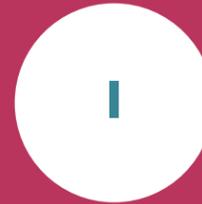


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Executive Summary

This report is written for program officers, program directors, strategy and learning staff, and other foundation staff seeking to build a stronger ecosystem of equity-capable intermediaries—(fiscal sponsors and donor intermediaries)—with the skills, resources, and sustainable business models to support growth in the number and size of constituent-led groups without 501c tax-exempt status are often led by and supporting historically oppressed communities.

The Problem

Despite intermediaries' best efforts, and absent intentional values-aligned investment from funders, three key challenges persist:

- **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.** Few intermediaries have the capacity to move large sums of money to constituent-led groups, serve many groups at a time, and provide services that are well aligned with equity values. Funders often prioritize these first two criteria over equity alignment in the services intermediaries provide.
- **Specific types of constituent-led groups are underserved by the current intermediary field, exacerbating inequities in which groups receive resources and other support.** Constituent-led groups with smaller budgets, that are more geographically

isolated, and/or who may be perceived as “riskier” to support due to limited funds or their particular mission, have fewer options when matching with intermediaries. These groups often struggle to find values-aligned intermediaries with the skills to meet their needs and the capacity to take on new projects.

- **Each year, funders pay hundreds of thousands of dollars in fees to intermediaries without considering how equity values should influence their choice in intermediary partners.** Few funders have a strategy for engaging intermediaries despite the large role these groups play in supporting constituent-led groups to access resources and other supports.

The purpose of this report is to help foundation staff - through coordinated and values-aligned engagement with intermediaries - better address the urgent needs of constituent-led groups in accessing equity-centered services and resources to achieve their visions.

The following recommendations outline how funders might shift from transactional relationships - with intermediaries as cost centers that move resources to constituent-led groups - towards more transformational and strategic relationships with intermediaries as mission-critical partners that support the work of philanthropy and grantees.

Four Pathways for Centering Equity in Relationship with Intermediaries

- ① **Fund intermediaries’ internal transformation to deepen equity in their services and meet growing demand.**

Intermediaries with capacity to meet the size of giving that funders seek and serve a high volume of sponsored projects and grantees are not always structured to work effectively with constituent-led groups. Their service models are effective in serving a large number of groups but can fall short when it comes to serving groups that are smaller, more emergent, and demand services which center movement building, power shifting, and equity as a core value. **Funders can play a role by identifying these intermediaries and investing in their ongoing learning and alignment related to equity.**

In contrast, intermediaries that have a practice of embedding equity into their work are not always set up to serve large numbers of constituent-led groups at a time – nor is this their primary aim.

Funders can play a role by investing in ways to right-size these intermediaries’ business models, streamline systems, experiment with

PHOTO BY BROWN BOI PROJECT



For intermediaries rooted in equity, the way to respond to the growth in the number of constituent-led groups is not primarily in increasing the volume of groups served, but rather in deepening services to existing constituent-led sponsored projects and partnering with them to increase their impact.

sustainable service offerings, and develop a referral network of equity-aligned intermediaries that can meet growing demand for services from constituent-led groups.

② Ground partnership decisions in an understanding of intermediaries' unique offerings and the needs of constituent-led groups.

With more information on the different types of intermediaries and services they provide, funders can make better informed choices in matching grantees to intermediaries that fit their needs.

Intermediaries differ across:

- **Function** - the role various intermediaries play in serving constituent-led groups (e.g., as fiscal sponsor, donor intermediary, capacity builder, etc.) to help incubate, accelerate, and sustain a group's work over time;
- **Stance** - the guiding principles or beliefs that underlie the intermediary's work, who they work with, and how they engage with constituent-led groups and funders; and
- **Equity-aligned services** - the degree to which their offerings reflect equity values.

③ Resource field-strengthening strategies that "fees" don't cover.

Fees paid by funders to intermediaries rarely cover more than the cost of essential services

to constituent-led groups. As a consequence, intermediaries providing equity-centered services, building equity capacity, and/or working to meet demand from constituent-led groups through partnerships with other institutions, are often doing so largely at their own expense and through time "volunteered" by staff.

A potential strategic investment for funders is to identify and partner with intermediaries that are reinvesting fees and grants in ways that align with the funders' strategies for building the capacity of constituent-led groups and to supplement that work with additional resources. A small investment with additional funding can go a long way to support an intermediary's work in building movement infrastructure, deepening equity in their services, and partnering with other equity-aligned intermediaries to meet demand from both funders and constituent-led groups.

④ Advocate to center equity in foundation practices and decision making.

For intermediaries, challenges related to building equity into their own regranting and fiscal sponsorship practices often stem from restrictions or practices from the larger philanthropic institutions they work with. Foundations seeking to support deep equity transformation among intermediaries should consider how equity shows up internally in their own engagement with intermediaries. Potential

steps funders can take to shift their practices in selecting and working with intermediaries to better support equity include:

- **Engaging key internal departments to build a groundswell of support** within the foundation for an equity-aligned intermediary strategy.
- **Taking inventory of current intermediary partnerships** and exploring opportunities for further investment.
- **Centering equity in the criteria** used for selecting intermediaries.

- **Clarifying what equity-aligned fiscal sponsorship or donor intermediary services look like** and investing in intermediary capacity to deepen these services.
- **Using funder's power appropriately to back advocates for equity-centered practices** within intermediary organizations.
- **Creating formal processes to get feedback from intermediaries** partnered with the foundation.



PHOTO BY FUNDERS COLLABORATIVE ON YOUTH ORGANIZING



The Context, Problem, and Opportunity

Times of mass mobilization like the uprisings for Black lives and global crises like the COVID pandemic broaden awareness to the important work of constituent-led groups, spur the creation of new groups, and underscore that their efforts are ongoing and must be sustained over the long-term.

This report focuses on constituent-led groups that do not have formal 501c3 status and are often led by youth, people of color, members of the LGBTQI community, immigrants, and other historically oppressed groups. These constituent-led groups rely on donor intermediaries and fiscal sponsors to connect them to philanthropic institutions and to secure grant funding, develop strategy, and/or manage key back-office functions needed to do their work well.

Throughout this report, we refer to organizations without 501c tax-exempt status, that are often led by and supporting historically op-

pressed communities simply as “constituent-led groups.” We use the term “intermediaries” to refer to the donor intermediaries and fiscal sponsors that bridge the relationship between foundations and constituent-led groups.

The Problem

Over the past three years, Change Elemental has worked in partnership with the Ford Foundation to support funders in building a better understanding of intermediaries’ roles in connecting larger funders to constituent-led groups, that are furthering mission-critical work on the ground.

Through interviews with funders, intermediaries, constituent-led groups¹ and, most recently, by convening the Intermediary Learning Lab², we learned that there are three challenges that impact intermediaries, funders, and constituent-led groups and are related to equity capacity and scale:

- **Few intermediaries provide services grounded in equity³, have the capacity to serve many constituent-led groups at a time, and can meet the volume of giving funders seek.** No intermediary has developed a business model that can do it all. Few intermediaries can meet the demand for tailored services that are rooted in equity⁴, deliver those services to increasing numbers of constituent-led groups, and move large sums of money at the same time.
- **Specific types of constituent-led groups are underserved by the current intermediary field, exacerbating inequity in who receives resources and other support.** Limited internal capacity and resources to support sustainable business models⁵ are barriers to serving constituent-led groups well. Overall, the field of intermediaries is

underdeveloped such that there are few equity-aligned intermediaries available for referral, especially within certain geographies (such as the South or Midwest) or for smaller constituent-led groups. Deep rooting in equity (or lack thereof) also influences an intermediary's criteria for working with a sponsored project or grantee. The intermediary may set limitations around size, geography, or their perception of "risk" and prioritize taking on more well-resourced and "less risky" groups. Many equity-aligned intermediaries experience such high demand from constituent-led groups that there is little additional capacity among intermediaries to form a trusted referral network of values-aligned peers. As a result, large segments of constituent-led groups are underserved by intermediaries.

- **Each year, funders pay hundreds of thousands of dollars in fees to intermediaries without considering how equity values should or could influence their choices in intermediary partners.** Few funders have a centralized strategy for selecting and engaging intermediaries despite the significant role intermediaries play

in supporting grantees. When selecting intermediaries, nearly all funders prioritize intermediaries' ability to deliver efficiently and at a low cost. It is less common for funders to consider intermediaries' commitments to equity and their impact on the constituent-led groups' ability to live out and advance equity in their work, though many agree that these criteria are important. Many funders lack insight into how intermediaries' services differ in relation to equity, as well as how equity values should influence funders' selection of intermediaries, due diligence with grantees about their intermediaries, and what funders pay in fees and grants that support the functioning of intermediaries.

The challenges above highlight how funders, constituent-led groups, and intermediaries all have different **primary needs** related to equity and scale:

For funders, a primary need is that **intermediaries scale up the volume of funding and other supports to constituent-led groups** and do so in alignment with equity.

For a growing number of constituent-led groups, the primary need is in finding intermediaries **that are equity-aligned and have the capacity to take on new sponsored projects and/or grantees.**

For intermediaries, the need for scale is both about serving the right constituent groups to maximize their impact, and also in **deepening their equity capacity to better support constituent-led groups.**

Alongside these seemingly divergent needs and goals related to scale, there are opportunities for funders to support both constituent-led groups and intermediaries in ways that meet demands related to both volume and depth.

1 For research from past work with constituent-led groups and intermediaries, see Change Elemental's 2017 report: "Supporting Emerging Social Justice Groups: Insights and Recommendations on the Ecosystem of fiscal sponsors, Incubators, Accelerators and Funders." Unpublished.

2 The lab took place over ten months and brought together a group of eight donor intermediaries and fiscal sponsors to explore how they might serve constituent-led groups with attention to deep equity and scale. As noted in section III, the way in which scale was defined expanded over the course of the lab. See section II for further details on the lab.

3 For the purposes of this report, equity refers to removing and repairing harm caused by barriers due to oppression - at the individual, interpersonal, structural, institutional, and systemic levels - such that everyone has what they need to thrive. Decisions and practices rooted in equity honor the lived experiences created by injustice, unfairness, and inequality, and seek to restore balance and wholeness such that everyone experiences human dignity. Equity is an aspirational state that is a constant process—a verb.

4 See pages 22 and 23 for examples of equity-aligned services.

5 A sustainable business model is one in which fees paid to intermediaries cover their essential costs to provide services to constituent-led groups as well their growth and transformation to better serve constituent-led groups.



The Opportunity

A pathway forward for funders is to support constituent-led groups by contributing to a strong network of intermediaries with the capacity to not only meet demand for their services, but also to embed equity into their business and service models. **Through better coordinated and values-aligned engagement with intermediaries, funders have an opportunity to strengthen the existing ecosystem of equity-capable intermediaries with the capacity to address the pressing needs of constituent-led groups:**

- **For intermediaries that are already rooted in equity**, this means designing, experimenting with, and expanding new fiscal sponsorship and donor systems that continue to reflect equity as a value and continuing to deepen already strong equity practices. It also means building a referral network across these intermediaries so that underserved constituent-led groups can more readily find intermediaries to support their evolution.⁶
- **For intermediaries that have the capacity to serve many constituent-led groups** at once and move significant funds to constituent-led groups, but need to deepen their equity capacity, this means supporting internal learning about equity and a

long-term process to shift internal culture, systems, and staffing. It also means building a network across intermediaries so that constituent-led groups can be referred to equity-aligned intermediaries.

- **For funders**, this means using the information in this guide to assess their grantmaking and the strategy behind decisions to partner with and invest in intermediaries. Changing funder purchasing behavior - alongside innovations in equity-aligned business and service models among intermediaries - will have a ripple effect in the ecosystem that will make serving constituent-led groups with attention to equity the standard for intermediaries and funders that invest in and with them. It will also build a network of equity-capable intermediaries that can meet growing demand for intermediary services from both funders (interested in moving a high volume of resources to constituent-led groups) and constituent-led groups (in search of the right intermediary to partner with).

This report offers a starting point for more shared understanding and dialogue among funders, intermediaries, and constituent-led groups, and provides concrete opportunities to strengthen collaboration across funders and intermediaries to meet the demands of the constituent-led groups they serve.

⁶ "Evolution" refers to the iterative and nonlinear journey or transformation of a constituent-led group and can take many forms including: institutionalizing and becoming an independent 501c3 or identifying a new structure, clarifying their role in the movement, or actualizing the next level of transformation needed to move closer to a particular vision.

A pathway forward for funders is to support constituent-led groups by contributing to a strong network of intermediaries with the capacity to not only meet demand for their services, but also to embed equity into their business and service models.

PHOTO BY RAINIER VALLEY CORPS



PHOTO BY BROOKE ANDERSON FOR MOVEMENT GENERATION



Four Pathways for Centering Equity in Relationship with Intermediaries

In February 2019, a group of ten intermediaries and representatives from the Ford Foundation came together from across the country to explore how they might address opportunities related to scale and depth in equity.

They varied in size, budget, the number and demographics of constituent-led groups served, and equity capacity⁷. The original group included three donor intermediaries, five fiscal sponsors, and two groups with both functions.

The intermediaries convened to help answer two learning questions to support next steps in

moving towards the vision outlined previously: (1) How might intermediaries serve constituent-led groups better and at scale⁸ with a deep equity practice and with financial sustainability; and (2) How might we engage funders in making more informed investments in intermediaries in order to best support the needs of constituent-led groups?

⁷ Allied Media Projects, Arabella Advisors/New Venture Fund, Borealis Philanthropy, Community Partners, Groundswell Fund, Movement Strategy Center, Funders' Collaborative on Youth Organizing, Rainier Valley Corps, Southern Vision Alliance, and Tides Center.

⁸ Initially, scale referred to volume - i.e., the capacity to serve many constituent-led groups at a time and to meet the high volume of giving to constituent-led groups that funders seek. Over time, scale expanded to also include expanding the depth of equity alignment and the services provided and deepening impact.

Over nine months, eight intermediaries decided to continue in the cohort⁹ alongside Change Elemental and the Ford Foundation to design and conduct a set of ten experiments that generated new insights in response to our learning questions.

Adapting what was learned from experiments in the lab, conversations with funders, and prior research on the needs of intermediaries and constituent-led groups¹⁰, we surfaced four high-leverage opportunities for funders to strengthen intermediaries' equity-aligned services to constituent-led groups and meet demand:

1. Fund intermediaries' internal transformation to deepen equity in their services and meet growing demand.
2. Ground partnership decisions in an understanding of intermediaries' unique offerings and the needs of constituent-led groups.
3. Resource field-strengthening strategies that fees do not cover.
4. Advocate to center equity in foundation practices and decision making.

1 Fund intermediaries to deepen equity in their services and meet growing demand.

For constituent-led groups to move through organizational life cycles in ways appropriate to their work and achieve their full potential, they need a set of services that are aligned with equity and movement building. While there are many intermediaries offering these services, there are still too few to meet current demand. It is unlikely that a single intermediary has both the capacity to serve constituent-led groups with equity-aligned services, distribute resources to constituent-led groups at the volume funders seek, and serve many constituent-led groups at once to meet demand. For this reason, we recommend that funders focus on:

- Supporting intermediaries with the capability to meet the size of giving funders seek in deepening their equity practices¹¹; and
- Supporting intermediaries that are deeply rooted in equity in experimenting with alternative business models and through networked approaches designed to meet

⁹ Funders sometimes think of donor intermediaries and fiscal sponsors as equivalent structures to move funds from large foundations to constituent-led groups. However, in our first session, we learned that donor intermediaries and fiscal sponsors see themselves playing different roles. For example, grantees receive money from funders (which is held by fiscal sponsors) and pay a fee to fiscal sponsors, while donor collaboratives receive money from funders, regrant it to grantees, and keep a portion as fees. The following groups decided to continue in the lab: Allied Media Projects, Arabella Advisors/New Venture Fund, Community Partners, Movement Strategy Center, Funder's Collaborative on Youth Organizing, Rainier Valley Corps, Southern Vision Alliance, and Tides Center.

¹⁰ See Frontline Solutions' 2016 report: "Fiscal Sponsorship" (unpublished) and Ingrid Benedict's 2017 executive summary: "Intermediary Collaboratives/ Donor Collaborative" (unpublished).

¹¹ This report focuses primarily on how intermediaries might deepen equity in their service provision; however, in order to center equity in their work, intermediaries must be attentive to equity in many other facets of organizational functioning, including: how services are delivered, who is able to access those services, how equity is embedded into organizational culture, internal structures, and mechanisms for holding the organization accountable to equity values, etc.



GRAPHIC RECORDING FROM THE INTERMEDIARY LEARNING LAB BY CHANDRA LARSEN AT VISUALIZING CHANGE

growing demand from constituent-led groups for these services.

Here are two examples of how intermediaries from the lab and past research have pursued opportunities to deepen their equity capacity to serve constituent-led groups¹².

Deepening Equity-Aligned Services within a Large, Complex Intermediary

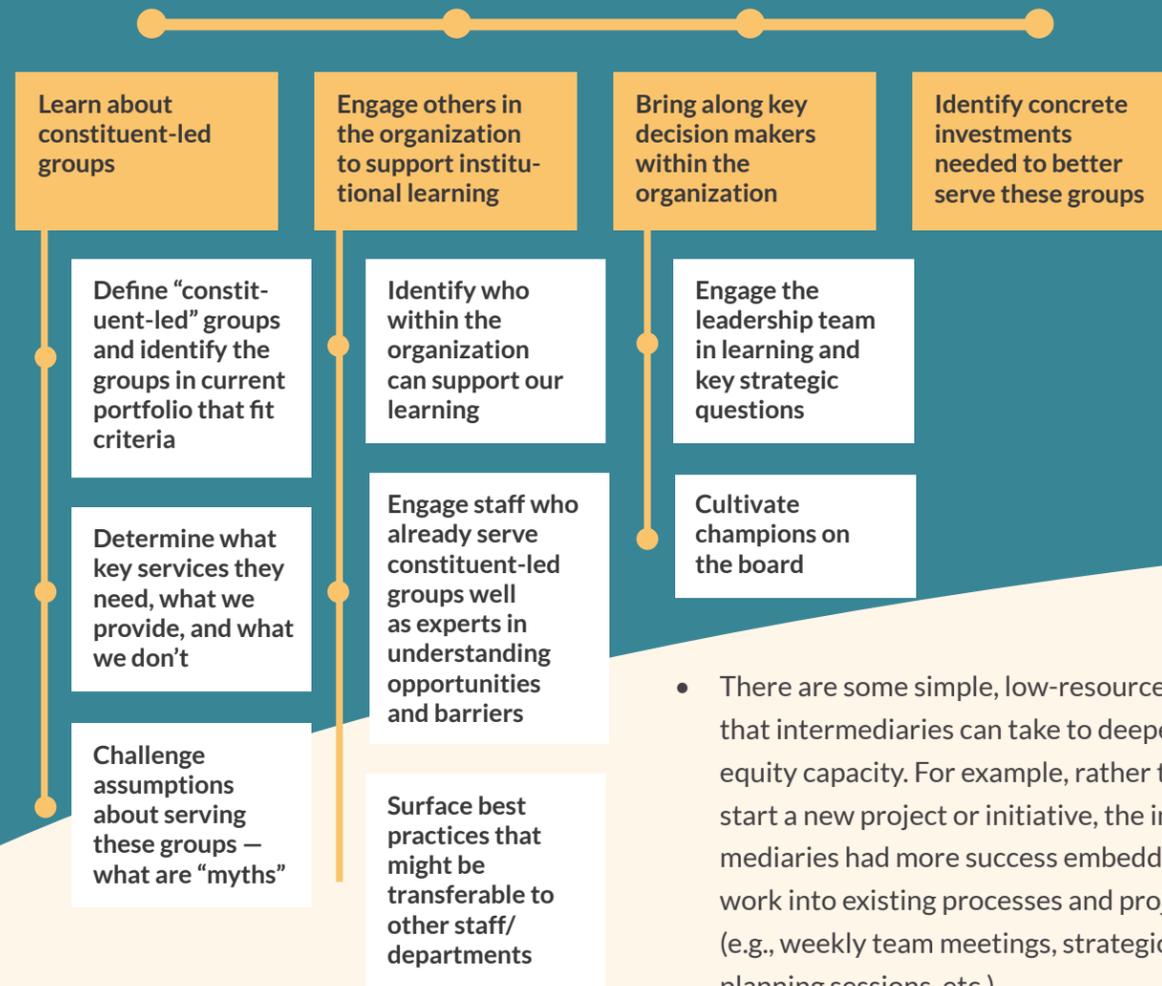
Some intermediaries with the capacity to meet the size of giving that funders seek and serve many grantees or sponsored projects at a time

are not always structured to work effectively with constituent-led groups. Their service models are effective in serving a large number of groups but can fall short when it comes to serving groups that are smaller, more emergent, and demand services that center movement building, power shifting, and equity as a core value. Funders can play a role by identifying intermediaries with the capacity for volume and investing in their ongoing learning and alignment related to equity. Over the long-term, this sustained investment will support the transformation of the intermediary's systems, people, and processes towards greater equity and in support of constituent-led groups.

¹² These stories and examples are illustrative. They reflect the combined experiences of many groups in the learning lab as well as what we learned in our research.

An Illustrative Nine-Month Experiment to Deepen Internal Learning and Practice around Equity within an Intermediary Organization

How might a large-scale, highly complex intermediary adapt to better serve constituent-led groups and center equity?



The graphic above¹³ illustrates an approach for large intermediaries that evolved from several of them asking the question: *How might a large, highly complex intermediary adapt to better serve constituent-led groups?* Through these experiments, the intermediaries identified the following lessons about integrating equity into service delivery:

- There are some simple, low-resource steps that intermediaries can take to deepen their equity capacity. For example, rather than start a new project or initiative, the intermediaries had more success embedding this work into existing processes and projects (e.g., weekly team meetings, strategic planning sessions, etc.).
- Embedding equity in a model built to meet a large volume of demand will require much intra- and inter-department communication, as well as advocates on the organization’s leadership team and/or board.
- Buy-in from leadership and decision makers is critical for learning to result in tangible changes in organizational culture, practices, and investment.

¹³ This illustration reflects a small experiment taken as a first step in an organization’s equity journey and is not reflective of a full equity transformation process. See Equity in the Center’s “Awake to Woke to Work” framework or this article from Equity in the Center detailing a consultant-led equity process that provides more context on what a deeper transformation process might look like. For a case study in racial equity transformation at a large nonprofit organization see this report by Demos on the key components, process, and lessons from their own journey.

- It takes many years of sustained investment for complex intermediaries to align internally around a common understanding of equity, and to transform services and operations at enough depth to benefit constituent-led groups.

Sustaining and Scaling Equity-Aligned Services within an Equity-Aligned Intermediary

Some intermediaries that are deeply rooted in equity are not always set up to meet the volume of giving that funders seek and to take on new sponsored projects of grantees – nor is this their focus. Rather than increasing the volume of groups served or growing their institutions, many intermediaries rooted in equity are seeking to meet increasing demand among constituent-led groups by deepening services within their existing portfolio of sponsored projects and grantees and building relationships with other equity-aligned intermediaries to refer constituent-led groups they cannot serve. Funders can play a role in supporting the work of equity-aligned intermediaries by investing in ways to right-size their business models, streamline systems, partner with other intermediaries, and deepen already existing equity practices. Over the long term, these investments will strengthen intermediaries’ capacity to serve their current portfolio of sponsored projects and grantees, increase the impact of constituent-led groups, and ensure that there is a strong referral network across equity-aligned

intermediaries to support larger numbers of new constituent-led groups.

In order to learn more about how intermediaries might work towards these goals, several equity-aligned intermediaries used the lab to explore the question: *How might an equity-aligned intermediary better and more sustainably serve constituent-led groups?*

Through various experiments, the intermediaries identified the following lessons about sustaining and scaling equity-aligned services:

- **Exploring alternative business models such as “anchor partnership” to serve more constituent-led groups with smaller budgets:** Most fiscal-sponsorship business models rely on larger sponsored projects subsidizing costs of services to smaller projects - with groups paying a percentage to the sponsor and larger groups ultimately paying larger sums. For one fiscal sponsor, this common practice was in tension with their values of transparency and equity. They explored alternative ways of adding value and bringing in larger sponsored projects, including having a large “anchor” partner transparently underwrite support for smaller movement groups. They learned that it was hard to build a value proposition that was strong enough to recruit potential “anchor” partners and, as a result, decided to close this experiment. The question remains of how business models might shift to ensure that groups paying more get more

value or understand they are buying into a more equitable fee structure.

- **Clarifying criteria for new sponsored projects or grantees to build a portfolio of groups that add up to more than the sum of their parts:** Some intermediaries that are supporting movement building and have a deep equity practice are working to meet growing demand from constituent-led groups. Rather than increasing the number of constituent-led groups served, these groups are focused instead on depth and ensuring that they have the right portfolio of sponsored projects to meet a shared movement-level vision in the state or region in which they are based. The groups created triage plans to better assess fit based on a prospective project's mission alignment, the services they would need, their leadership, and capacity to contribute to a particular need within the movement. This approach supported intermediaries in building a portfolio of constituent-led groups that were more likely to succeed under their sponsorship and could work together towards a common vision.
- **Pursuing deeper equity in leadership and decision making:** While many groups that participated in the lab have a deeper understanding and practice of equity than the intermediary field in general, many groups in the lab still sought to deepen how equity values show up in their work. For example, one intermediary experimented with building a network across sponsored projects in a model where sponsored projects were empowered to connect with each other,

without the fiscal sponsor acting as gate-keeper. They also piloted an advisory group made up of representatives from sponsored projects to create additional mechanisms for sponsored projects to provide input in decision-making. The experiments also provided examples of how depth (deepening equity values in the work) could potentially meet increasing demand among constituent-led groups by growing decision-making capacity and relationships across a network of fiscally sponsored projects.

- **Building an intermediary referral network to address service gaps:** As part of the lab, intermediaries self-organized tours of organizations within the cohort to learn from each other and build relationships. The question of building a referral network surfaced many times - particularly to support constituent-led groups that larger intermediaries may not be able to serve due to prohibitive costs or restrictions around group budget, size, etc. Following the lab, the intermediaries decided to continue convening in some capacity and flesh out what a referral network and continued shared learning might look like.

2 Ground partnership decisions in an understanding of intermediaries' unique offerings and the needs of constituent-led groups.

Intermediary Function Related to Organizational Lifecycle

Growth Process



Many funders work primarily with and refer to a small network of intermediaries they know. These relationships impact how and what services grantees receive because funders may advise grantees on which intermediaries to consider or, sometimes, require them to work with specific intermediaries. Few funders are aware of the difference in quality and types of services across intermediaries. With more information on the different types of intermediaries and services they provide, funders can make more informed choices in matching grantees to intermediaries that better fit their needs.

There are many different ways to categorize intermediaries and understand their differences. The following framework provides one such way, based on three components: function, stance, and equity-aligned services.

Function: the role various intermediaries play in serving constituent-led groups.

This includes the role of fiscal sponsorship, donor intermediary, capacity builder, etc. Many intermediaries play multiple roles. Functions are also designed to support various organizational lifecycles - some intermediaries focus on serving emerging constituent-led groups (e.g., at the spark or incubation stage), while others are focused on constituent-led groups that are at different stages in their evolution, as illustrated in the diagram above^{14,15,16}.

14 "Evolution" refers to the iterative and nonlinear journey or transformation of a constituent-led group. While the diagram goes from left to right, the right side should not be seen as an end point or destination. Organizations may move through these different stages many times as they iterate on their vision, role, and approach to their work.

15 From Change Elemental's 2017 report: "Supporting Emerging Social Justice Groups: Insights and Recommendations on the Ecosystem of fiscal sponsors, Incubators, Accelerators and Funders." Unpublished.

16 The majority of intermediaries in the lab support constituent-led groups in acceleration and sustainability. Only a handful - between three and four groups - support the incubation or spark stage.

Stance: the guiding principles or beliefs that underpin the intermediary's work.

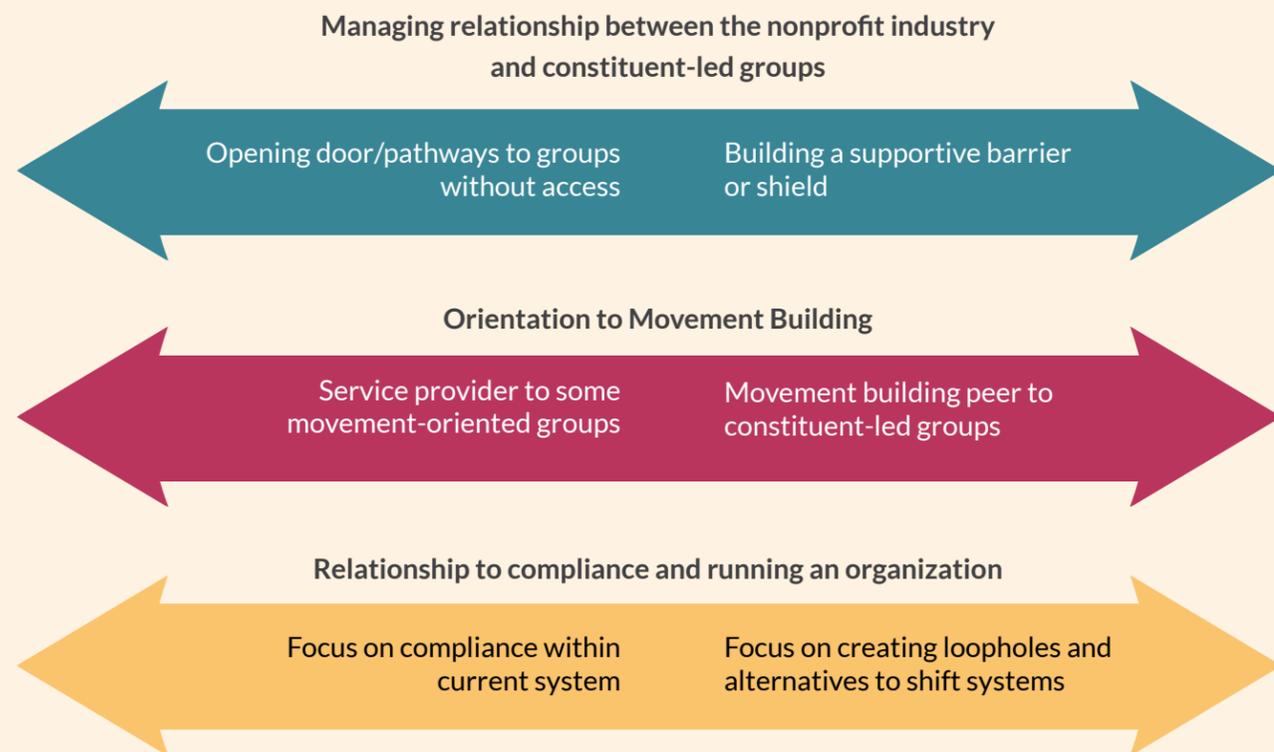
The graphic below illustrates tensions many intermediaries navigate in their work. These tensions are not oppositions to be resolved but generative tensions to engage and hold simultaneously. By holding these generative tensions, intermediaries can engage in the following inquiries:

- How does the intermediary manage power dynamics between philanthropy/funders

- and constituent-led groups?
- Where does the intermediary see its role between building powerful movements and strengthening individual nonprofits?
- Where does the intermediary see its role between partnering with groups to comply with standards and adopting best practices versus partnering with groups to work around practices (that may be dominant norms but have inequitable impacts), lift up different standards, and shift systems?

Differing orientations or stances affect where intermediaries may position themselves along the spectrums below. These stances, in turn, influence the types of constituent-led groups

Stances an Intermediary Might Hold Along Sample Spectrums



intermediaries serve, the services provided, and how they work with constituent-led groups and funders. The following are some examples of how stance might influence some of these dimensions of an intermediary's work:

Mission alignment between intermediary and constituent-led group: The intermediary might have a specific stance that leads them to prioritize working with constituent-led groups shifting power or particular systems over other groups. Alternatively, some intermediaries might serve groups across a spectrum of possible missions as long as they are socially oriented.

Risk tolerance: This impacts the type of legal advice a constituent-led group may receive from an intermediary. For example, whether or not civil disobedience is a viable tactic for the constituent-led group and how it might protect members, or how a constituent-led group might support members who are undocumented.

Constituent-led groups' size and/or budget: Some intermediaries have a business model that precludes them from serving smaller groups with smaller budgets; others might have a stance or commitment to serving groups aligned with a particular mission regardless of size.

Geographic focus: For a national intermediary, stance could impact how they prioritize intermediaries across different regions. How important is it to ensure geographic diversity, or that regions such as the South and/or Midwest are represented within their portfolio of grantees and sponsored projects?

Understanding where specific intermediaries strive to be along these spectrums (and where the bulk of constituent-led groups they work with expect them to be) can help funders better align their work with intermediaries to support these stances and match constituent-led groups with intermediaries that share their stance.

Equity-Aligned Services: how far along intermediaries are pushing their service provisions to better reflect a vision for equity in their work.

The following table provides an example of services provided by fiscal sponsors and/or donor intermediaries across a spectrum from conventional practice to equity-aligned practice¹⁷.

¹⁷ Based on perspectives shared by constituent-led groups and included in Change Elemental's 2017 report: "Supporting Emerging Social Justice Groups: Insights and Recommendations on the Ecosystem of fiscal sponsors, Incubators, Accelerators and Funders." Unpublished.

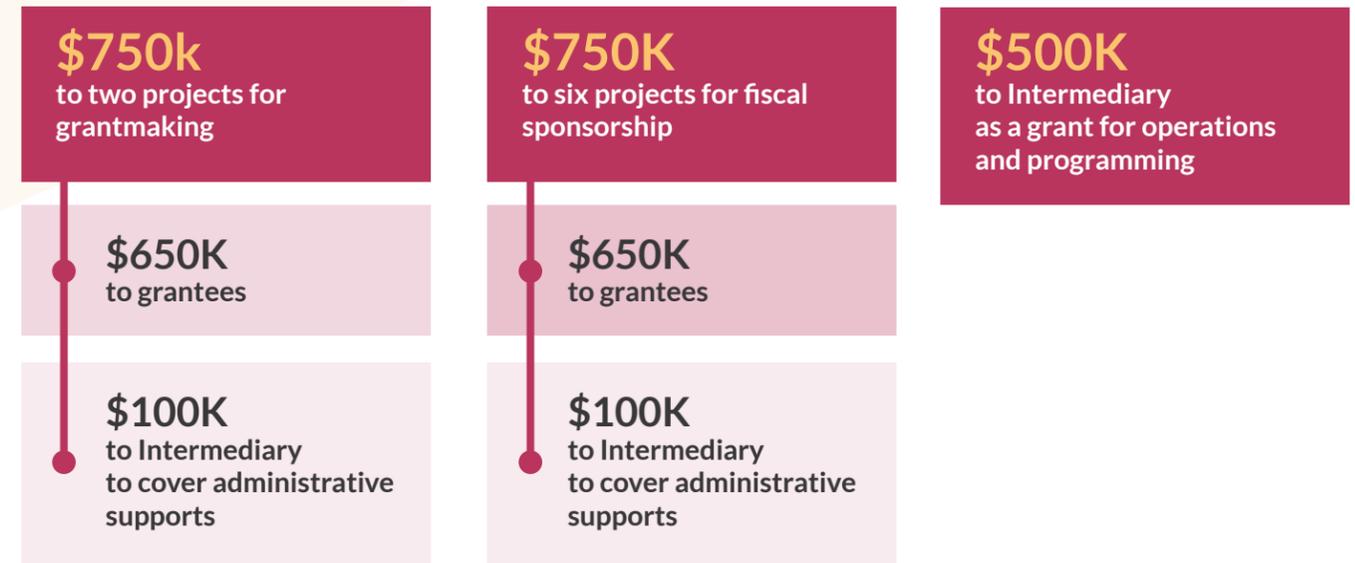
Examples of Services Provided along a Spectrum from Conventional Practice towards Equity-Aligned Practice

Service (examples)	Conventional Practice	Moving Towards Equity	Equity-Aligned Practice
Leadership Development and Coaching	Leadership development and coaching absent a power analysis. Coaches and trainers are not expected to have deep rooting in equity, racial justice, or anti-oppression.	Leadership development and coaching that sometimes offers a race or identity-based lens when it is requested.	Support that demonstrates an understanding of the unique challenges faced by people of color, youth, women, immigrants, members of the LGBTQI community, etc. and how to navigate these challenges, support healing, and partner with them to realize their full potential. Provide concrete resources such as peer networks to support intersectional movement building, relationship building, leadership development, and coaching.
Revenue Generation	Grants management and compliance services only.	Provide grant writing and fundraising strategy support. Engage new funders. Advocate for and secure rapid response funding. Support groups in building relationships with funders.	Support seeking alternative funding outside the nonprofit sector. Facilitate joint fundraising. Use power and position to engage funders in shifting their practices towards greater equity.
Finance	Financial support (e.g., budgeting, payroll, accounting, pass-through).	Financial systems that are eventually supportive of a group's needs but include many barriers that require groups to shift what they do or to spend time negotiating with the finances team.	Low-barrier access to funds (e.g., providing checks or credit cards directly to partners). Sharing financial risk when funds might not come through or providing "floating" funds when committed funding is delayed. Socially responsible investment and banking for funds held by the intermediary. Flexibility to adapt financial systems to meet the group's financial needs.

Service (examples)	Conventional Practice	Moving Towards Equity	Equity-Aligned Practice
Human Resources* <i>*for fiscal sponsors that provide this service</i>	One size fits all practices in human resources and staff management policies without an equity practice or flexibility for individual needs. Focus on fairness/equality vs. equity.	Some HR and staff management services have a rooting in equity (e.g., benefits and compensation for contractors and employees) and others do not. Policies and practices may have been evaluated in relation to equity, but no steps have been made to change them.	Human resources and staff management policies are anti-oppressive/ anti-racist. Excellent healthcare coverage for staff. Support to heal racialized conflict and deepen equity practices internally.
Legal Services	No legal services.	Legal counsel to explore nontraditional structures or alternative policies and approaches that support greater equity. Encouragement to engage in nontraditional strategies like lobbying.	Legal services and support when members of constituent-led groups undertake high-risk actions such as civil disobedience.
Office Space* <i>*for fiscal sponsors that provide this service</i>	Office space for constituent-led groups to meet.	Designated safer spaces within an office where people feel comfortable to meet (e.g., staff reflect constituent-led group members, there are gender neutral restrooms, approach to community safety is anti-racist, etc.).	Entire office is designated as a safer space.
Cybersecurity* <i>*for fiscal sponsors that provide this service</i>	Cybersecurity to prevent hacking.	Cybersecurity support to prevent hacking, online harassment, and other threats.	Cybersecurity support to prevent hacking, online harassment, and other threats and resources or supports in place to address harm to individuals or the group.

Total Foundation Contribution: \$2M*

*to a fiscal sponsor/donor intermediary with seven sponsored projects



3 Resource field-strengthening strategies that “fees” don’t cover.

A closer look at intermediary business models reveals that:

- “Fees” paid by funders to intermediaries rarely cover more than the cost of essential services to constituent-led groups¹⁸;
- Serving constituent-led groups with rooting in equity can be more costly¹⁹ than conventional approaches; and
- Intermediaries providing equity-centered services, building equity capacity or deepening their equity practice are often doing so largely at their own expense and through time “volunteered” by staff.

Conversations with funders revealed that aggregate fees and grants paid to a single intermediary by a funder often totaled to hundreds of thousands of dollars a year in support of hundreds of constituent-led groups. In many cases, intermediaries provide value to constituent-led groups beyond the specific services (e.g., back-office support, regranting, etc.) paid

for by the funders. They leverage and reinvest fees and grants to expand or deepen equity-aligned offerings to constituent-led groups, convene other mission-aligned organizations, and build movement infrastructure and support beyond their own organizations. Despite the crucial role intermediaries play, few funders are aware of how intermediaries are investing their limited resources into field-strengthening initiatives and equity capacity building within their own institutions and beyond.

A potential opportunity for funders to make strategic investments is to identify and partner with intermediaries that are reinvesting fees and grants²⁰ in ways which align with the funders’ strategies for building the capacity of constituent-led groups. A small investment with additional funding can go a long way.

The following example shows how a 25% investment in one intermediary - beyond fees paid to cover the basic needs of constituent-led groups - can support deeper equity, movement infrastructure development, and network building with the potential to benefit groups including and beyond the constituent-led groups that the intermediary serves²¹.

18 Few funders understand that fees which do not pass “directly on to constituent-led groups” in fact fund administrative services that constituent-led groups would otherwise have to manage on their own, most likely at a higher cost to constituent-led groups.

19 As one intermediary shared, building a deep equity practice requires iterative innovation, investment in young leaders of color who may face systemic barriers, support for staff who may not have nonprofit management backgrounds, etc. Meeting the unique needs of constituent-led groups with equity-aligned practices is often more costly and requires greater investment from funders.

20 Of the total amount funders pay to intermediaries, the majority is passed on to constituent-led groups and is used for their direct expenses such as payments to vendors and contractors for rendered services, payroll, and benefits. A small portion is passed on to the intermediary as a fee to cover management of these funds and essential administrative services. Some funders provide additional general operating, capacity building, or programmatic grants to intermediaries to deepen and expand their services to the field.

21 In terms of fees, we have simplified the many different funding pathways among intermediaries, sponsored projects and grantees, and funders. As one example, a sponsored project may receive funds from a donor collaborative and pay a portion of this grant to their fiscal sponsor as a fee. Funders also pay fees to the intermediary directly for managing the collaborative and administering the grant funds. All of these fees may go to the same intermediary that functions as both fiscal sponsor and donor collaborative.

The diagram above shows how funds flow from a funder to an intermediary and constituent-led groups. Looking at the graphic on the next page, it’s clear that the \$200,000 fee provides a starting point for the intermediary to support network building across constituent-led groups; a supplemental \$500,000 grant - only 25% of the funder’s total investment - further deepens the intermediary’s capacity to connect across its portfolio of constituent led groups and to support movement building that reaches beyond their immediate network. Much of the intermediary’s deeper work supporting their own internal learning around equity and collaboration with peers is unfunded or underfunded.

4 Advocate to center equity in foundation practices and decision making.

We also learned from intermediaries that challenges related to building equity into their own regranting and fiscal sponsorship practices often trickled down due to restrictions or practices that came from the larger philanthropic institutions who were writing the checks. One step that foundations can take to support deep equity transformation among intermediaries is to consider how equity shows up internally in their own engagement with intermediaries. Making the case to invest in grantees is easier than making the case to invest in interme-

The \$200K administrative costs supports the following:

- Fiscal sponsorship and grant administration supports and for seven sponsored projects/grantees
- Some convening and network building across constituent-led groups

The \$500K grant supports the following:

- Majority of convening and network building across constituent-led groups
- Joint strategy setting for movement groups, including constituent-led groups outside of the intermediary's sponsored projects and grantees network

Other investments the intermediary is making that are unfunded:

- Building new capacities and movement infrastructure (beyond fiscal sponsorship or donor intermediary services) within a particular region
- Coordinating with other intermediaries to build an intermediary referral network to support service to underserved groups
- Deepening equity practices internally across intermediary staff

diaries, but both are important to support constituent-led groups in achieving their goals. Foundations have already begun shifting practices to better align with equity - from socially conscious investments to integrating equity into grantmaking strategy. A logical next step, then, is to ensure that equity is at the forefront in how intermediaries are selected and supported.

When describing barriers to developing an intentional strategy rooted in equity for working with intermediaries, many funders cited challenges related to bureaucracy and how their own institutions function. Intermediary selection is decentralized and there isn't clarity about who holds (or might hold) these decisions

within the foundation. Other funders explained that a unified strategy for intermediary selection and capacity building might be at odds with program officer autonomy and their own relationships and preferences. Transforming foundation practices and culture to reflect equity is not unlike the process outlined above for making shifts within a large, complex intermediary²². It requires long-term strategic perspective, engaging decision makers (e.g., executive leadership and the board), working with program officers to align decision-making criteria, and centering in common language, definitions, and goals across the foundation.

In light of this, as well as learning from Ford's own experiment to shift their intermediary selection strategy, we have compiled a set of steps funders might take to shift their practices

in selecting and working with intermediaries to better support equity.

Engaging key internal departments to build a groundswell of support within the foundation for an equity-aligned intermediary strategy

The Ford Foundation identified specific departments and individuals who had a significant stake in intermediaries. These included the Office of Strategy & Learning, Office of Legal Services, and specific Program Officers. In fact, it was the then-Associate General Counsel who initiated internal discussions about working with fiscal sponsors. In addition to the learning sessions, program officers Chris Cardona and Marissa Tirona worked with individuals in these areas to explore their interests and develop a common set of guidelines that could be shared across staff. This approach struck a balance between the decentralized autonomous structure of the foundation and a desire to be more intentional and strategic about equity when it comes to partnering with intermediaries.

Taking inventory of current intermediary partnerships and explore opportunities for further investment

What are the intermediaries that the foundation consistently works with? What function do they play? What are their stances and how does it affect their priorities? What is the depth

and variety of equity-aligned services that they provide? How are these intermediaries reinvesting funds? As a simple first step, consider exploring the foundation's grants database to identify how many grants and how many dollars go to specific intermediaries each year. Engaging intermediaries with whom the foundation consistently works to understand the additional services they offer will help clarify how the foundation may be able to better leverage their supports and deepen them. This will also help to challenge assumptions about intermediaries' capacity based on their size, focus, etc. For instance, we found that some seemingly small equity-aligned intermediaries often had capacity to meet the high volume of giving that many funders seek.

Centering equity in the criteria used for selecting intermediaries

Conversations with funders indicated that few philanthropic institutions have shared standards or criteria for partnering with intermediaries. In many cases, program officers recommend or prioritize intermediaries they know and have worked with. There is an opportunity to build alignment internally across program officers around a set of criteria for selecting intermediaries so that decisions better align with foundation values and strategy. For example, research by Frontline Solutions suggests that few funders consider specific criteria related to equity when selecting a fiscal sponsor (such as the demographic composition

²² See Appendix for an illustration of the first steps a foundation might take towards its own equity learning. See also Frontline Solutions' "Equity Footprint" resource to learn more about how foundations might engage in more equitable practices.

of a fiscal sponsor's staff, board, and leadership team, among others); these criteria are important to sponsored projects and grantees, particularly those focused on racial equity. As part of its own experiment, the Ford Foundation facilitated learning sessions with program and grants management staff to understand the equity considerations when working with intermediaries.

Clarifying what equity-aligned fiscal sponsorship or donor intermediary services look like and investing in intermediary capacity to deepen these services

Through our research with constituent-led groups and intermediaries, we outlined services on a spectrum from conventional to equity-aligned. Moreover, we know that equity is a constant journey with no end point. There are many intermediaries that are constantly pushing their service model to more deeply reflect equity values. Funders have an opportunity to fund this work as well as efforts to advance learning and practice.

Using funder's power appropriately to back advocates for equity-centered practices within intermediary organizations

Funders have some power over intermediaries, including the capacity to influence how intermediaries reinvest funds into the growth and development of their own organizations. Many groups shared that this initiative led by Ford has been helpful to them in making equity a priority at their organizations and inspiring deeper structural changes.

Creating formal processes to get feedback from intermediaries partnered with the foundation

Intermediaries shared how funders' risk aversion or strict requirements can limit the flexibility they have with sponsored projects and grantees. Because of the nature of many funder-intermediary relationships (which function more like vendor relationships) there are few opportunities for two-way feedback. Donor intermediaries, in particular, lack opportunities to provide feedback on inequitable funder practices that have negative impacts on grantees. The Ford Foundation is experimenting with ways to engage intermediaries in dialogue, including convenings, the lab that fueled this report, and surveys.



IV

Final Considerations for Funders

The goals for this guide are to: For program officers with many competing priorities, there are three simple takeaways for working with intermediaries with attention to equity:

- Help funders better understand the role that intermediaries play in ensuring that constituent-led groups have the equity-aligned support and resources they need to thrive;
 - Showcase how intermediaries are building their equity capacity, deepening their equity practices, and developing sustainable business models to serve the growing demands of constituent-led groups in terms of number, budget size, and complexity of need;
 - Support the development of an equity-capable ecosystem of intermediaries that can meet the funders' interest in moving a large volume of funding to many groups quickly; and
 - Offer some practical ways to build more mutually supportive relationships across funders, intermediaries, and constituent-led groups.
- Consider who the primary intermediaries you currently work with are, and how their approach to their work might impact the experiences of your grantees;
 - Center equity values when selecting and partnering with intermediaries (and recruit your peers to do the same); and finally
 - Fund intermediaries to deepen equity practices in their work with constituent led groups and to partner with each other to strengthen services.

Many of the recommendations throughout this report offer first steps in deepening equity practices among both intermediaries and funders. These steps fit within the context of



PHOTO BY MOVEMENT STRATEGY CENTER FROM THE MSC TRANSITIONS LAB

a larger equity transformation process that examines and transforms not only services provided but also the organization's culture, values, leadership, etc.

Future research might explore what a full equity transformation process would look like for a large intermediary early in its equity journey, or how intermediaries with deep equity practices might work together to better meet demands from constituent-led groups for support. While part of our data set included focus groups with

constituent-led groups, further research should engage them more deeply to understand their needs from intermediaries, and how these needs might differ based on their size, geography, communities served, and other factors.

Finally, further work might also explore how funders are shifting their intermediary investment strategy to address some of the opportunities outlined throughout this report and the impact on intermediaries, constituent-led groups, and the field.

APPENDIX

An Illustration of Internal Learning and Practice for Funders in Engaging Intermediaries with Deeper Equity Alignment

How might a large-scale, highly complex funder adapt to center equity in their work with intermediaries

