



# Giving to Melbourne Community Foundation compared to other philanthropic options

	MELBOURNE COMMUNITY FOUNDATION (MCF) SUB-FUND	COMMERCIAL CHARITABLE GIFT OR ENDOWMENT FUNDS	PRESCRIBED PRIVATE FUNDS (PPF)	PRIVATE FOUNDATION
OWNERSHIP STRUCTURE AND GOVERNANCE	<ul style="list-style-type: none"> <li>• Not for profit. Established solely for community benefit.</li> <li>• Sub-fund is part of the community foundation's public charitable status.</li> <li>• Governed by Board, selected for its community standing and knowledge.</li> </ul>	<ul style="list-style-type: none"> <li>• Often a division of a for-profit international investment or financial services firm, established as ancillary service to clients of the core business.</li> <li>• Sub-fund is part of the Gift Fund's charitable status.</li> <li>• Governance depends on Firm's ownership structure.</li> </ul>	<ul style="list-style-type: none"> <li>• Private, but must have one independent responsible person as trustee or on the board of a corporate trustee.</li> <li>• Size and sale of ownership varies with most using a company as trustee which is controlled by the donor.</li> </ul>	<ul style="list-style-type: none"> <li>• Private</li> </ul>
DONOR CONTROL	<ul style="list-style-type: none"> <li>• Donor requests grants to qualified nonprofits and may also chose to support MCF's researched recipients.</li> <li>• Grants and investments are approved by MCF's Board of Directors.</li> <li>• Investments made under MCF policy and guidelines, through investment managers.</li> </ul>	<ul style="list-style-type: none"> <li>• Donor requests grants to qualified nonprofits.</li> <li>• Grants are approved by trustees of the gift fund.</li> <li>• Money invested in in-house products.</li> </ul>	<ul style="list-style-type: none"> <li>• Donor controls investment and grantmaking.</li> </ul>	<ul style="list-style-type: none"> <li>• Donor controls investment and grant making.</li> </ul>
DONOR SERVICE: grantmaking	<ul style="list-style-type: none"> <li>• Professional staff work with donors to develop strategies, giving plans and undertake research on projects and initiatives.</li> <li>• Significant community expertise, due diligence and advice available for donors.</li> <li>• Range of donor education, engagement and networking services. Opportunities for collaboration and joint grantmaking between donors.</li> </ul>	<ul style="list-style-type: none"> <li>• Varies by firm. Most do not offer community based research or personalised advice on grantmaking.</li> </ul>	<ul style="list-style-type: none"> <li>• Must arrange and support own grantmaking and evaluation structures, which can be outsourced.</li> </ul>	<ul style="list-style-type: none"> <li>• Must arrange and support own grantmaking and evaluation structures, which can be outsourced.</li> </ul>
GRANT RECIPIENTS	<ul style="list-style-type: none"> <li>• <b>Main Fund</b> - DGRs including hospitals and other government controlled DGRs.</li> <li>• <b>Extension Fund</b> – grants to individuals or organisations, for any charitable purpose.</li> <li>• <b>Scholarship Fund</b> – grants to individuals or education institutions for educational scholarships.</li> </ul>	<ul style="list-style-type: none"> <li>• While it varies, most may only distribute to charitable DGRs, ie not government controlled, such as public hospitals.</li> </ul>	<ul style="list-style-type: none"> <li>• While it varies, most may only distribute to charitable DGRs, ie not government controlled such as public hospitals.</li> </ul>	<ul style="list-style-type: none"> <li>• Any charitable organisation or purpose.</li> </ul>
DONOR SERVICE: investment and administration	<ul style="list-style-type: none"> <li>• Donor not responsible for any ongoing administration/legal/tax or auditing requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Gift fund undertakes all ongoing administration/legal/tax responsibilities.</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible for own legal, investment, monitoring, accounting, auditing and administrative structures, processes and costs.</li> <li>• If using a company as Trustee, also responsible for incorporation costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible for own investment, monitoring, accounting, auditing and administrative structures, processes and costs.</li> </ul>

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START-UP: Initial cost	<ul style="list-style-type: none"> <li>None.</li> </ul>	<ul style="list-style-type: none"> <li>Often higher administration fee in year 1 to cover set-up costs.</li> </ul>	<ul style="list-style-type: none"> <li>Can range from \$3,000 - \$10,000.</li> </ul>	<ul style="list-style-type: none"> <li>Can range from \$3,000 - \$10,000</li> </ul>
Minimum Contribution	<ul style="list-style-type: none"> <li>\$10,000 for named sub-fund.</li> <li>\$2,000 for Gumnut Account.</li> <li>Any amount for general donation to MCF endowment fund.</li> </ul>	<ul style="list-style-type: none"> <li>Varies, normally \$20,000 - \$50,000.</li> </ul>	<ul style="list-style-type: none"> <li>Varies. Typically, to be cost-effective, minimum is about \$500,000.</li> </ul>	<ul style="list-style-type: none"> <li>Varies. Typically, to be cost-effective, minimum of \$5 mil</li> </ul>
Time to Establish	<ul style="list-style-type: none"> <li>Immediate.</li> </ul>	<ul style="list-style-type: none"> <li>Immediate.</li> </ul>	<ul style="list-style-type: none"> <li>Can take up to 2-3 months. Requires establishment of Trust Deed, ATO endorsement, etc and may involve establishment of company to act as trustee.</li> </ul>	<ul style="list-style-type: none"> <li>Can take a number of months.</li> <li>Requires establishment of company to act as trustee, Trust Deed, ATO endorsement, etc.</li> </ul>
ON-GOING FEES	<ul style="list-style-type: none"> <li>MCF annual administration fee of 1.35% on capital.</li> <li>Annual investment management fee of 0.3% on capital.</li> </ul>	<ul style="list-style-type: none"> <li>Can be hard to determine total fees.</li> <li>Annual administration fees vary, e.g. from 0.67% - 2.1%.</li> <li>Annual investment management fees vary, e.g. from 0.9% - 1.33%.</li> <li>There may be fees to cover the incentives payable to donor's financial advisors, e.g. from 0.5% - 2% of any donation made.</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for all on-going audit and administration costs.</li> <li>Annual administration (tax, audit) fees vary: quoted between \$2,000 - \$5,000 per annum.</li> <li>Annual investment management fees apply.</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for all on-going audit and administration costs.</li> <li>Annual administration (tax, audit) fees vary: quoted between \$2,000 - \$5,000 per annum.</li> <li>Annual investment management fees apply.</li> </ul>
GRANTS / DISTRIBUTIONS	<ul style="list-style-type: none"> <li>MCF required to distribute 80% of net income of pooled funds.</li> <li>Sub-funds can generally have some accumulation.</li> <li>Grants can be made up to 11 times per annum.</li> <li>Opportunities to make collaborative grants with other donors.</li> <li>Can grant capital.</li> </ul>	<ul style="list-style-type: none"> <li>Required to distribute 80-85% of net income annually from pooled funds – some may require it from all sub-funds.</li> <li>Limits on the number of grants which can be made - usually depends on the size of account.</li> <li>May be able to grant capital but conditions usually apply.</li> </ul>	<ul style="list-style-type: none"> <li>Required to distribute 100% balance of net income annually.</li> <li>Limited accumulation possible but only if submit Accumulation Plan to ATO for approval.</li> <li>Can grant capital if Trust Deed allows.</li> <li>Determines own grant process.</li> </ul>	<ul style="list-style-type: none"> <li>Required to distribute 80% - 100% balance of net income annually.</li> <li>Can grant capital if Trust Deed allows.</li> <li>Determines own grant process.</li> </ul>
DONATIONS	<ul style="list-style-type: none"> <li>Can receive donations from the public.</li> <li>Workplace Giving available for corporate donors.</li> </ul>	<ul style="list-style-type: none"> <li>Can receive donations from the public.</li> </ul>	<ul style="list-style-type: none"> <li>Founder must be major donor – funds from public cannot be primary source.</li> </ul>	<ul style="list-style-type: none"> <li>Founder must be major donor – funds from public cannot be primary source.</li> </ul>
DONOR RECOGNITION & PRIVACY OPTIONS	<ul style="list-style-type: none"> <li>Donors can remain anonymous.</li> <li>Capacity to raise donor's profile in the community.</li> </ul>	<ul style="list-style-type: none"> <li>Donors can remain anonymous.</li> <li>Donors may be recognised.</li> </ul>	<ul style="list-style-type: none"> <li>Donors can remain anonymous.</li> <li>PPF name listed on ATO website, but no name or contact details of founder or trustees.</li> </ul>	<ul style="list-style-type: none"> <li>Donor can remain anonymous.</li> </ul>

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KEEPING YOU INFORMED	<ul style="list-style-type: none"> <li>• Donor financial statements provided twice a year.</li> <li>• Monthly Donor Dashboard provided.</li> <li>• Newsletters.</li> <li>• Donor networking functions.</li> <li>• Donor education forums.</li> <li>• Grantmaking opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual donor statement provided.</li> <li>• May be other reporting or networking forums.</li> </ul>	N/A	N/A
TRANSPARENCY	<ul style="list-style-type: none"> <li>• Annual Report.</li> <li>• Financial statements included in Annual Report and publically available on website.</li> <li>• Information on grants published in Annual Report and on website.</li> <li>• Audited.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Report.</li> <li>• Financial statements often not publically available.</li> <li>• Audited.</li> </ul>	<ul style="list-style-type: none"> <li>• No obligations to make any financials, grantmaking etc available to the public.</li> <li>• Must be audited.</li> <li>• Must provide return to ATO, which provides aggregate data on PPFs.</li> </ul>	<ul style="list-style-type: none"> <li>• No obligations to make any financials, grantmaking etc available to the public.</li> </ul>

## GLOSSARY

### Community foundation

A community foundation is an independent, not-for-profit, public charitable foundation, which is typically place-based and enables individuals, families, likeminded groups or corporations to establish a charitable sub-fund as part of its tax deductible fund/trust. A community foundation seeks to build a permanent pool of locally held funds to support local communities.

### Charitable Gift or Endowment Fund

A charitable gift fund is a public fund which enables donors to establish a 'sub-fund' or a 'giving or donation account'. A charitable gift fund is managed and invested by a commercial funds manager, organisation or corporate trustee company.

### Private foundation

A private foundation is a non government, not-for-profit organisation with funds, usually from a single source such as an individual, family, corporation,

or sometimes through a bequest. The foundation is sometimes set up during the lifetime of the founder but more typically as part of a bequest.

Private foundations are typically administered by a trustee or trustees who distribute grants on an annual basis in accordance with the donor's wishes.

### Prescribed Private Fund (PPF)

PPFs are independent, not-for-profit, private charitable foundations established for an individual, family or a business to make donations to it.

Note: The information in the table to be used as a guide only (April 08)