



Winter 2012

Investigate Before Responding to Year-end Charitable Solicitation Requests

Charities throughout the country use the last month of the year to hit potential donors with requests for support through direct mail, telephone calls, in-person requests, and other approaches. Many charities collect a majority of their funds in the final month of the year, when many donors are trying to maximize tax deductions and may be swept up in holiday spirit.

Clearly the tough economic times have presented challenges for charities since needs for many types of services have increased. But donors need to make certain that their hard-earned contributions end up being used in the way they intend.

Sham charities and ineffective charities are competing for contributions along with organizations that make a difference in communities across the globe. It is the donor's responsibility to ask questions and gather information about organizations before giving.

One of the most effective ways to be a wise donor is to adopt a giving plan in advance of requests. Identify organizations that appeal to you and have demonstrated effectiveness. Select organizations and programs with which you are familiar. This way, you can respond to all requests by saying you already have a giving plan. You could invite other groups to provide you with written information to determine if you want to add them to your list in the future. This well-planned approach eliminates the pressure of making quick decisions for each request.

Donors should research charities in advance of giving. Asking friends and families about organizations they have personally seen making an impact can be helpful. Another good start is to use the [Research Charities function](#) on the Attorney General's website. If an organization has registered with this office, basic information about the charity and whether it is in compliance with state registration requirements appears.

Other helpful sources of information on the site include:

- The Internal Revenue Service's Exempt Organizations Selection Check can be used to verify if an organization has a valid 501(c)(3) or other tax-exempt designation. The IRS also lists organizations that have had their tax-exempt status revoked.
- Private watchdog organizations often review data on organizations and may grade them based on various spending standards and other procedures. Some of those groups are Wise Giving Alliance, Council of Better Business Bureaus or local BBB offices, CharityWatch, and Charity Navigator.

- Organizations' IRS Form 990 return can be viewed on Guidestar. A free registration process is required to access the reports. The 990 includes information on how the group raises and uses its funds along with other operational details. It is important to pay attention to what percent of expenditures are used on program expenses rather than management and fundraising expenses. Descriptions of programs and expenses are often revealing, as is reported information about travel and compensation levels. Self-dealing transactions between the charity and one or more of its directors should also be examined.
- Internet searches can often reveal useful information about accomplishments of the organization or information about questionable activities.
- The organization's written and web-based materials also can be an important source of information.

Be suspicious when solicitors use high-pressure tactics during visits or telephone calls or offer to come to your house to pick up a check. Never make a check out to an individual, and beware of groups with names that are similar to, but different from, well-known organizations. Don't provide credit card or banking information to callers when you did not expect a call from them.

Because some charities pay others to raise funds on their behalf, callers from professional solicitation firms must identify themselves as such during calls. Be certain to ask what percent of your gift will go to the charity rather than the solicitor.

The Attorney General's office takes fraudulent solicitation cases seriously. Charities and their representatives are never permitted to lie when asking for support. If you have concerns about a potential sham charity or questionable fundraising activities, please file a complaint with the Attorney General's Charitable Law Section by calling 800-282-0515 or visiting the [website](#).

Online Charitable Registration System Marks First Year

Boosting transparency and accountability within the charitable sector were among the biggest goals of launching an [online charitable registration system](#) in the Ohio Attorney General's Office a year ago. And with information for 30,000 charitable organizations now publicly available for the first time, those goals are on the way to being met.

Peter Thomas, chief of the AG's Charitable Law Section, said the new functionality allowing members of the public to research information about organizations registered in Ohio has been popular.

"For the first time, we are able to share the information that is provided through the registration process with the public, and we are planning to continually expand the information that is available," he said.

Thomas acknowledged that whenever there are significant changes to major systems, there can be some rough spots.

"Unfortunately, some of our constituents had some technical problems. We believe that our IT department has helped iron out many of those glitches," he said. "But many constituents have provided

comments about how intuitive and straight-forward the new system is, and we are particularly proud of that feedback because that is how we tried to design the system.”

Thomas noted that the statutory language surrounding charitable filings is not intuitive, so an important goal of developing the system was to try to make it easier for charitable constituents to comply with their responsibilities. Leaders no longer need to worry about which of two different statutory registration schemes might apply to a particular organization because the system makes that determination automatically based on the data provided, he noted.

Thomas said the new system allows multiple users to have accounts connected to the data for an organization. Everyone connected with an organization will receive reminders about filing deadlines, confirmations on activities, and notices whenever anyone makes a change to the information.

“This helps us identify when fraudulent filings are made since everyone connected with the organization will know and can contact us when suspicious activities take place. This kind of transparency wasn’t possible with paper filings,” Thomas said.

The system was also designed to accommodate users such as accountants and lawyers working with multiple organizations who can complete parts of the filing and have clients review the information within the system before submitting it or paying fees.

Most states have some sort of charitable registration requirements in place, and Ohio’s system dates to the mid-1950s. Thomas said some in the charitable sector fail to understand that there is a dual system of oversight between the IRS, which grants tax-exempt status and has rules surrounding use of that designation, and the state’s responsibility to ensure that charitable assets are properly used.

“Our duty to stand in the shoes of those intended to benefit from charitable resources dates to the Middle Ages,” he noted. Based on statistics, there is higher chance that charities will hear from Ohio regulators than from IRS officials about the activities of a charity. The Charitable Law Section has broad authority to investigate and can file litigation to recover assets and work with local law enforcement when criminal activities are involved.

Prior to adoption of the online filing system, the Charitable Law Section did not have the resources to convert information from hard-copy filings into a usable database. In addition to being able to now share information online, the section can also generate reports, analyze data, and conduct other tests to further examine the information provided in the filings to identify possible red flags, he said.

The Charitable Advisory Council, a group of individuals throughout the state that helps the section define some of its goals and programs, worked with staff in developing the online system. “We had accountants, lawyers, and representatives of big and small groups working with us on the process of designing the system, and we were appreciative for their help in steering this project,” Thomas said.

The Attorney General’s website includes resources to answer questions users might have about the online registration system. Orange question marks are scattered throughout the pages of the online system and indicate additional information for users. A guide is also available online. Charity representatives can also register for a [monthly webinar](#) on the system, which is held at noon on the third Wednesday of each month. Staff members are also available to field questions at 800-252-0515 or by e-mail at CharitableRegistration@OhioAttorneyGeneral.gov.

Booster Groups Now Required to File with Attorney General

Providing oversight of the charitable sector is one of the oldest responsibilities of the Ohio Attorney General's Office. And while booster groups and parent-teacher organizations have long been required to abide by the basic rules of sound management and asset protections, these organizations now need to file with the Ohio Attorney General's Office like most other charities in the state.

"Booster and parent-teacher organizations had been exempted from this filing requirement for many years because they are often small organizations," Ohio Attorney General Mike DeWine said. "But there are significant assets in some of these groups, and all too frequently, we see examples of fraud and theft that hurts the children who are supposed to benefit from the activities of these organizations."

More than 30,000 charitable organizations complete annual filings each year with the Ohio Attorney General's Charitable Law Section. This filing, required in most states throughout the country, provides basic contact and organizational information about the group and helps promote transparency and accountability within the charitable sector.

Attorney General DeWine hopes the act of filing, in addition to providing valuable information for the public and the state, conveys to leaders of school-related organizations how vitally important board members are in protecting resources. Attorney General DeWine encourages the use of the multiple training and support materials available on [his office's website](#) to educate leaders about the legal responsibilities of board members.

The charitable registration requirements for booster and parent-teacher organizations formally kick in for fiscal years ending after Sept. 1, 2012, although organizations are free to file for earlier periods.

All filings must be completed on the online charitable registration system available at www.OhioAttorneyGeneral.gov/Business/Charity. Users of the system must create an account, and it is suggested that at least three representatives from each organization create an account. Users can connect their accounts to the data files of multiple organizations and receive e-mail reminders of filing deadlines, notices whenever a change is made to the account, confirmations of activities, and other services. Having multiple people connected to the accounts helps ensure that information and deadlines don't fall through the cracks. In addition to the parent leaders of these groups, school officials can also choose to connect with organizations linked to their school in order to provide oversight.

The system prompts the filer with questions and, based on the responses provided, determines what information is needed. Most questions can be found on the organization's IRS Form 990. For organizations not already in the Attorney General's system, the articles of incorporation, bylaws, IRS determination letter, and other documents may also be requested.

The due dates for charitable registration filings are identical to the IRS filing deadlines, and all IRS extensions are honored. Staff members in the Charitable Law Section are happy to respond to any questions or concerns. They can be reached at 800-282-0515 or via e-mail at CharitableRegistration@OhioAttorneyGeneral.gov. Because the filing requirements for booster and parent-teacher organizations are new, groups should contact the section if the system indicates that filings for years prior to 2012 are requested.

“Our staff is eager to get organizations on the right track, so everyone should feel welcome to call if questions arise,” Attorney General DeWine said.

One of the biggest benefits of the online registration system is the ability to share information about registered organizations with the public. Using the [Research Charities function](#) on the Attorney General’s website, the public can check whether an organization is in compliance with filing responsibilities and receive basic information about the group, including financial information. Over time, the information available online will expand. This is a convenient way for leaders of an organization to direct potential donors to confirm details about the organization.

“Without a doubt, the activities of booster and parent-teacher organizations help enhance the learning experience of students throughout the state,” Attorney General DeWine said. Adding these filing requirements will also help add a measure of safety to help protect those resources and the children who are intended to benefit from them.”

Staff members from the Charitable Law Section are available to provide training to groups of charitable leaders on their legal responsibilities as board members. To host a training session in your district, contact CharitableLaw@OhioAttorneyGeneral.gov. People can also register online to participate in monthly webinars on board governance or using the charitable registration system. Additional resource materials are available online at www.OhioAttorneyGeneral.gov.

Bingo License Renewal Filings Due Dec. 31

Organizations that raise funds through bingo must submit their annual applications to renew their licenses by Dec. 31. For the first time, those filings must be made via the [Attorney General’s website](#).

Because of legislative changes adopted last summer, all 501(c)(3) organizations are permitted to apply for licenses if they have been in operation for two consecutive years. Other changes permit organizations to have additional Type 3 locations selling instant tickets on their behalf.

Staff from the Ohio Lottery, which works with the Charitable Law Section on bingo licensing, are available to assist bingo operators with their online license renewals. To arrange for assistance in filing the online application, contact lottery officials at 800-686-4208, Ext. 4.

Materials can be found on the [Attorney General’s website](#) explaining the licensing process and other requirements. Bingo School is a training program with sessions held throughout the year in locations around the state. Information on registration for those sessions is also available on the website.

Kicking Off the New Year Right

The Charitable Law Section suggests that charity board members do an annual check-up to make certain they are in compliance with provisions of their bylaws and policies and to determine if updates or additions are needed. Checking to make certain that required filings with the IRS and Ohio Attorney General’s Office will be made is another item for the list.

The Charitable Law Section provides numerous online resources for leaders of charities in Ohio. Two of its most important publications, the Guide for Charity Board Members and Avoiding Theft in Your Nonprofit, can be found online under publications at www.OhioAttorneyGeneral.gov. These two booklets are ideal to share and review annually among board members.

The section provides a webinar on board member governance at noon on the first Wednesday of each month. A webinar on charitable registration is held at noon on the third Wednesday of each month. Registration for those webinars can be found on the [Attorney General's website](http://www.OhioAttorneyGeneral.gov).

If you are interested in hosting a number of organizations for a two-hour training on board governance issues, please contact CharitableLaw@OhioAttorneyGeneral.gov. Suggestions on other helpful resources are also welcome.