

WHERE HAVE ALL THE DOLLARS GONE (2012)?

An Updated Report on Paid Fundraising in Vermont

July 1, 2010 – June 30, 2012



Office of the Vermont Attorney General

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Executive Summary

Vermonters donate millions of dollars to charitable causes each year, responding to natural disasters like Hurricane Sandy along with making annual gifts to favorite causes. All donated dollars, however are not equal. Many Vermonters are unaware of how much of their donation may potentially go to a paid fundraiser, hired by the charity to solicit contributions, rather than to the charity of their choice.

This report provides data, supplied by paid-fundraisers, for campaigns running for two years in 2010 – 2012, detailing what percentage of charitable donations paid fundraisers retained and what portion of the donation the charity ultimately received. It does not address fundraising campaigns undertaken by charities themselves, or the impact of any of these fundraising efforts in terms of a charity's mission. The main findings of the report:

- Paid fundraisers filed 744 financial reports with the Attorney General's Office for the period of July 1, 2010 through June 30, 2012. Based on these reports, Vermonters gave over \$6 million to 363 charitable causes through 47 different paid fundraisers.
- The total number of campaigns registered in Vermont has increased year-to-year: 243 reports were filed for 2009, 345 for 2010, and 399 in 2011. The total amount reported raised via paid fundraisers, however, decreased over all three years, from \$3.7 million in 2009, to \$3.5 million in 2010, to \$2.5 million in 2011.
- Of this \$6 million raised, charities received less than a third of the total giving, 31.34% totaling roughly \$1.9 million, whereas the paid fundraisers kept over 68% or more than \$4.1 million.

- Vermonters donated over \$3.6 million to in-state charities through paid fundraisers – roughly 60% of the total donations made via paid solicitation. Of these donations, almost 75%, or \$2.7 million, stayed with the paid fundraisers.
- Roughly a quarter (25.11%) of the total donations made to Vermont charities through paid fundraisers, totaling \$915,498, was given to the charity. This means that, on average, for every dollar a Vermonter donated to a Vermont charity through a paid fundraiser, the charity only received a quarter, and 75 cents went to the fundraiser.

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I. INTRODUCTION

The Attorney General's Office is responsible for regulating charities in the State of Vermont. Along with enforcing charitable trust principles and acting as the representative for the public interest in the revision or dissolution of charitable trusts, the Attorney General's Office oversees some forms of charitable solicitation in the State, mainly solicitations by paid fundraisers. These are fundraising campaigns in which a charity hires an *outside person or company – a paid fundraiser – to solicit contributions.*

When a charity hires an outside entity to raise money, prospective donors may want to know how much of their contribution will fund the cause of their choice and how much will be retained by the fundraiser as a commission or to offset fundraising expenses. Given the fact that in Vermont, on average, more than 68 cents of every dollar donated through a paid fundraiser goes to the fundraiser – and that in many campaigns, the figure is even higher – Vermonters need to be informed as to where their charitable dollars land.

This report provides Vermonters details about paid charitable solicitation in Vermont. It does not address fundraising undertaken by the charities themselves, nor does it attempt to assess the efficiency of charities in using donated funds. The Attorney General's Office has issued three previous reports in 1993, [1998](#) and [2009](#). Those reports highlighted how paid fundraisers solicit charitable donations in Vermont. They examined in detail the means paid-fundraisers used to raise funds and how different characteristics of a fund-raising campaign (e.g. means of solicitation, use of gifts or other merchandise as part of the solicitation, geographic location of the charity) affected both the amount of money raised and the amount of money the paid fundraiser retained.

This follow-up report gives a brief snapshot of the data the Attorney General’s Office collected over the past two years, focusing mainly on the total amounts paid fundraisers raised from Vermonters and the percentage, or “split”, of the total donation kept by the paid fundraiser and the amount passed on to the charity. The report relies on data provided by fundraising campaigns that solicited donations in Vermont between July 1, 2010 and June 30, 2012.

II. BACKGROUND

A. Regulating Paid Fundraisers

In 1990, Vermont, enacted a Charitable Solicitations Act (“the Act”), 9 V.S.A. §§ 2471 – 2479, requiring paid fundraisers to furnish pre- and post-campaign¹ information to the Attorney General’s Office,² to post a \$20,000 bond,³ and to adhere to certain standards of conduct designed to ensure non-deceptive fundraising.⁴ The Act also requires the paid fundraiser to deposit all contributions in a bank account in the charity’s name from which withdrawals can be made only with the express consent of the charity.⁵ A paid fundraiser also cannot restrict the charity’s use of the list of donors to the campaign.⁶

Understanding the specific meaning of terms used in the Act is vital to comprehending the data presented in this report. A “paid fundraiser” is defined in the Act as “a person who, for financial consideration, solicits contributions from persons in this state, either directly or through employees, agents, or those with whom the paid fundraiser is in privity.”⁷ In short, a paid fundraiser is an outside entity, not an employee of the charity, which is paid to solicit contributions on behalf a charity. In this context, a “solicitation” is “a direct or indirect request for a contribution,” including an offer or attempt to sell something.⁸ The definition of charity – actually, the statutory term is “charitable purpose” – is quite broad, encompassing “any benevolent, educational, philanthropic, humane, patriotic, social welfare, advocacy, public health,

environmental conservation or civic objective or any objective of law enforcement officers, fire fighters or other persons who protect the public safety.”⁹

One of the most essential elements of the Act, at least for the purposes of public education, is the requirement that fundraisers who solicit in Vermont provide the Attorney General’s Office with a financial report itemizing how the gross receipts of the fundraising campaign were distributed and the respective percentages of gross receipts retained by the fundraiser and the charity.¹⁰ Much of this reported information is available on the Attorney General’s website at: www.atg.state.vt.us through the “Charities/Paid Fundraisers” tab. These financial reports also supply the basis for this report.

B. The Historical “Split”

One of the central benefits to this system of regulation is that it makes available to the public information on each charitable campaign in Vermont that is conducted by a paid fundraiser, including the identity of the fundraiser and, significantly, the respective percentages of the contributed dollars that will go to the fundraiser and to the charity. This is what is known as the split.

Three earlier analyses of the splits have shown that on average, a much higher portion of donated dollars goes to the paid fundraisers than to the charities. First, in 1993, the Attorney General’s Office issued a White Paper summarizing the information provided by paid fundraisers for the first 30 months that the Charitable Solicitations Act was in effect (July 1, 1990, through December 31, 1992). Of the approximately \$788,000 contributed by Vermonters to charities using paid fundraisers during that period, \$572,386, or 72.6% of total contributions, went to the fundraisers.¹¹

Then, in 1998, this Office issued a second report, entitled WHERE HAVE ALL THE DOLLARS GONE? for the period 1993 through 1997. Of the roughly \$4.6 million contributed in paid fundraiser campaigns during those five years, over \$3.2 million, or 70.6%, went to the fundraisers.¹²

Finally, in 2009, the Attorney General's Office updated the 1998 report with a comprehensive analysis of the campaign financial reports filed from 2006 – 2009. During this period, Vermonters contributed over \$8.4 million in response to charitable campaigns—about \$6.1 million in campaigns for in-state charities, and over \$2.4 million in campaigns for out-of-state charities.¹³ Of the total contributions made to all charities using paid fundraisers, over \$5.7 million, or 67.8%, went to the paid fundraisers for commissions or expenses, and over \$2.6 million, or 32.2%, went to the charities.¹⁴ The split was even more stark for in-state charities, who kept only 26.6% of donations while the paid fundraisers retained 73.4%.¹⁵ As this report details, the trend continues to the present.

Based on these past reports, there is also a trend that the total number of paid-fundraiser campaigns is increasing, while the total amount of money raised in this manner is decreasing. For example, in 2009, 243 financial reports were filed with this office. This number increased to 345 for 2010 and 399 in 2011. Meanwhile, the total amount reported raised via paid fundraisers, decreased over all three years, from \$3.7 million in 2009, to \$3.5 million in 2010, to \$2.5 million in 2011.

III. ANALYSIS

For the two fiscal years examined in this report, July 1, 2010, to June 30, 2011, and July 1, 2011, to June 30, 2012, paid fundraisers filed 744 financial reports with the Attorney General's Office; 345 reports in 2010 and 399 in 2011. Given that some campaigns extend over several

years, but all campaigns must file a financial report annually,¹⁶ this figure does not represent the total number of unique campaigns run in Vermont during these two years. Rather, this figure indicates the level of paid fundraising activity in Vermont: 47 paid fundraisers ran 744 campaigns for 363 different charities – both in-state and out-of-state causes – over the past two years.

A. The Average Split

Based on these reports, over the past two years Vermonters donated \$6,052,835 to charities through paid fundraisers. Of this donation total, paid fundraisers retained \$4,156,112, while the charities that hired them collected \$1,896,723. This means that an average of 68.66% of Vermonters’ donations were kept by the paid fundraiser. The charities, on the other hand, ultimately received less than a third (31.34%). *See Fig. 1.* These figures represent the average split among all paid fundraisers and charities – some paid fundraisers kept a much lower percentage and some, much higher. Regardless, in a vast majority of cases where a charity contracted with a paid fundraiser to solicit donations, the fundraiser kept at least half of the donation.

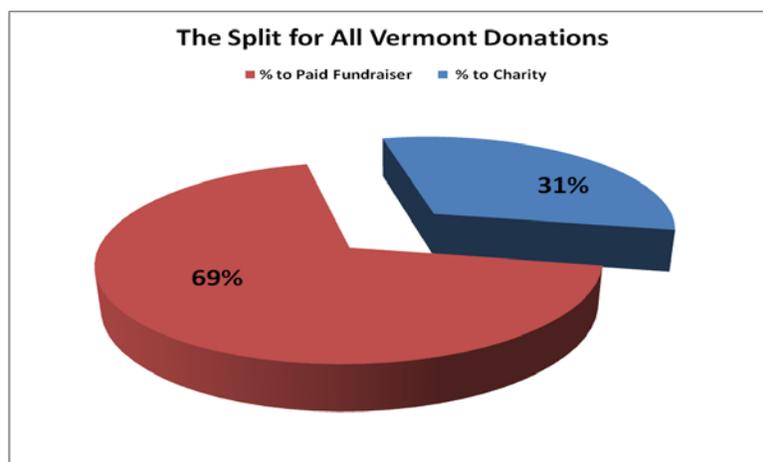


Figure 1

Of the 744 campaigns reporting in Vermont, 284 involved paid fundraisers that kept more than 60% of the total donations they raised. This is equivalent to more than 38% of all the campaigns that solicited in Vermont. This means that nearly half the time a Vermonter donates to a charity through a paid fundraiser, significantly less than half of the money donated goes directly to the charitable cause.

In more than a quarter of all paid fundraising campaigns run in Vermont, the paid fundraiser kept more than 80% of the total monies raised. Thus, fully 25% of the time a Vermont donor chose to give money to a charity based on a paid fundraiser solicitation, twenty cents or less of every dollar actually reached the charity itself.

B. The Split for Vermont Charities

Examining the numbers more closely, the 70 Vermont charities – as distinguished from the national or out-of-state charities – which contracted with paid fundraisers to solicit funds, on average, retained an even smaller percentage of the total donations Vermonter made than the out-of-state charities retained. Of the more than \$6 million donated through paid fundraisers, \$3,645,624 were for in-state charities. This represents 60% of the total donations. But of this more than \$3.6 million in donations, \$2,730,126 or 74.89% stayed with the paid fundraisers. Roughly a quarter of the total, \$915,498 or 25.11% was given to the charity. *See Fig. 2.* This means that, on average, for every dollar a Vermonter donated to a Vermont charity through a paid fundraiser, the charity only received a quarter, and 75 cents went to the paid fundraiser.

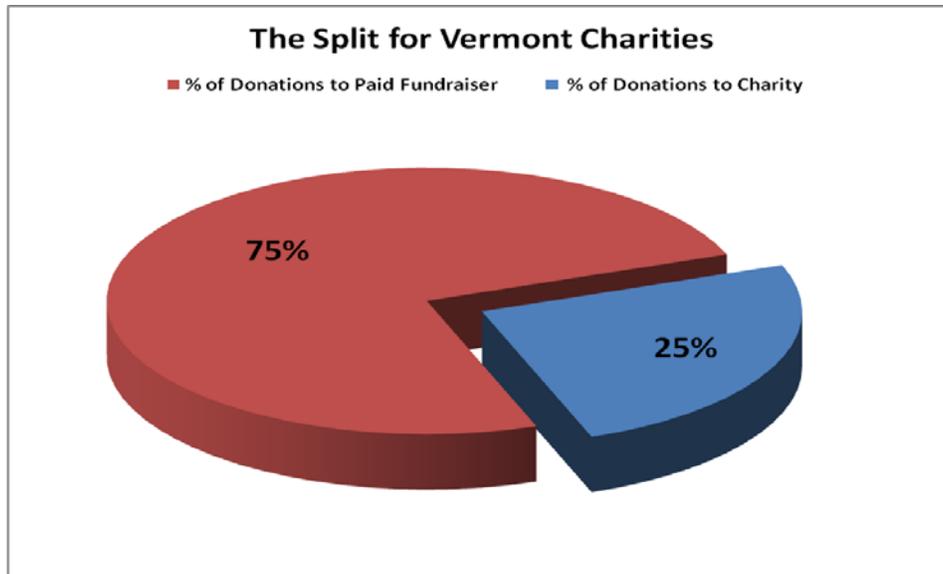


Figure 2

To put the in-state charities' split in a different perspective, in the past two years, out-of-state charities kept over 40% of the monies raised through paid fundraisers. These charities accounted for \$2,407,211 of the total funds raised in Vermont. From these campaigns, the charities received \$981,245. The paid fundraisers kept \$1,425,986 or 59.24%. This represents a 15% difference in the portion of donations that went to the out-of-state charity as compared to the in-state charity. Out-of-state charities still received, on average, less than half of every dollar donated, but when compared to in-state charities, they fared much better.

This in-state split showing paid fundraisers keeping more than 70% of donations is in line with the historical trend evidenced in the past paid fundraiser reports. In the 1998 report, the Attorney General's Office found that in-state charities received \$1,087,972, or 28.6%, of the \$3,803,340 raised; the remaining \$2,715,368 or 71.4% went to the fundraisers. Similarly, the 2009 report shows that paid-fundraisers working for in-state charities retained 73.4% of the \$6,068,986 million raised. Both reports also show that out-of-state charities had a more favorable split compared to in-state charities. Thus, the trend shows that in-state charities

continue to receive a smaller portion of every donated dollar, and the percentage they keep appears to be shrinking over time.

C. The Split in Specific In-State Campaigns

While the average fundraising split offers some insight into where donated dollars go, examining the in-state numbers alone further demonstrates that a small fraction of the total number of campaigns – and a small number of the total charities and paid fundraisers – accounts for a significant portion of the total. Of the 70 in-state charities that used paid fundraisers over the past two years, only a handful raised over \$200,000.¹⁷ These four charities account for a majority of the total money raised via paid fundraisers for in-state charities and illustrate the significant percentage kept by paid fundraisers.

<u>Charity</u>	<u>Fundraiser</u>	<u>Total Raised</u>
Professional Fire Fighters of Vermont	FireCo, LLC	\$1,429,809
Special Olympics of Vermont	The Heritage Company & DialAmerica Marketing	\$609,897
Vermont Police Association	Xentel, Inc.	\$493,918
Middlebury Police Explorers	East Coast Marketing Grp.	<u>\$225,624</u>
	Total:	\$2,759,248

The donations to these charities made through paid fundraisers total approximately \$2,759,250. This represents more than 75% of the total donations made to in-state charities through paid fundraisers. Because these charities make up such a large portion of the total giving in Vermont, the splits they received with the paid fundraisers likewise represent a significant portion of the total money that goes to paid fundraisers. Three of these charities receive less than one quarter for every dollar donated by a Vermonter.

<u>Charity</u>	<u>Total Raised</u>	<u>\$ to Charity</u>	<u>% to Charity</u>
Professional Fire Fighters of Vermont	\$1,429,809	\$ 314,256	22%
Special Olympics of Vermont ¹⁸	\$609,897	\$ 215,210	35%
Vermont Police Association	\$493,918	\$ 97,095	20%
Middlebury Police Explorers	\$225,624	\$ 45,127	20%

As Figure 3, below, demonstrates, the paid fundraisers associated with these charities kept the vast majority of the total money raised.

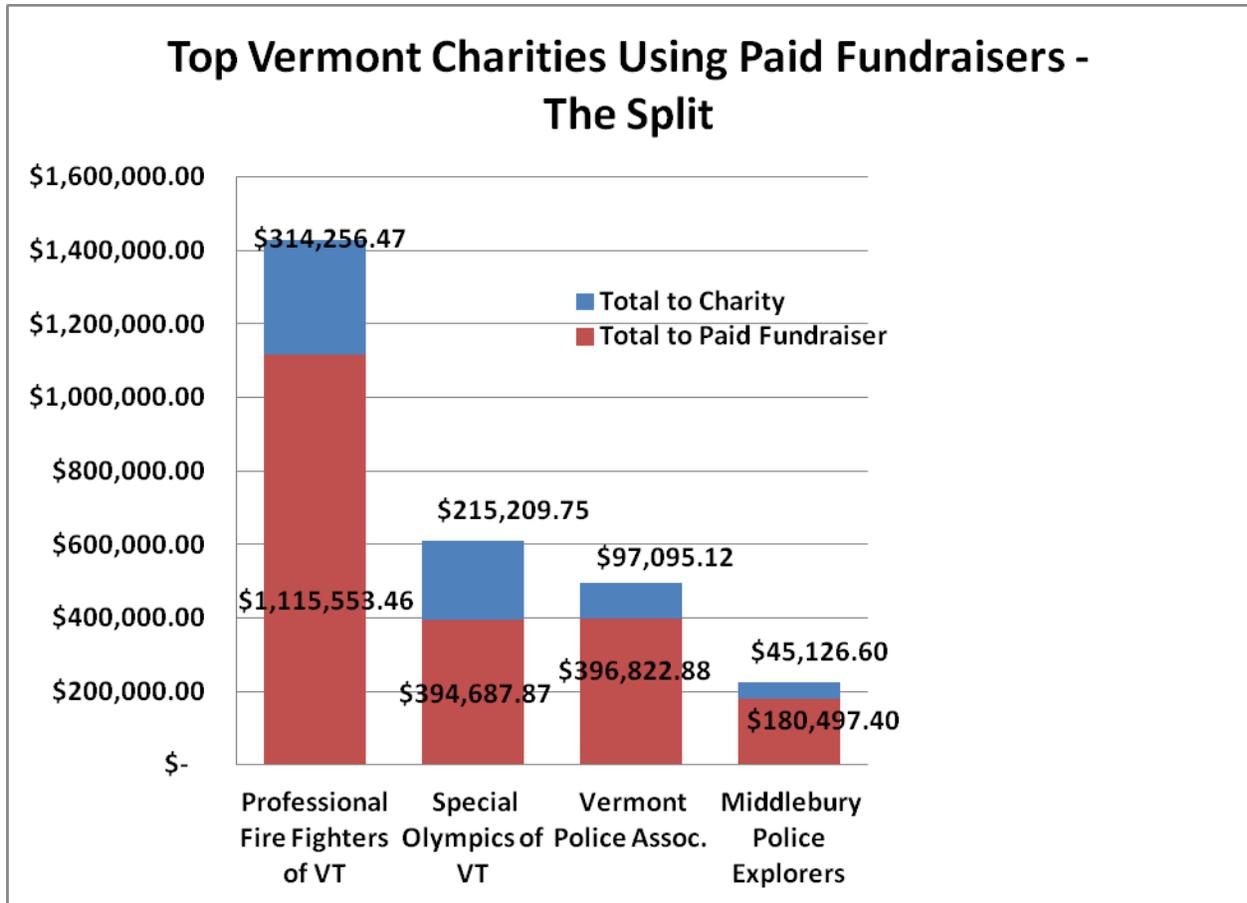


Figure 3

Focusing on the paid fundraisers provides another view of this type of charitable fundraising in Vermont. Not surprisingly, the top four in-state charities in terms of donations solicited by paid fundraisers are clients of four of the top five paid fundraisers in Vermont. These five fundraisers account for almost 97% of the funds donated to in-state charities through paid fundraisers, taking in a total of \$ 3,529,968. Of this total, these five fundraisers kept an average of over 70%. See Fig. 4.

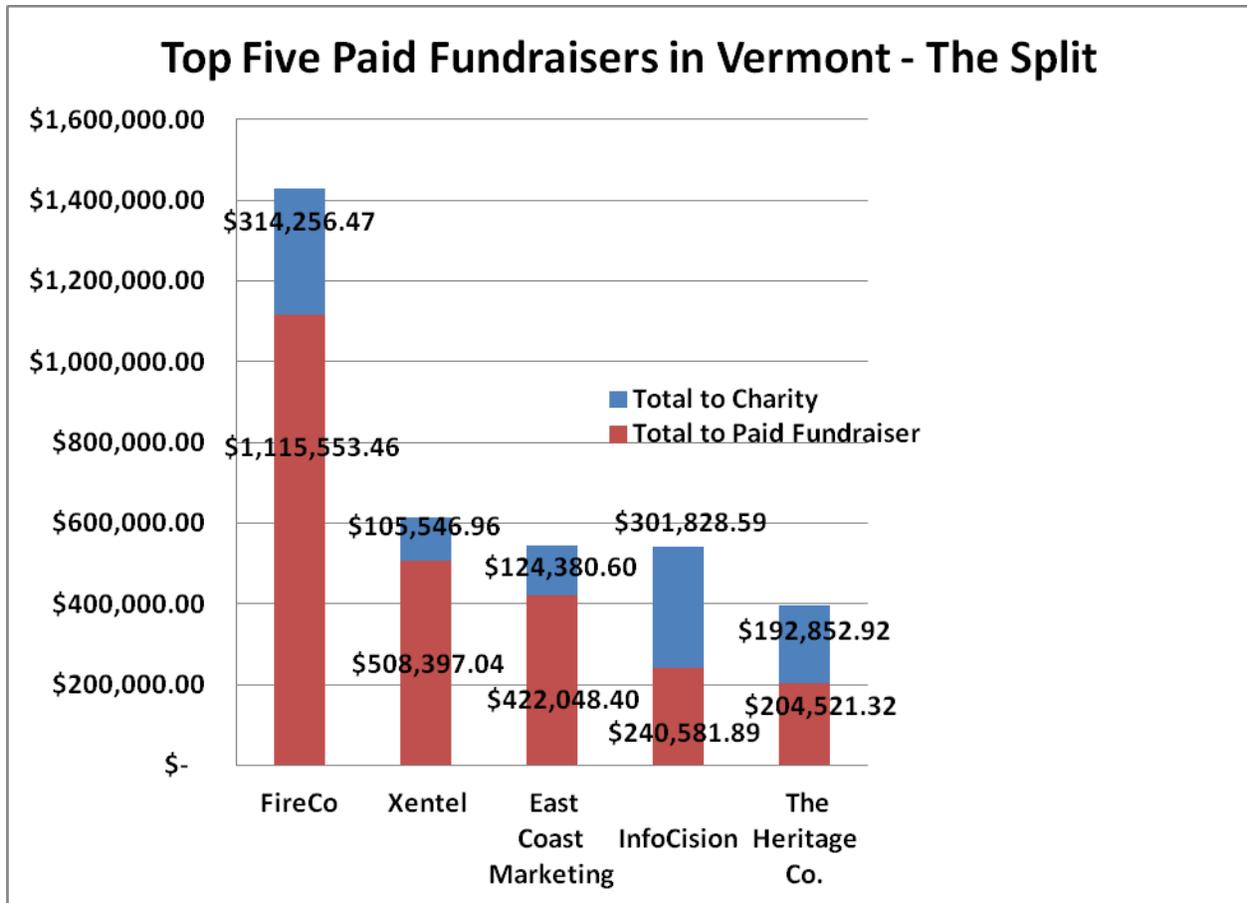


Figure 4

As the above figure demonstrates, different paid fundraisers provide different splits to their client charities. The top three: FireCo, LLC; Xentel, Inc.; and East Coast Marketing Group, Inc., all generally raise money for safety and public service charities, and all, on average, retain more than 77% of funds raised. FireCo kept 78% of the \$1,429,810 raised for Professional Fire Fighters of Vermont. Xentel, kept 81% of the \$428,904 in donations it raised for the Vermont Police Association.¹⁹ East Coast Marketing Group kept over 77% of the \$546,429 it raised for various local police-related charities (e.g. Middlebury Police Explorers, Rutland Police Explorers). The average split for The Heritage Company, which contracts with the Special Olympics, among other charities, is around 50%. InfoCision Management Corporation, which fundraises for a diverse group of charities including Easter Seals, American Heart Association

and various religiously affiliated charities retains less than 45% of donations on average.

Ultimately, the exact split for a given charity in a given campaign depends on the terms of the contract between fundraiser and charity. For example, InfoCision raised \$13,153 dollars in Vermont for Citizen's United, but kept \$12,159 or 92% of the donations.

III. CONCLUSION

Paid fundraisers are prevalent in the realm of charitable fundraising and typically retain a majority of the funds donated. Charities that contract with paid fundraisers receive a fraction of every dollar a donor chooses to give and the actual split that a charity receives may depend somewhat on the location of the charity. Donors should attempt to educate themselves about how much of their donation to a charity will go to advancing the charity's mission and how much will go to pay for a paid raiser.

In the twenty-two years since Vermont passed Charitable Solicitations Act, the data the Attorney General's Office has gathered paints a stark picture: paid fundraisers keep the lion's share of donations given to charities. While different campaigns have different splits and some pass on the majority of funds raised to the charity, on average, 68 cents of every dollar donated by Vermonters to charities using paid fundraisers never gets to the charity. For in-state organizations, this number is even higher, representing three quarters out of every dollar ending up in the paid fundraiser's pocket.

Vermont charities should take notice of this split and determine whether using a paid fundraiser makes financial sense and, if so, which fundraiser can offer them the highest percentage of a donor's gifts. There are many reasons a charity may contract with a paid fundraiser. These companies provide services that smaller charities simply lack the capacity to undertake. For example, Vermont's law requires that paid fundraisers give charities access to the

donor list, and in this way, charities can increase their own fundraising efforts by periodically contracting with a paid fundraiser to expand their donor base. Nonetheless, charities should make informed choices about contracting with such companies, recognizing the minimal return they are likely to receive for every donated dollar and the differing splits various paid fundraisers offer.

Finally, Vermonters should ask questions of charities that are soliciting donations. Prospective donors should research whether a charity uses a paid fundraiser, and if so, what percentage of the donation a fundraiser is likely to keep. The Attorney General's website provides this information for all campaigns where a paid fundraiser has filed a notice of solicitation in Vermont: <http://www.atg.state.vt.us/issues/consumer-protection/charities.php>. In almost all cases, a donor's dollar will go farther by giving it directly to the charity, rather than through the paid fundraiser.

END NOTES

¹ 9 V.S.A. § 2475(b).

² 9 V.S.A. § 2477.

³ 9 V.S.A. § 2473(b).

⁴ 9 V.S.A. § 2475(b).

⁵ 9 V.S.A. § 2476(b).

⁶ 9 V.S.A. § 2472(a)(5).

⁷ 9 V.S.A. § 2471(8). Volunteers are exempt, as are employees and directors of charities and most fundraising consultants. *Id.* § 2471 (8)(A), (B), (C). Notably, students soliciting for their educational institution are also exempt, provided they are not paid based on the “number or value of contributions received.” *Id.* § 2471(8)(D).

⁸ 9 V.S.A. § 2471(9).

⁹ 9 V.S.A. § 2471(3).

¹⁰ Specifically, the financial report must contain the following information (or, if the data is not available through due diligence, then best estimates and explanations as to how the estimates were arrived at):

- a. the total gross receipts from residents of Vermont;
- b. a description of how these gross receipts were distributed, including itemized expenses, commissions and other costs of the campaign, and the net amount paid to the charity;
- c. the percentage of gross receipts from residents of Vermont that is made up by the total of fundraising expenses, commissions and other costs;
- d. the percentage of gross receipts from residents of Vermont that is made up by the net amount paid to the charity for its charitable purposes;
- e. the period covered by the financial report, the date, if any, that the campaign was terminated early, and whether the financial report is the final report for that campaign; and
- f. whether the charity has reviewed the financial report, and if so, the name and title of the reviewer.

CF 119.06(a); *see also* 9 V.S.A. § 2477(b).

¹¹ Office of the Vermont Attorney General, PAID FUNDRAISING IN VERMONT 1990-92 (June 1993), page 5.

¹² Office of the Vermont Attorney General, WHERE HAVE ALL THE DOLLARS GONE? (Dec. 1998), page 11.

¹³ Office of the Vermont Attorney General, WHERE HAVE ALL THE DOLLARS GONE (2009)? (Dec. 2009), page 6.

¹⁴ Office of the Vermont Attorney General, WHERE HAVE ALL THE DOLLARS GONE (2009)? (Dec. 2009), page 1.

¹⁵ Office of the Vermont Attorney General, WHERE HAVE ALL THE DOLLARS GONE (2009)? (Dec. 2009), page 2.

¹⁶ 9 V.S.A. § 2477(a).

¹⁷ The only other individual charity, in-state or out-of-state, to raise more than \$200,000 in Vermont was The U.S. Charitable Gift Trust, based in Delaware, for which Eaton Vance Distributors raised \$291,997 and, according to its financial report, did not retain any portion of the donations.

¹⁸ Special Olympics of Vermont contracts with two separate paid fundraisers: The Heritage Company, which raised \$362,000, 50% of which went to the Special Olympics of Vermont, and DialAmerica Marketing, which raised \$247,000, roughly 14% of which went to the Special Olympics. The 35% figure listed in this table is the total split the Special Olympics of Vermont received.

¹⁹ The total in Figure 4 represents all of the campaigns Xentel, Inc., ran in Vermont, including two campaigns on behalf of the Vermont Police Association.