

# Rockefeller Insights

## Taking Your Philanthropy Abroad

The news cycle of late has been dominated by stories of the conflict in Ukraine and the resulting humanitarian crisis unfolding. The people of Ukraine are enduring extreme conditions within their home country, with damage to civilian areas and uncertain routes for safe passage out of the country. There are many trapped in targeted cities or displaced after having fled Ukraine who need access to food and water, medical care, and emergency support services. Watching from afar, many stateside are asking how can we help?

While more complicated than contributing to organizations in our own communities, it is possible for U.S. citizens to support charitable efforts beyond our borders. Making gifts to foreign organizations requires additional due diligence, vetting of the organizations, and a thoughtful analysis of the best structural approach to such gifts.



### Charities Supporting Ukraine

Before delving into the mechanics of giving to foreign causes, we include here links to several organizations that we believe have done some due diligence work for donors and have compiled lists of highly-rated and respected nonprofit organizations doing work in Ukraine.

[Charity Navigator - Ukrainian-Russian Crisis](#)

[CharityWatch - Top-Rated Charities Providing Aid In Ukraine](#)

[CAF America - Humanitarian Support for Ukrainians](#)

### How to Evaluate a Charity

When considering charitable gifts both at home and abroad, it is important for donors to evaluate the intended recipient before making a gift. This is true whether it is through his or her own evaluation process or by using an organization whose business is to evaluate charities or a combination of both. There are several things to consider when choosing a charity to which to contribute.

- **What are your goals?** For example, do you want to support advocacy, services for refugees, or providing necessities within a specific area? There are many organizations offering support in the face of the current controversy, but they do not all provide support in the same way. They may have different focuses, different target communities, etc. It is important to find an organization whose goals align with your own.
- **What is the charity's mission?** Look for an organization with a clear and specific mission statement. An organization with a focused approach to working toward that mission may be better equipped to reach its goals more effectively and efficiently.

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- **How does the charity intend to accomplish its mission or its goals?** There are likely many ways to work toward one mission and it is important that you as the donor agree with the approach of the charity to which you intend to give.
- **What is the reputation of the organization you are evaluating?** A donor should review news coverage of the organization, who the organization has chosen for its board of directors, and its standing on websites such as guidestar.org and charitynavigator.org.
- **What need is the organization meeting and what impact has it had in the past?** Is there a need for the organization's services in its target community? What proof of success does the charity have? Does it report on impact? Will it measure the impact of your gift?
- **What is the size of your gift?** If you intend to make a sizable gift, you may not only want to determine if the charity is making a difference but how they will track the impact of your dollars in particular.
- **Is the organization transparent with its records and filings?** Who else donates to the organization, and are they reputable? If a large and well-respected foundation is also donating to the organization, a donor may be afforded some comfort that that foundation has completed a level of due diligence before offering its support to the organization in question.

### How to Give Abroad

#### Individually

*Give Directly.* A U.S. donor may give directly to a foreign charity. However, by making a direct gift to a foreign organization, the U.S. donor may forego any corresponding income tax deduction for that gift and vetting of the organization will fall solely on the donor's shoulders. It is difficult to adequately research a foreign charity or to measure the impact of a contribution over time. Due to these drawbacks, donors may want to consider alternative options for directing funds abroad.

*Give to a U.S. Based 501(c)(3) Organization Operating Abroad.* An individual who makes a contribution to an organization that is recognized as a U.S. public charity but has a global mission and operations abroad is eligible to receive an income tax deduction as a result of the contribution. This is the typical type of funding you may see for disaster relief projects. A donor may give to the U.S. based organization while directing the gift to a foreign program run by that organization. So long as the domestic entity maintains full control over its foreign operations, the donor's contribution will be deductible just as any gift to a U.S. based charity.

*Give Through a U.S. Based Intermediary Organization.* There are two main types of U.S. based intermediary organizations. One type is a "Friends of" organization. A U.S. based Friends of organization raises funds within the U.S. and ultimately distributes those funds to a foreign

- ✓ *Directly to Foreign Charity*
- ✓ *Directly to U.S. Based 501(c)(3) Organization Operating Abroad*
- ✓ *Through U.S. Based Intermediary Organization*
- ✓ *Through U.S. Based Donor Advised Fund*

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charity to which the Friends of organization is related. Contributions to Friends of organizations are tax deductible for income tax purposes in the same way as a contribution to a typical U.S. public charity. Another type of U.S. based intermediary organization operates similarly to a donor advised fund ("DAF") but specifically facilitates international grants from the giving accounts it administers. A frequently used organization of this type is CAF America. CAF America operates as a U.S. public charity and, like a DAF, is able to accept funds from U.S. donors who can then make recommendations to CAF America for grants to be made out of their giving accounts. Unlike a traditional DAF, CAF America is able to fund foreign charitable organizations as projects. Note that like a traditional DAF, while a donor may make recommendations for grants to various foreign organizations, the ultimate decision as to whether to make the grant lies with CAF America and not with the donor.

*Give Through a U.S. Based Donor Advised Fund.* Individual donors may use assets held in donor advised funds to fund U.S. based public charities operating abroad and U.S. based intermediary organizations covered above. In addition, some DAF administrators have international grant programs in place to assist donors in supporting causes abroad. For example, Fidelity Charitable has a Direct International Grant Program which allows clients to recommend grants directly to foreign charities. While there are no additional fees to make a grant from a donor's DAF to a U.S. public charity with global operations, there may be additional fees to make a grant from a DAF account to a U.S. based intermediary organization. For international grant programs, DAF administrators typically implement account minimums to be eligible for the program, as well as grant minimums to take advantage of the program if eligible. In addition, the DAF administrator will likely charge additional service fees to cover the due diligence process required to facilitate a direct foreign grant.

### Through a Private Foundation

While a private foundation may make foreign grants, those grants will be subject to scrutiny by the IRS and thus require additional due diligence and reporting. There are three main ways a foundation may make international grants:

1. Just like an individual, a private foundation may make grants to a U.S. based 501(c)(3) public charity operating abroad, a U.S. based intermediary organization, or a DAF.
2. A private foundation may give to a foreign charity with an equivalency determination. An equivalency determination is a good faith determination that the foreign organization qualifies as equivalent to a U.S. 501(c)(3) public charity.
3. A private foundation may make a grant to a foreign charity by conducting expenditure responsibility reporting in connection with the grant. Expenditure responsibility reporting is a framework required by the IRS to ensure that foundation funds are used exclusively for charitable purposes, and it is required in certain circumstances such as when a private foundation makes a grant to a foreign organization that has not received a ruling on its public charity status from the IRS or for which an equivalency determination has not been made.

### Maximizing Your Impact

The crisis in Ukraine has mobilized donors and charities across the globe, and has highlighted the need for thoughtful, researched giving. Individuals and grantmaking organizations, while eager to offer support, must be diligent and responsible in choosing grantees to receive that support. Having an evaluation process in place for your philanthropy will boost the impact of your contributions in the face of this crisis and others. By establishing a practice of evaluating potential grantees, you will be able to direct funding to charities supporting the causes and missions important to you and that approach outcomes in ways that align with your intentions.

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