
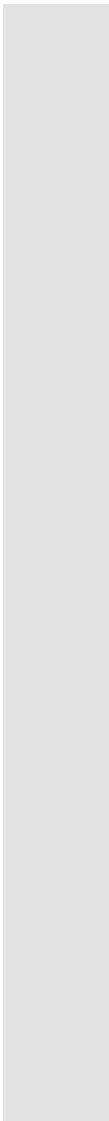




# Why Charities Oversight Matters: Presentation to the NASS Business Services Committee



Yael Fuchs, President,  
National Association  
of State Charities  
Officials (NASCO)



# Overview

1. What is NASCO
2. Why charity registration matters
3. How can/do NASCO and SOS Offices work together

# What is NASCO

- NASCO is an association of state offices (attorneys general, secretaries of state and other offices) charged with the regulation and oversight of charitable organizations and charitable solicitation in the United States.
- NASCO provides a forum for states to share information and collaborate on matters of common interest related to charities oversight.
- NASCO strives to provide a unified voice for state regulators to communicate with other regulatory and legislative agencies, the not-for-profit sector and its professional advisors.
- On a day-to-day level, we are a group of public servants committed to ensuring the integrity of the not-for-profit sector.

Source: [www.nasconet.org](http://www.nasconet.org)

# What is NASCO

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- Current SOS representatives on the NASCO board:
  - Albert Bryant, Colorado
  - Kathleen Smith, Maryland
  - Noura Zaharis, Georgia (current Board Secretary)
- NASCO provides a forum for states to share information and collaborate on matters of common interest related to charities oversight.
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# Recent NASCO Initiatives

- Dissemination of information on state actions.
- NASCO's **Collaboration Idea #1:**  
<https://www.charitynavigator.org/charity21/listserve>  
Please share your press releases and reports on the Charity21 listserv!
- Webinars for regulators. Recent topics include "The Federal Tax Code for regulators", using data, best practices in review of real property sales, investigations 101, how to read nfp financial statements.  
**Collaboration Idea #2:**  
Develop joint webinars on topics relevant to SOS offices.
- Brownbag presentations with parts of the sector, including watchdog groups and crowdfunding platforms.
- Our annual conference. To be held virtually on October 10-11, 2020.  
**Collaboration Idea #3:**  
Join us at the Conference!

# The role of SOS offices in charities oversight

- Incorporation
- Registration (16 states as of 2019\*)
- Public Education – for charities, fundraisers, and donors, for example SC’s “Angels” list and online giving brochure
- Compliance, Enforcement, for example:
  - MD: cases like the Cancer Society of America aka USA Cancer Foundation
  - PA: [Charities Enforcement and Disciplinary Actions \(pa.gov\)](#)
  - “Donate with Honor” initiatives by Maryland, South Carolina, Tennessee, Washington, and others

\*Source: The Legal Compendium by the [Regulation of Nonprofits and Philanthropy Project | Urban Institute](#)

## **Collaboration Idea #4:**

Let us know if you have updates to the Compendium.

# Why Registration Matters

To provide information to the public regarding charities

To promote self-regulation within the sector

To inform legislation and regulation

To identify and prioritize areas for  
compliance/enforcement/education initiatives

To identify unregistered or nonreporting entities subject to  
our jurisdiction who are holding significant charitable assets

To provide  
information to  
the public

Form <b>990</b>		<b>Return of Organization Exempt From Income Tax</b>		OMB No. 1545-0047	
Department of the Treasury Internal Revenue Service		Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)		<b>2012</b>	
		► The organization may have to use a copy of this return to satisfy state reporting requirements.		Open to Public Inspection	
<b>A</b> For the 2012 calendar year, or tax year beginning <u>Apr 1</u> , 2012, and ending <u>Mar 31</u> , 2013					
<b>B</b> Check if applicable:		<b>C</b> Name of organization <u>NATIONAL CHILDREN LEUKEMIA FOUNDATION INC.</u>		<b>D</b> Employer Identification Number	
<input type="checkbox"/> Address change		Doing Business As		<u>11-3059922</u>	
<input type="checkbox"/> Name change		Number and street (or P.O. box if mail is not delivered to street addr)		<b>E</b> Telephone number	
<input type="checkbox"/> Initial return		<u>7316 AVENUE U</u>		<u>(718) 251-1222</u>	
<input type="checkbox"/> Terminated		City, town or country State ZIP code + 4			
<input type="checkbox"/> Amended return		<u>BROOKLYN</u> <u>NY</u> <u>11234-6250</u>		<b>G</b> Gross receipts \$ <u>942,587.</u>	
<input type="checkbox"/> Application pending		<b>F</b> Name and address of principal officer:		<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
		<u>YEHUDA GUTWEIN 1632 42ND ST BROOKLYN NY 11204-1026</u>		<b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
				If 'No,' attach a list (see instructions)	
<b>I</b> Tax-exempt status		<input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		<b>H(c)</b> Group exemption number ►	
<b>J</b> Website: ► <u>WWW.LEUKEMIAFOUNDATION.ORG</u>					
<b>K</b> Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ►		<b>L</b> Year of Formation: <u>1991</u>		<b>M</b> State of legal domicile: <u>NY</u>	
<b>Part I Summary</b>					
<b>1</b> Briefly describe the organization's mission or most significant activities: <u>To provide the cure for cancer and other life-threatening diseases throughout the world, and to insure that all persons, regardless of race, religion, ethnicity, gender, socioeconomic status or country of residence, have access to life-saving medical care.</u>					
<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.					
<b>3</b> Number of voting members of the governing body (Part VI, line 1a) <u>13</u>					
<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) <u>13</u>					
<b>5</b> Total number of individuals employed in calendar year 2012 (Part V, line 2a) <u>6</u>					
<b>6</b> Total number of volunteers (estimate if necessary) <u>0</u>					
<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12 <u>0.</u>					
<b>7b</b> Net unrelated business taxable income from Form 990-T, line 34 <u>0.</u>					
<b>Activities &amp; Governance</b>		<b>8</b> Contributions and grants (Part VIII, line 1h) <u>1,584,745.</u>		<b>Prior Year</b>	
		<b>9</b> Program service revenue (Part VIII, line 2g) <u>582,607.</u>		<b>Current Year</b>	
		<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d) <u>1,172.</u>		<u>40,400.</u>	
		<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) <u>1,585,917.</u>		<u>623,007.</u>	
		<b>12</b> Total revenue — add lines 8 through 11 (must equal Part VIII, column (A), line 12) <u>1,585,917.</u>		<u>623,007.</u>	
<b>Expenses</b>		<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1-3) <u>224,000.</u>		<u>112,200.</u>	
		<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4) <u>457,645.</u>		<u>225,741.</u>	
		<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10) <u>701,265.</u>		<u>384,401.</u>	
		<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e) <u>401,830.</u>		<u>746,214.</u>	
		<b>17</b> Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e) <u>2,129,124.</u>		<u>142,095.</u>	
<b>Net Assets or Fund Balances</b>		<b>18</b> Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25) <u>-543,207.</u>		<u>864,437.</u>	
		<b>19</b> Revenue less expenses. Subtract line 18 from line 12 <u>-241,430.</u>		<u>459,915.</u>	
		<b>20</b> Total assets (Part X, line 16) <u>463,479.</u>		<u>304,996.</u>	
		<b>21</b> Total liabilities (Part X, line 26) <u>3,564.</u>		<u>4,163.</u>	
		<b>22</b> Net assets or fund balances. Subtract line 21 from line 20 <u>459,915.</u>		<u>300,833.</u>	
		<b>Beginning of Current Year</b>		<b>End of Year</b>	
		<u>463,479.</u>		<u>304,996.</u>	
		<u>3,564.</u>		<u>4,163.</u>	
		<u>459,915.</u>		<u>300,833.</u>	
<b>Part II Signature Block</b>					

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To Promote  
Self-  
Regulation

“nudge” theory of regulation



Filing requirements provide charities with an essential opportunity to conduct internal reviews, think about spending and processes

To inform  
legislation and  
regulation

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Explain the importance,  
scope and scale of the  
sector to policy makers

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Help shape effective laws  
and regulations

To identify and  
prioritize areas  
for  
compliance,  
enforcement  
and education  
initiatives.

Identify parts of the sector that need assistance, compliance efforts, or public education efforts.

Identify business models or practices for investigation or compliance efforts.

Identify red flags in individual filings or groups of filings.

To identify and prioritize areas for compliance, enforcement and education initiatives.

## Examples

- Multistate actions against “bottomfeeder” charities
  - MD SOS participation in Cancer Fund, Help the Vets, others
- South Carolina “Angels and Scrooges” report
- Charities that report diversion of charitable assets, improper loans

### **Collaboration Idea #5:**

Joint compliance/enforcement initiatives

# Multistate actions against telemarketers

## FTC et al. v. Outreach Calling et al.

- A sprawling fundraising operation that allegedly scammed consumers out of millions of dollars will be permanently banned from charitable fundraising along with its owner and others involved in its operation as a result of a lawsuit brought by the Federal Trade Commission and Attorneys General of New York, Virginia, Minnesota, and New Jersey.
- The operation is made up of multiple companies all under the control of owner Mark Gelvan, along with his associates. The complaint filed by the FTC and the states alleged that the defendants served as the primary fundraisers for a number of sham charities that were the subject of numerous law enforcement actions.
- <https://www.ftc.gov/enforcement/cases-proceedings/182-3058/outreach-calling-inc>

## FTC et al. v. Associated Community Services et al.

- The Federal Trade Commission, along with 46 agencies from 38 states and the District of Columbia, has stopped a massive telefunding operation that bombarded 67 million consumers with 1.3 billion deceptive charitable fundraising calls (mostly illegal robocalls). The defendants collected more than \$110 million using their deceptive solicitations. Associated Community Services (ACS) and a number of related defendants have agreed to settle charges by the FTC and state agencies that they duped generous Americans into donating to charities that failed to provide the services they promised.
- <https://www.ftc.gov/enforcement/cases-proceedings/162-3208/associated-community-services-inc>

# Operation Donate with Honor

Operation Donate with Honor was a nationwide “sweep” targeting fraudulent and deceptive fundraising for military causes.

Launched in 2018 but actions have continued into 2021.

Multiple SOS offices participated through public education initiatives and enforcement actions.

In 2018, the FTC, Florida, California, Maryland, Minnesota, Ohio and Oregon settled charges with Florida-based Neil G. “Paul” Paulson, Sr., and **Help the Vets, Inc.** An investigation found that the defendants collected more than \$20 million by falsely claiming that donations would help veterans in need. What really happened to the millions that people donated to Help the Vets directly and through names like American Disabled Veterans Foundation, Military Families of America, Veterans Emergency Blood Bank, and Veterans Fighting Breast Cancer? According to the complaint, it went to Paulson and to the for-profit fundraisers that Help the Vets hired. The FTC alleges that between 2014 and 2016 Help the Vets spent 95% of donors’ contributions to pay Paulson, for-profit fundraisers, and overhead expenses.

To identify  
unregistered or  
nonreporting  
entities subject  
to our  
jurisdiction who  
are holding  
significant  
charitable assets

- New campaigns appearing on crowdfunding sites



- Orgs that have had their exempt status revoked by the IRS

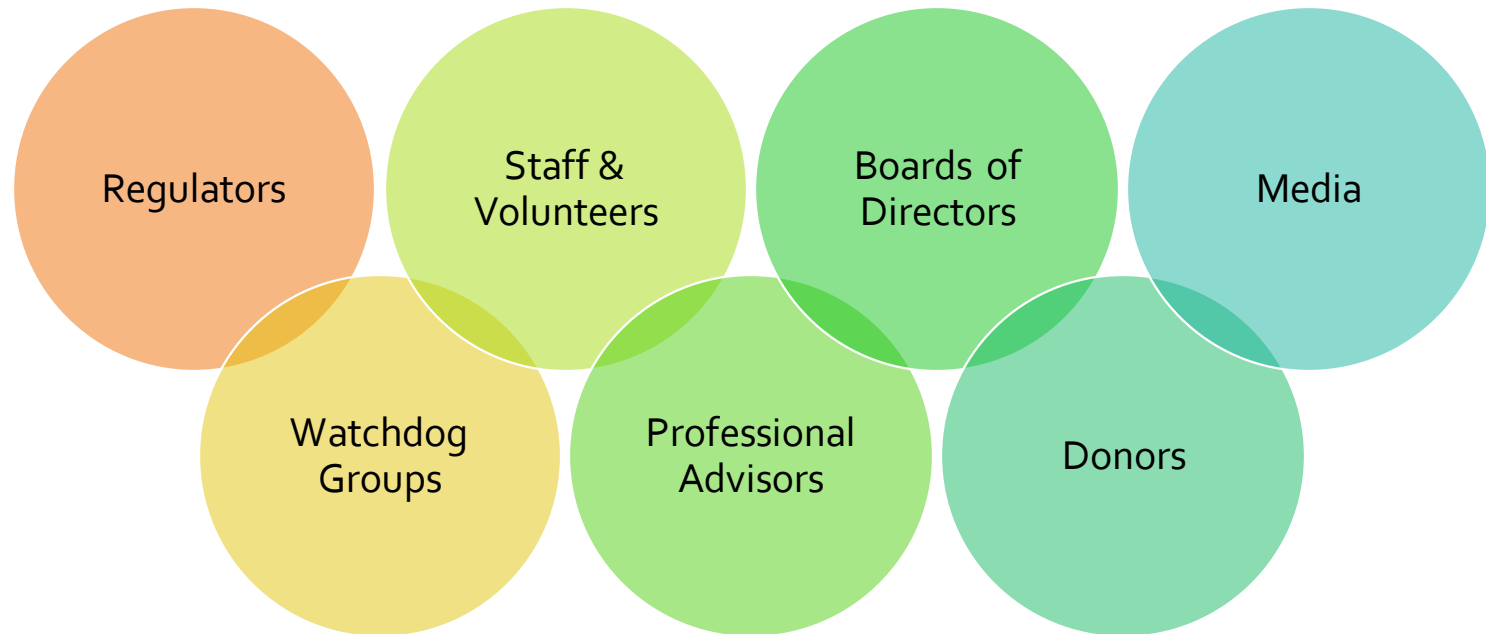
## Some feedback from NASCO members

- **Thank you** for your attention to charities oversight!
- Promote relationship with other relevant state agencies
  - Hot off the presses success story: Charges brought against the Georgia Peach Youth Club of America
- Donor education efforts
- Consider adding CPA/analysts
- Invest in IT resources



Charities regulators are part of an ecosystem that seeks to empower people who support a charitable mission

The view  
from  
10,000 feet





# Questions?

My contact information:

Yael Fuchs

[Yael.Fuchs@ag.ny.gov](mailto:Yael.Fuchs@ag.ny.gov)

(212) 416-8391

[www.nasconet.org](http://www.nasconet.org)

