

Ohio Attorney General's Nonprofit News

Protecting the Integrity of Nonprofits



Summer 2015

A \$187 Million Sham? Four Cancer Charities Targeted in Historic Crackdown

Ohio Attorney General Mike DeWine, along with the other 49 states and the Federal Trade Commission (FTC), filed a joint federal lawsuit accusing four cancer charities and their operators of bilking more than \$187 million from consumers throughout the country.

The lawsuit alleges that the Cancer Fund of America, Cancer Support Services, Children's Cancer Fund of America, and The Breast Cancer Society are sham charities created by James Reynolds Sr. and his extended family and friends primarily for their own benefit.

Two of the four charities — Children's Cancer Fund of America and The Breast Cancer Society — agreed to dissolve under settlements filed with the lawsuit in federal court in May 2015. The case against Cancer Fund of America and Cancer Support Services is ongoing.

The charities claimed to give direct support to cancer patients by providing pain medication, transportation to chemotherapy, hospice care, or other services. According to the states and the FTC, however, the majority of donations were used primarily to benefit the people who ran the charities, their family and friends, and their fundraisers (not cancer patients).

"At every turn, the individuals behind this scheme put themselves and their money ahead of the cancer patients they claimed to help," Attorney General DeWine said. "Using cancer patients as a stepping stone to build a personal fortune is just terrible."

The defendants are accused of using the organizations as sources of lucrative employment for family members and friends, and spending consumer donations on cars, trips, luxury cruises, college tuition, gym memberships, jet-ski outings, dating site memberships, and concert or sporting event tickets. The professional fundraisers they hired often received 85 percent or more of every donation.

To hide their high administrative and fundraising costs from donors and regulators, the defendants allegedly inflated their revenues by reporting over \$223 million in donated "gifts in kind" which they claimed to distribute to international recipients. In fact, the defendants were merely pass-through agents for such goods. By reporting the inflated "gifts-in-kind" donations, they created the illusion that they were larger and more efficient with donors' dollars than they actually were.

In the lawsuit, the FTC and the states charge the defendants with: misrepresenting how contributions would be used; misrepresenting specific program benefits; misrepresenting revenue and program expenses related to international gifts in kind; and misrepresenting that the primary focus of their reported programs was to provide direct assistance to individuals in the United States.

Suspected charitable fraud should be reported to the Ohio Attorney General's Office at www.OhioAttorneyGeneral.gov or 800-282-0515.

Over 1,500 Charitable Organizations Licensed for Bingo Year

More than 1,500 organizations have been granted bingo licenses this year under the new licensing system administered by the Ohio Attorney General's Charitable Law Section.

In previous years, the office contracted with the Ohio Lottery Commission to handle the administrative details of the licensing process and site visits to organizations.

Those functions were taken over by the Attorney General's Charitable Law Section in July 2014 in hopes of providing enhanced services to the charitable community by having all bingo functions under one roof.

So far this year, 1,531 charitable organizations had been granted licenses at 2,494 locations as of June 26, 2015. Charitable organizations are permitted to seek licenses for multiple locations within their county for the sale of instant tickets at a variety of retail settings, such as restaurants, bars, or gas stations.

Questions about bingo licensing and other requirements, as well as requests for technical assistance, can be directed to the Ohio Attorney General's Office at 800-282-0515 or by sending emails to CharitableBingo@OhioAttorneyGeneral.gov.

Leaders of charitable organizations considering a bingo license should attend Bingo School training where the various legal and recordkeeping requirements for bingo licensure are reviewed. Those trainings are held throughout the state and participants can register online at www.OhioAttorneyGeneral.gov/Business-and-Non-Profits/Bingo-Operator/Bingo-School.aspx.

Monthly Webinars Available

In addition to Bingo School and other in-person trainings, the Ohio Attorney General's Charitable Law Section offers two webinars each month for charitable leaders. On the first Wednesday of each month at noon is a webinar on the basics of nonprofit board governance. A noon webinar on the third Wednesday of each month discusses charitable registration.

Those interesting in participating in either webinar can register online at www.OhioAttorneyGeneral.gov/Business-and-Non-Profits/Charity/Resources-for-Nonprofit-Board-Members.aspx.

Professional Solicitors Registering Under a New Online System

The Ohio Attorney General's Office has unveiled the first phase of a new online system for professional solicitors who are paid to raise funds for charities.

Under state law, professional solicitors must register each year with the Ohio Attorney General's Office before engaging in any solicitation campaigns that request support from Ohioans.

This annual registration process collects information about the solicitor and its company, and also requires that the solicitor be bonded for \$25,000.

For the first time, this year's registration process has been completed online in a new system that has been under development for several years. More than 100 professional solicitors have completed the

online registration process for the year, and others are expected to register prior to beginning any campaigns in Ohio.

In coming stages of implementation, the new solicitation system also will allow solicitors to complete their campaign notices and financial reports online. Representatives from the charities employing solicitation firms also will need to affirm the information provided in the system. This information will be made available to the public. The rest of the system should be unveiled later this year.

Under Ohio law, professional solicitors must file notices with the Attorney General's Office, including a copy of the contract with the charity, the dates of the campaign, how much of contributions collected by the campaign will be maintained by the solicitor, and other information regarding the campaign. Solicitors also are required to report at least annually on each of the campaigns to show how much was collected and how funds were split between the charity and the solicitor.

Information about active solicitation campaigns in Ohio can be found at www.OhioAttorneyGeneral.gov/Business-and-Non-Profits/Professional-Solicitors-and-Fundraisers.

Enforcement Actions

Efforts of the Attorney General's Charitable Law Section have led to the creation of a new scholarship trust for student athletes, a \$105,000 settlement with an out-of-state professional solicitor, and an agreement to dissolve a charity used to raise money for an alleged pyramid scheme.

Scholarship Trust Created from Proceeds of Charitable Fraud Case

A new scholarship trust has been established for graduating student athletes of Mansfield Senior High School using proceeds from the Mansfield Tyger All-Sports Booster Club charitable fraud case.

The Ohio Attorney General's Office estimates that approximately \$300,000 in scholarship funds ultimately will be made available as a result of civil and criminal actions against former booster club trustees who were accused of stealing money meant for students and using the funds for themselves.

Settlement Reached with Massachusetts Solicitor

Under a recent settlement with the Ohio Attorney General's Office, Massachusetts-based professional solicitor Integral Resources agreed to pay \$105,000 and to comply with Ohio's charitable laws when contacting Ohioans for donations. The settlement resolved a civil case brought by the Attorney General in 2013.

The 2013 lawsuit had accused Integral Resources of failing to notify potential donors that calls were coming from a professional solicitor (versus a charity) and misrepresenting how much of donors' contributions would go to charity.

While the case was pending, Integral Resources voluntarily ceased its Ohio solicitations. The settlement allows the business to resume its operations, as long as it follows the law.

Charity Agrees to Dissolve After Raising Money for Alleged Pyramid Scheme

The operators of Defining Vision Ministries (formerly known as Focus Up Ministries) have agreed to dissolve their charity after they used it to raise money for an alleged international pyramid scheme.

As part of the settlement, the defendants agreed not to hold a position with a charitable organization and not to sell securities in Ohio. They also agreed to turn over charitable assets to the Ohio Attorney General's Office to be used for charitable purposes.

The settlement resolved a 2013 lawsuit brought by the Ohio Attorney General's Office and Ohio Department of Commerce accusing the operators of using their charity to solicit funds for Profitable Sunrise – an alleged international pyramid scheme. Before it was shut down by federal and international authorities, Profitable Sunrise claimed to be a Christian company that would help charities and provide investors with large returns.