



Fiscal Sponsorships—Lessons Learned From the Fund Clean-Up

By: [Jessica Janssen](#) In: [2011 Fall Conference](#) | [Community Foundations](#) | [Legal](#)

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First of all, thanks to Council interim President and CEO Jeff Clarke for the kind and slightly embarrassing shout-out at the noon plenary today. I do feel incredibly welcome at the conference and have gained so much knowledge that I'm sure to overwhelm my staff and board when I get back to the office. I would call that a big conference success!

Day 2 was as thought-provoking and informational as the opening day, and of the sessions I attended, one of the most valuable for my organization was the one on fiscal sponsorship, led by fiscal guru Greg Colvin.

This topic recently hit home for me as we were doing what I like to call “fund clean-up.” As a relatively new executive director, I felt it was important to do an internal evaluation of our funds to understand how and why they were created. I uncovered several fiscal sponsorship funds that (a) we were not recognizing as fiscal sponsorships and (b) were not structured correctly. Some even had potentially negative ramifications for our community foundation. Thanks to the legal team at the Council and Greg Colvin's exceptional guidelines, we were able to navigate through an effective clean-up and better understand how fiscal sponsorships can be structured in a way that has value for the project and the community foundation.

I want to share a couple of lessons learned from today's session and from our experience in fund clean-up:

1. It's important to understand the correct (and incorrect) language around this fund type. A fiscal sponsorship is NOT a “fiscal agency”; it is NOT “acting as a conduit”; and it is not “serving as an intermediary.” Unfortunately, we have used each of these terms in the past.
2. Legal liability and risk management are critical issues to discuss. In one circumstance we uncovered in our organization, we realized that in the event (Heaven forbid!) a suit was filed against the project and our liability insurance was unable to cover all the costs associated, our unrestricted funds could be in jeopardy. Yikes! By unveiling this issue, we were able to address this with the project advisory committee, restructure in a way that was mutually beneficial to both parties, and eliminate this potentially harmful issue for our organization.

3. It's important to understand and account for your own organizational capacity and staffing needs.

4. It is okay to charge projects for fiscal sponsorships. One organization that shared in the session actually stated that this has been a source of significant operational support.

Fiscal sponsorship can be a great way for a community foundation to leverage its expertise in the community and engage in impactful projects, but it must be conducted correctly. I would love to know how others are using fiscal sponsorship. What kinds of projects are you engaging in? What kind of model are you using? Are you running into challenges?

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