Too Much of a Good Thing

Does Vermont need so many nonprofits? BY MOLLY WALSH

Cable television companies fund three Burlington-based nonprofits dedicated to providing public access on the airwaves. All three stations broadcast meetings, host shows and provide equipment so residents can create their own content.

“We’re essentially in the same business,” said Lauren-Glenn Davitian, who in 1984 started the first of the three stations, Chittenden Community Television, which later spawned Channel 17.

The advocacy of her nonprofit pioneered the way for similar channels around the state, including the other two in Burlington: Vermont Community Access Media and the Regional Education Television Network.

Now, as Davitian prepares to retire, she asks whether Burlington needs three separate cable access nonprofits, each with its own governing board, well-paid executive director and budget topping $750,000.

Her answer is no: The time has come for three to become one. But despite five years of discussion and an agreement to share some technical functions, the three organizations have been unable to agree on a full alliance.

Public access television isn’t the only arena in which Vermont has multiple nonprofits with overlapping missions, redundant administrative costs and intense competition for a limited pool of money. Nor is Davitian the only observer wondering whether Vermont has too many charitable organizations and, if so, whether they should combine forces more often.

While some mergers have taken place — successfully — in recent years, donors and nonprofit experts say that even when an amalgam looks logical, obstacles crop up.

Sometimes leaders don’t want to share control or risk giving up salaries that can be in the six figures. Just as often, boards may see the organization’s origin and mission as so distinctive it would feel like a betrayal to be absorbed into another entity. Disagreements over property, cash and bylaws can also trip up potential mergers.

Burlington philanthropist Bobby Miller does not mince words. “They are their own little fiefdoms, and no one wants to give that up,” he said, speaking of nonprofits generally. “Everyone wants to be the director.”

In the past four decades, Miller and his wife, Holly, have given $40 million to Vermont nonprofits. For at least 25 years, he said, he’s believed “there are too many of them, and there’s too much overlap.”

In the case of public access television,
according to Davitian, there are good reasons to consider merging, beyond the overlapping missions. As more cable viewers cut the cord and turn to streaming services, the projected decline in cable TV revenue could jeopardize future funding of all three entities.

“The question is not ‘How do we perpetuate CCTV as a charitable organization?’” Davitian said of Channel 17. It’s “How do we get the work done?”

Together, the three organizations had revenue of $2.6 million in 2016. The three leaders earned a total of $209,488 that year. Overall compensation was $577,534 for Davitian, $75,255 for RETN’s Jess Wilson and $76,499 for VCAM’s Seth Mobley, according to Internal Revenue Service Form 990s.

**Merging Missions**

There’s no way to measure whether Vermont’s nonprofit sector is operating at maximum efficiency. But simply counting and categorizing groups reveals some very active service sectors. Of the state’s more than 6,000 tax-exempt organizations, at least 85 address issues of housing and shelter, 63 deliver mental health services, and 220 are related to conservation and the environment. More than 500 focus on the arts, culture and humanities.

Vermont’s geography — and strong local communities — account for some of that duplication. But Miller wonders aloud why more organizations don’t merge, as Davitian is proposing. He said he’s nudged the leaders of Burlington’s childcare nonprofits to join forces, to no avail.

More dramatically, Miller said he’s considered withholding financial support — going on strike — to encourage entities to think about working together. “At one time I was thinking, OK, I’m not going to give any money until you guys settle in and at least look at one another,” he said.

Miller had nothing to do with the biggest merger of affordable housing nonprofits in Burlington history. The Burlington Community Land Trust, which Brenda Torpy cofounded in 1984, sometimes partnered with the similarly focused Lake Champlain Housing Development on building projects. But it wasn’t all collaboration. The two nonprofits also regularly competed for money. And that was a problem. As Torpy explains: “There’s only so many resources.”

The board president of Lake Champlain Housing reached out to Torpy to ask if she wanted to talk about a merger. She said yes. After months of meetings, the two organizations merged in 2006, and Torpy took the helm of a new nonprofit called the Champlain Housing Trust. In the first year, roughly 15 percent of the staff left, including the former executive director of Lake Champlain Housing.

Torpy is convinced the consolidation resulted in a much stronger entity. “We changed everything,” she said. “My mission with this merger was: We’re not going to just cobble together different things; this is the opportunity to remake this organization.”

In the 12 years since, the nonprofit on Burlington’s King Street has

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BOBBY MILLER

While the three organizations have similar missions, there are differences. Channel 17 videotapes and broadcasts municipal meetings. RETN focuses on education, broadcasting school board meetings and high school graduations. VCAM concentrates on cultural events, from the STRUT Fashion Show to the Burlington Discover Jazz Festival.

Last year, RETN and VCAM together launched WBTV-LP, a low-frequency radio station at 99.3 FM.

One of Mobley’s worries is that it could be more difficult to agree on entrepreneurial ventures such as the radio station if the three groups merge. Combining forces “isn’t out of the question,” he said, “down the road.”

Wilson concedes that there is some financial pressure to consider an alliance, but she isn’t sure “a full merger” is the answer.

Davitian’s read on the situation: “People hold on to territory, and people don’t always see things the same way,” she said. “I think it’s the human factor that is the main issue in the organizational development question.”

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Vermont has eight times as many nonprofits as it has dairy farms — and unlike the milk industry, the state’s charitable sector just keeps growing.

Vermont’s 6,044 nonprofits reported $6.8 billion in revenue and $13.2 billion in assets in their latest Internal Revenue Service filings. The federal Bureau of Labor Statistics estimates that nearly 18 percent of the state’s workers are employed by 501c3s.

Though they’re undergirded by generous tax breaks and government expenditures, these organizations are largely unregulated and rarely make the news — save for the occasional embezzlement scandal or multimillion-dollar donation.

In its “Give and Take” series, Seven Days is examining the state’s nonprofit ecosystem, from tiny local charities to one of the biggest enterprises in the state: the $1.29 billion University of Vermont Medical Center. Yes, it’s a nonprofit.

What do these mostly tax-exempt organizations have in common? Are there too many? What does their proliferation mean for Vermont? Is anyone watching to make sure they play by the rules?

Our “Give and Take” stories are answering these questions. Did you miss an issue? No problem. You can read the entire series at sevendaysvt.com. Click on the Special Report icon at the top of the page. Want to explore the source? Search our Vermont Nonprofit Navigator database online. Seven Days digital editor Andrea Suozzo built it so the news team could analyze revenues reported by the federally recognized nonprofit organizations that were based in Vermont as of May. Seven Days reporters and editors have been mining it, looking for patterns and aberrations.

You can, too, at nonprofits.sevendaysvt.com.

Suggest a story via email at nonprofits@sevendaysvt.com or leave a message at 802-488-5074.
Too Much of a Good Thing

drastically expanded its portfolio of affordable housing. When they merged, the two nonprofits had combined assets of $377.7 million that included 1,584 apartment units and 380 shared-equity homes. Now the trust’s assets total $107.6 million, with 2,250 units and 601 shared-equity homes.

With more muscle, the organization has also been able to partner on some financially risky ventures in response to community need. It joined the University of Vermont Medical Center in converting Burlington’s Bel-Aire Motel into transitional housing for mentally ill patients who get stuck at the hospital when they have nowhere to go. The trust also purchased the former St. Joseph School in Burlington’s Old North End when it went up for sale so it could continue to be used as community space for the neighborhood.

The trust’s larger size allows it to “really smooth out” more costly ventures with more profitable ones and creates a stronger organization, said Michael Monte, chief financial and operations officer. He was on the Lake Champlain Housing board when it merged with the Community Land Trust.

But, Monte cautioned, not every nonprofit needs to go that route. One of the driving questions should be: “Will this improve people’s lives in any way? It may be that it is really smart for a nonprofit to be small. To be nimble.”

Good Timing

The Vermont Forum on Sprawl started as a two-person operation in 1997, the same year Walmart opened in Williston’s Taft Corners after a bitter legal battle. Development pressures were so intense in Chittenden County that banker John Ewing and land-use planner Beth Humstone teamed up to advocate for compact development that banker John Ewing and land-use planner Beth Humstone teamed up to advocate for compact development around cities and village centers. The nonprofit later change its name to Smart Growth Vermont.

In 2005, Ewing and Humstone hired Noelle MacKay to lead the organization. Five years later, after both founders had stepped back, MacKay got a job offer in the administration of then-governor Peter Shumlin. The subsequent leadership vacuum motivated the organization to merge with the Montpelier-based Vermont Natural Resources Council.

With support from major donors and a small grant program designed to encourage nonprofit mergers, Smart Growth transferred its remaining cash assets and some of its intellectual property, including how-to kits to establish smart community zoning. VNRC also agreed to continue giving an annual Smart Growth award in honor of the late Art Gilbb, an Addison County legislator who pushed for Vermont’s state development review law and its law banning billboards.

Smart Growth negotiated to get two of its board members on VNRC’s board. All of these steps helped make it clear that VNRC was incorporating the other organization in a meaningful way, said VNRC executive director Brian Shupe. “It wasn’t just us absorbing them.”

The merger allowed VNRC to harness more funding and keep fighting for clean water and land conservation and against sprawl — and it has won some major victories to prove it has taken up the Smart Growth mission in earnest. Last year, VNRC helped save 149 acres at Interstate 89’s Exit 4 in Randolph from a massive proposed commercial and retail development of more than 1 million square feet, which would have been bigger than the big-box retail center in Taft Corners. Working with two other organizations, the Conservation Law Foundation and the Preservation Trust of Vermont, VNRC was able to broker a conservation deal to keep most of the land agricultural.

“I’m pretty proud of our role on that,” said Shupe, who earned $91,580 in total compensation in 2016 to run VNRC, which had revenues of $1.4 million and 13 employees that year.

The organization has joined forces with other nonprofits, as well, including the Association of Vermont Conservation Commissions. “They lost a lot of their funding and were volunteer-driven, and they were kind of running out of steam,” Shupe recalled. “They came to us and said, ‘We want to go away. We want to dissolve.’”

VNRC instead suggested a partnership that helped prop up and stabilize the association, which helps local conservation outfits preserve land or manage town forest and other property. The organization is still its own separate 501(c)(3) nonprofit, but some VNRC staffers serve on its board, and others help run the organization.

The motivation? Said Shupe: “We decided we didn’t really want to preside over their death.”

MISSION MASHUP

Can you match the Vermont nonprofit with its purpose?

COMPILED BY SARA TABIN

1. Promote the geothermal use of nanotechnology for human life extension.
2. Provide education and materials about the divisive nature of psychological conditioned thinking that is at the root of individual, social and global conflict.
3. Help people help themselves.
4. To sponsor a faith-informed retreat center and creative sanctuary for artists.
5. Engage in research, education and technological innovation to advance the use of human waste as a resource.
6. Bring the heart and soul into the mainstream of the world to guide all of our actions and expressions.
7. Integrate wisdom, love, and power.

A. Sword & Spoon Workshop
B. Center for Mindful Learning
C. Soul Support Systems
D. The Stiller Family Foundation
E. Terasem Movement Foundation
F. Rich Earth Institute
G. The Atrium Society

Answers on the bottom of the opposite page.

Natural Death?

Vermont nonprofit fatalities do occur, though. The Vermont Secretary of State’s Office reports that 78 tax-exempt organizations dissolved in 2017, and 75 went out in 2016.

When First Night Burlington announced in April that it was shutting down after 35 years, many Vermonters were shocked.

There were plenty of reasons for its demise — bad weather, dwindling ticket sales and the loss of a major underwriter — but for former Flynn Center for the Performing Arts executive director John Killacky, the main cause was simple.

First Night had “run its course,” he suggested — it died a natural death.

The same thing happened, with less mourning, when the nonprofit Rutland Area Farm and Food Link dissolved earlier this year, according to its cofounder and former board president Greg Cox. A Rutland County farmer for 45 years, he’s been involved in various nonprofits to promote local, sustainable agriculture.

RAFFL, founded in 2004, ran five programs designed to support local farms and connect consumers to their food. Cox became increasingly convinced that
providing a physical space to sell food year-round was important, while other board members thought it was too risky financially to take on a building.

That disagreement is part of the reason Cox left RAFFL about eight years ago to start another nonprofit, the Vermont Farmers Market Education Center, which serves as home for Rutland’s winter farmers market and offers a licensed kitchen for canning and other food entrepreneurship.

After Cox’s departure, RAFFL plugged along for several years but ultimately struggled to attract donations.

“There was confusion as to our identity, and there was competition among these different organizations going after the same funding sources,” said Larry Courcelle, RAFFL’s board president when members voted to dissolve. “I kept saying, ‘You have to look at the numbers.’”

In his new role, Cox reached out informally to RAFFL board members last year to see if they were interested in merging with his organization, which is located in a restored foundry in Rutland.

The merger idea never got beyond very preliminary chats.

“Letting the organization go was emotional, Courcelle explained, but knowing that other nonprofits could take over RAFFL’s programs, and even hire some of its seven mostly part-time employees, made it easier.

Sometimes, as Vermont nonprofits age, they lose passion for the mission that inspired their creation and become overly concerned about preserving jobs and the scale of their own organization, Cox said.

“Even though they are still good people wanting to do good things in a good way, they tend to become more conservative and less dynamic,” he said.

Some nonprofits could merge in Vermont, he said, and they could also be more frugal with salaries. His organization employs a coordinator, and the rest are volunteers. Cox said the board put in a grant for an executive director position but was turned down, partly because the salary they suggested for the position was deemed too low to attract a qualified person. “I said, ‘You’ve got to be kidding!’” Cox recalled. “It just makes me crazy.”

“Maybe we need a board of boards because they would be less forceful,” Redmond said.

Sometimes, as Vermont nonprofits age, they lose passion for the mission that inspired their creation and become overly concerned about preserving jobs and the scale of their own organization, Cox said.

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More likely, funders large and small will continue to determine how many nonprofits exist in Vermont.

High Meadows Fund, a 501c3 that promotes a healthy natural environment in Vermont, has given away $11 million since 2004, but its president, Gaye Symington, noted “there is a lot more demand for philanthropic resources than there are resources to provide them.”

In Burlington, philanthropist Miller has made the case that several youth-focused Burlington nonprofits — King Street Center, Sara Holbrook Community Center, the Boys & Girls Club of Burlington and the Greater Burlington YMCA — should combine forces.

But each organization’s mission is slightly different — and their leaders passionately defend those distinctions.

Similarly, Committee on Temporary Shelter and Spectrum Youth & Family Services offer shelter and services for the homeless. Would they be more efficient and productive as one organization, especially in the wake of recent United Way of Northwest Vermont funding cuts that hit both organizations? Total compensation for COTS executive director Rita Markley was $123,764 in 2015. At Spectrum, executive director Mark Redmond earned $141,219.

Markley explained that while Spectrum focuses on teens and young adults, her organization reaches out to adults and adults with children.

If there were a merger, she hypothesized, some donors “might fall away” because they would be less attached to a new organization.

“Often, what calls and resonates to people are the discrete missions that are the reasons nonprofits are formed,” she said.

Redmond joked that he and Markley would have “an arm-wrestling match” over who got the top job. “We love each other, but we’re two very forceful personalities,” Redmond said.

Despite his threats to withhold support, Miller hasn’t — yet. “We haven’t denied any of them over the years because we think they should consolidate with a different organization,” he said.

The Millers gave about $3 million last year to Vermont charities. “It’s tough when you’re giving,” he said. “It’s still about the kids.”

Contact: molly@sevendaysvt.com

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Scrubbed offshore

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demic director of Columbia University’s slack, according to Cindy Lott, ac-
gaged deterrent.”

scrutiny on the Bounty

Who’s watching Vermont’s 6,000-plus nonprofits?

BY PAUL HEINTZ

Thomas Trunzo saw warning signs everywhere he looked.

After joining the board of Emerge Family Advocates, a White River Junction nonprofit, he noticed that it was dominated by a few close associates of its executive director, Raymona Russell. For years, it appeared to Trunzo, they had given Russell carte blanche over its finances — and dismissed any board members who raised questions or sought to inspect the books. Most troublingly, he alleged in an April 2014 complaint to state authorities, Russell had been paying herself more than her board-approved salary.

“It took a long time for the [Vermont Attorney General’s Office] to get on the case,” said Trunzo, a Lebanon, N.H., attorney. “It went on for years without anybody responding to the red flags,” he said.

To Trunzo, the episode illustrated a lack of government oversight of Vermont’s sprawling nonprofit sector. Though the state is home to more than 6,000 federally recognized nonprofits, it employs a single assistant AG to ensure their compliance with Vermont law. And unlike most New England states, it does not require nonprofits to file regular financial reports.

The federal government does require them to file, but it lacks the resources to comb through the reports. Over the last decade, according to an Internal Revenue Service report, the agency’s enforcement staff has declined by a quarter. Since a peak in 2011, the number of nonprofit filings that IRS agents have examined has dropped from 11,699 to 6,101 — or about 0.77 percent of those submitted.

“Congress has refused to provide the resources the IRS needs to provide staff and oversight for much of its work,” said Jennifer Chandler, vice president of the Washington, D.C.-based National Council of Nonprofits. “It’s not that the IRS is doing nothing, but if they had more people, they could be a much more engaged deterrent.”

In the absence of federal oversight, it has fallen to state AGs to pick up the slack, according to Cindy Lott, academic director of Columbia University’s Nonprofit Management program. “It’s really become a state-level issue, on a lot of fronts, to make sure this is being taken care of,” she said.

Whether AGs are getting the job done isn’t clear: “Enforcement is very difficult to measure,” Lott said. That’s because highly publicized lawsuits and trials capture only a sliver of a regulator’s work. “At times, it’s quiet enforcement,” she said. “They’re not trying to kill off the charity.”

In Vermont, authorities eventually took Trunzo’s allegations seriously. The Attorney General’s Office launched an investigation of Emerge Family Advocates, a state- and federally funded organization that provided supervision for parental visits in child custody cases.

In October 2014, the AG accused Russell of writing paychecks to herself on an “irregular and inconsistent basis” and paying herself $5,000 to $10,000 a year in excess of her board-approved salary. Moreover, authorities said, the nonprofit’s board had “repeatedly failed to provide necessary independent oversight over the organization’s finances.”

“This failure threatens Emerge’s mission and has put its current funding in serious jeopardy,” then-AG Bill Sorrell wrote. In a court filing, he called for a suspension of the nonprofit’s services until new leadership could be installed.

“We decided the only way to protect charitable assets was to remove the board and put a receiver into place,” said Assistant AG Jamie Renner, who oversees nonprofit compliance in the AG’s consumer protection unit.

Russell defended herself in the press, characterizing herself as an overworked, underpaid nonprofit leader who had been “nothing but transparent.” But the court sided with the state and stripped the board of its authority. Within a year and a half, the court-appointed receiver obtained permission to dissolve Emerge.

No criminal charges were ever filed. Russell could not be reached for comment.

Though Trunzo eventually prevailed, he believes the situation could have been averted. “If Vermont had a more stringent reporting requirement, maybe the Emerge mismanagement would never have happened,” he said.

Things might have turned out differently, too, if the nonprofit had been based on the other side of the Connecticut River. In neighboring New Hampshire, home to the country’s first “charitable trusts unit,” its 10,000 nonprofits are required to register with the Attorney General’s Office and adopt a conflict-of-interest policy before they can conduct business. Each year, they must file a financial report — the federal Form 990 suffices for larger organizations — and disclose whether board members or their families have received excessive pay or loans from the nonprofit.

“We have a set of eyes review every report, and we ask questions,” said Tom Donovan, who heads the New Hampshire Department of Justice’s Charitable Trusts Unit.

Donovan’s staff of eight pore over the filings and look for potential conflicts of interest, bloated salaries, sustained deficits and potential theft. When the unit discovers something amiss, it provides advice, mandates training or takes enforcement action.

According to Donovan, his staff routinely uncover wrongdoing, though nonprofits are typically the victims, not the perpetrators. Embezzlement and other forms of theft are “very common,” he said, but charities often try to hide it because they’re embarrassed.

“Unless you go public with it and report it to the police, these people will do it over and over again, because some thieves know that nonprofits are easy marks,” Donovan said. “[Boards] don’t apply the sorts of oversight that they would in a regular business.”

Few states regulate nonprofits as aggressively as New Hampshire.

A 2016 survey by the Washington, D.C.-based Urban Institute’s Center on Nonprofits and Philanthropy found that 31 percent of states and territories had less than one full-time charity enforcement staffer, while another 51 percent had one to 9.9 staffers. Just 13 jurisdictions had a dedicated charities bureau, and 22 required nonprofits to file audited financial statements.

Vermont is a mixed bag. The state keeps a watchful eye on the commercial fundraisers that some nonprofits hire (see story on page 20), but it barely regulates the nonprofits themselves.

Like any corporation, they must file with the Secretary of State’s Office. But according to Deputy Secretary of State Christopher Winters, “Once you’ve filed,
we have no enforcement authority. We have no enforcement staff.”

Even the Attorney General’s Office has only “specific and limited” oversight responsibilities, according to Renner, the assistant AG charged with enforcing the Vermont Nonprofit Corporations Act. “Our primary role is to make sure that nonprofits use their assets in line with their charitable purpose,” he said.

Because Vermont charities are not required to register with or provide regular reports to the Attorney General’s Office, Renner has few opportunities to monitor compliance with the law. Much of his oversight work focuses on ensuring that when a nonprofit dissolves, it directs any remaining assets to entities that will use them in the manner intended by donors.

That didn’t happen when, in 2012, the United Way of Bennington County closed up shop because of insufficient funding. After most of its board resigned, money continued to flow into the shuttered nonprofit’s bank account. Its two remaining board members, Valerie Shemeth and Welthy Myers, decided to distribute the more than $48,000 to local organizations.

According to the Attorney General’s Office, the recipients included two entities led by Shemeth: Her nonprofit Gallop to Success received $11,800, and her for-profit Kimberly Farms received $7,000. Shemeth did not return calls seeking comment.

Myers, a retired nonprofit leader, said the situation had made her uncomfortable. “At the time, I told her I had great reservations about it,” she said. “In the nonprofit world, one gets very cautious about money going to directors.”

The Attorney General’s Office intervened and, last September, settled with the United Ways of Vermont, and both were prohibited from serving on a nonprofit’s board until they completed a training course on fiduciary responsibilities.

“We don’t draw a distinction as to whether it’s a nonprofit or not,” said spokesman Kraig LaPorte. “We look to see if it’s a violation of the law.”

The office’s biggest cases have focused on fraud committed by the state’s nonprofit hospitals. In 2005, the president and CEO of what was then Fletcher Allen Health Care, William Boettcher, pleaded guilty to defrauding state regulators over the projected cost of a hospital addition. He was sentenced to two years in prison.

More recently, Lebanon, N.H.-based Dartmouth-Hitchcock medical center and Brattleboro Memorial Hospital settled Medicare and Medicaid fraud cases.

The U.S. Attorney’s Office has also investigated whether leaders of a failed educational nonprofit, Burlington College, misrepresented the institution’s assets when applying for a bank loan. The probe, which has not resulted in charges, has drawn national scrutiny because the focus of the investigation appears to be Jane O’Meara Sanders, a former Burlington College president and the wife of Sen. Bernie Sanders (I-Vt.).

One of the most memorable federal prosecutions of a local nonprofit employee came in December 2015, when Hunger Free Vermont learned that its longtime finance director, Sally Hartford Kirby, had embezzled $165,000 from the South Burlington organization. The next year, Kirby was sentenced to 15 months in federal prison and ordered to pay more than $178,000 in restitution.

“Embezzlement shakes everybody to the core,” said Hunger Free Vermont board chair Darren Allen. When the organization realized what had happened, Allen said, it did not hesitate to disclose the news. “We all firmly believed that being transparent and timely with our supporters, our friends and the public was the only course to take if we were going to continue as an organization.”

Would greater state regulation have kept Kirby from committing the crime? Allen’s not so sure.

“This doesn’t just hit nonprofits. It hits town governments. It hits private corporations,” he said. “If someone is hell-bent — particularly if they’re a trusted and beloved member of the team — if they’re hell-bent on creating harm, I would never underestimate the ingenuity of human beings.”
Ring, Ring

Paid fundraisers take a big cut. Should you donate?

BY TAYLOR DOBBS

For seven years, Vermonters gave generously when the phone rang and they were asked to donate to the Professional Firefighters of Vermont. Between 2007 and 2014, paid solicitors collected nearly $1 million a year for the trade union’s charitable and professional work.

The fundraisers promised potential contributors free concert tickets and said donations would buy such things as scholarships, educational coloring books for school kids and winter coats for needy children.

Then the phone calls stopped. The firefighters found that once they had paid the professional fundraisers, only 22 percent of the total raised was left for their charities. The vast majority of what Vermonters contributed was spent on soliciting that money — not helping their fellow citizens.

“You have to pay for the venue, you had to pay for the people to make the phone calls, you had to pay for the phone lines, the paper to mail the stuff out, the postage,” Professional Firefighters president Bradley Reed said. “We made the prediction that if we continued to do it, then we would be losing money.”

While the firefighters union has stopped the practice of fundraising — and the charitable work it paid for — other organizations continue to rely on paid outside companies to bring in donors and dollars. Some smart organizations use the tactic in a targeted way, but others allow most of their donations to go to waste.

According to data collected by the Vermont Attorney General’s Office, just 37.2 percent of the $33 million raised by paid fundraisers in Vermont since 2006 has made its way to the intended charities. Some nonprofits have received much less — and, in a few cases, all the money raised went to pay the costs of fundraising.

Most of the fundraising calls Vermonters receive come from out-of-state charities such as the Sierra Club, Planned Parenthood Action Fund and Mothers Against Drunk Driving, though donors tend to give more when the caller is working for a local organization. A review of data from June 2012 through July 2015 by the Attorney General’s Office found that 55 percent of the money donated through paid fundraisers was intended for in-state organizations.

Some Vermont statewide nonprofits, such as Vermont Public Radio and Special Olympics Vermont, hire paid solicitors as part of a broader strategy...
that puts more emphasis on cheaper in-house fundraising through mailings, on-air campaigns, charity events and face-to-face contact with donors.

Still others appear to rely largely or entirely on paid telephone solicitation companies, as the Professional Firefighters used to.

The Vermont Troopers Association has raised $1.5 million from local businesses since 2006, using an outside firm to sell ads in a semiannual magazine that goes to its members. Police Publications, the fundraising firm, sends 26 percent of the total raised to the troopers union and keeps the rest.

Mike O’Neil, a retired trooper who is now executive director of the union, said the funds help support members by paying for hospital bills and, in a few cases, funeral and estate planning costs.

“We’ve had members end up in Boston with sick children and need to spend a month there, and we’ve picked up an apartment for the entire month right next to the hospital,” he said.

O’Neil acknowledged that some people question a 26 percent cut for the union, and he said he’s considered the possibility of bringing the fundraising and magazine operations in-house.

“Running that whole business … would require somebody in our organization to have the time to do that,” he said. “You’re also paying the salary of the people doing the phone calls, postage for sending out our magazine … and the actual printing of the magazine.”
Ring, Ring  

O’Neil, the union’s sole staff member, spends his time representing troopers. “It could really be a struggle to try to run the fundraising operation ourselves,” he said.

Experts in nonprofit fundraising say paid telephone solicitation is not necessarily a bad or foolish tactic, despite the low return.

All fundraising has a cost, they note. Data about paid solicitations by outside companies is public under state law. Nonprofits do not have to disclose what they spend on in-house fundraising done by staff members or volunteers.

It’s more important for interested donors to understand a nonprofit’s mission and whether dialing for dollars has a specific purpose as part of an overall fundraising campaign, those experts said.

Anne Wallestad is president and CEO of BoardSource, a Washington, DC-based organization that advises nonprofit boards on sound management practices. Even if an organization’s share of the take from paid solicitations is a very small percentage, she said, “What I would be focused on is, ‘Huh, I wonder how that compares to the overall number if you looked at all fundraising tactics.’”

Focusing only on the cost of paid fundraising ignores the size and stability of an organization’s donor base, she said.

“To the extreme, if you are a million-dollar organization, would you rather have one million-dollar gift or would you rather have a million $1 gifts?” she asked.

Finding a million $1 gifts would be extremely expensive — but an organization that depends on just one $1 million donor runs the risk of going out of business if that individual donor withdraws. Wallestad said it’s important for organizations to focus on that risk, too, not just the cost of fundraising.

Whatever its size and mission, an organization’s revenue stream should be viewed like an investment portfolio, according to Wallestad: Smart use of a number of fundraising tactics can lead to a healthy revenue stream, while reliance on any one method of fundraising is a bad idea.

Tom Siegel, CEO of the Los Angeles-based fundraising firm Donor Services Group, agreed. His company has raised $1.2 million from Vermonters for dozens of causes and has kept about half the money as fees.

“We recommend to our clients is: Always use a less-expensive medium first, and only use the phone as a last resort,” Siegel said.

Email campaigns that allow a single staff member to reach thousands of donors are far cheaper than phone calls, he noted, but they also have a far lower response rate. His company advises nonprofits to work from the bottom up, only using the phone to call members or past donors who have not responded to cheaper appeals.

“A well-rounded fundraising program uses all the mediums,” Siegel said. “It just does that carefully.”

At Special Olympics Vermont, paid fundraisers have brought in $2.1 million since 2007. Of that, about 40 percent, or $845,638, went to the organization. President and CEO Sue Minter said those campaigns make up a tiny portion of Special Olympics Vermont’s revenue.

“It is literally less than 2 percent of what we raise, and it is not something we rely on at all,” Minter said, noting that local events such as the Penguin Plunge bring in far more money for the nonprofit.

Then why use paid phone solicitors? Minter said it’s not just about the money. “In addition to reaching out to businesses and corporations, it is also doing education work,” she said. “The script fundraisers read from] talks about our summer games; it solicits volunteers.”

At BoardSource, Wallestad echoed the fact that different tactics have various side benefits and costs.

For example, an event that brings in $20,000 for New Leadership since January, asks those campaigners make up a tiny portion of Special Olympics Vermont’s revenue.

“Instead, McGowan, a self-identified “recovering” certified public accountant who has led Marlboro College’s Center for New Leadership since January, asks the caller to send its most recent tax filings and financial audit. After that, she tells callers, she’ll consider a gift. None has ever followed through.

Potential donors can also do their own research, she said. Every nonprofit has to file a Form 990 federal tax document, which can be viewed for free online through the GuideStar service. To enable more complex searching of local organizations’ 990s, Seven Days built its own database called the Vermont Nonprofit Navigator. It’s accessible to the public at nonprofits.sevendaysvt.com.

Many nonprofits publish program updates and annual reports online, which can help a potential contributor decide whether an organization is using its money to effectively fulfill its mission.

Siegel, the paid fundraiser, said donors should beware of organizations raising all of their money over the phone.

When that happens, he said, “The telemarketers are making a shitload of money, and nobody really benefits.”

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