

FUND MANAGEMENT

A Guide to Effective Donation Management

Distributing funding is often the most time consuming aspect of working in the non-profit sector.



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“This resource aims to provide a conventional, Islamic perspective on the acquisition and distribution of funds according to Australian Law”

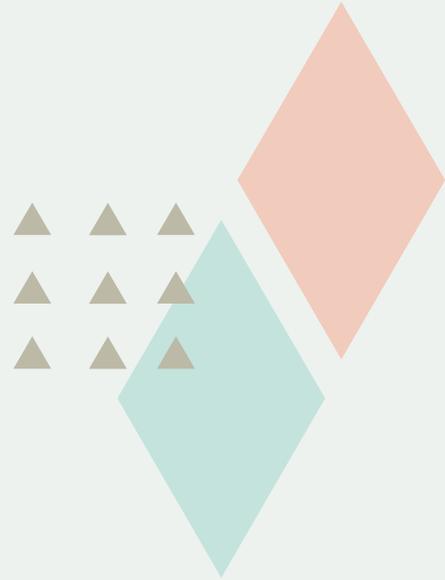


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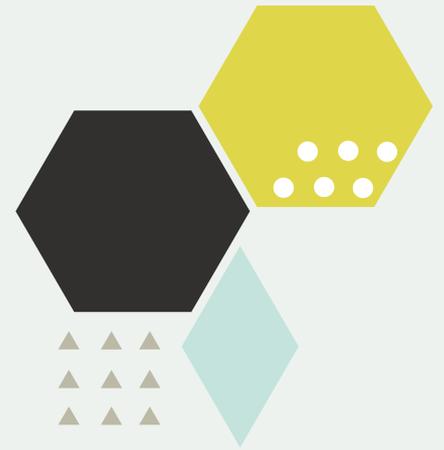
Introduction

Distributing funding is often the most time consuming aspect of working in the non-profit sector.

Charities, non-profit organisations and various community organisations have the responsibility to deal with any funding they receive in the correct ethical and legal manner. A rigorous process to assess the organisation's purpose behind collecting funds, and their distribution is therefore essential to protect both funders and fundees, and ensure that it is in the best interest of both the funders and the fundee.

This resource has been developed to assist in regulating distribution of funds, in particular excess funds, and to ensuring funds are used to further their charitable purpose, and not for any private benefit. It can also be utilised by organisations that have limited funds but are still attempting to work towards their charitable purpose. The resource has been put together for the use of charities, non-profit and community organisations who deal with funds.

The purpose of this resource is to outline the importance of funder awareness in the use and distribution of their funds, and the importance of transparency and honesty when dealing with funds, in particular excess funds raised for charitable causes. This resource aims to provide a conventional, moral and Islamic perspective on the fundraising, distribution and transfer of funds.

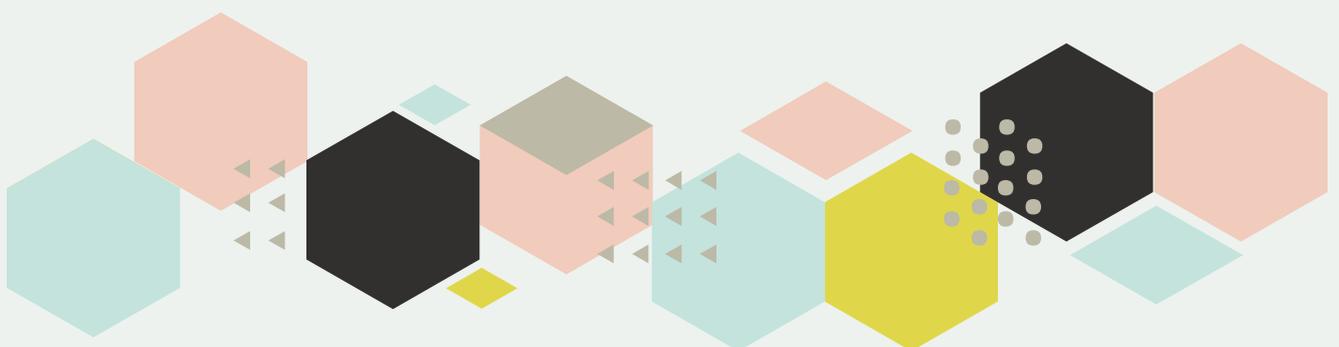


A key responsibility for an organisation with any financial responsibility is to ensure that the funds are utilised in a way that maximises their desired impact - to ensure it has achieved its charitable purpose. Board members have particular duties under ACNC standards, which they need to be aware of to ensure compliance. This includes ensuring the organisation's financial affairs are managed in a responsible manner. Thus, the board must identify major strategic risks and ensure they have measures in place to identify, manage and counter risks throughout the organisation, such as in managing risks of fraud.

Scope

This resource can be used by any charity, NPO or community organisation that is responsible for any amount of funds.

For the purpose of this resource, we take charitable purpose to be: An ethical and moral project that is working towards achieving social, political or innovative change. This purpose may be outlined in the organisation's mission statement.





ACQUISITION OF FUNDS

The first step to responsible spending is planning how the money will be accounted for.

In order to ensure that the funds raised will not be misappropriated, it is important to compile a document outlining how funds will be used to further the organisation's charitable purpose. Each dollar that is donated needs to be accounted for as this will ensure donors are aware of where the money will go and cannot alter the purpose of fundraising.

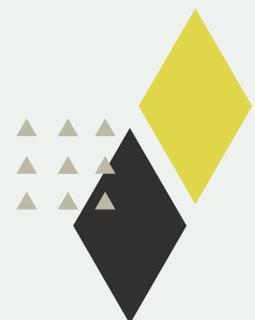
In this way, the purpose of fundraising will be clearly outlined. The organisation will be able to track the flow of cash and ensure transparency and honesty with their donors and supporters. Through building their reputation for a charitable cause, corporate relations may begin to be an option for organisations searching for increased funding. This will also increase the likelihood of grant acceptance as corporations prefer to have an understanding of fund spending. Additionally, by having an internal audit, the organisation will be able to track their expenditure and assess whether funds had been used to further the mission of the organisation and whether it aligns with the organisations values and purpose. Through this, the organisation can be confident in their reports and can present their expenditure in their

future costs and ensure funding and reputable standing amongst other NPOs and charity organisations in similar causes, and reputable standing amongst other NPOs and charity organisations in similar causes.

Funders prefer having a understanding of how money will be spent before giving it to an organisation.

Abu Huraira narrated that the Prophet said: A time will come upon the people when one will not care how one gains one's money, legally or illegally.

(Bukhari)



Types of Fundraising

The methods of fundraising differ from one organisation to another. The following is a compilation of the most common methods of fundraising for charities, NPOs and community organisations

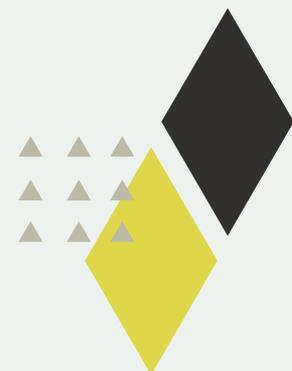
Grants: Organisations may apply for community grants once they outline their project objective and/or charitable purpose. Many grants are available for organisations such as the Westpac Social Change Fellowship. Individuals may apply for some of these grants, but others are specifically designed for organisations with social, political and/or innovative projects for the community.

Donations: Donations are less desirable for an organisation seeking long term change. However, it is an effective method to receive quick funds from your supporters. Especially with emergency aid, donations are useful for donors who support the cause but are not insistent on tracking how their money is spent. However, this may not be a viable solution for organisations seeking longer terms of endorsement and financial support.

Crowdfunding: the method of crowdfunding involves using online sites to receive funding for a specific project. This is a popular method of obtaining funds for young organisations and start ups. Examples of crowdfunding sites include gofundme.com, indiegogo.com, and crowdrise.com. There are many more platforms for crowdfunding; some of them are designed for individuals while others are for organisations and businesses.

The efficiency of any method of fundraising is dependant on understanding the drive of donors

Memberships: By having a membership, the organisation helps foster a sense of belonging with supporters. This also can incur a small fee which would ensure continual funds coming into the organisation. This also produces a steady cash flow income





Fundraising regulations

According to the ACNC Managing Charity Money guide, charities must comply with governance standards as well as implement appropriate record-keeping and reporting in relation to the charitable organisation's activities, including how funds are collected. The general rule is that board members must register their organisation as a charity and obtain a permit to undertake fundraising activity.

Charities must ensure they manage and record their financial transactions, report annually and meet certain governance standards. In addition, all organisations have the responsibility of operating and maintaining a suitable legal framework in governance and managing fundraising and funds.

To ensure financial security, organisations may choose to implement controls of bank account and/or funds. This may be ensured via multiple signatories for bank withdrawals/deposits, tracking budget performance, providing regular reports, and continual strengthening and renewal of financial controls.

With regard to international community organisations involved in charitable causes, it is important to note that they are vulnerable to fraud and theft, irrespective of their charitable activities unless appropriate safeguards and processes in place.

ACNC Commissioner Susan Pascoe AM said, however, that charities may be at greater risk of their charitable funds being diverted or otherwise misused for criminal activities, money laundering and financing terrorism, when sending money overseas, even if their intentions to help are in line with their charitable purposes.

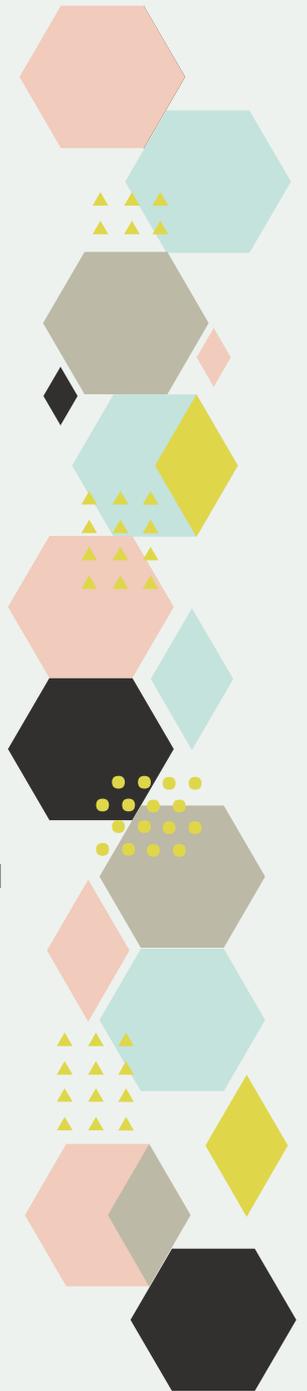
Case Study:

Love Army For Somalia

Jerome Jarre is a social media influencer with a following of 2.1 million on Facebook. He is known as the French Viner and Snapchatter, and has recently become a humanitarian. Jarre and friends became aware of the famine in Somalia, and the lack of media attention it was getting. Using their following, they set up a crowdfunding page using GoFundMe.com as the platform to raise donations and fill a cargo plane with immediate food relief. They started their campaign by contacting an airline with a cargo plane and willing to allow them to fill with food for Somalia. Within 24 hours, Turkish Airlines agreed to help them. This is when Jarre launched the campaign which became to be known as LOVE ARMY FOR SOMALIA.

This campaign was bound to be a success because of the social media following of Jarre and his friends. However, Jarre was conscious of the responsibilities he had to his supporters. He ensured that they would keep donors in the loop, and give updates on how the money is being spent in Somalia. For young adults, this was an attractive aspect of the campaign. Because of a limit in their time, Jarre contacted Ben Stiller to use his charity, Stiller Foundation, in order to receive and manage all the funds they were receiving. They did not stop there.

One the funds started pouring in, Jarre was advised on the climate they were venturing into. He was informed that if he bought food it would cripple the economy in Somalia. So he chose to purchase baby food that is not accessible in Somalia, 60 tons of it, and loaded into onto the cargo plane. By pairing up with an NGO in Somalia that understood the country and its people's needs, he began purchasing essential food items and distributing them to the people. In this way, he was helping the local economy, while also maintaining the promise he made to the donors: provide immediate relief.



“Importing food is not the smartest way to help a country. Supporting the local economy is. From experts advising us and from talking directly to the people here in Somalia: the best way to help is to buy the food from small local businesses here. It makes sense, if we shipped tons of food like we initially wanted to, what would happen to the small businesses in Somalia that are already selling this food?”

The excess funds helped Jarre and his team distribute over 600 tonnes of food and 2.8 million litres of water. They made sure to track all their purchases, and have continued to assure donors that they will release all the receipts digitally once they have distributed all the funds. These regulations they have in place are standard expectations that donors have of charities. They expect to be aware of the spending and to have continued updates on the progress of the project. Jarre was also exceptional in keeping his supporters and donors informed with regard to any changes in the plan. This helped him build a reputation and trust with his donors, and elicited more support.

“The example of those who spend their wealth in the way of God is like a seed [of grain] which grows seven spikes; in each spike is a hundred grains. And God multiplies [His reward] for whom He wills. And God is all-Encompassing and Knowing.” [Quran 2:261]



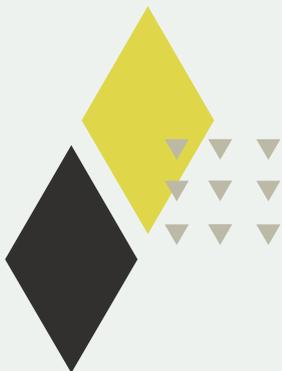


Conclusion:

Managing funding is an important and essential aspect of any organisation receiving any monetary aid to ensure transparency and strengthen ties with donors. Attaining funds occurs in a multitude of ways, and their management depends on their size. It is important for organisations to assess their own financial position before taking on any advice from this resource.

Ultimately, there is no set method to be successful in fundraising, but there are methods to ensure the organisation is protected from fraud and loss of funds.

This resource aimed to outline the importance of a direction of fundraising, give some methods of fundraising and demonstrate how a case is able to attract donors.



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