

Minutes
Ohio Charitable Advisory Council
Feb. 13, 2008
Office of the Ohio Attorney General

Members present: Barbara Baker, chair; John Matesich, vice chair; Otto Beatty, Jennifer Campbell, George Espy, Mary Gallagher, Joyce Garver Keller. **Others present included:** Beverly Cooper, Ted Hart, Susan Anielski, Jessica Hart, and Attorney General staff members Monica Moloney and Beth Short. **Connected by telephone** were Council members Elaine Woloshyn and Barbara Kraig, and Marci Curtis from Peggy Zone Fisher's office.

1. **Call to order.** Meeting was called to order by Council Chair Barbara Baker.
2. **Minutes.** Participants were welcomed and introduced. On motion of Ms. Gallagher, seconded by Mr. Beatty, minutes of the previous meeting were approved.
3. **Presentation from AG's office.** Assistant Attorney General Monica Moloney provided an overview of the various activities and responsibilities of the Attorney General's Charitable Law Section. She noted that oversight on charitable trusts is an ancient duty of attorneys general, tracing its roots to Elizabethan common law. Then, as now, the attorney general has the role of representing the interests of beneficiaries and standing in their shoes to protect the public trust.

She said there are various statutory schemes guiding the work of the office. There is a registration requirement for charitable trusts, which are construed broadly in the statute. She said the section has investigatory powers to look into allegations of abuse of trust, including instances in which trustees may be benefitting personally and inappropriately. There are about 24,000 charities registered with the office.

The solicitation act requires professional fundraisers and solicitors to register with the office and file various contracts between solicitors and charities. Ms. Moloney said there are criminal penalties for violations in this area.

Another focus centers on the responsibility to examine the activities of nonprofits when they sell or transfer assets, particularly when there are mergers taking place. It is necessary to ensure that charitable assets are expended in a manner supporting the intended charitable purpose.

A major area for the section centers on the responsibility to license bingo. There are very specific restrictions on what types of organizations are permitted under Ohio law to engage in charitable gaming and bingo. The section has investigative and administrative authority over these activities, which consume considerable resources within the office. Ms. Moloney noted that there were major changes to

the law in 2003 and that the section contracts with the Ohio Lottery Commission to assist in the licensing process.

Ms. Moloney explained that the office fields external and internal complaints about charitable organizations and uses a team investigation process to track each complaint. Many of the complaints do not rise to the level of a violation of law and may merely involve a personal dispute with or within an organization. Some complaints require a referral to other agencies. But many require investigative efforts from the office to determine next steps which can include a wide range of actions. She said that sometimes a letter might be sent to an organization expressing concerns, or meetings might be held with a board of trustees. Sometimes litigation and criminal charges might result, particularly when individuals have stolen from the organization.

She said that there are more than 200 open investigations in the office right now and that 150 cases would be a more ideal caseload. She estimated that 80 to 85 percent of the complaints center on bingo.

Council members asked for examples of who might lodge complaints. Ms. Moloney said that sometimes complaints about solicitors come from the children of elderly parents who express concerns about invoices for pledges that might have allegedly been made during a period of time when the parent was in the hospital, for instance. Some complaints come from staff members of a nonprofit alleging theft within the organization or expressing concerns about the charity operating for the personal gain of leaders. Some may come from bingo volunteers who have exact details about how cash is being skimmed off the revenues from bingo, she said.

Ms. Moloney said that she has seen a growing number of complaints in recent years from nonprofits that have become factionalized and there are disputes about who are the rightful members of a board of trustees. These seem most common in church settings and have sometimes resulted in one group locking another group out of a facility. She said that litigation is always a last resort for the office and that mediation and other approaches are often attempted in these and similar situations.

Ms. Moloney said that the Charitable Advisory Council would be an ideal sounding board for testing any new approaches, rules or statutory language that might affect the nonprofit community. She also thought the Council could be helpful in developing strategies for getting the word out, particularly to smaller organizations, about the importance of compliance and board responsibilities.

In response to questions, she noted that the office has an ongoing project that compares the lists of newly incorporated organizations from the Secretary of State's office with the list of organizations that have registered with the Attorney

General's office. Similar checks are done with the list of 501(c)(3) organizations from the IRS.

Ms. Moloney noted that in years past, the office did random financial reviews of organizations. However, those efforts had been reduced over time in an effort to better respond to complaints. The section is working toward increasing review and analysis of financial filings and that if more organizations would file with the Attorney General's office on-line, the ability to do so would increase, she said. The pros and cons of requiring online filings for all organizations, particularly those above a specific threshold, were discussed.

4. **Overview of materials.** Ms. Short briefly reviewed the various materials included in the Council book, noting that it contains references to popular sources of information within the nonprofit community. Mr. Matesich said it doesn't appear as if there is a void of information, but possibly an ignorance on the part of some in the charitable world about how to properly run their organizations. Ms. Moloney suggested that the Council could play a major role in suggesting strategies for community outreach, training, development of resources, etc., that would help reach the charitable community. There was a discussion about concepts in that area including partnering with other organizations that provide capacity-building assistance to organizations within the state, holding forums, an annual conference, sending speakers out, development of brochures, listservs and an enhanced web page. Concepts were also shared about generating automatic letters and messages to organizations when they complete certain required filings that would alert them to the availability of resources on the web that might be helpful.

Mr. Beatty referenced some of the draft policies that were prepared during a previous Administration dealing with issues within the healthcare community. He expressed particular interest in further examining the issue of fair billing matters. It was noted that there have been recent media reports that Attorney General Dann has engaged in discussions with the Ohio Hospital Association on some of these matters.

5. **Developing strategies.** There was some discussion about whether the group should identify specific topics that might need to be addressed. Ms. Gallagher suggested that conflict of interest statements are something that all nonprofits need to deal with and is an issue that has attracted some attention in the past. Ms. Campbell pointed out that the IRS has conflict of interest policies available and she suggested the group could avoid duplicating efforts that others have already undertaken. Ms. Keller noted that while many large charities may be aware of the various resources available, smaller groups may lack the sophistication. She explained the work of the Governor's Office of Faith-based Initiatives and its efforts to reach out to small, grassroots organizations. Possible partnerships between that office and the Charitable Law Section were discussed. Mr. Espy suggested building a list of organizations that do capacity building work with

nonprofits, identifying what they do and who they serve, and then trying to establish strategies for reaching organizations that are not being served by the existing networks. It was agreed that Council members would send suggestions for that list to Ms. Short in the Attorney General's office.

Council members continued to brainstorm various concepts about how the Attorney General's office could be helpful. Networking organizations that work with nonprofits could be a possible strategy, some suggested. Listservs, forums and conferences with this group could be helpful in the future. The difficulties of keeping a calendar of trainings throughout the state for nonprofits was also debated. Developing mechanisms for electronic messages and linkages when organizations file with the IRS and the Secretary of State was mentioned. Building linkages with statewide organizations that do conferences about nonprofit activities and providing speakers or materials was also mentioned.

6. **Meeting Schedule.** Ms. Baker referenced a list of tentative meeting dates for the Council for the rest of the year. Council members agreed that if there was no business for the Council, meetings could be cancelled. Meeting dates for the rest of the year include April 9, June 11, August 13, Oct. 8 and Dec. 10.
7. **Adjournment.** Ms. Baker reviewed the issues discussed at the meeting and reminded Council members to forward the names of organizations that work with nonprofits to Ms. Short. The meeting was adjourned.

Respectfully Submitted,

Beth Short