

# Crowdfunding and charities

## Information for charities, donors and fundraisers about the use of crowdfunding

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### A popular way to raise funds

Crowdfunding is an increasingly popular method of online fundraising for individuals, businesses, not-for-profits and charities.

Generally it involves an individual or an organisation setting a fundraising target online and then asking the crowd of the internet for donations to reach that target.

Crowdfunding provides fundraisers with an opportunity to communicate with, and potentially receive funds from, a wider audience than they would ordinarily have access to. Similarly, it also provides donors with a way to donate directly to a wider range of causes from all over the world.

With many crowdfunding websites available, it is easier than ever for people to raise funds online.

Although crowdfunding has the potential to provide great benefits for charities and donors, there are some aspects of the practice that people need to consider before embarking on a campaign or donating to a cause.



## For charities

### Do your homework

An important aspect of good charity governance involves doing sufficient research on any partners a charity plans to work with – even if it is simply a website for fundraising.

Crowdfunding has expanded rapidly in recent years and there are now many crowdfunding websites to choose from. However, all of them are different with different features and requirements.

The [responsible persons](#) of a charity (commonly referred to as the board, committee or trustees) should take the time to look into the details of the crowdfunding websites they are considering and ensure the one they use is reputable, well-run and will meet the charity's needs.

Donors are likely to associate a charity with the crowdfunding website it uses, the charity's board needs to be comfortable that the website reflects the values of the charity itself.

Charities should also consider whether crowdfunding is the most effective way to raise money, or if there are other, more suitable alternatives. While it may be a good option for some campaigns, crowdfunding is unlikely to be a long-term solution to all funding gaps. It may not be appropriate for some projects, and may not even be appropriate for some charities at all.

### Terms, conditions, and fees

Before signing up to a fundraising campaign through a crowdfunding website, it is important that the members of a charity's board know precisely what it will involve.

Crowdfunding websites vary greatly and they each come with their own terms and conditions, which may include fees, eligibility criteria and other requirements. These can extend to rules about target amounts, project deadlines and even the nature of



some campaigns. The terms and conditions may also cover what the crowdfunding website does and does not have responsibility for.

Importantly for charities, it is common for crowdfunding websites to charge a fee for using the service. Fees vary, but often they are a percentage of the money raised successfully towards a fundraising target. Some crowdfunding websites only charge fees for successful campaigns (the ones that reach their stated goal) and don't charge for unsuccessful campaigns (the ones that fall short). It is crucial that a charity's board reads the fine print and asks questions.

A charity should decide in advance what will happen if a crowdfunding campaign falls short of its target. This may not be covered by a crowdfunding website's policy and any decision on refunding the donations rests with the charity itself.

A charity must be open and honest about what it plans to do with the funds it receives for a campaign that doesn't reach its target. Offering refunds is one option. However, if a charity decides that the funds it received on the way to the missed target could be used for another charitable activity, it must be clear about this in its campaign.

For example, if a homeless shelter set a funding target for an extension to its accommodation space, but wanted to be able to use whatever funds it received for meals and other services in the event that the campaign fell short of the target, the shelter should make this explicit at the outset of the campaign.

## Be aware of the law

Fundraising is regulated through Australia's state and territory governments and these laws vary across every jurisdiction – what is a requirement to fundraise in one state or territory may not be a requirement in another.

This means that:

- each state and territory (except the Northern Territory) has its own laws and regulations with which charities (and sometimes those raising funds for charities) need to comply when fundraising there;



- a charity that wants to conduct fundraising at a national level – through crowdfunding online or otherwise – may need to be registered to fundraise in each state and territory; and
- a charity may be in breach of fundraising laws and regulations if it accepts funds from someone living in a state or territory where the charity is not registered to fundraise.

The board members of a charity need to be aware of the laws that govern fundraising activities – including online campaigns. The way fundraising laws apply to crowdfunding campaigns vary between states and territories and charities need to know how they affect their campaigns before they begin.

Being aware of the legal requirements and ramifications of conducting a crowdfunding campaign is a part of running a well-governed charity and should be an important part of a charity's planning.

For more information about state and territory fundraising regulators and legislation, refer to the ACNC's Charity Fundraising page at [acnc.gov.au/charityfundraising](http://acnc.gov.au/charityfundraising).

## **Charities can't outsource their responsibilities**

One of the attractions of using a crowdfunding website is that it allows a charity to outsource elements of its fundraising activities – the website takes care of some of the work of the fundraising campaign. However, it is vital that the charity's board members realise that they can't outsource the oversight and responsibility for their charity's fundraising.

Charity board members should be satisfied that any crowdfunding website they use is reputable, secure and complies with relevant Australian law. They should also be satisfied that any crowdfunding website they use meets their expectations, and the community's expectations, of fair practice. It is important that using a crowdfunding website does not jeopardise the charity's reputation and standing in the community.



Similarly, if an individual is raising money for a charity via crowdfunding, the charity's board members should ensure that the individual's campaign is consistent with the values of their charity.

A charity's reputation is valuable, and can be vulnerable if someone is fundraising on the charity's behalf and they don't do the right thing.

Charities that do have someone interested in fundraising on their behalf via a crowdfunding website should:

- attempt to speak directly with them to clarify their plans and expectations
- check the progress of the campaign and any associated messages
- agree on a method to deal with any issues that might arise during the campaign – and do so before the campaign begins.

As part of a fundraising strategy, a charity should consider having a policy for working with an individual on a crowdfunding campaign. A policy should set out basic ground rules and expected standards, including the circumstances under which the charity will not collaborate with someone on a crowdfunding initiative or distance itself from a campaign.

Ultimately, the responsibility for a charity's fundraising rests with the charity's board and it is important that the board members consider crowdfunding carefully.

## For individuals considering a crowdfunding campaign

Running a fundraising event and collecting donations through a crowdfunding website is a popular way for individuals to raise awareness in and money from, potentially, a large audience.

Crowdfunding can allow an individual to contribute to an organisation or important cause in a way that they may not ordinarily have been able to.



People considering crowdfunding to raise money for a charity should:

- contact the charity they plan to support to make it aware of the campaign and seek its approval and support
- consult the charity on aspects such as communications, branding, dealing with inquiries from the public, and how funds raised are distributed
- clarify how the pledged funds will actually be collected and used
- adhere to any policies the charity might have concerning fundraising.

An agreement between the charity and the individual planning the crowdfunding campaign is a good idea. This will ensure both parties are clear about the expectations and responsibilities.

People should also be aware that not all charities will be receptive to a crowdfunding arrangement – it might clash with the charity’s own fundraising plans or disrupt its messaging. Some charities may prefer fundraising via their own methods rather than through external crowdfunding campaigns conducted for them.

The ACNC encourages donating to charity – including through methods such as crowdfunding. But individuals should be mindful of the way they conduct fundraising and how they present their efforts, particularly if it invokes the name of a charity.



## For people donating to a crowdfunding campaign

### Not all crowdfunding campaigns come from registered charities

One of the features of crowdfunding is that it opens up fundraising to a wide cross-section of the public – including individuals and businesses. Prospective charity donors should remember that not all causes listed on crowdfunding websites come from registered charities.

The ACNC urges people to always check the [ACNC Charity Register](#) if they want to ensure they are supporting a registered charity's crowdfunding campaign.

It is also important to note that even though a crowdfunding campaign may be run by a charity, it may not be one that allows tax deductible donations. Only charities endorsed by the Australian Taxation Office (ATO) as Deductible Gift Recipients (DGR) can offer tax deductions for donations. And even if a charity is endorsed as a DGR, tax deductible donations may be subject to certain conditions. If this is important to you as a donor, you should take the time to check these details with the charity.

### Give wisely

Despite the best efforts of responsible crowdfunding websites, crowdfunding is not immune from scams or dubious fundraisers.

To ensure your donation is going to a well-governed, regulated charity, we recommend giving to fundraising campaigns that will directly benefit ACNC registered charities.



Crowdfunding websites often have wide-ranging waivers in place to protect themselves from scams. However, many will also move to mediate if a member of the public lodges a complaint about a crowdfunding campaign.

For the most part, when donating, the onus remains on donors to check that a campaign is legitimate.

As they would with any fundraising effort they consider supporting, prospective donors should do their due diligence before giving to a crowdfunding cause. They should ask themselves:

- is the fundraiser a registered charity and regulated by the ACNC?
- if the fundraiser is not a registered charity, is there another regulator with which to raise concerns?
- has the fundraiser – whether a charity or an individual – clearly explained what they will do with the money if they reach their target?
- if the fundraising target is not met, will the money be refunded (in part or in full)?
- are donations to the campaign tax deductible and is there a way to receive a receipt for the donation?
- has the fundraiser been responsive to queries from the public?
- has the fundraiser been communicative through the crowdfunding site, social media, or in other places online?
- does the fundraiser have a good reputation?
- has the fundraiser co-ordinated fundraising through crowdfunding websites before?

When donating through a crowdfunding website, it is important for donors to be confident that their donation is going to the place they expect it to go to. Checking the [ACNC Charity Register](#) should be the first step in researching a charity that is conducting a crowdfunding campaign.

If donors are uncertain, they can always donate directly to charities via their official websites, the details of which can be found on the charities' [ACNC Charity Register listings](#).





Many charities are able to accept donations online, and using the charity's official website is the most direct way to contribute funds. If the charity doesn't accept donations online, it is a good idea to contact them directly to ask how best to contribute.

## Related resources

- ACNC guidance on fundraising regulation in Australia:  
[acnc.gov.au/fundraising](http://acnc.gov.au/fundraising)
- ACNC guidance on working with fundraising agencies:  
[acnc.gov.au/fundraisingagencies](http://acnc.gov.au/fundraisingagencies)
- ATO guidance on the tax implications of crowdfunding:  
[ato.gov.au/Individuals/Income-and-deductions/Income-you-must-declare/Crowdfunding](http://ato.gov.au/Individuals/Income-and-deductions/Income-you-must-declare/Crowdfunding)

