

GUIDELINES ON RAISING TAX-DEDUCTIBLE DONATIONS FOR FOREIGN CHARITABLE ORGANIZATIONS

The Society for the Propagation of the Faith is the preferred means for providing charitable support to foreign organizations. If, for good reasons, a pastor does not consider the Society to be the best conduit for parish charity, the following guidelines and procedures will apply to a parish or to any group authorized by a pastor to raise funds for the purpose of supporting foreign charities or missions. Because we have a duty to shepherd resources wisely and well, these guidelines are designed to ensure that fundraising activities meet all legal requirements so that both donors and recipients can enjoy fully the intended benefits of Christian charity and generosity.

- A. Any group of parishioners who wish to raise funds through a parish to support any foreign charity or mission activity must first seek approval from the pastor/administrator (or, where appropriate, the regional bishop) to establish this activity as a parish (or archdiocesan) ministry. Once the pastor/administrator (or regional bishop) has approved the fundraising activity, the group must meet the requirements set forth below.

1. RESPONSIBLE GOVERNING STRUCTURE

- a. Create founding documents that delineate the group's basic goal(s) and purpose(s). Note that the ministry's goal(s) and purpose(s) *cannot* dedicate the group's activities to support only one particular foreign entity or any particular individual. Provided that the group's activities are considered a parish or archdiocesan ministry, these founding documents do not necessarily have to meet the standards required by laws applicable to formal tax-exempt, non-profit charitable religious organizations. *If the group's activities are not sanctioned as a parish or diocesan ministry*, it must seek separate legal counsel for advice on how to proceed *before* engaging in any fundraising.
- b. Establish a governing board consisting of at least 3 members, which meets at least 3 times a year with the majority of the board members in attendance.
- c. Describe how board members are selected and replaced, and the authority and responsibilities of the board. At a minimum, the board should have the following officers: president, treasurer and secretary. The pastor/administrator (or regional bishop) should be an *ex officio* member of the board.

2. FINANCIAL ACCOUNTABILITY METHODS

- a. Establish reasonable financial reporting and accountability requirements and practices for soliciting funds.
- b. Draw up guidelines for distribution of funds. To meet the requirements for tax-deductibility, the legally accepted method is to issue grants to foreign entities that meet the standards established by the fundraising group. (Suggested Request for Proposal and Application Forms are attached.)
- c. State that the group will comply with all applicable federal and state laws, and whichever rules for raising funds apply to the parish (and/or the archdiocese).

3. REASONABLE RECORDKEEPING

- a. The group's board should maintain written records of all decisions made.
- b. The group should maintain transparency in governance and finances by providing to the parish at least annual reports on:
 - 1) the membership of the group;
 - 2) the names of the group's officers;
 - 3) where applicable, anyone who is paid to perform work for the group and the amounts paid directly or indirectly to that person;
 - 4) who receives funds from the group;
 - 5) the group's purposes, programs, and activities;
 - 6) financial statements showing the overall financial condition of the group and its financial activities.
- c. The group should have a budget, prepared annually in advance.

4. PROPER FINANCIAL RECORDKEEPING AND REPORTING

- a. One person should be appointed to be ultimately responsible for day-to-day control over money collected by the group. With approval from the appropriate authority, this person may be the parish business manager/controller/bookkeeper.
- b. If the group's total annual gross income exceeds \$250,000, an independent certified accounting firm should review the finances annually. An audit or review may be done by the same person or firm that conducts such reviews for the parish (or archdiocese). The audit or review should be made

available for inspection in the same manner as the audit or review of parish (or archdiocesan) finances is made available.

- c. The group should account for all funds received and disbursed. It should maintain records of all expenses incurred.
- d. Include the names of each recipient and the amount(s) disbursed to the recipient in the group's financial accounting.
- e. After receiving any donations, the group should record the receipt of the donation and promptly deposit any monetary donations in an appropriate bank account. Where possible and appropriate, the parish (or diocese) should maintain a separate bank account or sub-account for the group. The group should acknowledge in writing donations in excess of \$250.00.
- f. Funds should be disbursed by check or wire transfer, not in cash. The recipient cannot be an individual, but a legitimate entity or organization that meets the requirements of the anti-terrorist financing procedures described in Section B below.

B. DUE DILIGENCE INQUIRY OF FOREIGN GRANT RECIPIENTS

Before distributing funds to any foreign organization, the group should take the following steps where applicable:

1. Get the foreign organization's name in English, in the language of origin, and any other names or acronyms the organization uses to identify itself.
2. Find out where the foreign organization maintains a physical presence.
3. Obtain information about the organization's incorporation and/or formation. Ask for charters, articles of incorporation, bylaws, tax identification information, and/or any other identifying information.
4. Get the address, phone number, email, website and any other contact information for the organization.
5. Obtain information about the foreign recipient's principal purpose, including detailed reports about its projects and goals. Ask for brochures, flyers, promotional materials.
6. Ask for the names, addresses and contact information of organizations with which the foreign recipient is affiliated, either by receiving or giving services, funding or material support.

7. Inquire if the foreign recipient subcontracts and, if it does, obtain the names, addresses and contact information for the subcontractors.
8. Obtain copies of any public filings or releases made by the foreign recipient, including such documents as annual reports, annual tax filings.

C. ANTI-TERRORISM MEASURES

The group should conduct a basic background check of the potential foreign recipient organization, as follows:

1. If the recipient is an entity recognized by a Roman Catholic diocese in another country, such as a school or diocesan charity, confirm the recipient's legitimacy by checking the diocesan website (if available) or the *Annuario Pontificio* and contact the diocese. Keep a record of the documentation that confirms the organization's legitimacy. Funds should then be disbursed to the foreign diocese.
2. If an organization does not fall under the umbrella of an foreign diocese, the following steps must be taken:
 - i. Conduct a reasonable search of public information, including information available on the internet, to determine if the foreign organization has been implicated in any questionable activity.
 - ii. Demonstrate that the foreign organization does not appear on any list of the U.S. government, United Nations or European Union lists of groups involved in terrorism or money laundering. The group can consult the Department of the Treasury's Office of Foreign Assets Control Specially Designated Nationals List, which identifies entities designated as foreign terrorist organizations or supporters of terrorism. The group should also consult the Justice Department's Terrorist Exclusion List, the United Nations' Security Council Resolutions 1267 and 1390 (Al Qaida) lists, the European Union's EU Regulation 2580 list, and any other readily available official list.
 - iii. The group should require the foreign recipient organization to certify that it does not employ or deal with any entities or individuals on the official terrorist lists or with any entities or individuals known to the foreign organization to support terrorism.

- D.** The group should review the financial operations of the foreign recipient organization as follows:

1. Determine the identity of the financial institutions with which the foreign organization maintains accounts. Seek bank references and determine whether the financial institution is: (a) a shell bank; (b) operates under an off-shore license; (c) licensed in a jurisdiction that does not cooperate with the international fight against money laundering; (d) licensed in a jurisdiction that has been designated by the Treasury Department to be a primary money laundering concern; and (e) licensed in a jurisdiction that has lax or inadequate anti-money laundering controls or regulatory oversight.
2. The group should require periodic reports from the foreign organization on its operations and use of disbursed funds.
3. The group should require the foreign organization to take reasonable steps to insure that the funds provided by the group are not ultimately distributed to terrorist organizations, and should ask the foreign organization to inform the group periodically of the steps taken to achieve this goal.
4. The group should perform routine, on-sight audits of the foreign recipient organization whenever possible, consistent with the size of the disbursement and cost of the audit.

NOTE: A qualified tax-exempt religious community or congregation established in the United States by a religious community or congregation listed in the *Annuario Pontificio* may transmit funds to its founding community or congregation without engaging in due diligence beyond reasonable prudence, provided that the founding entity meets the qualifications of a Section 501(c)(3) organization (although the founding entity does not itself have to apply for tax-exempt status).