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# Annual Report on Charitable Solicitations In Colorado for the Year 2018

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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](http://www.checkthecharity.com).

The 2018 annual report is available as a series of downloadable Excel files at <https://www.sos.state.co.us/pubs/charities/reports/2018/11-Data.html>. These files present summary data on charitable solicitations activity in Colorado during 2018 and list the short-term and long-term results of solicitation campaigns run by each paid solicitor.

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

The Secretary of State is the officer responsible for administering the Colorado Charitable Solicitations Act. The Secretary provides forms, instructions, FAQs, and training, examines applications, 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

## **SB 18-141, Tax Check-off Bill**

This legislation allows taxpayers to make donations to eligible charitable organizations through a write-in line on their Colorado state individual income tax return form. To be eligible, charitable organizations must have been registered for at least five years under the Act, be in good standing with the Colorado Secretary of State, and be exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code.

The bill requires the Secretary of State to provide the Department of Revenue (DOR) a list of eligible charities on or before Sept. 1, 2019, and on or before Sept. 1 of each year afterwards. Charitable organizations that don't wish to participate in the program can file a form with the Secretary of State to exclude their organization from the list provided to the Department of Revenue.

## **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](http://www.sos.state.co.us/pubs/rule_making/rules.html#CURRENT).

### **2018 Rulemaking**

The Secretary of State held a rulemaking hearing on Aug. 23, 2018 and adopted new rules on Sept. 21, 2018 that re-codified the existing rules for the administration of the Colorado Charitable Solicitations Act and included new rules necessary for the implementation of HB 17-1158.

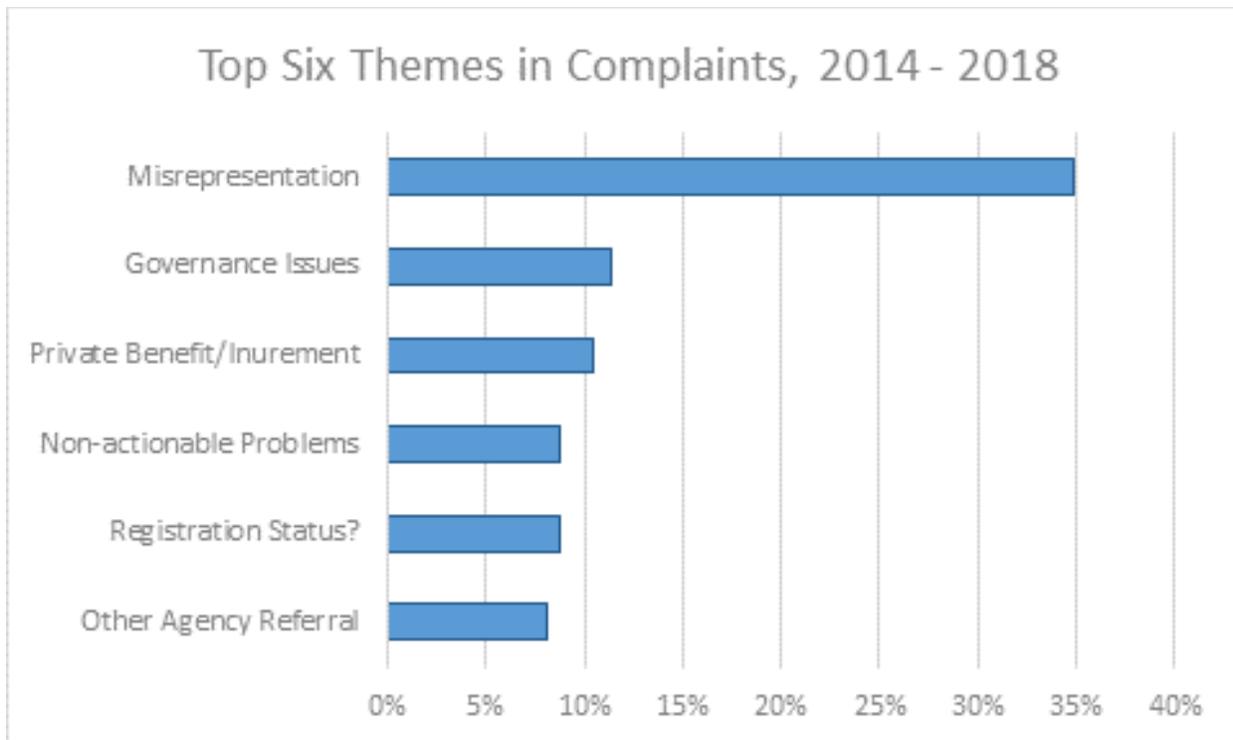
If you would like to receive notices or other alerts concerning rulemaking, send an email with the subject line: "Charitable Solicitations Rules Notification List" to [SoS.Rulemaking@sos.state.co.us](mailto:SoS.Rulemaking@sos.state.co.us). Please provide your contact information (i.e. your name, title,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

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

The Secretary of State's office receives approximately 20-30 complaints about charities per year, mostly from concerned citizens. Over the past five years, the most common subject of a complaint was a misrepresentation to donors about how their donations would be used or what percentage of the donation makes it to the charity or both.

Many of the other 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.



105 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](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. These standards fall under the categories of Governance and Oversight, Measuring Effectiveness, Finances, and Fund Raising and Information Materials.
- **Charity Navigator** ([www.charitynavigator.org](http://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](http://www.charitywatch.org)), formerly known as the **American Institute of Philanthropy**, CharityWatch is another well-known charity watchdog group dedicated to helping donors give thoughtfully.

- **CitizenAudit.org** ([www.citizenaudit.org](http://www.citizenaudit.org)) – allows users to search data included in e-filed Forms 990. Subscription-based service.
- **GuideStar** ([www.guidestar.org](http://www.guidestar.org)). A source of extensive nonprofit data, well known for providing images of all Forms 990 filed by charities. On Feb. 5, 2019, GuideStar and Foundation Center announced they will join forces to become Candid, a 501(c)(3) organization, but their respective product offerings will remain available through their individual websites for the foreseeable future.

## 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](http://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](http://www.foundationcenter.org) and [GuideStar](http://www.guidestar.org)) 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, <https://coag.gov/file-complaint> .

## Links to 2018 Annual Report Data Tables

The [data tables](#) summarizing charitable solicitations activity in 2018 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 2018 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 Dec. 4, 2018: 12,549
- Number of charities listed on campaign financial reports, 2018: 262
- Percentage of all registered charities using paid solicitors, 2018: 2.1%
  
- Total contributions revenue, all registered charities, FYE 2017: \$96 billion
- Total contributions revenue reported on campaign financial reports, 2018: \$709 million

To be sure, a portion of the \$96 billion in contributions reported by all registered charities 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 2018.*

## Charitable Solicitations Highlights – 2018

### Contributions received by registered charities with 2017 fiscal year end

Based on overall financial reports filed by charities before Nov. 30, 2018 with a reporting period ending any time between January 1, 2017 and December 31, 2017. Includes charities that used paid solicitors.

	Charity count	Total \$ in millions	High \$ in millions	Average \$ in millions	Low \$ in millions
All charities	11,633	\$96,002	\$3,078	\$8.3	\$0
Colorado-based charities	7,321	\$4.7	\$187	\$0.6	\$0

### Results of solicitation campaign financial reports filed in 2018

Total gross proceeds	\$708,547,281
Total net proceeds to charities	\$593,275,215
Percentage of total gross proceeds to charity	83.7%
Solicitation campaign reports filed	372
Paid solicitors listed on campaign reports	61
Charities listed on campaign reports	262

#### Note about 2018 data on solicitation campaigns:

The 83.7% ratio of net proceeds to charity seems excellent at first glance, yet if two unique solicitation campaigns conducted on behalf of Network for Good, Inc. (\$394 million gross) and The U.S. Charitable Gift Trust (\$149 million gross) are subtracted from the totals, the overall percent to charity drops to 40.4%. These are very large donor advised funds that retain 98% and 95%, respectively, of the gross funds raised.

### Giving USA 2018 report highlights

This frequently quoted annual study shows the sources of funding for charities nationally in 2017.

	\$ in billions	% of total	% change from 2016
Individuals	\$282.65	70%	+5.2%
Foundations	\$66.90	16%	+6.0%
Bequests	\$35.7	9%	+2.3%
Corporations	\$20.77	5%	+8.0%
<b>All Americans</b>	<b>\$410.02</b>	<b>100%</b>	<b>+5.2%</b>

Source: *Giving USA is Giving USA 2018: The Annual Report on Philanthropy for the Year 2017*, [www.givingusa.org](http://www.givingusa.org).

### Current Registry Data (as of Feb. 17, 2019)<sup>1</sup>

#### Charities

<b>How many charities are registered in Colorado?</b>	<b>Number</b>	<b>% of Total</b>
Registered Charities	12,392	100%
<b>How many registered charities are 501(c)(3)'s or (c)(4)'s?</b>	<b>Number</b>	<b>% of Total</b>
501(c)(3) Tax-Exempt Charities	11,615	93.73%
501(c)(4) Tax-Exempt Charities	279	2.25%
<b>How many registered charities are based in Colorado?</b>	<b>Number</b>	<b>% of Total</b>
Charities with Colorado Principal Address	7,570	61.1%
Charities Legally Formed in Colorado	7,362	59.4%
<b>How big are registered charities?</b>	<b>Number</b>	<b>% of Total</b>
Charities with gross revenue equal to or less than \$25,000	2,161	17.4%
Charities with gross revenue greater than \$25,000	10,046	81.1%
Charities with gross revenue between \$25,001 and \$50,000	899	7.25%
Charities with gross revenue greater than \$50,000	9,146	73.8%
Charities with gross revenue less than \$200,000 and total assets less than \$500,000	4,826	38.9%
Charities with gross revenue greater than \$200,000 or total assets greater than or equal to \$500,000	7,381	59.6%
Charities with assets less than \$500,000	6,528	52.7%

<sup>1</sup> New legislation effective Oct. 1, 2018 prompted our office to change the way it reports statistics regarding registered entities. Prior to that date, our office included entities whose registrations were suspended in the count of registered entities. Our office no longer suspends entities for a failure to renew their registration; instead their registrations are simply allowed to expire. We do not include entities whose registrations have expired in the count of registered entities.

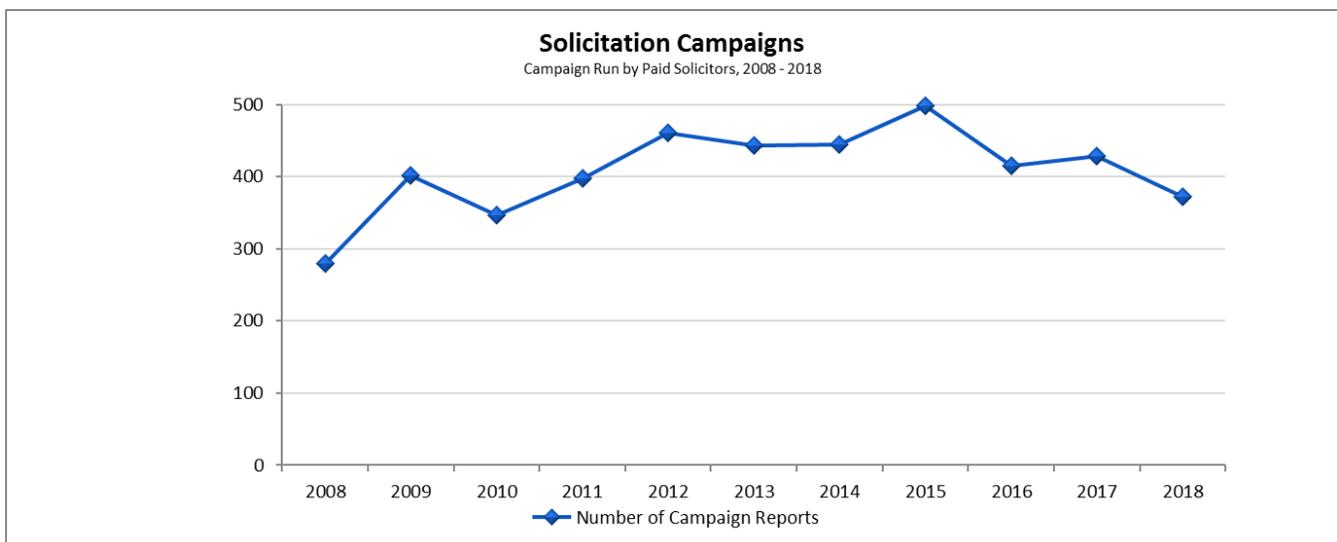
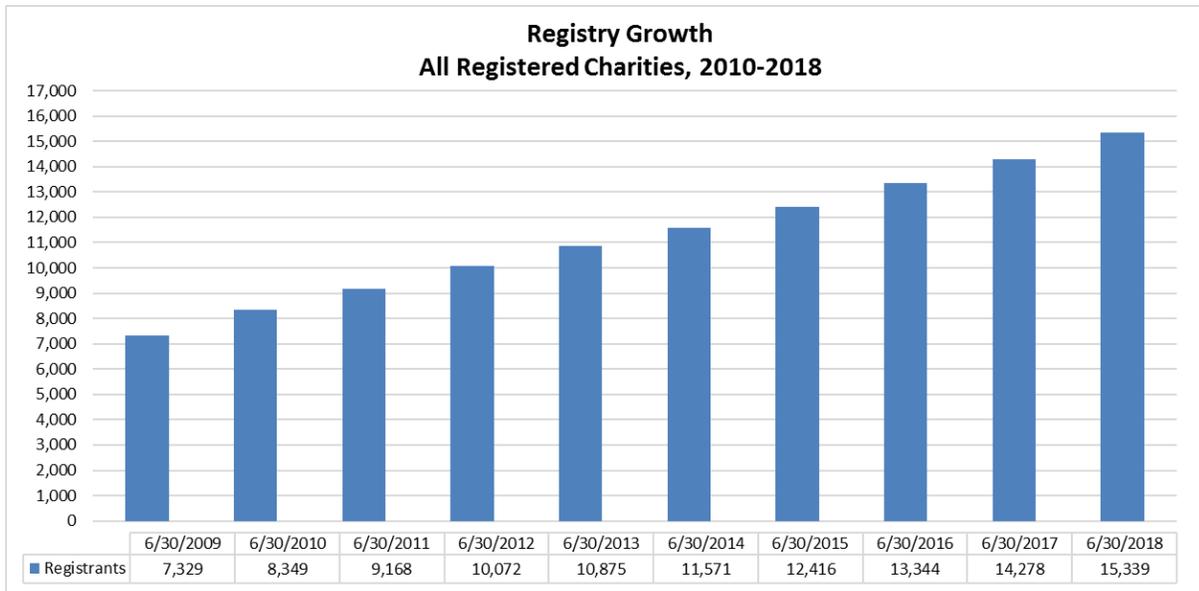
Charities with assets greater than or equal to \$500,000	5,679	45.8%
<b>How many registered charities use paid solicitors?</b>	<b>Number</b>	<b>% of Total</b>
Charities reporting use of paid solicitors on a registration/amendment/renewal	1,114	9%
Charities reporting use of a professional fundraising consultant on a registration/amendment/renewal	416	3.4%
Charities listed on campaign financial reports filed in 2018	262	2.1%

### **Paid solicitors**

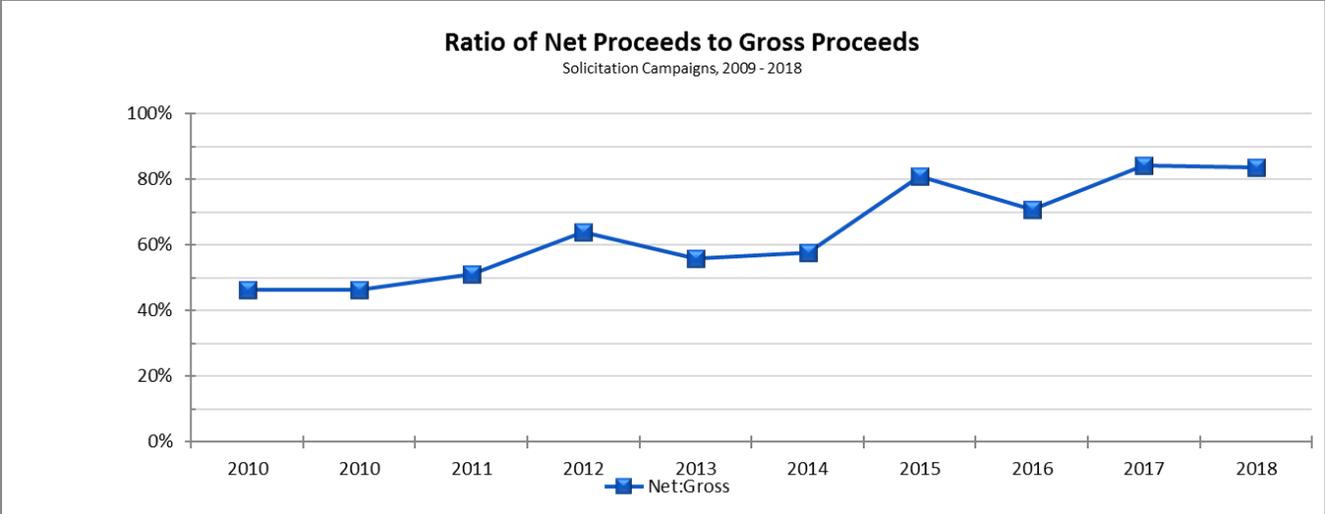
<b>How many paid solicitors are registered in Colorado?</b>	<b>Number</b>	<b>% of Total</b>
Registered Paid Solicitors	87	100
<b>How many solicitation campaigns are being conducted now?</b>	<b>Number</b>	<b>% of Total</b>
Active Solicitation Campaigns	280	N/A
<b>How many registered paid solicitors are based in Colorado?</b>	<b>Number</b>	<b>% of Total</b>
Paid Solicitors with Colorado Principal Address	21	24.1%
Paid Solicitors Legally Formed in Colorado	20	23%

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

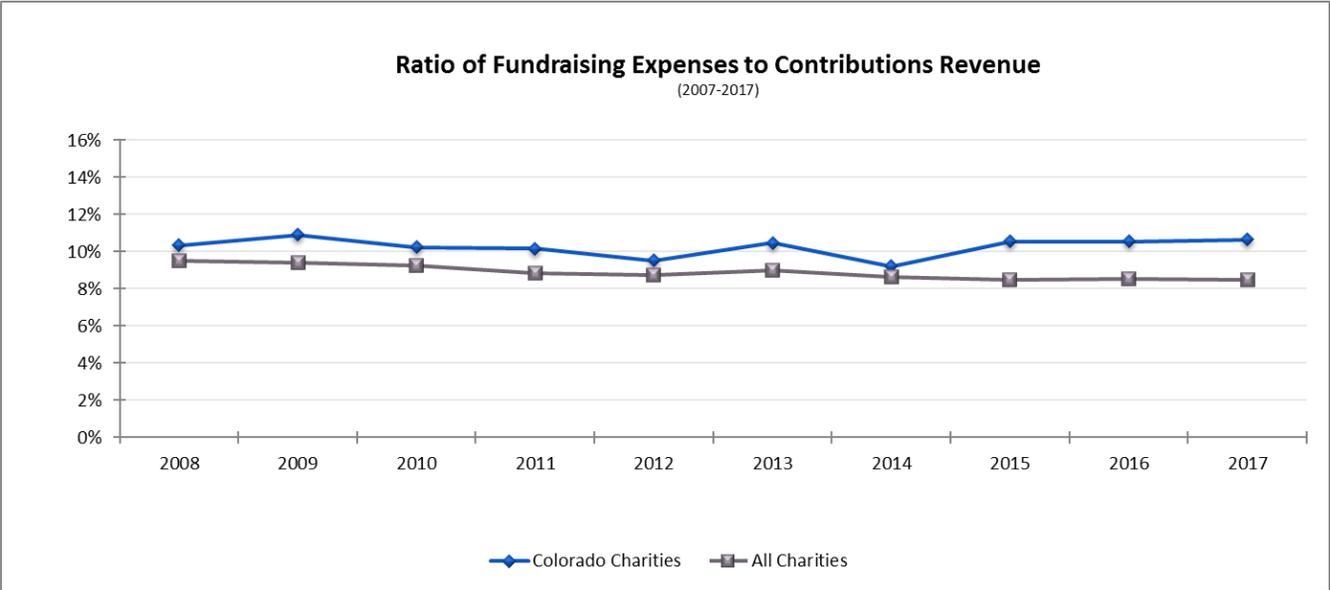
<b>How many PFCs are registered in Colorado?</b>	<b>Number</b>	<b>% of Total</b>
Registered PFCs	33	100%
<b>How many registered PFCs are based in Colorado?</b>	<b>Number</b>	<b>% of Total</b>
PFCs with Colorado Principal Address	13	39.4%
PFCs Legally Formed in Colorado	13	39.4%



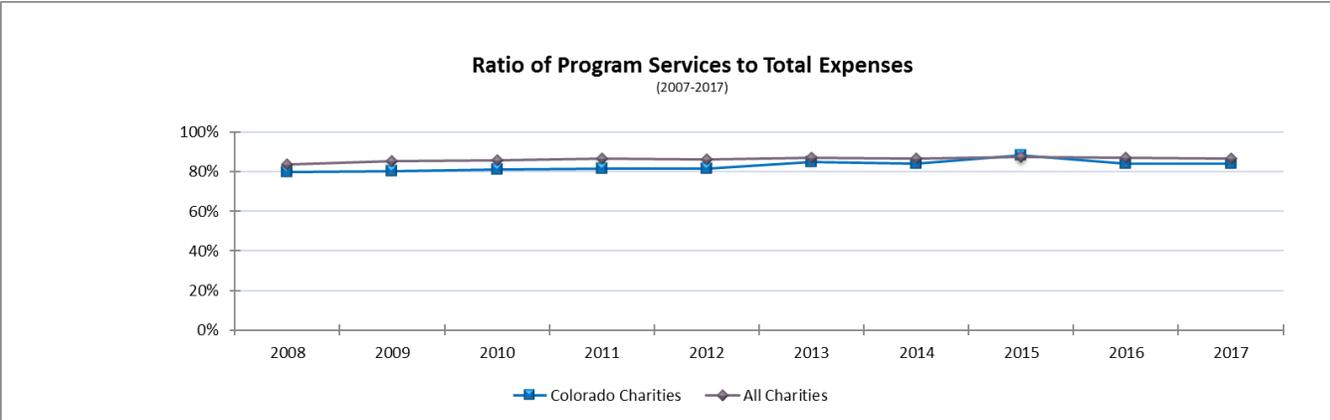
The total number of solicitation campaigns run annually by paid solicitors. The number of campaigns decreased by 13% in 2018.



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 2015-2018 as compared to 2014 and previous years, rising from 58% to 84%. The increase is attributable to two very large donor advised funds that have been conducting solicitation campaigns since 2014 and retain 98% and 95%, respectively, of the gross funds raised (see Table 2 for details). If these two campaigns were omitted, the percent-to-charity would fall to 40.4%.

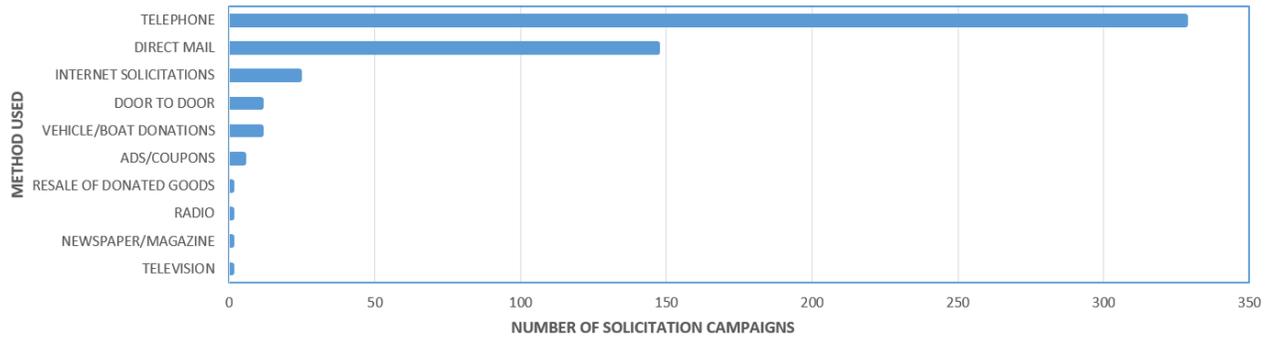


This graph compares the ratio of fundraising expenses to contributions revenue for all registered charities and for registered charities listing a Colorado principal address. The results show that on average charities raise contributions in an effective manner, with Colorado charities spending slightly 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.

### METHODS OF SOLICITATION 2018



This chart shows the prevalence of various methods of soliciting contributions as reported on 372 solicitation campaign financial reports. Organizations often use more than one method, in which case all methods are counted in the totals.

Additional information on registered entities, best practices guides, nonprofit board member training, registration tutorials, and other helpful resources for donors and charitable organization are available at the Secretary of State’s Charities and Fundraisers website at

[https://www.sos.state.co.us/pubs/charities/charitableHome.html?menuheaders=3\\_](https://www.sos.state.co.us/pubs/charities/charitableHome.html?menuheaders=3_)