

Unpacking Ancillary Funds: A User's Guide To Leveraging Ancillary Funds For Funding Success

PHILANTHROPY & PARTNERSHIPS TRACK

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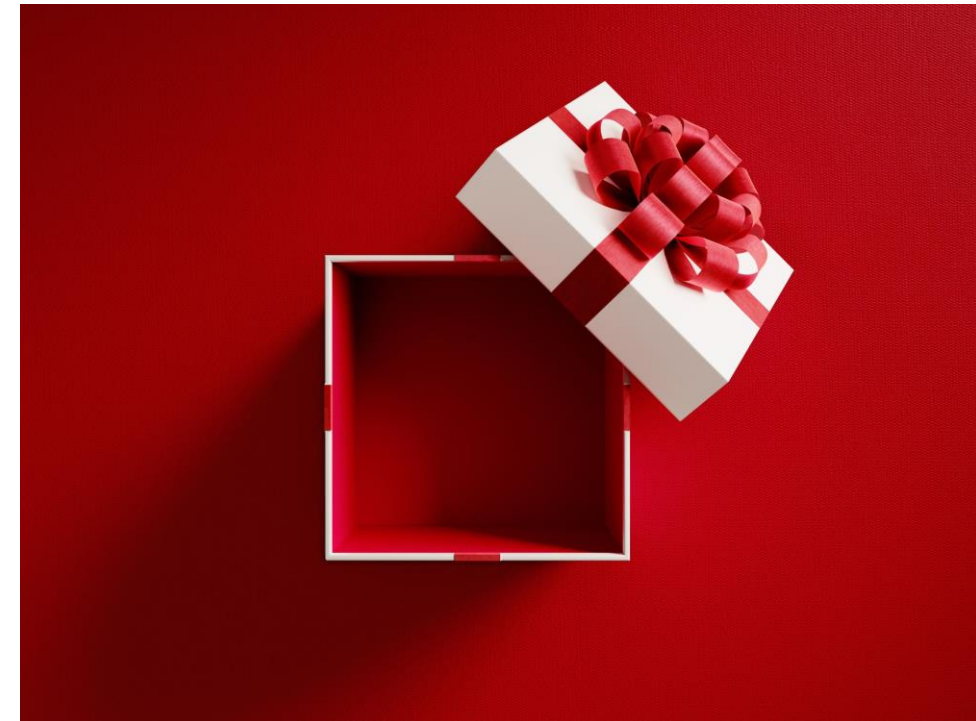
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What we will unpack...

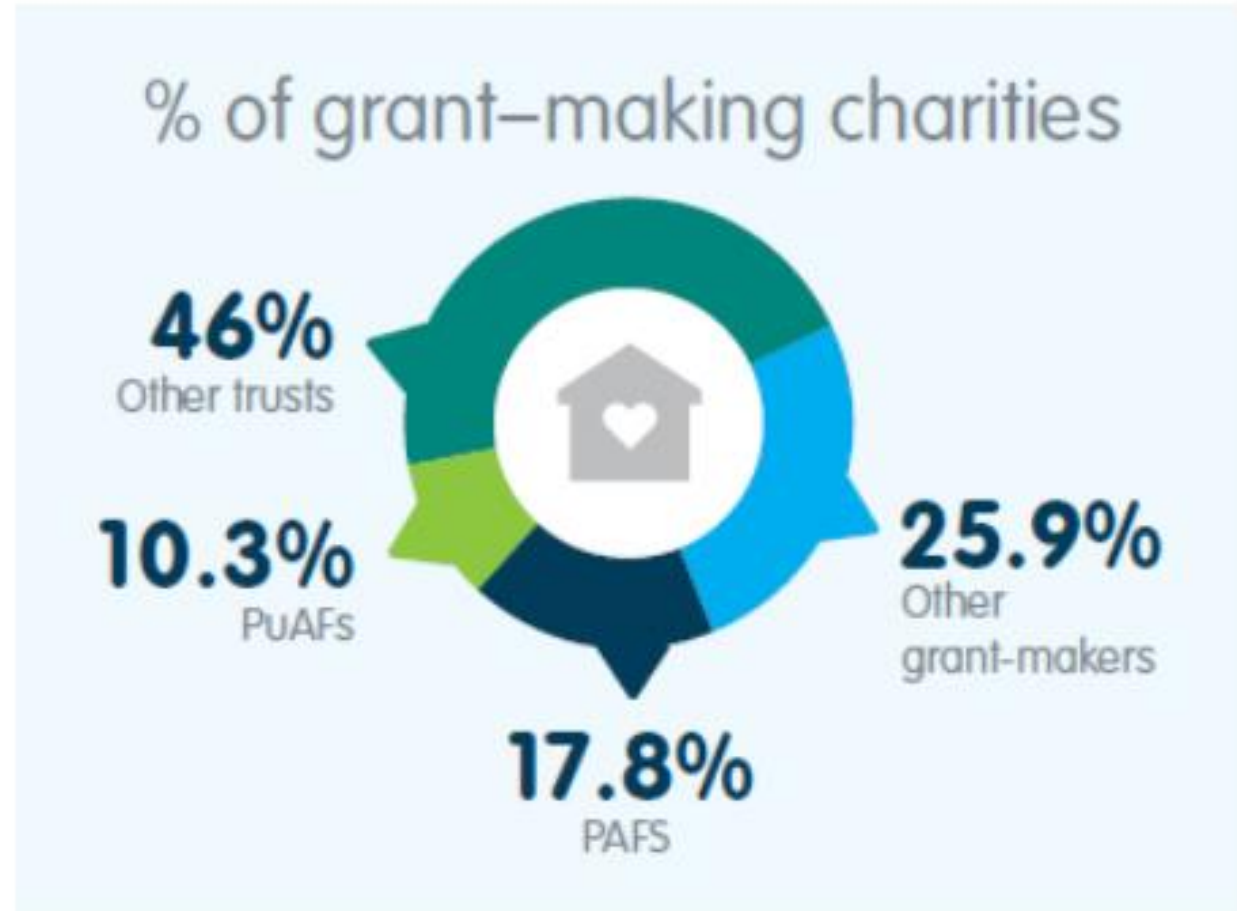
- PAFs and the sector
- Motivation behind the establishment of the Towards a Better Future PAF
- How ancillary funds work
- Making the approach and identifying an ancillary fund that's aligned with your organisation
- Effective engagement and stewardship of PAF or PuAF funding relationships



Ancillary funds: Structured giving is on the rise



As of 8 February 2023, 19% of the 59,967 registered charities were grant-makers.*



Ancillary funds: Structured giving is on the rise

	# PAFs	\$ distributed	TOTAL VALUE	#PuAFs	\$ distributed	TOTAL VALUE
2001-01	22	\$0	\$78.62m			
2011-12	95	\$251.66m	\$2,933.60m	1,437	\$370.47m	\$1,682.07m
2020-21	1,939	\$510.93m	\$11,550.53m	1,379	\$625.91m	\$4,838.28m

Source: Australian Centre for Philanthropy and Nonprofit Studies at QUT: https://eprints.qut.edu.au/242560/1/Ancillary_Funds_2020_21_Final.pdf

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- PAFs were known as Prescribed Private Funds from 2001 to 2009
- As of 30 June 2021, total of 3,318 ancillary funds (value = \$16.39b)

Towards a Better Future Private Ancillary Fund (PAF)

- Opportunity for the family to make additional commitment to the community through philanthropy
- A great vehicle for the family to continue to “work” together
- Focused on causes with shared commitment to family values

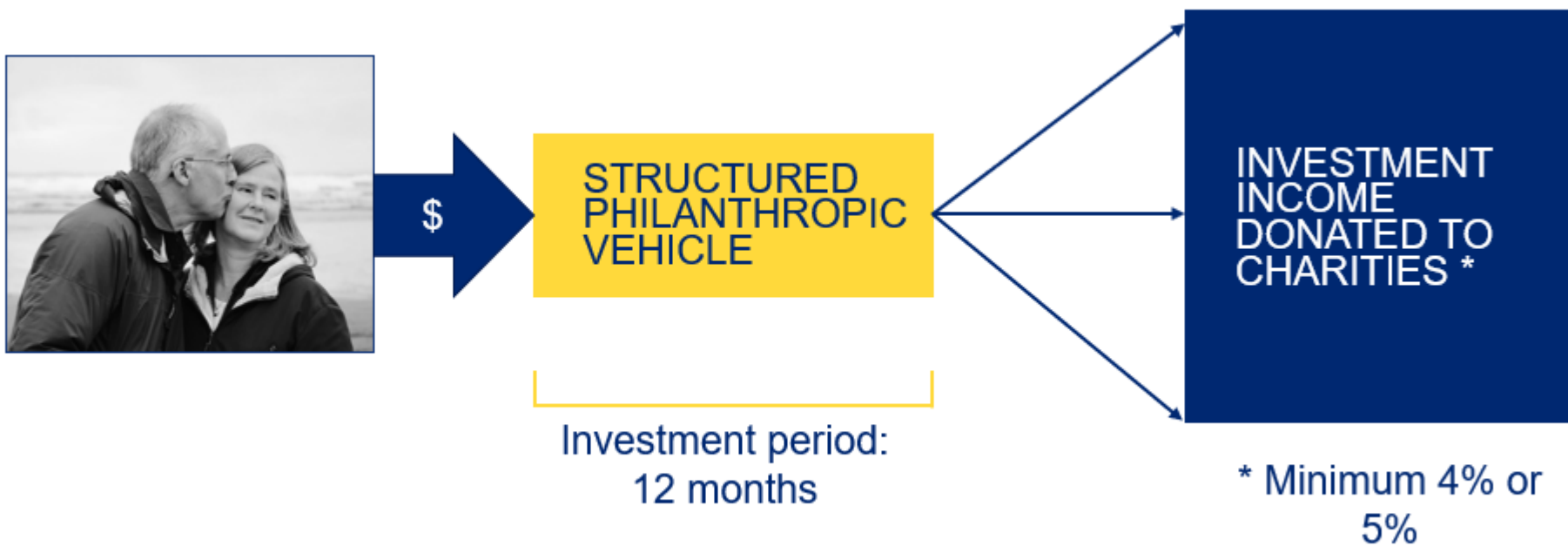
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- PAFs may evolve as more family members or trustees become involved
- Charities should keep abreast of changes in giving objectives of Trusts & Foundations

Structured philanthropy



Structured giving vehicles

- Often start with broad objectives while founders learn about philanthropy
- Over time, the strategy and objectives may change
- Understand the mechanics behind how the structure operates



This structure is specific to Equity Trustees structured products:

PUBLIC ANCILLARY FUND ("SUB-FUND") SUB-	'PAF' OR 'FOUNDATION'
<ul style="list-style-type: none">• \$5,000+• Tax benefit: can be spread over 5 years• Did you know:<ul style="list-style-type: none">• <i>Cannot include Foundation, Trust or Fund in the name</i>• <i>Gift, Charitable Gift, Bequest, Account, Legacy, Donation, Endowment or Benefaction tend to be common inclusions.</i>	<ul style="list-style-type: none">• \$1,000,000+• Similar to SMSF• Tax benefit: can be spread over 5 years



So, how to make the approach?

Biggest challenge for charitable sector is accessing PAFs – best way to source them and get in touch is via third parties

- Board members
- Other funders and major donors
- Advisors (accountants, lawyers)
- Referrers (those with sector contacts and knowledge)
- Intermediaries (Equity Trustee Companies, Peak Bodies)



Grant-makers and grant-seekers are on a journey together

- If you are starting – look for entrepreneurial philanthropists who are willing to take risks
- You must have strong needs evidence and clarity on the strategies to address the needs
- You must be able to demonstrate how you will capture your learnings, success and impact
- Have honest conversations - 100 % transparency the entire way
- Funders want you to report on something that isn't possible? Work WITH them to agree on HOW you will measure the outcomes you BOTH want to see

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Rules of engagement

- Charities should not assume no recognition = no outcomes reporting!
- Funder expectations will vary
- It is ok to say no thank you (and why) if the funder is asking you to deviate from your mission





Rules of engagement

- Co-design is the foundation of a great partnership
- Most funders understand restrictions on some data
- Qualitative data around the BENEFITS is key, backed up the numbers
- Be clear about the IMPACT of capacity building funding to enable mission delivery



Philanthropy
Australia's
mission to
double
structured
giving by 2030
= philanthropy
is on the rise!



Relationships are key. Keep abreast of changing objectives.



Be confident WHY your organisation exists and WHY you need support.



Use networks for introductions to PAFs that have no public visibility.



Listen to referrer's advice – if the fit isn't right, it isn't right.



Understand each other's expectations. Ensure you deliver the agreed outcomes reporting, to demonstrate benefits, learning and impact.



Understand mechanics of different giving structures. Engage, and treat all as partners.



It's ok to educate funders on reporting expectations. Ask the questions: Why do you want that particular data set? How will you use it?

Questions?

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