Pennies for Charity

Fundraising by Professional Fundraisers

Office of the New York State Attorney General Letitia James
Charities Bureau November 2022
Giving in New York State

As the chief law enforcement officer and regulator of charitable fundraising in New York, Attorney General Letitia James works diligently to protect donors and charities. In this year’s Pennies for Charity report, the Attorney General’s Charities Bureau has analyzed the income and expenses reported by professional fundraisers for their 2021 charitable fundraising campaigns in New York. The report looks at trends in the sector, provides guidance and tips for donors, and gives charities insight on fundraisers’ efforts.

Charities play a very large role in New York’s communities and its economy. More than 100,000 charities are headquartered in New York, making it one of the main bases for charitable nonprofits in the United States. According to the New York State Department of Labor, the nonprofit sector employed over 1.3 million New Yorkers in the fourth quarter of 2021. As of October 2022, there were 92,782 charities registered with the Charities Bureau.

New Yorkers give generously. The New York Department of Tax and Finance reported that, in 2020, the most recent data available, approximately 1.5 million New Yorkers who itemize deductions reported $46.8 billion in charitable contributions on their tax returns.

Many charities contract with professional fundraisers to educate donors about their mission and build support. Fundraisers can play a critical role in donor outreach, renewing contributors and finding new prospects. Many belong to professional associations that require them to commit to a code of ethics. In recent years, this report has tracked a general improvement in the percentage of funds charities received overall from professional fundraisers’ campaigns. However, there is a minority of fundraisers who continue to collect fees so large that charities receive only a small fraction of the total amount donated through a campaign. With donor education, outreach to charities, and the Charities Bureau’s targeted enforcement efforts, these types of fundraising campaigns in New York have declined gradually.

In 2021, the COVID-19 pandemic continued to have an impact on charities’ fundraising campaigns. Giving by small donors dropped after a 2020 increase, though the total amount raised continued to rise. With vaccine eligibility limited until the second quarter of the year, live fundraising events remained difficult. Charities and fundraisers had to pivot as the pandemic ebbed and flowed.

Many charities experienced continued high demand for services while managing ongoing staffing and supply shortages and inflation-related price increases. Across New York, for instance, food insecurity remained high. New York City’s City Harvest reported that in 2021 food pantries and soup kitchens served 55% more children than before the pandemic. Despite challenges, many charities and fundraisers continued to reach potential donors and many New Yorkers responded. This year’s Pennies Report shows that although the number of fundraising campaigns shrunk in 2021, overall dollars to charity increased once again.

Giving takes many forms. Many nonprofits across New York rely on the help of volunteers to carry out their mission. Volunteer New York! reported that it recruited 35,000 volunteers in 2021 and they contributed 399,000 hours and added $12.7 million in value to their communities. One example: 1,300 people volunteered at the Westchester County Center vaccination center. These volunteers served over 30,000 hours and allowed health care professionals to administer 300,000 doses of the COVID-19 vaccine.

Charities rely on New Yorkers’ generosity to aid the communities they serve. Whether giving at the holidays, to an annual appeal, or to a specific cause, donors should use this report and other tools to help them select the charities they want to support.
Giving Wisely: How to Use This Report

This report and its accompanying database, which can be found on the Charities Bureau’s website (CharitiesNYS.com), highlight the results of campaigns conducted for charities by professional fundraisers. Donors may not realize that a percentage of what they contribute to those campaigns will go to the fundraiser rather than the charity. To review a charity’s fundraising track record, donors can visit the Pennies for Charity database. Donors can find additional information on a charity in the Bureau’s registry on the home page of the Bureau’s website. Charities that are registered in New York must submit annual financial reports that include information on their programs and expenditures and are posted in the registry. Donors can search the registry by the charity’s name and review these submissions.

Donors should also look for information on charities in other resources like Charity Navigator (charitynavigator.org) and Charity Watch (charitywatch.org). These and other sites evaluate charities’ effectiveness based on a number of factors (see page 10 for other sites). Taken together, all of these resources help donors choose charities that will further their goals.

“Some fundraisers collect fees so large that charities receive only a small fraction of the total amount donated through a campaign.”

To see a charity’s fundraising track record, visit the Pennies for Charity database on charitiesnys.com and search by the charity’s name.
Dollars to Charities

This year’s Pennies for Charity Report includes data from the 658 fundraising campaigns conducted all or in part in 2021 by professional fundraisers in New York. The pandemic's staying power may have contributed to the dip from the previous year’s 718 campaigns. At the same time, however, the campaigns raised over $1.7 billion dollars – an increase of approximately $248 million more than 2020 campaign revenues.

Nearly 60% of funds raised was reported by two donor-advised funds (DAFs), Network for Good, which partners with Facebook on charitable campaigns conducted on its platform, and Eaton Vance Distributors, an investment management firm. DAFs are funds run by sponsoring organizations that are charities with Internal Revenue Code section 501(c)(3) tax exempt status. Donors’ contributions to such a fund are tax deductible, but donors should be aware that the fund controls the use of donations it receives. In recent years, DAFs have received an increasing share of charitable giving in the U.S.

Other key findings include:

- Charities received more than $1.2 billion from 2021 campaigns. More than $464 million, or 27%, of gross receipts raised were retained by fundraisers to cover the reported costs of conducting the charitable campaigns.
- Charities received less than 50% of funds raised in 276, or 42%, of campaigns.
- In 96, or 15%, of the campaigns, expenses exceeded revenue, costing charities over $10 million.

2021 Charities Summary
Total Gross Receipts for 2021 Fundraising Campaigns
$1,711,597,993.61

- 27% $464,151,010.38 Total Given to Charities
- 73% $1,247,446,983.23 Total Retained by Fundraisers
While the number of 2021 fundraising campaigns declined, overall revenue increased. In 2021, 73% of funds collected by professional fundraisers on behalf of charities once again went to charities, which is consistent with an overall improvement reported over the last five years. (See chart below.)

**Percentages to Charities and Fundraisers**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent Given to Charities</th>
<th>Percent Retained by Fundraisers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>2018</td>
<td>73%</td>
<td>27%</td>
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<tr>
<td>2019</td>
<td>72%</td>
<td>28%</td>
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<tr>
<td>2020</td>
<td>73%</td>
<td>27%</td>
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<tr>
<td>2021</td>
<td>73%</td>
<td>27%</td>
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</tbody>
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**Online Fundraising Continues to Expand**

As the pandemic stretched into 2021, charities again had to refocus their fundraising efforts, including an increase in online outreach and resulting revenue. After a dramatic 21% jump in 2020, online donations grew another 9% in 2021, according to the Blackbaud Institute, an organization that researches philanthropy trends.

Social media had a significant impact on this fundraising category. Research by Fidelity Charitable, a DAF, found that 40% of millennials donate after learning about a cause or organization on social media. For this group, peer influence via social media can be key; some 39% of millennials donate through social media to show support for someone they know.

While social media has changed how charities reach certain donors, other online outreach also has grown. M&R Benchmarks’ annual study of nonprofit digital advocacy noted that nonprofits grew their email lists by 7% last year. At the same time, donations from mobile devices like smart phones reached a new level, providing 28% of online contributions in 2021.

Online platforms like Facebook and GoFundMe offer donors fast, easy ways to give. Costs to charities on these platforms generally are far less than traditional fundraising campaigns. However, donors often are not aware of the amount some platforms deduct from a donation as service charges. Donors who give via a campaign on an online platform also may not have direct contact with a charity, making it difficult for the charity to build their loyalty. Online platforms often do not provide donors’ contact information to charities unless the donor specifically requests that a charity receive it.
Some platforms also partner with a DAF for charitable campaigns, but may not always disclose that the donation is going to the fund, not directly to the charity that the donor has specified. DAFs may, however, redirect gifts when charities do not meet their criteria.

Many donors also do not realize that some online platforms do not review the charitable campaigns that are conducted through their sites, and do not check that the funds raised go to charity. Donors need to do their own due diligence. A recent Minnesota case underscored this issue. In 2021, the Minnesota Attorney General filed a complaint against a college professor who had started a charitable crowdfunding campaign. The stated goal of the campaign was to pay down elementary students’ school lunch bills in St. Paul as a memorial to Philando Castile, a Black school nutrition supervisor who was killed by a police officer at a traffic stop in 2016. However, less than half of the $200,000 she collected was directed to such a purpose. All campaign receipts were paid directly into her personal checking account. The Minnesota Attorney General reached a settlement agreement with the professor in March that requires her to repay the funds she retained so they can be used to pay school lunch debts.

Last year, California approved the first law of its kind to regulate charitable fundraising online. The law, which goes into effect in 2023, places online platforms that solicit donations in California and their charitable partners, such as DAFs, under the oversight of the California Attorney General’s office, and mandates a range of reporting requirements. New York does not currently have such a law.

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** Funds Retained by Fundraisers with Telemarketing Campaigns **

- **Campaigns with no funds collected**: 64
- **Campaigns with less than 20% retained**: 28
- **Campaigns with more than 100% retained**: 60
- **Campaigns with 20% — 50% retained**: 91
- **Campaigns with between 50.01% — 100% retained**: 158

This data is derived from filings with the Attorney General’s Charities Bureau from campaigns that include telemarketing.

- **Telemarketing Dollars Net to Charity**: $385,835,181.51
- **Telemarketing Dollars Retained by Fundraisers**: $284,053,497.80
- **Gross receipts**: $669,888,679.31
Telemarketing Remains a Fundraising Staple in Pandemic

While there was an overall increase in funds raised via campaigns that include telemarketing, this is largely due to efforts by Eaton Vance Distributors, which is part of the asset management division of Morgan Stanley, to increase contributions to its donor-advised fund, U.S. Charitable Gift Trust. Eaton Vance’s reported revenues account for slightly more than 64% of the gross receipts in campaigns that include telemarketing. Donor-advised funds have received a steadily increasing share of charitable contributions over the last decade. More people staying at home during the pandemic also may have increased telemarketers’ success in reaching potential donors.

In recent years, fewer fundraising campaigns in New York have included telemarketing. In 2020, there were 410 fundraising campaigns that used telemarketing. By 2021, that number dipped to 401. In addition, more of the funds raised by telemarketers are going to charities. In 2019, some 195 fundraisers retained more than 50% of the dollars collected in telemarketing campaigns. In 2021, that number dropped to 158 fundraisers.

While telemarketing can be a legitimate fundraising tool to further a charity’s message, it also has been a favorite tactic of sham charities to target certain groups like seniors. Misleading pitches for popular causes, like cancer victims or homeless veterans, tug heartstrings to appeal to potential donors. However, often very little of the money raised by telemarketers ends up being used for charitable purposes. In many of these campaigns, telemarketers retain more than 90 cents of each dollar raised. (See Handling a Telemarketing Solicitation on page 10.)

Recently, telemarketing has been used in pitches for organizations that sound like charities but actually are political action committees (PACs). Contributions to PACs are not tax deductible. They generally do not come under the oversight of charity regulators, though some regulators view any organization that holds itself out as charitable to be subject to oversight. PACs are tax exempt organizations formed under another section of the Internal Revenue Code than charitable organizations. While a telemarketing appeal may make an organization seem to have charitable purposes, like helping autism sufferers, potential donors should ask questions before giving their support. The organization may only exist to lobby politicians and the majority of the funds raised may not even go to that purpose. (See How to Tell a Charity from a Political Action Committee on page 12.)
Charitable Giving ... A Look Ahead

Fundraising is essential for charities to thrive. Demands for charities’ services only increased during the pandemic. As the pandemic wanes, charities must continue to meet these new needs and find new fundraising approaches.

Virtual fundraising events have become more prevalent. Although they may not generate as much revenue as in-person events, they have the potential to attract more attendees and have lower associated costs. Some charities and fundraisers have also been opting for “hybrid” events that can be attended live or via a virtual platform. These types of events can capture a wider audience, reaching donors who cannot attend a live event but will still attend virtually.

In an era of big charitable gifts, charities—particularly smaller ones—have focused on the need to retain donors at all levels. Small donors' support can help build and strengthen charities' role in communities at a grassroots level. In turn, community members often witness first-hand exactly how charities help in their area. For many charities, every donation matters and every dollar counts. Following the guidance in this report and giving wisely can help donors make an even stronger impact.

Charitable organizations continue to face unprecedented challenges and rely more heavily than ever on donations. The information provided in these pages is a valuable tool for New York’s donors.

The New York Attorney General’s Office applauds the work of charitable organizations and encourages New Yorkers to continue their tradition of charitable giving.

The Attorney General actively investigates suspect charities and fundraisers. If you believe that an organization is engaged in questionable conduct or a solicitation is misleading, please contact the Charities Bureau:

File a Complaint:
charitiesnys.com/complaints

Email:
charities.fundraising@ag.ny.gov
charities.complaints@ag.ny.gov

Phone:
(212) 416-8401
Tips for Charitable Giving

How to Give Wisely
Research Before You Donate

The following websites provide information to help donors evaluate charities’ performance:

» Charity Navigator: charitynavigator.org

» CharityWatch: charitywatch.org

» Candid: candid.org

» Pro Publica: propublica.org

» Givewell: givewell.org

» Citizen Audit: citizenaudit.org (fee-based)

» CauseIQ: causeiq.com (fee-based)

» IRS – provides information, statistics, and data on US nonprofits

Handling a Telemarketing Solicitation

New York law requires telemarketers soliciting for charities to make certain disclosures to potential donors and prohibits telemarketers from making false, misleading, or deceptive statements when soliciting contributions.

If you receive a call from a telemarketer:

You must be told:

» The name of the individual telemarketer,

» If the solicitation is being conducted by a telemarketer employed by a professional fundraising company and, if so, the name of the company, and

» That the telemarketer is being paid to make the call.42

Do not feel pressured to give over the phone:

If you choose to consider the caller’s request, you should ask:

» What programs are conducted by the charity? Ask for specifics.

» Is the caller a paid telemarketer?

» How much is the telemarketer being paid and what percentage of your donation goes to the charity?

Donors may ask to be placed on that charity’s “Do Not Call” list:

Putting your name on the Federal Communications Commission’s “Do Not Call” list will not bar calls on behalf of tax-exempt non-profit organizations.
Checklist for Evaluating Direct Mail Appeal

If you receive a charitable solicitation in the mail, take a close look at what you have been sent:

☐ Does the organization have a name that sounds like a well-known charity?

☐ Double-check the organization online—is it the one you think it is?

☐ Does the mailing claim to follow up on a pledge that you do not remember making? Keep records of your pledges so you will not be scammed.

☐ Does the mailing state that a copy of the charity’s most recent financial report can be viewed on the Charities Bureau’s website (CharitiesNYS.com) or obtained directly from the charity? It should also include the charity’s address in the same size type as other text on the mailing.

☐ Does the mailing clearly describe the programs or activities that the charity plans to fund with your donation, or include a statement that a detailed description of those activities is available upon request?

Giving After a Disaster

In the wake of a disaster, like an earthquake or pandemic, donors are eager to help. Unfortunately, fraudulent organizations can take advantage of these good intentions.

Here are some guidelines to donating to disaster relief efforts.

» Donate to charities you have heard of and that have experience in disaster relief.
» Check a website like disasterphilanthropy.org to find out which charities are at the aid forefront.
» Check the charity’s website: Has it worked in the affected area or does it partner with local relief organizations?
» Does the charity say how it plans to use a donation?
» Does the campaign have a specific dollar goal? If so, what will be done with excess donations?

Once you pick a charity, vet its track record. Websites such as Charity Navigator (charitynavigator.org) can help gauge how well charities have accomplished their mission. If you think an organization could be fraudulent, please contact the Charities Bureau Complaints Section at charities.complaints@ag.ny.gov.
**How to Tell a Charity From a Political Action Committee**

*If a telemarketer calls to request a contribution:*

» Ask whether the organization is a charity and whether your contribution will be tax deductible. If it is actually a political action committee (PAC), it must inform donors that contributions are not tax deductible.45

» Ask what portion of your donation will be applied to charitable activities and which programs will benefit.

» If you need more information, check the Federal Election Commission database of PACs; see if the organization is listed. If so, it will include its most recent mission statement and funding. The database can be found at fec.gov/data/browse-data/?tab=committees.

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**Tips for Giving in a Digital World**

Donating online or via app is convenient for donors and can be cost effective for a charity. But before hitting “Send,” donors should check whether a campaign is legitimate. If you are not giving directly through a charity’s website, use a charity’s “Contact Us” button to verify that a charity has authorized a campaign.

**Crowdfunding**

Online platforms that host groups and individuals soliciting for causes do not generally vet those who use their service. Donors should only give to campaigns conducted by people whom they know. Donors also should check what fees they will be charged and make sure that the charity has given its permission for the use of its name or logo. The site or the charity should confirm that the charity has approved the campaign.

**Secure Web Addresses**

When donating online, make sure the website is secure: the web address should start with “https.” Unless the charity uses a separate payment site, the web address should match that of the organization that will receive the donation.

**Spam Email**

Be wary of email solicitations that ask you to click a link or open attachments. These could be phishing scams that try to trick you into giving out your credit card number, social security number, or other confidential information.
Tips for Charities Hiring Fundraisers

The officers and directors of a charity have an obligation to oversee its professional fundraisers. A charity’s reputation is one of its most valuable assets. A professional fundraiser may be a charity’s primary connection to the public. The charity’s officers and directors should ensure that a fundraiser represents the charity well and fulfills all regulatory requirements.

Before hiring a professional fundraiser, a charity should:

- Research a fundraiser’s track record using the Pennies for Charity database on the Charities Bureau’s website at charitiesnys.com/pfcmap/index.jsp. The database shows how much charities have retained from campaigns conducted by fundraisers. If a fundraiser’s campaigns yielded little for charities, it may be a red flag.

- Ensure that the fundraiser is properly registered. Fundraising professionals must register annually with the New York State Attorney General’s Charities Bureau to fundraise in New York State. To find out if a fundraiser is registered, email charities.fundraising@ag.ny.gov or call (518) 776-2160.

- Charities must have a written contract with a fundraiser. New York law requires that specific financial terms and cancellation language be included in that contract. It also requires that, within five days of receipt, all contributions be placed in an account controlled by the charity.

- If an organization agrees to a contract that allows the fundraiser to keep a percentage of the funds raised—especially a high percentage—be aware that there is no “industry standard” for such contracts. Ensure that the contract’s terms address the charity’s goals and maximize the returns to the charity.

- Retain control of the lists of contributors. Make sure that a fundraiser contract makes the organization the owner of its contributor list. Otherwise, the fundraiser may have the right to use the list when raising money for other charities or to sell or rent the list for other campaigns.

- If the charity raises funds by telemarketing, make sure that the fundraiser makes the required disclosures. New York law requires that fundraising professionals and their representatives (“professional solicitors”) disclose to a potential donor the professional solicitor’s name, that of the fundraising professional in charge of the campaign and that the solicitor is being paid to raise funds.

- Once the campaign has ended, closely review the fundraiser’s financial report prior to signing. Fundraisers must file a financial report with the New York State Attorney General’s Charities Bureau disclosing a campaign’s results (Form CHAR037). New York law requires that both a charity and its fundraiser certify the accuracy of the report under penalty of perjury. Charities have an obligation to review a campaign’s accounts and costs prior to signing. Form CHAR037 must be submitted within 90 days of a fundraising campaign’s conclusion.
Endnotes

1 The data in this report is derived from campaign interim and/or closing statements filed with the Attorney General’s Charities Bureau that cover national or local campaigns that concluded in 2021 in New York State.


3 Source: Email correspondence from New York State Dept. of Labor. Data can be found at statistics.labor.ny.gov/ins.asp

4 Source: Email correspondence from New York State Dept. of Tax and Finance. Data can be found at tax.ny.gov/research/stats/statistics/pit-filers-summary-datasets-beginning-tax-year-2015.htm

5 A $300 federal tax deduction for unitemized charitable donations that was included in the 2020 Covid CARES Act was extended through 2021 and may have had an impact on giving.

6 See, e.g., Association of Fundraising Professionals at afpglobal.org/ethicsmain/code-ethical-standards

7 See thenonprofittimes.com/npt_articles/third-quarter-fundraising-dollars-increased-from-fewer-gifts.


9 See nyl.com/nyc/all-boroughs/news/2022/05/09/city-harvest-child-hunger-report-may-2022

10 See volunnewyork.org/donate#:~:text=Volunteer%20New%20York!,9%20%20%20Day&text=Thank%20you%20for%20supporting%20Volunteer,in%20value%20to%20their%20communities.

11 Id.

12 All campaigns took place all or in part in 2021 and concluded in 2021.

13 Id.


15 Id.


17 Some campaigns included longer-term donor identification efforts.

18 Factors that may contribute to the decrease in campaign numbers include a decline in mass fundraising campaigns and the growth of organizations that do not use traditional fundraising methods, per Teams interview on Oct 25, 2022 with Craig Shelley, Partner, Orr Group.

19 Percentages in this report have been rounded to the nearest full percent.
See mrbenchmarks.com/journeys#digital-ads.


Id.

See mrbenchmarks.com/journeys.


See mrbenchmarks.com/journeys#digital-ads.


Complaint at 1, Ellison v. Fergus, a/k/a Philando Feeds the Children, D. Minn. 2nd, 2021 (No. 62-CV-21-3178).

Id., page 2.

Id., page 3.

See nytimes.com/2022/03/30/us/philando-castile-charity-repayment.html.


Teams interview on Oct. 25, 2022 with Craig Shelley, Partner, Orr Group.


26 U.S.C § 527.

The Charities Bureau saw an increase in contracts for virtual event campaigns in the first half of 2022.

See thenonprofittimes.com/finance/revenue-tanks-as-virtual-events-replace-peer-to-peer-fundraising

See johnsoncenter.org/blog/11-trends-in-philanthropy-for-2022

See councilofnonprofits.org/nonprofit-impact-communities

NY Executive Law 174-b(3)

See fec.gov/help-candidates-and-committees/making-disbursements-pac/notices-requirednonconnected-solicitations

NY Exec. Law §173
45 NY Exec. Law §174-a(2),(4)

46 NY Exec. Law §173-a(2)

47 NY Exec. Law §174-b(3), See also charitiesnys.com/disclosure.

48 NY Exec. Law Section 173-a(1)