

Charities Advisory Council
Meeting Minutes, January 12, 2018
The Coast Gateway Hotel

Present: Mike Plymale, Steve Wilmes, Stuart Grover, Mike Forness, Judy Andrews, Mary Kay Gugerty, Moonwater, David Wunderlin, Adam Borgman, Howard Donkin, Patrick Reed (SOS), Rebecca Sherrell (SOS), and Dave Horn (AGO).

Absent: Jennifer O'Bannan, Liz Davis and Scott Douglas

Agenda Item #1: Call to Order

- Mike Plymale, Council Chair, called the meeting to order and welcomed the members of the Charities Advisory Council and special guests.

Agenda Item #2: Introduce Secretary Wyman / Assistant Sec. of State Mark Neary

- Assistant Secretary of State Mark Neary greeted the council and apologized that Secretary Wyman was unable to attend and meet with the council personally. Mr. Neary explained Secretary Wyman became unexpectedly unavailable due to legislative matters. A brief overview of Secretary of State proposed legislation was presented to the council with an opportunity for question and answers.

Agenda Item #3: Introductions of Councilmembers

- Introduction of councilmembers and new members: Mike Forness, David Wunderlin and Office of the Attorney General Representative, Senior Counsel Dave Horn.

Agenda Item #4: Elect New Chairperson

- Elect New Chairperson
Following a discussion, a motion was made to nominate Howard as the 2018 council chair. The motion was seconded. Votes were cast and the motion carried. Howard was elected the council chairperson and presided over the meeting.

Agenda Item #5. Old Business

- Review of the June 12, 2017, Meeting Minutes: The following corrections were made:
 - a. Page 5, 4th paragraph, last sentence starting with "Because Trust duties," add "**different from**" between are and corporate. Sentence should read, "Because

Trust duties are different from corporate duties and we don't have anything in the law that talks about it.

- b. Page 5, last paragraph, sentence starting with "The nonprofit act," strike "and other 501(c)3." End sentence at organizations.
- c. Page 5, last paragraph, last sentence starting with "Those are," change "taxable" to incorporated.

A motion was made to accept the meeting minutes with corrections.
The motion was seconded, votes were cast and the motion carried.

- Review of the June 12, 2017 Action Items:
 - 1.) Teresa has been notifying council members once a month by email regarding any training events scheduled for the upcoming month.
 - 2.) The types of professions were added to the Charities Advisory Council webpage without attributing to specific council members.
 - 3.) Review draft of "Fundraising Auctions and Events" information sheet. Howard needed additional information regarding IRS Form 8283.
- A question heard regularly is, "How do you handle fundraising events when you receive non-cash contributions?"

Howard pointed out it is very complicated and there are many rules. The information sheet is the council's attempt to put something together that is helpful, yet very basic. It is not the intent to make the Office of the Secretary of State an authority on IRS Tax regulations. So the council created a document and each section provides a link to the appropriate agency where the user can obtain additional information.

There was uncertainty with portions concerning IRS Form 8283. Howard offered to research further and follow up with clarifying language at the January 2018 meeting.

Howard distributed the "FAQ – Fundraising Auctions and Events" and a copy of the section containing information regarding Form 8283 for review and discussion. The council members worked together to edit the document for clarification and grammar.

A Motion was made to accept the "Fundraising Auctions and Events" FAQ as amended. The motion was seconded. Votes were cast and the motion carried.

Howard will make the changes discussed and return the completed document via email to each councilmember for review.

- Review Washington Nonprofits Final Report for Sept. 2016 – June 2017

Rebecca distributed copies of Washington Nonprofit's final report which included a summary, overview, and survey responses from training participants.

Agenda Item #6. Update on the Division's Online Filing System (CCFS)

- Mike P. described his experience with submitting a Charity Renewal online. The process took Mike longer than he thought. Entering the information was easy, but at the end, there was a \$20 fee (in addition to the renewal fee) that he wasn't expecting. The filing fee plus the additional \$20 fee equates to a 50% increase!

Moonwater also filed documents online and was also surprised by the additional \$20 fee.

Patrick acknowledged that this issue has come up. When the system was built, it was designed based on current business rules and how they are structured. An online transaction has \$20 applied to it with only very few exceptions. Whether or not that can be adjusted, we don't know yet.

Dave, with the Attorney General's Office, found the system to be very helpful, but admits it was difficult to find the charity search feature. At first, he thought it was necessary to open an account to conduct a search. The concern is, all the advice to check out a charity and referring donors to go to the Secretary of State's web page, only to come to a page with a "Customer Login" and "Create a User Account" the donor is likely to turn away.

A question concerning the mandatory filing date for documents submitted under the Charitable Solicitations and Trust Acts came up. Patrick explained that until the \$20 online transaction fee can be sorted out, organizations will also have a paper option to file with the Charities Program.

What was the cost of the system? 2.5 Million
Maintenance: 1 Million

SuspectFraud.wa.gov: Joint fraud program through the Dept. of Revenue, Labor & Industries, and Employment Security. So if they feel there's been revenue, tax fraud or employment tax fraud happening within an organization, they can refer it to that organization.

Agenda Item #7. Update from the Attorney General's Office

- Dave provided a brief history of what the Charitable Trust focus has been in the Attorney General's Office over time. The current administration has decided to include a full-time Charitable Trust Program.

Over the last few months, Dave has become involved in a number of cases – some of the Charitable Trust matters have ended up in court.

The big project since returning to the Attorney General's Office (AGO) is the Sara Little Turnbull Foundation and Trust. The AGO petitioned the court to resolve issues about the meaning of the trust document. That was successful. The AGO played a significant role in making sure the charitable assets would be used the way that Sara Little Turnbull wanted to be used.

Dave also spends a lot of time reviewing proposed dissolutions of nonprofit corporations. This review is to make sure the assets are going where they're intended to go.

Dave would like to get information posted on the AGO Website, clearly identifying what is needed to fulfill their role in processing requests for the items the AGO is tasked with reviewing.

Dave would like to also do more with charitable solicitations. Sometimes within the nonprofit community, a buzz will develop about a certain organization doing something that seems wrong. Something the councilmembers can do would be to bring that to our attention so we can look into it. I want to be helpful to the nonprofit sector and its many organizations that are trying to good in the community.

Agenda Item #8. Update regarding the Nonprofit Law

- Judy provided an update regarding the status of the Nonprofit Law revisions. The nonprofit bar committee is still in negotiations with the AGO, therefore the Executive Summary has not prepared.

There is a proposal in the act to provide better protections of charitable assets. The committee has imported many of the Attorney General's investigative and

enforcement powers from the Consumer Protection Act into the Nonprofit Corporation Act, which will give the AGO more ability to investigate and hopefully stop those organizations which are trying to get a little extra something out of the nonprofit.

We've also added an additional filing fee for nonprofits to be used by the AGO for education and enforcement. The committee hopes it can finish working with the AGO to come up with a bill that both are comfortable with.

We're also working with Washington Nonprofits to roll out a good, promotional, educational effort across the state to let nonprofits know about this and have an opportunity to learn about the law and offer feedback before we take it to the Legislature. Hopefully, the community can feel fairly comfortable and can be behind the bill.

Judy forewarned the council she may use their name and addresses to let you know the status and to seek feedback as they move forward. Judy will send the Executive summary and revised Act to each committee member when it's completed.

Agenda Item #9 For the Good of the Order

- Each Council member share what is happening in the nonprofit/charity sector in your part of the state.

Mike P/Vancouver: Has noticed his clients that were struggling several years ago, have recovered. Partially, because the economy has recovered. In general, the cash flow has improved.

Judy/Seattle: She is not getting as many start up requests for people that are looking for jobs.

Stuart/Tacoma: The sector is doing a little better and there is a move toward consolidation. He doesn't believe the banks are very interested in the sector and is making it harder to get financing as well as loans. There are fewer people qualified to help organizations raise money. The skill level is lower than it was 5 or 10 years ago and it's becoming more and more expensive.

David/Vancouver: Rent has skyrocketed in Vancouver. The cost of housing is impacting all nonprofits in the southwest corner of the state. The affordability of housing has affected both the client-side of human services as well as trying to hire staff. The change has also affected the number of homeless on the street.

Adam/Spokane: Keeping a watchful eye on the Federal Tax changes trying to stay on top of how this will affect the YMCA, especially the portion that Adam oversees which is federally grant funded.

Mary Kay/Seattle: The concerns about equity and inclusion in the sector have been heightened with all that has occurred in the country. Organizations that are serving the marginalized, disenfranchised, and undocumented are really struggling to serve their populations and feeling a little bit in crisis around that. This is in addition to all the other financial pressures they are feeling.

Mike F/ Spokane: Concerned about the organizational infrastructure, but duplication of services. The environment has been good for a few years so you're seeing less nonprofits struggle. There's a big housing problem in Spokane, Catholic Charities has stepped up and done a significant job.

Moonwater/Bellingham: With the strengthening of the economy, there are more jobs resulting in a more competitive market. Wages and benefits need to be more competitive to attract and retain highly qualified candidates. This, with the increasing minimum wage and healthcare costs, small and medium nonprofits struggle to balance costs with services.

There is incredible concern regarding the effects of the Federal tax bill. What will the impact be, what will be the ripple effect, and how quickly are we going to feel the impact of those changes, once the bill is implemented.

There is continued cooperation and collaboration among nonprofit organizations and she continues to be impressed with what is happening in Whatcom County.

Patrick Reed (Update): December 2017 filing volumes were 15% over December 2016 (which was 10% over 2015). The efficiency the Corporations and Charities Division is gaining with the new system, is consumed by the steady increase in filing volumes. The division is trying to manage the volume increase as we convert and transition to the new system by bringing on temporary staff.

Steve/Yakima: Catholic Charities has been working in collaboration with Washington Nonprofits to attract education in the area. Organizations in the area are becoming amenable and more comfortable to the education brought to the area.

Howard/Seattle: He is also impressed with Washington Nonprofits. Jacobson Jarvis has been volunteering some training and he's noticed a lot more training opportunities in Eastern Washington – which is a great thing.

He's still noticing a lot of new nonprofits organizing and incorporating. Howard and Judy both have noticed that the new groups are more "together." They are more educated, tend to be more than one person with a great idea.

He does have concerns with the new tax law and the impact it will have on nonprofits and charities. If anyone has a question about the new tax law, email Howard and he will use the question in his presentation.

Dave Horn: Compared to 27 years ago when Dave started doing Charitable Solicitation enforcement, he felt as a whole, we've come a long way. There was no Washington Nonprofits Association, the Charities Advisory Council didn't exist, and no one went around the state conducting education. It's nice to see.

Agenda Item #10 Next Meeting

June 11 or 18, 2018. Rebecca will send a Doodle to councilmembers.

With no further business
The meeting was adjourned.

Respectfully submitted,
Rebecca Sherrell