Charities Advisory Council Meeting Minutes
January 25, 2016 10:00 am – 2:00 pm

Present: Stuart Grover, Sarah Shifley, AGO, Moonwater, Nola Grier, Tammy Watts, Mary Giannini, Judy Andrews, Adam Borgman, Mike Plymale, Howard Donkin, Tsering Cornell, AGO, Dan Speigle, SOS, Rebecca Sherrell, SOS, Teresa Glidden., SOS, and Patrick Reed, SOS.
Absent: Carrie Green

Agenda Item #1: Call to Order

- **Welcome**: Stuart welcomed the members of the Charities Advisory Council.
- **Handout:** Rebecca reviewed the contents of the notebook each member received, which included an agenda, an updated council member list, a travel expense voucher, GiveSmart flier and a draft "Fact Sheet" Mike Plymale provided as a result of our June 2015 meeting. Rebecca asked the council to review the member list and to let her know if any corrections are needed.

Agenda Item #2: Old Business

- **Review of June 12, 2015 Meeting Minutes:** One correction was noted on the last page, last action item: "Wed" should be corrected to read "Web." Pam will send "Web" statistics to council members.
  A motion was made and seconded to accept the corrected minutes. Motion carried.

- **Review of Action Items:** All action items from the June 12 Meeting Minutes were completed.

- **Review of draft "Fact Sheet"**
  Rebecca drew the council's attention to the fact sheet drafted by Mike Plymale. After receiving Mike's original draft, the following (suggested) revisions were made and included:

  - Changed "donee" to "recipient"
  - Changed "contemporaneously" to "at the same time"
  - Consolidated information for tax-exempt organizations on one side
  - Consolidated information for donors on the other side
  - Added disclaimer to both sides of information

After a full discussion, the members decided to make additional edits, including making the "donor claims" section clearer. It was also suggested to include a reminder in the opening paragraph that not all organizations are tax exempt. If the donor is interested in making a tax deductible donation, they can search online by visiting the Secretary of State's Charities Web site, if the organization has registered as a charitable organization, or visit the IRS Exempt Organizations, to confirm Federal tax exempt status. Mike will collect any proposed edits and produce another draft. Adam volunteered to set up a Google document so members can access and make suggested changes to the draft "Donation of Clothes and Household Items" to avoid duplication.

Agenda Item #3: <u>Charities Contract</u>

Rebecca reported that RFP 15-11, Nonprofit Corporations and Charities Training Program contract was awarded to Washington Nonprofits. The contract was signed in October 2015.

A discussion followed that led to a couple of great suggestions:

1) Add information to the outgoing corporations and charities renewal postcards that directs the entity to the Web site with the available training the Secretary of State has sponsored with Washington Nonprofits.

2) Create a short video (15 sec) with logo and a short message, something to the effect of - "visit this page – check out our videos on Vimeo. Materials are available here." Just a quick message directing organizations where to find information online.

Agenda Item #4: <u>Donor Education in Washington State</u>

Teresa reported she is conducting donor outreach and creating educational videos. The videos are posted to the Charities Training page and FaceBook. One video recently posted is the "Charity Registration Requirements in Washington State." It is available on YouTube and Vemio.

Another video recently posted is "Clearing the Confusion – Charity, Nonprofit and Tax-Exempt 501(c)," a short, 3-minute video that describes the difference between the different statuses. A Spanish version has also been posted.

Teresa is also participating in the Consumer Protection Washington Group. The group consists of representatives from the Better Business Bureau, FTC, City of Seattle, Labor and Industries, Utilities and Transportations Commission, Office of the Attorney General, and Department of Financial Institutions. Each member of the group provides outreach to consumers in some way; charity fraud, identity theft, contractor fraud, etc.

Teresa was contacted by the Thurston County Area Agency on Aging to present Feb. 16 and Feb. 24 to board members and those who volunteer one on one with seniors. Members from the Office of Attorney General, Labor and Industries, the Utilities and Transportation Commission and an officer from the Olympia Police Department will also present.

Each council member received material with the new "GiveSmart" logo. A one-page flier was included which was created jointly by the AGO and the SOS.

Stuart asked if the council is aware of any types of scams that are emerging. Is the council doing a good enough job?

The education element is being handled through outsourcing and Teresa is focusing on donor education. Is there anything the council is not doing? Are there any materials that would be helpful?

Turning to Patrick, Sarah and Tsering, Stuart wondered what they see as issues in the nonprofit sector and are they within the purview to be addressed by the group.

Sarah reiterated that the rebrand was a joint effort between the Attorney General's Office and Secretary of State's Office. Not every telemarketer is a scam. Sometimes they're not fully representing how much of their donation goes to the actual charity, where they're calling from, or anything else that may be misleading. We want people to know what is going on….even if it's not a total scam, some people may not have given if they had known that 80% of their donation was going to a telemarketing firm in Arizona when the charity is based in Florida, for example.

Beyond that, the two agencies wanted a brand that younger people could connect to as well. Some of the issues we're looking at now have to do with the new types of solicitations; text to give, crowdfunding, online solicitations. This is an area that the AGO is interested in. One of the hopes of the rebranding is that it may feel more accessible to younger people.

Stuart asked if it would be helpful for the council to provide guidance in those areas or if it was the AGO's place to provide the guidance?

Sarah reminded the council it's the charities advisory council's role to advise the SOS rather than the AG.

Sarah pointed out that council members obviously have knowledge and experience with nonprofit organizations, so they should take themselves out of that role and decide from a personal standpoint -

- What kind of information don't you know?
- What kinds of things still surprise you?
- When you receive a solicitation, what are you not being told?
- Continue to have discussions, continue to revise consumer material and keep it relevant

Stuart asked if the rules are clear and if there are disclosure requirements about what is tax deductible and what is not (for crowdfunding). It's not in the RCW because it didn't exist back then. Should we be thinking about that?

Sarah explained that Washington has a number of areas, including the "Charleston Principles" that we look to, to help determine if crowdfunding activity qualifies as either a commercial fundraiser, commercial co-venture, fundraising counsel, or none of the three.

One area in which the council can help is to let the SOS know when an unfamiliar crowdfunding web site comes to your attention. Or, if you are having problems with crowdfunding partners.

There was quite a discussion regarding crowdfunding which went in several directions. The council suggested coming up with a list of issues and identify whether the issue requires a statutory change or if it's an educational issue. Then, identify what the questions are and if the council has a role. The intent is to hone in on what the goals are and if the council can help. As a reminder, Tsering read RCW 19.09.550, the section of the law describing the goals of the council.

The members brainstormed and came up with the following list:

- Definition of Commercial Fundraiser
- Available Educational Resources Available for (What do nonprofits need & what do donors need)
- How will nonprofits know what they need to do with the SOS?
- I don't know what I don't know
- Registration requirements (nonprofit & commercial fundraiser)
- Disclosure of tax exempt status by nonprofit entity
- Could we (SOS & AGO) have a list of crowdfunding groups we are aware of
- Fees, who controls the funds, flat fee or %, how active the site is, passive or marketing
- Does the crowdfunding source have written permission to use the charity's name?
- Is the charity aware that their name is being used?
- How are these entities contacting donors?
- How do nonprofits determine this is the best way to raise funds?
- Clarify tax deductibility – will a receipt be provided?
- Educate perspective donors about the information available at the SOS website
- Legislation to create separate class for crowdfunding registration (so it can be monitored and regulated.)
- Does raising funds for an individual via crowdfunding disqualify them from exemption (from registration) if the crowdfunding source charges a processing fee, flat or percentage?

The council should take a look at the list and determine if an issue identified is an important issue for the Secretary of State to address and how would you ideally see the SOS address it. Tsering and Sarah will take the list generated by the council and combine it and bring it back to the council for reconsideration.

Agenda Item #5: Washington Administrative Code

The change that Pam proposed to the Washington Administrative Code (WAC) to mandate online filing effective May 1, 2017, was filed and adopted August 27, 2015. Paper documents will not be accepted after April 30, 2017.

The Charities Program will notify every registered charity, commercial fundraiser, and charitable trust by mail approximately one year prior to the mandatory filing date.

Agenda Item #6: For the Good of the Order

The new HUB law that was adopted and went into effect January 1, 2016. It does impact nonprofits. Many of you may come across nonprofit organizations that were administratively dissolved many years ago, churches seem to experience this a lot and there was an exemption that would always allow them special reinstatement after the reinstatement period ended. That special reinstatement is no longer available. After January 1, 2016, they must reinstate within 5 years or it is no longer an option. The nonprofit will need to start over.

The annual report process for nonprofits was discussed. The process is the same, but the form has changed some to coincide with six other entity types. HUB can be found at RCW 23.95.

Agenda Item #8: Next Meeting:

First 10 days in June works for most.

With the dates provided, the council will tentatively look to schedule the next meeting for June 3.

ACTION ITEM: Adam volunteered to set up a Google document so members can access and make suggested changes to the draft "Donation of Clothes and Household Items" to avoid duplication.

ACTION ITEM: Rebecca will send a Meeting Wizard for the tentative meeting date of June 3, 2016.

ACTION ITEM: Add information to the outgoing corporations and charities renewal postcards that directs the organization to the web site with the available training the Secretary of State is co-sponsoring with Washington Nonprofits.

ACTION ITEM: Create a short video (15 sec) with logo and a short message, something to the effect of - "visit this page – check out our videos on Vimeo. Materials are available here." Just a quick message directing organizations where to find information online.

With no further business
A motion was made and seconded to adjourn the January 25, 2016 meeting. The motion carried and the meeting was adjourned.

Respectfully submitted,
Rebecca Sherrell