

The Importance of Compliant Giving Programs

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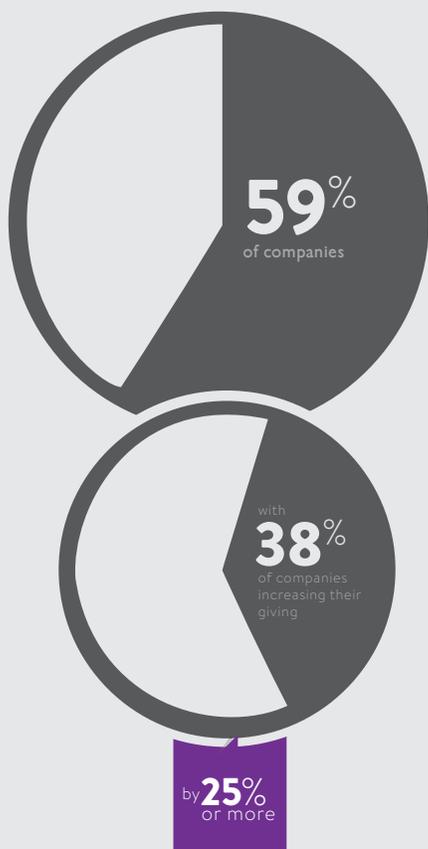
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and Effective Giving

Sources

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The Importance of Compliant Giving Programs

CECP reports that total giving increased for



Don't Risk Your Reputation

Once a series of disconnected, individual acts of giving, today's corporate philanthropy is part of a larger corporate social responsibility (CSR) platform that plays a key role in business strategy, enhancing a corporate brand among employees, job seekers, prospects, and customers.

Both cash and non-cash giving have sharply increased over the past five years. The Committee Encouraging Corporate Philanthropy (CECP) reports that total giving among companies increased for **59%** of the companies surveyed from 2007 to 2012, with **38%** of those companies increasing their giving by **25%** or more. The 240 companies that participated in CECP's 2013 Corporate Giving survey reported more than \$20 billion in total contributions.

Social impact is the new standard for customers and consumers, who steadily and increasingly deem it a differentiating factor in their purchasing decisions. Corporate philanthropy not only addresses the expectations of consumers, but also allows companies to demonstrate their position as an employer of choice. A 2012 Dale Carnegie study found that **54%** of employees who were proud of their company's contributions to society are highly engaged. →

As corporations operate or seek to operate on a global scale, philanthropy programs have evolved to address issues such as disaster relief, humanitarian crises, and wellness and education needs. According to CECP's study, companies that generated more than half of their total revenue from abroad gave more than **20%** of their total contributions to international programs.



In high growth nations with emerging markets such as China and India, major corporations are enacting positive change with philanthropic activities that also serve as long-term business investments.

As globalization continues to connect the world and make it smaller, it's crucial for companies – even U.S.-based organizations with no international presence – to think globally when developing philanthropic programs. However, organizations both global and local must overcome a number of complex issues in order to ensure a compliant and successful philanthropy program.

the risks for companies that donate to non-vetted charities are high



Damage to the company's public reputation



Legal, financial and tax ramifications



Employees discouraged from participating in future giving programs

Compliance Challenges

“For companies that want to expand their philanthropic programs internationally, success is based on overcoming a number of challenges, such as differences in language, culture, & currency.”

However, far more critical is identifying legitimate aid organizations with established reputations, as well as government entities that are responsible for approving non-profit or charitable organizations in a given country.

When charitable organizations aren't vetted properly, giving companies expose their donations to fraud and mismanagement. In December 2013, the UK-based Charity Commission reported that fraud, financial abuse and financial mismanagement featured in nearly **80%** of its investigations into charities last year. Just a few months earlier, the Commission also warned that donations to aid refugees from the civil war in Syria were inadvertently supporting terrorist and extremist groups.

These cases illustrate the need for increased due diligence as required by a broad range of domestic and international anti-money laundering and related legislation, such as the USA Patriot Act, Office of Foreign Assets Control (OFAC), the U.K. Anti-Bribery Act and others. Companies must not only analyze the legal status of an organization for charitable deductions, but also to ensure that donations will not support organizations that may be tied to terrorist groups or sanctioned in international watch lists. →

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So how can companies identify the key elements related to mitigating legal, financial & reputational risk?

A good starting point is to identify non-profits that have achieved the appropriate government approval, such as a 501(c)(3) designation in the U.S. However, that alone is not sufficient. Compliance with international laws, sanctions screening against watch lists and the equivalent, and the ability for the organization to meet the specific requirements of a company's programs and rules are all necessary.

In some cases, "good cause" or similar organizations provide a public benefit to communities both local and global, although they may not be "official" non-profits or charities. While such organizations may be worthy recipients of non-monetary support (such as inclusion in volunteer programs), some level of validation is still required to mitigate reputational risks. Regardless of size or scope, all giving programs must stay current with tax legislation and a variety of ever stringent global legislation, which is constantly evolving to keep pace with a range of issues from taxation to anti-money laundering to data privacy.

Recommended Steps to Ensure Compliance & Effective Giving

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Whether vetting local or global charities, a host of considerations must be addressed:

- Is the organization a charitable entity that is able to receive tax-deductible donations?
- Does the organization care if the deduction is tax deductible?
- When vetting U.S. companies, is the charity a valid, current 501(c)(3) organization or equivalent to this standard?
- Has the non-profit organization been screened against a comprehensive set of sanctions lists, both domestically and internationally?
- Will your preferred method of funding affect an organization’s eligibility, and even your own status as a corporation or foundation?
- What additional information is required in order to meet tax guidelines, particularly in the case of cross-border donations?
- Is your database of established charitable organization profiles complete and up to date?
- Is there adequate security to protect the personal data of your employees participating in giving programs?
- Have you identified the non-profit organizations and charitable causes who are most popular among our employees in different countries?
- How do you identify and support local causes that your employees are most passionate about, in order to increase employee engagement while still complying with company policies and legal requirements?
- Have you established distinctions between the rigor needed to approve non-profit organizations for monetary donations and those that may only require volunteer efforts, where contributions are raised purely through employee efforts and don’t involve corporate funds?

While the regulatory framework may seem complex and vigilance is a constant requirement, the issues should never deter organizations from implementing giving programs. In addition to the benefits of engaging employees and external stakeholders, corporate philanthropy defines and differentiates a brand by expressing a company's heart and humanity. Equipped with the right information, organizations can ensure compliance while mitigating the financial and reputational risks associated with giving programs.

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