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# **Annual Report on Charitable Solicitations in Colorado for the Year 2015**

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## Purpose of the Report

The Colorado Charitable Solicitations Act (“The Act”) requires charities and paid solicitors that ask for contributions in Colorado to file registration documents with the Secretary of State’s Office and requires that the Secretary of State compile and publish an annual report on charitable solicitations.

The purpose of the charities registration program and the *Annual Report on Charitable Solicitations* is to protect the public’s interest. Public disclosure helps in making informed choices as to which charitable causes should be supported, and it increases public faith in legitimate charities. Thousands of charitable organizations in Colorado provide vital services not otherwise provided by government or the private sector, and the vast majority of these organizations are pursuing their missions with tremendous dedication and integrity. The registry and annual report help potential donors decide which charitable organizations are worthy of their support and help charitable organizations make informed decisions when contracting with paid solicitors. The entire registry of charities and fundraisers filings is available on the Secretary of State’s web site through a searchable database at [www.checkthecharity.com](http://www.checkthecharity.com).

The report begins by providing a basic overview of the Secretary of State’s role in regulating charities and their fundraising activities in the State of Colorado. It then identifies best practices and tips that charities can consult to improve their own operations and potential donors can use to assess charities before making donations. After an overview of the laws and rules governing the Secretary of State’s regulatory functions, the report concludes with an analysis of charitable solicitations and charitable giving in Colorado for the year 2015.

The 2015 annual report is available as a series of downloadable Excel files at [www.sos.state.co.us/pubs/charities/reports/2015/13-Data.html](http://www.sos.state.co.us/pubs/charities/reports/2015/13-Data.html). These files present summary data on charitable solicitations activity in Colorado during 2015 and list the short-term and long-term results of solicitation campaigns run by each paid solicitor.

In addition, each filing submitted by charities and fundraisers since 2002 can be found in the charities database at [www.checkthecharity.com](http://www.checkthecharity.com). This is a publicly accessible database that allows users to examine operational and financial trends for particular organizations and confirm whether an organization is registered and in good standing. Real-time lists of suspended organizations also let you see at a glance which organizations cannot legally solicit contributions in Colorado.

The entire charities database is available for free in machine-readable format at the Colorado Information Marketplace website:

<https://data.colorado.gov/browse?category=Nonprofit+Data&utf8=%E2%9C%93>.

## **The Role of the Secretary of State**

When the Colorado Charitable Solicitations Act was amended in the spring of 2001, legislators designated the Secretary of State as the responsible officer for creating and maintaining an electronic charities registration program. The Secretary of State issues registration numbers to charities, paid solicitors, and professional fundraising consultants; provides online access to their disclosure statements; publishes an *Annual Report on Charitable Solicitations*; and investigates allegations of wrongdoing in charities. Each registrant is assigned a registration number, the status of which may change depending on whether its filings are up-to-date, it is still active, or it has been subject to disciplinary action.

Organizations and individuals subject to the Act's registration requirement e-file all required documents directly on the Secretary of State's website, and once program staff approve the filing, the information is made available for public inspection. Any consumer with Internet access who has questions about a charitable organization, paid solicitor, or professional fundraising consultant can review the organization's filings on the website. Such instant access and wide availability greatly speeds the decision-making process for potential donors and makes consumers a key ally in the Secretary of State's efforts to monitor charitable solicitations activities in Colorado.

## **Colorado Charitable Solicitations Act (Title 6, Article 16, C.R.S.)**

The Colorado Charitable Solicitations Act ("the Act") governs charitable fundraising activities in Colorado and applies to three types of entities involved with fund raising: charitable organizations, paid solicitors and professional fundraising consultants.

A **charitable organization** is defined as any person who is or holds himself out to be established for any benevolent, educational, philanthropic, humane, scientific, patriotic, social welfare or advocacy, public health, environmental conservation, civic, or other eleemosynary purpose, any person who operates for the benefit of the objectives of law enforcement officers, firefighters, other persons who protect the public safety, or veterans, or any person who in any manner employs a charitable appeal or an appeal

which suggests that there is a charitable purpose as the basis for any solicitation (C.R.S. § 6-16-103(1)).

A **paid solicitor** is a person who, for monetary compensation, performs any service in which contributions will be solicited in Colorado by such compensated person or by any compensated person he or she employs to solicit for contributions (C.R.S. § 6-16-103(7)). A director, officer, or compensated employee who is directly employed by a 501 (c) (3), (c) (4), (c) (8), (c) (10), or (c) (19) charitable organization is not considered a paid solicitor, nor is a bona fide volunteer ((C.R.S. § 6-16-103(7)(c)-(d)) or grant writer (as long they don't earn commissions on the amount of funds raised). Fundraising activities by such persons employed by or volunteering for the charity will be reflected in the charitable organization's overall financial statements (available online). Paid solicitors, in addition to filing annual registration statements, must file a solicitation notice before commencing a solicitation campaign, and must file a financial report on the results of such a campaign within 90 days of its conclusion. The *Annual Report on Charitable Solicitations* summarizes the results of these solicitation campaigns.

Finally, a **professional fundraising consultant** is any person, other than a bona fide officer or regular employee of a charitable organization, who is retained by a charitable organization for a fixed fee or rate under a written agreement to plan, manage, advise, consult, or prepare material for a solicitation of contributions for a charitable organization, but who does not solicit contributions or employ, procure, or engage any compensated person to solicit contributions (C.R.S. § 6-16-103(9.3)). Professional fundraising consultants do not need to register unless they will have custody or control of contributions from a solicitation, but they are subject to other requirements concerning contracts, banking, and record-keeping. They are also obligated to provide financial reports of solicitation campaigns directly to the charitable organizations, but since they are not required to file these financial reports with the Secretary of State, their activities are not reflected in the annual report.

## **Legislative Update**

No new legislation affecting registration by charities, their paid solicitors, or their professional fundraising consultants was passed by the 2015 Colorado General Assembly.

A copy of the Colorado Charitable Solicitations Act is available online at:  
<http://www.sos.state.co.us/pubs/charities/charitableHome.html?menuheaders=3>

## **Charitable Solicitations Rules [8 CCR 1505-9]**

### **Summary of 2015 Rulemaking**

A rulemaking hearing was held on May 18, 2015, and new rules were adopted on June 10, 2015 with an effective date of December 17, 2015.

The rulemaking was necessary to implement House Bill 14-1206 and included non-substantive revisions to simplify or clarify words and phrases, renumber rules, and make other technical revisions. The revised rules clarify definitions, establish fines for solicitation notices filed late by paid solicitors, clarify and simplify rules, remove language duplicative of statute, correct numbering and citations, and ensure consistency with Department rulemaking standards.

If you would like to receive notices or other alerts concerning rulemaking, send an email with the subject line: "Charitable Solicitations Rules Notification List" to [SoS.Rulemaking@sos.state.co.us](mailto:SoS.Rulemaking@sos.state.co.us). Please provide your contact information (i.e. your name, title, organization, and email address).

### **Current Rules**

The current Secretary of State rules, including the rules concerning the Colorado Charitable Solicitations Act, are available online at  
[http://www.sos.state.co.us/pubs/rule\\_making/rules.html#CURRENT](http://www.sos.state.co.us/pubs/rule_making/rules.html#CURRENT) .

### **Best Practices Resources**

Several resources exist for organizations seeking information about best practices in the nonprofit sector. The Secretary of State's Office strongly encourages organizations to consult these resources and incorporate best practices into their organizational culture.

Colorado nonprofits are encouraged to download a copy of the Colorado Nonprofit Association's *Principles & Practices for Nonprofit Excellence in Colorado* (second edition) at [www.coloradononprofits.org/help-desk-resources/principles-practices](http://www.coloradononprofits.org/help-desk-resources/principles-practices).

Other best practices resources include:

- Independent Sector's Principles for Good Governance and Ethical Practice  
[www.independentsector.org/accountability](http://www.independentsector.org/accountability)
- Center for Nonprofit Excellence – Standards for Excellence Institute training  
[www.cncoloradosprings.org/education/standards](http://www.cncoloradosprings.org/education/standards)
- Better Business Bureau Wise Giving Alliance – Standards for Charity Accountability  
[www.bbb.org/us/standards-for-charity-accountability](http://www.bbb.org/us/standards-for-charity-accountability)
- Internal Revenue Service – Governance of Charitable Organizations  
[www.irs.gov/Charities-&-Non-Profits/Governance-of-Charitable-Organizations-and-Related-Topics](http://www.irs.gov/Charities-&-Non-Profits/Governance-of-Charitable-Organizations-and-Related-Topics)

Establishing best practices around financial transactions is critical if the organization is to avoid becoming a victim of fraud. Board members and officers should proactively look for areas of vulnerability in their organization and establish strong internal controls, such as an anonymous method for reporting problems (e.g. a fraud hotline), conducting background checks on new employees who will have access to cash and other liquid assets, requiring two signatures on each check, having someone other than the treasurer review the monthly financial statements, and having a CPA conduct an annual audit. Current best practices suggest that the organization should have a strong board of directors and an audit committee to prevent financial mismanagement and other fraud within the organization. More fraud prevention resources are available on the Secretary of State's website at [www.sos.state.co.us/pubs/charities/fraudPrevention.html](http://www.sos.state.co.us/pubs/charities/fraudPrevention.html).

## **Nonprofit Board Member Course**

In 2013-2014, the Secretary of State, in collaboration with several leaders in the nonprofit sector, developed a five-module [Board Education eLearning course](#) to serve as a resource for current and aspiring nonprofit board members. Each of the five course modules addresses an important aspect of being an effective and responsible nonprofit

director. A self-assessment tool can help you understand which of the five modules will benefit you the most. The courses include:

#### [Module 1: Fiduciary Duties of Nonprofit Directors](#)

This module includes information on the basic obligations of all Colorado nonprofit board members, and points participants to more in-depth materials and educational resources.

#### [Module 2: Board Governance](#)

This module covers a variety of basic governance principles that board members can apply to improve their organizations' efficacy and efficiency.

#### [Module 3: Understanding the Form 990 and Financial Ratios](#)

This module provides an overview of the Form 990 and important ratios that you can use to assess your organization's financial health.

#### [Module 4: Regulatory Compliance and Filing Requirements](#)

This module will help ensure that your nonprofit complies with all applicable federal and state laws and regulations and makes each of the required regulatory filings.

It's important to note that in organizations with staff, board members should not generally be involved in the day-to-day management of the organization. Instead, the board should provide active, high-level oversight of senior management. In turn, executive staff and other management staff should be responsible for performing or delegating most of the tasks described in this module. In addition, policies should be put in place detailing the type and frequency of information provided to the board.

#### [Module 5: Personnel Issues](#)

This module provides an overview of the federal and state-specific laws and regulations that govern nonprofits, including regulations concerning how nonprofits interact with staff, contractors, volunteers, and their own board members and other issues nonprofits face in managing their human resources. The topics covered include: general human resources considerations; executive and board compensation; director orientation and onboarding; and succession planning.



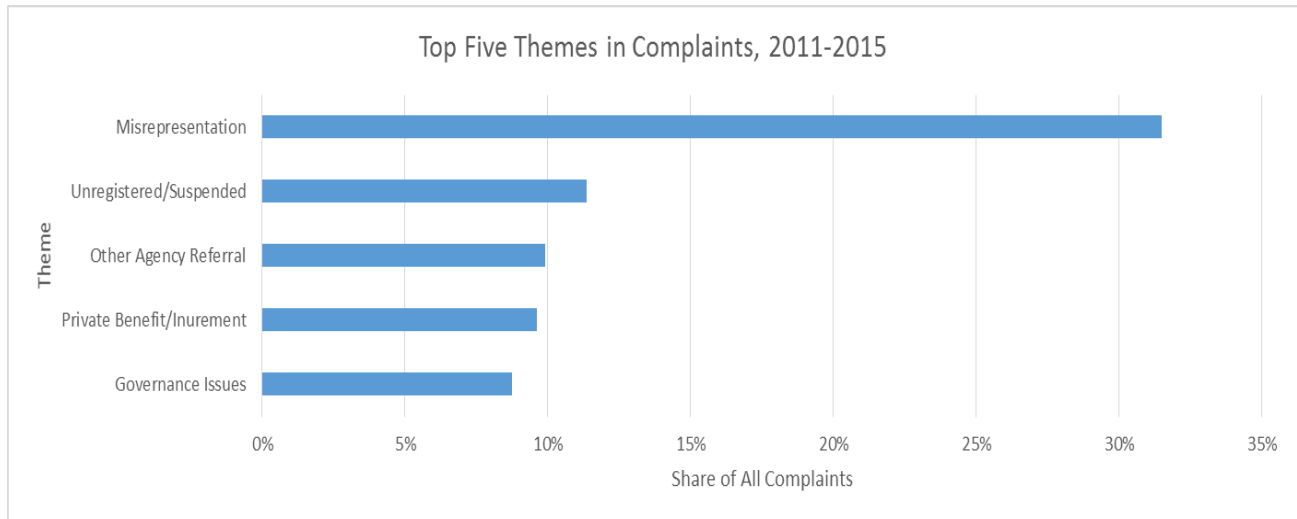
## **How Problems with Charities Come to the Attention of Regulators**

The Secretary of State's office typically receives 25-30 complaints about charities per year, mostly from concerned citizens. Many of the complaints that we receive are the result of an organization's failure to adopt basic best practices, especially in the areas of governance and transparency. Several of the organizations named in these complaints simply failed to understand or appreciate the legal requirement to provide corporate records to members upon request, to provide copies of state and federal disclosure forms to anyone upon request (e.g. state registration forms filed with the Secretary of State and copies of the IRS Form 990 and Form 1023), or to follow the rules set out in their bylaws or in the Colorado Revised Nonprofit Corporations Act, especially as regards the appointment, election, and removal of directors. An organization with a strong, independent board that regularly consults best practices and adopts those best suited to its size and mission can largely avoid missteps that generate official complaints.

Directors and officers that merely defer to the leadership of a strong-willed president or board chair fail to appreciate the importance of their own fiduciary duties and the delicate state of public confidence in their organization. When they withhold basic information from their members or the public that should be made readily available, such as copies of their annual reports and audited financial statements, or when they fail to diligently review the financial statements themselves, they risk damaging that public faith and invite official complaints from aggrieved parties.

Incorporating best practices into the organization's culture and understanding the regulatory environment in which they operate can help strengthen their ability to pursue their missions with the transparency and efficiency that the public expects.

The chart below summarizes complaints about charities received by the Secretary of State over the past five years. Bear in mind that the Attorney General's office also receives citizen complaints and referrals from this office when allegations fall within the Attorney General's jurisdiction.



146 total complaints; each complaint may contain more than one theme.

## Industry Standards for Accountability and Transparency

So, what should a donor know before making a contribution to a charitable organization? Naturally, you'll want to know whether or not the charity is fulfilling its charitable mission in an effective manner. Information contained in the *Annual Report on Charitable Solicitations* or the charity's registration and financial statements can go a long way toward reassuring you of an organization's ability to carry out its mission. Several organizations have established industry standards intended to help you evaluate a charity and feel confident about your giving decision.

The **BBB Wise Giving Alliance** ([www.give.org](http://www.give.org)), affiliated with the Council of Better Business Bureaus, has established a set of 20 non-binding *Standards of Charitable Accountability* to help donors make sound giving decisions and increase public trust in charities. According to its website, the *Standards for Charity Accountability* were developed with professional and technical assistance from representatives of small and large charitable organizations, the accounting profession, grant making foundations, corporate contributions officers, regulatory agencies, research organizations and the Better Business Bureau system. The BBB Wise Giving Alliance also commissioned significant independent research on donor expectations to ensure that the views of the general public were reflected in the standards.

Some of the key BBB standards include:

- With respect to an organization's finances, charities should spend at least 65% of total expenses on program activities, i.e., Total Program Service Expenses divided by Total Expenses should be at least 65%.
- Charities should spend no more than 35% of related contributions on fund raising, i.e., Total Fund Raising Expenses divided by Total Related Contributions should be no more than 35%. Related contributions include donations, legacies, and other gifts received as a result of fund raising efforts.
- Charities should avoid accumulating funds that could be used for current program activities. To meet this standard, the charity's unrestricted net assets available for use should not be more than three times the size of the past year's expenses or three times the size of the current year's budget, whichever is higher.
- Upon request, charities should make available complete annual financial statements prepared in accordance with generally accepted accounting principles.
- A charity should include in the financial statements a breakdown of expenses (e.g., salaries, travel, postage, etc.) that shows what portion of these expenses were allocated to program, fund raising, and administrative activities.
- Financial statements should include a breakdown of expenses that shows what portion of these expenses was allocated to program services, fund raising, and administrative activities.
- Accurately report the charity's expenses, including any joint cost allocations, in its financial statements. For example, audited or un-audited statements which inaccurately claim zero fund raising expenses or otherwise understate the amount a charity spends on fund raising, and/or overstate the amount it spends on programs will not meet this standard.

**CharityWatch** ([www.charitywatch.org](http://www.charitywatch.org)), formerly known as the **American Institute of Philanthropy**, is another well-known charity watchdog group that makes similar recommendations, including:

- **Percent spent on charitable purpose.** To achieve a satisfactory or "C range" rating, a charity should spend 60% or more of its Total Expenses on its charitable programs, with the remaining percentage being spent on Fundraising and

General Administration. CharityWatch believes that most highly efficient charities are able to spend at least 75% on programs.

- **Cost to raise \$100.** It should not cost more than \$35 to raise \$100 of funds. In other words, Total Fundraising Expenses divided by Total Related Contributions should be no more than 35%. CharityWatch defines *related contributions* as money that is brought in as a result of fundraising activities. CharityWatch is critical of charities that erroneously compare their cost to raise money with total income, which, according to CharityWatch, can include patient revenue, investment income, sales proceeds and other items that are not affected by fundraising outlays. CharityWatch believes this faulty comparison makes a charity's fundraising efficiency appear better than it actually is.
- **Years of available assets.** CharityWatch examines a charity's reserves of available assets to determine how long it could continue to operate at current levels without any additional fundraising. It defines a charity's "years of available assets" as funds currently available for the charity's use, including investments that the charity has set aside as a reserve but could choose to spend if it wanted to do. CharityWatch recommends a reserve of less than three years and gives a failing grade to the "least needy" groups with reserves of more than five years, believing that the public's donations are most urgently needed by charities that do not have large reserves of available assets.

**Charity Navigator** ([www.charitynavigator.org](http://www.charitynavigator.org)), founded in 2011, measures a charity's *financial health*, and an organization's commitment to *accountability* and *transparency*, and (as of January 23, 2013) *results reporting*. It is best to visit the Charity Navigator website for a discussion of its rating system, since Charity Navigator rates charities with different resource and spending requirements differently. The site is a valuable source of data on charities and includes detailed discussions about how to rate charities and measure their impact.

## Tips on Wise Giving

Even though donors can usually rely on charities to be good stewards of their donations and to operate an efficient organization, it is still very important to be informed and cautious when considering your charitable giving options, especially in response to telephone solicitations. Unscrupulous solicitors rely on the fact that many donors do not monitor the use of their donations, so unsuspecting donors usually do not even become aware of the fact that their generous and heart-felt contributions may have been

wasted. Your charitable contributions should actually reach the people in need of your assistance.

The Secretary of State offers the following wise giving tips to make sure that your charitable contributions are being used by legitimate organizations as you intended and not lining the pockets of scam artists:

- Ask for the caller's registration number, and then confirm that the organization is registered and current with its filings at [www.checkthecharity.com](http://www.checkthecharity.com).
- If the charity is required to file the federal form 990, 990-EZ, 990-N, or 990-PF with the IRS, ask to see it. You are also entitled to a copy of its IRS Application for Tax-Exempt Status and Determination Letter.
- Ask what portion of the contribution will be paid to the charity and make a note of which specific programs your contribution will support.
- Ask whether the charitable contribution is tax deductible, and verify with your tax advisor or the IRS. The fact that a charity has a tax identification number does not necessarily mean your contribution is tax-deductible. Ask for a receipt showing the amount of the contribution and stating that it is tax-deductible.
- Do not pay in cash – donate by check made payable to the charity or fund (not to an individual) and mail directly to the charity.
- Be wary if the charity does not want to provide information about its programs and finances. Reputable charities welcome questions from potential donors, so don't hesitate to ask questions or request materials by mail.
- Be wary if the organization says you agreed to make a contribution and you don't remember doing so.
- Be especially wary of an organization that offers to send a courier to pick up your check. If solicited in person, ask to see identification for both the solicitor and the charity.
- Call the charity to see if it is aware of the solicitation and has authorized the use of its name. Certain well-known charities such as the Red Cross will never solicit

donations over the phone.<sup>1</sup>

- Watch out for charities with names that sound similar to well-known organizations. Sometimes these sound-alike names are simply intended to confuse donors.
- If the solicitor claims that the charity will support local organizations, call the local groups to verify.
- Hang up if the solicitor suggests you will receive special benefits or favorable treatment from a police, sheriff, patrol, firefighting, or other law enforcement agency or department of government, or that you will receive unfavorable treatment if you fail to make a contribution.
- Beware of unsolicited email. Instead, go directly to the organization's website or call to make donations.
- Be aware that charities are only exempt from the Colorado No Call list if they are properly registered with the Secretary of State.
- Be aware that The Federal Trade Commission's Telemarketing Sales Rule requires paid solicitors to put you on the charity's internal Do Not Call list upon request.
- Be aware that paid solicitors who make telephone calls into Colorado must disclose that they are paid to make the solicitation, and they must provide the name of the telemarketing company for whom they work and the name and telephone number of the charity on whose behalf they are soliciting.
- Discuss the donation with a trusted family member or friend before committing the funds.
- You have the right to cancel a monetary pledge until 12 midnight of the third business day after the day on which you receive a written confirmation of contribution. You have the right to cancel a nonmonetary pledge until 12 midnight of the first business day after the day on which you receive a written

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<sup>1</sup> Red Cross will never solicit by telephone, but it participates in mobile giving and makes email solicitations. They will never ask for account information in an email, however, nor will they ask you to make a deposit into a bank account. They will direct you to their website to make donations through secure transactions.

confirmation of contribution to cancel.

- You cannot deduct contributions earmarked for relief of a particular individual or family, even if they are made to a qualified charitable organization. Potential donors should inquire whether there is a trust or deposit account established for the benefit of the individual or family, contact the banking institution to verify the existence of the account, and check locally to confirm that there really is such a need. When you decide to contribute to an individual or family, do not give cash. If you feel uncomfortable about a solicitor on the phone, just say “No thank you” or hang up.

The Secretary of State has also posted a number of wise giving tips specific to internet and social media solicitations at

<http://www.sos.state.co.us/pubs/charities/internetTips.html>.

If you believe that you have been solicited by a fraudulent charity, please file a complaint with the Secretary of State (303) 894-2200, option 2, <http://www.sos.state.co.us/pubs/charities/charitableHome.html> or the Attorney General, 800-222-4444, [www.ago.state.co.us/consline/consline.cfm](http://www.ago.state.co.us/consline/consline.cfm).

## **Disclosure Requirements Protect Donors**

The Colorado Charitable Solicitations Act requires that certain disclosures be made in the course of written and verbal solicitations. Consumers should expect and are entitled to insist upon this information.

Paid solicitors are required to make the following disclosures without any prompting from the consumer:

- A statement that the person soliciting the charitable contribution by telephone is paid to make the solicitation.
- The name of the telemarketing company that employs the paid solicitor.
- The first name and surname of the paid solicitor.
- The name and telephone number of the charitable organization on whose behalf the paid solicitor is making the contribution.

- A statement that the charitable contribution is not tax-deductible, if that is the case. (This provision also applies to volunteers as defined in C.R.S. §6-16-103(12)).

Other state and federal laws provide additional protection against unwanted telephone calls. While it is true that the Colorado No Call Law contains an exception that allows telephone solicitations by charitable organizations, the charity must be registered with the Secretary of State for that exception to apply. In addition, federal regulations require for-profit telemarketers calling on behalf of charitable organizations to remove those residents who request it from future solicitations on behalf of that charity.

Bearing in mind that most charitable organizations have honest intentions, engage in perfectly legal professional fundraising campaigns that conform with industry standards, and provide vital, effective services to our communities, residents in doubt about a particular solicitor's representation (pitch), or who have concerns about the activities of a charitable organization, paid solicitor, or professional fundraising consultant can lodge a complaint with the Secretary of State. Complaint forms are available on the website or by calling the Charities Program within the Business & Licensing Division at (303) 894-2200, option 2. Depending on the nature of the complaint, the Secretary of State may contact the charitable organization or professional fundraiser directly in order to achieve compliance with legal filing requirements, or our office may refer the matter to the Colorado Attorney General or the appropriate District Attorney.



## Contract Requirements Protect Charities

For the protection of charities, the Act also requires that contracts between charities and their paid solicitors and professional fundraising consultants be in writing and include certain elements designed to protect charities.<sup>2</sup> These include:

1. Every contract between a paid solicitor or professional fundraising consultant and a charitable organization or sponsor must be in writing.
2. Every contract between a paid solicitor or professional fundraising consultant and a charitable organization or sponsor must be signed by an authorized official of the charitable organization or sponsor, who must be a member of the organization's governing body. With respect to paid solicitors, the contract must also be signed by the authorized contracting officer for the paid solicitor, or by the individual paid solicitor, if he or she is an individual.
3. A paid solicitor or professional fundraising consultant shall provide a copy of the contract to the charitable organization prior to the performance of any material services under the contract.
4. A paid solicitor or professional fundraising consultant shall provide a copy of the contract to the Secretary of State upon request.
5. If a paid solicitor or professional fundraising consultant will have custody of any contributions, each such contribution must be deposited within two business days of its receipt into an account in the name of the charity, and the charity must have sole control over all withdrawals from the account.
6. With respect to both paid solicitors and professional fundraising consultants, the contract must include, but is not limited to, the following provisions:
  - a statement of the charitable purpose for which the solicitation campaign is being conducted
  - a statement of the respective obligations of the paid solicitor or professional fundraising consultant and the charitable organization
7. The effective and termination dates of the contract

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<sup>2</sup> See 6-16-104.3(2)-(3), 6-16-104.6(2) and 6-16-104.6(8) of the Colorado Revised Statutes.

8. With respect to professional fundraising consultants, the following provisions shall be included in the contract:
  - whether the professional fundraising consultant will at any time have custody or control of contributions
  - a professional fundraising consultant who at any time has or will have custody or control of contributions from a solicitation conducted on behalf of a charitable organization in Colorado shall also register with the Secretary of State before performing any material services with respect to such solicitation
  - a clear statement of the fees that will be paid to the professional fundraising consultant, or if the fees are to be calculated based on a percentage of contributions or other formula, a clear statement of the percentage or other formula
  
9. With respect to paid solicitors, the contract shall contain a statement of the specified minimum percentage, if any, of the gross receipts from contributions that will be remitted to the charitable organization, or if the solicitation involves the sale of goods, services, or tickets to a fundraising event, the specified minimum percentage, if any, of the purchase price that will be remitted to the charitable organization.
  - Any stated percentage cannot include any fundraising costs payable by the charitable organization.
  
10. With respect to paid solicitors, the contract shall contain a statement of the specified percentage, if any, of gross revenue that constitutes the paid solicitor's compensation<sup>3,2</sup>
  
11. If the paid solicitor's compensation is not contingent upon the number of contributions or the amount received, the paid solicitor's compensation shall be expressed as a reasonable estimate of the percentage of gross revenue.
  - The contract shall clearly disclose the assumptions upon which such reasonable estimate is made.
  - The stated assumptions must be based upon all the relevant facts known to the paid solicitor regarding the solicitation to be conducted.

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<sup>3</sup> "Compensation" means all salaries, commissions, fees, and other expenses paid by the charitable organization or sponsor to the paid solicitor. It is assumed that paid solicitors will pay all necessary business expenses from their total compensation.

<sup>2</sup> The purpose of these questions (9,10) is to disclose or estimate in advance the amount of the gross revenue from the solicitation campaign that will constitute the paid solicitor's compensation. The amount shall be expressed either as a fixed percentage of the gross revenue, if the paid solicitor's compensation is contingent upon the number of contributions or the amount received, or as a reasonable estimate, expressed as a percentage of the gross revenue, if the compensation is not contingent upon the number of contributions or the amount received.

## Additional Resources for Charities and Donors

- **Attorney General**, [www.ago.state.co.us](http://www.ago.state.co.us), 1-800-222-4444. See also the *FAQ on Illegal Gambling*.
- *"A Guide for Colorado Nonprofit Organizations,"* First Ed. (Karen E. Leaffer ed., CLE in Colo., Inc. Supp. 2011). A practitioners guide.
- **Federal Trade Commission** <http://www.consumer.ftc.gov/articles/0074-giving-charity>, 1-877-FTC-HELP (382-4357). Federal Trade Commission tips for avoiding charity scams and information about specific types of charity fraud.
- **Internal Revenue Service** – <http://www.irs.gov/Charities-&-Non-Profits>, 1-877-829-5500. Federal tax information for charities and other nonprofits. How to maintain your tax-exempt status, how to determine if a charity is tax-exempt, etc.
- **Foundation Center** – [www.foundationcenter.org](http://www.foundationcenter.org). Excellent source of data on private foundations and public charities, including images of Forms 990 filed with the IRS (look for the "990 Finder").
- **GuideStar** – [www.guidestar.org](http://www.guidestar.org). Good source of nonprofit data, including images of Forms 990 filed with the IRS.
- **Ministry Watch** - <http://www.ministrywatch.com>. MinistryWatch.com is the online database component of Wall Watchers that profiles and reports on faith-based charities.
- **Evangelical Council for Financial Accountability** – [www.ecfa.org](http://www.ecfa.org). ECFA is an accreditation agency dedicated to helping Christian ministries earn the public's trust through adherence to Seven Standards of Responsible Stewardship.
- **Association of Fundraising Professionals**, Code of Ethical Principles and Standards - <http://www.afpnet.org/Ethics/EnforcementDetail.cfm?itemnumber=3261>. Fosters the development and growth of fundraising professionals and the profession, promotes high ethical behavior in the fundraising profession and works to preserve and enhance philanthropy and volunteerism.

- **Independent Sector** - <http://www.independentsector.org>. An organization that provides nonprofits with educational resources, leadership development training, and public advocacy resources for the nonprofit sector.
- **National Council of Nonprofits** - <http://www.councilofnonprofits.org/>. A network of State Nonprofit Associations and 25,000-plus members.
- **Board Source** - <http://www.boardsource.org>. BoardSource is a 501(c)(3) charitable organization that provides tools and training for building exceptional nonprofit boards.
- **Center for Nonprofit Excellence** (formerly Chamber Nonprofit Partnership), [www.cnecoloradosprings.org](http://www.cnecoloradosprings.org)
- **Colorado Association of Funders**, [www.coloradofunders.org](http://www.coloradofunders.org)
- **Colorado Nonprofit Association**, [www.coloradononprofits.org](http://www.coloradononprofits.org). *Principles and Practices for Nonprofit Excellence in Colorado*.
- **Colorado Nonprofit Development Center**, <http://cndc.org>. Fiscal sponsorship expertise.
- **Community Resource Center**, [www.crcamerica.org](http://www.crcamerica.org). Training, technical assistance and consulting.
- **Metro Volunteers**, [www.metrovolunteers.org](http://www.metrovolunteers.org). Volunteer opportunities, education geared toward volunteers and board members.
- **Northern Colorado Nonprofit Resource Center** - <http://ncnrc.org>, 720-320-7014. Nonprofit management support services.
- **Council on Foundations** - [www.cof.org](http://www.cof.org). Nonprofit membership association of grantmaking foundations and corporations.
- **National Association of State Charity Officials (NASCO)** – [www.nasconet.org](http://www.nasconet.org). Association of government charity regulators.
- **Urban Institute** - <http://www.urban.org> – see National Center for Charitable Statistics. Data on nonprofit organizations and their activities for nonprofit sector research.

## Links to 2015 Annual Report Data Tables

The [data tables](#) summarizing charitable solicitations activity in 2015 are available as separate downloadable Excel files. Each of the files below includes separate data provided by registered charitable organizations, paid solicitors, and professional fundraising consultants.

## Charity Trends

The charts and graphs that follow summarize the results of charitable solicitations in 2015 and compare these to results to past years.

Bear in mind that charitable organizations use a variety of methods to raise funds to support their missions. The method many people think of first (contracting with a paid solicitor) is used by a relatively small number of charities. This activity is reflected in the charts which depict results of solicitation campaigns.

To put such solicitation campaigns into perspective, consider that there were 12,794 charities registered to solicit contributions in Colorado as of Nov. 30, 2015, yet only 305 different charities were listed on the 498 solicitation campaign financial reports filed in 2015. Thus, the number of charities listed on solicitation campaigns filed in 2015 represents less than 2.4% of the number of charities that were registered as of Nov. 30, 2015. Contributions brought in by charitable organizations via solicitation campaigns reported in 2015 totaled \$472 million, or 0.6% of the \$79.7 billion in total contributions reported on all charities' financial reports. To be sure, a portion of the \$79.7 billion in contributions reported by all registered charities could include results of solicitation campaigns conducted in states other than Colorado, but it's important to keep the overall fundraising picture in mind when considering the results of the solicitation campaign financial reports filed in 2015.

Nevertheless, direct mail, radio, and telemarketing campaigns have a big public impact. This report summarizes the results not only of these solicitation campaigns, but also excerpts the most pertinent financial information provided by all registered charities on their overall financial reports. In the latter category, the totals represent financial reports submitted by 10,044 charities, of which 6,471 listed a principal address in Colorado.

## Charitable Solicitations Highlights - 2015

### Contributions received by registered charities with 2014 fiscal year end

Based on overall financial reports filed by charities before Nov. 30, 2015 with a reporting period ending any time between January 1, 2014 and December 31, 2014. Includes charities that used paid solicitors.

	Charity count	Total \$ in millions	High \$ in millions	Average \$ in millions	Low \$ in millions
All charities	10,044	\$79,652	\$3,849	\$7.9	\$0
Colorado-based charities	6,471	\$4,239	\$223	\$0.66	\$0

### Results of solicitation campaign financial reports filed in 2015

Total gross proceeds	\$472 million
Total net proceeds to charities	\$382 million
Percentage of total gross proceeds to charity	81%
Solicitation campaign reports filed	498
Paid solicitors listed on campaign reports	57
Charities listed on campaign reports	305

#### Note about 2015 data on solicitation campaigns:

The 81% ratio of net proceeds to charity is very high when compared to past years, yet if you subtract two high-dollar campaigns reported by paid solicitors who have unusual arrangements with their charity clients, the overall percent to charity drops to 37.9%.

Eaton Vance Distributors, Inc., who solicits for The U.S. Charitable Gift Trust, reported a \$110 million campaign in which 99% of the gross went to the charity. Network for Good reported a \$231 campaign in which 97% of the gross went to the charity. These two campaigns accounted for 72% of all gross proceeds reported in 2015, which skewed the percent to charity ratio upward.

## Giving USA 2014 report highlights

This frequently quoted annual study shows the sources of funding for charities nationally in 2014.

	\$ in billions	% of total	% change from 2013
Individuals	\$258.51	72%	5.7%
Foundations	\$53.97	15%	8.2%
Bequests	\$28.13	8%	15.5%
Corporations	\$17.77	5%	13.7%
<b>All Americans</b>	<b>\$358.38</b>	<b>100%</b>	<b>7.1%</b>

Source: *Giving USA is Giving USA 2015: The Annual Report on Philanthropy for the Year 2014*, [www.givingusa.org](http://www.givingusa.org).

## Registry Data (as of January 17, 2016)

<b>How many charities are registered in Colorado?</b>	<b>Number</b>	<b>% of Total</b>
Registered Charities	12,893	100%
<b>How many registered charities are 501(c)(3)'s?</b>	<b>Number</b>	<b>% of Total</b>
501(c)(3) Exempt Charities	11,664	91%
Non-501(c)(3)'s	1,229	9%
<b>How many registered charities are based in Colorado?</b>	<b>Number</b>	<b>% of Total</b>
Charities with Colorado Principal Address	9,095	71%
Charities with Principal Address Outside Colorado	3,798	29%
<b>How big are registered charities?</b>	<b>Number</b>	<b>% of Total</b>
Charities with gross revenues less than \$25,000	2,736	21%
Charities with gross revenues between \$25,001 and \$50,000	998	8%
Charities with gross revenues between \$50,001 and \$200,000	2,245	17%
Charities with gross revenues greater than \$200,000	6,892	53%
<b>How many registered charities use paid solicitors?</b>	<b>Number</b>	<b>% of Total</b>
Charities that don't use paid solicitors	12,577	98%
Charities that use paid solicitors	316	2%

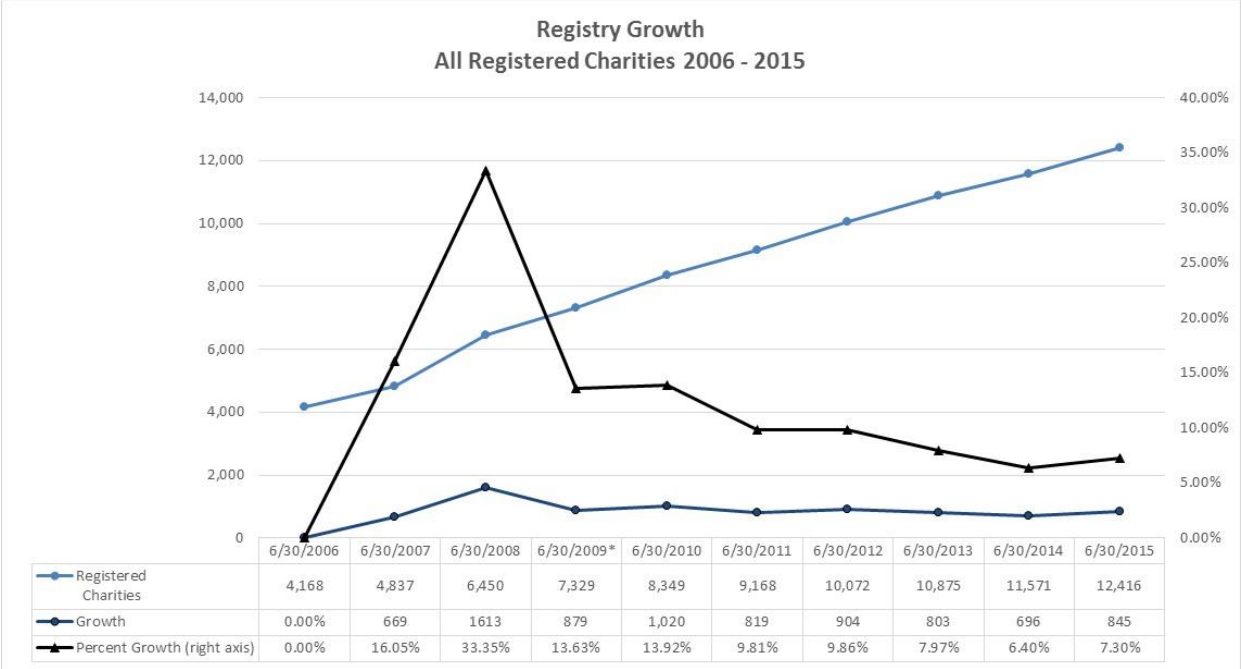
### **Paid solicitors**

<b>How many paid solicitors are registered in Colorado?</b>	<b>Number</b>	<b>% of Total</b>
Registered Paid Solicitors	207	100%
<b>How many registered paid solicitors are based in Colorado?</b>	<b>Number</b>	<b>% of Total</b>
Paid Solicitors with Colorado Principal Address	30	14%
Paid Solicitors with Principal Address Outside Colorado	177	86%
<b>How many campaigns did paid solicitors run in 2015?</b>	<b>Number</b>	<b>% of Total</b>
Active Solicitation Campaigns	301	100%

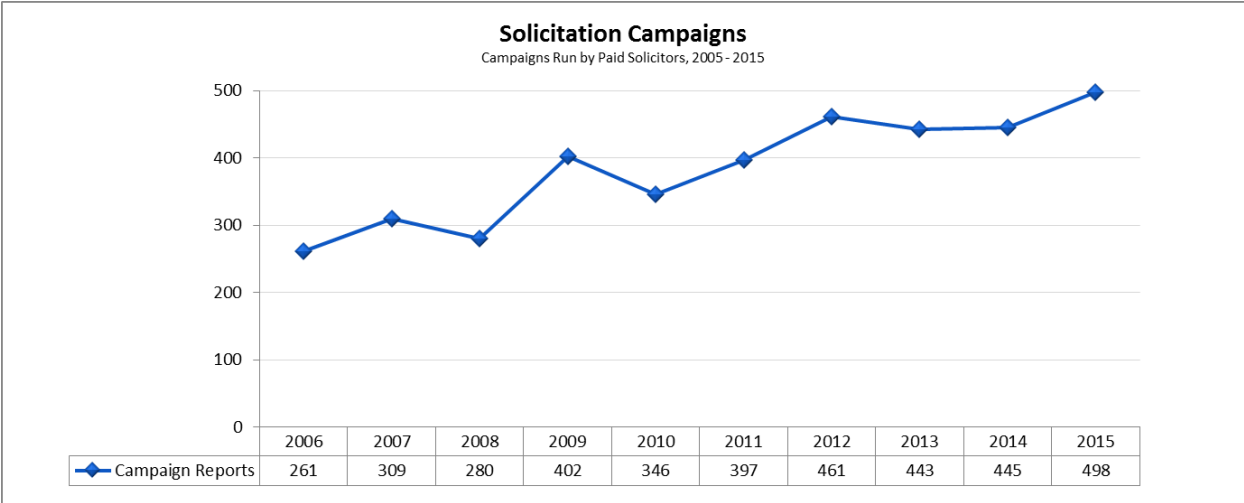
### **Professional fundraising consultants (PFCs)**

<b>How many PFCs are registered in Colorado?</b>	<b>Number</b>	<b>% of Total</b>
Registered PFCs	78	100%
<b>How many registered PFCs are based in Colorado?</b>	<b>Number</b>	<b>% of Total</b>
PFCs with Colorado Principal Address	20	26%
PFCs with Principal Address Outside Colorado	58	74%

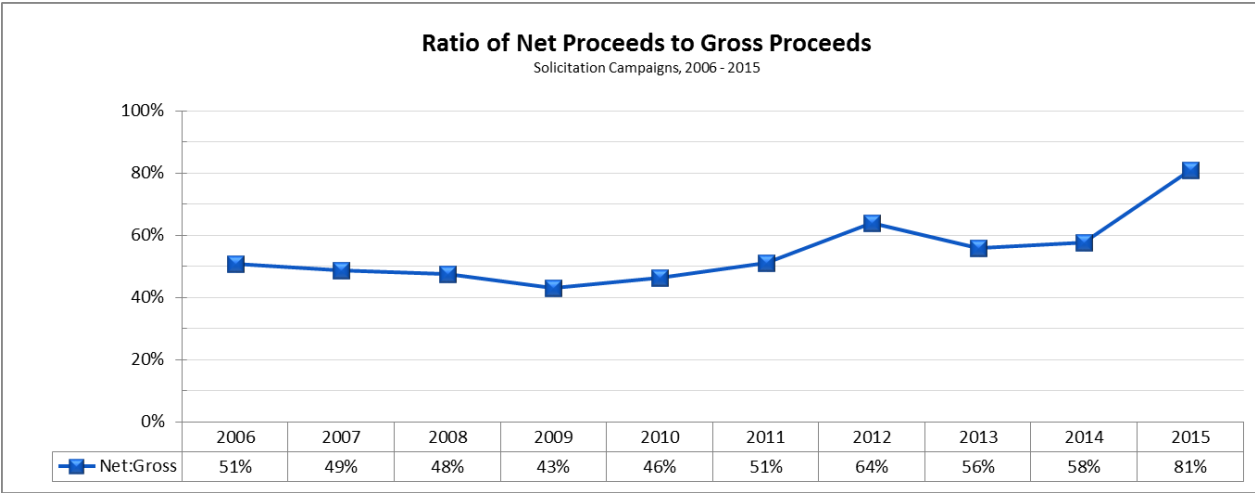




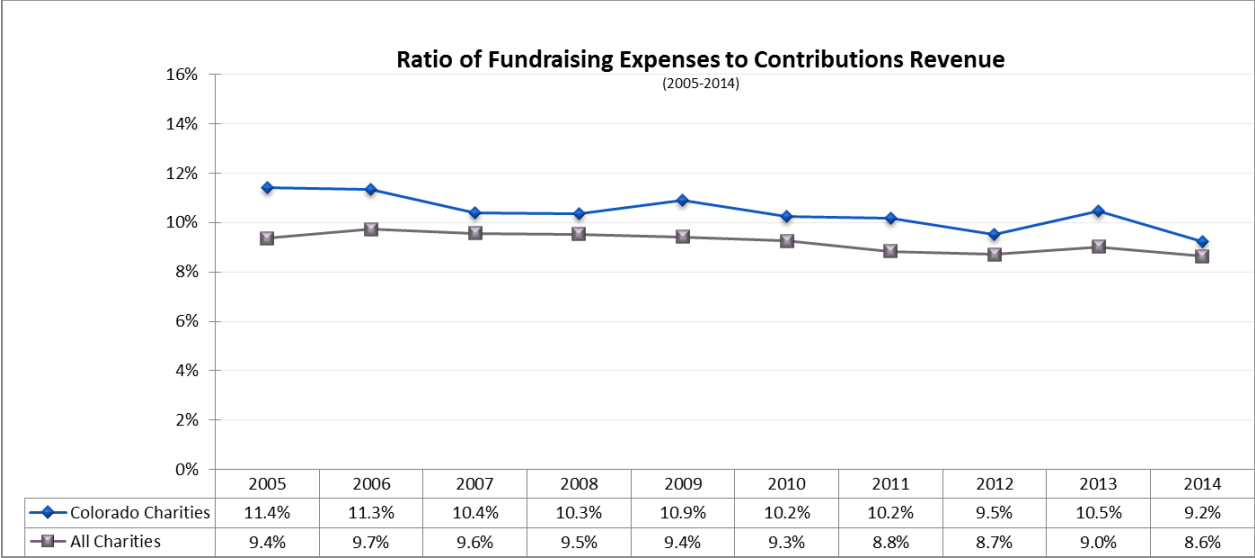
The graph above depicts the growth in registered charities in Colorado over the past decade. As of the fiscal year ending June 30, 2015, 12,416 charitable organizations were registered to solicit contributions in Colorado (as of Nov. 30, 2015, the number had grown to 12,794). Growth has averaged approximately 7% over the past three years, and the database is now three times larger than it was in 2006.



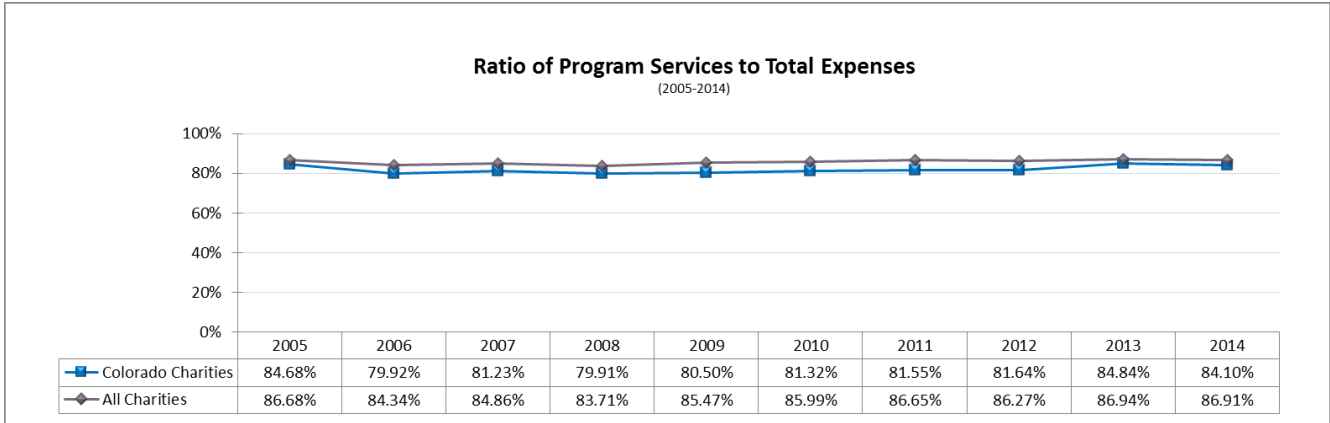
The total number of solicitation campaigns run annually by paid solicitors. The number of campaigns increased 12% in 2015.



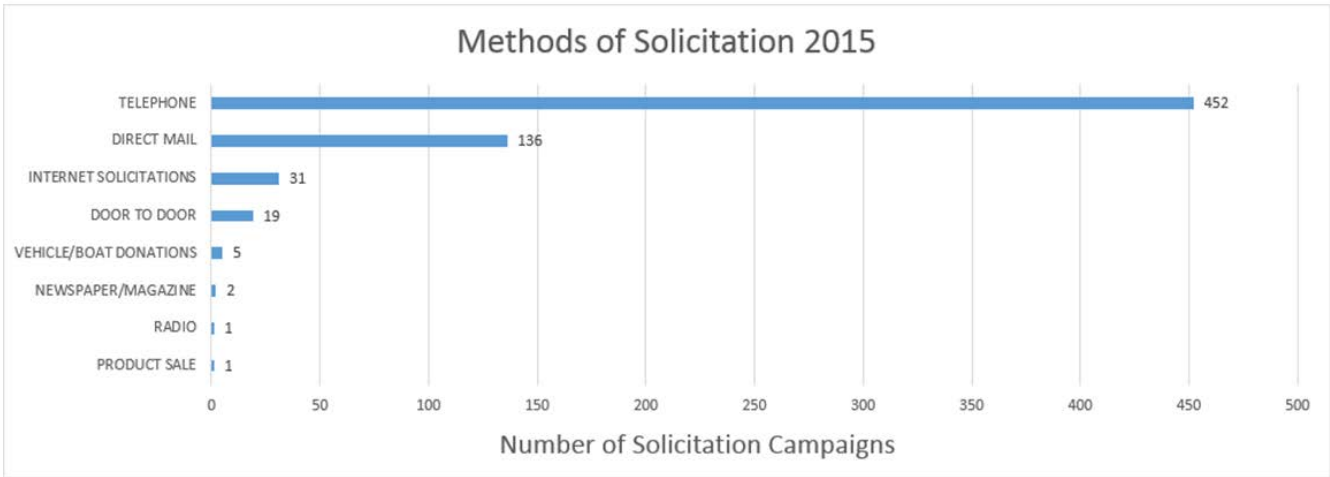
The percentage of gross receipts (donations) raised by paid solicitors that makes it to the charity as net revenue, after paying the expenses of the campaign and the paid solicitor’s fee. The percent to charity increased significantly in 2015 as compared to 2014 and previous years, rising from 58% to 81%. The average percent to charity over the previous nine years has been 51.8%. The increase is attributable to two very high dollar campaigns that reported 99% and 97% percent of gross receipts to charity.



These graphs compare the ratio of fundraising expenses to contributions revenue for all registered charities and for registered charities listing a Colorado principal address. The results show that on average charities raise contributions in an effective manner, with Colorado charities spending slightly more on average than all charities combined. This could reflect some economies of scale that charities realize when raising funds on a regional or national basis.



These charts compare the ratio of program service expenses to total expenses for all charities registered and for all charities listing a Colorado principal address. The results show that on average charities devote a large percentage of their spending to their programs, with Colorado charities spending slightly less on average than all charities combined.



This chart shows the prevalence of various methods of soliciting contributions as reported on 498 solicitation campaign financial reports. Organizations often use more than one method, in which case all methods are counted in the totals.