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Annual Report on Charitable Solicitations in Colorado for the Year 2017

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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. 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.

The 2017 annual report is available as a series of downloadable Excel files at <https://www.sos.state.co.us/pubs/charities/reports/2017/11-Data.html>. These files present summary data on charitable solicitations activity in Colorado during 2017 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. 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.

Charities Program data is also 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

The Secretary of State is the officer responsible for administering the Colorado Charitable Solicitations Act. The Secretary of State issues registration numbers; provides online access to disclosure statements filed by registrants; publishes the

Annual Report on Charitable Solicitations; and investigates allegations of wrongdoing in charities.

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.

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

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 as 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

The 2017 General Assembly passed amendments to the Colorado Charitable Solicitations Act in House Bill 17-1158. The bill made the following changes:

- Allows registrations to expire without penalty, if the charity is no longer required to register with the Secretary of State. Eliminates the need for an organization to withdraw its registration to avoid fines and suspension.
- Clarifies that charities must file a financial report covering all periods during which it was required to register
- Requires registrants to report material changes to registration information within 30 days
- Eliminates the requirement to name a registered agent
- Requires the Secretary of State to send at least two notices by first-class mail and email before assessing a fine

A copy of the 2017 Colorado Charitable Solicitations Act is available online at:
http://www.sos.state.co.us/pubs/charities/files/char_statutes.pdf

Rules for the Administration of the Colorado Charitable Solicitations Act [8 CCR 1505-9]

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 .

2018 Rulemaking

The Secretary of State will issue a notice of proposed rulemaking in the spring of 2018 to implement HB 17-1158.

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. Please provide your contact information (i.e. your name, title, organization, and email address).

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.

A good first resource is the Colorado Nonprofit Association’s *Principles & Practices for Nonprofit Excellence in Colorado* (third edition) at www.coloradononprofits.org/help-desk-resources/principles-practices.

Other best practices resources include:

- Better Business Bureau Wise Giving Alliance – Standards for Charity Accountability
<http://www.give.org/for-charities/How-We-Accredit-Charities/>
- Center for Nonprofit Excellence – Governance Trainings:
<https://www.thecne.org/learn/governance-matters/governance-trainings/>
- Independent Sector’s Principles for Good Governance and Ethical Practice
<http://www.independentsector.org/resource/principles/>
- Internal Revenue Service – Good Governance Practices
https://www.irs.gov/pub/irs-tege/governance_practices.pdf
- Standards for Excellence Institute - standards of ethics, effectiveness, and accountability in nonprofit governance, management, and operations
<https://standardsforexcellence.org/about-the-institute/>

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 can be used to assess an organization's financial health.

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

This module will help ensure that a 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.

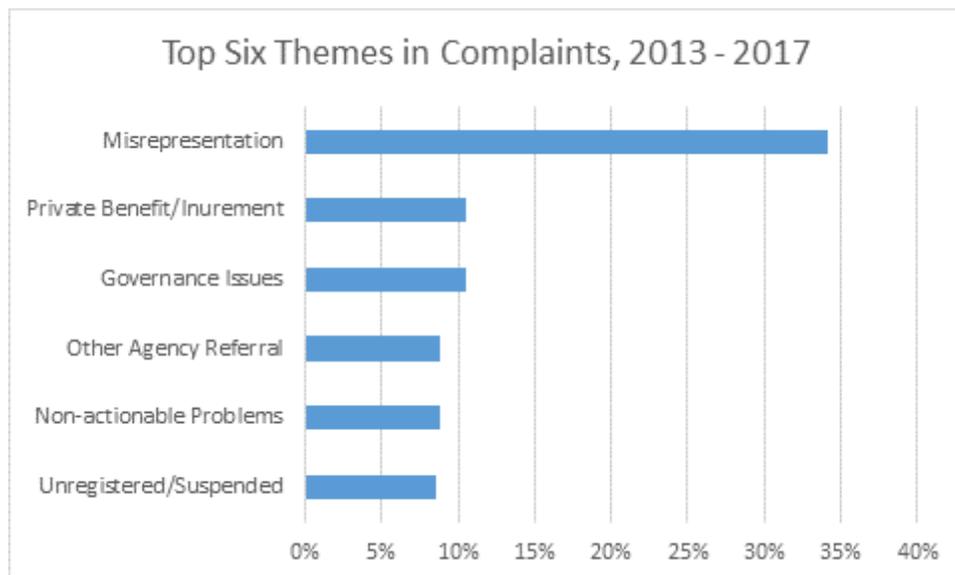
[Module 5: Personnel Issues](#)

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 20-30 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 regarding 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.

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.



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

Industry Standards for Accountability and Transparency

The following organizations are well known for evaluating and rating charities.

- The **BBB Wise Giving Alliance** (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.
- **Charity Navigator** (www.charitynavigator.org). According to its website, Charity Navigator works to guide intelligent giving and help people give to charities with confidence.
- **CharityWatch** (www.charitywatch.org), formerly known as the **American Institute of Philanthropy**, CharityWatch is another well-known charity watchdog group.
- **CitizenAudit.org** (www.citizenaudit.org) – allows users to search data included in e-filed Forms 990. Subscription-based service.
- **GuideStar** (www.guidestar.org). A source of extensive nonprofit data, well known for providing images of all Forms 990 filed by charities.

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 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. Charitable contributions should actually reach the people in need of assistance.

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

1) General Wise Giving Tips

- Verify the official name and website of the charity you wish to support. Beware of any names that sound too similar to well-known organizations and beware of lookalike websites, especially if you are asked to provide personal financial information.
- Make sure you understand and support the charity's mission before deciding to give. Visit the charity's website, where you can find information about its mission, history, and leadership, as well as recent annual reports and financial statements.
- Visit www.checkthecharity.com to review the charity's filings with the Colorado Secretary of State. The registration filings include the charity's registration number, information about the organization's leadership, mission, financial efficiency, and its use of commercial fundraisers.
- Request a copy of the organization's Form 990, which is an annual information return filed with the IRS. Some websites (e.g. [Foundation Center](#) and [GuideStar](#)) post images of all recent Forms 990, so it's also easy to look up yourself, especially if you know the organization's federal employer ID number (EIN).
- Be wary if the charity fails to provide detailed information about its identity, mission, and finances and how the donation will be used. Reputable charities will gladly provide the information requested.
- Confirm how much of your donation will go to the organization's program(s) versus its administrative or fundraising expenses. If it's important to you, designate which particular programs you want your donation to support.
- Confirm the tax-deductibility of donations from the organization's website, solicitation materials, or regulatory filings. If you're not sure, ask.
- Do not pay in cash. Donate by check made payable to the charity or use the charity's website to donate by credit card.

2) Tips for Telephone Solicitations and In-Person (face-to-face)

While the general tips listed above are important in all giving decisions, the Secretary of State has also posted [tips specifically tailored for telephone solicitations](#). These include:

- Ask if the caller is a paid solicitor. If they are, ask for the name and registration number of the paid solicitor who employs the caller and confirm their registration status on the Secretary of State's website.

- Ask what percent of your donation will go to the charity versus to the telemarketer.
- Did the caller say the money would be used locally? How important is that information to you?
- Be especially wary if the caller offers to send a courier to pick up your donation.
- Do not allow the caller to use inappropriate pressure tactics or harass you into making a donation. If you're uncomfortable, say no thank you or hang up.
- If solicited in person, ask for identification.

3) Tips for Internet and Social Media

The Secretary of State has posted [tips specifically tailored for internet and social media solicitations](#). These include:

- Don't assume that charity recommendations on Facebook, blogs, or other social media have already been vetted. Research the charity yourself.
- If you want to set up a peer-to-peer fundraising page, please contact the charity beforehand to get permission to use its name and to make sure the representations you make on your page are correct.
- Be extra vigilant when donating online in the wake of natural disasters or national tragedies. Some charities are formed shortly after these events and may have the best of intentions; however, an existing charity is more likely to have the sound management and experience to quickly respond to these situations, and it will have a track record, which you can review. And, unfortunately, sham charities often pop up to take advantage of people's generosity during these times.

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.

Additional Resources for Charities and Donors

- **“A Guide for Colorado Nonprofit Organizations,”** First Ed. (Karen E. Leaffer ed., CLE in Colo., Inc. Supp. 2011). A practitioners guide.
- **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.
- **Attorney General,** <https://www.stopfraudcolorado.gov/fraud-center/charity-fraud> , 1-800-222-4444.
- **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.cncoloradosprings.org
- **Colorado Association of Funders,** www.coloradofunders.org
- **Colorado Nonprofit Association,** www.coloradononprofits.org. *Principles and Practices for Nonprofit Excellence in Colorado.*
- **Colorado Nonprofit Development Center,** <http://cndc.org>. Fiscal sponsorship expertise.
- **Community Resource Center,** <http://crcamerica.org>. Training, technical assistance and consulting.
- **Council on Foundations** - www.cof.org. Nonprofit membership association of grantmaking foundations and corporations.
- **Evangelical Council for Financial Accountability** – 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.

- **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.
- **Foundation Center** – 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. Good source of nonprofit data, including images of Forms 990 filed with the IRS.
- **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.
- **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.
- **Metro Volunteers**, www.metrovolunteers.org. Volunteer opportunities, education geared toward volunteers and board members.
- **Ministry Watch** - <http://www.ministrywatch.com>. MinistryWatch.com is the online database component of Wall Watchers that profiles and reports on faith-based charities.
- **National Association of State Charity Officials (NASCO)** – www.nasconet.org. Association of government charity regulators.
- **National Council of Nonprofits** - <http://www.councilofnonprofits.org/>. A network of State Nonprofit Associations and 25,000-plus members.
- **Northern Colorado Nonprofit Resource Center** - <http://ncnrc.org>, 720-320-7014. Nonprofit management support services.
- **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 2017 Annual Report Data Tables

The [data tables](#) summarizing charitable solicitations activity in 2017 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 2017 and compare these 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.

Solicitation Campaigns in Perspective

Number of registered charities as of Nov. 30, 2017: 14,370

Number of charities listed by paid solicitors on campaign financial reports: 268

Percentage of all registered charities using paid solicitors: 1.68%

Total contributions revenue, registered charities: \$93 billion

Total contributions reported on campaign financial reports: \$762 million

To be sure, a portion of the \$93 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 2017.

Charitable Solicitations Highlights – 2017

Contributions received by registered charities with 2016 fiscal year end

Based on overall financial reports filed by charities before Nov. 30, 2017 with a reporting period ending any time between January 1, 2016 and December 31, 2016. Includes charities that used paid solicitors.

	Charity count	Total \$ in millions	High \$ in millions	Average \$ in millions	Low \$ in millions
All charities	11,113	93,193	3,190	8.4	0
Colorado-based charities	6,948	4,715	278	0.68	0

Results of solicitation campaign financial reports filed in 2017

Total gross proceeds	\$761 million
Total net proceeds to charities	\$642 million
Percentage of total gross proceeds to charity	84%
Solicitation campaign reports filed	429
Paid solicitors listed on campaign reports	57
Charities listed on campaign reports	268

Note about 2017 data on solicitation campaigns:

The 84% ratio of net proceeds to charity seems excellent at first glance, yet if two unique campaigns conducted on behalf of Network for Good, Inc. (\$301 million gross) and The U.S. Charitable Gift Trust (\$242 million gross) are subtracted from the totals, the overall percent to charity drops to 51.5%. These are very large donor advised funds that retain 98% and 97%, respectively, of the gross funds raised.

Giving USA 2017 report highlights

This frequently quoted annual study shows the sources of funding for charities nationally in 2016.

	\$ in billions	% of total	% change from 2015
Individuals	281.86	72.3	3.9
Foundations	59.28	15.2	3.5
Bequests	30.36	7.8	-9.0
Corporations	18.55	4.8	3.5
All Americans	390.05	100	2.7

Source: *Giving USA is Giving USA 2017: The Annual Report on Philanthropy for the Year 2016*, www.givingusa.org.

Registry Data (as of January 01, 2018)

Charities

How many charities are registered in Colorado?	Number	% of Total
Registered Charities	14,783	100
How many registered charities are 501(c)(3)'s or (c)(4)'s?	Number	% of Total
501(c)(3) Tax-Exempt Charities	13,714	93
501(c)(4) Tax-Exempt Charities	360	2.4
How many registered charities are based in Colorado?	Number	% of Total
Charities with Colorado Principal Address	9,327	63
Charities Legally Formed in Colorado	9,072	61
How big are registered charities?	Number	% of Total
Charities with gross revenues equal to or less than \$25,000	3,280	22%
Charities with gross revenues between \$25,001 and \$50,000	1,112	8%
Charities with gross revenues between \$50,001 and \$200,000	2,534	17%
Charities with gross revenues greater than \$200,000	7,857	53%
How many registered charities use paid solicitors?	Number	% of Total
Charities that use paid solicitors	341	2%

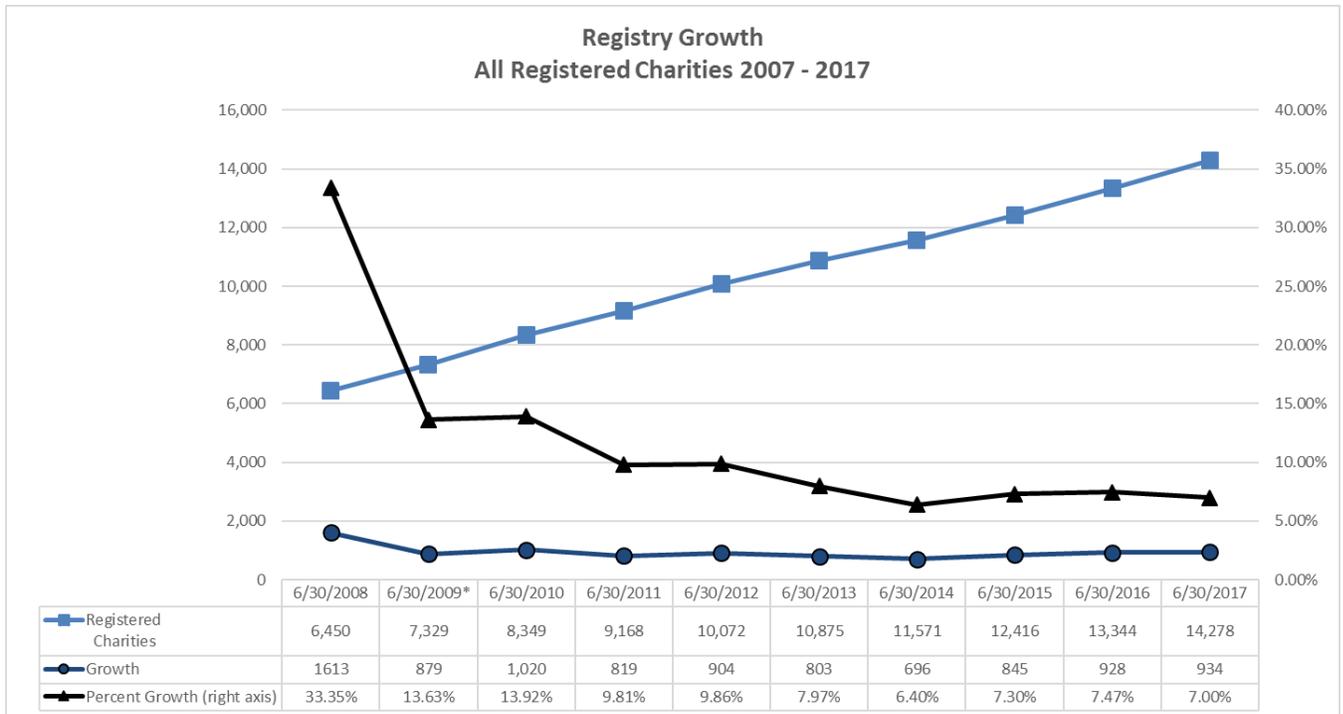
Paid solicitors

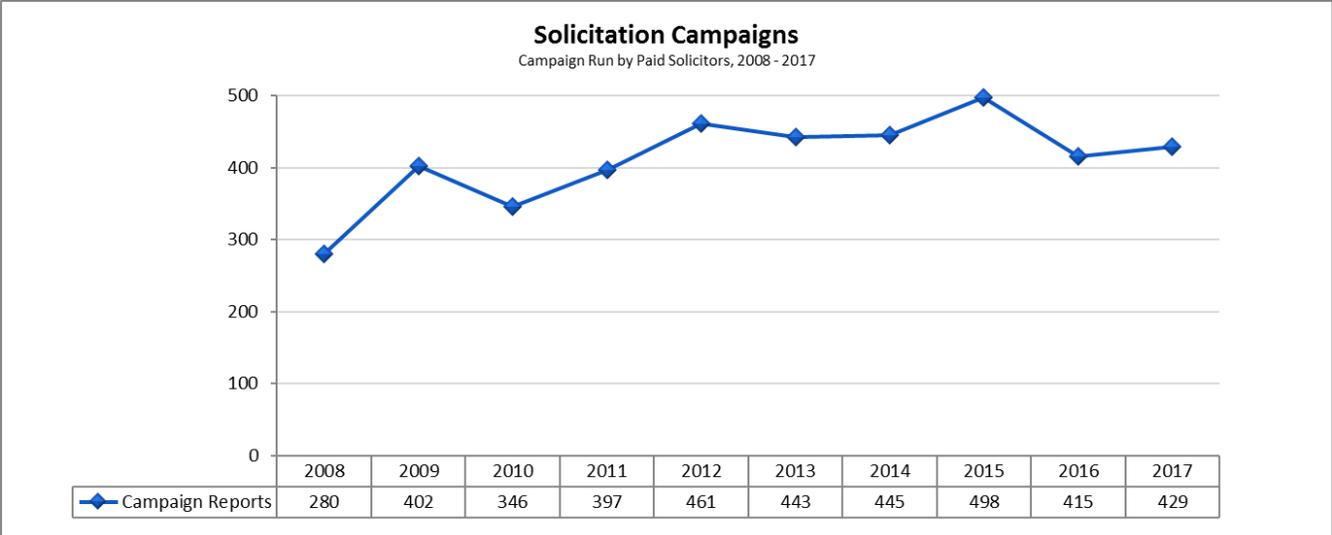
How many paid solicitors are registered in Colorado?	Number	% of Total
Registered Paid Solicitors	219	100

How many solicitation campaigns are being conducted now?	Number	% of Total
Active Solicitation Campaigns	330	100
How many registered paid solicitors are based in Colorado?	Number	% of Total
Paid Solicitors with Colorado Principal Address	70	32
Paid Solicitors Legally Formed in Colorado	31	14

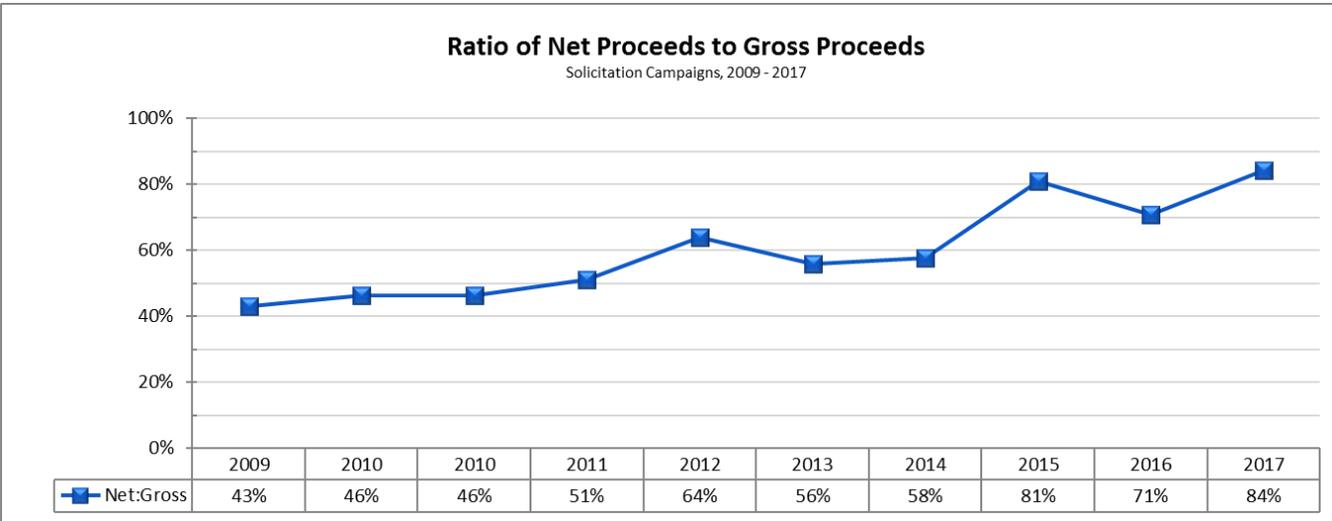
Professional fundraising consultants (PFCs)

How many PFCs are registered in Colorado?	Number	% of Total
Registered PFCs	81	100
How many registered PFCs are based in Colorado?	Number	% of Total
PFCs with Colorado Principal Address	46	57
PFCs Legally Formed in Colorado	22	27

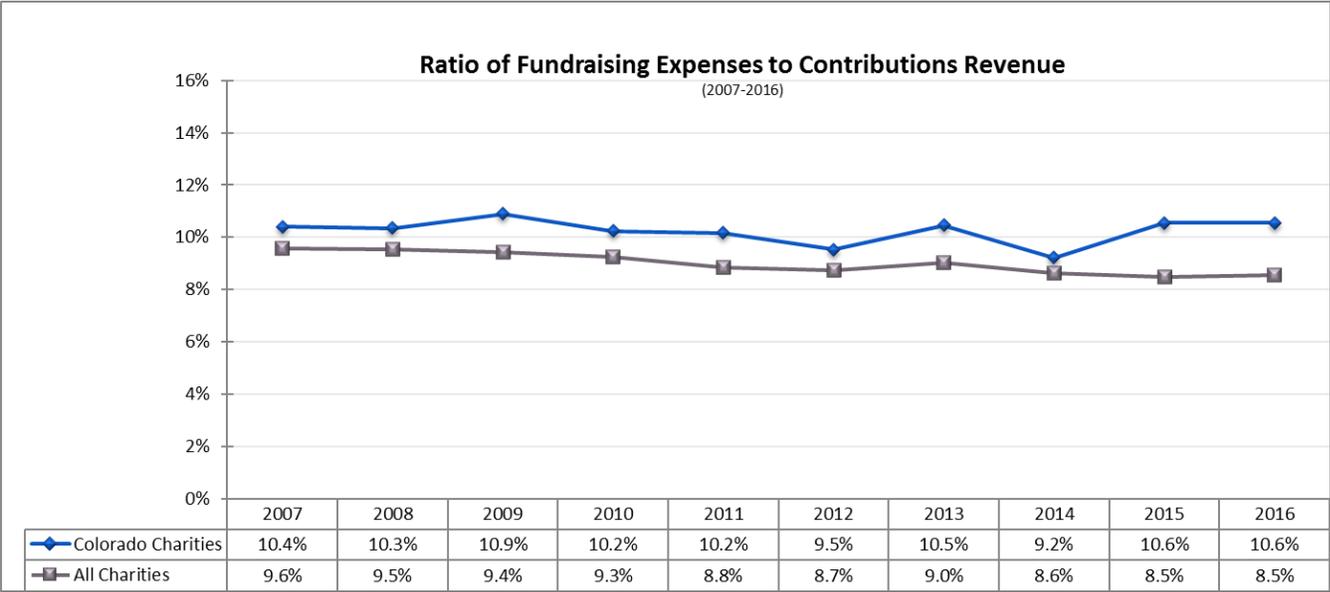




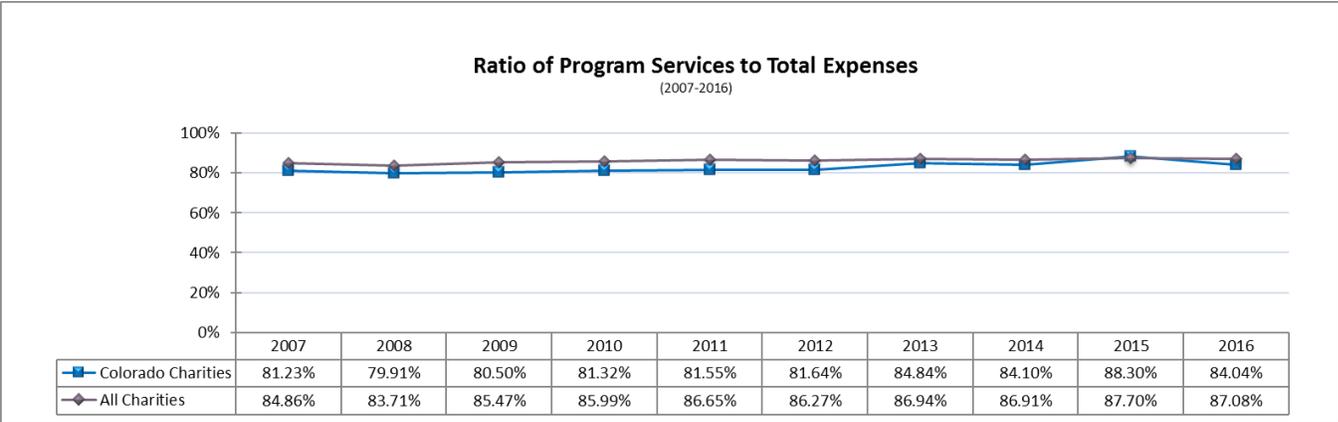
The total number of solicitation campaigns run annually by paid solicitors. The number of campaigns increased 3.4% in 2017.



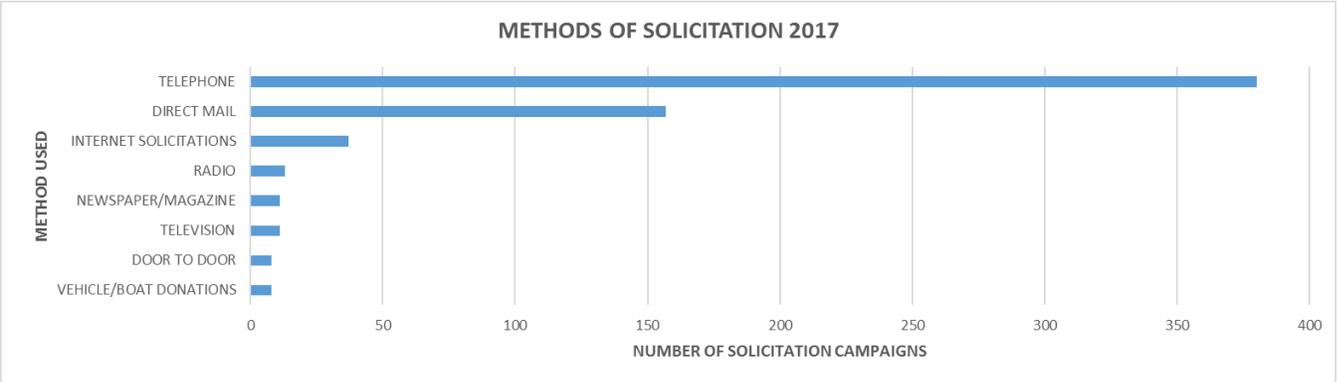
The percentage of donations (gross receipts) raised by paid solicitors that makes it to the charity as net revenue, after paying the expenses of the campaign and the paid solicitor’s fee. The percent to charity increased significantly in 2015-2017 as compared to 2014 and previous years, rising from 58% to 81%. The increase is attributable to two very large donor advised funds that have been conducting solicitation campaigns since 2014 and retain 98% and 97%, respectively, of the gross funds raised (see Table 2 for details).



This graph compares 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.



This chart compares 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 spend on programs.



This chart shows the prevalence of various methods of soliciting contributions as reported on 429 solicitation campaign financial reports. Organizations often use more than one method, in which case all methods are counted in the totals.