than expecting organizations to take those fees out of their grant budgets.

5. Explore additional funding for fiscal sponsors, and address the role community foundations and funder partnerships could play in meeting fiscal sponsors' sustainability needs.

Given the financial-sustainability challenges of many fiscal sponsors, foundations should recognize the vital service that fiscal sponsors provide to grassroots organizations by providing flexible funding directly to fiscal sponsors, separate from any grants to sponsored organizations. Like any other vital nonprofit, fiscal sponsors need flexible, multi-year, general-operations funding to grow their services and achieve sustainability. Foundations that care about grassroots organizations would be wise to make general-support grants to support the ongoing sustainability of the fiscal sponsors their grassroots grantees rely upon.

Given the sustainability needs of fiscal sponsors, community foundations and funder collaboratives should explore using pooled funds to support local fiscal sponsors in their regions or new fiscal sponsors in underserved regions. A healthy fiscal-sponsorship ecosystem is vital to supporting grassroots organizations, particularly BIPOC-led organizations that are disproportionately underfunded. By pooling funds and supporting fiscal sponsors to build up their services to be better responsive to these communities, funders can more easily achieve their goals of supporting racial justice and equity while strengthening grassroots movements in their communities.

6. Implement an influence agenda to change reporting practices for fiscal sponsors.

Fiscal sponsorship of unincorporated organizations is poorly tracked and reported. We encountered significant challenges in determining how much money was flowing through fiscal sponsors to D.C.–based grassroots organizations. Because unincorporated organizations are not required to submit 990s or other tax documentation, it can be difficult to determine the complete range of grassroots organizations within any given jurisdiction without close community connections to help determine which groups are operating there.

While fiscal sponsors are required to submit tax documentation, it is typically not broken down by sponsored project, so it is of little use in determining the range of projects sponsored by the organization. Some fiscal sponsors are better than others at publicly reporting on their sponsored projects, but most do not disclose the amount of funds they manage for each grassroots organization. More transparent reporting by fiscal sponsors would make it easier to understand the landscape of grassroots organizations and give grant-makers better insight into which organizations are operating in their communities of interest and are in need of support. One step would be to support Candid's efforts to improve reporting on fiscal sponsorship.

Appendices

A. Key Terms

KEY TERMS

Grassroots Organization: Different definitions and interpretations abound for the term *grassroots organization*, but it is an important and meaningful way to describe the identity of many organizations. Diversity for Social Impact describes grassroots initiatives as community-based approaches created to address localized problems. Grassroots organizations are typically made up of residents advocating a cause to spur change at local, national, or international levels. Grassroots organizations can be nonprofits if they have official 501(c)(3) status, but not all grassroots organizations are nonprofits. They are characterized by their close connection to the communities they serve and the issues they seek to address. Typically, they emerge out of a community need, are launched by people directly within the impacted community, and reflect the hope and vision that communities hold for themselves.

Fiscal Sponsor: The National Network of Fiscal Sponsors describes fiscal sponsors as nonprofits that enable the movement of money from funders to projects, ideas, organizations, and activities. Through a legal agreement between an organization with 501(c)(3) status and a project that does not have 501(c)(3) status, a fiscal sponsor can receive gifts and grants for a particular project and provide donors with evidence of their tax-deductible contribution. Candid notes: "Instead of starting your own nonprofit, you can work with an existing 501(c)(3) public charity under a formal arrangement known as fiscal sponsorship. You can ask for grants and tax-deductible donations under your sponsor's exempt status."

Nonprofit: In this report, we use the term *nonprofit* to describe organizations recognized by the Internal Revenue Service as public charities. These groups are granted tax-exempt status as stated under section 501(c)(3) of the Internal Revenue Code.

B. Research Methods

Equivolve conducted research in two phases to allow for initial findings to better identify emerging issues throughout the data-analysis process. In Phase 1 of the project, the team conducted a fiscal scan and landscape scan of current literature pertaining to fiscal sponsorship for grassroots organizations in the D.C. region and across the country. Phase 1 further refined the research questions and informed the qualitative-data collection, or Phase 2 of the project. Equivolve conducted interviews and focus groups with fiscal sponsors and grassroots organizations in the D.C. region.

FISCAL SCAN

The fiscal scan reviewed the Meyer Foundation's grant-making over recent years, both overall and with a specific focus on fiscally sponsored grantees, to identify trends and gaps in support for fiscally sponsored organizations. It also examined the broader landscape of D.C.–based nonprofit organizations and the fiscal-sponsorship ecosystem that serves them, including fiscal sponsors based in the D.C. region, as well as those located elsewhere that have remotely served D.C.–based organizations. Equivolve conducted an inventory of every fiscal sponsor in the greater D.C. region to better understand the local fiscal-sponsorship landscape and assess which of them might be effective sponsors of grassroots organizations. Data sources included websites and other publicly facing documents from each fiscal sponsor; data from GuideStar and Foundation Directory Online; and online fiscal-sponsor directories, including the National Network of Fiscal Sponsors and National Fiscal Sponsor Directory.

Using GuideStar data, Equivolve explored the overall landscape of D.C.–based nonprofits to identify trends and gaps in the types of organizations supported across the city, with a specific focus on organizations that described themselves as grassroots, community-based, or focused on racial justice or racial equity. This was accomplished by looking at all nonprofits incorporated in the city and searching the language of how they describe themselves, which includes their mission statements and self-descriptions on their 990s and other publicly available materials. Equivolve also assessed the state of fiscal sponsorship of D.C.–based organizations more broadly, using data from Foundation Directory Online. It should be noted that because nonprofit reporting requirements were not designed with fiscal sponsors in mind, it can be difficult to find publicly reported data on the money that flows to grassroots organizations through fiscal sponsors. Many fiscal sponsors are notably transparent, but they are not required to specifically identify the work as "fiscally sponsored" in their annual tax returns, and therefore do not publicly disclose the funding they receive that goes to each sponsored organization.

Likewise, Foundation Directory Online, which is the most comprehensive public listing of available grants, uses 990 data to categorize grants made through fiscal sponsors; they identified only 69 grants to 43 organizations in D.C. over the past five years as having been made through fiscal sponsors. Due to reporting requirements that don't fully capture the extent to which grassroots organizations are supported by fiscal sponsors, existing data miss the majority of fiscally sponsored grants to D.C.–based organizations. However, Equivolve was able to get a better picture of the landscape of fiscal sponsorship for D.C. organizations by searching Foundation Directory Online for grants that were made to known fiscal-sponsor organizations designated as serving the D.C. region.

LANDSCAPE SCAN

In addition to the fiscal scan, Equivolve conducted a landscape scan with the aim of providing a strong foundational understanding of what is currently known about fiscal sponsorship. We built on the currently available literature around better serving grassroots organizations. Equivolve and the Meyer Foundation worked to identify documents related to the support currently available to grassroots organizations and fiscal sponsors; the state of fiscal sponsorship in the D.C. area; current best practices; successful and unsuccessful models of fiscal sponsorship; challenges and barriers faced by grassroots organizations and fiscal sponsors around the country; and the role that philanthropy and other funding bodies play in supporting the fiscal-sponsorship ecosystem. Equivolve identified additional fiscal-sponsorship literature, including reviews and landscape scans of fiscal sponsorship that have been conducted in recent years, formal reports, white papers, and publicly available donor agreements.

In addition to reviewing the current publicly available literature related to fiscal sponsorship, Equivolve analyzed data from the National Fiscal Sponsor Directory, which included information about 342 fiscal sponsors related to sponsor experience, eligibility requirements, fee structures, services, and fiscal-sponsor missions. These data were used to help inform focus groups and interviews, as well as the subsequent recommendations from this research.

FOCUS GROUPS & INTERVIEWS

Working with the Meyer Foundation, Equivolve identified stakeholders in the D.C. region who were invited to engage in either an interview or focus group, to add necessary nuance and qualitative data to the fiscal and landscape scan findings. The interviews and focus groups were also designed to provide further context and detail to help us understand the experience of fiscal sponsorship for grassroots organizations in the D.C. region. Equivolve spoke with six fiscal sponsors and seven grassroots organizations for this report. More information on interview and focus-group participants can be found in the table below:

FS or GRO	Women led	BIPOC Led	Community Based in:
FS	Yes	No	Baltimore
FS	No	Yes	None specified
FS	Yes	Yes	D.C.
FS	Yes	Yes	DMV
FS	Yes	Yes	DMV
FS	Yes	Yes	Alexandria, VA
FS	Yes	Yes	DMV
GRO	Yes	No	DMV
GRO	No	Yes	D.C.
GRO	No	Yes	DMV
GRO	Yes	Yes	DMV
GRO	Yes	Yes	D.C.
GRO	Yes	Yes	VOVA
GRO	Yes	Yes	DMV