

**U.S. DEPARTMENT OF THE TREASURY ANTI-TERRORIST FINANCING GUIDELINES:  
VOLUNTARY BEST PRACTICES FOR U.S.-BASED CHARITIES**

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## **U.S. DEPARTMENT OF THE TREASURY ANTI-TERRORIST FINANCING GUIDELINES: VOLUNTARY BEST PRACTICES FOR U.S.-BASED CHARITIES**

**Compliance with these guidelines shall not be construed to preclude any criminal or civil sanctions by the Department of the Treasury or the Department of Justice against persons who provide material, financial, or technological support or resources to, or engage in prohibited transactions with, persons designated pursuant to the Antiterrorism and Effective Death Penalty Act of 1986, as amended, or the International Emergency Economic Powers Act, as amended.**

### **I. Governance: The charity should have an adequate governing structure.**

- A. Governing Instruments: The charity should operate in accordance with governing instruments, *e.g.*, charter, articles of incorporation, bylaws, etc. The governing instruments should:
  - 1. delineate the charity's basic goal(s) and purpose(s);
  - 2. define the structure of the charity, including the composition of the board, how the board is selected and replaced, and the authority and responsibilities of the board;
  - 3. set forth requirements concerning financial reporting, accountability, and practices for solicitation and distribution of funds; and
  - 4. state that the charity shall comply with all applicable federal and state laws.
- B. Board of Directors: The charity should be governed by a board of directors consisting of at least three members.
  - 1. The board should be an active governing body, meeting at least three times annually with the majority of members attending in person.
  - 2. The board should be an independent governing body, exercising effective and independent oversight of the charity's operations.
    - a. The charity should establish a conflict of interest policy for board members and employees. The policy should establish procedures that must be followed if a board member or employee has a conflict of interest or a perceived conflict of interest.

- b. The charity should not engage in transactions with entities in which a board member has a conflict of interest.
  - c. The charity whose directly and/or indirectly compensated board members constitute more than one-fifth (20%) of the total voting membership of the board or of the executive committee will not be considered to have an independent governing body.
- 3. The board should maintain records of all decisions made. These records should be available for public inspection.

## **II. Disclosure/Transparency in Governance and Finances**

### **A. Board of Directors**

- 1. The charity should make publicly available a list of its board members and the salaries they are paid.
- 2. The charity should maintain records containing additional identifying information about its board members, such as home address, social security number, citizenship, etc.
- 3. The charity should maintain records containing identifying information for the board members of any subsidiary or affiliate receiving funds from the charity.

### **B. Key Employees**

- 1. The charity should make publicly available a list of its five highest paid employees (the key employees) and the salaries and/or direct or indirect benefits they receive.
- 2. The charity should maintain records containing additional identifying information about its key employees, such as home address, social security number, etc.
- 3. The charity should maintain records containing identifying information for the key employees of any subsidiary or affiliate receiving funds from the charity.

C. Distribution of Funds

1. The charity should publicly identify any subsidiaries and/or affiliates that receive funds from the charity.
2. The charity should provide upon request an annual report. The annual report should describe the charity's purpose(s), programs, activities, tax exempt status, the structure and responsibility of the governing body of the charity, and financial information.
3. The charity should provide upon request complete annual financial statements. The financial statements should present the overall financial condition of the charity and its financial activities in accordance with generally accepted accounting principles and reporting practices.

D. Solicitations for Funds

1. The charity should clearly state its goals and purposes so that anyone examining its disbursement of funds can determine whether the charity is adhering to those goals.
2. Solicitations for donations should accurately and transparently tell donors how and where their donations are going to be expended.
3. The charity should substantiate on request that solicitations and informational materials, distributed by any means, are accurate, truthful, and not misleading, in whole or in part.

**III. Financial Practice/Accountability**

- A. The charity should have a budget, adopted in advance on an annual basis that is overseen by the board.
- B. The board of the charity should appoint one individual to serve as the financial/accounting officer who is ultimately responsible for the day to day control over the money of the charity.
- C. If the charity's total annual gross income exceeds \$250,000, the board of the charity should select an independent certified public accounting firm, which serves as an auditor and reviews the finances of the charity and issues a yearly audited financial statement. The yearly audited financial statement should be available for public inspection.

D. Receipt and Disbursement of Funds

1. The charity should account for all funds received and disbursed in accordance with generally accepted accounting principles and the requirements of the Internal Revenue Code. The charity should maintain records of the salaries it pays and the expenses it incurs.
2. The charity should include in its accounting of all charitable disbursements the name of each recipient and the amount disbursed.
3. The charity, after recording, should promptly deposit all received money into the bank account maintained by the charity. In particular, all cash donations should be promptly deposited into the charity's bank account.
4. The charity should make disbursements by check or wire transfer, but not in cash.

**IV. Anti-Terrorist Financing Procedures: The charity should take the following steps before any charitable funds are distributed to foreign recipient organizations.**

- A. The charity should collect the following basic information about a foreign recipient organization:
1. The foreign recipient organization's name in English, in the language of origin, and any acronym or other names used to identify the foreign recipient organization.
  2. The jurisdictions in which the foreign recipient organization maintains a physical presence.
  3. The jurisdiction in which the foreign recipient organization is incorporated or formed.
  4. The address and phone number of any place of business of the foreign recipient organization.
  5. The principal purpose of the foreign recipient organization, including a detailed report of the recipient's projects and goals.

6. The names and addresses of organizations to which the foreign recipient organization currently provides or proposes to provide funding, services, or material support, to the extent known, as applicable.
  7. The names and addresses of any subcontracting organizations utilized by the foreign recipient organization.
  8. Copies of any public filings or releases made by the foreign recipient organization, including most recent official registry documents, annual reports, and annual filing with the pertinent government, as applicable.
  9. The foreign recipient organization's existing sources of income, such as official grants, private endowments, and commercial activities.
- B. The charity should conduct basic vetting of potential foreign recipient organizations as follows:
1. The charity should be able to demonstrate that it conducted a reasonable search of public information, including information available via the internet, to determine whether the foreign recipient organization is or has been implicated in any questionable activity.
  2. The charity should be able to demonstrate that it verified that the foreign recipient organization does not appear on any list of the U.S. Government, the United Nations, or the European Union identifying it as having links to terrorism or money laundering. The charity should consult the Department of the Treasury's Office of Foreign Assets Control Specially Designated Nationals List, which will identify entities designated by the U.S. Government as Foreign Terrorist Organizations or as supporters of terrorism. The charity also should consult the U.S. Government's Terrorist Exclusion List maintained by the Department of Justice, the list promulgated by the United Nations pursuant to U.N. Security Council Resolutions 1267 and 1390, the list promulgated by the European Union pursuant to EU Regulation 2580, and any other official list available to the charity.
  3. The charity should obtain the full name in English, in the language of origin, and any acronym or other names used, as well as nationality, citizenship, current country of residence, place and date of birth for key staff at the foreign recipient organization's principal place of business, such as board members, etc., and for senior employees at the recipient's

other locations. The charity should run the names through public databases and compare them to the lists noted above.

4. The charity should require foreign recipient organizations to certify that they do not employ or deal with any entities or individuals on the lists referenced above, or with any entities or individuals known to the foreign recipient organization to support terrorism.

C. The charity should review the financial operations of the foreign recipient organization as follows:

1. The charity should determine the identity of the financial institutions with which the foreign recipient organization maintains accounts. The charity should seek bank references and determine whether the financial institution is: (i) a shell bank; (ii) operating under an offshore license; (iii) licensed in a jurisdiction that has been determined to be non-cooperative in the international fight against money laundering; (iv) licensed in a jurisdiction that has been designated by the Secretary of the Treasury to be a primary money laundering concern; and (v) licensed in a jurisdiction that lacks adequate anti-money laundering controls and regulatory oversight.
2. The charity should require periodic reports from the foreign recipient organization on its operational activities and use of the disbursed funds.
3. The charity should require the foreign recipient organization to undertake reasonable steps to ensure that funds provided by the charity are not ultimately distributed to terrorist organizations. Periodically, the foreign recipient organization should apprise the charity of the steps it has taken to meet this goal.
4. The charity should perform routine, on-sight audits of foreign recipient organizations whenever possible, consistent with the size of the disbursement and the cost of the audit.