The Road Ahead

Emerging funding models for the aged care and community sectors.

Produced by:
Tara Burke, Shanna Crispin, Miguel Gomez, Seemar Riyat, Marc Zen.
Contents

Introduction .............................................................................................................................................. 3
1. Social impact bonds ........................................................................................................................ 4
2. Social Enterprises ............................................................................................................................ 18
3. Joint ventures .................................................................................................................................... 25
4. Venture philanthropy ........................................................................................................................ 29
5. Corporate sponsorships .................................................................................................................... 32
6. Innovative fundraising methods ........................................................................................................ 36
   6.1 Crowdfunding .......................................................................................................................... 36
   6.2 Bequests / Endowments .............................................................................................................. 39
   6.3 Intermediaries .......................................................................................................................... 42
Conclusion ............................................................................................................................................... 45
Appendices ............................................................................................................................................. 46
   Appendix 1 ......................................................................................................................................... 46
   Appendix 2 – Resource List ............................................................................................................... 47
Introduction

Operating a not-for-profit organisation is becoming increasingly challenging as swiftly changing markets and reduced access to funding dovetail into what could be described as the perfect storm.

On one hand, legislative change is vastly altering the landscape to such an extent that not-for-profit organisations are being forced to reassess their meaning and what role they’re to play in the future market.

On the other hand, the market is becoming increasingly populated by both not-for-profit and for-profit organisations.

The result has been, and continues to be, a rapid increase in the number of stakeholders all competing for the same “social dollar”.

Not-for-profit organisations which fail to appreciate how the changing landscape will impact their operations and fail to assess funding alternatives are putting their future viability at risk.

Conversely, those that broaden their approach and consider emerging funding models are increasing their chances of success.

The following funding models, considered to be “emerging” in the not-for-profit sector, have been identified as innovative approaches to current funding struggles and are presented as opportunities which organisations should consider.
1. Social impact bonds

Definition

Social impact bonds are one of the most recent funding models to emerge in the not-for-profit sector and have garnered significant interest.

The Global Impact Investing Network (GIIN) describes “impact investing” as a form of investment which is intended to achieve a positive social, cultural or environmental benefit with a measure of financial return (Impact Investments for Charitable Trusts, March 2014).

Therefore social impact bonds are focused on investing in a program to solve a social problem, but with financial returns also expected.

Further to that definition, social impact bonds (SiBs) are also referred to as social benefit bonds or “paying for success”.

While the focus of this section is on the emerging form of impact investments known as social impact bonds, it does not rule out exploring other forms of impact investing to improve social problems.

Recent government reforms and associated funding announcements have revealed that the State and Commonwealth budget allocations for social services are declining. However, the social challenges that communities are facing is on the rise. To bridge the funding gap Government policymakers are exploring the use of social impact bonds as a new financing mechanism.

SiBs are formed when intermediaries and their not-for-profit (NFP) organisations enter contracts with Governments to work towards delivering social programs to the underserved communities (Goldman Sachs, October 2014).

So......how does the SIB work? Refer to Figure 1 below.
Figure 1: How do SIBs work?

Source: Goldman Sachs, October 2014

<table>
<thead>
<tr>
<th>A community faces a challenge and an intervention is important.</th>
<th>This could be a high teenage imprisonment rate or low academic performance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The government makes this a priority.</td>
<td>Policymakers recognise the challenge but may not have the resources to address the challenge.</td>
</tr>
<tr>
<td>A service provider has a solution.</td>
<td>This may be a proven local program that can be expanded or a strategy that has worked elsewhere and can be replicated.</td>
</tr>
<tr>
<td>Private investors step up (an intermediary can assist in raising capital).</td>
<td>A group of private investors loan money to finance the capital and operating costs of the program.</td>
</tr>
<tr>
<td>A project manager brings it all together.</td>
<td>The project manager uses the proceeds of the loan to fund the program and manages the day to day operations.</td>
</tr>
<tr>
<td>The service provider goes to work.</td>
<td>The program expands. To succeed, it will need to meet a set of quantifiable metrics.</td>
</tr>
</tbody>
</table>
An evaluator (or intermediary or assessor) measures success. After a fixed time period, an independent evaluator determines how effective the program has been, based on the agreed upon metrics.

The government pays for results. Based on the demonstrated impact of the program, the government pays the project manager, who then repays the investors.

**Examples of social impact bonds in practice**

Do SIBs really work? A number of examples from both Australia and international locations are provided below to help address this question.

SIBs originated in the United Kingdom and are emerging with a strong potential to become mainstream across the globe.

According to the Impact Australia 2013 report, the NSW Government first initiated the process of developing three pilots for social impact bonds. These pilots were developed based on the UK version of the Peterborough recidivism trial model which was reported to have returned 7.5% to investors (Benchmark Legal Writing Studio, September 2014).

Detailed below are some case study examples from the Social Ventures Australia 2015 website that explain the structure of three SIBs.
### Case Study 1: The first SIB - Peterborough One Service (UK)

<table>
<thead>
<tr>
<th>Program Description (Intervention)</th>
<th>This SIB project focuses on the integration of pre and post release support including education, vocational skills and confidence building.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Population</td>
<td>Adults (18+ at sentencing) male prisoners with a sentence of &lt; 1 year.</td>
</tr>
<tr>
<td>Intervention Cohort</td>
<td>Target population members released from the Peterborough prison. It is expected that 80% are expected to engage in this prevention service. Over the bond term 3,000 individuals are expected to be serviced. The first cohort enters from Sep 10 to Jun 12, the second from Jul 12 to Jun 14 and the final cohort will no longer go ahead as a new program has resulted in change to the funding structure of this service.</td>
</tr>
<tr>
<td>Outcome Measurement</td>
<td>Metric: The number of reconviction events for offences committed in the 12 months following release, the reconvictions having been recorded in the 18 months following this release. Outcome calculation and target: % reduction in reconviction events relative to counterfactual. The target reduction rate is 7.5%.</td>
</tr>
<tr>
<td>Contracting Parties</td>
<td>Government – UK Ministry of Justice and Big Lottery Fund Service Provider – One Service: St Giles Trust, Ormiston Children and Families Trust, SOVA, YMCA and Mind Intermediary – Social Finance UK</td>
</tr>
<tr>
<td>Investors</td>
<td>17 investors consisting of mostly charitable trusts and foundations</td>
</tr>
<tr>
<td>Savings Area for the Government</td>
<td>Recidivism</td>
</tr>
<tr>
<td>Bond Amount</td>
<td>£5m (GBP)</td>
</tr>
<tr>
<td>Bond Term</td>
<td>8 years</td>
</tr>
</tbody>
</table>

Source: Social Ventures Australia 2015
**Case Study 2: The Benevolent Society (Australia)**

<table>
<thead>
<tr>
<th>Program Description (Intervention)</th>
<th>Resilient Families therapeutic support program, informed by The Benevolent Society’s extensive experience in working with at risk families as well as international evidence based programs (including the US Homebuilders model).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Population</td>
<td>Families with children &lt;6 years of age and at the risk of significant harm</td>
</tr>
<tr>
<td>Intervention Cohort</td>
<td>Up to 400 impacted population families over four annual intakes</td>
</tr>
<tr>
<td>Outcome Measurement</td>
<td>Metric: Number of entries into Out of Home Care, Number of helpline reports and number of safety and risk assessments.</td>
</tr>
<tr>
<td></td>
<td>Outcome calculation and target: Out of Home Care entries (66%); Reports (17%) and Assessments (17%)</td>
</tr>
<tr>
<td>Contracting Parties</td>
<td>Government: NSW Government – Family and Community Services</td>
</tr>
<tr>
<td></td>
<td>Service Provider: The Benevolent Society</td>
</tr>
<tr>
<td></td>
<td>Assessor / Evaluator: Deloitte</td>
</tr>
<tr>
<td>Investors</td>
<td>Range of investors from; High net worth (HNW) individuals, Self Managed Superannuation Funds (SMSFs), trusts and foundations and institutions.</td>
</tr>
<tr>
<td>Savings Area for the Government</td>
<td>Out of Home Care  and Homelessness</td>
</tr>
<tr>
<td>Bond Amount</td>
<td>$10m upfront (AUD)</td>
</tr>
<tr>
<td>Bond Term</td>
<td>5 years</td>
</tr>
</tbody>
</table>

Source: Social Ventures Australia 2015
Case Study 3: Sweet Dreams (Canada)

<table>
<thead>
<tr>
<th>Program Description (Intervention)</th>
<th>Safe accommodation and support that allows at-risk young single mothers to continue with their education or participate in work preparation activities.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Population</td>
<td>Single mothers with children under the age of eight who are at risk of requiring services from Child and Family Services.</td>
</tr>
<tr>
<td>Intervention Cohort</td>
<td>11 adults and 11-15 children at any one time</td>
</tr>
<tr>
<td>Outcome Measurement</td>
<td>Metric: Number of families leaving the supported accommodation and staying together for more than 6 months without entering into care.</td>
</tr>
<tr>
<td></td>
<td>Outcome calculation and target: By 2019, the aim is to have 22 children and their mothers leave the home and stay together as family units for at least six months.</td>
</tr>
<tr>
<td>Contracting Parties</td>
<td>Government: Government of Saskatchewan. Multi ministry – Health Education</td>
</tr>
</tbody>
</table>
and Social Services.

Service Provider: EGADZ

Intermediary: None

Assessor / Evaluator: Unknown

<table>
<thead>
<tr>
<th>Investors</th>
<th>Conexus Credit Union and Mah Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings Area for the Government</td>
<td>Out of Home Care, Education and Employment</td>
</tr>
<tr>
<td>Bond Amount</td>
<td>$1m (CAD)</td>
</tr>
<tr>
<td>Bond Term</td>
<td>5 years</td>
</tr>
</tbody>
</table>

Source: Social Ventures Australia 2015

Additional case studies from around the globe which address various social issues including adoption, education, employment, health, homelessness, immigrant employment, out of home care, recidivism and youth employment can also be found at the Social Ventures Australia website (refer to the References section).

**Challenges and Opportunities**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measuring impact</td>
<td>The desired results need to be clearly defined and should be able to be reliably measured.</td>
</tr>
<tr>
<td>Becoming investment ready</td>
<td>It is important that this process is delivered with new collaborations between the community sectors and banks and a great focus for all parties on areas of definition, measurement and accountability for results.</td>
</tr>
</tbody>
</table>
### Cultural change

This is an important aspect of the changing environment and management for not for profits. This needs to be addressed for management to build high-performance organisations.

### Takes time

SIBs have attracted significant interest, however the complexity and delivery of the results takes time.

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlock new capital</td>
<td>SIBs open the economic environment for willing investors with sufficient funds to provide capital to address social issues.</td>
</tr>
<tr>
<td>Emphasis on outcomes</td>
<td>It can be difficult to be clear on what level of achievement of outcomes is acceptable or desirable, hence some subjective targets, indicators or benchmarks are likely to be required.</td>
</tr>
<tr>
<td>Enhance social impact</td>
<td>It is vital to recognise the need for a clearly defined population and that the community is receiving the benefits from the SIB project.</td>
</tr>
<tr>
<td>Catalyses shift in funding from acute to preventative spend</td>
<td>There is a shift from accessing services which provide recovery oriented programs, as opposed to the preventative services that are undertaken with an approach and effort to prevent an issue from arising or recurring.</td>
</tr>
</tbody>
</table>

Although SIBs are quite versatile, it is not a funding model suitable for every situation. One of the first challenges when considering the option of introducing SIBs is to consider whether this is the most appropriate funding model for the intervention or community need identified. The process of seven steps (overleaf) can be utilised as a suitability framework for a SIB (The Young Foundation, March 2011).
Step 1: Is the intervention preventative in nature and sufficient funding is currently unavailable? If Yes, proceed to the next step.

Step 2: Does the intervention improve social well being and prevents an undesirable outcome? If Yes, proceed to the next step.

Step 3: Can the specific impacts of the intervention be quantified? If Yes, proceed to the next step.

Step 4: Is the intervention preventative in nature and sufficient funding is currently unavailable? If Yes, proceed to the next step.

Step 5: Is it possible to identify a specific government stakeholder that will achieve savings as a result of actions undertaken by others? If Yes, proceed to the next step.

Step 6: Savings for the government stakeholder are significantly greater than the cost of the intervention and any additional transaction costs. If Yes, proceed to the next step.

Step 7: Is it possible that the government would enter into an arrangement to pay some proportion of the savings back to the SIB? If Yes, a SIB may be an appropriate funding model.
Recommendations and checklists for SIBs

Many forward-looking leaders and executives have already begun to implement readiness strategies for SIBs. It is vital that other community organisations follow suit to develop and demonstrate strategies for integrating social responsibilities that are focused on the following (The figure below illustrates how these integrate with each other):

- Innovation
- The people and communities that they support
- Alliances both within the not for profit/community sector and outside the sector (i.e. intermediaries)
- Experiment and learn from each other in the areas of performance and governance and purpose
- Transform contrasting activities into a dynamic field of support services

Strategies for being SIB ready

Source: I Jackson and J Nelson, Profits with Principles: Seven Strategies for Delivering Value with Values, 2004
Figure 6: Key questions to consider when preparing for SIBs

<table>
<thead>
<tr>
<th>Key Question</th>
<th>The details......to address key questions.....</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has a social issue suitable for Social Impact Bonds been selected?</td>
<td>A defined target group and goals are key to the success of the SIB. Is there a potential to define and scope the population related to the social issue?</td>
</tr>
<tr>
<td></td>
<td>The government needs to realise cost savings to be able to provide a return for investors. Would prevention in the area present a cost saving opportunity?</td>
</tr>
<tr>
<td></td>
<td>How can the SIB complement existing programs and services?</td>
</tr>
<tr>
<td>Are there measurable social impact metrics for the social issue?</td>
<td>How can your organisation take an outcomes approach to measuring performance and results?</td>
</tr>
<tr>
<td></td>
<td>Is there an objective party that is able to measure the outcomes of initiatives related to the issue?</td>
</tr>
<tr>
<td>What is your strategy for pricing and implementing SIB initiatives?</td>
<td>Has your organisation addressed any potential legal or administrative barriers?</td>
</tr>
<tr>
<td></td>
<td>How can your organisation equip your staff with the skills to design and implement SIBs?</td>
</tr>
<tr>
<td></td>
<td>Do you have a detailed, evidence based understanding of the quantified savings to government associated with the outcomes the SIB seeks to achieve?</td>
</tr>
<tr>
<td></td>
<td>What accounting treatment is appropriate to recognise SIBs within your financials?</td>
</tr>
<tr>
<td>Are your stakeholders ready to take on a SIB initiative?</td>
<td>Has a feasibility and readiness study been conducted to assess how ready the related service delivery organisations,</td>
</tr>
</tbody>
</table>
Social Impact Bond?

intermediaries and other stakeholders are for a SIB on the social issue and to identify the potential investors?

Source: Deloitte, Paying for Outcomes

**Additional strategies to consider**

The Impact Australia report researched and collated by Addis, McLeod and Raine discussed that intermediation is required for social impact bonds to develop a market in the Australian social and economic landscape.

This research recognised that an intermediary can assist in bridging the gap between the supply of investment capital and the demand for capital by brokering these connections, attracting and managing capital, structuring deals and facilitating interest across the investment market.

Refer to 6.3 of this report that addresses intermediaries in more depth. They are vital to unlock capital, direct it to social impact bonds and generate a pipeline of quality social service projects that will grow within the not-for-profit sector.

The outline below provides examples of various intermediary types that are active in impact investing in Australia (including social impact bonds) and Figure 8 provides some key questions to consider when considering contracting with an intermediary.

**Active Intermediaries in the Australian SIBs landscape**

<table>
<thead>
<tr>
<th>Type of intermediary</th>
<th>Examples</th>
</tr>
</thead>
</table>
| Investment readiness intermediary | - Social Traders  
- Social Firms Australia  
- Social Ventures Australia Hubs  
- Social Enterprises Sydney  
- Social Innovation in WA (SiiWA) |
| Specialist financial intermediary | - Foresters Community Finance  
- Small Giants |
| Mainstream financial intermediary | - JBWere  
- Evans and Partners  
- Ethnivest  
- Colonial First State Investments | - AMP Capital  
- Perpetual Investments  
- Mercer Investments  
- Bankmecu |
## What to consider before engaging an intermediary?

### Considering a potential intermediary organisation to assist? Do they align with the SIB that is being considered?

<table>
<thead>
<tr>
<th>Key Questions</th>
<th>The details......to address key questions.....</th>
</tr>
</thead>
</table>
| How does the SIB intermediary role align with the intermediary’s mandate? | According to the mandate, does the enabling of innovative solutions to social issues align with the work of their organisation?  
Are there certain parts where the intermediary that would be most suited to participate in?  
Do they have the familiarity and capability to select the service delivery organisations for the SIB? |
| How connected is the intermediary with the potential investors? | What are the costs and efforts required to identify and bridge the connections to future investors of the SIB?  
Can the relationships be valuable for the overall intermediary? |
| What is the intermediary’s workforce strategy for facilitating the SIB? | Does the intermediary organisation have the staff with the required skill sets in areas of negotiations, legal, analysis, contracting, social finance, risk evaluation and management?  
Can the intermediary develop a capability to raise private capital for SIBs? |
| Is the intermediary ready to successfully implement the SIB? | How supportive is the intermediary’s Board of Directors? Does management have a credible plan to execute on the SIB initiative?  
What change management strategy is required to optimise the chances of successful implementation? |

Source: Deloitte, Paying for Outcomes
2. Social Enterprises

Definition

Since their first known existence in the Middle Ages social enterprises have taken various forms and have included monastic communities and co-operative / mutual organisations.

For the purposes of this research, a more modern definition of social enterprise has been adopted. It is also a description which more accurately describes the funding model becoming more prevalent in the not-for-profit sector.

Social Traders, a not-for-profit organisation founded in Melbourne in 2008 to further the growth of social enterprise in Australia, defines a social enterprise as an initiative which;

- is led by an economic, social, cultural, or environmental mission consistent with a public or community benefit;
- trades to fulfil their mission (1);
- derives a substantial portion of their income from trade (2); and
- reinvests the majority of their profit/surplus in the fulfilment of their mission.

1. Where trade is defined as the organised exchange of goods and services, including: monetary, non-monetary and alternative currency transactions, where these are sustained activities of an enterprise; contractual sales to governments, where there has been an open tender process; and trade within member-based organisations, where membership is open and voluntary or where membership serves a traditionally marginalised social group.

2. Operationalised as 50% or more for ventures that are more than five years from start-up, 25% or more for ventures that are three to five years from start-up, and demonstrable intention to trade for ventures that are less than two years from start-up (Paul Flatau, 2011).

Using this definition, a social enterprise in Social Traders’ terms requires a core focus on a particular mission which has prompted the launch of the enterprise.

In the interests of clarity, a commercial organisation which then decides to address a social problem would not fit the typical definition.

Another definition offered is as follows; “Social enterprises directly confront social needs through their products and services rather than indirectly through socially responsible business practices such as corporate philanthropy, equitable wages and environmentally friendly operations – or through the unrelated business activities mounted by nonprofits” (Entrepreneurs, 2008).
Social Enterprises – A model for revenue diversification

Not-for-profit organisation established to address social issue

NFP identifies need for additional revenue which is more secure than traditional revenues

Separate revenue-generating arm established

NFP gains revenue through traditional means; donations, fundraising

Revenues from traditional sources and enterprise arm combined and used to solve social problem
Social Enterprise Motivations

This research is focused on the use of the social enterprise model to establish new revenue streams for existing not-for-profit organisations.

This is one of three which may prompt an organisation to establish a social enterprise. Other reasoning may include (Social Enterprise Motivations and Types, 2015);

- **Employment Need** – Social enterprises that provide employment, training and support for disadvantaged groups.
- **Community Need** – Social enterprises that create or maintain products and/or services in direct response to social or economic needs in the community, not met by the market.

Similarly, there are different types of social enterprise frameworks including (Social Enterprise Motivations and Types, 2015);

- Member benefit businesses which are formed to meet defined social needs of members ie childcare, housing.
- Businesses that undertake commercial work in order to train, support and employ disadvantaged job seekers and then transition them into mainstream jobs.
- Commercial businesses established by charities to generate revenue which is reinvested in their charitable purpose.
- Businesses developed to employ people with a disability that are unable to work in mainstream businesses.

As Social Traders makes clear, most social enterprises will be a hybrid of a number of different typologies. Goodwill Enterprises (understood to be the first to establish “goodwill” or “opportunity” shops) is a good example; while it created a commercial business to generate revenue, it also provided employment opportunities.

As this research is focussed on emerging funding models, rather that alternative ways to solve social problems, the focus has been put on social enterprises which are primarily focused on revenue diversification.

The first issue for not-for-profits to combat when establishing a for-profit arm, and thus seeking to become a social enterprise, is identifying what that revenue-generating venture will be – essentially what it can “sell”.

Typical options include selling existing skills as consultancy and/or establishing commercial business not related to the core mission.
Examples

Western Australia is fortunate to have numerous examples of social enterprises from which lessons can be learned.

Holyoake

Holyoake is a leading provider of drug and alcohol counselling and support services in Western Australia.

Founded in 1975, Holyoake now helps more than 4,000 people through a range of programs each year.

In recent years the organisation has embarked on a social enterprise venture by selling its skills to the corporate sector; alongside its core support and counselling work, the organisation offers employers the opportunity for trained and experienced Holyoake staff to visit the workplace for education sessions around mental health including stress – a form of consultancy.

These Wellbeing@Work programs include a range of modules from one hour awareness sessions to four hour experiential sessions (Holyoake, 2015).

Holyoake has also established a social enterprise around its DRUMBEAT program. DRUMBEAT was established in Australia in 2003 and designed to engage youth averse to talkback therapies. Holyoake has attracted additional revenue through this speciality by also offering it to corporates, as well as becoming the trainer of DRUMBEAT facilitators across Australia and New Zealand.

Most recently, Holyoake has taken the initiative to develop its own computer “game” based on the DRUMBEAT program – called DRUMEAT Quest, which it is now commercialising. The initial focus is to gain business through counsellors and health educators. The program is also currently the subject of research project being undertaken at the University of Western Australia looking into emotional intelligence and motor condition.

St Vincent de Paul

St Vincent de Paul is a not-for-profit organisation focussed on homelessness and is a demonstration of one of the more established social enterprises existing in Australia.

In addition to traditional fundraising as a revenue source, the St Vincent de Paul Society WA operates 43 “opportunity shops”. In addition to making goods available at lower costs to help the less fortunate, the organisation takes the profits to circulate back into its mission of reducing homelessness.
In the 2014 financial year revenue from these shops amounted to more than $8 million – more than 50 per cent of the organisation’s annual turnover.

**Dismantle**

Dismantle is among the host of not-for-profit organisations to recently embark on a social enterprise venture after having received a grant from the WA state government’s Social Enterprise Fund.

As its core mission, Dismantle uses the bicycle as a tool for engaging disadvantaged youth with a structured program, Bike Rescue, in place.

To increase its revenue dismantle established a social enterprise whereby its mechanical expertise are sold to the corporate sector. It has created the “Bike Dr” business where a number of its mechanics travel to corporate buildings in Perth and offer companies within them mobile bicycle services.

At the end of 2014 the venture had tripled its capacity within two years. Once the venture becomes self-sustaining all the profits would be funnelled back into the organisation to fund the programs engaging disadvantaged youth.

**Challenges and Opportunities**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combatting mission creep*</td>
<td>For any not-for-profit organisation establishing a social enterprise as an aside to its core activity, managing distraction will be a challenge.</td>
</tr>
<tr>
<td></td>
<td>Also called “mission creep”, not-for-profits which succumb to this are at risk of losing sight of their core mission and/or the focus on financial outcomes changing the initial social goal.</td>
</tr>
<tr>
<td>Competitiveness / measuring return on investment</td>
<td>While diversification of funding is likely to be the initial goal, it may be difficult to quantify whether the establishment of a social enterprise has been a good investment beyond that first milestone.</td>
</tr>
<tr>
<td></td>
<td>NFPs may also have a hard time being competitive against other for-profit providers of a similar service which are not limited by capital or operating budgets – this is especially true for NFPs which embark on consultancy.</td>
</tr>
</tbody>
</table>
Securing start-up funding

In WA, the state government offered organisations grants from the Social Enterprise Fund to kickstart social enterprises.

However, this fund has now been cancelled and startup funding is rare – this presents challenges both for organisations wanting to start from scratch and those that would have greatly benefitted from the grants.

Retaining organisational culture

Introducing a for-profit arm to an otherwise not-for-profit business may present challenges in terms of maintaining strong organisational culture.

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding diversity</td>
<td>The most obvious opportunity afforded by establishing a social enterprise is the fact it is likely to increase funding diversity – thus lessening the reliance on traditional sources which are becoming more competitive.</td>
</tr>
<tr>
<td>Not-for-profit organisations identify competitive edge</td>
<td>There is continuous rhetoric that for the NFPs to exist they need to be competitive. By establishing a social enterprise, not-for-profit organisations will inherently identify a competitive edge which sets them apart from their peers.</td>
</tr>
<tr>
<td>Increase reach/impact</td>
<td>Through a more sustainable funding model and heightened business awareness NFPs may very well be able to increase the work they are doing in their chosen field.</td>
</tr>
<tr>
<td>Innovation</td>
<td>By adopting a social enterprise model NFPs have an opportunity to be the agents of change and champion innovative and alternative funding models. This is particularly important in the current funding climate and will continue to be so in the future.</td>
</tr>
</tbody>
</table>
Recommendations

Following the research and examples provided in this chapter, not-for-profit organisations should take note of the following recommendations:

- Assess the organisation’s current funding structure and whether diversification is desirable and / or achievable given existing resources.
- Complete market research on the extent to which peer organisations are using / developing social enterprises.
- Explore a range of potential social enterprise opportunities and assess which would best fit the organisation in terms of culture and product.
- Seek advice / guidance from a business-development expert.
- Fully assess startup costs and where funding will come from to cover this capital expenditure.
- Assess the return on investment on both a medium and long-term basis and evaluate whether the return justifies the initial expenditure and effort.
- Develop a plan to guard against mission creep.
- Ensure the social enterprises’ value proposition is clear and can withstand strong competition from for-profit organisations.
3. Joint ventures

Definition / Explanation

Joint ventures are a single business transaction entered into when individuals or organisations choose to come together to share their strengths, minimise their risks and increase their competitive advantage in the marketplace. There are numerous definitions available to determine a joint venture. However, most work to describe what essentially is a business arrangement between two or more parties which agree to pool their resources for the purpose of accomplishing a specific task.

A joint venture can be undertaken in the form of a specific project with specified desired outcomes or other business activity. In a joint venture (JV), each party is responsible for profits, losses and costs associated with it. However, the venture is its own entity, separate and apart from the participants’ other business interests. A JV is a legally binding agreement which is enforceable like any other contract.

This form of business arrangement is becoming increasingly common in the not-for-profit sector as the funding environment becomes increasingly challenging – organisations are realising that they may be better off pooling resources.

Examples

Nokia Siemens Networks and Sony Ericson are examples of joint ventures in countries where foreign ownership is difficult or often prohibited. These types of JVs allow providers to bring in outside technology and resources while the foreign investor utilises established domestic relations and Government licenses that are normally difficult for a foreign company to acquire.

Closer to home, there are many examples of JVs in the aged care sector like at Amana’s Hillendale Village in Roleystone/ The complex comprises 10 one-bedroom subsidised units, 14 two-bedroom resident-funded units, together with 12 one-bedroom units which were built in a joint venture with HomesWest and have been made available for lease without any in-going contribution.
Challenges and Opportunities

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The amount of time that it takes for decisions to be formulated.</td>
<td>Corporations make decisions relatively quickly compared to the time it takes for decisions to be made in joint venture relationships. Sometimes this clash of corporate cultures can lead to disastrous consequences for both parties.</td>
</tr>
<tr>
<td>Tax considerations</td>
<td>Depending on the nature of the activities involved, becoming party to a joint venture agreement may jeopardise the income tax-exempt status.</td>
</tr>
<tr>
<td>Business arrangements/MOU</td>
<td>JV often governed by an agreement that delineates specifics like input/contribution and split of profits/proceeds for each party. Potential animosity over split of proceeds.</td>
</tr>
<tr>
<td>Conflicts of interest and importance of due diligence</td>
<td>Importance of partnering with the right people. Do a background check on your partner. Once the MOU has been created and conversations have established protection for each party you must ensure you carry out due diligence.</td>
</tr>
<tr>
<td>Other JV challenges/problems encountered include:</td>
<td></td>
</tr>
<tr>
<td>• Lack of JV experience</td>
<td></td>
</tr>
<tr>
<td>• Competing against your JV partners on other projects</td>
<td></td>
</tr>
<tr>
<td>• No joint control of cash</td>
<td></td>
</tr>
<tr>
<td>• Your JV partner has a conflict of interest Assuming your JV partner will look out for your interest or assuming they are an astute business person</td>
<td></td>
</tr>
<tr>
<td>Opportunities</td>
<td>Explanation</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Operational transparency</td>
<td>Operational transparency for all parties involved. Because both parties are affected by the outsourced services; a greater degree of control can be exercised by the buyer of the outsourcing operation.</td>
</tr>
<tr>
<td>Shared expertise/capital</td>
<td>Increased capital and expertise from other providers/parties for a common project as well as reduced exposure to risk and mitigation of loss.</td>
</tr>
<tr>
<td>Revenue and tax advantages</td>
<td><strong>JVs</strong> provide obvious revenue and tax advantages to both the company and the out-sourcer. Shared investment in project with common desired outcomes.</td>
</tr>
<tr>
<td>Increased commitment</td>
<td>Because of their mutual financial interests, both parties in joint ventures tend to devote much more attention and commitment to their end goals than would normally occur.</td>
</tr>
</tbody>
</table>

**Recommendations**

Joint ventures require more sophistication from buyers compared to other business models, which is why all parties involved in joint ventures should consider all options and carry out due diligence before creating a new entity in the form of a JV.

Before entering into a JV agreement, organisations should give consideration to the following:

- Ensure due diligence and check the credentials of the other party/parties
- Objectives and roles should be agreed and documented by both parties before any work
starts on the actual joint venture itself

- Formalise the agreement to help prevent any misunderstanding once the joint venture is up and running. Key matters that a written agreement should cover include:
  - Structure of the joint venture
  - Objectives
  - Financial contributions you will each make
  - Structure and make-up of the management team
  - Ownership of intellectual property created by the joint venture
  - How liabilities, profits and losses are shared
  - Dispute resolution procedure
  - Exit strategy

- Establish clear performance indicators for each party in the joint venture

- Share information openly, particularly on financial matters, to encourage transparency, trust and to help avoid partners becoming suspicious of each other.

- Maintain the financial records of the joint venture and auditing in accordance with the relevant legislation, government, corporate guidelines and general good business practice.

- There is potential for significant differences in culture between the joint venture partners. Cultural alignment or at least a recognition and acceptance of cultural differences is critical to the success of any joint venture.
4. Venture philanthropy

Definition / Explanation

Philanthropy has been defined as an altruistic concern for human welfare and advancement. Traditionally, the active form of philanthropy has been by individuals who have given, on a personal basis, donations of money, property etc. to provide input into positive social outcome.

Venture philanthropy or strategic philanthropy focuses on building stronger community-benefit organisations by providing them with both financial and non-financial support in order to increase their impact on society. This approach includes both the use of social investment and grants.

Emerging trends:

- Corporate philanthropic activity and corporate community investment programs are becoming an important part of competitive strategies for organisations as both demands on reduced funding and client expectations. There is an increased emphasis and focus on the shared value of support whether from a similar organisation or corporate body and the commitment to develop long term partnerships.
- Large philanthropic ventures are few and far between.

Examples

The most recent high-profile example of a philanthropic grant is at Wintringham in Victoria.

Wintringham is a social justice welfare organisation that provides housing and aged care to elderly homeless or people at risk of becoming homeless. It is the Australia’s largest provider of services to elderly homeless people. A philanthropic grant of $7.5 million was made to Wintringham from the Peter and Lyndy White Foundation.

The grant was intended to help Wintringham purchase the Gilgunya Village, an aged care facility owned by Wesley Mission Victoria, so it stays in the NFP sector.

Gilgunya consists of 51 bedroom low-care hostel units and 12 two-bedroom independent living units together with supporting facilities, contained in a 0.83 hectare site in Harding St, Coburg.

The facility, under Wintringham’s management, will be made available to the homeless and near homeless aged population with existing residents and staff having the ability to transfer to Wintringham should they choose.
The Peter and Lyndy White Foundation is hopeful that its donation will encourage other trusts and individuals to address and reduce the homeless problem in Australia.

It is understood that the grant is the largest to have been given to a cause focused on reducing elderly homelessness.

**Challenges and Opportunities**

*Philanthropic ventures experience similar challenges and opportunities as joint venture outlined above and also experience the following:*

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarity needed</td>
<td>Uncertainty around the terms of multi-year commitments and what would render providers either eligible or ineligible for continued funding.</td>
</tr>
<tr>
<td>Risk of losing core funding</td>
<td>It is possible that should a project or venture not perform to the agreed standard that the core funding could be taken away.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity for support</td>
<td>Provides the opportunity for organisations to become stronger, more effective and more durable with the added support of outside organisations</td>
</tr>
<tr>
<td>Potential to increase sustainability</td>
<td>Potential to achieve high social impact and provide significant benefit to the community, thus enhancing the sustainability of not-for-profit and community partners.</td>
</tr>
<tr>
<td>Learning opportunity</td>
<td>Benefit from learning experience and opportunity to partner with other providers; ability to explore a different approach that is outcomes-based and information driven.</td>
</tr>
<tr>
<td>Partnership opportunities</td>
<td>Finding the efficiencies in philanthropy by partnering with other providers. Means through which community can carve out its future and have input into design of what that future looks like.</td>
</tr>
</tbody>
</table>
Community support

| Community support | Working with the community to share positive outcomes. |

Recommendations

The use of venture philanthropy as a method of investment in social enterprise does have the potential to attract increased levels of funding and should be considered by providers as an opportunity to generate additional funds. Joint venture and venture philanthropy do require a time investment, usually of a minimum of three years and, therefore, should not be entered into lightly or without making sure the organisation is fully informed and aware of their obligations under such an agreement.
5. Corporate sponsorships

Definition / Explanation

While not exactly a new funding model, the current financial climate is forcing not-for-profit organisations to consider corporate sponsorships as an emerging option for future funding. At a basic level, “corporate sponsorship” describes a situation where a business offers financial payment to a non-profit organisation so it can go about its normal business. Generally, as part of the sponsorship deal, acknowledgements of the business’ sponsorship are regularly made – providing a marketing opportunity for the business and creating a mutually beneficial relationship for both parties. For sponsorship to be considered appropriate in a legal sense, it is essential that the benefit to the business providing sponsorship does not outweigh the benefit to the tax-exempt, charitable non-profit organisation.

So how does sponsorship differ from a donation or grants? Even if donations come in large sums from a corporation or business, financial payments such as these are often singular events, with no expectation of returned benefit. Sponsorship is different as it offers financial support in return for a previously agreed benefit provided by the sponsored entity, such as regular acknowledgements as outlined above.

In contrast, grants are generally a one-off payment provided to assist the development of a particular project.

In the past, many companies simply handed over sponsorship money with little stipulation as to what the responsibility of the sponsored entity was. However, such a slack arrangement often led to misuse of funds and unclear measurements as to the social impact that funds had.

Recent trends suggest that corporations have been moving away from this simplistic giving framework to more strategic approaches of supporting communities and projects. For example, research has discovered that 87 per cent of interviewed corporates revealed that they either already worked or were in the process of moving towards this type of approach in community engagement. One clear development is that it is highly unlikely that businesses and corporations will fund an organisation to continue its daily operations, rather, a particular project that supports the community is always preferred.

The Greater Western Sydney Forum has found two alternative options for attracting corporate sponsorship for non-profit organisations.

- **Brand alignment** is one option when an organisation is selected because of the respect their brand commands within the community. Aligning themselves with well-trusted organisations is
beneficial to a business in attracting new customers and staff, and may help repair damaged corporate reputations.

- **Values alignment** refers to an organisation using a set of core values to define what areas of the community they will give back to. For example, if an organisation values education and equal opportunity, supporting education programs targeted at disadvantaged or marginalised young people will fit their values system. Similarly, services aimed at company employees are also becoming increasingly popular. Companies such as NAB have implemented volunteering schemes for employees to encourage giving back to their community, which enables the building of closer community links and offers more tangible work on societal outcomes, as opposed to funding provision.

**Examples**

The Bupa Health Foundation is one of Australia’s largest corporate sponsors in the health area. The foundation values innovation highly and has been known to fund world-class research focused on community health projects as well as initiatives targeting gaps in current research. As outlined below, Bupa’s focus is on the areas of wellness, obesity, healthy ageing and affordable healthcare.

Bupa has supported the Hawthorn Hawks football club for over 20 years, in the capacity as the Official Health Partner – a clear alignments of values. As part of the arrangement, Bupa provides members of both organisations unique membership benefits which exemplifies the advantages that sponsorship can deliver in terms of marketing to customers.

Similarly, Bupa sponsors the Weetbix Kids TRYathlon, once again playing to its core value of health and wellbeing. The sponsorship is a project that helps parents and children prepare for the triathlon event, providing nutrition and exercise advice to children and parents and, therefore, achieving Bupa’s community health goal. Similar benefits are also offered to Bupa members through discounts on event entry and health services.

**Challenges and Opportunities**

The table below outlines the challenges and opportunities of corporate sponsorship for non-profit organisations and businesses, as outlined by the Greater Western Sydney Forum.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost blow-out</td>
<td>If the sponsorship does not have the required management processes.</td>
</tr>
<tr>
<td>Guilt by association</td>
<td>In the event that either organization or affiliated</td>
</tr>
</tbody>
</table>
A person is found to be engaging in unlawful activities.

Inadequate recognition

Thus leaving the sponsor without any of the benefits associated with sponsoring an organisation.

Ulterior motives of sponsors

Some companies may be providing sponsorship to undercut competitors’ similar sponsorship programs.

Insufficient funds

Agreed budgets and targets may be set, however, there is always a chance that funding may not achieve the set social impact goals.

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship building</td>
<td>Corporate buy in allows opportunities to meet people of importance and attend high profile events.</td>
</tr>
<tr>
<td>Community involvement</td>
<td>Allowing businesses to work closer on the ground with their respective communities, generating goodwill and promoting good public image.</td>
</tr>
<tr>
<td>Selling advantage</td>
<td>Gained through influencing community attitudes towards the business brand, gaining an edge over competitors.</td>
</tr>
<tr>
<td>Customer motivation</td>
<td>Research suggests that choice of sponsorship affects which companies consumers will purchase from, if their values align.</td>
</tr>
<tr>
<td>Image</td>
<td>Sponsoring events such as the Opera or Ballet suggest a certain level of prestige and help cultivate company image.</td>
</tr>
<tr>
<td>Niche marketing</td>
<td>Sponsorships allow opportunities for marketing product to small, defined markets.</td>
</tr>
<tr>
<td>Corporate image repair</td>
<td>Following a period of bad press, sponsorship can help rebuild public trust.</td>
</tr>
<tr>
<td>Media exposure</td>
<td>Particularly for the non-profit who may not be able to afford the advertising space.</td>
</tr>
</tbody>
</table>
Recommendations

Based on the research presented in this report, the following recommendations can be made.

- A non-profit organisation should have a clear understanding of its value proposition to a business which is providing sponsorship and lead with this in the initial proposal.
- Similar understanding should be made to what the non-profit requires of the business to be successful. It is suggested that the non-profit ask for precisely what is required, not less.
- It is generally good practice to document both parties’ expectations, obligations and project deliverables in writing, to be signed by both in recognition of a mutually understood, legally binding contract.
- It is suggested that non-profits include in their value proposition how an organisation’s sponsorship will benefit the community at a grass-roots level, not for helping an organisation with its daily operations.
- Businesses tend to be risk adverse, so it is suggested that a non-profit have a clear and concise risk management strategy.
- Prior research by a non-profit regarding a potential sponsor’s key demographic target market and organizational values will also help in proposal development.
6. Innovative fundraising methods

6.1 Crowdfunding

**Definition**

Crowdfunding is the practice of funding a project or venture by raising monetary contributions from a large number of people, typically via the internet. This funding model has been around since roughly 2006 but has become popularised by several websites since then. Charitable crowdfunding is becoming more prevalent with various sites charging much lower fees than standard sites for social enterprise work or for non-for-profits.

This type of fundraising (which can also be classified as crowd financing) allows organisations to raise money from the general public for a particular project or initiative. An idea is developed, an amount to raise set and the overall project posted on a crowdfunding online platform. A time limit will also be set to raise the funds as well as rewards set for those who invest in the idea and spread the word to as many potential investors as possible. If the target amount is not raised within the time limit then the project does not generally go ahead. However, certain websites allow for partial payment if target is not met. (ProbonoAustralia.com.au, 2012)

**Examples**

Multiple examples of how many non-profits have raised money can be found including a $153,000 campaign promoted by the Victoria based Asylum Seeker Resource Centre (ASRC). ASRC put forth a new initiative known as the Food Justice Truck as a social enterprise to subsidise the cost of groceries for refugees and asylum seekers. Patrick Lawrence from the ASRC mentioned that: "A lot of effort went in, a lot of sleep was lost, but achieving our ultimate goal made it all worthwhile." They also made extensive use of social media where Twitter and Facebook were crucial. (Startsomegood.com, 2015)

Many websites are now providing services for Crowdfunding with specialisations in helping not-for-profits including: Pozible, Chuffed, Causes, GiveForward, and Global Giving.

**Challenges and Opportunities**

The differences between traditional fundraising and crowdfunding are:

- Crowdfunding is generally for a specific project rather than just money for an organisation
- Fundraising usually done on back of prior achievements of organisation, crowdfunding based on expected outcome of project.
Crowdfunding projects generally provide investors with updates on the entire process of a project.
Fundraising money is provided and specific updates to funders are not required.

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crowded market</td>
<td>Crowded market for funds from investors/project donors</td>
</tr>
<tr>
<td>Innovation paramount</td>
<td>Requires innovative project idea - dull projects will not attract funds</td>
</tr>
<tr>
<td>Strong marketing</td>
<td>Requires good marketing, including videos, photos about project you want to undertake</td>
</tr>
<tr>
<td>Online needs to be leveraged</td>
<td>Need effective use of internet and social media to publicise fundraising</td>
</tr>
<tr>
<td>Sector limitations</td>
<td>May not reach intended audience if project is aimed at aged care or individuals not using crowdfunding</td>
</tr>
<tr>
<td>Demanding on time</td>
<td>Requires a lot of time and effort to market and complete an effective campaign. May require full time staff.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opens up new markets</td>
<td>Individuals reached via crowdfunding tend to be different from those reached via fundraising Reach of new donor/investor base</td>
</tr>
<tr>
<td>Learning opportunity</td>
<td>Learn skills from a crowdfunding campaign that can be used in other fundraising activities</td>
</tr>
<tr>
<td>Marketing opportunity</td>
<td>Can be used as rallying point. Driving an initiative for your organisation can get you more exposure and help volunteers get more involved.</td>
</tr>
</tbody>
</table>
### Flexibility

<table>
<thead>
<tr>
<th></th>
<th>Allows NFP’s to pilot new programs or ideas that may not get traction through traditional funding programs.</th>
</tr>
</thead>
</table>

### Recommendations

Crowdfunding can be a great solution for an organisation that is planning a new project which it feels will provide significant benefits and can be easily marketed. This source of funding is generally not used to support on-going operations or non-project specific work. However, Crowdfunding requires a lot of preparation and advertising to be successful. Generally the ability to convince people to fund the project is the hardest part, and although money may be gained from multiple sources, generally speaking receiving large amounts of funds can be difficult with so many projects competing for the same funds. If an organisation plans on creating a crowdfunding campaign, it should:

- Dedicate ample time and resources to assure a successful campaign
- Offer incentives and rewards to donors
- Ensure online marketing capability
- Keep donors up to date on progress
6.2 Bequests / Endowments

Bequests are gifts made through a will. The donor may or may not specify how the funds are to be used.

An endowment is a sum (usually in the form of a bequest) that is invested so that the capital sum is not spent, but it generates an annual income stream. This may be used to offset operating costs, or to provide education scholarships, or otherwise as specified by the donor.

Some organisations may hire an outside firm to manage any endowments the organisation benefits from. (Acornfoundation.org.nz, 2015)

Examples and Recommendations

Bequests are used by nearly every not for profit around the world, although some are more adept at receiving funds through this model than others. This is accomplished by developing clear strategies and initiatives that encourage bequests from people close to the organisation.

When and how to use bequests

A bequest program is a long-term strategy, not necessarily one that will produce immediate income for an organisation. They can represent a significant source of revenue/funds, and for this reason should not be overlooked by any organisation which plans to be around for the long haul.

While bequests can be used for almost anything, ranging from special projects to ongoing operating support, it is prudent, unless the bequest or stipulates otherwise, to allocate at least a portion of bequest income to create or increase an organisation's reserves. Allocating some of the bequest income to an endowment fund will generate a steady stream of income for future years, and a boost in reserves will support an organisation through years when income is lean. The endowment can work like a perpetuity with interest payments adding to the funding of an organisation while keeping the principle balance at or above the originally donated amount.

There is a misconception that seeking bequests is complicated but generally, this is not true. Encouraging organisation members to make bequests, and receiving these gifts when a donor dies, are simple transactions. Should technical questions arise, there are plenty of experts out there who can provide advice.

Small organisations also shy away from bequests as it seems an awkward topic to broach with donors. But giving members information on how to make a bequest provides a way they can make their donations go further and last longer. It also provides donors who may not have much current income (because they are retired and living off savings) with a way to make a future gift and enjoy the recognition for that gift in the present. Often, donors just don't think about bequests unless prompted, or
they don’t realise an organisation is committed to being around for the long-term and is seeking this kind of gift.

How to formulate a Bequest and Endowment strategy

Bequests to a non-profit provide a number of benefits for the donor and his/her loved ones:

- The donor is able to control how his/her wealth is used. By making a will and spelling out how they want their money used, the donor has the satisfaction of knowing that their wishes for the use of their accumulated wealth will be honoured.
- The donor can enjoy recognition while still living.

If the donor advises the group of their intent to leave a bequest to the organisation, the charity can honour the donor and express its gratitude while the donor is still around to enjoy it!

Locating bequest prospects

Basically, people who make a bequest to an organisation are treating the non-profit like a member of their family. Think of people who are connected to the organisation, have been involved with it intimately, and know its needs. Board members, volunteers, and staff, both current and former, all fall into this category.

Here are some of the simplest and most cost-effective ways you can encourage bequests to your organisation:

- **Letter / Information sheet:** Prepare a very simple letter or information sheet which you can send out to your members upon request which gives the language they should put into their will in order to make a bequest.
- **Advertisements:** Put a simple ad in every issue of your newsletter and annual report encouraging your members to make a bequest. Include a coupon or other information which enables them to ask for more details on how to do this.
- **Articles:** One of the best ways to motivate your members to put you in their wills is by example. Include articles about specific bequests in your newsletter or on your web site. Don’t just focus on large bequests - use examples people will relate to about small bequests. Tell a story about what another member did in this area and how it helped the organisation.

Every potential donor is a campaign in their own right. When you are considering how to approach your best prospects, consider who would be the best person to make the initial approach, and whether a phone call, meeting or letter would be the best way to initiate discussions.
And don’t forget that “no” actually means “not at this time”. If you sow the seeds in the right way, you may be pleasantly surprised when you reap the rewards at some time in the future.

Another good strategy for encouraging bequests is to have an estate planner or endowment specialist such as the Community Foundation for Central Victoria do a seminar for your prospects. Be sure to include your own board and staff in the audience. Educating board and staff about this form of giving and turning them into believers and advocates for bequests is an effective strategy in itself.

Be sure to put information about how and why to make a bequest on your web site. This information should include motivational material on why people should make a bequest, as well as a copy of the sample letter mentioned above, information about the benefits of making a bequest, and who to contact for more information.

With all these strategies, your role is to motivate and educate your members, board and staff about the benefits of bequests.

**Challenges and Opportunities**

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can provide donors with a sense of appreciation by the organisation</td>
<td>Not a reliable source of funds as bequests do not occur often enough to be relied upon</td>
</tr>
<tr>
<td>Provides organisation opportunity to show that bequests are valued by the organisation and can promote this method of giving to other potential donors</td>
<td>Requires organisation to be willing to ask its members or related parties to consider a bequest which may be an awkward conversation</td>
</tr>
<tr>
<td>Funding can be a substantial amount of funds that can be used to create a perpetuity to continue funding for many years</td>
<td>Requires marketing of this initiative done in a clear and non-confrontational manner to show the ease of this option to donors without putting them off</td>
</tr>
<tr>
<td>Can be a passive form of income with little effort involved if done with a clear strategy</td>
<td>May require cultural shift from present mindset of organisation to accept this as a tangible funding method</td>
</tr>
</tbody>
</table>
6.3 Intermediaries

Definition/Explanation

Intermediaries in the context of non-profit funding and financing can refer to multiple organisations or parties that are able to work with an organisation to secure funds from multiple sources that they have relationships with. They would fall into the following categories:

- **Specialist Intermediaries:** These groups may work on securing debt financing for not-for-profits and other social enterprises.

- **Philanthropic Consultants/Aggregators:** Groups that work with individuals, families and companies to provide support and advice and help develop and consolidate philanthropic giving. Individuals or organisations looking to provide philanthropic giving may employ the use of consultants that understand the NFP sector in order to better align funds to causes that are meaningful to the funder. These Intermediaries do research on various NFP Sectors and identify programs that align with their client’s ideals. They conduct due diligence and help conduct grant programs for funds with the intent of providing funding recommendations to their clients. Due to this, the intermediary has a strong network of donors and through these networks can more easily branch out to the networks of their clients. (Australian Communities Foundation, 2015)

- **Social Finance Marketplace Intermediaries:** These groups play a key role in the transfer of funds from the investors to the investees. Social finance intermediaries include foundations, credit unions, and community investment organizations. There is a stigma with the use of these intermediaries but the logic here is that the social returns reaped from these deals far outweigh the costs of supporting them. (MaRS Centre for Impact Investing, 2015)

(Reaching Underserved Markets, Ingrid Burkett, knode.com.au)

The use of intermediaries is new and is not completely accepted by all parties related to not-for-profits as the following excerpt from Amy L. Sherman’s article in Philanthropy Magazine makes clear:

"Some observers, though, are sceptical. After all, isn’t an intermediary organization just a middleman or another layer of bureaucracy? Many donors will prefer to support a frontline agency fighting poverty, unemployment, drugs, or a host of other social ills. However, intermediary organizations with genuine grassroots connections are a major asset for philanthropies seeking to invest in community development and empowerment efforts. Intermediaries can sniff out the FBOs that are actually solving problems, identifying candidates for grants that offer a high probability of successful return on investment. Moreover, they can work as re-granting entities, getting money in manageable amounts to frontline groups while assuming responsibility for accounting and monitoring functions. And through their capacity-building efforts, intermediaries can multiply the bang donors get for the buck."
“Some donors are stumped by the daunting task of finding faith-based programs worthy of investment. It’s so much easier to give to the bigger organizations that have slick publications and a national reputation, but are they doing effective work? Some are, and their professionalism is a credit to them. But some of the best work is done under the radar screen by small grassroots groups. They may be held together with duct tape, a wing, and a prayer, but they should not be overlooked. (Philanthropy Roundtable, 2015.)

Examples

Intermediaries would be able to provide access to funds from the following sources:

**Private Ancillary Funds** (PFA’s): Special funds that provide a link between people who want to give ('donors') and organisations that can receive tax deductible donations as deductible gift recipients (DGRs). Ancillary funds are set up for the purpose of providing money, property or benefits to DGRs. This type of ancillary fund acts only as an intermediary between donors and organisations that can receive tax deductible donations. (Australian Philanthropic Services, 2015)

**Individuals, Families and Companies**: With a large networks and a specialised understanding of the not-for-profit sector, intermediaries are good sources of finding funding sources that can match up well funding requirements of philanthropists. Generally intermediaries will do research in sectors that philanthropists are looking to give to find the most suitable organisations and/or projects. (Strategic Philanthropy, 2015)

**NFP Investment Capital**: Intermediaries such as Foresters Community Finance, Social Traders or GoodCap's Social Enterprise Expansion Fund can provide capital to not-for-profits by way of financing or equity investment from investors that wish to contribute to the NFP sector while still earning a return. Community Development Finance Institutions will help NFP’s become investment ready by focusing on the organisations capability to take on capital and the helping them understand the appropriateness of capital to their situation. Additionally the intermediary ensures that investors understand the capabilities of the NFP to repay funds and help them understand that the NFP has the management ability to use the capital in a proper way.

Investment Capital would be very appropriate for any social enterprises that the NFP wishes to start or grow. Availability of capital in Australia for these types of projects are still nascent but increasing in availability. (Reaching Underserved Markets - The Role of Specialist Financial Intermediaries in Australia)
### Challenges and Opportunities

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very new source of funds for organisations needing capital for large projects</td>
<td>Requires an organisation to have the skill set to handle financial investment</td>
</tr>
<tr>
<td>Can provide access to funders that may have not previously considered the organisation or its mission</td>
<td>These types of investments may not be allowed by organisations constitution</td>
</tr>
<tr>
<td>Will open up the organisation to take on new projects not previously considered due to funding constraints</td>
<td>May incur costs that can be viewed in a negative way by members or users who do not fully understand funding technique</td>
</tr>
<tr>
<td>Can bring on a partner who will assist organisation in succeeding with project or on-going work due to vested interest of intermediary</td>
<td>May require cultural shift from present mindset of organisation to accept this as a tangible funding method</td>
</tr>
</tbody>
</table>

### Recommendations

The not-for-profit that may have small local networks or minimal exposure to the philanthropic community would be well served with seeking out an intermediary to assist the organisation in acquiring funds from previously unknown philanthropists or specialised investment vehicles. Discussing the needs of the organisation with an intermediary may provide the funding necessary to start new programs which outside investors may see as beneficial. As intermediaries come in various forms, the NFP should understand that some funding comes as donations, such as from philanthropic sources, or as an investment that must be repaid.
Conclusion

There is no escaping the fact that the not-for-profit sector is on the verge of significant upheaval as the ground shifts beneath organisations’ feet and they struggle to make meaning of the changes.

Front and centre of mind is the increasing challenge in securing funds – a challenge exacerbated by the increasing number of both for-profit and not-for-profit organisations emerging in addition to dwindling government funding.

However, the outlook does not need to be bleak for organisations willing to explore funding models which are different to the traditional route they have taken in the past.

There are numerous opportunities available to organisations willing to look outside the box and take advantage of emerging funding models such as social impact bonds, social enterprises and joint and venture philanthropy.

For those more risk-averse organisations, more traditional funding options such as corporate sponsorships and traditional fundraising are offering innovative options simply by being negotiated and operated differently.

There are plenty of options available for not-for-profit organisations – all it requires is a realisation that maintaining the status quo is not an option and innovation is paramount.
Appendices

Appendix 1

Examples of strengthening donation strategy

1. If you don't ask, the answer is always no.

2. Diversity equals strength. The more the sources of funds you have, the stronger the organisation.

3. People don't give to causes, people give to people. People give when someone they like and trust asks them.

4. People don't give to causes, people give to people. People give when they're able to identify with the eventual recipient.

5. The first time is to make mistakes; the second time is to make money. Don't change for change's sake - you'll lose your hard-won experience.

6. The magic word is "Thanks". Let your donors know how very, very, very grateful you are. Often.

7. Just because they didn't give yesterday doesn't mean they won't give today. Be persistent up to the maximum limits of politeness.

8. Great oaks from little acorns grow. People give tentatively at first; you have to make it meaningful for them before they'll give meaningful amounts.

9. Make your donors your friends. And make your friends your donors. Building relationships is your most important job - and a pleasure.

10. There's no such thing as easy money. The more you put in to it, the more you'll get out of it.
Appendix 2 – Resource List


Philanthropy Roundtable -
http://www.philanthropyroundtable.org/topic/excellence_in_philanthropy/scaling_up_fbos


