



## Repository of Equivalency Determination (ED) Information on Non-U.S. Based NGOs

### What is the NGO Repository and how could international grantmakers benefit from using it?

The Council on Foundations, Foundation Center, Independent Sector, InterAction, and a collaboration of other key organizations and international grantmakers have been working together since early 2007 to create a centralized Repository of information that could assist U.S. grantmakers to determine if a non-U.S. based NGO is equivalent to a U.S. public charity.

Equivalency determination (ED) of U.S. charity status is one of the two options provided for under IRS rules that enable U.S. grantmakers to make direct grants to non-U.S. based NGOs. Obtaining information to meet the ED rule is both time-consuming and expensive. Currently, each grantmaker collects this information individually, thus duplicating the process which in many cases has already been carried out by other grantmakers. This is done at considerable time and expense since NGOs are asked to provide variations of the same information over and over to multiple potential U.S. donors.

This has occurred because IRS regulations currently prohibit grantmakers from using another organization's "good faith determination" and, to date there has been no broad-based agreement on standards or a process.

We are seeking all of the necessary rulings from the IRS to establish a centralized Repository of NGO information that would enable international grantmakers to share and rely on EDs that are conducted by the Repository. This would streamline the ED process so that more resources can be dedicated to helping NGOs rather than on administrative expenses.

*Please see "How will you seek approval from the IRS?" below for a description of how we are working together to get the necessary IRS ruling to enable Repository operations.*

### Who has been selected as the Repository host organization?

**TechSoup Global** <http://www.techsoupglobal.org>, has been selected as the host organization with two supporting legal partners:

- **Caplin & Drysdale** <http://www.capdale.com> for government relations and the development of equivalency determination (ED) operational procedures
- **Adler & Colvin** <http://www.adlercolvin.com> for ED escalations as needed

The TechSoup Global Network's nonprofit mission has been to help social benefit organizations and charities outside the U.S. and Canada obtain donations of essential technology products, information and services. To accomplish this, 35 U.S. corporate grantmakers have engaged the TechSoup Global Network to provide services to verify the legal charitable status of NGOs worldwide in their own country. As the Repository host organization, TechSoup Global will now expand their current vetting process for all types of U.S. grantmakers to include equivalency determination that meets IRS regulations.

## Who selected the Repository host organization and how was this accomplished?

The Council on Foundations made the final selection of the host organization based on the recommendation of the NGO Repository Review Panel.

Members of the panel were carefully chosen to include international funders plus leading philanthropic organizations and associations representing grantmakers and NGOs. Panel members included lawyers, grants managers, and foundation officers with experience and expertise in international nonprofit law, IRS regulations, and the equivalency determination (ED) process. The panel also enlisted the support of IT specialists to evaluate information systems and development capabilities.

We were very pleased to have representatives of the following organizations make a significant contribution to international philanthropy by serving as members of the Review Panel:

- Bill & Melinda Gates Foundation
- BP Foundation
- Carnegie Corporation of New York
- Council on Foundations\*
- Foundation Center\*
- Grants Managers Network
- William and Flora Hewlett Foundation
- W.K. Kellogg Foundation
- Independent Sector\*
- InterAction\*
- Rockefeller Brothers Fund
- Rockefeller Foundation

\* = *Original collaborating partner organizations*

The recommendation was made following a very rigorous six-month proposal submission and review process. Three proposals were received from primary host organizations that included a total of ten supporting partners. Two finalists were identified and the Review Panel then conducted site visits and meetings with each finalist's team members that would be directly responsible for establishing, managing and operating the Repository. Existing operational and prototype systems were evaluated as well as contracts with partner organizations.

## Why was TechSoup Global selected as the Repository host organization?

TechSoup Global was identified as being the most qualified among a very strong field of finalist host and partner organizations. TechSoup Global has the demonstrated expertise and all of the necessary experience to establish the Repository and meet the specialized development, operational, managerial, and global support requirements cited in the Request for Proposal as described at <http://www.iaa.com/NGORepositoryRFP.html>. Their particular strengths to serve as the Repository host organization include:

### **Fit and Strategic Direction**

- The NGO Repository is closely aligned with TechSoup Global's core mission, strategic goals and direction of serving NGOs worldwide. Providing equivalency determination services is complementary to their current service offering and would be of significant benefit to international grantmakers, NGOs, and TechSoup's global partners.
- Well known and respected by NGOs worldwide. TechSoup Global has guided NGOs through eligibility processing and to date has verified the legal charitable status of more than 120,000 organizations of which 16,500 are non-U.S. NGOs.

## **Global Reach**

- An established network of global partners since 2005 that have been specifically selected to support NGOs and assist them to gather required information and documents for philanthropic vetting purposes. Significant investment is made in training the staff of global partners.
- TechSoup Global and their in-country contracted network partners currently support NGOs in 21 countries and are on track to serve 40 countries by the end of 2009 and 60 countries by 2012.

## **Staff Experience**

- Highly qualified integrated team of managers, staff and network partners who have worked together very closely and effectively for many years.
- Demonstrated expertise and coordination working as a team to vet NGOs and process more than US\$1 billion worth of in-kind donations by major U.S. corporate grantmakers.
- TechSoup Global will be expanding their internal staff to include full time legal counsel with expertise in international nonprofit law and IRS regulations.
- A client services manager focuses on improving processes. A full time trainer, along with dedicated quality-process resources, is responsible for system effectiveness and reliability, and ensures that U.S. staff is knowledgeable about all vetting requirements, operations procedures, and the use of information systems.

## **Customer Support**

- Customer service call centers provide eligibility support services (e.g., explaining eligibility rules, documentation requirements, processes, and schedules) to 35,000 client organizations annually, serving over 50,000 call interactions and over 50,000 email interactions.
- Currently in the process of opening a Warsaw Poland support operation to provide extended hours of assistance to partners worldwide.
- The Onyx Customer Relationship Management (CRM) system is fully integrated into the centralized database and tracks the up-to-date status of every request, review and approval step, activities, and stores images of all required documents.
- Provides regular reports to donor partners, similar to what will be made available to international grantmakers about the status of equivalency determination.

## **Repository Operations and Information Systems**

- Existing workflow, processes, and systems that are similar to requirements for equivalency determination and can be leveraged and extended to address the NGO Repository's requirements.
- Web sites with localized content offer extensive support for NGOs, including step-by-step instructions, help files, FAQs, how to submit documents using fax-to-file capability, status reporting, and automated e-mail updates at key points of interaction.
- TechSoup Global's management team has extensive internal technical expertise developing large-scale rules based Web applications using state of the art technology to support complex workflows.
- A distributed software architecture allows in-country partners to modify and run the system locally (and in local languages) while connecting to a central system that has been operational for five years.
- Demonstrated expertise integrating the core system with multiple third party applications including grants management systems and large-scale databases.

- Use of clustered systems for redundancy that are hosted in an enterprise class datacenter with automated failover and 24x7 support.

### **Business Model and Sustainability**

- Developed and implemented a proven financially sustainable revenue generating business model for TechSoup Global's current operation. TechSoup Global was awarded the grand prize in the 2003 Yale School of Management, Goldman Sachs Foundation, and the Pew Charitable Trusts Business Plan Competition for Nonprofit Organizations.
- Potential for significant joint development for future systems enhancements that could lower the Repository costs.
- Commitment to explore the potential uses of the data for other appropriate philanthropic purposes. This could be leveraged to benefit stakeholders by reducing the costs to support and maintain the Repository, increasing programmatic efficiencies, reducing fees to grantmakers, and providing additional value-added synergies for both international grantmakers and NGOs.

### **Who submitted proposals?**

The Review Panel received three proposals representing a combination of 10 different host and supporting partner organizations. These teams had significant experience and expertise in international nonprofit law, IRS regulations, vetting NGOs, and maintaining databases of information about nonprofit organizations. The Council on Foundations and the Review Panel have respected the confidentiality of the organizations that submitted proposals and have only announced the names of the selected host organization and their supporting partners.

### **What happens next?**

- The Council on Foundations will now enter into a multi-year contract with TechSoup Global to establish and maintain the Repository. This will include a detailed project plan and timeline, deliverables and a service level agreement.
- A Repository Board will be selected and convened to provide ongoing oversight of the Repository's development and operation.
- A funding consortium will be established to provide the financial support for Repository development through an initial startup phase and until such time the operation is self-sustaining.
- The Council on Foundations, Foundation Center, Independent Sector, InterAction, TechSoup Global, Repository Board, Information Age Associates, and legal counsel will work together to gain the necessary IRS approval for the Repository operations.
- We will continue to refine the business plan and determine an appropriate fee structure.
- As the Repository moves closer to an operational phase, we will expand our outreach to inform the charitable sector of the availability of this new resource.

### **How will you seek approval from the IRS?**

On September 12, 2007 we met with officials of the IRS Exempt Organizations Division to discuss the Centralized Repository Project. We explored operational and legal issues related to establishing a centralized Repository of information on foreign non-governmental organizations.

The IRS representatives raised no objections to the project and indicated a willingness to review a more detailed plan for the Repository at the appropriate time. They also noted that they had envisioned creating just such a Repository when Revenue Procedure 92-94 was issued 15 years ago to describe how a grantmaker might craft an affidavit to establish equivalency for a foreign grantee. IRS officials indicated that, should the agency approve the Repository, grantmakers could rely on the equivalency determination information stored there. The officials also said they would consider various means of communicating that fact to grantmakers.

The following organizations will now work together to seek all of the necessary rulings from the IRS to enable the Repository's operation:

- Council on Foundations, Foundation Center, Independent Sector, InterAction
- Caplin & Drysdale - Marc Owens (*served as the Director of the Exempt Organizations Division of the Internal Revenue Service for ten years and now also the Counsel on Foundations' outside legal counsel*)
- TechSoup Global and outside legal counsel
- Information Age Associates

## **Will the development of the Repository have to wait until after the IRS approves it?**

No. We will start the detailed planning phase at the same time that we begin the process of seeking approval from the IRS. We have been encouraged to do this by a consortium of major international funders who are willing to provide the necessary financial support.

This will enable the Repository to hopefully begin operations soon after we receive the necessary approval from the IRS.

## **Who are the project supporters and how can we help?**

The first phase of the initiative was funded by a \$50,000 grant from the GE Foundation. In addition to receiving continuing support from the GE Foundation, the second phase of the project has been funded by the W.K. Kellogg Foundation, F.B. Heron Foundation and the Firelight Foundation.

We are now establishing a funding consortium to provide all of the necessary support for the 2009 startup and development phase of the project. Please contact Martin Schneiderman, NGO Repository Project Director [mbs@iaa.com](mailto:mbs@iaa.com) (609-924-6936), or Rob Buchanan, Managing Director, International Programs Council on Foundations at [buchr@cof.org](mailto:buchr@cof.org) (703) 879-0746 if you are interested in joining this consortium.

## **When will the Repository become operational?**

Our current best estimate is that, subject to IRS approval, it will become operational in 2010.

We are working diligently to expedite this process in response to the high expressed demand for Repository services by international grantmakers.

## **How can I learn more?**

Go to [www.iaa.com/ngorepository.html](http://www.iaa.com/ngorepository.html) for the most up-to-date information. Please contact Martin Schneiderman, NGO Repository Project Director at [mbs@iaa.com](mailto:mbs@iaa.com) (609-924-6936) with questions and if you'd like to be added to our mailing list.