COLLEGE OF ARTS & SCIENCES
UNIVERSITY *of* WASHINGTON

Crowdfunding FAQ

Researchers across the University have been asking questions about the use of crowdfunding to raise monies for specific projects. Currently, there is no central policy regarding the use of crowdfunding to supplement research dollars. This FAQ merely provides general information about crowdfunding, how you can engage in crowdfunding and things to consider before you commit. The University has made the decision that any money that enters the University through crowdfunding must be treated as a gift.

1. What is crowdfunding?

Crowdfunding is a term commonly used to refer to a style of for-profit fundraising popularized by websites like Kickstarter where people make small online contributions (anywhere from $1 to several thousand dollars) to meet a larger goal for projects they want to see funded. This fundraising concept isn't a huge departure from "fill the thermometer" drives of the past. What has changed is people are now contributing online and what they fund has moved away from charitable projects to commercial products. Initially, this method was used by inventors, film-makers, and others who needed a way to offset the upfront costs of bringing their products to market. In exchange for contributions, funders would get early screenings of movies, discounts on final products, or exclusive accesses to the production processes. As the popularity of crowdfunding grew, the type of projects it funded also grew. Nonprofits and researchers entered the crowd funding arena and appealed to an audience less focused on funding final products and more interested in doing something they found meaningful.

2. Where can I raise funds?

Kickstarter is best known of the online crowd funding platforms but not always the one best suited to research. The site carefully reviews the applications it receives and will reject projects it deems unsuitable or unlikely to succeed. Kickstarter also falls under the "all or nothing" category of crowdfunding which means if you fail to meet your goal, you don't receive any of the funds raised. Many crowdfunding websites use this same "all or nothing" method and you should carefully consider your options before you begin a raising funds. One site that doesn't require you to meet your goal to receive funds is IndieGoGo. While this site generates significantly less buzz than Kickstarter, it's a favorite of many people because it doesn't hold to Kickstarter's narrow "creative projects" only criteria. For a great breakdown on advantages and disadvantages of both Kickstarter and IndieGoGo, [read this article by Crowdfunding Dojo](http://crowdfundingdojo.com/articles/kickstarter-vs-indiegogo-choosing-your-crowdfunding-platform). (link is *http://crowdfundingdojo.com/articles/kickstarter-vs-indiegogo-choosing-your-crowdfunding-platform*)

While Kickstarter and IndieGoGo fund many different kinds of projects, current trends in the crowdfunding industry show a movement toward niche subjects. Websites exist for funding student's tuition, funding small business owners in developing counties, and a new crop of websites is focusing on funding academic research. Websites like RocketHub.com, Petridish.org, and MicroRyza.com (founded by a UW alumna) focus on funding research to

varying degrees. The websites mentioned in this section comprise just a small fraction of the crowdfunding platforms available and do not include a significant number of organizations that have integrated crowdfunding-like platforms into their existing web presence.

3. Should I use crowdfunding for my research?

Using a crowdfunding platform can be a powerful tool to leverage funds that may not otherwise have been accessible. There is no doubt that part of power lies in crowdfunding's current hold on the public imagination but many of the platforms also offer useful tools for connecting with a broad audience, not to mention that some contributors will feel more comfortable using the funding platform as a middleman that they believe will hold the recipient of their funds accountable.

Crowdfunding also has its draw backs. For one, the vast majority of platforms online are for-profit. That means they will take anywhere from 5-10% of the funds you raise in fees. There may also be costs associated with credit card processing, transferring funds, and taxes. Contributions made through these for profit companies are not considered donations and are therefore not tax deductible. In fact, funds raised through crowdfunding could be considered taxable income if they are received by students or faculty and not by departmental budget.

There is also a common misconception that crowdfunding is a "set it and forget it" style of fundraising. In reality, it will require a significant investment of time and resources. A successful crowdfunding campaign will require work before, during, and after the actual fundraising period. One particularly good guide to raising funds on Kickstarter (link is: *http://www.fourhourworkweek.com/blog/2012/12/18/hacking-kickstarter-how-to-raise-100000-in-10-days-includes-successful-templates-e-mails-etc/*) calls it "40 days of chaos." Read this guide if you want a better idea of all the work that goes into running a successful campaign.

Even with significant work before and during a campaign, there is always the risk that your idea simply won't find an audience or won't appeal to the audience you do find. Crowdfunding not only requires a good idea, it requires someone who is capable of marketing and selling that idea to the public. Building your campaign around issues or ideas that have a track record of "going viral" or appealing to specific audiences can boost your chances of success.

Before you decided on using crowdfunding for a project, ask yourself these questions:

1. Will using a crowdfunding platform require less effort or bring in more funds than raising the funds on your own?
2. Does your idea have chance to "go viral" or have similar projects been funded before?
3. Does the audience this project appeals to live online, have they embraced online giving, will they be able to find you when you launch?
4. Do you have enough time and resources to invest in raising these funds? Will you be available on a daily basis to monitor the campaign and push it forward?

5. Do you have the marketing, social media, and technical skills to sell your project and then deliver on your promise?

4. Final Considerations

Before you begin a crowdfunding campaign, please consult with your Department Administrator as there are administrative impacts to the department. It is also important to make sure you fully understand the ins and outs of the platform you are using. For instance, some platforms will only transfer funds to you through a service like PayPal or Amazon Payments. At the time of publication, University budgets are unable to accept payments from these services. Carefully review the processes of creating a campaign, raising funds, and receiving payment before you begin.

Special attention should also be paid to intellectual property. Realize that presenting your campaign to the public could result in others using your ideas and research before you can protect them with patents or other legal measures. Also be aware of any language in the funding platforms terms of service that would entitle them or funders to future royalties or profits from your work. You should closely examine the platform's terms of service and take steps to protect the University's intellectual property.

Is crowdfunding a good fit for my project?

Do you plan to collect the funds as an individual or with a department budget?

Individual

With a department budget

Are you aware of the tax and financial aid implications of receiving funds as an individual?

Funds received by individuals are considered taxable income and must be reported.

Is this project:
a student project supervised by a PI/mentor/advisor
- OR -
a faculty/staff project?

Faculty oversight may be necessary.

Yes — **No**

Yes — **No**

Have you filled out UW Form 1460 – Outside Work for Compensation?

Faculty and staff are required to fill out this form.

Is there an existing gift budget that can accept contributions to this project?

Create a gift budget.

Yes — **No**

Yes — **No**

UW budgets cannot accept funds from services like PayPal. Consider accepting payment as an individual or using a different service.

Yes

Does the crowdfunding platform use a service such as PayPal or Amazon Payments to transfer funds?

No

Does the crowdfunding platform provide **protection for University's** intellectual property?

Yes

Is your target audience online? Have similar ideas been successful with crowdfunding?

No

Crowdfunding may not be the right fit for your project.

No

Yes

Crowdfunding might be a great option for your project. Good luck!

No

Do you have the time and resources to devote to a crowdfunding campaign?

Yes