

January 8, 2019

Attorney General Mike DeWine
Attorney General-elect Dave Yost
30 E. Broad Street St., 14th Floor
Columbus, OH 43215

Via Electronic Delivery

Subject: Summary Report of Charitable Advisory Council

Dear Attorney General DeWine and Attorney General-elect Yost:

The Attorney General's Charitable Advisory Council was created in 2006 through Ohio Administrative Code to advise the Attorney General on proposed rule changes and training needs throughout the charitable sector. The current Council was appointed at the beginning of Attorney General DeWine's term and includes representatives with a variety of experiences within Ohio's charitable sector. The terms of the Council members expire with the term of the appointing Attorney General. Attorney General-elect Yost will have an opportunity to appoint new members of the Council.

It has been our honor to serve the Attorney General and your Charitable Law Section during our term. We hope you will find the enclosed report helpful.

Sincerely,



Charitable Advisory Council

Chair - Mary Gallagher, executive vice president and chief of staff at the Ohio Hospital Association

Suzanne Allen, president, Philanthropy Ohio

Jim Ashenurst, retired military

David Ball, Rosenberg & Ball Co., LPA

Janet Greenlee, associate professor, University of Dayton

Monica Moloney, attorney

Kip Morse, president, Better Business Bureau of Central Ohio

Stephanie Moulton, associate professor, Ohio State University

Thomas Poulson, chief financial officer, Willow Brook Christian Communities

Howie Beigelman, executive director, Ohio Jewish Communities

Ohio Administrative Code §109:1-1-10 Charitable advisory council.

(A) There is hereby established the charitable advisory council. The council shall consist of eleven members to be appointed by the attorney general and shall include members who represent a broad range of charities by size and purpose, including but not limited to representatives for grantmaking charities, charitable hospitals, charitable nursing homes and United Way organizations as well as members who possess general expertise in the management of charitable organizations. The council shall also include members who represent the interests of charitable donors and charitable beneficiaries. The members shall annually vote to elect one of its members to serve as chairperson. All members shall serve at the pleasure of the attorney general, with all terms expiring no later than the term of the appointing attorney general.

(B) The attorney general shall not compensate members of the charitable advisory council and shall not provide reimbursement to members for expenses that are incurred in the conduct of their official duties.

(C) The charitable advisory council shall advise the attorney general in determining training and educational needs of charitable organizations and model policies related to governance and administration of charitable organizations in accordance with fiduciary principles, assist the attorney general in identifying emerging issues and trends affecting charities, and advise the attorney general on other related issues at the request of the attorney general.

Charitable Advisory Council Summary Report

During the past eight years, the Council has routinely worked with members of the Charitable Law Section (the Section) to examine issues affecting the charitable sector, as well as some details related to how the Section undertakes its important responsibility to regulate the sector. Council members have routinely expressed their belief that providing strong oversight of the charitable sector protects the good charities of the state, its citizens and the countless beneficiaries of charitable programs throughout Ohio.

Online Charitable Registration System

The Advisory Council provided routine feedback to the Section on the development and implementation of the online charitable registration system. The Council supported the initiative because the development of the online system would allow the public access to the important information provided through the process. The new system also provided a number of benefits to users such as reminders, receipts, etc., that were not available with the paper registration system. The Council even provided people who helped test the system as it was entering its final phase of development. The Council expressed its strong support to a rule change requiring charities to make their filings electronically. Several other rule changes were adjusted to launch the new system. Council members also assisted in communications efforts to advise the state's charities, accountants

and others who commonly make the filings on behalf of charitable organizations of the change to the new electronic system.

Rule Changes and Legislative Changes

In addition to supporting rule changes connected with the initial launch of the online registration system, the Council supported all of the administrative rule changes presented by Section staff to clean up the language in the Administrative Code. The Council also supported language in the omnibus Attorney General bill that created late fees for professional solicitors and out-of-state charities that mirrored the statutory late fees imposed on in-state charities that have been a part of ORC 109 for decades.

The Council spent considerable time and study on the question of whether Ohio should impose in legislation an annual audit requirement for charities after they reach a threshold amount of assets or revenues. Several graduate students from the Ohio State University assisted by providing research on states that already have an audit requirement, as well as surveys among representatives of Ohio charities about their experience with and thoughts about mandatory audits. The Council also invited presentations from various experts on the issue, including the Ohio Society of CPAs. In the end, the Council did not take a position in support of or in opposition to an annual audit requirement. Several competing conclusions were reached. The Council was mindful that best practices suggest that large organizations have annual audits. But mandating the expense of undertaking an audit, particularly when the principal intent of audits is not to identify fraud, was not something that the Council felt it could recommend at this time. Feedback from CPA community was also mixed, so the Council tabled the issue.

Training and Resources

Members of the Council have been very committed to the Charitable Law Section providing board governance training across the state and have been personally involved with the Section's training initiatives. Because of the background of the Council members, they recognize how important appropriate board governance is in ensuring that charitable organizations make appropriate use of their resources. Volunteer board members routinely turn over every year in the 50,000-plus charitable organizations in the state and many have never spent any time discussing what their legal responsibilities are. Through the Council's guidance, Section staff initially conducted a number of surveys and determined that, with the exception of Columbus, Cleveland and Cincinnati, there were no routine providers of board governance training in Ohio's other 85 counties. Surveys were also conducted in conjunction with the Section's board governance training. Some of the Council members hosted specific trainings in their communities to better test assumptions about the training. Surveys were conducted both pre- and post-training that clearly showed that participants learned a substantial amount through the training. A follow-up survey was sent to the same participants two months later asking if any actions were taken as a result of attending the training. A substantial majority indicated that they had shared information and materials with fellow board members, had

reviewed existing policies and even adopted new policies as a result of the training. These findings confirmed the importance of the Section's training initiatives within the sector.

Another strategic conclusion adopted by the Council and staff was that the Section should not provide trainings on its own but should instead respond when invited by a host. It was believed that a local host would help elevate the importance and visibility of the topic in a way that a government-regulator could not on its own. There have been countless opportunities throughout the state to respond to invitations. The most common partners who call on the Charitable Law Section to provide board governance trainings are community foundations, United Ways, statewide associations, etc. The trainings have been well-received and many partners have requested repeat trainings over the years. The Section provided training in 2018 to more than 4,100 people.

The Section also provides monthly webinars on board governance and the charitable registration system. A pre-recorded version of the webinar is provided on the Section's web page for board governance. Numerous publications have been developed to provide guidance to charitable leaders and an electronic newsletter is routinely distributed by the Section.

From the Charitable Advisory Council's beginning, members suggested that the Section serve as a co-sponsor of the Ohio Association of Nonprofit Organization's annual conference. The \$10,000 co-sponsorship agreement has served as a way to elevate the visibility of the Section and its offerings and provided an opportunity to develop new partnerships for providing board governance training across the state.

Because of the positive response to the Section's training and resource initiatives throughout the state, the Council strongly believes those efforts should continue.

Enforcement

The Council has also concluded that the Section's enforcement efforts should be routinely promoted by the Attorney General's Office through media releases. News of enforcement activities sends a message that Ohio takes charitable fraud seriously and serves as a cautionary note to charities that have not yet adopted appropriate procedures and policies to protect their resources. It also serves as a consumer protection message about the importance of being a wise donor and may encourage the filing of complaints against questionable charities. Just as importantly, this type of media coverage sends a message to the charitable community that the office is taking its duties to protect the sector seriously and trying to make sure the fraudsters are held responsible for the damage they do to the integrity of the entire sector.

Conclusion

On behalf of the Charitable Advisory Council, thank you for the opportunity to play a role with the regulation of the vital charitable sector in Ohio and to work with the consummate professionals of the Charitable Law Section, including Pete Thomas and Beth Short. We especially commend the

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work of Beth Short, the Council's lead staff, who served as an invaluable resource to the Council and the charitable sector in Ohio through her deep expertise, unwavering energy and enthusiastic willingness to educate and improve the quality of Ohio's charities. We are proud of the good work being accomplished and look forward to the Section's continued success.