

**Designated Gifts Policy of the American Friends of
Neve Shalom/Wahat al-Salam Concerning Donor-Advised
and Donor-Directed Gifts**

Making gifts to the American Friends of Neve Shalom/Wahat al-Salam (the “American Friends”) is an excellent opportunity to support the peace process through projects that promote the peaceful relationship between Arabs and Jews through understanding and dialogue.

The IRS requires special care in the way in which public charities dispense gifts to overseas projects. Gifts made to the American Friends (a 501 (c)(3) public charity) are tax deductible by individuals and corporations even though they are used abroad, only if the donation is not irrevocably directed or earmarked by the donor. The fundamental reason underlying this prohibition is to prevent the use of U.S. charities as conduits for channeling funds to foreign charities. Any gift that is characterized as an attempt to channel funds by a donor to a charity without prior board approval will be disallowed as a tax deduction.

While donors may request that donations made to the American Friends be directed to a particular use, the board of directors must retain the discretion and control over all decisions concerning the use of funds. To assume tax deductibility of a gift, a donor cannot require, nor can the American Friends guarantee, that a contribution will absolutely be used for a particular overseas purpose.

The rules governing tax deductibility of gifts that are used by foreign charities must be strictly adhered to by any American charitable organization that raises funds and uses them for projects abroad. The board must pre-approve the funding of all projects requested by NSWAS before any funds can be raised for a specific project. A donor may be informed about several such projects that the board has approved and may request that his or her donation be used for the project. However, the board retains the right and obligation to monitor the use of funds and, if necessary, terminate the project and redirect the use of the funds to other projects.

The purpose of this policy is to comply with the rules and regulations governing the deductibility of donations that will be used by NSWAS for projects approved by the board of the American Friends. We hope that you understand that this is for the mutual benefit of the American Friends and its donors. AFNSWAS will stay in touch with donors about the ongoing projects if there is any significant modification in how the board decides pre-approved project funding needs to be utilized.

Should you have any specific questions about this policy of the American Friends, please contact our Executive Director, for more information.

Policy of AFNSWAS Regarding Donations Earmarked for Specific Projects at NSWAS

It is the policy of AFNSWAS not to accept any donations that are earmarked, designated or directed by the donor for specific projects at NSWAS, except for specific projects pre-approved by the AFNSWAS board of directors. The AFNSWAS cannot be viewed as a conduit for channeling funds to NSWAS. Donors will be informed of this policy in writing should a request be made to earmark a donation for a specific project.

To prevent any donations from being characterized as earmarked for specific projects, it shall be the policy of AFNSWAS that all gifts that may be distributed to NSWAS shall be reviewed and pre-approved, at the discretion and control of the board of directors of AFNSWAS. All grants must be pre-approved by the board for specific projects requested by NSWAS prior to any distribution of funds.

Donors may be informed of those specific projects which have been pre-approved by the board of directors, and they may donate funds for those specific pre-approved projects. In this sense, a “donor-advised” gift to a pre-approved project is permissible, but is still subject to the control and discretion of the board to terminate the project and redirect funds. An example of such a pre-approved project is the expansion of the NSWAS elementary school to add junior high school classes. After the project was approved by the board of directors of AFNSWAS, donors were invited to contribute funds for this project. Furthermore, the board of AFNSWAS also retains the discretion to withhold fees from any gift to cover overhead or other expenses of AFNSWAS.

Discretion and Control Exercised by the Board of All Distributions

In order to avoid conduit treatment, the board of directors of AFNSWAS must exercise discretion and control over the grant-making process as well as monitor the application of the funds to make sure that they are used for the purposes authorized.

Discretion and control are established by the following conditions:

- The board must have **exclusive authority** to approve grants to NSWAS.
- The grants must be **reviewed** and **approved** by the board of directors.
- The grants must be approved for **specific projects**.
- **No solicitation of funds can be made for any project until after the board of directors approves the specific project.**
- The board retains the right to **refuse** or **discontinue** the grants to NSWAS **at any time** and for **any reason**.
- **Periodic accounting** detailing the **ongoing** use of the funds must be made by NSWAS to the board of directors.

(The process for recognizing and allowable deduction is ongoing. Even if the grant is pre-approved by the board, and the donation is made properly, failure to demonstrate adequate supervision of the funds could result in disallowance.)