



Giving to Charities—Know the Facts, Avoid the Scams, and Other Tips on Charitable Giving

From the Office of Minnesota Attorney General Keith Ellison

Minnesotans have a history of being generous with both their time and their money to help others. It is estimated that Minnesotans' donations to charitable organizations total more than \$4 billion per year. Most charities promote laudable goals and provide valuable programs, adding to our quality of life and building stronger communities for us all.

For many donors, the most difficult aspect of choosing a charity to support is ensuring that the organization will use the donation as the donor intends—to further its charitable mission—and not for some other purpose. This publication is designed to provide you with information and tips to make sure that, when you make a donation, it is being used as you intended and that you are able to recognize and avoid questionable charities.

Know the Facts

The United States Supreme Court has held that states are prohibited from enacting laws that require a charity to use a certain percentage of the donations that it receives—for example, 75 percent—for its charitable mission, as opposed to spending them on fundraising, overhead, and other expenses. Accordingly, doing your homework beforehand and gathering information about a charity and how it uses contributions is critical to ensuring your donation will be used as you intended.

Before donating, find out what the charity will do with your contribution. This information can be found by reviewing the charity's registration information, asking the charity about the types of programs your contribution will support, and asking about what percentage of your donation will actually be used for a charitable purpose.

How do I research a charity?

The Attorney General's Office regulates charitable fundraising in Minnesota. The Attorney General's website, www.ag.state.mn.us, allows citizens to check to ensure that a charity to which they are considering

donating is registered. A charity's registration materials on file with the Attorney General's Office are public documents that are available upon request, and include information on the charity's operations, governance, and finances.

Another source of information on charities is the Internal Revenue Service (IRS). You may check with the IRS to see whether a charity is a recognized tax-exempt organization using the IRS's tax exempt hotline at (877) 829-5500 or using the "Tax Exempt Organization Search" on the charities portion of its website, www.irs.gov/charities-non-profits. Online databases like www.guidestar.org also make charities' federal tax returns publically available over the internet for all to scrutinize.

There are a number of organizations that review and rate charities for donors, to make giving simpler. Two national organizations that do so are the Better Business Bureau's Wise Giving Alliance and Charity Navigator. Donors wanting more information about a particular charity can contact these watchdogs as follows:

BBB Wise Giving Alliance

3033 Wilson Boulevard, Suite 600
Arlington, VA 22201
(703) 276-0100
www.give.org

Charity Navigator

139 Harristown Road, Suite 101
Glen Rock, NJ 07452
(201) 818-1288
www.charitynavigator.org

Locally, the nonprofit Charities Review Council monitors the activities of charities, establishes guidelines it believes they should meet, and provides ratings of different charities. The Charities Review Council can

be another good source of information, and may be contacted as follows:

Charities Review Council
700 Raymond Avenue, Suite 160
St. Paul, MN 55114
(651) 224-7030
www.smartgivers.org

What must the charity and its professional fundraiser disclose?

Minnesota law requires charities to provide the public with certain information before asking for a donation. A charity is required to (1) identify itself by its name and location, (2) tell you whether or not the donation is tax-deductible, and (3) provide a description of the charitable program for which the solicitation campaign is being carried out.

Charities sometimes hire for-profit professional fundraisers to solicit on their behalf. When a professional fundraiser is involved, it typically receives a “cut” of your donation. A professional fundraiser that solicits charitable donations on behalf of a charity must disclose the same information as a charity, as well as its full name and that the solicitation is being conducted by a “professional fundraiser.”

What should I ask the charity or its professional fundraiser?

Perhaps the most important question you can ask the charity or its professional fundraiser before donating is what percentage of your donation will actually be used to support the charity’s mission, as opposed to being spent on fundraising costs or other administrative expenses. Reputable charities and professional fundraisers should disclose the actual—or a reasonable estimate—of the percentage that will be received by the charity. Charities that use professional fundraisers to solicit donations in Minnesota must file their contracts with the Attorney General’s Office. These contracts must state the percentage that is paid to the professional fundraiser (versus kept by the charity). You may call the Attorney General’s Office at

(651) 296-3353 or (800) 657-3787 if you would like a contract between a particular charity and fundraising company. Many of these contracts are also available on the Office’s website at www.ag.state.mn.us/Charity/Search/PFR.asp.

In any event, if you ask the charity or its fundraising company how they plan to use your donation or what percentage is kept by the fundraising company and they will not tell you, be wary and consider donating elsewhere.

Avoid the Scams

Charities-related scams seek to capitalize on donors’ desire to help others. By gathering information, asking questions, and analyzing a charity’s federal and state filings as described above, you may be able to avoid some of the following scams that currently occur in the charities industry:

Sham Charities

Unscrupulous individuals sometimes attempt to hide their for-profit motives under the guise of a charitable organization. Typically, these individuals will set up a charity that preys on the heartstrings of generous Minnesotans by claiming that donations will be used to benefit a sympathetic cause. In reality, little or no part of the donor’s contribution furthers the charitable mission that the donor intended to support. For the most part, donations to these so-called sham “charities” are used to pay fundraising or related expenses and line the pockets of the organizations’ executives, family members, and friends.

Sound-alike Organizations

Scammers may attempt to lure donors with an impressive-sounding name or a name similar to a well-known charity when in fact they are nothing more than a façade. They capitalize on the public association with the well-known charity and rely on donations from uninformed donors who respond to unsolicited phone calls, mailings, and other advertisements without doing their homework. Such scams sometimes follow national

disasters and other tragic events. These scammers will spring up overnight and use the name of the disaster to aggressively demand donations, which are usually requested only in forms of cash or wire transfer.

High-Pressure Tactics

Be wary of solicitors using emotional or high-pressure appeals who do not explain how contributions will be spent or the nature of the organization's charitable programs. Many charities use words such as "urgent," "critical," "immediate," and "important" that can make a donor feel compelled to provide a donation immediately. Any reputable charity will welcome your contribution when you are ready to give.

False Localization

You may receive a telephone call or a mailer asking for a donation and vaguely stating that it will be used to benefit those in your "local area" or "local community," or that claims to be part of an "area fund drive." Falsely claiming that donors' contributions will be used locally is a well-known tactic employed by some less reputable charities. If you prefer to support local causes and receive such a solicitation, be cautious. Find out where the charity is based prior to donating. If it is not based in Minnesota, be skeptical of these claims and do further research to verify that your contribution will in fact be used in your local area.

Political Charities

Some charities use donations to lobby lawmakers or advocate for a partisan cause, but are not upfront about this fact. Such organizations often choose names that make them sound like more traditional charities, and make only vague statements about their claimed charitable mission. Before donating in response to a solicitation, be sure to ask whether your donation will be used for lobbying, similar advocacy, or other partisan political activities.

Vehicle Donations

The ability to receive a tax deduction for a used vehicle while helping a charity makes vehicle donation an attractive method of giving. Some charities, however, may actually use vehicle donations to enrich the individuals who run the charity, with little money going

to the claimed charitable purposes. For more information, a publication entitled *Donating Your Car To Charity* is available from the Attorney General's Office.

Other Tips on Charitable Giving

It is important for donors to take steps to protect their donations from being misused. The Attorney General's Office suggests donors follow these additional guidelines when giving to charity:

Research the organization before donating.

Do not hesitate to ask the charity questions about its financials and programs. Remember that a reputable charity wants to build a relationship with a donor, which involves accountability and transparency. As referenced above, you can also obtain helpful information by requesting charity and professional fundraiser registration documents available from the Attorney General's Office. These documents provide contact and financial information about a charity's contributions, expenses, and program services.

Be cautious about how you make your donation.

Never provide your credit card information in response to an unsolicited phone call or email. Find the contact information for the charity you wish to donate to and contact it yourself. If you are donating over the internet, enter the website address yourself instead of clicking on a link provided by someone else, and be wary if the domain name is hidden, is not familiar, or is not the same as the text of the link. Finally, always ask for a receipt for your tax records.

Do not feel obligated to donate to a charity.

You should not feel obligated to donate to a charity that sends a person to your door requesting a donation or that provides unordered merchandise, such as unsolicited greeting cards or address labels. In many instances, donors feel they should "repay" the organization for the person's time and the value of the gifts. You are under no obligation to pay for a person's time nor pay for something that you never asked for in the first place. As it relates to unordered merchandise, these types of gifts are often mass-produced at a very low cost to the organization. The charity only sends these items in the hope that they will make you more likely to donate.

Following the above principles will make you a more informed donor and help you to find an organization that you feel confident supporting. For more information—or to file a complaint about a charity—contact the Attorney General’s Office at:

Office of Minnesota Attorney General

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445 Minnesota Street, Suite 1400

St. Paul, MN 55101

(651) 296-3353 (Twin Cities Calling Area)

(800) 657-3787 (Outside the Twin Cities)

www.ag.state.mn.us

