

You Might Be a “Charity”—Yes, You!

What Individuals Need to Know When
Raising Money for a Charitable Cause



The Office of the
Minnesota Attorney General
helping people afford their lives and live with dignity and respect

Minnesotans are generous people during the best of times. When faced with hardships like natural disasters, pandemics, or other emergencies, many step up that generosity even more by raising money to help people in need through giving platforms like GoFundMe, on social media, or through fundraising events. You should know that raising money to help people comes with specific duties under the law that apply to **everyone**—not just nonprofits and charities. They may even apply to you.

Some generous people raise money to help specific people facing hardships. Raising money to benefit a specific individual, business, or family is not “charitable” under the law. On the other hand, if you fundraise money or collect goods for a general **charitable** purpose to help the greater good—such as protective equipment for healthcare workers, food for families in need, or money to help communities rebuild and repair—that conduct comes with important duties and responsibilities under the law.

It is important to be aware of the responsibilities that you have when others trust you with their charitable donations. “Charitable” donations can be for a wide variety of causes, including social services, education, the public interest, or the arts. **You don’t need to be a 501(c)(3), a nonprofit, or other organization to be subject to charitable giving laws.** In fact, any person raising money in Minnesota for a charitable purpose can be a “charity” under the law. This publication is intended to help you navigate the duties that come with fundraising for a charitable cause.

What Laws Do I Need to Follow if I Fundraise for a Charitable Cause?

- You must share specific information when you ask for charitable donations, such as where donations will go, whether the donations are tax deductible, and how donations will be used. See Minn. Stat. § 309.556.
- It is important to be very clear what you will do with people’s money when you fundraise. You cannot be misleading or deceptive when raising charitable funds. See Minn. Stat. § 309.55.
- You must be very careful to use the money you fundraise for the exact purpose donors intended. People who fundraise charitable funds have strict fiduciary duties to safeguard that money. See Minn. Stat. § 501B.41, subd. 6. To fulfill these duties, you must, among other things, only spend money as the donor intended, and have procedures in place to make sure the money is used properly, as described further below.
- At any time, the Minnesota Attorney General’s Office may request information like donation records, bank statements, and receipts to look into potential violations of these laws. In addition, if you raise more than \$25,000 and meet some other conditions, you may have to register and file specific paperwork with our Office. See “*Guide to Minnesota’s Charities Laws.*”
- While the vast majority of people raising money for charity are careful to follow these laws, there can be consequences for those that do not. The AGO can go to court to get a violator to stop the conduct and seek penalties up to \$25,000 for each violation.

See Minn. Stat. §§ 309.57 subd. 1; 501B.41 subd. 7. There may also be criminal or other penalties that are outside of the scope of this publication for people who misuse charitable donations.

- You need to be aware of potential tax consequences that come with raising money. This is outside the scope of this publication. Consult an attorney or accountant if you need help.

What Steps Can I Take to Protect Charitable Funds?

- Be honest, upfront, and specific with donors about how exactly their donations will be used. Be transparent about any expenses, such as fees charged by a fundraising platform that might reduce the actual amount going toward the charitable purpose.
- Keep careful records of how much money you raise and where the money goes. Specifically, keep (1) bank statements, (2) receipts of donations, (3) receipts of how you spent the money, and copies of other records. You should track and account for every single penny that comes in the door, and every single penny that you spend.
- Consider setting up a separate bank account to safeguard the funds you raise for charity. Avoid comingling charitable funds with your own money in your personal bank account.
- Create checks and balances to ensure the money safely gets to its destination. For example, have more than one person in charge of receiving, recording, and depositing donations, and require multiple people to sign checks and approve the money you spend.
- Be especially careful with cash, because it is difficult to trace and easily lost. It is best to have two people simultaneously count any cash donations.
- At the end of the fundraiser, update your donors about how their money was used.

Where Can I Learn More?

If you would like to learn more, the Minnesota Attorney General's Office offers several resources, including *Guide to Minnesota's Charities Laws*, *Fiduciary Duties of Directors of Charitable Organizations*, and *Don't Just Follow the Crowd on "Crowdfunding" Websites*. You can find additional information on our website at www.ag.state.mn.us.