



HARBOR
COMPLIANCE®

Fundraising Compliance

Navigating the Maze

Presented by:
Warren Harmon

Introduction To Harbor Compliance

COMPLIANCE®

Harbor Compliance provides services and software to help nonprofits and businesses manage compliance. Our solutions help organizations register for charitable solicitation nationwide, secure licensing for cause marketing campaigns and fundraising professionals, obtain income and sales tax exemptions, form entities, and achieve 501(c) tax exemption.



YOUR PRESENTER

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Harbor Compliance is not an accounting or legal firm and does not provide tax, financial, or legal advice.

You will learn:

- #1 – Where charitable solicitation and cause marketing are regulated
- #2 – Which fundraising activities trigger registration and reporting obligations
- #3 – How prioritizing fundraising compliance drives success
- #4 – How to navigate the registration and reporting process
- #5 – What resources are needed to manage fundraising compliance

Charitable Solicitation Compliance



From the Internal Revenue Service

Many states have laws regulating the solicitation of funds for charitable purposes. These statutes generally require organizations to register with a state agency before soliciting the state's residents for contributions, providing exemptions from registration for certain categories of organizations. In addition, organizations may be required to file periodic financial reports. State laws may impose additional requirements on fundraising activity involving paid solicitors and fundraising counsel.

State Fundraising Disclosure Requirements

Take advantage of the opportunity to win trust and boost donations: Use charitable solicitation disclosures as an opportunity to market your nonprofit.



Do These Requirements Apply To Us?

Solicitation = Asking for donations

Common forms of solicitation:

- Direct mail
- Emails
- Phone calls
- Grant seeking
- Fundraising events
- Use of professional solicitors or fundraising consultants
- Cause marketing campaigns
- Charitable gift annuities

Types of online solicitation:



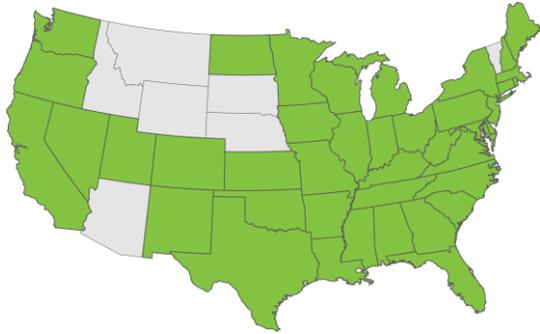
Cause Marketing Campaigns – Nonprofit Partners

- Cause marketing campaigns are considered charitable solicitation in most states.
- More than half the states require cause marketing campaigns to register or meet other regulatory requirements.
- Nonprofits must meet applicable registration requirements wherever the campaign is active.
- Online campaigns often require nonprofits to meet fundraising registration requirements nationwide.
- States often confirm nonprofit's fundraising registration when they review cause marketing contracts.

Cause Marketing Campaigns – Business Partners

- **Six states require businesses to obtain a commercial co-venture license.**
- **Two states also require businesses to secure surety bonds for cause marketing campaigns.**
- **Fourteen states require cause marketing partners submit a copy of their contract before the start of the campaign.**
- **A number of states mandate that specific disclosure language be included in campaign promotional materials.**
- **In some states, cause marketing partners must file a financial statement at the close of the campaign.**
- **States usually require campaigns benefiting multiple charities to file a contract and financial statement for each partnership.**

Two Approaches to Registration for Nonprofits Fundraising Online



1

Register or file an exemption in all 41 states and accept all donations

OR



2

Don't accept donations from supporters in states where you aren't registered

Where Must We Register?

Solicitation is the key

- Review solicitation requirements in each of the 41 states
- Compliance may mean filing registrations or exemptions

Why You Should Make Compliance a Priority

Compliance reduces risk and enhances brand by:

- Safeguarding and strengthening your reputation
- Protecting your leadership
- Boosting employee morale, retention and recruitment
- Broadcasting your commitment to best practices
- Distinguishing yourself
- Facilitating new partnerships
- Building supporter trust and loyalty
- Increasing revenue and impact

Consequences of Not Registering

- Enforcement actions and audits
- Liability for officers and directors
- State fines and penalties
- Loss of state recognition of tax exemption
- Revocation of fundraising registration
- Missed grant and donation opportunities
- Damage to brand and reputation

Proactive Registration Helps to Avoid Penalties

State Responses to Nonprofits with Past Registration Violations:

Corresponding with nonprofits is the most common response to violations, followed by settlements and informal resolutions.

A person is sitting at a desk, writing on a piece of paper with a pen. The background is a blurred classroom or office setting with other desks and people. The text "Proactive registration is the ideal option!" is written in a blue, handwritten font over the image.

Proactive registration
is the ideal option!

Consumers Are Researching Before Donating

From the Federal Trade Commission's website:

“Before Giving to a Charity . . .

Find out if the charity or fundraiser must be registered in your state by contacting the National Association of State Charity Officials.”

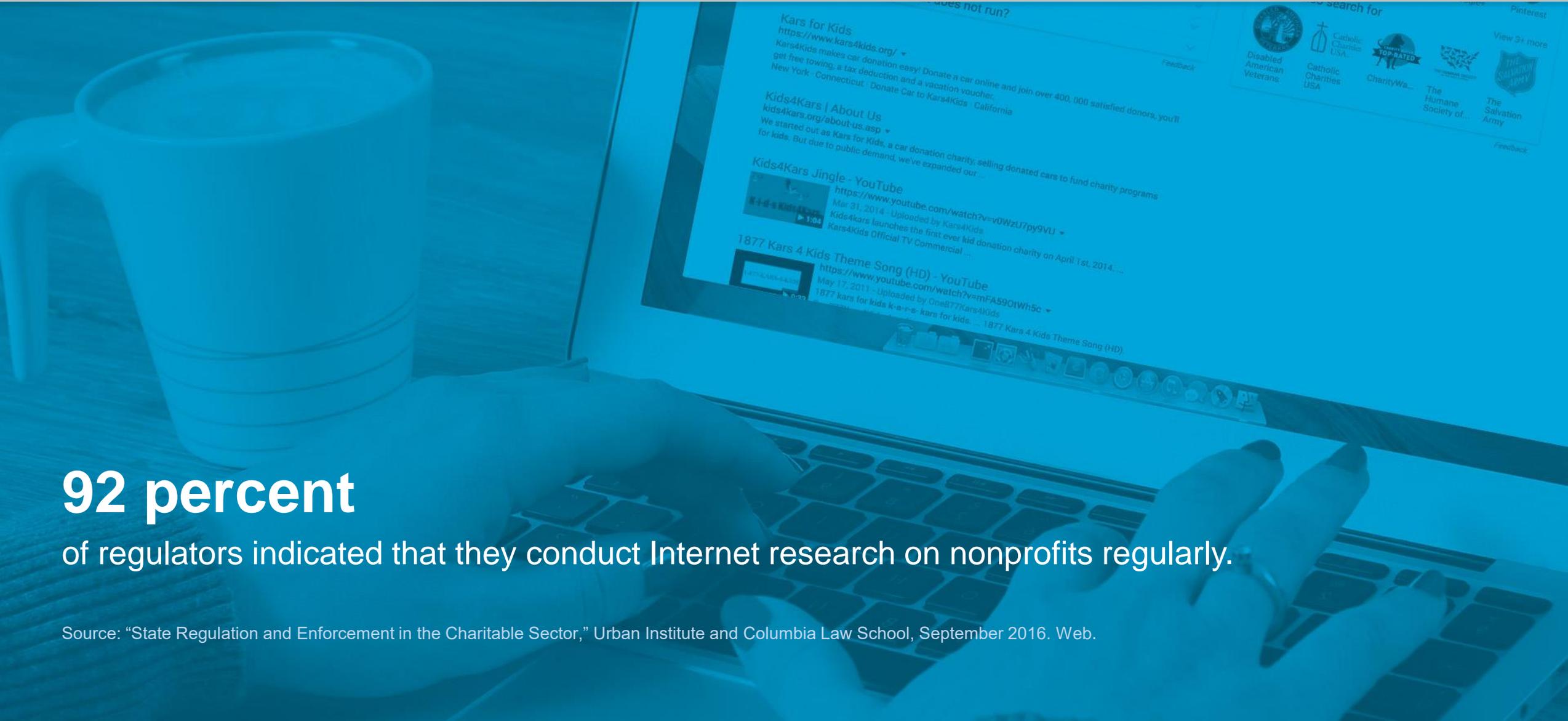
The screenshot shows a web browser window displaying the FTC website. The address bar shows the URL: <https://www.consumer.ftc.gov/articles/0074-giving-charity>. The page header includes the text "FEDERAL TRADE COMMISSION" and "CONSUMER INFORMATION". A search bar is visible in the top right corner. On the left side, there is a vertical navigation menu with the following categories: MONEY & CREDIT, HOMES & MORTGAGES, HEALTH & FITNESS, JOBS & MAKING MONEY, PRIVACY, IDENTITY & ONLINE SECURITY, BLOG, and VIDEO & MEDIA. The main content area features the article title "Before Giving to a Charity". Below the title, there is a text box that reads: "If you're considering a request for a donation to a charity, do some research before you give. By finding out as much as you can about the charity, you can avoid fraudsters who try to take advantage of your generosity. Here are tips to help make sure your charitable contributions are put to good use. For more information, visit ftc.gov/charityfraud." Below this text box, there are four links: "→ Signs of a Charity Scam", "→ Charity Checklist", "→ Charities and the Do Not Call Registry", and "→ Report Charity Scams". Further down, there is a section titled "Signs of a Charity Scam" with the text: "These days, charities and fundraisers (groups that solicit funds on behalf of organizations) use the phone, face-to-face contact, email, the internet (including social networking sites), and mobile devices to solicit and obtain donations. Naturally, scammers use these". On the right side of the page, there are social media sharing options, a "Related" section with a "Order Free Copies" button, and a "Related Items" section with a "DONATING TO CHARITY" audio tip player and a list of "Charity Scams" and "Phone Scams".

Regulators Are Researching Online, Too

92 percent

of regulators indicated that they conduct Internet research on nonprofits regularly.

Source: "State Regulation and Enforcement in the Charitable Sector," Urban Institute and Columbia Law School, September 2016. Web.



The Registration Process – Step 1

1 Research

- Registration status
- Application forms, fees, and supporting documents
- Other state prerequisites

2 Apply

- Mail, fax, and online applications

3 Monitor

- Process times vary from a week to several months
- Follow up with states to ensure approval

4 Renew

- Track renewal dates
- File renewal applications
- Stay current with legislative changes

The Registration Process – Step 2

1 Research

- Registration status
- Application forms, fees, and supporting documents
- Other state prerequisites

2 Apply

- Mail, fax, and online applications

3 Monitor

- Process times vary from a week to several months
- Follow up with states to ensure approval

4 Renew

- Track renewal dates
- File renewal applications
- Stay current with legislative changes

The Cost of Registration

State fees

to register nationally come to \$1,400 to \$5,000 for most organizations.

The Registration Process – Step 3

1 Research

- Registration status
- Application forms, fees, and supporting documents
- Other state prerequisites

2 Apply

- Mail, fax, and online applications

3 Monitor

- Process times vary from a week to several months
- Follow up with states to ensure approval

4 Renew

- Track renewal dates
- File renewal applications
- Stay current with legislative changes

The Registration Process – Step 4

1 Research

- Registration status
- Application forms, fees, and supporting documents
- Other state prerequisites

2 Apply

- Mail, fax, and online applications

3 Monitor

- Process times vary from a week to several months
- Follow up with states to ensure approval

4 Renew

- Track renewal dates
- File renewal applications
- Monitor legislative changes

What Does It Take to Manage Compliance?



**Time to manage
renewals and reports**



**Filing system for
applications, reports,
and licenses**



**Spreadsheet of due dates,
registration numbers,
and state statutes**



**Calendar system to
monitor deadlines and
status of applications**



**Time and technology to
prepare and update
disclosure statements**



**Research to track
legislative and
administrative changes**

Our Compliance Management Solution

- ✓ Fully managed process for registration, renewal, and reporting
- ✓ Flat-rate per-state pricing
- ✓ Full-service support from team of dedicated compliance specialists
- ✓ Tracking and reporting software to ensure no missed deadlines

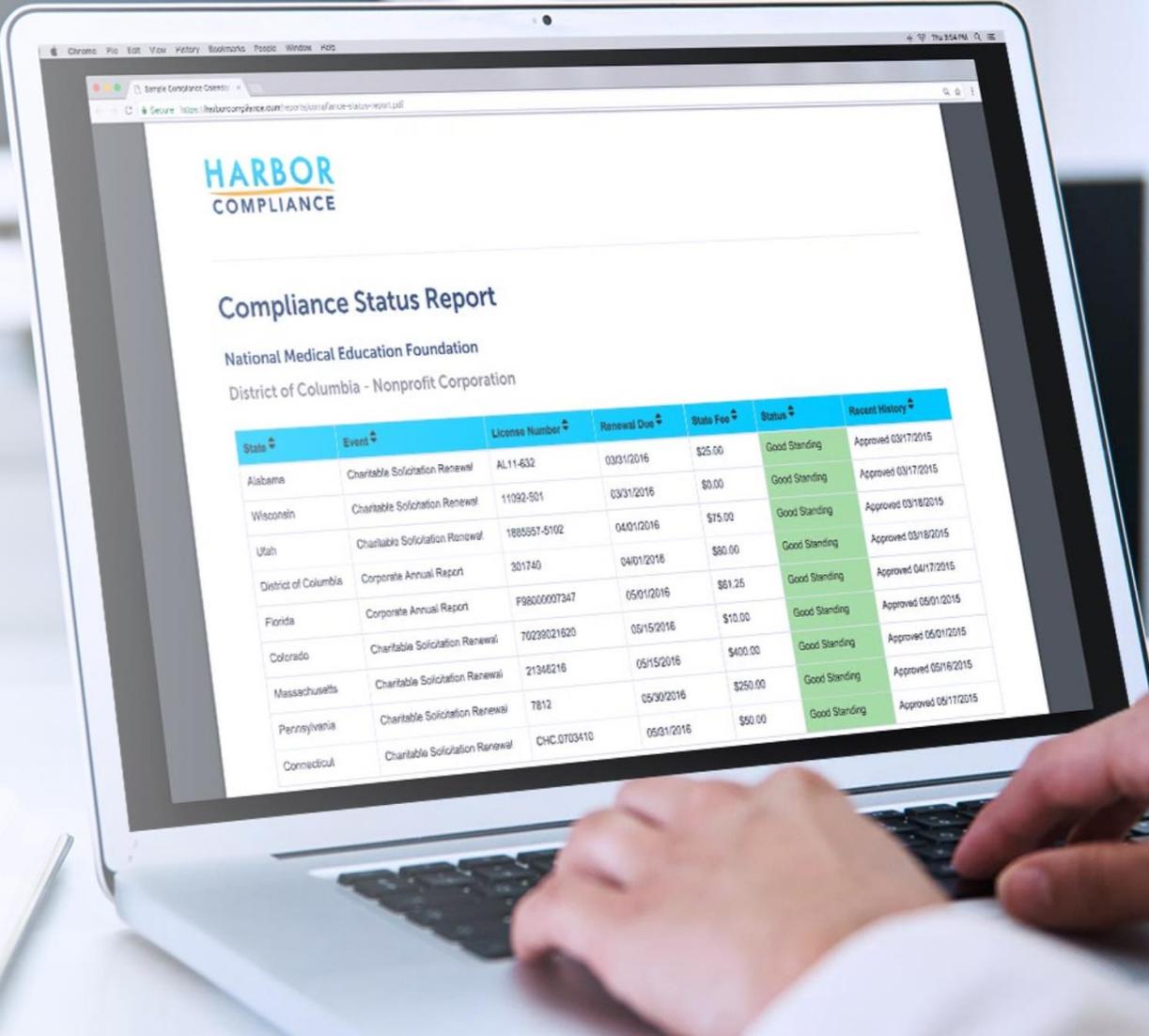
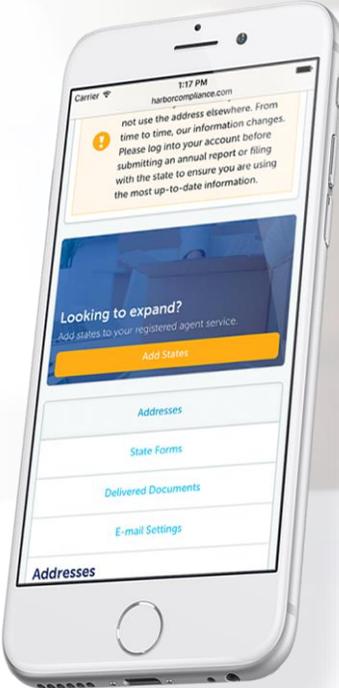


TAKE ACTION!

Contact us to discuss compliance management solutions that allow you to focus on your mission!

#5 – SIMPLIFY COMPLIANCE MANAGEMENT

Our Compliance Management Software



Contact us!

Contact us by email with additional questions or to schedule a conversation about compliance solutions

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