



Community Foundations 101: Structures and Compliance

CIRCLE Webinar #5
25 June 2015

Today's Agenda

- Technical tips
- FRRR & CIRCLE
- What is a Community Foundation (CF)?
- Setting up a CF - things to consider
- Alternatives, such as Donation Accounts
- Q&A
- Helpful Resources

@AEMGartmann @FRRR_Oz

#CommunityLeadership

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Alexandra Gartmann

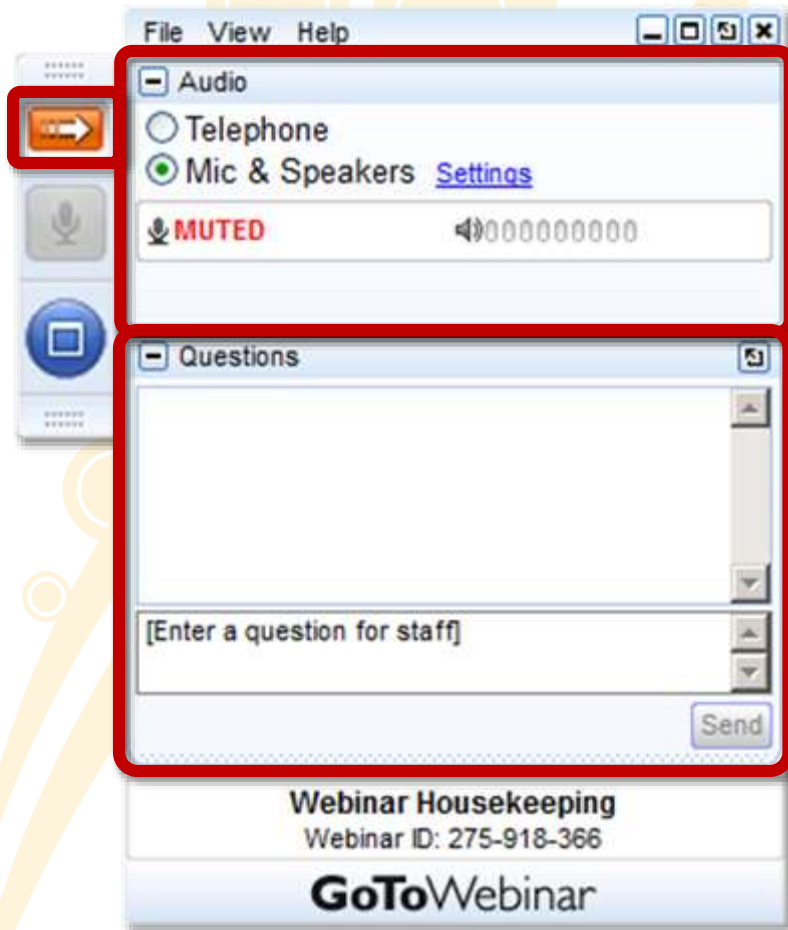


Alice Macdougall

Get Involved!

Using the Webinar Control Panel

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Submit questions and comments via the Questions panel – ask any time

Please Note:

Today’s presentation is being recorded.

Our mission: To champion the **economic and social strength** of Australia's regional, rural and remote communities through **partnerships** with the private sector, philanthropy and government.



We work in three ways:

1. **Providing grants** to not-for-profit community organisations
2. **Helping non-DGR NFPs** to fundraise, by receiving funds on their behalf for an agreed purpose; and
3. **Helping to build local capacity** (for example through Community Foundations) to find local solutions to local problems.

CIRCLE: Creating Inspiring Rural Leadership and Engagement program



CREATING INSPIRING
RURAL LEADERSHIP & ENGAGEMENT

Four pronged program

1. Webinars
2. Video case studies and animated clips
3. Leadership programs review
4. Grants for leadership programs and community foundations (currently open)

Meet Alice Macdougall

- Special Council at Herbert Smith Freehills
- Alice provides advice on tax, structuring and governance for charities or foundations



**YOUR COMMUNITY
MAKES YOU.
AND YOU MAKE
YOUR COMMUNITY.**



Exploring a Community Foundation

What is a Community Foundation?

- Placed-based, independent, community-owned philanthropic vehicle - defined by [Australian Community Philanthropy](#)
- Exists to create a financial asset and build social capital for public benefit in a specific geographic location, such as a town, city or region
- Managed or advised by voluntary local boards
- A global movement - 1,500 world-wide - 191 in Canada; 48 in UK. Others in US, India, Romania, Brazil & Asia
- But it's not just any community organisation. Typically:
 - wants to actively support and connect the community; research the needs and gaps; and facilitate ways to build and improve the community;
 - does this through active involvement and grant making.

Benefits of a Community Foundation

- Often a way to support a ‘new future’ - a galvanising body, able to respond to emerging gaps
- Ideally placed to support local activities and facilitate grass-roots philanthropy - ‘give where you live’
- A flexible way to help the community - especially through local grants and scholarships
- But can offer more than just financial support:
 - start the hard conversations;
 - keep a finger on the pulse;
 - a first responder;
 - champion of local organisations; or
 - connector.

The 36 Community Foundations in Australia play different roles



Mackay Community Foundation

- dedicated to supporting projects, activities and charities that sustain Mackay region's most needy
- strong focus on annual grants to deductible gift recipients or other tax deductible entities for:
 - relief of suffering of locals who endure poverty, sickness, distress, misfortune, destitution and helplessness;
 - improvement and assistance of local educational, health, welfare, religious, environmental, family and cultural organisations.
- Strong focus on attracting local support, with 21 'Named Funds' set up by locals who want to support particular projects or issues.



Eyre Peninsula Community Foundation

- corpus of around \$250,000
- a grants program has supported activities like promoting local careers and building permanent exercise equipment - more than \$55,000 distributed
- Broad base of activities and fundraising
 - Charity House fundraiser;
 - Book Bazaar, which raises funds for Home Hospice program;
 - manage BP Australia's community investment program - funding two community vehicles;
 - FRRR Back to School program.



So, should you start a Community Foundation?

- Research what Foundations already exist in your community
- What is your community need? What do you want to achieve?
- Talk to other community leaders
 - Your local council
 - Local corporate leaders - will they collaborate?
- Consider if you want to create your own or contribute to an established foundation
 - Don't duplicate
- Get advice

Key questions to explore in a feasibility study

- Leadership capacity
- Geographic boundaries and population data
- Board composition - do a skills matrix
- Legal structure
- Fundraising, marketing, grant-making strategies
- Approach to implementation - resourcing?
- Explore:
 - Your people and community
 - Engage local leaders - formal and informal
 - Assess Community Needs
 - Explore Environmental Issues
 - What does this mean for a Community Foundation?

New terms to get used to ...

- Charity / charitable purposes - see ACNC website
- DGR - Deductible Gift Recipient
 - Item 1 DGR - a doing entity
 - Item 2 DGR - a grant-making entity
- TCC - Tax Concession Charity
- PAF - Private Ancillary Fund
- PuF - Public Ancillary Fund
- ACNC - Australian Charities and Not-for-Profits Commission
- ATO - Australian Taxation Office
- Responsible Persons

Typical Community Foundation Structure

*Company or
Incorporated
Association
(Charitable Entity)*

Trustee Of

*Public Ancillary
Trust (PuF)
(DGR trust)*

Tax concession status affects what you can do

Tax Concession Charity (TCC)

- Must have purposes and activities in Australia which are charitable within the legal meaning
- Entitled to exemption on income tax, FBT rebate, refund on imputation credits and under legislation of some States, payroll tax and stamp duties

Deductible Gift Recipient (DGR)

- Must meet criteria of one (and one only) of the categories listed in (Division 30 of the Income Tax Assessment Act 1997)- sample of categories below - complete list at www.ATO.gov.au/nonprofit/
- Able to receive tax deductible donations
- Item 2 funds can only give to items 1 DGRC

Item 1 Doing DRGs

*Public
Benevolent
Institution
(PBI)*

- *School building funds, library funds and scholarship funds*
- *Universities and approved research institutes*

*Necessitous
circumstances
funds (emerg.
relief)*

*Cultural
Organisations
(on register of
cultural
organisations)*

*Public
Libraries,
Museums
and art
galleries*

*Health
promotion
charities
(prevention
and control
of diseases
in humans)*

*Prevention
and control
of harm and
abusive
behaviour
among
humans*

*Environment Organisations (on
register of environmental
organisations)*

*Overseas aid
funds*

*Specifically listed / named
organisations (eg RSPCA,
Amnesty International, FRRR)*

Item 2 Grant Making

*Public Ancillary
Funds*

*Private Ancillary
Fund*

Differences between DGR trust and Charitable entity

- The activities and grant making from each of the Charitable entity and DGR trust are different, and subject to different restrictions
- The Charitable entity has more flexibility
 - may carry out its own charitable activities and
 - make grants broadly to charities or for charitable purposes
- The DGR trust can only make grants to item 1 DGRs
 - Its activities can only be marketing, fundraising, investing and grant making

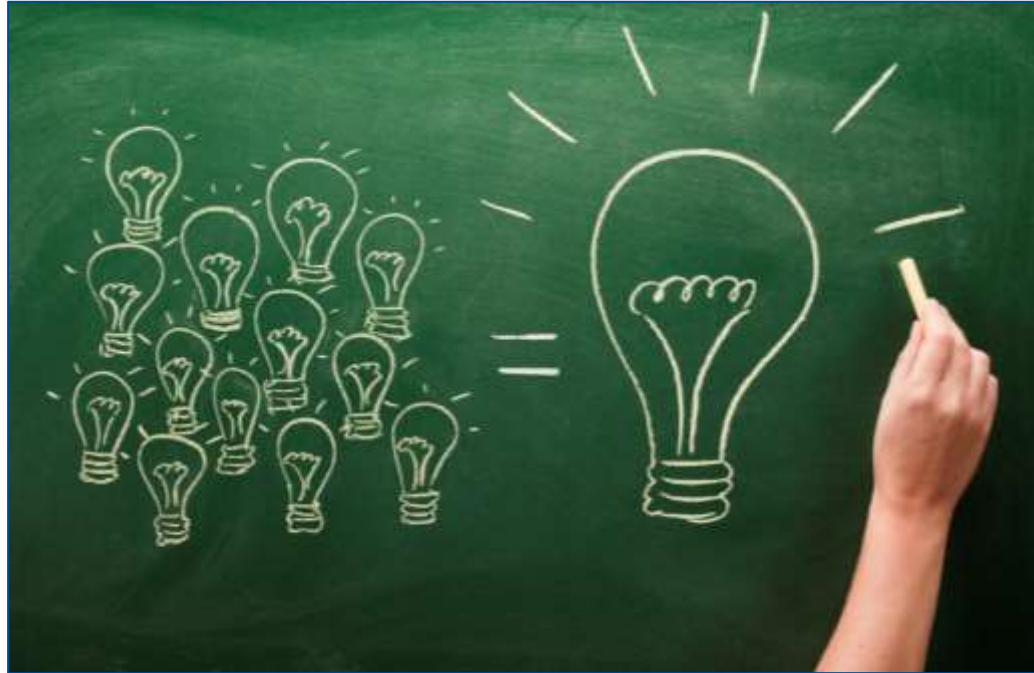


Governance

- Who should go on the board?
 - Broad base of community representatives
 - Mix of skills - accounting; marketing; community knowledge
- Who are the members?
 - Board - generally - or open it to the community
- How are you accountable?
 - Publicly available accounts
 - Regular reports on activities
 - Invitations to community to nominate for board positions
- 'Responsible Persons'
 - Required for Public Ancillary Fund

Compliance checklist for Public Ancillary Fund

- ✓ Majority of board Responsible Persons
- ✓ Investment policy annually reviewed and decisions consistent
- ✓ Separate accounts for PuF including any transactions with founder, board, employees, donors are recorded
- ✓ Valuation annually of assets of trust fund
- ✓ Minimum distribution made annually - 4% or transitional rules
- ✓ ABN and item 1 DGR for grant recipients
- ✓ Reporting
- ✓ No grants from Private or Public Ancillary Funds
- ✓ ATO requirements for marketing and managing sub-funds



Alternatives to a Public Ancillary Fund (PuF)

Sub-fund in a Public Ancillary Fund (PuF)

- A sub-fund could be established in another community foundation or a PuF operated by a trustee company
- Grants or donations from the PuF can **only** be made to **charitable organisations** that are **endorsed as DGR** Item 1 by the Australian Taxation Office
- You will only be able to recommend grants, as PuF has decision making responsibility
 - You will need to comply with minimum grant amounts and their timing for grant making.

An FRRR Donation Account

- Special account to facilitate the receipt of tax deductible donations for charitable projects that benefit rural, regional and remote communities
- Can be used to fundraise for a wide range of projects or programs - provided they are for a charitable purpose, and are consistent with FRRR's objectives
- Anyone can donate to a Donation Account, including individuals and Private Ancillary Funds

Benefits

- Test local appetite to raise tax deductible funds
- Leverage support for a project



Bower Progress Association, SA

- Established a Project Donation Account in 2008
- Aim to improve facilities at the Bower Recreation Reserve
- Have made significant improvements, including:
 - Upgraded power; installed solar; constructed BBQ area; fenced the property; purchased & upgraded the Postal Agency; accredited RV campsite; installed air conditioning
 - Next project is a memorial to early settlement history.
- Increased local connections - Yack 'n' Snack events, Xmas BBQ
- Hosted the first wedding in living memory

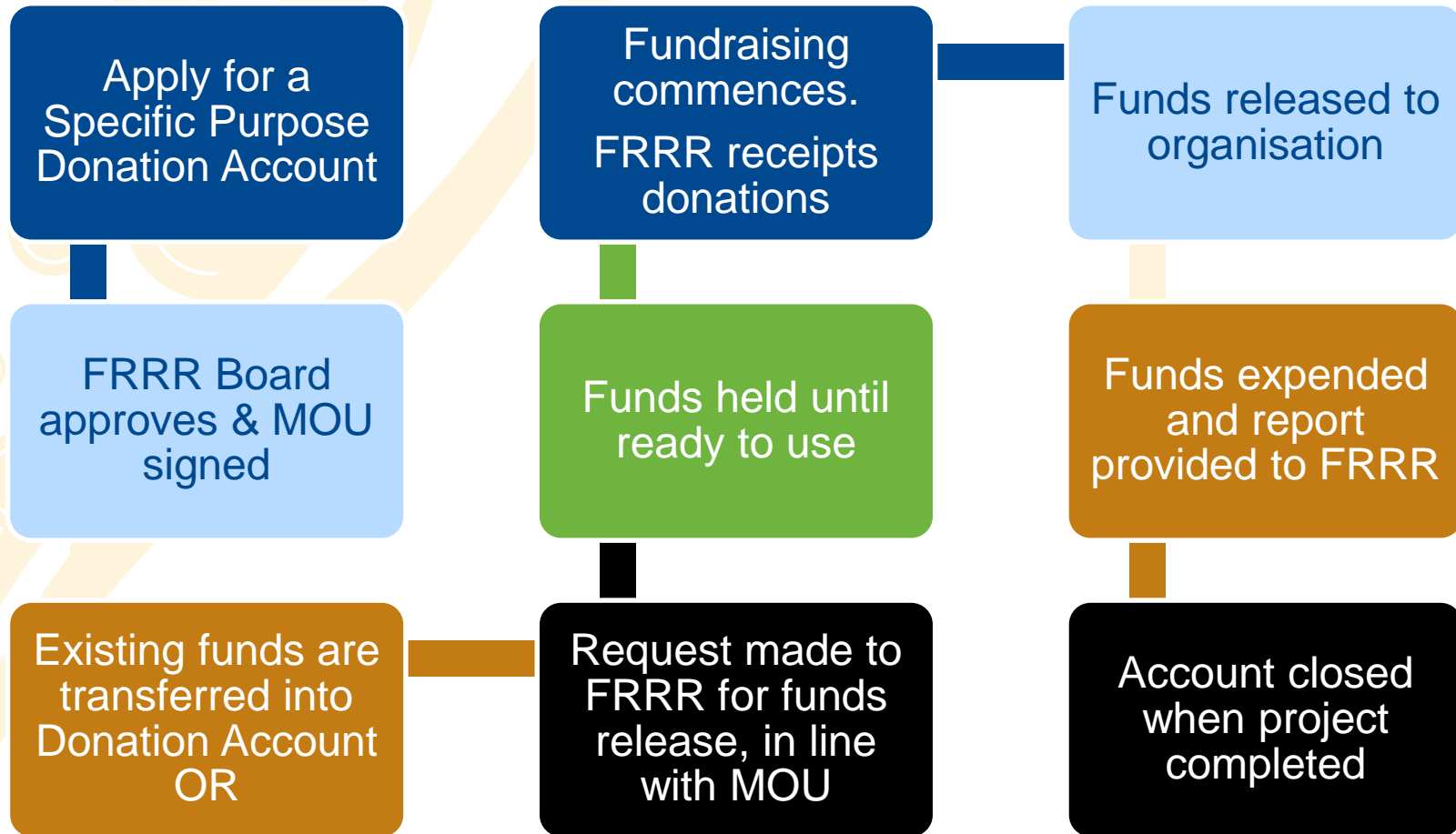


Tomorrow:Today Foundation

- Aims to help Benalla people create a stronger, more resilient and prosperous rural community
- Makes grants annually to support local charitable projects, with income from their growing Community Fund
- Run independent projects, such as the Education Benalla Program
- Donations from locals and further afield support the overall program and long term organisational sustainability
- FRRR hosts a donation account for Education Benalla



Opening and operating a Donation Account



What will suit you best?

- An incorporated charitable entity with either:
 - A public ancillary fund
 - An FRRR donation account
 - A sub-fund with another community foundation or trustee company.
- It can be complicated - seek help from:
 - Australian Community Philanthropy
 - Justice Connect
 - Other established community foundations
 - Specialised legal professionals

Recap: Steps to get started

- Explore:
 - Understand what you want to achieve
 - If endowment for future, are there enough people?
 - Or do you want to fix any immediate gaps in your community, where you might be initiating some activities, and seeking funds to support immediate impact?
 - Appetite for giving in your community
- Seek pro bono legal support
- Talk to ACP
- Explore who might support you undertaking a formal feasibility study. Local corporates? Local philanthropists? Talk to FRRR.

Implementing a Community Foundation

1. Create Community Foundation Steering Committee
2. Agree objects and geographic scope
3. Recruit first Board - Responsible Persons
4. Engage pro bono lawyers to prepare legal documents
5. Establish community foundation & obtain tax endorse't
6. Seek seed funding and in kind support
7. Appoint part time Development Officer or a dedicated and available volunteer
8. Develop Strategic Plan (identify initial priority areas of interest and possibly flagship project).
9. Prepare marketing materials and website.
10. Launch the community foundation.

Helpful Resources in addition to FRRR

www.FRRR.org.au

- ACP - www.australiancommunityphilanthropy.org.au
- Philanthropy Australia - www.philanthropy.org.au/
- Our Community - www.ourcommunity.com.au/community/
- ACNC: <https://www.acnc.gov.au>
- Justice Connect (Vic & NSW): www.justiceconnect.org.au/
- ATO - PUFs: <http://www.ato.gov.au/content/00303223.htm>
- Australian Business Register - <https://abr.gov.au/>
- Alice.macdougall@hsf.com - email for these papers:
 - Community Foundations - Structure and compliance
 - Community Foundations - Compliance Checklist
 - Fees and administrative expenses
 - Grants and GST
 - Fundraising activities - GST and tax deductibility
 - Template board composition charter
 - Steps before granting for charitable purposes
 - Funding sport



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