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October 30, 2003

Susan Saxon-Harold, CEO
Charities Aid Foundation America
1800 Diagonal Road, Suite 150
Alexandria, VA 22314

Dear Susan:

We have reviewed CAFAmerica's grantmaking policies and practices to evaluate their compliance with IRS rules on international grantmaking and emerging best practices in ensuring that funds are not diverted to terrorist purposes. The following description summarizes our understanding of these policies and practices based on our review of CAFAmerica documents and our conversations with you.

CAFAmerica has adopted a Grants Administration Protocol ("Protocol") designed to confirm the charitable purposes and activities of potential grantees. CAFAmerica requires each potential grantee to submit a Grant Eligibility Application ("GEA") and update it periodically. In addition, CAFAmerica verifies that the potential grantee does not appear on any government list of persons suspected of supporting terrorist activities before any grant is made, whether or not an updated GEA is on file. In addition to verifying that the potential grantee does not appear on any government list of persons suspected of supporting terrorist activities, CAFAmerica undertakes further investigation for those potential grantees that, based on certain criteria, may present a risk of terrorist diversion.

Specifically, under the Protocol, CAFAmerica staff must inform the CEO if a potential grant presents fewer than four of the following seven characteristics: (1) the grantee is located in an EU country; (2) the grantee has been officially recognized by its government for at least five years; (3) CAFAmerica is able to independently verify the potential grantee's mission and activities; (4) the grant amount is less than \$10,000; (5) the donor of the funds to CAFAmerica does not appear on any government list of persons known to support terrorist activities; (6) CAFAmerica has received reports from the grantee related to previous grants; and (7) CAFAmerica has visited the grantee within the previous three years. If fewer than four criteria are present, the CEO will oversee further investigation into the potential for terrorist diversion of grant funds.

If, based on information obtained under the Protocol, CAFAmerica is unable to verify the charitable status of a potential grantee or if the potential grantee is suspected of supporting terrorism, CAFAmerica will not make a grant to that organization.

The policies and practices we have described are consistent with Internal Revenue Service requirements for grants made by U.S. public charities to foreign organizations and incorporate emerging best practices in ensuring that grant funds are not diverted to terrorist purposes.

Sincerely,



Robert A. Boisture