

# Maryland Nonprofits

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## THINKING WITH YOUR HEART OR YOUR HEAD

### Starting a Nonprofit to Provide Services Outside of the United States

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If you are planning to start a nonprofit to deliver services outside of the United States, you need to balance your head with your heart.

#### HEART ISSUES—

As you design the program, have you taken into account what the people you plan to serve want and need? Are these people simply to be recipients of your charity or have you crafted ways to involve them as problem solvers?

Are you going to be viewed as a “welcome visitor” or as an “uninvited guest” or even a “pest” by the people that you want to serve? Do you know enough about the culture to anticipate how you and your program will be perceived? How is the culture changing, and how might you and your program be perceived in the future?

Are you planning for the short-term or the long haul? If you go in for a short time, what is going to be the impact on those you serve if the commitment cannot be continued? What happens when your interest in the project wanes? Are there others who share your commitment and will move the project forward? How will you ensure that the community “owns” the work? Has the community been intimately involved in planning, and reaching an independent decision that the services you will bring, and the support you will require are a good thing and a good investment respectively?

#### HEAD ISSUES —

Are you prepared to become an expert in government regulation? There are a number of U.S. government regulatory restrictions on foreign activities. These include the Foreign Corrupt Practices Act that prohibits certain payments to foreign government offices, the U.S. Export Administration Regulations that restrict the export of certain goods and technologies, the Foreign Assets Control Regulations, and the U.S.A. Patriot Act and other anti-terrorist legislation and executive orders that prohibit various transactions with designated countries and individuals. The *U.S. Department of the Treasury Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities* provides instruction on dealing with grantees. This instruction has fifteen steps which include collecting “the grantee’s name in English, the language of origin, and any acronym or other names used to identify the grantee” as well as “the names and available postal, email and URL addresses of any subcontracting organizations utilized by the grantee.” The Office for Foreign Assets Control (OFAC) requires that any company doing international business screens all past and potential clients against a list of 5,000 entities that changes daily. Penalties for violating OFAC regulations (whether knowingly or unknowingly) can result in fines of up to \$10,000,000 and imprisonment. You need to develop a plan on how to comply with the various regulations.

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If you are planning to purchase real estate, open a bank account, or hire locals, you will need to register in the country where you are doing business. You need to determine the country's requirements and factor the costs of both time and money into the planning process.

A 501(c)3 designation and the tax benefits are good only in the United States. It is possible that your activities in a foreign country may require that you pay sales, property, or value-added taxes. You need to determine, in advance, if your activities are going to result in taxation and calculate the budget impact of the additional expenses.

Maintaining your 501(c)3 designation (and positioning your work so that your U.S.-based donors may receive U.S. tax benefits) and transferring funds overseas requires you to develop a due diligence process that informs you about the recipients of your funds.

Banking relations differ country to country. Will your organization be able to open an account in the country where you plan to do business? Are there restrictions as to how much money you are allowed to bring into the country? How stable is the currency in the foreign country and how will fluctuations in the exchange rate impact the services you want to deliver? How does the market economy work in the country? Are checks widely accepted, or will all transactions need to be in cash? Are there secure ways to transport cash, even large amounts of cash?

If you are planning to have individuals provide services in a foreign country, you will need to figure out if you are going to need to register as an employer, and pay employment taxes. Don't assume that every country has the same rules governing employer/employee relationships. The U.S. employment laws are among the most favorable to employers. In many other countries, if you hire someone you are making a long-term commitment to their employment and it may be very costly if you try to terminate their employment for any reason, even for reasons that would be most obvious and reasonable in the U.S. If you plan to send U.S. citizens to work in another country, will they need visas and work permits?

To deal with all the bureaucracy involved in doing business in a foreign country can be expensive and time-consuming and leave few resources for charitable activities.

## **AN ALTERNATIVE TO STARTING YOUR OWN NONPROFIT**

Volunteer your time and contribute your money to a nonprofit that is doing business in the part of world where you have identified a need. Larger nonprofits have the infrastructure to cope with the complexities doing business abroad. Your efforts can be targeted to helping people rather than dealing with complicated government rules and regulations.

Maryland is home to a number of large relief organizations like Lutheran World Relief, International Youth Foundation, Catholic Relief Services, World Relief Corporation of the National Association of Evangelicals, and International Orthodox Christian Charities. These groups can provide effective and efficient channels for your charitable activities.