

# WISE GIVING™

GUIDE

BBB WISE GIVING ALLIANCE : SUMMER 2012

## FUND RAISING EVENTS:

Advice for  
Donors





A Publication of the  
BBB Wise Giving Alliance

The *Wise Giving Guide* is published three times a year to help donors make more informed giving decisions. This guide includes a compilation of the latest evaluation conclusions completed by the BBB Wise Giving Alliance.

If you would like to see a particular topic discussed in this guide, please email [give@councilbbb.org](mailto:give@councilbbb.org) or write to us at the address below.

**SUMMER ISSUE 2012**

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**president's MESSAGE**

Since the BBB Wise Giving Alliance was formed eleven years ago from the merger of two previously existing national charity monitoring organizations, there were a number of factors that led to its successful growth, one of them was the experience, guidance and skill of Marge Heitbrink, the editor of the *Wise Giving Guide* who retired shortly after the publication of the previous issue of the magazine.

Marge's background included many years of providing oversight of the charity evaluation activities of the former National Charities Information Bureau. Her finely crafted prose and commitment to accuracy provided this magazine with many years of outstanding cover stories. We will greatly miss her written contributions to the cause of charity accountability and wish her all the best in her retirement.

It will be impossible to replace Marge, but we will do our best to assist you, the donor, with advice and assistance in making wise giving decisions. To start this new path for the magazine, we chose a topic that draws us to charities: fund raising events. From fund raising dinners to neighborhood walkathons, charities seek to engage donors in a variety of formats to attract our attention, to encourage our interaction and of course, to make a gift.

As always, we recommend that donors look beyond the fund raising "appeal" and find out more about the charity before donating. Nevertheless, a fund raising event in many cases is also a social occasion—a chance to meet and greet others in a shared cause. Mindful of the tips included in this issue, we believe that your next fund raising event experience will meet your expectations.



H. Art Taylor, President



# FUND RAISING EVENTS:

## Advice for Donors

**A**s the variety of fund raising events varies considerably from one charitable organization to another, it is likely that donors will have many opportunities from which to choose. While this issue cannot cover all the possibilities, the BBB Wise Giving Alliance has sought to provide some basic giving advice on some of the more popular forms.

There also are a number of different ways a donor might be involved. Some volunteer to help the charity put the fund raising event together. Others may participate in the gala, walk, or entertainment that encourages individuals to pledge a gift. And, of course, some attend the event and make a donation or purchase to benefit the specified cause.

In turn, charities may have more than just a financial goal in mind. Some events can attract significant public attention which can be especially important for organizations that are not well known. Fund raising events also can develop strong bonds between donors and charities, since the involvement is often more than just a check. It is also a chance to interact with other contributors, meet charity staff members, and further explore the cause that gathers everyone together.

Whatever the connection, it is important for donors to look beyond the event attractiveness and take the time to find out more about the charity before getting involved. We hope the following will assist you in making that choice so that your next gala dance or walkathon does not turn out to be a misstep.



## Q&A on Fund Raising Walkathons, Marathons and Other 'Thons

### **Q** What charity or charities does the event sponsor?

Some events are sponsored by a single charity. Others may involve several different organizations partnering for a shared cause.

### **Q** What activities or programs do the benefiting charities provide?

Don't assume you can tell what the charity does from the name alone. Check out the nature of the charity's program service activities. How is it specifically addressing the problem or need the event is promoting?

### **Q** How much money is required to participate?

This will vary depending on the charity and the event. Some may have no financial requirements. Others may ask participants to sign up donor pledges totaling \$2,000 or more in order to be part of the event.

### **Q** Once I've signed up, can I change my mind?

Most events will allow the participants in the race or athletic event to drop out at any time.

### **Q** What if I don't raise enough money?

While each charity will have its own policy on this issue, some will accept any amount you were able to raise. Others may require you to make up any shortfalls for the goal you pledged if you plan to participate in the event.

### **Q** If the event is physically demanding, will I be able to handle it?

Some events are strenuous enough to require training; others, though demanding, do not. If you have any doubts about your ability to stay the course in good health, whatever the exertion required, you may want to check with your doctor before you commit to participating.

### **Q** How much of the money I collect will go to the benefiting organization(s)?

This depends on how the event is organized. Is the charity one among a number of benefiting groups for the event? Did they organize it themselves or hire an outside fund raising firm? Whatever the circumstances, the charity should be able to clearly explain its answer to this question to all participants and donors.



# QUICK QUIZ

And the topic is:

## Tax Deductibility & Fund Raising Events

Would you be eligible for a charitable tax deduction in the following circumstances?

1. Jim purchases two \$250 tickets to a Broadway show benefiting ABC charity. These particular seats normally sell for \$250 apiece.  
 Yes  No
2. Jane pledges to donate \$100 for her granddaughter's walkathon participation benefiting a cancer charity.  
 Yes  No
3. Marge spends \$25 playing bingo to benefit a local volunteer firefighter group that is raising funds to buy new fire equipment.  
 Yes  No
4. Steve pays \$500 to participate in a golfing event to benefit a local nonprofit hospital.  
 Yes  No
5. Sally purchases a \$2000 ticket to attend a fund raising dinner being held by a local science museum.  
 Yes  No

**Answers:** In general, the answers below reflect the IRS deductibility rule that says you can only deduct the portion of the fund raising event purchase that is above the fair-market-value of whatever good or service you receive (for example, the value of the meal at a fund raising dinner).

1. No. Since Jim's purchase is equivalent to the fair-market-value of the show tickets, none of the purchase is deductible.
2. Yes. Jane's donation is deductible as long as the cancer charity is tax exempt as a charitable organization.
3. No. Purchases for games of chance are not deductible even though a charity is benefiting.
4. Yes, but for only part of the golfing purchase. Steve would need to subtract the value of the golfing fees and any other benefits (e.g. food and beverage) he receives at the event.
5. Yes, but Sally would need to subtract the value of the fund raising dinner from the total amount she paid. In general, the charity should inform her how much of her purchase is deductible.

Want more information on tax deductibility of fund raising events? Go to IRS Publication 526: Charitable Contributions.

Department of the Treasury—Internal Revenue Service (997) **2011** OMB No. 1545-0047  
**1040 U.S. Individual Income Tax Return** , 2011, ending  
our first name and initial Last name Apt  
our first name and initial Last name  
turn, spouse's first name and initial  
if you have a P.O. box, see instructions.

# Celebrities & Fund Raising Events

For over half a century, entertainers and other celebrities have helped raise millions for all types of charities. Whether it was Bob Hope for the USO, Jerry Lewis for Muscular Dystrophy Association, or Danny Thomas for St. Jude Children's Research Hospital, Americans have responded generously. All of the above mentioned organizations meet the BBB Charity Standards. Here are some tips to consider when giving to celebrity-related fund raising events.

1. Don't rely on a celebrity as the sole indicator of a charity's reliability. Famed personalities know how to please audiences but not necessarily how to vet charities.
2. Be wary of newly established charities that as yet offer little beyond a celebrity connection. A good organization may be in the making, but only a track record can give assurance.
3. Fund raising events featuring stars can sometimes be expensive, but charities often consider that less-than-expected financial results can be offset by the value of public attention brought to the cause.
4. A celebrity spokesperson's misstep or misbehavior need not tarnish the name of the sponsoring charity. Weigh the whole situation and how it's handled.
5. Length and depth of service to the charity are useful indications of a celebrity's altruistic credibility, but in giving decisions, it's the charity that must gain your confidence.
6. Celebrities can be involved with charities in a variety of ways. Don't assume they all do the same thing. Some help raise funds by being present at a fund raising dinner; others may be involved in recording PSAs, or acting as a charity spokesperson in front of Congress or other forums. In some instances, a celebrity may help start a new charity and/or serve on a charity's board of directors.
7. If charities can capitalize on our culture's obsession with fame by using celebrated or recognizable names to catch our attention, there seems no reason they shouldn't. For donors there's just one tip and irresistible pun: when you make decisions about giving, don't let the stars get in your eyes.

# Raffles, Bingo, and Other Games of Chance

The chance of winning cash or a prize while helping a charity sounds like a win-win circumstance for everyone. The BBB Wise Giving Alliance provides this advice for donors participating in such activities.

## Deductibility

As noted in IRS Publication 526, "You cannot deduct as a charitable contribution amounts you pay to buy a raffle or lottery tickets or to play bingo or other games of chance." While this may put a damper on some of the enthusiasm, charities still benefit from these activities.

## Raffles

As long as local ordinances allow it, charities can sell raffle tickets at a bazaar or other fund raising function. It might be for a new car, television, or dinner for two at a local restaurant. If the charity uses the **U.S. mail** to market and distribute such ticket sales, however, it is in most cases illegal as noted in the sweepstakes section below.

## Direct Mail Sweepstakes

Some charities use sweepstakes as part of their direct mail campaigns. You will note, however, that such mailings do **not** require the recipient to donate to the charity in order to participate in the sweepstakes. If the sweepstakes offer required a donation or payment to participate, it could be subject to challenge under the U.S. Postal lottery statutes. Under these statutes, one cannot use the U.S. mail to sell lottery or raffle tickets. In addition to federal statutes, some states have their own regulation concerning sweepstakes. The Alliance

also reminds participants to read the official contest rules to determine both the odds of winning and value of the offered prizes.

## Bingo!

Bingo has been a favorite fund raising approach by some local charities. In some cases it may be an ongoing weekly activity. One thing to keep in mind is that sometimes a lot of cash flows at these games and in poorly managed events, some of the organizers have been known to "skim off the top" and pocket some of the funds. If the charity implements proper internal controls, they can reduce the risk of this taking place.

# Charity Auctions

With the rise of eBay and the popularity of "Antiques Roadshow" it's no surprise that a growing number of charities have been effective in using auctions to raise funds. Here are some tips to consider when participating in such fund raising events.

## Deductibility

The deductibility question for auction purchases can get a little tricky, but in general the rule of thumb is that, at best, only the amount above the fair-market-value of your auction purchase would be deductible as a charitable gift. The example provided in IRS Publication 526 states as follows:

*"At a fund raising auction conducted by a charity, you pay \$600 for a week's stay at a beach house. The amount you pay is no more than the fair- rental value. You have not made a deductible contribution."*

What this IRS example suggests is that, if the auction price was \$1,000 for the week's stay at the beach house, then \$400 of the auction winner's purchase would be deductible in this specific circumstance.

The tricky part comes when the auction involves items such as art and antiques where fair-market-value is not clear and the gavel price may in fact be determining the fair-market-value at that moment in time. If so, then none of the auction purchase would be deductible.

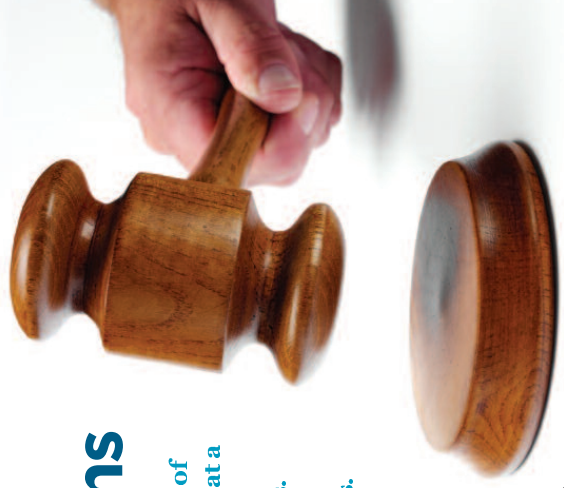
## In-Person

A live auction can involve the fast-paced, paddle waving and gavel pounding that is probably most familiar to everyone. In a silent auction, however, the bidding is not in front of an audience. Bidders view items on display, usually over the course of an evening, and submit written bids, with the highest bid winning the item.

## On the Web

eBay provides a means for everyone with Internet access to participate in an auction on everything ranging from used household items to luxury goods. Since 2003, charity auctions also have become available through the activities of MissionFish, an organization that works to help charities raise funds through a program known as eBay Giving Works. Among other things, MissionFish verifies the organization's charitable tax-exempt status and helps transmit donations to the benefiting organization.

Keep in mind that online charity auctions are susceptible to misuse and abuse as any other Internet transaction. You always have the option of checking with the charity to verify if they are involved with the auction activity that you are considering.







## Tips on Dinners, Galas and Balls

There is a nothing like a social occasion such as a dinner or a party, to get people motivated to buy tickets for a good cause. Charities of all causes and sizes have hosted such events to raise funds. From fried chicken dinners held by local volunteer firefighters to black-tie galas held by nonprofit hospitals and educational institutions, meals can help bring in the money. The Alliance offers the following advice to consider.

- 1. Remember the deductibility rules.** IRS Publication 526 explains that, for a charity event such as a banquet or ball, you can deduct only the amount that is more than the fair-market-value of the benefits you receive. For example, if you pay \$100 for a ticket to a charity fund raising dinner at a hotel, and the usual price for a similar meal at the hotel is \$25, then only \$75 of the ticket would be deductible. In most instances, the charity will disclose the amount of the purchase that is deductible on the event invitation.
- 2. Some events may be on the expensive side.** At a black-tie event, between the caviar, the wine and the entertainment, the charity's expenses can add up quickly. In response, some organizations will note, however, that certain events are not intended to raise huge sums of immediate cash, but to network with business executives and wealthier donors in order to serve as an introduction to a larger gift request in

follow-up communications and meetings. The event may be seeking to plant the seed for a future gift.

- 3. In other instances, a charity may be seeking to get publicity for its cause.** A gala celebration that includes a chance to meet a famous entertainer or popular figure can help sell tickets as well as bring media attention.

- 4. Some organizations are concerned about the public perception of a fancy gala even if they yield significant financial benefits to the organization.** This is especially true during tough economic times. The result—some charities hold “virtual fund-raising dinners.” On the Internet, the charity sends photos, elaborate menus, and make-believe activity descriptions to participants, but still asks everyone to pay for “tickets.” Without the expense of a real dinner engagement, the charity gets to keep more of the money raised to carry out its good works.

- 5. Donors always have the option of making a direct donation to the charity instead of participating in a fund-raising dinner or similar event.** Of course, the Alliance reminds donors to not be swayed by the popularity of a gala. Do not assume this popularity means the charity is well managed. Check out national charities with the BBB Wise Giving Alliance or contact a local Better Business Bureau if the charity host is a local organization.

## How to Read the List of National Charities

The following is an alphabetical listing of the charities that are the subjects of BBB Wise Giving Alliance evaluations. The list includes organizations that have requested to be evaluated as well as those that have received the highest volume of inquiries. The Alliance receives inquiries through the mail, phone, e-mail and referrals from local Better Business Bureaus.

### Please note the following explanations about this list:

**Name Inclusion:** Inclusion on this list should not be interpreted as approval or disapproval of a charity. The information in this listing is intended solely to assist donors in exercising their own judgment.

**Name Omission:** Omission from this list should not be interpreted as meaning that a charity meets or does not meet standards. In general, it simply means that the Alliance has not developed a report because it has not received recent inquiries about a charity or a charity has not requested to be evaluated.

**Latest Results:** This list reflects the latest charity report results as of May 31, 2012. Charity reports are available until their expiration dates, generally two years after their completion. All reports are based on the BBB Wise Giving Alliance *Standards for Charity Accountability*.

Are you looking for a national charity that's not on our list? Ask us about specific national charities not currently included. Encourage national charities we don't currently report about to contact us about enrolling online (there's never a charge for evaluation). In either way, you can help expand the list.

### Note to Readers about "See entry for..."

Charities sometimes use several names in their materials. In some cases the variation is only slight, such as using an acronym for the full name. In other cases, the names have no self-evident connection, as, for example, the official corporate name and a name used in fund raising. In still others, different individual names may denote different programs of the same organization. This list includes all names currently used by a charity, but the evaluation status of that charity appears only under the main entry. Yellow horizontal bars indicate an alternate name, and refer you to the evaluation listing.

## Definitions for the List's Column Headings

**Met Standards** — Charities with a check (✓) in the first column that appears next to their name met the *Standards for Charity Accountability* on pages 52-53.

**Standards Not Met** — Charities with number codes (1 or 2, for example) that appear in the **Standards Not Met** column did not meet the cited provision of the standards.

**Unable to Verify** — Charities with number codes (1 or 2, for example) that appear in the **Unable to Verify** column either did not provide all the requested information or the information provided was not sufficient to conclude that they met the cited standard.

**Review in Progress** — Charities with a “♦” in the column marked **Review in Progress** are being routinely evaluated based on current materials provided by the organization to the Alliance.

**"New Charity" Designation** — Charities with the designation “[new charity]” after their names were recently established. As a result, some standards were not applicable in the current evaluation. For example, the charity's first audit report may not yet be available.

**See pages 46-48.** — Charities listed with the notation “See pages 46-48,” did not respond to the Alliance's request for information or declined to be evaluated in relation to the Alliance's *Standards for Charity Accountability*.