

My Charity Checklist ✓

Throughout the year, American Muslims open their hearts and wallets to support vital humanitarian efforts to aid their fellow human beings at home and abroad. This handy checklist contains key questions Muslim Advocates suggests you, as a donor, should use to guide your charitable giving decisions.

Exercise Due Diligence When Choosing Charities to Support

Just as you would research the optimal product to purchase or vendor with whom to conduct business, do some background research on the charity seeking your contributions. When selecting charities to support, you should look into the following:

- 1. Understand the group's mission.** Ask yourself what charitable needs you want to support (e.g., feeding the hungry, clothing the poor, immediate relief or reconstruction). Does the charitable organization's mission statement address those needs? Do its projects help solve the problem you want to address?
- 2. Visit the charity's website.** Does the charity offer examples of its work in your field of interest or desired geographic areas? Does it conduct the work itself, or does it issue grants to other organizations to carry out the projects? Does its website feature generic or stock photos, or does it include actual photos of its projects and proof of its good work? Transparent organizations will also feature on their website the information contained in their annual report, discussed below.
- 3. Ask for a report.** Many organizations make available an annual report to donors, members (in the case of membership-based organizations), and potential donors from the general public. This report should contain the organization's mission statement, a summary of the past year's programmatic accomplishments, a roster of the officers and members of the board of directors, and key financial information providing a glimpse into the organization's health and sustainability. If the charity doesn't produce an annual report, ask for copies of its financial statements and auditor's report.
- 4. Review their tax return.** Almost all domestic nonprofits have an obligation to file with the IRS an annual return called the Form 990. (Exceptions include mosques and other house of worship-affiliated organizations.) If the organization is required to file one, review the charity's tax return and other reporting documents on its website, on Guidestar,ⁱ or on state regulator websites, such as the California Registry of Charitable Trusts.ⁱⁱ Review these documents to see how forthcoming the organization is (look for

blank fields and unanswered questions), how it describes its work, how it allocates its funding, and other information on its activities.

- ❑ **5. Seek the best performers.** Many charities understand the need to instill trust and confidence in their donors by going above and beyond legal requirements to meet the best practices of the nonprofit sector. Look for charities that have been evaluated by an independent entity and shown a commitment to excellence and integrity. For example, consider charities that have received accreditation from the BBB Wise Giving Alliance through a unique program with Muslim Advocates (listed on our websiteⁱⁱⁱ). You can also recommend that your favorite charity receive assistance from experts at Muslim Advocates with meeting best practices standards and pursuing charity accreditation.

Understand Tax Deductibility When Making Giving Decisions

- ❑ **6. Ensure the group is tax-exempt.** If you want to claim a charitable contribution on your tax returns, your donation must be made to a U.S.-registered charity that has been granted 501(c)(3) tax-exempt status. To determine if the organization is a U.S.-registered tax exempt charity, ask the organization, visit its website, or consult EO Select Check, an online tool^{iv} to search for organizations eligible to receive tax-deductible charitable contributions. (Note: Mosques and other house of worship-affiliated organizations are not required to register with the IRS and therefore may not appear though a search on EO Select Check.)

<u>Contributions May Be Deductible</u>	<u>Contributions Are Not Deductible</u>
<ul style="list-style-type: none">• U.S. charitable organizations recognized by the IRS (use EO Select Check tool)• Mosques, churches, and other religious organizations• U.S. federal, state, and local governments	<ul style="list-style-type: none">• Foreign organizations• Individuals (even if needy or worthy)• Political groups and campaigns for political office• Homeowners associations• Social and sports clubs

- ❑ **7. Know what you can deduct.** When determining which contributions to claim on your taxes, know that certain payments are not tax-deductible contributions. These include any payment, or any portion of any payment, for which the donor receives a substantial benefit in return (e.g., school tuition, fair market value of the dinner at a fundraising event, purchasing a burial plot for one’s family) or funds that are earmarked to be sent on to any other organization or individual (here or abroad).

Use Caution When Supporting Foreign Organizations or Causes

The laws for international philanthropy are complex and constantly evolving. Muslim Advocates urges donors to exercise due diligence prior to providing money, items, or services abroad. Generally, you should know which causes you'd like to fund outside the United States, and take steps to ensure that those causes are permissible and the groups carrying out the activities in question are not prohibited. In addition, you should consider contributing to foreign organizations or causes only after considering the following:

- ❑ **8. Donate through a domestic charity.** Contributions to foreign organizations are not tax-deductible. However, in order to provide tax-deductible support to foreign organizations or activities, you can make a tax-deductible contribution to U.S.-registered charities that make grants or conduct activities in foreign countries. Furthermore, domestic charities may be more accountable to you, other donors, and to the government in proving the charitable purpose and outcomes of its work. Find a U.S.-registered charity that funds or conducts activities in your area of interest and donate to support their foreign work.
- ❑ **9. Ensure their legitimacy.** Ask if the charity is registered to do business in the country in which it works. Furthermore, if the donation is made to an organization that is not based, or does not have existing operations, in the country of the aid recipients, ask the organization to provide adequate information on the name, qualifications, and experience of the entity that will actually be providing the aid to the recipients.
- ❑ **10. Check the prohibited lists.** Determine whether the foreign charity or any director or officer has been designated a terrorist or other prohibited entity. Ask the charity for the names of its leadership, board of directors, officers, and executive staff. Check the names against the Specially Designated Nationals and other government blocked lists by using the U.S. Office of Foreign Assets Control's (OFAC) SDN Search tool.^v
- ❑ **11. Beware of country sanctions.** OFAC administers a number of U.S. economic sanctions and embargoes that target geographic regions and governments. Determine whether the charity you would like to support is located in a country on the country sanctions list,^{vi} and how that might affect your contribution. If in doubt, consult an attorney knowledgeable in the laws and regulations governing contributions to foreign organizations.
- ❑ **12. Be careful with wire transfers.** Wire transfers to accounts overseas, especially to the Muslim world, are potentially subject to increased scrutiny from federal law enforcement officials. If transferring funds to a bank account overseas, verify that the receiving bank is a legitimate bank and that it is not on a sanctions list using the OFAC resources mentioned above. To avoid undue scrutiny of legitimate charitable giving, you may want to consider making a contribution to a qualified U.S.-registered charity.

After the Donation, Track & Monitor Your Gift

- ❑ **13. Make your intent clear.** When making a charitable contribution, make known your intention to support a specific effort or program by indicating as such in writing. For example, write a letter or e-mail accompanying your contribution, or make a notation on the memo line of the check that the donation is intended for feeding the hungry, disaster relief, or other charitable projects.

- ❑ **14. Keep records.** Keep a copy of the cancelled check, bank statement, or other written documentation of the charitable contribution, as well as written information from the charitable organization about the program or charitable project that the donor is supporting. The charitable organization should provide you with a receipt or acknowledgement of the donation, which you should keep with your records. For tax-deductible contributions, you should retain records of contributions for at least seven years after the tax return is filed.

- ❑ **15. Request Follow-Up Reports.** Ask the charity to provide substantiation that it has followed through on its commitments and that the funds were used for the purpose(s) you intended. For example, request photos of construction projects, statistics that show the problem has been addressed, or stories of people affected by the project that was funded.

By following this checklist, you can feel increased comfort that your generous donations have been used for the charitable purpose for which they were intended. You can also ensure that effective charitable and relief organizations receive the support they deserve.

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The information contained in this document is being provided for educational purposes only and not as part of an attorney-client relationship. It is not a substitute for expert legal, tax, or other professional advice tailored to your specific circumstances, and may not be relied upon for the purposes of avoiding any penalties that may be imposed under the Internal Revenue Code or federal or state law.

For more information, contact the Muslim Advocates Program to Strengthen Muslim Charities at charities@muslimadvocates.org or (415) 692-1486.

www.MuslimAdvocates.org

ⁱ Guidestar, <http://www.guidestar.org>.

ⁱⁱ California Registry of Charitable Trusts - Charity Research Tool, <http://oag.ca.gov/charities/charity-research-tool>.

ⁱⁱⁱ Muslim Advocates - Strengthening the American Muslim Charitable Sector, <http://www.muslimadvocates.org/charities>.

^{iv} IRS - EO Select Check, <http://apps.irs.gov/app/eos/>.

^v OFAC - SDN Search, <http://sdnsearch.ofac.treas.gov>.

^{vi} OFAC - Sanctions Programs and Country Information, <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.