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Notes from the Chair

By Iftekhar Zaman

*Executive Director, Transparency International, Bangladesh
Chair, Council on Foundations International Committee*

The Council's International Committee met September 20–21 at a time when interest in international grantmaking has never been higher and at a time when the field also faces significant challenges. High on the committee agenda were an exploration of the ethical dimensions of international grantmaking, discussion of a planned collaboration with the [European Foundation Centre](#) to develop principles of accountability and effectiveness for international grantmaking, and an update on the Council's efforts to lead the charitable sector in a process to replace the [U.S. Department of Treasury's voluntary guidelines](#) with a more practical and realistic set of principles. In addition, the committee received a preview of a new Council-funded study of international grantmaking trends (due out in November) from the [Foundation Center](#), as well as a briefing on the work of the [International Human Rights Funders Group](#).

Eight new committee members were welcomed:

- Nicole Foga, director and secretary, [Environmental Foundation of Jamaica](#)
- Martin Lehfeltdt, president, [Southeastern Council of Foundations](#)
- William Moses, senior program officer, [The Kresge Foundation](#)
- Laura Olivetti, president, [Adriano Olivetti Foundation](#)
- Monica Patten, president & CEO, [Community Foundations of Canada](#)
- Julie Rogers, president, [Eugene & Agnes E. Meyer Foundation](#)
- Cynthia Ryan, principal, The Schooner Foundation
- Caroline Swinney, manager, [Motorola Foundation](#)

These new members reflect the great diversity of the International Committee, which is one of its strengths. They represent several family foundations, a corporate funder, foundations in Italy and Jamaica, a community foundation umbrella organization in Canada, plus a U.S. regional association of grantmakers. They add to the already rich discussions and diversity of perspectives on the International Committee.

And now, with some sadness, I must add a personal note. I recently left my position as executive director of the [Bangladesh Freedom Foundation](#) after five years to direct [Transparency International](#), Bangladesh. Consequently, I am resigning as chair of the Council's International Committee. However, I am pleased to turn over the reins of the committee to respected friend and colleague Natalia Kanem of the Ford Foundation. Dr. Kanem is the deputy in the Office of the Vice President for [Ford's Peace and Social Justice Program](#). A medical doctor who also holds a master's degree in public health, Dr. Kanem previously served as the Ford Foundation's representative for West Africa and as a reproductive health officer based in Nigeria.

Dr. Kanem has been an active member of the International Committee since she joined two years ago. She played a critical role in helping shape the new International Programs strategic plan for 2005–2007 and skillfully facilitated a committee discussion last year of philanthropy's response to war in Iraq and Afghanistan. I have every confidence that the International Committee will be in excellent hands going forward, and I extend my very best wishes to Natalia and the committee as it continues its important work.

It has been my privilege to chair the Council's International Committee this past year. This year, together with my four previous years as a committee member, has been a rich and rewarding

experience both professionally and personally. I thank the Council for giving me the opportunity to serve it, to learn and to work with an extraordinary group of philanthropy professionals dedicated to making the world a better place for everyone. I wish the International Committee all success and great effectiveness in its excellent work, and although I may not be directly involved, I would very much like to stay in touch and continue to learn and share.



Features

2004 Fall Conference for Community Foundations: International Highlights

Under the theme “Delivering on Our Promise: Impact, Innovation and Integrity,” the Council’s Fall Conference for Community Foundations will convene October 11–13, 2004, in the Twin Cities of Minneapolis and St. Paul, Minnesota. The work of community foundations is becoming increasingly international, and a number of internationally-oriented activities are planned for the conference:

Session: “Investing in the American Dream: Philanthropy and Immigrant Integration” Monday, October 11, 2:30 p.m.–4:00 p.m.

Record growth of the immigrant population creates a demographic imperative for the integration of newcomers into our society. As philanthropic leaders invested in the future of our communities, we are challenged in winning support for immigrant-related grants. This session will focus on effective tools and strategies designed to advance immigrant and refugee issues within philanthropic institutions.

- Valerie Lee, community philanthropy officer, [The Minneapolis Foundation](#), moderator
- Frank Sharry, executive director, [National Immigration Forum](#), speaker
- Susan Downs-Karkos, program officer, [The Colorado Trust](#), speaker

Session: “Local Impact and Global Reach” Tuesday, October 12, 11:00 a.m.–12:30 p.m.

How do new and emerging community foundations define “community impact” when grantmaking dollars are scarce and endowments are small? This session will debate critical issues facing start-up community foundations in North America and overseas. A rich mixture of experienced practitioners from different regions of the world will explore challenges, innovation and accountability.

- Gaynor Humphreys, director, [Worldwide Initiatives for Grantmaker Support](#), moderator
- Lourdes Sanz-Moguel, community foundations coordinator, [Centro Mexicano Para la Filantropia](#) (CEMEFI), speaker
- Vadim Samorodov, program manager, [Charities Aid Foundation-Russia](#), speaker

Session: “When a Donor Wants to Give Internationally: Options for Community Foundations” Tuesday, October 12, 4:30 p.m. –6:00 p.m.

Has your community foundation been approached by a donor who wants to give internationally? If not, it may be only a matter of time. Because of the increasingly diverse and internationally linked communities they serve, community foundations are more and more being asked by donors to facilitate philanthropic gifts for international purposes. Be prepared. Come hear why community foundations are responding positively and how they help individuals and corporations support U.S.-based international organizations, as well as grantees in other countries.

- Shannon St. John, president, [Triangle Community Foundation](#), moderator
- Daniel L. Berg, senior asset development officer, [The Minneapolis Foundation](#), speaker
- Alexandra Derby, director of donor services, [Marin Community Foundation](#), speaker

International Programs Reception
Tuesday, October 12, 6:30 p.m.–8:30 p.m.

The International Programs Department of the Council on Foundations will host this reception honoring international colleagues attending the conference. Meet and mingle with other global thinkers and doers!



Donor Advisors *Sans Frontières*: Global Philanthropy and the Community Foundation

by Dan Berg, senior asset development officer, The Minneapolis Foundation

- *A young doctor calls The Minneapolis Foundation after reading a New York Times article about an HIV/AIDS catastrophe in central China. He wants to start an organization to raise money and increase awareness of the issue, and someone suggested that our foundation might be able to help.*
- *A local entrepreneur contributes shares of closely held stock in anticipation of the sale of his company. His family supports many charities in the United States and also has a particular interest in improving the lives of Africa's orphaned and vulnerable children.*
- *World travelers and global tourism advocates Jim Klobuchar and Susan Cornell Wilkes have written a book about micro lending, the small-scale venture capital model that is changing lives in developing countries. When people read or hear their stories about women in Bangladesh or South Africa taking (and repaying) loans to start a business and employ others in their village, they are often inspired to contribute. So Klobuchar and Wilkes create the "Miracles of Microcredit Fund" at The Minneapolis Foundation.*

These are not the traditional fund development clients of The Minneapolis Foundation. Like most community foundations, we grew dramatically in the 1980s and 1990s providing donor-advised fund services and financial efficiency to already generous families whose charitable interests were generally safe, worthy and close to home. The donors described above are a new breed. They may have local or traditional charitable interests, but they also have good ideas, passion for their cause and allies who are willing to work with them and contribute. Increasingly, the focus of their philanthropy is outside the United States.

Research shows a growing commitment to international philanthropy from every charitable sector. According to the Foundation Center, the nation's grantmaking foundations increased their cross-border and U.S.-based international giving by an inflation-adjusted 76 percent between 1998 and 2002, compared with a 41 percent increase in overall giving. Community foundations reported the fastest rate of growth in international grant dollars — a 248 percent increase to nearly \$22 million. There appears to be a corresponding increase in gifts from individuals directed toward needs and opportunities outside the U.S.

There are many factors motivating this interest in global philanthropy:

Technology has truly made us neighbors to the people of Ecuador, Slovenia and Nepal. The Internet has put the plight of indigenous people, subjugated women, and child laborers only a few keystrokes away. (This works in reverse, as well: Since my personal interest in global philanthropy was leaked to cyberspace, I've received several appeals for help from nascent NGOs in Africa and Asia.)

Global travel has become routine in business and leisure, with eco- and ethno-tourism transporting individuals and families to exotic locations with an ease unimagined a generation earlier.

Here at home, recent waves of immigration have changed the complexion of our cities and increasingly our suburbs and rural areas. Second-, third- and longer-generation Americans who are fortunate enough to get to know some of these newcomers are likely to be fascinated by their stories. Your vision of Ghana will never be the same once you've shared real conversation with a Ghanaian.

International adoption has been growing for decades, often accompanied by a heartfelt concern for the children and communities left behind.

The tragedy of 9/11 is clearly a motivating factor in the increased interest in global philanthropy. Most people understand that walls alone cannot secure our homeland; that we must reach out to our global neighbors in a way that honors their hopes and aspirations. The disparities between the “have” and “have not” nations may seem intractable, but private philanthropy has become a sacrament of friendship among the people of the world, as distinct from their governments.

One more possibility: It could be that new levels of distrust of the U.S. nonprofit sector, along with a growing frustration that issues of poverty and injustice are so hard to amend in this country, are driving U.S. charitable dollars overseas. Concerns about nonprofit governance at home, however, may pale in comparison with the uncertainties of giving in less regulated countries but the buying power of the dollar in a developing country may offset these risks for some donors. One hundred dollars can change a life in rural Africa, while the same amount seems insignificant in the scheme of things at home.

Why should a community foundation care?

In the 90 or so years since community foundations started serving the charitable interests of donors, their focus and grantmaking priorities have been primarily local in name and practice. Traditional community foundations know the organizations and the needs in their hometowns best, and the bulk of their grantmaking will continue to benefit local efforts. But there is no legal restriction on the geographic destination of a community foundation grant, as long as the foundation’s mission is sufficiently broad and its due diligence thorough. For years, The Minneapolis Foundation has supported organizations headquartered throughout the United States if they are recommended by a donor advisor and reviewed by program personnel according to our customary standards of due diligence.

Many well-established international aid organizations are either headquartered in the United States or have U.S.-based affiliates that are approved for tax deductible gifts. Some are public charities with a 501(c)(3)-tax code designation; others are religious institutions. When one of these organizations is recommended by a donor advisor, the process can be quite routine. But when the charitable need or opportunity is defined in such a way that it cannot be served by one of these organizations, the challenge is greater.

There are three options available to the community foundation responding to a donor’s request for a grant to a foreign charity:

1. It can customize a response using one of two options: equivalency determination (establishing that the proposed grantee is the equivalent of a U.S. public charity) or expenditure responsibility (taking direct responsibility for the charitable use of grant funds). Either option requires time-consuming due diligence and close monitoring in foreign countries using trusted institutions in or near the area of the proposed grant. The donor’s grant recommendation would have to be very significant in size to warrant this approach.
2. It can find an intermediary such as [CAF \(Charities Aid Foundation\) America](#), [United Way International](#) or [Give2Asia](#). These and other well-established institutions have individuals or affiliates on the ground in countries that may be targeted by a donor advisor. They have the personnel and the protocols to exercise satisfactory due diligence and, like some of the international aid organizations, they qualify for U.S. income tax deductible gifts.
3. It can say no. There are practical limits to what some community foundations can or should do with their resources. But if a community foundation elects to keep its grants local or national, it may still be possible and appropriate to discuss with the donor certain options that don’t involve a grant from their donor-advised fund. With a reasonable amount of personal due diligence, donors who are truly committed to helping individuals or villages in developing countries might forego the tax incentive if they realize how far their dollar can go. The donor considering a \$1,000 tax-deductible gift will probably experience the same

financial effect with a \$600–\$700 non-tax-deductible gift. A qualified NGO in a developing country can still accomplish a great deal with such a gift, even if the amount has been discounted by the tax benefit foregone.

None of these strategies can be considered without awareness of the post-9/11 security concerns that are embodied in the Patriot Act, other federal laws, and proposed laws. Under this new reality, it would be easy to discourage international giving as not worth the risk. But as responsible stewards of charitable dollars and, equally important, the charitable intentions of their constituents, community foundations should not shrink from global charity and the challenge of doing it responsibly.

Without question, community foundations will primarily continue to address issues in their local regions. Donor advisors, who now drive the majority of community foundation grantmaking dollars, will continue to support organizations that they have valued in the past. But in our interconnected and interdependent world, their new charitable interests may very well include a clinic in Lagos or a school in New Delhi.

Charity may still begin at home, but for an increasing number of Americans—including those who give through our community foundations—the investment of social capital is a global endeavor.



World Bank-COF Community Foundation Initiative: Moldova Selected for World Bank's First Community Foundation Pilot Project

In June 2004, the World Bank's board of directors approved US\$200,000 to start up two community foundation pilot projects in Moldova. These are the first pilot projects resulting from the [Community Foundation Initiative](#) launched jointly by the Council on Foundations and the World Bank last year. The community foundation funds are a small part of a US\$20 million World Bank Social Investment Fund to support poor and vulnerable communities in Moldova. A former Soviet republic, the now independent Moldova borders Romania and Ukraine.

Building on a Ford Foundation-funded World Bank report highlighting case studies of community development foundations around the world ([Community Development Foundations, Emerging Partnerships](#) by Joyce Malombe, The World Bank, 2000), the two-year Community Foundation Initiative formally began in March 2003 when Dr. Juraj Mesik of Slovakia was hired as a senior community foundation specialist within the World Bank's Social Development department. For more than a year, Mesik has been educating senior bank staff about the community foundation concept as a tool for local development and civic participation, as well as exploring potential pilot projects in developing countries. Ultimately, the initiative envisions integrating the concept of community foundations into the bank's community-driven development and poverty reduction strategies, as well as mobilizing bank support for community foundations on a broader scale.

Although community foundations have been established in a number of Eastern European countries, Russia and the Independent States, none exists at the present time in Moldova, considered the region's poorest country. However, local interest in adapting the community foundation concept in Moldova is high. The approved funds will be used to raise awareness about community foundations in Moldova, to support a competition leading to the selection of two pilot project sites and to provide opportunities for local leaders from the selected sites to learn from the experience of existing community foundations in the region.

Additional pilot project sites are currently being explored in other developing countries, among them India, Thailand, Kenya, and the Philippines. The Community Foundation Initiative is jointly funded by the [Charles Stewart Mott Foundation](#), the [Ford Foundation](#), and the [World Bank](#). An 11-member international advisory committee under the auspices of the Council on Foundations works closely with World Bank staff to guide the initiative.



A Conversation With...Holly Sampson about the Global Awareness Fund of the Duluth-Superior Area Community Foundation

Holly C. Sampson

President

[Duluth-Superior Area Community Foundation](#)

Community foundations build and strengthen communities through the creation of permanent endowments by a wide range of donors that may include individuals, families, nonprofit organizations and companies. A community foundation especially functions to evaluate and help coordinate the needs and services in its community, so that charitable gifts are used effectively to fulfill a community's most critical needs. The Duluth-Superior Area Community Foundation (DSACF) was formed in the 1980s to do just this.

In 1984, Mary van Evera, a former member of the Council on Foundations' International Committee and a member of the advisory committee to the Wirtanen Family Fund at DSACF, created the Global Awareness Fund to educate the community on global interdependence. President Holly C. Sampson spoke with Council staff writer Isabelle Mack about the foundation's success with this type of international grantmaking.

What prompted the creation of the Global Awareness Fund given that you don't grant outside the Duluth-Superior community?

Soon after the Duluth-Superior Area Community Foundation was founded in 1983, Mary van Evera, an advocate for international peace, helped form the Global Awareness Fund. This was one of the foundation's first funds and was also its first donor-advised fund. Because of Mary's global interests, it was her hope that by creating the fund it would attract other donors who share her global interests. Today, we have 30 additional donors whose gifts have doubled the contributions to the funds.

How is the fund administered and who is eligible to receive funding?

This is a donor-advised fund, but it operates in a unique way. Mary chairs an advisory committee of six to eight community representatives who share her passion for international concerns. Program staff assess available funds, review submitted proposals and present proposals to the advisory committee, which makes recommendations to the board of trustees for funding. Educational institutions and nonprofit organizations engaged in projects that address global concerns in the arts, human services, environment, community development and education are eligible to apply for grants.

What issue areas are covered by the fund?

We define global awareness in a broad way. Global awareness includes peace and social justice; human rights; environmental preservation and safety; understanding of global cultural and political environments; trade and economic development; and U.S. foreign policy.

Who are some of the recipients of this fund and what is your average grant?

The types of grant recipients are representative of the many nonprofits in our region. We often fund educational institutions, including two private colleges, public higher education institutions and schools in the region. So far we have granted over US\$190,000 in 120 small grants ranging from US\$1,000 to US\$7,000. These small grants have resulted in high quality projects with wonderful outcomes. For example, we were able to bring in internationally respected analysts of foreign policy like Walter Russell Mead from the [New School University](#) and Steve Schlesinger from the [World Policy Institute](#) to speak and interact with people in small communities.

Please tell our readers about the fund's "Sister City" relationship.



One of the very early grants established a "Sister City" relationship with Petrozavodsk in Karelia, Russia, in the 1980s. We now have voluminous exchanges between people in our region and people in Petrozavodsk. For example, our local soccer team established an exchange program with a soccer team in Petrozavodsk where we actually brought a group of soccer team members from Petrozavodsk here. We have young people at the elementary and middle school levels interacting with their peers in Petrozavodsk and with the advent of e-mail, these become enduring relationships.

At the undergraduate level, we established an exchange program with the College of St. Scholastica in Minnesota and the Karelian University in Russia. Duluth students spend time at the Karelian University and Russian students from Karelia spend time here at St. Scholastica. St. Scholastica has even developed a Russian language program. There is also a program for young children living in orphanages in Petrozavodsk to be adopted by people in this country. We have now funded other "Sister City" relationships in Vajko, Sweden and Ohara, Japan.

Even though your grants are directed to U.S.-based nonprofits, how has the Patriot Act impacted your grantmaking, if any?

We haven't encountered any problems. Because we are such a small community we know all of the organizations very well. However, given the increased levels of security, we have found it more difficult to secure visas to get people here from abroad.

How do donors find out about the fund?

We share the work of the Global Awareness Fund with donors who are becoming familiar with the community foundation concept. We have actually done one-on-one visits with people to secure additional gifts to the fund and used direct mail announcements. The Global Awareness Fund has also inspired philanthropists in our community to create other funds with global interests. Another DSACF fund, the Our World Fund, provided teachers with opportunities to travel abroad and introduce international perspectives into their curriculum. The Global Awareness Fund was a catalyst for another donor-advised fund, the Wirtanen Family Fund. Don Wirtanen, a member of Mary's advisory committee, liked the process so much that he created his own family fund. The Wirtanen Fund includes Finnish issues in its areas of interest. His fund follows the same model as the Global Awareness Fund. Don is 91 and has turned over chairmanship of the family fund to his two daughters who will carry forward his international interests.

It is apparent that the Global Awareness Fund has helped the Duluth-Superior community become more sensitive to global issues; do you have any words of wisdom for your community foundation colleagues who haven't tested the waters of international grantmaking but might find it possible for their community foundation?

I would seek out philanthropists with global interests. Mary's foresight in the early 1980s of the interdependence of nations reveals her wisdom about how interconnected we have become. Creating an advisory committee of community members engages them in international issues, increases their understanding of philanthropy and gives them an incentive to create funds themselves.

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International Member Spotlight: Australia's Melbourne Community Foundation

[The Melbourne Community Foundation](#), formed in 1997, is Australia's very first independent community foundation. Having climbed a steep learning curve, the MCF now intends to exist "For good forever." The MCF's new message emphasizes a strengthened leadership role and long-term commitment to supporting community-based initiatives in Melbourne and surrounding areas.

Like other Australian community foundations, the MCF is set up as a public trust. Donors can either contribute to pooled funds or establish and name their own fund under the trust's umbrella. All donations are pooled into a permanent endowment, and only income generated from this investment is distributed via grants. This means a donation to the foundation becomes a "permanent" investment in the community.

In May of this year, the MCF put in place a new strategic plan for the 2004–2007 period. The plan identified the following key funding areas: youth at risk, aging and education (particularly at a primary level). A continuing project examines the current socio-demographic makeup of Melbourne and provides an overview of current and changing issues and needs across the community. While the specific areas outlined above will be a primary focus, the MCF will continue supporting other needs in the community as they arise.

Past grants have included AU\$500 (approximately US\$362) to projects like "Bronsons' Free Bikes for Kids" to restore discarded bicycles for disadvantaged children. The MCF also funds larger projects like an AU\$14,000 (approximately US\$10,125) grant to HIPPY, a project of the Brotherhood of St. Laurence, that teaches home tutoring to parents of disadvantaged children to keep them from lagging behind in verbal and quantitative skills.

To make up for missing role models as well as physical isolation from community foundations abroad, the MCF actively seeks out collaborations and partnerships with overseas organizations. DIGITS, the MCF's new data management system, for example, was originally developed by the [Community Foundation Network \(UK\)](#), a national network linking over 60 community foundations in England, Northern Ireland, Scotland and Wales. Among other things, DIGITS has reduced the time it takes to produce reports and manage grants, freeing up staff time to work with donors and to research community initiatives. Following the MCF's example, [Philanthropy Australia](#) and the [Foundation for Rural Regional Renewal](#), located in Bendigo, Australia, invited a representative from the Community Foundation Network (CFN) in the UK to undertake a feasibility study on the commercial market for distribution of DIGITS in Australia. The CFN representative went on to present his findings at the 5th Annual Community Foundation Forum held in March of this year in Bendigo.

As a forerunner in its field, the MCF has for the most part found its own remedies for the teething pains associated with its relatively rapid growth into an AU\$14 million (approximately US\$10.1 million) endowment. The Community Foundation landscape is now more populated with the entrance of 20 additional community foundations and 15 in the works. The MCF is well on its way to proving the success of the community foundation model in Australia and is a solid role model for newer entrants into the field.



Southern African Countries Create a Network of Community Foundations

Community foundation representatives from South Africa and Lesotho met over a two-day conference in Rustenberg, South Africa, in early September to establish the Southern African Community Foundation Association (SACOFA), breaking new ground for the region's growing network of community foundations. SACOFA's objectives include developing an indigenous model for community foundations, identifying best practices and providing members with peer learning opportunities. SACOFA also hopes to create formal ties with the global community foundation movement and organizations such as New Partnership for Africa's Development (NEPAD), the Southern Africa Development and Educational Centre (SADEC), the European Foundation Centre (EFC) and the Council on Foundations. The group will meet with other Southern African countries in November of this year in Johannesburg for further talks to fine-tune the mission and to create an organizational identity for SACOFA.

Treasury Guidelines

The Council on Foundations is coordinating an effort on the part of U.S. charitable organizations with international grantmaking or programmatic activities to replace the current U.S. Department of Treasury's voluntary anti-terrorist financing guidelines with a more practical and realistic set of "Principles of International Charity." The document responds to an invitation issued by Treasury officials at a meeting with a group of charitable sector organizations in April 2004 to engage in a joint process that would reconsider the guidelines. The "Principles" document has been developed over the past several months and will be submitted to Treasury this fall after it is shared more widely for comment. The draft text of the document can be accessed by Council members on the International Programs page of the Council website:

<http://www.cof.org/index.cfm?containerID=38&menuContainerName=&navID=0&navID=253>.

International Grantmaking III: An Update on U.S. Foundation Trends

The Foundation Center's updated report on trends in U.S. foundations and corporate grantmakers' funding of cross-border and United States-based international programs reveals a dramatic increase in international giving by community foundations. Watch for the full report to be released on November 15. This book may be purchased on the Council website after that date by accessing <http://www.cof.org/Publications/index.cfm> or by calling 1-888-239-5221.

International Programs Welcomes New Fellow

The Council's International Programs Department is pleased to welcome Claudia Di Ioia as the new International Programs Fellow. Claudia comes to us from Italy, where she currently works at AssiFero, a membership association of 17 grantmaking organizations. AssiFero's mission is to promote responsible and effective philanthropy and to provide networking opportunities to members. Claudia earned a Master's Degree in Management of Cooperative and Non-Profit Organizations at Bocconi University's School of Business Direction in Milan, Italy.



Awards

Humanitarian Award, Conrad N. Hilton Foundation

The [Conrad N. Hilton Foundation](http://www.hiltonfoundation.org) is seeking nominations for the 2005 Conrad N. Hilton Humanitarian Prize. The US\$1 million prize, the world's largest humanitarian award, is presented annually to an established nonprofit, charitable or nongovernmental organization for recent and historic accomplishments. The International Rehabilitation Council for Torture Victims was the 2003 winner; the 2004 winner will be announced this fall.

Deadline: November 1, 2004

Website: <http://www.hiltonfoundation.org/main.asp?id=43&side=1>

2005 International Activist Award, The Gleitsman Foundation

The [Gleitsman Foundation](http://www.gleitsman.org) encourages individual commitment and leadership by recognizing the exceptional achievement of those who have initiated positive social change. The foundation seeks nominations of people who have inspired others to join with them in challenging social injustice anywhere in the world (excluding the United States). Past honorees include Wei Jingsheng, advocate for democracy in China, and Muhammad Yunus, founder of the Grameen Movement in Bangladesh. Honorees will share US\$100,000 and will receive a specially commissioned sculpture designed by Maya Lin, creator of the Vietnam War Memorial in Washington, DC.

Postmark Deadline: November 5, 2004

Website: <http://www.gleitsman.org/intForm.html>



Call for Nominations

The Council on Foundations seeks nominations to fill soon-to-be vacant positions on its International Committee. The committee seeks members who are committed to its goals of assisting the Council in building and extending the field of international philanthropy and increasing its effectiveness. Self-nominations are welcome.

Selections are made with a view toward ensuring that the committee is broadly representative of the Council's membership. U.S. foundations represented on the committee must be Council members. As with all member committees, the International Committee seeks nominees whose participation will ensure diversity across race, gender, foundation type, size and geographic area.

The committee's work includes the following:

- Ensuring that the Council provides a range of high-quality services that respond to the international grantmaking needs of its members
- Strengthening the global philanthropic infrastructure
- Promoting the highest standards of accountability and effectiveness in international grantmaking.

The committee meets twice a year. New committee members will begin their two-year terms on July 1, 2005; the terms are renewable once. Deadline for nominations is December 31, 2004.

For a nomination form, please contact Isabelle Mack at 202/467-0435 or e-mail macki@cof.org.



Professional Development Opportunities

Center on Philanthropy and Civil Society's Emerging Leaders International Fellows Program

The City University of New York is accepting applications for the [Center on Philanthropy and Civil Society's](#) Emerging Leaders International Fellows Program. The Fellowship provides leadership training through applied research and professional mentorships for young scholar-practitioners in the nonprofit sector. This year's fellows will be selected from outside the U.S., as well as from communities of color under represented in the U.S. grantmaking sector. The research topics for fellows from countries outside the U.S. are community foundations and diaspora philanthropy. This year a U.S. Diversity Fellowship focusing on community foundations will also be offered. Fellows will participate in a three-month seminar and are expected to produce a 25–40 page paper on their findings. They will attend conferences, meet with foundation and nonprofit representatives, and learn about the work of key agencies.

Deadline: Extended to October 15, 2004

Website: http://www.philanthropy.org/programs/intnl_fellows_program.html

Community Foundation Transatlantic Fellowship

The Community Foundation Transatlantic Fellowship was created as a partnership of the [King Baudoin Foundation](#) of Belgium and the United States and [The German Marshall Fund of the United States](#) (GMF) with the generous financial support of the [Charles Stewart Mott Foundation](#) of Flint, Michigan. Five Europeans and five Americans participate in a program that starts off with a one-day orientation in Washington, DC, followed by a two-and-a-half-week residence at a community foundation in Europe or the United States. At the conclusion of the program, fellows meet in Brussels, Belgium to review and exchange their experiences and impressions of community foundations in the United States and Europe. Alumni and host organizations also take part in the orientation and debriefing sessions.

Deadline: November 30, 2004

Website: <http://www.gmfus.org>

International Fellows in Philanthropy Program

The International Fellows in Philanthropy Program at the [Johns Hopkins University, Institute for Policy Studies](#), Center for Civil Society Studies, will host up to eight fellows each year in a program where participants will study or manage private, nonprofit or philanthropic organizations outside the United States, or serve as government or corporate liaisons to the nonprofit sector. In addition, the program will sponsor a fellows' conference in a host country overseas to encourage continuing interchange among fellows and to assist in broadening understanding of this sector at the international level.

Deadline: February 25, 2005

Website: <http://www.jhu.edu/~philfellow/>



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We welcome your feedback. Please send your comments, suggestions, news and story ideas to [Kalyani Grasso](#).

Calendar of Events	
October 11–13, 2004 Twin Cities, Minnesota	20th Fall Conference for Community Foundations: Delivering on Our Promise: Impact, Innovation and Integrity See http://int2.cof.org/conferences/fall2004/
October 14–16, 2004 Miami Beach	Grantmakers Without Borders Fourth Annual Conference: Global Policy, Grassroots Change See http://www.internationaldonors.org
November 7–9, 2004 Chicago	Independent Sector Annual Conference: Making Participation Count See http://www.independentSector.org
December 2–4, 2004 Berlin	Worldwide Initiatives for Grantmaker Support (WINGS): Community Foundations—Symposium on a Global Movement See http://www.cfsymposium.org/
December 6, 2004 December 7–8, 2004	2004 Winter Institutes: Institute for New Board Members and Institute for New Grantmakers See http://int2.cof.org/conferences/INGWinter2004/
January 17–19, 2005 San Francisco	Africa Grantmakers' Affinity Group: Annual Retreat See http://www.africagrantmakers.org/
January 23–25, 2005 Miami	Family Foundation Conference: Principled Giving for Family Foundations See http://www.cof.org/index.cfm?containerid=122
February 20–22, 2005 Kingston, Jamaica	Caribbean Regional Conference on Philanthropy: The Relevance of Philanthropy in Developing Nations See http://www.caribphilanthropy.org.jm/
March 2–4, 2005 Location TBA	Global Philanthropy Forum: Fourth Annual Conference on Borderless Giving See http://www.philanthropyforum.org/
April 10–12, 2005 San Diego	Council on Foundations' 56th Annual Conference See http://www.cof.org/index.cfm?containerID=321



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Legal Dimensions of International Grantmaking

Donor-Advised Funds and International Grantmaking: Council on Foundations Position on Two Proposals Included in the June 2004 Senate Finance Committee Staff Discussion Draft

In June 2004, in preparation for an oversight hearing on tax laws for charitable organizations, the Senate Finance Committee's staff released a bipartisan discussion draft proposing a number of reforms in the law of tax-exempt organizations. The full text of the discussion draft and the Council's responses can be downloaded from the Government Relations page of the Council website at <http://www.cof.org/index.cfm?containerid=64>.

For now, the proposals in the discussion draft are simply ideas to stimulate further discussion. However, Senator Charles Grassley (R- IA), chair of the Finance Committee, has said that he will introduce legislation this year incorporating a few of the proposals, such as sanctions for charitable organizations that allow themselves to be used in tax shelter schemes. Finance Committee staff members have indicated that this bill could include some of the proposals with respect to donor-advised funds. The Council will post information on its website, www.cof.org, as soon as we learn that a bill has been introduced.

Download:

- [Executive Summary of Council Comments to the Senate Finance Roundtable \(07-22-04\)](#)
- [Comments on Proposals in the Staff Discussion Draft Affecting Donor-Advised Funds and Supporting Organizations \(08-13-04\)](#)
- [Senate Finance Committee Discussion Draft](#)

Most of the proposals in the discussion draft do not relate specifically to international grantmaking. However, two proposals that deal with donor-advised funds are particularly relevant. These proposals and the Council's responses are the subject of this article.

Proposal: Permit donor-advised fund grants to nondomestic organizations only if the organization appears on an IRS list of approved foreign organizations.

(The following comments were submitted to the Senate Finance Committee on August 13, 2004.)

The Council on Foundations opposes this proposal.

Some of the Council's community foundation members and some of its public charity grantmaker members have long histories and extensive experience with grants to nondomestic organizations. The El Paso Community Foundation's community, for example, includes Ciudad Juarez, just across the border in Mexico, as well as far west Texas and southern New Mexico. Other community foundations along our borders with both Mexico and Canada regularly make grants in those countries. Our public foundation members include experienced international grantmakers such as the Asia Foundation,

Charities Aid Foundation America, the International Community Foundation and the King Baudouin Foundation. Donor-advised grantmaking is a key component of the activities of these foundations.

All members of the U.S. international grantmaking community must abide by special federal tax rules applicable to foreign grants. The rules, which differ depending upon whether the grantmaker is a private foundation or a public charity, restrict the purposes for which grants can be made to charitable purposes and then require reporting to verify that the grant dollars are actually used for the intended purposes.

A U.S. public charity may make grants to foreign organizations under the federal tax rules provided it “retains control and discretion as to the use of the funds and maintains records establishing that the funds were used for section 501(c)(3) purposes” (Rev. Rul. 68-489, 1968-2 CB 210). Furthermore, in order to assure the deductibility of charitable contributions made to support projects of foreign charities, the tax laws require the U.S. charity to conduct its own review of the projects in advance to determine that they would further its exempt purposes, in addition to retaining control and discretion over the use of donated funds (Rev. Rul. 66-79, 1966-1 CB 48). While these rules are less detailed than the rules for private foundations, many public charities undertake some version of the private foundation expenditure responsibility process, including a pre-grant inquiry, a written agreement signed by the grantee specifying that the grant will be used only for charitable purposes, and annual progress reports until the grant has been expended as an exercise of reasonable and prudent grant or project management.

Besides following the rules imposed by the IRS, private foundations and public charities that regularly make grants abroad take seriously their responsibilities to take appropriate precautions to ensure that their grants are not diverted to the support of terrorism. Many have expended substantial sums over the last two years to retool their compliance systems to include due diligence on terrorism as required by the laws enumerated in Appendix C to this paper. Among those who have made this effort are several highly reputable public charities that offer donor-advised giving as an option. Many other grantmakers, both public and private as well as individual donors, have opted to establish donor-advised funds with these charities to take advantage of their due diligence procedures and the Council has been encouraging them to do so.

These public charities all have experienced professional staff that regularly visits the countries where they make grants—many have offices and staff in those countries. This gives these organizations both deep knowledge of the nongovernmental organizations in the countries where they make grants and the capacity to quickly learn about those that are new or unfamiliar. Their knowledge of the nongovernmental organization community, their regular presence in the countries in which grants are being made and their robust due diligence procedures provide donors with a high level of comfort that their gifts will be used only for charitable activities. A Congressional ban on grants to nondomestic organizations from donor-advised funds would be a substantial blow to grantmakers’ efforts to address the government’s concerns about the abuse of charitable organizations as a mechanism for funding terrorism.

Banning grants to nondomestic organizations from donor-advised funds also will disproportionately affect smaller foreign charities and those operating in less developed areas. Larger, sophisticated foreign charities, especially those headquartered in Western Europe, facilitate giving by individual donors by forming U.S. “friends of” affiliates. However, this solution is neither practical nor cost-effective for most of the tens of thousands of NGOs around the world. The donor-advised fund option provides a simple, low-cost mechanism through which individual donors can safely support a far wider range of NGOs.

We do not think that the alternative of permitting grants to a list of foreign organizations that has been pre-approved by the IRS is practicable. The IRS is already swamped with applications for recognition of exemption from domestic charities. Adding submissions from tens of thousands more organizations around the globe, even if they had the sophistication to put an application together, is impracticable.

We recommend instead that Congress set a deadline for speedy conclusion by the IRS of the inquiry it

began more than a year ago into the need for additional guidance with respect to international grantmaking and international activities. The Council on Foundations, Independent Sector, the American Bar Association's Tax Section and numerous other individuals and organizations filed extensive comments with the IRS in response to the Service's request for comments. We believe the IRS is best-positioned to address the issue of whether additional guidance is needed and what form that guidance should take.

We understand that the proposed ban on grants to nondomestic organizations is based in part on an abuse described in the June hearings as "roundtripping." This is a scheme in which assets contributed to a U.S. charity are granted to a foreign charitable organization, which then returns control of the asset to the original donor. Council members are not familiar with this practice but agree that it should not be permitted to continue. Rather than shutting down international grantmaking from donor-advised funds, however, we recommend that Congress impose penalties on donors who engage in roundtripping. These penalties could be modeled after the intermediate sanctions rules for excess benefit transactions, which require the donor to lose his or her deduction, plus pay a penalty equal to twice the amount involved in the roundtripping.

Proposal: Prohibit Private Foundation Grants to Donor-Advised Funds.

(The following comments are taken from a Council on Foundations paper submitted to the Senate Finance Committee for the committee's Charitable Governance Roundtable on July 22, 2004.)

The Council is concerned that a prohibition on all grants by private foundations to donor-advised funds would unnecessarily limit many beneficial and creative relationships that make use of this relationship in constructive ways that further various public policy goals. Some examples of ways in which private foundations employ donor-advised funds at community foundations and other public charities include the following:

- Many private foundations, particularly those that are smaller or that infrequently make grants abroad, make use of donor-advised funds at well-established and highly reputable public charities such as Give2Asia (which is allied with the Asia Foundation), United Way International and Charities Aid Foundation America to do their international grantmaking. These and similar public charities have offices or affiliates in many countries, giving them direct knowledge of and experience with local nongovernmental organizations. All have revamped their due diligence procedures to include appropriate safeguards to address the government's concern that U.S. charities may be unwittingly used to funnel support to terrorists. The Council and others have been encouraging less-experienced grantmakers to use donor-advised funds at these and similar charities as an effective, efficient mechanism to insure that this additional due diligence is performed.
- Private foundations also find donor-advised funds to be a useful tool when they engage in collaborative activities with community foundations and other public charities. Private foundations engaged in collaboration around, for example, a local economic development project can transfer funds to a donor-advised fund at the community foundation, then advise re-distributions from the fund as the project progresses.
- Some private foundations make use of donor-advised funds to make grants in geographic areas that are at a distance from the foundation or in subject areas that are less familiar to foundation staff or volunteers. For example, a private foundation may focus most of its grantmaking in one area of the country but to honor a donor's intent, may also make grants in another community that can be hundreds or thousands of miles away. These foundations may establish donor-advised funds at the community foundation that serves the distant location in order to take advantage of the community foundation's knowledge of the local charitable community. Similarly, a private foundation that funds primarily in the area of healthcare, may use a donor-advised fund at an appropriate public charity to gain access to expertise about potential grantees in the arts.
- Community foundations report that private foundations considering terminating their status often begin by establishing a donor-advised fund. This helps them experience the services and assistance that community foundation staff can provide. Following a "test drive" that may take

several years, the foundation board often elects to terminate the foundation by transferring all remaining assets to the donor-advised fund.

We assume that the proposal was not intended to prohibit distributions to donor-advised funds that terminate the foundation's existence, but this should be clarified.

We would be happy to continue to work with staff to better define the abuses at which this proposal is targeted so that we can offer solutions that do not limit the positive and constructive uses that private foundations make of donor-advised funds at responsible public charities.

