

Charitable Enforcement and Protection Workgroup

Meeting Date: February 3, 2016

Meeting Time: 1:30PM to 3:30PM

Attendees In Person:

Josie Yuzuik, OAG/SOS

Kathy Smith, Secretary of Secretary

Michael Schlein, Secretary of State

Kate McGuire, The Arc Baltimore

Harry Bogdan, Maryland Nonprofits

Attendees by Phone:

Karl Emerson, Public, Montgomery McCracken

Carole Carlson, The Rights and Resources Initiative

Approval of November 2, 2015 Minutes

One change to the November 2, 2015 minutes to add an s to Emerson on page 2. A motion was made to amend the minutes with that addition and the motion passed.

Update from Charities and Legal Services Division

Automatic Extensions-Michael Schlein reported on the forthcoming proposed regulatory change to COMAR 01.02.04.03 to remove the requirement that charities submit a written request for an extension to file annual reports. Proposed change due to be published March 18, 2016 following by and assuming no objections, anticipated change to be effective May 23, 2016.

Donor's Beware-Kathy Smith provided update on the Donor's Beware press release issued around the holidays. Part of annual reminders issued to the public through the Charitable Giving Information Program. The group discussed outlets for public information on charitable giving: SOS website, libraries, schools, etc.

Audit Thresholds-The group discussed SB 10, which proposes to increase the audit threshold from \$500,000 to \$750,000-this is the minimum gross income amount by which the registration statement of a charitable organization must include an audit by an independent certified public accountant. SB 10 also proposed to amend the range of \$300,000 but less than \$750,000 of gross income amounts by which the registration statement of a charitable organization must include a specified review. The Secretary of State testified in support of the changes.

Staffing increases-Kathy reported that the Secretary of State's Office will be hiring additional staff for the Charities and Legal Services Division. Specifically, one (1) investigator, one (1) paralegal Investigator, and one (1) Charity Processor.

Backlog of charity registrations-Secretary of State's Office continues to address the backlog and intends to be day to day. The Office of the Secretary of State is in the process of issuing notice to organizations who have been delinquent for three years or more. Two groups identified: (1) organizations that have filed exempt fundraising notices in the past, but have been delinquent for three years or more in filing exempt notices and (2) organizations with pending new registrations that have been incomplete for three years or more. For charities that file full registration statements each year, approximately 25% are not current with late fees and penalties outstanding.

Discussion of FAQs Page on the Secretary of State's website

Group discussed value of linking to the IRS's life cycle of a charity.

Discussed FAQs for donor beware and FAQs for registration issues.

Attendees were asked to provide Mike with specific topics.

Carole suggested a topic on when a charity is raising money online for a specific individual or family e.g. Go Fund Me, etc.

Kate suggested FAQs for professional fundraisers and asked where they would belong on the website.

Group discussed including a filing cycle FAQ to highlight dates of interest including the filing deadline for the Maryland Comptroller's Office in addition to the SOS filing deadlines.

Kathy suggested a non-profit governance helpful links FAQ to include the following:

- Fiduciary responsibilities
- 990s and Board education
- Reference Section to Maryland Nonprofits Standards of Excellence, IRS Governance documents, and Independent Sector materials, etc.

2015 Workgroup Reporting Submitted to the Legislative

Kathy brought up the final year end reports of the workgroup submitted in December 2015. Asked for thoughts, comments, and questions and if everyone had a chance to review.

Kate suggested adding paid solicitors to the topics going forward.

Henry questioned if there was a way to search by professional solicitor-to find out the corporate arrangements. In Colorado, for eg., you can search by solicitor to find accounting reports and minimum % requirements for each charity.

Currently, the Secretary of State's Office provides 5 numbers and the % of total revenue

Wrap Up (Topics for Next Meeting)

The following were suggested to pass for discussion in CY 2016:

- Role of the AAG
- Professional Solicitors
- Feedback on the FAQs suggested for the website