Investigate Before You Donate
Online research, on-site visits and expert advice can help ensure that your generous gift to an NPO does not become a costly mistake.

No one likes to throw money away. Yet that could be your foundation’s fate should it award a grant without first researching and reviewing a nonprofit organization. This is not to say that every NPO is unreliable — far from it. Even so, some might be a poor fit for your philanthropy and a few could simply be fraudulent. A few steps can provide valuable insights: reviewing a group’s financials, investigating it online, visiting its operations (perhaps incognito), and interviewing its executive director and other personnel. If grant applications are piling up and your time is limited, working with a team of foundation specialists can be a huge help. But whatever your course of action, the steps described here should give the novice donor direction and the veteran fresh ideas. For more information, please contact your Merrill Lynch Financial Advisor.

IS THAT NONPROFIT ORGANIZATION (NPO) DESERVING OF YOUR FOUNDATION’S GRANT?

THE BACKGROUND CHECK

Google search
See what the NPO says about itself and what others say about the NPO. Are there discrepancies or ambiguities? Review financial data on websites such as guidestar.org.

Read the proposal
Understand exactly what the NPO hopes to do with your money. Scrutinize its budget, finances and programs.

Gauge transparency
Does the NPO reveal what percentage of donations goes toward operations and toward programs? Does the split between the two seem reasonable? How do its expenses compare to those of other NPOs engaged in similar activities?

Check charitable status
To confirm the NPO’s 501(c)(3) (tax-deductible) status, search IRS Publication 78 at irs.gov/charities/article/0,,id=96136,00.html.

Determining whether to award a grant should be based on your research, your site visit and your gut feeling about the NPO.

Check watch lists
To find out if the NPO appears on any government watch lists of organizations known to engage in illegal activities such as money laundering, check the U.S. Department of the Treasury’s Resource Center at treasury.gov/resource-center/sanctions/pages/default.aspx.
Connect with others
Comparing notes with like-minded foundations can be a particularly effective way to evaluate an NPO.

Talk to experts
Foundation veterans such as the Merrill Lynch Wealth Management group might already have screened the organization. They may be able to share information and provide guidance and resources, including connections to other, like-minded foundations. If need be, it can do most of the work for you.

Call the NPO
Arrange a site visit. You may consider visiting anonymously the first time.

Respect
Take the time to establish courteous relationships with staff members. Treat the visit as a conversation not an inspection.

Talk
Come prepared with questions. Are staff members knowledgeable and communicative? Invite their questions, too.

THE SITE VISIT
Feel
Do a gut check. Is the site clean, welcoming and equipped appropriately? If the NPO provides services at the site, assess the number and demographics of people served, as well as interactions between participants and program staff.

Record
Write down your impressions, staff responses and what you learned. Note any concerns or unanswered questions for a follow-up visit.

Thanks
Be sure to thank everyone who has helped you and send a note after your visit.

Making the decision
Determining whether to award a grant should be based on your research, your site visit, your gut feeling about the NPO and whether it aligns with the expectations and focus of your foundation.

THE GRANT
Tax consequences
Some foundations award grants in part based on IRS requirements that their annual distributions (including grants and operating costs) must be at least 5% of the fair market value of their assets. Discuss this with your tax advisor.

Expert advice
Did you work with a veteran grant-making team like Merrill Lynch Wealth Management? Be sure you understand their information and consider their recommendations.

After the award
Visit the NPO again to evaluate the success and impact of your grant. This will help determine the level of possible future support. Discuss the potential for future grants.

No award
If you decide not to award a grant, consider phoning the group’s organizers to discuss your reasons rather than sending a letter.
Investing involves risk, including loss of principal. Asset allocation, diversification and rebalancing do not ensure a profit or protect against risk in declining markets.

The information presented here is not intended to serve as a recommendation or solicitation for the purchase or sale of any type of security. Past performance is not a guarantee of future results.

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