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**Dear Colleagues,**

As fall begins, charities and donors focus on the hectic giving season ahead. Here in Washington, we are also watching news from Capitol Hill, where Congress will be introducing charitable reform legislation in the coming weeks.

Our main story in this issue of the E-Bulletin looks at the meaning of 'due diligence' and its implications for donors and charities. Before CAF America writes a check to a charity, we strive to get to know that organization; its mission and goals, its people, its financial and accounting systems, and more. An important way in which we do this is through site visits. This summer, I have visited many CAF America grantees. My travels took me to India, Hong Kong and Australia to see charities working on a wide range of issues, from microfinance and the problems confronting refugees and street dwellers to water conservation and the promotion of corporate social responsibility.

These visits are more than compliance procedures. They allow charities to demonstrate their enthusiasm and highlight the wonderful work they are doing in their communities every day. Also, they serve as an important reminder for me of the real impact that CAF America and its donors are having throughout the world.

Thank you for your continued support of CAF America. As always, we welcome your comments and reactions, and we wish you a happy fall!

A handwritten signature in black ink that reads 'S.K.E. Saxon-Harrold'.

**Susan K.E. Saxon-Harrold**  
Chief Executive Officer

P.S. For the latest information and news, visit [www.cafamerica.org](http://www.cafamerica.org)

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### **Playing It Safe: Due Diligence in International Grantmaking**

Donors to CAFAmerica know that supporting charities in foreign countries can be a rewarding way to have an impact on urgent problems from poverty to environmental degradation. At the same time, it is hard to deny that borderless giving can do a job on one's nerves. After all, who is to say your money actually is being used in the way it was meant to? And, who is to say that the charities you are supporting actually are making a difference?

With public officials and the news media focusing ever-increasing attention on issues of accountability in the nonprofit sector (both in the United States and around the world), CAFAmerica wants its donors to know that we take our due diligence responsibilities very seriously. In fact, we have recently strengthened the procedures we use for certifying the eligibility of many of the charities we support.

The changes are the result of our concerns about the state of the charitable sector in two countries attracting a growing share of CAFAmerica grants in recent years: China and India. Based on site visits and our contacts with CAF offices and others in the region, we view corruption as a real problem among charities in both countries. Another cause for concern in India is the growing number of unregistered charities that are competing for donor funds from abroad.

At CAFAmerica, we know from experience that there are many, many charities in China and India that merit our support. At the same time, we want to make absolutely certain that the charities we support are effectively advancing the causes they are purported to serve. That's why we have reduced the eligibility period for charities in these countries from two years to one. This means they will have to renew their eligibility with us every year.

In India, we have taken the added step of requiring every charity to undergo an audit by the CAF India office or another partner before becoming eligible for CAFAmerica grants. This ensures that the charity has all the proper registrations in place and is using its funds wisely and effectively.

The CAFAmerica board approved these changes in July. Now, the board has asked the CAFAmerica staff to conduct a thorough review of all of the 73 countries where we make grants and to rank those countries according to risk. For those ranked as high-risk countries for grantmaking, we anticipate that we will institute the same procedures we have instituted for charities in China and India.

These new procedures build on the rigorous due diligence procedures that have characterized CAFAmerica's international grantmaking for years. But due diligence does not come cheap. At CAFAmerica, we estimate that it costs us \$300 to process each gift; other foundations have reported costs of as much as \$22,000 per gift. This is why we are working with donors to encourage fewer, larger gifts that can cover our due diligence costs.

At CAFAmerica, we share our donors' belief in the power of international giving to change the world. Our goal is to do everything possible to make sure we are supporting worthwhile charities without imposing an undue burden on their ability to achieve their missions.

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### **Washington Update: Nonprofit Panel Issues Final Report**

In June 2005, the Panel on the Nonprofit Sector convened by Independent Sector issued its final report.

According to the Nonprofit Panel's website, the report includes a "comprehensive series of recommendations intended to strengthen the ability of the nation's 1.3 million charities and foundations to serve as responsible stewards of the public's generosity." For more information on the report, go to

The Panel on the Nonprofit Sector was convened at the behest of Senate Finance Committee leaders, who plan to introduce nonprofit reform legislation this fall. While the work of the Nonprofit Panel and the Senate Finance Committee is focused on the charitable sector in the United States, it has important implications for international giving as well. As a result, CAFAmerica continues to follow these developments quite closely, and we promise to keep our donors apprised of the latest news.

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#### ✧ **CAFAmerica Donor Profile: Mr. A.**

Mr. A. (who wishes to remain anonymous) and his wife moved to England from the United States in 1992 when he took a new job in London. Mr. A. pays taxes in both the United States and the United Kingdom. A devout Christian, he made substantial contributions after tax for several years, but became aware that there should be more tax-efficient ways of maximizing the donations he made.

After a frustrating three-year search, he was introduced to The CAF American Donor Fund, which allows U.S. citizens living in the United Kingdom to receive tax relief in both countries for their charitable donations.

As a CAFAmerica donor since 2000, Mr. A. has given several million dollars to more than 35 charities in the United Kingdom and abroad. He and his wife have a particular interest in sub-Saharan Africa and have been substantial supporters of Hope HIV, which works with children orphaned through AIDS. "We just have to give kids a chance," Mr. A. said.

Defining himself as a "conservative capitalist," Mr. A. is very pleased with the avenues that CAFAmerica has opened for him to give efficiently. "I am sure that there are many people out there who could be more efficient in the donations they make, and give just that little bit more!"

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#### ✧ **GIVING SOLUTIONS: CAFAmerica Donor Advisory Services**



In May 2005, Michelle S. Payne joined CAFAmerica as Director of Donor Advisory Services and Grants Management. Michelle has more than a decade of experience in the nonprofit sector and will be working to expand and promote CAFAmerica's suite of advisory services to U.S. donors. [Contact her](#) at CAFAmerica today to discuss how we can help you devise and implement a strategy to make the most of your international giving.

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#### ✧ **News**

**CAFAmerica receipts jump 82 percent.** In an indication of growing interest in borderless charitable giving by U.S. donors, CAFAmerica announced in June that its charitable contribution receipts in 2004-05 increased by 82 percent over the previous year. Receipts for the 2004-05 fiscal year totaled \$15.8 million, up from \$8.7 million in 2003-04. The number of individual grants to CAFAmerica grew from 777 to 902. The number of active donor advised fund (DAF) accounts—including individual and corporate DAFs—rose from 15 to 27.

"Donors clearly are becoming more sophisticated and more strategic in their international giving," said CAFAmerica CEO Susan Saxon-Harrold, noting the increased use of DAFs. "People are eager to take advantage of tax-efficient vehicles for international giving at the same time that they are seeking help with due diligence in today's uncertain regulatory environment."

**Online giving on the rise.** CAFAmerica is now accepting online donations. Giving to your favorite charity is now faster and easier than ever. Simply visit [www.cafamerica.org](http://www.cafamerica.org) and click the "Donate Now" button to give.

**New procedures hasten grants approval process.** Over the summer, the CAFAmerica Board signed off on new procedures to ensure that CAFAmerica grants get out to charities as quickly as possible. All grants now will be approved on a weekly rather than a biweekly basis. Grants under \$10,000 may now be approved by the CAFAmerica CEO without requiring board approval. For grants over \$10,000,

approval is required by the CEO and President. The new system follows the procedures of numerous other grantmaking organizations and assures that there will be no delays in getting needed funds to CAFAmerica grantees.

**Annual report available.** CAFAmerica's 2004 annual report includes stories of how our donors' funds are "making a world of difference" in areas from health and the environment to international development. Please click [here](#) to request your copy.

- The giving season is quickly approaching! The holiday season and the end of the tax year mean that October, November, December and January are CAFAmerica's busiest months. The volume of incoming donations increases greatly during this time of year. We do everything we can to ensure that grants are approved and paid within a reasonable amount of time; however, please keep in mind that it takes a few weeks to process a grant. We cannot guarantee payment of grants by the end of 2005. Please start thinking about your charitable contributions to CAFAmerica now, before the season starts. We appreciate your patience as we diligently work to process the many grant suggestions we will receive in the coming months.

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