

Under or Over Subscriptions for Specific Fundraising Appeals

Fundraising appeals can generally be split into 2 types:

- appeals for specific purposes (eg for constructing a particular building, relief for a particular disaster or support for a particular missionary) or
- appeals for general purposes (eg where the funds are to be applied at the discretion of the organisation's governing body, or to cover its administration costs).

Donors to a specific purposes appeal generally expect that the money raised by it will be applied to those specific purposes. Indeed, in some circumstances there may even be a binding legal obligation that the money raised be applied to those purposes.

Usually, this will not be a problem. However, there are some circumstances when an issue can arise. It is best practice to have a clear understanding up front with donors about what will happen under the most common of those circumstances, or at the minimum deal with the issue quickly and openly as soon as they occur.

Two common circumstances in which issues can arise are where a specific purposes appeal has been oversubscribed or has been undersubscribed.

1. Oversubscription

There are some specific purposes appeals which almost cannot be oversubscribed. For example, if you are raising money for the relief of homelessness in Sydney, it is highly unlikely that you would raise more money than was needed! There are other specific purposes appeals however where there can be an oversubscription. For example, if you wish to build a chapel at an orphanage in Thailand, there will be a specific cost. If that cost were say \$100,000, and you raised \$150,000, what do you do with the "extra" \$50,000?

Each organisation will have a different view about what it should do in those circumstances. Some may want to apply it towards another building or need at the same orphanage. Others may want to apply it to the building of a chapel at a school in India. Others may want to apply it to their general administrative costs. Others again may wish to just set it aside for use on whatever they think is the next "worthy" cause.

Likewise, donors may also have different views if they knew that the appeal had been oversubscribed by 50%. Some may want a third of their donation to be returned to them so that they could allocate it elsewhere. Some, particularly who gave late in the appeal period, may want it all back. Others may be happy for it to be allocated at the discretion of the organisation because they trust the Board.

2. Undersubscription

Similar issues can arise with an undersubscription for a specific purpose appeal. Again, there are some specific purpose appeals which cannot really be undersubscribed, for example the relief of homelessness in Sydney. But the appeal for building a chapel at an orphanage in Thailand can be undersubscribed, as you may only raise \$30,000 rather than \$100,000 required, and you simply cannot build a chapel for that amount, even on a scaled down version.

The issues can be exacerbated if tax deductibility has been claimed by the donor, as typically the donor would want the money to be applied to another tax-deductible purpose.

What should be done with the money which cannot be used as intended?

There is no “right” or “wrong” answer on this issue. **The key point is that there should be a common understanding, preferably before the donation is made, about what will happen if a donation cannot be applied as intended.**

Our strong recommendation is that an organisation’s governing body should:

- address this problem (ethically¹) in advance either on a global basis, or on a case by case basis for each specific purpose appeal; and
- communicate this to potential donors at or before the time the donation is sought.

An example may be to have a statement on the organisation’s website in, or linked, to the page seeking the donation, or on a FAQs page, to the following effect:

“If we make a specific purpose appeal and some or all of the money raised cannot be applied to the original purpose for reasons beyond our control (for example the appeal is oversubscribed or undersubscribed), it is our policy that the money unable to be used for the original purpose [will be used for the general objects of the organisation at the discretion of the Board]/[will be applied to a similar project]/[will be refunded].”

Further, either the same statement should be made on all fundraising literature for the appeal, or there should be a clear reference to the policy, for example:

“For our policy on the use of money which cannot be applied to the purpose of this appeal for reasons beyond our control, see the policy on our website at [insert link].”

If there is a specific procedure proposed for an appeal different from any general policy in place, it should be spelt out on the fundraising literature for that appeal.

If for any reason it is not possible to set out in advance what will happen to donations if they cannot be used as intended, then the organisation must attempt to contact all donors to discuss with them what should happen to the money raised before any of the money is expended. Obviously this can

¹ An example of an unethical approach may be if a church usually receives say \$50,000 for its Christmas Appeal, and then it deliberately chooses to promote a project which will only cost \$10,000, with a statement that oversubscriptions will be applied to overheads, with the purpose of “secretly” being able to cover up expenses which had blown out beyond budget.

give rise to practical difficulties when the identity of donors is unknown, which is why dealing with the matter in advance is preferable.

In summary, this issue is ultimately about the integrity of the fundraising organisation, and about donors having confidence about what will happen to their money. Setting out a policy in advance that is ethical, clear and transparent will build trust between the donor and the organisation, to the benefit of both.