TO: CHIEF PROFESSIONAL OFFICERS, LOCAL UNITED WAYS

FROM: OFFICE OF THE GENERAL COUNSEL, UNITED WAY WORLDWIDE

DATE: March 28, 2011

SUBJECT: ANTI TERRORISM COMPLIANCE –ALTERNATIVE AGENCY PROCESS

In order to simplify the requirements of local United Ways for anti terrorism compliance, we have approved a new agency screening service. This service is provided by GuideStar and verifies agencies against the IRS database of approved charities and the Office of Foreign Asset Control (OFAC) list maintained by the U.S. Department of Treasury. We believe this service constitutes a reasonable level of diligence in light of the business activities of United Ways.

A description of the services and subscription fees is attached. You may choose service level 2 (data matching and verification services) or 3 (web services to local United Way platform). Service level 1, which is a one-time screening, is acceptable if the screening service is used before each payout. United Ways that use these GuideStar services are not required to collect an Anti Terror Certification from funded agencies. Please contact GuideStar directly with any questions you have about the terms of service (see attachment).

In the event you do not wish to subscribe to this service, you may continue to conduct the screening and certification processes as set forth below. We believe these steps represent appropriate due diligence for United Ways managing this compliance entirely in-house.

1) Annually screen all agencies, partner and designated, against the OFAC list maintained by the U.S. Department of Treasury at www.treas.gov/offices/enforcement/ofac/sdn. This list includes the Specially Designated Nationals (SDN) and the Terrorist Exclusion List (TEL).

2) Annually obtain from all agencies, partner and designated, a certification stating that United Way funds and donations will be used in compliance with all applicable anti terrorism financing and asset control laws, statutes and executive orders. (Certification form attached.)
3) **United Way organizations are not required to be screened.** UWW will conduct that screening as part of the annual membership certification process.

4) These guidelines do not apply to the distribution of Combined Federal Campaign (CFC) funds. Office of Personnel Management (OPM) is responsible for conducting the compliance required for participation in that campaign.

5) Organizations participating in the CFC campaign do not need to be further screened to participate in or receive money from a CFC campaign where the PCFO is a United Way. Those agencies are screened annually by OPM for CFC purposes. However, if those same agencies are designated through a United Way campaign, the United Way must screen them separately.

6) In order to be eligible to receive funding by or through a United Way organization (except for CFC funds), an agency must complete the Certification.

7) The date(s) of screening and certificates should be maintained for verification purposes.

8) United Ways making distributions or allocations outside of the United States must comply with the Treasury Guidelines for international grant makers.

For further information or questions, please contact Patti Turner, UWW’s General Counsel at patti.turner@uww.unitedway.org or by telephone at 703 683-7866.
ANTI TERRORISM COMPLIANCE MEASURES

In compliance with the USA PATRIOT Act and other counterterrorism laws, the United Way of __________________________ [insert name of local UW] requires that each agency certify the following:

“I hereby certify on behalf of __________________________ [name of grantee] that all United Way funds and donations will be used in compliance with all applicable anti terrorist financing and asset control laws, statutes and executive orders.”

Print Name: ____________________________ Title: ____________________________

Signature: ____________________________ Date: ____________________________
GuideStar USA
www.guidestar.org

A Proposal for
United Way Organizations

March 31, 2011
EXECUTIVE SUMMARY

The United Way manages annual fundraising drives for some of the nation's most prominent and successful corporations and institutions with regard to workplace giving, supporting local communities and philanthropy through donor focused, cost-efficient, and giving and improving the quality of life for all.

THIS PROPOSAL ADDRESSES AN IMPORTANT CHANGE TO IRS TAX LAW THAT COULD AFFECT AN ESTIMATED 300,000 TO 400,000 ORGANIZATIONS STARTING IN MARCH 2011. As a result of recent guidelines stemming from the Pension Protection Act of 2006, the IRS is now required to revoke the tax exemption status of any organization that has not filed with the IRS for three consecutive years. Revocations will affect not only the organizations that lose their exemptions but also the donors and funders that support them and the audiences that rely on their services.

Payouts made to a charity that has received a revocation letter will no longer qualify for a charitable deduction and a grantmaker that declares them as qualifying distributions could be subject to excise taxes.

We anticipate the revocation process to start the week of the February 28, 2011. Below are links to pages on the IRS site that may be helpful as well.


Based on the IRS guidelines GuideStar recommends that before making a payout, grantmakers confirm that grantees have not lost tax-exempt status, in addition to verifying charitable status in IRS Publication 78 and consulting the IRS Business Master File (or a third-party provider of BMF data that meets the criteria outlined in IRS Revenue Procedure 2009-324 ) to identify supporting organizations. Although IRS revocations will affect small nonprofit organizations disproportionately, the data confirm that tens of thousands of larger and seemingly more established nonprofits will also be removed from the IRS BMF.

GuideStar is excited to be able to offer The United Way organizations a partnership that simplifies signing up for products and solutions to proactively mitigate the risk associated with the pending compliance changes and additionally, offer a significantly discounted fees to assist in the screening and research of those charities to ensure that the donor's pledges are distributed in accordance with IRS and federal government guidelines.

DESCRIPTION OF PROPOSED GUIDESTAR PRODUCTS & SERVICES

GuideStar provides three specific solutions to assist in the current status confirmation and verification of nonprofit entities. The following proposed deliverables and negotiated pricing are specifically presented to United Way organizations nationwide.

1. ANNUAL SUBSCRIPTIONS TO GUIDESTAR’S CHARITY CHECK – Minimum Requirement

Discounted rate applies through May 31st 2011 only. Highly recommended for all United Way chapters.

GuideStar Charity Check provides quick and easy verification of 501(c)(3) status, a direct link IRS Publication 78 for instant tax-exempt-status verification, and also checks an organization against the OFAC list maintained by the US Department of Treasury.

- Determines supporting organization status in full compliance with IRS guidelines for third-party sources of BMF data
- Acquires and integrates multiple data sources directly from the IRS into one easy-to-read report
- Documents the verification process and creates an audit trail by printing or saving a date- and time-stamped report
- Addresses pending 2011 IRS Auto-Revocations
Table A: GuideStar Charity Check Annual License Cost

<table>
<thead>
<tr>
<th>Cost Per Seat</th>
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<tbody>
<tr>
<td>$600.00 (20% discount)</td>
</tr>
<tr>
<td>This discounted rate is only available through May 31st, 2011. After which standard subscriptions rates apply</td>
</tr>
</tbody>
</table>

2. DATA MATCHING & VERIFICATION SERVICES

Recommended for United Way chapters that desire to verify the entirety of active organizations in their database or that perform this function on behalf of their collaborative. Data services discount rate applies through the 2011 calendar year.

United Way will provide GuideStar a file containing agency designated names and tax identification numbers (EIN’s) that will be checked against the Guidestar Charity Check database for verification and return specific and pertinent information in order to process payment to appropriate charitable entities.

The GuideStar data file prepared for United Way will be able to check and verify against GuideStar’s Charity Check database for each organization’s tax-exempt-status verification.

Charity Check provides quick and easy verification of 501(c)(3) status, a direct link IRS Publication 78 for instant tax-exempt-status verification, and also checks an organization against the OFAC list maintained by the US Department of Treasury.

- Determines supporting organization status in full compliance with IRS guidelines for third-party sources of BMF data
- Acquires and integrates multiple data sources directly from the IRS into one easy-to-read report
- Documents the verification process and creates an audit trail by printing or saving a date- and time-stamped report
- Addresses pending 2011 IRS Auto-Revocations

GuideStar Deliverables

1. United Way will provide GuideStar with a file consisting of the EIN and Organization Name which will provide the basis for verification of the organization’s nonprofit status.

2. GuideStar will match the EIN against the GuideStar database of tax-exempt organizations.

3. GuideStar will provide United Way with a data set derived from the IRS Business Master File, which lists all 501(c)(3) tax-exempt organizations and the IRS Publication 78, the official IRS document that updates status of 501(c)(3) tax-exempt organizations that file annually with the IRS.

4. GuideStar will return to United Way an Excel file appended with the following data fields; EIN, Organization Name, City, State, Deductibility Code, Subsection Code, Reason for Non-Private Foundation Status, Ruling Month, and Ruling Year, yes or no flag that indicates whether the organization is on the OFAC list, and a yes or no flag of the organizations revocation status.

Table B: Cost Structure for GuideStar Matching & Verification Services

<table>
<thead>
<tr>
<th>Setup Fee for Bulk Data File Charity Check Verification</th>
<th>$1,500.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>GuideStar Charity Check per record charge</td>
<td>$0.50 per Record (50% per record discount)</td>
</tr>
<tr>
<td>GuideStar Charity Check with PDF Report for Each Organization</td>
<td>$1.00 per Record (50% per record discount)</td>
</tr>
</tbody>
</table>
3. WEB SERVICES TO UNITED WAY PLATFORM

Recommended for high volume and larger United Way chapters that desire to verify all organizations on an on-demand and integrated manner via an API connection. API/Web Services discount rate applies through the 2011 calendar year.

Users of the individual United Way proprietary platform will be able to check and verify against GuideStar's Charity Check database for a single organization's instant tax-exempt-status verification.

The application will pass the Employee Verification Number (EIN) to Guidestar via the API. Guidestar will pass back information as specified for whether the organization EIN is matched or unmatched. If matched, the platform will display Guidestar Charity Check verification data. The data will be formatted and presented by the UWCNC platform in such a way that the user is clear about what organization they have verified and whether the organization is a verified 501c3 organization eligible to receive a deductible gift. Data for organizations selected by users will be populated into UWCNC database for the purposes of facilitating its grant making activities.

**Guidestar Deliverables:**

GuideStar data shall be delivered to United Way via xML data delivery as specified:

1. User from UWCNC platform searches for a specific EIN

2. Data is populated powered by GuideStar with the IRS Latest Business Master File and Publication 78 record for the organization that lists the organization's name, its city, and its current tax-exempt status, including what percentage of contributions to it are tax deductible. Specifically the fields returned are:
   - Organization Name
   - EIN
   - Location
   - IRS Subsection
   - Code and Description
   - Reason for Non-Private Foundation Status
   - Most Recent IRS Publication 78
   - Verified with Most Recent Internal Revenue Bulletin
   - Ruling Date
   - OFAC Status
   - Revocation Status
   - Time & Date Stamp

3. The link functionality will cause a data stream consisting of those fields specified UWCNC to be accessed from GuideStar.

4. GuideStar will also deliver a PDF document that is date/time stamped with the information listed.

5. The data is delivered to UWCNC servers to populate content on the UWCNC platform.

Data hierarchy logic in the xML return as pertains to organization address will be by client request. The field will populate with Charity Check data and if none available, with BMF data and reason codes why it isn’t present in GuideStar’s database.

**Timeline:**

GuideStar Web service capability available to client by 4 weeks from effective date of contract following discovery, initiation, QA and beta testing, and project launch.

**Table C: Cost Structure for GuideStar Charity Check Web Services**

<table>
<thead>
<tr>
<th>One Time Setup Fee</th>
<th>$ 3,500.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual License Fee</td>
<td>12,000.00 (40% discount)</td>
</tr>
</tbody>
</table>
HOW TO CONTRACT FOR THE DISCOUNTED RATES IN THIS PROPOSAL

In an effort to expedite adoption and address the urgent IRS Auto Revocation in progress GuideStar has standardized contracts and pricing for all United Way organizations.

Please contact the following representatives:

<table>
<thead>
<tr>
<th>Region</th>
<th>Contact Information</th>
</tr>
</thead>
</table>
| Northeast and specifically in Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, Vermont, and DC: | Asif Talukdar  
Director, Business Development  
atalukdar@guidestar.org  
(718) 836-8510 |
| Southeast and specifically in Florida, Georgia, Pennsylvania, Maryland, North Carolina, South Carolina, Virginia, and West Virginia: | Bunkie Righter  
Director, Business Development  
brighter@guidestar.org  
(757) 941-1453 |
| Midwest and specifically in North Dakota, South Dakota, Minnesota, Wisconsin, Michigan, Illinois, Iowa, Indiana, Ohio, Nebraska, Kansas, Mississippi, Arkansas, Missouri, Alabama, Louisiana, Kentucky, and Tennessee: | Kathleen Kesteloot  
Director, Business Development  
kkesteloot@guidestar.org  
(773) 252-4552 |
| West Coast and specifically in California, Washington, Oregon, Idaho, Montana, Utah, Wyoming, Nevada, Arizona, New Mexico, Colorado, Oklahoma, Texas, Alaska and Hawaii: | Tony Rodriguez  
Director, Business Development  
trodriguez@guidestar.org  
(415) 440-8464 |
DATA SOURCES

The IRS publishes the weekly *Internal Revenue Bulletin*, which lists organizations whose rulings or determination letters have been revoked and those organizations whose tax status has been changed (e.g., from a public charity to a private foundation). Rev. Proc. 82-39 explains the extent to which contributors may rely on Publication 78. It states that the inclusion of an organization in Publication 78 generally signifies that the nonprofit has received a ruling or determination letter from the Internal Revenue Service stating that contributions to the organization are tax deductible. (The exemption applies to a parent organization and any subordinate units covered by a group exemption letter.)

Occasionally, an organization listed in Publication 78 ceases to qualify as a nonprofit that can receive tax-deductible contributions, and the IRS revokes the ruling or determination letter previously issued to it. The *Internal Revenue Bulletin* announces such changes in status. Contributors who were unaware that organization's tax exemption had been revoked will usually be allowed to deduct their contributions to that nonprofit, so long as the contributions were made on or before the date the change was announced in the *Internal Revenue Bulletin*. Contributors who knew of the revocation of the ruling or determination letter, were aware that such revocation was imminent, or were in part responsible for or aware of the activities that gave rise to the loss of qualification will not be allowed to deduct their contributions.

Publication 78 and the IRS Business Master File each contain unique pieces of information that are critical to performing two different types of due diligence. Although Publication 78 may be consulted to verify an organization's charitable status, the IRS Business Master File must be tapped in order to confirm an organization's reason for non-private foundation status.

These two data sources are discreet and independently maintained by the IRS. GuideStar Charity Check displays relevant information from both sources to ensure that grantmakers can perform comprehensive due diligence for (1) verification of charitable status (via Publication 78) and (2) determination if an organization is a supporting organization based on its reason for non-private foundation status.

PROCEDURES REGARDING REVOKED ORGANIZATIONS

Users will see the following message (with slight variation based on location) on results pages, report pages, printable executions and PDF executions within Charity Check and Premium. There will also be a link to the IRS landing page where subscribers can learn more.

*This organization’s exempt status was automatically revoked by the IRS on <revocation date> for failure to file a Form 990 / 990EZ / 990N / 990PF for 3 consecutive years. While this organization may still appear on the Publication 78 and/or IRS BMF, further investigation and due diligence is warranted.*

PROCEDURES REGARDING QUESTIONABLE ORGANIZATIONS

GuideStar takes extensive data quality measures to ensure that we inform users when nonprofits have been linked to terrorism. We also monitor government rulings to ensure that we exclude organizations that have lost 501(c)(3) status for any reason and inform users when a nonprofit’s 501(c)(3) status has been suspended.

Organizations Related to Terrorism

Staff members subscribe to the Office of Foreign Asset Control (OFAC) e-mail notification list, which informs subscribers of any new actions OFAC has taken. Upon receipt of an OFAC e-mail, we search the GuideStar database for all organizations listed in the message that could be nonprofits; we investigate all listings that are not obviously individuals, banks, or insurance agencies.

The GuideStar Report for an organization whose assets have been frozen by OFAC is conspicuously flagged; a note summarizing the OFAC action appears in both the search results section and on the nonprofit’s summary page. These organizations are removed from our partner sites.

Organizations Whose Tax-Exempt Status Has Been Suspended or Revoked

Staff members read the weekly *Internal Revenue Bulletin* (IRB) as soon as it is made available (usually every Tuesday). Organizations whose 501(c)(3) status has been revoked by the IRS are removed from the GuideStar search table and are thus not accessible via the GuideStar site or through partner sites.
The GuideStar Report for an organization whose 501(c)(3) status has been suspended by the IRS is conspicuously flagged; a note summarizing the IRS action appears in both the search results section and on the nonprofit’s summary page. These organizations are removed from our partner sites.

**Organizations under Investigation**
Organizations under investigation by federal authorities but against which no action has been taken are neither flagged nor eliminated from the search.

**Organizations that are not on Pub 78 and are on the OFAC list**
The wording on the site and on the report:

*This organization’s tax exemption has been suspended under Internal Revenue Code Section 501(p). Contributions to this organization during its 501(p) suspension are not deductible.*

*This organization has been designated by the U.S. Treasury Department’s Office of Foreign Assets Control as supporting or engaging in terrorist activity. All financial transactions with this organization by residents of the United States, or within the borders of the United States, are prohibited. Learn more at http://www.ustreas.gov/offices/enforcement/ofac/programs/terror/terror.pdf.*

**Organizations that are still appearing on Pub 78 and are on the OFAC list**
The wording on the site and on the report:

*This organization has been designated by the U.S. Treasury Department’s Office of Foreign Assets Control as supporting or engaging in terrorist activity. All financial transactions with this organization by residents of the United States, or within the borders of the United States, are prohibited. Learn more at http://www.ustreas.gov/offices/enforcement/ofac/programs/terror/terror.pdf.*

**ABOUT GUIDESTAR**

GuideStar’s National Database of Nonprofit Organizations offers users a wealth of information about American nonprofit organizations. It is the nation’s most comprehensive source of data about U.S. charitable organizations—nonprofits the Internal Revenue Service has declared tax exempt under Section 501(c) of the U.S. Tax Code.

The breadth and depth of the GuideStar database are unmatched. Most watchdog groups list a few hundred organizations, and state charities officials and nonprofit associations focus on the organizations in their respective states and regions. In contrast, the GuideStar database contains information about every public charity, private foundation, and other 501(c) organizations to which contributions may be tax deductible, more than 850,000 nonprofits in all.

Small organizations stand on equal footing with large nonprofits in the GuideStar database, and information on rural groups is as accessible as data on urban organizations. In addition to financial data, the GuideStar database contains information about the missions and programs of thousands of charitable organizations.

GuideStar obtains information on the organizations in the database from three main sources: the IRS Business Master File (BMF), IRS Forms 990 and 990-EZ, and the nonprofits themselves. The source of the data on a specific nonprofit organization determines the completeness of that nonprofit’s GuideStar Pages.