

## II. BUDGET AND MANAGEMENT

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**Effective Date: April 21, 2008**

### B. FUND-RAISING ACTIVITIES

Activities undertaken by a non-profit corporation in order to raise funds to finance its operations may be subject to regulation under one or more state statutes. Prior to the commencement of a fund-raising plan, you and your attorney should examine Chapter 131F of the North Carolina General Statutes to determine whether they apply to your activities.

#### **Solicitation of Contributions**

The primary purpose of the Charitable Solicitations Act is to protect the general public and public charity from unlawful solicitation and to provide for the establishment of basic standards for the solicitation and use of charitable funds in North Carolina. Under North Carolina law, any corporation or entity that solicits charitable contributions must apply for and obtain a license from the N.C. Department of the Secretary of State Solicitation Licensing Section on an annual basis. The licensure requirement also applies to professional fundraising counsel and professional solicitors. The specific exemptions from this licensure requirement listed in North Carolina General Statute § 131F-3 are:

1. Any person who solicits for a religious institution;
2. Solicitation of charitable contributions by the federal, state or local government or any agency thereof;
3. Any person who receives less than \$25,000 in contributions in any calendar year and does not provide compensation to any officer, trustee, organizer, incorporator, fundraiser or professional solicitor;
4. Any educational institution, the curriculum of which, in whole or in part, is registered, approved, or accredited by the Southern Association of Colleges and Schools or an equivalent accrediting body;
5. Any educational institution in compliance with Article 39 of Chapter 115C of the North Carolina General Statutes (Nonpublic Schools);
6. Any foundation or department having an established identity with any of the educational institutions in subparagraphs 4 and 5 above;
7. Any hospital licensed pursuant to Article 5 of Chapter 131E or Article 2 of Chapter 122C of the North Carolina General Statutes, and any foundation or department having an established identity with such hospital, provided that the governing board of the hospital authorizes the solicitation and receives an accounting of funds collected and expended;

8. Any noncommercial radio or television station;
9. A qualified community trust as provided in 1.170A-9(e)(10) through (e)(14) of Title 26 of the Code of Federal Regulations;
10. A bona fide volunteer or bona fide employee or salaried officer of a charitable organization or sponsor;
11. An attorney, investment counselor, or banker who advises a person to make a charitable contribution;

### **Solicitation of Contributions (cont.)**

12. A volunteer fire department, rescue squad, or emergency medical service;
13. A Young Men's Christian Association or a Young Women's Christian Association; and
14. A non-profit continuing care facility licensed under Article 64 of Chapter 58 of the North Carolina General Statutes.

The fees required to make an application are set forth in Article 2 of Chapter 131F of the North Carolina General Statutes and have a statutory limit of \$200 or \$400 for a parent organization filing on behalf of its chapters. There are other application and bond requirements and procedures as well as other provisions, requirements, prohibitions and powers listed in the act. These are beyond the scope of this publication and any specific inquiries concerning the act should be directed to the NC Department of the Secretary of State, Solicitation Licensing Section, PO Box 29622, Raleigh NC 27626-0622.

### **Bingo Licensing**

If a non-profit exempt organization seeks to conduct bingo games, it must obtain a license by making an application to the North Carolina Department of Crime Control & Public Safety, Bingo Licensing Section. The license is only valid for one year and can be renewed from year to year. A copy of the application and license shall be forwarded to the local law-enforcement agency in the county or municipality in which the licensee intends to operate before any games are conducted. The number of sessions of bingo sponsored by a non-profit corporation is limited to two 5-hour sessions per week, and no two sessions may be held within a 48-hour period. The maximum prize that may be awarded at a single game is \$500, and the maximum aggregate amount of prizes that may be awarded at any one session of bingo is generally restricted to \$1,500. Any funds received in connection with a bingo game must be placed in a separate account. Disbursements may be made from this account only to pay the expenses of the bingo game and to further the charitable purposes of the corporation. See North Carolina General Statute § 14-309.5 - 309-14 for more information.

### **Raffles**

It is lawful for any non-profit corporation which is recognized by the Department of Revenue as tax-exempt to conduct raffles, provided that the statutory limits set forth in North Carolina General Statute § 14-309.15 are observed. This statute limits the number of raffles that may be held by such a corporation to two raffles per year, and limits maximum prize for any one raffle to \$5,000 in cash or \$25,000 in personal property. Not less than 90% of the net proceeds of the

raffle must be used to further the charitable purposes of the corporation. No formal registration is required. See North Carolina General Statute § 14-309.15 for more information.