NATIONAL ASSOCIATION OF STATE CHARITY OFFICIALS (NASCO) ANNUAL REPORT ON STATE ENFORCEMENT AND REGULATION

January 2021 - September 2022

The National Association of State Charity Officials (NASCO) is an association of state offices charged with the regulation and oversight of charitable organizations and charitable solicitation in the United States.
Learn more at **www.nasconet.org**.

INTRODUCTION

The National Association of State Charity Officials (NASCO) is an association of governmental offices of the states, territories and commonwealths of the United States that are charged with the oversight of charitable assets, charitable organizations, and charitable solicitations. Members include offices of attorneys general, secretaries of state, and others charged with these oversight duties. On a day-to-day level, we are a group of public servants committed to ensuring the integrity of the charitable sector.

Among the purposes of NASCO are to provide a forum for the exchange of views and experiences regarding charities matters and to foster communication and coordination with the public on issues related to charities regulation and oversight.

Consistent with these purposes, NASCO is pleased to provide fellow regulators and the public with the 2021-2022 Report on State Enforcement and Regulation. The report consists of:

1. A sample of cases in which NASCO members were involved in 2021 in these key areas:

    a. Deceptive Solicitation
    b. Nonprofit Governance
    c. Trust and Estates

2. Outreach efforts and published guidance issued in 2021 and 2022.

Questions regarding particular cases, actions or issues should be directed to the relevant state. Contact information for each state can be found at www.nasconet.org.

The report is designed to highlight activities for the covered time period, not to encompass all matters addressed by charities regulators. The contents of the report do not constitute legal advice and are not intended for legal citation. Rather, as indicated, they are provided in order to share experiences and communicate to the public, including the charitable sector, some of the key activities of charities regulators last year.

Thank you to all who contributed your time and effort to helping compile this report, and more importantly, for your time and dedication to supporting this integral sector.

RECENT ACTIONS

I. DECEPTIVE SOLICITATION

AL, CA, CO, CT, DE, FL, GA, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MO, MT, NE, NV, NH, NJ, NM, NY, NC, OH, OK, OR, PA, TN, TX, UT, VA, WA, WV, WI, WY, DC On January 26, 2021, the FTC, 38 states and the District of Columbia filed a multistate action against Michigan-based professional fund raiser **Associated Community Services** ("ACS"), two businesses related to ACS, and the owners/operators of each of those businesses (the "ACS defendants"). Other defendants included **Directele** and **The Dale Corporation** and their owners and managers (the "Directele defendants") that operated as ACS spin-off fundraising companies. The ACS defendants and Directele defendants made billions of solicitation calls nationally on behalf of multiple charities almost exclusively using soundboard technology (robocalls). Callers used deceptive claims about the charities, and collected more than $110 million, almost all of which went to the defendants, not to charitable programs. Under the court-ordered settlements, the defendants are subject to a $110 million judgment, which was partially suspended. Funds collected were distributed via *cy pres* to three not-for-profit corporations. Also, under the settlement, all defendants were permanently prohibited from engaging in charitable fundraising.
https://www.ftc.gov/enforcement/cases-proceedings/162-3208/associated-community-services-inc

CA, FL, IL, MD, MI, MN, NM, OH, OR, VA, WA On January 12, 2021, the states of California, Florida, Illinois, Maryland, Minnesota, New Mexico, Ohio, Oregon, Washington, and the Commonwealth of Virginia announced a settlement agreement with the **Healing Heroes Network**, a veterans' charity based in Florida. The states found that the organization falsely promised to use donations to help wounded veterans of the wars in Iraq and Afghanistan receive medical treatments that the Department of Veterans Affairs did not readily provide. The charity also falsely claimed on social media in 2016 and 2017 to dedicate 100% of proceeds to wounded veterans. The investigation revealed that very little of the contributions received by the Healing Heroes Network, Inc. were used to further this charitable mission. Under the settlement agreement, the defendants agreed to permanently cease all charitable solicitations, and the individual defendants will pay $95,000.00 to the State of Washington to be used by a veterans' charity whose mission matches the representations made by Healing Heroes Network. The individual defendants are also banned from overseeing, managing, or soliciting charitable contributions for any nonprofit organization for five years.
https://www.marylandattorneygeneral.gov/press/2021/011221.pdf

CO **InfoCision Management Corporation v. Griswold, No. 20-cv-0357-WJM-KLM** (D. Colo): In November 2021, a federal district court in Colorado upheld the constitutionality of the Colorado Charitable Solicitations Act's registration requirements for paid solicitors. Consistent with the Charitable Solicitation Act's requirements, the Colorado Secretary of State denied InfoCision's paid solicitor registration in 2019 after InfoCision disclosed it had been enjoined from making false or misleading statements in connection with a settlement with the Federal Trade Commission in Ohio. InfoCision challenged the Colorado law in federal court, alleging it violated the First Amendment. After both parties filed for summary judgment, the federal district court found in favor of the Colorado Secretary of State, holding that the law complied with the First Amendment. The federal district court recently denied InfoCision's subsequent motion for reconsideration; it is unclear whether InfoCision will appeal the court's ruling.

GA On August 11, 2021, the Georgia Attorney General's Office announced the indictment of 14 defendants on 15 charges of Human Trafficking, Racketeering, Criminal Street Gang Activity, Charity Fraud, and Money Laundering. The indictment followed the presentation of the evidence to a Cherokee County grand jury. The Attorney General alleged that the Defendants operated a labor-intensive human trafficking ring under the guise of a charity known as **Georgia Peach Youth Club of America Inc.** to fund criminal street gang activity. The alleged criminal enterprise connected with these crimes is the Nine Trey Bloods – a subset of the United Blood Nation which is a well-known criminal street gang out of Los Angeles.

IL In 2021, the Illinois Attorney General's Office successfully shut down **Community Guide Magazines, Inc.** ("CGM"), an Illinois-based professional fundraiser. Defendants also included CGM's owner, Ron McMenamy, and six solicitor defendants. Illinois found that the defendants made material misrepresentations to donors in their solicitations both about how donations would be used and about who was making the solicitation. CGM's professional solicitors were fundraising on behalf of two charities, Vietnow National Headquarters and American Veterans Foundation (AVF). The Attorney General entered into a settlement agreement under which CGM agreed to stop operations and to be judicially dissolved. McMenamy and the six solicitors employed by CGM each agreed to a permanent ban from any kind of charitable fundraising in Illinois. McMenamy agreed to a $550K judgment entered against him, with all but $15K being suspended based on inability to pay. The full judgment may be reinstituted if the defendant violates any of the conditions of the settlement order.

KS On May 24, 2021, the Kansas Office of the Attorney General secured a judgment against **A Ride for the Wounded**. A Ride for the Wounded and its owner were permanently banned from doing business in Kansas and ordered to pay more than $11,000 in damages that were used for personal expenses in violation of the Kansas Charitable Organizations and Solicitations Act.

MD In May 2021, The Maryland Attorney General's Office entered into an Assurance of Voluntary Compliance with the **Animal Welfare Society of Howard County.** The AVC followed a cease and desist order that had been issued in August 2019. The Maryland OAG alleged that the organization made false and misleading solicitations, willfully submitted materially false registration information, and made a misrepresentation that was likely to affect a person's decision to make a contribution. The organization underwent internal changes and installed new leadership. New leadership was able to satisfy the issue addressed in the cease and desist order. The AVC allows the organization to solicit in Maryland again and levies a $15,000 penalty. The penalty will be waived if organization complies with all provisions of the Assurance of Voluntary Compliance.

MI On July 23, 2021, the Michigan Attorney General and the Michigan Department of Licensing and Regulatory Affairs obtained a default judgment dissolving 10 fraudulent entities for failing to comply with state nonprofit and charity laws and permanently enjoining defendants from serving as an officer or director of a Michigan nonprofit or seeking a certificate of authority to operate a foreign nonprofit entity in the state. In 2020, the Department of Attorney General identified defendants Ian Richard Hosang, Claudia Stephen, and Lincoln Palsey as involved with the fraudulent entities American Cancer Foundation (ACF) of Detroit, ACF of Grand Rapids, ACF of Lansing and ACF of Michigan; American Cancer Society (ACS) of Detroit and ACS of Michigan; American Red Cross (ARC) of Detroit and ARC of Michigan; United Way of Detroit and United Way of Michigan.

MN In March 2022, the Minnesota Attorney General's Office reached a settlement of a June 2021 enforcement action filed against the organizer of an online charitable fundraiser called **"Philando Feeds the Children."** The Attorney General's Office found that, of approximately $200,000 that Pamela Fergus raised to relieve student lunch debt for Saint Paul Public School Students — which began as a one-semester, in-class service project for an undergraduate class she taught — only about $80,000 was donated to Saint Paul Public Schools for the purpose of relieving student lunch debt, leaving approximately $120,000 unaccounted for. The settlement agreement requires Ms. Fergus to pay back $120,000 in charitable funds that the Attorney General's office alleged she instead put in her own pockets. The agreement also permanently bans Ms. Fergus from handling charitable funds. Per the terms of the consent judgment, the $120,000 will be paid to the Attorney General's Office, which will distribute it to Saint Paul Public Schools for the restricted purpose of relieving the lunch debts of children in need — the purpose for which Minnesotans donated the funds.
https://www.ag.state.mn.us/Office/Communications/2022/03/28_PhilandoFeedsTheChildren.asp

MN In March 2021, the Minnesota Attorney General's Office sued **PNW C2C Marketing, LLC**, also known as **Contributing 2 Combatants** ("C2C") and its owner Jacob Choinski, for violating charitable solicitation and consumer protection laws. The OAG alleged that the company went door to door in Minnesota neighborhoods and misrepresented that C2C was a nonprofit soliciting donations to send care packages to service members overseas. Mr. Choinski then spent the funds collected for his personal use and did not spend a single dollar on care packages since C2C's inception in July 2018. In September 2021, the Attorney General obtained a default judgment against Mr. Choinski for $954,966. The judgment also permanently bans C2C from doing business in Minnesota and also prohibits Mr. Choinski from any involvement in Minnesota's nonprofit sector.
https://www.ag.state.mn.us/Office/Communications/2021/09/09_Contributing2Combatants.asp

MN In September 2022, the Minnesota Attorney General's Office announced that it entered into an Assurance of Discontinuance after an investigation into **Welch Charities**, a Minnesota nonprofit corporation with a mission "to help identified underprivileged children in the local community, Native American reservations, and abroad by ensuring they start off the school year right." The charity sponsored an annual Indian Bike Week motorcycle event billed as a fundraiser to help with school supplies. The Attorney General found that the charity spent less than 10 percent of its donations for its purpose, misused tens of thousands of dollars, including on expenses for the personal use of one of the directors. Under the agreement, the charity will be dissolved and its assets distributed to another charity with a similar purpose and the charity's president, Artura Eguia, is permanently banned from participating as a nonprofit leader or fundraiser and is subject to a penalty of $50,000 for violation of this ban.

NH In February 2021, the Merrimack County Superior Court granted final judgment against **Worldwide Push Foundation, Inc.**, a California corporation, for violations of the New Hampshire Consumer Protection Act and charitable trust laws. In 2019, the nonprofit promoted on social media a road race entitled "Margarita Madness 5K," scheduled for October 2012, to benefit Worldwide Push Scholarship Foundation. The entities tax exempt status was revoked prior to the race, and the organization never obtained the proper permits for the race. After the event was postponed, no fees were refunded. A similar event was also planned for 2020 and then canceled. The Director of Charitable Trusts issued a cease and desist letter, demanding return of all fees and registration with the Charitable Trusts Unit. After the organization failed to comply, the state sued. The final judgment permanently enjoins the charity from soliciting in New Hampshire unless it registers and requires it to refund all registration fees for the cancelled races and to pay the state attorneys' fees and costs for the investigation and prosecution of this case.

OH In March 2021, the Attorney General filed suit against two Carroll County charities: **Rig Dogs Nation, Inc. and Fur-Ever Loved Animal Rescue, Inc**. and their founders. The complaint alleged that one of the charities did not comply with charitable registration requirements and conducted illegal fundraising activities. The founders and their charities also failed to cooperate with a Charitable Law Section investigation, to account for spending of charitable funds, or to cease and desist their illegal activities. In October 2021, the Attorney General obtained a default judgment entry ordering three of the defendants to pay $97,870.60 in restitution and $50,000 in civil penalties. Additionally, both charities were dissolved and the founders were enjoined from incorporating a nonprofit and from soliciting for charitable purposes in Ohio.

PA In February 2022, the Pennsylvania Attorney General's Office filed suit against **Philly Fighting Covid** for violations of the Solicitations of Funds for Charitable Purposes Act, Nonprofit Corporation Law, and Consumer Protection Law. The Commonwealth alleged that the organization made misrepresentations on its website, Twitter, and Instagram accounts, including a false representation that the organization was exempt under section 501(c)(3). The parties entered into a consent decree, under which the Defendants must pay $30,000 in restitution, $20,000 for the Commonwealth's costs of investigation, $10,000 in civil penalties. The Defendant nonprofit also agreed to dissolve. Individual respondents, their agents, representatives, successors, and assigns are enjoined for a period of ten years from governing, controlling, administering, or possessing charitable assets or soliciting donations for any kind. If in breach, they agree to pay an additional $678,171. https://www.attorneygeneral.gov/taking-action/ag-shapiro-announces-philly-fighting-covid-ceo-must-destroy-all-personal-data-collected-banned-from-working-in-pa-for-10-years/

PA The Pennsylvania Attorney General's Office sued the **Beginning Over Foundation**, a charitable organization intended to help families affected by domestic violence. The Complaint alleged violations of the Charities Act and Nonprofit Corporation Law, including failure to keep accurate books and records and diversion of funds raised for a specific charitable purpose. A consent decree was filed with the court. The court ordered that the board reorganize and implement internal controls. Respondent shall pay $27,987 for the Commonwealth's costs of investigation, $10,000 in civil penalties, and $5,000 in restitution. The foundation was also ordered to provide an annual accounting to the Commonwealth for the next five years.

PA The Pennsylvania Attorney General's Office sued **Fund it Forward**, a nonprofit that raises money for families with children with special needs. The OAG alleged that the organization's website included misrepresentations, including that it was run by volunteers when, in fact, directors were paid, and misrepresentations about the organization's programs. In February

2021, Respondents entered into to an Assurance of Voluntary Compliance (AVC), which included $7,791.85 for restitution, $2,000 for costs of investigation and $1,000 in civil penalties.

II. GOVERNANCE / BREACH OF FIDUCIARY DUTY

CA Donnelly Montenegro was the former acting Chief Operating Officer of the **AIDS Research Alliance ("ARA")**, a nonprofit research organization dedicated to developing better treatments for those affected by HIV and creating an HIV cure strategy. ARA dissolved in early 2015, but Montenegro retained access to the organization's records and, as a part of his scheme, led people to believe the organization was still in operation, rather than defunct, in order to obtain and launder hundreds of thousands of dollars in donations intended for AIDS research from 2015 to 2017. Montenegro used the stolen donations for personal expenses including investments, credit card bills, and firearms. The matter was referred to the Fraud & Special Prosecutions Section of the California Department of Justice. In December, Montenegro pled guilty to grand theft by fraudulent pretenses after being charged in a 22-count complaint. In February 2021, Montenegro was sentenced to two years imprisonment.
https://oag.ca.gov/news/press-releases/attorney-general-becerra-announces-sentencing-aids-research-alliance-fraud

CA After Sandra Pelletier Denison's death in 2019, the California Attorney General's Office conducted an audit of the **Pelletier Foundation** and determined that she had misappropriated an estimated $343,677.53 in assets. Pelletier's parents had helped form and operate the nonprofit organization to carry on charitable purposes in the field of agriculture. When Ms. Denison's son began to probate her estate in 2020, the OAG filed a creditor's claim and a claim for restitution of funds that she had misappropriated. In 2021, the OAG filed a petition for recovery of foundation property that Ms. Denison died holding, namely, real property mineral interests in Texas and a bank account titled in the name of the foundation in the amount of at least $381,438.87. Ms. Denison's estate agreed to a settlement for a total of approximately $656,438.87 (comprised of $275,000 for the amount Ms. Denison misappropriated and $381,438.87 in the foundation's bank account), plus the Texas mineral interests. Bakersfield College Foundation consented to receive the charitable assets subject to the restrictions for the use of agricultural purposes and subject to any encumbrances on the Texas mineral interests.

CA In April 2022, California announced a stipulated judgment against **ZeroDivide** and its officers and directors to resolve allegations that the nonprofit violated California's charitable trust laws. ZeroDivide was a San Francisco-based nonprofit focused on bringing technology to low-income communities. The organization obtained restricted donations from a number of foundations seeking to support its mission. The California Attorney General determined that the charity had misappropriated these restricted funds, using them for general support for the organization, not for the programs for which they were intended. ZeroDivide allegedly misspent approximately $606,000 in restricted donations meant to fund two of its charitable programs, instead using these donations to cover salaries and benefits for employees who did not work on those programs, and to fund other programs. Today's settlement requires ZeroDivide to be dissolved and prohibits two of its officers from leading charitable organizations in California, or holding or soliciting charitable donations from Californians for three years. ZeroDivide and its directors and officers must also pay over $460,000 in damages, penalties, and other fees. https://oag.ca.gov/news/press-releases/attorney-general-bonta-announces-stipulated-judgment-against-zerodivide

DC On June 14, 2021, Attorney General Karl A. Racine announced a lawsuit against **Pavilion USA 2020**, a nonprofit that was founded to raise funds for the U.S. pavilion at the 2020 World's Fair Exposition in Dubai and two of its founders, alleging that the founders improperly paid themselves more than $360,000. The lawsuit alleges that the defendants' mismanagement and abandonment of their fiduciary duties contributed to the organization's failure to fulfill its mission and to its ultimate dissolution. Parties submitted a settlement order, which the court entered on May 11, 2022. Under this settlement order, Defendants have paid a total of $220,000 to three District nonprofits. The two former founding directors have also agreed not to serve on the Board of any District nonprofits for five years without leave from DC OAG.

DC The Attorney General's Office for the District of Columbia sued the **58th Presidential Inaugural Committee**, a District nonprofit, and two related entities for misusing over $1 million in nonprofit funds intended to support Donald Trump's inauguration. The lawsuit alleged that the Inaugural Committee dramatically overpaid the Trump Hotel for inauguration events, paid for a private party for the Trump children, and paid one of the Trump Organization's private debts. Parties submitted a settlement order, which the court entered on May 6, 2022. Under this settlement order, the Defendants have paid $750,000, which was distributed to two District nonprofits.

DC In March 2021, Attorney General's Office for the District of Columbia sued **New Bethel Baptist Church Housing Corporation**, a District nonprofit created to provide safe and affordable housing to low-income District residents. New Bethel failed to maintain one of its rental properties, Foster House, causing leaks, mold, broken appliances, rat and bug infestations, and ongoing problems with heating, cooling, and ventilation. Shortly after the District filed suit and sought a preliminary injunction, the court issued a consent order requiring New Bethel to begin addressing these health and safety issues. Tenants are currently being relocated to abate mold within the property. Trial is scheduled for October 23, 2023. https://oag.dc.gov/release/ag-racine-announces-nonprofit-housing-corporation-0

FL On August 26, 2021, Attorney General Ashley Moody and Governor Ron DeSantis announced a global settlement agreement with **Florida Coalition Against Domestic Violence ("FCADV")** and the organization's former CEO, Tiffany Carr. A complaint had been filed in March 2020, alleging that the FCADV board severely mismanaged funds, and that Ms. Carr had been paying herself excessive compensation. The settlement agreement requires former FCADV officers and directors to pay more than $3.9 million to Department of Children and Families (DCF) and the court-appointed receiver, including a more than $2 million payment by Ms. Carr. Per the settlement agreement, former FCADV officers Patricia Duarte and Sandra Barnett must pay a total of $60,000. FCADV insurers may pay the remaining funds from the $3.9 million payment, totaling more than $1.7 million. Additionally, more than $1 million currently in accounts of FCADV's foundation will go directly to domestic violence centers across the state. The dissolution of FCADV will include a claims process for creditors, overseen by the receiver and court. The process will establish a claims priority, giving DCF priority as a creditor with an allowed claim of more than $2.8 million. There is a possibility of additional recovery by DCF through the liquidation of FCADV's assets, and the sale of property will be applied to the judgment balance. Additionally, FCADV will stipulate to a judgment for more than $6 million, with the $3.9 million settlement funds to be applied to the judgment balance. Under the settlement agreement, eight non-party state agencies agreed to provide releases to the directors and officers to facilitate the agreement. http://www.myfloridalegal.com/newsrel.nsf/newsreleases/35B3BC44ABBD0C388525873D00535E93?Open&

IL In December 2021, the Illinois Attorney General's Office filed a lawsuit against the **Wheaton Historical Preservation Council** (WHPC), its board president, and two board members. The Complaint alleges that board members illegally transferred over $300,000 to the board president and raises concerns about the WHPC's storage of historical artifacts. It also alleges that the WHPC is not registered with the Attorney General's office, in violation of state law. The OAG's Complaint seeks to remove the directors as WHPC board members. It also requests a full accounting of the organization's funds and asks the court to hold the WHPC liable for all misused funds or those for which they are unable to account. Raoul's lawsuit seeks additional injunctive relief.
https://illinoisattorneygeneral.gov/pressroom/2021_12/20211208.html
https://illinoisattorneygeneral.gov/pressroom/2021_12/People%20v%20WHPC%20et%20al%20-%20Filed%20Complaint%20w%20exhibits.pdf

MA The Division sought to protect the charitable assets of **Jewish Education Center – Congregation Lubavitch** and related entities in Brookline following the death of the sole board member in Brookline and obtained court approval to appoint a Receiver (Suffolk Superior Court

Civ. Action No. 2184CV00687). Upon the sole board member's death, significant physical and monetary assets were left in the charities' names and certain other parties (including family members) alleged ownership of some of the assets. The Receiver is charged with marshaling the assets of these charities, representing the charities, and making representations to the Court regarding the disposition of the charitable assets.

MN On September 2, 2021, the Minnesota Attorney General's Office filed a settlement agreement replacing the leadership and overhauling the governance of the **BFW Institute of Education & Research ("BFW")**, also known as **Pain Free Patriots**. BFW issues grants for pain-relief care to veterans, first responders, law enforcement personnel, and their family members. The OAG alleged that BFW violated Minnesota law when its leadership directed its charitable grantees to exclusively seek plain-relief at insider-owned business and made grants of more than $2 million to those insider-owned businesses. Additionally, the OAG alleged that BFW's structure contributed to unchecked and conflicted decision-making, and BFW's owner, Douglas V. Huseby, directed BFW to make thousands of dollars payable to himself and his affiliated entities, resulting in significant debt. In the September 3rd court order, BFW agreed to secure the wholesale replacement of its board of directors and officers, including permanent separation from Mr. Huseby. Furthermore, the new BFW board will undertake formal reviews of the debts owed to its founder and determine all claims and remedies BFW may have arising out of the Attorney General's allegations. Finally, BFW will implement a series of governance reviews and changes, including adopting a written policy requiring competitive arm's-length bidding for services.
https://www.ag.state.mn.us/Office/Communications/2021/09/02_PainFreePatriots.asp
https://www.ag.state.mn.us/Office/Communications/2021/docs/PainFreePatriots_AoD.pdf

MN On May 18, 2022, the Minnesota Attorney General announced that his office has reached an agreement with **Minnesota Cameroon Community** ("MCC") related to past neglect of the organization's primary asset, the Cameroon Community Center. The Assurance of Discontinuance filed in Ramsey County District Court alleges that the directors' and officers' inattentiveness and governance violations allowed this important community asset to fall into disrepair. The Assurance of Discontinuance requires the charity to restructure its board, develop and comply with internal financial management practices, and adopt conflict-of-interest, whistleblower, and document-retention policies. The charity is also required to properly maintain and insure its physical property, obtain all necessary licensures, and timely pay all taxes. The directors and officers are further required to properly maintain all books and records of the organization and adopt policies to ensure that funds are properly spent on the purposes for which they were given.
https://www.ag.state.mn.us/Office/Communications/2022/05/18_MinnesotaCameroonCommunity.asp

NB The Nebraska Attorney General's Office conducted an investigation of **Thrive Center Omaha**, a nonprofit providing youth mentoring services. The review revealed misappropriation of public grant funds designed to support youth drug prevention programs, comingling of personal and nonprofit accounts, lack of accounting processes, and inappropriate use of credit cards. Parties reached a settlement by way of consent judgement. Defendants agreed to dissolve the nonprofit corporation and temporarily bar its directors from soliciting donations or otherwise serving as a charitable fiduciaries pending competition of nonprofit governance training courses.

NH In September 2021, the Charitable Trusts Unit of the New Hampshire Attorney General's Office filed a civil complaint against **The Fab Family Fund, Inc**., a New Hampshire nonprofit corporation, Shanna Pinet a/k/a Dr. Fabianna Marie, the chief executive officer of The Fab Family Fund, and David Pinet, treasurer of The Fab Family Fund. The complaint alleged that the charity and the board members failed to comply with their obligations under New Hampshire law to register with the New Hampshire Attorney General. In addition, the lawsuit alleged that Shanna Pinet and David Pinet engaged in deceptive fundraising, breached their fiduciary duties to the charity, and unlawfully failed to respond to repeated requests for information and administrative subpoenas. On November 10, 2021, the Court issued a notice of default against the defendants and on January 4, 2022, the Court granted the Motion for Entry of Final Judgment. The Court ordered that The Fab Family Fund be dissolved as a New Hampshire voluntary corporation. In addition, the Court ordered that Shanna Pinet and David Pinet be permanently enjoined a) from holding any position of authority with any New Hampshire charitable organization and b) from establishing or working for any nonprofit organization related to breast cancer for a period of ten years. The Court ordered that Shanna Pinet and David Pinet pay $5,794 in restitution, $15,287 to the Attorney General for attorneys' fees and costs, and $40,000 in civil penalties.

NH On April 1, 2021, the Charitable Trusts Unit of the New Hampshire Attorney General's Office filed a civil complaint against **Wonderland Thrift Shop, Inc.**, Lisa Pearson, its president, and Mathew Pearson, its Treasurer/CFO, alleging that they violated numerous state laws governing charitable organizations in New Hampshire and that the Pearsons expended thousands of dollars of Wonderland funds to pay for their personal expenses. The CTU sought injunctive relief to remove the Pearsons from their positions and appoint a receiver to provide oversight over Wonderland, and sought restitution, attorneys' fees and costs, and civil penalties against the Pearsons. The Court granted the injunctive relief and appointed a receiver. The Court also granted the CTU's Motion for Final Judgment against the Pearsons. The Court's ruling on restitution, attorneys' fees and costs, and civil penalties is pending.

NY On January 31, 2020, the NYAG brought a summary proceeding for the dissolution of the **Gingerbread Learning Center** ("Gingerbread"), a school for children with special needs. The case was commenced after Gingerbread sought AG approval to sell its property and use part of the proceeds to pay hundreds of thousands of dollars of purported back-salary and loans to the principals. The AG had serious concerns because, among other things, the principals had been indicted for grand larceny in connection with the operations of Gingerbread and, during review of the sale application, pled guilty to those charges. Also, the purported loans were not properly documented and did not appear to have complied with statutory requirements for related party transactions. The AG refused to approve the transaction and Gingerbread filed a petition seeking Court approval. The Court denied the petition and directed the AG to file the petition for judicial dissolution. The AG sought judicial dissolution, alleging breach of fiduciary duty and false filing claims against the principals based on their guilty pleas and sought a permanent bar on future fiduciary service. The Principals brought cross claims and counterclaims for the loans and salary. During the pendency of the proceeding, the parties stipulated that dissolution was appropriate and that the building could be sold, but with all proceeds to be distributed to charity. On the morning of the hearing of the other issues, the principals dropped all their claims and agreed to pay $139,000 in restitution above the hundreds of thousands of dollars in restitution paid in connection with their guilty pleas and they accepted permanent bars. Despite the settlement, one of the principals attempted to extract further funds from Gingerbread by asserting a claim for back rent against it on behalf of a company he wholly owned, but that claim was rejected by the Court. The court ordered $139,000 in restitution and hundreds of thousands of dollars in restitution paid in connection with guilty pleas. Defendants are permanently barred from governance of nonprofits, and dissolution of the charity is pending.

NY In 2021, the New York Attorney General's Office filed a complaint against **Millennium Care**, a charity serving people experiencing homelessness, and Ethel Denise Perry, the organization's Executive Director. Millennium Care operated a homeless shelter out of a 100-room hotel owned by Ms. Perry in the Bronx. Millennium Care received more than $10 million in funding from the New York City Department of Homeless Services to provide short-term housing services to homeless individuals. The OAG's complaint alleged that between 2013 and 2016, Ms. Perry stole millions of dollars from the organization to support a luxury lifestyle. She also grossly underreported her income and failed to properly file taxes. In November 2021, Ms. Perry pleaded guilty to Grand Larceny in the First Degree. In alignment with her felony plea agreement, the court barred Ms. Perry from nonprofit service and required her to pay the $1,138,208 that she owes in New York City and state taxes, penalties, and interest during a five-year probation sentence. Millennium Care, Inc. was ordered to pay a fine of $2,394,169 and was dissolved for its participation in numerous regulatory violations and crimes.

NY On May 17, 2021, the New York Attorney General's Office secured dismissal of a bankruptcy petition filed by the **National Rifle Association** ("NRA") in a Texas Bankruptcy Court on January 15, 2021. https://ag.ny.gov/sites/default/files/dkt_decisions.pdf The bankruptcy filing was related to the lawsuit brought by the OAG in August 2020, in which the OAG alleged that the NRA acted illegally by, inter alia, using the assets of the organization for the personal benefit of members of the board, engaging in conflicts of interest, and failing to implement sufficient internal controls. The Bankruptcy Court dismissed the NRA's action finding that the "NRA filed this case seeking the protection of the Bankruptcy Code …to preserve itself as a going concern in the face of litigation [and] that the NRA did not file the bankruptcy petition in good faith because this filing was not for a purpose intended or sanctioned by the Bankruptcy Code." The OAG's application to dismiss was granted.

The state case is pending in New York Supreme Court. On March 2, 2022, the Court dismissed the NYAG's claim for dissolution and unjust enrichment and upheld the remaining claims against the NRA and the individual defendants in the action. On September 29, 2022, the Court upheld the NYAG's request for a monitor.

OH On June 14, 2021, the Ohio OAG announced a settlement with **Dogs 4 Warriors**, a nonprofit that trained services dogs for veterans, specializing in those with post-traumatic stress disorder or traumatic brain injuries. The OH OAG had filed a lawsuit against **Dogs 4 Warriors**, alleging that the charity's operators breached their fiduciary duties while operating the charity, and the charity otherwise failed to comply with Ohio Revised Code Chapter 1716. The operators agreed to pay $50,000 in damages and penalties and dissolve the organization.

TX The Texas Attorney General's Office intervened in a lawsuit between the **Herman Eye Fund ("HEF")** and the two nonprofits it supported, **UTHealth and Memorial Hermann**. UTHealth sought a declaratory judgement and injunction to prevent HEF from conducting business pursuant to the set of governing documents under dispute in which HEF would be able to support organizations aside from UTHealth and Memorial Hermann. HEF, through its President Al Lasher, claimed UT System held $17 million in endowments that belong to HEF. Specifically, HEF asserted that UTHealth and UT System assisted a HEF board director in wrongfully transferring $17 million to UT System over several years. The Texas OAG intervened on behalf of the public interest in charity. Memorial Hermann intervened and joined in UTHealth's position. The parties conducted multiple days of mediation and signed documents agreeing to certain terms, but Al Lasher refused to comply with the terms and questioned whether it was an enforceable mediated settlement agreement. Consequently, UTHealth added a breach of contract claim to its petition. The Texas OAG filed an application to appoint a temporary receiver on behalf of HEF. After the court granted partial motions for summary judgment on behalf of UTHealth, the parties settled with an agreed final judgment that included Al Lasher's resignation as president and board member of HEF and requisite board training before serving in a board capacity for any charitable organization in Texas. Ultimately, UTHealth also recovered $6,000,000. from a related estate case that was on hold due to this litigation.

III. TRUSTS AND ESTATES

CT A Connecticut probate judge’s termination of a surviving spouse’s life tenancy in an historic home on a farm the deceased spouse left for charitable purposes was upheld on appeal, a first in Connecticut law. The life tenant was charged by the deceased spouse’s Will with duty to carry out the decedent’s testamentary directive to maintain the home and farm and ensure continuation of the decedent’s internationally recognized research and study of the cultivation and use of herbs. The life tenant was removed from his from his role as executor and trustee, and his life tenancy was terminated, for gross neglect of the property, waste of charitable assets, self-dealing and breach of fiduciary duty. The Connecticut Attorney General’s Office is continuing to work with the court and the community to ensure that valuable intellectual property and other net assets from the estate will be used to recognize and continue the decedent’s intended charitable legacy.

CT Peter Zeigler, a member of a wealthy Connecticut family, suffered a tragic accident that left him paralyzed. During his life, he set up Peter’s Submarine Trust, a charitable trust to provide financial assistance for the benefit of quadriplegic persons and their caregivers. The Trust was not funded during his lifetime, but Peter exercised powers of appointment in his Last Will and Testament, to fund the Trust after his death with assets of three other trusts for which he was a beneficiary during his lifetime. Peter’s daughter challenged the effectiveness of this exercise of his powers of appointment because the charitable trust was not funded during Peter’s life. In **Benjamin et al. v. Corasaniti et al.,** The Connecticut Supreme Court affirmed the probate court’s determination that the testamentary exercise of a power of appointment to a clearly identified but previously unfunded charitable trust is valid. This action, in which the CT OAG participated, preserved $187 million for the intended charitable purpose.
https://casetext.com/case/benjamin-v-corasaniti
https://www.stamfordadvocate.com/news/article/Heir-to-Darien-family-s-fortune-can-leave-184M-16685232.php

ME In June 2021, the Maine Attorney General’s Office filed a complaint alleging that the **Estate of Robert Indiana** had been severely mishandled by its personal representative. Mr. Indiana was a famous American artist who created the iconic “LOVE” sculpture, among other

well-known pieces. Prior to death, he organized the **Star of Hope**, a charity that promotes the visual arts. Star of Hope was appointed the sole beneficiary of the Indiana estate. James Brannan, a lawyer who was appointed personal representative of the estate, unnecessarily extended costly litigation regarding unauthorized reproductions of Mr. Indiana's work. In September 2020, Star of Hope alleged that Brannan had incurred legal fees in excess of $6 million and had sold critical works of art to pay for fees and other expenses. The court concluded that Brannan did not act in the best interest of the sole charitable beneficiary and ordered him to pay over $2 million to Star of Hope.
https://www.maine.gov/ag/news/article.shtml?id=6575317

MI The Michigan Department of Attorney General settled a matter involving the modification of a 2008 special needs trust. The trust originally gave the remainder of the trust to charities on the death of the primary beneficiary, Wendy M. Cope. A subsequent trust amendment provided that individuals would benefit to the detriment of the charities. The settlement results in a $1.2 million gift to charities, the bulk of which will be used to establish a fund in the decedent's name to support four charities with the rest to be used to support other nonprofit organizations serving persons with intellectual and developmental disabilities.

NY **In re Estate of Grossman 2021 U.S. Dist. LEXIS 234650; 2021 WL 5826292 (NDNY 2021)**. The case concerns a testamentary trust that famed music manager Albert Grossman established for his wife who died in 2021. She had exercised a power of appointment by which the balance of the trust was to be distributed to a charity which maintains offices in Chicago and at various locations in India. However, her co-trustee, refused to distribute the Trust assets to the charity, which then filed a turnover proceeding in Surrogate's Court. The co-trustee then removed the proceeding to the federal courts. The District granted the request of the charity and the Attorney General to remand to the case to the Surrogate's Court, based on the probate exception to federal jurisdiction. In doing so, the Court recognized the statutory role that the Attorney General plays in enforcing the rights of the beneficiaries of charitable dispositions.

PA Summitbridge National Investments purchased a promissory note that was issued by the predecessor to BB&T. BB&T was the trustee of trusts established for the benefit of the YMCA and the YWCA. Summitbridge demanded the assets of the trust including restricted and unrestricted assets that had been comingled when the Trustee (predecessor to BB&T) filed a petition to combine trusts in 2014. At the Trustee's request, all of the trusts became subject to a court order that prohibited them from being pledged as collateral. After extensive litigation, the parties reached a settlement whereby Summitbridge agreed to accept a lesser amount to be paid from unrestricted assets. A community donor stepped forward with a contribution toward the debt. Summitbridge released all claims against the real estate owned by the YWCA/YMCA. The YMCA agreed to reconstitute its board.

TX **SEARCH**, a nonprofit corporation, stopped operating in Texas and was involuntarily terminated by the Texas Secretary of State. SEARCH owned two residential properties in Fort Worth. The City of Fort Worth, et al., filed suit against SEARCH for delinquent ad valorem taxes on the properties. After a non-jury trial, the two properties were ordered to tax sale, with any proceeds from the tax sale going into the registry of the court. There was approximately $33,000 in excess proceeds from the tax sale in the court registry that had to be cy pres to a charity with a same or similar purpose as SEARCH. The OAG brought a petition to distribute the funds, and the Court granted the OAG's request and ordered that the approximately $33,000 in charitable funds be equally distributed to the three charities who participated in the hearing: Presbyterian Night Shelter, Union Gospel Mission of Tarrant County, and Pathfinders.

SELECTED OUTREACH

NASS/NAAG/NASCO

Online Giving Donor & Consumer Guide (12/21)
https://www.nasconet.org/wp-content/uploads/2021/12/12.21-NASS-NAAG-NASCO-Giving-Resource.pdf

CA

Ukraine Giving Alert (2/25/22) Following the Invasion of Ukraine, Attorney General Bonta Issues Consumer Alert Warning Californians Against Fraudulent Charitable Solicitations | State of California - Department of Justice - Office of the Attorney General

Veterans Scam Alert (11/11/21) On Veterans Day, Attorney General Bonta Warns Against Scams Targeting Veterans and Their Families | State of California - Department of Justice - Office of the Attorney General

Holiday Giving Alert (12/7/21) As Californians Give Their Time and Money This Holiday Season, Attorney General Bonta Issues Charity Consumer Alert, Volunteers With Unity Shoppe Inc. in Santa Barbara | State of California - Department of Justice - Office of the Attorney General

GA

International Charities Fraud Awareness Week (10/22/21):
https://consumer.georgia.gov/press-releases/2021-10-22/carr-warns-georgians-be-aware-fraudulent-charities

KY

Ukraine Relief Alert (3/14/22): https://www.kentucky.gov/Pages/Activity-stream.aspx?n=AttorneyGeneral&prId=1186

Natural Disaster Charity Scam Alert (8/4/22):
https://www.texasattorneygeneral.gov/news/releases/consumer-alert-ag-paxton-advises-texans-charitable-giving-wake-uvalde-tragedy-warns-against

MD

Virtual charity town halls in 2021 and 2022:
Stop Cybercrime in its Tracks...Tips for Protecting Charities (10/19/21): https://www.youtube.com/watch?v=otOmui7Baqk
Don't be a Victim of Cybercrime-Tips from Charity Leaders (10/22/21): https://www.youtube.com/watch?v=_8GUEafNvXk
Registration Requirements for Charities (2/28/22): https://www.youtube.com/watch?v=YTRKoH75we0
Compliance & Enforcement- How to Avoid Complaints (4/4/22): https://www.youtube.com/watch?v=haDlPvfyGvc&feature=youtu.be
Professional Solicitor and Fund-Raising Counsels (6/21/22):
https://www.youtube.com/watch?v=JhgYP4IKUwM&feature=youtu.be

MN

Don't Just Follow the Crowd on "Crowdfunding" Websites
https://www.ag.state.mn.us/Consumer/Publications/Crowdfunding.asp

You Might be a Charity – Yes You!
https://www.ag.state.mn.us/Consumer/Publications/RaisingMoney.asp

NY

Regulations Amending Requirement to File Schedule B to IRS Form 990 Promulgated
https://www.charitiesnys.com/schedulebnotice.html

Online Annual Filing with the Charities Bureau To Be Required (with video) https://www.charitiesnys.com/online_annual_filing_22.html

Guidance on Appraisals of Property for Not-for-Profit and Religious Corporations Seeking Approval of Property Transactions by the Attorney General or the Court - *https://www.charitiesnys.com/pdfs/AppraisalGuidance.pdf*

PA

Ukraine Alert (3/10/22): https://www.attorneygeneral.gov/taking-action/consumer-alert-ag-shapiro-shares-tips-on-solicitations-and-donations-to-help-crisis-in-ukraine/

SC

Angels of 2021 (11/16/21): https://sos.sc.gov/news/2021-11/south-carolina-secretary-state-mark-hammond-announces-angels-2021

TX

Uvalde Alert (5/27/22): https://www.texasattorneygeneral.gov/news/releases/consumer-alert-ag-paxton-advises-texans-charitable-giving-wake-uvalde-tragedy-warns-against

WV

Holiday Giving Tips (12/7/21)
https://www.nasconet.org/2021/12/attorney-general-morrisey-shares-tips-for-wise-holiday-giving/

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2021-2022

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