

Philanthropy How to Guide: Professional Advisers



Supported by



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Australian Communities Foundation (ACF) is a not-for-profit organisation that assists charities, corporations, individuals, and families to establish flexible giving solutions. By using ACF's trust structures and expertise, donors can make tax-effective, targeted grants to support causes and communities they care about.

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1. Introduction

Financial advisers, lawyers, accountants and bankers play a key role in growing Australian philanthropy. The most effective way of doing this is by proactively talking about giving with their clients. The benefits in doing so are profound. Advisers can build trust and rapport with their clients, donors can become more effective in their philanthropy and support for charitable organisations will grow, ensuring safer, healthier and better communities.

Some professional advisers perceive talking about philanthropy as “too hard and complex” or “outside their expertise” and some believe their clients need to be millionaires in order to donate. In a recent survey of more than 260 advisers, conducted by the Australian Centre for Philanthropy and Nonprofit Studies at Queensland University of Technology, less than 10% reported discussing philanthropy with their clients. In addition to this, less than 5% felt that they were well informed about providing philanthropic assistance.

This Philanthropy “How To Guide” seeks to dispel some of the myths and concerns surrounding philanthropic giving. It provides a useful starting point and reference for those advisers who are integrating philanthropy into their practice and explores some of the key motivations that typically drive donors to give. By understanding and identifying the reasons why their clients give, advisers are better placed to alert them to the options available in supporting charities.

The Guide outlines some common triggers behind client decisions to financially support charities. Being trigger aware, enables advisers to identify when their clients might have reason to give - be it a liquidation event or change in personal circumstances.

Finally, the Guide explores the many ways clients can support a charity and achieve their philanthropic goals. It outlines direct and structured giving options and explores the role advisers can play in managing their client’s philanthropic affairs in the future. The Guide also includes a range of useful resources to support advisers and clients alike to achieve their charitable goals.

Philanthropy Australia and Philanthropy New Zealand are currently developing an accreditation program for professional advisers on philanthropy and impact investing. A range of workshops and webinars will be available initially for professional advisers. Information will be available on the Philanthropy Australia website in due course.

“With inter-generational transfer of significant wealth being a major and growing issue for many client families, we are finding more and more discussions with clients touching on giving back something to society.

The taxation benefits of making sizable donations, as part of a comprehensive financial planning process, can be quite pronounced when timed with significant life events such as retirement or upon the sale of major assets or businesses.

Through either a Private Ancillary Fund (PAF) or a sub-fund within a community foundation, we are also seeing many clients appreciating the concept of giving in a perpetual structure to promote such an ethos in the following generations.”

Tim James, Financial Adviser



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Australian Communities Foundation is Australia's largest independent community of philanthropists.

We help your clients achieve their philanthropic goals by offering a way to establish charitable funds for planned giving.

We make smart giving easy.

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Call 03 9412 0412 or email comms@communityfoundation.org.au to receive your FREE copy of the 2016 Professional Advisers' Philanthropy Guide.

 **AUSTRALIAN COMMUNITIES FOUNDATION**

2. Philanthropy in Australia

Written by Dr. Wendy Scaife, Associate Professor, Director, The Australian Centre for Philanthropy and Nonprofit Studies, QUT Business School, Queensland University of Technology.

The story of Australian philanthropy has ancient roots, is often influenced by towering individuals and everyday Aussies alike, molded by rare and significant policy moments, and continues to be written.

The practice of giving on this continent is eons old. The rich traditions of the indigenous Aboriginal and Torres Strait Islanders honour reciprocity and relationships with ancestral lands, nature and clan, and the assumption that wealth is distributed.

Eighteenth century colonisation as a penal settlement heralded a more British style of charity that established Australia's current nonprofit legal foundations and an enduring philosophy of the government as the main provider. This history contrasts with the United States, which eschewed its British heritage in favour of Abraham Lincoln's 'of the people, by the people, for the people' approach. Some believe this ethos, that community rather than government is responsible for meeting needs, explains the perceived stronger culture of giving in the United States compared with countries like Australia or the United Kingdom.

Certainly in nineteenth century Australia, a government presence is evident through subsidy of some of the considerable charity and social work performed by faith-based organisations, including The New South Wales Society for Promoting Christian Knowledge and Benevolence - Australia's oldest remaining charity, formed in 1813. England and many of its other colonies were seeing the rise of charities and the merchant/industrialist class as benefactors of community need. Australia too, later in this era and early in the twentieth century saw the advent of substantial philanthropy from some of those who had amassed their fortunes in the new colony from goldmining and other enterprises. Prominent citizens often prompted by their 'good wives', led the campaigns to build schools, hospitals and orphanages, and establish ambulance services in this inhospitable land of dangerous snakes, spiders and tempestuous weather events. Board service was a common elite contribution and sometimes governments provided matched incentives to develop education or health services for the growing populace.

The 1880s saw the start of the Trustee Company movement in Australia where the charitable endowments and estate wishes of affluent citizens were managed, sometimes multi-generationally.

Some of the early philanthropists' actions were visionary and cast a long shadow. Examples include South Australia's still active Wyatt Benevolent Institution formed in 1881 by Dr. William Wyatt, thought to be the nation's oldest philanthropic foundation. Notable too was the advocacy and legacy of flamboyant, confectionery tycoon Sir MacPherson Robertson. He role-modelled large scale giving for affluent citizens, sometimes in 'forward thinking' areas like setting up a girls' high school. Significantly, this entrepreneurial man behind iconic product names Freddo Frogs, Columbines and Cherry Ripe also sweetened the act of giving. He influenced the government in Victoria to foster giving through tax incentives whereby death duties were deductible if people established a charitable foundation in their will.

Such was the uptake of this notion enshrined in the Victorian Probate Act of 1907 that the weight of Australia's philanthropy become largely housed in Victoria and directed internally there, from its preponderance of Australia's charitable foundations.

The Boer War of 1899 – 1902 and the Great War of 1914 – 1918 engaged a different level of community philanthropy. Patriotic Funds saw townships rally as givers. Post-WWI, committees of returned soldiers, sailors and airmen banded together to raise funds for often tax deductible war memorial projects.

By the 1930s, some sense of the sheer impact of individual philanthropic foundations was evident. An oft-cited example is the Sidney Myer Fund established in 1934 upon the death of this community-minded and beloved retailer. The £150,000 gift (more than \$10 million dollars in today's terms) has translated to programs and projects across Australia as the accumulated interest, further family contributions and fourth generation thinking multiply the original impact.

As in giving across the world, religion has also played its part. At the community level, weekly 'two bob in the plate' giving to support Churches was the forerunner of today's regular giving whereby a set amount is donated weekly from the pay-packet or monthly via credit card or bank account debit. In the 1950s, the US-based Wells Organisation brought the concept of Church fundraising into Australia and small and larger scale giving was being generated for missionary services, and building funds. Post WWII, the growth of a well-to-do middle class enabled large direct mail campaigns that continue to fund many causes today. Meantime, the government assumed an even stronger role in social welfare supporting the work of charities and the concept of endowed charitable foundations continued to grow. Examples of the power of endowment funds include the Ramiciotti Foundation set up in 1970 with \$6.7M, which has since given away \$56M and continues to be a major contributor to biomedical science.

The 1970s ushered in the formation of Philanthropy Australia's precursor, the Australian Association of Philanthropy, the continued growth of corporate foundations like the Utah Foundation and also Australia's first community foundation, the Melbourne Community Foundation (now Australian Communities Foundation) formed under the auspices of a bank, with two other states following soon after. The notion of sub-funds, place-based giving and community foundations accelerated in the late 90s and early in the new Millennium, and corporate foundations also developed alongside the corporate social responsibility trend.

Around this time too, the Howard Government established the Prime Minister's Business and Community Partnership and announced a policy platform to increase philanthropy. Workplace, cultural and environmental giving incentives emerged along with the Prescribed Private Funds structure (now Public Ancillary Funds) in 2001.

More recently, the last decade has seen the advent of various forms of collective giving, most prominent among these giving circles where members join to give a predetermined amount and select what cause their pooled funds will benefit. Calls for more giving structures that broaden the notion of who is a philanthropist are likely to drive the next change in this ongoing story of generosity, which is underscored by the timeless Australian ethos of mateship and helping a stranger.

3. Why your clients give

Understanding your client's motivations

There is much literature and analysis available on the reasons why people support charity, however most people that give are typically motivated by the selflessness of altruism.¹ What we do know is that philanthropy tends to be a personal journey for donors and the more they engage with giving, the greater the outcome and enriching the experience. Some key donor motivations are outlined for you in the table below.

TABLE 1: DONOR MOTIVATION

Motivation	Description	Key signs
Passion	In the 2005 Giving Australia Report, passion or “affirmation of identity” was recorded as the strongest ‘reason’ donors give. Typically, donors will support those causes they <i>identify with</i> and are committed to in a meaningful and material way.	Client may volunteer to a specific charity Social engagement Personal engagement or commitment (E.g. Have an art collection).
Legacy	Desire to continue the family name or perpetuate a particular cause or passion.	No direct beneficiaries from an individual’s estate.
Responsibility of wealth	Increasingly HNWI’s are using philanthropy as an effective intergenerational wealth transfer tool and engage future generations in charity.	Estate planning Significant amount of wealth to be transferred to future generations.
Religion	Religious beliefs are often supported with regular financial gifts. The concept of ‘tithing’ is commonplace amongst all religions. A church is often the beneficiary and carries the responsibility for distributing equitably.	Clients may self-identify their particular beliefs and values.
Duty	Many donors feel a sense of duty or reciprocation for services and/or support that they or family members have received from a hospital and/or alumni of a University/School and/or a not-for-profit organisation.	Commitment to supporting a cause, health research or an organisation.
Community	Desired to strengthen the community/make the world a better place.	Individual who is committed to supporting geographically/regionally.

¹ Giving Australia Report 2005, P 30

Supporting your client's giving

"My client was committed to a number of causes during her lifetime. We discussed her charitable giving. When she undertook her estate planning, the prospect of her foundation continuing in perpetuity – and continuing her name and family's legacy – was incredibly appealing. Despite her passing, I continue to be involved in the management of the foundation's assets and advising the trustee on which charities her foundation supports, in effect continuing her commitment to her community and the causes she cared about."

Jennifer Wilson, Estate Planning Lawyer

Understanding your client's motivation will support you in providing tailored giving advice as well as help your client to be more effective in their philanthropy. For clients who give directly to charity, this may be limited to ensuring donations made to deductible gift recipients are taken into account when finalising taxable income. For clients with capacity and interest in structured giving, advisers can become involved in the ongoing management of the giving structure or foundation.

"I see philanthropy as an effective tax planning strategy for my clients. In the third quarter of each financial year, I will review my client's affairs and discuss the merits of structured giving or supporting a charity. "

Oscar Howard, Private Wealth Manager, Strategic Advice, Commonwealth Private

Where a client decides to structure their giving, advisers should be aware of the roles and responsibilities involved in the ongoing management of a foundation or sub-fund of a public ancillary fund. Please refer to Table 2 for more detail.

TABLE 2: ROLES AND RESPONSIBILITIES OF TRUSTEES

Role of the trustee	Managing a foundation's investments	Making grants to eligible charities
<p>The trustees, or directors of a corporate trustee, are responsible for the ongoing management, administration and compliance of running a charitable trust.</p> <p>This includes ensuring the deed is executed appropriately and necessary tax concessions are obtained from the relevant government bureaucracy.</p> <p>The trustees must also ensure the charitable trust meets its trust and tax law regulatory obligations, including meeting annual reporting requirements and ensuring grants are distributed to eligible charitable beneficiaries.</p> <p>There are a number of entities that can assist with these services. E.g. a licensed trustee company like Australian Executor Trustees Ltd.</p>	<p>Charitable trusts are usually established in perpetuity. Accordingly, donations made to a charitable trust need to be prudently managed to ensure the fund meets its stated investment objectives and mindful of its distribution requirements.</p> <p>An investment adviser needs to be cognizant of the risks posed to charitable investors as well as any tax concessions that are available. Increasingly, trustees are also considering ethical investment and impact investment options, in addition to the traditional asset classes. These considerations should be documented in the charitable trust's investment strategy.</p> <p>Amendments to your client's SoA may also be required.</p>	<p>The main 'reward' your client's receives by structuring their giving is the provision of ongoing and sustainable support for the charitable purposes they care about. Each year, charitable trusts are required to distribute a minimum amount to beneficiaries.</p> <p>Increasingly, donors are becoming more strategic in their approach to giving to charities and depending on the quantum of funds, may wish to seek guidance and support on how they should give, as well as to whom they support.</p>

4. When your clients give

The timing behind a donor's decision to give can be attributed to a multiple of reasons. Typically, smaller value donations are made reactively, often at the request of charity (campaign and/or a disaster appeal) or a friend and/or colleague seeking support on behalf of a charity.

Higher value gifts often require greater consideration on behalf of the donor and consultation with the donor's accountant, lawyer or other advisors to determine when, how and why the timing suits their personal circumstances.

Typically a donor's decision to make a high value gift will be triggered by one or many external factors. When these triggers present, raising the topic of philanthropy can prove to be an effective means of engaging with your client as well as building trust and rapport.

The table below highlights some common triggers behind the decision to give to charity.

Understanding your client's motivation/s can support you in providing tailored giving advice as well assisting your client to be more effective in their philanthropy.

TABLE 3: KEY DONOR TRIGGERS

Trigger	Description	Key signs
Reducing tax payable	Donating to charity is an effective strategy to reduce the amount of tax an individual or business pays, in a manner which fully benefits the community. 100% of the value of donation to an endorsed deductible gift recipient can be claimed against the donor's personal taxable income, and this deduction can also be spread over five years.	High taxable income.
Liquidity event	Donations are typically cash gifts. For donors wanting to make a significant contribution to charity, they require access to the necessary liquid funds.	Sale of a business Significant inheritance Lottery win.
Change in personal circumstances	A change in personal circumstance can often make people consider their affairs. Philanthropy is a great mechanism to memorialise a loved one, or give thanks to an organisation or entity that has supported the family in time of need or personal tragedy.	Marriage or divorce Death in the family Recovery or prognosis of serious illness/injury.

5. How your clients can give

Australians typically give to charity by making a direct gift or establishing a charitable trust.

While there is no right or wrong way to give, understanding your client's options will assist in providing informed and correct advice, especially in the event your client is interested in claiming a deduction for the value of their donation.

"I first took an interest in philanthropy in 1999 after the sale of my interest in a publishing business. I was keen to do something useful with some of my gains but I had no background in this area and little idea of where to start.

I soon learned that setting up my own foundation with the funds I had available was not a realistic option. This was partly due to the legal and administrative requirements that I had no wish to take on, but more importantly there was my own lack of grant-making experience. On the other hand I wanted more involvement than simply sending out cheques to a few well-known charities which had pretty much been the extent of my previous giving.

Fortunately my friends told me about a community foundation and the benefits of establishing a sub-fund which turned out to be ideally suited to my needs....With a community foundation I could make a significant donation immediately (helpful for tax planning) and still be involved in how my funds would be used in future years."

Jim Hart- The Hart Line Fund, Australian Communities Foundation.

The Direct Giving Table on page 12 provides a brief explanation of some of the most common ways people make donations to Australian and overseas aid charities. It also provides a description of *direct giving* and *structured giving* options for your clients depending on their circumstances.

This is not meant to be an exhaustive list nor does it cover all aspects of each type of giving. As always, professional, legal and/ or taxation advice should be sought prior to making any decisions.

Other forms of giving, E.g. property, artwork and shares for example are not covered in this guide. They require specific professional advice.

TABLE 4: DIRECT GIVING

Types of giving	Description	Features	Tax deduction
Donating to individuals or non DGR 1 organisations	Responding to requests from individuals and non-DGR organisations.	<ul style="list-style-type: none"> ▪ Irrevocable gift ▪ Flexible ▪ Generally small amounts. 	No
Ad hoc donations to registered charities, endorsed as DGR Item 1 entities	Responding to requests as and when they arise by registered charities, endorsed by the ATO as an Item 1 DGR.	<ul style="list-style-type: none"> ▪ Irrevocable gift ▪ Usually reacting to a request <ul style="list-style-type: none"> - generally smaller amounts - transactional in nature. 	Yes
Planned giving to registered charities, endorsed as DGR Item 1 entities	Planned giving typically reflects a regular commitment to a charity via direct debit or annual contribution to the organisation.	<ul style="list-style-type: none"> ▪ Regular irrevocable gift to charity or charities via direct debit or payroll/workplace giving program ▪ Donation value tends to be larger. 	Yes
Bequest to charitable organisations or charities, endorsed as DGR Item 1 entities.	A donor will make a gift to charity in their will.	<ul style="list-style-type: none"> ▪ Irrevocable gift from the estate of a deceased ▪ Donation can be a prescribed amount or % of an estate ▪ Gift must be stipulated in the will of the donor. 	No

TABLE 5: STRUCTURED GIVING**TABLE 5.1. Sub-fund with a non-profit community foundation**

Establish a sub-fund with a non-profit community foundation	
Description	<p>Community Foundations provide a more accessible entry point for many individuals and families to structure their giving.</p> <p>The legal structure is a public ancillary fund.</p> <p>Community Foundations are an accessible vehicle that connect donors with geographical areas or issue of concern to bring about positive social change.</p>
Features	<ul style="list-style-type: none"> • Sub-funds can only distribute funds to charitable organisations with DGR 1 and charitable status. Unless a non-tax deductible fund is set up within the foundation • Recommended establishment amount of at least \$20,000 but some community foundations and other providers allow lower entry levels for funds – from as low as \$2,000 • For most funds donations are permanent but new rules now do allow portability in line with recent changes to the PuAF Guidelines – See Glossary • Funds are pooled within the corpus under a common investment strategy • The Foundation corpus must distribute a minimum of 4% of the value of the fund, however one of the benefits of a Community Foundation is that this does not apply to the individual sub-fund • Sub-funds can raise funds from the public • Tend to be more economical to manage than a PAF.
Tax effectiveness	<p>Contributions are 100% tax deductible.</p> <p>Assets are tax exempt.</p>
Costs for establishment	\$0
Time frame	1 – 2 days
Ongoing Costs:	Between 1.5% - 2.2% of value of account
Minimum Contribution	Typically at least \$20,000 depending on the provider but entry level products can be as low as \$2,000.

TABLE 5.2. Account or sub-fund with a private provider

Establish an account or sub-fund with a private provider	
Description	<p>Sub-funds from a private donor advised foundations provide a more accessible entry point for individuals and families to structure their giving.</p> <p>The legal structure is a public ancillary fund.</p> <p>Donor advised foundations are an accessible vehicle that often support portability, meaning your clients may be able to change providers of philanthropic services .</p>
Features	<ul style="list-style-type: none"> ▪ Sub-funds can only distribute funds to charitable organisations with DGR 1 and charitable status. Unless a non-tax deductible fund is set up within the foundation ▪ Recommended establishment amount of at least \$20,000 but some providers allow lower entry levels for sub funds – from as low as \$2,000 ▪ For most funds donations are permanent but new rules now do allow portability in line with recent changes to the PuAF Guidelines – See Glossary ▪ Funds are pooled within the corpus under a common investment strategy ▪ The Foundation corpus must distribute a minimum of 4% of the value of the fund, however individual sub-funds may not be required to meet this requirement under certain circumstances ▪ Sub-funds can raise funds from the public ▪ Tend to be more economical to manage than a PAF.
Tax effectiveness	<p>Contributions are 100% tax deductible.</p> <p>Assets are tax exempt.</p>
Costs for establishment	<p>\$0.</p>
Time frame	<p>1 – 2 days.</p>
Ongoing Costs:	
Between 1% - 2%	
Minimum contribution	<p>Typically at least \$20,000 depending on the provider but entry level products can be as low as \$2,000.</p>

TABLE 5.3. Account or sub-fund with a PAF

“Our decision to structure our giving was quite straight forward.

Our financial adviser noticed we were making significant contributions to charity and suggested we consider establishing a PAF.

The process was quite straightforward and we have outsourced the fiduciary responsibility and administration, while our adviser manages to the foundation’s assets.

This has enabled us to be more focused on our giving and effective with our philanthropy. Next year we plan to engage our grandchildren in our making annual distributions as well.”

Anonymous donor.

Establish an account or sub-fund with a PAF
Description
PAFs are standalone charitable trusts, modelled on the American ‘private foundation’ model.
Features
<ul style="list-style-type: none"> ▪ PAFs require a corporate trustee. Majority of directors must be ‘arm’s length’ from the founder and one director must meet the ‘responsible person’ definition ▪ Contributions are irrevocable and must be invested in line with the investment strategy ▪ PAFs are required to distribute a minimum of 5% of the net assets of the fund per year ▪ Requires a stand-alone investment strategy, reflecting ‘prudent person’ investment principles.
Tax effectiveness
Contributions are 100% tax deductible Assets are tax exempt.
Costs for establishment and ongoing trustee and administration
Fees vary – seek advice from service providers.
Time frame
2-12 months
Minimum contribution
\$500,000.

TABLE 5.4. Account or sub-fund with a Private Foundation or Testamentary Charitable Trust

Establish an account or sub-fund with a Private Foundation or Testamentary Charitable Trust	
Description	<p>The majority of Private Foundations are established upon the death of their founders.</p> <p>Trustees are responsible and control all governance, compliance, investments and giving strategies (as outlined in the will/trust deed. Can nominate family members and colleagues to be initial Trustees and can specify appointment process and other requirements of trustees for perpetuity.</p>
Features	<ul style="list-style-type: none"> ▪ Governing document is a trust deed or in most cases, the Will of the founder (testator) ▪ Recommended minimum of \$500,000 to establish ▪ Individuals can be appointed as trustees. Alternatively, licensed trustee companies can take on this responsibility and manage the risk and compliance associated with the ongoing management of the trust ▪ Assets must be invested in accordance with prudent person rule, define under Trust Law.
Tax effectiveness	<p>Assets are held in a tax-exempt environment.</p>
Costs for establishment and ongoing trustee and administration	<p>Fees vary – seek advice from service providers.</p>
Time frame	<p>4-12 months pending complexity.</p>
Minimum contribution	<p>\$500,000 - \$2M.</p>

6. Additional Resources

We trust this guide has been useful in helping you better understand the philanthropic sector. The following resources are available to assist you in obtaining further information.

Useful websites

Philanthropy Australia

www.philanthropy.org.au

- Guides & Handbooks
<http://www.philanthropy.org.au/tools-resources/publications/>
- Funder Central – for Members Only
- Directory of Funders – Members & Subscription Only
- Webinars – Members & Subscription Only
- Philanthropic Consultancy Services
<http://www.philanthropy.org.au/tools-resources/philanthropic-consultancy-services/>

Australian Environmental Grantmakers Network

<https://www.aegn.org.au>

Australian Communities Foundation

<http://www.communityfoundation.org.au/>

Australian Community Philanthropy

<http://australiancommunityphilanthropy.org.au>

Australian Women’s Donor Network

<http://www.womendonors.org.au>

Australian Charities & Not-for-Profit Commission

<http://www.acnc.gov.au>

The Australian Taxation Office

www.ato.gov.au/nonprofit

ABN Lookup

<http://abr.business.gov.au/Index.aspx>

Impact Investing Australia

<http://impactinvestingaustralia.com>

Asia-Pacific Centre for Philanthropy and Social Investment

www.swinburne.edu.au/business/philanthropy

Centre of Philanthropy and Nonprofit Studies, Queensland University of Technology

www.bus.qut.edu.au/research/cpns/whatweteach/courses.jsp#gradcert

OurCommunity

www.ourcommunity.com.au

ProBono Australia

www.probonoaustralia.com.au

JBWere Philanthropic Services – Thought Leadership Resources

<http://www.jbwere.com.au/for-purpose-organisations/philanthropic-services/thought-leadership>

Justice Connect

<https://www.justiceconnect.org.au>

Strategic Grants

www.strategicgrants.com.au/au

Volunteering Australia

www.volunteeringaustralia.org

GrantsLink – Federal & State Government Grants Programs

<http://www.australiangovernmentgrants.org/>

Further Reading

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7. Glossary

ACQUITTAL

An acquittal is a report showing the grant-maker how the grant was spent. It will include information on the expenditure of the funds (including an itemised account of expenses, salaries and purchases) as well as information on what happened as a result of the grant (outputs) and whether it achieved its aims (outcomes).

ACNC - AUSTRALIAN CHARITIES & NOT-FOR-PROFIT COMMISSION

The Australian Charities & Not-for-Profit Commission.

ACNC REGISTERED CHARITY – PREVIOUSLY REFERRED TO AS A TAX CONCESSION CHARITY (TCC)

A Registered Charity is an organisation which has been registered by the ACNC as having charitable purposes, which is a precondition for being endorsed for income tax exemptions by the ATO (previously referred to as a Tax Concession Charity (TCC)). It is important to note that not all organisations which are tax exempt are Registered Charities. Also, not all DGRs are Registered Charities. An organisation's tax status can be checked using ABN Lookup. All charities are also listed on the ACNC Register (unless privacy has been approved).

APPLICANT

An applicant is an organisation applying for a grant, and/or the person who actually writes the grant application.

APPLICATION

Also known as a submission or a proposal, an application is the document which is used to apply for a grant. It usually contains descriptions of the project or activities for which the grant is requested, information on the organisation which is applying, a budget detailing how the grant will be spent, and a section detailing what the results of the work or project will be.

ASSOCIATE

Associates of the founder or major donors or directors of a trustee company of a PAF are ineligible to be the "Responsible Person" for that PAF. Also only associates of the founder are able to make unrestricted donations to a PAF. Associates of the founder include family members and controlled entities. Section 78A Income Tax Assessment Act 36.

ATO - THE AUSTRALIAN TAXATION OFFICE

The Australian Taxation Office.

BEQUEST

A bequest is a gift left in a Will. Bequests are a vital but unpredictable source of income for many not-for-profit organisations. A bequest can be a gift of money or of property (including shares, real estate or art works) to a charity or a charitable foundation. There are CGT concessions for testamentary gifts to DGR entities including PAFs.

CAPITAL WORKS

Capital works are generally projects which involve building, refurbishing or renovating in some way. This can include building a new structure, or adding to an existing structure in ways such as fences, driveways, playground equipment, or refurbishing a portion of an existing building such as its kitchen, storage facility, etc.

CHARITY

The word "charity" can be used to describe a type of organisation or a concept. For federal purposes the meaning of charity is defined by the Charities Act 2013. This is broadly consistent with the Common Law interpretation that applies in state jurisdictions. For practical purposes charities are generally regarded as organisations registered with the Australian Charities and Not-for-Profits Commission.

COMMUNITY FOUNDATION

A Community Foundation is a vehicle for charitable giving. They are tax-exempt public charities that guide philanthropy and are dedicated to improving the quality of life in the areas they serve. Community Foundations work with individuals, families and companies to design grant making strategies that target particular issues or focus on particular geographical areas. Community Foundations help build and strengthen community and bring together people and organisations that want to make a difference in the world.

A Community Foundation is also an incorporated, not for profit company or association, which is endorsed by the ATO as an income tax exempt charity which is also the trustee of a trust (Public Fund) endorsed as an income tax exempt charity and a deductible gift recipient. In most cases, the Community Foundation is controlled by a public company limited by guarantee and incorporated under Corporations Law. It acts as the Community Foundation for public charitable purposes and has income tax exempt status. The company acts as the trustee of the Community Foundation Public Fund. This fund has to be endorsed by the ATO as an Income Tax Exempt Charity and a DGR. Donations to the Public Fund are fully tax deductible. Gifts such as shares or real estate are exempt from stamp duty in most states.

CORPUS

The original and consequential gifts and ongoing capital appreciation that forms the asset base from which a foundation generates income to be given away in grants.

DGR - DEDUCTIBLE GIFT RECIPIENT

Deductible Gift Recipient. An ATO classification of an organisation or fund that enables donors to that organisation or fund to claim an income tax deduction (subject to eligibility criteria).

DGR Item 1 – There are a number of classifications of entities eligible to be endorsed as DGR Item 1 by the ATO including Public Benevolent Institutions, Health Promotion Charities, Public Universities, Public Hospitals, organisations on the Register of Environmental or Cultural Organisations and public funds of Charitable Institutions. Other organisations are specifically listed in tax legislation. Private Ancillary Funds can only distribute to DGR Item 1s (but not all DGR Item 1s are eligible for all PAFs to support, see page 10.)

DGR Item 2 –Private Ancillary Funds and Public Ancillary Funds are DGR Item 2s. Ancillary Funds cannot distribute to another DGR Item 2.

EVALUATION

An evaluation is a document which measures and analyses the results and effectiveness of the project funded by the grant. The evaluation is normally far more detailed and analytical than an acquittal, and may be submitted in addition to the acquittal. Simple pre- and post-project evaluations capturing what changed as a result of the project are often performed in-house by the charity itself. Other more extensive and rigorous evaluations may be conducted by a third party such as a consultant, academic body or researcher and published as a separate report. The aim of an evaluation report is to provide a detailed explanation of how a project was implemented, what worked and why, how it might be improved in the future, and exactly what it achieved. Organisations will often share the results of their evaluations with other agencies working in the same field and wishing to implement similar work. Evaluation reports can also help to guide grant-makers in their decision making.

FOUNDATION

The word 'foundation' does not have a legal meaning, but is generally used to refer to an entity, usually a trust, which holds and invests money, and distributes grants for community benefit.

FRANKING CREDITS/ IMPUTATION CREDITS

Under Australian tax law, tax exempt charities are entitled to receive cash refunds of franking credits attached to dividends received from Australian companies. Application to the ATO needs to be made using the prescribed form NAT 4131 after the end of each financial year.

FUNDER

This word is often used interchangeably with the word 'grant-maker'.

GRANT

A grant is a distribution, usually of money, to an eligible organisation. Most grants are given for a particular purpose. Grants are most commonly made to not-for-profit organisations, but may also be made to individuals, often in the form of a scholarship or fellowship for study or research.

GRANT-MAKER

Individual or organisation that makes a grant. The term 'grant-maker' is a descriptive term and may be used to refer to many different types of funding organisations or individuals. It is sometimes used interchangeably with 'funder'.

GRANT-SEEKER

A grant-seeker is an individual or organisation actively seeking grants or funding from philanthropic sources.

HNWI – HIGH NET WORTH INDIVIDUAL

The most commonly quoted figure for membership in the 'high net worth club' is \$1 million in liquid financial assets. An investor with less than \$1 million but more than \$100,000 may be considered to be "affluent", or often referred to as a "sub-HNWI".

IMPACT INVESTING/ PROGRAM RELATED INVESTMENTS

Impact Investments/Program Related Investments are investments typically made by philanthropic entities (via their corpus) into charitable organisations with the intention to generate measurable social and environmental impact alongside financial return.

Impact Investing is also used to describe any investment made by any organisation or fund into another organisation with the intention to generate measurable social and environmental impact alongside financial return.

Program Related Investments are generally treated as a grant, with the difference that they can be returned so that the funds can be reused or 'lent' out again.

INCOME TAX EXEMPT FUND (ITEF)

A type of Ancillary Fund created between 1 July 2005 and 31 December 2013 to enable PAFs to also support certain non-charitable DGRs under the relevant state charity legislation. NSW, Queensland and WA allowed any DGR Item 1 recipient to be eligible while Vic and SA restricted additional eligible entities to being government entities that would be charities but for their links to government. The 2013 Charities Act abolished ITEF category, but granting provisions were grand-fathered, see the PAF Trustee Handbook .

IN-KIND SUPPORT

A donation of goods or services, time or expertise, rather than money.

IMPACT INVESTING

Generic term for investments made by a philanthropic organisation to support a charity or social business with the intention to generate measureable social or environmental impact as well as a financial return.

MATCHING GIFT

A matching gift is a grant made with the specification that the grant amount must be matched (usually matched equally) with funds from another source – also sometimes referred to as a 'challenge grant'.

NFP – NON-PROFIT, NOT-FOR-PROFIT

An NFP is an organisation whose primary objective is something other than the generation of profit. NFPs range from sporting clubs and hobby groups to community centres, neighbourhood houses, traditional charities, health promotion organisations, aged care homes, disability support groups, etc.

PBI – PUBLIC BENEVOLENT INSTITUTION

A PBI is a specific type of charity registered with the ACNC whose dominant purpose is the direct relief of poverty, sickness, destitution, suffering or misfortune, and for the benefit of the community or a section of it. PBIs are a subcategory of the 'welfare and rights' category listed in Division 3 of the Income Tax Assessment Act 1997.

PHILANTHROPY

The term philanthropy means 'love of mankind'. It is normally used to refer to the donation of money in a planned and structured way (such as through a philanthropic trust, or a bequest).

PILOT PROJECT

A pilot project is one which has never been run before, usually regarded as a trial run for a larger program. It is often a scaled down version of a larger program and is intended to prove the feasibility of the larger program.

PRO BONO

Pro bono is a Latin term meaning 'for the public good'. It is usually used to refer to professional services (especially legal services) provided free of charge.

PuAF - PUBLIC ANCILLARY FUNDS & PRIVATE ANCILLARY FUNDS – CHANGES 2016

Public Ancillary Fund is a tax deductible fund for public fundraising that cannot be controlled by one family. On 6 May 2016, the Australian Government made amendments to the Private Ancillary Fund Guidelines 2009 and the Public Ancillary Fund Guidelines 2011. The amendments took effect from May 2016 and can be accessed [here](#).

See the PuAF Handbook on the Philanthropy Australia website for more information.

PAF – PRIVATE ANCILLARY FUND

Formerly known as Prescribed Private Funds [PPFs], Private Ancillary Funds (PAFs) are a tax-deductible private foundation for individuals, families and companies. On 6 May 2016, the Australian Government made amendments to the Private Ancillary Fund Guidelines 2009 and the Public Ancillary Fund Guidelines 2011. The amendments took effect from May 2016 and can be accessed [here](#).

See the PAF Handbook on the Philanthropy Australia website for more information.

PRIVATE CHARITABLE TRUST

A private charitable trust is established via a Trust Deed with a charitable purpose. While it can be income tax exempt, donations to it are not tax deductible.

SIB – SOCIAL IMPACT BOND

An SIB is a relatively new financial instrument in which private investors provide up-front funding to service providers to deliver improved social outcomes. If these outcomes are delivered, there are cost savings to the government that provide the return to investors.

SRI – SOCIALLY RESPONSIBLE INVESTING

An investment strategy that seeks investments that are considered socially responsible because of the nature of the investee's company's business. Common themes of SRI include avoiding investments in companies that produce or sell products that could be considered harmful to the environment or society (e.g. gaming, alcohol, tobacco, child/employee exploitation) and seeking out companies activity engaged in social responsibility and sustainability and/or other socially beneficial endeavors.

SoA – STATEMENT OF ADVICE

An SoA is prepared when a financial planner/adviser provides financial services to a client. The SoA will also contain the advice, the basis for the advice, information about fees, payments and associates, and factors that may influence the advice provided.

SPONSORSHIP

Sponsorship is a term generally used in the context of corporate giving. It usually refers to an arrangement in which the sponsor, generally a company or individual, supports an event, activity, organisation or person through the provision of money, goods or services. Sponsorship typically provides a tangible benefit to both the recipient (which benefits through receiving material support) and the sponsor (which benefits via enhanced public image and access to a wider audience). The recipient will usually be required to provide some return service to the sponsor, such as advertising or naming rights.

STANDARD GRANT CONDITIONS & GST

If the grant agreement provides no material benefit to the grant-maker and specifies only the standard type of grant conditions, then the recipient should not be subject to GST in respect of the grant. The ATO's Goods and Services Taxation Ruling 2012/2 (<https://www.ato.gov.au/law/view/document?docid=GST/GSTR20122/NAT/ATO/00001>) provides guidance in terms of whether GST is payable on a grant. It is generally accepted that the inclusion of the following terms in a grant agreement would not make GST payable (however any additional terms beyond these could make GST payable depending on the circumstances), if in doubt take advice:

1. Specifying that the grantee use the grant funds for a particular purpose
2. Setting the date for completion of the project funded by the grant
3. Acknowledgement of the assistance of the grant maker in any published or displayed material
4. Provision of a report on the use of the grant
5. Requiring repayment of any unused amounts or seek permission to apply funds elsewhere
6. Requiring separate management accounts to be set up for the grant

TAX DEDUCTIBLE

A tax deductible organisation is one which has been endorsed by the ATO as a DGR. See DGR.

TESTAMENTARY CHARITABLE TRUST

A testamentary charitable trust is established by a will with a charitable purpose. While it can be income tax exempt, donations to it are not tax deductible.

TRUST

In simple terms, a trust describes a fund or property legally held or administered by a Trustee for the benefit of others. There are many different types of trust, not all of which are for the public benefit. In philanthropic terms, a charitable trust is the legal vehicle used to hold and invest money or property which is disbursed for the public benefit for charitable purposes.

TRUSTEE

In broad terms, a Trustee is a person or organisation managing a trust on behalf of the person who created it. There are many types of trust, including charitable trusts (or foundations). Trustees of charitable trusts in Australia may be individuals, groups of people or organisations. The types of people who are Trustees will depend on the legal structure of the trust.

TRUSTEE COMPANY

A company acting as Trustee for a Trust.

TRUSTEE COMPANY (LICENSED)

Trustee Companies are corporations that are legally authorised under the Corporations Act 2001 (and before that State Trustee Company legislation) to serve as executors of Wills, as Trustees of charitable and non-charitable foundations, and provide other executor and trustee services. Many charitable trusts and foundations are managed in Australia by trustee companies (by some estimates, this is between half and two-thirds of all trusts). Trustee companies offer a structure through which the wishes of the donor can be carried out as instructed in perpetuity.

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