



## LLEAP: LEADING LEARNING IN EDUCATION AND PHILANTHROPY TERMS YOU MAY COME ACROSS IN ENGAGING WITH PHILANTHROPY

Philanthropy Australia reports there are approximately 5,000 philanthropic foundations in Australia, contributing somewhere between \$0.5 billion and \$1 billion every year to charities and other worthy organisations. Philanthropic organisations include charitable trusts (e.g. R.E. Ross Trust), family foundations (e.g. Vincent Fairfax Family Foundation), public funds (e.g. The Ian Potter Foundation), corporate foundations (e.g. Origin Foundation), community foundations (e.g. Australian Communities Foundation), government supported foundations (e.g. Foundation for Rural and Regional Renewal) and private ancillary funds (PAFs) (e.g. High Net Worth individuals). The following has been created to help overcome some of this confusion. It is not meant to be an exhaustive list or replace the need to seek advice for your situation. What we provide is explanatory information for some of the terms we have encountered during the course of the LLEAP fieldwork or in the literature. You may also like to refer to the Philanthropy Australia website at <http://www.philanthropy.org.au/>

### Grant making for education

Philanthropic foundations have programs in a wide range of different areas. The focus of the LLEAP project is the planned and structured giving of philanthropic foundations and trusts and private donors that offer grants in education.

### Philanthropy

Philanthropy at its most fundamental level refers to an altruistic concern for human welfare and advancement, generally expressed through donations of money, property or work to people in need. Philanthropy is a gift.

*The planned and structured giving of money, time, information, goods and services, voice and influence to improve the wellbeing of humanity and the community. (Philanthropy Australia)*

*Philanthropy is about finding "opportunities to fund work which is innovative and imaginative, and where the grant has a good chance of making a difference." (Joseph Rowntree Charitable Trust, UK)*

### Foundation

'Foundation' does not have a legal meaning in Australia. Tax status can vary from foundation to foundation. In the LLEAP Project we refer to a philanthropic foundation as a not-for-profit organisation that has been formed to provide funds and support for a variety of causes.

### Types of grants

A grant (both sponsorship and philanthropic) may be a project grant for a limited time (sometimes a pilot or demonstration project), a challenge grant with a matching fundraising requirement, a capacity building grant, a long-term grant (5+, rare in Australia), or anything else the donor or sponsor thinks of!

### Charitable purpose

The advancement of education is a charitable purpose, but it must be for public and not private benefit. It is important to remember, however, that not all schools or foundations are the same. A state government school, in legal terms, is a division of the state government and is therefore not charitable at law. Independent not-for-profit schools are usually charitable institutions.

## Funds schools may set up

Fund or foundation types are all subject to Australian Taxation Office (ATO) rules, and not all options will suit all schools. A **building fund** could be appropriate for fundraising to build a new performing arts space, and a **public library fund** could be used to expand a library collection, including online capacity. An **education scholarship fund** could be the fund of choice for offering scholarships based on merit and equity, while a **charitable fund** could be appropriate for developing a bequest program.

If you provide services to children with disabilities, you may be a **public benevolent institution**. A school might also register with **The Australian Sports Foundation** to fund a sports project. A regional, rural or remote school may explore the possibility of establishing a project donation account for an eligible project via the **Foundation for Rural and Regional Renewal (FRRR)**.

## Deductible Gift Recipients (DGRs)

There are different tax status requirements. One of these is DGR status, which is an endorsement provided by the ATO office to an organisation. This allows that organisation to provide donors with a tax deduction for their gift. Different categories of DGR have different requirements. For example, many donors require organisations to be endorsed with DGR Item 1 status, which is usually provided to 'doing' organisations.

A number of philanthropic organisations are endorsed with DGR Item 2 status, which is a tax status provided to donor organisations. Philanthropic foundations endorsed with DGR Item 2 cannot give to other DGR Item 2 organisations and must give to DGR Item 1 organisations.

It is important to remember that a school may have set up, for example, an ATO approved DGR Item 1 school building fund. A tax deductible donation will only be able to be made for distributions to the school's building fund. It does not mean the whole school has DGR Item 1 status.

## 'Gift' - The ATO's definition

According to the ATO, a gift involves the voluntary transfer of money or property. The transfer arises by way of benefaction, and the donor receives no material benefit or advantage, although a simple recognition of the gift is allowed.

## Sponsorship

The terms 'sponsorship', 'grant' and 'donation' can get used in fluid ways, which are not always technically correct. Sponsorship is not a gift. You need to know the difference because there are tax issues involved. A tax deductible donation must be a gift to a DGR. A grant may in fact be a donation or sponsorship. When a business sponsors a not-for-profit organisation for a particular community project, they will expect a business benefit in return. Sponsorship is not altruistic. The business may claim the grant as a business expense so it must be a real marketing or other benefit. These could be related to enhanced brand awareness, increased sales and / or expanded networks.

## High-net-worth individual (HNI)

Traditionally, HNI has been the classification used by the finance industry to denote an individual (or family) with high net worth. There are many variations as to the level of net worth that falls into the HNI category. In the United States *The 2010 Study of High Net Worth Philanthropy* defined HNIs as those individuals or families with a household income above \$200,000 annually and/or net assets (not including the value of their residence) of more than \$1million.

## CASE EXAMPLES

Would you like to see some practical case studies of philanthropy in education or access other tips and strategies?

Go to <http://www.acer.edu.au/leap>

We acknowledge that information has been drawn with permission from the Seminar and Master Classes run by Catherine Brown in collaboration with ACER's Tender Bridge team.