

OFFICE OF THE NEW YORK STATE ATTORNEY GENERAL LETITIA JAMES

# Nonprofit Governance and Financial Stewardship Workshop

Daniel Sugarman  
Assistant Attorney General  
Office of the New York State Attorney General  
Charities Bureau | Enforcement Section  
June 3, 2026



# Charities Bureau: Overview

- ❖ The Attorney General has “broad supervisory and oversight responsibilities over charitable assets and their fiduciaries, as enumerated in the Not-for-Profit Corporation Law, the EPTL and the Executive Law.” *In re McDonell*, 195 Misc. 2d 277, 278 (Sup. Ct. N.Y. Cnty. 2002).
- ❖ The Charities Bureau regulates organizations and individuals that administer or solicit charitable assets in New York State.
  - ❖ Enforcement Section: Investigates potential violations of charities law and, where appropriate, brings enforcement actions.
  - ❖ Registration Section: Manages registrations and annual reports.
  - ❖ Transactions Section: Reviews and approves certain transactions involving the disposition of charitable assets.
  - ❖ Trusts and Estates Section: Represents the Attorney General as the statutory representative of the ultimate beneficiaries of charitable gifts.



**Nonprofit Governance and Financial Stewardship Workshop Presentation**

# **Nonprofit Governance and Financial Stewardship: New York State Registration and Reporting Requirements**



# Registration and Reporting Requirements: Overview

- ❖ Registration requirements:
  - ❖ Two types of organizations are generally required to register with the Charities Bureau:
    - ❖ Organizations that hold property of any type for charitable purposes or otherwise engage in charitable activities in New York State. See Estates, Powers & Trusts Law § 8-1.4.
    - ❖ Organizations that solicit charitable contributions, including government grants, in New York State. See Executive Law § 172.
- ❖ Reporting requirements:
  - ❖ Every registered organization must file an annual report with the Charities Bureau within six months of the conclusion of the fiscal year. See Estates, Powers & Trusts Law § 8-1.4.



# Annual Filing Requirements

## ❖ CHAR500 form:

### ❖ Signature requirement:

- ❖ Requires attestation from two authorized officers, one of whom must have fiscal responsibility at the organization (e.g., the chief financial officer).

## ❖ Accompanying IRS form:

- ❖ The organization must provide certain financial information.
- ❖ This information can generally be found on the organization's applicable IRS form (e.g., Form 990 - Return of Organization Exempt From Income Tax).
- ❖ The organization must submit a copy of the as-filed IRS form.

<b>CHAR500</b> NYS Annual Filing for Charitable Organizations www.CharitiesNYS.com	Send with fee and attachments to: NYS Office of the Attorney General Charities Bureau Registration Section 28 Liberty Street New York, NY 10005	<b>2020</b> Open to Public Inspection
<b>1. General Information</b>		
For Fiscal Year Beginning (mm/dd/yyyy) <input type="text"/> / <input type="text"/> / <input type="text"/> / <input type="text"/> / <b>2020</b> and Ending (mm/dd/yyyy) <input type="text"/> / <input type="text"/> / <input type="text"/> / <input type="text"/> / <input type="text"/>		
Check if Applicable: <input type="checkbox"/> Address Change <input type="checkbox"/> Name Change <input type="checkbox"/> Initial Filing <input type="checkbox"/> Final Filing <input type="checkbox"/> Amended Filing <input type="checkbox"/> Reg ID Pending	Name of Organization:  Mailing Address:  City / State / Zip:  Website:	Employer Identification Number (EIN): <input type="text"/> NY Registration Number: <input type="text"/> - <input type="text"/> - <input type="text"/> Telephone:  Email:
Check your organization's registration category: <input type="checkbox"/> 7A only <input type="checkbox"/> EPTL only <input type="checkbox"/> DUAL (7A & EPTL) <input type="checkbox"/> EXEMPT*	Confirm your Registration Category in the Charities Registry at <a href="http://www.CharitiesNYS.com">www.CharitiesNYS.com</a> .	
<b>2. Certification</b>		
See instructions for certification requirements. Improper certification is a violation of law that may be subject to penalties. The certification requires two signatories.		
<i>We certify under penalties of perjury that we reviewed this report, including all attachments, and to the best of our knowledge and belief, they are true, correct and complete in accordance with the laws of the State of New York applicable to this report.</i>		



## Annual Filing Requirements: Risk of Non-Compliance

### ❖ Not-for-Profit Corporation Law § 520:

- ❖ “Each domestic corporation, . . . shall from time to time file such reports on its activities as may be required by the laws of this state. . . . Willful failure of a corporation to file a report as required by law shall constitute a breach of the directors’ duty to the corporation and shall subject the corporation, at the suit of the attorney-general, to an action or special proceeding for dissolution. . . .”



**Nonprofit Governance and Financial Stewardship Workshop Presentation**

# **Nonprofit Governance and Financial Stewardship: The Board of Directors**



## **Board of Directors: Considerations for Potential Board Members**

- ❖ Learn about the organization, its activities, and any issues it is currently facing. For example:
  - ❖ Review important documents, including:
    - ❖ The organization's certificate of incorporation or other organizing document, application for federal tax exemption, and bylaws.
    - ❖ The organization's recent board of directors and committee minutes.
    - ❖ The organization's recent IRS filings, including any audited financial reports.
  - ❖ Find out if the organization is required to submit annual reports to the Charities Bureau—and if so, whether it has done so.



## Board of Directors: Considerations for Potential Board Members

- ❖ Discuss the organization's expectations for board members with the board chairman, the chief executive officer, and the organization's financial officers.
- ❖ Discuss with current or recent former board members the work of the board.
- ❖ Be sure you have enough time to serve as a board member!
  - ❖ Individuals sometimes become board members even though they do not have enough time to commit to the organization; this may lead to problems down the road.



# Board of Directors: Three Major Duties

## ❖ Duty of Care.

- ❖ Board members must act in in “good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.” See Not-for-Profit-Corporation Law § 717.
- ❖ For example:
  - ❖ Attend and participate in board of directors and committee meetings.
  - ❖ Ensure that the organization has appropriate policies in place, including internal controls to protect organizational assets from misuse, misappropriation, and theft or embezzlement.
  - ❖ Be involved in the selection, strategic planning, and periodic review of the performance of the organization’s senior leadership.



# Board of Directors: Three Major Duties

## ❖ **Duty of Loyalty**

- ❖ Board members must act in the organization's best interest.
- ❖ Board members may not take advantage of the organization for the benefit of themselves or others (e.g., family, friends, business associates).

## ❖ **Duty of Obedience**

- ❖ Board members must ensure that the ensure that the organization complies with applicable law as well as the organization's own mission, its governance documents, and its internal policies.



# Some Key Statutory Governance Requirements

## ❖ **Conflict of interest policy:**

- ❖ Every board of directors must “adopt, and oversee the implementation of, and compliance with” a formal conflict of interest policy. See Not-for-Profit Corporation Law § 715-a; Estates, Powers and Trusts Law § 8-1.9.

## ❖ **Whistleblower policy:**

- ❖ If an organization meets certain statutory requirements (i.e., they have more than 20 employees and annual revenue of more than \$1 million), the board of directors must also “adopt, and oversee the implementation of, and compliance with” a formal whistleblower policy. See Not-for-Profit Corporation Law § 715-b; Estates, Powers and Trusts Law § 8-1.9.

## ❖ **Audit requirement:**

- ❖ If an organization is registered to solicit donations and receives more than \$1 million in gross revenue and support, the organization must file an organizational audit with the Charities Bureau. See Executive Law § 172-b.
- ❖ The organization must also have an audit committee made up of independent directors—or else the board of directors must assume that function with only independent members participating. See Not-for-Profit Corporation Law § 712-a.



# Form 990: A Governance Roadmap

## ❖ Form 990:

- ❖ Federal form; but, as noted, is commonly filed in New York State together with the CHAR500.

## ❖ Part VI

- ❖ Titled “Governance, Management, and Disclosure.”
- ❖ Asks a series of questions about the organization’s governance.
- ❖ Can be viewed as a roadmap to good governance practices.

Form 990 (2025) Page **6**

**Part VI Governance, Management, and Disclosure.** For each “Yes” response to lines 2 through 7b below, and for a “No” response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes on Schedule O. See instructions. Check if Schedule O contains a response or note to any line in this Part VI

**Section A. Governing Body and Management**

		Yes	No
<b>1a</b>	Enter the number of voting members of the governing body at the end of the tax year . . . . . If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain on Schedule O. . . . .		
<b>1b</b>	Enter the number of voting members included on line 1a, above, who are independent . . . . .		
<b>2</b>	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .		
<b>3</b>	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, trustees, or key employees to a management company or other person? . . . . .		
<b>4</b>	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .		
<b>5</b>	Did the organization become aware during the year of a significant diversion of the organization’s assets? . . . . .		
<b>6</b>	Did the organization have members or stockholders? . . . . .		
<b>7a</b>	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? . . . . .		
<b>7b</b>	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .		
<b>8</b>	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
<b>a</b>	The governing body? . . . . .		
<b>b</b>	Each committee with authority to act on behalf of the governing body? . . . . .		
<b>9</b>	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization’s mailing address? If “Yes,” provide the names and addresses on Schedule O . . . . .		

**Section B. Policies** (This Section B requests information about policies not required by the Internal Revenue Code.)



# Form 990: Part VI

<p><b>1a</b> Enter the number of voting members of the governing body at the end of the tax year . . . . .          If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain on Schedule O.</p>	<p><b>1a</b></p>			
<p><b>b</b> Enter the number of voting members included on line 1a, above, who are independent . . . . .</p>	<p><b>1b</b></p>			
<p><b>2</b> Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .</p>		<p><b>2</b></p>		

- ❖ Questions 1 and 2 ask about the number of board members and their “independen[ce].”
  - ❖ The board of directors should be big enough to accomplish all the necessary work of the organization; but too many board members can potentially create governance issues.
  - ❖ Independent board members can help protect against certain abuses.



# Form 990: Part VI

<b>5</b> Did the organization become aware during the year of a significant diversion of the organization's assets? .	<b>5</b>				
---	----------	--	--	--	--

- ❖ Questions 5 asks about any significant diversions of the organization's assets (i.e., whether organizational funds have been misappropriated).
  - ❖ Emphasizes the importance of strong internal controls within the organization.

<b>8</b> Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:					
<b>a</b> The governing body? . . . . .	<b>8a</b>				
<b>b</b> Each committee with authority to act on behalf of the governing body? . . . . .	<b>8b</b>				

- ❖ Questions 8 asks about the contemporaneous documentation of meetings or actions undertaken by the board of directors and its committees.
  - ❖ Emphasizes the importance of contemporaneous documentation.



# Form 990: Part VI

affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		<b>10b</b>				
<b>11a</b>	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	<b>11a</b>				
<b>b</b>	Describe on Schedule O the process, if any, used by the organization to review this Form 990.					

- ❖ Question 11 asks about the distribution of the Form 990 to the board of directors before the form is filed.
  - ❖ The Form 990 is a key public document.
    - ❖ Reviewed by members, donors, the public, and government regulators.
  - ❖ Board members should review the Form 990 to ensure its accuracy—and raise questions where appropriate.



# Form 990: Part VI

<b>12a</b>	Did the organization have a written conflict of interest policy? <i>If "No," go to line 13</i> . . . . .	<b>12a</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>b</b>	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	<b>12b</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>c</b>	Did the organization regularly and consistently monitor and enforce compliance with the policy? <i>If "Yes," describe on Schedule O how this was done.</i> . . . . .	<b>12c</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>13</b>	Did the organization have a written whistleblower policy? . . . . .	<b>13</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>14</b>	Did the organization have a written document retention and destruction policy? . . . . .	<b>14</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- ❖ Questions 12, 13 and 14 ask about key organizational policies and disclosures.
  - ❖ Recall that New York State law requires:
    - ❖ All charitable organizations must have a conflict of interest policy. See Not-for-Profit Corporation Law § 715-a; Estates, Powers and Trusts Law § 8-1.9.
    - ❖ Certain charitable organizations must have a formal whistleblower policy. See Not-for-Profit Corporation Law § 715-b; Estates, Powers and Trusts Law § 8-1.9.



**Nonprofit Governance and Financial Stewardship Workshop Presentation**

# **Nonprofit Governance and Financial Stewardship: Recent Enforcement Actions**



## **Charities Bureau Enforcement Action: *The National Rifle Association of America, Inc., et al.***

- ❖ The Charities Bureau brought an enforcement action against the NRA and several of its leaders, including former Executive Vice President Wayne LaPierre.
- ❖ Evidence showed that LaPierre repeatedly took chartered flights to the Bahamas with his family and friends.
  - ❖ The flights were paid for by the NRA.
  - ❖ LaPierre stayed on a yacht owned by one of the NRA's major vendors.



## Charities Bureau Enforcement Action: The National Rifle Association of America, Inc., et al.




Over \$600,000 in private  
jet travel to the Bahamas




Dec. 2015	DC → Bahamas → TX → DC	<b>\$58,890</b>
Jul. 2016	DC → WI → NE → Bahamas → NE → DC	<b>\$107,620</b>
Dec. 2016	DC → CO → NE → Bahamas → NE → DC	<b>\$89,950</b>
Jun. 2017	DC → TN → Bahamas → DC	<b>\$62,375</b>
Dec. 2017	CO → NE → Bahamas → NE → DC	<b>\$81,000</b>
Jul. 2018	DC → Bahamas → DC	<b>\$44,700</b>

# Charities Bureau Enforcement Action: The National Rifle Association of America, Inc., et al.






THE SMARTEST WAY TO SEARCH



### ILLUSIONS

Yacht Charter Details for 'Illusions', the 32.9m Superyacht built by Versicraft

SPECIFICATIONS	ACCOMMODATION	CHARTER RATES						
<b>LENGTH</b> 32.9m / 107'11"  <b>BEAM</b> 6.2m / 20'4"  <b>YEAR</b> 1994  <b>CRUISING SPEED</b> 15 Knots	<table border="1"> <thead> <tr> <th>GUESTS</th> <th>CABINS</th> <th>CREW</th> </tr> </thead> <tbody> <tr> <td>10</td> <td>4</td> <td>5</td> </tr> </tbody> </table> <b>CABIN CONFIGURATION</b>	GUESTS	CABINS	CREW	10	4	5	<small>Details correct as of 24-Jun-2022</small>  <div style="border: 1px solid black; padding: 2px; display: inline-block;"> <b>PX-4852</b>  <small>Yacht No. 41852-0223 [TAG]</small> </div>  
GUESTS	CABINS	CREW						
10	4	5						

FOR MORE INFORMATION: [CLICK HERE](#) or SCAN QR CODE

[www.YachtCharterFleet.com](http://www.YachtCharterFleet.com)

PX-4852, page 1 of 3

**PX-4852**  
Yacht No. 41852-0223 [TAG]

**Exhibit**  
**0016**

## **Charities Bureau Enforcement Action: *The National Rifle Association of America, Inc., et al.***

- ❖ The jury found that, among other things, the NRA had failed to properly administer its own charitable assets.
- ❖ In an opinion issued after the remedies phase of the trial, the court found:
  - ❖ The record “showed not only misconduct by individual officers and employees, but also failures by the board of directors and its committees to properly supervise the expenditure of the NRA’s charitable assets and to react quickly and decisively once questions about financial management arose. . . .” See Index No. 451625/2020, Dkt. No. 3429 at 7.
- ❖ The court ultimately ordered the NRA to institute 13 specific remedial measures, including:
  - ❖ Issuing annual compliance reports to NRA members for a period of at least five years.
  - ❖ Changes to the NRA’s audit committee, including requiring the NRA to amend its bylaws to treat the audit committee as an elected committee of the board of directors.



## **Charities Bureau Enforcement Action: Roman Catholic Diocese of Albany, New York, et al.**

- ❖ Last year, the Charities Bureau tried a case in Supreme Court, Schenectady County involving the former St. Clare's Hospital.
  - ❖ The hospital administered a pension plan on behalf of certain employees.
  - ❖ When the pension plan failed, over 1,100 employees lost all or some of their earned benefits.
- ❖ The Charities Bureau brought an enforcement action against the hospital's successor corporation and several of its leaders.
- ❖ Evidence showed the various conduct that caused the failure of the pension plan.



## Charities Bureau Enforcement Action: Roman Catholic Diocese of Albany, New York, et al.



**Bishop Hubbard**

*Bishop of the Roman Catholic  
Diocese of Albany  
1977-2014*



Plan Year	Recommended Contribution (\$)	Actual Employer Contribution (\$)
1998	\$1,201,811	\$0
1999	\$0	\$0
2000	\$0	\$0
2001	\$1,493,910	\$1,493,910
2002	\$1,881,844	\$0
2003	\$2,669,069	\$0
2004	\$2,257,431	\$100,000
2005	\$2,615,580	\$1,600,000
2006	\$3,092,000	\$0
<b>Total</b>	<b>\$15,211,645</b>	<b>\$3,193,910</b>

## **Charities Bureau Enforcement Action: Roman Catholic Diocese of Albany, New York, et al.**



**Bishop Hubbard**

*Bishop of the Roman Catholic  
Diocese of Albany  
1977-2014*



- Q. As chairman of the Board, did you receive copies of the financials of St. Clare's during the time periods 1999 to 2006?
- A. I'm sure I did, yes.
- Q. Did you know notice there was nothing for pension plan contribution?
- A. I did not notice that nor was it called to my attention.
- Q. When did you learn that the value of the plan assets had decreased after 2000?
- A. Today.

## Charities Bureau Enforcement Action: Roman Catholic Diocese of Albany, New York, et al.



**Bishop Hubbard**

*Bishop of the Roman Catholic  
Diocese of Albany  
1977-2014*



- Q. Did you talk to them about how they would be able to have the knowledge and expertise to administer the pension once they were the corporation with that being a big part of the corporation's business?
- A. . . . No, we didn't have a specific conversation with the members of the hospital board who volunteered to serve on the corporation board.
- Q. And you didn't have any specific knowledge about any of them having a pension background?
- A. No, I didn't.



**Father Carlino**

*Board Member of  
St. Clare's Hospital of  
Schenectady, New York*



- Q. Okay. And when you joined St. Clare's Hospital Board, did you ask Bishop Hubbard what your duties as a board member would be?
- A. No.
- \* \* \*
- Q. Okay. And you don't have any kind of training in finance; is that correct?
- A. None.
- Q. Okay. And you have no expertise in overseeing the financial aspects of a hospital; correct?
- A. No.
- Q. Okay. And you have no expertise related to overseeing the administration of a pension plan; is that correct?
- A. Correct.

# Key Resources

- ❖ Charities Bureau

- ❖ Registration and annual filing FAQs:

- ❖ <https://ag.ny.gov/resources/government-organizations/charities-nonprofits-fundraisers/charities-registration>

- ❖ Governance FAQs:

- ❖ <https://ag.ny.gov/resources/organizations/charities-nonprofits-fundraisers/governance>



# Key Resources

- ❖ Charities Bureau

- ❖ Guidance documents:

- ❖ [Right from the Start: Responsibilities of Directors of Not-for-Profit Corporations](#)

- ❖ [Internal Controls and Financial Accountability for Not-for-Profit Boards](#)

- ❖ [Conflicts of Interest Policies Under the Not-for-Profit Corporation Law](#)

- ❖ [Whistleblower Policies Under the Nonprofit Revitalization Act of 2013](#)

- ❖ [Audit Committee Requirements and Responsibilities Under New York's Not-For-Profit Corporation Law As Amended Through 2017](#)

- ❖ Note: Guidance documents are periodically updated.



# Contact Us

## ❖ Charities questions?

❖ Phone: 212-416-8401

❖ Email: [charities.bureau@ag.ny.gov](mailto:charities.bureau@ag.ny.gov)

## ❖ Fundraising questions?

❖ Phone: 518-776-2160

❖ Email: [charities.fundraising@ag.ny.gov](mailto:charities.fundraising@ag.ny.gov)

## ❖ Trusts and estates questions?

❖ Phone: 212-416-8401

❖ Email: [charities.trusts@ag.ny.gov](mailto:charities.trusts@ag.ny.gov)

## ❖ Transaction approval questions?

❖ [questions.transactions@ag.ny.gov](mailto:questions.transactions@ag.ny.gov)

