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Financial Controls & Due Diligence Policy

ADOPTED BY THE BOARD OF DIRECTORS • JULY 20, 2026

Section 1 Purpose & Scope

Amended and Restated Bylaws § 9.02 requires Atlanta Israel Coalition, Inc. (AIC) to adopt and periodically review a standalone Financial Controls and Due Diligence Policy addressing (a) recipient due diligence for grants and contributions to other organizations, domestic and foreign; (b) OFAC compliance procedures; (c) the U.S. Department of the Treasury's "Voluntary Best Practices for U.S.-Based Charities"; and (d) internal financial controls and segregation-of-duties standards. This policy is that instrument. Sections 3–6 track those four requirements in order.

This policy applies to every director, officer, and volunteer of AIC, and to every disbursement AIC makes. The Treasurer is responsible for its operation and reports on it to the Board annually (§ 6.07(a)). The Board may revise it by resolution without amending the Bylaws.

Section 2 AIC's Actual Risk Profile

A policy calibrated to the wrong organization does not get followed, and a control AIC does not actually perform is worse than one it never adopted — under OFAC's enforcement guidelines the agency weighs the compliance program an organization *had*, and a written control demonstrably ignored is an aggravating fact rather than a mitigating one. So this policy states AIC's real posture:

- AIC is entirely all-volunteer. It has no employees and no paid staff, and compensates no one.
- AIC's programming is domestic — education, advocacy, and community events in metro Atlanta. This activity carries essentially no sanctions exposure.
- AIC's sanctions exposure sits in one place: outbound grants or contributions to other organizations, principally non-U.S. ones. Israel is not a sanctioned jurisdiction. The realistic failure mode is not a knowing transfer to a designated party; it is an inadvertent match against an intermediary, a grantee's sub-grantee, or a name collision.
- AIC is a federal subrecipient. It is awaiting a FEMA/GEMA Nonprofit Security Grant Program subaward, which brings the Uniform Guidance record requirements in § 6.5 into force.

The procedures below are sized to that profile.

Section 3 Recipient-Organization Due Diligence

This section applies whenever AIC makes a grant or contribution to another organization. It does not apply to ordinary vendor purchases (Section 6 governs those) or to program spending on AIC's own activities.

3.1 Before the first disbursement

No grant or contribution to another organization is disbursed until the Treasurer has confirmed and documented each of the following:

1. Identity. The recipient's full legal name, address, and — for U.S. recipients — EIN.
2. Charitable status. For a U.S. recipient, confirmation of current 501(c)(3) status via the IRS Tax Exempt Organization Search. For a foreign recipient, the equivalent registration in its home jurisdiction.
3. Purpose. A written statement of the charitable purpose the funds will serve, and confirmation that it falls within AIC's own exempt purposes under Bylaws § 2.01.
4. Sanctions screening. The screen required by Section 4.
5. Principals. The names of the recipient's directors and officers, screened under Section 4.

3.2 Foreign recipients — additional steps

For any recipient organized outside the United States, AIC additionally:

1. Obtains and retains the recipient's governing documents and its most recent financial statement or annual report.
2. Requires a written grant agreement containing, at minimum: the charitable purpose; a covenant that no portion of the funds will be used for, or retransferred to, any person or entity subject to U.S. sanctions; a covenant that funds will not be used to support violence or terrorism; a requirement of written reporting on use of funds; and AIC's right to audit and to demand return of misused funds.
3. Requires the recipient to identify any sub-grantee before funds reach one, and screens that sub-grantee under Section 4.
4. Disburses by traceable means only — wire or check to an account in the recipient's own legal name. AIC does not disburse grant funds in cash, to a third party's account, or to an account in a jurisdiction unrelated to the recipient's operations.

3.3 Ongoing

Recurring recipients are re-screened under Section 4 and re-confirmed under § 3.1 annually. AIC obtains written confirmation of how prior funds were used before making a further grant to the same recipient.

3.4 Records

Every item collected under this section is retained for the period in § 6.5 and under the Document Retention & Destruction Policy.

Section 4 OFAC Compliance Procedures

4.1 The obligation

The Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury administers U.S. economic sanctions under the International Emergency Economic Powers Act (IEEPA), 50 U.S.C. § 1701 et seq., and related authorities, including Executive Order 13224 of September 23, 2001, *Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism* (66 Fed. Reg. 49079). Every U.S. person, including AIC, is bound.

Civil liability does not require knowledge. IEEPA's civil penalty provision, 50 U.S.C. § 1705(b), is silent as to mental state, while its criminal provision, § 1705(c), reaches only a person who "willfully" violates. OFAC accordingly describes its civil penalties as "generally based on a strict liability legal standard," under which a U.S. person "may be held civilly liable for sanctions violations even without having knowledge or reason to know" of the violation, while noting that it considers the totality of the facts in setting any enforcement response. AIC therefore screens rather than relies on good faith.

4.2 The screen

Before the first disbursement to any grant or contribution recipient — and before any transaction AIC has reason to believe involves a foreign person or a foreign financial institution — the Treasurer (or a person the Treasurer designates who holds neither the custody nor the recording function under § 6.1) shall:

1. Search the recipient organization's legal name, any known alternate or trade names, and the names of its principals against OFAC's Sanctions List Search tool at `sanctionssearch.ofac.treas.gov`, which covers the Specially Designated Nationals and Blocked Persons (SDN) List and OFAC's other sanctions lists.
2. Save the dated result — a PDF or screenshot showing the search terms, the date, and the outcome — to AIC's records. An undocumented screen is treated as no screen.
3. Repeat the screen annually for any recurring recipient, and whenever AIC learns of a change in a recipient's principals or control.

Screening at the relationship or conversation stage is not required. The control point is payment.

4.3 The 50 Percent Rule

Under OFAC's *Revised Guidance on Entities Owned by Persons Whose Property and Interests in Property Are Blocked* (August 13, 2014), an entity owned in the aggregate, directly or indirectly, 50 percent or more by one or more blocked persons is itself blocked, whether or not it appears on any list. Ownership aggregates across multiple blocked persons and across sanctions programs. Where AIC proposes to fund a foreign entity with a corporate ownership structure, the Treasurer shall obtain its ownership information and apply this rule. The rule turns on ownership, not control;

an entity controlled but not 50-percent-owned by a blocked person is not automatically blocked, but warrants caution and Board consultation.

4.4 On a hit

If a screen returns a possible match, the person screening shall immediately:

1. Stop. No funds move.
2. Attempt to resolve whether the match is genuine (compare full name, address, date of birth, and other identifiers against the list entry).
3. If the match cannot be ruled out, notify the Board President and the Treasurer, and make no disbursement pending Board direction and, if warranted, consultation with counsel and OFAC. Blocked property may carry reporting and blocking obligations; AIC does not simply decline the transaction and move on.

4.5 Proportionality

OFAC's *A Framework for OFAC Compliance Commitments* (May 2, 2019) describes five essential components of a sanctions compliance program: (1) management commitment; (2) risk assessment; (3) internal controls; (4) testing and auditing; and (5) training. The Framework is expressly risk-based and scales to an organization's size and sophistication. AIC adopts the five components at the scale its risk profile (Section 2) warrants:

Component	What AIC actually does
Management commitment	The Board adopted this policy by resolution and assigns the Treasurer responsibility for it.
Risk assessment	Section 2 states AIC's risk profile; the Treasurer revisits it in the annual report to the Board.
Internal controls	Sections 3, 4, and 6.
Testing and auditing	The Treasurer's quarterly review (§ 6.3) tests whether required screens were performed and documented.
Training	The Board Member Orientation covers this policy; the Treasurer briefs any volunteer who handles a disbursement.

AIC does not maintain a dedicated compliance function, automated screening software, or an independent audit function, and does not represent to any funder that it does.

Section 5 Treasury "Voluntary Best Practices for U.S.-Based Charities"

5.1 The document and its status

AIC has reviewed the U.S. Department of the Treasury's *Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities*, in its revised version of September 29, 2006 (the current and most recent version). The Guidelines address governance accountability and transparency, financial accountability and transparency, programmatic verification, and anti-terrorist-financing practices.

5.2 What AIC takes from the Guidelines

Consistent with the Guidelines' approach and proportionate to AIC's size, AIC:

1. Governs accountably — adopted bylaws and a full governance policy suite; keeps minutes and written consents as permanent records; reviews board composition annually.
2. Is financially transparent — makes its Form 990, Form 1023, bylaws, Conflict of Interest Policy, and financial statements publicly available under Bylaws Article XI; submits the Form 990 to every director before filing.
3. Verifies its programs — confirms that funds granted to another organization were used for the stated charitable purpose before granting again (§ 3.3).
4. Applies anti-terrorist-financing practice — the due diligence in Section 3 and the sanctions screening in Section 4, including the vetting of recipient principals and the traceable-disbursement rule.

Section 6 Internal Financial Controls & Segregation of Duties

6.1 The three functions

AIC separates its financial work into three functions. The Board designates the person holding each by resolution, and may re-designate at any time without amending this policy.

Function	Held by	What that person may not do
Custody — holds and uses the corporate debit and credit cards	The persons the Board designates by resolution	May not use a card for any personal expense.
Recording — bookkeeping, reconciliations, payables/receivables, financial reports	The persons the Board designates by resolution to conduct bookkeeping and financial operations	No authority to execute contracts (§ 7.01) or contract loans (§ 7.04) except as the Board designates by resolution.
Oversight — independent review, approval above threshold, reporting to the Board	The **Treasurer** (Bylaws § 6.07(a))	May not delegate the § 6.3 review to any other person holding the custody or recording function.

6.2 Authorization thresholds

Transaction	Authorization required
Ordinary-course operating expense **$10,000 or under**	Executive Director, within the approved budget or program plan.
Single transaction **over $10,000** — or a series of payments to one payee totalling over $10,000 within any 30-day period	**Treasurer's advance written approval** (email suffices).
Any grant or contribution to another organization — **regardless of amount**	Sections 3 and 4 of this policy, plus the threshold above.
Any expenditure of **federal award funds**	§ 6.5, in addition to the threshold above.
Any loan	Board resolution (Bylaws § 7.04). No exceptions.

6.3 The Treasurer's review

No less than quarterly, the Treasurer shall:

1. Obtain statements directly from the source. Bank and payment-card statements come to the Treasurer from the institution or from AIC's own online access — not forwarded by the person whose activity they record. This is what makes the review independent.
2. Reconcile the statements against the books maintained under the recording function (§ 6.1), and investigate every discrepancy to resolution.

3. Sample-test transactions against source documentation (receipts, invoices, grant agreements), covering at minimum every transaction at or above the § 6.2 threshold and a sample of those below it.
4. Confirm that every § 6.2 advance approval that was required was in fact obtained in advance, and that every OFAC screen required by Section 4 was performed and documented.
5. Record the review — date, period covered, what was tested, what was found, what was resolved — and retain it with the corporate records.

6.4 Annual and other duties

The Treasurer shall additionally: review the annual financial statements and the Form 990 (including Form 990-N or 990-EZ) before filing (Bylaws § 6.07(a), § 11.04); report to the Board no less than annually on AIC's financial condition and on the adequacy of its internal financial controls; and report to the Board immediately, without waiting for the annual report, on any suspected misuse of funds, any unresolved discrepancy, any possible sanctions match, and any failure of a control in this policy.

Upon AIC reaching $500,000 in annual gross revenue, the Audit and Finance Committee required by Bylaws § 5.02 assumes the oversight function in § 6.3 and § 6.4, and the Treasurer reports to it. The Board may form the committee earlier by resolution, and should consider doing so if AIC's revenue or grant activity grows materially before that trigger.

6.5 Federal award funds

While AIC holds a federal award or subaward, the Uniform Guidance applies to those funds in addition to this policy. Under 2 C.F.R. § 200.334, AIC must retain all federal award records for three years from the date it submits its final financial report, subject to the exceptions in that section — including that records must be retained until resolution and final action where litigation, a claim, or an audit begins before the period expires, and that records for real property and equipment are retained for three years after final disposition. For a security-equipment grant such as NSGP, the equipment-disposition clock is likely to run well past the final-report clock and is the longest retention period AIC carries. Federal award funds are tracked in AIC's books so that every expenditure of them can be identified and traced to source documentation.

6.6 Other standing controls

1. No cash disbursements. AIC disburses by check, card, or electronic transfer only. Cash received at events is counted by two people, documented, and deposited intact.
2. No commingling. AIC funds are held in accounts in AIC's own name at depositories the Board selects (Bylaws § 7.03). No AIC funds are held in any personal account.
3. Board access. The Board may inspect any financial record of AIC at any time. No officer's personal account or device is the sole point of access to any AIC financial record.

4. Reporting a concern. Anyone who suspects a violation of this policy reports it under the Whistleblower Policy, which routes reports away from any person the report concerns.

Section 7 Review

The Treasurer reviews this policy annually and recommends any revision to the Board. The Board reviews and, if appropriate, revises it by resolution — no bylaw amendment is required (Bylaws § 9.02). The annual review shall confirm that the citations in Sections 4 and 5 remain current.