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Friends of Societies (FOS)

by Laurence A. Pagnoni, Chairman of LAPA Fundraising

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Hello. Do you want to start or revitalize your “Friends of” Society (FOS) here in the USA? If so, this white paper is for you.

My name is Laurence Pagnoni. I am chairman of LAPA Fundraising headquartered in NYC. LAPA is the USA representative to IFC, *International Fundraising Consultancy*. IFC is based in London and has offices in nine countries across four continents; we truly are the leading global consultancy for Civil Society. This is a special offering to international charities and NGOs. Such clients annually comprise 30% of LAPA’s client base.

I’d bet that you seek to broaden your fundraising to include the generous US market. True? If so, the people of the United States are among the most generous donors to charitable organizations in the world. In most years, total giving from US citizens is upwards of \$350 billion dollars. Moreover, individuals in the US are responsible for nearly 75% of that total giving. About \$20 billion of that is distributed internationally. Further, the \$350 billion of private giving does not even include our world-class US-AID program which annually distributes an additional \$1.1 billion dollars.

The term “Friends of” became familiar because so many organizations that support foreign charities begin with these two words, “friends of.” For example, the American Friends of the Louvre, or the Friends of Foundation de France, or Friends of China Heritage Fund, as well as Doctors Without Borders USA. No one

FOS is the same, each is unique, with a custom design largely shaped by the board leaders and the strategy behind them.



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The USA Internal Revenue Service (the "IRS") has approved two structures for distinct types of "Friends of" organizations. The first type of FOS makes grants to a foreign charity, and the second actually controls the operations of the foreign charity. In either case, the structure will succeed or fail based on the U.S. charity's exercise and documentation of what the government refers to as "discretion and control."

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FOS's generally exists to provide a tax deduction to the donor who wishes to support a foreign charity, but who would not otherwise receive that tax deduction if they gave directly to you. Further, by giving to a FOS, the donor protects themselves from violating the USA Patriot Act which is in place to assure that funds only go to democratic organizations. Moreover, since the USA is a nation of immigrants, it's usually the case that a large group of people are here with a similar heritage or language or culture as your homeland that are passionate about maintaining their ties. By establishing a FOS you can tap into their passion to connect with you.

In the US, the term FOS has various legal meanings. For our purpose, we mean an organization legally formed in the US that collects funds to support an overseas agency.

The FOS must meet three basic legal requirements:

1. It must be independent of your NGO.
2. Your NGO may not control the US FOS or dictate its operations.
3. The majority of the FOS Board of Directors may not be comprised of staff or Board members of the NGO to whom the funds are going. Note the does not mean you can't have your staff or board members on the FOS Board, they just can't comprise a majority.

Important to note is the prohibition against funds from the US simply passing through to your NGO. The Friends of Board is required to exercise stewardship in granting its funds, meaning they should ask for a proposal of what you need the funds for, and a subsequent report on how the funds were used, which is pretty much the normal transparent grant making process. A FOS can be seen as a private foundation, in that it makes grants, but it has only one possible grantee, your organization.



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Speaking of U.S. private foundations, they are greatly involved in international giving. It is true that a private foundation can give directly to foreign charities, but many U.S. private foundations, prefer giving overseas indirectly through a "FOS" because they wish to assure that their funds are used as intended, and that someone is monitoring the reporting functions, so giving through a FOS is an attractive option.

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As we close, if you would like to establish a USA FOS, or revitalize an existing one, please give me a call. Because each FOS is unique, I'd like to listen to your ideas and respond with a thoughtful proposal that defines next steps.

LAPA Fundraising has been honored to work with Jhpiego, the international health organization affiliated with Johns Hopkins University, serving more than 50 countries worldwide each year; with Sightsavers for the Blind based in the UK, with COOPI in Italy, Neighbors To Nicaragua in Central America, and Saving the Children Bolivia, just to name a few.

I hope we too may work with you very soon. I look forward to hearing from you, through our web site, www.LAPAFundraising.com. You can also find our videos at YouTube under LAPA Fundraising. Or call me on Skype at laurenceny1 or by email lpagnoni@lapafundraising.com