

INFORMATION AND KNOWLEDGE BASE

FUNDRAISING AND EVENTS MANAGEMENT

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A person with a vision always goes ahead of the person with visions' – Paulo Coelho

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FUNDRAISING AND EVENTS MANAGEMENT

18.1 Introduction

Each governing body must decide on the importance of their fundraising activities. It should then set a yearly income target as part of the financial budget to support the governing body's short- and long-term sustainability.

18.2 Some Basic Principles

To maximise the effectiveness of the fundraising function the following two registrations should be considered. A separately organization that focuses on events management can be considered.

18.2.1 Non-profit Organisations

Governing bodies may register with the directorate of Non-Profit Organizations (NPO). The directorate was established in terms of the Non-Profit Organizations Act and falls under the Department of Social Development. The registration as an NPO is voluntary but enhances the credibility with donors as the governing body must comply with the requirements of the Act.

Registering your NPO is beneficial because its certificate:

- Improves the credibility and fund-raising opportunities
- Allows for the opening of a bank account
- Helps with tax incentives

To be able to register as an NPO your organisation must be one of the following:

- Non-governmental organisation (NGO)
- Community based organisation (CBO)
- Faith based organisation (FBO)

An NPO can be a trust, a non-profit company (NPC) or other voluntary association. Once registered, a certificate and registration number are issued, and this registration number must appear on all official documents of the governing body. As said before, all founding documents must meet the conditions of the Non-profit Organisations Act.

A yearly return in the prescribed format, plus the governing body's annual financial statements and the accounting officer's report, must be submitted annually in terms of the Act. Changes to the governing body's address, the founding document and office bearer's information must also be submitted.

18.2.2 Non-Profit Companies (NPC)

A non-profit company is a company incorporated for public benefit or other object relating to one or more cultural or social activities or communal or group interest. The income and property of a NPC is not distributable to its incorporators, members, directors, officers, or persons relating to any of them and must be used to advance the purpose for which it was created, as set out in its MOI. The members of an NPC are persons who participate in the activities of the NPC. An NPC without members may be registered as well. The NPC is registered with the Companies and Intellectual Properties Commissioner (CIPC).

18.2.3 Public Benefit Organizations (PBO)

Registering a governing body as a Public Benefit Organization (PBO) in terms of the Income Tax Act has income tax benefits. The sole or principal object of the organisation must equate to the public benefit activities (as per the Ninth Schedule) it physically and actively carries on. The activities must be executed in a non-profit manner and with an altruistic or philanthropic intent. If you run a business undertaking or trading activity as part of your public benefit activity in the BPO you can still qualify for registration. Governing bodies already registered as an NPO may apply for such registration with South African Revenue Services (SARS). Trusts and voluntary associations not registered as a NPO may also apply for approval as a PBO.

Most retirement facilities and medical care service units will qualify for the registration under the welfare, health care or housing categories. SARS will need to approve the founding document and will set the conditions to which the governing body must adhere and prescribe. The founding document may not be changed without the approval of SARS.

The detailed conditions and requirements for the registration of a PBO can be found in the Income Tax Act and on the SARS website – www.sars.gov.za. Please remember that once registered, the governing body is obliged to submit annual returns to the Tax Exemption Unit (TEU) of SARS together with the annual financial statements.

The following benefits can be achieved as a registered PBO:

- The governing body is exempt from paying both income tax and capital gains tax. However, partial taxation could be applicable on certain trading and business activities with a basic exemption provision of such income.
- A donor can deduct a donation from his/her/their taxable income up to an annual maximum as stipulated in the Act. The claim is supported by the 18A tax receipt. Please see the information below on the 18A benefit and condition.
- A donation by the individual is exempt from donations tax.
- A bequest from an estate of a deceased person is exempt from paying estate duty.
- No transfer or stamp duties are payable.
- A PBO governing body is exempt from payment of the Skills Development Levy (SDL).

An organization carrying on public benefit activities as per Section 3(c) and who wants to enjoy the tax benefits must apply and must inter alia satisfy the commissioner that:

- It provides residential care for retired persons.
- More than 90% of the retired persons to whom residential care is provided are over the age of sixty.
- Nursing services are provided by that facility/organization.
- Residential care for retired persons who are poor and needy is actively provided by that organization.
- The organization does not recover the full cost of providing residential care for retired.

18.2.4 18A Donations

The 18A benefit, namely the deductibility of the donation to a PBO by an entity is not automatic. The PBO must register the 18A benefits with SARS' TEU unit. Please apply simultaneously with your PBO registration for this benefit. An 18A registration number is supplied which must be used on the receipts issued by the PBO.

A yearly audit certificate must be submitted to SARS, and these must be maintained by the entity. The 18A's issued must comply with the SARS prescribed format and non-compliance to this or any other rules will result in the withdrawal of the registration in total.

Not all donations qualify for a 18A certificate, and the organisation must study the list of these type of donations. Please see section 10.1 of the *SARS Guide for 18A deductions*.

18.2.5 Effectiveness before Charity

Fundraising is an important activity for governing bodies, especially charity organizations. The governing body should, however, first analyse all current activities to establish if every

department is managed optimally with at least a financial break-even being achieved. It is wrong to ask people to contribute funds when the organization is not run effectively. Questions should be asked if a break-even for the specific activity is not achieved. Should the activity be:

- Expanded to a point where critical mass is achieved.
- Closed down completely.
- Outsourced.
- A partnership entered to achieve the envisaged result.

Secondly, governing bodies must follow the 'market-related price' principle for all services and activities and subsidise or support only those individuals that qualify. One never subsidises a person who can afford the full price of the service. It is also important that the subsidies granted be recorded separately and not as a reduced income of the specific service. By following this advice, the accounting and financial reporting is not clouded.

18.3 Management of the Fundraising Function

The following steps will assist the governing body in achieving the fundraising goals:

- Establish a fundraising committee and select a qualified governing body representative who will accept overall responsibility for the performance of the function.
- A full- or part-time fundraiser may also be appointed. Remember that the fundraisers represent the governing body and its brand, and the appointment of the right person is therefore critical.
- Decide on the remuneration/commission of the fundraisers, if any, and make sure the remuneration policy is shared with the donors.
- Establish some basic policies and ethical standards for the fundraising department.
- Prepare a fundraising plan by establishing the focus areas and events for fundraising (time and effort versus funds to be raised). Not more than ten focus points should be chosen. Decide on a fundraising target for each area or event and support the target areas with resources.
- Have an organogram with clear duties for staff and its volunteers.
- Ensure the necessary financial controls are in place to account for all donations and funds raised by events.
- Ensure that the required donor reports are submitted to secure the continual support of the specific donor. Effective communication with such donors is also critical.
- Monitor progress on the performance of the committee at governing body level and take corrective action where considered necessary.
- Use the events to market the organization in accordance with the marketing plan.

The governing body may consider establishing a separate NPO or/and to register the governing body as a PBO. Experience has demonstrated that it is easier to find people who have a passion for events management and fundraising but do not necessarily want to be part of the rest of the governing body.