

FTC FACTS for Business

RAISING FUNDS?

What You Should Know About Hiring a Professional



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

Because the fund-raiser will be representing your organization to potential donors, it's important to investigate every firm you're considering hiring. Inappropriate behavior by a fund-raiser 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 Fund-Raiser

A little research will help ensure that you're working with a reputable fund-raiser. 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 an association of professional fund-raisers in your community.

Facts for Business

Once you've compiled a list of potential fund-raisers, 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, door-to-door, or use a combination of approaches?
- Would they solicit money only – or would they sell products or tickets to events?
- What portion of the donation would come to your organization – and what portion will the fund-raiser 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 fund-raiser make sure its telephone solicitors follow approved scripts?

When you're interviewing, be clear that while the fund-raiser 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 telemarketer complies with the Federal Trade Commission's (FTC) Telemarketing Sales Rule. The Rule applies to telemarketers hired to conduct inter-state solicitations of charitable contributions by phone. Fund-raisers and any subcontractors must comply with the following requirements:

- telemarketing calls can be made only 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 the 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 \$11,000.

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 fund-raiser comply with any state “do not call” law. Some states require paid fund-raisers to identify themselves as such and to name the charity for which they are soliciting, even if the call is in-state. Also, ask whether the company is licensed or bonded — a requirement in many states. To learn about the law in the states where the telemarketer will be calling, contact the state's charity regulator. Links to state charity regulators can be found at the National Association of State Charity Officials Web site — www.nasconet.org.

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 state and local consumer protection officials, charities regulators and the Better Business Bureau. These organizations can tell you whether they have received consumer complaints about the company. But be wary: 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. A reasonable bid is determined by considering 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 fund-raising

firm. Further, some state laws require nonprofit managers to get competitive bids.

The Fund-Raising Contract

Once you've selected a professional fund-raiser, describe the details of the campaign in the written contract to protect you as well as the fund-raiser. Keep in mind that donors ordinarily expect that most of their contribution will go 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 fund-raising costs;
- require that the fund-raiser 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 as to 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 fund-raiser to agree to comply with the FTC's Telemarketing Sales Rule and applicable state laws;
- outline cancellation criteria for both parties;
- require the fund-raiser 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;

- 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 donor information in order to provide tax information to donors and reports to regulators.

The Campaign

Even though you've hired a professional fund-raiser to conduct a campaign, you're responsible for the actions taken on your behalf. Therefore, 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 fund-raiser 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 fund-raiser 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 fund-raiser.
- 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 fund-raisers. For more information, contact:

BBB Wise Giving Alliance

4200 Wilson Boulevard, Suite 800
Arlington, VA 22203-1838
703-276-0100
www.give.org

American Institute of Philanthropy

3450 Lake Shore Dr., Suite 2802 E
Chicago, IL 60657
713-529-2300
www.charitywatch.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, your local consumer protection office or 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 www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.



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