

The New Venture Fund (NVF), a non-partisan nonprofit organization that incubates and accelerates philanthropic projects through fiscal sponsorship, partnered with Provoc, a strategic communications agency that roots its work in racial equity, to explore the role NVF and other fiscal sponsors could play to support the work of constituent-led, grassroots groups advancing racial equity and justice. In addition to researching and writing the report, Provoc's team developed the recommendations. We arrived at this research from our shared commitments: Provoc through a history of partnering with changemakers to accelerate and communicate its work advancing racial equity, and NVF through an ongoing process of self-inquiry and action to center racial equity within its organization and in joining the efforts of its peers. As part of its racial equity journey, NVF participated in a learning lab of 10 intermediaries convened by deep equity consulting firm Change Elemental in 2019, in partnership with and funded by the Ford Foundation. The lab surfaced recommendations for funders to center equity in relationships with intermediaries, including fiscal sponsors, given a documented gap in the capacity of fiscal sponsors to serve grassroots racial equity groups. 1

**Leveraging Fiscal Sponsorship for Racial Equity** complements previous research and provides recommendations for how fiscal sponsors, both as individual organizations and as a field, might address the needs of grassroots groups by leveraging their assets, skills, resources, expertise and networks. 2 As such, we hope the recommendations in this report are useful to fiscal sponsors – especially those for whom fiscal sponsorship is their primary purpose, with resources and relationships that can be leveraged to implement and sustain the recommendations within. We hope these recommendations also resonate with the staff and leaders of grassroots racial equity groups, whose perspectives and needs were prioritized in this research; and with fiscal sponsors who are rooted in equity and have the practices and community relationships to best meet the needs of grassroots groups. The people and communities most impacted by racial inequity have long led work toward equity and justice, and it is the position of our organizations and of this report that supporting racial equity requires centering and amplifying their leadership, experience, and expertise. Lastly, we hope funders will also find in the recommendations ways to strengthen and support fiscal sponsors to better serve grassroots racial equity groups. We are grateful to all the fiscal sponsors and grassroots groups who shared their experiences, ideas, and approaches to racial equity with us, and it is our honor to share their insights with others through this report. We have learned so much through this process, and hope these findings and recommendations are valuable to our peers and the field of fiscal sponsorship as a whole, as we all work to do more to advance equity in our communities. Lee Bodner, President, New Venture Fund Raj Aggarwal, President, Provoc

This report is informed by and complements core research and recommendations published by Change Elemental and TSNE MissionWorks. We recommend reading both these reports for additional insights and understanding of the landscape of intermediaries working with grassroots groups advancing racial equity. **Centering Equity in Intermediary Relationships: An Opportunity for Funders** Change Elemental highlights opportunities for funders to support a stronger ecosystem of equity-aligned fiscal sponsors and intermediaries. **Reimagining Fiscal Sponsorship in Service of Equity: A Case Study Report of Emerging Practices and Recommendations for Fiscal Sponsors** TSNE uses in-depth case studies to illustrate the ways that deep equity fiscal sponsors are especially suited to meet the needs of projects working toward racial equity. As a collective, these three reports surface key recommendations for funders (Change Elemental), deep equity fiscal sponsors (TSNE), and large, technical support fiscal sponsors (this report) to use their power and different strengths to better meet the needs of constituent-led groups working toward racial equity. Recognizing that words can mean different things to different people, here are definitions for some key terms as they are used throughout this report. **Fiscal sponsorship/fiscal sponsor:** According to the National Network of Fiscal Sponsors, fiscal sponsorship is the practice of providing "administrative services and oversight to, and assum[ing] some or all of the legal and financial responsibility for, the activities of groups or individuals engaged in work that relates to the fiscal sponsor's mission."3 We use the term "fiscal sponsor" for any organization that provides these services, whether or not such services comprise their core business model. Organizations that participate in fiscal sponsorship can be nonprofits, community foundations, community development institutions, and fiscal sponsors. Building on the findings and recommendations in earlier research, we reference fiscal sponsors based on two key strengths: **Deep equity:** Organizations with a fiscal sponsor offering (be it primary to their business model or not) that have and act on an explicit commitment to advancing racial equity, serve groups who share that commitment, and provide services with a culturally relevant approach aligned with that commitment. These sponsors are often

Black-, Indigenous-, and other people-of-color-led, and center lived experience and community connections.

**Technical support:** Fiscal sponsors whose primary purpose is to deliver fiscal sponsorship services to projects, often with a large portfolio and budget and the capacity to offer these services at scale. Because these strengths aren't mutually exclusive, many fiscal sponsors would be plotted somewhere in the middle of this graph and not along a single axis. For example: A might be a white-led fiscal sponsor with a very large portfolio and budget, that is early on their racial equity journey. B might be a deeply mission-based, people-of-color-led fiscal sponsor rooted in equity that has offered fiscal sponsorship as a core service for decades. C might be a community-led nonprofit that has recently added fiscal sponsorship to meet a need where they work. All examples have some skill in each strength, and most have a dominant strength. Fiscal sponsors should consider the recommendations in this report that match their strengths. For some fiscal sponsors, both these strengths (and therefore both sets of recommendations) may resonate. Throughout this report, we use "deep equity fiscal sponsors" and "technical support fiscal sponsors" as a shorthand to refer to dominant strengths. Some recommendations also reference size, access to resources, connections to funders, and/or white leadership/dominant culture. While we often observe these traits in large fiscal sponsors strong in technical support, they are neither exclusive to those sponsors nor inherently strengths or weaknesses.

**Grassroots groups:** We're using "grassroots groups" as a shorthand for "grassroots racial equity groups," which we're defining as groups whose mission is explicitly focused on issues relating to racial equity and/or dismantling white supremacy, and who are led by members of the community the group intends to serve.

**Projects:** Initiatives or programs (including grassroots groups) that are formally supported by fiscal sponsors.

**Racial equity:** "The condition that would be achieved if one's racial identity no longer predicted, in a statistical sense, how one fares. When we use the term, we are thinking about racial equity as one part of racial justice, and thus we also include work to address root causes of inequities, not just their manifestation. This includes elimination of policies, practices, attitudes, and cultural messages that reinforce differential outcomes by race or that fail to eliminate them."<sup>4</sup>

**White supremacy:** "The idea (ideology) that white people and the ideas, thoughts, beliefs, and actions of white people are superior to [people of color] and their ideas, thoughts, beliefs, and actions. While most people associate white supremacy with extremist groups like the Ku Klux Klan and the neo-Nazis, white supremacy is ever present in our institutional and cultural assumptions that assign value, morality, goodness, and humanity to the white group while casting people and communities of color as worthless (worth less), immoral, bad, and inhuman and 'undeserving.'" Drawing from critical race theory, the term 'white supremacy' also refers to a political or socio-economic system where white people enjoy structural advantage and rights that other racial and ethnic groups do not, both at a collective and an individual level."<sup>5</sup>

Across the United States, grassroots activists, leaders, and advocates are organizing to advance racial equity in their communities, and many pursue their goals with limited access to extensive resources or the advantages of philanthropy or fiscal sponsorship. Funders, fiscal sponsors, and other nonprofit intermediaries are increasingly turning their attention toward racial equity, with many elevating racial equity to their mission and vision statements. They are keen to be accomplices and supporters of these community-led grassroots groups which are poised for community-defined impact. For fiscal sponsors, this also means assessing how fiscal sponsorship can be a tool for these grassroots groups. To explore how fiscal sponsors specifically can directly and indirectly support these grassroots groups, our research prioritized the experiences of grassroots leaders and the fiscal sponsors deeply rooted in equity who serve them, in order to understand the gaps between the needs of grassroots groups and what the field of fiscal sponsorship provides. We learned that grassroots groups value trust and cultural connections in their relationships with fiscal sponsors, and need help finding a fiscal sponsor that shares their values and best meets their needs. They seek fiscal sponsors who understand the barriers they face as leaders of color. Those fiscal sponsors deeply rooted in equity lifted up the need for more peers equipped to serve grassroots groups, for more resources to increase their own capacity, and for better understanding of fiscal sponsorship among funders. Systemic racism, funder power dynamics, and limited resources and relationships are challenges that also impact many fiscal sponsors. And, because power is relational and relative, some fiscal sponsors still have strengths and access they can leverage in support of grassroots groups or other fiscal sponsors.

**High-Level Recommendations:** This report provides recommendations for how fiscal sponsors can deploy their assets, skills, resources, expertise, and networks with more impact to advance racial equity based on the needs and requests of the grassroots groups included in this research, and inspired by the ideas and practices of participating and researched fiscal sponsors. Foundational to these recommendations is an overarching

strategy to build a coalition and shared community of practice across fiscal sponsorship. This work is complex, and we can advance racial equity more quickly when fiscal sponsors work together and build off each other's strengths with equity as an explicit goal. Through this community of practice and coalition, fiscal sponsors, especially large and well-resourced technical support fiscal sponsors, can resource and adapt their work directly with grassroots groups and systems-wide in the following ways: - Resource and participate in fiscal sponsor field-building efforts to address gaps that exist in fiscal sponsor offerings, assist fiscal sponsors who are already successful in supporting grassroots racial equity projects, and bridge the gap between these grassroots groups and funders. - When directly serving grassroots groups, prioritize trust-building through investing in relationships and by demonstrating a commitment to racial equity. Provide supports that help grassroots groups overcome barriers exacerbated by racial inequity. Committing to racial equity requires investment, action, creativity, and resource distribution. The recommendations in this report are ideas of what some fiscal sponsors can do individually or together, and we transparently acknowledge that the next phase of this work requires identifying how to fund them, either individually or together. While a field-wide community of practice can significantly increase the speed at which racial equity advances, change can often happen sooner and with fewer barriers at a smaller scale. The adoption (and adaptation) of recommendations at the organization level does not need to wait for the longer-term work of coalition-building. We hope each reader will assess their organization in relation to both equity and technical support, take from these what best suits their strengths and their projects, and later build upon them in coalition.

**The Problem and the Opportunity:** Grassroots groups are uniquely suited to define and lead the most culturally appropriate solutions to dismantle white supremacy, advance racial equity, and engage in deeply rooted systems change. Black-, Indigenous-, and people-of-color-led, and rooted in local communities, geographies, and political contexts, these grassroots groups benefit from trust, community support, and deep understanding of issues. They often introduce innovative approaches to advancing racial equity<sup>7</sup> due to their origins in non-dominant cultures and traditions, and as a result of being marginalized by traditional power structures. These communities, organizations, and leaders face greater challenges and systemic obstacles than white-led groups or nonprofits. Leaders of color, on average, lead organizations with smaller budgets and report more often that they lack access to financial support. According to a report by Echoing Green and The Bridgespan Group, "We found that leaders often adopt a set of strategies in response to repeated interactions with bias from the funding community, and some of these responses can undermine their long-term success. For example, some leaders avoid certain funders, others ask for less funding, and many become increasingly hesitant to push back or disagree with funders as the stakes are too high."<sup>9</sup> Fiscal sponsorship can provide a critical service for grassroots racial equity groups. In addition to providing cost- and capacity-savings, some fiscal sponsors can play an important intermediary role between people-of-color-led groups and funders especially funders who replicate the racial inequity these grassroots groups are fighting - by leveraging their power and relationships to disrupt the racial bias that has been shown to result in decreased funding for grassroots efforts.<sup>10</sup> However, the needs of grassroots groups are not being sufficiently served by nonprofit intermediaries, including fiscal sponsors. A report by Change Elemental found that, "Few intermediaries provide services grounded in equity, have the capacity to serve many constituent-led groups at a time, and can meet the volume of giving funders seek."<sup>11</sup> That same report found that, "Constituent-led groups with smaller budgets, that are more geographically isolated, and/or who may be perceived as 'riskier' to support with limited funds or their particular mission, have fewer options when matching with intermediaries."<sup>12</sup> These findings demonstrate the opportunity and need for more fiscal sponsors with the capacity and understanding to serve the many grassroots groups operating without nonprofit status. While fiscal sponsors are only one part of a larger ecosystem that grassroots groups navigate in their work (funders, other intermediaries, the government, etc.), this research means to complement previous reporting focused on funders (see "Recommended Reading" on page 4 for more). Fiscal sponsors span a wide range of approaches, specialties, skills, and strengths they can leverage to advance racial equity. This report focuses on two umbrellas of strengths: providing services deeply rooted in equity, and providing technical support efficiently and at scale. These are not mutually exclusive, and many fiscal sponsors have some strengths in both areas.

**The Approach:** The findings and recommendations in this report reflect landscape and original research that sought to answer the following strategic questions: 1. What is the role of fiscal sponsorship in advancing racial equity? 2. What would be required, beyond assessing the need and identifying available funding, to bring equity-advancing fiscal sponsorship to life? 3. What operational supports could grassroots racial equity

groups need, and how would they want them to be delivered? Answering what fiscal sponsorship can do for grassroots groups must be informed by the experiences and needs of the leaders of those groups. A review of 12 reports and articles demonstrated that leaders of grassroots groups were rarely directly represented in research on the topic to date, and this research aims to increase that representation. Through a combination of interviews, written questionnaires, and small group convenings, we heard from: - 14 grassroots groups currently or formerly fiscally sponsored - 5 deep equity fiscal sponsors - 3 large, technical support fiscal sponsors/intermediaries. While these findings and recommendations reflect themes, opportunities, and challenges that appeared in this data set and across previous research, they do not and are not intended to represent every grassroots group or every way fiscal sponsors can support grassroots groups. One way to advance racial equity is to ensure the grassroots groups that are best positioned to drive equity through their work are well supported by their fiscal sponsors. Grassroots groups shared what offerings and approaches they desired from fiscal sponsors that would allow them to focus on their core, mission-driven work. Fiscal sponsors shared some of the opportunities and gaps they see across the network and in relation to funders, that, if met, might advance racial equity on a systems level. This section will explore the themes that each group lifted up, followed by recommendations for addressing these desires and gaps. Insights from

**Grassroots Groups:** Grassroots groups are not a monolith, and so need resources to find the fiscal sponsor that best meets their unique needs, shares their values, will collaborate in a culturally relevant way, and understands the challenges leaders of color face. What grassroots groups need to advance racial equity is equal to and must be considered in partnership with how they receive those services and supports. Different grassroots groups have different needs, and starting from a place of relationship-building helps prevent assumptions about what those needs are and how they can best be met. More than unique tools or offerings, grassroots groups elevated understanding, alignment, and trust as a necessary foundation for strong partnership with their fiscal sponsor, which would then enhance their overall experience and effectiveness in doing their work. Relationships rooted in trust, shared understanding and values: Trust (identity-, values-, and geography-based) is critical given the cultural currency it provides, the funds involved, and the importance of grassroots groups' work to their own lives and communities. Many named their fiscal sponsor's investment in relationship-building, as evidenced by their responsiveness, regular check-ins, and presence at the group's hosted events, as key to building trust. In many cases, there was a general mistrust of fiscal sponsors, especially those who are large and/or white-led, due to their perceived proximity to other powerful institutions of the nonprofit establishment, specifically funders. Unequal and unacknowledged power dynamics contribute to feelings of mistrust some grassroots groups held for fiscal sponsors.<sup>14</sup> As shared by one grassroots leader, "[Fiscal sponsors] can't see us as liabilities. You have to see us as assets. You have to see the ways in which [grassroots groups] are actually partners with you, and that we advance your work." Groups named the demographics and ethos of leadership as key indicators of allyship and shared understanding. The nature of grassroots organizing for racial equity often requires fiscal sponsors to help translate between grassroots groups, vendors, and funders. Specifically, they named the importance of having staff of color in decision-making roles at the fiscal sponsor, who may have a shared cultural understanding of the communities grassroots groups serve and who can lessen or disrupt white supremacy culture<sup>15</sup> that might impact projects. Many grassroots groups expressed a desire or appreciation for opportunities to connect and build community with other projects. This focus on relationship building reflected positively upon the fiscal sponsors and engendered trust. An understanding of barriers experienced by grassroots leaders of color and a commitment to help overcome (or dismantle) them: It has been well documented that leaders of color face barriers in raising philanthropic dollars<sup>16</sup> and in navigating bias and racism in workplace settings.<sup>17</sup> Of the challenges that grassroots groups experience that aren't directly associated with fiscal sponsorship, but that their fiscal sponsors might be able to help them address, the most common were leadership/staff burnout and navigating racism. Specifically, grassroots groups named funding gaps as a result of racial bias, and having to repeatedly educate funders, intermediaries, and capacity builders. One respondent shared their reality: "Asian American led and serving organizations are underfunded compared to the rest of the field. It is usually only during times of crisis and tragedy that Asian American organizing is valued." Some grassroots groups need fiscal sponsors who are willing to take on risk, such as the broad risk of Black-, Indigenous-, and other people-of-color-led organizations receiving less funding, and creative interpretations of policies in order to increase equity. Interviewees talked about the ways fiscal sponsorship's emphasis on compliance can limit projects from working with and in community, and therefore perpetuate inequity — such as if fiscal sponsors

won't hire undocumented people, implement relevant and equitable over-time policies, or work with alternative economic structures prevalent in a project's community, such as verbal contracts. Help finding a fiscal sponsor that best meets the needs of grassroots groups: One key takeaway was a lack of awareness of the breadth of fiscal sponsor options and approaches available to grassroots groups. Information isn't readily available (or marketed) to grassroots groups about what fiscal sponsorship is, what the different approaches and options are, how it can support their work, and how to find the best fit. The leanest of grassroots groups, and those seeking fiscal sponsorship to address urgent financial needs, often don't have the time for the extensive research required. Several grassroots groups shared that they picked the only fiscal sponsor whose criteria they met, or that they didn't know there were different types of approaches and models. Tensions between grassroots groups and fiscal sponsors exist in part due to mismatches in understanding and approach from the outset. Insights from Fiscal Sponsors: Grassroots groups are not sufficiently served by fiscal sponsors. Few intermediaries exist with the capacity and understanding to serve grassroots groups.<sup>18</sup> Because of the approaches and criteria lifted up as most important, the scale to meet this need requires more deep equity fiscal sponsors, not necessarily higher project loads for existing deep equity fiscal sponsors.<sup>19</sup> This is especially true considering the value grassroots groups often place on community connections, face-to-face interactions (when feasible), and shared cultural understanding. Deep equity fiscal sponsors are often under-resourced: For the reasons listed above (and the value placed on partners led by people of color by the grassroots leaders we spoke with), deep equity fiscal sponsors are often well suited to meet the needs of grassroots groups. Especially for those seeking high-touch relationships, deep equity fiscal sponsors are typically better able to build deep relationships and provide culturally relevant support than larger fiscal sponsors who aren't rooted in deep equity and local communities. Deep equity fiscal sponsors consistently mentioned at least one way that more resources and funding would support their work, especially to increase their capacity to offer more services and support to their projects (and, for a smaller number, to be able to engage more projects). They expressed a desire to work in community with other fiscal sponsors (of all sizes) and the opportunity to learn from and share resources with them. Like grassroots staff of color, staff of color at deep equity fiscal sponsors spoke of burnout, especially when they felt under-resourced to meet project needs. Misunderstandings of fiscal sponsorship, especially by funders: There isn't a prevailing definition of fiscal sponsorship that fits all the models in practice. Even across the seven fiscal sponsors in our original research there were a range of approaches to fiscal sponsorship, including different views about the benefits and limitations of fiscal sponsorship and what kind of tool it can be. In addition to the challenges grassroots groups have understanding fiscal sponsorship, as noted above, some funders don't understand the practices and limitations (e.g., some funders require each project to have a unique tax employer identification number, which renders other projects from the fiscal sponsor ineligible for the same grant). When funders disqualify or don't account for fiscally sponsored grassroots groups in their application processes, these groups lose out on critical funding. Leveraging the assets, skills, resources, expertise, and networks of fiscal sponsorship to advance racial equity is an urgent need, but one that requires systems-level shifts. Therefore, recommendations include field-building efforts that will take more cooperation and time to implement, as well as immediate actions and practices that fiscal sponsors can adopt to better serve these groups directly. The following recommendations are directly informed by and build upon the opportunities, challenges, ideas, and existing practices shared by grassroots groups and fiscal sponsors in our and others' research. Recommendations are organized in two key areas: 1. When directly serving grassroots groups, prioritize trust-building through investing in relationships and by demonstrating a commitment to racial equity. Provide supports that help grassroots groups overcome barriers exacerbated by racial inequity. 2. Resource and participate in fiscal sponsor field-building efforts to address gaps that exist in fiscal sponsor offerings, assist fiscal sponsors who are already successful in supporting grassroots racial equity projects, and bridge the gap between these grassroots groups and funders. Larger technical support fiscal sponsors have a unique role to play in furthering the recommendations that follow by virtue of the resources at their disposal and the success they've had at creating economies of scale in their service delivery. Deep equity fiscal sponsors often spearhead the innovations in approach and practice that are serving grassroots groups well on their terms.<sup>20</sup> 21 The biggest potential for impact and sustainability happens when fiscal sponsors bring their resources and ideas together, and each of the following recommendations carries greater potential for impact when fiscal sponsors collaborate to design and implement it. As such, the overarching strategy we recommend is that deep equity and technical support fiscal sponsors build a coalition and share a community of practice that is

designed to center equity. Foundational Recommendation: Deep equity and technical support fiscal sponsors build a coalition and share a community of practice that is designed to center equity. When we consider where the most potential impact is for leveraging fiscal sponsorship to advance racial equity — especially resourcing and developing sustainable tools and practices rooted in racial equity and centering the needs of grassroots groups — it requires a strong, ongoing community of practice. We can advance racial equity more quickly and efficiently when fiscal sponsors work together and build off each other's strengths. Deep equity fiscal sponsors bring their own community connections and lived experience, as well as their deep relationships with grassroots groups. Larger fiscal sponsors bring their power, resources, years of experience, and relationships with funders and other intermediaries. The community of practice can be a container for a number of valuable forums for impact: learning exchanges between individual fiscal sponsors and across deep equity and technical support fiscal sponsors; research and action committees to enhance the field; and advocacy groups to push systems-level changes, all of which will be discussed in greater detail throughout the following recommendations. A community of practice creates the opportunity for replicating solutions and sharing them efficiently across many fiscal sponsors. Racial equity as the organizing principle for the group creates a strong foundation to ensure equity and grassroots leadership are centered in all solutions.<sup>22</sup> Coalition building from this community of practice helps fiscal sponsors leverage their collective power. Each of the following recommendations both those aimed at directly serving grassroots groups and those intended for the field carries greater potential for impact when fiscal sponsors collaborate to design and implement it. Three organization-level recommendations for working with grassroots groups:

**Recommendation #1: When directly supporting grassroots groups, prioritize trust-building through investing in relationship-building.** - **Fit assessment tools:** In early conversations or on a fiscal sponsor's website, offer a tool or framework that helps assess fit for both parties, with emphasis on considerations most important to grassroots groups. For example, provide scales upon which each party could plot themselves to indicate their commitment to racial equity, interest in community and coalition-building, desire for low to high touch relationship, need for (or ability to provide) access to funders and grant-writing support, etc. - **Cross-project community and coalition:** Fiscal sponsors can create formal and informal spaces for their projects to find connections, network and share best practices (such as meet and greets, coffee chats, or more structured programs or meetings), and offer communication tools that foster collaboration and sharing (such as Slack chats or Google Groups). Grassroots groups that were engaged in communities of practice cited those opportunities as invaluable. One grassroots leader shared about the connections their deep equity fiscal sponsor made: "Whenever there's any organizing around either legislation or a campaign or something, this is a network we're able to immediately mobilize with." It will be necessary to ask groups through surveys or other means whether and in what form community connections might be welcome. If welcomed but under-utilized, consider approaches to removing barriers to participation, such as providing a mix of in-person and virtual opportunities during varied times of the day and week, and offering childcare and transportation stipends as needed. **Greater impact through community of practice:** Fit assessment tools can be co-developed and replicated across the network. Community among fiscal sponsors sets them up to act as either a formal or informal referral network; when fiscal sponsors work together, they are better suited to make meaningful referrals when contacted by grassroots groups whose needs they aren't the best suited to meet. Fiscal sponsors who share missions and/or work with similar populations can connect their projects for shared learning and coalition-building. Collaborating fiscal sponsors could share the cost of services that reduce barriers to participation in community-building efforts, and share lessons learned for creating engaging, well-attended events. **Recommendation #2: When directly supporting grassroots groups, prioritize trust-building through taking action for racial equity.** - **Invest in equity learning:** Building on a recommendation from Change Elemental "to deepen internal learning and practice around equity within an intermediary organization,"<sup>23</sup> technical support fiscal sponsors, especially those that are white-led, should allocate budget and time to engage experts for their own organization's learning journey.<sup>24</sup> Deeper understanding of racial equity and the issues grassroots groups face will allow these sponsors to more effectively engage in educator, advocate, and translator roles with funders, in support of both grassroots groups and deep equity fiscal sponsors. - **Understand limitations:** As part of their equity learning journeys, there is immense value in technical support fiscal sponsors deeply understanding their limitations and being able to direct projects to more appropriate partners when necessary. Some things for fiscal sponsors to consider and communicate to prospective grassroots partners would be: board and leadership diversity, including commitments to diversify if

necessary;<sup>25</sup> whether there is an explicit organizational commitment to racial equity and how that is operationalized; and investment in an internal racial equity process and where the organization is in that process.<sup>26</sup> Though many organizations aspire to advance racial equity, doing so requires significant human and financial investment and internal shifts in representation, culture, practices, and policies. Not every organization is equipped to engage in deep equity work, and recognizing this can help prevent harm. Greater impact through community of practice: Fiscal sponsors could share investments in equity coaching and training to supplement organizational investments, thereby creating shared language and frameworks across a wide group of sponsors. In addition, technical support fiscal sponsors can learn about equity practice from deep equity fiscal sponsors, who could in turn benefit from learning about technical support practices from larger sponsors (and deep equity fiscal sponsors can learn from each other, and technical support fiscal sponsors can learn from each other). Organizational limitations can ladder up to an assets map and indicate gaps and limitations across the network that can then be addressed at a systems level. Recommendation #3: Provide supports (either directly or through partnership)<sup>27</sup> that help grassroots groups overcome barriers exacerbated by racial inequity. - More active fundraising support: Many fiscal sponsors don't offer fundraising support to their projects. However, given the racial disparity in funding (both for people-of-color-led organizations and for groups working on racial equity), fiscal sponsors have an opportunity to provide guidance and tools and to leverage their networks to disrupt some of those disparities. Common requests from grassroots groups are: connections to funders where relationships exist, help identifying funding opportunities, grant-writing assistance, and training or coaching on navigating funder power dynamics and dominant culture norms. Fundraising support might include non-traditional funding avenues that may be less subjected to systemic racism, such as coaching, training, and tools related to building individual donor strategies, crowdrising tools and strategies, and accessing donor-advised funds. Individual fiscal sponsors should learn what specifically is of most benefit to advance their specific projects' goals. Greater impact through community of practice: Fundraising and technical support resources could be offered at scale to projects and funded collectively by participating fiscal sponsors. In addition to advocating to reduce reporting requirements, a coalition of fiscal sponsors could advocate that funders assume more of the cost for supports and subsidies to enhance racial equity, such as costs associated with producing the impact reports they require of grassroots groups to justify funding, costs associated with grant-writing and navigating power dynamics, and subsidizing fiscal sponsor fees for grassroots groups. Three field-building recommendations for collaboration: Recommendation #1: Resource known gaps that exist across the field that would be of particular benefit to grassroots groups. - Dynamic self-serve tools for grassroots groups to identify the best fiscal sponsor fit: A fiscal sponsor directory that allows grassroots groups to easily filter and identify sponsors based on the relevant criteria identified above, such as mission, demographics of leadership, and commitment to racial equity, would help groups understand more of their fiscal sponsorship options. Leveraging this directory into an online match tool where a grassroots group could answer plain language questions to generate possible matches would lower barriers to entry even more. Another option would be a concierge service that provides access to a real person to help groups find possible fiscal sponsor matches and also serves as an initial "translator" between parties. Known challenges: Directories and other tools require significant investment (time, funds, collaboration, and ownership) to maintain, and especially to remain impartial. The directories that currently exist do not have an explicit goal of advancing racial equity or meeting grassroots groups' needs. Trust and trusted messengers often don't scale past the local level, and so for national tools to connect grassroots groups to fiscal sponsors, local community validation needs to be considered and apparent to users. - Conflict resolution and healing spaces: Power dynamics and potential conflicts are present in every possible combination across and within grassroots groups, fiscal sponsors, funders, vendors, community organizations, and peers. Fiscal sponsors could engage and pay for mediation and conflict resolution that's in line with more equitable and less punitive forms of repair necessary for building racial equity. In addition, racial equity work requires space, practice, and time for leaders and staff (of grassroots groups as well as within fiscal sponsors) to heal. Fiscal sponsors can prioritize this practice by providing access or information about available community resources, resourcing healing circles among their projects, and evaluating healthcare offerings (when applicable) with these needs in mind. Participating fiscal sponsors could contribute according to a sliding scale based on organizational budget so that this community offering is funded equitably. Greater impact through community of practice: Several fiscal sponsors could partner to fund and provide mediation, conflict resolution, and healing spaces and services, thereby ensuring

mediators' neutrality, making services accessible to many groups and across coalitions, and normalizing the prioritization of healing and care in this work. At scale, it is more likely that fiscal sponsors could get support from funders to subsidize the cost of these services. Known challenges: Dominant culture typically frames healing work as something done on a leader's own time, rather than a fundamental part of racial equity work that should be resourced and funded. Recommendation #2: Assist fiscal sponsors who are already successful in supporting grassroots racial equity projects. - Contributions and subsidies: Because racial inequity creates funding gaps for people-of-color-led grassroots groups and deep equity fiscal sponsors, fiscal sponsorship for grassroots groups often needs to be subsidized by larger projects or additional fundraising. Large technical support fiscal sponsors could advance racial equity by redistributing funds and revenue (that power and proximity to dominant culture gives them access to) through contributions or grants to deep equity fiscal sponsors. - Support the proliferation of deep equity fiscal sponsors: Directly or through funder advocacy, large technical support fiscal sponsors may be able to financially underwrite programs to train up emerging deep equity fiscal sponsors to meet the growing demand of grassroots groups. One such example would be a program where existing deep equity fiscal sponsors could be matched with organizations that are considering or have recently added fiscal sponsorship to their service offering, to provide mentorship and peer support, either one-on-one or through a cohort model. Recommendation #3: Bridge the gap between grassroots groups and funders. - Funder education and narrative change: Funder misunderstandings of fiscal sponsorship persist despite many fiscal sponsors engaging in funder education in their day-to-day encounters. A rising interest in racial equity from funders presents an opportunity to direct funder support to people-of-color-led grassroots groups (especially those facing the largest funding gaps) through a new, coordinated funder education campaign. Fiscal sponsors with access to and relationships with funders can amplify the value of grassroots groups' leadership on racial equity, and help funders understand the unique needs of grassroots groups (such as the funding disparities for people-of-color-led organizations) and fiscal sponsorship (such as requiring that each grantee have a unique employee tax identification number). A collaborative approach could be more effective (and lasting) than individual education efforts. Such a campaign could be adapted for additional audiences, such as frequent users of crowdfunding platforms and individuals participating in donor-advised funds, to encourage greater giving from sources that pose fewer barriers to leaders of color. - Advocacy to shift funders' standards, particularly related to reporting requirements: Similar to funder education, fiscal sponsors often engage in direct funder advocacy on behalf of the field of fiscal sponsorship or specific projects. Collective and coordinated advocacy in the name of racial equity may not only elicit a better response from funders, but may also bridge the greatest gap in power and understanding between grassroots leaders of color and funders. Predominant standards of financial reporting and funder-defined impact exacerbate problematic power dynamics and create inefficiencies for grassroots groups, or even exclude them altogether. One fiscal sponsor interviewee shared, "If somebody gives you \$10,000, you're not going to be able to produce an objective, longitudinal, evaluation study of your work. Right?" They went on to say about grassroots leaders, "They're the ones that are fighting for the rights of Black and brown people, maternal health, whatever it is. So they don't have time to fill out your report." Emergency grantmaking with extremely limited reporting requirements has been successfully deployed in the wake of tragedies and disasters, including in response to COVID-19. Fiscal sponsors can use these proof points to collectively advocate for new standards in reporting requirements, including increasing unrestricted funding, more streamlined grant reports, or additional funds for projects to complete reporting. Like racial equity work in general, these recommendations require action, leadership, investment, and some risk. Committing to equity requires staffing and resourcing those efforts equitably. Leadership must be shared, with grassroots groups centered to inform decision-making and priorities, deep equity fiscal sponsors positioned with regard for their innovation and approaches to fiscal sponsorship, and large, technical support fiscal sponsors leveraging their access and resources to push these changes forward. We hope that fiscal sponsors reading this report will join the New Venture Fund in evaluating the changes they can make in their own organizations right now. However, to fully leverage fiscal sponsorship to advance racial equity, fiscal sponsors must bring their assets, skills, resources, and expertise together into a network, coalition, and community of practice. Forming a community of practice among fiscal sponsors is not a small recommendation. Original research and earlier reports show persistent interest in this strategy, and barriers that have prevented more scale to this point. But when racial equity is at stake, the cost of not investing in this work is too high. Some areas for future research/collaboration include: - Invest in research and strategies to help fund these recommendations at both



organizational and systems levels. This might include researching different fee models for fiscal sponsorship that offer equitable and affordable fees for smaller projects in a way that is sustainable (and subsidized) for fiscal sponsors, as well as collaborating on funding requests and plans to build and maintain a community of practice. - Perform individual and collective asset mapping to understand the strengths and gaps across the field of fiscal sponsorship, and to help individual sponsors understand their own limitations. This base level of understanding could support an exchange of deep equity orientation, education, and approaches for access to expensive systems, templates, and opportunities for scale. - Assess how the treatment of projects (and fiscal sponsors) led by people of color differs from those led by white counterparts. This assessment will help start to identify implicit bias and how/where it prevails, and provide a clearer understanding of the support/services needed to combat it. Methodology: Provoc reviewed 12 studies, articles, and reports<sup>28</sup> that covered the needs of grassroots groups in relation to capacity building generally and/or fiscal sponsorship specifically; the role of intermediary organizations (including fiscal sponsors) and/or funders in advancing racial equity; and the successful principles and practices of equity-aligned intermediaries in supporting grassroots groups. Two of the reports reviewed included direct perspectives of grassroots groups in their research, and many named that centering the voices of grassroots racial equity leaders as important to further research. Most of the reports focused on how grassroots projects want to work with their sponsors for a successful relationship, but not what services they need. Through original research, we learned from 14 leaders of currently or formerly fiscally sponsored grassroots groups, five deep equity fiscal sponsors, and three large, technical support fiscal sponsors/intermediaries. Fiscal sponsors and intermediaries all participated in hour-long, confidential interviews. Leaders from grassroots groups were given an option between interviews or responding to a questionnaire; four chose the interview and 10 chose the questionnaire. All respondents were invited to a virtual convening designed to pressure test and/or expand upon early findings and co-create recommendations, as well as create an opportunity for relationship-building among the research participants. Nine organizations participated across two convenings, each with a cross-section of participants from each audience segment and the same objectives and agendas. Limitations: Most leaders of grassroots racial equity projects opted to complete a questionnaire instead of an hour-long confidential interview. Though the questionnaire allowed us to collect a broader range of perspectives, the format led to less detailed and nuanced responses than those from interviews. Additionally, we prioritized project leaders and fiscal sponsor staff from groups primarily engaged in Model A fiscal sponsorship, where projects become part of the sponsoring organization and have no separate legal existence.<sup>29</sup> As such, these findings may be less applicable to fiscal sponsors and projects engaged in other models. Our research included one fiscal sponsor and one project, unrelated, that primarily practice Model C fiscal sponsorship, where a project is a legal entity that has not, or not yet, received IRS designation as a 501(c)(3) and the entity is a grantee of the fiscal sponsor. Projects in the South and Midwest are underserved by fiscal sponsors.<sup>30</sup> Our research included only one fiscal sponsor located in and primarily serving the South, and none in the Midwest. Our research did not include projects or fiscal sponsors located in or with a focus on serving non-contiguous states or territories. Landscape Research - Reports Reviewed: This section lists various reports and articles referenced in the study, including works by Bamdad & Misra, Confluence Philanthropy, Dorsey et al., Endo-Inouye et al., Thomas-Breitfeld et al., TSNE, Sattely, Schneiderman, and The Environmental Support Center & Innovation Network. Each entry provides the authors, year, title, and URL. We are immensely grateful to all individuals and organizations who participated in our research and helped shape all the recommendations in this report: Ambrose Liu, Cecelia La Pointe, Community Initiatives, Elizabeth Franz, Javier Hernandez, Joe A. Lewis II, Joshua Sattely, Justine Metz, Karen Baker, Karris Jackson, Laura Li, Laura Wright, liz suk, Oliver Hack, Perla Medina Alvarez, Sarah McCann, Stephanie Willett, Thaddeus Squire, Urban Affairs Coalition, and those who participated anonymously. We would also like to acknowledge the team at Provoc, including Bettina Sferrino and Jocelyn Corbett, the primary authors of this report, as well as Mimo Haile and Raj Aggarwal for their contributions to this work. This work is indebted to Change Elemental and the Ford Foundation for their thoughtful work and reporting for Centering Equity in Intermediary Relationships: An Opportunity for Funders. We specifically acknowledge the primary authors, Natalie Bamdad and Susan Misra. Finally, we would like to appreciate the New Venture Fund, and especially Lee Bodner, Kathleen Flynn, and Shannon Scott, as well as their colleagues from Arabella Advisors, Hilary Cherner, Alex Matias, Lida Masoudpour, and Jake Wild Crea, for their thought partnership and generous support of this work. Provoc is a strategic marketing and communications firm whose vision is a world transformed by equity,

beauty, and love. For more than 22 years, we have partnered with visionary leaders on the critical issues of our time. Our primary focus areas rest on two pillars: 1.) Helping to dismantle systemic inequities (primarily racism), and 2.) Helping to end major disease. As a minority-owned, certified B Corporation, Provoc meets comprehensive, transparent social and environmental standards in an effort to use the power of business as a force for good. We work in accordance with our core values — vulnerability, relationships, and actualization — and specialize in what we call "outcome-driven design, by the people, for the people." We root our work in equity, and through our commitment and approach, we collaborate with clients and partners in pursuit of social, economic, and racial justice. [www.provoc.me](http://www.provoc.me)

The New Venture Fund (NVF) works with change leaders who share its purpose of creating positive impact in its communities, country, and the world. NVF was founded in 2006 in response to demand from leading philanthropists for an efficient, cost-effective, and time-saving platform to launch and operate public interest projects. NVF's team of creative problem-solvers provides strategic advice and operational support to a range of projects in conservation, education, youth development, global health, public policy, global development, disaster recovery, and the arts. More than half of the 50 largest US grantmaking foundations have funded projects hosted at the New Venture Fund, including eight of the top 10. NVF is a 501(c)(3) public charity overseen by an independent board of directors with extensive experience in philanthropy and nonprofit management. To increase its own efficiency and effectiveness, NVF employs a team from Arabella Advisors to manage many of its day-to-day operations. Arabella is a leading philanthropy services firm that provides expert support to a wide range of foundations, impact investors, individual philanthropists, and nonprofit organizations.

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