



# Raising money in the United States for Jewish Israeli Not-for-Profit Organizations and Monitoring for Compliance and Donor Intent

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# Presenter



## **Yossi Jayinski**

Audit Partner  
Jewish and Israeli Not-For- Profit  
Sector Leader

Grant Thornton LLP

New York, USA

T 212 624 5548

E [Yossi.Jayinski@us.gt.com](mailto:Yossi.Jayinski@us.gt.com)

# In focus: Jewish/Israeli organizations

## 3 steps to good governance overseas

- 1) Be clear about administrative roles and who covers the costs
- 2) Ensure that donor intent is honored and guard tax-exempt status
- 3) Maintain a strong relationship and manage expectations

# In focus: Jewish/Israeli organizations

## US nonprofits must control operations funding

### 3 operations funding models

In their approaches to funding operations, we typically see U.S. nonprofit organizations use one of these three models:

1. A fee charged to the Israeli organization. The U.S. nonprofit reaches an agreement with the Israeli organization to receive a fee based on an estimated level of dollars raised.
2. A fee charged on donations. The U.S. nonprofit charges an overhead fee on each gift raised. This must be explained to donors, and they must agree to the practice
3. Unrestricted funding. The U.S. nonprofit asks donors to provide funds that can be used for either U.S. operating expenses or the programs in Israel. This fundraising effort usually starts with board member donations and then progresses to other sources. An effective tactic is to invite a representative of the Israeli organization to come to the United States to participate in the fundraising. This unrestricted funds model is optimal. It removes the potential for donor disappointment, provides a reliable source of operational support and meets compliance requirements for tax exemption.

# Monitor funding for compliance, donor intent

1. Acknowledge the issues of a long-distance relationship
2. Choose an appropriate monitoring method
  - There are four ideal methods for monitoring grant compliance:
    1. Create a coordinating and monitoring office/branch in Israel
    2. Send representatives to Israel as needed
    3. Hire an auditing firm in Israel
    4. Require detailed documentation from Israel organizations

# Monitor funding for compliance, donor intent (continued)

## 3. Follow monitoring best practices

The IRS requires that U.S. Charities describe in detail their procedures to monitor the use of grant funds outside the United States. Responsible grant monitoring practice requires your organization to:

1. Maintain a list of foreign grantees
2. Have objective criteria to determine eligibility for awards
3. Define your organization's selection criteria
4. Require that grantees submit progress reports, and specify the frequency
5. Examine grantees' spending reports for thoroughness
6. Assign staff/employees to monitor grants with personal visits to jurisdictions where grants are made, if not possible, monitor grant funds by other means, e.g. Excel reporting or banking documents
7. Conduct field investigations
8. Require audited financial statements from grantees
9. Require substantiation from grantees that they are tax-exempt in their home jurisdiction
10. If you allow re-granting of gifted funds, specify how those re-granted funds are monitored

# In Focus: Jewish and Israeli Organizations Operating Globally, Complying Locally

Jewish and Israeli organizations – along with other globally operating entities – need to not only continue to align with international compensation and tax laws, and customary practices, but also comply with their changes, as well as the evolutions in global workforce rules.

# In Focus: Jewish and Israeli Organizations Operating Globally, Complying Locally

1. Learn the local vocabulary/ Know how the local practices affects your benefits plans and track country-specific trends in taxation and compensation
2. Know how local practices affect your benefit plans



