



APPLICATION INFORMATION

## HOW THE DONATION PROCESS WORKS

The Otago Community Trust has established a set of guidelines for organisations seeking a donation. The objective of the Trust is to help organisations carrying on charitable, cultural, philanthropic and recreational work which is of benefit to the people of Otago. Each application is judged on its own merits and its potential value to the community.

### How to Apply

Applications should always be submitted on the Trust's application form. Additional information in support of the application may be attached.

### When to Apply

While applications will be accepted at any time, organisations may receive only one donation during the Trust's financial year which ends on 31 March.

If you are unsuccessful with an application you may apply again during that year.

## DONATIONS CRITERIA

In general donations will be made to assist projects.

- Which provide services for those who may have been denied a quality of life enjoyed by the majority
- Which provide services or amenities for the benefit or enjoyment of the public and contribute to community well-being.
- Which provide time and resources to helping social problems.
- Which offer opportunity for a significant section of the community.

So that it will reach as many people in the community as possible and in a balanced way, the Trust makes its donations under six broad categories:

- **EDUCATION** Including support of pre-school, school and tertiary projects
- **HEALTH & COMMUNITY WELFARE** Including care of infants, children, senior citizens, people with disabilities, health and medical services, victims of abuse and violence, community facilities
- **SPORT & RECREATION** Including active and leisure activity, hobbies and pastimes
- **ART & CULTURE** Including performances, events and masterclasses
- **HERITAGE & ENVIRONMENT** Including historic preservations, flora and fauna
- **SPECIAL EVENTS** Including major celebrations and festivals

**The Trust will NOT generally make donations to or for:**

- Individuals
- Commercial organisations
- Sponsorships for tournaments, events etc.
- Travel to conferences, seminars, reunions etc
- Reunions

- Endowments
- Political parties or lobby groups
- Projects which the Trustees consider to be the responsibility of local or central government
- Projects in retrospect, or projects intended to refinance existing debt.

The Trust will distribute money to any organisation or body whether it is incorporated or not, but the organisation must not be run for private profit. In general an organisation will be:

- An incorporated society
- A registered charitable trust
- A limited liability company fully owned by one of the above and operating for charitable purposes
- An organisation controlled by an association of persons under an adopted constitution and rules with audited annual accounts and annual reports
- A non-legal entity which may apply for a donation up to \$1,000

**Applicants need to demonstrate:**

- A realistic and viable project
- A genuine need
- Evidence of the fundraising activities
- The level of community support for the project and approximately how many people will benefit directly
- An ability to make the project happen

**The Trustees expectation is that any donation would:-**

- serve to initiate a valuable programme
- complete a worthwhile project
- help to obtain something which ultimately benefits part or all of the community

## GENERAL INFORMATION

- We do not write and tell you we have received your application. Our decision will be given to you in writing. It usually takes about two or three months to process applications.
- It is common for us to seek additional information from you by letter, phone or a meeting.
- Funds dispersed by the Trust to the community organisations are considered donations, therefore in our opinion no GST is payable on any donation received. If in doubt you should seek professional advice.
- The Trust is required to publish all donations made.
- The donation should be spent within 12 months of its receipt and for the purpose set out in the application, or as directed by the Trust otherwise the donation becomes repayable. However, the Trust will consider any submission the applicant may wish to make seeking an extension of time or for the funds to be spent in a manner different to that indicated in the original application.
- Any donation offered to an organisation is not usually paid out until the Trust is satisfied that the balance of funding is to hand so that the project can be satisfactorily completed.
- A donee may subsequently be asked to complete an accountability audit in relation to the donation received. This may be by way of an on-site visit or a written report.

## GUIDELINES FOR COMPLETING THE APPLICATION FORM

These guidelines are intended to help you. Please refer to them as you fill in your application form. They provide an explanation of each question. The more complete your application is, the easier it will be for the Trustees to consider your project. If you are unsure whether your project is eligible for funding, ring our office to enquire.

The number is (03) 479 0994.

For rural areas the Trust has a toll-free number 0800 10 12 40.

It is important that the information provided is legible and preferably in black ink. All questions must be answered in the spaces provided. You are welcome to attach any supplementary information.

### PAGE 1

This page covers contact details and summary information. Please help us to process your application more quickly by completing all the questions.

#### Questions 1 – 6 – Organisation Details

Please provide the details of your organisation and the person identified as the contact for the application. It is important to be able to reach the contact person during the day if we need further information or to arrange a visit by our Donations Manager. It is also important to know what position the contact person holds within the organisation.

#### Question 7 – Income Tax Status

Please note that this question relates to a tax law requirement. We must know if your organisation is exempt from income tax and if so, on what basis.

Please refer to page four of this information folder and then complete the question.

Remember to attach your letter from the Inland Revenue Department that confirms your income tax status.

#### Question 8 – GST

We should know if your organisation is GST registered and is able to claim back its GST inputs.

#### Question 9 – Legal Status

This describes your organisation's legal status. It is necessary to clarify that your organisation is a "not for private profit" body, and has appropriate arrangements in its constitution for the distribution of any surplus assets in the event of the organisation winding up.

If your organisation is not a legal entity you can apply for a donation up to \$1,000. This policy allows for very small or new groups to receive some funding. If your group is likely to keep applying for donations annually it should consider becoming a formal, legal entity eg. a trust or an incorporated society.

#### Question 10 – Bank Account Information

Wherever possible a donation will be directly credited to your bank account. Please make sure that an encoded bank deposit slip relating to the account you wish the funds to be lodged into is attached to the application form.

### PAGE 2

#### Question 11 – Project Description

This section asks for information about the project for which you are applying. We require a broad outline of your project.

Please describe the main items. Include such details as cost, size, how much, how many, numbers attending etc.

This space must be filled in with a summary description. If you want to expand the description you may also enclose a separate page.

### Question 12 – Project Benefits

How does this project make a positive difference for your group or your community? The Trustees are interested in the project's significance within the community. Please describe how it will impact on the community or substantially improve the circumstances of the users and/or participants.

It may be that your project is more about creating opportunities than fulfilling a need. If so, we need to understand for whom those opportunities may come about and how.

You are welcome to submit such supporting material as you think will enable the Trustees to make an informed decision.

### Question 13 – Financial Details of the Project

This question asks about the cost of the project and how you intend to pay for it.

Funds already raised are those funds you already have on hand for the project.

Remember, the more you have already raised towards your project at the time of the application, the better your prospects might be for a donation from this Trust. The amount requested from this Trust would not necessarily be the whole shortfall.

You may have applied to other organisations for donations or grants and we encourage that.

**Please note that The Community Trust does not normally fully fund any project.**

### Question 14 – Funding Sources

If you are applying to other organisations for funding assistance, please complete the list. If you receive notification of any funding after you have sent in your application to our office please ring and let us know.

### Question 15 – Reserve Funds

If you have accumulated funds or reserves that you are not using for this project please explain what these funds are put aside for and why they can not be used for this project.

**If you are applying for less than \$10,000 you only need to complete questions 1-15. Please go to page**

**four to read and sign the applicant's declaration and complete the checklist.**

## PAGE 3

### Question 16 – Project Assessment

If your organisation has undertaken a feasibility study and/or a business or strategic plan, please attach a copy.

### Question 17 – Fundraising Programme

Describe some of the methods you have used for fundraising. It is expected that groups should have already done some fundraising towards the specific project for which this application is being made. Remember the Trust does not usually "kick-start" a project; rather it prefers to "help with the shortfall at the end".

### Question 18 – Project Timing

If there are any factors that may inhibit the progress of your project, it is important for the Trustees to know eg. a resource consent application may need to be notifiable and could take some months to process.

It is also important to know an approximate timetable for your project through to completion.

### Question 19 – Financial Controls

In describing your financial control systems we need to know the following:

- how do you raise the funds for your organisation's overheads and wages?
- describe the financial reporting procedures to your controlling body
- describe the extent to which you undertake financial planning such as budgeting and forecasting for both the project as well as your ongoing operations.

### Question 20 – Similar Groups

Please list other groups that provide a similar service to yours. In what way do you believe that your organisation is unique?

**PLEASE MAKE SURE THAT YOU READ AND SIGN THE APPLICANTS DECLARATION ON PAGE FOUR. It is important that this application has the approval of your controlling body and is signed by two members.**

**DON'T FORGET TO ENCLOSE A COPY OF YOUR LATEST AUDITED ANNUAL FINANCIAL STATEMENTS AND ANNUAL REPORT. Any application that is received without audited annual financial statements and annual report will not be considered for a donation.**

**A CHECKLIST IS PROVIDED FOR YOUR CONVENIENCE. PLEASE TICK OFF THE ITEMS YOU ARE INCLUDING**

## TAX STATUS EXPLANATORY NOTES

- You may be exempt from income tax as either a charity, a promoter of an amateur game or sport, or a district improvement society.
- Alternatively you may have limited income tax exemption as a non-profit body.
- You do not automatically qualify for income tax exemption. It is necessary to make an application to the IRD. Further information about these categories of income tax exemption is set out below.
- If you are unsure what type of organisation you are please telephone us for guidance.

Please fill in Question 7 of the application form about your income tax status.

### CHARITIES

To gain charitable status an organisation must carry on charitable activities, be established for charitable purposes (if trustees in a trust) or be established exclusively for charitable purposes (if a society or institution). Charitable purposes have been defined under section OB 1 of the Income Tax Act 2004 ("the Act") to include the following four classes only:

- The relief of poverty.
- The advancement of education.
- The advancement of religion.
- Other purposes beneficial to the community not falling under any of the preceding classes.

All charities must fall within one of these classes. In addition, there are three further requirements that must be met before charitable status is given. The Trust must either be:

- For public purposes.
- For the public benefit.
- Capable of being controlled by the Court, if necessary.

Section CW 34(1) (c) of the Act states that the following income shall be exempt from tax;

- (a) an amount of income derived by a trustee in trust for charitable purposes;
- (b) an amount of income derived by a society or institution established and maintained exclusively for charitable purposes and not carried on for the private pecuniary profit of any individual.

However, the recently introduced Charities Act 2005 will mean that only charities registered with the Charities Commission will be eligible for tax-exempt status in the future. It is proposed that charities will need to be registered by 31 July 2008.

#### Aims of charity

Generally, the aims of an organisation seeking charitable exemption have to be exclusively charitable. This means that if all the aims were looked at individually, each would qualify the organisation for charitable exemption. However, an organisation that uses some of its funds for non-charitable purposes may still receive charitable exemption if the non-charitable purpose is secondary or incidental (rather than an independent purpose), and if it is a result of carrying out the charitable purpose.

The organisation's aims should be clearly set out in its rules or constitution.

#### Personal benefit

The organisation's funds cannot be used to provide personal benefit to the members, trustees or associates of the organisation.

#### Rules

The following restrictions must be included in the organisation's rules:

- Each of the organisation's aims must have a charitable purpose, thereby limiting the use of funds to such purpose.
- The powers of the trustees or officers must be limited so that they cannot authorise the use of funds for a non-charitable purpose.
- The organisation's funds cannot be used to provide personal benefit to the members, trustees or associates.
- If the organisation can alter its rules, this must be limited so that any rule change cannot allow funds to be used for non-charitable purposes or benefits to members, or alter the winding-up clause.

#### Winding Up

- If a charitable organisation's rules or constitution allow it to be wound up, the winding-up clause must prevent the funds or assets passing to non charitable or private purposes.
- A charitable organisation incorporated under the Charitable Trusts Act 1957 does not necessarily need a winding-up clause because this Act can control the distribution of assets on winding up.

## AMATEUR GAME OR SPORT PROMOTER

An amateur game or sports promoter is not defined in the Act. However, the Act provides some guidance on the type of activities that may constitute the promotion of an amateur game or sport.

The key element is that the game or sport is for the recreation or entertainment of the general public. This must be available to “all” members of the public and not just a limited few.

Section CW 39 of the Act states that income derived by a club, society, or association is exempt from tax if:

- (a) the club, society, or association is established mainly to promote an amateur game or sport; and
- (b) the game or sport is conducted for the recreation or entertainment of the general public; and
- (c) no part of the funds of the club, society, or association is used or is available to be used for the private pecuniary profit of a member, proprietor, shareholder, or associate of any of them.

### Aim

The IRD have agreed that the following classes of clubs or associations are entitled to exemptions;

- District and national wrestling associations.
- District and national boxing associations.
- Rugby league clubs and associations.
- Clubs and associations connected with amateur cricket, tennis, golf, rugby, and association football.
- The New Zealand Rowing Foundation Incorporated.
- Generally, any body or association established for the promotion of any amateur game or sport other than horse racing or trotting. Hobbies such as stamp collecting are not a game or a sport.

### Note:

A professional sports club may qualify provided that they satisfy the IRD that the club is promoting amateur games or sports.

### Rules

Similar to the provisions applied to charities, the organisation’s constitution must clearly state that:

- the organisation is open to the public;
- where the organisation is to be wound up, the funds or assets must not be distributed to the members or associates;
- no part of the income of the organisation is to be used or available to be used for the private pecuniary profit of any member, proprietor, or associate.

### District improvement

Section CW 33 of the Act states that an amount of income derived by an association or society is exempt from tax if:

- (a) the association or society is established mainly to-
  - (i) advertise, beautify, or develop a city or other district so as to attract population, tourists, trade, or visitors;
  - (ii) create, develop, or increase amenities for the general public in a city or other district; and
- (b) none of the funds of the association or society is used, or is or may become available to be used, for any other purpose that is not a charitable purpose.

The exemption may apply where the organisation is established substantially or primarily for the purposes of:

- advertising
- beautifying
- developing

any city, borough, or other district. The requirement is that the activities noted above must be for the purpose of attracting trade, tourists, visitors, or population, or to create, increase, expand, or develop amenities for the general public.

As in the case of all exempt bodies, no part of the funds must be made available for any other purpose, that is established substantially or primarily for those purposes stated above.

The constitution must therefore be wide enough to capture all possible purposes of the organisation. However, the problem with this organisation is that it is restricted from carrying on any other type of activity.

## THE OTAGO COMMUNITY TRUST

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