

A Charity Guide for Businesses

How to Review Requests and Avoid Scams



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Dear Business Leader,

As a valued member of your community, you may be called upon to support local or national charities.

Many charities provide important services that citizens rely on and value, but sadly, some scam artists take advantage of Ohioans' generosity by collecting funds for fake charities and then pocketing the money.

To help you navigate charitable requests and avoid scams, my office has created this guide, which outlines how businesses can limit the damage caused by charity scammers, identify potential problems, and address other issues that may arise when businesses engage with charities.

We encourage you to ask questions, to research charities, and to report suspicious charitable activity to the Ohio Attorney General's Office.

For additional guidance or to request a presentation on the ways that charities and businesses interact, please contact my office at **800-282-0515** or **www.OhioAttorneyGeneral.gov**.

Very respectfully yours,

Mike DeWine
Ohio Attorney General

Introduction: Supporting Charities

Ohio's business community has always exhibited strong support for the charitable sector. Whether providing financial gifts for area charities, encouraging philanthropy among employees, supporting volunteerism, or serving on boards of directors, the business community can be seen leading the way in supporting efforts that make a difference in the lives of Ohioans.

This type of enlightened corporate citizenship is appreciated and makes a significant difference.

The Ohio Attorney General's Charitable Law Section regulates the charitable sector in this state by trying to ensure that charities make responsible use of the assets entrusted to them and taking strong enforcement action against sham charities that take advantage of the generosity of Ohioans.

As business leaders, you have special skills that can help reduce the effect that con artists have on the charity community. This guide outlines several issues that often impact businesses and charities, and it offers guidelines that can help you make an informed response.

The Attorney General's Charitable Law Section encourages anyone with concerns about fraudulent charitable activities to file a complaint with the Ohio Attorney General's Office online at **www.OhioAttorneyGeneral.gov** or by calling **800-282-0515**. Our goal is to help protect charitable funds and enhance the accountability and integrity of the sector.

We also provide a number of reference materials on our website to help those involved with charities. Board governance is a critical responsibility for charitable board members. In addition to monthly webinars on the legal responsibilities of board members, we are happy to provide live trainings on that essential topic if members of multiple organizations are involved. If you are interested in hosting training in your community, please send an email to **CharitableLaw@OhioAttorneyGeneral.gov**.

Evaluating Charities

Some people who set up charities are not filled with a passion for an important cause, but instead see it as a way to line their pockets. When deciding which charitable endeavors to support, please ask questions.

Many retail corporations routinely permit local charity representatives to solicit their customers by setting up tables near their store's entrance where they can collect contributions or sell items to customers. This is a generous act that can raise visibility of local issues and greatly assist a charity in garnering financial support.

But before granting a charity permission to solicit, determine whether the organization is legitimate. Far too often, groups that collect contributions in this way are shams. Scam artists are happy to capitalize on the generosity of your customers, who may believe they are making a difference by contributing, but the funds are not used for charitable purposes.

Unfortunately, issues affecting veterans, police, firefighters, and disaster-relief efforts are some of the more common causes that scam artists pretend to support or represent. Children's causes and health issues are also attractive themes for fraudsters to use.

Best practices for allowing charities to partner with you and your business:

1. Create a basic approval form for charities to complete before they are permitted to set up donation tables. A sample approval form is included at the end of this publication. The form should ask for basic information about the charity, including its address, phone number, federal employee identification number (EIN), what year it received its tax exempt status as a 501(c)(3) group, and the names and contact information of three local representatives. Also ask the organization how it will use the funds it raises. Invite the organization to also provide any brochures or other information that might help you reach your decision. Ask to snap a quick photograph of the person submitting the approval form — many scam artists will refuse to have their picture taken.
2. Check with the Ohio Attorney General's "Research Charities" online search function to determine if the charity is properly registered. (This tool is available in the "Services for Charities" section of the Ohio Attorney General's website, www.OhioAttorneyGeneral.gov.) Most Ohio charities and others that solicit Ohioans for gifts must register. (Churches are not included in the charitable registration system.) The information provided in the search will indicate if the group is in compliance with its registration requirements and also will indicate whether an organization has been approved by the IRS for 501(c)(3) tax-exempt status and therefore eligible for tax-deductible donations. If the organization is not listed, call the Ohio Attorney General's Office at **800-282-0515** to find out whether there is a problem.

3. Contact local charity leaders, who are often a good source of information. If a group professes to help local veterans in need, contact the local veterans service commission or other veteran leaders in your community to see if anyone is aware of the accomplishments of the organization. Consider contacting the local United Way or community foundation to see if the name of the organization is recognized by those who routinely navigate the charitable community.
4. Look up the charity's 990 form. Charities, other than churches, are required to submit annual 990 returns to the IRS. These returns outline the financial activities of a charity and can provide a glimpse into what types of programs might be provided and how effective the charity might be. The returns are publicly available at www.Guidestar.org. Watchdog groups, such as CharityWatch, Charity Navigator, and the Better Business Bureau Wise Giving Alliance also may have reviews available on the organization.
5. Do a Web search of the organization's name and the names of the individuals listed on the approval form. Does the organization have a presentable website? Does its online information seem to match the written information provided to you?

A little bit of due diligence and good business sense can ensure that your company's generosity is aimed at legitimate organizations. There are plenty of outstanding groups that would love to leverage your corporate support into charitable gifts. Make sure the charities you support are worthy of your partnership.

If you run into red flags and have suspicions about the legitimacy of any charitable organizations in your community, please contact the Ohio Attorney General's Charitable Law Section.

Avoiding Quarter Auctions and Other Illegal Schemes of Chance

Ohio Revised Code (ORC) Section 2915 spells out the limitations on schemes of chance and other illegal gambling activities. The section also explains the requirements for charitable organizations seeking a bingo license from the Ohio Attorney General's Office.

Quarter auctions, which are a combination of a raffle and an auction, should be avoided for marketing purposes. The Attorney General's Charitable Law Section has received a number of complaints about businesses using quarter auctions as a way to raise interest in their products. This concept is often used by direct marketing firms or representatives who charge participants for paddles that can then be used to bid on specific products.

While this may seem to be an exciting way to get products, such as candles, baskets, or cosmetics, into the hands of potential clients at a lower cost, it is an illegal scheme of chance under Ohio law.

Letting Charities Conduct Raffles

Each year, the Ohio Attorney General's Charitable Law Section receives some complaints about businesses running illegal raffles for charities. Well-meaning business leaders often sell raffle tickets

to employees in connection with local charitable fundraising campaigns that often happen in the workplace. All the proceeds end up going to charity. It seems like a good idea because staff members get excited about winning prizes and a local charity benefits. But, in the state of Ohio, it's illegal.

The only entities in Ohio that can hold raffles are charitable organizations. That means the charity has to be directly involved in the raffle.

It is fine to promote the sale of a charitable organization's raffle tickets. It is also possible that the charity may be willing to work with you on developing a raffle that can be used in your workplace. But the charity must be involved in coordinating the raffle.

There are many great ways that businesses and their employees can help financially support great charities. If you are raising funds for a particular charity, get its permission in writing. Be sure that you are keeping records of the funds raised so that money isn't stolen or diverted from the charity, keep those records for three years in case any questions arise about the legitimacy of the effort, and always be honest in how the funds are raised, where they will go, and how they will be used.

Considering Collection Bins

Many residents are accustomed to seeing large metal containers in the parking lots of certain businesses throughout their community. They assume that when they deposit clothes or furnishings into these bins that some charitable cause will benefit. That's not always the case.

Before granting permission to have a bin located on your business property, understand the details. Is a real 501(c)(3) charity involved? Sometimes a for-profit entity with a very charitable-sounding name is the beneficiary. Professional solicitors, who are paid to raise funds on behalf of charities, are sometimes involved in arranging the placement of bins. In those cases, there must be contracts that specify what percent of the proceeds will go to the charity rather than the solicitor. Sometimes that percentage is surprisingly low.

Also find out how often the bins are checked to ensure that items aren't left outside when the box becomes too full. (In these situations, working with a locally based charitable organization may prove to be easier than working with an organization that has no local presence.)

Some business owners find bins that have been left in their lot without their permission. A call to the sponsoring charitable organization should resolve the issue, but if the charity involved refuses to address the problem, contact the Ohio Attorney General's Charitable Law Section.

Looking Into Point-of-Sale and Other Solicitations

Professional solicitors often approach businesses about other methods aimed at raising funds for charities. Gum and candy machines, point-of-sale displays for quarters or change from customers, and other strategies are often promoted.

In these cases, the precautions recommended for the bins also apply. Ensure you know whether a legitimate charity is involved and has given permission for the solicitation, and find out what percentage of the proceeds will be directed to the charity.

Allowing Sports Pools

In Ohio, sports pools are legal as long as nobody profits. In other words, if all of the money going into the pool goes out to players, it is legal. But if the organizer keeps a percentage, even if that portion goes to charity, it is an illegal scheme of chance that could carry criminal sanctions.

Hosting Gambling Events for Charities

While charities generally are permitted to conduct casino nights and other gambling-related fundraising events, there are many requirements and restrictions connected with their operation. Many organizations don't realize that it is illegal to hold these events in hotels or restaurants. In fact, the only places where charities are permitted to host such fundraisers are at their own premises or in space leased from either a governmental entity or veteran or fraternal organization.

Additionally, these events must be volunteer-led. It is illegal to pay commissions, wages, tips, or other forms of compensation to those involved in these games of chance.

Ohio law prohibits craps and roulette from being included in fundraisers. Additional restrictions also apply and can be found in ORC 2915, which discusses charitable gaming and bingo. Violations can result in criminal charges.

Purchasing Ads on Folders, Programs, or Calendars

Businesses may be contacted to purchase advertisements on folders or calendars for use by local schools or other charities. In some instances, however, the charities were not aware of the arrangement and never received funds or materials in connection with the sales solicitation. If you are considering making a purchase in order to support a community cause, check with the organization to make certain it is a legitimate request.

Lending a Hand to the Charitable Community

Many people serve on the boards of charities because of a personal passion they feel for the cause or programs provided by the group. But many of these committed volunteers lack the keen business or management skills needed for the safe and sound operation of a charity.

Service on charitable boards can be an excellent way for junior managers to develop new skills that can enhance their value to your organization and make a difference in your community. Consider contacting your United Way or other local charities to find out whether they need help.

Charities also can benefit from expertise in areas such as human resources, finance, marketing, and information technology. Consider participating in short-term projects to assist charitable organizations in updating their policies or accomplishing specific projects.

Charitable board members have important legal duties: duty of care, duty of loyalty, duty to maintain accounts, and duty of compliance. The Ohio Attorney General's Charitable Law Section offers multiple resources for board members, including a publication and a monthly webinar on the legal duties of charity board members.

Application for Charities to Raise Funds or Solicit Donations on _____ Premises

Name of company here

You must obtain approval to raise funds or seek donations on the premises. Complete this form to request approval. Please attach brochures or other materials about your organization to help us make a decision. After considering your request, we will contact you.

Date of application: _____

About the Organization

Name of organization: _____

Address: _____

City: _____ State: _____ ZIP: _____

Phone number: _____ Email: _____

Website: _____ Federal EIN: _____

Is this a 501(c)(3) organization? Yes No

How long has the organization been in operation? _____

Is the organization in compliance with all filing requirements of the Internal Revenue Service and the Ohio Attorney General's Office? Yes No

Purpose of organization: _____

About Your Request

What date(s) would you like to raise funds on the premises? _____

What time of day? Morning Afternoon Evening

Have you previously had a fundraiser at our location? Yes No

What type of activity will you conduct? (Will you set up a table or other equipment? Will you hand out leaflets or brochures? How many people will be involved? Will you collect cash? Will you sell food or other items? If so, what will you sell?) Please provide a detailed description.

How will the funds be used? _____

About the Applicant

Name of applicant: _____

Address: _____

City: _____ State: _____ ZIP: _____

Phone number: _____ Email: _____

Do you agree to have your photograph taken in connection with this request? Yes No

Signature: _____ Date: _____

References

Please list the name and contact information of two local references, besides yourself, who can discuss your organization and its services.

Name of reference: _____

Phone number: _____ Email: _____

Name of reference: _____

Phone number: _____ Email: _____



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How to contact us

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