

## Acknowledgements

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## Introduction

Most sport and recreation organizations operate in difficult financial circumstances and in general, tend to be under-resourced. Most members will have either said or heard someone say, 'just think what we could do if we had more money' because without adequate funding, sport and recreation organisations cannot operate at their desired level. Therefore, securing additional financial support is an important responsibility facing the management committees of many of these organisations. Fundraising is required at all levels within the sport and recreation industry and the approaches adopted and their potential for success will tend to reflect the particular circumstances of each organisation. These may include for example, the size of the organisation, nature of the external environment, amount of funds required and purpose for which the funds will be used.

Furthermore, sport and recreation organizations are under increasing financial pressure. They operate in an environment characterised by increasing expectations of members and participants (and their reluctance to pay large increases in fees and charges), less reliance on government, and more competition for the leisure expenditure of the public. If these organisations wish to provide the type and quality of services (eg more comfortable facilities, special events) increasingly expected by patrons, then income generated by the usual day-to-day operations (eg membership fees) will generally be insufficient. For most sport and recreation organisations, alternative sources of funds are required to expand the range, and enhance the quality, of their services.

### **The purpose of this module is to:**

- define fundraising
- identify and discuss key fundraising techniques, including grants, sponsorship and donations
- discuss the role of philanthropic trusts in relation to sport and recreation organisations
- outline the role of the Australian Sports Foundation in relation to tax deductible donations for sport and recreation projects
- identify the implications of the GST on fundraising

## What is Fundraising?

Fundraising is a systematic process designed to secure funds additional to a sport and recreation organisation's operating budget (see the Financial Management module). Fundraising is usually required in order to fund special activities such as:

- buildings
- innovative events/projects
- new programs.

In general, there should be a separation between the operating budget and funds required for project/capital/events expenditures, and in most circumstances fundraising should not be used for operational expenditure. It is also critical that fundraising plans are linked to the overall goals and strategies of the organisation.

A key consideration in fundraising is the efficiency of the process. It is important to recognise that fundraising involves costs to the organisation. Sport and recreation organisations need to ensure that the real costs of raising additional revenues do not outweigh the amount of funds raised. One of the most critical costs is labour. It should always be remembered that most people join the organisation to participate in the activity, not become full-time fundraisers.

Therefore, it is important not to over-rely on a small group of volunteers for fundraising, as this may be the 'last straw'. Ideally, the workload should be evenly dispersed.

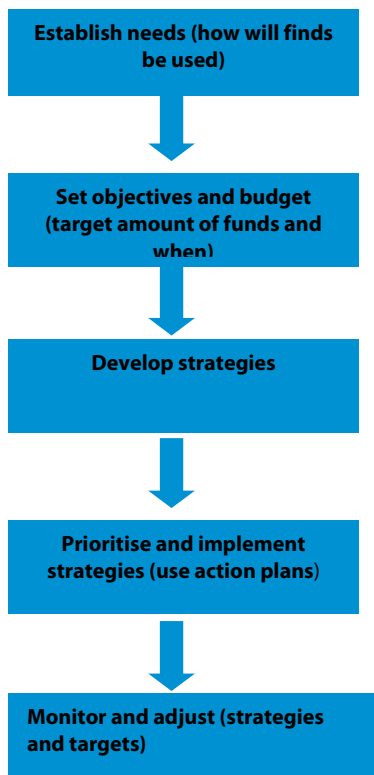
Sport and recreation organisations generate funds from four main sources:

- internally
- grants from government
- sponsorship from business
- donations from trusts, foundations, businesses or individuals

It is essential that sport and recreation organisations carefully consider each of these sources and develop fundraising strategies aimed at achieving maximum benefits from each (where appropriate to the organisation). There are established fundraising principles which all sport and recreation organisations should follow to help in this process (see Figure 1). The organisation should:

- Determine why the funds are required there must be a clearly defined purpose that drives the rest of the process.
- Set objectives – these should be SMART (specific, measurable, achievable, realistic, time bound) objectives which detail what needs to be done and by when (see the *Club Planning* module).
- Assess the resources available (people, equipment, facilities, money, commitment) and develop a budget – this establishes the limits that the organisation can go to secure more assistance and helps identify the real costs to the organisation.
- Develop strategies – these detail how the required funds will be raised.
- Establish priorities, implement and monitor strategies.

**Figure 1 – The Fundraising Process**



## Fundraising alternatives

When discussing fundraising activities, many people will tend to think about the usual tried (but not always true) traditional approaches. These normally include such things as raffles, fundraising events (eg dances, door knock appeals, fun runs and walkathons) and sponsorship. However, there are a number of alternatives to these traditional approaches which organisations may wish to consider as part of an overall strategy:

- Creative management of the organization including sharing some costs. By sharing or pooling costs, the organisation may reduce its need for additional funds. Examples of this approach include bulk purchasing large items (eg resurfacing several tennis courts at different clubs in one town) and sharing multipurpose facilities with other organisations.
- Some sport and recreation organizations may also wish to consider accessing additional funds through commercial borrowing. Borrowing usually means that the project or facility can be introduced earlier than if 'normal' fundraising activities were conducted and this also means that additional revenue streams may be accessed earlier. However, organisations should: be careful not to over commit; match the term of the loan to the life of the facility; be realistic in cost and revenue projections; and consider staging large projects in order to spread the risk. Furthermore, it is inadvisable for individuals to take out loans on behalf of or to act as guarantor for the organisation, or loan money to the organisation.

## Why people contribute to sport and recreation organizations

Understanding the reasons why people donate to and/or sponsor sport and recreation organisations is essential if fundraising principles are to be employed to maximum effect. There are multitudes of reasons why people are willing to contribute to the fundraising efforts of non-profit organisations. Individuals and corporations give, or make decisions to give, from different positions and these can be explained by a set of key factors<sup>1</sup>

Almost every fundraising campaign depends, to a greater or lesser degree, on one or more of these factors. Fundraising is a people business that relies on winning people over emotionally. Providing clear information about the goals and needs of the organisation will help potential donors and sponsors see the worth of a particular project or event.

### Factors that influence contributions

**1. The right person or organisation asks them, at the right time, and in the right circumstances.** It is therefore important that potential donors are asked in the right way, at the right time, by the right person, and for the right amount.

**2. People have a sincere desire to help other people.** Sport and recreation organizations must present a clear and compelling case about how the funds will help people.

**3. Individuals wish to belong to or be identified with an organisation.** Donor recognition plays an important role in developing a donation tradition with these individuals.

**4. Realising how vital their gifts are satisfies a need for a sense of personal power in many people.** Recognising the donations will encourage greater and long-term giving.

**5. People have received benefits, including personal enjoyment,** from the services of the organisation and wish, in turn, to support it.

**6. People give because they 'get something' out of giving.** Giving satisfies a range of needs in these people.

**7. Individuals and organisations receive tax benefits from giving.** Fundraisers should identify the ways in which a contribution is likely to result in specific tax benefits.

**8. Donors are strongly motivated if it appears they are likely to yield a good return on investment.** Sport and recreation organisations should be able to demonstrate the value and benefit of continuing, expanding, or strengthening its programs<sup>2</sup>

## The fundraising subcommittee

To be successful in fundraising, sport and recreation organisations need to allocate responsibility for the fundraising process. If this is not done, then responsibility is often blurred and people are unsure who should be making decisions. Therefore, fundraising is either not carried out or done in an unsystematic and usually less effective manner. Before launching a fundraising drive, it is important to establish a fundraising subcommittee (see the Committee Management module). Although the fundraising subcommittee should be responsible for planning and coordinating all fundraising efforts of the organisation, the management committee usually approves such activities before they are implemented.

The role of the fundraising subcommittee is to:

- determine the purpose of the fundraising process
- establish the benefits of fundraising to the sport and recreation organisation
- identify potential sources of funds (eg donors, grant agencies and sponsors)
- develop the fundraising plan
- determine whether more than one agency or sponsor should be approached (if only one sponsor is selected then they should be made aware of their exclusivity)
- write the grant application or sponsorship proposal (if required)
- ensure acquired funds are used for the designated purpose
- maintain relationships with donors, granting agencies, sponsors and other stakeholders as appropriate.

## Internal fundraising

A traditional means of raising additional funds is through the organisation itself, ie members and their family and friends. It will normally fall to the fundraising subcommittee to develop the ideas but in most cases the methods employed tend to be the same (eg raffles, dances, walkathons). However, there is a great deal of scope for the organization to use creative and lateral thinking. Two heads tend to be better than one, so the fundraising subcommittee should draw on a considerable resource it has at its fingertips for new ideas - the members (eg hold a competition and offer incentives). There are also many other sport and recreation organisations going through the same process. Using the personal networks of members, identify appropriate ideas that can be 'borrowed' from elsewhere. There may also be opportunities to collaborate on joint fundraising activities with other organisations.

## Grants

Grants are funds received from statutory, voluntary or philanthropic agencies that have often been established with grant giving as one of their primary purposes. Grants are usually given by such agencies in order to pursue their own

objectives and strategies (eg government policy, community development, meeting the needs of youth). Therefore, the chances of obtaining a grant often depends on how a sport and recreation organisation's project fits into the overall philosophy and specific criteria and conditions established by the grant agency.

In most cases, demand for grant monies exceeds supply, so it is advisable to hold discussions with a representative of the grant agency so that the agency's priorities and conditions are known and understood prior to applying.

## Sources of grants

A number of different grant sources are relevant to sport and recreation organisations. The most common grant agencies include government, charitable trusts and foundations, and corporate foundations.

### Government

Sport and recreation related projects can be funded at the local, state and Commonwealth levels. Local government may help groups at club level while state government grants and subsidies are available for local and state sport and recreation organisations. Grant programs vary considerably between states and organisations should contact their state sport and recreation department for information.

National sport and recreation bodies may apply to relevant federal departments or the Australian Sports Commission for assistance. Organisations should contact the appropriate federal and state and local government agencies, to establish whether support for their proposal is likely. One factor to consider with government grants is that they often require 'matching' contributions from the organisation receiving the grant (eg for a \$20,000 grant the organisation may have to commit \$40,000 to a project).

There are a variety of areas in which sport and recreation organisations may receive assistance via government funded grants. They include:

- administration support
- employment of personnel
- travel subsidies
- organisational development
- coaching development
- staging of events
- capital works
- new initiatives

Although government is a significant contributor of grants to sport and recreation organisations, there are also other sources.

### Charitable trusts and foundations

Most charitable trusts and foundations also provide financial assistance but only to those sport and recreation organisations that can offer the trust or foundation a tax deduction and which help disadvantaged groups (eg sporting organisations for people with a disability). Most local libraries are likely to contain directories of philanthropic trusts.

Alternatively, the Australian Directory of Philanthropy is available from Philanthropy Australia Inc on (03) 9620 0200 or email [pa@philanthropy.org.au](mailto:pa@philanthropy.org.au) or [www.philanthropy.org.au](http://www.philanthropy.org.au). Checking in a directory should be the first step in determining whether there is a match between the interests of the sport and recreation organisation and the funding agency.

## Corporate foundations

Some corporations like BHP, AMP, Sony and Westfield have established foundations that provide grants for particular causes. These foundations cannot be used to promote the business interests of the specific corporation, nor can they seek sponsorship benefits like signage or naming rights. Benefits to the corporations are public recognition that in turn helps build their reputations in the community. Information about major companies is easily available through web sites, business magazines, journals and newspaper articles. Annual company reports also provide information about the nature and extent of a company's involvement in this area of activity.

## Preparing grant applications

Whichever type of granting agency is targeted, grants almost always require an application to be made. From an overall perspective, grant applications usually have to demonstrate that the project in question is feasible and meets the appropriate policy goals or priorities of the particular grant agency.

Preparing grant applications is an exacting and time-consuming process. However, a well-prepared and well-written application, that is clear about its objectives, budget and processes, will help considerably in winning grants from government, trusts and corporations.

Good grant applications take planning, time and considerable effort. It is rare that applications put together in a last minute panic are successful. Furthermore, in the past few years expectations about the quality of presentation and the sophistication of grant applications have gradually increased.

After developing the project concept and identifying suitable granting agencies, the grant application should be initiated. Letters of enquiry should be written to each potential funding source (newspapers often carry advertisements for grant programs) requesting necessary materials to prepare the proposal. Try where at all possible to include all information requested in the application.

Although specific criteria may vary with each grant scheme, most grant applications require similar types of information:

- Contact information
- The program/project description
- A brief description of the organization applying
- The program/project budget
- The amount of assistance requested
- All other sources of funding for the project
- How the applicant organisation meets the grant criteria
- A guarantee that the program will proceed and monies received will be spent on the purpose for which the money was given.
- Copies of the latest annual report and a copy of the audited financial statements.

After developing the grant application, it must then be 'marketed' to the appropriate bodies. Personal communication with the funding organisation may help with this process. Discussing the priorities of the granting agency, the types of projects previously funded, and asking how the sport and recreation organisation's application can be improved, are all ways of getting the granting agency involved and increasing awareness about the intended project. However, don't overdo it. There is a fine line between an enthusiastic applicant and an annoying nuisance!

## Organisations that are successful in attracting grants usually:

- prepare a yearly calendar of closing dates for all funding sources
- request application forms well before the closing date

- prepare the application well in advance
- pay careful attention to the details required and presentation quality
- clearly outline the goals and objectives of the project
- describe why the project is needed and support this with facts and figures
- detail the methods used to conduct the project
- indicate the expected outcomes of the project
- consult advisory officers in relevant trusts and departments where appropriate
- submit applications before the closing date

## Sponsorship

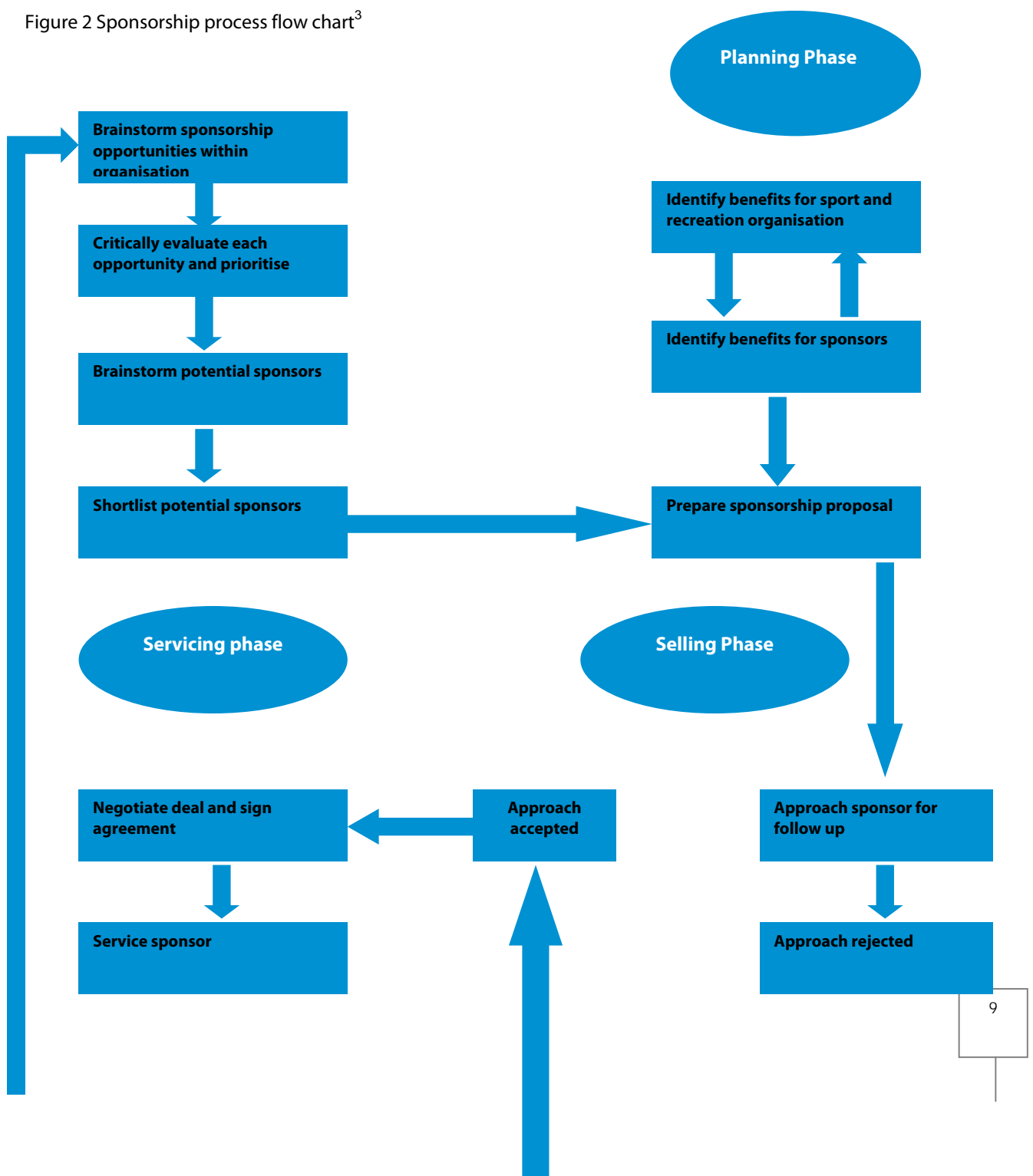
One of the main methods of generating funds for sport and recreation organizations is through sponsorships. Sponsorships involve a relationship between two parties in which both seek benefits through an equitable exchange. Sponsorships are business agreements and usually involve a contract with specific terms and conditions on both parties. Value must be given to and from both sides. Generally the sport and recreation organisation will seek funding, equipment or specific goods and services, while the sponsoring company will seek media exposure, advertising to a specific audience, public awareness, and representation at events and special occasions. The ultimate aim of the sponsor is usually to increase business.

It should also be noted that not all sponsorships involve direct financial assistance. Contra-sponsorships (also referred to as 'in-kind') are arrangements where the sponsoring organisation provides services, personnel or products, rather than money, in exchange for the benefit provided by the organisation. For example, a local sports store may provide free basketballs and referee uniforms for a Regional Championship in exchange for stadium advertising.

There are two basic approaches to sponsorship. Prepackaged sponsorships centre on providing different levels (eg 'gold, silver and bronze') of pre-determined benefits to the sponsor and therefore are the same for different sponsors that purchase the same package. Alternatively, custom-designed packages contain specific customer-selected elements that facilitate the achievement of an individual sponsor's particular marketing goals. For both prepackaged or custom-designed sponsorship arrangements, the benefits must be effectively communicated to the potential sponsors. The funds available for sponsorships is usually a finite resource, and because potential sponsors are often besieged with requests sponsorships have become very competitive. Consequently, sport and recreation organisations should take a systematic approach to the sponsorship process to ensure a better success rate. There are three main phases in the sponsorship process – planning, selling and servicing (see Figure 2).



Figure 2 Sponsorship process flow chart<sup>3</sup>





## Planning phase

Planning and preparation are the keys to successful sponsorship proposals. If sponsorship is poorly planned then it is likely that there will be a loss of sponsorship opportunities and revenues, an uncoordinated approach to potential sponsors, possible conflicts between sponsors (eg between competing brands) and an overall poor impression created.

The sport and recreation organisation must be explicit about its reasons for seeking sponsorship and then try to identify what opportunities it provides for potential sponsors. This requires the organization to clarify the benefits it has to offer sponsors and how those benefits may be linked to specific sponsors. Furthermore, the organisation itself must be clear about what benefits (and costs) are likely to accrue to the organisation. For example, has the organisation established a realistic budget that includes the ongoing costs of servicing the sponsor?

The organisation must then choose which specific sponsors it will target. This step should involve the organisation developing some background information about potential sponsors (eg policies and sponsoring track record). A key consideration is matching the image of the organisation with the image and product of suitable sponsors. For example is it appropriate to have a local tavern sponsor junior soccer? Timing is also a critical consideration as the current financial environment may dictate the willingness of sponsors to get involved.

### How to attract sponsors

Attracting sponsors involves communicating to potential sponsors that the organization has the capability to provide some useful service or opportunity for the sponsor and the relationship will be mutually beneficial. It is therefore important to be able to demonstrate a previous successful 'track record' where this is possible.

Potential sponsors want something in return for the money, equipment or services they provide as part of a sponsorship arrangement. For example, sponsorships can provide the sponsoring organisation with an opportunity to support a worthwhile project while communicating its message to its target customers or the public. However, the sport and recreation organisation must be very clear how it will facilitate this opportunity for the sponsor and why sponsorship of this organisation is the best means for the sponsor to receive the benefits it seeks. This generally means keeping accurate records of previous activities and events so they can be used to make a persuasive case for the sport and recreation organisation. Sponsors tend to be interested in the following issues:

- *Attendance figures and nature of the audience.* Attendance refers to the number of people who will see the sponsor's marketing message, and the demographic characteristics of that audience. Naturally, the greater the numbers of people who are likely to see this message and the closer the match to the demographics important to the sponsor, the greater the benefits for the sponsor.

- *The extent of positive media coverage about the sport and recreation organisation.* This is also a significant element that can influence sponsorship commitment. When preparing sponsorship proposals, the organization should establish past levels and values of media coverage and factor these items into the worth of the sponsorship. An invitation to the local newspaper or television station to do a community interest story could be timed to coincide with the sponsorship proposal.
- *Community support and contacts.* The generation of additional sales and the opportunity to network that derives from participation in the sponsorship is another important point for sponsors. An event that allows the sponsoring organisation direct contact with, and potential sales to its customers, is an opportunity for the sponsor to generate additional business.

## Preparation of the sponsorship proposal

Although sponsorship proposals are usually written, they may also be produced on a video or CD (other technological advancements, eg the Internet, present further alternatives for presenting the sponsorship proposal). The organization should determine which format is most suited to the targeted sponsor.

Regardless of the approach used, the sponsorship proposal should always contain the following types of information:

- Background of the sport and recreation organisation – its history, image, membership.
- A contact person and details for the sport and recreation organisation.
- Details about its programs, eg venue, dates, participant numbers, spectators.
- Future goals for the sport and recreation organisation (eg where will the organisation be in 3-5 years time?).
- The program budget – how much the sport and recreation organization will contribute and is asking for in sponsorship.
- The proposal – for what purpose the sponsorship is needed (eg \$5000 over three years for team travel to competitions).
- What the sport and recreation organisation will be offering (eg advertising, promotional opportunities, television coverage, direct access to membership).
- The actual benefits for the potential sponsor (eg amount of press coverage, time on TV).
- Include other information such as annual reports, financial statements, booklets, demographic figures on the sport and recreation organisation's prospective audience, press coverage, and any other salient facts.

In summary, the key issue for the proposal is to identify how the sponsorship relationship will help each organisation to meet its goals.

## Planning for sponsorship

Before a sponsorship proposal is prepared, sport and recreation organisations need to know:

- What is the sport and recreation organisation's image among members and the public? (If image is poor, it may be difficult to secure a sponsor).
- What companies match the sport and recreation organisation's image? eg Coca-Cola targets its product to young people 18-25 and wants to be involved in large audience participation events. Is there a 'fit'?
- What is the sport and recreation organisation's 'best' program with which to seek sponsorship?
- What opportunities are offered to the sponsor? eg sell the sponsor's product exclusively at the event, media coverage highlighting their support, advertising and signage.

- Will the event clash with any other events? eg local bowls tournament at the same time and location as the local music recital.

## Determining the value of a sponsorship package

Determining the value of sponsorship packages does not follow a set formula and thus sponsorship agreements may vary considerably from one another. For example, determining the value of items such as goodwill and exclusivity can be difficult, but should be included as sponsorship benefits.

It is important to establish an approximate cost for what the sport and recreation organisation is offering to the sponsor and subsequently, establish the price to the sponsor. One method to determine the value of a sponsorship package is to cost all the items listed in the benefits as if they were to be purchased separately, then add the costs of developing the package and servicing the sponsor. The price of the sponsorship to the sponsor can then be estimated at the actual cost of the individual sponsorship components (including development and maintenance) plus a reasonable margin<sup>4</sup>

## Selling Phase

This is a critical phase in the sponsorship process. In this phase, the organization makes its initial contact with potential sponsors and the nature of this contact establishes the climate for subsequent negotiations and relationships. Because first impressions count, it is therefore important to ensure that this step is carried out professionally.

### Presenting a sponsorship proposal

Most sponsorship proposals require a verbal presentation (although not all, so the written proposal must also be able to 'stand alone'). This is a key component of the selling phase and is where organisations can encounter difficulties. Many organisations assume that because they have now finished the hard work, the proposal will sell itself, or because their program is so 'worthwhile' the sponsor will naturally support it. This is far from the case and the importance of the actual presentation should not be underestimated.

Professionalism is vital so the organization should carefully consider who should make the presentation. If there are members who have the necessary experience and skills, then perhaps it would be best if they presented the proposal rather than the president. Dress and appearance are also key considerations.

Other issues to consider in this phase include:

- Find out who to send the proposal to (ie the decision maker) and ensure that the name and address is correct. Make an appointment to present the proposal in person. Face-to-face communication greatly enhances the likelihood of success.
- Find out the company's sponsorship criteria and history – what does the company want out of a sponsorship relationship?
- The proposal should be prepared to a professional standard (eg typed and well laid out).
- Information must be relevant, accurate and precise.
- Being well prepared when presenting the proposal is critical. The presenters should ensure that they have appropriate supplementary information to support the proposal and try to anticipate (and plan answers for) questions that may arise.
- Follow up after the meeting – thank them for the opportunity to present the proposal and then maintain contact.

## Handling rejection

Even rejection of the sponsorship proposal can be used as an opportunity. First, the sport and recreation organisation should acknowledge the rejection and thank the potential sponsor for their consideration. Then a meeting should be arranged with that organisation's contact to discuss:

- What caused the proposal to fail? (eg was the proposal written clearly enough?)
- In what ways could the proposal have been improved?
- Would the company consider a modified request?
- What actions could the organisation take to enhance its chances next time?
- Given the nature of the sponsorship request, does the contact know of any other corporations that would be more receptive? If so, would they agree to help in the initial contact?
- This information may facilitate a second chance initially, and will at the very least keep the potential sponsor informed and involved, potentially increasing the likelihood of future sponsorship success.

## Servicing phase

It is usual for some negotiation to occur before final agreement is reached on the sponsorship. The nature of this negotiation is also critical for the future of the relationship and both parties should be willing to give and take (the relationship should be based on an equitable exchange and mutual benefits). Once the sponsorship contract has been signed, in some respects the hard work has just begun. The sport and recreation organisation should try to develop and maintain a long-term relationship with the sponsor. Developing a committed and consistent supporter should be the aim as it is far more efficient to maintain a relationship with existing sponsors rather than continually seeking new sponsorship arrangements.

## Maintaining the sponsorship relationship

The relationship that is established between a sport and recreation organisation and a sponsor should not be neglected after receiving the assistance. The organization should redouble its efforts to maintain a positive relationship with the sponsor, with ongoing communication being a key component. There are a range of ways to keep an organisation's sponsors informed and involved:

**Thank-you letters.** All funding should be acknowledged with a personal thank you letter that appreciates the support and reiterates the need, intended use and sponsorship terms, signed by the management committee chairperson or executive director.

**Press clippings.** Copies of articles appearing in the press publicizing any aspect of the project and that make reference to the sponsoring organisation should be forwarded to that organisation. A letter that indicates the general content of the article should be included.

**Regular written progress reports.**

Reports documenting the progress of the organisation, project, or team should be sent regularly to the sponsor (include photographs where appropriate).

**Personal visits and invitations.**

Representatives of the sponsor should be invited to participate in the organisation's ceremonies and events (eg facility openings). The sponsor should be kept informed of all milestones, and could be invited to lunch occasionally by the chairperson or executive director.

**Telephone calls.** Committee members should be available to respond to calls from sponsors, and to initiate calls. It is important that organizations are responsive to questions that show continued interest.

**Take an interest in the sponsoring organisation.** Acknowledge its successes even if they are unrelated to the sponsorship agreement.

**Newsletters.** Sponsors should be placed on the organisation's mailing list, and be acknowledged in the newsletter where appropriate.

**Recognition.** Sponsors like to be recognised for the contributions they make to the sport and recreation organisation. Linking a corporate sponsor to well-publicised successes is highly prized by corporate marketing departments.

**Request for continuing funds.** This is an important part of the sponsorship process. Organisations should explicitly identify relevant progress and accomplishments and outline opportunities for continuance and expansion. The sponsor may decide to continue sponsoring the organization in other areas. Always remember that sponsorship is a business deal and the company wants to get value for its investment. Sport and recreation organisations should continually look for further avenues to promote sponsors.

## Sponsorship evaluation

The evaluation of the sponsorship needs to be a two-way review carried out on completion of the agreement or, in the case of long running events, on a regular basis (eg every three months). The sponsored party evaluates the sponsor and its contribution and the sponsor evaluates the sport and recreation organisation.

The review should be open and frank and held when neither organisation is pressed for time. The important factor is whether both parties achieved their goals. If not, then why not? A number of questions should be addressed in this process, including:

- Did both parties meet their obligations?
- Was the sponsor invited to participate in the decision making? Did the partnership work?
- Did the sponsor achieve its objective? If not, why not?
- What improvements can be made for the future?

The sport and recreation organisation should help the sponsor assess the value of the sponsorship by presenting them with a folder containing:

- copies of media releases issued
- details of media coverage, including copies of press items
- relevant details of the event, season or project, such as numbers of competitors, spectators
- any relevant photographic material
- copies of entry forms, posters and advertising
- a financial statement, budget and proposal for the following year.

## Donations

Donations differ from sponsorship in a fundamental way. Whereas sponsorship is an agreement between two parties in which both seek material benefits, donors cannot seek any direct material benefit – donations are often philanthropic in nature. Philanthropy refers to benevolent acts that are of practical benefit to mankind.

The reasons people make donations to non-profit organisations are complex. There is rarely a single motivating factor, rather a set of factors. Sport and recreation organisations can increase their probability of receiving donations, by developing a better understanding of people's/organisation's motivations for contributing to sport and recreation organisations. The three principal sources of philanthropic support are:

- charitable trusts and foundations
- corporate foundations and employee giving programs
- private individuals

A philanthropic trust is a foundation or trust that supports a range of activities in the community that are deemed to be charitable under taxation law. The tendency over the last five years is for benefactors to be more strategic in the way they allocate funds. Trusts are identified by five criteria:

1. Non-government
2. Non-profit making

3. Financially independent and self governing
4. Controlled by its own trustees
5. Involved in activities for the welfare of the community

A philanthropic trust must fulfil the role of benefit to the community, but it can be discretionary or non-discretionary or a mixture of both. A benefactor might decide to name just one organisation or one area of social need in the charitable trust or a number, or the benefactor might decide to leave the decision making to the nominated trustees.

Charitable trusts and foundations are required by law and by their establishing deeds to disburse the funds they generate. These funds are administered by a group of trustees who are responsible for seeing that the income from the fund that is donated, is used for the purpose for which it was allocated. Trusts and foundations seem to be influenced by the following factors when making donation decisions:

- The social need for the project and whether or not research has been done to indicate there is no duplication.
- How the project will be evaluated.
- The organisation's service area.
- The organisation's impact on the community. (Very few charitable trusts support projects where there is not a clear benefit to the community. Support to individuals is restricted to scholarships and awards).
- Whether the goals of the organization address a charitable trust's priority area and is considered by the trustees to benefit the public.
- The effectiveness of the organisation's structure and management, including planning, budgeting and board of directors and staff responsibilities.
- Whether the sport and recreation organisation receives government funding.
- Corporate foundations are interested in a slightly different set of characteristics than charitable trusts and foundations. The more important characteristics include:
  - How well the sport and recreation organisation delivers its services.
  - Extent of services in local communities.
  - Whether the organisation helps those people who wouldn't otherwise get help.
  - Degree of support from other sources.
  - Use of volunteers to run programs.
  - Extent to which the sport and recreation organisation serves corporate employees and their families.

Some companies also run programs where staff are able to volunteer for short-term projects.

The majority of philanthropic giving comes from individual donors. The reasons individuals make donations vary as much as the individuals who make donations. The challenge for the sport and recreation organisation is to attempt to make their project appealing to individuals.

## Donor recognition and relations

Giving may be its own reward, but a donor recognition program that is thoughtfully conceived is crucial to many fundraising programs. Donor recognition builds relationships, encourages involvement, and positions the organisation for future assistance from donors. Recognition is at the heart of donor relations.

The best type of recognition is personal and at a level that is appropriate to the level of support without breaching taxation law. Some examples include a plaque, a letter from the president of the organisation, or a personal note from someone who benefits from the donor's philanthropy. The size of the donation will determine what form of recognition is appropriate. Free tickets to dinners or sporting events are not suitable forms of recognition for donors (these tend to be somewhat tokenistic and do not adequately recognise donors).

Sport and recreation organisations should attempt to apply an understanding of donor motivations in fundraising by using common sense and acquiring an understanding of people and their individual interests, ambitions and psychological needs. Fundraisers need to clearly understand the importance of the project or the cause to the donor as this is an important step in the process.

## The Australian Sports Foundation Ltd

The Australian Sports Foundation (ASF) was established to offer tax deductibility for donations to sport-oriented projects, programs and events. Non-profit or government organisations are eligible for assistance from the ASF. The ASF operates effectively as an umbrella charity for sport. The ASF helps organisations with their fundraising goals by providing:

- fundraising strategies and ideas
- fundraising newsletters that includes information on relevant philanthropic, corporate and government programs
- fundraising seminars (how to seek donations)
- fundraising resources
- information on relevant grant and philanthropic programs
- information on best practice organisations
- sample promotional material eg brochures/sample invitations to dinners/ media releases

The ASF also promotes

- projects via its web site/media releases
- sport as a worthwhile alternative charity.

### Eligible organisations

The ASF can delegate its tax deductibility status to:

- non-profit sporting bodies
- local councils
- schools
- community service organisations eg Lions/ Rotary
- trusts/foundations/church groups that are unable to secure tax deductibility in their own right for sporting projects

### Eligible projects

The ASF can receive donations for a wide range of activities including: the development of facilities and facility feasibility studies, equipment and team travel, sports development (eg scholarships/clinics) and hosting major events.

### How the ASF operates

Organisations with sporting projects are assessed against specific criteria. Once projects are approved, organisations can promote and use the ASF's tax deductibility status to collect donations from the community.

Donors make unconditional donations to the ASF, and may nominate a project as the preferred beneficiary. It should be noted that an administration levy is charged on all donations. Donations made to the ASF become public monies, and donors are issued with receipts. The ASF Board determines the level of grant allocated to approved projects, a decision made at its discretion to ensure tax deductibility. It is the responsibility of the grant recipient to ensure that grants are acquitted and project reports are provided to the ASF.

Donations of in-kind material and voluntary material cannot be claimed as a tax deduction under the ASF's operations. However, businesses are encouraged to seek advice from accounting experts as there may be an opportunity to claim these donations as a sponsorship and a legitimate business expense.

The ASF can be contacted on 1300 361 236, email [info@asf.org.au](mailto:info@asf.org.au), or [www.asf.org.au](http://www.asf.org.au).



## Fundraising and the GST<sup>5</sup>

The goods and services tax (GST) is a broad based tax of 10% applied to supplies of most goods and services consumed in Australia. Sport and recreation organisations, including those in the non-profit sector, must be registered for the GST if their annual turnover is \$50,000 or more (commercial sector) or \$100,000 or more (non-profit sector). Registered organisations have an Australian Business Number (ABN). If an organisation is registered for GST it can claim a credit from the Australian Taxation Office (ATO) for any GST included in the price paid for things purchased for the organisation. This is called an input tax credit. The difference between the GST payable on an organisation's supplies and the GST included in the purchase price of its acquisitions is the amount owed to the ATO. Organisations that are not registered for GST cannot claim input tax credits.

Money, goods and services that are provided on a conditional basis are subject to GST if the sport and recreation organisation is registered for GST. Grants and sponsorships usually have conditions and therefore are subject to GST. For grants paid on a progressive or periodic basis (eg over a number of years), GST is generally payable, and input tax credits are available at the time of each payment. If there is no obligation tied to the contribution to the organisation, then GST is not payable.

Donations of money, goods or services are given with no obligation by the donating party and are therefore not subject to GST. Where GST is payable, the amount payable to the ATO is 1/11th of the grant or sponsorship. The entity making the grant (the grantor) or the sponsor is entitled to an input tax credit equal to 1/11th of the grant amount. The sport and recreation organisation will need to give the sponsoring organisation a receipt (see Example 1).

It is suggested that organisations receiving grants or sponsorships ask the government agency or sponsor to cash up their contributions by 10%, as sponsors and government agencies can claim back the extra 10% contribution as an input tax credit.

If a sponsor provides goods and services in return for other goods and services, such as advertising or promotion, there is a supply by both parties to each other (contra sponsorship). If both parties are registered for GST, each will be liable to pay GST on the supply to each other. The GST will be 10% of the GST-exclusive market value of the supply made by the other party, or 1/11th of the GST-inclusive market value (see Example 2).

### Example 1

#### Grants and the GST

A rowing association, registered for GST, receives a grant of \$4400 from the state department of sport and recreation to develop a junior rowing program. The grant is subject to GST because it is tied to the obligation to develop a rowing program. The GST payable by the rowing association is \$400. The state department can claim an input tax credit of \$400.

#### Sponsorship and the GST

A geographic magazine is organizing an Australian four-wheel drive trek and is given \$22 000 sponsorship by a photographic company in return for advertising signs on the vehicles associated with the trek. GST is payable by the magazine on the supply of the advertising. The GST payable is 1/11th of the sponsorship paid that is \$2000. The photographic company is entitled to an input tax credit of \$2000.

Where the supply is made by each party to the other in the same tax period, no GST will be payable to the ATO because the value of the supply is the same as the value of the acquisition. However, each party will still need to account for GST payable and input tax credits on each transaction.

## Example 2

### Contra-sponsorship and the GST

An office equipment company provides a photocopier to the Croquet Association worth \$5500 (including \$500 GST) in return for advertising worth \$5500 (including \$500 GST). GST would be payable by the association as 1/11th of the market value (including GST) of the photocopier received as consideration for the supply of the advertising. GST would also be payable by the office equipment company as 1/11<sup>th</sup> of the market value (including GST) of the advertising received as consideration for the supply of the photocopier. Both parties would be entitled to input tax credits equal to the amount of GST payable (assuming they are entitled to a full input tax credit).

More information about the GST is available from the ATO.

## Summary

Fundraising is an important component of any sport and recreation organization particularly as the financial environment becomes more difficult. Organisations may receive money, goods and services as grants, sponsorships or donations. A clear understanding of the goals and objectives of the sport and recreation organization and careful planning, combined with an understanding of the reasons people/ organisations give, make a successful fundraising campaign more likely.

This module has outlined the principles of fundraising, and various sources of generating supplementary income through fundraising. Grants, sponsorships and donations were identified as key income sources for sport and recreation organisations, and ways of optimising these three income sources were discussed. The roles of philanthropic trusts, and in particular the Australian Sports Foundation, were also discussed. Finally, the GST and the implications for grants, sponsorships and donations were identified, with examples provided.

### Further information

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## Glossary

**Australian Sports Foundation.** Organisation which offers tax deductibility for donations to sport-oriented projects, programs and events. Non-profit community and government organisations with valid sports projects are eligible for assistance from the ASF. The ASF operates effectively as an umbrella charity for sport.

**Contra-sponsorship.** An arrangement where the sponsoring organisation provides services or products, rather than money, in exchange for benefits provided by the sport and recreation organisation.

**Custom-designed sponsorships.** These contain specific customer-selected elements that facilitate achievement of an individual sponsor's particular marketing goals.

**Donations.** Refers to assistance provided to sport and recreation organisations for which no direct material benefit is sought in return.

**Fundraising.** Is a systematic process designed to secure funds additional to a sport and recreation organisation's operating budget in order to fund special activities and projects.

**Fundraising subcommittee.** This subcommittee takes responsibility for planning and coordinating all fundraising efforts of the organisation

**Grants.** Are funds received from statutory or voluntary agencies, often established with grant giving as one of their primary purposes. Grants are usually given by such agencies in order to pursue their own objectives and strategies (eg government policy) and often requires matching contributions from the organisation applying for the grant.

**Prepackaged sponsorships.** Refers to different levels of pre-determined sponsorship that do not vary to suit the specific needs of individual sponsors.

**Philanthropic trusts.** A philanthropic trust is a foundation or trust that supports a range of activities that are oriented to the welfare of the community.

**Philanthropy.** Is a love of mankind that results in benevolent acts of practical benefit.

**Sponsorship.** Refers to a reciprocal relationship between two parties in which both seek benefits through an equitable exchange. Sponsorships are usually business agreements and generally involve a contract with quite specific terms and conditions.

**Sponsorship process.** A planned systematic approach adopted by organisations to try and ensure success in attracting and maintaining sponsors. The process includes three main phases - planning, selling and servicing.

**Sponsorship value.** The price of the sponsorship to the sponsoring organisation. The price of the sponsorship to the sponsor can then be estimated at the actual cost of the individual sponsorship components (including development and servicing) plus a reasonable margin.

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<sup>1</sup> Greenfield, J. M. (1997). *The Non-Profit Handbook - Fundraising* (2nd Ed). New York: John Wiley & Sons.

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<sup>2</sup> ibid

<sup>3</sup> Cuskelly, G. (1996). Sport Sponsorship. Unpublished paper. Brisbane: Griffith University

<sup>4</sup> Downes, M. G. (1987). *Downes on Fundraising*. Australia: Tecprint Pty Ltd.

<sup>5</sup> Australian Tax Office. (1999). *Sport Recreation and Gaming and the New Tax System*. Canberra: ATO.