



Philanthropic funding eligibility requirements

	Requirement	Explanation	Impact on Funding Sources
1	Incorporation	A school or other educational organisation will usually need to be incorporated to receive funding from most philanthropic sources. Schools will usually be incorporated either as a company limited by guarantee or through an Act of Parliament. An exception to the incorporation requirement is in relation to scholarships for individuals. However, additional eligibility requirements may apply.	<p>The organisation will need to demonstrate its legal status to funding bodies so that a grant agreement can be entered into.</p> <p>Some scholarships will require that the individual applicant be supported by an eligible educational organisation, such as a University. The scholarship grant is then paid to the University.</p>
2	Charitable purpose	Philanthropic funders will require that a project be for a charitable purpose. There is a body of law on this topic but in summary, the advancement of education in Australia for the public benefit (for the community at large or a wide section of the community) is a charitable purpose. However, each project should be individually assessed to ensure that it is in fact charitable.	Once it is established that a project is for a charitable purpose, then the school or educational organisation can apply to some charitable trusts or foundations. Many of these trusts or foundations may also have other eligibility requirements (see below).
3	Charitable Institution	An educational organisation that is not a government school, will usually be endorsed by the Australian Tax Office as a Charitable Institution (public educational institution) under Item 1.4 of the table in section 50.5 of the Income Tax Assessment Act 1997 (ITAA). (This should be carefully distinguished from endorsement as a Charitable Fund, which may not be eligible for grants from some trusts and foundations.)	Many philanthropic trusts and foundations will require that grants be made to organisations that hold endorsement as a Charitable Institution. The Notice of Endorsement will need to be provided to funding bodies.



Philanthropic funding eligibility requirements (cont.)

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4	Deductible Gift Recipient	<p>Many philanthropic trusts and foundations are only able to make grants to educational institutions that are Deductible Gift Recipients and Charitable Institutions. In order to be a DGR an educational organisation must be approved by the ATO as fitting under one of a number of DGR categories contained in section 30.25 (Items 2.1.1 to 2.1.10) of the ITAA. These DGR categories include:</p> <ul style="list-style-type: none"> • Public Universities • Higher Education Institution • Approved Research Institutes • School Building and Library Funds • Education Scholarship Fund; and • others. <p>Organisations can also be specifically listed under the ITAA as a DGR (see Item 2.2.1 to 2.2.36 of section 30.25). This requires an amendment to legislation and is a political process.</p>	<p>It is not common for a school as an entity to be endorsed as a Deductible Gift Recipient. Some schools will have Library Funds, Building Funds or Scholarship Funds. However, the purposes of these funds are unlikely to align with the project purposes. Schools may need to partner with Research Institutes (for example, ACER) or public universities in order to be eligible to seek grants from some trusts and foundations. However, to be acceptable to the ATO these must be genuine, active partnerships and not conduit arrangements.</p>
5	Not for Profit	<p>‘Not for profit’ means that an organisation is not run for the profit of its directors, members or shareholders. Not for profit organisations aim to either provide services to members (for example, a professional association or club) or to address an environmental, social, health, educational or other community issue or need. They do not distribute any net surplus to directors, members or shareholders and instead reinvest these funds in their organisation to achieve their objects.</p>	<p>Almost all philanthropic trusts and foundations will require that a grant recipient organisation is run not for profit. There are a number of clauses in the constitutions of not for profit organisations that deal with this area. A Foundation might request a copy of your constitution if there is any doubt in this area.</p>
6	Tax Concession Charity	<p>A Charitable Institution will usually hold a Notice of Endorsement as a Tax Concession Charity from the ATO. Charitable Tax Concessions include income tax exemption and in some cases, FBT and GST concessions.</p>	<p>Many philanthropic trusts and foundations will require that you provide a Tax Concession Charity notice of endorsement as proof of your school or organisation’s charitable status.</p>