Philanthropy Australia

Australian Philanthropy

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Giving in hard times

Philanthropists at work in an uncertain economy

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Australian Philanthropy is the journal of Philanthropy Australia Inc.

Philanthropy Australia is the national peak body for philanthropy and is a not-for-profit membership organisation. Our Members are trusts and foundations, families and individuals who want to make a difference through their own philanthropy and to encourage others to become philanthropists.

Our vision
A giving and caring nation

Our mission
To represent, grow and inspire an effective and robust philanthropic sector for the community.

Philanthropy
The planned and structured giving of money, time, information, goods and services, voice and influence to improve the wellbeing of humanity and the community.

Philanthropic sector
Trust, foundations, organisations, families and individuals who engage in philanthropy.

Contact Philanthropy Australia

Email: info@philanthropy.org.au

Website: www.philanthropy.org.au

www.philanthropywiki.org.au

PHILANTHROPY Australia

Editor: Louise Arkles

Assistant Editor: Mary Borsellino

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Front cover
The team at FareShare, a nonprofit whose focus is reducing food insecurity and waste. The Jack and Ethel Goldin Foundation chose to support FareShare because of their highly efficient, innovative and resourceful approach. Ron Burke explores how not-for-profits like FareShare will need to adapt in this climate. For the full story, see page 9.

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Philanthropy in hard times

If ever there was a time for philanthropy to step forward it is now. Given the looming challenges brought on by the global financial crisis, philanthropy must advance to meet the expectations and build the trust of the community. As the community is looking to us for support and leadership, partnership and knowledge, being visible and articulate becomes more important than ever before.

In his opening plenary to the 2008 Philanthropy Australia Conference, Bruce Bonyhady reminded us that when the economy is not in crisis the philanthropic sector is able, even expected, to experiment – to take risks, to venture outside the realm of what is safe and known and to experiment with the unknown. In times of crisis and economic downturn, needs change and expectations are adapted accordingly.

The challenge for the philanthropic sector in these uncertain economic times is to meet new immediate needs **and** to be creative; to work more effectively with our partners in the not-for-profit sector, governments and corporations; and to maximise long-term impact as well as meet new short-term demands.

Writing in the US journal *The Nonprofit Times* in mid 2008, Rick Cohen, former executive director of the National Committee For Responsive Philanthropy, suggests that to address the economic insecurity of everyday Americans, foundations might want to remember the importance of doing things that are visible, tangible, and promising in communities where the recession is undermining families, incomes, neighbourhoods, and jobs. He remarks that: "If philanthropy is going to help confront the nation's burgeoning sense of economic insecurity, it will have to take on a little insecurity itself and risk some big pieces of its tax exempt capital in demonstrating, not just studying, ways out of the national economic recession."

Recently there has been much talk about reducing duplication and increasing effective use of resources. At a Philanthropic Foundations of Canada seminar held in January, Peter Warrian, Chair of The Lupina Foundation, raised concerns over the viability of many of their community partners. He said that at a recent meeting with a representative of the Rockefeller Foundation they raised concerns that 100,000 US NGOs will go under in the current crisis. Mr Warrian said that: "Allowing for differences and size and a different political-economic situation here, this still suggests that 5000 Canadian charities and NGOs may be at risk. Foundations may inadvertently find themselves in the mergers and acquisitions business. We and our partners lack the history and skills to deal with such a development."

Perhaps it is collaboration then that is the most useful at this time. Peter Warrian predicts a growth in funding coalitions between foundations of all types and endowed charities. These in turn may agree to matching funds with public sector agencies. All entities with a community of interest in a policy or funding domain will be looking to apportion scarce resources and leverage them to greater net benefit wherever they can.

When Philanthropy Australia's Council put forward its definition of philanthropy in 2007 as "the planned and structured giving of money, time, information, goods and services, voice and influence to improve the wellbeing of humanity and the community", it did so in recognition that philanthropy is more than money. In an environment in which wealth has been reduced, the other elements of philanthropy become more important.

Caution must be taken, however. In a recession funders have increased power, which may manifest through donors identifying problems and shaping solutions. This increasing imbalance between donors and recipients places greater responsibility on the donor to not only exercise their grantmaking with care, caution and humility but also to consider the implications of their decisions and any unintended consequences. For example, in a recession, it is the weakest, the smallest, and the most disadvantaged that suffer the most, and have the least influence on outcomes affecting them. The strength of philanthropy is to ensure that those with the least have a voice.

As Bruce Bonyhady concluded at the Conference: "While giving in times of prosperity is rewarding, philanthropy in lean times is even more vital. We have the chance to harness our passion and purpose and to make this the opening of a new chapter in Australia's philanthropic history, one in which our response to crisis is not to hold back or to stifle innovation but to find new and creative ways to navigate through difficult economic and social circumstances with courage, wisdom, passion and purpose." ■

Gina Anderson, CEO, Philanthropy Australia

Centenary congratulations to Dame Elisabeth Murdoch

By Lady Southey, AC, Patron of Philanthropy Australia

How amazing it is that Dame Elisabeth Murdoch has recently celebrated her 100th birthday! Not so amazing when you know this wonderful lady. Her vitality, strength, compassion and generosity have always made her a role model for me.

Dame Elisabeth and Sir Keith Murdoch were very great friends of my mother and father. Dinner at Cranlana together on a Friday night in the 1930s was not uncommon, after which they would drive in to the city, to see how the late night shopping in the Myer Store in Bourke Street was going.

Dame Elisabeth's eldest daughter Helen and I became firm friends when we were at St Catherine's School from 1935, and many after-school playtimes were spent in the Murdoch's garden.

After the Second World War, the 50s and 60s decades were memorable fundraising times. The great campaigns for heart, cancer, and the Winston Churchill Fellowship Trust were in full swing. Dame Elisabeth was always there, ready to help, contribute advice and support the fundraising efforts.

Cruden Farm then, as now, was always available and everyone flocked there at every opportunity. It would be interesting to reflect on how much money has been raised over the decades as a result of Dame Elisabeth's generosity in allowing her garden to be available.

Dame Elisabeth's philanthropy has not just been about writing cheques. Her support of dozens of not-for-profit organisations has had a lasting impact on their lives. Her sincere, caring and genuine interest, has sustained and encouraged those she supports.

I have been so fortunate to know and love Dame Elisabeth. The impact she has had on so many organisations has been an example to all philanthropists.

May we hope that Dame Elisabeth will be with us for many more years to 'show the way' to us philanthropists.

Bushfire response

Late on Saturday 7 February 2009, several firestorms merged and raged across the state of Victoria culminating in Australia's worst natural disaster in recorded history. The fires covered over 400,000 hectares and left 210 fatalities, hundreds injured, over 7000 homeless and countless millions of animals lost. The humanitarian response exceeded all expectations with over $250 million raised for the Victorian Bushfire Relief Fund.

Long term planning

Philanthropy Australia and the Foundation for Rural and Regional Renewal (FRRR) co-hosted a meeting in Melbourne on 17 February, followed by one in Sydney on 27 February to discuss how the philanthropic community can best respond to the Victorian bushfires and support affected communities. The general consensus was that the time when philanthropy is most needed is more likely to be in the medium to long-term recovery period, when the immediacy of the crisis has left the public consciousness and the initial rush to donate subsides.

The role of phlianthropy

Effective Philanthropy has prepared an eight-page briefing paper to help philanthropists to get a better understanding of the disaster recovery efforts and how philanthropy can help. 'Responding to the Victorian bushfires – what role for philanthropy?' provides an overview of what support will be needed and what role philanthropy can best play at this stage in responding to the bushfire crisis. It identifies good grantmaking principles in a disaster recovery context and provides a snapshot of:

- People directly, indirectly and consequentially affected by the bushfires
- Requirements for cross-sector coordination
- Good disaster recovery grantmaking principles
- Key community recovery and renewal support requirements
- Specific grantmaking opportunities for philanthropy.

It also includes a map of bushfire affected areas with information on median incomes as an indication of pre-existing socioeconomic status. The full report can be accessed on the PhilanthropyWiki (search on the word 'bushfires'): *http://philanthropywiki.org.au*

Cluster Funding for a true advantage

A holistic approach to disadvantage is proving to be an effective strategy through the economic downturn, writes **Genevieve Timmons** from Portland House Foundation.

What has been called a golden age of philanthropy in Australia[1] has just ended: a time when new funds were spawned, existing funds expanded and matured, and the investment of philanthropic dollars accelerated, both in the scale and quality of granting.

Ironically, while one legacy of this golden age is greater acumen in grantmaking, the current global financial crisis has ransacked the resources of grantmakers and at the same time put the quality of philanthropy to the test.

For many of us, business is booming in every way, except financially. Grantmakers seeking to address social disadvantage are faced with a proliferation of social challenges in this radically different economic climate, while also operating with less money to give, increasing demand for support, unpredictable financial futures, and chaotic funding partnerships with nonprofits who are restructuring or folding in the face of diminishing resources and rising demand.

Hot on the heels of unparalleled economic growth and prosperity in Australia, there is still a shamefully high level of child poverty, the second highest in the OECD, with one in 10 Australians, including 365,000 children, living below the poverty line[2]. Warnings of tough times are matched with growing unemployment and economic and social hardship, compounded by the recent devastating fires in Victoria, and floods in three other states. Now, more than ever, grantmakers are challenged to step up and deliver effective responses for people who have less, both in Australia and internationally.

In his address to the Philanthropy Australia conference last year, the President, Bruce Bonyhady, alerted the membership to the prospects of a changed role for grantmakers in these times of economic chaos and diminishing resources:

"Sudden turmoil – whether in the form of war, huge tax increases or stock market crashes – leads to philanthropy being expected to rein back its experimentation and focus on 'charity' in the strictest definition of the word, in order to support immediate needs and survival."[3]

Taking stock

Like it or not, business as usual is not an option. Michael Henry, board member of Oxfam International and Managing Director of the Strategy Shop urges grantmakers to take advantage of these times – "Never waste a good crisis". With no immediate end to the meltdown in sight, and the prospect of prolonged slow economic growth, social investors are forced to seriously review their roles and capacity, to identify what's absolutely critical and what can be dispensed with or put off till another time.

Beyond the question of how much money to give, or whether to withhold funding to bolster dwindling reserves, is the question of the principles, policies and strategies that guide grantmakers through these uncharted and choppy waters. What are the essentials when it comes to addressing disadvantage?

Addressing disadvantage

'Dropping Off The Edge'[4] is a major Australian study mapping levels of social disadvantage. The research found that despite recent strong economic growth, some communities remain caught in a spiral of disadvantage, evidenced by low income, limited computer and internet access, early school leaving, physical and mental disabilities, long-term unemployment, prison admissions and confirmed child maltreatment.

By detaching individuals, families and whole communities from the modern economy in this way, the report argues that disadvantage is holding back the nation's economic potential. The cost of high unemployment and disconnected communities is expensive welfare payments, increase in crime and spiralling levels of mental illness. It makes good economic sense to encourage people towards resilience and independence, ensuring they make a contribution, and care for each other in families and communities.

> **"The objectification of people as 'the other', needy and powerless, requiring sympathy and philanthropic generosity is not acceptable in civil society."**

> "Any effective progress for people in poverty, regardless of their geography, is accelerated when they lead their own advancement..."

This is a time when a decent standard of living for people means more than food and clothing and a roof, and addressing poverty is not just about handing goods across emergency relief tables.

Wellbeing also means physical and emotional health, access to education from the cradle to the grave, an opportunity to contribute through employment, a sense of connection and belonging in society, and the chance to develop life skills and talents.

In addition to these measures of wellbeing, Christine Perkins of Matrix International quotes another critical factor in addressing disadvantage, highlighted in 'The Paris Declaration'[5] – any effective progress for people in poverty, regardless of their geography, is accelerated when they lead their own advancement, and are part of a responsive relationship with those seeking to support them.

In this scenario, people in poverty are no longer seen as needy, with problems and dependencies, looking for someone else to come along and fix things for them. The positive energy generated to plan and build the way forward releases the best potential from all involved.

Getting the best return

So what is the message here for grantmakers? Steven Burkeman, in his memorable lecture of 1999[6], challenges the notion that money given away is an 'unalloyed good', and asserts: "There can be qualitatively different kinds of giving, with different kinds of consequences."

While it may be widely agreed that giving to the less fortunate is a priority in tough economic times, and that practising 'charity' for immediate need and survival is the key role for philanthropy, the artfulness with which this is done is still up for scrutiny. Do we fund essentials – food and shelter – or look more broadly to assist people to gain sustained and lasting wellbeing through a variety of means? And do we ensure that the people to benefit from philanthropic funds have a voice in the planning and leadership of activities intended to benefit them?

Emergency relief

Our governments and larger, traditional welfare agencies are adequately resourced to provide immediate relief for people in need, and scarce philanthropic dollars will get a better return by investing in pathways out of poverty.

But this does not necessarily mean that grantmakers looking for a high return should avoid emergency relief activities. There are initiatives that involve and build on the strengths and talents of people in poverty, as part of emergency relief activities.

Picture a drop-in or emergency relief centre with clothing, food and personal assistance for people on low incomes, and a queue of people who sit waiting for their handout. Now imagine one where the people on low incomes come to the centre to help, to meet friends, and be involved with running the organisation – also sorting goods and preparing lunch, working in a place where they all have something to offer. A much more powerful approach.

The possibility that philanthropists could waste money, and/or in fact do harm to those they intend to benefit, is a sobering thought. A warning to grantmakers is enshrined as the first of the eight principles for Disaster Grantmaking[7] – first, do no harm – and remains highly relevant for grantmakers seeking to address marginalisation and poverty. Depiction of people on low incomes as needy and without talent or ambition is not only inaccurate, but also perpetuates powerlessness and locks them in to a negative cycle.

Philanthropy in the past may have thrived on the images of weeping children and dispossessed, broken drug-addicted people in doorways being saved by the well intentioned, but no more. The objectification of people as 'the other', needy and powerless, requiring sympathy and philanthropic generosity is not acceptable in a civil society.

Addressing disadvantage is now a mutual endeavour between donors and beneficiaries. There is strength

Cluster Funding – in practice

Gavin is a young man about to leave prison, whose uncle, father and brother are also incarcerated. He has a young son with his 18-year-old girlfriend. Applying the Cluster Funding model would mean that when Gavin leaves prison, he would be provided with money, personal items and accommodation to get started on his new chapter.

In addition to this immediate support, Gavin would be matched to a mentor who would stay in touch with him while he reconnected with his family, including his young son. He may attend informal education sessions where he can strengthen his fathering skills, and become part of regular sport to regain his health after a poor diet and drug habit. Because he enjoys playing the drums, he will be supported to get a drum set (probably donated by one of the many Whitelion supporters), and be linked up to a band.

Gavin will also be helped to get a job with an employer who is willing to give him a go, knowing he needs a fresh start to stay out of prison and away from the earlier patterns that led him into the criminal justice system. According to Mark Watt of Whitelion, it costs the taxpayer around $200,000 annually to keep a young person in jail, and $40,000 to give him or her a job, with a mentor to support them.

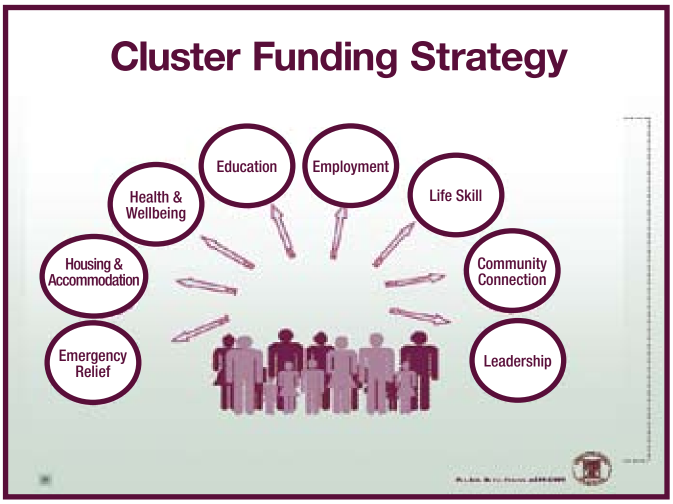

Figure 1.

in recognition of the value of each individual and their economic and social contribution, from which all stand to benefit. To effectively address disadvantage, everyone must be assumed to be on their way through to better times, with contributions to make, as well as needs to be respected.

The Cluster Funding Strategy is one way for grantmakers to work with this positive framework. The Cluster Funding Strategy (see figure 1) used by the Portland House Foundation has at its heart the premise that people who are disadvantaged can move on to healthy and productive lives, even where there is inter-generational disadvantage, provided they have access to a combination of opportunities and resources which provide a pathway out of their disadvantage. The more involved they are in planning and leading projects, the more likely there will be sustained benefits from the funded activity.

The Strategy was developed with reference to Maslow's hierarchy of needs[8] and the United Nation's Millennium Development Goals[9] which outline the essentials for improvement in people's lives. It is also consistent with the recommendations of the Dropping Off The Edge Report[10], and the international development strategy of the Paris Declaration[11].

The Foundation has major funding partnerships with organisations whose work is consistent with the Cluster Funding Strategy, and who recognise the importance of a range of supports and opportunities for clients to make meaningful progress out of their situations of disadvantage. The support and opportunities include:

- Emergency relief such as food, clothing, cash for essentials
- Stable and affordable housing

"It costs the taxpayer around $200,000 annually to keep a young person in jail, and $40,000 to give him or her a job, with a mentor to support them."

- Health and wellbeing
- Education, including pre-school, formal education pathways and adult learning
- Employment and skills training, including apprenticeships
- Life skills to negotiate relationships, creativity and cultural expression
- Community connection including transport, communication technologies, involvement with social activities and community events
- Leadership, taking a role in decisions and participating in activities, speaking up.

Staff of these organisations[12] also have a respect for and fundamental belief in the people with whom they work, and unflagging confidence as clients move forward with their lives, as individuals, families and communities.

Cluster Funding provides a positive framework for grantmaking in this time of economic crisis, ensuring that stretched resources are well used, disadvantage is addressed with long-term positive outcomes, and people are recognised for who they are and what they have to offer. ■

Genevieve Timmons is Philanthropic Executive of Portland House Foundation.

1 Bruce Bonyhady, *The Future of Australian Philanthropy: New Uncertainties and Opportunities.* Address to Philanthropy Australia Conference October 2008

2 ACOSS, *Australia Fair Report* 2007

3 Bruce Bonyhady, *The Future of Australian Philanthropy: New Uncertainties and Opportunities*

4 Prof Tony Vinson, *Dropping Off The Edge : The Distribution Of Disadvantage In Australia*, University of Sydney 1999, 2004, 2007

5 Paris Declaration OECD Development Co-operation Directorate 2005

6 Steven Burkeman, *An Unsatisfactory Company.* 1999 Allen Lane Lecture

7 *DISASTER GRANTMAKING: A Practical Guide for Foundations and Corporations.* European Foundation Centre and the Council on Foundations November 2001

8 A.H. Maslow, *A Theory of Human Motivation*, Psychological Review 50(4) (1943):370-96 see http://en.wikipedia.org/wiki/Maslow's_hierarchy_of_needs

9 http://www.undp.org/mdg/

10 Prof Tony Vinson, *Dropping Off The Edge : The Distribution Of Disadvantage In Australia* University of Sydney 1999, 2004, 2007

11 Paris Declaration OECD Development Co-operation Directorate 2005

12 Some of these organisations are:
Whitelion – Reconnecting disadvantaged young people, particularly those in the juvenile justice system. www.whitelion.org.au

Mirabel Foundation – Assisting children orphaned or abandoned due to parental illicit drug use and now in care of extended family or kinship. www.mirabelfoundation.org.au

Ganbina Koori Employment Training Agency – Improving economic and social well-being of local Indigenous people through a unique and powerful network of schools and businesses.

Chances for Children www.chancesforchildren.com.au and
Big Brothers Big Sisters www.bigbrothersbigsisters.org.au
Working with young people to maximise potential in educational and social life

Victorian Foundation for Survivors of Torture – Providing services for refugees and asylum seekers who have experienced torture and trauma prior to arrival in Australia. www.survivorsvic.org.au

Urban Seed – Running a community with people who are marginalised and homeless. www.urbanseed.org

Infoxchange – Promoting digital inclusion and technology for social justice. www.infoxchange.net.au

Sustaining relief for South Australians

Several times in its 122-year history has The Wyatt Benevolent Institution experienced severe financial owntunrs. **Elisabeth Gazard** explains Wyatt's response to the unstable economy.

In July 1886, The Wyatt Benevolent Institution made its first grant to 'a well known citizen who had fallen on evil days'. The will of its founder, Dr William Wyatt, required the trustees to give to South Australian individuals only. Until the introduction of the Invalid and Old Age Pension by the Federal Government in 1908, voluntary organisations such as Wyatt met the needs of people in poverty. Wyatt provided income supplementation to needy people referred to it, and during the recession of the 1890s, the world wars and other tough times when its income reduced, it reduced the amount of the grant given to each beneficiary.

Over the past 25 years, with increased funds available for grants and a focus on giving to a range of people in financial need, including proactive programs such as scholarships, Wyatt's response to major issues has been virtually indistinguishable from its day-to-day grantmaking.

1 **Wyatt has a continuous program of financial support** for people in need. The experience of personal financial crisis caused by loss of job, illness, accidental injury or bereavement is ever present. Personal events such as these cause severe hardship.

One of the consequences of the experience of local disaster such as fire and drought, once the initial impact has been dealt with, may be long-term financial hardship. Public fundraising and government programs provide financial support for individuals and communities in the immediate aftermath of a local natural disaster. Disaster victims are identifiable for years after the event, as Wyatt has noted in processing applications for financial assistance. In the period January 2007 – December 2008, Wyatt provided grants to 2944 South Australians to relieve a domestic financial crisis.

All applicants are receiving low incomes, either Centrelink Pensions/Benefits or below average wages. Wyatt statistics record the major contributing factor for the financial crisis. Consistently the highest proportion of applicants have health issues (22 per cent) with unemployment being the issue for 14 per cent. The financial difficulties of sole supporting parents are identified for 12 per cent of the applicants. More than 15 per cent of the grants were paid for household utility debt.

2 **As Australia faces present and future economic challenges, Wyatt is anticipating** the financial consequences of higher rates of unemployment. As unemployment rates rise more people will face acute debt, threatened disconnection of power supply, reduction of opportunity for respite from caring for elderly and disabled relatives or dependents, loss of housing or threat of eviction and other hardships.

3 **In special circumstances of increased unemployment**, crisis of scarcity of affordable housing, extremes of weather, natural disaster, Wyatt's response is to:

- Maintain the level of expenditure on individual grants and possibly increase that budget to a level that will be sustainable over the next two years, at least.
- It will be important to maintain existing proactive programs such as scholarships and housing, which may necessitate a limited use of reserves over the short term.
- Adapt eligibility criteria to allow for the current conditions (relax income test, increase grant levels).
- Improve networking with service organisations providing help, to facilitate grant applications.
- Keep informed and achieve special arrangements to add new grants for individuals and families.

Partners

Recent initiatives achieved through partnerships have included:

- Funding for CWA Drought Relief at a stage when Commonwealth and other funding for South Australia had been depleted.
- FRRR Back to School Program: sponsorship to South Australian rural areas experiencing drought eg Riverland.
- Affordable housing: partnerships with selected housing organisations to financially support the building of houses for people on very low incomes.

With limited resources for administration, the impact of actively responding to increased demand for assistance may mean a reduction of staff time on strategic areas of activity such as advocacy, ongoing research into need and diversification with new partners into new activities. ■

"Consistently the highest proportion of applicants have health issues (22 per cent) with unemployment being the issue for 14 per cent."

The Wyatt Benevolent Institution Inc.
www.wyatt.org.au

Reference
Fort, Carol S. (2008) *Keeping a Trust: South Australia's Wyatt Benevolent Institution and its Founder*. Wakefield Press, South Australia

WYATT

Change is afoot

Australia's not-for-profit sector will be permanently changed by the financial crisis and needs to adapt to survive, predicts **Ron Burke** from Sole Purpose.

Four factors have created the most challenging conditions facing the not-for-profit sector in two decades.

1. The global financial crisis has slashed company earnings and equity market returns. Major corporations are repairing their balance sheets, raising capital and conserving cash. That is reducing dividend income – a traditional source of philanthropic trust funds.
2. The prospect of a recession has stalled consumption and spending. The 17 years of uninterrupted economic growth that created ideal conditions for Australia's not-for-profits is over.
3. An unprecedented series of international and local disasters has absorbed funds that would have been directed more broadly across Australian charities. The willingness of Australians – individuals and corporates – to support the survivors of community tragedies such as the Victorian bushfires is remarkable, but this will impact on their capacity to give more this year. The possibility of 'giving fatigue' is real.
4. Many not-for-profits have adopted corporate business models not suited to harsher economic conditions.

"This increasing professionalism has benefited many organisations, but it left others with costly structures and operations."

Australia's corporate sector pursued strategies, built administrative structures and borrowed expecting continuous economic growth. The not-for-profit sector followed this trend, encouraged to do so by governments and corporate donors. The emphasis was on business cases and performance metrics. This increasing professionalism benefited many not-for-profits, but it has left others with costly structures and operations.

The latest corporate reporting season in Australia has seen a mass of profit revisions, asset write-offs and urgent capital raisings. Strategies, structures and expense budgets are being rapidly changed. Cutting through all of the corporate spin, the universal strategic direction and focus today for Australia's major companies is simply 'to survive'. It will be the same for Australia's not-for-profits. They will need to quickly adapt to a fundamentally changed operating environment.

The problem will be exacerbated by the fact that demand for not-for-profit services will increase as economic conditions worsen. In the past charities would simply develop a new fundraising campaign, and perhaps add staff to meet the demand. A legacy of each new campaign was often the addition of permanent staff and expansion of annual operating budgets. That is no longer possible.

When major corporations adjust to economic downturns they can obtain funds from shareholders or other institutions. The funding options for not-for-profits in an economic downturn are much more limited than public corporations which is why the adoption of corporate strategies, structures and business case methods is problematic for not-for-profits.

Changing habits

While the situation for many of Australia's not-for-profits is serious – it is also an important opportunity. Australia's corporate sector is changing the poor habits acquired during the economic boom times. So should Australia's not-for-profit sector. They should be alert to likely trends in corporate, philanthropic trust and individual giving. What are some of these likely trends?

- Funding will still be available – although less than during the high growth period of the past decade.
- Companies and philanthropic trusts will be more directive about the use and return of funds.
- Commitments will be more short term in duration.
- There will be less recurrent or annual project funding.
- There will be preference for organisations and projects that can demonstrate a quick result or impact.
- There will be an emphasis on basic needs such as food, clothing and shelter.
- Services and activities that focus on long-term behavioural change may have less appeal than those attending to immediate needs.
- The issues Australia has with natural disasters such as floods and fires will see attention turn from 'saving the world' to practical local matters.
- Protecting communities in disaster prone areas and household responses to water and power shortages will command attention, and so will organisations and programs directed at reducing waste.
- The need to save capital and preserve resources – whether for individual households or companies – will be a dominant theme.

The need to save capital and preserve resources –

whether for individual households or companies – will be a dominant theme. How should not-for-profits respond to these trends? It depends on their role, size and community standing. Australia has an estimated 700,000 organisations classified as not-for-profit, ranging from hospitals, childcare centres and sporting clubs to local charities.

There are approximately 35,000 large enough to employ staff. The urgency for a not-for-profit organisation to review their operations will obviously vary. These are some of the areas that could be reviewed:

- The strategies, structures and operating models of not-for-profits seeking support – are they suited to today's austere times or yesterday's boom times?
- Consider the current balance between fixed overhead costs and discretionary expenditure. Have layers of administration and staff been added to support programs unlikely to receive funding?
- How much of each dollar raised is allocated to administrative overheads and how much finds its way to the community? Related to that is the clarity and accessibility of an organisation's public reporting of its operations, including budgets and annual accounts.
- What is the current use of volunteer versus permanent staff resources? Are volunteers engaged in activities that are critical to service delivery or are they 'envelope stuffers'?

"While the situation for many of Australia's not-for-profits is serious – it is also an important opportunity. Australia's corporate sector is changing the poor habits acquired during the economic boom times. So should Australia's not-for-profit sector."

A clear mission; simple structures; low overheads; speed of service delivery to areas of basic, demonstrable need – these are the qualities corporate givers and philanthropic trusts will find attractive in not-for-profits over the coming year.

Australia's rank as one of the world's leading economies does not sit well with the fact that a growing number of Australians do not have enough food to eat each week. Food insecurity is an example of a basic need that can be provided by a competent not-for-profit organisation. In the current harsh economic climate that need will grow, as will the need for a renewal of many of Australia's not-for-profits. ■

Ron Burke is the Principal of Sole Purpose, a pro bono not-for-profit advice service.

Case study: FareShare

One example of a not-for-profit successfully adapting to Australia's harsher economic environment is FareShare. Based in Melbourne, its focus is reducing food insecurity and waste. It prepares 30,000 meals a month from its kitchens and provides these free to charities throughout Melbourne. It sources its ingredients from businesses that have surplus produce, which would otherwise be dumped in land-fill sites.

The simplicity, focus and efficiency of the FareShare approach have attracted support from The Jack and Ethel Goldin Foundation. Foundation Director Annette Chaitman explains: "As a small PPF, we do not have unlimited funds.

FareShare appealed to us because it is active in meeting a genuine community need in an innovative, resourceful and highly efficient manner. It is run by a small team of passionate individuals who are punching above their weight and making a difference in fighting hunger and food insecurity."

FareShare's goal is to give away one million meals a year from rescued food. To achieve that, it has spent the past 12 months changing all aspects of its operations from public profile through to kitchen facilities and volunteer management. It recognised ahead of others that the provision of basic needs such as food would be a key role in a worsening economy. "We have kept our permanent staff to a minimum and built a capability to attract and use volunteers for all operating activities. That enables us to scale up to meet demand without increasing our overheads," Marcus Godinho, FareShare CEO, explains.

FareShare has five permanent staff and an ongoing pool of over 200 volunteers engaged in activities ranging from food preparation through to communications. Another 3000 volunteers will assist as part of special corporate team-building events and service club activities. This volunteer support enables FareShare to prepare and deliver 25 meals for every $10 it receives in donations.

Government support for third sector

What is the role of government in funding third sector organisations and initiatives in times of general, and global, economic stress? Cheryl Kernot, from the Centre for Social Impact, offers her view.

In Australia we have seen two stimulus packages amounting to a whopping $52 billion. Not one cent was directed to the third sector as equal partners in driving social solutions.

Only as a result of the negotiations with Senate balance of power players, was $500 million made available (in one-off grants of up to $2 million) for not-for-profit organisations, churches and local councils; $300 million of this for projects that will generate jobs in activities such as recycling and construction of local infrastructure, and $60 million of this will be for the preservation of national, community and natural heritage projects.

Most of us wouldn't quibble with tapping into the sector's capacity to create employment opportunities, but astonishingly this was not on the government's own agenda. Instead of begrudging the outcome there is now a generational opportunity for the Rudd Federal Government to embrace this and creatively build the longer-term (not one-off) capital infrastructure of the third sector in Australia.

Overseas action

Compare what's happening (and has been happening for some time) in the UK and in the US. Britain's PM, Gordon Brown, having previously set out a 10-year vision for how government can support a thriving third sector, has championed its role in the comprehensive document 'Real Help for Communities'. He says: "As a nation, the way that we come through this downturn will depend not only on the actions of banks or politicians but on the efforts of people in communities the length and breadth of Britain – charities and voluntary organisations, community groups and social enterprises all working together to see us through the current crisis and to ensure we come out stronger and more resilient."

'Real Help for Communities: Volunteers, Charities and Social Enterprises' delivers a range of initiatives:

- Up to $A25 million investment in a **volunteer brokerage scheme** for unemployed people to create over 40,000 opportunities for people to learn new skills and give back to communities through volunteering.
- A $A38 million **Community Resilience Fund** to provide grant funding to small and medium providers in the most deprived communities. This is in addition to the $A335 million already committed to the Grassroots Grants program meaning more small grants to more community groups.
- A $A42 million **modernisation fund** to help with the cost of mergers, partnerships and moves to more efficient sharing of back office functions for at least 3000 third sector organisations.
- A $A1.25 million investment in the **School for Social Entrepreneurs** to double the number of people it trains to become social entrepreneurs, particularly those working in deprived communities.
- A **national campaign to raise awareness** of the government's commitment to pay all invoices within 10 days, which will improve cash flow for small organisations.

"We should appeal to our governments to 'seize the day'... to drive the social innovation which will transform the capacity of the third sector..."

How sensible to take this opportunity to assist the many third sector organisations already expressing the desire to achieve economies of scale and also fruitful collaborations by sharing back office functions. And how hard would it be for Australian governments at all levels to pay invoices within 10 days? With political will and a sense of commitment, not very!

In the US, having sought the presidency on a call for volunteerism, President Obama has set up a new Social Innovation Fund to finance not-for-profit groups active in health, education, the environment and other areas.

It is a venture capital fund specifically tasked to invest in the next generation of great ideas, and the next generation of social entrepreneurs. This is an example of the 21st century thinking not evident in our current Federal Government: the creative partnering with venture philanthropists interested in social returns on investment. And it is an investment, not a cost to government.
I particularly like the UK suggestion of a Social Investment Bank with the capital to come from forgotten savings that are held by banks – the so-called unclaimed assets. This bank could supplement funding for the work that third sector organisations will be required to do in the next few years with those marginalised by the effects of the financial sector's instability.

We should appeal to our governments to 'seize the day': to lift our horizons from the utilitarian that places more value on physical tangibles like bricks, roads and computers, to harness our social creativity and partnerships to build the social investment and drive the social innovation which will transform the capacity of the third sector in our nation, and create opportunities for many. ■

Cheryl Kernot is Director of Teaching and Learning at the Centre for Social Impact.

Embracing perpetuity

Why perpetuity?' you ask. 'How can such an abstract perspective be useful?' **Teresa Zolnierkiewicz** from ANZ Trustees explains that when looking through the lens of perpetuity this global financial crisis appears only briefly, as a speck or a blip.

We frequently frame our complex world in simple ways. It is always bigger than we can manage, and can lead to uncomfortable feelings of powerlessness. So we simplify: shortage vs surplus; cost vs benefit; have vs have-not good assets vs bad assets. Indeed, we deliberately reframe and fragment the world in order to make it manageable for ourselves, and then we view the fragments in isolation to each other, and as a consequence neglect the whole.

The greatest risk for charitable foundations at this time is not in how to invest, or how to give. The risk lies in fragmenting the way we operate our foundation – separating each of its vital activities across space, people and time. The most important thing we can do at a time of crisis is bring the foundation together, run it as a whole, respecting the interconnections between the main functions of a trustee:

- Holding the assets
- Managing the assets, and
- Acting impartially between beneficiaries.

This third duty is expressed not only in the selection of present grant recipients, but through investment strategy: focusing on the balance between income for distribution in the present, and capital growth to generate distributions in the future. When investment managers are working in tandem with grant program managers the whole of the foundation is larger than its parts.

Managing for perpetuity

1. Resist the temptation to fragment your world – operate your foundation as one entity.
2. Play to your strengths – short term is not recognised in perpetuity.
3. Strategic shifts for the foundation are major decisions taken over time; do not be tempted to play reactive short-term tactics.
4. Change must focus on the long term and will take a long time.
5. Understand where your true power is located and operate there.

Food redistribution in action at Second Bite, seeded by an ANZ Trustees' trust.

The decisions will seem harder with apparently greater complexity and room for error, but done well, the eventual impact of the foundation is greater.

Such a move away from fragmentation relies on a governance structure that supports dialogue and decision-making for a whole of foundation perspective.

Managing the whole – how to stop fragmenting our world

In the present volatility, a foundation with a grant program manager working closely with the investment manager, bringing vital strategic decisions to the board of trustees with holistic recommendations and solutions, delivers more benefits than a model favouring fragmentation, in which each functionary works alone. This becomes particularly challenging in a foundation that outsources multiple components (eg investing, tax, legal, granting) and the trustees consider the results of the efforts of each in isolation to the another.

In order to be clear about what is effective giving in difficult times, the objectives of the foundation must be aligned across all functions. If this has not yet been done if, for example, the investment manager is focusing on future beneficiaries, and the program manager is prioritising present beneficiaries, problems will result for the trustees and the foundation's potential is unrealised.

Perpetuity in grantmaking

We know that social change happens slowly. From the perspective of our own contracted longevity, any engineered, structured change happens slowly – even sudden unplanned change (such as the information revolution) takes at least a generation to filter through. From the perspective of perpetuity all of what we currently perceive as social change happens in a blink.

This understanding is important in determining and revising a foundation's giving strategy. If you believed that the role of a foundation in society was to encourage and enable positive social change, then, from the perspective of perpetuity, would you abandon your long-term focused strategy in order to react to a short term, albeit, major economic crisis? I have chosen the word 'react' deliberately, as it is different from 'respond'.

We know that government has a shorter time horizon than foundations – theirs is generally in line with the election cycle. We also know government has the bigger levers to change systems (such as taxation systems; financial regulatory systems, welfare benefits systems, the social safety net; the insurance system).

Times of crisis demand an urgent response of government, whose role is to put in place short-term solutions in response to crises. In contrast, perpetual charitable foundations are not expected, supposed, or designed to make urgent reactive tactical responses. While they have the flexibility to act quickly, they also have the imperative to invest and give effectively. Times of crisis demand of foundations a reflective and measured response.

With the benefit of foresight

Where foundations have carved their niche in the charitable landscape by funding innovation, their strategy will stand the test of this crisis in perpetuity. With a focus on innovation and social change, our foundations at ANZ Trustees have funded projects that seek to make an impact in five or ten years' time.

This means that five years ago was the time to act if we were to do any of the following:

- **Create assisted training and allied support programs for people to become work ready** (eg. one of our trusts provides capacity building funding for 'Fitted for Work', an organisation that provides suitable workplace clothing for women who cannot afford it).
- **Seed the establishment of food redistribution programs** (eg. one of our trusts seeded Second Bite to establish a program in Tasmania so that that surplus food can be redistributed to the needy).
- **Help charities lower their administration costs in order to become more financially efficient** (eg. one of our trusts funded PILCH Connect [Public Law Interest Clearing House], a web and seminar information service dedicated to inform and assist not-for-profits with common legal and regulatory dilemmas).
- **Support child and family welfare as families become stressed and under pressure** (eg. one of our trusts funded the Felton Chair of Child and Family Welfare at University of Melbourne – researching and assisting in translating knowledge into practice about positive child and family interventions, particularly in the area of family violence).

Charitable foundations by their nature are dedicated to supporting and enhancing the work of the not-for-profit sector, both in good and bad economic times; they are compelled by law to distribute at least 80 per cent of their income every year to eligible organisations[1] and while that percentage does not change, the quantum does.

Those foundations that understand their unique role in society and do not fear taking risks, innovating, being selective rather than universal, and creating a range of variously structured partnerships that support their perpetual agenda – will be ready for a crisis and will reflect and respond according to their understanding of their own power, influence and potential impact.

Coffee everyone?

The money that Bill and Melinda Gates used to set up their charitable foundation could have bought every person in the world a cup of coffee.

While this kind of meaningless redistribution of wealth clearly makes no sense, foundations are frequently pressed to distribute their grants in a way that implies that the redistribution of their wealth is their sole purpose.

The power of the Gates' decision to establish and operate a charitable foundation reflects their understanding that philanthropy's power does not rest in wealth redistribution alone. The influence and knowledge that charitable foundations hold are the special essence of their still limited power. The Gates Foundation recognises this in the principles by which it acts:

- Philanthropy plays an important but limited role
- We are funders and shapers and rely on others to act and implement
- Our focus is clear and limited.

The Gates Foundation's wealth is dwarfed by its mission to promote equity around the world and the value it places on all human lives, no matter where they are being led.

“When we recognise our limitations we also find our focus, power and strength – much of this comes after acknowledgement of the special status that perpetuity creates...”

Perpetuity in investments

Perpetuity defines our horizon. It also gives us a unique vantage point from which to exercise our power.

- Governments look to the near horizon of the short electoral cycle, with one eye on the maintenance of their power, and one hand taking the action to achieve that objective.
- Business has a horizon of reporting cycles, arguably shorter than that of government, and only a handful of ASX 100 companies currently listed were there at inception.
- A family’s horizon typically extends to three generations.

A danger for charitable foundations is when they begin to manage their assets like every other (non-perpetual) investor in the market. Other investors focus on total assets, and short-term total returns, rather than separating capital (the mere tool) from income. Charitable foundations are the only true perpetual investor group in the market – reflect on superannuation time-frames to get a sense of how short the horizons for most are! Adopting superannuation mindsets would see foundations waste energy in concerning themselves with the value of an asset, rather than its yield and its underlying sturdiness. If this happens, the investment game has changed – it has been reframed, fragmented, and becomes considerably less than its whole.

Don’t move the goal posts!

Sometimes this sort of framing – the move from perpetual to non-perpetual thinking – can sneak up on us. Take the recent proposal put to government that some foundations should move away from the traditional distribution of 80–100 per cent of (pure) annual income[2], towards the distribution of a percentage of their assets. This system is aligned with the US model which requires a distribution of five per cent of assets each year. It has been argued that this is a better model because it entails a simpler calculation, and has a compliance monitoring benefit.

But when a system or model changes, the whole game changes. The unintended impact of the proposed ‘simple’ model is twofold. Firstly, it means that structuring foundation investments towards a non-volatile income stream becomes challenging in the extreme. Sudden drops in asset values mean that foundation year-on-year income spikes and troughs accordingly, and with such market fluctuations the foundation would likely struggle to meet any granting commitments. The current crisis highlights that a steady investment stream is vital for beneficiaries.

Secondly, it means that in order to make the distribution amount less volatile year-on-year, the foundation is forced to shorten its time horizon in investment management and begin to operate more like other investors in the market, concentrating on short-term changes in asset values, rather than the best long-term growth prospects. Suddenly charitable foundations lose the uniqueness that was their strength: the ability to readily tolerate fluctuating capital values while focusing attention and energy on growing steady income has gone, and in trying to simplify our world, we have instead complicated and confused it.

All of our foundations’ wealth is dwarfed by their respective missions, whether those be to create a just society, promote the rights of the disabled, make the world safe for its children, or enhance the wellbeing of the community. When we recognise our limitations we also find our focus, power and strength – much of this comes after acknowledgement of the special status that perpetuity creates to fulfil a mission that never ends. ■

Teresa Zolnierkiewicz is Head of Philanthropy at ANZ Trustees Limited.

1 ANZ Trustees reviews and checks each charitable foundation annually to ensure that this level of distribution is being met.

2 Trust Law defines income as dividends, rent and interest.

Beyond the crisis: new ways of giving

At a time when granting capacity for most entities has reduced, philanthropy must find smarter ways of working, says **Christine Edwards** from The Myer Foundation and Sidney Myer Fund.

The impacts of the financial crisis and the resultant economic crisis are being felt throughout the economy. What started as a series of financial and credit crises in the US has now become a global event that reaches into every society and community. The US recession has entered its 14th month[1], and in January, in a single day, companies worldwide cut more than 70,000 jobs[2].

In Australia, at the time of writing, the impact is felt widely. Corporate losses are making headlines on a daily basis. Lendlease announced last week that it will cut 2000 jobs and that it has put major projects on hold. ANZ announced that it would reduce its dividends – an enormous blow for those who have suffered investment losses and rely on the financial buffer offered by dividends.

Increased demand

The community sector is also feeling the impact. According to an Australian Council of Social Service (ACOSS) report, increased demand for services from needy families will come on top of an existing increase in demand which already cannot be met. The ACOSS survey reports that there has been an increase of 6.3 per cent in people assisted, but there has also been a 24 per cent increase in the number of people turned away[3].

In a report conducted by Access Economics on behalf of Anglicare, Catholic Social Services, the Salvation Army, and Uniting Care, the second highest turn away rate (of people who are eligible for services) is in the demand for housing and homelessness services. In relation to all services, some agencies reported that they are attending to the most urgent of cases, and they are not able to help people with less urgent but nevertheless pressing and unmet needs.[4]

The philanthropic sector is not immune from these effects. A review of USA philanthropic organisations[5] shows that foundations have suffered major losses in their financial assets. While the losses are predictable for 2008, foundations cannot predict the extent of the impact in coming years, nor the time it will take to recover to previous levels.

How can the philanthropic sector respond? There is no single solution: options depend on the structure of foundations, the source of income, and the model of giving. However, foundations and philanthropists can address two different issues: the amount of giving; and the sorts of initiatives to be supported. Both of these could be quite different from current ways of giving.

Scaling back growth

For foundations dependent on an endowment, financial returns will be significantly reduced. To some extent losses might be offset by a reduction in overheads, but this reduction is unlikely to be at the level needed to maintain existing funding. Unless foundations can give from their capital base and choose to do so, giving will have to be reduced.

Most of the large US foundations have reviewed their internal grantmaking strategies. The Bill and Melinda Gates Foundation and the Hewlett Foundation will be scaling back their planned growth in giving for the 2009 year[6]. Others have reduced the size and number of their grants (Paul G. Allen Family Foundation), are only responding to invited proposals (Prince Charitable Trust), or won't take on new initiatives that were previously planned (Hewlett Foundation)[7]. Some have decided not to cut back at all (John D. and Catherine T. MacArthur Foundation) or to not make precipitous reductions (Meyer Foundation).

However, for individuals who have high personal wealth and assets, the current economic climate may have very little impact on their capacity to give, if at all. It is imaginable that these philanthropists could indeed give more, and that their giving in times of higher need would have a greater and more significant impact in society.

New ways of giving

Regardless of whether giving is reduced or increased, should the nature of giving change? In his plenary address to Philanthropy Australia's 2008 Conference, the President Bruce Bonyhady encouraged philanthropy to give to immediate need while continuing to be creative and not pull back from philanthropy's role in long-term recovery.[8] This message is echoed in the Hewlett Foundation's view that it would be a mistake to be diverted by short-term needs: they have committed to retain their focus on giving that addresses long-term problems.

Others, however, have decided to focus on meeting immediate needs of communities. Some examples include creating programs of giving for immediate needs (General Electric Company), or to support the not-for-profit sector to do its job in the communities (Consumer Health Foundation, and the Paul G. Allen Family Foundation).

In Australia, this latter focus would be an unusual but highly strategic direction to take: unusual because philanthropy generally does not give to provide infrastructure support to organisations, and strategic because the sector will face very difficult times with reductions in funding from government, business and public fundraising sources. It is in unusual times that philanthropy can respond to new demands, and perhaps this could be one of those times when we take a fresh look at the nature of our giving and do things that are outside our usual framework.

To give differently raises the possibility of helping in a way that will have impacts beyond the crisis. What hurts in times of recession and depression? Where is the pain felt? Without doubt, in Australia, anticipated rising unemployment alone will bring about substantial crises for families and communities. Unexpected costs of repairs, children's school costs and daily living will place impossible demands on households. Pressures on housing will increase demands for affordable accommodation. Competition for jobs will intensify and squeeze out casual employees and the less employable.

And amongst all of these pressures, there will be a substantial loss of role and self esteem for previous breadwinners, and diminished hope for a meaningful life.

These needs create exciting opportunities for philanthropy to consider new ways of giving: for example through participation in the Commonwealth Government's National Rental Affordability Scheme[9], through micro-financing and loans schemes, through support for organisations providing housing to targeted

"Perhaps not so well known was Sidney Myer's use of capital to reconstruct the Bourke Street store, an initiative "…aimed at creating employment and restoring confidence."

populations, to employment and training schemes that will assist people to get into and stay in the workforce, and through place-based initiatives that support whole communities facing additional hardships coming on top of a decade of drought, reduced viability, and loss of infrastructure services.

Philanthropy's role in giving hope to communities lies largely untapped. By enabling communities to have control over their local needs and solutions, philanthropy can contribute to improved long-term health that comes from people being engaged in, and in control of, their environment[10]. In times of such uncertain economic volatility, this surely must be a place for philanthropy to explore.

Lessons from the past

What can we learn from past experiences when the economy suffered? Who helped and what did this help look like?

The story of Sidney Myer's support for the unemployed during the Depression is well known, the most famous case being the building of the Yarra Boulevard. By supporting this scheme for otherwise unemployed men, he created opportunities not only for financial independence but for preservation of hope and self esteem.

Perhaps not so well known was Sidney Myer's use of capital to reconstruct the Bourke Street store, an initiative "…aimed at creating employment and restoring confidence".[11] He also encouraged purchasers to buy Australian-made products to create new industry, called on the business sector to do likewise and to provide opportunities for economic growth, limited profit margins in his business, and sustained significant pay-cuts to ensure that there were no staff retrenchments. Sidney Myer led by example, and called on others to follow his lead.

Nearly 80 years on, two events, each of some magnitude and not witnessed either before or for some time, have come together to create unique opportunities for philanthropy. Never before have there been so many people with so much wealth, and it is many years since the economy has experienced such low times.

There is obviously a connection between our rising economy and rising wealth, and this relationship should not be broken when the economy suffers. Wherever possible, philanthropy should take the initiative to support where the need is the most pressing and where there can be greater impact from philanthropic investment.

Restoring focus

Notwithstanding the fact that granting capacity will be reduced for most entities, this is a time when philanthropy must review its direction and focus.

It is a time to consider smarter ways of working, including collaborating on research initiatives, sharing ideas about new ways of responding, and funding together to create larger pots of money.

Philanthropy could take the lead and call on other organisations and individuals to meet the challenge of new ideas and ways of funding. It could offer grants or establish programs that set a matching challenge to wealthy individuals. And it could collaborate across the sector to establish a platform of information and strategies to help foundations and grantmakers, as has been done by the Council on Foundations in establishing the Economic XChange[12] (see page 25).

In his book *How Are We to Live? Ethics in an Age of Self-Interest*, Peter Singer proposes that giving is an ethical commitment that acknowledges that the suffering, needs and pleasures of others are the same as ours.

His call to give has even more significance in these difficult times. In giving, he suggests that "… you will know that you have not lived and died for nothing, because you will have become part of the great tradition of those who have responded to the amount of pain and suffering in the universe by trying to make the world a better place".[13]

Christine Edwards is Chief Executive Officer of The Myer Foundation and Sidney Myer Fund.

1 ABC News, 28 February 2009, 'US Economy Suffers Sharp Nosedive', accessed at www.abc.net.au/news/stories/2009/02/28/2503869.

2 ABC News, 27 January 2009, '70,000 Jobs Axed as Global Financial Crisis Deepens', accessed at www.abc.net.au/news/stroies/2009/01/27/2474748

3 ACOSS, 2008, 'Australian Community Sector Survey 2008', at www.acoss.org.au/upload/publications/papers/4420__Paper%20154%20ACSS%202008.pdf.

4 Access Economics, 2008, 'The impact of the global financial crisis on social services in Australia', at www.accesseconomics.com.au/publicationsreports/showreport.php?id=183

5 See www.foundationcenter.org/focus/economy/forecast

6 Whilst almost all foundations expected to maintain their commitments for the 2008 year, the USA financial year is usually the same as the calendar year. Therefore, changes will start in the next couple of months.

7 Washington Grantmakers, 7 February 2009, 'Foundations Respond to the Economic Downturn', accessed at www.foundationcenter.org/focus/economy/forecast

8 Bonyhady, Bruce, 16 October 2008, 'The Future of Australian Philanthropy: New Uncertainties and Opportunities', accessed at www.philanthropy.org.au

9 See www.facsia.gov.au/housing/nras/p1.htm

10 Royal Australian College of General Practitioners, 22 June 2007, 'Community Control the Key to Beating Indigenous Health Crisis', accessed at http://www.racgp.org.au/aboriginalhealthunit/media/17317. See also 'Ourcommunity' at www.ourcommunity.com.au

11 Australian Dictionary of Biography, 'Myer – Simcha Baevski', accessed at www.adb.online.anu.edu.au/biogs/A100639b.htm. 11 Council on Foundations, accessed at www.cofinteract.org/economy/index.php/about/

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12 Singer, Peter, 1993, 'How Are We to Live? Ethics in an Age of Self-Interest', Text Publishing Company, reprinted by permission of Random House Australia in 'Powerful Ideas: Perspectives on the Good Society', the Cranlana Programme Colloquium Readings, Volume 2, p296

Simon Mordant

An engaged and passionate donor with experience in both philanthropy and fundraising, **Simon Mordant** speaks to Philanthropy Australia's Louise Arkles about his giving.

Simon Mordant, Chief Executive of Caliburn Partnership

Why have you chosen not to go down the PPF route?

I know the PPF path has produced great results for many people, and it's a wonderful model, however it didn't suit us (my wife and I), not offering the flexibility we want. We are comfortable giving a significant amount of capital and less concerned about creating a structure that exists in perpetuity. We want to give as we feel, rather than being constrained by the structure and the administration.

That seems to reflect a current trend: give while you live.

You can't take it with you. I think our forebears were concerned with accumulation and creating very long-term foundations that can continue for multiple generations.

Our approach is that we've been very fortunate and we want to make a difference while we're around; we're less concerned about what our descendants may choose to do, indeed we don't want our son to sit waiting for an inheritance.

When we started giving in a material way we were doing it quietly and privately and felt comfortable doing it like that. Then came the moment where the opportunity – and the need – to encourage others to give overtook our desire for privacy. That didn't come naturally to us at all, and we were anxious about it, but actually having taken that deep breath it did have a very positive follow-on impact. When we kick-started the campaign for the new Museum of Contemporary Art we were very nervous about going public with our $5 million pledge, but if you're going to go out and ask people for money they need to know that you've done your bit as well.

What's your sense of how this economic crisis is going to impact philanthropy?
I think that philanthropy will continue to grow, albeit perhaps in the near term in a reduced way. Certainly, in a more challenging economic environment, foundation income will be down and individuals will have less disposable income to give, so the downturn must have a negative impact on philanthropic giving.

However, over the past 20 years there's been a real mind-set shift, an increasing awareness of the importance of supporting the community in which we live, both in a personal, individual level and at a company level. Look at what's happened following the bushfires in Victoria: the way the Australian community rallied around to help and the amount of money that was raised, and so quickly, is inspiring.

The upshot of the economic environment is that we will all have to be smarter at what we're doing – community organisations at accessing money, and donors at giving money away.

What would 'being smarter' look like?
There's going to be a greater need for engaged philanthropy – in my view the time where people wrote out cheques and didn't want to know what was happening has passed.

Donors want to know the impact their money has achieved, they want to see measurable results and community organisations need to engage donors in a deeper way to solicit substantial support, particularly larger amounts and recurring funding. They will need to think about locking

> "At the end of the day for every program that a community organisation runs it requires some head office support, well trained staff and adequate resourcing."

in three to five year grants because finding funding will require a much more focused effort than during economic boom times. The emphasis should be on engaging donors, not just when soliciting support but to ensure they stay engaged over a long period of time.

Donors need to think a bit more about funding infrastructure and overheads. A lot of people are very comfortable funding programs but at the end of the day for every program that a community organisation runs it requires some head office support, well trained staff and adequate resourcing.

The more successful these community organisations are, the more infrastructure investment they need, and with the predicted increased demand for services, we know the shortfall in capacity is dire.

Is the not-for-profit sector going to need to rationalise, and what might that look like?
Not necessarily the economic climate but the market may force community organisations to think about some form of rationalisation. However many are driven by small groups of passionate people, unlike the for-profit sector, so the ability to rationalise in a business sense is very limited.

People have a lot of ownership, passion and drive in this sector which makes those organisations unique. There might be logic in consolidation but it may be very challenging to bring about, and we might lose something valuable in the process.

What advice can you offer community organisations trying to adapt and survive this recession?
My view is that they need to stay on-message – stay true to their passion and their cause. Lock in longer term funding where possible. If you can persuade someone to support you for a three or five year period that gives you a lot more security to run the organisation. Engaged donors who've become very passionate are understanding of the need to make a medium-term commitment, and not a lot of organisations seek that.

Corporate support will be more challenging in the near term. There'll still be a strong sense of corporate social responsibility, but the amount of money from that space may be reduced. More and more companies are establishing workplace giving programs, and increasingly committing to match them. However the amount corporates have to generally give to the community may be reduced in this economic climate.

Are you optimistic for the long-term health of the philanthropic sector?
Yes, I'm very optimistic that there's been a gradual mind-set shift, away from individualism and materialism towards community awareness. It's happened at many levels and pretty quickly over a relatively short period of time, so one should have hope that it's becoming inculcated in the way people think, and that can only be a good thing for philanthropy and the Australian community. ■

Profile

Simon Mordant is joint chief executive of Caliburn Partnership, an independent corporate advisory firm, chairman of the Museum of Contemporary Art Foundation, and board member of the Sydney Theatre Company. He and his wife Catriona are both very involved with Beyond Empathy and Mission Australia's Creative Youth Initiative.

Reassessing priorities

When money is short, people cut back on luxuries and re-assess what is really important. During the current global financial downturn, those working to reduce disadvantage must ask: how can we best use our resources to make the biggest difference? The Benevolent Society believes change happens when we act early and go to the root of a problem with innovative solutions, as CEO **Richard Spencer** explains.

The Benevolent Society, Australia's first charity, has been working with disadvantaged individuals and families since 1813. We have been there as Australia has experienced the highs of prosperity and growth, and the lows of depression and recession. For nearly 200 years, we have responded to society's changing needs, through times of plenty and times of hardship.

At this very moment, a global financial crisis is unfolding around the world, with a very real human cost. Even before global markets collapsed, many Australians were struggling. In 2006 there were 2,210,000 Australians living below the poverty line[i].

Employment is crucial in moving disadvantaged individuals and families out of poverty. However, many remain excluded from the labour market. Australia's official jobless rate is currently 4.8 per cent[ii], with Access Economics predicting that the current financial crisis will result in an increased unemployment rate of 7.5 per cent by 2010[iii]. Official jobless rates mask a much greater level of 'hidden unemployment'. When people who have given up searching for work are included, the real level of unemployment is about twice the official figure.

"The current financial crisis will pass... But for some, the damage will last a lifetime, if they don't get the help they need today."

The Benevolent Society assists people throughout their lives with a wide range of services: we intervene early in stressed families to prevent child abuse; we support women who are victims of domestic violence; we care for older people living in the community. While our clients, and their needs, are diverse, most are living in low income households – the very households that will be hardest hit by the financial crisis, as unemployment rises and housing gets more expensive. These households rarely have savings, and the loss of a job or an increase in rent can spell disaster.

Material deprivation is just one aspect of poverty. Living on a low income often means living in inadequate housing in an area with minimal services and poor public transport. Isolated from essential health services, medical conditions or children's developmental problems can go undetected. Ill-health can keep people out of the workforce. Children who grow up in jobless households can miss out on basic necessities and may themselves be at risk of leaving school early without a qualification, continuing the cycle of unemployment for another generation.

Breaking the cycle

When many households in a community experience disadvantage, poverty can become entrenched in that community, making it harder to break the cycle. Professor Tony Vinson, who has conducted extensive research in this area, calls this 'place-based disadvantage'[iv]. The global financial crisis has the potential to tip thousands of individuals and families into a spiral of cumulative disadvantage. For those who are only just getting by, losing a job can lead to difficulties paying the rent or running a car or providing children with the things they need to grow and thrive.

Breaking the cycle of disadvantage is long-term work. Welfare is an important buffer but it is not a circuit-breaker. Governments can move some levers to effect change, but this is only part of the picture. Nonprofit organisations, with long experience working with communities, have the networks and know-how needed to generate lasting change. But just when resources are most needed, many such organisations are facing funding shortfalls.

A new environment

So what impact will the global financial crisis have on non-profit organisations like The Benevolent Society? At this stage, the forecasts are largely anecdotal but reports such as those produced by Access Economics can help with our planning[v]. In a nutshell, there will be a greater need for services, but fewer resources available to fund them. As a result, organisations will be forced to prioritise their activities, and some important projects may have to be put on hold until things improve.

Organisations providing emergency relief and employment placement services are likely to see an immediate spike in demand, but there will be a significant impact on charities working in other fields, such as The Benevolent Society. Many of our clients, who already face major barriers to finding employment, will find it even harder to re-enter the



The Benevolent Society at work

workforce. Clients already experiencing housing stress[vi] will be under ever greater pressure as private rental prices continue to rise. Increased costs of living and limited access to credit will make day-to-day life even harder.

Unlike many charities, The Benevolent Society does have some investment income, but this has dropped substantially. This means there are little or no spare resources to complement government-funded services or innovative new programs. As important as it is to respond to today's crisis, we must remain sharply focused on the activities that make the most difference in the long term.

We know that our work cannot stop during this crisis – the future wellbeing of our communities depends on it. The provision of emergency relief is essential, but so too is the support and care that will ensure today's children are resilient and are well equipped to face challenges in the future.

Early childhood is considered the most important development phase in an individual's life. It is the most crucial time to influence long-term health and social outcomes[vii]. Poor educational outcomes, high rates of incarceration and mental and physical health problems can be greatly influenced by what happens in early childhood[viii]. It would be a tragedy if today's children missed out on the services that they need to thrive. In time the current financial crisis will pass. Australia's economy will recover and confidence will be restored. But for some, the damage will last a lifetime, if they don't get the help they need today.

Looking for opportunities

One of The Benevolent Society's core values is optimism. We believe the current financial crisis has the potential to bring unexpected benefits, by bringing into the public arena the plight of those who are struggling to survive, and shining a spotlight on the vital work of charities.

We know what needs to be done to start breaking the cycle of disadvantage in Australia and we can help to make it happen. For example:

- The construction of purpose-built centres to bring together all the services children and families need to thrive:
- Staff members funded to work in neighbourhoods to bring fragmented communities together around a shared vision for a brighter future.
- Leadership programs that unite people who believe things can be better, harnessing their passion, equipping them with new skills and helping them to focus their energy and effort more effectively.

Philanthropy is vital for turning innovative ideas such as these into reality for the long term – and philanthropy often flourishes when times are tough. Now more than ever, committed individuals, organisations and communities must work together to create positive change. ■

Richard Spencer is Chief Executive Officer of The Benevolent Society.

i One basic measure of poverty in Australia is household income. A commonly used 'poverty line' is defined as 50 per cent of the average Australian household's income, which is then adjusted to the number of adults and children in a household. Australian Council of Social Service, *Australia Fair: Update on those missing out, 2007.* www.australiafair.org.au/upload/site/pdf/publications/3517__Australia%20fair%20numbers%20and%20stories.pdf

ii Australian Bureau of Statistics www.abs.gov.au/AUSSTATS/abs@.nsf/mf/6202.0

iii Steketee, M., Jobs beyond a bottom line, 2009, *The Australian* 8th January 2009

iv Vinson, T. Dropping Off The Edge, 2007. For more information go to http://www.australiandisadvantage.org.au/

v Access Economics, *The impact of the global financial crisis on social services in Australia*, www.accesseconomics.com.au/publicationsreports/showreport.php?id=183 , November 2008

vi According to the latest census data, around 1.2 million Australian households – or one in seven – are facing 'housing stress', which occurs when more than 30 per cent of gross income is spent on recurrent housing costs. This is a rise of 20 per cent over the past ten years. National Shelter, *Australian Housing: A Fair Share?* (2007); p2

vii World Health Organization, 2007

viii For instance, adults at age 40 who participated in a high-quality preschool program in their early years have higher earnings, are more likely to hold a job, have committed fewer crimes, and are more likely to have graduated from High School. Overall, the study documented a return to society of more than $17 for every tax dollar invested in the early education program www.strategiesforchildren.org/eea/6research_summaries/05_HighScope.pdf

Merging dollars and sense

The Melbourne Community Foundation has formulated an innovative strategy to soften the impact of the economic downturn on the community sector. **Sarah Davies** from MCF reports.

There is no doubt that 2009 has started out as a turbulent, challenging and confronting year. The prevailing economic conditions, rising unemployment and volatile financial markets together with the rapidly increasing demand for community support and services has been dominating philanthropy's thinking over the past few months.

No one is anticipating that things will improve quickly, so it is essential that the philanthropic sector not only responds effectively and constructively, but that we sustain our capability to support communities as these events unfold.

Taking the temperature

The Melbourne Community Foundation (MCF) takes very seriously its role as broker and facilitator between its donors and the community organisations they support. Given this, we have begun to explore how, in the context of declining income, our organisation can creatively and most effectively respond to soften the likely impact of the economic downturn on the community sector.

Whilst there is still no real clarity about the scale and size of the impact on community and not-for-profit organisations, there are four key areas of concern:

- Increasing client demand
- Reduced income from investments and external funding
- Reduced capacity for innovation
- Staff and Board anxiety.

In terms of resources, the four main avenues of funding for community organisations are also under pressure:

- **Government** – the pressure to kick-start and revitalise the economy will result in changes to government funding priorities as it redistributes its spending.
- **Corporate Social Investment** – where CSI has grown as a new branch on the corporate tree and become integrated into core business activity, the commitment will no doubt continue, albeit reduced. However, where companies use a much more ad hoc approach and have dressed their branches with social responsibility baubles, the current winds will just blow them off.
- **Trusts and Foundations** – whilst for many, this year's commitments appear broadly secure, particularly where foundations have granting patterns over a couple of years, there is anxiety around the impact in 2010 due to diminished capital and the way investment income is generated and used.
- **Direct giving from individual donors** – there is a prevailing view that philanthropy does not significantly diminish in tough times. Certainly the response to the bushfire appeals proves again the generosity and compassion of the community, especially in times of emergency or disaster. The impact on planned giving, however, is still unknown.

Prioritising

As a community foundation, MCF has two main priorities at this time:

- Ensuring we encourage and facilitate accessible philanthropy for donors which continues to build community resources; and
- Providing researched and effective grantmaking advice and direction for donors based on our knowledge and understanding of community issues and emerging social trends.

A cause for concern in the current climate is the 'double-whammy' assault on innovation: reduced capacity and appetite from organisations, and the unlikelihood of philanthropy to try anything new. At a pragmatic level, this is understandable, but regrettable.

We have made so much progress with innovative and effective models and projects that create sustainable social change, that to lose momentum would require costly catch-up.
Put simply, innovative and adaptive resource generation and

Stonnington Primary School celebrates the Ardoch program, which is supported by MCF.

distribution is MCF's main focus at this time and we have developed a number of initiatives to try to achieve this.

Growing endowment and encouraging donations

Two recent initiatives have focused on those who currently give, but may be delaying their donations as a result of the financial market instability, as well as on those who want to respond to the economic climate philanthropically by establishing a planned giving program through endowment, but may not yet have the means to do so immediately.

> **"Despite the immediacy and urgency of the current situation, we cannot lose sight of the long-term patterns and trends of disadvantage. The 2009 MacroMelbourne document will help us focus and direct resources for long-term impact and social change."**

As stewards of charitable capital, MCF is faced with the challenge of how to best react to the current financial market. Our long-term investment strategy and objectives have not changed, however in order to ensure the current financial markets do not impede new endowment donations, MCF has established a fixed interest-only investment, where new donations can be placed into a government-guaranteed bank term deposit. Donors can request their donations are placed in the term deposits, and grants will be made from the interest generated.

For those who want to use endowment as a tool to meet current and emerging community needs, but may not have the financial resources to do so, MCF has established a Gumnut Account, which is essentially a philanthropy savings account. Donors commit to a minimum annual tax deductible donation of $2000, income is reinvested to grow the value until the Gumnut 'matures' at $20,000 into a fully operational, named sub-fund.

Effective grantmaking

MCF has been working closely with a range of community, philanthropic and government organisations to understand and assess the impact of the financial and economic climate on community and not-for-profit organisations and their stakeholders. This is informing our grantmaking advice to donors, and allowing us to explore initiatives which address the current demands.

Despite the immediacy and urgency of the current situation, we cannot lose sight of the long-term patterns and trends of disadvantage. The 2009 MacroMelbourne document will help us focus and direct resources for long-term impact and social change.

The 2009 MacroMelbourne document is being produced in collaboration with the McCaughey Centre for Mental Health and Community Wellbeing, Melbourne University. It will highlight key areas of disadvantage and community need in Greater Melbourne and Victoria over the coming years and identify organisations and projects which, with philanthropic and corporate support, can address these areas of disadvantage and build community wellbeing.

Keeping innovation alive

As well as managing the balance between meeting immediate needs and investing in longer term social change, the current conditions present an opportunity to explore and develop new ways of working and new models of philanthropy and community collaboration. A number of specific ideas are currently being explored, including:

- Different and creative ways of assisting the not-for-profit sector: for example, bridging loans for essential NFPs to help them survive or transition, where they have the capacity to raise funds again when the economy picks up.
- Providing operating support grants to NFPs rather than specific program grants.
- Supporting mergers of small programs into larger more sustainable organisations.
- Undertaking targeted research and then sharing the data to understand how the economic impact will impact specific communities.
- Collaborating as funders and donors to co-ordinate areas of grant focus to ensure all safety net needs are adequately addressed.

Acting on opportunities

Despite the significant challenges, frustrations and anxiety which we are all confronting now and anticipating over the next couple of years, there are two opportunities that will bring longer term benefit and advantage.

The first is that the extent and degree of collaboration, information sharing and understanding between all stakeholders in the community and philanthropic worlds is growing, as we seek solutions together. This can lead to new, more effective ways of working together and the design of new systems and models of intervention and operation for community building and social change.

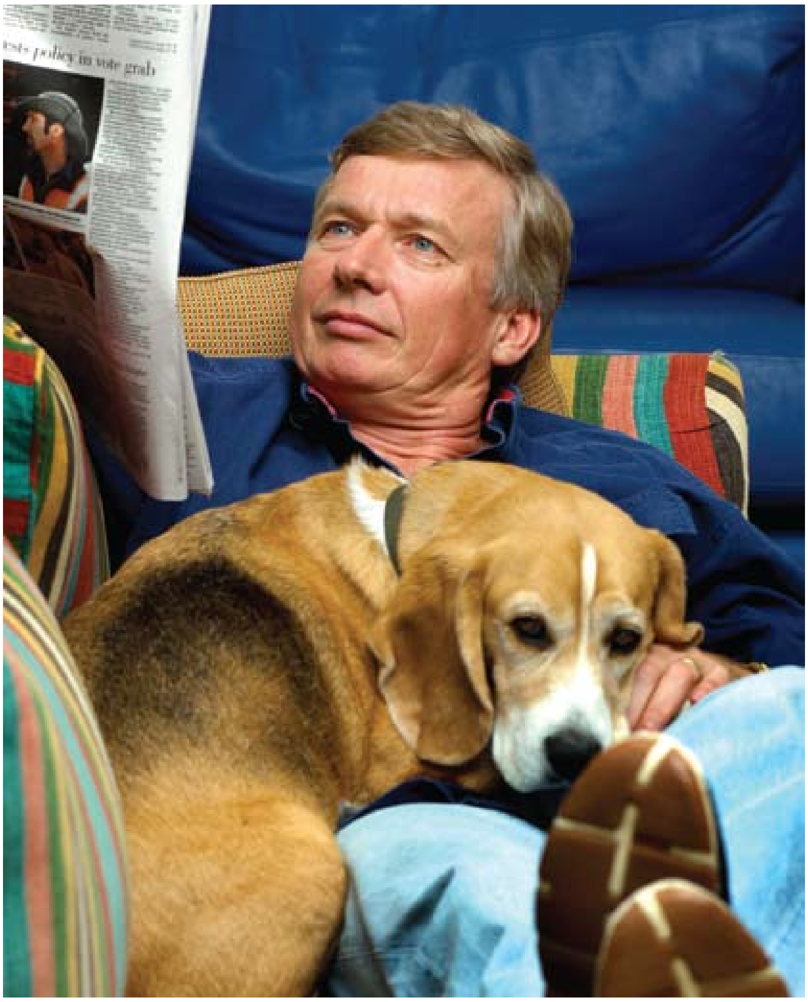
The second is that we will inevitably make mistakes, but the learning and experience gained during this period will add valuable intellectual capital and knowledge for the future. ■

Sarah Davies is CEO of MCF.

Paul Clitheroe

A leading media commentator on financial issues and Council Member of Philanthropy Australia, **Paul Clitheroe** established a PPF in 2002. He talks to Louise Arkles about giving in hard times.

What kind of impact do you foresee the economic downturn having on philanthropy?
I am rapidly getting older – not old enough to have experienced the major downturn of 1929 to 1933, but I have a pretty good knowledge of what happened in the two great depressions of the 1900s and the Great Depression of the 1920s and 30s. While it is most unlikely to be anywhere near that bad in 2009–10, the real economy is only just beginning to feel the edge of it. It's going to be a pretty difficult period. We've seen share prices tumble, familiar companies are starting to lay off people, but we've been quite cushioned. Australia is still the best first-world country in this economic climate, because we have minimal federal debt so the government can stimulate furiously, we still have the capacity to lower interest rates and our low Australian dollar greatly helps exporters, so there are some safety factors there.



In regard to philanthropy, the resilience of this industry is fantastic. This idea that philanthropy might disappear is clearly nonsense – there is no time when we've needed philanthropy more than we do now, and this will only increase in the short term.

But is there enough discretionary income/ foundation income to meet that need?
As we speak [February 2009] with dramatically lower mortgage rates and falling petrol prices many Australians have never had as much money in their pockets before. For every smashed investment banker I meet, I meet 20 plumbers, bakers, school teachers, nurses etc. who all tell me they've got about $2000 per month more than they had last year! But over the next few months, as unemployment rises, this is likely to contract. Unemployment will increase, possibly quite significantly, but we should not forget that a significant majority of people will remain in employment.

So we're likely to see fewer, and less, donations in the next few years?
To be quite pragmatic yes, but we also need to recognise that it's not the end of philanthropy, just a hiatus. Take my PPF for example, where the funds came from the proceeds of the sale of my business some years ago. Given this downturn I will have less money to put into my PPF this year than I did last year. As an industry we need to be pragmatic about the fact that everyone is going to be in bunker-down mode in 2009–10.

But opportunities will come to philanthropy – I think we're going to see a significant growth in giving, which has been building over the last ten years. As we come out of this downturn we're going to find that materialism will be significantly reduced. As we saw with the Great Depression people are going to come out of this with a much more community-minded attitude. The bigger house, the flashier boat, these will seem unimportant. It's happening already – people who can now afford the flash car are not buying a flash car because it's just not the climate to be doing it in. We're moving into a more humble period, more community-minded. Rather than buy a Ferrari, some will start a PPF.

Efficiency is the second opportunity poking its head up through this crisis. While many of the people in the not-for-profit sector are incredibly generous and well-meaning people, some of whom have been doing this for decades, as an outsider coming in you have to question the efficiency of the industry. There's a lot of replication, everyone's trying to run their own back rooms and fundraise in the same way. These well-meaning inefficiencies are not aiding the community.

Just as business is finding the need to restructure to reduce costs, charities are going to face the same challenges and I think we're going to get a win-win out of this, with the sector emerging stronger after the dust has settled.

Will this happen across philanthropic foundations as well as across charities?

Certainly, even in the world of PPFs to date there's been no pressure to save a few thousand dollars by splitting the admin function with another PPF, there was plenty of money around. But this year corpuses are down, there are no bonuses to feed to the PPF, so suddenly saving a few thousand seems well worthwhile. There's nothing like a crisis to focus our attention on what is really important: retaining control over your philosophy, your grantmaking, your purpose is at the heart of it.

However, having said that, turning philanthropy into a factory-driven process is just nonsensical. Philanthropy runs on passion, and you absolutely don't want to take people's passion away, so wholesale corporatisation is not going to work in this sector.

One business tool we do need to adopt is reporting – in business I know what the benchmarks are, what the costs of bringing a (fundraising) dollar in are, where publicly available information is to compare myself to everyone else in my sector.

Philanthropy certainly doesn't work that way in Australia.

Yes, but philanthropy will have to learn to work that way! We need to recognise, as we move further into this century, that this time is about accountability and transparency.

If we think we can hang onto this expectation of minimal reporting, we're kidding ourselves – it's unacceptable. The new wave of philanthropy is riding on people who have made money in a world where transparency is required by legislation. You want to know what I earn? Open my annual report.

If I don't want to be transparent, that's absolutely fine. Rather than set up a PPF that takes my money on a tax deductible basis, I could have simply set up a vehicle for giving after tax dollars, my own money, in a private fashion. If however I expect to get a tax deduction, then the community would be mad not to ask what I'm doing with that money, the costs inside my PPF and where it is going.

Is the economic crisis just speeding up inevitable changes?

Everyone in the charitable sector is watching the PPF Review with enormous interest, because the government will likely produce a set of regulations that will establish accountability and transparency, and you can safely assume that it's simply the leading edge for the whole sector. A lot of really good foundations are already producing good quality public information. However I worry that, as an industry, we're not going to come out of the dark ages by our own initiative – it will be regulated for us.

This crisis will exacerbate change in both the way we look at ourselves and the way government regulators look at us. Saying 'our investments have fallen in value so we're not going to give much this year' is not going to cut it.

The time of greatest need is coming, and this is where the younger folk with PPFs are really quite interesting. Take a 70-year-old PPF owner, whose foundation has gone down 30–40 per cent with the sharemarket downturn, who then gives away 15 per cent of that amount – because this is the time to be giving away money – how can she replenish that PPF in time to come?

Whereas for younger folk, if it gets tough enough, quite a few of us would run our foundations down to zero because we can rebuild them. That's where having younger people getting involved in philanthropy is fascinating because the younger folk might well choose to distribute 100 per cent of the corpus in the next few years.

It's not what I've imagined would happen – I've said quite publicly that I wanted to build my PPF to at least $5 million, so I could give away $250,000 per year for generations. But along comes this financial crisis and in terms of community impact I'm actually better off increasing my level of grantmaking over the next few years than worrying about building the corpus.

How widespread is that opinion?

Not very. This is why the 15 per cent suggestion in the PPF Review is of great interest – if you're required to distribute at least 15 per cent each year, unless you're putting a fair bit of money in each year you're going to zero-balance very quickly. There's going to be a strong community debate about this. Perception is incredibly important, which is why transparency is so important – if you don't tell people what's going on they will assume it's bad. If we want to draw all Australians into giving through workplace giving I think those of us who are taking a leading role need to embrace efficiency, accountability, transparency.

So, to summarise, for a year or two fundraising is going to be really difficult, but we will look back and see this as a real growth period for the whole philanthropic sector. Because things will be tough we'll take tough decisions about efficiency in the industry, and in the long run deliver higher levels of benefit to the community at lower cost. ■

Profile

In 2002 Paul and his wife Vicki set up a PPF, The Clitheroe Foundation, which provides support for medical research and the arts.

Homelessness and other crises:
a personal reflection

A seven million dollar commitment will tackle the rising number of people without a home. **Shane Austin** reflects.

In 2007 the Lord Mayor's Charitable Foundation (LMCF) made a commitment to administer more than one-quarter of its funding in the following three years to addressing the problem of homelessness. This has culminated in a seven million dollar commitment being made over three years. The decision to make such a significant commitment pre-empted a new Federal Government initiative focused on homelessness.

LMCF was keen to become more fully engaged in this area of social need. As a grantor to a significant number of charitable organisations in Melbourne, it was apparent that the need of those affected by homelessness, and the social dislocation experienced by them, was a matter for a proactive response. The significant increase in applications for grants from the homelessness services sector made it clear that action was required. Our decision was validated by the results of a marketing survey that showed homelessness was in the top three social issues our donors desired to have addressed.

LMCF has been on the front foot since its creation in 1923, and is acting on historical precedent in an attempt to address social ills. LMCF granting has always been characterised by providing for service provision and our engagement with homelessness will maintain this focus. The seven million dollars will be distributed in amounts ranging from smaller grants (in the tens of thousands of dollars) through to a large proportion of the funding at the hundred thousand dollar plus level. There will several one million dollar grants – known as Signature Grants – to projects that can show partnership involvement, sustainability, capacity to deliver improved services, and that will assist the greater community in the understanding of, and improved perceptions, around homelessness.

According to the latest statistics from the ABS for 2006 (Australian Census Analytic Program: Counting the Homeless, 2006), there are 105,000 homeless people in Australia. This includes men, women and children. Victoria accounts for 20,500. About 15,000 are in the greater metropolitan area of Melbourne, and about 8500 are in the inner city and the inner urban margins of the city.

The bushfire crisis has added around 5000 persons to the homeless population in Victoria. Along with the present economic crisis and an increase in unemployment, there is a real upward pressure on the rate and real numbers of homeless persons in our midst.

It is a time where a strategic approach needs to be taken, where along with the other stakeholders, the government, non-government and philanthropy can all play a part. It has become apparent that there is a need for us to recognise the strengths of our Foundation and also acknowledge its limitations in regard to the understanding of the issue of homelessness and the implementation of the commitment.

Engagement and co-operation with the homeless services sector and other stakeholders have been essential elements to the understanding of homelessness and how to leverage the support we have committed.

Throughout the process, a commitment to partnerships has been the standout theme. A highlight of last year was the 'Melbourne's Road Home' forum, held in September 2008. Attended by community, government,

Above: The bushfire crisis has added around 5000 persons to the homeless population.

philanthropy, service providers and business; participants discussed how to collaboratively work toward to addressing homelessness in our community, identified barriers and solutions to effective partnerships in tackling homelessness, and building a framework to underpin future collaborative efforts.

The current economic crisis requires a degree of soul searching by the whole philanthropic community. The need for even greater engagement in societal issues by philanthropy is becoming self-evident; the needs of society will only be exacerbated by the current crisis.

Philanthropy must respond to the events that surround us. Our on-going learning in our approach to homelessness has convinced us of the need for such partnerships, within our sector and beyond.

It is my belief that we can use the current economic climate as a catalyst to bring our sector closer together; working in partnership to achieve objectives which we are unable to reach independently. ■

Shane Austin is Community Programs Manager at the Lord Mayor's Charitable Foundation. shane.austin@lmcf.org.au

International perspectives

Much has been written overseas by major players in philanthropy about how best to respond to the global economic downturn. We have summarised some key resources which provide a variety of perspectives and suggestions as to what might, or should, come next.
By **Mary Borsellino**, Philanthropy Australia.

Following the terrorist attacks on America in 2001, the **Centre on Philanthropy at Indiana University** examined past trends in giving through times of financial hardship and social need in order to predict possible upcoming downturns. The resulting research is just as useful now as it was when it was collected close to a decade ago.

The key finding of the report is that while the state of the American economy does affect American giving patterns, the effect is slowed growth rather than actual diminishment. US philanthropists faced with recession have not, historically, given as much as they might have done were it a boom time, but they have still increased their giving amount from the previous years' donations.
www.philanthropy.iupui.edu/Research/PhilanthropyMatters/PhilMatWinter2002.pdf

However, when recession and disaster time frames overlap, some nonprofit areas did face decreases instead of simply slowed growth – an important pattern for the current sector to be aware of, in the age of climate change and its effects. ***The Economist***'s January 2009 report includes more recent findings which are consistent with the Centre on Philanthropy's earlier analysis, noting that there have been several recessions in the last four decades in America but only one year in which total giving fell – 1987.
www.economist.com/business/displaystory.cfm?story_id=12881455

This 1980s American recession is the source of **Michael Seltzer**'s understanding of philanthropy in tough times; he was a Foundation Centre writer during that time. He used the knowledge he gained then to write an article in early 2008, when the first clear evidence of impending recession became visible. Seltzer's wisdom from his earlier brush with economic struggle leads him to suggest future positives: new innovation in income earning may rise among nonprofits, budgets may become more efficient by necessity, and the shifting workforce may see out-of-work professionals lend their skills to not-for-profit environments.
pndblog.typepad.com/pndblog/2008/01/when-wall-stree.html

> "Dollars spent today to address issues like global warming can do more good than dollars spent in 10 years..." **Paul Brest, *The Huffington Post***

The Council on Foundations has created an entire website, **Economic Xchange**, specifically in order to address issues related to the recession. Subtitled 'A collaborative initiative on how the current economy impacts philanthropy', the site aims to help organisations identify and share their practices and strategies. The site offers an extensive library of articles from both the mainstream media and more targeted philanthropic groups, survey data, stories from other organisations about the methods in which they have responded to the changing economy, and a collaborative blog where discussion around featured items is encouraged. The combination of a dedicated online space and a spirit of open collaboration and response positions Economic Xchange as one of the few examples of the rhetoric of commentators being transformed into practical application.
www.cofinteract.org/economy

Paul Brest, writing for *The Huffington Post* in December 2008, looks to the future rather than history when considering possible scenarios for current giving, noting that despite currently depleted funds, "dollars spent today to address issues like global warming can do more good than dollars spent in 10 years", suggesting that it

would be highly strategic for a foundation to partially spend down its corpus now to help solve a timely problem, leaving a reduced sum to exist in perpetuity.
pndblog.typepad.com/pndblog/2008/01/when-wall-stree.html

Philanthropy UK takes a pragmatic approach to the present and draws on existing research about UK giving in hard times. The paper's no-nonsense approach proves to be unexpectedly reassuring, as the bald facts don't appear nearly so apocalyptic when freed of the doomsday rhetoric found in so many early-response articles. The facts Philanthropy UK offers are that foundations, and giving practices in general, tend to remain stable compared to the swings of the broader economy, and while corporate philanthropy is hardest hit, desire to give does not decrease with diminished wealth: in times of recession people have less to give, but it has been documented that they give more of what they have.
www.philanthropyuk.org/Newsletter/Dec2008Issue35/The106billionquestion

Changing Our World, a philanthropic services company, responded to the downturn by creating a question-and-answer breakdown about the essential elements of the recession's impact on philanthropy. They point out that the American not-for-profit sector has been expanding at a disproportionate rate to its true dollar growth, meaning that the future of philanthropy requires a sectoral restructuring regardless of wider wealth patterns. The recommendations made by the Changing Our World team centre around diversification, the strengthening of relationships, and the clarification of core vision.
www.changingourworld.com/site/News2?abbr=abt_&page=NewsArticle&id=6573

The UK-based **ESRC Research Centre for Charitable Giving and Philanthropy** report 'Recession and Charities; the paradox of charitable opportunity?' details some of the ways in which the not-for-profit sector will need to be counter-intuitive in its response to recession. While the report is written from a charity-centric perspective, it nevertheless provides valuable insight into the UK's response – as in other economies, the primary conclusion among UK organisations is an increased need for strategic impact and high-value social investment in the programs and charities selected to receive funding.
www.cass.city.ac.uk/philanthropy/recession-and-charities.pdf

> **"The goal of our foundation is to make investments whose payback to society is very high, rather than to pay out the minimum to make the endowment last as long as possible."** **Bill Gates**

The **International Business News**' February 2009 report opts for a broad focus on current global trends.

This report is well worth reading despite the generalised perspective because it contains quotes from Bill and Melinda Gates which address not only the ongoing and increased need for philanthropists to give generously of their resources, but also the significant return on investment which philanthropy can provide through alleviating the extremes of suffering in a generally suffering world.
www.ibtimes.com/articles/20090202/tough-times-039time-step.htm

The **University of Kent's Centre for Philanthropy, Humanitarianism and Social Justice** responded in October 2008 to the downturn with optimism, suggesting that the recession "could be the making of major donor fundraising", as key individual contributors came to appreciate the vital importance of their contributions as demand increases and other support channels, such as investment income and corporate donations, decrease.
www.kent.ac.uk/sspssr/cphsj/publications.html

The 2009 annual letter from **Bill Gates** regarding his work at the Bill and Melinda Gates Foundation, published in January, urges that the inequities of the world which the wealthy need to be responsible for addressing are especially present when the giving capabilities of others are so constrained. Gates echoes the suggestion put forward in the Huffington Post response to the crisis: the Gates Foundation has increased its spending by two per cent of its assets. Gates explains that "the goal of our foundation is to make investments whose payback to society is very high rather than to pay out the minimum to make the endowment last as long as possible."
www.gatesfoundation.org/annual-letter/Pages/2009-bill-gates-annual-letter.aspx

Amir Dossal, executive director of the UN Office for Partnerships, has reacted to emerging facts about the current recession by declaring that charity, as we know it, is dead. Dossal explains that the world "should be thinking of an investment model, investing in the poor so that they become consumers", saying that the question is no longer about how to access wallets by appealing to abstract concepts of justice, but rather how investing in the world's poorest will produce money and social benefits.
globalnetwork.org/press/2009/3/2/death-philanthropy-we-know-it ■

Mary Borsellino is Assistant Editor of *Australian Philanthropy*.

Members of Philanthropy Australia

New Members

Philanthropy Australia would like to warmly welcome the following new Members:

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The Bridgewater Foundation
Deakin Foundation Limited
Fay Fuller Foundation
The Freemasons Public Charitable Foundation
Greenlight Foundation
J & M Rockman Foundation
James & Diana Ramsay Foundation
Une Parkinson Foundation
Walker
Yajilarra Trust

Associate Members

ACCESS Services Inc
The ANZCA Foundation
Baker IDI Heart and Diabetes Institute
Charles Darwin University
Children's Medical Research Institute
Eastern Health
The George Institute for International Health
La Trobe University Foundation
Leukaemia Foundation of Australia
The Millennium Foundation Limited
Oxfam Australia
Plan International Australia
Sydney Theatre Company
Taralye
University of Melbourne – Advancement and Communications Unit

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Philanthropy Australia Inc

Assn. No. A0014980 T
ABN 79 578 531

Head Office

Level 10, 530 Collins St
Melbourne Victoria 3000
Australia

info@philanthropy.org.au
www.philanthropy.org.au

Sydney Office

Suite 402, Level 4
105 Pitt St
Sydney NSW 2000

l.burton@philanthropy.org.au
www.philanthropy.org.au

Patrons
Sir Gustav Nossal AC CBE
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