Arizona Attorney General
Terry Goddard
Educating • Protecting • Empowering
Arizona Consumers

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CHARITY SCAMS

Get The Facts

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Message from Attorney General Terry Goddard

Charities provide many valuable services in Arizona and around the world. We all like to do our part to help others and donating to a well-managed charity is an excellent way to give back.

As donors, we have the difficult task of deciding among the many charities competing for our donations.

Unfortunately, some organizations are not prudent about how they spend your donations. In some instances, funds are solicited for charitable purposes but only a small percentage is actually received by a charity. Other times, dishonest individuals claim they are raising money for a worthy cause but pocket the donations for themselves.

Even the most cautious individuals can mistake a fraudulent fundraiser for a legitimate charitable organization since many scam artists use the same fundraising techniques as reputable fundraisers. The best way to avoid becoming a victim of charity fraud is to become educated and informed. Be proactive. By taking simple precautions, you can protect yourself from fraud and deceit when making contributions that are so vital to the public welfare.

I hope this booklet helps you in making decisions about giving.

For more information on Charity Fraud, visit my website at www.azag.gov.

Terry Goddard

Attorney General

What is a Charity?

Charities are organizations that are established to foster a benevolent, educational, philanthropic, humane, scientific, patriotic, social welfare or advocacy, public health, environmental conservation or civil purpose.

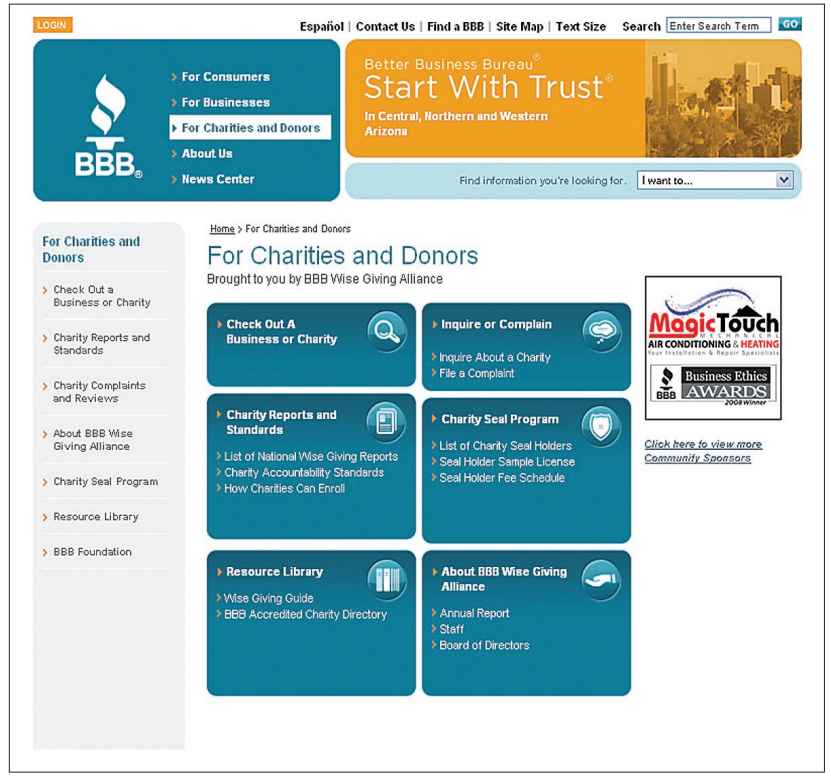
In Arizona, charities play a vital role in supporting those in need. All reputable charities begin with a cause or mission. To achieve its mission, most charities rely on donations to cover administrative costs (salaries, rent, and supplies), program costs (services they provide) and fundraising costs (mailings, advertisements, etc). Common fundraising techniques include: mailing letters, calling potential donors, posting requests for donations on websites, using email to solicit funds, going door-to-door, selling products and conducting telethons. Some charities hire professional solicitors to perform these tasks.

Charitable organizations should have a clear mission statement and should use the majority of the donations that they receive to support their programs – not to pay salaries or to conduct fundraising. Legitimate charities and fundraisers are happy to provide information about themselves, including their exact name and address of their headquarters. You should also be able to request and receive written materials about how the charity uses its funds.

Charitable organizations as well as their fundraisers must be registered with the Arizona Secretary of State before soliciting any monies from Arizona citizens. To find out whether a charity you support is registered in Arizona, visit Secretary of State Ken Bennett's webpage at www.azsos.gov/business_services/charities.

Beyond being registered with the Secretary of State, charitable organizations should have tax-exempt status under section 501(c)(3) of the Internal Revenue Code. This status ensures that the organization is organized and operated for charitable purposes and none of its net earnings inure to any private shareholder or individual.

Donors who contribute to Section 501(c)(3) organizations can claim their donations on their taxes. The IRS also requires charities to annually file a Form 990 which provides information about the organization's activity, income and expenses. A charitable organization's Form 990 can be accessed on the American Institute of Philanthropy website: http://foundationcenter.org/findfunders/factfinder/



Better Business Bureau (www.bbb.org/charity)

Charity Checklist:
Steps To Take BEFORE Giving

Citizens are urged to make cautious and informed choices when deciding where to show their support. To ensure that your donation will benefit those individuals and organizations that you want to help, the following precautions should be taken **before** any contribution is made:

■ Get Information:

- Whether you are solicited by telephone, internet, mail or door-to-door, ask the solicitor to provide their name, address and telephone number;
- Ask about the charity's mission and how your donation will be used;
- Determine whether the solicitor is a paid fundraiser, who they work for and the percentage of your donation that will go to the charity and to the fundraiser;
- Ask if the charitable organization is a Section 501(c)(3) organization and make sure you will receive proof that your contribution is tax deductible;
- Determine whether the charitable organization has a website that you can review and/or whether they will send written information, including a copy of their most recent Form 990 and financial statement.

■ It's Your Money, Don't Be Hasty In Making A Decision To Donate

- Never commit to give a donation during the initial solicitation. Tell the solicitor that you need time to research the organization. Ask for a mailing address where you can mail in a donation. If you decide to donate, send a check directly to the organization. This ensures that 100% of your contribution goes to the charity and not to the fundraiser.

- Refuse high pressure appeals. Legitimate charities and fundraisers generally don't push you to make an immediate contribution. If the solicitor pressures you, just say "no" by using one of the following:

  "I do not accept telephone solicitations, please do not call again."

  "Send me the information in the mail, if I am interested, I'll check it out and get back to the charity directly."

  "I'm not interested in contributing at this time."

  "Please leave me the brochure/information. I'll review it later, when I have more time, and I'll make a decision then."

- Never give to a charity that offers to send a courier or overnight delivery service to collect your donation immediately.

■ Do A Charity Check BEFORE Making A Donation

- When researching a charity, be very sure that you are dealing with the correct charity. Some phony charities use names similar to those of well-know, legitimate organizations. Call the organization you know to make sure that they are aware of the solicitation that you received and that your contribution is going to the right address.
- Research the charity that you are considering. Determine how much money actually goes to the charitable cause as opposed to fundraising, salaries and other expenses. The following organizations are excellent resources of information. Some give ratings while others provide a breakdown on how contributions are spent. You may want to check more than one:

The Better Business Bureau of Central, Northern and Western Arizona
4428 N. 12th Street
Phoenix, Arizona 85014
602.264.1721 (Phoenix)
1.877.291.6222 (Toll Free)
www.bbb.org/charity

The Better Business Bureau of Southern Arizona
434 S. Williams Blvd., Suite 102
Tucson, Arizona 85711
520.888.5353 (Tucson)
1.800.696.2827 (Outside Metro Tucson)
www.bbb.org/charity

American Institute of Philanthropy
P.O. Box 578460
Chicago, IL 60657
773. 529.2300
www.charitywatch.org

Charity Navigator
1200 MacArthur Boulevard
Mahwah, NJ 07430
201.818.1288
www.charitynavigator.org

GuideStar
4802 Courthouse Street
Suite 220
Williamsburg, VA 23188
757.229.4631
www.guidestar.org

How to Research a Charity

There are many resources that can help you determine whether you would like to donate to a particular charity. For instance, the Better Business Bureau provides consumers with a Charity Report Index. The index contains detailed information about the charity and a breakdown of the charity's finances. The example provided below is a snapshot of an Arizona charity's financial statement from the BBB's Charity Report Index.

The following information is based on an Arizona charity's audited financial statements for the year ending December 31, 2008.

Source of Funds

Contributions	$1,245,471
Membership Dues	$304,403
Interest & Dividends	$52,049
Misc. Revenue	$18,833
Net Change in Fair Value of Investments	-$479,533
Total Income	**$1,141,223**

Total income:	**$1,141,223**
Program expense	$1,354,510
Fundraising expense	$65,849
Administrative expense	$140,679

Program Expenses are the funds put towards the programs and services the organization exists to provide.

9 out of 10 Charities spend at least 65% of their budget on program expenses.

Fundraising Expenses are the funds that go towards raising money for the charity, such as advertisements or gifts for donors.

Administrative Expenses are the funds that go towards staff salaries, rent and supplies.

FINANCIAL

Uses of Funds as a % of Total Expenses

■ Programs: 87% ■ Fundraising: 4% ■ Administrative: 9%

BBB Start With Trust

Example from Better Business Bureau (www.bbb.org/charity)

Be Cautious!

Consider the following precautions to help ensure that your donation dollars benefit the people or organization you are interested in helping.

- **Be wary of charities that spring up over night in connection with current events or a natural disaster.** As much as some of these pitches pull at your heartstrings, many of these so-called charities probably do not have the means to get the donations to the affected people or areas.
- **Be especially cautious about getting a charity donation request by email.** More and more charities are using email and text messaging to communicate with potential or past donors. It is important to research these solicitations just as if they came through the mail or in person.

- **Check with local recipients.** If giving to local organizations or charities is important to you, make sure they receive the benefit of your generosity. If a charity tells you that your money will support a local organization, such as a fire department, police station, or hospital, call the organization to verify the claim.
- **Put telemarketers on hold.** It may seem convenient to give over the phone, but it is a risky proposition. Some telemarketers will attempt to obtain your credit card number over the telephone. Others will try to convince you that you have given in the past. As with all other solicitations, do your homework before you give.
- **Never give cash.** Cash can be lost or stolen. For security and tax record purposes, it is best to pay by check made payable to the charity, not the solicitor. If you decide to donate online, make sure that the website is secure (look for a URL that begins “https” or has a lock icon on the browser’s status bar).
- **Make sure you have a record of your donation.** Always get a receipt with the name of the charity on it and the amount of your donation.
- **Trust your gut.** Solicitors may try to trick you by thanking you for a pledge you did not make. If you do not remember making the donation, resist the pressure to give. It is always a good idea to keep a record of your donations.

What to Do if You Believe You Are a Victim of a Charity Fraud or Scam

Alert Authorities

If you believe you are a victim of a charity fraud or you were contacted by an organization that may not be operating legitimately, please contact:

Arizona Attorney General's Office
Consumer Information and Complaints
1275 West Washington
Phoenix, Arizona 85007
602.542.5763 (Phoenix)
520.628.6504 (Tucson)
1.800.352.8431 (In-State Toll Free)
www.azag.gov

Contact your banking institution or credit card company and make them aware of the fraudulent transaction as soon as you discover it. Many of these institutions offer transaction dispute resolutions but only if a complaint is filed within the prescribed time frame. Contact your banking institution or credit card company for further information.

Resources

Arizona Secretary of State
1700 W. Washington, 7th Floor
Phoenix, Arizona 85007-2888
602.542.4285 (Phoenix)
520.628.6583 (Tucson)
1.800.458.5842 (In-State Toll Free)
www.azsos.gov

The Better Business Bureau of Central, Northern and Western Arizona
4428 N. 12th Street
Phoenix, Arizona 85014
602.264.1721 (Phoenix)
1.877.291.6222 (Toll Free)
www.bbb.org/charity

The Better Business Bureau of Southern Arizona
434 S. Williams Blvd., Suite 102
Tucson, Arizona 85711
520.888.5353 (Tucson)
1.800.696.2827 (Outside Metro Tucson)
www.bbb.org/charity

Federal Trade Commission
Consumer Response Center
Washington, D.C. 20580
202.326.2222

Crime and Fraud Prevention Initiatives

The Attorney General's Office includes **Satellite Offices** throughout the State and the **Fraud Fighter Van**. Satellite Offices make it easier for residents to get information on crime prevention, consumer fraud, and civil and victims' rights issues in their own neighborhoods. Fraud Fighter Volunteers are available to make educational presentations to community groups and distribute materials at local events. A complete list of Satellite Office locations and schedule of events are posted on the Attorney General's Web site at ***www.azag.gov***. The Fraud Fighter Van is the newest tool to bring services and information to senior centers, libraries and neighborhoods. The Fraud Fighter Van is filled with information about identity theft, scam alerts, Internet safety and much more.

ARIZONA ATTORNEY GENERAL
Fraud Fighters
PROTECTING ARIZONA CONSUMERS

For more information, contact:

Crime, Fraud & Victim Resource Center
Arizona Attorney General's Office
1275 West Washington Street
Phoenix, Arizona 85007
602.542.2123 or 800.352.8431
communityservices@azag.gov

400 West Congress, South Building
Suite 315
Tucson, Arizona 85701
520.628.6504

Subscribe to the Attorney General's scam alerts and messages on current issues at *www.azag.gov*.

PROTECTING ARIZONA
www.azag.gov

Other publications available from the Arizona Attorney General's Office include:

- Top 10 Consumer Scams
- Civil Rights:
  - Employment Discrimination - Get the Facts
  - Discrimination in Places of Public Accommodation
  - Housing Discrimination - Get the Facts
  - Voting Discrimination
- Consumer Guide for Young Adults
- Consumers' Guide to Buying a Car
- Identity Theft
- Internet Safety Guide for Parents and Teens
- Avoiding Loan Modification and Foreclosure Scams
- Life Care Planning
- Predatory Lending
- Victims' Rights