

The Four Myths of Funding

A description of funding organisations – and how to get them to part with their money

Welcome to the weird and wonderful world of funding organisations. We hope that this short description will help you.

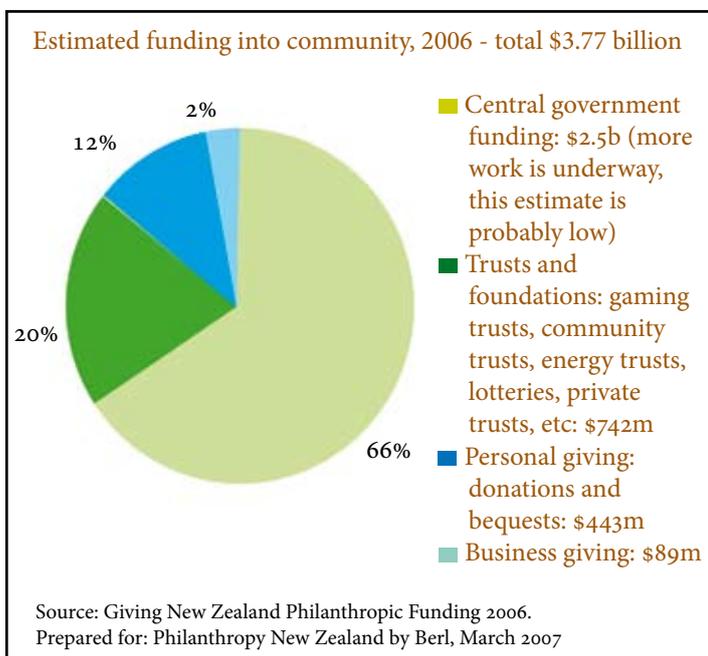


Myth No. 1 - All funders are the same

Funding organisations come in lots of different shapes and sizes. Gaming trusts are different to community trusts, local government grants schemes are different to private family foundations, central government agencies are far from all the same.

The best fundraisers adjust their applications, and their expectations, depending on the type of funder. For example, there is little point in requesting a commitment to multi-year funding from a gaming trust. They can't do it. Not because they don't want to, but because they are bound by law to distribute all funds they receive within three months.

Funders differ not only in their legal scope but in their purpose, structure, decision-making, funding process, operating area and culture. It is helpful for fundraisers to understand the differences, so that you "pitch" your applications right, and don't waste time on lost causes.



Here is a brief summary of the types of funding organisations in New Zealand.

Trust and foundation-based giving

Statutory

Statutory organisations have legal obligations to distribute funds to the community.

- Community Trusts: were originally attached to regional trust banks; for example ASB Community Trust
- Energy trusts: started as part of energy companies, some make grants; for example Rotorua Energy Charitable Trust
- Licensing trusts: in some areas alcohol sales are controlled by licensing trusts; for example Waitakere Licensing Trust
- Gaming machine societies: must distribute a percentage of profits from the "pokies"; for example the Lion Foundation
- Lottery Grants Board: runs Lotto; its grant making is managed by the Department of Internal Affairs.

Voluntary

- Family and individual trusts; for example the Tindall Foundation, J R McKenzie Trust
- Universities and other tertiary education institutions often administer scholarships
- Māori organisations - a variety of organisations in Māori society make grants and scholarships
- Trustee companies manage many private trusts; for example the Public Trust, Guardian Trust.

Business and corporate giving

- Many companies have sponsorship arrangements with community groups
- Some businesses have set up foundations; for example the AMP Foundation, Vodafone Foundation.

Government

- Many community organisations receive substantial funding from Government agencies; for example district health boards, Ministry of Social Development

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— Many local authorities make grants to local community groups; for example Waitakere City Council.

Personal giving

— Let's not forget personal donations, which make up a large slice of the "funding pie". Of course it's not managed in an organised way like the above groups, which means that you, the fundraiser, have to find other ways to reach individual donors. This paper focuses on organised giving.

Myth No. 2 - All forms of giving are the same

Just as all funders are different, so are the ways in which they provide funding. They fall into three main categories: donations, grants and contracts.

Donations: At one end of the range, donations give the recipient the most freedom about the use of the money. They don't attract GST, so even if your group is GST registered you don't have to pay any of the donation in tax. Donations are mostly made by individuals and some private trusts and foundations. It's always good to thank the giver and many donors like feedback on how the donation has helped your work.

Grants: It's not easy to generalise about grants, but they are often more explicit about their purpose and may require more reporting back. Grants may or may not be inclusive of GST. We strongly advise you to get advice on this.

It's not unknown for funders to use the words donation and grant rather loosely.

Contracts: Simply put, a contract is a legal agreement in which the funder "purchases" services and the recipient provides them. The requirements, accountabilities and conditions can be much more specific. Generally speaking, central government agencies are more likely to enter into contracts, as they too have to be accountable for the taxpayers' funds they are passing on.

Contracts may be for a set period, but they often continue on unless changed. Donations and grants are most often made on a one-off basis, although some funders are increasingly committing to multi-year arrangements.

In addition to the above are sponsorship arrangements, in which businesses support community causes and use this to generate some form of positive publicity for themselves. The relationship between the parties needs to be of value to both.

But of course, this is true for all forms of giving. For example, people and organisations making donations can feel rewarded from contributing to a cause they support. It's useful to think about what's in it for them.

■ It is a triumph of hope over common sense to assume that one application will be suitable for every funder. In fact the reverse is true. Inappropriate proposals usually just communicate to the funder that you don't really know your business.

Myth No. 3 - To get more, apply more

With the knowledge that all funders are not the same, and all forms of giving are not the same, you might have already come to the conclusion that banging out as many funding applications as possible to anything with cash that moves is not only ineffective, but counter-productive. It is a triumph of hope over common sense to assume that one application will be suitable for every

funder. In fact the reverse is true. Inappropriate proposals usually just communicate to the funder that you don't really know your business, and lower your chances for future, better matched applications.

So, what can you do to improve your chances? For a start, don't treat funders like a quick fling. Like most people – and they are people! – they are looking for a relationship built on trust, good communication and mutual benefit. Be honest in your communication with them. That starts with asking yourself if you and they are a good fit. Find out about their purpose, goals and restrictions.

Ask yourself, if you were in their shoes would you fund yourself? And don't talk yourself up unrealistically – everyone is suspicious of the “perfect” application. Share your hopes and dreams.

That said, the sad fact of the matter is that up to 80% of applications received by some funders will be turned down because there just isn't enough money. So give your application the best chance you can. Be realistic in your request and your expectations. If you need help, ask for it.

Myth No.4 - I am alone in this process

Doing your first or fiftieth funding application can be a daunting process, until you remember that there are heaps of people out there to help you. You don't have to be alone or in the dark.

For a start, do some detective work. Check out the very useful websites listed below. Look at funders' websites – they usually put lots of information on them, as it's an efficient way to communicate.

You can also contact the funders directly. True, some can be difficult to reach, but by and large they are set up to handle queries these days, if not face to face or by phone, then by email or post. If you need to persist, remember it's much more likely that they are busy than that they are trying to avoid you!

Another great source of information and tips are other people in other community groups who raise money.

In our experience, the person doing the fundraising for an organisation can change quite often. One of the best things you can do for your group, if you don't already have them, is set up simple records including copies of previous applications, notes of anything you've learned about each funder and a calendar listing due dates for applications and reporting. This will help not only you, but also the people who will follow after you.

While we can't guarantee that you will succeed in your fundraising, you are much better equipped to do well with this information working for you. Good luck!

This guide was prepared by Adrian Feasey for a group of organisations with an interest in making the process of seeking funds easier: ASB Community Trust, Community Waitakere, J R McKenzie Trust, Tindall Foundation, Waitakere City Council and Waitakere Licensing Trusts.

■ Useful websites ■

- Funding Information Service – the best place to start locating funders that might match your focus. Their databases describe hundreds of funders, you can buy this information or access it free at many places around the country.
www.allaboutfunding.org.nz
- Community Net – this site has HEAPS of information for community groups on all sorts of things, including raising funds.
www.community.net.nz
- Fundraising Institute of NZ – the professional body for fundraisers in the not-for-profit sector, FINZ offers training and networking opportunities.
www.finz.org.nz
- Trust Waikato – this includes a great booklet called The Grantseeker's Guide to Successful Funding Applications.
www.trustwaikato.co.nz
- Philanthropy New Zealand – PNZ is the “umbrella group” for organisations and individuals who give money.
www.giving.org.nz
- Office for the Community and Voluntary Sector – this government agency works to improve working relationships between government and community groups.
www.ocvs.govt.nz
- Community Waitakere
www.communitywaitakere.org.nz
- JR McKenzie Trust
www.jrmckenzie.org.nz
- Tindall Foundation
www.tindall.org.nz
- The Trusts Charitable Foundation
www.ttcf.org.nz
- Waitakere City Council
www.waitakere.govt.nz

For further information contact: ASB Community Trust, 50 Ponsonby Road, PO Box 68-048, Newton, Auckland; Phone 09 360 0291 or 0800 272 878; Email: info@asbcommunitytrust.org.nz; WWW.ASBCommunityTrust.org.nz