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Annual Report on Charitable Solicitations in Colorado for the Year 2012

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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 potential donors make 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 also 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 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 2012.

The 2012 annual report is available as a series of downloadable Excel files at www.sos.state.co.us/pubs/charities/reports/2012/13-Data.html. These files present summary data on charitable solicitations activity in Colorado during 2012 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.

You can also order a copy of the entire charities database on CD by contacting the Charities Program at (303) 894-2200, option 2, or by email at charitable@sos.state.co.us.

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 four types of entities involved with fund raising: charitable organizations, paid solicitors, professional fundraising consultants, and commercial coventurers.

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.

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 still subject to other requirements in the Act 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.

Finally, a **commercial coventurer** means a person who, for profit, is regularly and primarily engaged in trade or commerce other than in connection with soliciting for charitable organizations or purposes and who conducts a charitable sales promotion. Commercial coventurers are not required to register, but they are required to make disclosures regarding the dollar amount or percent per unit of goods or services purchased or used that will benefit the charitable organization or purpose (C.R.S. §6-16-110, C.R.S.). They are also encouraged to follow the Better Business Bureau's best practices regarding charitable sales promotions (AKA "cause marketing") as stated in Standard 19 of the BBB Wise Giving

Alliance Standards for Charity Accountability (see www.bbb.org/us/standards-for-charity-accountability).

Legislative Update

House Bill 12-1236

During the 2012 session, the 68th General Assembly, the state adopted House Bill 12-1236, concerning the regulation of charitable solicitations.

Changes Effective January 1, 2013:

- A grant writer is excluded from the definition of “paid solicitor,” unless the grant writer’s compensation is computed on the basis of funds raised from the grant.
- A fundraiser does not have to register with the Secretary of State if fundraising on behalf of a specific individual named in the solicitation and when the proceeds of the solicitation are given to or expended for the direct benefit of the specified individual.
- If a charity has filed for an extension with the Internal Revenue Service, the charity does not need to request a three-month extension for the filing of its initial or annual financial report with the Secretary of State.
- A charitable organization is only required to deposit *monetary* contributions into a financial institution within two days of receipt. This clarifies that noncash contributions are not subject to the two-day deposit requirement.
- In the opening greeting, a paid solicitor must now state their full and complete name.
- Near the beginning of a telephone solicitation, a paid solicitor must disclose that a contribution is not tax-deductible, if that is the case, before soliciting the donation.

A copy of the Act is available online at:

www.leg.state.co.us/clics/clics2012a/csl.nsf/fsbillcont/78A74A56BC00356B87257981007F5549?Open&file=1236_enr.pdf.

A copy of the complete Colorado Charitable Solicitations Act is available online at www.sos.state.co.us/pubs/charities/charitableHome.html.

Charitable Solicitations Rules [8 CCR 1505-9]

Summary of 2012 Rulemaking

On November 9, 2012, the Secretary of State permanently adopted rule amendments to ensure the uniform and proper administration, implementation, and enforcement of Colorado Charitable Solicitations laws. The revisions are also intended to improve the administration of charities and fundraisers in Colorado and to answer questions arising under law as follows:

- Clarify and establish definitions.
- Amendments to require a federal Employer Identification Number (EIN) for each user account. Additionally, the amendments clarify that user email addresses are not public records.
- Amendments to provide a timeline for suspended and revoked organizations to submit hearing requests, and allow the Secretary of State more time to prepare for suspension hearings.
- Amendments to allow the Secretary of State flexibility in delivery method of confirmations. Additionally, the amendments clarify the purpose and content of web-based registration certificates. They also clarify that the Secretary may request a copy of the charity's IRS Form 990. The Secretary of State may also request that the organization file an amended IRS Form 990, or otherwise correct inconsistencies between or within the state registration statement and the IRS Form 990.
- Amendments to implement changes made by section 2 of House Bill 12-1236. Specifically, in accordance with revisions to section 6-16-104, C.R.S., if a charity files for an extension with the IRS, the Secretary will automatically grant the charity a three-month extension for filing its initial or annual financial report with the Secretary of State. The amendments specify when an extension may be filed and when a solicitation notice may be amended.

- Current Rule 6, which lays out the schedule for reminders and notices, is repealed. The Secretary of State will continue to send reminders and notices to customers, but the schedule will be posted on the department's website rather than being enumerated in rules.
- Amendments to make changes to late fee amounts and state when the Secretary of State will send uncollected late fees to State Collections. The amendments require two years of returns for operational, unregistered charities that wish to register, and provides more flexibility for the Secretary to approve waiver requests by making stipulations for administrator or website errors.
- Amendments to clarify the consequences of suspension and revocation of a registration and make minor clarifications to how the suspension and revocation will work.
- Amendments to codify internal administrative procedures regarding withdrawals.
- Amendments to clarify the reinstatement process and what information a charity must provide to be reinstated.
- Amendments to clarify that paid solicitor disclosure requirements also apply to subcontractors.
- Other changes to rules not specifically listed are entirely non-substantive. Some words and phrases are changed to simplify or clarify, but the meaning is not intended to be altered unless as described above. Cross-references in rules are also corrected or updated. Re-numbering the rules is necessary for consistency with Department rulemaking format/style.

A copy of the Notice of Adoption, including the complete statement of basis and purpose and adopted rules, is available online at:
www.sos.state.co.us/pubs/rule_making/files/2012/20121109_CharSol_NoticeAdoption.pdf

For additional information relating to the October 25, 2012 rulemaking hearing, please visit:
www.sos.state.co.us/pubs/rule_making/hearings/2012/CharitableRulesHearing20121025.html

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).

The current Secretary of State rules, including the rules concerning the Colorado Charitable Solicitations Act, are available online at www.sos.state.co.us/pubs/rule_making/rules.html

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.

Other best practices resources include:

- Independent Sector’s Principles for Good Governance and Ethical Practice
www.independentsector.org/accountability
- Center for Nonprofit Excellence – Standards for Excellence Institute training
www.cncoloradosprings.org/education/standards
- Better Business Bureau Wise Giving Alliance – Standards for Charity Accountability
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

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.

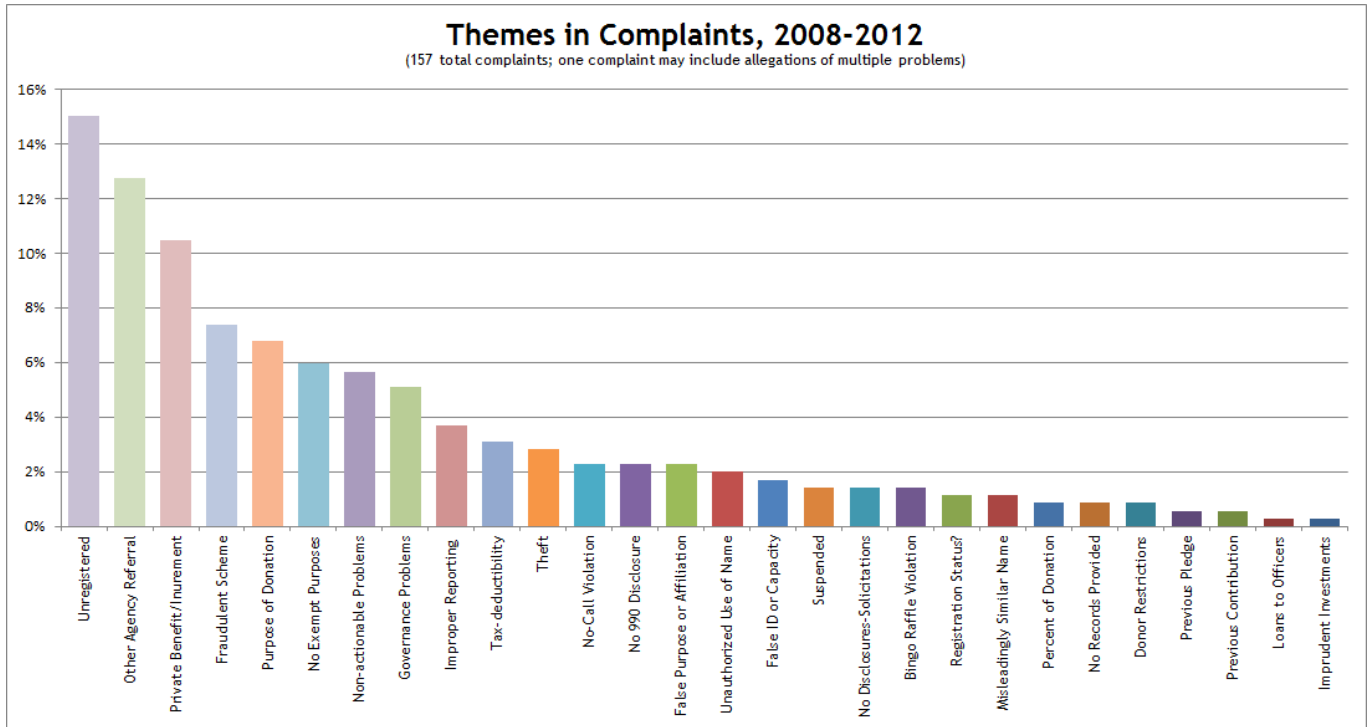
How Problems with Charities Come to the Attention of Regulators

The Secretary of State's Office receives roughly 40 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.



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 this report 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), 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.
- 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), 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), founded in 2011, recently expanded its rating system, so that in addition to measuring a charity’s *financial health*, its rating system now looks at 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.
- 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.¹
- 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

¹ 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.

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 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 midnight of the first business day after the day on which you receive a written 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.

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, www.sos.state.co.us/pubs/charities/charitableHome.html or the Attorney General, 800-222-4444, 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.¹ 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

¹ 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^{1,2}

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.

¹ "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.

² 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.

- The stated assumptions must be based upon all the relevant facts known to the paid solicitor regarding the solicitation to be conducted.

Additional Resources for Charities and Donors

- **Federal Trade Commission** www.consumer.ftc.gov/articles/0074-giving-charity. Federal Trade Commission tips for avoiding charity scams and information about specific types of charity fraud.
- **Internal Revenue Service** – www.irs.gov/Charities-&-Non-Profits. 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. 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.
- **Ministry Watch** - 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. 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 - 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.
- **National Council of Nonprofits** - www.councilofnonprofits.org/. A network of State Nonprofit Associations and 25,000-plus members.

- **Board Source** - www.boardsource.org. BoardSource is a 501(c)(3) charitable organization that provides tools and training for building exceptional nonprofit boards.
- **Community Resource Center** – www.crcamerica. A 501(c)(3) nonprofit organization that provides training, technical assistance and consultation to nonprofits and community-based organizations.
- **Council on Foundations** – www.cof.org. A national nonprofit association of grantmaking foundations and corporations and a leading advocate for philanthropy.
- **Colorado Association of Funders**, www.coloradofunders.org. A 501(c)(3) nonprofit organization advancing philanthropy in Colorado. Consists of a network of private foundations, community foundations, family foundations, corporate funders, federated funds and workplace giving programs.
- **Metro Volunteers** - www.metrovolunteers.org. A leading source in Denver for volunteer engagement, volunteer leadership training and volunteer advocacy.
- **Urban Institute, Center on Nonprofits and Philanthropy** - www.urban.org/center/cnp/index.cfm . Conducts and disseminates research on the role and impact of nonprofit organizations and philanthropy. Includes the National Center for Charitable Statistics.
- **“A Guide for Colorado Nonprofit Organizations,”** First Ed. (Karen E. Leaffer ed., CLE in Colo., Inc. Supp. 2011). A comprehensive practitioners guide for attorneys advising and representing nonprofit, tax-exempt organizations.
- **Colorado Nonprofit Development Center**, cndc.org. A 501(c)(3) organization offering emerging, transitioning, and established organizations comprehensive fiscal sponsorship expertise and financial management services.
- **Multi-State Filer Project** – www.multistatefiling.org. A great source for information about charity filing requirements in the other states and the Unified Registration Statement.

Links to 2012 Annual Report Data Tables

The data tables summarizing charitable solicitations activity in 2012 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.

www.sos.state.co.us/pubs/charities/reports/2012/13-Data.html

Charity Trends

The charts and graphs that follow summarize the results of charitable solicitations in 2012, and compare these to results since the registration program began in 2002.

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 10,452 charities registered to solicit contributions in Colorado as of Nov. 30, 2012, yet only 291 different charities were listed on the 462 solicitation campaign financial reports filed in 2012. Thus, the number of charities listed on solicitation campaigns filed in 2012 represents less than 3% of the number of charities that were registered as of Nov. 30, 2012. Contributions brought in by charitable organizations via solicitation campaigns reported in 2012 totaled \$317 million, or 0.54% of the \$58.6 billion in contributions reported on all charities' financial reports. To be sure, a portion of the \$58.6 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 2012.

Nevertheless, direct mail, radio, and telemarketing campaigns have a big public impact. This report summarizes the results not only of these 462 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 8,832 charities, of which 5,867 listed a principal address in Colorado.

Charitable Solicitations Highlights - 2012

Registry. A snapshot showing how many entities were registered and how many solicitation campaigns were being conducted in Colorado as of Nov. 30, 2012.

Charities	10,452
Paid Solicitors	176
Professional Fundraising Consultants	60
Active Solicitation Campaigns	367

Contributions Received by Registered Charities with 2011 Fiscal Year End. Based on overall financial reports filed by charities before Nov. 30, 2012 with a reporting period ending anytime between Jan. 1, 2011 - Dec. 31, 2011. Includes charities that used paid solicitors.

	Total Amount	% of Total
Colorado-based Charities (5,867)	\$3,702,065,153	6.3%
Out-of-state Charities (2,965)	\$54,899,022,970	93.7%
All Charities (8,832)	\$58,601,088,123	100%

Results of Solicitation Campaigns. Based on the 462 solicitation campaign financial reports filed in 2012.

Total Gross Proceeds	\$317 million
Total Net Proceeds to Charities	\$203 million
Percent of Total Gross Proceeds to Charity	64%
Solicitation Campaign Reports Filed	462
Paid Solicitors Listed on Campaign Reports	63
Charities Listed on Campaign Reports	291

Giving USA 2012 Report Highlights. This frequently-quoted annual study shows the sources of charitable giving nationally. Amounts in billions.

	Total Amount	% of Total	% Increase from 2010
All Americans	\$298.32	100%	4.0%
Individuals	\$217.79	73%	3.9%
Foundations	\$41.67	14%	1.8%
Bequests	\$24.41	8%	12.2%
Corporations	\$14.55	5%	-0.1%

Source: Giving USA Foundation (2012). Giving USA 2012: The Annual Report on Philanthropy for the Year 2011, www.givingusareports.org

Registered Entities

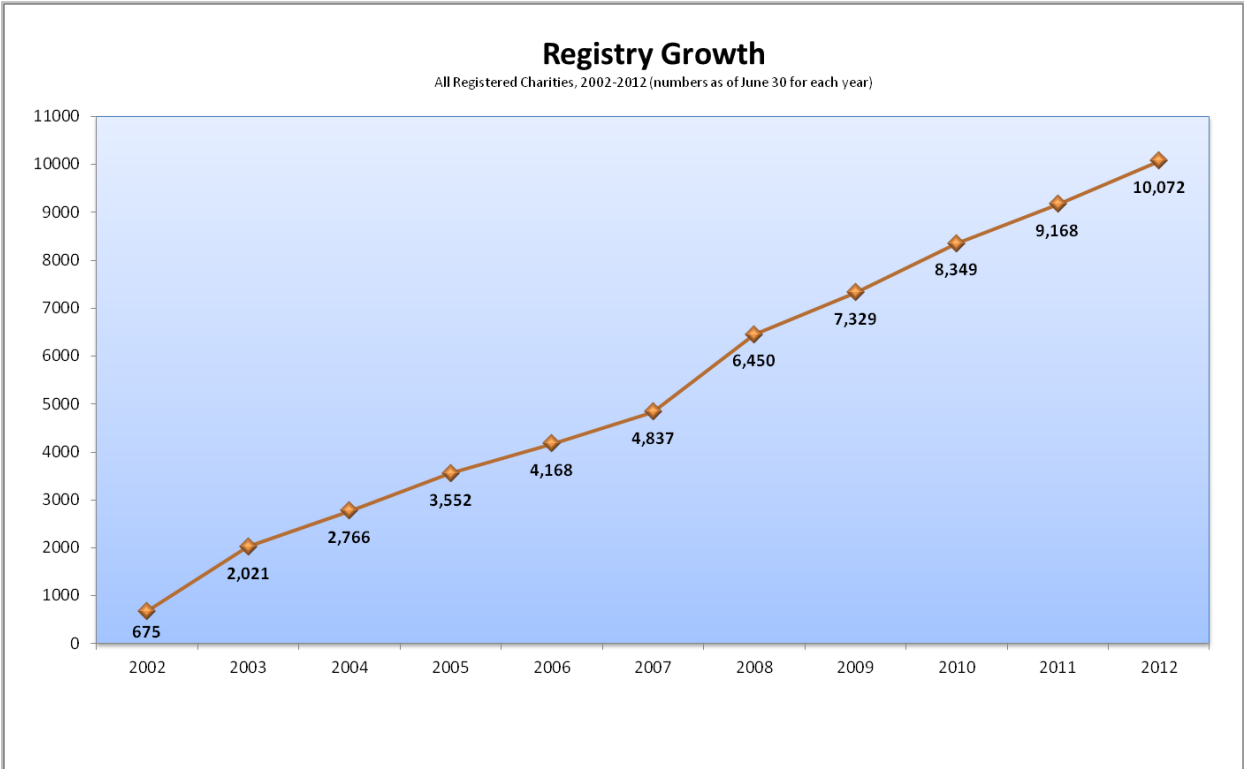
(All registered organizations, as of Nov. 30, 2012)

Note: "foreign entity" means formed outside the State of Colorado

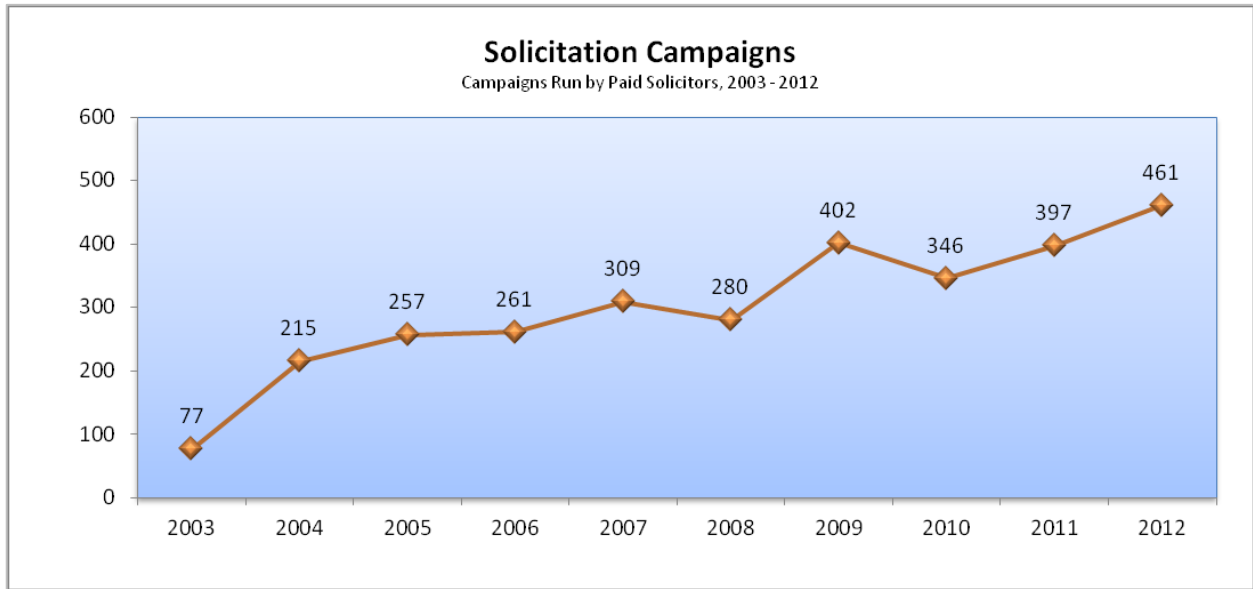
Charitable Organizations	Number	Percent of Total
Charities Registered, Total	10,452	100%
Charities Registered, 501(c)(3)	9,518	91.1%
Charities Registered, 501(c)(3), Colorado Principal Address	6,288	60.2%
Charities Registered, Gross Revenue > \$25,000	7,661	73.3%
Charities Registered, Gross Revenue > \$25,000, Colorado Principal Address	4,542	43.5%
Charities Registered, Incorporated in Colorado	6,027	57.7%
Charities Registered, Other Entity Type, Colorado	951	9.1%
Charities Registered, Incorporated Foreign Entity	3,400	32.5%
Charities Registered, Other Foreign Entity Type	72	0.7%
Charities Using Paid Solicitors	263	2.5%
Charities Using Professional Fundraising Consultants	830	7.9%

Paid Solicitors	Number	Percent of Total
Paid Solicitors Registered	176	100%
Paid Solicitors, Colorado Principal Address	22	12.5%
Solicitation Campaigns Active	405	n/a
Campaign Reports Due	87	n/a
Campaign Reports Overdue	182	n/a

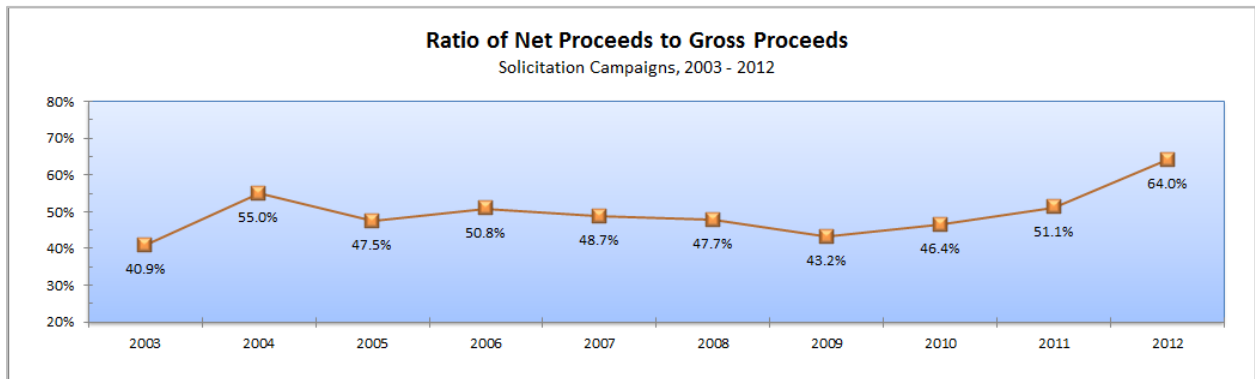
Professional Fundraising Consultants	Number	Percent of Total
PFCs Registered	60	100%
PFCs, Colorado Principal Address	18	30%



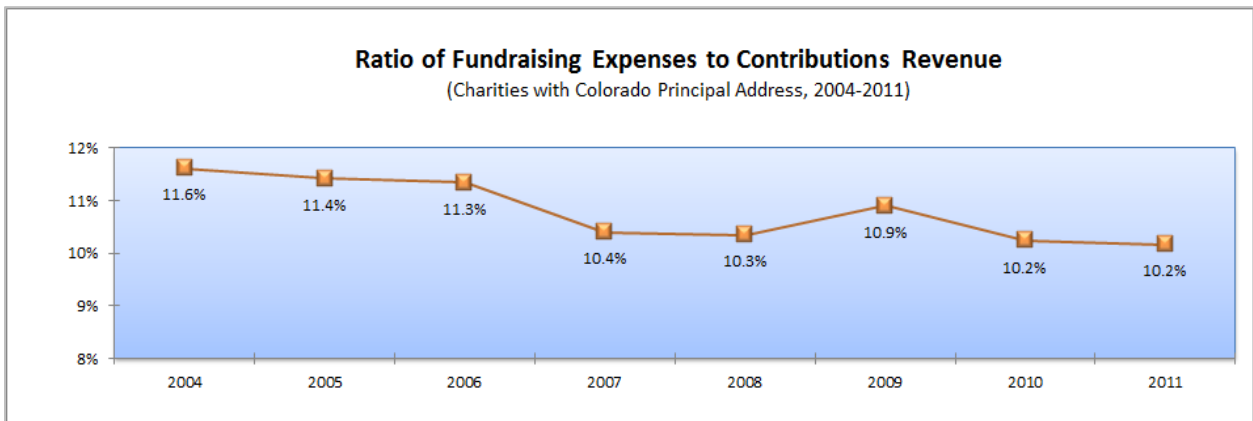
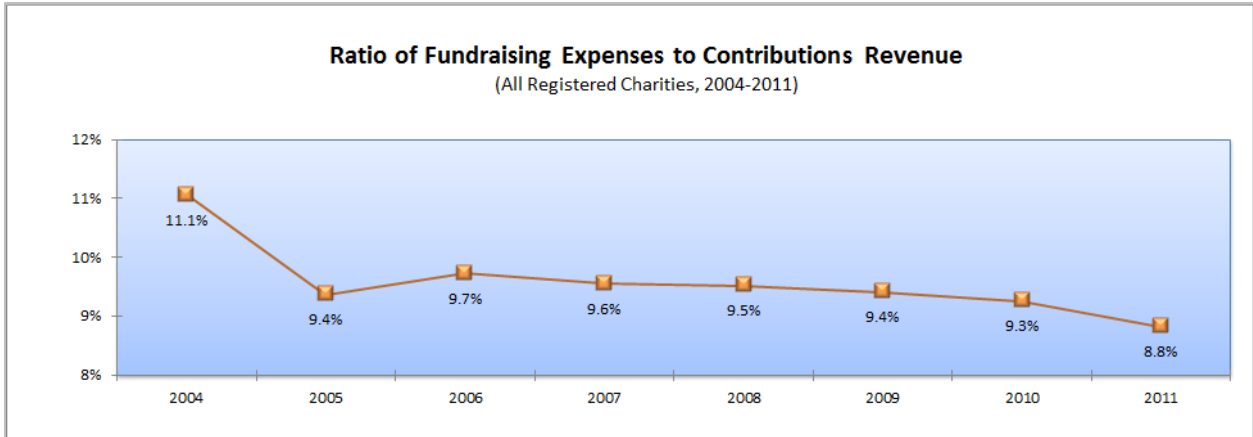
The graph above depicts the growth in registered charities in Colorado over the past decade. As of the fiscal year ending June 30, 2012, 10,072 charitable organizations were registered to solicit contributions in Colorado (as of Nov. 30, 2012, the number had grown to 10,452). Growth has averaged approximately 10% over the past two years, and the database is now 14 times larger than it was in 2002.



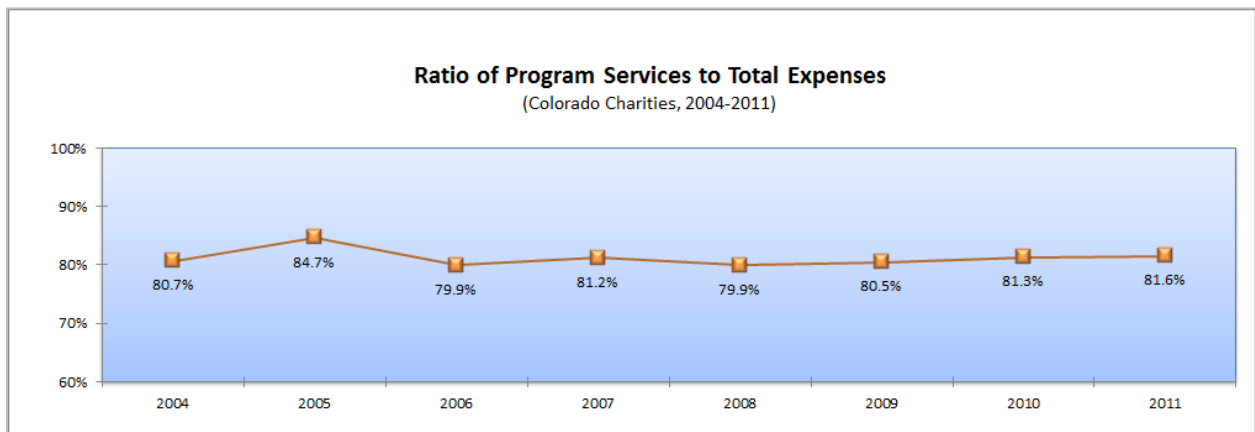
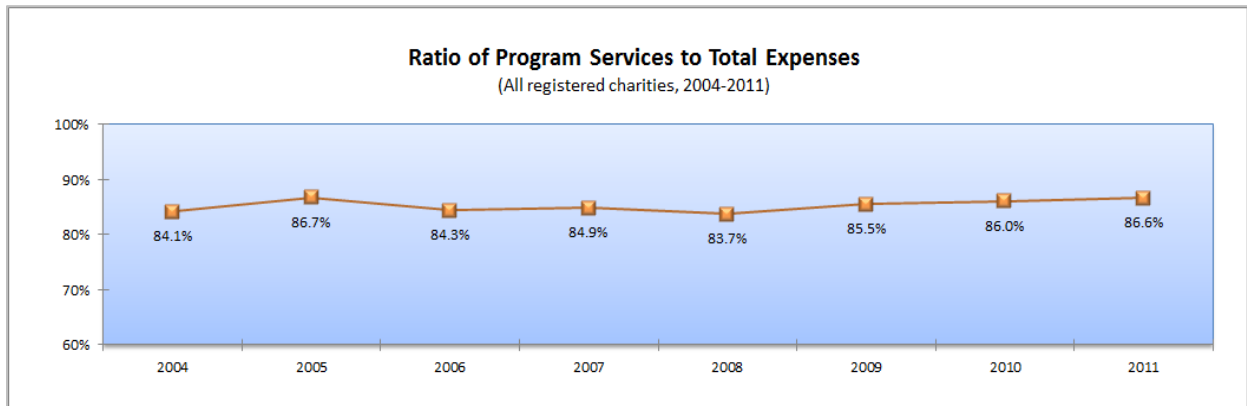
The total number of solicitation campaigns run annually by paid solicitors. Since 2010, when the number of campaigns dipped by 14%, the number of campaigns has increased by an average of 15% per year.



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 2012 as compared to previous years, rising to 64.0% from 51.1%. The average percent to charity over the previous ten years was 47.8%.



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.

Geographic Representation of Charities by Total Revenue

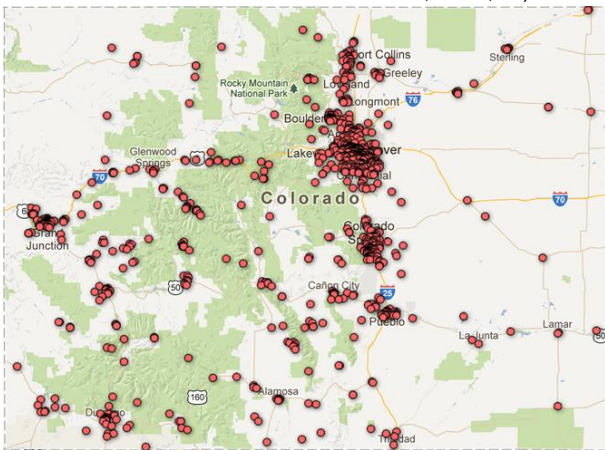
Registered Charities with a Colorado Principal Address

The maps below illustrate the geographical distribution of registered charities by total revenue. The first set of maps show the statewide distribution of Colorado-based charities, and the next set of maps show the distribution of all registered Colorado charities across the U.S.

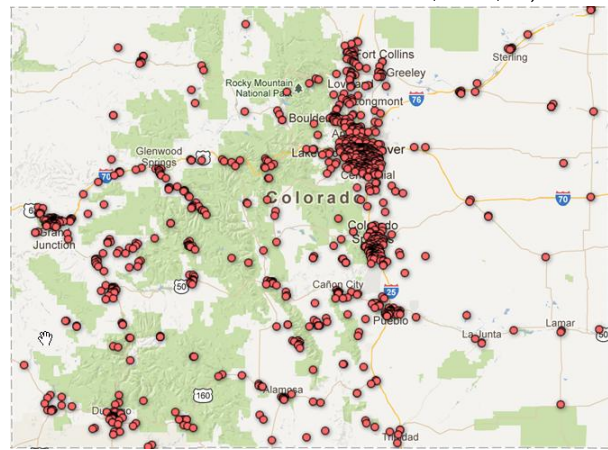
These maps show that the larger Colorado charities tend to be clustered along the Front Range in the major metropolitan areas.

Among out-of-state charities, a significant number of small to mid-sized charities are soliciting from nearby states, while the largest out-of-state charities tend to be located in the Upper Midwest, the Eastern seaboard, Florida, and the West Coast.

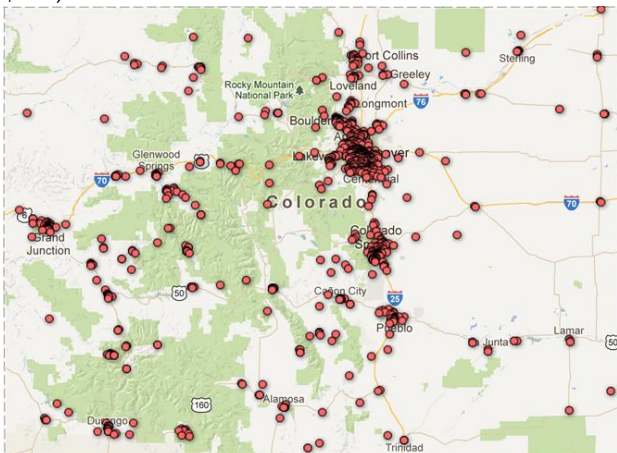
Charities with 2012 Total Revenue: \$0 to \$25,000



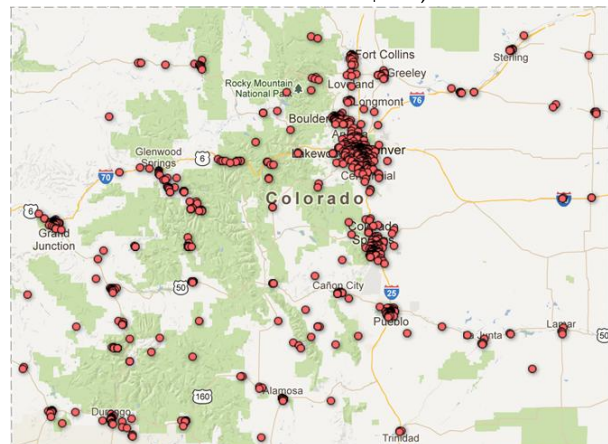
Charities with 2012 Total Revenue: \$0 to \$50,000



Charities with 2012 Total Revenue: \$50,000 to \$200,000



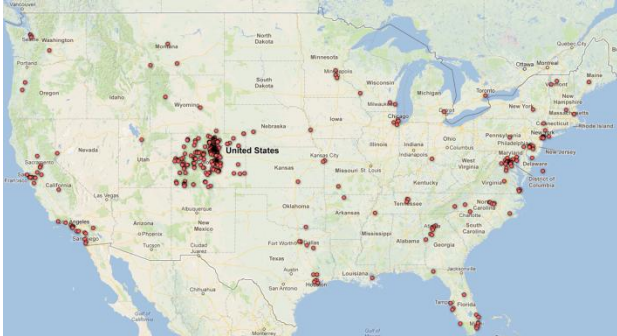
Charities with Total Revenue: \$200,000 and above



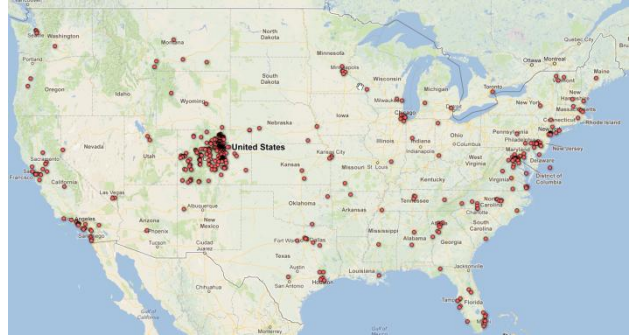
Geographic Representation of Charities by Total Revenue

All Registered Charities

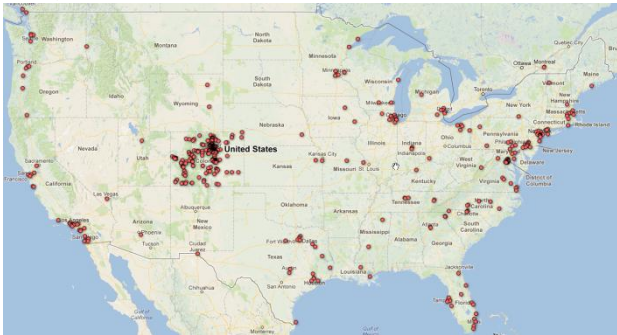
Charities with 2012 Total Revenue: \$0 to \$25,000



Charities with 2012 Total Revenue: \$0 to \$50,000



Charities with 2012 Total Revenue: \$50,000 to \$200,000



Charities with Total Revenue: \$200,000 and above

