



Improving the Integrity of Public Ancillary Funds

Submission by the Buderim Foundation Limited as Trustee for
the Buderim Foundation Open Trust and the Buderim
Foundation Public Trust

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1. Overview of the Buderim Foundation

Buderim is a community of some 38,000 people located on the Sunshine Coast in Queensland. It has a long history, and in 2012 celebrates the 150th anniversary of its founding. From a practical perspective the Buderim region encompasses the postcode 4556. In recent years it has been transformed from a small village hub serving the local farming activity into a thriving residential region with a strong sense of community.

The peak body for establishing and maintaining this community sense is the Buderim War Memorial Community Association (BWMCA), established over 60 years ago to provide a range of activities and services to the people of Buderim. One of the BWMCA's more recent community-based initiatives has been the establishment of the Buderim Foundation Ltd, an organisation designed to encourage individuals, families and companies to invest time and money in Buderim's future quality of life. The Buderim Foundation is a community foundation in all senses of the words.

As a public company, the Buderim Foundation has six members, each of whom is appointed by the BWMCA. The role of the members is to appoint the Directors of the company and to receive the annual report from the Board. The Foundation's accounts are externally audited each year, and appropriate returns are made to the relevant State authorities.

The Foundation has three commercial sponsors who annually provide funds to support the administration of the Foundation; none of the money in the trust funds, nor their earnings, is used to operate the Foundation. It relies almost entirely on the contributions of volunteers, from the Chair of the Foundation to the graphic artist who designs the Foundation's publications.

2. Objectives of the Buderim Foundation

As a philanthropic organisation, the Foundation operates a simple business model to enable it to grow the amount of money in trust and therefore increase the grants it can make to local community organisations. Donations and bequests are fully credited to the relevant Trust. These Trust funds are invested in income-generating stocks and bank deposits to generate an annual earning which is then available through the annual round of grants. None of

the corpus of funds in Trust is released, as the Foundation's core objective is to establish a corpus large enough to support substantial grants and projects for the Buderim Community.

Since its inception in 2004 the Buderim Foundation has grown a corpus of funds now approaching half a million dollars. These funds are held in two trusts; the Open Trust and the Public Trust. Through its Deductible Gift Recipient (DGR) status, the Foundation is able to provide a tax-deductible environment to people who wish their donation to be placed in the Public Trust.

It is made very clear to donors that their donation will remain in the Trust and will continue to benefit the Buderim community in perpetuity. For many donors this is an important element in their decision to donate in the first place.

For the Foundation it is vital that this corpus of funds is not diminished by any external requirement to distribute some part of it. Like many smaller community foundations in Canada, the Buderim Foundation is aiming to establish a corpus that is large enough to support substantive community projects over many generations to come.

The Foundation distributed its first grants in 2008, and there has been an annual round of grant-giving each year since. The pool of earned funds for grants has also increased each year. At present, grants are typically of the order of a few thousand dollars, but the Foundation's objective to grow its corpus substantially is intended to allow for considerably larger grants for community organisations in the future. All grants are made through a criteria-based assessment process; and only organisations which themselves have DGR status can receive a grant funded from the earnings of the Public Trust. The assessment criteria focus on the relevance and impact of the grant for the broader Buderim community, the additional volunteer effort which the organisation is able to bring to the project and the likely longevity of the proposal. In some instances successful organisations have gone on to secure further grants from other sources.

Although the Buderim Foundation is currently one of the smaller community foundations in Australia, its Board believes that it has an ongoing commitment

to enhancing the community experience for all Buderim residents. Already nearly 200 such residents are designated 'Ambassadors' for the Foundation, and each has committed to supporting the growth of the Foundation in their own way.

3. Response to the discussion paper

The Buderim Foundation fully supports the Government's objective to improve the current arrangements for public ancillary funds, The Foundation agrees with the four principles which underpin these approaches, and believes that it already operates in accord with these principles.

As a member of Philanthropy Australia the Foundation fully supports the PA submission and its comments on community foundations. In particular, the Buderim Foundation concurs with the PA view that community foundations are an important way of encouraging philanthropy in people who might otherwise never contemplate contributing to their local community.

The issue in the discussion paper which most concerns the Buderim Foundation is the proposal to set a minimum amount that must be distributed from the net assets of the ancillary fund. At times of low earnings, or if the distribution rate is set too high, this has the potential to reduce the corpus of funds, exactly the converse of the Foundation's objective.

There is a critical difference between Private and Public Ancillary Funds here. A Private Fund can indeed be seen as a conduit or temporary repository for money, since there is no specific enduring role for such funds. But for a community foundation operating as a Public Ancillary Fund, there is a community responsibility to continue for the lifetime of the community itself. The earnings from public donations made to these foundations are returned to the public through the grant-giving process. The Government contribution through the revenue foregone essentially adds to the corpus of the foundation and is therefore earning for the community in perpetuity.

The Buderim Foundation encourages the Government to identify community foundations as a special or separate instance where the distribution rate is determined by the foundation itself so as to ensure the growth of the foundation. This is especially important for newer and smaller community

foundations which will require many years to build a corpus worthy of the community role they so willingly accept.

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