


PROTECTING ★ THE ★ UNPROTECTED

A Charity Guide for Businesses

How to Review Requests and Avoid Scams

Make the most of your corporate citizenship
by choosing deserving partners, learning
fundraising limits and avoiding Ohio's
surprise legal pitfalls



MAKE A CHANGE



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Introduction

Ohio's business community has long exhibited strong support for local charities. Whether providing financial gifts, encouraging philanthropy among employees, supporting volunteerism or serving on a charity's board of directors, business leaders strengthen efforts that make a difference in the lives of all Ohioans.

Such corporate citizenship is commended by Attorney General Dave Yost, whose Charitable Law Section regulates the charitable sector in Ohio. The section ensures that charities make responsible use of assets entrusted to them and takes enforcement action against bogus charities that exploit Ohioans' generosity. The goal is to enhance charities' accountability and integrity so that everyone in Ohio benefits – the people the charities help and the people who help the charities.

To help businesses support stand-up charities, and do so while staying within the bounds of Ohio law, this guide outlines several common issues about which business leaders will want to stay informed. In particular, it will help well-meaning company leaders avoid breaking Ohio's specific rules about who is allowed to raise funds for charities through events such as raffles and casino nights.

Additional information, including a guide to good governance by charity boards as well as a liquor permit guide for charities, can be found at www.OhioAttorneyGeneral.gov. The Charitable Law Section also provides monthly webinars on board governance and, upon request, trainings on many charity-related topics. If you are interested in hosting a training session in your community, please email CharitableLaw@OhioAttorneyGeneral.gov.

If you have concerns about the legitimacy of any charitable activities, please file a charitable complaint at www.OhioAttorneyGeneral.gov or call 800-282-0515.

Helping charities: Partner wisely

As a business leader, you may find yourself routinely fielding requests for help from charities with noble causes. But take care: Some people who set up charities are more passionate about lining their pockets than doing good in the world. It is important, then, to ensure that your generosity helps legitimate organizations. The best ways to make sure that charitable organizations are worthy of your partnership? Ask questions, and do some investigating.

The following tips address common requests from charitable organizations.

Donation tables

Many retailers routinely permit representatives of local charities to set up a table and solicit the store's customers to donate money or buy an item. This generous act can raise visibility of local issues and greatly assist a charity in garnering financial support.

Before granting a charity permission to solicit, however, you should 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 donate believing that they're helping to make a difference.

Before allowing a charity to partner with your business:

1. Create a basic approval form for charities to complete before they may set up donation tables. (A sample form is included at the end of this publication.) The form should request the charity's name, address, phone number, federal employee identification number (EIN), the 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 money it raises. Invite the organization to provide any brochures or other information that might help you reach your decision. Ask to snap a photograph of the person submitting the approval form – many scam artists will refuse to have their picture taken.
2. Determine whether the charity is properly registered with the state by using the Ohio Attorney General's "[Research Charities](#)" search tool. (To find it, visit www.OhioAttorneyGeneral.gov and navigate to the "Services for Charities" portion of the website.) Most Ohio charities and other organizations that solicit for gifts must register. (Note: Churches are not required to.) The information provided by the search tool will indicate whether a group is in compliance with registration requirements and whether it has been approved by the IRS for 501(c)(3) tax-exempt status, which would mean the group is eligible for tax-deductible donations. If the organization is not listed on the search tool, 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 valuable source of information. For example, 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 whether anyone is aware of the organization's accomplishments. Consider contacting the local United Way or community foundation to ask whether those who routinely navigate the charitable community recognize the organization.
4. Look up the charity's 990 form. Except for churches, charities are required to submit annual 990 returns to the IRS. These returns, which outline the financial activities of a charity, 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 might have reviews of the organization.
5. Search the web for 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 match the written information provided to you?

Parking-lot collection bins

Many Ohioans are accustomed to seeing large metal collection containers in the parking lots of businesses in their community. They assume that when they deposit clothes or furnishings into these bins, some charitable cause benefits. But that's not always the case.

Before granting permission for a bin to be placed 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 such cases, there must be a contract that specifies what percentage 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 by calling 800-282-0515 or visiting www.OhioAttorneyGeneral.gov.

Point-of-sale solicitations

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

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

Ads for 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 are not aware of the arrangement and never receive funds or materials as a result of the sales solicitation. If you are considering making a purchase to support a community cause, check with the organization to make certain it is a legitimate request.

Important note: If you run into red flags and have suspicions about a charitable organization (or a group purporting to be a charity), please contact the Ohio Attorney General's Charitable Law Section by calling 800-282-0515 or visiting <https://charitablecomplaint.ohioattorneygeneral.gov/>.

Helping charities: Fundraise wisely

There are many effective ways that businesses and their employees can help financially support charities. If you are creating a fundraising event for a particular charity, make sure to:

- Get its permission in writing.
- Keep 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.
- Always be honest about how the money is raised, where it will go and how it will be used.

Well-meaning business leaders often embrace the idea of fundraisers that simultaneously offer some fun for employees and raise money for a worthy cause. But Ohio has very specific rules (Ohio Revised Code Section 2915) about what makes for a legal fundraiser, and knowing these basics will save your business grief and legal troubles:

Raffles for charity

Each year, the Ohio Attorney General's Charitable Law Section fields complaints about businesses running illegal raffles for charities. Good-intentioned business leaders often sell raffle tickets to employees in connection with local charitable fundraising campaigns. It seems like a good idea because staff members get excited about winning prizes and all the proceeds go to the local charity. In Ohio, however, this is illegal.

The only entities in the state 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.

Quarter auctions and illegal schemes of chance

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 many 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.

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

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 winning 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.

Casino nights and other gambling events

Although 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 on 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 can be found in ORC 2915, which discusses charitable gaming and bingo. Violations can result in criminal charges.

Helping charities: Lend your expertise

Many people serve on boards of charities because of the 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 their organization and make a difference in their 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, at www.OhioAttorneyGeneral.gov.

Application for Charities To Fundraise or Solicit on Premises

You must obtain approval to fundraise, seek donations or otherwise solicit on the premises. Complete this form and return it to seek approval. Please feel free to 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 Your Organization]

Name of organization: _____

Address: _____

Phone number: _____

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 to Solicit]

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

What time of day would you like to solicit? _____

Have you previously solicited 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 raised be used?

[About You/the Applicant]

Name: _____

Address: _____

Email address: _____

Phone number: _____

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.

[Reference 1]

Name: _____

Phone number: _____

Email address: _____

[Reference 2]

Name: _____

Phone number: _____

Email address: _____



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For more information, to report a scam or to schedule a speaker on wise operation of charities, contact:

**Ohio Attorney General's
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150 E. Gay St., 23rd Floor
Columbus, OH 43215**

Office: 800-282-0515

CharitableLaw@OhioAttorneyGeneral.gov

www.OhioAttorneyGeneral.gov