

INTO OUR HANDS COMMUNITY FOUNDATION

SUB-FUND HANDBOOK

MARCH 2020



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WHO IS INTO OUR HANDS COMMUNITY FOUNDATION (IOHCF)?

IOHCF is a not-for-profit community foundation established for public charitable purposes in North East Victoria in order to support and strengthen the community within the region and promote community well-being, resilience and involvement, including giving and volunteering.

IOHCF provides the services necessary for donors to establish sub-funds without incurring the administrative and legal costs of starting independent foundations. In addition, IOHCF provides grant making expertise and in-depth knowledge of community issues to assist donors in developing strategic, sustainable giving plans and to make effective grants.

By connecting communities in need to generous people with a philanthropic agenda, IOHCF can provide strong, sustainable solutions to the issues faced by different communities. IOHCF assists donors to maximise their philanthropic resources by pooling assets to build a permanent endowment of funds. While pooled for investment purposes, the donations remain in each individual sub-fund where they are distributed on recommendation from individual sub-fund holders. The income generated from these investments is channelled back into the community as grants to build social capital and infrastructure.

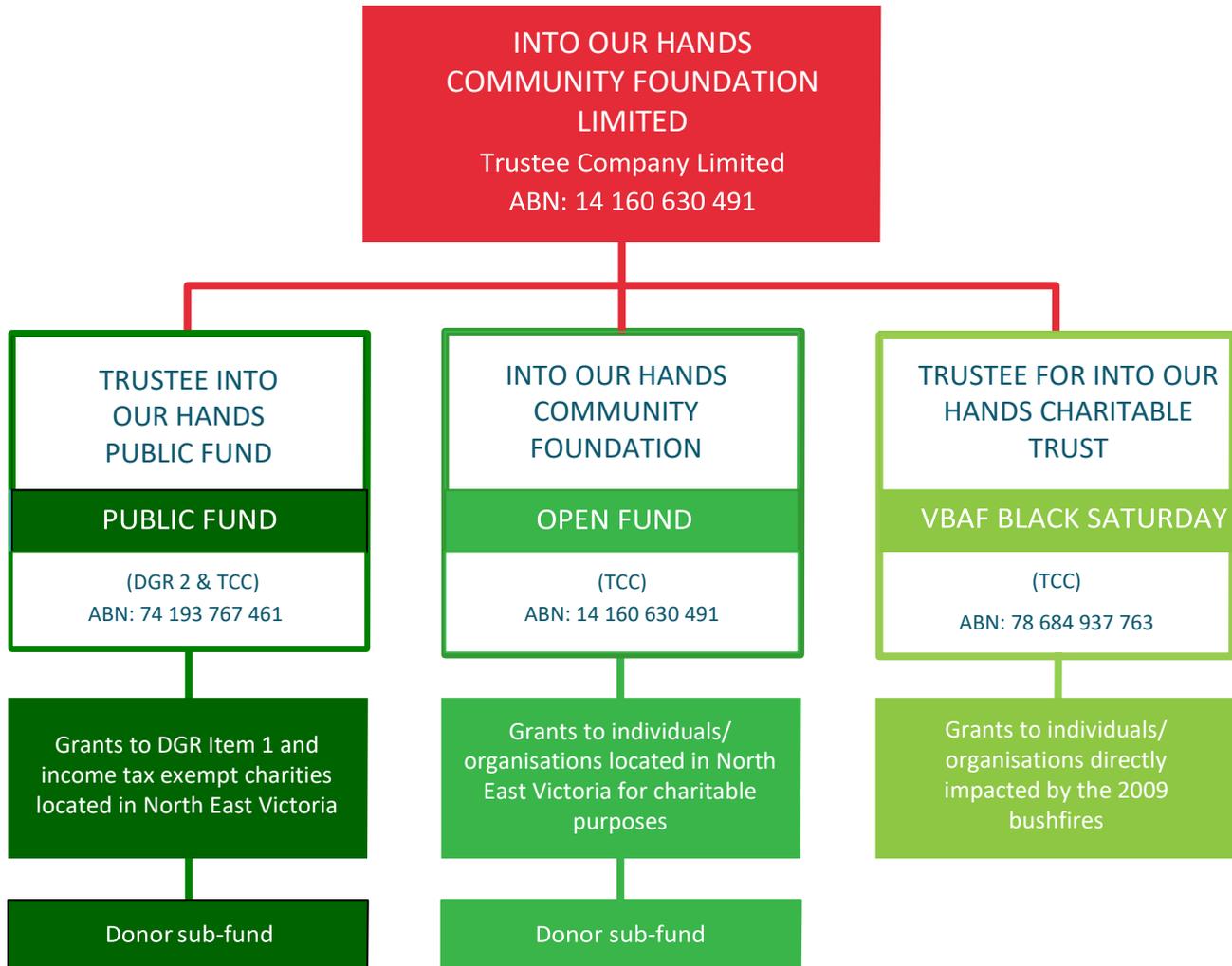
IOHCF is committed to working with donors, communities, grant recipients and other key stakeholders to pursue social, economic and environmental justice.

This manual provides an overview of how IOHCF works and summarises the key policies and procedures that are in place to support donors to effectively undertake philanthropic activities.

For information regarding individual policies, please contact M: 0466 252 866 or
E: info@intoourhandsfoundation.com.au

STRUCTURE

The Trustee of IOHCF is Into Our Hands Community Foundation Ltd, a company limited by guarantee. It is a not-for-profit company that acts as Trustee for three charitable Trust Funds as follows:



DGR: Deductible Gift Recipient Status Item 2

ITEF: Income Tax Exempt Fund

TCC: Tax Concession Charity

GOVERNANCE

ORGANISATIONAL STRUCTURE:



BOARD OF DIRECTORS

The Trustee has a Board of Directors ('Board') who contribute a range of skills and represent a broad cross section of the community. Directors are not remunerated for their services. Amongst other duties, the Trustee must exercise discretion as to investment and grant making and this means it must formally approve all grants as part of its due diligence and legal responsibility.

EXECUTIVE OFFICER (EO)

The IOHCF's EO is dedicated to the day-to-day management of operations, with expertise in managing donor relationships, coordinating grant making requirements, financial management, administration and communications.

LEGAL AND OPERATIONAL OVERVIEW

INVESTMENTS

All decisions relating to investments are the legal responsibility of the Trustee and subsequently, the Board. Funds are held as capital and invested according to the powers and requirements set out in the company constitution and investment policy. The IOHCF Board, is responsible for the overall investment policy and approach.

DONATIONS TO IOHCF

All assets donated to IOHCF form part of the Trust Funds of Into Our Hands Community Foundation and do not become a separate, legal fund. They are irrevocable gifts and become the property of IOHCF. The Trustee carries the legal responsibility to ensure that

funds are used for charitable purposes.

In most cases, donations to IOHCF are eligible for a taxation deduction via the Australian Taxation Office.

A tax deduction can only be given for an unconditional gift made to the IOHCF Public Fund.

When accepting donations for attribution to a sub-fund (for example, when fundraising), receipts must be issued in the name of Into Our Hands Community Foundation and include the correct ABN. IOHCF donors can then request that these donations be assigned to a sub-fund.

Sub-funds are not stand-alone entities and the consequences of any sub-funds being treated as a separate fund by the ATO is that tax deductibility for donations to that sub-fund will not be available. For example, a sub-fund with a website that excludes IOHCF's logo and does not state that it is a sub-fund of Into Our Hands Community Foundation is not compliant. In addition, sub-fund websites that imply the sub-fund is a charity in its own right are not compliant. Donors can contribute assets to a sub-fund at any time. Further detail on the range of assets that can be donated to an IOHCF sub-fund is provided in the section titled How To Make Donations.

IOHCF DISTRIBUTION REQUIREMENTS

Under the trust deeds of the three Funds, the Trustee can distribute both income and capital. The Trustee is obliged to grant a minimum of 4% per annum of capital across both the public and open funds, based on total net assets at the end of the previous financial year. This is calculated at the consolidated trust fund level.

This requirement provides flexibility for individual sub-funds to grant more than 4% of capital in a year or alternatively, to accumulate capital without making grants in any particular year.

As a matter of course, IOHCF aims to distribute more than 4% of capital overall each year. However, if in any given year this was not the case, the Board may require sub-funds which have not made any distributions that year to make a grant in order to achieve the mandatory requirement.

FEES

Sub-fund fees are set by the IOHCF Board and aim to strike a balance between IOHCF's commitment to accessible and cost-effective philanthropy and to ensuring the ongoing sustainability of the organisation.

To assist with the ongoing costs, IOHCF charges the following fees:

Establishment Fee

At the discretion of IOHCF, the Executive Officer may charge a set-up fee of approximately \$200 for flow-through sub-funds.

Donor Administration & Support Fee

This fee covers costs such as compliance, finance, grant-making, donor education, governance, office administration and overheads. IOHCF determines fees based on the level of administration the sub-fund requires.

Flow-through funds

To determine fees, the IOHCF Board considers the number of transactions expected each year and the value expected to 'flow-through' the fund in grants or donation. For example, over 10 transactions per year would be considered a higher fee than 1-2 transactions per year.

This is worked out on a case by case basis, allowing IOHCF to work with the partner organisations to meet their needs while still covering our costs to support the sub-fund. The fees quoted are based on the following rules/ assessments:

- Consideration of the fund value/ does the partner want to retain income?
- Does the fund require governance and admin support or a grant making process attached?
- Number of transactions/ grants:
 - 1-5 transactions per year 5% per transaction
 - 5-10 transactions per year up to 7% of fund value
 - 20+ transactions by negotiation and in light of fund value.
 - Large donations partnerships- by negotiation

As a rule, flow-through funds attract higher funds due to the short-term nature the funds are held and bookkeeping and compliance requirements. Fees for flow-through funds are estimated on sub-fund set-up and communicated to the donor. For example,

Endowed Funds

IOHCF has a tiered fee structure for endowed sub-funds. This is calculated monthly and can be viewed in your annual donor statement upon request.

BALANCE	FEE
Assets up to \$500,000	2.2%
Next \$500,000 - \$1M	2.0%
Next \$1M - \$2.5M	1.5%
Assets over \$2.5M	1.0%

Investment Management Fee

This fee covers costs such as external investment management, unit pricing and registry services.

IOHCF pays an annual investment management fee to a fund's manager appointed by the IOCHF Board. Brokerage and fund fees are charged as they are incurred. The fund's manager does not retain any part of the brokerage fees

Additional Fees

Sub-funds that require additional administration support for activities such as grant making, research, flow-through grant making, or fundraising may incur additional fees.

IOHCF negotiates additional charges on a case-by- case basis with the sub-fund owner before any work is undertaken.

CONSULTING SERVICE

Donors who require detailed analysis and research regarding grant making areas, causes or other philanthropic-based investigations may engage IOHCF's Philanthropy Consulting Service. Work performed by the Consulting Service attracts fees in excess of the standard fees.

BECOMING AN IOHCF DONOR

There are four ways to become part of IOHCF's community of donors:

1. Make a donation to the IOHCF Public Fund

The Public Fund makes grants which supports the community within the North East Victoria.

2. Make a donation to the IOHCF Open Fund

Grants to individuals/ organisations located in North East Victoria for charitable purposes

3. Make a donation to an existing IOHCF sub-fund

Please contact the Executive Officer for current sub-funds.

4. Establish a named sub-fund

A named sub-fund can be established in the IOHCF's Public or Open Funds.

Into Our Hands Community Public Fund

This is a public ancillary fund endorsed as an Item 2 Deductible Gift Recipient (DGR), and an Income Tax Exempt Fund. Individuals can claim a tax deduction for their donations. Companies' workplace giving contributions are placed in this fund, which enables an automatic tax deduction to be provided to employees. All grants from the Fund must be made to Item 1 DGR charities and income tax exempt charities located in North East Victoria.

Trustee for Into Our Hands Charitable Trust (VBAF Black Saturday Fund)

IOHCF is not accepting any donations into this fund. Grants from this fund may only be made to organisations and individuals for charitable purposes (rather than only to organisations which are Item 1 DGRs) in North East Victoria who were directly impacted by the 2009 bushfires.

Into Our Hands Community Foundation Open Fund

This Fund is endorsed as a Tax Concession Charity (TCC). Donations into the Fund are not tax deductible. Types of donations applied to this fund are bequests, fundraising and sponsorships where a tax deduction is not sought. Grants from this fund may only be made to organisations and individuals for charitable purposes (rather than only to organisations which are Item 1 DGRs) in North East Victoria

Further Information

Further information regarding IOHCF's three trust funds and sub-funds and the ATO's eligibility criteria is available on IOHCF's website.

Leave a Bequest

Donors can leave a bequest to IOHCF in their Will. There are several options available to facilitate this. To find out more about the benefits a bequest or legacy gift, investigate the other options for leaving a bequest or for suggested bequest wording, please contact the Executive Officer.

NAMED SUB-FUNDS

IOHCF may establish management accounts named for a cause or after a donor. These are referred to as sub-funds and form part of the trust fund in the IOHCF Public Fund, VBAF Black Saturday Fund or Open Fund.

They operate as internal structures for the purpose of tracking donations and grants. Sub-funds are established at the discretion of the Trustee. Whilst they can be named by the donor, for legal reasons the name must not include the words 'foundation' or 'trust'.

A sub-fund is not a separate legal entity and money in each sub-fund is not separate to other money in the trust fund. All donations are pooled together for investment purposes and the income generated from the investments is distributed to charitable organisations and projects, as decided by the Trustee.

IOHCF works with its donors and accepts grant requests from sub-funds which need to be approved by the Board for distribution. The Trustee must approve all grants as part of its due diligence and formal responsibility. This gives the donor the confidence of knowing that the grant making is both effective and compliant.

ESTABLISHING A SUB-FUND

1. Establishing a sub-fund with IOHCF is a simple process involving the following steps:
2. Donor advises IOHCF of their intent to establish a sub-fund and discusses their philanthropic interests with IOHCF.
3. In consultation with IOHCF, donor selects which IOHCF Fund and investment option best suits the intention of the sub-fund.
4. Donor discusses with IOHCF whether they intend to establish an advisory committee and if so, IOHCF facilitates this process.
5. Donor completes the Establishment Form and returns it to IOHCF.

6. Donor makes an initial investment via the online donation's portal. The minimum amount to establish a sub-fund is \$10,000. Please note there is an expectation that the sub-fund will grow to \$100,000 over time through on-going donations or bequests. An electronic receipt will be automatically provided. Fund holders may take 12 months to establish the minimum \$10,000.

Once the establishment form is received, the application is processed and approved within 48 hours of the initial donation being made.

A welcome pack is then sent to the primary sub-fund holder confirming establishment and detailing the resources available to help progress the process of giving with IOHCF.

MANAGING A SUB-FUND

MAKING DONATIONS INTO A SUB-FUND

IOHCF has a Gift Acceptance Policy which outlines the types of gifts that can be accepted and the circumstances under which a particular gift may not be accepted. The Gift Acceptance Policy includes gifts such as cash, property, trading stock and equities. To view the Gift Acceptance Policy, please refer to the IOHCF website. No direction can be given by the donor as to the management of shares or trading stock that is gifted. Shares may be sold or retained as part of IOHCF's investment portfolio.

TRADING STOCK

A receipt will be issued for the market value of the stock on the day of transfer. This gift type covers the trading stock of a business.

SHARES

A receipt will be issued when:

- Shares are in a listed public company.
- The shares are listed for quotation on the official list of an approved Australian stock exchange.
- The shares were acquired 12 months or more before they were donated.
- The market value of the shares was \$5,000 or less on the day they were donated.

In addition, if a tax deduction is to be claimed on the gift, the ATO has rules about the type of gifts that are tax deductible and how much may be claimed.

Particular rules apply to gifts of property, trading stock and shares. Information regarding the rules surrounding tax deductibility of gifts is available via the ATO website:

<https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Other-deductions/Gifts-and-donations/>

HOW TO MAKE DONATIONS

The IOHCF donations portal accepts donations through direct debit (one-time or recurring) or credit card (one-time or recurring). In addition, cheques may be received directly by IOHCF.

RETURNING DONATIONS

Donations will not be returned to a donor, except in exceptional circumstances where a proven error has been made. In legal terms, a donation to IOHCF is a charitable gift for which a tax-deductible receipt is issued. Once the gift has been made and a receipt issued, the gift is the property of IOHCF and not the donor.

It is recognised that on occasion a donation is made in error and IOHCF endeavours to accommodate these refund requests in accordance with the IOHCF Request for Return of Donations policy. The policy states that if a donation has been made in error, the donor must request its return within four weeks and must co-sign a letter with IOHCF confirming that the receipt issued by IOHCF for the donation has been cancelled.

Further information on the circumstances under which the return of a donation can be requested, and the procedure for doing this, is contained in the IOHCF Return of Donations policy (available on the IOHCF website).

MARKETING A SUB-FUND

Donors are permitted to market sub-funds for fundraising or other purposes.

In summary the requirements for marketing and communications material are as follows:

- Receive approval from IOHCF in advance of publication, release or launch.
- Clearly state that the sub-fund is part of the IOHCF Trust fund - this is a legal requirement, and if not adhered to, donations to the sub-fund may not be tax deductible
- Include IOHCF's logo on all published material including websites
- Must not be misleading as to the control or activities of the sub-fund.

FUNDRAISING

Donors may wish to grow a sub-fund by fundraising from family, friends and the broader public. This activity is welcomed by the Trustee, but care must be taken to comply with various laws and to ensure the public are not misled as to the entity or cause they are supporting.

Donors must submit the request to IOHCF. IOHCF will review the request and confirm approval to proceed with fundraising activities.

Note, if it is expected that the money raised from a fundraising activity will exceed \$10,000 a separate registration will need to be obtained from the relevant State authority. This is the donor's responsibility.

IOHCF does not encourage sub-funds raising additional funds through a grant from other trusts or foundations.

Sub-funds do not have the power to bind IOHCF in any manner whatsoever, therefore, if a donor is considering obtaining a grant, IOHCF must be contacted. The Executive Officer can provide further information regarding fundraising.

PAYMENT OF SUB-FUND EXPENSES

Donors who undertake their own marketing or grants research activities may incur expenses they would like to cover using funds from the sub-fund.

IOHCF may agree to pay for reasonable administration expenses relating to these activities, subject to prior approval. Reasonable administration expenses cannot exceed 10% of the sub-fund corpus. IOHCF will attribute these expenses to the sub-fund and will be reimbursed (net of GST) from sub-funds by an inter-fund transfer.

IOHCF will pay reasonable administration expenses for a maximum of five invoices per year, on the basis that:

- Approval is sought for both the activity and the amount in advance.
- An invoice with an ABN is submitted for payment by IOHCF.

MAKING GRANTS FROM A SUB-FUND

Donors (primary sub-fund holders) wanting to make a grant from a sub-fund, must complete a Grant Distribution Request form which is available upon request to the Executive Officer. The decision to provide grants remains the discretion of the Trustee. Grant requests are considered and approved by the IOHCF Board, which has delegated authority from the Board (Trustee).

Sub-fund holders and advisory committees should not confirm and publicise a funding request or commitment until it has been approved by IOHCF.

IOHCF meets every six-weeks to consider grant requests. Please contact the Executive Officer for a meeting calendar of the IOHCF Board.

Relevant requirements regarding grant making include:

- IOHCF has a minimum grant size of \$500.
- Donor requests for distribution forms must be received 1 weeks before the next Board of Director's meeting in order to provide adequate time to undertake due diligence requirements. Any requests that miss the deadline will be held over for presentation at the following Board of Director's meeting.
- If a donor wishes to request a grant be made to an organisation, but is unsure if the organisation has the correct tax status, contact should be made with the IOHCF Grants Officer to clarify before advising the organisation that a grant has been recommended.
- A minimum of \$20,000 must be retained in the sub-fund at all times. At its discretion, IOHCF may decide not to approve a grant request if it takes the sub-fund account balance below this threshold, unless the grant is associated with closing the sub-fund.

GRANTMAKING SUPPORT FOR IOHCF DONORS

IOHCF provides support and expertise to donors to assist with all aspects of grant making. Whilst some donors are clear about the organisations and projects they wish to support, others may wish to access the online Funding Request Directory which contains applications from community organisations requiring funding; or to seek the assistance of the IOHCF Executive Officer.

SUB-FUND ADVISORY COMMITTEES

Sub-fund holders may establish advisory committees to work with them on all aspects of a sub-fund's operation, from establishing grant making guidelines, encouraging donations, through to identifying, assessing and choosing grant opportunities for recommendation to the IOHCF Board.

IOHCF works with donors to guide and assist them in this process and committees must consult with the IOHCF grants team if they are going to run any grant making application process.

A grants process run through a sub-fund advisory committee is not final, and grants are not committed until they go through the IOHCF Board. Grants can only be recommended for approval by advisory committees.

An advisory committee is not required to be incorporated, have a trust deed or act as a formal board. They are not separate legal entities and only make recommendations to the Board. Professional indemnity insurance is not required and committee members are not covered by IOHCF insurance.

SUB-FUND INACTIVITY

A sub-fund is considered to be inactive if the donor cannot be contacted and there has been no grant recommendation or gifts received into the sub-fund for a period of two consecutive years. In these situations, the IOHCF Board may decide to close the fund and transfer the assets to the IOHCF Public Fund, to another sub-fund, or to a charitable organisation in line with the sub-fund's area of interest.

SUCCESSION PLANS FOR A SUB-FUND

There are several ways a sub-fund can continue to give once the founding donor is no longer involved (for example, after death, through incapacity or upon resignation as a sub fund contact).

Donors are encouraged to document their wishes in a statement kept on file at IOHCF. A statement of wishes can be updated at any time. A statement of wishes template can be provided on request.

Options can include:

- IOHCF discontinues the named sub-fund and transfers the assets to the IOHCF Public Fund.
- The donor appoints a successor sub-fund advisor/s who becomes the sub-fund contact and makes grant recommendations.
- IOHCF continues to make grants from the sub-fund in line with the founding donor's interests and preferences.
- Where there is an Advisory Committee in place, it continues to recommend grants, and a replacement sub-fund contact is appointed.

In order for a sub-fund to continue once the founding donor is no longer able to be involved, it must operate in line with IOHCF's succession guidelines. To continue operating a sub-fund must retain a balance of no less than \$100,000. The IOHCF Board has the discretion in relation to these matters and sub-fund minimums can be discussed with the Executive Officer.

CLOSING A SUB-FUND

A donor wishing to close a sub-fund and grant out the assets must request this in writing, for consideration and approval by the Board. Where no recommendation for disbursement of assets is made, or at the discretion of the Board, assets may be transferred to the IOHCF Public Fund, or granted to eligible charitable organisations.

A review of sub-funds is conducted every year and sub-funds may also be closed at the discretion of the Board, as outlined in the Sub-fund inactivity section above, or if the balance is below the minimum level of \$10,000 for more than six months.

PORTABILITY OF SUB-FUNDS

The most recent amendments to the Public Ancillary Fund Guidelines in 2011 included a "portability" entitlement for the first time. This states that with the agreement of the Taxation Commissioner, a public ancillary fund may transfer assets to another ancillary fund if:

- it transfers all of its net assets to the ancillary fund (or if the public ancillary fund had sub-funds, it transfers all of the net assets of the sub-fund to that ancillary fund); and

- it has already complied with guidelines relating to distributing four per cent of the value of the fund's net assets (as at the end of the previous financial year) for that financial year.
- the net assets have not previously been transferred to another ancillary fund during the previous two financial years.

Therefore, a sub-fund of IOHCF could transfer its assets to another Public or Private Ancillary Fund. However, to do this would require IOHCF to first approve the request and then make a request for the transfer to the ATO.

The IOHCF Sub-fund Establishment, Portability and Closure Policy outlines the conditions that must be met before a transfer would be approved.

Portability of sub-funds remains a decision of the Trustee and our internal process must be followed. As this involves a considerable amount of administration, including liaison with the ATO, the process can take up to 24 months, depending on the sub-fund balance. Further information, including timeframes for transfer, is contained in the IOHCF Sub-fund Establishment, Portability and Closure Policy (available on the IOHCF website).

DONOR SERVICES

IOHCF is committed to supporting donors to achieve their philanthropic goals and to make informed decisions to achieve meaningful impact with their grants. The IOHCF offer a range of services and programs that can provide this support and advice.

DONOR RELATIONSHIP MANAGEMENT

IOHCF builds a relationship with donors and actively engages with their philanthropic pursuits.

Each year, IOHCF's donors are offered an annual review of their sub-fund. This review ensures that IOHCF keeps abreast of each donor's charitable giving plan. At the review, there is discussion of what the sub-fund has achieved and plans for the future. This includes issues that donors may want to support, growing the sub-fund and succession planning.

Donors should contact the Executive Officer if at any stage they wish to initiate an annual review.

DONOR COMMUNICATION

IOHCF provides a range of communication and reporting tools designed to keep donors informed about their sub-fund, IOHCF activities and to provide opportunities for donor feedback.

General donor communication includes:

- Annual Report.
- Annual sub-fund statement.
- Regular electronic newsletters.
- Social media including Facebook, Twitter and LinkedIn.

FUNDED PROJECTS REPORTS

A project report, including a statement of expenses, is required to acquit all grants over \$5,000. Requests for grants to organisations which have not provided project reports for previous grants will not be tabled for approval at the Board meeting, until the reporting requirements are met. IOHCF does not conduct grant reporting administration for grants under \$5,000.

GLOSSARY

Charitable purpose

Has a special legal meaning, developed over years by courts and parliament. The law recognises charitable purposes that include: relieving poverty, sickness or the needs of the aged, advancing education, advancing religion, and other purposes beneficial to the community (which are outlined in the Charities Act 2013).

Deductible Gift Recipient (DGR)

A deductible gift recipient as endorsed by the ATO. This means the entity can receive tax deductible gifts. A DGR can be classified as either an Item 1 DGR or an Item 2 DGR.

- Item 1 DGR is also known informally as a ‘doing’ organisation. Most DGRs fall in to this category, and include public benevolent institutions, universities, environmental organisations, cultural organisations and many others.
- Item 2 DGR is also known informally as a “giving” DGR. This includes organisations which are private or public ancillary funds and exist only for the purpose of providing donations to Item 1 DGRs.

Donation

This refers to gifts of cash, property, shares, etc. made to IOHCF generally or in to one of the sub-funds.

Flow-through Grant making

A process whereby sub-funds are established with the intention being to grant out the corpus in a relatively short timeframe, such as 12 to 18 months.

Grant

The distributions made from one of the IOHCF sub-funds to an eligible organisation/individual.

Grant Request

The request or recommendation made by a sub-fund holder to IOHCF about where they want a grant to go. Requests are considered by the IOHCF’s Board.

Not-for-profit Sub-fund

Not-for-profit sub-funds, are funds established by a not-for-profit organisation. The not-for-profit needs to have full DGR Status and be registered with the Australian Charities and Not-for-profits Commission (ACNC).

They can only grant back to themselves and they are limited to one grant per annum – hence they have a lower fee.

Once a not-for-profit sub-fund reaches a balance of \$1 million, the fee will follow the arrangements described for sub-funds.

Public Ancillary Fund

A form of ancillary trust fund designed to encourage philanthropy by providing the public with flexibility to support a wide range of Deductible Gift Recipients. The underlying concept of public funds is that the public are able and invited to contribute and the fund is operated in a public manner for public interest.

Sub-fund Holder

A sub-fund holder is the person/s who established the sub-fund and is generally the primary contact for it. Sub-fund owners are also known as donors, although donors can include any person who makes a donation to IOHCF or to a specific sub-fund.

Tax Concession Charity (TCC)

A tax concession charity as endorsed by the ATO. This means the entity is exempt from income tax, eligible for GST concessions and refunds on franking credits.