

RAISING FUNDS? What You Should Know About Hiring a Professional

If your nonprofit organization is planning a fundraising campaign, you may be considering hiring a professional to do the work. Professional fundraisers conduct campaigns for a fee; often, it's a percentage of the money they collect.

Because the fundraiser will be representing your organization to potential donors, the Federal Trade Commission (FTC), the nation's consumer protection agency, says it's important to investigate every firm you're considering hiring. Inappropriate behavior by a fundraiser can result in negative publicity for your organization, fewer or smaller donations, and possible legal action involving you and the firm in the case of legal violations.

CHOOSING A FUNDRAISER

A little research could help ensure that you're working with a reputable fundraiser. Contact other nonprofit groups in your area for information and referrals — especially colleges, hospitals, and cultural organizations. You also may want to contact your local community fund or association of professional fundraisers.

Once you've compiled a list of potential fundraisers, call them for background information. Get written information about each, including a blank contract. Then, schedule interviews and ask how they would conduct your campaign:

- Would they solicit by phone, mail, e-mail, door-to-door, or by several approaches?
- Would they solicit money only — or would they sell products or tickets to events?

Facts for Business

- What portion of the donation would come to your organization — and what portion will the fundraiser take? Stay away from companies that promise something for nothing or “easy money” for your organization.
- Would subcontractors be used for any part of the campaign?
- How would the fundraiser make sure its telephone solicitors follow approved scripts? Would it record calls? Would monitors listen in on calls?

When you’re interviewing, be clear that while the fundraiser would conduct the campaign, you would maintain overall control and expect the company to provide periodic financial reports. Ask to see financial data from other campaigns to get a picture of their successes.

Ask what procedures are in place to make sure that the company complies with the FTC’s Telemarketing Sales Rule. The Rule applies to telemarketers hired to conduct inter-state solicitations of charitable contributions by phone. Fundraisers and any subcontractors must comply with the following requirements:

- telemarketing must be done between the hours of 8 a.m. and 9 p.m.;
- telemarketers must promptly identify the charitable organization they represent and disclose that the purpose of their call is to ask for a contribution;
- telemarketers must not make misleading statements during their pitch to induce a donation; and
- if a person asks to be placed on a “do not call” list, the telemarketer must honor the request. Any further calls to that person may subject the telemarketer to a fine of up to \$51,744*.

Many states also have regulations regarding charitable solicitations. Ask whether the telemarketer understands these requirements and how they plan to follow them. Include a statement about adhering to state regulations and federal law in your written contract. In addition, make sure that the materials used by the fundraiser comply with any state “do not call” laws. Some states require paid fundraisers to identify themselves as such and to name the charity for which they are soliciting. Ask whether the company is registered and bonded — a requirement in many states. You can learn more about your state laws by contacting the state’s charity regulator. For a list of state offices, visit the National Association of State Charity Officials at www.nasconet.org/agencies.

Ask for references and contact them about their experiences with the company, and whether they have suggestions based on their experience. Check out the company with your state Attorney General (www.naag.org), local consumer protection agency (www.consumeraction.gov), or the Better Business Bureau (BBB) (www.bbb.org). These organizations can tell you whether they have received consumer complaints about the company. The absence of complaints doesn’t necessarily mean the company is legitimate. Unscrupulous companies may settle complaints, change their names, or move to avoid detection.

Finally, get bids. Some state laws require nonprofit managers to get competitive bids.

A reasonable bid is determined by many factors: the time and type of labor involved, the nature and duration of the relationship between fund-raiser and client, and the ability and experience of the fundraising firm, to name a few.

THE FUNDRAISING CONTRACT

Once you’ve selected a professional fundraiser, describe the details of the campaign in the written contract to protect yourself as well as the fundraiser. Keep in mind that donors ordinarily expect that most of their contribution will go

*[Note: Edited February 2023 to reflect Inflation-Adjusted Civil Penalty Maximums.]

toward programs and services. The contract should:

- explain the services to be provided and the financial responsibilities of each party;
- authorize or prohibit the use of subcontractors;
- identify the compensation to be paid — a flat fee and/or a percentage of the money collected. Remember that some watchdog organizations have standards that limit overall fundraising costs;
- require that the fundraiser use only material reviewed and approved by your organization when contacting the public, especially telemarketing scripts and printed materials mailed to donors. Descriptions of your organization and representations about the tax benefits of a donation must be accurate: make sure any description of how the money will be used is consistent with the organization's current plans and objectives;
- specify the contract period, including the closing and settlement dates;
- require the fundraiser to agree to comply with the FTC's Telemarketing Sales Rule and applicable state laws;
- outline cancellation criteria for both parties;
- require the fundraiser to provide detailed reporting of results throughout the campaign and at its end. All donor checks should be made out to your organization, not the solicitor. Do not allow the solicitor to endorse checks. Review sales and other financial records on a regular basis, perhaps weekly; and
- specify ownership of donor lists. Typically, lists belong to the nonprofit. If you retain ownership and decide to offer your lists for rental or exchange, consider the privacy of your donors. You may want to offer donors the opportunity to opt out of lists you furnish to outside mailers and phone solicitors. If the telemarketer owns the lists, you may wish to retain the right to obtain certain data to provide tax information to donors and reports to regulators.

THE CAMPAIGN

Even though you've hired a professional fundraiser to conduct a campaign, you're responsible for the actions taken on your behalf. Maintaining regular contact with the firm throughout the campaign is a must. Here are some additional tips for quality control:

- If you're conducting a telemarketing campaign, insist that the fundraiser institute a system for training and monitoring its operators to make sure they're following the authorized script. One method is to call back donors at random to verify the conversation. Provide the telemarketer with answers for commonly asked questions.
- Make sure that the fundraiser has a system in place to honor "do not call" requests.
- Closely track complaints from the public. If a pattern develops, review the area that's causing confusion or concern and discuss ways to resolve the issue with the fundraiser.
- Keep tabs on the flow of money during the campaign. Make sure you get copies of original invoices as received, paid receipts as paid, bank statements, checks, and deposit slips. Monitor all expenses to be sure they are reasonable and ordinary. Immediately question any expenses that appear excessive or lack documentation.

FOR MORE INFORMATION AND TO REPORT FRAUD

Several private nonprofit organizations promote standards in philanthropy to evaluate the performance of public service groups. These standards include guides about the use of professional fundraisers. For more information, contact:

BBB Wise Giving Alliance
4200 Wilson Boulevard, Suite 800
Arlington, VA 22203
(703) 276-0100
www.bbb.org/charity

Facts for Business

American Institute of Philanthropy
3450 Lake Shore Drive, Suite 2802 E
Chicago, IL 60657
(773) 529-2300
www.charitywatch.org

Charity Navigator
1200 MacArthur Boulevard
Mahwah, NJ 07430
(201) 818-1288
www.charitynavigator.org

BoardSource
1828 L Street, N.W., Suite 900
Washington, DC 20036
(877) 89-BOARD (892-6273)
www.boardsource.org

If you believe an organization may not be operating for charitable purposes, is making misleading solicitations, or is ignoring requests to be placed on a “do not call” list, contact

your state Attorney General (www.naag.org) or your local consumer protection agency (www.consumeraction.gov). You can get the phone numbers for these organizations in your phone book, through directory assistance, or through Web directories.

You also may file a complaint with the Federal Trade Commission. The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

FEDERAL TRADE COMMISSION	ftc.gov
1-877-FTC-HELP	FOR THE CONSUMER

Federal Trade Commission
Bureau of Consumer Protection
Division of Consumer and Business Education