

Ohio Attorney General's
Nonprofit News
Protecting the Integrity of Nonprofits



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Budget Bill Brings Major Bingo Changes for Veteran and Fraternal Organizations, and a Tax Credit Program



The state's biennial budget bill, passed by the Ohio General Assembly and signed by the governor, contained a number of major bingo changes that will change the landscape for veteran and fraternal groups seeking to use electronic machines for instant bingo, which is currently limited to just paper tickets.

Electronic instant bingo, or e-bingo, will be permitted for qualifying organizations next year, following the development of administrative rules that will need to be approved by the Joint Committee on Agency Rule Review before the application process.

The Ohio Attorney General's Charitable Law Section, which will regulate this form of bingo, is studying the enabling language and will be developing rules on how the games are conducted and reported by licensed organizations, as well as the licensing process. The legislation also calls for the approval of the machines used in these games, so rules will also be developed for bingo manufacturers and distributors. The budget bill calls for the license application process to start Jan. 1, but licenses won't begin until April 1, next year.

The Charitable Law Section expects the rules development process to take several months and it plans to keep the bingo community informed through its web page of all of the development and approval progresses. To keep up to date, be sure to sign up for news and updates at Charitable.OhioAGO.gov/Announcements.

The budget bill does not permit 501(c)(3) organizations to seek licenses for e-bingo but does include other provisions affecting all bingo licensees. The language eliminates a requirement that a youth athletic park organizations' playing fields have been used for at least 100 days in a given year in order to qualify for a bingo license. New language also broadens the investigative authority of the Charitable Law Section in terms of the types of records that can be examined. The Attorney General's office will be empowered to impose civil fines on licensed organizations, distributors and manufacturers for failure to abide by the bingo rules and statutory provisions. Additionally, the office can deny, suspend or limit a license if there is good cause to believe there have been breaches of fiduciary duties, theft or other types of misconduct.

The budget bill also includes another provision that will affect the operations of the Charitable Law Section. Taxpayers will be able to claim a tax credit of up to \$750 per year for contributions to qualifying scholarship granting organizations that may be religious or non-religious 501(c)(3) organizations that primarily awards academic scholarships to primary and secondary students and prioritizes scholarships for low-income students.

The Charitable Law Section will be working to develop an online application process to determine the eligibility of organizations that qualify under these provisions and will share lists of organizations that whose donors may qualify for the tax credits.

Ohio Charities Still Digging Out Financially from Pandemic Based on Third Statewide Survey

As nonprofits across the state help Ohioans get back on their feet after the pandemic, they continue to face significant internal challenges.

To take the measure of the nonprofit environment, the Ohio Attorney General's Office has partnered with the Ohio Association of Nonprofit Organizations, Philanthropy Ohio and researchers at The Ohio State University's John Glenn College of Public Affairs and Bowling Green State University. The resulting Ohio Nonprofit COVID-19 Survey is an ongoing effort to support Ohio's nonprofit organizations through this difficult time in history.

The [latest round of the survey](#), administered in April, documented several important trends:

- The median nonprofit has seen revenue fall 21% from before the COVID-19 pandemic.

- A majority of nonprofits that focus on the arts are facing significant struggles. Nearly 40% of the arts organizations that responded to the survey reported providing services at lower rates than before the pandemic and 22% more reported they are not providing services at all.
- Many organizations said they are working hard to get employees vaccinated. The survey found 77% of Ohio's nonprofit employers are encouraging their staff to do so.

The overwhelming support for vaccinations was somewhat surprising, but made sense given their missions, Ohio State researchers Dr. Erynn Beaton, Elizabeth Colchin and Yinglin Ma and Bowling Green researcher Dr. Abhishek Bhati said in their latest report on the survey.

“One of the most important roles of nonprofits is to bring people together, whether it be for worship, volunteering, fundraising or fellowship,” Beaton said. “Some nonprofit leaders responding to the survey conveyed a sense of responsibility for potential transmission at their gatherings. For this reason, some are still holding off on in-person events until vaccination rates are higher.”

The most recent survey is the third time since the start of the pandemic that the responses from Ohio's charitable sector have been tracked since the beginning of the pandemic. [The survey](#) has addressed challenges with fundraising, governance and provision of services many charities have faced, as well as the changes organizations have made throughout the pandemic. Partners involved in the survey have been widely sharing the results with charitable funders and policymakers interested in the needs of the sector. The most recent survey report can be found here, as well as a webinar that outlines the most significant findings. Prior survey reports and summaries can also be found here.

Other Charitable Notes:

International Fraud Awareness Week, an effort undertaken by charitable regulators, fundraisers, fraud examiners, and sector leaders in Canada, Australia, United Kingdom, the United States and other countries, is scheduled for November 14 – 20. The prime purpose of the campaign is to encourage donors to make wise giving choices and to encourage reports to the proper authorities to stop fraudsters who prey on the generosity of others. The campaign, which is primarily a social media campaign, is also an opportunity for charities to examine their own internal controls and anti-fraud policies and procedures. For additional information and resources, visit FraudWeek.com

The Better Business Bureau's Give.org released a study this summer revealing many charitable donors are confused about the term 'charitable impact.' Based on surveys with Americans and Canadians, 47 percent of the respondents indicated they were confused by the term, or didn't know its meaning. When asked to consider various definitions for the term, 25.7 percent chose "organizations reaching defined goals" as the best description. The study, which was part of the organization's Donor Trust Reports, also showed that most respondents prefer to give to charities that reach a blend of immediate and long-term results, rather than prioritizing either end of the spectrum. The survey also asked about how respondents viewed charity impact statements. Results were broken down based on whether and how much respondents had contributed to charities, and by generation. Details of the report can be found at <https://give.org/give.org-donor-trust-report>

Charitable giving by individuals, bequests, foundations and corporations grew 5.1 percent in 2020 to an estimated \$471.44 billion, according to the annual Giving USA report that was released earlier this summer. The report is published by Giving USA Foundation and is researched by the Indiana University Lilly Family School of Philanthropy at Indiana University. Additional details can be found at [https://philanthropy.iupui.edu/news-events/news-item/giving-usa-2021:-in-a-year-of-unprecedented-events-and-challenges,-charitable-giving-reached-a-record-\\$471.44-billion-in-2020.html?id=361](https://philanthropy.iupui.edu/news-events/news-item/giving-usa-2021:-in-a-year-of-unprecedented-events-and-challenges,-charitable-giving-reached-a-record-$471.44-billion-in-2020.html?id=361)

The report showed a jump of 17 percent in the level of support contributed by foundations, an increase of 10.3 percent for giving by bequest and an increase of 2.2 percent for giving by individuals. Giving by corporations dropped an estimated 6.1 percent last year. Gifts to organizations that provide human services showed strong growth for the year. Charities that work in the area of arts, culture and humanities experienced a decline of 7.5 percent.

Enforcement Actions

The Ohio Attorney General's Office took several enforcement actions involving the activities of charitable organizations.

Rockets Youth Baseball Association: An investigation of the Rockets Youth Baseball Association in Lancaster revealed that the league's leaders, who included Stephanie and Casey Shepherd, failed to file with the Attorney General's office and violated several statutory and fiduciary duties. The Shepherds signed an assurance of discontinuance that required the dissolution of the organization and payment of a civil penalty of \$1,500. Additionally, they are prohibited from forming new nonprofit organizations and participating in charitable solicitations.

Julie Adams House: Julie Adams House is a recovery/sober living facility in Cleveland that was the subject of complaints filed in the Attorney General's Office. Following an investigation, the organization and its former executive director agreed to sign an assurance of discontinuance that required numerous changes in how the board managed the financial matters within the charity, as well as receive training on the legal obligations of board members.

Our Vets Now: In April 2013, William Hastings signed an assurance of discontinuance with the Ohio Attorney General's Office when the office alleged that he had misused charitable funds and violated solicitation statutes. Hastings agreed not to form a charitable organization or solicit in Ohio again. In October 2019, Hastings registered a charitable organization called Our Vets Now, Inc. with the Attorney General's office. The office sued him alleging he had violated the terms of the previous agreement. The Franklin County Common Pleas Court granted a default judgment in the case when Hastings failed to properly respond. The court ordered him to pay \$20,000.

Waynesville Church of Christ: Robert Jones is the sole operating member of The Waynesville First Church of Christ. Since April 2014, the church has not been in operation, but remains incorporated and with assets. Claudia Jones, Robert's wife, handled some of the assets. The office believes that they likely breached their fiduciary duties to manage a charitable trust and to properly manage funds they solicited for the church. The Joneses entered into an Assurance of Discontinuance and agreed to pay a \$2,000 civil penalty and to pay \$5,000 in restitution back to the church. They also agreed to make various corrections to the church's governance practices.

Encounter Bible Institute & Chapel: The attorney general's office received a complaint alleging that after Encounter Bible Institute & Chapel, Inc. was closed, Lawrence L. Moore and Irene Pierce misused the organization's remaining funds for their personal benefit. The attorney general entered into an assurance of discontinuance with Moore and Pierce, who agreed to pay a total of \$7,500 in restitution and civil penalties. They also agreed not to be involved in charitable organizations in Ohio for a period of 5 years.

Healing Heroes Network, Inc.: In December last year, Ohio, along with nine other states, entered into a settlement agreement with two Florida organizations, Healing Heroes Network, Inc., Hero Giveaways, LLC, and three individuals, Stacey, Neal, and Allan Spiegel, to resolve allegations of deceptive and misleading charitable solicitations and suspected misuse of charitable contributions

intended to provide medical care and other benefits to veterans injured in Iraq and Afghanistan after 9/11. The settlement requires the settling parties to pay \$95,000 which will be distributed to one or more charitable organizations that provide services to those who are actively serving or have served in the US military. The settlement also permanently restricts the two organizations from engaging in or benefitting from charitable solicitations and prohibits the Spiegels from any involvement with charitable solicitations or management of charitable assets for a period of five years.

New Beginnings Club of Youngstown – The Charitable Law Section entered into an Assurance of Discontinuance in April with New Beginnings Club of Youngstown, Inc., and its founder, Vincent Strines. An investigation by the Section revealed that Mr. Strines breached his fiduciary duties, the charity filed false or misleading information with the Section, and both otherwise failed to comply with Ohio Revised Code Chapter 1716. Under the terms of the agreement, Mr. Strines agreed to dissolve the charity and to distribute any assets to other charities. Additionally, Strines will not create additional nonprofits or serve as an officer or trustee with other charities.

Circleville Girls Softball League -- Joshua Peters was the ex-treasurer of Circleville Girls Softball League in Pickaway County. He was charged with grand theft for misappropriation of the organization's funds and he pled guilty. He was ordered to pay restitution in the amount \$10,723. Our Office filed suit for those same actions, alleging breach of fiduciary duty under ORC 1716.17 and conversion, and Peters failed to respond. The court issued a judgment for a \$1,500 civil penalty and an injunction from participation in charitable organizations.

New Heights Gymnastics Booster Club off NW Ohio – New Heights Gymnastics Booster Club of N.W. Ohio is a non-profit booster club that operates in Wauseon. The Attorney General's Charitable Law Section received complaints alleging the booster club was operated by Amy Nyman, owner of a for-profit gym. The complainants further alleged significant under-reporting of funds obtained through the booster club's fundraising events and potential misuse of charitable funds. The attorney general entered into an assurance of discontinuance with the booster club and board members Jill Kovnesky, Kristi Eddy, and Mary Kern in May. Among other terms, the assurance of discontinuance requires New Heights Gymnastics Booster Club of N.W. Ohio to pay a \$7,500 civil penalty. Jill Kovnesky, Kristi Eddy, and Mary Kern also agreed to dissolve the booster club, and each agreed that she will not hold any position as an officer or trustee of any athletic booster organization or charitable organization involved with youth cheerleading, dance, or gymnastics for a period of five years. The assurance of discontinuance does not constitute an admission of any wrongdoing by Ms. Kovnesky, Ms. Eddy, or Ms. Kern, and they agreed to cooperate with the Attorney General regarding any ongoing charitable investigation into the matter or any litigation arising from the investigation.

Dogs 4 Warriors, Inc. – Dogs 4 Warriors, Inc. was a Bowerston charity operated by Sheila and Andrew Slezak that trained and donated service dogs to veterans suffering from post-traumatic stress disorder and traumatic brain injuries. An investigation by the Ohio Attorney General's Charitable Law section revealed that Mr. and Mrs. Slezak breached their fiduciary duties while operating the charity and that they and the charity otherwise failed to comply with Ohio Revised Code Chapter 1716. The assurance of discontinuance between the Slezaks, Dogs 4 Warriors, Inc., and the Attorney General filed in May provides for injunctive relief and \$50,000 in total civil penalties and restitution.

Adoption is Love Undefined – Adoption is Love Undefined--a Spencerville charity--agreed to dissolve under an agreement with the Ohio Attorney General's Charitable Law Section in May. According to its website, the charity's purpose was to issue grants to families in the process of adopting children. An investigation by the section indicated that the organization and its founders, Gina and Charles Fox, failed to comply with a number of provisions of Ohio Revised Code Chapter 1716. In addition to dissolving the organization, Mr. and Mrs. Fox agreed to injunctive relief and a \$2,000 civil penalty.

