Community Foundation
Starter Kit

A practical guide to starting your research and planning

LOCAL ISSUES LOCAL ACTION

COMMUNITY FOUNDATIONS AUSTRALIA

Acknowledgements

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Our thanks also to co-authors Tae Wood and Clare Gregory who worked to bring the content together, and to our friends and colleagues at the Albany Community Foundation who provided additional resources and facilitated a workshop to get this project started.

MINDEROO FOUNDATION

ALBANY COMMUNITY FOUNDATION

Acknowledgement of Country

Community Foundations Australia acknowledges that we and our Community Foundation members practice community philanthropy on unceded territory that always was, always will be, Aboriginal land.

We recognise the traditional owners’ continuing connection to land, waters and culture and pay our respects to their elders past and present.

We appreciate that we live and work in places where people have cared for each other, for community, and for country over thousands of years.

Through our work, we seek to contribute to continuing those traditions.

Disclaimer

At Community Foundations Australia, we are always delighted to hear from people interested in starting a new foundation for their local community.

It is part of our role to guide, support and encourage you on that journey.

This document offers general information only and you should not rely on it as the sole information for your decision making. We encourage you to reach out to us so we can connect you in with the wider network of peers who can help you along your way too.

Community Foundations Australia does not provide legal or financial advice, but we are happy to connect you with pro bono legal support when you are ready.

Before you set up a foundation, we strongly recommend that you seek legal and financial advice from qualified professionals to ensure you understand, the compliance requirements, your duties as a Responsible Person, and the potential liabilities.

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1 About this Guide

Scope and Purpose

This is not a step-by-step how-to guide. It is more of a roadmap to help you find your way on this journey of discovery.

It's your journey. We're here to support and encourage you, not to tell you what to do, or when, or how.

Community foundations are grassroots charities, owned and managed by members of the community they serve, to address evolving local priorities. Each community is special and no two are exactly the same, so each community foundation has its own particular local 'colour' or 'flavour.' Each community foundation is special, yet none is unique. You can learn a lot from the experience of others who have been on this journey before you.

There is much to discover and to think about before you set up a charitable foundation. This guide is an introductory resource. We have deliberately kept it simple, high level, and as plain English as possible.

We aim to help you understand the nature of community foundations and equip you with knowledge, skills, resources, and confidence to work towards establishing a foundation for your local community.

Each chapter offers a brief overview of essential information to inspire you to read and explore further so you can deepen your understanding.

This guide will lead you through different ideas and structures commonly used by other community foundations to help you apply these in a way that is most meaningful for your local context.

It only takes you up to the incorporation stage, but Community Foundations Australia and our network of peer support are here to support you on an ongoing basis.

2 Getting to know the model

Community Foundations fast facts

A GLOBAL MOVEMENT

- World's first community foundation: Cleveland Foundation, 1914
- 2,200+ community foundations world wide
  - USA – 1,062
  - Canada - 220
  - Europe (23 countries) – 875, incl.
    - Germany – 417
    - UK – 56
  - Australia - 55
  - New Zealand – 18

COMMUNITY FOUNDATIONS IN AUSTRALIA

- Oldest: Lord Mayor's Charitable Foundation, est. 1923
- Youngest: MacLeay Valley Community Foundation, est. 2024
- In 2022, less than 1/3 of CFs [11/38] have been operating for 20 years or more
- 80% of CFs in regional/rural Australia
- Grants distributed, sector-wide: $40M p.a.
- Total funds under management: $500M+

What is a community foundation?

Every community has its own resources. From regional centres to inner cities, outer suburbs to country towns, there is always local knowledge and leadership, trusted relationships and networks in place, unique skills, ideas, and financial assets.

Community foundations are a mechanism for communities to harness these resources, connecting them together in unique ways for transformative change.

Community foundations use a charitable fund structure to pool these community assets, often investing them in an endowed fund over the long term to build an enduring resource for the community's future. Almost like a community superannuation fund – each year, every year, the earnings from investment flow back into the community to respond to evolving needs and opportunities.

But community foundations are much more than a charitable fund; they are essential social infrastructure—a platform for communities to invest in their own development, build their capacity, and determine their future.

Unlike traditional grant-making organisations or charities, community foundations act as strategic hubs for their community, bringing together diverse stakeholders, including community members, donors, nonprofits, businesses, and government entities to address complex challenges collectively.

Most importantly, community foundations are always community owned and managed; for solutions to last, they need to be owned and directed by local people.

Key characteristics of a community foundation

The community foundation model adapts to local needs and circumstances. While no two foundations are exactly the same, they share some key characteristics.

Transparent, collective governance

Community foundations offer a way for a community to govern and grow its own resources. Every community foundation is a **public-facing, not-for-profit organisation registered with the Australian Charities and Not-for-profits Commission**, with dedicated community members appointed transparently to volunteer boards.

Mobilising resources

Community foundations gather and organise the different, often invisible, pieces that are essential to creating lasting social change – the trust, relationships, and financial assets within a community. Agile grant-making, brokering and facilitating partnerships, and building community knowledge are some of the ways community foundations do this.

Agile and long-term

Responding rapidly and flexibly to community needs as they emerge and evolve is core community foundation practice. At the same time, community foundations benefit from a long-term horizon. So while governments may change and industries shift, community foundations are durable structures built to support community vision over time.

Community Foundations Australia is the support organisation for Australia's community foundation movement.

Community Foundations Australia supports and connects community foundations, and other community-led philanthropic organisations, so that the field can operate more effectively and efficiently, and create lasting social change in communities.

Our **mission** is to catalyse collaboration, participation and innovation within the community philanthropy movement to create a fairer, more sustainable Australia.

We work with the whole field–community groups, community foundations and other forms of community-led philanthropy, partners and government–to advocate for community governance models, and to empower local communities to determine their own futures.

Designing and resourcing an ecosystem of support for the community philanthropy field to thrive into the future is essential to our mission.

Established in 2007 by and for community foundation practitioners,
we are a not-for-profit organisation and registered charity.

You are not alone.

The Community Foundations Australia peer network:

- Monthly network gatherings, skills building webinars and peer dialogues
- Regular network newsletters with updates and analysis from and about the community foundation network
- The latest research and publications, including invitations to participate in research
- Peer learning, collaboration and co-creation opportunities
- Ongoing resource and advice sharing
- Discounts for the National Community Foundations Forum, our regular conference
- Connection to new resources, from financial support to expertise and in-kind support from partner organisations
- Leadership and coordination from Community Foundations Australia for network-wide awareness and advocacy campaigns

Or, as we like to say: better together!

Community Foundations Australia are an inclusive organisation, eager to welcome and support you at any stage of the community foundation journey.

There are a number of ways to engage with our network. We encourage you to reach out to become involved.

What we do

Community Foundations Australia is the community foundation network's primary connector, skills developer, champion and advocate.

Connector

We connect community foundations across Australia in a network that is more than the sum of its parts.

A monthly member gathering and an annual conference connect members and build knowledge and skills.

We also connect our sector to other stakeholders and funders who share our values.

Skills Developer

We offer our members information, resources, tool kits and an online hub for resource sharing.

We broker opportunities for peer support, learning and collaboration, and offer advice and support for capacity building.

Sector Champion

We build the profile of community foundations beyond our sector.

We undertake research and support community foundations with Vital Signs research for their regions.

We publish news and research, offer thought leadership, and engage with partners and peers, nationally and globally.

Advocate

In coalition with partners and stakeholders, we advocate for targeted public policy reform to create a more enabling operating environment for community foundations to thrive.

3 Structure & Requirements

Establishing a community foundation – where to start?

- Check if there is already a community foundation active in your community
- Don't do it alone; gather a posse
- Talk to your local council
- Get buy-in from your community and your stakeholders
- Identify potential initial donors (be realistic)
- Determine an appropriate legal/governance structure – seek professional advice

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Building your Board

A good board is vital to the success and sustainability of a community foundation:

- A good balance of skills (legal, financial, marketing)
- ‘Responsible Persons’ for Trustees of Public Ancillary Fund
  - (PuAF – See page 22)
- Recruitment Strategy and Process
- Succession Planning
- Ongoing professional development

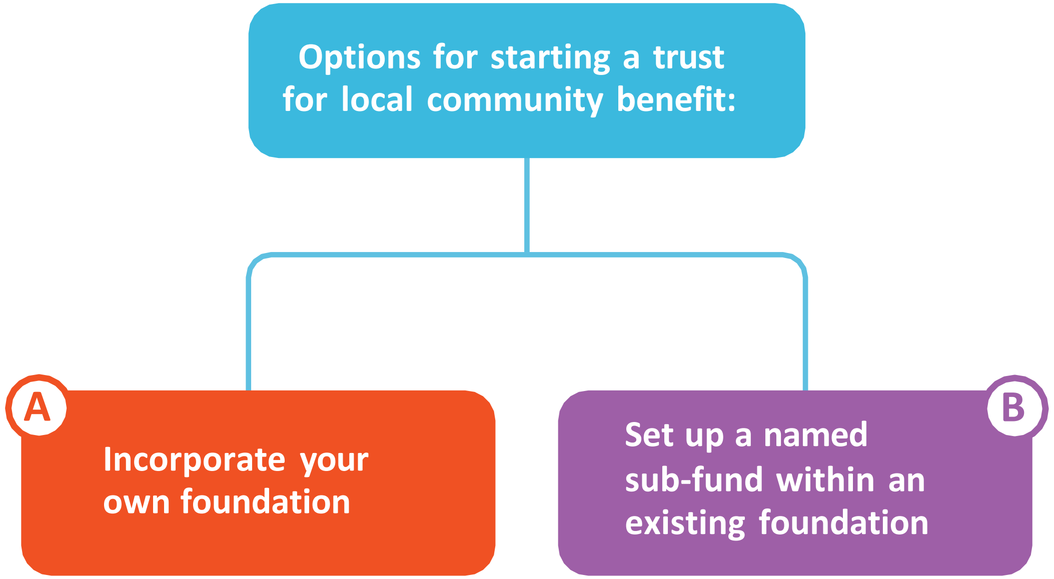
Strengthening Community

Strengthening community is part of a community foundation’s core business:

- Strategic priorities
- Impact areas
- Grant strategy
- Measuring impact
- Constant stakeholder engagement

Fund or Foundation?

Broadly speaking, there are two options for establishing a community foundation:



Pros and Cons

Under **Option A**, your initial volunteer board is responsible for all aspects of setting up, running and growing the foundation from day 1. The advantage is full control. The disadvantage is that there is a lot to do, you won't initially have money for staff, and volunteer time and energy will be absorbed in administration and compliance management, which may not be why people wanted to become involved.

The main benefit of **Option B** is that you are accessing a ready-made set-up for philanthropic funds management with staff, technology, and compliance and quality assurance systems in place. This can be critical for gaining traction early on to demonstrate effectiveness and efficiency to your supporters. It also shortens your lead time.

Common legal structures

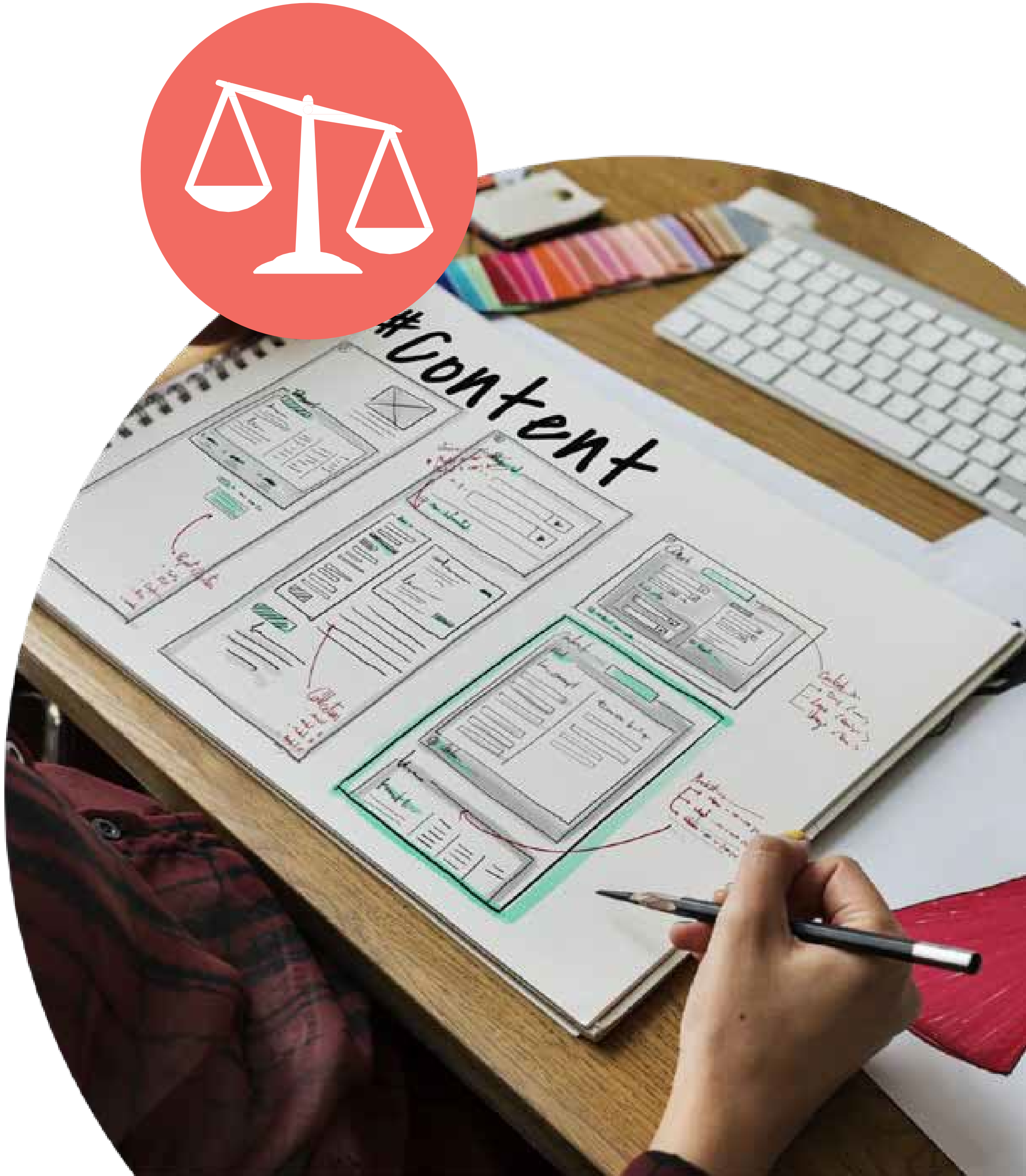
The next few slides are intended to familiarise you with terminology and concepts around legal structures used by community foundations.

Please use this slide deck only as a ‘plain English’ guide to help you get started.

We recommend that all prospective founders of community foundations engage a suitably qualified and experienced professional who will be responsible for formally setting up your legal structure.

A lawyer who specialises in charitable structures is best placed to do this. CFAustralia can introduce you to our pro bono advisers if needed, just reach out!

It is **not** recommended that you tackle this area on your own.



Public Ancillary Fund

Not to be confused, nor interchanged, with Private Ancillary Fund

These terms are often abbreviated as PuAF and PAF.

Definition: A public ancillary fund is **a public fund that is exempt from tax and is a deductible gift recipient (DGR)**, which means it can receive tax deductible donations.

A Public Ancillary Fund (PuAF) is the most common structure used by community foundations.

However, it is not the only structure. We encourage you to seek legal advice about what best suits your circumstances.

NB: DISREGARD any information you come across relating to Private Ancillary Funds (PAF), as it will not relate to the structure of a community foundation.

Key concept: Public Ancillary Fund

Visualisation of a Public Ancillary Fund

The Board of your foundation holds the position of Directors and Shareholders of your Trustee Company and must meet the **Responsible Persons** guidelines

Company or Incorporated Association

Acts as Trustee for your Public Ancillary Fund.

Your Company Constitution is your governing document.

Donors and Fundraising

(Receive a tax deductible receipt for donations they make)

Public Ancillary Fund

DGR registered Trust holding all your tax concessions and registrations.

Your Trust Deed is your governing document.

Granting of funds for approved applications.

PuAF Guidelines and your own Terms of Reference are your governing documents.

Holds bank accounts and assets and pays operational costs for running the foundation.

Internal procedures are your governing documents.

Explanations & Further Reading

1. Your structure must be registered as a Charity

A charity is registered by The Australian Charities and Not- For-Profit Commission (ACNC) and then endorsed by the Australia Taxation Office (ATO) for relevant tax concessions (mainly, Income Tax, FBT & GST). The entity is exempt from lodging an Income Tax Return (unless otherwise specified). This structure can apply for a TFN, ABN, PAYG & GST registrations with the ATO, as required.

https://www.acnc.gov.au/for-charities/start-charity/you-start-charity/legal-structure

https://www.ato.gov.au/businesses-and-organisations/not-for-profit-organisations/getting-started/know-your-legal-structure

https://www.acnc.gov.au/tools/factsheets/charity-tax-concessions

2. You must have a Charitable Purpose

In order to be registered as a charity, your organisation needs to have purposes and activities which are 'charitable' within the legal meaning. There is also an overriding requirement that the entity has a public benefit.

https://www.acnc.gov.au/tools/templates/charitable-purpose-examples

3. Your structure must hold Deductible Gift Recipient (DGR) status

DGR registrations are endorsed by the ATO which means the entity can receive tax deductible gifts – this is how you can offer your donors a tax deduction for their support. Your Public Ancillary Fund will hold this registration.

https://www.acnc.gov.au/tools/factsheets/deductible-gift-recipients-dgr-and-acnc

ATO: Is my organisation eligible for DGR endorsement

4. Your structure must comply with the Responsible Persons guidelines

At incorporation, and during the life of your charity, your structure must reflect that the majority of people with decision making powers for your charity (Directors of your Trustee Company, or members of any committee or controlling body) must have a degree of responsibility to your community.

https://www.acnc.gov.au/tools/topic-guides/responsible-person

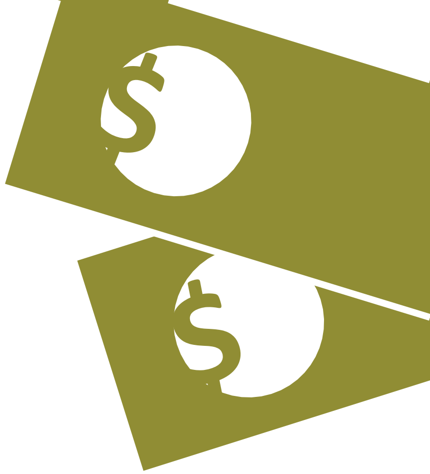
Time Frame

- While legal documents can be created relatively quickly, there is much more to consider before you are ready to launch your own foundation.

- You need to ensure you have done your background research and other preparations. Such as gathering a diverse board around you with skills, experience and capacity to meet challenges as they arise; engagement with key stakeholders, donors and your community; set up processes for operational matters including working out how you will resource your operations.

- When we asked our seasoned practitioners’ network about an approximate time frame, all of them responded with ‘don’t be in a rush’.

- Consider the long-term nature of what you are trying to create and the potential for reputational harm if you launch prematurely. It is reasonable to spend 6-12 months gathering your thoughts and resources prior to a public launch.



Costs, and statutory obligations

Establishment costs

- Unless you have specific internal expertise, you should allow an initial sum of funds to cover legal advice, creation of your structure and application for your necessary charity status and other registrations. This fee will vary depending on complexity; an amount of $10,000 -$15,000 would be a reasonable estimate.
- You also need to consider some basic ongoing or recurrent costs (outside of any operation costs) such as: annual accounting and audit, completion of annual reporting requirements, insurance costs, memberships, and possibly domain registration costs. Again, these will vary depending on the size of your operation, but an additional $10,000 -$15,000 per annum is a reasonable estimate. Consider how you will fund these.

Financial reporting

- All charities must submit an Annual Information Statement (AIS) to the ACNC.
- For small charities (revenue less than $500,000), submitting annual Financial Statements alongside your annual Information Statement is technically optional. We still encourage you to do so. If a small charity's own governing document requires it to submit Financial Statements, it must do so.
- Medium and large charities (revenue over $500,000) must submit an annual Financial Statements as part of their Annual Information Statement.
- This reporting is regulated by ACNC.
- Details at ACNC

Other Obligations

- In addition to financial reporting requirements, you need to consider record keeping, when and how to notify ASIC and ACNC of changes, application for a fundraising license, and other State & Territory requirements.
- Further reading at
  ACNC: other regulators
  and
  NFP taxes by state and territory

4 Your Foundation

Customise YOUR foundation (or fund)

Having considered legal structures and costings, let's look at the enjoyable aspects of getting to design and define your foundation at a more personal level: it is time to customise your foundation, setting it up in a way that reflects your vision and gives it the best change to create the impact you want to achieve!

This is what makes your foundation unique, why it matters to your community, and how the founding members can add their personal touch to set it on the right direction.

Remember the old adage "failing to plan is planning to fail".

It is important to *begin with the end in mind.*

Some questions to get you started:

- What do we do today?
- Who do we serve?
- What are we trying to accomplish? What impact do we want to make?
- Where are we heading, moving forward?
- What do we want to achieve in the future?
- What is our vision for the future of our community?
- What do we stand for?
- What behaviours do we value above all else?
- How will we achieve our mission and live our values?
- How do we treat members of our organisation and community?
- What external factors affect our work and plans?
- What words or phrases depict the type of organisation we want?

Your foundation

Vision & Mission

Know your vision

This is the big picture of what you want to achieve, i.e. the impact will you make.

Once you are clear on this you can articulate your Mission Statement. This is a general statement of how your vision will be achieved. Be concise – a few sentences on each is enough.

Bear in mind your foundation must operate in alignment with its legal framework.

Values

Articulate your values

Values define your organisation and how you work. They will provide an indispensable guide to the leaders of your foundation and those who choose to support you.

Your values must guide all your decision making, behaviours, processes and conduct.

Be concise – hone in on 5 or 6 core values that define what you and your organisation stand for.

Plan

It is never too early to have a strategic plan and to articulate your strategic goals.

A strategic plan will help you identify your goals for the short to medium future and what actions will help you achieve these.

Your initial plan should not look too far ahead in the future, maybe the first 3 years of operations. A strategic plan needs to be reviewed regularly.

Again, keep it simple and brief.

Fund distribution

This is at the heart of why you are setting up your foundation in the first place: to support your community.

Every foundation has its own take on how it works out what the local priorities are and how to support these community needs. It is exciting to create your own process to target areas of need that are most important to your community.

The power of the CF model is that it allows you to tailor support specific to your community's needs.

Be creative with this process and use this as an opportunity to engage your community and donors in an active and ongoing dialogue.

Fund Distribution – practical considerations

Requirements

- Each financial year, public ancillary funds are required to distribute at least 4% of the market value of their assets. Some relief is available to newly established funds.
- You need to consider your charitable purpose (as defined in your incorporation documents) and ensure your distributions always fit within this definition
- If your model strays outside a public ancillary fund, it is recommended you review your minimum legal requirements independently.
- Consider any legal limitation on who or what type of applicant you can support – consult the PuAF Guidelines.

Needs

- Identify needs within your community
- Identify gaps in funding available within your community
- Collaborate with existing service providers and agencies
- Engage with donors
- Consider your geographical boundaries
- Find out about Vital Signs, a community check-up tool used by community foundations around the world to measure the vitality of a community and support action towards improving collective quality of life. Contact us for more details

Process

- Set your grant making cycle. Will you have set grant rounds? How often? Or do you accept and review applications at any time? Maybe a combination of both? Your decisions will impact on workload – yours, and the grant seekers.'
- Design your application form / process. Will it be online, paper copies, both? Do you have the technology in place for smooth and secure application management. Will you need a preselection process or can anyone apply?
- Terms of reference for assessment of applications. Who will assess these? What is your timeline?
- Do you require an acquittal process?
- How you will measure impact of your grant making?
- Ensure you have a clear and transparent approach
- Consider applicants' privacy and handling of sensitive information
- It's ok to try, test and learn. What you design today doesn't have to be set in stone; it can adapt over time as your community needs evolve and you gain more experience.

Operational matters

While this guide is not designed to go into operational detail, it is important you are aware of the operational requirements of running a community foundation so you can factor into your planning how you will handle these essential elements.

Board establishment and Governance

An ideal board is representative of your community, including a diverse matrix. Look for diversity in age, gender, ethnic background and skill sets. Do you have a board rotation policy and a process for performance review? Adopt best practice principles from day 1

Practicalities

Where will your Foundation operate? Will you have a physical office location, or rely on volunteers working from home? How will people find and communicate with you, are you listed in a local directory, will you have a phone contact, are personal contact details available for board members?

Is any seed funding available to get you started with office set-up and some part-time admin help?

Getting things done

Who is doing all the work - volunteers, employees, board members? How will you recruit and manage them? Do you have induction documents, procedure manuals, terms of reference, privacy and confidentiality agreement documents?

Administration and management

Who will pay bills, collect mail, check emails, receive phone calls, receipt donations, receive and process applications?

What bookkeeping system is in place? Have you consulted an accountant and auditor to ensure bookkeeping is adequate? Who will prepare financial reports, annual audits and submit statutory reporting?

Risk Management

Information(digital and print) management, privacy, data security : Where and how do you store information? Who has access? How are they trained and supervised?

Safeguarding financial resources: Delegations of authority, multiple signatories for bank accounts, credit card policy, segregation of duties. Investment strategy and management.

Insurance: for events, volunteers, workers compensation, public liability, financial risk, audit insurance etc.

Foundation Profile

What does your branding & logo look like? Does it convey your vision, mission, & values clearly? Can you afford a graphic designer to create your visual identity?

Will you have a website and social media profile? Who is setting it up? Who will manage it? Make sure you have access to all passwords!

Have you secured your domain name, created email addresses and stationery? Who will be your spokesperson?

Fund development

Will you hold fundraising events? What platforms will you use to collect funds? How will you issue tax deductible receipts? Will you accept workplace giving, bequests, gifts in kind? Online donations?

Will you apply for grants? Who is responsible for donor engagement? How will you communicate with donors, what feedback will you provide to donors, how will you attract new donors?

Do you intend to build a corpus*, if so, how?

*A corpus is also known as 'funds under management.' It is the donations you have collected and set aside for investment. Typically, these funds are invested and not spent or distributed. Investment income generated is used to fund operations and grant making. This way you are building a lasting legacy to serve your community indefinitely. Building a corpus takes time.

5 Appendix

Some words of wisdom shared by our peer network

Allow time for sufficient readiness before you launch

Appreciate the long term nature of a CF, it is for perpetuity. Be happy to grow into the model

When two people who work together think exactly the same, one of them is redundant.

Think about building a team with different knowledge and complementary skills.

Look for seed funding from those who share your values - private donors, small business, local government, NGO's, philanthropy …

Time spent in reconnaissance is never wasted

Your community and your supporters need to know you, need to like you, and trust you. It takes time

Just get started!

Find and celebrate the stories of generosity that have made your place

You're special. But you're not unique. There are 2,000 CFs to learn from, and lots of people have wrestled with the questions you've currently got. Reach out

If you can't write it down, it can't be done

Find a trusted third party to ensure you always have an outside perspective

Done is better than perfect

Make sure you have a strategic plan with clearly articulated short-term goals

Do your ground work and ensure connection to community

Find a mentor

Appreciate the long term nature of a CF, it is for perpetuity. Be happy to grow into the model

Keep it simple – do a couple of things really well

Be realistic about capacity and volunteer time, understand limitations of your peers, create boundaries and beware of burnout

It is not about you – but it is up to you

Checklist

This is a suggested checklist to keep you thinking; a final review to ensure key items haven't been missed. It is not exhaustive.

Structure & Incorporation

Have you?

- Incorporated your Trustee Company
- Identified a company secretary, directors, shareholders and a public officer
- Met the Responsible Person guidelines for the majority of directors
- Settled your PuAF and ensured all terms are correctly expressed in your Deed
- Applied for charity registration status and other relevant concessions including DGR status
- Applied for ABN, TFN, PAYG & GST registrations, as required
- Applied for a fundraising licence, if required
- Opened bank accounts and identified appropriate signatories
- Put processes in place to meet ongoing ACNC, ASIC and ATO reporting requirements

Operational Matters

Do you?

- Have an operational platform to collect donations
- Have a pro forma ready to issue deductible receipts
- Have comms ready to go (website, social media, newsletters, email, phone, postal address)
- Have appropriate record keeping procedures
- Have secure storage arrangements for sensitive documents, both electronic and hard copies
- Have grant application forms ready
- Have terms of reference to assess applications
- Have a committee established to assess applications

Board Matters

Do you?

- Have board policy, conflict of interest, privacy and confidentiality documents in place
- Have sub-committees responsible for certain board functions (fundraising, governance, finance and audit, community engagement etc)
- Have a board calendar with regular meeting times, set agenda, and cyclical items
- Have you an annual board timeline eg, which month we will look at; budgeting, annual reporting, compliance check, AGM, performance review etc

Other

Have you?

- Established a current insurance policy covering all relevant activities
- Endorsed a current investment strategy
- Clearly articulated your vision, mission and values
- Completed a strategic plan covering your first 3-5 years of operations

Further reading on community foundations

Community foundations in Australia: a blueprint for growth

South Australia’s network of community foundations collaborating in new ways

Inspire – a new way to think about community foundations

FRRR: Supporting community led approaches to disaster preparedness

Community foundations in Aotearoa New Zealand

Community foundations in Canada

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