

Ohio Attorney General's Nonprofit News

Protecting the Integrity of Nonprofits



Winter 2016

Avoid Fraud This Holiday Season

At a time when charities seek year-end contributions, scams can interrupt good giving plans and deprive legitimate organizations of needed funds. To protect Ohioans this holiday season, Ohio Attorney General Mike DeWine, the Better Business Bureau, and the Ohio Association of Nonprofit Associations are offering guidelines to help charities, businesses, and donors avoid scams.

“We know many Ohio families will make charitable contributions in the coming weeks, and we encourage them to do so,” Attorney General DeWine said. “We also want to help ensure that their donations end up in the right hands. Too often con artists deprive legitimate charities of needed funds. Awareness and prevention are critical.”

“Take the time necessary to research charities before giving to ensure that your generous contributions are going to trustworthy organizations,” said Kip Morse, CEO of the Better Business Bureau Serving Central Ohio.

“Ohio nonprofit organizations are dedicated to the public good; their work improves lives, strengthens communities and the economy, and lightens the burdens of government, taxpayers, and society as a whole,” said OANO Executive Director Marcy Williams. “During this time of giving, once you select the cause or causes that you want to support, find out what organizations address these needs the most efficiently. Charity rating sites such as Charity Navigator, Guidestar and the BBB's Give.org can help. And you should also consult the ‘Research Charities’ information on the Attorney General’s website.”

Charities throughout the country use the last month of the year to seek support from potential donors. They use letters, online appeals, phone calls, in-person requests, and other methods to solicit contributions. Efforts such as “Giving Tuesday” (the Tuesday after Thanksgiving) encourage donors to give to charities amid the holiday shopping season.

At the same time, scammers compete for these contributions. Con artists pose as reputable charities and collect donations. They claim the money will support a good cause, but ultimately they keep it for themselves. In other cases, charity volunteers or employees steal funds from their organizations.

Charities, businesses, and donors all have a role in detecting and curbing charitable fraud. Here are guidelines that can help.

For charities:

- Review board governance and fiscal practices. Board members can help protect the integrity and resources of charitable organizations. For a refresher on the legal obligations of board members and tips for deterring fraud, review the Ohio Attorney General's "[Guide for Charity Board Members](#)" and "[Avoiding Theft in Your Nonprofit](#)" publications. Also consider signing up for a board governance [webinar](#).
- Beware of scams. Some con artists target charities and try to convince them to send money. In one ploy, a scammer poses as a donor who "accidentally" sends a check for too much money. The donor asks the charity to send back the extra amount using a wire-transfer service before the charity finds out the check is bogus. In another scam, a con artist poses as a charity's utility company, demands immediate payment, and threatens to shut off the charity's power if it refuses to pay.
- Report questionable activity. Whether you discover potential problems outside of your organization or within it, report questionable activity to the Ohio Attorney General's Office. For self-reported problems, the Ohio Attorney General's Office provides a [Leniency Policy](#) for charities and other organizations that disclose violations of certain laws at an early stage.

For businesses:

- Set a policy for handling charitable requests. Many businesses partner with charities to promote their causes. For example, a retailer may allow a group to set up a donation table near a store's entrance. This is a generous act that can greatly assist a charity. Unfortunately, some groups that collect contributions this way are shams. To protect your business and your customers, establish a plan for handling charitable requests in advance so you can be prepared to evaluate and respond to requests.
- Get details. Ask a charity to complete a basic approval form before allowing the group to ask customers for donations. (A sample approval form can be found in the Ohio Attorney General's "[Charitable Guide for Businesses](#).") Once the group has submitted the form, independently verify the information it has provided. Check with the Ohio Attorney General's Office, IRS, Better Business Bureau Wise Giving Alliance, and other resources. Also contact local charity leaders. Ask if they are familiar with the group. If your search turns up negative information or no information at all, think twice before granting approval to the group.
- Report scams. Contact the Ohio Attorney General's Office if you suspect a scam or questionable charitable activity. File a complaint online at www.OhioAttorneyGeneral.gov or by phone at 800-282-0515.

For donors:

- Develop a giving plan. A well-planned approach eliminates the pressure of making quick decisions. Identify organizations that appeal to you and stick to your plan. Respond to unexpected or unwanted requests by explaining that you already have a giving plan. Invite other groups to provide you with written information so you can evaluate their requests.
- Research charities. Find out if an organization is registered with the Ohio Attorney General's Office, verify its tax-exempt status with the IRS's Exempt Organizations Select Check, and gather data from the Better Business Bureau Wise Giving Alliance. View the organization's IRS Form 990 on Guidestar. Review program descriptions, expenses, compensation levels, and other details. Conduct a basic Internet search to review a group's accomplishments or questionable activity. Contact the organization itself and find out how your donation will be used. Get information in writing. Compare the charity's materials with information you gather from other sources.
- Watch for red flags. Be wary of high-pressure tactics, requests for checks made out to an individual (instead of a charity), and people who are unable or unwilling to answer questions about their charity. Don't provide your credit card number or other personal information to callers who contact you unexpectedly.

Additional guidance can be found on the Ohio Attorney General's [website](#).

The Ohio Attorney General's Charitable Law Section provides oversight to make sure donations are not misappropriated and that charitable proceeds are used for charitable purposes.

Concerns about a potential sham charity or questionable fundraising activities should be reported to the Ohio Attorney General's Office at www.OhioAttorneyGeneral.gov or 800-282-0515.

Bingo License Renewals Due by Jan. 3

It is license renewal time for the nearly 1,800 charitable organizations in Ohio that use bingo as a fundraising tool to finance charitable activities throughout the state.

Whether using traditional bingo games featuring balls with letters and numbers drawn from a bin, or instant bingo games played with small cards or paper strips, all bingo fundraising activities must be licensed through the Ohio Attorney General's Office. The licenses, which specify what type of game is permitted and the specific locations and hours, expire at the end of each calendar year.

The Ohio Attorney General's Charitable Law Section provides an online system for new and renewal bingo licenses. The system can be accessed on the Attorney General's [website](#). There are checklists and other materials posted online to help guide charitable leaders in properly completing their license renewals. Licensees can receive additional assistance in using the online license system if they complete all of the required financial reports before meeting with a site inspector from the Ohio Attorney General's Charitable Law Section.

Because of the holidays, the applications and payments for renewed licenses must be submitted by 11:59 p.m. on Jan. 3, 2017. Failure to submit a complete application by the deadline means that the organization cannot continue playing bingo into 2017. Also, because the license applications are fully reviewed in the order they are received, a significant delay can result for submitting the license materials late. All organizations licensed for bingo in 2016 that submit a complete application by the deadline will automatically receive a temporary permit which permits bingo operations to continue until the license renewal materials are completely reviewed and a permanent license is awarded.

One of the fastest growing types of bingo is the Type 3 license, which permits charitable organizations to contract with bars, restaurants, hotels, and other retail establishments to sell instant bingo cards on behalf of the charity. In these arrangements, a retailer purchases a "deal" (or box) of instant tickets from the charitable organization by paying the gross profit the charity would receive from the game. While the business is permitted to invoice the charity for certain expenses incurred, the arrangement can be an attractive way for charities to raise funds because many of the recordkeeping requirements are more straightforward than traditional bingo.

To assist charities and other bingo licensees, the Ohio Attorney General's Charitable Law Section provides regular training sessions around the state on the significant recordkeeping responsibilities and other requirements of maintaining a bingo license. The schedule and registration for these trainings, called Bingo School, can be accessed through the Attorney General's website. The trainings are recommended for organizations contemplating applying for a bingo license for the first time, or for new leaders of organizations that are currently licensed.

10 Frequently Asked Questions About Bingo

Hundreds of charities use bingo to raise money for their organizations. We've outlined answers to some of their most common questions.

In Ohio, bingo is a regulated activity. Bingo requirements are outlined in Ohio Revised Code Section 2915 and in sections of the Ohio Administrative Code.

Frequently asked bingo questions include:

1. **Do I need a license to conduct bingo?** Yes, in most cases, only a charitable organization that has obtained the proper license may conduct or advertise bingo. There are narrow exceptions in the law for senior centers and bingo for amusement only.
2. **Once I have a license to conduct bingo, where may I conduct it?** Bingo licenses are issued for a specific location; therefore, bingo may only be conducted at the location listed in the organization's approved bingo application.
3. **Can I give out cash as a door prize at bingo?** Yes, as long as records of the door prize are maintained in accordance with the recordkeeping requirements of Ohio Revised Code Section [2915.10](#).
4. **Can an individual with a felony operate bingo or sell instant bingo tickets?** No. Ohio law prohibits a person who has been convicted of a felony or a gambling offense in any jurisdiction from serving as a bingo game operator. (A bingo game operator is any person, except security personnel, who performs work or labor at the site of bingo.)
5. **Can an individual with a felony serve on the board of an organization that operates bingo?** Nothing in Ohio Revised Code Chapters 109, 1702, 1716, or 2915 prohibits a person who has been convicted of a felony or gambling offense from serving on the board of a charitable organization that operates bingo. However, that person cannot serve as a bingo operator. Contact an attorney to determine whether other laws would prevent a felon from serving on your charity's board.
6. **Can a customer use a debit or credit card to buy an instant bingo ticket?** Ohio law does not prohibit a person from buying instant bingo tickets with a debit or credit card, but locations that sell bingo tickets are not required to accept debit or credit card payments.
7. **Can an organization's bingo license be transferred to an affiliated organization?** No. Bingo licenses are issued for the charitable organization and the specific locations listed in the organization's application.
8. **Can my organization amend the day or time our bingo is conducted?** Yes. A charitable organization may apply to amend the day or time its bingo is conducted up to two times in each calendar year. The application must be submitted in writing to the Ohio Attorney General's Charitable Law Section. A \$250 amendment fee will apply.
9. **Our organization has a traditional (Type 1) bingo license. Can we pay our workers for operating bingo?** No. All bingo workers at traditional bingo games must be volunteers. The only exception applies to security personnel, who are not bingo game operators by definition. (See Ohio Revised Code Section [2915.01\(U\)](#) for the definition of security personnel.) An organization may pay the reasonable amount actually expended for audits and accounting services.

10. Can bingo operators at an organization that conducts Type II bingo purchase instant bingo tickets while they are working? No. Ohio law prohibits volunteers and staff members from purchasing tickets while they are working in connection with a bingo game.

Learn more about these and other frequently asked questions and answers from the Ohio Attorney General's Office at www.OhioAttorneyGeneral.gov/FAQ.

New Accounting Standards for Nonprofits

For the first time in 20 years, the nonprofit accounting standards have been updated.

The Accounting Standards Updates to the Financial Accounting Standards Board were adopted in an effort to improve transparency and reduce the complexities of nonprofit financial statements. The new standards, which were developed over a period of six years following round tables, workshops, interviews, and public comment, will go into effect for financial statements issued for fiscal years beginning after Dec. 15, 2017. Use of the new standards prior to that date is permitted.

FASB admitted that there may be increased costs involved in having the new standards applied, but the improved results were deemed to outweigh those concerns. The biggest changes to the standards are in the following categories:

- The current net asset classification scheme; and
- Information provided in financial statements and notes about the organization's liquidity, financial performance, and cash flow.

Charities are advised to contact their accountants to determine if any steps should be taken to prepare for the change.

FASB advises that there will be additional changes coming in the future that may include further discussions of cash flows and addressing issues dealing with operating measures.