



**INTO OUR
HANDS**
COMMUNITY FOUNDATION



Policy - Sub-Fund establishment, portability and closure

Introduction

Into Our Hands Community Foundation (the Foundation) is an independent grant-making and philanthropic foundation established to support projects that enhance community strength, cohesiveness and wellbeing in northeast Victoria. The Foundation was established in 2012 to continue the community recovery process after the 2009 Black Saturday bushfires.

The Foundation has since established broad public benefit charitable funds that allow for broader grant making in initiatives that build community capacity, resilience and sustainability within our communities. A skills-based Board of Directors governs the Foundation, offering a diverse range of expertise, experience and local knowledge across the region. All board members have a strong affiliation or connection to the local community. The Foundation's structure and legal status allows fundraising and enables donors to contribute to the Foundation's pooled funds or to establish and build individual sub-funds that can support the overall grantmaking capacity and objectives of the Foundation.

Purpose

The purpose of this policy is to ensure that there is clarity for donors about sub-fund account establishment, portability and closure. This policy will ensure consistency in the way this occurs.

This document is for our stakeholders and sets the Foundation's policy for establishing and closing sub-funds and for moving funds between sub-funds. Policy Establishment of Sub-funds

Policy

Establishment of Sub-funds

When approving new sub-funds, the Foundation's Board must be confident that potential donors understand

- The legal status of the sub-fund they are establishing. i.e. that the sub-fund is not a separate legal entity but is a management account within the overall Foundation Fund, and the rights and obligations this imposes on the donor and Foundation Board
- That the purpose of the sub-fund supports Foundation's vision and values
- That the donations have an ethical source which will not damage Foundation's reputation

A minimum donation of \$10,000 is required to establish a sub-fund with Foundation, and the donor must have the capacity to build the sub-fund to \$100,000 over time, through ongoing donations or bequests. Fund holders may take 12 months to establish the minimum \$10,000

Portability of Sub-funds

Into Our Hands is committed to supporting its donors to realise their philanthropic goals. However, from time to time sub-fund owners may request a transfer of their sub-fund to another Public Ancillary Fund (PuAF) or Private Ancillary Fund (PAF), as is now permitted under the portability clause of the 2011 PuAF guidelines.

Under the relevant government guidelines, the Board can only approve portability if:

- the transfer is of all the assets or all assets of a specific sub-fund
- the distribution minimum requirements attributed to that sub-fund for that financial year have already been met
- the assets attributed to that sub-fund have not been previously transferred during the last two financial years

All requests for transfer of sub-funds must be made in writing to the Foundation Board. If agreed by the Board, the Commissioner for Taxation must then approve the transfer.

The Board will consider all requests for transfer against the conditions outlined below and in the context of the Public Funds we manage and the risk to the Foundation. However, the Board reserves the right to refuse the transfer of a fund of any size, if it considers that the proposed transfer may impact negatively on the ongoing organisational viability of the Foundation.

This consideration includes taking into consideration whether the proposed transfer may impact Foundation's ability to meet its 4% distribution obligation against the corpus.

The Board will only agree to transfer a sub-fund if the Ancillary Fund to which it is being transferred is:

- Properly established
- Compliant with the Australian Taxation Office (ATO) and Australian Charities and Not-for-Profits Commission (ACNC) requirements
- Willing to receive the transfer

If the recipient fund is a Private Ancillary Fund, it must be larger than \$1million when all funds are transferred

If the recipient fund is a Public Ancillary Fund, it must be larger than \$500,000 when all funds are transferred. If the recipient fund is a Public Ancillary Fund, the decision to approve the transfer will also be based on its perceived viability and ability to fundraise, assessed against a set of sustainability criteria. PuAF sustainability criteria

- catchment/potential donor base-geographic or issue-based
- funds development strategy and diversity/stability of income
- organisational/operational and governance elements-structure, capacity, operating cost, governance/leadership
- longevity
- alignment of the mission with resources and goals for growth.

The Board must disburse at least 4% of sub-fund assets, in each financial year, from the date of the request to transfer until the transfer is complete. This criterion is a requirement of the PuAF Guidelines.

The timeframe for Board decision, from the time of receipt of donor request to transfer out is dependent on the size of the Sub-fund. This timeframe ensures that any impact on organisational viability and functioning from the loss of corpus is minimised

The timeframe for transfers, including ATO approval, is as follows:

\$20,000-\$500,000	6 months
\$500,000-\$1m	12 months
\$1m-\$2.5m	18 months
>\$2.5m	24 months

A portability fee will be charged to the sub-fund to account for increased administration to allow for portability. This is based on staff time and resources to process a transfer.

Closure of Sub-funds

From time to time, the Board may determine to close sub-funds for reasons including:

- donor request to close sub-fund and grant out the balance
- sub-fund inactivity over a 2-year period
- sub-fund balance below the minimum level of \$20,000 for more than six months, without donor commitment to increase level within the specified time.

A review of every sub-fund will be conducted at least once every second financial year to determine fund activity and compliance with requirements.

Recommendations for sub-fund account closures will be considered by the Board for approval. Where the proposed closure relates to 'granting out', the Board will be advised as a matter of course.

1. In situations where a donor requests a sub-fund account to be closed, the donor may request that the remaining funds be distributed to:

- an eligible charitable organisation
- another Foundation sub-fund
- be ported to a PAF or PuAF

If the donor makes no such request, the Board may determine that the remaining funds be transferred to another Foundation Fund. Under any of the above options if there is a small balance remaining after the final grant is made this will be transferred to another Foundation Fund, and the donor will be advised.

2. When sub-funds are closed due to inactivity after all attempts have been made to contact the Donor the Board may decide to transfer the remaining funds to another Foundation Fund or distribute them to a charitable organisation in line with the sub-fund's area of interest.

3. It is unlikely that a sub-fund would be closed due to insufficient funds as a grant request will not be approved if it takes the sub-fund balance below \$20,000. Instead, the donor must be contacted to seek agreement on a plan of action to bring the fund back above \$20,000 within six months.

If the donor does not agree, the Board may determine that the remaining funds be transferred to another Foundation Fund.

Funds in the closed sub-fund cannot be returned to the donor under any circumstance.

A closure fee may be retained by Foundation to cover administrative expenses involved with closure.