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ACCOUNTING & AUDIT

Due Diligence is Critical in Charitable Donations

Most Americans make the majority of their donations to charitable organizations at year end. But whether the donation is made in April or October, the same due diligence should be performed.

Mary Girsch-Bock • May. 03, 2021



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diligence should be performed.

If your clients are struggling with providing you with the correct documentation for their donations, or they're giving to organizations that are not properly vetted, here are a few things they can do to make your life easier and ensure that they get the proper credit for their charitable donations.

- Check the organization's 501(c)(3) status. There are other types of organizations that accept contributions and allow donors to take a deduction, but they vary, depending on the type of organization.
- Always get a receipt; particularly if a donation is more than \$250.00. Donors should not have to ask for a receipt – they should be automatically provided. However, a nonprofit organization is required to provide those making a donation in excess of \$250 a receipt.
- Make sure they are a legitimate organization. This is particularly important when giving to an organization for the first time. Quite frankly, there are a ton of organizations out there, all trying to obtain a donor's hard-earned dollars. Your clients should always take a few minutes to do some checking to make sure that the organization is actually performing the work they say they are before making any contribution.
- Is the organization transparent? Is there information on how donations are used? Is there an adequate amount of money going directly towards programs? It's important to remember that most nonprofit organizations wouldn't exist without staff members providing their expertise, managing programs or handling finances. That said, if overhead is the only thing currently being funded, your clients should give their hard-earned dollars to a more deserving organization. For more detailed information on any nonprofit, your client can visit [GuideStar](#), [Give](#), or [Charity.org](#), where they can view detailed financial information on the organization in question, including prior year 990s.
- If your clients are planning on taking a tax deduction for their donation, they must ensure that it's in the hands of the organization on December 31st, or they'll have to wait until next year to take that deduction.
- Remind your clients that there are other ways to support their favorite nonprofit, including donating stocks and bonds, or making a charitable bequest to the organization. Prior to doing one of the above, they should speak to the organization to be sure that they're equipped to handle these alternative donation methods.

If your clients spend a little time vetting an organization prior to giving, handling their charitable giving at year end becomes a much easier proposition.

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