

REPORT ON PROFESSIONAL SOLICITATIONS FOR CHARITY IN 2015



OFFICE OF THE MASSACHUSETTS ATTORNEY GENERAL
NON-PROFIT ORGANIZATIONS/PUBLIC CHARITIES DIVISION
JANUARY 1, 2015 TO DECEMBER 31, 2015

NOVEMBER 2016

TABLE OF CONTENTS

Introduction	5
Data Limitations.....	7
Findings	8
Tips for the Donating Public	11
Notes on Appendices	12

[Appendix I – Campaign Reports by Professional Solicitor \(Click to Access\)](#)

[Appendix II – Campaign Reports by Charity \(Click to Access\)](#)

[General Laws Chapter 68: Solicitation of Funds for Charitable Purposes \(Click to Access\)](#)

[Complaint Form and Instructions \(Click to Access\)](#)

[Professional Fundraiser Guide \(Click to Access\)](#)

INTRODUCTION

This is the Office of the Attorney General’s (“AGO’s”) annual report on professional solicitations for charity for funds raised in calendar year 2015. Charitable donations can be key sources of income for the more than 27,000 charities operating in Massachusetts, many of which rely on donations from the public to accomplish their goals. Some charities raise funds on their own, and some hire professional fundraising organizations to raise funds on their behalf. This report breaks down the funds professional solicitors raise by the amount of those contributions that went to charity, as opposed to monies raised and retained by the professional solicitor to fund the campaign or as a fee for its service. The purpose of this report, in addition to the annual filings charities and paid solicitors make, is to shine a light on professional fundraising and help the donating public make informed decisions as to which charitable causes – and through which mode – they should donate money.

The AGO oversees charities operating or raising funds in the Commonwealth, as well as the solicitation activities that professional fundraisers conduct on charities’ behalf. Generally speaking, professional solicitors are companies or individuals that raise funds on behalf of charities and sometimes organize fundraising events. Each professional solicitor must register with the AGO and file certain information about each campaign it conducts, including a copy of the fundraising contract and a financial statement containing the results of the campaign.¹ The data presented in this report are based on the information professional solicitors filed with the AGO for campaigns conducted during 2015.²

Over the past decade, the professional fundraising industry has evolved to include new ways of reaching potential donors. Traditionally, many charities hired fundraisers to solicit donors by phone, mail and/or face-to-face. Now, charities can hire solicitors to fundraise online through internet fundraising pages, auction sites, and other web-based platforms. In some cases, these online solicitations can reach a broader audience with lower overhead costs than more conventional solicitations. This report focuses on funds raised through conventional fundraising campaigns, as these fundraisers account for the majority of paid solicitors that register with the AGO.³

1 G.L. c. 68, § 24. Professional solicitors must also file a registration statement, \$25,000 bond and \$1,000 filing fee.

2 As described in the Data Limitations section, some campaigns may have begun prior to 2015 and others may be scheduled to continue beyond 2015. The information professional solicitors provided in 2015 reports reflects funds they raised during calendar year 2015.

3 Unconventional fundraisers, such as those that conduct campaigns exclusively through the internet, have accounted for an increasing percentage of funds raised as reported to our office. In addition, certain investment service providers have begun soliciting donations to their own related donor advised funds. For 2015, the fundraisers we characterized as “unconventional” and excluded from our aggregate results accounted for \$380 million, or 65%, of the total raised by all solicitors. Two of these unconventional solicitors alone accounted for \$363 million, or 63% of the total (Network for Good and Eaton Vance Distributors, Inc.). See footnote 5 for more details. The increasing success of unconventional solicitors is a topic for further study and reporting by this office.

Consistent with each of our prior reports, the amount of a donation solicited by a professional fundraiser that may go to charity can vary widely.⁴ We urge the donating public to ask questions when someone is soliciting them for a donation and consider whether they are donating directly to a charity and, if not, how much of their donation is going to the charity itself.

4 There is no requirement that a minimum percentage or amount of funds donated through professional solicitor campaigns be passed through to the charity on whose behalf the donations are given. In fact, the United States Supreme Court has held that charitable solicitation is a form of speech protected by the First Amendment and that states are not permitted to establish a requirement that a minimum percentage of funds raised through solicitors go to the charity. For example, see *Riley v. National Federation of Blind of N.C., Inc.*, 487 U.S. 781 (1988) (U.S. Supreme Court held that the Constitution's protection of free speech barred North Carolina from requiring that professional solicitor fees not exceed certain percentages of funds raised, on the grounds that solicitation involves protected speech such as advocacy and communication of information, and state law setting ceilings on solicitor fees was not narrowly tailored to further the state's interest in preventing fraud).

DATA LIMITATIONS

This report is based on information that professional solicitors filed with the AGO for campaigns conducted in 2015. The data presented have certain limitations. First, pursuant to statute, professional solicitors report campaign results on a calendar year basis regardless of the dates that the campaign spans. For campaigns that straddle two (or more) calendar years, professional solicitors might only incur expenses during one of the years.

Second, some campaigns can yield recurring annual “sustainer” donations, or reach new audiences of donors who will give for years to come. These sustainer donations might not be reflected in reports professional solicitors file with the AGO. Thus, where reports to the AGO reflect only the initial gifts from those donors, the fundraising campaign may bring in more funds to the charity than the annually reported numbers would indicate.

Finally, in calculating the aggregate amount raised and transferred to charity, we excluded campaigns from five solicitors. While we believe that these fundraisers meet the statutory definition of “professional solicitor” and have been appropriately filing as such, we excluded them because they (1) are known to solicit funds outside the conventional phone, mail and/or face-to-face methods and (2) raised enough funds to impact the aggregate results, given that the focus of this report is on conventional solicitation.⁵ Likewise, please note that some solicitors included in the aggregate results may engage in unconventional fundraising; however, the amounts these solicitors raised were not significant enough to impact the overall data. Individual results from all campaigns reported to the AGO for 2015 (including for the five excluded solicitors) are included in the appendices.

5 The five solicitors omitted from aggregate results:

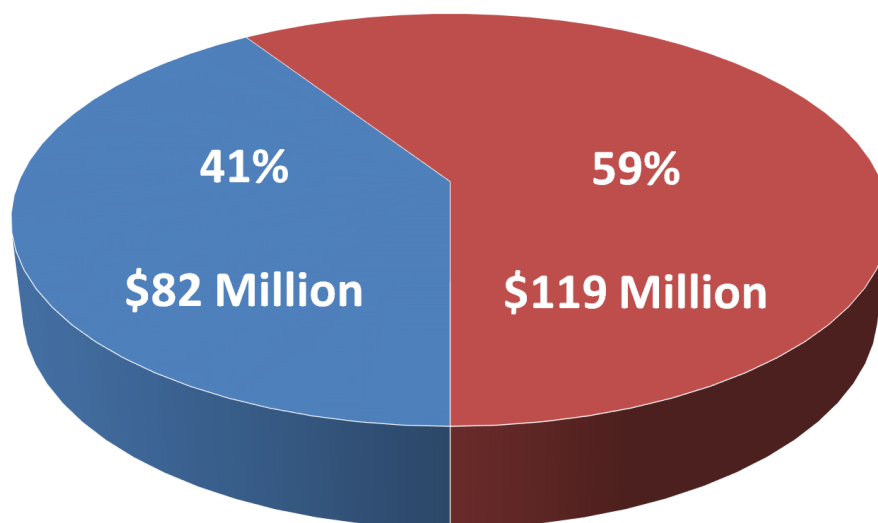
- Apogee Retail, LLC is a subsidiary of Savers, LLC and collects tangible items from donors, such as clothes and other household goods, and assigns a value to them. These items are then “sold” to Savers for the assigned value, with the proceeds going to charity. It reportedly raised \$4 million in 2015, 100% of which went to charity.
- Eaton Vance Distributors, Inc. is an investment management firm that offers its donor-advised fund, The US Charitable Gift Fund, as a way for its clients to support charitable causes. It reportedly raised \$110 million in 2015, 38% of which went to charity.
- Network for Good, Inc. is an online fundraising platform and donor-advised fund. It reported raising \$254 million in 2015, 97% of which went to charity.
- Omaze, Inc. is an online auction website that sells consumers the chance to win “experiences” and contributes a portion of proceeds to charity. It reported raising nearly \$11 million in 2015, 99% of which went to charity.
- TVI, Inc. is another subsidiary of Savers that operates in the same way as Apogee Retail, LLC (described above). It reported raising \$860,000 in 2015, 100% of which went to charity.

FINDINGS

CHARITIES CONTINUE TO RECEIVE LESS THAN HALF OF FUNDS CONVENTIONAL PROFESSIONAL SOLICITORS RAISE ON THEIR BEHALF

Although the amount transferred to charities varied widely from solicitor to solicitor, and in many cases, campaign to campaign, only 41% of the funds conventional solicitors raised on behalf of charities in 2015 were transferred to charitable organizations. The total amount reflects funds raised by the 69 conventional solicitors registered in Massachusetts and through the 776 fundraising campaigns they reported. The chart below illustrates the aggregate amount of funds raised in 2015 (\$201 million) broken down by funds retained by conventional solicitors and those they transferred to charities.

TOTAL FUNDS CONVENTIONAL PROFESSIONAL SOLICITORS RAISED IN 2015

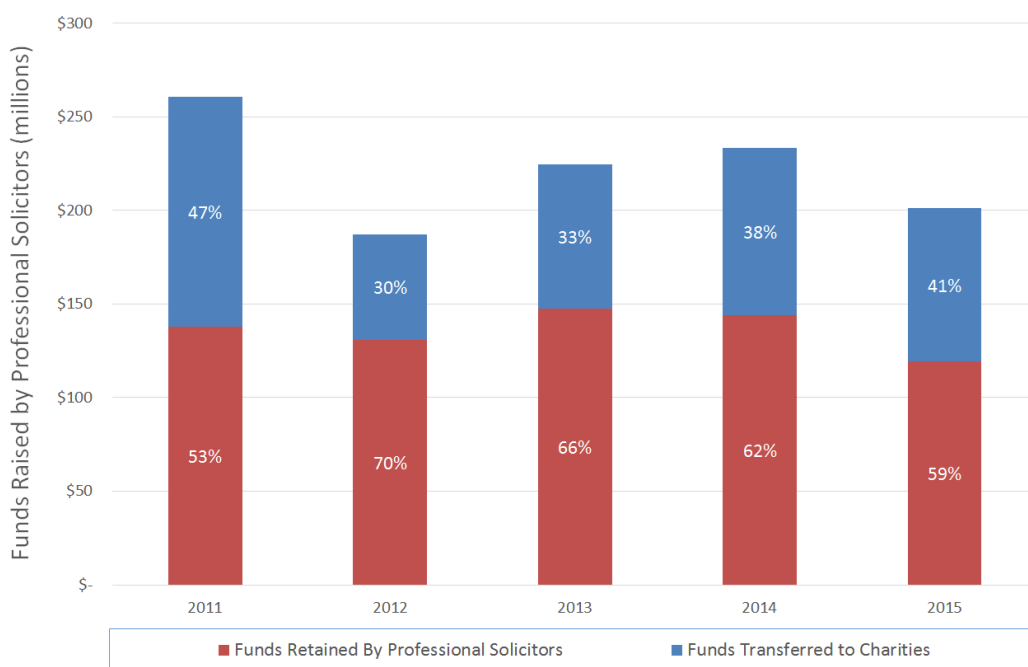


■ Funds Transferred to Charities ■ Funds Retained by Professional Solicitors

As noted on page 7, the data presented exclude five solicitors (1) known to solicit funds primarily outside conventional modes of solicitation and (2) that raised enough funds to impact the aggregate results.

The 2015 campaign reports are consistent with those from at least the last five years. The chart below shows that in each year 2011 to 2015, net proceeds of funds transferred to charities that conventional solicitors raised in Massachusetts were below 50%. However, the percentage transferred to charities has risen steadily over the last four years.

FUNDS CONVENTIONAL PROFESSIONAL SOLICITORS RAISED 2011-2015



Note: Results from prior years were adjusted similarly as noted on p. 7.

This modest upward trend of the percentage transferred to charities persists regardless of whether the data is adjusted to remove the unconventional solicitors that we identified:

PERCENT OF FUNDS PROFESSIONAL SOLICITORS RAISED TRANSFERRED TO CHARITIES 2011-2015

	2011	2012	2013	2014	2015
Percent to Charities (excluding unconventional outliers)	47%	30%	34%	38%	41%
Percent to Charities (including all campaigns reported to AGO)	49%	34%	47%	62%	67%

Additionally, some of the largest conventional solicitors, each of which ran campaigns that spanned two or more years, reported transferring a similar percentage of funds raised to charities year after year. The chart below shows the percentage of funds the five conventional solicitors with the highest revenue in 2015 transferred to charities in each year 2013 to 2015. These solicitors reported that nearly half of the campaigns they conducted during this time spanned two or more years. This data suggests that, at least for some of the conventional solicitors with the highest revenue, campaigns that span multiple years do not distort the annual values presented as proceeds transferred to charities.

PERCENTAGE OF FUNDS RAISED TRANSFERRED TO CHARITIES
FOR LARGEST CONVENTIONAL SOLICITORS 2013-2015

	Total Revenue 2013-2015	% to Charity 2013	% to Charity 2014	% to Charity 2015	Overall % to Charity
Solicitor #1	\$146 million	35%	40%	38%	37%
Solicitor #2	\$75 million	47%	58%	56%	54%
Solicitor #3	\$47 million	47%	44%	41%	44%
Solicitor #4	\$38 million	13%	12%	12%	13%
Solicitor #5	\$31 million	40%	53%	48%	48%

TIPS FOR THE DONATING PUBLIC

As demonstrated above, when money is donated through a paid conventional fundraiser, the paid fundraiser retains a portion of those monies – often a significant portion. Furthermore, the amount of a donation that may go to charity can vary widely. We urge the donating public to ask questions when someone is soliciting them for a donation and consider whether they are donating directly to a charity and, if not, how much of their donation is going to the charity itself. Importantly:

- **Ask** whether a solicitor that calls your home is a volunteer or a professional fundraiser. Professional fundraisers must disclose the fact that they are a paid fundraiser.
- **Ask** what percentage of your donation will go directly to the charity, as compared to the percentage that is kept by the professional solicitor. Professional solicitors will have this information and must disclose it if asked.
- **Ask** the charity - If you are uncomfortable with any answers you receive from a professional solicitor, contact the charity directly.

FOR MORE INFORMATION:

- Visit the AGO Non-Profit Organizations/Public Charities Division website for other useful resources.
 - [Donating to a Charity](#)
 - [Deceptive Practices in Solicitation](#)
 - [Tips for Giving Generously and Wisely to Veterans and Public Safety Groups](#)
- Use the AGO as a resource.
 - [AGO Public Charities Document Search](#)
 - Contact the AGO's Non-Profit Organizations/Public Charities Division with any questions about professional fundraisers, charitable organizations, or their filings.
 - By phone: (617) 727-2200 ext. 2101
 - By email: charities@state.ma.us

NOTES ON APPENDICES

Appendix I reports campaign results by the name of the professional solicitor;
Appendix II reports results alphabetically by the name of the charitable organization.

- The first column on the left lists the professional solicitors alphabetically by name, and then lists alphabetically the charitable campaigns they conducted. In Appendix II, the first column lists the names of all the charitable organizations alphabetically, and the second column notes the solicitor responsible for each campaign.
- The “Interim” column notes whether or not the filing covers an entire campaign. If checked, the report covers only the 2015 portion of a multiyear campaign. Note that if it is an interim report, it may reflect costs spread out over the life of the campaign but only reflect the proceeds for that reporting period.
- The next column states the total amount of money raised during 2015 in each of the charitable solicitation campaigns. Please note that this amount often reflects the results of a regional or national solicitation effort and not just the results of activity conducted in Massachusetts. In addition, it may only reflect the funds received or pledged during the reporting period which, for sustainer campaigns, may be only a portion of the funds likely to result from the solicitation.
- The next two columns list the amount the charity received at the end of the campaign for the year both as a dollar amount and as a percentage of the total generated revenue.
- Appendix I includes a final column that reflects the average percentage of revenue the solicitor transferred to charity for 2015 campaigns.
- Notations within the Appendices:
 - * Denotes solicitor excluded from aggregate results in report because solicitor is (1) known to solicit funds outside conventional modes of solicitation and (2) raised enough funds to impact the aggregate results. For more information, see Data Limitations section of report.
 - ^ Denotes sham cancer charity. In 2015, all fifty states, the District of Columbia and the Federal Trade Commission filed a lawsuit against Cancer Fund of America, Inc. (“CFA”), Cancer Support Services, Inc. (“CSS”), Children’s Cancer Fund of America, Inc., and The Breast Cancer Society, Inc., and their operators, alleging that the sham cancer charities falsely portrayed themselves to donors as legitimate charities with substantial nationwide programs whose primary purposes were to provide direct support to cancer patients, when they did not, in fact, operate such programs. Federal Trade Comm’n, et al. v. Cancer Fund of Am., Inc., et al., Civ. A. No. 2:15-884 (D. Az.). The defendants allegedly used the organizations for lucrative employment for family members and friends, and spent consumer donations on cars, trips, luxury cruises, college tuition, gym memberships, Jet Ski outings, sporting event and concert tickets, and dating site memberships. In FY2015, five of the eight defendants settled with the multistate coalition for a combination of monetary and injunctive relief. The multistate coalition settled with the remaining three defendants – Reynolds, Sr., CFA and CSS – for monetary and injunctive relief in March 2016.



OFFICE OF THE MASSACHUSETTS ATTORNEY GENERAL

REPORT ON PROFESSIONAL SOLICITATIONS FOR CHARITY IN 2015