

State of Colorado
Department of State
1700 Broadway
Suite 200
Denver, CO 80290



Jena Griswold
Secretary of State

Mike Hardin
Director of Business & Licensing Division

Annual Report on Charitable Solicitations

In Colorado for the Year 2019

February 11, 2020

Table of Contents

Purpose of the Report.....	3
Colorado Charitable Solicitations Act (Title 6, Article 16, C.R.S.).....	3
Rules for the Administration of the Colorado Charitable Solicitations Act [8 CCR 1505-9].....	4
Current Rules.....	4
Industry Standards for Accountability and Transparency	5
Tips on Wise Giving	5
Links to 2019 Annual Report Data Tables.....	8
Charity Trends	8
Charities Registry Snapshot (Dec. 1, 2019).....	8
Complaints Filed with the Secretary of State	13

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 registry and annual report help potential donors decide which charitable organizations are worthy of their support and helps 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 website through a searchable database at www.checkthecharity.com.

The 2019 annual report is available as a series of downloadable Excel files at <https://www.sos.state.co.us/pubs/charities/reports/2019/6-Data.html>. These files present a summary of data on charitable solicitations activity in Colorado during 2019 and list the short-term and long-term results of solicitation campaigns run by each paid solicitor.

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 fundraising: charitable organizations, paid solicitors and professional fundraising consultants.

A **charitable organization** is defined as any person who is or holds itself 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 recordkeeping. 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.

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

Current Rules

The current Secretary of State rules, including the Colorado Charitable Solicitations Act's rules, are available online at

http://www.sos.state.co.us/pubs/rule_making/rules.html#CURRENT .

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).

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. These standards fall under the categories of Governance and Oversight, Measuring Effectiveness, Finances, and Fund Raising and Information Materials.
- **Charity Navigator** (www.charitynavigator.org). According to their website, Charity Navigator works to guide intelligent giving and help people give to charities with confidence. They rate charities by evaluating Financial Health and Accountability & Transparency.
- **CharityWatch** (www.charitywatch.org), formerly known as the **American Institute of Philanthropy**, CharityWatch is a well-known charity watchdog group dedicated to helping donors give thoughtfully.
- **GuideStar by Candid** (www.guidestar.org). GuideStar is 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 merged to become Candid, a 501(c)(3) organization, but their respective product offerings remain available through their individual websites.

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; as a result, unsuspecting donors usually do not even become aware of the fact that their generous and heart-felt contributions may have been wasted. Charitable contributions ought to 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

- Ask if the charity or fundraiser is registered with the Secretary of State. Visit www.checkthecharity.com to review the charity's filings. The registration filings include the charity's registration number, information about the organization's leadership, mission, financial efficiency, and its use of commercial fundraisers. Paid solicitors file solicitation notices that disclose the solicitor's compensation, and the duration and charitable purpose of their solicitation campaigns.
- Know the charity. Volunteer, ask friends about charities they know, or request written information from the charity. Make sure you understand and support the charity's mission before deciding to give. Legitimate charities will be happy to send you information or answer your questions.
- Request a copy of the organization's Form 990, which is an annual information return filed with the IRS. The [Colorado Secretary of State](#) and websites like [GuideStar](#) post images of recent Forms 990, so it's also easy to look up yourself, especially if you know the organization's federal employer identification 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.
- Verify the official name and website of the charity you wish to support. Beware of any names that sound similar to well-known organizations and beware of lookalike websites, especially if you are asked to provide personal financial information.
- Give directly to the charity to ensure more of your donation goes to the charity's mission and programs, rather than to a third-party fundraiser.
- Confirm the tax-deductibility of donations from the organization's website, solicitation materials, or regulatory filings. Tax-exempt does not necessarily mean donations are tax-deductible. 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 Solicitations by Telephone and In-Person

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 solicitations¹](#), including:

- 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 sound management and the 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.

¹ <https://www.sos.state.co.us/pubs/charities/internetTips.html>

If you believe that you have been solicited by a fraudulent charity, please file a complaint (https://www.sos.state.co.us/pubs/charities/forms/CHAR_COMP.pdf) with the Secretary of State or Attorney General.

Links to 2019 Annual Report Data Tables

The [data tables](#) summarizing charitable solicitations activity in 2019 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 2019 and compare 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 very small number of charities. Consider that there were 12,682 charities registered as of Dec. 1, 2019, and only 407 disclosed the use of paid solicitors on their registration forms (3.7%). A second indicator of the use of paid solicitors is the number of charities listed on campaign financial reports. In 2019, there were 325 solicitation campaigns conducted by 57 paid solicitors on behalf of 232 charities (1.8% of the charities registered as of Dec. 1, 2019). It's important to keep this overall fundraising picture in mind when considering the results of solicitation campaign financial reports.

Charities Registry Snapshot (Dec. 1, 2019)

Charities

How many charities are registered in Colorado?	Number	% of Total
Registered Charities	12,682	100%
How many registered charities are 501(c)(3)'s?	Number	% of Total
501(c)(3) Tax-Exempt Charities	12,086	95.3%
501(c)(4) Tax-Exempt Charities	262	2.1%
How many registered charities are based in Colorado?	Number	% of Total
Charities with Colorado Principal Address	7,981	62.9%
Charities Legally Formed in Colorado	6,622	52.2%

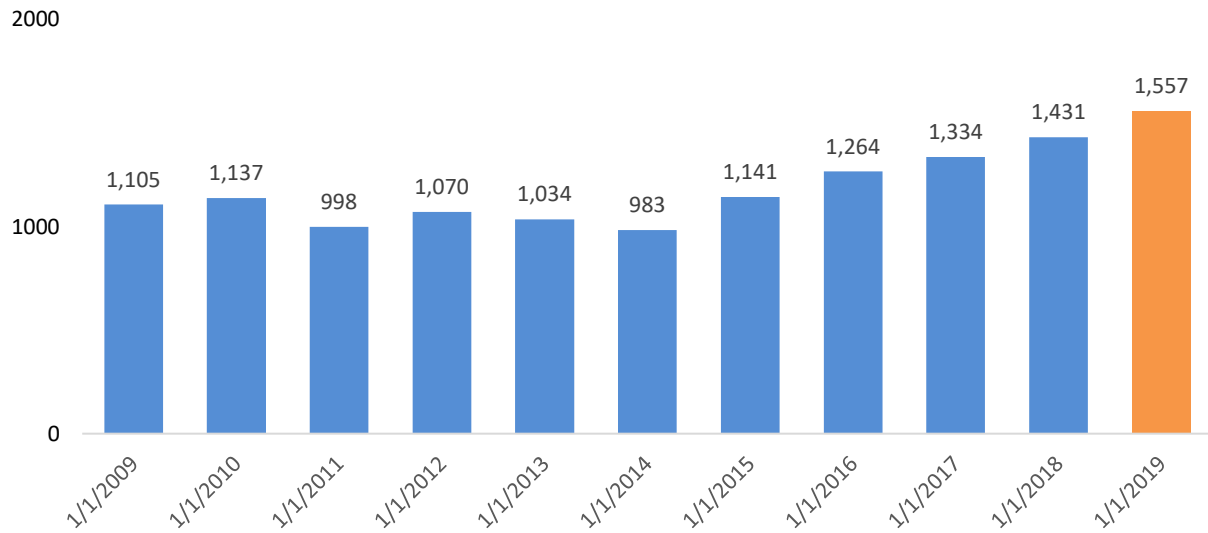
Paid Solicitors

How many paid solicitors are registered in Colorado?	Number	% of Total
Registered Paid Solicitors	96	100%
How many registered paid solicitors are based in Colorado?	Number	% of Total
Paid Solicitors with Colorado Principal Address	16	17%
Paid Solicitors Legally Formed in Colorado	16	17%

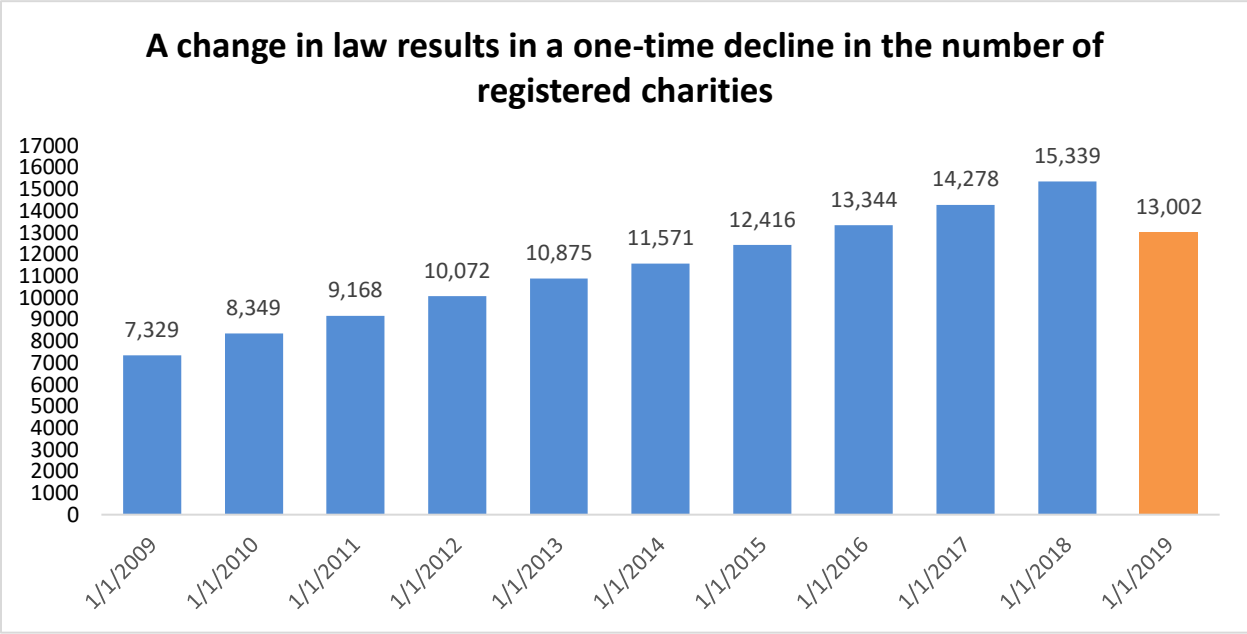
Professional Fundraising Consultants (PFCs)

How many PFCs are registered in Colorado?	Number	% of Total
Registered PFCs	44	100%
How many registered PFCs are based in Colorado?	Number	% of Total
PFCs with Colorado Principal Address	19	43.2%
PFCs with Principal Address Outside Colorado	19	43.2%

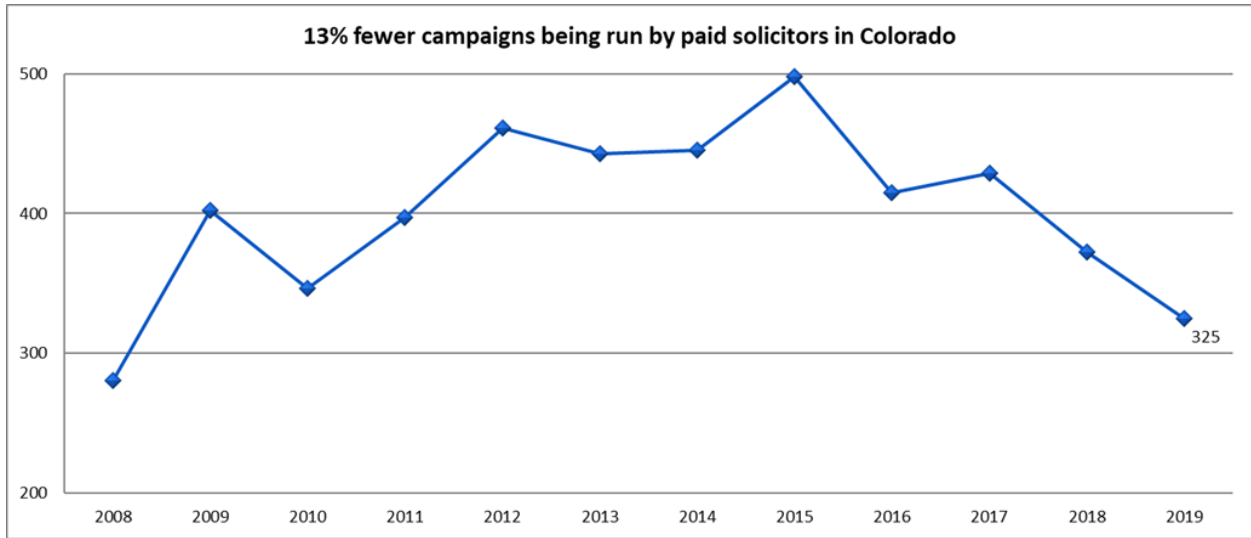
Initial registrations grew 8.8% from the previous year



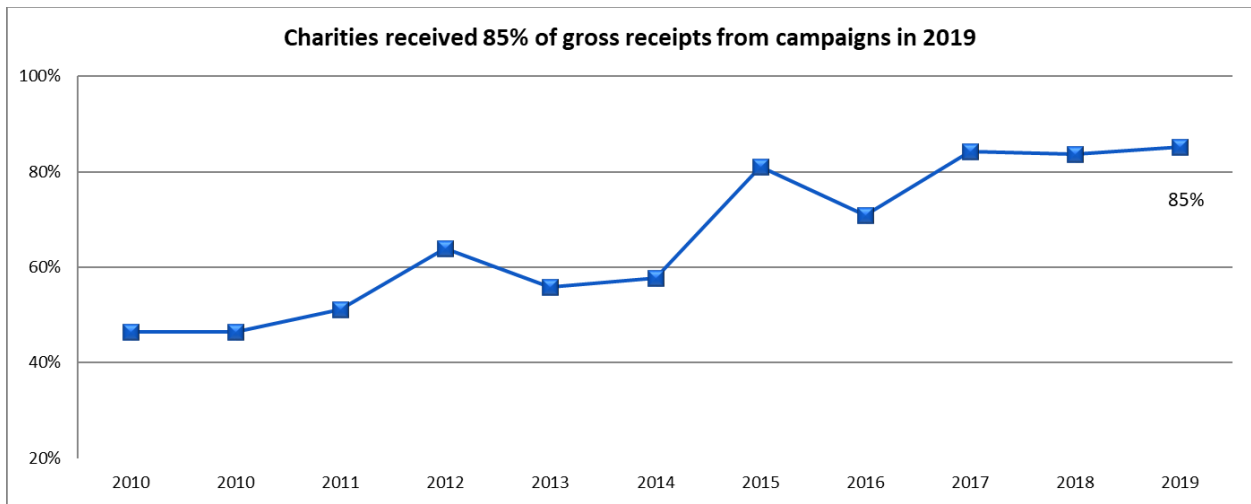
The chart shows the number of charities registering with the Secretary of State for the first time. On average over the past five years, the number of new charities in the registry has increased by 9.7% per year.



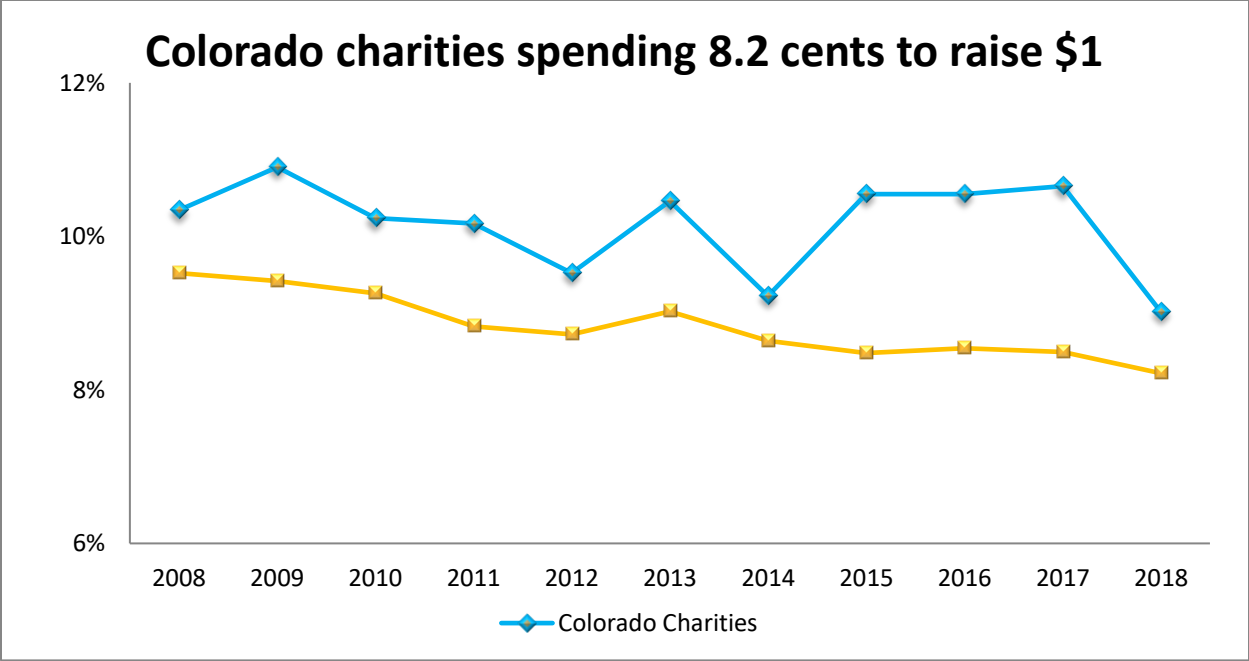
The number of registered charities decreased by 15.2% in the fiscal year ending 6/30/2019. This drop is not attributable to economic forces, but rather to a new view of what constitutes a registered entity. Beginning Oct. 1, 2018, all registrations were allowed to expire after one year, with no presumption that the registration must be maintained until affirmatively withdrawn. Up until that time, organizations whose registrations had been “suspended” for failure to timely renew were still included in the count of registered entities, because many of these would eventually pay their late fees and renew their registrations. Now organizations who allow their registrations to expire are considered unregistered.



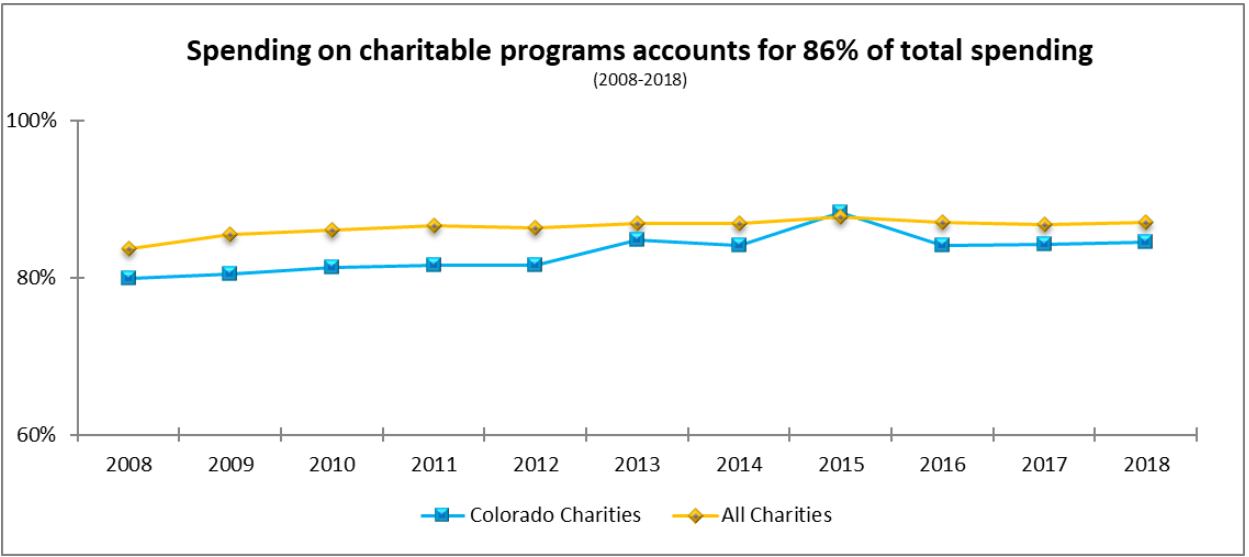
The total number of solicitation campaigns run by paid solicitors decreased by 13% from 372 in 2018 to 325 in 2019. On average over the past five years, there have been 408 solicitation campaigns per year.



This graph shows the overall percentage of donations (gross receipts) raised by paid solicitors that was retained by the charity after paying the expenses of the campaign and the paid solicitor's fee. The percent to charity increased significantly beginning in 2015, rising from a five year average of 55% from 2010-2014 to the current level of 85%. The increase is attributable to two very large donor advised funds that have been conducting solicitation campaigns since 2015 and retain 99% of gross receipts raised (see Table 2 for details). When these two campaigns are omitted, the percent-



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 looks at how much of a charity’s total spending is devoted to the delivery of program services, which advance the charity’s mission. These results show that charities spend a large percentage of their funds on program services, with Colorado charities spending slightly less on average than all charities combined.

Additional information on registered entities, best practices guides, nonprofit board member training, registration tutorials, and other helpful resources for donors and charitable organization is available at the Secretary of State's Charities and Fundraisers website.²

Complaints Filed with the Secretary of State

The Secretary of State's office receives approximately 20-30 complaints about charities per year. Over the past five years, the most common reason for a complaint filed with the Secretary of State was misrepresenting to donors 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 received were the result of an organization's failure to adopt basic best practices, especially in the areas of governance and transparency, prompting insiders or donors to file complaints. Several of the organizations named in these complaints simply did not understand the legal requirements to:

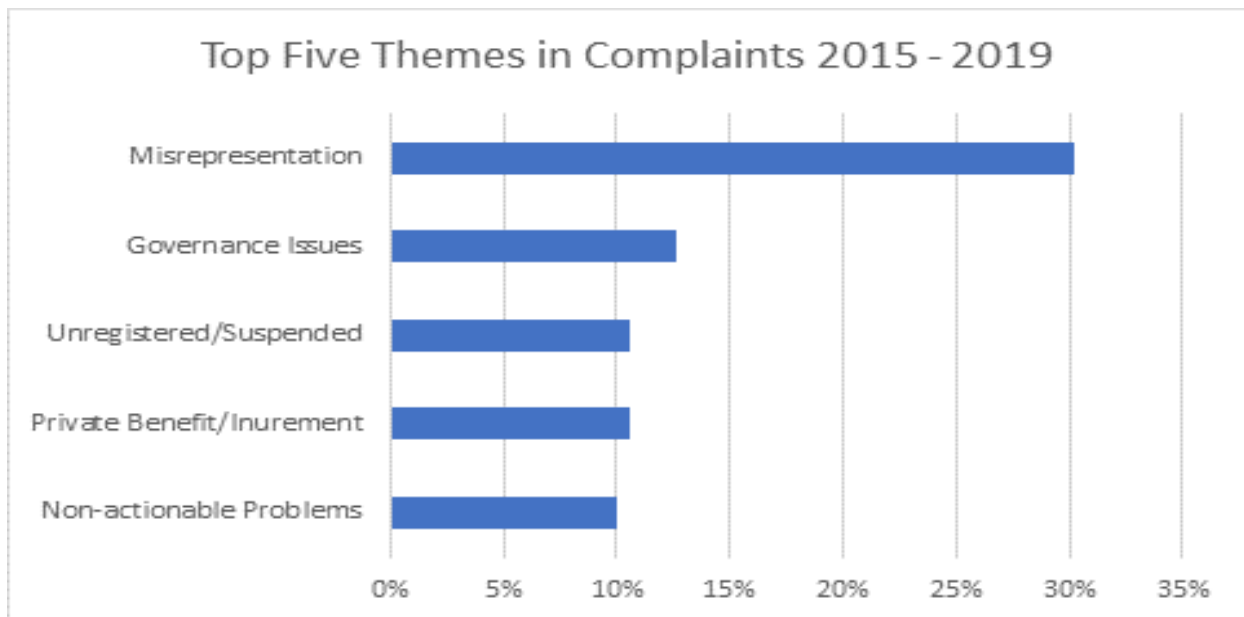
- (1) provide corporate records to members upon request³;
- (2) provide copies of state and federal disclosure forms to anyone upon request (e.g. state registration forms filed with the Secretary of State and copies of the IRS Form 990 and Form 1023); and
- (3) follow the rules set out in their own bylaws or in the Colorado Revised Nonprofit Corporations Act, especially as regards the appointment, election, and removal of directors.

² <https://www.sos.state.co.us/pubs/charities/charitableHome.html?menuheaders=3>

³ **Corporate records** include minutes of all meetings of its members and board of directors; a record of all actions taken by the members or board of directors without a meeting for the past three years; a record of all actions taken by a committee of the board of directors in place of the board of directors on behalf of the nonprofit corporation; a record of all waivers of notices of meetings of members and of the board of directors or any committee of the board of directors; appropriate accounting records; a list of the names and addresses of its members in alphabetical order, by class, showing the number of votes each member is entitled to vote; articles of incorporation; bylaws; resolutions adopted by the board of directors relating to the characteristics, qualifications, rights, limitations, and obligations of members or any class or category of members; all written communications within the past three years to members generally as members; a list of the names and business or home addresses of its current directors and officers; a copy of its most recent periodic report pursuant to part 5 of article 90 of Title 7, C.R.S.; and all financial statements prepared for periods ending during the last three years. The organization's financial statements must show in reasonable detail its assets and liabilities and results of its operations.

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.



99 total complaints; with each complaint potentially containing multiple themes.