FEDERAL TRADE COMMISSION

GIVE & TAKE:

CONSUMERS, CONTRIBUTIONS, AND CHARITY

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Federal Trade Commission

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FEDERAL TRADE COMMISSION

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WELCOME AND INTRODUCTORY REMARKS

MS. KOPEC: Good morning, everybody, and welcome to the FTC and NASCO's Joint Conference, Give & Take, focusing on consumer contributions and charity. My name is Janice Kopec, and I am an attorney with the FTC's Division of Marketing Practices. And it's my job to spend just one or two minutes giving you some logistical details about the day.

So before we get started, I wanted to remind everyone of just a couple of things. One, if you're here in the auditorium, I wanted to remind you that if you leave the FTC building without an FTC badge, you will be required to go back through security, including going through the full security process. So be mindful of exiting and entering.

Restrooms are just outside of the auditorium. Coffee is across and down the hall. And then the cafeteria, if you go out of the auditorium and go to the left, you'll find your way there.

In the event of a fire or an evacuation -- I have to say this -- of the building, please leave in an orderly fashion, go outside the main gates or whichever exit you're directed to, and turn left or head toward C Street. You will have to check in with somebody.

You will notice that the event today is being videotaped, webcast, and photographed, and recorded. By participating in this event today, you're agreeing that your image and anything you say or turn in may be posted on ftc.gov or one of the Commission's publicly available social media sites.

We're looking forward to a lively discussion today, and we welcome questions. There are question cards available in the hallway immediately outside of the auditorium, on the table with the FTC materials. If you have a question, fill out your card, raise your hand, and someone will come and get it.

For those of you participating by webcast, we welcome you as well, and you can email your question to consumergiving@ftc.gov or tweet it to #giveandtakeftc. The hashtag has the "and" written out, A N D.

With that, I'd like us to get started, and I'd like to introduce the Acting Director of the FTC's Bureau of Consumer Protection, Tom Pahl, who will kick us off today.

Tom?

MR. PAHL: Thank you. Good morning, everyone. Thank you for coming. Thank you for coming to our first conference addressing consumer protection issues relating to charitable giving. We welcome those who are with us in the room today, as well as those joining us online through the webcast. We are pleased to cosponsor this event with the National Association of State Charities Officials, or NASCO, our state colleagues with oversight of charities.

We are a generous nation. Total U.S. giving in 2015 reached $373 billion. Individual Americans contributed the vast majority of those funds, giving a staggering $264 billion. Per-capita giving by U.S. adults rose to $1,100, while household giving averaged over $2,100.

Charitable giving is critical to the common good. We must protect charitable giving from those who seek to abuse it. Charity fraud hurts donors, intended recipients, and legitimate charities. Equally important, it tears at the public trust that underlies the American commitment to charitable giving.

The FTC stands strongly with our state partners in protecting Americans from fraud. Last year, the FTC and all 50 states shut down four sham nonprofits that told donors they were helping cancer patients. And, in fact, these sham nonprofits were simply helping themselves. American donors lost over $187 million to these sham nonprofits. Legitimate cancer charities lost out on potential donations. And, most importantly, cancer patients did not get the help they so sorely needed.

For decades, the FTC has engaged in law enforcement and education to protect consumers from deceptive practices by for-profit fundraisers and sham nonprofits. To continue to be effective, we need to understand how technological advances and changing demographics affect our work against charity fraud.

With our NASCO partners, we are here today to enrich our understanding and explore what we should do differently and what we can do more of. We must protect donors from fraud so their minds can be at ease when they open their hearts and give generously to others.

So how do we do that? First by maintaining and continuing our efforts to make law enforcement, watchdogs, and charities effective in deterring, detecting, and challenging charitable fraud. Second, by maintaining and continually improving what we do to educate and empower consumers to protect themselves. Through enforcement, education, and empowerment, we can do great good.

This is an exciting time. Marketing and technology are evolving to create novel ways for charities to solicit contributions and for donors to provide such contributions. Today’s donors do not all respond to a direct-mail appeal and send in a paper check, although some of us still do. They may be moved by an online video or contribute through a crowd-funding platform. And afterwards, donors may share their experiences with friends and family through social media platforms.

To help us learn about and better navigate the current and future state of charitable giving, today we will hear from an array of panelists offering different perspectives and expertise: academics, technologists, marketing professionals, members of the charitable sector, state law enforcers, charity watchdogs, and intermediaries.

The panelists will discuss a broad range of topics that include the challenges law enforcers and regulators face in effectively preventing charity fraud in a time of great change; what data tells us about charitable giving practices; what claims motivate donors to give; what are the evolving ways that charities solicit and that donors give; and, finally, what will the future be like for charitable solicitations.

These topics are all critically important for the FTC, NASCO, and everyone joining us here today, and we can’t wait to get started. Before we do, though, it is my pleasure to introduce Colorado Attorney General, Cynthia Coffman -- it’s very early this morning. Since she took office in January 2015, Attorney General Coffman has been a champion for consumer protection and charity issues. She serves on the NAAG Special Charities Committee and has done so since it was established in December 2015.

General Coffman's office has an innovative consumer outreach campaign, including its Stop Fraud Colorado website that provides comprehensive information to help potential donors avoid fraud and deception when they are giving to charity. General Coffman's legal career began more than 25 years ago in the Georgia Attorney General's Office. As a courtroom attorney, she defended the state's Juvenile Justice System and Public Health Department.

Later working as an attorney for the 1996 Centennial Olympic Games in Atlanta, she acted as the primary liaison with the victims and their families following the domestic terror attack in Centennial Olympic Park.

General Coffman began her tenure in the Colorado Department of Law in 2005, when she was appointed Chief Deputy Attorney General. She served in this role for ten years. While performing as Chief Deputy, Colorado Law Week recognized General Coffman's accomplishments by naming her the best public sector lawyer in September of 2012.

So without further ado, I'm pleased to announce Colorado Attorney General Cynthia Coffman.

(Applause.)

MS. COFFMAN: Well, thank you, Tom, for the introduction. Good morning, everyone. Thank you to the Federal Trade Commission and to NASCO for putting together this landmark conference. What a great opportunity it is to really think about what it means for consumers to donate, as well as the new and evolving ways for donating and how that all fits into the way that government agencies think about charitable enforcement and donor education.

Through my office's partnership with Colorado's AARP Elder Watch, we recently conducted a survey on charitable giving in our state. And I wanted to share some of those details with you all this morning because I think they're informative for the discussion that you're going to have today.

The survey, entitled "Listen with Your Heart; Give with Your Head," which is almost as good as Give and Take -- I think that's a very clever name -- our survey found that four out of five adults in Colorado had donated to a charity or a cause with 74 percent of those respondents saying that they had donated sometime within the preceding 12 months. That’s pretty phenomenal. We’re generous in Colorado.

Three in five of those people made contributions without asking how much went to the charity versus a paid fundraiser. And almost half -- 46 percent -- donated without ever verifying that the charity was legally authorized to raise money in Colorado.

Finally, 27 percent of the donors admitted that they make spur-of-the-moment decisions to donate, rather than conducting a lot of research before giving. I’ve never done that.

As many of you sitting in this room know, these results contradict what we advise donors to do, to be generous but be cautious; to take time to do your homework; don’t give in to high-pressure solicitations; ask questions about how much money goes to professional fundraisers; and so on. All that good advice that we give.

Additionally, part of the survey included a quiz to gauge what respondents knew about keeping themselves safe from fundraising scams. This, too, revealed that consumers don’t necessarily know critical information that can help them determine whether a charity is legitimate or fraudulent.

For example, 80 percent of our respondents said that the best way to determine trustworthiness of a charity is to look at its financial performance, which we all know is not really a good indicator. Donors need to look at ethics. They need to look at governance and the charity’s results to make that determination.

Additionally, over a third of the respondents didn’t know that high administrative costs and low spending on charitable programs could, in fact, be indicators of fraud. What these results tell me is that we should be doing exactly what we are doing here today, taking a closer look at consumer giving and thinking about how that could inform a more robust outreach strategy. We need to explore different ways to reach consumers and how to let them know what information they should be looking at when they research a charity.

What our survey also demonstrated is that we need to heighten awareness of enforcement efforts, both to let donors know where they can go with their concerns about charities and to let them know that we’re out there holding bad actors accountable. Our survey found that 60 percent of Coloradans were very concerned about fraud or theft of charitable funds or services. But one out of five respondents didn’t know where they could go with their concerns about charities.

Somewhat troubling to me was the fact that only

13 percent of those folks knew that they could file a complaint with the Attorney General’s Office. And only 3 percent knew that they could go to the Secretary of State’s Office, which also has authority over charities in Colorado.

We do considerable outreach around fraud reporting now, as well as the enforcement efforts that we take against charitable fraud. So these results tell me again that we need to be rethinking our approach. The data that we collected in Colorado strongly suggests the need for clear and consistent education about donating to charities and reporting any concerns.

I think we all know that we turn these numbers around by working together, by coming together just like this to think about how we can better reach the public and raise awareness about our role in ensuring a strong charitable sector.

Even though our survey found that most donors still prefer to receive solicitations in a letter or an email and to send in a check or give money to a charity in person, as Tom said, the ways for charities to solicit and donors to give are rapidly changing. The conversations that we will have today are critical to ensuring that we stay ahead of the curve, that we continue to protect consumers from giving their hardearned dollars to fraudsters instead of the cause that is near and dear to their hearts.

My office has a long history of successful partnerships with the FTC in enforcement and education, including the historic multistate enforcement action that Tom mentioned against Cancer Fund of America and its related so-called charities. I'm so honored to be kicking off yet another example of FTC's strong partnership with the states and with state attorney generals in protecting consumers.

I, too, can't wait to get started on this agenda and what promises to be a very interesting and informative day with you. Thank you all so much. Enjoy learning together. And I appreciate the opportunity to be with you and learn myself. Thank you so much.

(Applause.)

PANEL 1 - COMBATTING CHARITY FRAUD - ENFORCEMENT ISSUES

MS. GOLDMAN: Good morning. And thank you all for being here and for watching on the web. My name is Karin Kunstler Goldman. I'm the Deputy Bureau Chief of the Charities Bureau in New York State, and I've been in that job for quite a while, or at least at the Attorney General's Office for quite a while.

And when I was talking with my granddaughter -- my nine-year-old granddaughter, Sadie -- the other day, she was asking me why I was going to Washington. And I tried to explain to her what we were doing here, and she said, "Well, how was it in the olden days when you didn't have the internet?" And, so, I realized that when I started at the Attorney General's Office in New York, it really was the olden days.

Tomorrow is the 35th anniversary of my arrival at the AG's Office. And when I was looking through the material for this conference, I thought about the vocabulary that's being used -- online solicitation, social media giving, millennials, dot-com, dot-org, crowdfunding, viral giving, mobile giving. That was the only one I recognized because my memory of mobile giving was when my father would reach into his little bucket of coins when we were in the car and threw some coins into buckets that were handed to him at stoplights. So that was mobile giving in a different way.

So I couldn’t have imagined when I started at the AG’s Office what we would be doing today. And as you heard, Americans are extraordinarily generous. They were extraordinarily generous when I started at the Attorney General’s Office, and they’re extraordinarily generous today.

And as Alissa Gardenswartz -- and I’ll introduce our panelists when they are coming up here -- as Alissa will tell you, AG’s offices are still doing what they did when I started work. They’re still addressing fraud, bringing action against people who commit fraud, and as you heard and you will hear many times today, there was a historic moment when we brought the 50-state and FTC case against Cancer Fund of America. And that certainly couldn’t have happened 35 years ago because most of the communication was over the internet, and we could not have made 50 calls to gather people together as we did when we had multistate cases when I started.

But how people are giving is changing. There are many, many ways to give over the internet, to give electronically. There are still those letters that come in the mailbox, and people are still giving with checks, but giving is evolving. And state regulation in the charity sector will continue.

And, so, I’ve been asked to talk to you a little bit about a report that was issued by The Urban Institute that I had the good fortune to work on, and Cindy Lott, who is here, spearheaded that report. And what the report looked at was the structure of state charity offices, how are we organized around the country, what is the oversight authority of state charity regulators, and what tools are used by them to do their regulation.

The study was of the states and the territories, a survey of 47 jurisdictions. We looked at the staffing differences, size, shared oversight with other agencies, registration of charities and fundraisers, or not. Some states do not have registration. And I can’t do justice to the report in the few minutes that are assigned to me, and for those of you who are not up here, there are some big red numbers facing us, timing us to make sure we stick to schedule.

But I want to give you a flavor of the range of what was found out during this study, and I urge you to take a look at it. I think it’s been sent with your materials. If it hasn’t, it’s easily accessible on The Urban Institute’s website. So one of the slides was just put up. You look at those bubbles, and you’ll see that the attorneys general have a lot of jurisdiction and a lot of areas that they exercise that jurisdiction, often alone, and you see the AG-only lines. You'll see the shared lines, and you'll see AG and other state participation in enforcement.

Enforcement is the responsibility of the attorneys general throughout the country, but we don't always do it alone, and we have share jurisdiction. So one thing that was really interesting in the study was that -- oh, I don't have the clicker -- we asked about the most common areas of enforcement. And not surprising, if you look at the first one, fundraising abuses. That is the area that most states enforce and enforce most vigorously.

But it's interesting that General Coffman mentioned governance. And that's the second-most common area of enforcement. And they go hand in hand. If you don't have good governance of an organization and you don't have oversight and you don't have internal controls, you're not going to engage in -- or exercise your fiduciary duty, and it's more likely that organizations will commit fraud.

But you can see there are other areas that we're not talking about today that are within the bailiwick of attorneys general: trust, diversion of assets, not only solicited assets, but assets of foundations and other entities that do not solicit, and then registration is among those areas of enforcement.

And the fundraising methods regulated by our offices -- state offices, attorneys general and their sister agencies that also are involved. And this slide shows you that the types of solicitation are very broad. They’re enforced by -- or the abuses of those forms of solicitation are enforced throughout the states, and we’re focusing today on the evolving methods of solicitation, but some states are already addressing those new methods.

And I think we’re going to talk about how we can more meaningfully, not only enforce the laws -- the fraud -- get rid of the fraud and solicitation, but also work together with the FTC, with other agencies, and work together with the sector and the people who contribute to educate them and what they should know about charities before they make their contribution.

So the next slide shows approaches to enforcement, and you can see there’s a very wide range of methods that are used by the states. They don’t always start with service of a subpoena or starting of an action, though there are certainly cases in which that’s warranted. But most offices reach out to the organizations that are active in their states, reach out to get them into compliance. And the range is quite broad, and I think we're going to discuss some of those ways of enforcement as we go through.

And the last slide I wanted to show you -- and, again, I say this does not do justice to the report. You've got to read the whole thing, right, Cindy? She's nodding yes. There's inter-office cooperation. We don't always do it by ourself in AG offices, and that you saw with the Cancer Fund case. We worked together with other states, with other agencies within our states, to enforce our laws.

So this -- I'm really excited to hear what people are going to discuss about how we get out of the olden days that Sadie asked me about and get into where we are today in this technological age.

Tracy Thorleifson of the FTC, who was the lead counsel in the Cancer Fund case, will talk about her agency. And we decided that I wouldn't read the bios, which I think have been distributed to all of you because those red numbers are going down. So Tracy's going to speak first; then Alissa Gardenswartz of the Colorado Attorney General's Office, who has been active in the Attorney General's Office for many years and was President of NASCO. She now holds the most coveted title in NASCO as Former NASCO President. She will speak about cases that have been brought recently by the states.

Lloyd Hitoshi Mayer, who is professor of law at Notre Dame, will give you insight to his thoughts about regulation in this new age, whether he thinks we can or can't regulate certain activities.

And David Vladeck, who teaches at Georgetown, will talk about First Amendment issues, constitutional challenges to our regulation, so how can the states enforce but also stay within the constitutional protections offered to charities.

So I think this is a panel to kick off, to talk to you about what we do, what we think we can do, what maybe we can't do, and the rest of the day we'll figure out how we all work together. And all of you here in the audience, and I'm sure those of you who are watching on the web, represent the charities, they represent academics, you represent other enforcers, you represent the broad spectrum of people involved in this sector. And I think the goal of this conference is to see how we can all work together. I think we all have a common goal. Thank you, and Tracy.

(Applause.)

MS. THORLEIFSON: Good morning. My name is Tracy Thorleifson. I'm an attorney with the Northwest

Region of the Federal Trade Commission. And as Karin explained to you, state authority over charities, I'm going to talk to you a little bit about the FTC's authority in the charitable sector and explain to you why we're here today at the Federal Trade Commission and cosponsoring a conference with the National Association of State Charities Officials.

The FTC is the nation's consumer protection agency. That means that we want to protect consumers' interests, whether they are paying for a good or service or making a donation. Our enabling statute, the Federal Trade Commission Act, is very broad and empowers the FTC to prevent unfair or deceptive acts or practices in or affecting commerce by persons, partnerships, or corporations.

There is one catch when it comes to charities, however. The FTC Act defines a corporation subject to it as an entity organized for the profit of itself or its members. That pretty much leaves out legitimate charities. It does leave open, however, sham charities, sham nonprofits, and for-profit fundraisers.

Courts have interpreted "organized" to mean not just how an entity is organized in paper but also how it is operated. They look at the company's actual practices and care whether or not individuals are being paid and profiting, regardless of the status of the corporation.

Similarly, courts have interpreted the word “profit” to go beyond simply paying money. The word “profit” has been interpreted to include nonpecuniary compensation, for example, providing loans to officers or directors, employing family or friends of officers or directors, or other actions that benefit the private individuals running the charity.

In addition to the FTC Act, we also enforce the Telemarketing Sales Rule. The TSR, whose jurisdiction is coextensive with that of the FTC Act, covers charitable solicitations made by for-profit fundraisers via telephone. The TSR specifically prohibits false and misleading charitable solicitations and imposes certain calling restrictions on fundraising calls by for-profit companies.

Fundraising calls are exempt from the National Do Not Call Registry, but other do-not-call provisions apply to them. If you get a call from a fundraiser and don’t want to hear from that charity again, tell the fundraiser to place you on its internal do-not-call list. And if they call you a second time, call us or report it at www.ftc.gov.

The TSR also provides state attorneys general with standing to take action in federal court against TSR violations. Our authority under the FTC Act, the states' authority under their own laws, and both our authority under the TSR was exemplified perfectly in the recent Cancer Fund case. I didn't realize that there would only be four speakers and we've already mentioned Cancer Fund four times. So I will not bore you too much with it, although there are many fun details.

All 50 states, the District of Columbia, and the Federal Trade Commission joined together to allege that four sham charities and the individuals who ran them violated the FTC Act, the TSR, and the laws of every state in the nation. The crux of the case involved the lies that the Cancer Fund defendants and their fundraisers told donors -- lies about how donations would be spent, from promises of pain medication for children suffering from cancer, payment for hospice care for dying cancer patients, promises of direct financial aid to indigent cancer patients, claims of providing medical equipment or even transportation to chemotherapy appointments, anything to tug at donors' heart strings.

But the claims were false, and charities were, we alleged, organized for the profit of the individuals who operated them and their family members, friends, and their fundraisers. At the end of the day, the sham charities provided virtually none of the specific hearttugging claims -- programs described to the donors. No pain meds, no hospice care, no medical equipment, no transportation to chemotherapy, et cetera, et cetera.

Instead, the money was spent on fundraising costs, salaries and benefits for the family members of the people who ran the charities. Regardless of the qualifications, family members -- the entire family was employed at each charity.

While I could keep telling you hair-raising facts about the Cancer Fund defendants, the case has a somewhat happy ending. The case settled. The individuals are banned from ever soliciting charity or handling charitable funds. And the corporations are in receivership. Their assets have been liquidated, and their very existence will be shortly dissolved. Never again will these individuals or these companies steal in the name of charity again.

Cancer Fund continued a long tradition of FTC/state cooperation in the fight against charity fraud. We routinely have brought enforcement sweeps targeting charity fraud, ranging from badge-related fraud back in 1997 to telemarketing and other charity fraud throughout the years. We also routinely bring action against for-profit fundraisers, as well as action against for-profit fundraising violating do-not-call provisions of the

Telemarketing Sales Rule. And we will continue to do so.

So on the horizon, we will continue to partner with our colleagues in the states. We will bring cases where appropriate and possible, and we will continue to work to educate consumers to protect themselves against charity fraud. And I look forward to working with all of you today as we talk about these topics and in the future.

(Applause.)

MS. GARDENSWARTZ: Sorry, folks, I'm going to click through here to find my PowerPoint. Oh, there's some nice animations.

All right, then. Well, I will talk through some -- first of all, my name is Alissa Gardenswartz. As Karin mentioned, I am in the Colorado Attorney General's Office. I'm the Deputy Attorney General for Consumer Protection. And first let me say thank you so much to the Federal Trade Commission to working with NASCO to put on this conference today. We very much appreciate this opportunity to get together with our federal partners to talk about these very important issues.

I also want to say that the opinions and thoughts that I'll express here today are mine and mine alone. They do not necessarily represent those of the Office of the Colorado Attorney General or the Attorney

General herself.

So I will try to make this as exciting as possible without my PowerPoint, but I’m going to talk about several cases that have -- that state AGs and other state enforcement authorities have brought over the past year or so. And they roughly fall into three categories. There are actions that were taken against just a charity; there are actions that were taken just against paid solicitors; and then I’m going to talk about one action that was taken against both a paid solicitor and a charity.

And something that I want to -- I was going to mention at the end of my presentation, but I don’t want to be accused of burying the lead, which I think lawyers are sometimes accused of doing. As you will see, these enforcement actions are largely -- well, they’re all addressing traditional methods of fundraising, that is, telemarketing or direct mail. And while we will be spending a lot of time today talking about new methods of fundraising and how that informs the education and enforcement, the traditional modes of fundraising are very much still on the minds of state regulators because as General Coffman mentioned, a lot of folks still are solicited through these methods and prefer to give through more traditional methods. And, also, too, I think these methods tend to target some of our more vulnerable populations when it comes to charitable giving.

So the first action I'm going to talk about is an action that the Michigan Attorney General's Office took against a charity called VietNow. And when I say they took action against this charity, literally, their notice of intended action was filed less than a month ago. And this is an action that arose out of Michigan's investigation of a paid solicitor, Corporations for Character, which I will discuss more in a little bit.

They are an Illinois-based charity. And what the Michigan AG's Office found was that when they reviewed the scripts that were being used for soliciting for the charity, there were misrepresentations in those scripts, namely in the scripts that were used by Corporations for Character, that the donations were going to be used for the benefit of local Michigan veterans, that is, they said that 12 percent of the revenues raised after expenses would be used for local veterans.

They also were representing that the funds would go to local Michigan veterans who were suffering from PTSD and Gulf War illness. When questioned by the AG's Office, the charity admitted that this was, in fact, not the case. They were not giving money to local

Michigan vets. But, nevertheless, that’s what was said in the scripts that were approved by the president of the charity.

Additionally, the charity used another paid solicitor, Courtesy Call. And in those scripts, the paid solicitor was representing that the charity was giving money to medical facilities and treatment for veterans, as well as money to help treat those that were suffering from Agent Orange when, in fact, the charity did not do that; it simply provided information on those issues.

The one thing I wanted to note -- the additional thing that I wanted to note about this particular case is in the complaint, the Michigan AG’s Office noted that de minimis amounts were actually going to any sort of charitable program. And this is -- I think most of us, in fact, all of us in this room probably know that it is not illegal in and of itself to have large amounts of money go to a paid solicitor and small amounts of money go to the charity, but it was interesting that the Michigan AG’s Office cited to de minimis, if any, amounts going to a charitable purpose as evidence of violations of Michigan’s charitable fraud statutes.

So the next action I want to talk about, again, just against a charity, is the New York AG’s action against the National Vietnam Veterans Foundation or Americans Veterans Support Foundation. Again, this is an action just against the charity, although the settlement that the New York AG's Office entered into with the organization and two of its officers provided that they would cooperate with ongoing investigations of the professional fundraisers used by the charity.

This is a case again where the paid solicitors were taking about 88 percent of the money that was raised through telemarketing campaigns, and the -- what the New York AG's Office said was that the remaining amounts that actually went to the charity were further diminished by fraud and misuse.

And specifically what was happening is that the money that was being raised was going primarily to fund the living expenses of the charity's founder, John Burch, who was using the charity's money to fund his life insurance, his medical insurance, parking, housing costs, as well as lavish dinners and expenditures at nightclubs.

In addition, the money that was put in the organization's emergency assistance fund Mr. Burch was using to pay friends and relatives, as well as to make large payments of money -- on the order of $10,000, $20,000 -- to women that were not associated with veterans or Vietnam veterans.

The New York AG's Office in its settlement provided for dissolution of the charity in its entirety. Mr. Burch, who was himself a veteran, issued a public apology to the veterans community, which I thought was a nice touch, for abusing his position. He also paid a penalty. And another interesting fact about this case is that the settlement provided for both Burch and another officer of the charity to be permanently banned from serving as officers or directors of a charity in all 50 states, not just New York. So very strong relief in this action.

Next I want to talk about, I'm sorry, another veterans charity that Florida brought an action against. The name of the charity is Florida's Veterans Assistance Corp, and VFW/VA Assistance Programs. This is the one case that I'll talk about where the charity is domiciled or incorporated in the state where the enforcement is also housed. So Florida Department of Agriculture, which oversees charities in Florida, brought an action against this charity.

This, based on reading the final judgment, was essentially two guys who got together and put together a boiler room with unregistered paid solicitors and called people purporting to raise money for veterans issues and made all sorts of misrepresentations when they made these solicitations. They said that they were members of the U.S. military; they said that they were going to be providing very specific veteran benefits to veterans that were never provided. And they also misrepresented the tax deductibility of folks' donations.

There was a permanent injunction entered against both the two principals that put together this operation and the organization. A $400,00 penalty was imposed, and the Florida Department of Agriculture also arrested both individuals involved -- Daniel Soat and Gul Moryani -- for criminal fraudulent activities.

So the final charity-only action that I will talk about is, again, Michigan's action against the Breast Cancer Outreach Foundation, which is a Florida charity. And that action arose out of the Michigan AG's investigation of Courtesy Call/Corporation for Character, other paid solicitors. But what they found was that this organization in its scripts was representing that they were raising money for breast cancer research and to find a vaccine for breast cancer. And, in fact, that was not the case.

The AG's Office found that the vast majority of funds, again, went to pay for either paid fundraisers or a gift-in-kind program that had a tenuous relationship to the charity’s mission. They also found that the charity had improperly allocated costs, doing something called joint cost allocation, had improperly allocated about 40 percent of their fundraising costs as program services costs. The Michigan AG’s Office found that that was improper and evidence of fraud.

The ultimate settlement there was that the charity will pay $150,000 to the AG’s Office, with $125,000 of that actually going to breast cancer research.

I’m told I have minimal time, so I will talk about one action against a paid solicitor and then the final case I want to talk about we had actions against both the paid solicitor and the charity. So Minnesota brought an action in 2016 against Associated Community Services. And it arose out of looking at solicitations for a charity called Foundation for American Veterans.

In this particular instance, the Minnesota complaint really details how the paid solicitor used this relatively small charity to churn fundraising dollars that ultimately went to the paid solicitor. The complaint talks about how the organization very aggressively solicited consumers, both in terms of the frequency of solicitation; they increased their auto-dialer capacity in 2015 so they could make more calls to consumers each day, which resulted in in 2015 21,971 requests from consumers that they be put on the organization’s internal do-not-call list. That was up from 3,985 requests in 2014.

The ultimate resolution was that the paid solicitor was barred from soliciting in Minnesota for two years and also required to pay a $200,000 penalty.

The final case I want to mention is again New York AG’s Office, their case against Quadriga Art and Disabled Veterans National Foundation. This was a case against both a paid solicitor and a charity, and what I’ll tell you is if you read the complaint, what you’ll see is that the story the New York AG tells is that of a small, well-meaning charity, DVNF, who essentially was captured by these direct-mail companies, whereby the direct-mail companies, again, used the charity to generate significant fundraising dollars, the vast majority of which went back to the paid solicitor, so much so that the -- between 2007 and 2013 the organization, through these direct-mail companies, raised $116 million, paid $104 million to the direct-mail companies, and still owed the charity $13.8 million.

So part of the settlement here was in addition to a historic monetary payment -- $25 million was what the direct-mail companies ultimately paid with a very large chunk of that going, again, to actual veterans assistance programs, the New York AG sort of took the approach of if you can do these businesses right, then you can go ahead and do them. So they required Quadriga Art and its related companies to import significant reforms to their funded model that they used with startup charities to make disclosures to startup charities to ensure that the process that they engaged in was without the conflicts that they found -- that the New York AG's Office found in this case. And the New York AG's Office gave the opportunity to the charity to get a new board, create an audit committee, and to try again to have a legitimate charity that raised money that ultimately went to its charitable purpose.

So those are some of the more recent enforcement actions that state AGs have been doing. I will just note again, emphasis on traditional fundraising models and also, too, interesting choices about whether or not to enforce against the charity, the paid solicitor, or both, depending on the facts of each case.

Thank you so much.

(Applause.)

MR. MAYER: Good morning. My thanks to the FTC, NASCO, and especially Tracy and Janice for putting together this great conference. In my few minutes this morning, I want to address the legal challenges that new fundraising techniques already being employed by charities and individuals wanting to support charities and perhaps people wanting to support themselves are already being deployed. A later panel today will deal with some emerging challenges down the road from new technologies.

These new techniques that I want to focus on are social media viral campaigns, crowdfunding, and the emergence of hybrid entities. For each of these, I'll give a few examples, highlight a couple of critical legal questions, and give at least my initial thoughts on how these questions might be answered.

So turning first to social media viral campaigns. These are campaigns where a motivated individual or individuals try to generate a lot of support for an existing charity. They're not compensated for doing this and they generally don't handle the donated funds themselves. So in some ways, they present the least risk to charitable giving.

One prominent example, you're probably all familiar with it, is the ALS ice bucket challenge. This was actually started by a professional golfer, and in eight weeks, it raised $115 million for the ALS Association. That amount's particularly noteworthy because the ALS Association's annual budget at the time was only $20 million.

The ALS Association has now made this an annual event, in case you weren't aware of it. So if you want to dump ice over yourself this August, feel free to do so.

But another prominent example which you may have heard of is Movember. It was started in 2003 with a bunch of guys in Australia that wanted to bring back the moustache. It has now grown into an international movement and has raised over $700 million, including some in the U.S., to support men's health issues. And it's done every November, as the name suggests.

Now, interesting enough, despite these high-profile successes, as far as I could find, there are no notable scandals in this area, and this may be because the very success in this area depends on a high profile, right? Everyone knows about it, and everyone includes the media and regulators. So they'll likely -- and they're likely to be paying attention to what's going on and whether the funds are truly going to the charity named. And all -- these sort of campaigns are designed to direct money to an established charity.

Now, one thing I should say, though, is that existing laws that we've already talked about, that Tracy and Karin have mentioned, probably don’t reach the individuals in these cases. They’re not the charities themselves. They’re not getting compensated to raise money, so they’re not going to be considered a professional fundraiser, and they’re not collecting the funds themselves either. Usually they’re just simply saying go give to the charity. Sometimes they’re just trying to raise awareness about an issue as well.

The charities that benefit may be reached by these laws, though perhaps not by the laws of every state. For example, you could have a charity that’s very local that there’s a viral campaign for and donations flow in from many states, but if the charity hasn’t asked for money from those states there’s a question of whether the constitutional minimum contact standard has been met. So they may not be reached by the laws of every state and where people are actually responding to this campaign.

Now, all that said, I can imagine one scenario -- and this is in the written materials posted with this conference -- one scenario where a problem could arise here. And that’s where the benefitted charity is relatively small and unsophisticated. The ALS Association was already registered, I think, in every state it was required to be registered in and it was already on the radar screen of all the state charity officials that had laws requiring reporting. But if you had a small charity that might not be as sophisticated, it might be overwhelmed by the amount of support coming in.

So to give an example, the GLBT Community Center of Central Florida was the beneficiary -- well, it was more like a crowdfunding campaign, but a beneficiary of a whole bunch of donations in the wake of the Orlando shooting. And it turned out it couldn’t quite handle it. It was actually the subject of a Florida enforcement action, so this went beyond the traditional fundraising situation example of Florida actually stepping in when there was a nontraditional fundraising scenario.

And there were some problems. It hadn’t registered as it was supposed to. It hadn’t posted some disclaimers and given some disclosures as required to. And there was a question about whether some money it collected for a particular purpose had actually gone to that purpose for a particular victim.

Now, it turns out all that was sorted out once these issues were brought to its attention, so there was no actual harm, I think, at the end of the day, but it’s an example of an unsophisticated charity perhaps being subject to unexpected success and not quite being able to handle it.

The second thing I want to address is crowdfunding. A notable example here actually coming out of the Orlando shooting as well was Equality Florida. Equality Florida raised about $9 million in the wake of the Orlando shooting to help the victims of that shooting. Correcting something on my slide, about $8 million on that -- not all of it, but about $8 million was done through a GoFundMe campaign. And, so, that was seen as highly successful obviously, and the funds, as far as anyone knows, went where they were supposed to go.

There is at least one notable, though, moderate in amount scandal. There was in the wake of the Boston Marathon bombing an individual who tried to scam money out of various sources, including maybe running a GoFundMe campaign. And that campaign raised a little over $9,000. Now, she was caught, and she actually pled guilty eventually. And the amount is relatively modest.

But part of what happens here with crowdfunding campaigns is how quickly they can develop. And they don’t have to be for a charity. So, for example, it’s common to do crowdfunding campaigns to benefit a particular named individual. So in the wake of the Olathe, Kansas, shootings, for example, there were four GoFundMe accounts set up, and within three days, they had raised more than $1 million for the victims of that shooting.

Nothing to say that anything was illegitimate there, but it shows how quickly the money can flow in, at least when you have a high-profile event. Do the existing laws reach to these sort of crowdfunding situations? Maybe, maybe not. It depends a lot on what the scope of those existing laws are and whether the entities or individuals raising the funds are holding the funds themselves. You can imagine individuals raising funds for a charitable cause or a charity would likely hold the funds themselves before transferring it, hopefully, to that benefit.

And there is a real serious question of when you're benefitting specific individuals. It's still charitable in sort of a general sense, right? But it's not clear that the laws that the states already have on their books reach those fundraising -- those crowdfunding efforts. For example, a fair reading of the California law, I think, does reach those sort of efforts, because California law is aimed at the purpose for which the funds are raised, not the entity for which it's raised.

But the Michigan AG in guidance that he's issued has actually said the Michigan law, fairly read, does not reach individuals raising funds for other designated named individuals. Charitable solicitation laws simply don’t reach those situations. Fraud laws would, of course, but not charitable solicitation laws. So it depends on what state you’re in whether people are doing fundraising in a crowdfunded way, particularly for named individuals, are going to be reached by the state’s laws.

Now, I should also note that this is usually done through a crowdfunding site, like GoFundMe, which I know is represented here today. The models vary widely, though. So it ranges from Kickstarter, which refuses to host any charitable crowdfunding, whether for an entity or named individuals, to GoFundMe, which has established policies and even a GoFundMe guarantee that if something goes wrong they will repay your donation, to some websites that basically say, “be careful when you give money to people,” and sort of stop there.

I should also note that there’s a real open question -- this is something that Alissa has worked on -- whether the sites that host these crowdfunding efforts could be held liable for any violations. And that’s because of Section 230 of the Communications Decency Act, which protects sites that host other speakers essentially from being held liable for that sort of speech. This would also apply to social media sites that host viral campaigns.

There is one other thing I should note about crowdfunding, which you may have heard of recently; so late last month, there was a lawsuit filed against Paypal and Paypal Charitable Giving Fund, a class action lawsuit. And the allegations, which beyond a very brief generic response, Paypal has yet to respond to, is that the fund redirected donations that came in to charities that weren’t officially registered with the Paypal Charitable Giving Fund.

So while the Charitable Giving Fund allegedly -- I’m working from the complaint here -- allegedly listed all -- essentially all eligible charities in the United States, maybe drawn from the IRS master list, only maybe tens of thousands of charities actually registered, so if you gave money to the Paypal Charitable Giving Fund -- again, this is all according to the complaint, so it’s all alleged, gave money to the Charitable Giving Fund and it wasn’t -- it was designated for a charity that wasn’t officially registered, the allegation is the Fund would take your money and send it to someone else of their choice, without telling the donor or telling the charity that supposedly the money was given to. We’ll have to see how that lawsuit plays out to see whether those allegations are, in fact, true.

The last thing I want to mention is something called hybrid entities, and you may have heard of these. These are benefit corporations, public benefit corporations, and California flexible -- what is it, social purpose corporations? Sorry, they changed the name. And L3Cs, low profit limited liability companies, among others.

There are some prominent examples of these entities which allow for-profit entities to have not only a profit-making purpose but also legally a social benefitting purpose. Patagonia in California reformed under the law in California, and Kickstarter in New York reformed under the law -- I'm sorry, in Delaware -- reformed under the law in Delaware as a benefit corporation. In total, there are thousands of these hybrid entities out there, though most are small new ventures.

The questions raised by these entities is a little bit different. They usually aren't soliciting money directly for charities or charitable causes. Instead, they're using the fact that they have a social benefitting purpose as a marketing hook. So they're selling to consumers, we will make our goods in environmentally sensitive ways; we will treat our workers better than, you know, the law requires; we will use environmentally sensitive materials or proper work -- you know, or treat our workers better in foreign countries that make these goods, and so forth.

Now, do existing laws reach these entities? That’s a good question. About half the states have commercial co-venture laws that might reach these sort of marketing pitches, and, of course, the general fraud laws apply as well, but there has yet to be a notable scandal in this area, whether with the hybrid entities themselves or with sort of social enterprises defined more broadly that may be formed under traditional for-profit forms, but again try to include some sort of green or social benefit or purpose in their marketing materials and in their overall corporate mission.

So as this very brief overview has highlighted, it’s an open question whether and how existing laws relating to charitable solicitation and consumer protection, both at the state level and the federal level apply to these new developments. And it can vary significantly from jurisdiction to jurisdiction, and on the -- and the facts of a particular situation, whether a viral campaign, crowdfunding, or hybrid entity.

We also have very little information about what’s going on in these areas. These are relatively new developments. The dollar amounts, though in some cases very large, are usually small. And because most of these actions may not be covered by existing laws, there's no registration reporting requirement. There's no public database you can go to necessarily to see, well, let's look at all the charitable crowdfunding efforts, particularly ones that benefit individuals as opposed to named charities, and see how they're doing and if the money is going to where we think it's going.

So everything I've told you today is very preliminary. Our information is not complete, and certainly my legal analysis is not complete and probably some of you think is wrong. So, people, let me know that, please, before I write the article. But I hope that these examples and these developments have -- will stimulate some discussion today as we continue. Thank you for your attention.

(Applause.)

MR. VLADECK: Good morning. I'm David Vladeck. It's great to be back here. Thank you so much, Tracy and Janice, for putting this together. I have, I think, nine minutes to run through 200 years of First Amendment history of solicitation. And, so, I'm going to try to truncate this as best as I can.

So the first and most important message is the court has emphasized repeatedly that the act of charitable solicitation is entitled to full-bore First Amendment protection. And part of this is, of course, the court's understanding that the act of solicitation is indivisible from an organization's ability to communicate directly with people who it wants support. And, so, this notion goes back a long time, but it focused first on charitable solicitation in a case involving Schaumburg, Illinois.

And since then, there have been a quartet of cases from the Supreme Court that focused directly on the act of charitable solicitation. Prior to Schaumburg, most of the cases involved religious organizations that were going door to door seeking adherents. Schaumburg is the first case that really directly involved charities who were going door to door or seeking money. And this was an attack on -- the case was an attack on a city regulation that insisted that charities devote at least 75 percent of the money raised directly for charitable activities.

It was followed by three other cases: Munson, a case out of Maryland, which also involved essentially a limit on the amount of funds that could be used for administration and for fundraising purposes; followed again by Riley, another statute -- this was a Maryland statute -- that also imposed restrictions -- percentage-based restrictions on the fundraising expenses.

All of these cases struck down -- at least the first three of these cases -- struck down state regulations on things like limits on expenditures for fundraising and compelled disclosure of the amount spent on fundraising and administrative costs. Why? Because the court found that the act of charitable solicitation is entitled to full-bore First Amendment protection. The court rejected, quite emphatically, the argument that the percentage devoted to fundraising was a proxy -- particularly high percentages -- were proxies for fraud. The court repeated in the first three cases that that's not an accurate measure of fraud. And they were worried about state regulation that would burden the rights of charitable organizations to engage in solicitation.

And, so, one of the take-home messages that we've now got from the Supreme Court thrice is that state regulators have to be careful about how they fashion their regulations. There certainly is no constitutional inhibition for requiring registration, disclosures, all sorts of things that the Attorney General mentioned earlier that states do. But to the extent that there are efforts to compel disclosures of fundraising costs as part and parcel of a charitable solicitation, we're to place strict limits -- percentage limits -- on the amount of money that could be spent on administration or on fundraising. Those areas seem to be off limits.

Now, that does not mean that states and the Federal Trade Commission cannot aggressively force laws in order to root out fraudulent solicitations. One of the cases that I worked on when I was here, a case that involved the Civic Development Group, was just an horrible case. These were people who were fundraising on behalf of many charities. Almost none of the money went to charities. On the other hand, it lined the pockets of the small groups of individuals who were doing this.

When we dissolved the company and seized all their assets, we seized Rembrandts and, you know, expensive wine, houses, Mercedes-Benzes, Rolls-Royces. You know, these were people preying on the best instincts of their fellows, you know, to support people who needed charitable help.

So what is -- sort of what is the sort of constitutional basis for going after fraudulent charities? Well, the Supreme Court in a case -- the Madigan, the Illinois case, which also involved, by the way, the Viet Veterans case, so these guys are still around apparently. The Court made clear, and the Court has always made clear that fraud has no place in charitable solicitation. You cannot raise money by lying to people. False statements and misrepresentations are actionable. And the Court drew a clear line between the kind of registration requirements it had problems with in Schaumburg, Munson, and Riley, two cases involving the kinds of claims that Tracy talked about earlier and cancer cures and in the other enforcement cases that agencies bring all of the time.

So Tracy talked about many of the kinds of claims that the cancer cure people made that were false. And the court homes in on these kinds of claims and says these kinds of claims are actionable; there's no First Amendment protection for false -- you know, for false statements. And these are often quite tailored to the kinds of things that enforcement agencies are most concerned about.

So one of the statements the court found unprotected in the Madigan case was that significant amounts of each dollar would go to charitable -- to charitable activities. So where the charity is alleging that, quote, significant amounts of each dollar actually go to those activities, that's an actionable statement if it isn't true.

They also represented that the funds donated -- that the funds donated would go to the organizational charitable purpose. Again, only a tiny fraction of the funds, in fact, went to the organization's charitable purpose, and the court made quite clear that those kinds of claims, too, are actionable.

You know, I was at the FTC for four years. Because of the hard work of Tracy and many of our regional offices -- Dave Foran (phonetic) requires me to make sure I comp the regional offices -- we did a lot of work like this. And the most recent case that's been reported, there's the most recent decision involving charitable solicitation fraud ,is a case that the peerless Michael Tankersley has been working on for, what, seven years now? A case called Corporations for Character.

The court basically rejects the defendant's First Amendment argument. The defendant argued that only fraud claims could be pursued against charitable organizations. The court swatted that down and said, look, the court isn't talking about fraud literally; it's talking about misrepresentations and false statements of fact. And the court, of course, allows the FTC's claims that the charity be engaged in false and deceptive and misleading statements to go forward.

So with respect to the key kinds of claims that law enforcement agencies care most about -- false and deception, claims that are intended to inflate what the charity is doing and minimize the fact that most of this money is going right into the pockets of the fundraisers. Those kinds of claims are certainly actionable, and there is no First Amendment defense to them.

The one area where I think the court probably sort of missed the boat or it sort of gives mixed signals are deceptive omission claims. So if you work in this field, one sort of tool that you have is arguing that a statement is misleading because it omits a critical fact. And the court in the Madigan case sort of is of two minds over that. One is they say you can’t compel -- you can’t compel a fundraiser to disclose the amount or the percentage of money that’s raised that goes to fundraising and administration. On the other hand, it does point out that statements that imply a significant amount of money actually go to the charity -- charitable activities are actionable.

And, so, you know, one of the things I’ve sort of been waiting for and, you know, I’m preaching to the people here who can make this happen, is to see whether a deceptive omission claim would work in those kinds of spaces, because that’s a very powerful tool. And I think the court has left open at least some daylight for those claims, but certainly a charity that makes an explicit claim about how funds are allocated, and if you look at the scripts of most of these charities, they do try to explain to prospective donors that they’re engaged in active charitable work. Those are the kinds of claims that are sort of the fodder for a good enforcement case.

And the last thing I would say is this. I’m not surprised that the court ruled for Illinois in the Madigan case and was skeptical in these other cases. If you look at the arc of First Amendment cases, you really want to be as an enforcer going after a bad guy rather than have just the generic regulation. And, so, I think that, you know, while the First Amendment is going to be the -- you know, the principal defense of many of these false charities, you’re better off in an enforcement posture than I think in defending a regulation.

And I see I’m out of time. Thank you so much.

(Applause.)

MS. GOLDMAN: I just want to thank the panelists for giving us background to set the stage for today. But one slide that I neglected to put up with regard to The Urban Institute report was the slide about the size of the state charity offices. And you heard about lots and lots of work that we all do. There are fewer than 400 people around the country who are doing this kind of work, and I think those of you who do the work should pat yourself on the back a bit for your successes. Alissa went through some of them; there are many more out there.

And we're going to hear about how we go forward from here, how we enter the 21st Century with regard to donations, with regard to enforcement, with regard to charities in general. And thank you, Tracy and Janice, for organizing this. It's going to be a very exciting day.

(Applause.)

PANEL 2: THE STATE OF GIVING TODAY -
AN OVERVIEW OF CHARITIES AND DONORS

MS. GANO: Good morning. I’m Karen Gano. I’m Assistant Attorney General in the Charities Unit at the Connecticut Attorney General’s Office. I’m also the President of NASCO for this year and next year. I want to thank Director Pahl and the FTC for hosting and initiating this very important first conference on charitable giving with the FTC. And I want to thank General Coffman for her leadership in raising the profile of charities in society and among the attorneys general in a very important time of transition when it’s critical that we have expanded knowledge among our leaders. I appreciate it very much.

We are -- NASCO is also very pleased and proud to cohost this conference. NASCO, as most of you know, is made up of all the attorneys general offices in the United States. All have jurisdiction with regard to charities and protecting charitable assets. There are also 20 states that have statutory authority over charities and charitable solicitations through a different office, in addition to the attorney general jurisdiction.

About 15 of those are in secretary of states offices; the others are in various offices. In

Connecticut, in the Department of Consumer Protection. We act together as a unit to try to inform and educate ourselves, and we are beginning to work better and more agilely to come together to address 21st Century policy issues. As Professor Mayer pointed out, our laws are designed for the 20th Century, and that doesn't quite work.

We are very honored. We're honored and privileged to have the two giants in charitable research and information who are on the platform with me today: Dr. Elizabeth Boris with The Urban Institute and Dr. Una Osili with the Lilly Family School of Philanthropy in Indiana University, are both pioneers and leaders in the world of research and information and data concerning charitable giving and philanthropy.

I identify them with two publications that are go-tos for me: one with the -- Dr. Osili is with the -- pardon me, is an advisor to the Giving USA, the annual -- semi-annual reporting of uses of charitable giving in the U.S. That's a go-to for me on references and so forth. And Dr. Boris is editor and developed the first -- and I think you're on your third iteration of Nonprofits and Governance: Collaboration in Conflict, which is -- what could be more appropriate to why we're gathered here today? And I think it is the third edition was just out this fall, wasn't it, the update on that?

Dr. Boris is the -- is Institute Fellow with The Urban Institute, has long been a friend of state regulators, has been an innovator and a great aide to us in providing educational materials in bringing us together with federal authorities who are, in fact, our partners in protecting charities.

She is also, as of 2015, the Waldemar Nielsen Chair in Philanthropy at the McCourt School of Public Policy at Georgetown University. She's -- before joining The Urban Institute, she was with -- founding director of the Aspen Institute's Nonprofit Research Fund, the first grant-making program devoted to supporting research on the nonprofit sector and philanthropy. She has a long history, illustrious history, known to many of us.

Dr. Osili is not -- the Giving USA, which I mentioned, is a tiny, tiny piece of what she does. It's almost exhausting to read. Besides being at the Lilly School, where she is Director of Research, she is also a professor of economics and philanthropy studies at Indiana University-Purdue University in Indianapolis. She is -- does extensive research in behavior of households, foundations and corporations. Her research is also associated with families and the work with the Indiana University-Purdue University and giving behaviors and saving behaviors.

I was pleased to see also that she is the Current Chair of Research, Committee of the Women's Philanthropy Institute. I think you can read additional information about both of them, but I think we're very privileged to have both of them here.

Are we starting with Dr. Boris? Thank you.

(Applause.)

DR. BORIS: Thank you, Karen, and thank you, Tracy, for organizing this wonderful event today. As Karen said, I've been working with NASCO and NAAG and the IRS on issues of regulation and data, and it's just a great pleasure to be here today.

I'm going to -- you're very hard to see because of the lights, but I'm hoping that this will work. So my assignment today is to give you the brief run-through of what the charitable sector looks like -- first the nonprofit sector and all the nonprofits, then focusing in on what we call operating public charities.

We get this information from The Urban Institute through our National Center for Charitable Statistics. There's a new edition of the nonprofit almanac that you can find information on on The Urban Institute's website. We do what we can with the information that we have from the 990s, also using Bureau of Labor statistics and any other things we can get our hands on.

But as you know, these data are scattered. You have to do a lot of estimations, and you have to work with a lot of your friends to get the data that we're going to give you today.

A word about The Urban Institute. It's a nonpartisan research outfit. I headed -- created and headed the Center on Nonprofits and Philanthropy more than 20 years ago, and with it the National Center -- brought the National Center for Charitable Statistics. So the data that I'm going to be giving you today really comes from those sources.

So about the nonprofit sector, as the folks in this room all know, they do many, many things. So their activities are amazing, a variety -- communities nationally, internationally, from basic feeding of people to very complex research; from one-on-one tutoring and mentoring to online education and engagement. So there are lots of activities.

Getting your hands around this elephant is difficult, indeed, especially when you're coming at it from a regulatory perspective. The roles in society are many. Contributions to individual and community well-being, impact on civic engagement. It was just something that we don’t talk about, in my perspective, enough. We also have economic impacts, which we’ll go into to the extent that we can, and then relationships with government and business.

So those of us who study the nonprofit sector like to say they’re the glue -- nonprofits, charities are the glue that hold us together, helps us to maintain well-functioning communities. They interact with government and partners and contractors, and more recently, they’re involved in complex investments, collaborations, relationships with governments and business, and impact investing and other new forums, which I think Una will probably talk a little bit more about.

What makes it difficult is that this sector is quite diverse. Again, if you look at the elements of the sector, we talk about governance and -- I can’t see my own notes here -- let’s see. So the diversity of the sector, large and small boards; you have many beneficiaries or members or both; some revenues may be from one or two sources; other nonprofits may have a whole raft of revenue sources; they may provide specific focused services -- feeding or housing; or they may have a wide variety of beneficiaries and benefits that they provide, what we call multiservice organizations. They may serve a specific city region or region; or they may be national or international. When we think about regulation enforcement and understanding these organizations, we have to take into account, first of all, this diversity.

When we talk about nonprofit organizations by type, I’m talking about all nonprofits now, not only the charities, but the charities are the biggest percentage. About two-thirds of the nonprofits in our country -- at least those that report to the IRS -- are charities. As we know, there are lots of organizations out there that are too small to report, that don’t provide their information to anybody. So what we’re talking about here are the ones that we can count, but we know that there are many others.

We have private foundations at about 6 percent, and business leagues about 4 percent, and then those pesky social welfare organizations that we’re all talking about, almost 6 percent of organizations.

A word about social welfare organizations, we think about them as advocates, but research that I’m doing right now suggests that most of them are not at all advocacy organizations. They are just organizations that haven’t gotten charitable status because they serve members or for other reasons.

The big data, the asterisk, is because these are the ones that report this information. There are about 1.4 million of them. Their revenues are about $2.26 trillion. Their expenses are about $2.10 trillion. And their assets, about 5.16. Notice the date -- 2013. We don’t get all of our information in a timely way. It’s very difficult for us to have realtime information on these organizations, which is a detriment for those of us who do research and also for those of us who regulate. Hopefully, digitized Forms 990 will help us do a better job of that.

When we talk about the economic impact, and according to the new almanac, about 5.4 percent of GDP comes from nonprofit sources, and the sector employed about 14.4 million individuals in 2013. This is significant. I started looking up how it compares to the auto industry, much bigger; the financial industry, much bigger.

But, of course, what we’re talking about are very large hospitals and very large universities that really have the bulk of the employees. The sector is growing faster than either business or government. So once you can say things like this, it starts putting the sector on the map, both for those of us who want to advance legislation and for those of us who would like to regulate.

Charities, and we’re focusing here now on operating public charities, a smaller part of the overall nonprofit sector, but, again, the largest part. Their revenues are about $1.73 trillion; their expenses, $1.62 trillion; their assets, about $3.32 trillion. These are not including foundations now. So, again, even if you just look at the charities, it’s still a significant chunk of the economy.

Now, if we look at the kinds of charities that we have -- these are familiar to all of you in this room, I’m sure -- but the largest group are human services organizations. About one-third of the charities are human services. It might surprise you to find that international organizations are the smallest group, about 2 percent.

But coming up from the bottom, education, about 17 percent; health, about 11 percent; and we’ll talk about -- these are the numbers by type. So you can see according to the way we think about the sector, human services are the biggest group.

And when we think about now the actual expenditures, we have a different story. Most nonprofit charities are very small organizations. Look at the bottom of the chart. Those with less than $100,000 are about 30 percent of organizations, and their share of the economic pie is quite small. So when we think about the organizations that we’re dealing with in the sector, it’s only about 4 percent that have $10 million or more. And that’s where all the attention is really focused when we talk about going to scale and we talk about organizations that have significant staff, significant salaries, significant facilities, we get up to those large organizations, which are a small piece of the pie.

Charities’ sources of revenues, again, this is probably common knowledge to most of you, but the largest source of revenue, which may be a surprise, is fee for service. This has changed over the years, but almost half of the revenues for charities come from fee for service. Again, you’re talking big organizations like hospitals and higher ed. If we took those out of the equation, probably 25 percent would be coming from contributions, as it is if we look at the whole charitable sector, it’s about 17 -- no, about 12 percent.

Government grants, about 8 percent; investment income, about 5 percent. And most organizations rely on a mix of these revenues, which means that organizations have different constituencies, and they often have revenues from many of these sources, which means that they require multiple ways of accounting and reporting, which I’ll talk about in a minute, but that puts a real burden on smaller nonprofits and those that don’t have a strong infrastructure.

We often tell nonprofits to diversify their revenue sources. Well, you can see what that might mean when you mix up user fees, government grants and contracts, private contributions, investment income, and event income, and then go to the newer forms of online fundraising, crowd sourcing, and whatever. Very complicated revenue streams.

If we talk a little bit about government grants and contracts, the study that we did at The Urban Institute in 2010 and again in 2012, we found that there are nearly 350,000 contracts and grants with nonprofits. And of the 55,000 that had those contracts and grants, they average about six different contracts or grants with government. Again, a very complicated stream of revenue for nonprofits.

We found about $137 billion worth of grants and contracts in 2012. The study details the problems nonprofits experience with government funding, as well as potential solutions. For example, late payments. We started doing this research after we heard many, many nonprofits complaining about after the recession of 2008, ‘09, ‘07, that they weren’t getting paid on time.

Ninety-days-late payments from governments; 180-days-late payments.

So we started to -- we did this nationally representative study to find out what were the issues, how many organizations are involved. And we found significant problems with reporting, late payments, complicated accounting requirements. And working with the National Council of Nonprofits, we provided them with our findings. And they started advocating at the state level to fix some of these problems. And in California, for example, there's now an effort to get full payment, because one of the really big issues is nonprofits were not being paid adequately for their overhead or their administrative expenses.

We regulators might -- or you regulators -- might focus on the exorbitant salaries or administrative expenses, but the real problem in nonprofits is that they're not getting paid for the overhead and the administrative expenses that they do incur in carrying out many of the government grants and contracts, and even foundation-funded projects as well. So there are two sides to that coin. So there are many statewide efforts now to look into these issues, and the OMB directive has required now government to pay reasonable overhead expenses for nonprofits.

We'll take a quick look through foundations, and I know that Una will talk more about the giving side of the equation here, but we have almost 90,000 foundations, according to The Foundation Center, which is the keeper of the data. And if we look at the data there, they have about $798 billion in assets. It seems like a lot. They have about -- they give about $55 billion in giving. Remember, they are required to give about 5 percent of their assets a year. And they received $56.2 billion in gifts received.

Many new foundations are being created. They're being created every day. Remember, though, that most foundations are small; they're unstaffed; they are vehicles for family giving. So when we talk again about the foundation side of the equation, we're really talking about the top thousand or two foundations, maybe three thousand, that have staff and that have significant giving budgets.

There are many other ways to give, and Una will probably speak about those -- donor-advised funds, giving circles, crowdfunding that are becoming -- and online giving becoming more popular that expand that range of giving possibilities.

Now, talking a little bit about volunteering, we sometimes neglect volunteering, but it's a significant source of revenue for many organizations, in kind, pro bono, everything from legal assistance to administrative help, fundraising help. 62.8 million people volunteered in 2014. That's about a quarter of the population. We've been concerned that that number seems to be sliding a little bit, but young people seem to be maybe picking up a little bit. Am I right? Yes. Una has the data on that. But 8.7 billion total hours is a significant addition to our civic sector and to our communities.

The value of that giving -- of that volunteering is about $1.79 billion. Very significant, indeed.

From Giving USA -- this is the chart that we all look at every year -- we can see that giving is mostly from individuals, about 71 percent. And overall giving, about $373 billion in 2015. Individuals provided 71 percent of that; foundations about 16 percent. When I talk to international groups, they are stunned to see that foundations are only worth about 16 percent. Their perception of how things go in the United States is often "foundations do most of the giving."

Corporations, about 5 percent. And research that we're collaborating on now seeks to understand how to raise the percentage of giving from 2 percent of personal income, where it's hovered for about 50 years, and working with the AFP and other organizations, we’re trying to see if there aren’t some ways to raise that level.

The distribution of private contributions, according to Giving USA, 32 percent of giving is to religious organizations, down from about 34.7 percent in 2008. So we’re seeing a slippage there. Education gets about 15 percent; human services, about 12 percent; gifts to foundations, about 11 percent; health, 8 percent; et cetera. And you can see gifts to individuals, which is a category that I don’t often see on this slide, about 2 percent. So this is where the giving -- the individual, corporate, and foundation giving -- goes.

Now, I’d like to talk a little bit about civil society trends, as I kind of wrap up what I’m talking about. There are many things that are happening in society that affect the nonprofit and charitable sector, as they do all of us.

There’s a time of great change in our society -- globalization, greater -- civil society trends, greater visibility. We want our charities to be more transparent. There’s a new generation of donors; giving while living; new organizational forms, which Lloyd mentioned; hybrid forms; social purpose organizations that are combining a desire to raise revenue through traditional business ways but with a social purpose; and creating the vehicle -- the legal vehicles that allow for this is changing our environment somewhat. We have impact investing and impact bonds, and new forms of collaboration between the business, government, and nonprofits sectors. These are very complicated ways of raising capital, which, as we all know, in the nonprofit sector is severely lacking. How do we -- how do we get a line on some of the resources of wealthy individuals, of venture philanthropists, venture capitalists, and get them into the charitable sector, which raises issues, as we've discussed for regulators, you know, what do we have to look out for.

Government involved in these is making it even more complex. We really want to know how organizations perform and what kinds of results they produce for our communities. Demands for use of evidence-based practices and performance measurement is something that's not going to go away.

It's accelerating, it seems to me, daily. It creates a real impact on nonprofits who have to build the capacity and find the resources to help themselves to measure their performance and then be ready to be evaluated when they are in these complicated deals and when funders and government agencies want them to show that they have results. This is the mantra and the bottom line for organizations right now.

These are the big effects on society that also affect nonprofits: the globalization, as we all know, and political polarization, which is coming to a head right now. When we look at the federal budgets and the state budgets, which have been in decline in terms of -- in terms of programs that affect the nonprofit sector and that they are concerned with. Those have been in decline for the past 20 years, and I think we're going to see a lot more of that if the budget, as proposed, is passed.

We have environmental degradation; climate change; issues that are affecting many of our environmental organizations, but also community-serving organizations in vulnerable parts of the United States.

We have immigration reform very much on the agenda. It affects a lot of nonprofits that deal with immigrants, helping them to get citizenship, helping them to transition to this country. Tax reform, big issue for the charitable sector. I don't have to talk to this group about that, but in terms of charitable incentives, that can very -- that can very greatly affect nonprofits and their ability to raise resources.

And then, of course, we have healthcare reform that affects a huge sector of the nonprofit ecosystem that will -- those will all be affecting our nonprofits going forward. The changing demographics. We’ll see what happens with Medicare and Medicaid, but our population is aging. And those services are going to be even more in demand.

So those are the kinds of things that affect nonprofits as we go forward. When I talk to groups like this, I like to say what we need to do, what’s the research, we need to have more research on impacts and innovations, what works, what doesn’t work, more research than even we’ve been able to do on the relationships with government and business; donor and volunteer motivations, very important if we want to get that percentage of GDP up. We want to know more about advocacy and social change, who’s doing it, is it effective, what kinds of populations are being left out? How effective is our advocacy and where are the gaps.

Self-regulation, always a big topic in this sector. What can we do ourselves to help make our charitable sector more transparent, more accountable, and more effective. And then always kind of left out is how do we do all this while not negatively affecting the civic and social capital building that nonprofits do on a daily basis to bring our communities together.

I think we have a double slide there. There we go. So just as a coda to the overview that I've given you, what do the Forms 990 reveal and kind of what are the gaps? Well, we know from the 990s -- I don't know if you can read these -- the nonprofit sector is growing in numbers and resources, but those resources are not uniformly distributed either across the country or across different types of organizations.

The sector is diverse by size and type. We can assess the financial indicators that are on the Forms 990 -- revenues, assets, expenditures. We now have some questions on governance. But we also need to look at other variables.

We can use the Form 990 as a sampling frame for surveys, as we did for the overhead -- for the government grants and contracts and for lots of other studies that we've done at Urban.

We can identify outliers and look up their Forms 990 to see what they do, who they serve, what are their finances and their governance processes. And we have the fully digitized Forms 990 available to every charitable office. They'll be able to use those forms, to see, you know, who should we be looking at. You can't look at all 300,000 charities or all, you know, 1.4 million nonprofits. But if you had some indicators and some programming, you could look at -- you could find out where you should look, and over time, it will become more clear.

We can combine Form 990 data with other administrative data sets, labor statistics, census of services, for a whole variety of different studies. This is the researcher in me speaking. Boy, would we like to get our hands on those.

With the advent of the digitized Form 990, there's a lot we can do, and I know that GuideStar and the data collaborative at The Aspen Institute's really been working very hard to get that information out to all of us.

Continuing on the uses, we can -- we will be able to use the digitized information that's long -- in ways that would not have been possible to date. For example, you've heard mention of program and fundraising expenses as a percentage of overall expenses. While those of us who study the nonprofit sector don't think that's an adequate identification of fraud, it can be an indicator of things that you need to look into more deeply.

Using a statistics of income sample for 2012, we looked at the percentage of program expenses to total expenses, and we find that, not surprisingly, it increases with the size of the organization. 78.49

percent of those with less than $100,000 in expenses is the ratio of program administrative expenses to overall program expenses, but when you look at the larger organizations, it's 87 -- more than 87 percent. So we know that smaller organizations spend more relatively on their overhead and their administrative expenses.

There's economies of scale going on. There will likely be other factors. Because we find that those organizations with facilities that are religious or that are small are the ones that have higher overall expenditures.

So looking at just human services organizations in the statistics of income file, drilling down to specific program areas, which you'll be able to do when we get those pie-in-the-sky 990s, we find 80 percent ratio of program expenses to total expenses -- program administrative expenses to total expenses, 80 percent for science/technology; 91 percent for food, agriculture, and nutrition. So it shows you they differ. We have to understand these differences. Organizations have different operating logics, different ways of going about. Some have facilities; some have more difficult populations to deal with.

When we look at the subcategories, where we can't generalize right now because the statistics of income samples are so small, but, for example, 94.3 percent averages for philanthropy and voluntary groups; 62.1 percent for veterans and military groups. Huge difference in their program expenditures, their administrative expenditures to total program expenditures.

So, you know, that would be a cue to look into some of those groups to see what the outliers are. You can do that. You can actually drill down to the 990 and look at organizations.

So such statistics can be a starting point for understanding different operating patterns. It’s not the endpoint.

Again, when we review the outliers, as I said, religious organizations, public foundations, they have a different operating style, a different financial profile than other kinds of organizations.

So size of organization is a clear factor, and perhaps the age of the organization. Startup organizations are different from longstanding organizations that have grown. So we have to look at those factors as well.

Other intervening variables that I’ve seen as I’ve looked at 990s, retiring CEO who draws down deferred compensation, pushes the administrative line way up there. We have to be aware of those kinds of things. A year with a very large gift followed by a year that’s very lean, also something that we have to take into consideration.

So statistical analysis will reveal the trends, but we have to be careful to understand them. So in my conclusions, I would just say that civil society -- and by that I mean the whole philanthropic sector -- is diverse and growing, but our knowledge base is still fairly primitive. We need more research on many aspects of it.

Scope and dimensions, we can talk about the numbers, but we’ll even disagree about those because we have different years, different years that people file their forms and don’t file their forms, a lot of estimation has to go into that.

Our management and financial research is growing. Our economic impact information is getting more robust. Performance research is beginning to take off. We have outcomes in specific programs on communities and populations. We have more evaluations, but we’re lacking in synthesis and getting our knowledge out there and across communities.

Outcomes of specific programs really have to be done more specifically. Civic engagement research is in its infancy. Policy and budget analysis research is limited. Alan Abramson has done a terrific job. In the new edition of Nonprofits and Government, there's some information on budgets. And legal research, as we saw today, there's a growing legal community that's really concerned with the charitable sector.

But regulatory research that we're talking about today is really in its infancy and really needs to be done much more broadly. We think that our study of the state attorneys general offices is a start, but it really is only a start.

So to summarize, it's a -- the nonprofit philanthropic sector is a critical economic and civic resource for our communities. Not only do people give to and volunteer to provide services, they also become involved in it, and the relationships are very critical for our communities' well-being.

So thank you very much.

(Applause.)

MS. GANO: While we switch speakers, I just want to remind you that there are cards out there. Please write your questions down, and they'll be collected. And for those of you watching on the webcast, go to ftc.gov to the event page and there will be ways to send in your questions electronically.

Who is our slide expert here? We’re lacking a slide expert. We need to Dr. Osili’s slides. Aah, is this it?

DR. OSILI: Good morning, everyone. I am delighted and honored to be here and really thank -- a big thank you to Tracy for convening us and also my fellow panelist, especially Dr. Elizabeth Boris, who we’ve worked together jointly for many years. I think she was on our board of advisors many years ago, board of visitors.

So good morning. My job here is actually a tall order, which is to tell you what’s going on in the charitable sector and do it succinctly, so be brief. So I’m not going to be able to go over all of the work that we do, but I’ll try to give you a snapshot of what philanthropy looks like today and also where we’re heading.

In terms of a quick overview, I am a professor at the Lilly Family School of Philanthropy. It’s the world’s first school on philanthropy. We house academic programs, research, but also training programs. And I’m happy to share more information about the school as well.

So let’s get started. If I had to distill the presentation today, I would say it’s what’s now and what’s next. So there are really two questions to put on the table. Keep in mind, I would argue -- and you may disagree -- that we are in an era of disruption, whether it's our economic landscape, our political landscape, but also how we give and how donors support charities appears to be changing. And our data are starting to show evidence of that.

So a little bit about what it looks like today, but also how the field is changing, how the sector is changing. Now, we have the benefit of doing the research and writing for Giving USA every year. We partner with the Giving USA Foundation. This project is the longest running research project in the charitable sector. It dates back to 1956. And what it allows us to do is actually look at what philanthropy was or appeared to be in the 1950s, what it looks like today, and how it's different.

So I'll just give you a few snapshots of some of the questions that I have received in the past year and just to give you a sense of how philanthropy is changing. Some of these, we really just don't have data yet, and I'm so pleased that the earlier panels alluded to this.

Let's start with the crowdfunding platform. That's probably the best place to start. So what do we know about them? It turns out data is extremely difficult because in most cases, when a donor sets up a GoFundMe account, which is actually quite easy to do, you can do it in less than -- I would say three minutes. I’ve actually done it recently. So it takes -- really speed of light you can get the account set up, and the funds can be available to the designated donor.

Keep in mind, these are usually flowing to individuals, people like you and me, whether that’s for medical reasons or other reasons, which means there isn’t any reporting, no IRS that’s tracking these donations. Donor-advised funds has also been on our radar recently. We started to count how many questions we had gotten in the past year. It turned out donor-advised funds accounted for about 40 percent of all the questions we were receiving. So certainly this came to light recently because Fidelity Charitable was the top recipient of charitable dollars in 2015, exceeding the United Way and other large charities.

Then we have another game-changer, Mark Zuckerberg and is wife, Priscilla Chan, set up the Chan-Zuckerberg Initiative at the end of 2015, and the difference with the Chan-Zuckerberg Initiative is it’s set up to do three things: grant making, traditional philanthropy, impact investing, but also advocacy. And, so, the complexity of this, it’s not necessarily new, but certainly the size of the Chan-Zuckerberg Initiative continues to attract a lot of attention.

Then we have social impact bonds, Giving Tuesday, and many other new ways of giving. All of these are interesting and important, but some of them are actually quite difficult to track from a data perspective, especially the crowdfunding landscape.

Now, let's start with what we can measure, and then we'll go to what is less measurable. And I'm reminded of the very popular saying that not everything that counts is measurable, and not everything that is measurable counts. So keep that in mind because there are increasingly aspects of philanthropy that we can measure and some that perhaps will always be less -- inherently less measurable.

With Giving USA, we have the ability to look at philanthropy today and how it's changed, where the funds come from and where they go. Elizabeth started to mention this a little bit, and I'm just going to focus on how this charitable pie has changed.

So a few key facts. Philanthropy in the U.S. is about $373 billion. To put this in perspective, this is about 2 percent of GDP, but it's also the size of several African countries put together, their entire GDP. It's close to the entire GDP of Indonesia, which is one of the large economies in the world, and Norway a few years ago was about $373 billion in its entire economy. So this is quite significant.

Individuals are still the largest slice of the pie, the Big Kahuna, and that's no surprise if you study consumption that really individual giving is the main component. But keep in mind, individual giving was even larger in the 1980s. It was about 85 percent of all giving. Foundations have grown, especially in the 1990s. Foundations have grown to account for a larger slice of the pie. Corporations have basically stayed the same at 5 percent, but that actually masks a lot of underlying changes within corporate giving, where more corporate giving is taking place through cause marketing and other types of partnerships with nonprofits.

In terms of where the funding goes, this picture has changed dramatically. In the 1960s, religion accounted for two-thirds of all charitable giving, essentially went to religious organizations, basically houses of worship, whether that's a mosque, a church, or a synagogue. And that has dropped dramatically. One simple way to describe it is religion appears to be losing market share. Religious giving is still important. It's the largest slice of the pie, as you can see, but look -- if you look at this over time, you'll see that religion is declining in its share of overall charitable dollars.

Two new areas that we have started to pay a lot of attention to, the environment and international affairs because those were relatively small in terms of charitable dollars but are becoming increasingly important. Education I will also say is the second largest slice of the charitable pie, and here there’s also been change taking place with more dollars going to K-through-12 initiatives, with even some public schools setting up foundations that receive charitable dollars.

In terms of the trends over time, you’ll see that individuals are really driving the trends in charitable giving. They’re by far the biggest, and so if you really want to know what’s happening with charitable giving, you really have to look at what’s happening with the individual donors.

The point that I made about religious giving declining, I want to be a bit careful here. We all have seen the press around the rise of the nones. Has everyone heard of the nones? The rise of the nones? Raise your hands. Yes?

Okay, so, nones are spelled N O N E S, not N U N S, yes. And, so, these are basically the rising share of Americans who are not affiliated or do not consider themselves affiliated. Again, in the 1960s, this was a tiny slice, less than 5 percent. Today, that's inching toward 20 percent of Americans who are not affiliated with a particular tradition.

We also know that Americans are far less likely to attend services or more of them are attending less frequently. And, so, that put together is the evidence that religious giving is declining. People who aren't attending are also less likely to give, who are attending less frequently. But it's not to say that religion is no longer important. It's just as a share of overall giving, religious giving has been declining.

Now, as we unpack these data trends further, one of the areas that we have looked at very closely as part of our work with Giving USA is looking at how giving is influenced by the underlying economic trends. And what we've noticed over time is that certainly the overall economy is by far the biggest driver of charitable giving trends.

The yellow bars -- I think they're yellow on your slides -- are actually the recession years. And you can see that each recession has been different. The phrase that I always use is "you've seen one recession, you've seen one recession" because the Great Recession was by far the biggest decline in giving that we've observed in the post-World War II period. And you can see that it has taken quite some time -- seven to eight years -- for giving to recover to its pre-recession highs.

Now, in terms of the challenges for the sector, this is something that I know Jacob Herold here is working very diligently on a very exciting initiative to grow giving, and Elizabeth alluded to this as well. One of the data points that we have focused a lot of our attention is the share of charitable giving taken as in the context of the overall economy. What we’ve seen is that number has stayed relatively flat at 2 percent of the overall economy. And you can see that in the 1990s the share did increase, but during the Great Recession it dipped back down to below 2 percent. And we’ve started to inch back up, but we have -- we have a long way to go.

I mentioned last week actually that we did a back-of-the-envelope calculation and said it would take about $75 billion in additional dollars raised to get this to 2.5 percent, which seemed very daunting. And, so, at that point, we stopped our calculations and decided to look at this data slightly differently.

And that is to look at individual giving as a share of household income. And what was surprising about this analysis is that it also shows the same pattern that American giving, as a share of household income, is also stuck at 2 percent. And we've compared this to trends in other types of consumption in this same period -- how much Americans are spending on technology, on vacations -- and those percentages have been increasing compared to the trends we're seeing in charitable giving.

So a bit of a challenge for the sector, what would we have to do differently, and that's donors as well as nonprofits and perhaps policymakers, those of you in the room, to actually move the needle beyond this 2 percent.

In terms of other drivers of giving, by our research on this is the stock market is the most important actually correlate with overall giving. What we've also determined is that although the stock market actually is the most important predictor of giving, charitable giving is a bit of a lagging indicator. So the overall economy has to improve first before giving improves. So we tend to see giving lag a lot of economic data.

In terms of the largest fundraising charities in the U.S., I mentioned the rising role of donor-advised funds, and we see that evident in this list of the largest charities in America that increasingly we're seeing the ranks of Fidelity Charitable, Vanguard, Schwab, and many others at the top of that list. This does raise some interesting questions. I think, for many charities this is not necessarily a concern because the donor-advised funds may eventually flow to those charities, but it does raise some interesting questions for the sector and for regulators as to who is giving and to what types of causes and organizations.

In terms of how donors are changing, that’s probably where we see a lot of evidence that things are actually moving quite rapidly. We have two very important data sources. One is the Philanthropy Panel Study. It tracks the same American families over time. We’ve been collecting this data now for nearly two decades, but it’s part of a larger study, the Panel Study of Income Dynamics of American Families, that dates back to 1968, started with the Johnson Administration.

What this allows us to do actually for the first time is see how Americans -- the same families -- are giving and how this is changing, so actually track trends in giving.

We’ve also started the same exercise with high-net-worth households. It’s not a panel, but it’s done every two years where we survey the highest-income Americans and look at their overall giving patterns.

So what have we learned? Probably the most distressing finding from the Philanthropy Panel Study is that giving is actually declining. The fraction of Americans that give has fallen over time. And this is a very interesting and surprising twist because for a long time I could say quite confidently giving has stayed relatively stable. Two-thirds of American households give; more Americans give than almost any other civic activity. But since the Great Recession, we’ve actually started to see a dip in those overall giving rates, and we’ve done a lot of work to understand where that dip is taking place, who’s less likely to give and why, and so forth. But you can see that religious giving is actually part of the story here because a smaller fraction of Americans are giving to religious causes. Secular giving has not seen that same decline. And as we’ve looked more closely at the data, a lot of the decline that we’re seeing is coming from not the highest-income Americans but more the average and low-income households in the data set. So I can say more about it if we have time.

Another interesting but also surprising finding is that younger Americans are less likely to give. So -- and on the surface you might say, well, younger Americans, millennials are at a very different point in their life cycle. Many of them are just starting their economic lives. Of course, they're giving less, and they're less likely to give.

So we actually tortured the data a little bit, and we compared the millennials to the boomers at the same point in their life cycle; because we have a panel, we can actually do that. And by bringing in some earlier data on boomers and how much they were giving at the same point in their life cycle, adjusting for inflation and income growth, we still find that millennials are giving less than their counterparts in the boomer and higher generations.

So this is actually something that I think means perhaps millennials are giving differently, they're giving through these newer vehicles, they're giving directly, but there's a lot of work to be done to understand why are younger households less likely to give and also giving less. And you can see that genXers really get left out. It's really about boomers and millennials, and that's because of the size of those cohorts mostly.

I would argue that it may be a bit simplistic to divide the nation into these groups because millennials, boomers, genXers are usually part of one family, and there are bonds and linkages across these family members.

By far, the highest giving rates are with the great and silent generation, so often -- although there is a spotlight on the millennials, I think it's important when we think about charitable giving to really look at the older Americans and their giving patterns. And I think for regulators really paying attention to that group as well.

How do donors determine their impact -- the impact of their giving? We noticed over the last ten years that by far one of the factors that seemed to be changing the most is that donors keep stressing that they want to see the impact of their gifts. And that's a big change, because in 2005, when we first started the high-net-worth study, the number one reason people cited for giving was to give back to their communities.

Today, you can see that impact is really usually the number one motive, and so we asked in this last round of the Bank of America study, how do you determine your impact, it turns out many donors rely on information from nonprofits. So that, to me, suggests that in terms of thinking about the ecosystem and the landscape, nonprofits have an important role to play, especially on the impact question.

As far as where we see also change but some stability taking place, where do individuals -- and these are high-net-worth households -- where do they place their confidence. It turns out individuals -- high-net-worth households -- have the highest confidence in individuals, followed by nonprofits. Government has a much lower role, as you can see in terms of overall confidence in changing society.

So to conclude, I just want to talk about one last area where we're starting to see evidence of disruption and change, and that's how technology is impacting philanthropy. Now, online giving has been part of the landscape for a very long time, so that's not a surprise, but I think we're starting to see even new forms. It's not just the idea of going online to give, but mobile phones and all kinds of new platforms that individuals can give.

I want to stress that online giving is a relatively small piece of the pie, even today, but it's growing at a much more rapid rate. You'll hear, I'm sure, from our colleagues at Blackbaud later on today, but we're seeing double-digit growths -- growth rates in online giving compared to overall growth rates in the charitable sector that have been in single digits for the most part throughout this past decade.

So online giving is 7.2 percent of overall giving, maybe even as high 10 percent, but overall what we're learning is many donors are using technology to learn about giving, to get familiar with the nonprofits and the causes that they care about.

Finally, crowdfunding is perhaps the newest part of this equation in terms of -- for some reason the numbers aren't showing up there, but in terms of the size of this industry, it is in the hundreds of billions of dollars. And for the U.S. component, you can see the U.S. -- the donations are a small slice of the overall dollar amount. The slide is -- maybe I can make that available to anyone who wants it. It's not coming up.

One area that we have been paying attention to because of our interest in gender differences and philanthropy is how men and women give differently. And it has been interesting that more women are interested in giving through some of these crowdfunding platforms, and this lines up with a lot of the research that shows women are more active on social media, more likely to learn about causes on social media and so forth.

So to conclude, we don't have all of the data points in terms of how crowdfunding is changing giving, how technology is changing giving, but what we do know is that the future of philanthropy may be very robust and alive but will be very different in some important ways than what we see today.

I just want to emphasize some important ways that we have been paying attention to. The first is demographic shifts. We’re seeing the rise of a more diverse donor base, and that’s racial diversity, ethnic diversity, but also household formation, the rise of singles compared to couples, the importance of aging populations and philanthropy and -- and when we say aging, that may be couples making decisions.

What has been interesting from both the high-net-worth study and the Philanthropy Panel Study is that most households make charitable giving decisions jointly. And, so, that’s an interesting thing to note, but that there is increasing diversity in what a household looks like in the U.S.

We’re also very interested in tracking gender differences, particularly because women play a growing role in our economic and political leadership landscape. One note of optimism to end the presentation is just to ask about when we think about the future of giving, and that’s increasingly complex, given the disruptive factors at work, is that recently in the 2016 Bank of America high-net-worth study, we did ask households to project into the next three to five years and tell us what they think their charitable giving will look like.

And most households -- three-quarters -- said they either plan to increase their giving or hold steady their giving. And in terms of what factors would contribute to that change, the thing that really stood out, the factor that stood out, was the role of the economy.

So as we try to wrap up and think about what factors drive giving, I would still say the economy is the most important factor. We increasingly have the evidence to support that households give when they have the economic and financial conditions in place to enable them to give, but having good information about the types of causes and organizations they can give to certainly increases their capacity. And having a regulatory environment that's favorable to charitable giving, you can see the role of tax policy can also enhance the overall giving landscape.

So I will stop here and say that I'm happy to answer any questions or provide any additional information. Thank you.

(Applause.)

MS. GANO: I'm technologically challenged. I guess this is working. You can hear me, right?

Do we have questions? Anyone? Thank you very much. I can start with a question from our regulators' point of view, from the state regulators’ point of view. We are -- it’s always a challenge to get 50 sovereign governments, states, to do the same thing. And through NASCO, we are beginning, as I said earlier, to gain some more agility and ability to do that. Fighting charities fraud is something that everyone -- it’s universal -- everyone can get behind. So we have that advantage in working together and with the help of the NAAG Charities Committee, we are -- we’re doing a great deal more, and through the information and partnerships that have been facilitated by The Urban Institute and others.

But, Dr. Boris, you mentioned the fact that we’re getting more data, and we know there are a lot of gaps still, and we’re all salivating at the idea that we might eventually someday get all of the 990 raw data. But you talked about synthesis of that data and how we get that data out there and that information that we glean from that data out there in a way that is digestible by not only some of us who will be learning how to look at that in a more sophisticated way but to the general public and to get it to an educational level.

Do you have thoughts about that?

DR. BORIS: Well, there are different levels, I think. Is this on? Can people hear me?

So the 990 data, as we use it now, folks can go to a GuideStar website, for example, and get a portrait of an organization, or can, you know, ask them for particular runs or, you know, databases, you know, can create databases for research.

So I think we have to continue along those paths of making sure that as we get more information we put it forward in a way that is digestible and accessible to the public. NCCS is really -- the National Center for Charitable Statistics at The Urban Institute is really geared more toward the researchers, and actually the regulators use our data often.

MS. GANO: Yes, absolutely.

DR. BORIS: As they're more sophisticated users, they want aggregate information, but I think that we can help each other by flagging ways to look at the information for the particular questions that we have. So I think we need both. We need the accessibility for the donors and for the general public, and we should do some focus groups, et cetera, which probably folks do do, to make sure that the information is accessible to them.

But what we want is more complete information so we can answer the more complicated questions for our purposes.

MS. GANO: Exactly. And looking at a couple of your charts, the top 4 percent is probably not necessarily where we’re going to find the most fraud, other than those high fundraisers who have Bentleys in the garage, but we’ll be curious to see where -- when we get real data on fraud where that’s going to fall and how that integrates.

DR. BORIS: I’d like to see a database of the fundraisers.

MS. GANO: Oh.

DR. BORIS: Maybe they exist, but I haven’t seen them, because if we want to look at, you know, who they’re working with and in particular how they operate, et cetera, we need to know as much about them, if that’s your concern, as we do about the charities.

MS. GANO: We are -- as you know, we are beginning to work on a single-portal project, as we call it, to consolidate all state registrations. Forty states require state registration. It’s different in all 40 states, and they are in standalone databases, or half of them still in paper form. So we’re well along. We’re actually going to get into development in that this year and launch something, but that will -- we’re eager to be able to learn to manipulate that data in those ways too. And, of course, there are some National Center for Statistics -- you all are working on that kind of research now. So we’re looking to learn from you on how we can do that.

DR. BORIS: And I want to emphasize that not from a punitive point of view, but we really want to understand more about the way that fundraising happens. And I know AFP and other organizations of fundraisers, they're vital to the health and, you know, welfare of organizations. But it seems to me we're always looking at the charities for the instances of fraud, and we want to know best practices in both communities.

MS. GANO: Absolutely.

Dr. Osili, you talked -- in your statistics, you have two donor-advised funds that are in the top ten taking in -- Fidelity at the top now and Charles Schwab is there too. Do we know how that is going to affect the way charitable dollars are used, especially going forward? I mean, many of those donors are still advising, and -- but we're going to move into a new generation, and we're not -- no longer, you know, emphasizing the community foundation or the local giving.

Do we have ideas or data about how that will affect?

DR. OSILI: Yes. I think it's still quite early in terms of really understanding all that we need to know about how donor-advised funds will affect the charitable sector. Just to put this in perspective, Fidelity is relatively new. It was established -- charitable, Fidelity Charitable was established in 1991. The other two very large national donor-advised funds are even more recent, established in the 2000 period.

And just to also add complexity, when we talk about donor-advised funds, there are really three big buckets. There are the national donor-advised funds, the community foundations that have hosted them since the 1920s, and then single-issue charities that include charities across the landscape, whether they're in human services, health, education, that actually host donor-advised funds.

I gave the example -- I'll give the example often of Indiana University having its own donor-advised funds, and many staff, students, faculty, even people at the IU Foundation not realizing that they actually host their sponsoring organization.

To get us closer to what we'd like to know and what we do know, I think data is really the missing piece to date that really hasn't been placed, a portal where you can go and drill down into each of these donor-advised funds. We are, as part of a subproject within Giving USA, launching a really large initiative to look at where those dollars flow to. And we were surprised that with all the interest -- policy interest, regulator interest, and even charity interest -- that there wasn't one report that synthesized where are all these funds going to in terms of subsectors. Are they supporting mostly education, the arts, and so forth?

And, so, we are pulling together all of the 990 information, but it's Schedule I, which is not necessarily publicly available for all the large donor-advised funds. And we're actually pulling this information together to provide this aggregate picture, which, as I said, I was quite surprised to learn that that had not been done before, but certainly given the complexity, I'm now -- I know why it has not been done before. It's very difficult.

MS. GANO: Thank you both. I think we're out of time.

(Applause.)

(Brief recess.)

PANEL 3: WHY GIVE? A LOOK AT WHAT MOTIVATES GIVING

MR. JONES: Could everyone take their seats so we can resume.

Good morning and aloha kakahiaka as we say in Hawaii. I’m Hugh Jones. I’m with the Tax and Charities Division of the Hawaii Attorney General’s Office. I’ve been doing charities regulation since about 1997. I also have the all-exalted title of Former NASCO President. I also teach as an adjunct professor of law at the University of Hawaii. I teach the law on nonprofit organizations.

Professor Sargeant and I were added, I think, to add an international component to this symposium. Of course, as you can tell, Professor Sargeant is from the United Kingdom. And, no, they were not bugging Hawaii’s Attorney General Office. I was added from the exotic location of Hawaii. Tracy would not let me wear a loud aloha shirt, so I went for the loud aloha bow tie pattern instead.

It’s a real privilege to be here for this conference that’s hosted by the Federal Trade Commission and by NASCO. I’m glad to see it so well attended. I just want to remind everyone that we will be taking questions via the cards that were handed at the registration booth. Please fill them out; raise your hand; and they'll be collected.

For those that are watching on the webcast, you can email questions in to consumergiving@ftc.gov; or you can tweet us your question at the #giveandtakeftc.

I'd like to introduce -- before I introduce Professor Sargeant, I'd kind of like to frame his discussion a bit. This session sort of lays an important groundwork, some foundation for the afternoon sessions that will be devoted largely to emerging technologies and emerging challenges that face the sector and donors. Obviously, Professor Sargeant is going to address the very fundamental question about what motivates people to give, and before I introduce him, I'd just kind of like to touch on some of the things briefly that were discussed in earlier presentations that -- is that, you know, 75 percent of all giving, as we've heard this morning, comes from individuals. That's a very large number. That's $230 billion.

You heard that mobile giving is up by double digits. And what I found interesting from some of the academic work that the Professor has shared with me in advance is that only 35 percent of individuals do any research before they make a giving decision. And of those, 75 percent of those giving do less than two hours of research.

The other interesting thing that struck me from some of the resources that the Professor shared with me is that the single-most valuable source of information to these donors are on the organization’s own website. I found that fascinating. And certainly as we get into texting to give and peer-to-peer fundraising this afternoon, I think those are important considerations.

Let me give you a little bit of information before I hand you over to Professor Sargeant, who has a lot of material to cover. He’s a Professor of Fundraising and Director of the Hartsook Centre for Sustainable Philanthropy at Plymouth University. He formerly held the Hartsook Chair in Fundraising at the Lilly Family School of Philanthropy at Indiana University and holds visiting appointments at Avila University and the Australian Centre of Philanthropy and Nonprofit Studies in Queensland, the University of Technology.

He’s received many awards for his services to the profession, including the outstanding contribution awards from the Institute of Fundraising and Civil Society and was named to the Nonprofit Times Power and Influence List in 2010. He’s published more than ten books, around 150 academic publications, and designed new qualification frameworks for fundraising professional bodies across the world.

Professor Sargeant is a Fellow of the Institute of Direct and Digital Marketing and Institute of Fundraising. So please join me and give him a warm welcome. Thank you.

(Applause.)

MR. SARGEANT: Okay. Well, good morning, everybody, and a very warm welcome to a session on why people give, which is what I'm going to focus on for the next 20 minutes or so. I guess I should tell you a little bit about myself first. I'm an unusual animal in that I'm a professor of fundraising, and at Plymouth, our focus is very much on how to grow philanthropy. There are plenty of excellent centers around the world that want to study it and measure it and so on, and in our little center, what we want to do is to grow it.

And, so, what you're going to hear from me over the next 20 minutes is a sense of some of the issues that we might think about as we want to kind of grow philanthropy. Now, here in the U.S. -- we've seen this slide already a couple of times -- this is the excellent Giving USA study. Americans are immensely generous as a nation. Two percent of income, we've heard, however you slice it, is typically what's given away every year here in this country.

And to give you some sense of perspective on that, we think that's about twice the level of giving in the country I was born in, the U.K. So Americans are immensely generous. And what I'm going to talk about in this session is, well, why is that, then. Why do people give, and what are some of the factors that influence giving decisions? And of those, which are the ones that might kind of flag regulatory issues? So that was kind of my brief for this session.

So, if I start with the first question, well, why do people give, I quite like this way of slicing and dicing what we know about the available evidence on why people give. People give because there's an emotional utility. They give because they want to feel good about themselves for supporting the organizations that they give to -- not news. Economists have been talking about the warm glow that equates with giving for decades now, and that's certainly a key motivator.

There's also an element of what I like to call familial utility in the sense that sometimes giving is motivated because one's family and friends -- people close to us -- might be hurt by the cause in some way. So I might give to support cancer research because I've lost my father to cancer; or I might give to the local sketch group because my son is engaged with that group. There's an element of that familial utility.

Equally, some people give because they’re buying something tangible. And certainly through a lot of the internet sites that we’ve heard described earlier, you know, people are buying a benefit for a named individual that they’re trying to help in some way. And sometimes we give because we want to engineer that difference, either in society or an individual’s life.

Equally, sometimes giving is motivated from a personal perspective, and maybe I’ll give to support my local NPR station because I love, love, love the programming that comes out from that NPR station. So sometimes there’s a kind of a benefit which accrues from supporting an organization for the person who’s giving.

And then, finally, what I like to call spiritual utility, and you’ve already heard from Una that that’s kind of on the wane a little bit here in the States right now, but it’s certainly the case that some Americans give because it’s part of their faith to do so. And either it’s an articulation of that faith, or it’s a route to that faith. And whatever way you look at it, you know, those are kind of key reasons why people give.

So does that explain that massive giving that you’ve seen here in the United States? Well, in itself, no, because all of that is focused very much on the individual, right? And, actually, there are a lot of contextual factors out there that influence whether we give or not. There are not -- much as we might wish it otherwise -- thousands of people out there walking around thinking who shall I give to today, right? Life is not quite like that. And, so, actually, there are a range of other factors that impact on giving.

And we know that the biggest of those is you are asked. Right? At least 90 percent of giving is because somebody asked you to give money to a cause or to support them in their own fundraising efforts through one of those online platforms. We know, too, that people give to an organization because they feel like they know, understand, or have a relationship with the brand. An organizational brand in our context is important. People use that as a kind of an adjunct hook, if you like, for reputation.

We also know that history of giving is a key determinant. One of the big things that predicts how much giving will accrue to an organization next year is how much giving has accrued to it this year. Somebody’s past history of giving in our sector also is going to impact on it.

Emotion. I’m going to talk about that in a second. Guilt. Images, case for support, premiums, and perceived deficiency. All of these things I’m going to elaborate on because, for me, they at least raise some interesting regulatory issues.

Let’s talk about the first of those, emotion, right? If you want to get people to give, you’ve got to make people feel something. Logic leads to conclusions, right? Do we want conclusions as fundraisers? No. We want people to do something, right? And, so, you’ve got to get emotion to get people to take action.

Now, I thought standing here in Washington I probably wouldn’t cause any offense to anybody by showing you a Dutch example. But the reality is this is the kind of rubbish that most of the sector generates here in the United States, which generates a problem of its own in terms of retention and loyalty, right? How any of them would think that in three paragraphs of boring text and with a picture of the chief executive we’re suddenly going to motivate people to send in checks by the bucketload. You know, who knows, really?

Why is it we as a sector think that by showing pictures of our chief executive somehow people are going to swoon and send us loads of money? I do not understand. And look at the guy, and he’s there in a suit, doesn’t look like he needs the money anyway.

(Laughter.)

MR. SARGEANT: Now, you compare that with a

British example for exactly the same cause. This is kidney research, right? And immediately there’s a hook on the outside envelope, which are those little tags that some of you may recognize, certainly if you have children. Why? Because you’ve probably still got one stuffed in the drawer at home, having saved them when you brought, you know, the little child home from hospital. So that’s an immediate hook that kind of drags you into that communication. And then you read a beautiful human story, and you read the experience of a mother who was given the diagnosis that her child, while it’s still in her womb, has a kidney defect and is going to die within a few minutes of having been born.

Now, if you’ve got children, you’ll remember that first time when you’re able to hold baby in your arms for the first time. This is a story about mom, who holds baby in her arms, knowing that baby is going to die, slip away, over the course of the next few minutes.

You cannot read that story -- even as I speak to it now I can feel a lump at the back of my throat, right? You can’t read that without that emotional connection with that family and be moved to want to do something about it. That’s good fundraising.

Similarly this, same organization, kidney research again. What drags you into this communication is the letter that you can see there in the middle. And it’s not a letter to little Katie, who as you imagine has a kidney condition; it’s actually a letter from Katie’s kidney to Katie. And it says, Dear Katie, I’m so sorry I’ve let you down. I wanted to be a strong and healthy kidney so that I could clean your blood of toxins and keep you safe. But instead, here I am covered with ugly cysts and I’m useless.

Katie, you’re such a good little girl, I really wanted to be there -- and, again, you can feel that lump build in the back of your throat. That is good emotional fundraising. If you want to get people to give, that’s what you have to do.

Now, one of the ways in which you find that powerful and you experience it powerfully as a human being is that I’m telling you there the story of one person. Too many people in fundraising want to tell the story of their numbers. They want to talk about the tens of thousands of people we helped here and the hundreds of thousands of people we helped there. And, of course, you can’t feel anything in terms of the contact with those individuals. And, so, you have to have a focus on one or two kind of named individuals for it to be powerful.

To show you what I mean, you know, this is a bad example, a communication I received at home, and it talks about the flooding in Pakistan, which was a major disaster a few years ago. And it starts badly because it talks about the disaster that's unfolding in that country's environment, right? So straightaway they're not us; they're them, which is problem number one.

Problem number two is that they're talking about one-fifth of the country being under water, 500,000 homes being impacted, will you give me $10? Probably not. What the heck is my $10 going to do against that backdrop of need? Much more powerful to tell the story of one named individual. Here we have the story of little baby Ibrahim from a solicitation from Save the Children. Now, you read little baby Ibrahim is one of the lucky ones because he's made it to one of the Save the Children support centers, but, of course, there are other children like him that you might be helping.

Now, one of the regulatory issues that we've had to juggle with in the U.K. is that sometimes charities can take that too far. They can start to give the impression to donors that they are helping Baby Ibrahim. And, in fact, they think they're helping Baby Ibrahim and then not. And, so, we have to be really careful about the use of language to talk about a baby like Ibrahim or those that will follow him.

So one of the things that they've done here, which is smart, is to tell the story of what happened to him as he’s being picked up and helped by Save the Children, so he technically doesn’t have that need moving forward.

What else? Guilt I talked about in my list of things to talk about. This is a communication I’ve seen now in several countries, including here in the United States. It’s been banned in the United Kingdom. Why? Because it’s claimed that by sending out coins of the realm it arrives on the desk of elderly people who remember when a couple of cents actually meant something, was worth something, and so they’re kind of guilt-tripped into sending back money to support the organization.

Why do organizations do this? Well, they do it because it works very well. Most organizations lose money on new donor acquisition. This pack generates $15 for every dollar of investment. Why does it do it? Because it plays on that -- well, my industry want to call it guilt; for me, it’s the need for reciprocation. And in the U.K., you’re not allowed to do that now.

What else? Some people give because they’re incentivized to give in some way. Our industry is rife with premiums. And, so, the issue is, well, what’s an appropriate premium. Well, for me, the test is whether or not the premium is linked to the cause that you’re taking out and putting in front of the donor. So I have zero problem with the sorts of stuff that public broadcasting does in the way of t-shirts, in the way of mugs, in the way of recordings, whatever else they want to send out because it links me in an intensely personal way to the cause and reminds me that I'm a supporter of that organization. It's tied up with what I do.

Compare that with some bad examples, again from the U.K., of unrelated premiums. I can't even remember what this cause was, but here they are sending me a packet of gardening gloves or an expensive-looking shopping bag. And the key there is that use of the word "expensive-looking," right? People respond to this because they feel like the charity has spent a significant sum on them, so they ought to respond and give back to the organization.

And, so, again, in the U.K.'s jurisdiction, they've decided that actually this kind of thing is inappropriate and that actually all fundraising organizations must demonstrate that the purpose of the enclosure is to enhance the message or the emotional engagement with the cause in some way, not to send out stuff that people feel is high value and that, therefore, they're under a kind of a moral pressure in some way to respond. And, again, the reason organizations do it is because it generates that really stonking pattern of return -- $15 for every dollar invested -- when the norm for new donor acquisition is you get back 50 cents for every dollar invested.

What else? One of the key reasons why people give is because there's a compelling fundraising proposition and compelling imagery that goes alongside that. And the key here, I think, is that there should be a powerful, unifying idea that people can get behind to, and that needs to be kind of authentic to the organization's cause and its brand.

Here's an example that I think is an example of what not to do, frankly. I show it because it's an old example, and they've now got a very good head of fundraising who wouldn't go anywhere near this. Everyone deserves life's little luxuries. You know, food, water, that kind of thing? It's a little smug. It's a little self-satisfied, and it didn't raise any money. Right?

This, as a core proposition, tanked the organization's fundraising. This, as a core proposition, doubled the organization's fundraising over the course of -- I think from memory -- about three years. This is Save the Children, no child born to die. And the image here, I think, is very striking because it depicts the need in an authentic way, and it doesn't cross the line into something which an individual on the receiving end of that would find personally distressing.

Now, I know that’s a balance, but I think nonprofit organizations have a responsibility to pick images that do tell the need and are on the edge but that don’t cross the line into starting to be distressing for individual supporters.

And if you think that’s bad, this was the single-most complained about advert in British advertising history, right? And fundamentally -- and I don’t know if you can read the words there, but I know we have the same expression here in the States, there are no silver spoons for children born into poverty. Yeah, horrible.

And counterproductive in a fundraising sense because psychology tells us that when people see images like that they shut down, they don’t want to look at it. Or, worse, they see you as being deliberately manipulative, and, again, they don’t support you as a consequence.

In the U.K., you’re not allowed to use images or words that will cause unjustifiable distress or offense. So they leave the gate open a little bit in the sense that I can use images that are out there on the edge, but you can go too far.

What else? Well, the next item on my list was perceived efficiency. And it was interesting to see Elizabeth’s figures on just how efficient the sector is in the United States. You’ve seen up to I think 84 percent being spent on programs for some categories of organizations. Fantastic level of performance.

Ask donors, though, what percentage of my dollar do I think goes to the cause as opposed to being squandered on horrible things like fundraising admin, and they’ll tell you it’s about 60 percent. Ask non-donors, they say it’s about 40. So when you ask the public in general, you end up with, well, it’s about 50 cents on the dollar.

The reality is it’s around the 80 mark. When you talk to donors with a slightly different question and you say, well, what would you ideally want from the sector, well, that’s the number you end up with again, they want it to be about 80 percent. So they think that we’re kind of well-meaning and wasteful, and actually what they’d like us to be is pretty much where we are right now.

So why is it, then, that we have to play these games? Why is that for some organizations in this country the best thing they can say about the cause, the only reason you should be giving to us today, is because it costs us less to fundraise than it does that organization over there. That's sad when you think about all of the great things that the nonprofit sector delivers in this country, you know, that our selling proposition would be that we have zero cost of fundraising or very close to it.

The other problem with that is it creates unrealistic expectations because, frankly, organizations that tell you that are lying, right? Unless they're teeny, tiny micro-organizations that don't have a phone, never send any mail, never ask anybody for money, and certainly don't bother to thank anybody when they do. Right, that's what you're talking about, zero costs, right?

So putting aside the fact that organizations are probably lying when they do that, the problem is that it then creates the expectation on the part of the public that other charities -- good charities -- would somehow be able to match those figures. And, of course, they can't.

So, again, in the U.K., we have our code of transparency or code of practice for transparency and accountability, which tells us that charities ought not to make statements such as all of your pay-in goes directly to the cause. The word "ought" here is important because that’s not enshrined in legislation, but it is part of our voluntary code of conduct that pervades our sector. So anybody that signs up to that is supposed to support that.

Now, having said, you know, I don’t think that focusing on things like fundraising costs or admin costs are terribly helpful, there’s actually a whole focus in our sector of metrics that I wouldn’t want to be reliant on, right? Too many of the metrics in our sector are short-term. They’re to do with money raised, the amount of new donors we’ve acquired, the immediate return on investment.

And, frankly, if those are the metrics that your nonprofit organization is using, you want to take your board out and spank them, right? Because none of that speaks to the long-term health of an organization. And, actually, the things that speak to the long-term health are how good people feel about their support, how satisfied am I that my gift is being used in a manner that I find appropriate and that I’m treated with an appropriate standard of service, to what extent am I fundamentally committed to seeing the mission of this organization achieved, and to what extent do I trust that organization.

And for every one unit increment you get in satisfaction, commitment, and trust, it increases the likelihood that somebody will give next year by 51 percent. It's interesting to me that very few nonprofit organizations fail to measure those metrics and even fewer actually take the time and trouble to remunerate their fundraisers for how good they make their donors feel, because that's what drives long-term value. Instead, you've got all this short-term stuff, and we're playing these games, frankly, over how we report our aggregate performance.

And there's one last little bit of research I'll kind of leave you chewing on in that general space, and that is that even when you've tweaked those numbers and you've got the best possible numbers that you can report, actually there's a psychology attached to how you should report them. All of these frames say exactly the same thing, right? Our charity raises three pound for every pound it spends; every pound we raise, we spend 65 pence on those who need our help; for every -- we've raised a pound for every 33 minutes we spent; and for every three pound our charity raises, two pound goes directly to those who need it.

Well, there's a massive difference -- I'm going to have to reach and show my age -- because it's fallen off the bottom of that slide. Would when I didn't have to use glasses.

Right, over 60 percent of people were genuinely impressed with A and D. Well under 50 percent of people were genuinely impressed with B and C, right? It’s exactly the same information. What matters to public perception, frankly, is how you present it. And why does it matter? Well, of course, it matters because of this thing called public trust. And in our sector, we have to be -- if I can get past that slide -- we have to be concerned about the public trust.

Now, for me, there’s a difference between trust and confidence and trust in a sector and trust in an organization. Confidence you have when you’ve got -- when you can see the predictability of how somebody’s going to behave. And you know that if they don’t behave like that, they don’t keep that promise, that there’s some regulation or self-regulation that you can rely on to compel them to do so.

Many relationships in fundraising, though, there’s no basis for that predictability, and we have to trust that somebody’s going to do what they said they’re going to do. If I send $30 as a check to your organization, I have no way of knowing, frankly, how you’ve used that money, but I have to trust that you’ve used it in the way that you say you’re going to use it.

So there’s a difference between trust and confidence.

There’s also a difference between trust in the sector, trust in the organization. Trust in the sector helps distinguish givers from non-givers. So if you want to play the game of growing philanthropy, you have to build up trust in the sector.

Trust in an organization is key because it’s linked to the percentage of somebody’s charitable pot that’s going to come to you as opposed to other organizations that they support. And the reason I tease apart these things -- trust, confidence, trust in the sector, trust in the organization -- is that the buttons that you need to press to grow giving are a little bit different.

Now, remember, I told you that the perception of current American donors is that we’re kind of well-meaning but wasteful. And, actually, the pattern of performance people would kill for is the pattern of performance that we pretty much deliver right now. So if you want to build up trust in the sector, what you need to do is to educate people about just how good we are and the realities of our modern sector.

This is a British initiative, something I developed all the way back in 2006. It’s CharityFacts. You go here, you find out exactly how much it costs to raise a pound; you find out how much it costs to raise a pound through different channels, different forms of fundraising and the difference between donor recruitment and looking after supporters already onboard, because the economics of all of that stuff is very different. And the site also educates you about administration costs and the kinds of questions that you should be looking to ask of nonprofit organizations.

Trust in the organization, well, that's a different thing. You have to press different buttons to get that to work. Trust in the organization, well, you don't need a fundraising professor here to stand here and say, well, you need to tell people how you're using their money. Right, if you want to build up trust in your charity, you have to be transparent about how that money's being used and make sure that people get that information.

You can also tell people just how well placed you were to have that impact. So if I'm an international aid organization, I can tell you how many people I've helped, how many inoculations I've done, how many people's lives I've saved. But I can also tell you about the structure I've got on the ground, the infrastructure I've set up, the team that I've assembled, their qualities, their skills. And you think, then, my goodness, if I've got all of those things, they must be delivering those outcomes. That's role competence.

Judgment. You can demonstrate to me good judgment in some of your decision-making. And as human beings, we take those little tidbits of information and we generalize. So you can tell me about a decision that you had to make over here, how you evaluated it, how you thought about it, how you reached your conclusion. And I'll say, wow, that's really smart that they're doing that. And I'll kind of assume, therefore, that every other program is equally smart, and of course it may well not be.

The quality of service provided to donors -- there it is again -- also helps drive trust. And, so, too, does a complaints-handling scheme. Every nonprofit should have a named contact, in my view, to deal with any issues that individuals might have with the organization and to put up their hands and say "I had a problem with this." And when you do that, you help build up trust, and you also enhance satisfaction.

What else? I'm almost out of time, so I'm going to go back again to my initial list where I talked about the different motives that people have for support. I think that a big step forward in fundraising will be to design fundraising that helps meet those fundamental motives. But we’ve just completed a major new piece of work on what I want to call Tomorrow’s Philanthropy, looking at trends in the sector, looking at trends in the kind of giving that’s taking place, in the philanthropic journeys that high-value philanthropists are going on, and the kind of general move towards technology that we’ve seen highlighted in earlier presentations today.

My sense of the future of that is that that could be massively significant for charity if we pay as much attention to the needs of the donor as we do to the needs of the beneficiary. And, actually, the story of the last 20 or 30 years is that we’ve become very good as a sector at talking about the needs of the beneficiary and communicating those to donors. We haven’t given as much thought to how we make people feel when we do that.

And for me, there are six fundamental human needs that if we get it right, we can build into those future philanthropic innovations. These things contribute to what’s called in the literature human well-being. You get these things, you experience a feeling of well-being. A need for competence in the philanthropic space, that’s competence in expressing our love for others. The need for autonomy, to have some choice or options or feel that in some sense we’re doing something new and exciting that kind of bucks the trend, right? So it’s being autonomous.

The need for connection with an organization, a brand, the people at that organization, or, more likely, the beneficiaries. A need for growth that we have, to feel like as human beings we’re on a growth trajectory, that we’re changing or becoming more knowledgeable, more effective. Having a clear life purpose we know translates to a high degree of well-being. If you’re clear about your direction, you feel better about yourself.

And then, finally, this notion of self-acceptance, looking back on your life, can you accept the kinds of person that you’ve been. And I use the word in the plural very deliberately. And you can imagine a space where we could design philanthropic innovations that delivery not only benefit to the beneficiary but actually begin to, in a very conscious way, deliver those needs to the individuals who are giving that philanthropy.

And this is my penultimate slide, just to make this point. It turns out that as human beings we are very good at knowing when our lower-order needs are met. We all know when we’re hungry; we know when we’re thirsty. But do we know when we’ve experienced growth? Do we know when we’ve experienced an optimal level of connectedness? It seems not, because the more -- the higher the level the need, the more ambiguous and uncertain we get about knowing whether actually we've fulfilled it.

And it turns out that the higher the need, the more likely it is we're going to rely on others or organizations to give us some sense of how well we're doing. And if we're really not sure what it means to be living a fulfilled life -- remembering my earlier slide -- we tend to look to others for that kind of help.

Now, again, you can imagine that in tomorrow's world, where we've got a whole range of different technologies, that we can begin to structure giving opportunities in a way that could deliver massive value for philanthropy. And what's exciting about this is that when you get that right, you can deliver growth in philanthropy in a sustainable way.

Thank you, folks.

(Applause.)

MR. JONES: Do we have any questions, Tracy, that have been emailed or tweeted in?

A question in the back? Are there any questions in the room?

I have one. Yes.

AUDIENCE: Do you see a growth in sort of targeted solicitations like we’ve seen in the commercial side, targeted marketing through Facebook, you know, to particular individuals through ad brokers and that sort of thing?

MR. JONES: So the question is does the Professor see an increase in targeted marketing, maybe by, you know, type of demographic or subdemographic, et cetera.

MR. SARGEANT: My sense of that is that I would hope that we’re going to see more of a trend towards that. We learned from the U.K. context that what really irritates people is very poorly targeted communications, so sending people stuff that they’ve really got no interest in at all, clutters up their inbox, clutters in the letter -- you know, the mailbox at home, and they really don’t want to see that kind of stuff pop up through their social media.

So the more targeted that you can be, the more likely it is that the messages are going to end up in front of people who might be actually motivated to want to genuinely support your organization. So I think using data in a smart way to kind of profile the kinds of people who are supporting us now and then to try and find other individuals who share some of those characteristics, I think, is a smart thing, and I think it’s also good for society because it doesn’t swamp society with the massive solicitations that people really aren’t going to be interested in.

MR. JONES: I actually have a question. In preparation for this panel, the Professor actually assigned me homework, and one of them was an interesting article that really drilled down deeper into what he was talking about, the difference between trust and confidence, which until I was schooled by the Professor I thought were synonymous. But one aspect of confidence in this sector really derives from either having knowledge of the organization or data about their performance or what they do.

Another important area of confidence is having some confidence that that organization or its sector has to operate within enforced norms or enforced regulations. And that leads me to a question about whether the perceived absence of a big player in this arena, that being the Internal Revenue Service in America, whether that may have an impact on Americans’ confidence in the nonprofit sector.

MR. SARGEANT: The key to confidence is that predictability that I talked about earlier. If you know that somebody has to behave in a particular way because if they don’t that there’s a regulatory or a legal backdrop to compel them to do so, then that’s the environment in which confidence-based measures are appropriate.

But that, of course, assumes that people have the ability to know how you behaved once that gift was provided. So to enhance confidence in what the organization is doing, you have to make sure that that information is out there and in a timely fashion. And if you want to promote confidence in the sector as a whole, then we want to be ensuring that those mechanisms are set in place so that we can track actually whether promises are being kept and that people understand there are places that they can go for help if it appears that those promises are not being met.

Because confidence is that balance of knowing that something is going to happen or being able to see what happens and also knowing that there are, you know, regulatory rules that people have to follow and that, therefore, you can follow up to make what was a bad situation right.

MR. JONES: Sort of a followup -- thank you, Professor. I have a sort of a followup question, and that was something that I learned in my homework assignment, was that after the 9/11 attack and the series of what were perceived media scandals about the nonprofit sector, only about one-third -- one-third of Americans had confidence in the nonprofit sector.

So it seems to me that the people in this room -- that would be regulators, academics, and representatives of the sector or their professional advisers -- that we really have a symbiotic relationship that the level of confidence in the sector goes up when those donors are confident that there is a structure out there to enforce donor expectations.

Do you have any comment on that issue?

MR. SARGEANT: Yeah. What we're talking about here is the excellent work that came out of Brookings and a researcher by the name of Paul Light who tracked trends in -- and he bundled them together. So he would talk about trends in public trust and confidence, and it took a real knock after the events of 9/11, and it never really recovered from that. And, so, as you said, around a third of Americans don't have any -- or a great deal of trust in nonprofit organizations in our sector.

That's a problem because that's going to hammer participation in giving, so I was interested to see Una's slide earlier about, you know, the percentage of people who are electing to give because she showed very clearly how that's on kind of a downward slope. And that would follow with declining trust in the sector.

The other big problem we've got that I think is kind of linked to trust as well is donor retention. One of the horrifying figures in the United States right now is that 70 percent of the people who give money to our organizations this year -- newly acquired donors -- will not come back and give again to the organization next year. We have terrible levels of donor attrition. To put it around the other way, only 30 percent of the people we recruit this year will make a subsequent gift in year two. You try running a business from that perspective.

And, of course, you know, one of the reasons for it is because some of the quality of fundraising is unemotional and uninspiring, but equally there's a problem of the public trust, and there's a problem of trust in organizations. And if we're able to fix that, we could go a long way to doing something about donor retention and loyalty.

MR. JONES: Yes, up near the front.

AUDIENCE (Off microphone): What were the problems that you had experienced with telemarketers and how did you (inaudible).

MR. JONES: So the question, for those viewing at home, is what experience did the United Kingdom have with telemarketers and how -- what was the response.

MR. SARGEANT: Well, we -- there was an undercover reporter who got themselves a job in a telephone fundraising agency and discovered that that telephone fundraising agency was putting elderly, frail, and even vulnerable people with Alzheimer’s under pressure to give money that, well, frankly they couldn’t afford. And if you’re interested, you can listen to the tapes of this on The Daily Mail website, and it’s pretty horrific.

That plus other issues that we had as a sector led to a whole new raft of regulations. So in the U.K., we have a fundraising regulator, and that regulator is the place you direct complaints if you’re unhappy about some aspect of fundraising. We have a general move in communications from opt-out to opt-in. So you could opt out of being contacted again by a charity; now you have to opt in to being contacted by a charity for future communications. That’s massively impacted our ability to fundraise.

And worst of all probably, we ended up with something called the Fundraising Preference Service, which was originally conceptualized as a method where you could literally press a reset button and not be solicited by name by any other charity in the U.K. They’ve since kind of watered that proposal down a little bit, so it’s now become kind of a charity preference service in the sense that you can specify I don’t want to get any more communications from that charity, that one, or that one, and the regulator will take care of that for you.

So all of that flew out of the face of all this very bad media publicity that the sector had. And in my view, a lot of that was kind of an overreaction, but such is the way of things once it gets into the press and there’s a media storm that builds up, then the powers that be decide they have to take action on it. And that’s what we’ve ended up with.

AUDIENCE (Off microphone): Have the charities (inaudible) that system, the ones that actually connected to their donors and then retained their donors year to year?

MR. SARGEANT: Well, I think the reason that we had a problem in British fundraising is that we are -- or we were -- pretty much where American fundraising is. We spent a lot of time and effort, as I said in my presentation, thinking about the needs of the beneficiary and communicating those effectively to the donor. We hadn’t thought sufficiently about how we make people feel when we engage in that communication.

And it’s that error that in my view has led to, you know, the new tranche of legislation in the U.K. If you want to convince me that your organization does care, then make sure that one of the mechanisms for rewarding your fundraiser is not just how much money that they bring in but how good did they make their donors feel. And that should be an integral part of the appraisal process. And when that happens, there will be a massive change in the quality of fundraising.

MR. JONES: So that’s all the time we have. Please thank me -- join me in thanking the Professor who, but for Hawaii, came the furthest distance for this conference.

MR. SARGEANT: Thank you very much.

(Applause.)

MR. JONES: Tracy, do you have an announcement?

MS. THORLEIFSON: No, we’re just ready for the next panel.

MR. JONES: Okay.

PANEL 4: FUTURE OF FUNDRAISING -
EMERGING CHALLENGES FOR DONORS & REGULATORS

MS. THORLEIFSON: So one of the unique things about this panel is that we are beaming someone in live from the Federal Trade Commission’s office in San Francisco. And it’s sort of ironic that she’s our futurist, so the future is actually today.

MS. LOTT: Well, I was going to say that I haven’t met Rachel. She’s maybe one of the only people here that I actually don’t know among the speakers, but hi, Rachel, wherever you are.

So I’m Cindy Lott, and it is great to be in this room. We’ve had a lot of years of convening regulators, and it is a fantastic thing that the FTC is now doing this as well. We always like to have more folks doing more. So for those of us that have been working in the regulatory sphere for a long time, this day has been coming, and I want to congratulate the FTC and the states again on all of their work in the last couple of years together on major cases. And I know and hope that we are going to be seeing more of that.

And also for NASCO, I want to congratulate NASCO for getting the standing committee with the attorney general together to really look at a lot of the issues at the state level that are being raised over time. Many people in this room have been looking at different issues for a very, very long time, and it feels right that we have lots of different things going on these days in the regulatory space, and being informed, if you will, by lots of people from the outside, as we would say non-lawyers, nonregulatory scholars, per se, but coming in from other areas to really look at some of these issues. And I feel like that's what this panel today is for.

It's been really, really a treat to talk to both Marcia Stepanek and Rachel Hatch, who are our two folks today. This part of the agenda, if you will, was to really kind of follow the trajectory of the morning and think ahead and say what is out there that's coming down the pike. For those of you that have worked with me over the years at Columbia University, you know it's one of my favorite things to do, is think what next do we have to look at.

And one of the issues, as you've heard, we've got, as we've all acknowledged, you know, the 20th Century laws for this century that we're entering into now, and even more so -- so we already know that we're somewhat behind the ball on regulatory issues and how we think about those, but now we've got all sorts of new different future ideas coming to bear, some of which are already currently with us. And they are going to make us and those of us that think about the regulatory space, I think, have to do double-time in really trying to catch up and get where we need to be.

So one of the age-old questions from our regulatory colleagues in the room and out there is about whether, when you look at something new, is it -- and we're going to be talking about that very thing today -- is it really new, or is it the, you know, old wine, new bottles? How elastic are our regulatory regimes that we have across the states and also in terms of federal and state jurisdiction? How much do we have in place that we actually could apply to some of the things that we're going to be hearing about today? And how much is truly new that is going to require new definitions, new applications, et cetera.

So from a regulatory brain, that's what you're hearing and thinking about today, and I know all of you at the private day tomorrow will be tackling that as well.

So with that frame-up, I'm going to do a little -- very quick intro of both of our speakers because their bios are out there. You all have them. But I think it's worth talking about both of them for a moment, specifically as to what they represent today.

So Marcia Stepanek, as you will read, and again comes from a journalist background before she walked into this space, and she is very, very well known in the nonprofit media and communications marketing space, dealing a lot with narratives and storytelling, which is a major piece of how people think about fundraising and charitable solicitation.

So Marcia happens to also teach with me at Columbia University, and she teaches a couple of very high-level courses in dealing with social media and other technologies, which she’s going to be talking about. So in many ways Marcia is going to be talking about what are the new ways that we hear about charitable solicitation.

And we’ve heard over the years that there are new innovative vehicles for charitable solicitation. We’ve heard today some about what may be some of the new motivations. Some are age-old, but some are also very new in thinking about social media and how that eggs on or urges people to work in terms of their peer groups. Now we’re going to be hearing about what the different methodologies or ways that people ask for things.

And then Rachel Hatch is with us from the Institute for the Future, which is just the coolest name ever of anyone that I’ve ever gotten to introduce. It sounds very George Jetson, which I love. Rachel’s actually going to be talking about what it is -- and I never can find a good word for this -- that we are now selling or marketing in this space. And I say that with those age-old air quotes because it really is something to try to find a label for what it is that is being marketed in the charitable arena when you hear Rachel talk about personal economies and how people are making commodity out of their personal data, et cetera.

So that takes us yet one other further step in thinking about what else is changing in terms of this sector. And in that, it reflects very much all of the other economies that we have, the other sectors as well.

So with that, both of these guys probably have the coolest visuals -- no offense to all of you that already gave your visuals -- but these guys get to talk about all sorts of interesting online and other media components. So what we're going to do is have Marcia, whose slides are loaded first, wherever you would like to speak, and then we're going to take a small break -- or not break, but just a break enough to then move into Rachel, and then we will also have a little bit of time for Q&A.

We are going to try to end this session just a bit after we were scheduled to at about 1:05. With that, Marcia?

MS. STEPANEK: Yeah. I can sit maybe. Yeah, okay.

So good afternoon, everyone. Thank you, Cindy. Thank you, Tracy and Janice, for organizing this really terrific conference. It’s so timely and so critical.

We’ve been talking so much this morning about present-day challenges for the sector, and Adrian’s talk just now about the need to increase urgency and relevancy of our communications to raise more money is so spot-on and so, Adrian, thank you. We were applauding in the back.

What I’d like to do now, though, is build on Adrian’s talk and maybe speak a little bit about the coming marriage of new media technologies and big data and how that pairing is only beginning to disrupt the nonprofit sector’s approach to solicitation, this new movement toward using immersive media technologies to help nonprofits engage more with their supporters and participants and influencers across online networks and how to generate empathy in that immersion, and also then to measure and quantify responses to nonprofit narratives.

All of this is both helpful and in some ways this kind of what I’m calling machine-assisted storytelling might be a little concerning the further out that we gaze at this. So let me just set the stage for what I'm talking about here. I don't have the clicker, folks, so I'm going to say "slide," okay? Let's get that cell phone slide up. Oh, okay. Thanks.

So, okay. So we live in an amazingly very well-documented time. And over the past ten years, a lot has changed in this sector. We're being pushed by the rapid evolution of media technologies to start using all sorts of media platforms and devices, large and small, pocket-sized screens to appeal to donors, and to share with them our working -- our work, advocating, to prove to them that we're having impact, right?

So there are now more cell phones on the planet than people. The devices in our pockets are enabling a rise in new activism, online and off. We are also becoming ever more focused on society in scrutinizing ourselves with all this data, instrumenting our own bodies to be able to measure everything from our heartbeats to also in this sector what tugs at our heartstrings.

And we're also becoming ever more focused on a society in kind of deploying these sensors and satellites and data-gathering devices around our own planet to kind of keep this big collective eye on all of us. So what all of these new technologies are showing us is that we now have all of this information, and we are able, hopefully, to see more social problems, for interventions, and the hope is that with new data and story platforms we can start using intelligent machines to build new solutions to these problems and new fundraising environments in which to bring people together.

So intelligent machines are already whirring. Algorithms are trying to persuade us to do things, whether that's Amazon or Barnes & Noble deciding what books you should read, what routes to take, what the safest and fastest routes are, or which charity to benefit with our contributions. Global giving is already using algorithms to help us make those decisions.

And, so, we're suddenly in this new era where technology isn't just partially automating the fundraising ask; it's storifying it. And it's plunging us into these intentionally emotional experiences and these up-close and personal environments. And this is all in the hope of boosting donor revenue and kind of getting us off the dime from these kind of written stories that aren't really generating a lot of empathy into places where we are having lots of emotional response and building lots of empathy and lots of proof for what we do.

And, so, what's very new here is that all of these immersive platforms for fundraising -- virtual reality, augmented reality, livestreaming like Facebook Live and other donor immersion platforms -- it's making it easier for us to be co-present with the nonprofit, to have our donors be co-present with us in our work, and despite distance, time, and ability, to be able to work with us.

So we're seeing MobileJusticeCA putting out its own app. Some nonprofits are creating shared awareness apps to seize the moment like this and to engage members more deeply. And, of course, we saw the ice bucket challenge to engage more donors to make it fun, even though that was grassroots.

But let me share some of the more intriguing examples of how this demand for co-present fundraising experiences is working for a variety of nonprofits across the sector. So this is Mr. Pincus, and the Shoah Foundation in Los Angeles has used artificial intelligence and holographic imagery to connect people to Holocaust survivors, building this co-presence to support the mission and to raise funds. Let's roll tape and take a look at how they're doing this.

(Video played.)

MR. PINCUS: The Holocaust is an undeniable and horrific chapter in human history in which 6 million Jews and countless millions perished in genocide and crimes against humanity during the Second World War.

New Dimensions in Testimony is a new format of interview by which you can ask your questions of a Holocaust survivor who has videotaped many, many answers to many questions so that the question that you have will be answered directly, in person, life-size and 3-D.

QUESTION: How old were you when the war ended?

SURVIVOR: I was between the ages of 13 and 14 when the war ended in 1945.

MR. PINCUS: We understand very well the power of conversation between Holocaust survivors and the younger generation. We've seen it in our schools; we've seen it in our universities. That conversation, that moment of dialogue where I ask my question and I get it answered, is just -- is magic in the room when that happens. And we want to try and find a way to preserve that as best possible.

(Video concluded.)

MS. STEPANEK: So it's really amazing when you see this. Mr. Pincus is no longer with us, but Mr. Pincus is with us in the room, right, and it's really amazing how hours and hours of this video testimony has been taken, and we have a way through artificial intelligence to interact and intelligent ways that simulate conversation. It’s really very interesting.

Oh, and by the way, using this has raised a lot of money for the Shoah Foundation. And, so, there’s a real, real authentic engagement around this that can be very promising.

Global Nomads, which is working with young people around the world and trying to use new technologies to connect them, is using high-speed conferencing technology, livestreaming technologies, to support its mission, and demonstrate to donors and potential donors the value of its work. So it held this conversation between teens in South Central Los Angeles and Syrian refugee teens now living in Jordan.

And it matched them together in realtime to talk with each other and ask each other questions and have it be so much about what the teens wanted to talk about. And donors loved it, but the teens really loved it too, and the fact that the teens were very inspired by what the Syrian teens were doing to build -- grow their own food and honor their neighborhoods in new ways was very profound. So that’s another one.

The Chicago 00 project is another one, and if any of you have kids or have seen a crowd and thought it was for an event that you were having but instead it was a Pokemon stop, you know what augmented reality is, okay? So we’ve got some -- a Chicago museum using augmented reality to once again build this co-presence with donors and potential donors, museum-goers of all stripes, by making their history come alive.

So let’s roll tape in this. Let me just set this up that this was taking people out to various neighborhoods around the City of Chicago and using iPads and augmented reality to tell the stories of what happened here. And this particular story was Al Capone and the St. Valentine Day’s massacre. So let’s watch a little bit of this so you get the idea. Roll tape.

(Video played.)

NARRATOR: You wouldn’t know it, but that’s the site of the City’s most infamous gangland killing, the St. Valentine’s Day massacre. There, across the street, that vacant lot with the tree. The building where it happened was torn down a half-century ago, but on February 14th, 1929, the attention of the entire nation was on this block of North Clark Street in Chicago.

The photographs of the scene shocked the country and turned the tide of public opinion against Chicago’s violent bootlegging gangsters.

That morning, a crowd gathered outside the SMC Cartage Company, a garage that was known to be a front for George “Bugs” Moran’s Northside Gang. Gunshots had been heard from inside.

You look behind --“

(Video play concluded.)

MS. STEPANEK: And so on. It’s just bringing -- superimposing what happened there. I’m also working with some people in Greece and Athens to use the same kind of technology to reintegrate youth around why money is being spent in a very economically challenged community to save and restore many of these monuments. And by superimposing a lot of augmented reality over these places, that kind of value is coming back with new discussion.

Nonprofits -- I want to show you one other thing here -- is that there’s a group called Honor Everywhere. Oh, let’s show Fear of the Sky first. This is actual 360 virtual reality. Ideally, you would all have headsets and you would be kind of walking into this space, but there’s a shortcut. It’s called 360, and we saw a little bit of that just now.

This is from Amnesty International, and it made this to give supporters and potential supporters an idea of the devastation that we always hear in the headlines of Aleppo, but we don’t really walk into the story to experience ourselves. Let’s take a look at this and see how they were able to show people what a neighborhood looks like and how people are still living there and some of the threats to their safety to be able to raise a lot of funds.

(Video played.)

NARRATOR: Welcome to Syria, a place where people live in fear of the sky, scanning the horizon for helicopters armed with barrel bombs. Made from rusty oil drums, filled with scrap metal, barrel bombs are illegal weapons ruthlessly plunged from the sky by President Assad's army. We don't know when or where they'll land, but it's often on homes, hospitals, and schools across Syria.

Amongst the rubble, the people of Syria remain resilient and strive to make ends meet. Some call this place the Circle of Hell, but to many, to me, it's still a home.

(Video play concluded.)

MS. STEPANEK: And then you can go to the donate page. So this is -- virtual reality is the new fundraising, and it's by all measures so far very effective in building support, very effective in building money and recruiting new hearts and minds.

But as -- this stuff isn't inexpensive. We've got a lot of people still dabbling with it. We have a group called Honor Everywhere, and it has old, aging veterans being able to go back to the battlefields that defined their youth using VR. We've got Hidden Dangers, which is for children, which is a new VR project that educates kids about clean water and raises funds for this new nonprofit called Water is Life. And the monsters are pollutants to avoid, so there's an educational function to this.

But perhaps the most powerful use of VR by nonprofits is VR that intends to generate -- intends to generate empathy for causes, elevate awareness of social problems, and tries to replicate with audio, sound, photography, and animated avatars real-life situations so that people can be brought in to everyday events that can change their mind about things.

Now, here's a clip from Nonny de La Pena, who is a journalist who's working in immersive storytelling, and it's all about hunger. Let's take a look at some of this.

(Video played.)

NARRATOR: In Hunger Los Angeles, we recorded audio at food banks to record a day where a guy went into a diabetic coma while waiting in line for food.

Okay, he's having a seizure.

And what you do is once we put people in the virtual reality scene, we put them in virtual reality goggles, and they’re trapped everywhere they go. So in this particular scene, you can see that this person won’t step on the body. He’s very careful to walk around him because the body feels real to him.

The effect for people was profound because your mind, when it’s -- your eyes are completely covered like that and when the audio works -- and audio is key -- then you get a real sense of being there.

So I really think that immersive journalism is the future of the way that people are going to get their news. We’re going to give them immersive experiences that are really based on what happened, instead of watching on our video screen, flat and away from them, they’re going to actually be in the story. And by doing that, we’re really going to be able to convey the sights, the sounds, and the feelings and emotions that accompany the news.

I got asked to put in a proposal for, believe it or not, an immersive briefing room for the President. It’s sort of a laugh to me, like that somebody would ask me to do this, given, you know, all my other, you know, journalistic leanings, but the idea is that the President would no longer just read a brief. He would come into a room like this, experience the story, you know, what happened at the Boston Marathon, where, you know, suddenly you're there and you're seeing what happened.

It's going to take -- that's how we take in information. That's what we do as humans, you know? We didn't always take information in through the page. We take information in through our eyes and our -- you know, our ears and, you know, how we see things visually is by far the dominant way that we get information.

So this is a no-brainer of a place that we need to be working.

(Video play concluded.)

MS. STEPANEK: So as the nonprofit sector dabbles in this stuff a little more, Charity: Water, this is from their recent gala fundraiser, and people were just giving them money after this, big amounts. They raised $1.4 million in this sitting, which was about double of what their normal gala is.

So the question is, is this gimmick and novelty, or are we really headed into a good space here. But either way you cut it, the stuff isn't cheap, and it's raising some deep challenges ahead for all of us. This technology can help us to create new storylines and pitches for support, but there's a dark side to this stuff too. And I want to go over just really quickly here, because I know we're pressed on time, five challenges.

Privacy, of course. As the tech industry continues to build VR’s social future, the very systems that enable these immersive experiences are already establishing new forms of shockingling intimate surveillance. Once they’re in place, researchers warn the troves of data that these kind of products can freely mine from our bodies, our faceprints, what we’re thinking, our behaviors, can be enormous. And, obviously, the potential for manipulation is great.

And it’s not just science fiction. One need only recall Facebook’s experiments and to massive scale emotional contagion through social networks, and so this stuff is kind of around.

And then we have questions about empathy ratings. We’re seeing a lot of people now wanting to measure how was that story, was it persuasive enough. How do you measure empathy? How do you dig into some of these algorithms to get answers to those questions? Should you?

And then neural networks, how machines are kind of digitizing humans with face scans. This was a particularly kind of challenging reveal, is that these neural networks and algorithms can kind of identify criminals by their faces, so, I mean, the point is is that humans and not machines need to be involved in a lot of these decisions together.

But the problem is is when we're looking for how these algorithms weight media selections, what they're going to promote, you know, stories that get shared are good stories. According to a media company, they're more profitable. So let's weight some of these stories and these story selections for the emotion, right? So let's manipulate these emotions because anger gets shared more likely than not.

I don't want to oversimplify here, but all of this kind of adds up to whether these algorithms are giving us the right information on which to base their suggestions and recommendations to us and whether they're basing their recommendations on human bias and how can we correct for that. And the only way to do that is if this sector and if civil society and all of you and all the nonprofit leaders and corporate involvement is made to help craft this new storytelling frontier with the nonprofit sector so that we can minimize this kind of fallout. And I think I'll end it right there.

MS. LOTT: That's great, Marcia. We're going to move on to Rachel in just a moment, but I did want to make just a couple of queries, kind of rhetorical, in thinking about this. Harkening back to what we talked about before when Adrian was mentioning how in the U.K. they've banned -- which we'd have a hard time doing here -- talking about distressful content and guilt-producing and manipulative content, the big question about VR and AR -- augmented reality -- is what -- I would say it's two parts. What about from a regulator's perspective when it is not real, when what you're showing is, in fact, not Syria, but you've got footage, you know, is that deceptive, is it not? Is it enough that it's a war-torn region? These are the same types of questions we had. Is it that kid that you're helping or a different kid that you will be helping? These are all going to become more and more prevalent questions when you're actually being told that you're looking at something and you're immersed in it about is that true or not.

The second part of it is what about when it is, in fact, real and super distressing. Right?

MS. STEPANEK: There is a UCLA study out that says that any experience in these virtual environments is kind of doubling the emotional wallop just by virtue of having this illusion of embodiment, they call it.

MS. LOTT: Yep. But if you think about it in terms of unfair or deceptive practices and other things that the states in particular care deeply about, real is better, no matter how traumatic it is, right? But it's better in some way under the law. So I think we're going to be looking at some of that when we think about co-presence, et cetera.

Rachel Hatch comes to us from -- I love these backgrounds that come into play in our sector -- she comes from philosophy and also divinity. If you read her bio, you will see that she literally spends her days thinking about the future, which is really interesting. She has got some great slides also to talk about and again moving us into a different place now about what is coming down the pike in terms of what used to be called a donation that may be called something now, as she says it, backing, but also about the commodification, if you will, which is just a great word to say if you haven't yet, the commodification of personal data.

And when you see what we're looking at, all the abuses that -- you know, we have the fact that you can get all sorts of personal data now, we want to utilize personal data out in sectors for different things. That also means there can be abuses, but what it also means is that people say that's my data, and if that's my data, how come I'm not getting anything out of it when everybody else is using it, right?

So the FTC concerns itself deeply in other parts of this building with privacy, and I think this is where the intersection is really coming to bear for the FTC is that as this moves forward, privacy and our donor issues are going to become much, much more intertwined than they even have. In the past, we've concerned ourselves with Social Security numbers, bank account numbers perhaps for donors. We're going to have a lot more according to Rachel that we're going to get to look at.

So, Rachel, I can't see you. There you are.

MS. HATCH: Let's see if I speak if it will summon my visual --

MS. LOTT: And it is God-like. It's awesome that you studied in divinity school. I apparently am going to be doing your slides for you.

MS. HATCH: Oh, thank you, Cindy.

MS. LOTT: So if you will just give a nod, I will try to pay close attention.

MS. HATCH: Great. Well, it's good to be with you.

MS. LOTT: Thanks for joining us.

MS. HATCH: And just to do a quick sound check, can you hear me all right? Should I modulate myself?

MS. LOTT: You're all good.

MS. HATCH: It's good? All right.

So just to contextualize a little bit of what I am about to say, Cindy mentioned that I'm a -- I work at Institute for the Future, and that means that I'm a forecaster -- future forecaster. And, specifically, I spend my days looking at the ten-year time horizon. So right now I've been thinking about, you know, the years 2026, 2027. So my goal here is to stretch our thinking to that time horizon, knowing that the regulatory landscape changes in fits and spurts, but there's hardly anything new that hasn't -- you know, where you can't spot the seeds of change from a long time ago.

So I want to kind of preview some of the things that I think are likely to be changing. And with everything that I say, I want to just frame that I don't think and no one in the Institute for the Future thinks that a person can predict the future with any high degree of accuracy. The world is too complex and uncertain and commititorial for that, so I feel like you should never trust someone who says that they can predict the future, especially if they're from California sitting in -- you know, here like I am, trying to speak to you.

But rather what I aim to do is to share some forecasts, which are internally consistent, intentionally provocative, and plausible views of how the next decade might play out with respect to donors and the regulatory landscape.

So Adrian, who was up, you know, just before you two took the stage, he mentioned something that I thought was quite interesting, that going forward we're going to really need to pay attention to the donor experience. And I think that's a little bit of what's stuck in my mind as I've been contemplating this question of what's the future of fundraising. So maybe, Cindy, if you want to do the first slide, we'll just test this and see if we're stitched together right.

MS. LOTT: So --

MS. HATCH: I think this might still be some of Marcia's.

MS. LOTT: Tell me when to --

MS. HATCH: There you go. There we go, from donors to backers. That's where I'll start. One back.

MS. LOTT: One back.

MS. HATCH: So to put this in the transformational context, we're really moving from a world where we think of the consumer economy as the economy. You know, when we use the term "economy," that's what we tend to think of by default. And we're moving from that world to a world in which there will be networked personal economies. And in this kind of future, the people who we think of today as donors might perhaps better be known as backers.

And I can share an example from my own personal experience. So on the next slide, we have one person that I am backing as a person who supports science and women in science. So this woman, just to take you into her story, her name is Ariel Waldman. She is a woman scientists who sort of fell into work at NASA and now she is an author. She’s often a consultant, particularly about space. She formed the beginnings of SpaceHack weekends. So she’s somebody who’s really focused on creating accessible science. And I use her just as one example because she happens to be on a platform that I think really embodies the shift from donor to backer.

Some of you in the room are probably familiar with it. This is called Patreon. It began in 2013, and the model here is kind of like a Kickstarter model, if any of you have supported a project, backed a project on Kickstarter, where, you know, someone may be producing, say, the next generation watch and they want to get you to back their project. So Patreon is sort of like that, but really what you’re doing is you’re supporting primarily the person, not an end product that you hope to receive.

So the innovation that we’re starting to see with Patreon is that people are subscribing to support the basic livelihood of someone whose work they believe is high-impact or that they want to see more of in the world. Donations -- just to calibrate, donations here are relatively small. On average, it's about $7 per month that's given to one of these creators.

You can see here that Ariel, at the moment, has about 105 backers. All told, she's getting $481 per month from soliciting this support. And if you decide to back her, then primarily she gives you special access to how she's thinking about upcoming projects. So she kind of pulls back the veil on her creation process. And she also feeds a steady stream of science-interested information into your kind of information sphere that we're all trying to curate more carefully these days.

So Ariel is a great example of the value proposition on the next slide that basically Patreon and platforms like it are saying, creators, come get paid; turn your fans into predictable income by offering exclusive content. Now, some of the people who are creating on platforms like Patreon, you might think of what they're doing as a traditional business. So, for example, a set of musicians might get together, form a band, and say, well, rather than fund our own startup costs, we really want to figure out if we can get the crowd to pay for what we create.

And others are taking less of a traditional business model and more of something that I would think falls in line in the charitable sector, where it’s, you know, I seek to do high-impact work in the world, so please come support my doing that on an ongoing basis.

So creator here is a nontrivial word. You know, if we all had a dollar for how many times we’ve heard about the shift from consumers to producers, we would probably all be rich. You know, it’s a cultural trend, it’s a technological trend. But here, too, in this kind of sphere we’re starting to see the rise of creators and the decline -- on the next slide of the frame -- of consumer. Cindy, I’m giving you a workout there on the slides.

So the decline of consumer, you can look here, there are -- this is the -- this shows the number of Google searches for the word “consumer” over time. So this is declining from 2005 on the left on to 2015 on the right. And, you know, it becomes clear that the word “consumer,” even perhaps “consumer protection,” just doesn’t quite capture the dynamics that are at play anymore.

We’re really used to thinking of the consumer economy as the way that, you know, a country produces wealth and it’s how we measure GDP is based on production and consumption of goods and services. But what I want to suggest to you all as thought leaders in the regulatory space is that we need to be prepared for a world in which individuals have economies. And here we’ll click a couple of times through. I think there was a video that was -- we were having trouble with earlier, so let’s go to the signal of change that I want to use to take us into this.

So if I were in the room, I would love to see a show of hands of anyone who has kids who are gamers, but I will just fill that in in my mental landscape here. If you do, if that is true for you, you may be familiar with this signal of change that I’d like to share with you called Twitch. And a signal of change, in the way I’m using this term, it’s really an early indicator of a future direction of change. So it’s something we can point to in the current marketplace that, you know, there’s a pattern of dynamism that’s happening around us, that suggests something new is under way.

And any one signal of change, you know, may be meaningless, but if you can start to detect that pattern, which is what we’re seeking to do, that’s when you can really start to reveal the changing dynamics. So let me take you into the signal of change called Twitch. This is a gaming platform that really grows out of the age of personal broadcasting. So, you know, you could think of it as YouTube meets the gaming industry.

And on the next slide, here are a wide range of people who are participating in the livestreaming phenomenon, so here this is China, where there are more than 200 livestreaming platforms. And the quote from some of these young people you see here, “Everybody feels they have some sort of talent but nowhere to express it. So it’s good to be able to use your smartphone to show your talent off and have everybody recognize you.”

So just to say that this is a phenomenon that’s not just happening in the U.S. context. In fact, it’s happening even more so around the world. And people who stream on these platforms are paid sometimes in digital gifts, which is a difficult thing to wrap one’s mind around. So these might be kind of in-game experiences where they’re given virtual cars, virtual candy -- so these are digital gifts; and where the profits, the livestreaming platform profits, are shared between the platform and a particular channel house. So some hosts may earn thousands or tens of thousands of dollars per month by doing this, just to give the sense of scale.

So it’s an international phenomenon, but back to Twitch on the next slide. This is the dashboard view if you were -- if you signed on to Twitch. And I would refer to this as kind of the wild west of commodification here. So it may be a disarming or jarring visual for us. It's quite a cloudy space -- or crowded space. So let me just walk us through it. On the left, you can see one of the most famous players of all time on Twitch, the gaming platform -- and you may be able to hear the siren from here on the San Francisco street, so I'll pause.

So in the upper left, there's one of the most famous players. His player name is PhantomL0rd, and he's really using Twitch, this gaming platform, as a way to commodify his time and his experience as an asset. So Cindy mentioned earlier that people will be commodifying their data, but it's not just data; it's also attention, talent, all of those kind of things.

And Twitch, if any of you are techies out there, you may be interested to know that Twitch is owned by Amazon. So there's -- we start to see the business models emerging from all of these acquisitions. So Twitch has enabled this gentleman to add a monthly subscription to his personal economy. So he gets $5 a month from a number of subscribers.

But that's not the only monetization strategy that he is kind of soliciting for. He's also developed celebrity and influence on Twitch, so much so that he's actually auctioned off the very headset that he uses when he plays his games. So on the next slide, you can see on the blog Game Skinny, you can see his headset, 80 -- you know, going once, going twice. It was around $80,000 at one point. It ended up going for $97,000. And this is another source of revenue for someone in their personal economy in this kind of world.

So beyond, you know, subscriptions, there are also streamers that provide advertising space for an individual in their personal economy. There's product placement sometimes, playing the game while drinking a Coke, taking supporting donations from people who are just raving fans and they want to give a charitable donation to see more of this in the future, and selling merchandise. So you can start to see how there's a whole explosion of revenue streams and potential moments of backing and moments of solicitation that happen in this kind of world.

And then also on the next slide, platforms like Twitch also serve a purpose of distilling some skills that may otherwise have gone unrecognized. So in this case, in the upper right, you can see a game player who's sitting presumably at his home, and he's playing around with 3-D modeling on one of the Twitch channels. This is called Twitch Creative.

So here, people from around the world -- it's really 100 million visitors per month -- they value the opportunity to see Twitch broadcasters push the limits of a creative process like 3-D modeling. So literally, just to picture it, he’s sitting in his home, playing around with a 3-D model, and people are watching his screen and watching him. And this becomes monetizable, it becomes a form where that player might be able to make an ask for support to see more of that.

And it’s not entirely exploitative for somebody who’s a game player on Twitch or who’s on Twitch Creative to make that ask because part of what they’re doing is they’re teaching. This is actually a teaching moment and a learning moment that happens. So there is some pro-social activity that’s happening during the course of this.

The next slide, if you go to the popular site Reddit, which is sort of a Wiki-based conversation where people have conversational threads -- in particular younger people and the millennial generation. Here, they’re asking -- someone’s asking a question to the crowd, Well, what about marketing your experience as a channel moderator on Twitch in your resume?

So just to give you a sense of the seriousness of this, in Silicon Valley, we’re starting to see Twitch handles -- user names -- show up in resumes for how people are marketing themselves. And this is connecting to the work force.

So the next slide, another signal change is Knack.it. So here, game achievements, like what you might accomplish through a Twitch, they eventually form a new kind of resume for people. So they use mobile game interfaces to surface qualities that are important to employers -- qualities like grit, leadership, problem-solving. And then it matches those skills with open job descriptions.

So the reason I mention this is because it may seem frivolous at first to look at something like Twitch. You know, gamers are streaming their gaming, and that’s part of their personal economy. They may be making a charitable solicitation as part of that, but ultimately this ecosystem is starting to build where that’s actually a viable way for someone to get connected to the workforce, get connected to upscaling. And, so, to build their personal economy in that sphere may connect them with more traditional forms of employment. So there’s a real reason why people are engaging in this to fill some of those needs.

And, of course, on the next slide, some of this is being automated, what you see here is how Google is actually tracking people’s search history at the moment to see if you happen to be looking into areas that they’re interested in hiring. So, you know, let’s say you’re sending a certain number of queries; then they, you know, have this popup; and it gives you a challenge to solve that would open up an offer for potential employment or a path to employment, like an interview, once it’s completed.

So this is all in the service of revealing what young people like the one on Twitch or like Ariel, who is on Patreon that I showed at the beginning, surfacing and revealing what those people have to offer and helping them to share it with others.

So this is the term we’re using to describe this phenomenon -- the next slide -- the personal economy. And here, Cindy, there’s a few builds, so you may just click through them.

This is really referring to the value-generating potential of an individual’s life. And it includes how people discover, access, manage, and share assets and services. And those assets, as Cindy mentioned, they may be data-based, but they may also be your reputation, your reputation on Patreon or on Twitch or on Uber or Airbnb. It may be assets that relate to your identity or your possessions, your skills, or your influence.

So this is -- this is the key concept I really want to ask us to consider here, is how do we regulate charitable solution and donor -- you know, the donor experience when really that moment is focused less on nonprofits who are asking for money and more so on individuals who are asking for monthly support, and at a very large scale. You remember Twitch has 150 million creators on it already.

So next slide. The commodified life, then, in the next decade in 2026, 2027, we anticipate that to support themselves, consumers, if we call them consumers still at that point, because we saw that graph that that's becoming less of a resident term, but consumers of the next decade will find ways to commodify their lives. They may not think of it in those explicit terms, but they're sort of hunting for little pockets of value.

I think there are a couple builds here, too, Cindy.

So they'll start by identifying the latent assets that they've created from their own time, their attention and physical assets. It could be their intellectual stronghold, as in Ariel Waldman, who's the woman scientist, and they'll have the ability to convert these assets into shareable and often monetizable digital commodities.

There's a whole bunch of -- next slide -- a whole bunch of enabling technologies that are driving this, and Marcia did a great job of referencing a whole slew of these in her earlier conversation. So I'll just tie back that I think in our closing conversation it might be fun to come back to these.

So let me characterize the futures edge of this in closing. Next slide. Imagine a future in which we start to commoditize the very things that we own in the physical world using digital tools to link others so that, you know, if they see something on -- sitting on a table, they can buy one for themselves.

This is something that already exists to some extent. In Amazon's Firefly, which is what you see here, has already started to bridge the physical world of objects with online catalogs to create value from the attention that you pay toward owned goods, even if it's, you know, a thing of chalk or a mug that you particularly like that may be sitting at your table right now.

So users can simply snap a photo of an object, and the application will bring up the description and an Amazon purchase link instantly. So what if I care about my local museum, for instance, and I have objects that are commoditizable. Might I carry those around with me with a certain intent in 2027 to commoditize those for the benefit of my favorite nonprofit, for instance?

In that kind of situation, that point of transaction happens very much on the basis of a material object. And that’s not always something we’re used to having those same kind of regulatory frameworks for. So commodified objects are commodified styles.

The next provocation is around commodified knowledge on the next slide. So imagine here a future where we explore the world in augmented reality, kind of like this picture of a Microsoft HoloLens headset. So here you see there’s a daughter who maybe has gone off to college, has her first apartment. She’s working on fixing her plumbing perhaps under her sink for the first time, and she’s able to patch maybe her dad or an older friend in to say how do I do this. And, you know, in this kind of interface, similar to some of the ones that Marcia mentioned earlier, you can actually immerse in that kind of world.

So as we accomplish challenging work tasks in the next decade, we will leave kind of digital traces of our actions in the physical world. And these digital lessons may even lay dormant, just springing to life to mentor workers or explorers in a certain space just in the moment that they’re needed.

So support from the workers -- in this case, you know, the daughter maybe talking to her dad, support from those workers perhaps as a share of someone's personal economy portfolios goes back to their mentors. So there's a way of actually tracing that lineage of knowledge that's being passed from person to person.

So we may in, you know, a decade from now, we may end up paying for the combined knowledge of maybe thousands of virtual assistants -- some human, some automated -- distilled into simple guidance that's in situ, that's in context throughout the course of the day.

Next slide. Some will go even further, perhaps paying people directly for their attention as a commodity. So here I would point to the example of Lance Coleman. He's actually a fellow at Institute for the Future where I work. He's created a music app called Playola, and if anyone there closely follows the regulatory landscape in the music industry, you may catch the irony in this name, so Playola.

And most music services, of course, make you pay for every song that you want to listen to or for a monthly subscription. But what most people don't realize is that artists get more air time and they sell more copies of their music if statistics show that their songs have been played more times. So this dynamic makes attention monetizable. It makes plays valuable.

So the way that Playola works is it sends users songs to listen to, and it pays them for listening through to the end. So this flips the pay-per-listen model of music, paying the user instead of the other way around. So the user hears new music; they might think in terms of commodifying or monetizing their attention; the listening statistics go up for artists; and there is a potential flywheel effect that happens in that kind of music ecosystem.

So this is an early signal. It’s still in development. But it points to the range of ways we’ll be innovating our personal economies.

A couple more examples. Next, we’ll commodify our social networks. So Depop, some of you I know -- I saw some nods when I shared this even with our panel here today. So this combines Instagram-like community and celebrity with an e-commerce platform, so you can actually purchase, you know, something that you see someone wearing, you can purchase it right away.

Or we might -- next slide -- we might commoditize our location data. So Waze is the world’s largest community-based traffic and navigation app. And drivers opt in to sharing realtime traffic and road information. So this one happens to be owned by Google. It’s now in 15 countries, just to give you a sense of scale. And in cases like Waze, the commodification or the digital collection of our data is passive. So an individual kind of sets it and forgets it, and there’s a value that you get in exchange for opting in to this service. You end up getting to your meeting on time because it optimized -- you know, the app optimized your morning commute. Or you end up picking your kid up on time from daycare because it rerouted you. So this personal data is meaningful to you, and you can actually put it to work.

So these were a few examples of the types of things we might commoditize. All of those could end up taking shape through crowdfunding platforms. So I want to close just by anchoring us in the scale of crowdfunding platforms that are already under way. I know you are familiar with them. Sometimes people contribute in very small amounts, sometimes larger, to create new pools of capital that offer an entirely new funding structure that’s completely -- you know, largely outside of institutional finance as we’ve known it.

You notice that in these kinds of contexts by and large there are no loan managers, there are no credit checks. And it’s not that there are no gatekeepers. We actually have a set of emerging gatekeepers in the crowdfunding world. But really on the platforms themselves, reputation is on the line. And, so, these platforms have developed reputation metrics and systems that help ordinary people feel a sense of transparency when handing their money over to back a certain person.

If you click again, you can see this is, again, not just a U.S. story. This is global. And I believe that you'll be hearing from GoFundMe later on in the course of the day, so you'll get sort of a more meaty case study during that conversation. But this really is a global phenomenon, and on the next slide you can see this information is from the World Bank, showing the crowdfunding potential by region. So China is the most advanced when it comes to this, but it has a possibility to really transform our production systems and transform our economy.

So I want to close -- I have sort of an open-air slide here with implications because I want to call out a few questions just for you to consider. I've already raised one of them, which is will the statutes that you use today to regulate charity, will they be relevant if they're focused on nonprofits who ask for money as opposed to individuals who are soliciting for monthly support of their projects and their ongoing work streams. That's one question.

A second question, in a world in which everyone is a solicitor and everyone is a backer, the scale for regulation is going to require some really sophisticated reputation systems and metrics of trust. So this raises an important frontier around algorithmic regulation. So how well you all and others regulate the very algorithms on which these reputation systems and metrics of trust are based.

And then the last question that I would just put to you as leaders in the U.S. context is given how quickly this landscape is changing, particularly crowdfunding outside of the U.S., from which countries should the U.S., you know, seek to learn so that we can adapt as rapidly as will be required to these kinds of transformations. So those are just some thought-starters, and I'll hand it back to Cindy at this point.

MS. LOTT: Oh, that's great. We are -- we're so close to time, but I don't want to end this quite yet because I'm sure there are some other questions. And I think, Rachel -- really thank you to both of you, back-to-back powerhouse presentations.

I think you've hit on one of the biggest issues that regulators really have to think about. I mean, in this sector, what we're moving from is the institution to the individual. And, of course, the whole point of having a nonprofit institution is that it helps protect the mission, right, so that it's not just about the founder, that if the founder dies or moves on, you've got an institution around that. I mean, even just thinking about the cy-pres doctrine, when you're dealing with an individual, where does that go after that individual goes, wherever they go?

So that shift to thinking about whether we want to regulate the individual piece, how we regulate the individual piece, why we would regulate some of that, I think are some of the really, really big questions. And the scale of what you're talking about is fascinating too. I know a number of you may be attending the International Charities Regulation Conference that's going on in Canada, I think next month. And more and more the regulating community is really paying attention to what other countries are doing.

And in some ways, I am hoping that we're paying attention to the very countries that were on these charts, who I don't think always attend these types of conferences or actually participate, and we really could be learning a lot from how they're looking at what is happening in their country and the amounts of money that are spent on these platforms.

So it’s really moving us. Years ago, you know, a regulating group together talked about what social media would be doing and platform and Kickstarter and all sorts of crowdfunding issues, but that was still about -- more about institutions. Now we’re getting that combined with individuals, and that’s the really interesting intersection.

So I’m going to take one question or two, depending on time, before I break. And you’ve got to have some, I know. Yes.

AUDIENCE (Off microphone): Why pay for some of that content (inaudible).

MS. LOTT: Why pay for content when you can get it for free on YouTube?

MS. HATCH: So in the case of Twitch, for instance, one of the reasons why people tend to go to those platforms, also for Kickstarter, in fact, is really for the learning process. And as, you know, we all are aware that the business model of higher ed is one of the business models that’s being challenged right now, and that learning is really shifting from, again, institutional forms to really episodic, embedded, in situ learning moments, for better and for worse.

And, so, if you think about this from a learning perspective, that becomes something of value, particularly if a person is keeping together, for instance, an education rather than engaging in the more traditional format of higher ed, they may find value in seeking out higher quality content and highest quality instructors.

MS. LOTT: And I would say two things. YouTube may have been, you know, the alpha version of -- I mean, there was a time that none of us could fathom that anybody would put something that personal for everybody to see, but that may go by the wayside that people put that up for free as time goes on when they learn they can actually commodify it.

And I think to your point, one of the great examples in higher ed, the MOOCs that have come out are now starting to appear on people's resumes, even though they don't necessarily get credit for it, there's nothing else out there to say that they did particularly well or not. But the reality is that people are piecing together, so it's a great example.

Time for one more quick question? Lots to think about here. Yes?

AUDIENCE (Off microphone): Hi. I'm just wondering if you see (inaudible) e-commerce communities like eBay or Amazon as sort of, you know, good analogs for maybe self-police types of models for donors and, you know, would there be sort of like a cloud for donors, if you will, that might be something, you know (inaudible) together and work on (inaudible).

MS. LOTT: So the query was -- if I can manage to repeat that one -- whether or not that some of the analog that's out there already with Amazon and other services that are really about kind of self-policing, self-regulating and everybody is looking after themselves but also each other's backs, might be mirrored here in some way that the donor community could do through either a cloud or another form of networked reputational -- what would we call that? Looking out for that.

MS. STEPANEK: Reputational systems, right. I think so much of this, though, is about transparency, whether it's these kind of self-regulated systems that we've seen in the past, reputational systems that have not been so transparent, have been uneven, have not been really up to par when you look under the curtain.

And then also as everyone has mentioned today, this algorithmic -- we can't give our algorithms too much responsibility to help us regulate in this area or create best practices because, in truth, so many organizations and people who work in data, we're losing that transparency and how these algorithms are put together. There's not enough transparity, no transparency on so much of this stuff.

So I think civil society needs to really look at companies that make algorithms and to kind of get them into a conversation where we're getting more standardization or at least some kind of transparency around how these decisions are being made for us.

MS. LOTT: All right. Well, we didn't even take any of the queue questions from the crowd. There's just a lot for the regulators to chew on tomorrow, and I don't even want to go there about what it means for consumer protection bureaus, because we have those in every state and D.C. Good luck with the new name under Rachel's theory.

So thank you both so much. We're breaking for lunch, and, Tracy, what time did you want folks back, given where we are?

MS. THORLEIFSON (Off microphone): If everybody could try and be back by 2:05 (inaudible) five minutes for your lunch.

MS. LOTT: And I'm told there are places right across the street and food trucks along the front here, right?

MS. THORLEIFSON: There's a cafeteria around the corner that's --

MS. LOTT: That's actually in the building.

The cafeteria is in the building.

So break for lunch. We’ll back here in just about an hour.

(Applause.)

(Luncheon recess.)

PANEL 5: NAVIGATING CHARITABLE GIVING TODAY - CURRENT DONOR CHOICES AND CHALLENGES

MR. CARLSON: If everyone can get seated, we’re going to get under way. I’m going to start calling people up by name. I can’t see you with the lights, but I know you’re out there. Oh, and I can see Chuck in the front row. That’s one person.

And, Tracy, am I waiting for a go-ahead from somebody to start talking, or --

MS. THORLEIFSON: Go ahead.

MR. CARLSON: All right. All right, folks, my name is Bob Carlson. I am an Assistant Attorney General with the Office of the Missouri Attorney General’s Office. I sit in the Consumer Protection Division, and I coordinate all the nonprofit law and charity matters for that AG.

With me up here is, in order, Tiffany Neill, who is co-owner and partner of Lautman Maska Neill & Company, an award-winning full-service direct-response firm; Bennett Weiner, COO of the BBB Wise Giving Alliance; Amy Sample Ward, who is the CEO of NTEN; Daniel Gordon, who has a great title of Head of Trust and Safety at GoFundMe, who is rapidly learning, yes, there are 50 AGs and they now all seem to know exactly where his office is; and David Hessekiel, who is President of

Engage for Good and also leads and owns the Cause marketing forum.

And, so, what we are going to talk about here is to kind of bring the conversation we've had today back into the practical realm. We've been talking about how stories drive fundraising and the big, broad ways you can tell those stories, but now we're going to talk about the tools and platforms where those stories get told and, just as importantly, how the money actually flows once the excellent fundraising pitch has been made through the story.

So, then, Tiffany's going to cover direct marketing and telemarketing. Amy will cover online tools. Daniel will cover peer-to-peer and crowdfunding. And David will take cause marketing.

So, Tiffany, you're up.

MS. NEILL: Great. Thank you very much for having us this afternoon. This is terrific, and it's a beautiful room. This controls the slides. Well, now I have all the power. I also have the one-minute sign, so if you need this, come up and grab it.

So I am Tiffany Neill. I've been doing direct-mail fundraising for 25 years, and I love it. And, yes, people still read the mail; they still respond to the mail. It is still one of the best ways to get long-term donors, and I continue to love it.

So I'm going to talk briefly about best practices for fundraising in the mail and on the phone and some of the things that we identify as good practices, good donor stewardship, good long-term relationship-building, and communications.

So I believe that some of this we went over this morning, but in general, charitable giving in 2015 was $373 billion, of which the largest part was from individuals. It was about $274 billion. So the question always comes to, well, what part of that was on the mail and on the phone. And it's actually very difficult to quantify.

Nonprofit organizations, large and small, all use the mail and use the phone to communicate with their donors. Not all of them call it direct mail fundraising. And it's amazing how often you talk to a development director and they say, we don't do direct mail; I just mail my donors from time to time. Well, indeed, that is direct mail.

So the best numbers that I can give you are from some of the larger organizations who are more than willing to stand up in a crowd and say, yes, we do direct-mail fundraising, and, yes, we do telephone fundraising. And a lot of those organizations participate in a cooperative with Blackbaud, Blackbaud being a large nonprofit tool in the industry.

Now, 76 percent of the donors to those 2,000 large organizations are making gifts through the mail. This is something that people are comfortable doing. We have trained generations of people to be what I call checkbook philanthropists. They read about organizations they care about; they go home, and they write a check; they get updates from those organizations. And that's how they interact.

Within that base, a lot of those direct-mail donors are going to get 12, 13, 14 different organizations. This is really how they choose to interact with the world philanthropically. They don't go to events. Their average gift through those direct-mail gifts is about $32. On the phone, 25 percent of those organizations are -- have donors giving to telemarketing.

Now, again, they identify it as telemarketing. If you talk to most large organizations, they will tell you that they have volunteers making calls; they're making calls themselves. These are nonprofits that actually report having telemarketing revenue. This revenue is slightly higher at about $33 per donor. So this is still a significant source of revenue to nonprofits.

And the reason it still works and the reason it is still so popular is the mail is a great way to communicate with people who have time to read and people who have been trained to learn about organizations by reading and by reading the mail. So a lot of the people that are direct-mail responsive are slightly older. They tend to be better educated. The audience skews slightly more towards women. But we’ve basically trained an entire generation, and now the boomers, who are aging into that generation, that a good way to interact with nonprofits is through the mail.

The other reason that the mail still works, it has been proven as a tool to build relationships. And we see this time and time again where you do focus groups with direct-mail donors and they are so well educated about the organization. They really read the correspondence they’re getting. They know the stories. They know the outcomes that they’re evincing. It’s very powerful as a tool.

The other great thing about direct-mail donors is these individuals are great donors. They renew year after year. They have proven to be loyal to those charities with whom they first give by writing a check through the mail. They have a predictable return on investment. They -- we can project how they’re going to behave over the years, how many gifts they're going to give over their lifetime, when they're going to give larger gifts. And the interactive pattern has been established. And organizations who are doing it well keep those donors for a very long time.

And even better is they've proven to be great donors for major gifts and planned gifts. A lot of bequests and estate gifts are coming in from individuals who were first acquired, who were cultivated and were stewarded, through the mail. So as far as a high return on investment for a charity, they're investing over the lifetime of that donor and the mailing, but it's paying off in bequest giving. And it's been -- I mean, that trend has continued.

So one of the things about return on investment is direct mail is an investment channel of fundraising. Responsible organizations look at direct response and direct mail in particular and say how much can we afford to invest to bring in this cadre of donors and how much will those individuals produce over the years.

So what you see before you is just one projection. So if we were approached by a new organization, or even by an established organization, who said we want to invest a lot in getting new donors, what we would do is work with them and say, okay, here is the projection for at what point this investment will start to reach net revenue; here’s how many of those donors that you will have. And success is measured against those benchmarks continuously.

Solid nonprofit organizations with strong direct-mail programs look at that investment model constantly, and they’re always looking at what is the return that we’re getting, are we doing this in a cost-effective way, are we stewarding these donor contributions in such a way that it’s resulting in a profit in the end, because when you first go out there and try to find someone and tell them about your organization, it’s going to require an investment to make them become a donor. And responsible organizations are looking at when that investment will pay off.

The other thing is and the key to the entire fundraising and direct response or direct mail is that the donor names go to that organization, so the organization can cultivate them, can talk to them, can send them annual reports. The list of those donors -- the new donors acquired -- and the contributions go directly to that nonprofit organization. The relationship is between nonprofit and donor.

And if they use a counsel firm like ours, we’re advising them on how to do their fundraising; we’re helping them with the process. But the relationship between donor and organization is always controlled by the organization.

So, again, the real key is to communicate with these donors on an ongoing basis to build the relationship, to enhance the connection between charity and donor and to do that in a cost-effective way. So using the mail, making phone calls periodically, it’s a chance to expand that relationship and tell more in the story.

One of the keys for responsible nonprofits -- and we’ve seen that in all the mail we do -- is really having some transparency about how they’re accomplishing the goals. With the investments you made last year, we were able to feed 2 million people; or with the investments you made last year, we were able to build three new daycares in this part of the underserved community.

Those sorts of reporting back on the benchmarks being accomplished towards the achievement of the mission are the critical thing in maintaining credibility and that relationship between donor and organization. And it’s something that you can do in a direct-mail program very easily. We actually can tailor the kinds of communications back to the donor so if they invested in a particular program, the report back refers to that program. And, again, constantly measuring success in terms of not just how well are you getting donors to give to you one time, but how long are they staying with you, when are they becoming major donors, and are they leaving you bequest gifts.

So responsible mail and phone is really a mix of solicitations asking them to make an initial gift to renew their support or make a special contribution and cultivation efforts, so something where you're just reporting back. Those sorts of cultivation efforts are -- again, they cost money; they're counted against that return on investment. It's an investment they are making in their donors, but it's done so to steward that donor along, to bring them farther in the story, and to ultimately reap the reward in terms of larger gifts and high lifetime value, again, always measuring the return that you're getting on those various means of communication.

So what can hurt fundraising and the public confidence? This is one of those questions that I was asked. It's like, oh, gosh, really bad apples can hurt public confidence. But I think that where we've seen -- where we've started to work with organizations and they've had a bad experience prior to us and we sort of go through, well, why was the -- if they lose control of those donors, if for whatever reason the relationship is not between nonprofit and donor, but if the list is held by a third party or if they don’t -- those are sort of red flags we look for because it inhibits the ability to really build on that long-term relationship, and the investment model of direct-mail fundraising gets harmed if you can’t build that relationship and say get a multi-million-dollar planned gift.

The other thing is when those relationships between the nonprofit and the partners they use are not transparent. So if for some reason there’s people in the mix that are taking a percentage of the gift, or if there’s something that is not easily explained to a donor, I am sure you have a very technical legal term in this room. I call it The New York Times test. Like if I couldn’t go on the cover of The New York Times and with integrity and pride explain what I was doing, I’m not going to do it. And I think that any solid charity never wants to be in that position of having to have that kind of thing.

And the other thing is when the long-term view of direct mail is lost, so when organizations become so myopic on one aspect -- for example, just the investment part of direct mail -- and aren’t considering that long-term relationship and when the return on investment is going to come, that can really harm an organization, as well as their reputation.

So one of the advantages of being in direct mail, unlike some of the more emerging channels, is we have long-established ethical requirements. We've seen where some of the pitfalls are, and we have -- there's a lot of different organizations that we turn to, both for advice and counsel -- the Association of Fundraising Professionals, of which I'm a member. I'm a certified fundraising executive, so you go through a series of ethical standards.

The DMA and the Nonprofit Federation. I know Sunny's out here. They have long-established ethical guidelines that we follow. And the Association of Direct Response Fundraising Council, I know Bob Tigner is also back there, as I swat at my mic. That's another organization that we turn to because as technologies emerge, as we have the ability to fundraise in new ways, we always go back to how is this helping the organization build a stronger relationship with the donor. And that, at the end of the day, becomes our ethical go or no-go.

The other advantage that we have is direct mail is pretty transparent on 990s, so we can generally, if we're considering working with a new organization, we can go to documents that are probably available and get a pretty good idea of how they’ve been using the medium and how they’ve been using the channel.

So the next chapter of direct mail. The good thing is demographics are in our favor. People are getting older, and lots of them. And they appear to be reading just as their predecessors did. So much as my mother keeps telling me that no one reads the mail anymore, they do. So direct mail is still a very viable form of fundraising.

We have more robust tools at our disposal, so we can better target the people who are most likely to embrace a new nonprofit. This decreases that up-front investment and helps in terms of that overall recovery and the building of the donor relationship because we’re better able to reach the people who are more likely to say yes.

So I will turn it over to Bennett for a few comments from the BBB.

MR. WEINER: All right, thanks, Tiffany. And also thanks to the FTC for hosting this conference. I’m really pleased to be part of it, and I hope this panel will add to the deliberations you’ve had. I’m going to be doing a little bit of a three-minute take after each presenter, giving the donor perspective in terms of a certain issue. So I'm going to start with just a two to three-minute commentary after Tiffany in talking about mail appeals and phone appeals.

For those who are less familiar, the Better Business Bureau is over a century-old organization. There are about 100 local Better Business Bureaus across North America in the U.S. and Canada and one in Mexico, and I have a cumulation of the 160 offices.

We've been reporting on charity since the 1920s in the BBB system. And one of the distinctions with some of you who are familiar with BBBs in terms of complaint-handling on businesses, with charities, we really focus a little bit differently. We're a standards-based evaluator. We have a holistic set of 20 standards that we use in evaluating charities. And in terms of direct mail and telemarketing or telefunding, however you want to refer to it, the one standard I wanted to focus on was Standard 15 in our guidelines, which calls for appeals to be accurate, truthful, and not misleading, both in whole and in part.

Accurate in terms of having correct facts and figures. Truthful in terms of describing what you're doing correctly. And not misleading. Every sentence in the appeal may be true, but it may be providing a misleading impression. And some examples of these problems, I refer to photo, stories and finances.

Sometimes photos and stories are represented as being current when actually they're very old. We had a case about a year ago or so of a charity that had a photo in an appeal with a story about an old woman who lost her home, her husband, her children and was in desperate need. And upon our inquiry found out that the story was over 15 years old; they didn't know whether the woman was still alive yet or not; and yet it was represented as being current in the appeal. That's an example of something that we feel is misleading when it happens.

In terms of misrepresenting finances, and just an example, there was one organization that said they had a heating bill in December and they were in desperate shape and they really wanted some funding to make ends meet. Well, when you looked at their financial statements and they have over $3 million in unrestricted reserves, so we said, no, that's not correct; you really do have the funds to be able to pay that bill.

So those are the types of things that we see. There are other examples of misleading things that we take on, but we do look at appeals and verify their accuracy.

One thing I wanted to talk about, the last thing, is BBB Scam Tracker. It's a new program that got started by BBBs around November of 2015 when it really got activated. You can go to bbb.org/scamtracker/US. And this particular mechanism was used as a means to report scams on businesses, but it also accepts, you know, scam reports from individuals on charities. And to date, there have been over 63,000 entries on Scam Tracker since November 2015, and only 420 of them have been about alleged charity scams, but it's still a significant number to report in the sense that there are individuals that on average $147 lost per scam if you averaged it out.

The other thing I wanted to point out, and the last thing, is that about 20 percent of the complaints that were filed for this Scam Tracker program were about police organizations, firefighter organizations, and veterans appeals that were made over the phone. So that's been a prolific problem around the country over many, many years at BBBs. So there are pockets of problems in telemarketing and direct mail that we seem to address using these standards.

MS. WARD: Excellent.

MR. CARLSON: Hey, folks, does anybody have any questions on direct mail and telemarketing before we move on?

(No response.)

MR. CARLSON: All right, Amy, all you.

MS. WARD: Nothing. Super clear. We know everything about direct mail now.

Okay, I will now tell you everything about online fundraising in, like, ten minutes.

MR. CARLSON: Amy is just that good of a speaker, everyone.

MS. WARD: And I'll excuse myself now if I go into a coughing rage because that's the stage of the cold. We've entered that part of the body.

Okay, I want to -- there's a lot to talk about with online fundraising, and the only way I could think to do that was to speak super, super generally about it and not get into specifics. If you have questions that are specific, let's totally tackle them, but I tried to separate it into what we see at NTEN most often with very passive fundraising and then active actual fundraising.

So the first is what folks are probably really used to. There is a donate button, and nothing else is happening, but that button exists, and the organization is just hoping-and-a-praying that you visited their website for some reason that they don't know why and that for another reason that they also don't know why you decided to click on the donate button.

Most organizations will have been told at some point by a consultant or their web developer or their board member that they need to have a donate button. That is all that they will be doing for online fundraising because they don’t know what they’re doing. So they just have a button, and it exists. And, like, if they’re in a meeting or they’re at an event and somebody says, oh, my gosh, I love NWF -- this doesn’t happen with NWF, they’re too big -- but, you know, oh, I love your organization, and they’ll say, oh, yeah, you could donate, we have a Paypal button. And they don’t even know what that means, but they have said it, and the person they’re talking to is like, great, I will click on the Paypal button. And that’s it. So it’s very passive.

It’s also super-low-investment. All they had to do was spend probably longer than they anticipated on the Paypal website figuring out how to create a profile that connects to their bank account and then getting the one piece of code that they emailed to their developer and said please make this a button, and then it was there, and they never thought about it again, they never did anything about it again.

But even though it’s very low investment and then whatever they do get from it is basically revenue, there’s not a lot of value from a data and kind of donor cultivation perspective. When organizations are relying

100 percent on a third-party vendor to manage a button gateway, right, they don’t really have a lot of information about why somebody came, why did they donate that day.

Oftentimes, they don’t even understand how to access information in that third-party vendor tool to say, like, where are these donors from, are they even in our town, are they from somewhere else. You know, there’s very little either access to the data or knowledge of how to access the data that’s providing the organization with means to do some of the same best practices that Tiffany was talking about that apply to online, being able to follow up with people, be able to tell them where their donation went, ask them to give again because you can tell them that it did go somewhere.

So a lot of organizations feel like, oh, but we have this button and they spend all the rest of their time doing phone or doing direct mail or, for a lot of them, just talking to people in person. You know, most organizations rely on having coffee with a major donor, and major is $1,000 to them, you know, and really working on in-person donations.

So on the other side of things, and I think this is really like the next step up of sophistication in organizations, when they realize they could do more online than have a button, this is where we start having active asks, which I consider a campaign, because if it’s an active ask forever and always the same active ask, it’s not probably very active and probably doesn’t have much to it, much meat to it.

So here’s an example from the Red Cross website, and they’re, you know, very clear this is what -- every eight minutes, we respond to someone in crisis. You know, they’re being very clear that our mission is we are emergency response. We are the organization we want you to associate with emergency response, and here’s how you can donate to us.

And what I think is a little bit different about this as an example and many organizations kind of taking this route now are thinking about donations as a repeat gift from the very beginning. So just as Tiffany said, you know, having a long view that you want to have a long relationship, you don’t just want that one-time donation, organizations trying to take kind of what I would consider the NPR model, you know, being a monthly giver so that you maybe forget when it was you started giving and you just let it keep on going for a long time because it’s coming out -- you know, it’s only $5 or something every month.

But for many organizations, if they’re able to get into a monthly donor, whether they call that membership or monthly donor or sustainer, you know, whatever word a wonderful firm helped them come up with, they’re often getting more donations, higher donations from those donors. So it’s in their interest to get a model like that going, but, again, this is kind of the next step up.

The average organization doesn’t even know how they would start to do this, or even that they could allow that Paypal button that they have to turn that gift into a recurring gift, but they just don’t have that knowledge themselves. So this is kind of the next step up.

Email is where things start getting a little bit trickier because even though on the website -- and we are still hoping people came to the website and decided to give -- with email, we’re getting more into the storytelling, like it sounds like has already been a discussion today, and driving people to your donate page. And I think what starts happening with email is that for a lot of organizations the idea that email fundraising is different or there could be regulations that govern email fundraising differently than your website would be very surprising.

Many organizations don’t actually have good data to know that the people they’re sending an email solicitation to are in another state. All that they know is this is the email address and there was one other time in history that they gave $50, and I can see that on our Paypal history, right? So they’re not maliciously trying to, like, solicit donations from all over the U.S. or even abroad. They just don’t even know where people are. All that they’ve ever captured is their email address. So it’s a primary communication channel, and they have no idea really the implications of making direct asks through email.

But what I think is great about the use of email is that organizations who kind of get to the stage of being sophisticated enough with online fundraising to think, okay, we’re going to send an email appeal, and it’s going to have a story, and we’re going to drive people to this donation page where they can donate, they have started thinking through their content to the level that they are getting a lot more transparent, they are being a lot more clear about what it is they do, what this money is going to go towards, how they’re going to report on it, because they’re not just relying on that one kind of banner image anymore to tell that story, right? They know that they can go into more specifics and that, of course, more specifics will drive more responses.

And then last, because there is so little to say about it, I wanted to talk about social media a little. And with social media, what I think is really interesting is that, again, most folks have no idea who these people are that follow them or why they started following them or, you know, they might not even have a user name on Instagram that is a real name to have matched it with somebody that they do have in their database and do know who they are, right?

So there's such a kind of cloud around who these folks are, but there's that kind of call to, well, if they're following us, we might as well tell them to come donate and click on this magical Paypal button that we have, you know? We're doing something and we should tell them. And, so, again, they're operating with a real deficit of information, and often with social media, unlike, I think, email, the messages on social are much more community-based. They're focused on please share this, you know, help us raise this by sharing this call to give, et cetera. So really hoping that people are using the social platform to be social.

But there are also a multitude, unfortunately, of niche fundraising platforms that exist just to manage donations within that one specific social media platform.

So you enter this world where you might have a beautiful fundraising, you know, donation page on your website for your campaign; you have sent out a beautiful postcard that matches it and has the same story, but maybe, you know, some different quotes or something; same photo.

And then you have supporters or even staff on social media saying, oh, give to our campaign by using this TinyGive URL in your tweet and it'll donate every time you retweet it. And people are, like, what are you talking about? Like what are you talking about? What do those words mean? But then also is that the same campaign? I think that's a question that we see a lot is this confusion that the channel where people are giving confuses people if it's the same campaign at all, if it's going to the same, you know, end use.

So because I've covered everything, we'll just share a few kind of reality checks that we often talk with organizations about. But then again, if you do have specific questions, I want to make time for what you're working on.

So, again, we talked about the limited data, and I think that it plays into both the ability to plan for campaigns to be successful, as well as the ability for organizations to create a valuable donor experience for folks, to be able to follow up with them, to thank them, to be able to say this is where the -- your investment has gone, please give again.

There’s a reality -- again, just because this is like our reality check slide, just think about yourself and your normal life. You know, you aren’t thinking, oh, I’ve read a piece of mail, how interesting this piece of mail; oh, now I’m looking at my phone, and on it, I’m using email; now I am on a website. Like, that is not how we interact with the world. So, of course, donors don’t think that way. You know, if a donor sees something great in the mail, they don’t just say, well, I’ve received this in the mail, so I will only respond to this by creating another piece of mail.

The majority of people who donate by mail still go look at a website to make sure that that campaign is active, that the organization is telling the truth, right, that all those things are real. So that experience across all these different channels I think really has to be taken into consideration because it doesn’t matter if they use that Paypal button or they mailed in a check or they had to have seen something on Facebook, they got something in the mail, they got an email, but then finally when they got the phone call, they were like, fine, you’ve beaten me down, just -- I will give you my money if you stop, right?

So I think that’s part of what we have to think about when we’re looking at stats that say there’s this much from this channel. It’s actually the cacophony of channels that are really at play for most donors because they’re not only ever receiving mail or only receiving phone calls. An organization that’s smart is going to hit you with everything they have got until you give them all your money.

So thinking about how that impacts, you know, the campaign planning process too is important. Thinking about, okay, if we drop a piece of mail and then we give it ten days and then they get the email, they will have for sure received the postcard, read it, the email’s going to have a higher open rate, we can follow up on the story, right? So the channels also help organizations plan for better response.

And then like I said, there’s such a reliance, I think, on the third-party vendors, not only to process a credit card, but also to be in compliance, to manage the reporting, to do everything, because a lot of organizations just don’t have that knowledge in-house and are looking for a service that will be able to send out a donor a confirmation letter that says, yes, you made a donation and here’s the tax-exempt code.

So it isn’t just thinking about kind of the struggles around online donations are in third-party tools for the actual processing but for almost the entire donor experience. And, again, to some of what both Tiffany and Bennett have said, that gets into a place where from the donor’s perspective and then the organization’s what that experience is is really not up for them to create, right? They’re now kicked into a system that’s just going to be how that tool operates.

So I’ll just stop there and see if there’s questions, or, Bennett, you want to go?

MR. WEINER: Just one slide.

Okay. Just three minutes on this, and two things I wanted to mention I didn’t get into earlier. One is there’s more information on our standards and how we apply them, as well as the reports that we do on charities at give.org. The BBB’s Wise Giving Alliance reports on nationally soliciting organizations in regards to these standards. And local BBBs, 57 of them, do local charity evaluations and use the same set of standards in the reports that they prepare.

Virtually all charities have websites. And if you have a website, nine times out of ten it’s going to be asking for a donation somewhere, a donation button or some other means, as Amy mentioned. So in terms of websites, I want to talk about in online giving two standards that have come into play that we use in our evaluations.

One is website disclosures that on the organization’s website, if they’re soliciting -- and virtually everyone is on their website -- there should be access to the same type of information you’d find in the annual report, such as a summary of your programs, what your mission is, a board roster, as well as information on your finances in the past fiscal year.

And, lastly, a link to the IRS Form 990 that you have. We recommend that that be there on the website as well so you can have access to it. But one area that we see in this particular guide that comes up quite often is sometimes the 990 is not available on the website. It’s coming up more frequently now, but there are some that still don’t have access to it.

Standard 18 on donor privacy. This particular standard -- one part of it -- calls for all charity websites to have a privacy policy that’s clear and easily accessible that includes certain basic elements: the four elements of notice, access, choice, and security.

And one of the mistakes that we find that many charities make is that if they do have a privacy policy, they may even assume that, well, we use a third-party payer, like Paypal or somebody else, and they think, well, their privacy policy is ours, so we’re covered. Well, no, not really. That covers Paypal. That doesn’t cover the charity. The charity should have its own privacy policy because their data is coming from Paypal in terms of name and address.

And most websites also have other means to communicate with the charity beyond just making a donation transaction. You may be emailing them through the website or doing some other communication with them. And there are privacy rules, you know, that you hope the charity will disclose about how that information is going to be used. So that’s important.

In terms of problems, in terms of online giving, one thing that we’ve seen that happens quite often, unfortunately, is after disasters. We see that disasters and tragedies generally attract questionable websites popping up, you know, and maybe phishing emails and other types of untoward things that occur that donors have to watch out for in terms of online giving.

I always want to mention issues regarding third-party online giving platforms because they’re becoming more prolific in terms of more of them are coming into existence, and not all of them are always transparent, these platforms, as to really what’s going on. And what I mean by that is some operate like donor-advised funds where, you know, they have variance power over the gift; the gift may not necessarily be transferred to the charity in the year that you're making the request.

And some of these could cause problems, and particularly I know they compete with the local United Ways in some cases and other things, but people may not be aware of the specific transaction possibilities that may or may not occur in the year that they make the gift.

The last thing I wanted to mention is a study that was done by another organization in the BBB family, the BBB Institute for Marketplace Trust. And this is called cracking the invulnerability illusion. You can search for that name and access that report. And this talks about a study that was done of a survey of over 2,000 individuals that identify what I would call optimism bias.

And there is sort of an assumption that the most vulnerable populations in terms of scams, whoever they might be, are going to be older and uneducated. And in this survey that was done, it was found that actually the problems were more prolific in that survey community amongst some of the millennials rather than the older Americans. The older Americans were more skeptical. And the younger people felt, well, I know if it was an online problem, I could know when it’s a problem and, you know, they felt optimistic that they were able to catch issues, when, in fact, more of them in the study were more susceptible to scam than some of the older Americans.

So we’re all susceptible to risk, you know, of course, when scams are concerned. But younger populations are also something that needs to be scrutinized more because they’re also more vulnerable than some people think.

MR. CARLSON: Oh, Bennett, just to follow up, after disasters, nobody makes websites anymore; they make GoFundMe pages.

(Laughter.)

MR. WEINER: That’s true too.

MR. CARLSON: And with that, we go to Daniel of GoFundMe.

MR. GORDON: Thanks, Bob, and thanks to the FTC for inviting me to join this panel, very -- it’s not too crowded. I think the best way for me to add value here is to share with you an introduction to social fundraising and what it is and what it isn’t and, you know, how we at GoFundMe think about trust and donor safety, especially over the past ten months -- ten long months -- since I’ve been, you know, looking at the challenge myself.

So -- am I missing a slide? There we go. Okay. So I was hoping that there would be a slide up here that was “What is Crowdfunding?” I’ll just talk through it. So we’ve heard the term “crowdfunding” being used a bit this morning, and I think that it’s a relatively vague term and has a lot of different companies and industries sort of using that term.

So I’m going to offer a suggestion to you to think about segmenting up what crowdfunding really means. And on one side of the spectrum, I’m going to call it community crowdfunding or giving; and on the other side of the spectrum, let’s call it getting.

And, so, you might have GoFundMe, which is, you know, our campaigns are giving campaigns. I’m going to use a quote for a second, but the donors, they’re not expecting to get something back. In the middle, you might have an Indiegogo or a Kickstarter. That’s like the getting stuff platform where you expect to get your Hoverboard that you really wanted.

And then on the far side of the spectrum you have getting money, and that would be, you know, the equity and debt crowdfunding platforms such as, you know, Crowdstreet, Prosper, LendingClub, Kiva, if any of you are familiar with Kiva. It could be seen sort of bridging a little bit of both spaces, you know, sort of like low-return getting money plus giving.

And, so, each of those different spaces that are currently being defined as crowdfunding have very unique characteristics and different challenges when it comes to trust and contributor safety.

So now we’ll go to the intro to us, to GoFundMe. I love these -- our two mottos that we have. It’s one of the reasons why I took the job. We “Give people the power to change their world;” and then my personal favorite, which is “See something, do something.” And I think that there’s a great way to share how these two mottos really work at the company is through one of my pet campaigns that I probably donated way too much money to over the last month, and that’s the one that was started by a young girl who wanted to raise money to host a movie night of -- for watching Hidden Figures for other girls who could not afford to see the movie.

And maybe some of you -- I see some heads nodding. Maybe you read about that in the news or social media. You know, her campaign alone was pretty amazing. She’s less than ten years old, I think, and hosted a movie party for other girls to be really inspired by this amazing film, who otherwise wouldn’t have been able to see it.

But then her campaign inspired several dozen other girls to offer the same movie nights for their schools and in their communities. And, so, I think that’s a great example of both quotes that I have up here today.

You know, I have some numbers here. There’s been over $3 billion give by over 25 million donors, and as a company, we are in Redwood City, San Diego, and we have some very small offices overseas as well.

Our business is deceptively simple. It’s really just a social storytelling layer that’s placed on top of like a transactional payments layer. We’ve heard a lot about storytelling and a bit about donations and payments, like most recently from Amy, and some of the struggles that organizations may have with bridging the gap between the storytelling and the collection of funds, for example.

Here, and I’ll just use again, like, an example from my own life, we are able -- all we do is we just take the storytelling layer and we connect it to the payments layer so that whether you’re a donor, whether you’re GoFundMe or an organizer, you can bridge the gap between your giving community and you as the storyteller. And the example I can give is a readathon at my local elementary school where I think I was required to raise, like, $200 on behalf of my son, to read as many books as he could.

And, so, you know, I could have taken to a blog or maybe an email list of my friends and family, who I’m likely to hit up for my son’s readathon because it’s -- you know, it’s not making any sort of like presumption that he’s the one who’s doing any of the fundraising. And then -- oh, I can talk about it, and then they could send checks; or I could -- but that’s where we have the storytelling, offline from the payment. And we can’t really connect the two.

I could just circulate a Paypal donate button, perhaps, to my personal Paypal account, but then there’s no story behind that transaction either. And, so, I’ll GoFundMe instead. We’re able to create a campaign where my son could every day post a little video about the books that he read that day and, you know, the grandparents and the aunts and uncles could all pitch in.

I’d like to calibrate a little bit, too, on what is a typical campaign. And this probably doesn’t apply just to GoFundMe. We are one of the largest platforms, but this would apply, I think, fairly broadly to other social fundraising platforms as well. You know, there are some common campaign categories, and there are platforms out there that are very niche to these specific categories, and there are other platforms that are very general. So we are a general platform. We have categories within us, but there are other platforms like FuneralFund. You can probably guess what they do.

PetFunder, you can probably guess what they do. RallyMe, which is an athletics, like sports team sort of platform. Patreon was mentioned earlier today. That's for creators, the artists, and whatnot.

But in our case, the majority of campaigns are created by individuals for their own benefit, or, say, for their, you know, their immediate family members' benefit. And they're also very grassroots. So most campaigns raise three figures, and they're raising funds from donors just in their first-degree social circle. So if you think about who is in your address book for an appeal, that is who they're asking as well. It's, you know, their equivalent.

And there are some campaigns that are more successful than this, but I don't want to lose sight of the fact that those campaigns are the exceptions, not the rule, even though the, you know, availability bias there might be that, oh, like every GoFundMe campaign is viral and this is raising tens of thousands of dollars when that's really not the case.

And the funds are deemed -- you know, they're personal gifts, by and large. There are a small number of charities that can fundraise on GoFundMe’s platform. You know, they receive the funds and they’re able to issue out receipts. But, again, that’s not -- the vast majority of the campaigns are individual campaigns, and then of those, again, the majority of the campaigns are raising money on behalf of themselves.

When campaigns do break out from this first-degree social network paradigm, it’s often because of either a press push, like maybe it was the local schoolteacher who, you know, is raising money for their daughter and the school rallies around the schoolteacher, and the news media rallies around the school. Or it might be on her homepage, which we have a vetting method and then, you know, any campaigns that end up sort of popping above the line, so to speak. Those are all campaigns that -- you know, that have been pre-vetted and that are available for sharing sort of beyond that first social circle as well.

I’m not going to spend too much time on this slide. It’s just an overview of, like, our department. The medium to large-sized platforms, they all have trust and safety departments, risk departments, whatever you want to call them. Our mission at GoFundMe is to create and enforce layers of trust between GoFundMe, its users and stakeholders to prevent platform misuse and empower the GoFundMe community.

So there’s three teams. This is how we’ve decided to address the issues. You know, the trust team, they are -- they investigate and manage ongoing campaigns. The community management team, they enforce our terms of service. They moderate the content and manage what I like to call beneficiary risk, so that’s, you know, any campaign where somebody is raising money for somebody else. I just call that a beneficiary campaign. And then we have a payments risk team as well.

Okay, so, I’d like to spend the bulk of my time here, just the remaining few minutes, on what I call the trust challenge. And this is the trust challenge for individual -- to individual fundraisers. There are some unique challenges to the social fundraising space. Again, this is different from the getting stuff fundraiser campaign platforms or the getting money campaign platforms.

I know that there was another presenter who had mentioned something about eBay-style reputation scores. I actually think those are really hard to do. You think about who would come back -- who comes back to GoFundMe to create multiple “I have cancer” campaigns. Like it’s not -- I hope it’s very rare. And, so, the key to reputation scores in a shared economy is to have a dependable, repeatable transaction where the expectations of both sides can be easily identified and repeated.

So eBay, Uber, Lift, those are good examples where reputation can work really well, because if you get into an Uber, you have an expectation that you’re going to go from point A to B in as, you know, safe and speedily a manner as possible. If you, you know, buy something on eBay, you expect to get the item as described, in a certain amount of time.

It’s different when -- and people are redoing it over and over, right? You have eBay sellers. You have Uber drivers. That’s not how social fundraising really works, right, with some very rare exceptions. Maybe I’ll use the platform next year for next year’s readathon, but otherwise I’m not there enough for there to really be a solid reputation score.

It’s laborious and intrusive to require a manual investigation for every single campaign because the majority of campaigns are created by individuals raising money from their immediate social circle. The need to vet, I think, needs to be prefaced by a question of for who and why. And, you know, if I’m asking my son’s grandparents and aunts and uncles for money, does -- it would be a challenge, I think, for me to prove and, you know, for the other tens of thousands of organizers in a similar situation to prove how -- that they are -- their beliefs are honestly held that they will do what they said they were going to do.

And, third, and I think this is a challenge that’s very unique to the space, is that good Samaritans, like that young girl who wanted to create a campaign for her -- you know, for other girls who couldn’t afford to see the movie, that they may lack direct personal connection to a cause or to the people they want to help, but it’s not necessarily fraud just because they lack that connection, right?

If I’m trying to promote “see something, do something,” then I want to encourage and protect those good Samaritans who see something and then want to do something. And I think that’s something that’s a challenge that we face.

A fourth challenge is that around news events there is a campaign velocity that can occur. If there’s a shooting at a nightclub in Orlando, there will be multiple campaigns that pop up around that. If there’s a police officer killed in the line of duty, there might be multiple campaigns, or at least multiple people who want to do something and help, or not help but still, you know, try and take advantage of the system.

And then a fifth trust challenge is that money does create controversy. We often see that the biggest fraud, if you will, is really by friends and family after there's all of a sudden now money there, where they never had any money before. And our typical users in America especially, like, don't -- this might be the first time they've ever seen $10,000. And they were raising money for a funeral, and now their, you know, cousins and uncles all see that money too and now there's a controversy.

But there are some unique platform characteristics that lend themselves to building novel solutions to these challenges. And this is where I think it's really critical that we have the technology and the sort of the ability to see what is, you know, available in social media and online and offline as well.

So first off, connecting to social media profiles is virtually required for sharing and receiving donations. You can't -- if you don't share, you can't have people donate, so -- on these types of platforms. So how do you share? You know, 99.9 percent of our users would connect to Facebook and share to their Facebook friends. But now they've connected a Facebook, so now they have a social media profile that's associated with their campaign.

Second, there are high barriers for someone who is going to defraud their first-degree social circle, which is who you ask in these situations. They’re most likely to donate, and there are some instances where we have seen people who lie to their family, friends, community, media about, say, a medical condition that they don’t really have. And that happens, and that will happen whether it’s on GoFundMe or offline.

Third, campaigns have similar themes and content if they’re around the same event. So this is sort of like the flip side to the multiple campaigns popping up for a newsworthy event. If there’s -- again, I’ll use the Pulse nightclub just as one example. Like, there are new stories that come up; there are images that are available. And there are only -- there’s a number of named victims. And, so, there are -- there’s language that’s used for any campaign that’s going to be created around that event.

And, finally, funds can be held, refunded, distributed in a variety of flows, unlike, say, a check that’s written or if someone donates on a Paypal button.

So really quickly, the solution here I think is to leverage platform characteristics, like I described, to build trust features. So, first off, let’s leverage the rich social identities and surface those to donors and to the platform for their own, you know, back-end tools. There's -- if people are connecting to their social media profiles, then we know who the first few donors are. Are they Facebook friends? Are they coming in from a share? Are they coming to GoFundMe from some other place?

Number two, the social proof, as I call it, that's derived from this early donor activity is very useful to surface. And this can give donors choice and transparency. It gives a platform like GoFundMe the ability to recognize when family members are donating and if family members are donating first, or if it's strangers that are donating first. That would be very strange behavior, and we would know about it.

Third, we can build and we have built machine learning models to identify high-risk campaigns, both from internal and offline data, whether it's on Facebook or otherwise, including, you know, all the other social media platforms.

Fourth, a platform can investigate and review campaigns from user reporting and identify -- you know, and make it easy for users to contact campaign organizers and contact the platform as well.

And then, you know, last, I'll say that the -- we can build the product, and we have tried at GoFundMe to build the product and our policies to guide organizers to the safest choices and to protect donors. So we can guide an organizer through the product to clear plans for what they're going to do with the money, for transparency and repeated updates to donors, and engagement with donors, and for safe withdrawal flows. So if they're not the one who they're raising money for, they can send an invitation out to the right person, and that right person can control the funds directly.

And on the donor side, we've launched a GoFundMe guarantee which protects donors and offers a refund to donors, which I think is first in the industry. And we made it very easy for donors to ask questions -- organizers questions, ask GoFundMe questions, and made it very easy to report campaigns to GoFundMe.

MR. CARLSON: Dan, a quick question. Go back to your slide real quick. For number, I guess, two and three, where are you getting the data from to do that?

MR. GORDON: So when users connect with Facebook, just like you would -- I'll think of another example like -- there's a variety of webpages where you, instead of creating your own user name and password, you just connect with Facebook. Right?

MR. CARLSON: Mm-hmm.

MR. GORDON: Or you connect with Google Plus.

That’s pretty common these days. And when you do so, the next page that pops up says, like, GoFundMe would like access to your e-mail address, right, your profile picture, your -- and then, again, like that’s very common when you do these sorts of social medial connections.

And so that’s where we’re asking for the permission, they can decline it or they can approve it at that point in time. And so from there we have -- we marry that with referrals, for example. That would be like one to do this so that we know that if an individual shares their campaign on Facebook and then someone else clicks on a link from that share, and then that will direct them to GoFundMe, we would see that in, like, a referral fee, for example. So we could see, oh, yeah, so here’s this individual, they came directly from a first degree Facebook share, right, and so they are -- at least we know at that point that they’re Facebook friends. Like, that would be one example.

MR. CARLSON: Technical question. Is there a method by which somebody can get a tax deduction for a donation made to the GoFundMe?

MR. GORDON: Only if the fund’s admin is a charity. And then there’s the paint on the platform so we also -- we -- there’s a couple different ways to do that, but the common way is, like, through, you know, Network for Good or PayPal Giving Fund, one of those -- one of those platforms. And then they would operate the back end and then we would connect the charity directly so that the charity just receives the money directly.

MR. WEINER: Okay. I'm going to give my two, three minutes on crowdfunding. And, one, I wanted to compliment Daniel and GoFundMe for being active in focusing and being proactive and encouraging, you know, trust, and also trying to clamp down on abuses. I hope all crowdfunding sites will do the types of things that you talked about in your presentation today.

But one of the challenges I think for the donor perspective is that, you know, charities can be checked. You can, you know, go to sites such as ours to find out, you know, whether they meet standards or get more information in other places. It's much more difficult to verify the veracity of individuals who are posting stories online.

I think that's always going to be the case. There's going to be an element of risk in crowdfunding in general that, over time, I don't know how it could be addressed. But it's always going to be there.

The deductibility of gifts to individuals, as most of you know you can't make -- take a tax deduction as a charitable gift if you're directly giving for a specific individual. And that's a fact that sometimes is not transparent on some of the crowdfunding sites, even though it may be there in the caveats at the end of the sites in terms of things they're letting people know they need to be mindful of. I was hoping that sites would be more up-front about that.

And as Bob Carlson reminded me, yes, after disaster or tragedy, one of the things that we see is crowdfunding stories pop up about individuals who are victims of a particular tragedy or their family is, you know, asking for help and funding. And we also unfortunately see those who may be using photos inappropriately and have no connection to the family who are trying to raise money.

I would say most are well-intentioned, but some of them are trying to raise funds under inappropriate purposes. What we have seen in terms of our own experience is that some of the specialized crowdfunding sites that are run by 501(c)(3)s I think have been particularly effective with vetting.

And what I mean by that, two examples is Globalgiving.org, which, you know, vets and posts various projects for development and aid projects, as well as Donorchoose.org, which, you know, enables people to give to projects in public schools, to fund teacher projects and so forth and so on.

And I think with their experience and knowledge in those respective areas, they've developed mechanisms to check out the things that are posted and do a little bit more verifying. So I think in terms of donor trust, I think some of those sites provide a little bit more assurance to some individuals when they're contributing for those types of things.

And unfortunately not all the crowdfunding sites operate like GoFundMe. There are some distinct differences between them in terms of things such as when the money gets to the party that is raising the funds, and if the goal is not reached what happens to the funds and what administrative costs there may be in the transaction and so forth.

So the other thing that we encourage donors to do is to read the fine print so they don't make the mistake or assumption that all these sites are operating the same way. They're not.

MR. CARLSON: David, you're up.

MR. HESSEKIEL: All right. Well, this is a hard act to follow, a whole bunch of them. This is actually a historic occasion in my life. I grew up -- I am a terrible athlete. I played on little league teams as a kid, collected a lot of splinters. This is the first time I'm batting clean-up. So this is really big stuff.

And to further mutilate that metaphor, I'd like us all, if you're like me you had a nice lunch, you've been sitting for most of the day, let's take a seventh inning stretch. So, please, rise, wake up, find the worst -- I fall asleep in these things all the time and I would love to have at least half of you awake.

All right, good, here we go. So this is really -- this has been so educational for me and such a different set of circumstances on the first three, Amy perhaps being in more wild territory, unchartered territory, in a sense.

Because what I'm talking about is, first of all, not just talking about charities, although we had the whole individual situation here with GoFundMe. So that's a whole new territory. But also talking about -- people use the term cause marketing, and it means a lot of different things to a lot of different people.

You know, as -- in the spirit of disclosure, which is such a big part of what we've all been talking about today, I want to share a little bit about where I come from. I have been working for about 17 years. I have my own company. We produce conferences on different forms of fundraising and marketing. One of them has been called the Cause Marketing Forum, recently changed to Engage for Good.

And I believe the reason why I enjoy this work and why it’s a mission-driven organization is I believe that under the right circumstances companies can do well by doing good, that are embracing causes as a way of achieving business goals as well as social goals are not mutually exclusive, but that there are right ways and wrong ways of doing it. And forums like this are here to help us all find the right ways.

So if you are a “big business is bad from the get-go” then, you know, there’s still more cookies at the cafeteria because you’re not going to like my presentation.

The big bang in the world of cause marketing took place in about 1983 with American Express. And it’s almost mandatory in every cause marketing presentation that this slide appear, and so I’m not one to buck precedent. This is the campaign in which American Express said, you know, maybe we can generate card sign-ups, card usage and a lot of goodwill by, instead of appealing with points or with prestige, membership has its benefits, we could actually get people to use our card, sign up for our card, by telling them that every time they do a contribution will be generated towards the renovation of the Statue of Liberty and Ellis Island. And out of that has grown numerous, numerous campaigns since using this transactional “do this, we’ll give that,” concept.

That, however, is not the only way that companies get involved with causes as a part of how they conduct business. And I was lucky enough -- it’s now five years ago -- to have co-authored a book with Phillip Kotler and Nancy Lee called Good Works, and the idea in it -- the seminal idea in it was that there are a spectrum of different ways in which companies can achieve business goals simultaneously with social impact goals. Cause-related marketing is what we call that transactional type of campaign. Cause promotion would be using a company’s resources to make people aware and to get them involved in social impact type of activities.

A classic example of that which we actually do -- which could have been the focus of today’s presentation but we’re waiting until next year’s get-together for that, would be point of sale fundraising where you go into a store and they say, would you like to add a dollar; would you like to leave your change; would you like to round up? But it goes way beyond that. There are many different types of communications.

Corporate social marketing, the goal is to change behavior. Stop smoking, eat better, recycle, et cetera. A famous campaign that I have been fond of that's been going on for years is many people die unnecessarily in household fires whose smoke alarms aren't working. So the Eveready battery people, Energizer battery people, created a campaign when you change your -- when you change your clocks forward in the fall or back in the fall, you -- no, fall forward.

UNIDENTIFIED SPEAKER: Fall back, spring forward.

MR. HESSEKIEL: Fall back. Clearly this is a lousy campaign. It had no effect on me whatsoever. I don't know what I'm talking about.

Anyway, if you change your clocks, change your battery. Next slide. Okay. Those three are the most associated with marketing types of goals. The other three usually considered to be working more on the corporate level, corporate philanthropy, which now almost you inherently would say strategic corporate philanthropy, how can you be giving in a way that in some way -- although it's not self-aggrandizing -- in directly building your business, you know, why are so many technology companies supporting STEM education. A variety of reasons.

One of them is, gosh, we need some people who actually can do the work that keeps our company going. Work force volunteering in an era in which how many of us will -- I have two girls in their 20s. By the time they’re my age, how many jobs will they have had? Very few people are ever going to have the “30 years gold watch and you’re out” experience. How do you build esprit de corps? How do you get people engaged? Getting them involved in social projects is often a good way of doing that. Work force volunteering is that bucket.

And then socially responsible business practices. What are you doing beyond what the letter of the law requires you to do on things like how you source your products, how you protect the environment, how you treat your labor, many other forms like that.

So I just wanted it to be clear, there’s a lot and it’s a very exciting time in terms of how companies are embracing social projects and even building entire businesses. Tom’s Shoes would not be on anybody’s feet if they hadn’t had that clever idea of contributing shoes and now other types of products when you make a purchase of their product.

There’s a lot going on, however, and that’s why we changed the name of our company, because people thought we were only talking about the one kind, which was buy this, give that. We’re Engage for Good.

We're going to focus, however, on the thing that got us all started, because in this context and with a limited time, this idea of this is a regulated area, cause-related marketing. What is going on in this area of -- which originally was just do this -- buy this and we'll give, now it's, you know, like this, all sorts of different activity that are supposed to stimulate a presentation.

I mean, I'm assuming that most of you -- how many of you actually work in the charity bureau or the regulatory bureau of a state? One of you is calling me right now. This is ridiculous.

So the last thing I'm going to do -- and, by the way, I reached out to many -- several of my friends, some of whom are in the room with us today, to give me background. I am not going to give you a primmer on the most intricate aspects of what are going on, but having watched this for 15 years, a few perceptions.

So one thing is that this is -- it started with American Express. It's going on in numerous categories. The classic would be this Dannon campaign, buy this and it'll generate a dime that we'll give to cancer, you know, one of the few regulatory enforcement programs that everybody has talked about over the years was that when Yoplait was originally doing this, it was obscure as to what the impact of it was or exactly where the money was going and how it was working. Well, you know, now folks know they don’t always comply, you know, that they should be disclosing, and the Better Business Bureau certainly gives great guidance on that as well.

A lot of this is still going on in the package goods arena. Not all of these campaigns are national. Roswell Park is a cancer institute in upstate New York, they partnered with Dunkin Donuts, it happens at the retail level as well. It’s not just food and drink. A massive campaign.

We’ve really been impressed over the years with Subaru. During a one-month period at the end of each year -- I think this was the ninth time around the track for them this year -- if you buy a Subaru, they will give $250 to your choice of -- usually they have five charities that you can choose from, and then each dealer also gets to pick one local charity. They just reported how much the 2016 end of year campaign raised -- $24 million. Very impressive campaign.

There are businesses. We talked -- I mentioned Tom’s before. Box Lunch is a retailer, I hadn’t even realized until they entered our Halo Awards which we do each year, we just judged back in February. Box Lunch sells products that are linked to popular culture. Every single sale of $10, they give a dime basically. That buys -- there's a formula that was used by Feeding America to say that it cost them 10 cents to deliver a meal and they give a meal equivalent donation every time they do -- you make a purchase of that amount.

And then some of these things happen quickly. Patagonia, which if you put a gun to their head, would say we do not do cause marketing. I mean, they are an amazing company led by an idealistic and inspiring leader. But when -- this year they said that if you shopped -- I think it was on Black Friday or whatever it's called, the day after Thanksgiving, if you shopped on that day, we're going to give 100 percent of our sales in our stores to 1 Percent for the Planet, which gives it out to environmental groups. So just an incredible spectrum of programs that are being done in many categories in many ways.

And at the heart of this, as you all know better than I, is this concept of commercial co-venture. The idea that a company that is in a business relationship with a nonprofit and that they are going to follow the regulations that are extant in a number of states to make sure that this is on the up and up.

Now, I have been watching this, as I say, for 17 years, and I'm a former newspaper reporter. So I kind of have a “gotcha” attitude about, you know, sort of like -- and when I am interviewed by people in the press when it’s breast cancer month or what have you, they’re always saying, tell me about the really awful, terrible, fraudulent commercial co -- they don’t use CC, you know, cause marketing campaigns.

And the honest truth is -- and maybe you’re going to give me all sorts of material for my next book -- we don’t have -- we have regs on the system. We don’t have many people there to enforce them. There’s not a lot of really egregious, awful transactional cause marketing going on that at least is on many people’s radar screen.

I always am asking about whether something has been -- there’s been a big regulatory, you know -- where somebody gotcha or there’s somebody -- it’s not there. But certainly things can go wrong, and it’s important to have guidelines in terms of how this activity should work, you know, because of a variety of things that could be happening.

One is -- which happens all the time. Usually, again, I’m erring -- I’m on the side of saying a lot of people when they think that they’re doing something good, they kind of throw the rule book that they would use about how they run their business and how they contract everything that they do commercially out the window because they're doing good and they get mad, in fact, when the charity says, I'm sorry, it's -- you know, you didn't ask our permission to say that every time you buy a cheeseburger on Wednesday it's going to generate a -- you know, we have to have a contract.

So I don't think that a lot of malicious, fraudulent, we're never going to give it to the charity stuff goes on, but there's certainly that possibility. And then, of course, even worse would be, you know, that they don't even -- don't make the promised donation.

And, again, I think having run cause marketing for them for 15 years, if people were being defrauded on a regular -- if organizations were being defrauded on a regular basis, somebody would have made some more noise about it. But, again, I'm looking forward to the Q & A about that.

The second is, what else can go wrong is that the business is deceiving consumers; that they're making a misleading offer; that they're not being transparent. And here I would say that they're -- as much as at least I, who have been following this for years, know that we talk about the agreement among the states attorneys general, guidelines, the Better Business Bureau guidelines in terms of transparency, in terms of saying it’s not enough to say a portion of the profits will go, that is done all the time, again, often by people who either they don’t want to disclose business data or they don’t really think about it all that carefully.

So there are challenges out there, and they -- we should be keeping an eye on them.

MR. CARLSON: David --

MR. HESSEKIEL: Yeah?

MR. CARLSON: -- let’s take it back a step. So we’re talking a lot about story here. How do you ensure in the campaigns you help with that the public perception of the story that is told is actually -- was going on between the two companies or three companies involved.

MR. HESSEKIEL: So just to take -- I actually am not a consultant in the area. I’m a convener, and so I bring people together. But I -- what we -- a great example -- usually I would try to use fear as the greatest motivator in this sense. This is a great example.

So I know a wonderful team of people who work at a sporting -- I don’t want to name them here -- sporting goods company, very dedicated to helping a particular disease for years. A reporter did a story on them, went up to -- one of those rare people who actually goes up to the state house or somehow gets access to see whether they filed. They hadn't filed.

I know the people involved intimately. It was a sort of, oh, I thought you had -- you know, they thought the legal department had done it and the legal department thought they had done it. But there they were in a major periodical in their area looking -- I mean, they've given or generated millions of dollars for this. The story, at least for a few weeks, was, oh, my God, they tried to pull a fast one, where it was a few thousand dollars in, you know, legal fees that would have eradicated that.

So most of the time, you know, I think you were -- Tiffany, you used that New York Times example. I still remember the days of Mike Wallace and it was the 60 Minutes example, but it's the same idea, is really saying, gosh, you should tell the story -- don't -- first of all, the stories are amazing if told the right way, and can be very effective. And you don't want to be cute about it because you're going to end up taking something that is potentially very good for your business and very good for society and could be one of the proudest moments in your career in terms of what you've done, and the story becomes that you didn't file the paperwork.

So that's really how I generally approach it when people are saying it's a pain in the neck. And that kind of gets me to the next slide.

And so I don’t know what’s going wrong, and we’ll talk about that some more. From a personal point of view and in a time of who knows what the federal budget will look when it finally is passed, but I don’t think there’s going to be a lot more money for social services and fighting disease and all the things that we’re concerned about. And well done, well conceived, sustainable programs of this type, I’d like to see more of them.

I’d also like them to be more transparent so that the discussion is not about how well intentioned companies screwed up, but that everybody is playing well. And I think it’s much more effective in this environment with social media. You know, you can get Hillaried for an era inappropriately.

I also want them to be more transparent so that if there are bad players, it’s more obvious to all of us and we can go after them. And I would love to see a world in which there are systems in which we actually have the resources to actually be policing this in a way that’s meaningful, which this is not meant to be a criticism of anybody. I think it’s really hard with limited resources and lots of activity going on because from what I’m gathering, you know, we have the multistate system and I know that there are efforts within NASCO to try to unify it.

You know, I think it -- I don't know that it's helping anybody to have it be -- it's basically created a cottage industry for some wonderful lawyers and companies to file a lot of paperwork that I don't think is protecting us particularly well. I'm looking at Bob because I don't know him very well and I think he may either be saying, I am -- cannot believe we had this rube on our panel, or he may be agreeing with me.

I would also love to see a system that is unified, and in this era of social media where one could easily find it out. I mean, I doubt -- if anybody here has easy access to filings online in a modern way that I could be accessing, I would love to know about it. But right now I don't think that it's all that easy. How great would it be for anybody to truly live up to the 21st Century ideal of everything is available. There shouldn't be anything hidden. It's in one place and you go look it up.

We also -- it was so nice, I was talking with Professor Osili at the -- early in the day, and she was saying, oh, I'm so glad to meet you because I want to get statistics on cause marketing. I was going, hah, because there is no central repository for all of this information. It’s a lot of apples-and-oranges information. It would be cool to have that.

And then again, also, I would love for the system to be growing with the new modalities that are coming on in terms of online programs, social media programs, all the new things that we’re anticipating.

So I’m -- I’m in the camp of those who could see the benefit of a unified system. And that’s my spiel for right now.

MR. CARLSON: Thank you. Bennett?

MR. HESSEKIEL: I don’t know. Is it safe?

MR. CARLSON: It’s safe.

MR. WEINER: Thank you. So I’ll go quick so we have time at least for a few questions, I hope. One of our standards that David mentioned, and I thank David’s organization, Engage for Good, for encouraging the people that participate in its activity to be aware of this standard and this transparency disclosure.

If an organization is engaged in this transactional type of activity in which a portion of the price of an item sold in the marketplace is going to help an organization, we -- our standards call for specific disclosure. That includes three things. One, the actual anticipated amount of the purchase that’s going to go to to the specified charity, and, if applicable, the duration of the campaign, any maximum or guaranteed minimum contribution amount.

And as the sample disclosure in my slide says, you collapse all of that into one sentence, five cents contributed to ABC charity for every XYZ company product sold during the month of October, up to a maximum of $200,000.

Now, the reason that we have some of those components in there is to help protect the individual to know exactly what's going on because if you have a product that has a long shelf life, like a can of soup or some other product -- like a cereal box or something like that, that could be on the shelf for quite a while, the campaign may be over, and if there is no duration of the campaign that's on the box if there is one, people may think they're still helping the charity when they're no longer doing that anymore.

And I think David already mentioned the problems that we see of vague disclosures. You know, a portion of the profits will go, all profits will go. There's no way for a consumer to know what that amount is going to be. So that's almost like not having any disclosure at all in terms of transparency.

Now, again, we're talking about transactional type of activities. I'm not talking about situations in which a company is just announcing that it's made a large gift to a specified charity. That's not a transactional disclosure. That's just an announcement of its generosity.

There are organizations that do meet this particular standard, and over the years that we've been applying it some have been very, very loyal to it. And I know I'm going to embarrass him, but David Mulvihill from Make-A-Wish Foundation of America, who has a lot of cause-related marketing campaigns to that organization's success, contacts us and his staff quite frequently to verify certain disclosures because quite often they have to negotiate with a company to get a disclosure that satisfies both parties. But they're also mindful of this particular standard, as are a lot of the other charities that we report on.

MR. CARLSON: All right. Thank you.

Questions? You.

MR. JONES: We regulate for cause-related marketing in Hawaii and we do collect data and make it available to the public, you know, on our internet site, both archival data and current campaign data.

Where I see a lot of the noncompliance here is with national retailers or national restaurants that are partnering with local booster groups that our legal is not talking to the booster groups, or perhaps the regional or local retailer -- they're doing this just simply unaware of the reporting requirements.

So speaking for Hawaii, that's where I see a lot of the noncompliance. It's your local pizza chain that's part of the worldwide chain that is partnering with little league teams that's simply not aware of the requirements.

MR. HESSEKIEL: Can I ask for a legal -- let's see how many legal opinions we can get from how many lawyers are in the room.

So -- and I'm -- I will never be -- I'll tell you what I know and what I don't know. So if a -- if a local -- if a pizza -- let's say there was a chain called Domino's and they were doing this in Kansas -- if the local affiliate, the franchise, in Kansas, was doing it with the local little league team only in the State of Kansas, they wouldn't be required to -- just because they're part of a national organization, would they have to report this in Hawaii?

MR. JONES: They would not report to Hawaii, but if they're donating 10 percent of the night's sales in Hawaii to the little league team they would.

MR. HESSEKIEL: In Hawaii they would, yes. So on a state-by-state basis, yes.

MR. JONES: Correct.

MR. WEINER: Yeah. And, also, to use an example, one of the problems that we've seen over the years is not just the restaurant helping the little league, but sometimes the restaurant helping the Red Cross with no permission asked just because of a disaster somewhere and they want to do something. And they're well-intended, but they don't realize, one, you've got to get the permission of the American Red Cross, as well as the state regulatory authorities in terms of whatever registration requirements they may have.

MR. CARLSON: Another question in back?

AUDIENCE: I just had a question about whether you could elaborate on the responsibilities of platforms. Once there was a determination or an allegation that somebody who is soliciting funds may not be legitimate, like, what steps are taken in response to those type of allegations?

MR. CARLSON: So if everybody at home heard that, what does GoFundMe do when there's suspected illegitimate organization or person using your site.

MR. GORDON: Sure. So if I can start on the intake for a moment, just the -- there's reporting that we can get, right, from a user, and they can report a campaign on the campaign page. We also have some back-end processes that allow us to see on about I think maybe ten different social media platforms at this point, like, any time anyone is talking about a GoFundMe campaign anywhere, even if it’s not on GoFundMe, they never report it to us, like, we can still adjust that. So we’re sort of scouring, like, looking for people who are talking about GoFundMe campaigns, too, like, a little bit.

The -- what we will do is we have a team of investigators whose entire job is dedicated towards following up on those types of reports and that intelligence, and they would immediately, you know, look at the campaign. They can do a fact checking on the campaign, on the social media profiles behind the campaign, on the donation activity, and we have, you know, several dozen sort of indicators of risk -- I’ll call them that -- and, you know, what signals, what indicators are surfacing to them and what aren’t.

We can ask for -- often we’ll be pausing withdrawals and not allowing, like, an organizer to withdraw funds and ask followup questions of the organizer, require them to post some additional transparency on the campaign page depending on what the context is. It’s very context-specific.

But at a minimum we can control the flow of funds out and pause that. We can utilize our technology and our tools to identify and Step-Up authenticate the individual, if necessary, to determine that they are who they say they are. And we can follow up whether it’s donors or with the individual or with the beneficiary and -- until, you know, we’re satisfied basically that the individual is who they say they are and that they’re -- there’s legitimacy behind their story, and then we could release the funds, or if we can’t, you know, we’ll refund all the donors immediately.

MR. WEINER: If I can add to that, if someone came to us with allegations of fraud, we would encourage them to contact their Attorney General’s Office in their state to report it.

The other thing I would mention is that I referenced earlier the BBB Scam Tracker program that we have where if someone had come in and made an allegation if they think that they’ve been defrauded somehow, that database is shared with the Federal Trade Commission Sentinel Program. So they have access to the data, and there’s a privacy disclosure that will be shared with the FTC for those that are entering that type of a scam allegation. And that would be true of not only business scams but also charity scams as well that they’re alleging that would be shared with the FTC automatically.

MR. GORDON: And we use the Scam Tracker as well. If there's any crowdfunding-related mentions there, we'll know about them.

MR. CARLSON: All right, folks. We're out of time. Thank you very much for a wonderful panel.

(Applause.)

PANEL 6: DATA FOR GOOD -

EMPOWERING DONORS THROUGH EDUCATION

MS. KOPEC: Okay. I think we are going to get started with our second-to-last panel for today. This panel will be focusing on improving donor education efforts. Tracy and I have an ongoing debate of who has the better late-day panel. I personally think I do. And I'm going to have them each just take a quick second to go down the row here and introduce themselves and tell you briefly about their organization and what their organization has to do with donor education.

We're hoping for a more lively session than we've been having earlier today. I know we had a lot of content that we needed to cover. We will not be presenting any more slides. There will be no more content. We're hoping for more of a discussion.

So I'm going to be asking questions of these folks about what we can be doing in this area, and I invite the audience to please interrupt, put your hands up, you know, if you have questions, you know, don't hold them to the end this time. It's okay to jump right in and take advantage of the lineup that we have here today.

Nageeb, you want start?

MR. SUMAR: Great, sure. Good afternoon, everyone. My name is Nageeb Sumar. I'm Deputy Director on the Philanthropic Partnerships Team at the Bill & Melinda Gates Foundation based here in our D.C. Office.

Very quickly, here's some philanthropic jargon for you. Our strategy is about inspiring and enabling informed and intentional generosity by all. So a big mouthful, but basically my bumper sticker is we're about increasing the quantity and quality of giving.

My team is both based in Seattle and D.C., and most of them focus on individual partnerships, particularly with the giving pledge, this effort by Bill, Melinda, and Warren Buffett to get the wealthiest to give half of their wealth away during their lifetime.

And then my team here in D.C., and the reason why I'm here and looking forward to this conversation, is we think through how to create an enabling environment for philanthropy. We focus on the U.S., China, India, and the Middle East.

And in the U.S. specifically, there's two facets that are relevant for this conversation. The first is we have a strategy around building the supply of data both on nonprofits and on philanthropic flow so that we can better understand nonprofits and who funds what where. And, so, a couple of the folks on this panel, including Jacob to my left, are critical partners in that effort.

Another learning effort that we have is this effort called Giving By All. So rather than focus on ultra high-net-worth individuals, we're learning to engage with everyday donors and work with behavioral scientists to think through how we might learn a little bit more about if you change the context of what people see, will that actually make them more informed and intentional with their giving.

So I'm happy to provide some examples along the way, but that's kind of why I'm here and looking forward to the conversation.

MR. HAROLD: Hi. I'm Jacob Harold, I'm president and CEO of GuideStar. How many of you have used GuideStar? Almost everyone. How many of you have used GuideStar to find financial information about a nonprofit? Now, how many of you have used GuideStar to find programmatic information about a nonprofit?

Fewer, but more than often because I think that that tension is actually part of what we'll be talking about today. What's the information that really matters when thinking about social change? And GuideStar is in the midst of a transition to really try to provide that balanced view. And we believe that we're positioned to do that with -- we have $2.9 billion with the BE pieces of data on 2.4 million nonprofits used by about 8 million people a year on our site, but perhaps more importantly also used on another 209 platforms, including Facebook, Google, the donor-advised funds of Fidelity, Vanguard, and Schwab.

And, so, our hope is to begin to weave together the fragmented activity of telling the story of social change into one coherent system so you don't just have an archipelago, you have Indonesia. You have a sense of commonality that is turned into good decisions. And that's fundamentally what we're trying to do.

So I look forward to the conversation today as we think about the various players, nonprofits that have information, other stakeholders with information, donors who need it, platforms that bring all that together, how do you coordinate that in a way that works for the interest of all.

MR. MCLAUGHLIN: I'm Steve McLaughlin. I'm the Vice President of Data and Analytics at Blackbaud. Blackbaud is a leading cloud software provider specifically to the nonprofit sector. We work with about 35,000 nonprofits in over 60 countries. Domestically, our customers raise a little more than $100 billion a year annually. And one of the things that we do in addition to providing technology and software is a lot of research and a lot of analysis in and around data and trends in the social good sector to understand what’s really happening.

MR. THATCHER: Good afternoon. Michael Thatcher, I’m with Charity Navigator. And we are the charity evaluator and have been in existence for about 15 years. We have data on 1.6 million charities and we provide ratings on 8,350 roughly at this point.

We also -- our mission is to guide intelligent giving or to make impactful philanthropy easier for all. We do this through the ratings and the evaluations which you’re looking at, a combination of seven financial metrics and 17 accountability and transparency metrics.

We’re looking at expanding that more around effectiveness. That is an ongoing progress or process that we’ve been engaged in. In addition to the ratings, we also guide donors through hot topics on either world crisis events or other topical subjects.

And, finally, we have an advisory system which helps notify donors of potentially inappropriate behavior or illegal activity, fake charities that exist, and we make that -- that is something that happens outside of the annual evaluation cycle, and it’s also something that is a donor service that we provide.

MS. GRANT: My name is Liz Grant. I’m with the Oregon Attorney General’s Office in the Charitable

Activities Section. I'm here because the challenge I face almost every day is how to educate people about the possibility of charitable deception and fraudulent conduct without discouraging people from giving in general.

I think you can look at charitable giving as probably the most -- the ultimate discretionary purchase. So it's kind of a delicate balance to help maintain that confidence.

When -- before I began my career doing charitable regulation, I worked here at the Federal Trade Commission in consumer protection, and I do have an observation that I think if you treat charitable education as the same, just another type of consumer protection education problem, that you might miss some issues because there's a lot of differences in terms of charitable giving versus the regular purchase of a consumer product.

One of those differences is that donors are often the last one to know that they've been deceived. You can't necessarily rely on donors to monitor the market for you or to monitor the market for other donors. So that's a problem.

I have a lot of thoughts on why charitable education hasn't been that successful in the past, not that many solutions. So I'm hoping I'll hear some things today that will make my life easier.

MS. KOPEC: Great. Thanks for all those introductions. As consumer protection regulators, we tend to look at donor education from two angles. The first angle is how do we get consumers to have the right tools to simply avoid fraud. What can we do to help them recognize that there are red flags about an appeal or recognize that something went wrong with their payment process or recognize that there's something misleading or potentially fraudulent and deceptive in the solicitation and have one bucket: avoid fraud.

We also have a more nuanced charge in helping to make sure that there's enough information out there to facilitate consumers making informed giving choices, wise giving choices, the best choices that they can make to further their charitable goals.

While there's overlap in these areas, they are a little bit different, I think as Liz touched on. And we know that there's gaps in this area. We know that there are potential gaps in the data. We know that there's questions about what data is most meaningful to consumers. We know that there is reluctance on the part of donors to do research prior to giving, and we know that there are transparency and messaging challenges from the charitable sector.

What I'd like to do on this panel is seek to see if we can identify any potential solutions to these areas. And where I'd like to start is with the data itself. Is there enough data out there to help consumers both avoid fraud and make wise giving choices? Is this a data problem, or is this a problem about communication and education?

So I think we have a lot of folks here who work a lot with the data that is available about giving decisions, and I'd love to hear just step one, is there a problem with the data; do we need more; if we need more, who do we look to to fill in those gaps?

Anyone? I'm looking at you, Steve.

MR. MCLAUGHLIN: Well, I think I would start off by saying I think data is both the problem and probably the solution. And we don't have a shortage of data. What we have a shortage of is the quality of that data, the completeness of that data, and we have a challenge of the siloization -- that's a new word -- of the data. It lives in lots of different places, and that if not for certain things like the 990 form where you can actually get data, but there's always more questions you'd want to ask from that that isn't necessarily there.

And, so, I think that's inherently one of the problems, we have these -- the data in a lot of cases, but it’s in pockets and not all of those pockets are either open to the public or accessible. And I think the other challenge that certainly we are dealing with that some other folks have brought up today is when people choose to make a charitable gift, they do not always use the same thought process or rationalization that they do on a consumer purchase.

In fact, a lot of research shows that making a gift is not the same thing as buying something and that we need to be careful not to confuse that people act in similar ways. Even if they are informed consumers, there is still an emotive aspect of what they choose to do that they, you know, may still choose to do something that to us may seem to be completely irrational, but to them isn’t about being rational, it’s about what they feel like doing. And that’s a difficult balancing act in this sector.

MS. KOPEC: Elizabeth Boris had mentioned earlier today that the charitable sector is open to more -- being more transparent. How do they be more transparent? What information should they include in that transparency? So when we think about what can the charitable sector be doing to make sure more of this data is available to the public -- I think Elizabeth is still here today -- here’s our chance. Tell the sector what information is missing. What parts of the sector need to come up to speed to get more data out there? Can someone speak to that?

MR. HAROLD: I’d love to offer a few thoughts on that. We have a saying at GuideStar, no stories without numbers and no numbers without stories. We really need both. We need a mixture of the qualitative and the quantitative.

And, you know, our basic framework is you have operational and financial data as a baseline. We get that from the 990. That’s an incredibly powerful comprehensive data set. But is there anyone here who would want to tell your story according to your 1040; would want people to judge your worthiness according to your tax form? Of course not, right? It’s -- there are different types of questions that, when answered, actually tell you about the power and the worth and the effectiveness of a nonprofit that are simply not going to be on the Form 990.

Those fall into two categories, I think, or arguably three. And I’ll share the third one that’s more complicated.

The first is sentence descriptions of goals and strategies and capacity, much like what is asked by private foundations in proposals. And the clarity of the answers to those questions is an incredibly powerful proxy for the effectiveness of a nonprofit.

The second are numbers that actually describe the progress of an organization against its mission. The important thing is that the nonprofit itself has to be the one to choose those numbers, because we can’t force a nonprofit and say here’s what you should be measuring. Whenever foundations do that, the nonprofit feels disempowered, disengaged. It’s not actually a useful measurement neither as a management tool nor as an evaluation tool. We have to empower nonprofits to do that.

We’ve recently done that at GuideStar. We started that last May, and we’ve had 2,000 nonprofits share four metrics each, so about 8,000. And the good news is that so far 72 percent of those -- so about 6,000 of them -- come from a common catalog of metrics.

So we were kind of worried that every nonprofit was going to be a unique snowflake and demand that they had only their own special metric. We’ve actually found a decent amount of overlap. But at the same time, there are some nonprofits that legitimately have chosen a programmatic metric that is unique to them. And that’s okay, too.

But, you know, I would say for any donor trying to avoid fraud, if a nonprofit can’t articulate a goal and a strategy clearly and doesn’t have quantitative programmatic metrics, those are pretty big red flags. But more importantly than avoiding the bad, those are the -- that’s the kind of information that helps us enrich the good that can enable new levels of learning, collaboration, smart resource allocation, and ultimately impact in the field. So, to me, those are the two most important pieces.

The third one I mentioned, which is a little bit harder, is -- and I think this is the third category of effectiveness -- are you clear? Do you have some way of measuring your progress on your own terms? And then the third is what are your feedback loops like with your stakeholders.

I don’t include that as a requirement because those feedback loops can take very different forms. At a homeless shelter, you hope that the homeless people are providing some feedback to the homeless shelter about its performance, or at a food bank that the volunteers are. And those are very meaningful.

But the truth is that the beneficiaries of the work of the Sierra Club don’t have good line of sight to see whether the Sierra Club is doing a good job. Right?

So you may need different kinds of stakeholders. So that’s a harder question. But my dream would be that eventually we also have this third category of information, which is feedback from stakeholders.

MR. THATCHER: I just want to add on to that because I think what -- Jacob, you really kind of hit all the main points. But one of the pieces that I think is missing is those are probably the right things that we should be asking this sector, but how do we articulate that to the donor in a way that’s actually comprehensible and -- if you think about it, we have a taxonomy today for where’s my money going, but we don’t have so much of a taxonomy for what’s my money doing or what did it do.

And, so, articulating impact and having a taxonomy for impact, we’re not necessarily going to get to a universal one as you’re pointing out in terms of what we actually measure. But getting to a place where that’s simple enough for the average donor that -- to your initial opening point, they’re not doing the research. So how do we have sort of baby steps in that direction where we’re actually starting to see that information?

MR. MCLAUGHLIN: But there’s a “they” there, right? So the they being the vast majority of donors. So last year the average age of a donor in the U.S. is 62 years old. But as we look at younger generations, Gen X, millenials, Gen Thumb, Gen Z, whatever comes after that, that we know that they express different behaviors and different attitudes that is very different than older generations. Older generations suggest I give, give where it’s most needed, I trust you. They have trust in institutions, they have trust in where their giving goes that there’s an expectation on their part that it will go to the benefit of something. But you skew younger, that starts to disappear.

And, so, in fact, I sort of think over time you will see a lot of pressure on the nonprofit sector or any sort of charitable organization from the donors themselves because if you ask a 20-something how they feel about their gift and not wanting to just see the output but the outcome of that gift, there’s a much higher emphasis from younger generations on those things that ultimately it either forces organizations to respond to that or not.

And I think you’ll have a period of time where you’ll have organizations who get really good at this, and they end up being successful long-term, and then you probably have a very long tail of organizations that don’t and more than likely they disappear over time. Right? Without that support.

MR. SUMAR: Yeah. No, I'd agree with all of those comments, both the general premise that, you know, younger donors seem to want to seek more outcomes-oriented data, as well as this challenge that was articulated by both Jacob and Michael that it will take a long time for us to, you know, reach the holy grail of having an impact taxonomy and impact in results data that can ultimately inform informed and strategic giving.

And I think that the ways that both these gentlemen are approaching it is useful. Absent that, you know, just one of the things I wanted to let you all know about that the Gates Foundation is focusing on is as we look to build that supply of data and as -- so as we build a supply of data as well as work on donor demands.

So we touched on the fact that, you know, giving is very emotional and very reactive, but if we create the context for people to kind of be more intentional with their giving, then you're also changing the norm around what people expect. And as you're building both a supply and the demand so that people actually will generate that -- you know, that data on behalf of the nonprofits.

We're thinking about both of those things. And one of the other things we're thinking about it is kind of creating shortcuts. So absent the impact and results data that's necessary for us to make strategic decisions, can we create shortcuts for donors so that they can be educated, you know, with different choice.

So whether that's relying on the due diligence of the Gates Foundation, for example, and the results data that we collect from our grantees or from trusted, you know, people in the field, celebrities, et cetera, there are certain ways that we can create these shortcuts that I think can help inform and educate the donor so that we have a short-term kind of win, build the demand, and then hopefully I'll reach for that long-term vision of kind of creating that impact taxonomy.

MS. KOPEC: Yeah. I think at various points during the day we've touched on the relatively low percentage of donors that engage in meaningful research before making a donation. I think one figure is at most only one in three donors do any research.

And moving that ball, one of the things that we wonder is, is that even possible? Can we sort of retrain donors to have basic things that they do before they make -- at least let's start with a planned and intentional gift. I think we'll put to the side for a minute emotional or responsive giving to a disaster plea. But, you know, can we -- what do we think the methods are to retrain donors so that we move that -- we're not just being one out of there, but maybe being two out of three donors or that, you know, most donors do a very minimal level of research, use a shortcut, before they give a donation.

Liz, I know you're the most practical, so can we do it?

MS. GRANT: I think it's difficult, and I also think you need to think about whether that's really what you want. I'm afraid there's a -- talking about balance, I'm afraid there's a possible inconsistency in that the more analytical we ask people to be, I'm afraid it may discourage giving. I think there's some tests that show that. The more you make people think about it, they start going, oh, you know, maybe I'm just going to walk away from this. They sort of abandon the shopping cart if they need to do a lot of research.

I think there's a lot of mixed messages in the educational messages that we all give because we talk about not giving emotionally, and yet the fundraisers say you want to make sure that your solicitation has emotional impact because that's what people give.

I mean, and if you think about one of the most successful giving, the viral campaigns with the ice bucket challenge, I think it probably violated every rule of wise giving for a lot of people. I mean, it didn't follow that script at all.

So I still think that -- I think you have to be careful what you wish for, and, you know, what’s going -- what kind of changes that analysis approach might have on the charitable sector.

MR. HAROLD: If I may, just a couple thoughts there. I think essentially one of the challenges is that we’re trying to optimize on at least three axes in this conversation. Right, we want more giving, we want smarter giving, and we want less fraud. Right? Those are kind of the three meta-goals that I think have helped to define today’s conversation.

I think we all agree with all of those goals, and that they interplay with each other. At times, they can be intention. There is some evidence from the social psychology research that certain types of data when provided to donors kind of intimidate or overwhelm them and they end up giving less.

There’s also evidence that there are ways to get around that. So it’s mixed. But it’s a very real dynamic that we absolutely have to address. And it gets back to the 33 percent number, give or take, of what proportion of donors are doing research. It’s either a lot or a little. I actually think that’s a huge number. That’s a $100 billion a year in the U.S. alone that’s influenced by research. That’s extraordinary. And when you think that people aren’t going to do research when giving to their alma mater or their church, that changes the denominator quite significantly as well.

So there’s actually a lot of evidence that people want at least some information. But the burden is on us to figure out how do we present that in a way that doesn’t suck the emotion out of it but, in fact, enhances that sense of emotional connection. And people, I believe, are fully capable of doing that. If you think about how people make a decision about how to buy a house or a car, that is neither a fully rational nor emotional decision. People are able to bring in many sources of data to make that choice.

If you think about a website like Trulia or Zillow or Redfin -- you can tell I’m trying to buy a house right now -- but there are many different kinds of data. It can be very analytical, and without losing that sense of emotion. But it is not an easy thing to do, and I think the burden is on us in the field and especially platforms like ours to try and figure out how do we help donors give in a way that is infused with data, but not desiccated of emotion.

MR. THATCHER: The one thing I’d add is when it’s this whole notion of being proactive in one’s giving, and as the different platforms that are facilitating the giving process, we can become -- we can be faster, better, improve that experience. That’s always something we’re going to be working on. But actually getting to the next 33 percent is about instilling the spirit of inquiry or investment.

I think one of the words that was used earlier today was being a backer. And the futurist who spoke to us from L.A. was talking about backers. Not donors, but backers. And, so, you’re not investing in a product, you’re not buying a product, you’re actually backing some form of social change. And I think that’s where if we start building that -- and I think we are -- to your point about the younger generation, they’re seeing things, I think, more in that way, in their investment in social change, doing more with that.

MR. SUMAR: Just two quick observations. One is just to provide some nuance in the 33 percent. I agree with Jacob about the, you know, that’s 100 billion. At the same time, the other data piece with respect to research is that only 9 percent in that same study actually do comparative research on giving. So a lot of that research might be to validate an existing choice that you’ve already had in your head about where you want to give. So I think it’s important to think about how to build a fluency around comparative research around causes as well. So that's one thing I wanted to raise.

The second thing I just wanted to raise is, you know, trying -- we all have to be creative in trying to make it so that research doesn't seem like a burden. And I think that's where a lot of these new consumer-facing platforms and social platforms like Facebook and Google will play an integral role in helping us kind of feed it. And these gentlemen on the panel are all working with those platforms to ensure that when you're meeting people where they feel like they have this joyful, emotional experience, can you kind of infuse some of that research subliminally almost so that they make an informed decision without necessarily feeling like it's, you know, a burden or that it's, you know, overly cumbersome.

MS. KOPEC: I want to follow up on this idea of, you know, creating better consumer feedback loops and the idea of creating more shortcuts for potential donors.

Earlier today we had a question from the audience of, you know, couldn't we create a system where we have something more like, you know, Amazon reviews, or we've talked about this amongst ourselves, you know, a Yelp review system. You know, when we engage as consumers, we are able to document our experience and, you know, get our good or service evaluated and then share that experience with, you know, millions of other Amazon users to inform future decisions even if ours was poor.

Is there a way that we can build on those types of consumer feedback review systems in the charitable space, and, if so, are there dangers to that? Is this a terrible idea? Is this not applicable to this space? But it is something that was brought up this morning, and that consumers are trained well in that space now to look beyond just consumer reports, but to look at actual -- the other individual experiences of people making a similar decision. Is that something that we can replicate effectively in this space?

MR. HAROLD: I'll just offer the one data point is that there is an organization, GreatNonProfits, that has experimented with this. And they collected about a quarter million reviews.

But there are some very interesting learnings that have come out of this. One is that almost all the reviews are either one star or five stars. There's not a lot of nuance in the middle.

And you think about Yelp --

MR. MCLAUGHLIN: It's love or hate.

MR. HAROLD: Right, it's love or hate, and it's almost all love, and it's mostly donors.

Now, I gave the examples of a homeless shelter where, like, you really care about what the homeless person thinks, or should, or at a volunteer-driven organization, you should really care what the volunteer thinks because they have line of sight. Right? But then you look at -- what's really interesting, read some of the reviews of, for example, Greenpeace. And the reviews will say, these issues are so important and these people are so brave. Right?

Now, both of those may actually be true. I think they are. But that doesn't tell you anything about the effectiveness of the organization itself. Now I happen to believe that Greenpeace is an effective organization, which wasn't always true, but there's -- you get caught in these sort of traps, I think. However, the good news is that still you can get some great insight from the text. You can look for patterns. But you don't get a simple answer.

So at GuideStar, for example, we have a partnership with great nonprofits. We share all the reviews. But we no longer share the star ratings because we just don't think they're meaningful. But the good news is that there are literally hundreds of experiments happening around the country, many of them funded through a joint initiative mostly led by the Hewlett and Ford

Foundations called A Fund for Shared Insight, to try to systematically figure out how might we gather more insight from the stakeholders of nonprofits.

So no one has figured it out, but there's a lot of work to try and get there.

MR. THATCHER: What I'd add to that is there's the feedback from, let's say, the donors where things like the Yelp reviews, and then there's the constituent voice or the feedback coming from the beneficiaries themselves. I think you can get a stronger signal from that in terms of, you know, to Jacob, your point, is the homeless shelter actually providing a meaningful service to the homeless people that they're serving and getting that feedback directly from the homeless people served, not so much the donors that are actually supporting the shelter.

So I think differentiating between the two sources is important, and there is quite a bit of methodology around how to work with constituent voice that's in place that is, you know, from shared insight as well as other initiatives.

MS. KOPEC: How do we get that information out to potential donors? So when we get feedback from the beneficiaries, if it's bad feedback, I would imagine that the charity wouldn't be interested in sharing particularly bad feedback. Who are the other, you know, gatekeepers involved in this space who could be a source of communicating that type of, you know, potentially negative or red flags to consumers when it's coming in from the beneficiary side?

MR. MCLAUGHLIN: I mean, I think it's ultimately where you've got to have the public sector, the private sector and the social goods sector all working together. Any one particular entity will want to gain the system to their particular advantage, right? But if all three of those sectors are looking at it, like if I'm in the corporate world and I'm looking at my CSR campaign and my employee matching gift campaign and I'm recommending certain organizations that the company has said we think these are good organizations to give to, that will influence giving behavior. Right?

I think you've got to have a combination of the things, in part because no one in this room probably ever took a class or was taught how to be charitable. Right? We were taught how to tie our shoes and count and measure and read and do things, but no one took a class in kindergarten that told you how to be charitable. Maybe share or, you know, not hit Jacob, but probably nothing beyond that. And, so, what's the basis of education? We probably have a lot to do there, and that's likely going to take all three of those major sectors working to make that happen.

MS. KOPEC: Because we have a room that includes a lot of regulators, what do you think the regulators need to be doing to get out a more consistent message to donors in this area? What are the pieces of data that you think are of greatest utility to donors and what are the messages that government can be supporting to get out to potential donors?

MR. HAROLD: So let me start by just saying thank you to the regulators in the room. The work you do is really, really important in enabling us to even have a conversation about quantity and quality of giving. That’s only possible because we know there are forces that are driving down the fraud numbers.

I will say that -- I’ll say something controversial. Please, please, please don’t say anything about the overhead ratio because you’re contributing to the myth that that is a proxy for quality, and I think we all know deep down that it’s not. You would not -- you know, when you go to a restaurant, you want to make sure that it has a good sanitation rating.

But that’s not how you choose between a good and a great restaurant. Right? You care about food, ambiance, and service. And the problem has been that an intellectual framework that’s quite appropriate for minimizing fraud -- looking at overhead -- has been applied to the question of quality where it is actually utterly irrelevant.

And, so, my request to all of you is to not tell donors in your states to look at the overhead ratio. That’s your job, and I think you should do that and I hope you do. And we’re happy to help if we can.

But donors get confused and they end up paying attention to the wrong thing, and that ends up being terrible for the people in the communities and the ecosystems and the nonprofit sector is trying to serve as the nonprofit sector has starved itself of essential investments and core capabilities, including the ability to evaluate your progress because of the strange pressure to drive down overhead ratios. So instead I just hope you do your job really, really well.

And then if you are -- and I think in general donor education is most effective on the quality and quantity dimensions. I think it’s harder on the fraud dimension. But if you are going to spend time on that, I think there are other indicators of is there actually a clear goal and strategy here? Do they have any programmatic metrics? Do they have a website that looks remotely real? Do they have a set of good stories? Are there any third parties that have given them any kind of support? I mean, there are other things that you can offer to help donors root out those rare cases of fraud, but ultimately I think you in this room are the most important line of defense.

MS. KOPEC: We had a question from the audience that touches very much on this point. And the question was, since our main goal as regulators and law enforcement is to prevent fraud, how do we educate the most vulnerable population to do that? And what role do other charities have in that space, particularly if, you know, you have one or two bad apples, what obligations do charities who can detect and be aware of that have to help us weed that out?

Now, Jacob, you mentioned a couple of things to help vulnerable populations or anyone trying to make these decisions. You know, look at the websites, check for a mission, is there information about impact. But is that enough to help them recognize red flags? What would you point to as something that any consumer can look at as just sort of a gut-check of should I click the donate button or not.

MR. THATCHER: I think you've pretty much said most of them, but I think it's the question of interacting with the charity. Ask a question. If you don’t get a straight answer to your question that should raise some issues.

I do think that you can ignore the financials, but you also want to look at the governance structures. We talked a bit about privacy policies. How is your privacy going to be handled? Is there an independent board of directors? If the list of the board of directors all have the same last name, then there may be some family collusion issues that you have to be aware of. Those are potential red flags.

MS. KOPEC: I know, though, when I -- I think I’m a pretty cautious person with my money, and I will tell you that I don’t take those steps when I donate. I will check the website. I might, you know, Google it, make sure there’s no terrible news stories. Are we looking to the wrong place? Can we really rely on just donors to weed out potential instances of fraud? Are they really going to be the ones to look at the 990 and see all the family members? And, if not -- and I think not -- who should be doing that? Who should we be looking to as another layer of protection for the donors?

MR. THATCHER: So what we try to do with Charity Navigator is to do some of that work for the donor. So if you were to come to our website, search for a charity, if it was a rated charity you would immediately get a star rating. That star rating is based on the strength of their financials. That's half the rating. The other half is based on the accountability and transparency. So you'll know right away that this is at least a legitimate charity that has good governance practices.

From there, you do probably need to take the next step, but chances are you're not dealing with a fraudulent organization. Chances are, right? There's not necessarily a guarantee to that.

Where -- I want to go back to your previous question, which was what is it that we could use from the regulators and how can you help us or how can we help each other? More on the negative side, and in the enforcement or investigation side, letting us know because we are potentially amplifiers of your message, when there's an investigation or something is under way, we can broadcast that to our donor base. We have 10 million donors or what I call the consumers of average retail donors in the nonprofit sector. That is -- we want to let them know right away when they should not go somewhere.

We also want to let them know right away if an investigation has been closed or was, you know, deemed not relevant in some way or form so that the mark on that charity can be lifted. On our side, we get a lot of inquiries where we are, in turn, directing people to their local AG to do the same, to raise issues with you. We’d love to be that conduit. And I think everyone here could be -- can be a part of that.

MS. KOPEC: Shifting gears a little bit, we have a question from the audience again about the type of information that is available to consumers. And this question is particularly towards Jacob and Michael. Are you working towards substantially minimizing the significance of certain figures on the 990, such as total revenue and program efficiency percentages, which are easily manipulated and inflated with gifts in kind about over-evaluations and joint cost allocations?

So when you’re looking at those pieces of information and assessing them, do you take into account that they can be manipulated in this way, and, if so, how do you account for that?

MR. THATCHER: I don’t know that either of our organizations is trying to interpret the 990. So I don’t know that we’re doing that. Are we -- are the actual ratings methodology, particularly with regard to the financial metrics, was -- there was a revision that went into effect in June of last year, which took away one of the problematic areas, which is revenue growth.

We are also looking at three-year averaging so we can avoid spikes in the data given how large grants are recorded. But actually doing an interpretation, other than if we see questionable ways that the 990 themselves have been filled out, then we'll go back and deal directly with the charities. But we're not actually changing that in the ratings methodology right now. What we are doing is moving towards adding a third dimension, which was previously called 3.0 or results reporting, some form of effectiveness assessment or just rendering of the -- surfacing that information.

That is to complement what is in the ratings today. It is not necessarily to replace anything.

MS. KOPEC: We've talked a bunch on this panel about the type of giving that I would call more planned giving, that donors are taking some time, making a decision, potentially doing a little bit of research. What about where donors are completely reacting emotionally, that there is, you know, the nightclub shooting, the disaster where you can get bombarded with messages to help and to give and you're going to respond immediately, you know, text $5 now.

What can be done in that space to protect donors from fraud? Is there anything that can be done on a consumer education front, or is that something that needs to be handled more on a law enforcement or charitable sector weeding out, you know, bad apples in that space?

MR. THATCHER: I’ll jump in again because this is an area where we -- I think we add a fair amount of value in that. When there’s a crisis like the nightclub shooting, we will -- we’ll build a list right away where we’re actually reaching out to the charitable sector for organizations that actually have feet on the ground that are doing something, whether it’s Hurricane Matthew, the Orlando nightclub shooting, earthquake in Nepal, we’re making sure that the organizations that we put on a list, so we’ll create a collated list which shows here’s some organizations that are actually doing something there. These are three and four-star-rated charities, so they’re the top of the ratings that we have. And at least there you know you’re going to reputable entities. These are bigger and more well known organizations, and that’s our approach to that.

MS. GRANT: And I’ll add that I think that one of the things that’s happening is that states and communities are kind of setting up charities in advance that are ready when those disasters strike so that they can kind of crowd out the space that might exist for fraudulent actors because the messaging is all if you want to help, you know, give to this entity.

I think that in general sometimes the government is sort of reluctant to tell you to give to a particular charity, but with the disasters I think it’s been easy to promote an existing fund that’s been sort of vetted as if you want to make sure that you’re giving your money to a safe place and not something that, you know, has started, to have those kinds of charities and funds ready to go in advance.

MR. SUMAR: I’d say there’s also just an increasing trend of the analogy with mutual funds. So as you get interested in a cause, there are more intermediaries that are creating a basket of organizations that you might be able to support in the event of a disaster. And, again, you know, you’re kind of spreading your bets there in terms of both effectiveness as well as impact.

And, so, whether it’s -- I think the previous conversation was about Donors Choose and Global Giving, there’s, you know, the Center for Disaster Philanthropy. There are a bunch of intermediaries that are playing this role of vetting, along with Charity Navigator, to be able to create the easy information that’s digestible for consumers in an immediate way.

MS. KOPEC: I want to open it up to any

additional questions from the audience. I know that we've had -- slipped a little bit on time today, and so I just want to make sure we have a few minutes before we move to the next panel.

Yes, sir, in the back?

AUDIENCE: I just wanted to urge the panel to think a little more urgently about donor education for a second. We haven't talked much today about the fact that government funding of nonprofits warps both foundations and individual donors. And we could be in a situation here where we need to -- instead of gradually going from 2 percent GDP to 4 percent, we need to do it really quickly or the nonprofit sector is going to be in serious trouble. What are we going to do if we have to raise twice as much money in 2017?

MR. MCLAUGHLIN: I'll be a bit of a contrarian on the GDP stat, which gets tossed out sort of over and over. I actually think GDP is the wrong stat to look at because it assumes there's some magical relationship between the health of the economy and things getting better. If that were true, we wouldn't probably be having this meeting today.

I think what's more striking is somewhere in the Giving USA reports buried deep within the indices it shows that the percentage of disposable personal income that goes to charitable giving is 2 percent. And it's been stuck at 2 percent for 40 years. I would say that is the bigger thing to focus on given that 71 percent of giving is from individuals, another 8 percent is from bequests, which just happen to be another type of individual. That's where the focus should be.

And, also, I think I would sort of applaud some of the work they're doing with the Gates Foundation to set aside the Gates and the Buffett gifts, but really look at the everyday donor and how do we grow the everyday donor, because ultimately that would be the thing that drives the vast majority of giving.

I would also posit that maybe the consumer public has already decided. Eighty-six percent of reported revenues go to 1 percent of all charities. So have they already decided where they want to give or where they want to grant money from their foundations or not? So are we talking about the 1 percent or the 99 percent that's trying to get the other 14 percent of the revenue?

I mean, I think you've got to sort of choose where do you want to focus because it can't be everywhere.

MR. HAROLD: I'll just add, I think there's an opportunity to use behavioral economics and insights from human behavior to drive up. So this is a quantity dimension, right? We've been talking about quality, frauds on the quantity side.

So, for example, there's a great company in Arlington called Opower that is an energy efficiency company. And what they do is they provide a report to every energy consumer about their energy usage and then the usage of their neighbors. And it turns out that that kind of targeted guilt completely transforms behavior.

MR. MCLAUGHLIN: Social proof. Don't call it guilt.

MR. HAROLD: Fair enough, social proof. And I think there's an extraordinary opportunity for something very similar in philanthropy because the median amount given is much lower than the mean. Right? So most people are giving way less than -- it's not 50 percent of people are giving less than 2 percent, it's a whole lot more than 50 percent.

So how do we -- and this just requires the right kind of partnerships in particular with consumer finance companies. So if we could get the Wells Fargos and Bank of Americas of the world and Intuits and others to help us show to individual American citizens just how far below the average they are, and do that in a way that's very welcoming and inviting, I think there's actually some great potential to drive up the average.

MR. SUMAR: I'll piggy-back on that really quickly, just because we're working a bunch with this group called Ideas 42, which is a nonprofit based in New York that is applying behavioral science to charitable giving. In their last poll, they basically found that people think they should give 6.1 percent of their income to charity, when they give actually less than half of that.

And, so, you know, at the Gates Foundation, we're intrigued by that number. We're thinking about different ways in which we can spur, again, the quantity. One of the experiments that I love to talk about that we're running at scale is this idea of creating goals. So we talk about intentional giving and setting goals. And if you can think about basically two frameworks, one in which you have basically just a small chart that says if you decided earlier in the year to give five donations in the year and you have a checkbox every time you give that donation versus one page that doesn't have that, the hypothesis is that just that device is actually going to spur more giving.

And it's called -- in the Bureau of Economics -- I sound smart when I say it's pseudo-set framing and it's all about basically, you know, people wanting to complete sets. And, so, this kind of behavioral insight can actually help spur the increase in giving. So these are the kind of things that we're experimenting with at scale in different channels, workplace giving, donor-advised funds, online donation platforms, to see whether or not we can address the quantity.

The other thing I'll just mention is, you know, as it relates to overall giving, of course individual giving is spurring a bulk of the overall $360-plus billion in overall giving. As it relates to the current context, I will say institutional philanthropy is also responding. At the Gates Foundation, you know, we just decided that we're going to increase our annual payout probably by 15 to 20 percent over the next three years.

I know a lot of conversations that are happening with foundation leaders this week are about, you know, gravitating from whether or not they should be more in a spend-down given what's happening. So it's interesting in the current climate conversations that's been spurring on the philanthropy side as well.

MS. KOPEC: One more question. And I know you've had your hand up.

AUDIENCE (Off microphone): (Inaudible).

MS. KOPEC: So for those listening remotely, Andrew pointed out very nicely that by focusing too much on third parties, we take the conversation away from the charities themselves and how they communicate directly to consumers.

We saw several times this morning that the number one source of information for potential donors that's meaningful to them is the charity that they're giving to, which does sort of turn it back, I think, to how do we then not just come together to empower consumers, but to actually help facilitate the charities themselves to do a better job of communicating. And I think that that's something that will hopefully get touched on a little bit on the next panel as well.

And with that, to keep us on time, we're going to move on to the last panel of the day. These folks are here, though. I know we didn't get to all the questions. So please bother them when you see them. Thank you.

(Applause.)

PANEL 7: SAFEGUARDING DONORS FROM FRAUD AND DECEPTION - IDENTIFYING POSSIBILITIES AND PRIORITIES

MS. THORLEIFSON: All right. Good afternoon. This is the end of a long day, and thank you all for staying. Hopefully you're still awake, and I hope that the discussion we have on this panel keeps everyone awake.

I am beyond thrilled to have this panel of super smart people who have been thinking a lot about charitable giving and philanthropy in the charitable sector for a very long time. And I know that they are going to carry me through this panel by having great answers to a very few questions.

We have Andrew Watt, who is currently a global strategic consultant, and was formerly the head of the Association of Fund Raising Professionals. I can't quite see the order -- oh, there's Mark. We have Marc Owen, who is currently a partner at Loeb & Loeb, advising tax-exempt organizations. Prior to that, he was with the IRS Exempt Organizations Division for 25 years or so. That was for -- it was earlier in the IRS Exempt Organizations tenure.

And then we have -- next to him we have Mark Pacella from the Pennsylvania Attorney General's Office, who is Chief Deputy of their Charities Bureau and who has personally been involved in litigating a whole bunch of pretty famous trust cases as well as a lot of charity fraud cases.

We have Art Taylor, who is the CEO of the Better Business Bureau's Wise Giving Alliance.

We have Sue Santa, who is currently a consultant, formerly with the Council on Foundations doing policy.

And we also have -- let me get to your bio -- no, I can't find it -- Allison, there you are. We have Allison Grayson, who is joining us from the independent sector where she is a senior policy analyst and is also currently getting your Ph.D.?

MS. GRAYSON: Yes.

MS. THORLEIFSON: And a doctoral candidate. So this is a fabulous panel, and I hope you all join in with questions. I just have three very big picture questions that I think could keep us going for however long we all have the stomach to go for. The clock is set for 52 minutes, but we're a little bit behind.

So -- and my first question is quite simply after everything we've heard today about the regulatory challenges, the size and scope of the sector, donor motivation, emerging technologies, future technologies, and what's going on right now in the fundraising world, if each of you could just talk briefly about what you see as the challenges facing regulators, law enforcers, working to combat charitable fraud and provide oversight of charitable giving. What are the biggest challenges facing us?

And let's start with Allison.

MS. GRAYSON: Great. I want to thank Tracy and all of the planners of this event. This is a great conversation and I'm just really honored to be here.

As far as what is facing regulators, and I think more importantly sort of the social good space as far as oversight and accountability from our perspective -- and I don't want to take away from what some of my fellow panelists might say, and they have a wealth of knowledge in those areas -- but for me in the independent sector, one of our greatest concerns is a lack of resources for regulators in particular that they -- we have -- we work primarily in federal policy in the independent sector. We have a position to try to encourage policymakers to adequately fund the IRS so that they are able to provide the oversight role that we think is necessary to preserve the public trust in the sector.

Unfortunately, that has not been the case in the past several years, and in this current political environment we are not encouraged that it looks like the

IRS will get an infusion of funding anytime soon. That means that a lot of additional burden might be placed on state charity regulators. And we know that they're also constrained as far as resources go.

So for us, I think the biggest challenge would be ensuring that the regulators are able to monitor and enforce current law the way that it's intended. And ideally not resort to additional particularly onerous regulations trying to compensate for this problem, this governance problem.

MS. THORLEIFSON: Let's keep going. Sue?

MS. SANTA: I, too, want to thank -- and thank you, thank the FTC and NASCO for conducting this conference. And I'm going to bring a different point of view than I think has been expressed by most of the speakers today.

So as Tracy noted, my most recent stint was with Council on Foundations. Before that I was with an organization called the Philanthropy Roundtable. So that is my -- the scope of my experience in the nonprofit sector. Before that, I was in for-profit. I actually worked for NASCAR. So if there's someone who doesn't, you know, show for-profit more than NASCAR, but anyway.

So I have a lot of different perspectives. The constant in everything I've done in my career has been policy and advocacy. So I’m coming to you from the grant maker perspective, organized philanthropy basically that would be private foundations, community foundations, corporate giving programs, and then I would say probably community foundations, share a lot of practicalities with others in their communities who make grants, both receive contributions but then also make grants. So I just wanted to give that as the grounding for what I’m going to say here.

So, to answer your question, Tracy, challenges. I think the first thing we all need to come to terms with is what exactly are we trying to answer for. What is it that we’re trying to solve here, and then who can help us solve that?

And when you look at this -- this issue of bad actors in preparation for this panel, I actually took several hours and spoke to a number of foundation leaders to get their perspective on the questions that you’re raising here. And one of the first things that they came up with was this challenge within the field itself to define what a bad actor is. And we tend to kind of conflate those that are truly engaging in illegal activity with those that may not be meeting some sort of standard of excellence. And obviously one is very clear and the other is absolutely not, and the former panel reflected on that.

So if we just take those that are behaving in illegal activity, whether they're just true fraudsters or they are raising money to fund illegal activity like terrorism or something else that's illegal, or everything looks good but their practices are illegal inside, self-dealing, things like that, I think that the foundation community can say we might be able to help you identify those. And when we get into the more qualitative, I think they are as confused as others.

But bear in mind that grant making organizations, especially community foundations, small private foundations that are giving very locally, they know a lot about their communities. They know a lot about the charities in those communities because they're helping to fund them. This is really grown with community foundations and others who are sponsors of donor-advised funds. There's a lot more due diligence that they need to do.

So I think one of the ways that the philanthropic community might be able to partner is to come up with some way of sharing information, a way that's comfortable for the grant makers, a way that's voluntary, not mandatory, and a way where they feel some protections as well. I think the hands that got raised when I was talking with foundation leaders was, does this put us on the hook for something or we would be liable for something if we got into this arrangement? And I said, well, I have no idea, we'd have to talk about it. But I think there is information that's gathered around, again, that true kind of bad actor, illegal space.

There's lots I could say about how to do that, maybe some best practices and ideas, but maybe we can get to that later so you can move on to our other four panelists.

MR. TAYLOR: Well, I think that the biggest thing that the regulator community is going to have to deal with is how to ride along with change. And I've certainly been taking notes today, and I have not attended a session in my 30-year career where change has not been more central to the theme of the event.

We've heard from people who tell us that charities are going to be communicating with donors via virtual reality headsets. We see that fundraising platforms are proliferating. Giving is going to be through living. You give while you live via embedded tools and other things. More and better data on how to solicit and to get people to donate to your organizations. Maybe there won't even be organizations as we're seeing more and more entrants into the social goods space, many of which aren't charities.

And I think the big challenge for regulators is to take an approach to regulation that we've seen work to some extent over the last 30 to 50 years and try to either continue that in a new and more robust way than you currently are, or I don't think we're going to be able to live up to these challenges.

So I believe that the regulator community has first got to understand that the tools that they currently have at their disposal do not position them well to ride along with this enormous change that we're about to see and we're seeing over the next few years. And it's not going to be good enough, I don't think, to play catchup.

So I'll just stop with that. But, I mean, I have four pages of notes that sort of support my thinking here, and, you know, we can certainly -- I hope we get to have more of a conversation about some of these others. But, to me, change is the number one theme that I think the regulator community has got to take hold of. And it may be done in partnership with different stakeholders in the social good space.

So rather than try to go it alone, I think the regulatory community, first of all, has to work better with itself. There are state regulators that have to --

and I hear that that's happening. I'm really happy to hear that the various states are beginning to work together more effectively. The FTC, by leading this event, is a symbol and sign, I think, of the need to come together more.

Organizations like ours need to find ways to support and work with the regulator community. And, so, I think it's going to take quite a bit of working together and collaborating to stay abreast of everything that's going on and everything that we're expected to experience here over the next 10 years or so.

MR. PACELLA: Yeah. Well, thanks, Tracy, for having me. I'm going to try to go quickly. Some of the stuff that I'm going to offer now I think has already been inherent in some of the comments that you've already heard. We've already heard about the lack of resources that the government has to do this.

I was particularly intrigued with Sue's comment about who is it that we're trying to pursue. What frauds are we trying to protect against? What do we add in or consider to be fraudulent? Are we talking about people who collect money to do A, but then they turn around and do B or just keep the money? Maybe the most blatant form of fraud.

Are we talking about those organizations that are just ridiculously chronically inefficient and seem to just pay the bare minimum of lip service to what they say they’re committed to while they provide themselves with livelihoods and expensive cars and perks and all that sort of stuff? Is that the kind of fraud we’re talking about?

Unless we have a really clear idea on that -- and I’m going to suggest to you that there is a huge variety of frauds. You know, we can go on the one continuum from the criminal side of things all the way up to the far end on civil to where we’re not really saying, well, you know, it’s not all that deceptive, but it certainly is inefficient. The Supreme Court tells us that’s not indicative of fraud, but it sure feels like it’s fraudulent.

So from a regulatory side when we look at just the scope of what I think we might all -- if we had to write a list of ten examples, we might actually have a pretty broad list of things that we might fit into that category of protecting against fraud when you add that to this lack of resources and the simple magnitude of the activity that’s going on in this sector.

I mean, you know, it just keeps getting bigger and bigger and bigger. I don’t know about the other folks. You know, I’m not the only regulator here, but I really just celebrated when they started with B corporations and other variations that further blurred the line between where charities started and business corporations started. Now we've got a whole 'nother universe of entities that purport to do public good, charitable services, and I'll be honest with you, I'm not exactly sure where those lines are myself.

If somebody makes an investment or a big grant in an organization that's got a fairly risky proposition, they want to try to pursue an economic development program that no money -- commercial professional money lenders will touch, and it goes down the drain, what are the prospects of saying that was an imprudent grant. Are we just shifting some of those risks from the business side onto the charitable sector? I don't know whether that's the better public policy to pursue or not, but, you know, that's where we're headed, it seems like.

We've got our jurisdictional issues between state and federal. They're not all geographic. There are legal parameters that sometimes will confound our ability to be able to pursue perhaps as straightforwardly as we'd like. And we're just slow. Government is just slow. The bigger the government, the slower it is. No knock on the FTC, but, you know, Pennsylvania is not exactly the, you know, poster child for speed. But it takes a lot of time and effort to get legislation through. And we’ve listened to how quickly these platforms, how quickly these social media things pop off. By the time we start to think about, well, maybe we ought to change the definition in the statute to cover this a little more clearly, there’s already 15 new things.

So, you know, I don’t want to be the voice of doom and gloom, but you asked the question. So that’s my take.

MR. OWENS: Thank you, Tracy. I guess it’s my turn. I’m Marc Owens. And I’m going to give you my perspective on the challenges from two directions. One, from the direction of the Internal Revenue Service where I used to work, and the second from the direction of a practitioner, which I am now, who has to advise clients on how to stay on the right side of the law.

And, so, the challenges from an IRS perspective, obviously there’s resources and people think of resources in terms of budget. But a bigger challenge, maybe a bigger challenge from the IRS, is understanding what is going on in order to address it through various guidance mechanisms. In other words, the -- just an example, the rise of social media as a way of communicating generally in terms of achieving operational goals for a charity, as well as fundraising, the IRS has not issued any guidance on how to deal with social media, what sort of record-keeping rules should be in place, things of that nature.

So there’s a -- there’s a resource constraint from the standpoint of not having the people who can create informed sets of standards and rules, and so it’s not -- it’s not just money anymore. It’s just not having enough people and people with the right skill set.

Now, from a practitioner standpoint, you know, I am constrained by bar ethics rules. Accountants are constrained by the ethics of their profession, but all practitioners are constrained by something called Circular 230, which is issued by the Internal Revenue Service. It’s the standards for practice before the IRS. And there’s a staff of investigators who enforce Circular 230.

So if you are advising clients, whether they be individuals, businesses, or charities about tax law, federal tax law, and you fail to fully inform them, you fail to adequately equip them to meet the requirements of the tax law, you run the risk of violating Circular 230.

What that can lead to is a series of increasing sanctions, beginning with warnings on through removing the ability of -- your ability to practice before the Internal Revenue Service. And that removal extends to your firm. So you’re out.

So it can be a fairly -- a fairly draconian sanction. But what it does is it creates a need for information so that I can adequately inform my clients. If there’s no information, then I don’t have to worry about the ethics constraints, because if the IRS hasn’t produced anything there’s nothing to warn the clients about.

So there’s a challenge from the practitioner’s standpoint if you know that the states are concerned about something that the IRS hasn’t spoken, that puts you in a bit of a quandary. You can explain what the states are doing, but they’ll say, oh, we don’t fundraise in Pennsylvania. Okay, well, then what Marc Pacella is concerned about is kind of irrelevant.

So the challenge from the practitioner standpoint is figuring out what the --

MR. PACELLA: They’re probably lying to Mark, but, you know --

MR. OWENS: So I’ll probably be talking more about this subject a little later in the presentation.

MS. THORLEIFSON: Andrew?

MR. WATT: Well, Tracy, again, thank you for inviting me to take part in this. This has been a fantastic day. One always learns more however long one’s been in the field.

I think there are two things. I think we do ourselves an enormous disservice, and I am guilty of this as well. Let me talk about the sector or the community. And we've done that all day today. Because we're not talking about a single entity, we're talking about an incredibly complex environment that is evolving and changing extraordinarily rapidly. And in every session today, we've acknowledged those facts.

So when you start talking about regulation, you're talking about regulating an incredibly complex equation, really difficult to understand how to get to grips with that, and the challenge is compounded by the fact that nonprofits, the social sector, whatever you like to call us, are not and never have been a political priority until something goes wrong.

And, therefore, politicians look at regulators as being enforcers. They look at the regulatory powers as being punitive. What they do not see is that regulation at its best is enabling. If you want to maintain low-key regulations, supportive and creative regulation, it works best from my perspective of working in this field for 25 to 30 years now, when you have a level of working partnership between the regulated on the one side and the regulators on the other.

I’ve been privileged to serve on the ACT for the last three years, and if I take away one thing from that it’s that successive budgetary cuts, increasing challenges with personnel, make it impossible for a regulator to fulfill their required function even remotely effectively.

When you compound that by looking at it through 50 different -- and this is a Brit here where we only have to cope with four -- but if you look at 50 different regulatory environments, I think the encouraging things that we’re looking at at the moment, the initiatives that Jacob was referencing earlier on or the single portal initiative, which when it comes through will be absolutely huge, because then you begin to achieve some form of consistency in the position.

When you have consistency and unity on the part of the regulators, then there becomes a stronger force when talking with politicians. I mean, at the moment we know everything is up in the air. It’s not safe to make any assumptions about what the future is going to look like. But I think it’s a pretty fair assumption that unified action and consistent action is going to help us in one form or another.

So let’s start acknowledging the scale of the challenge that we face, and then beginning to identify I think who our allies are and how effectively we can work together to address the scale of the problem.

MS. THORLEIFSON: Anybody feel free to chime in with questions at any time, but I have one to start. And that is probably for the whole panel, but it's based on something Sue said. And, Sue, I think you answered a problem that I think we have, and that is that because donors, consumers, don't understand that they may have been deceived, they don't complain. So we don't have data and complaints that help drive case selection.

And is there a way to work with the sector to get more information about potential targets of investigation, potential bad actors, even without defining the -- who should actually be sued if the sector could provide us information on organizations that perhaps didn't pass the smell test? I think law enforcers could do some investigation and make a determination because we don't expect someone else to come and say you must prosecute, here are all the facts. You can come to us and say this looks bad, you might want to take a look.

And are there places in the sector that we could partner with to get better information about some of these outliers, because I do think they're outliers. I think the vast majority of charitable organizations are doing good. But it would help us if we could identify for the FTC the sham nonprofits or the fundraisers who are making deceptive claims, for the states the charities that are making deceptive claims.

Allison, do you -- and then Sue? Allison, I’m going to pick on you because you’re from the independent sector.

MS. GRAYSON: Great. I don’t know. And I’ll be interested to hear what Sue has to say on this point. My inclination is that I want to add a caveat that I think a lot of nonprofits, charities, are reluctant to be a whistleblower because they’ve probably experienced first-hand possibly from a donor or a volunteer or someone -- the misuse of publicly available data to criticize either their organization or an organization that they know.

And, so, I think there is a concern that, you know, I don’t necessarily want to accuse another organization of wrongdoing because I know I don’t have all the information in order to do that. So I think that may be the default for the sector, is concern of misrepresenting an organization’s work without having all the information because they’re afraid the same thing will happen to them.

So I think that’s the major hurdle of any type of initiative that might want to encourage more reporting by the charitable sector to regulators. They're going to have to overcome that problem because I think a lot of nonprofits feel like -- I know my own organization but I'm not going to presume to understand the operations and exactly why you have the overhead that you have. And I think that's going to be the major challenge in any kind of system like that. But I -- Sue, tell me what you think about it. Disagree with me.

MS. SANTA: No. I asked a lot of these questions when I was talking to foundation leaders. And, again, I'm speaking -- independent sector's membership is very, very broad and includes both grant makers and, of course, the grant recipient side. I'm speaking now from the grant maker side.

So the very first thing I found that was interesting is I think that there was a willingness to think of how they can partner. And others on the panel have said this is going to take some sort of partnership. There's no one entity that can be charged with as different pieces of information are kind of known by different actors.

A caveat to that is part of that partnership needs to be a basic level of education on what each of these organizations does, what their capabilities are, what relationship they’re willing to get in and not get in. When I mentioned to a couple I was coming to a conference that was being hosted by the FTC, they had no idea that the FTC had any interest at all in charity. Now, remember, these are grant makers. So there’s just this level of education on who’s doing what and, again, what’s the problem we’re trying to solve for.

So I think that, A, willingness to partner; B, basic education so everybody knows and on the same page, and then managed expectations around what each side can do. And related to that, bringing the community in early and not imposing something upon the community that you or a couple of people think is going to be good, but really engaging and coming to a solution.

So, on that, in talking to people I found a couple of interesting examples. I don’t think a formal reporting structure was really all that interesting to people. There are some models. In the State of Michigan, for example, there are liaisons that are -- I believe in the governor’s office, back to the philanthropic community, that serve as kind of a safe space for the philanthropic community to share information.

Again, we’d have to define what that information is. I think the foundation leaders I spoke to felt pretty comfortable on the true illegal bad acting as opposed to the more qualitative effectiveness standards. But if you're just trying to in your regulatory positions shut down the true bad actors, some interest in maybe sharing information.

Where I saw lots and lots of interest was on the side of educating consumers. And in that regard, I found particular attention on those moments in time when we seem to see blips on the radar screen of bad actors coming in, and those are the event-driven opportunities. The big disaster, something terrible happening in a community.

One foundation leader said to me, why can't we be using the same channels that they're using? Why can't we use the same channels that warn me about an emergency or an amber alert? You know, is there some way my phone can go off and remind me, you know, not to give to that organization that may call me to be really deliberate and direct people to better information?

So they started to think about the role that they might play. So it's worth further exploration, I would say.

Finally, the last panel talked about these opportunities to establish -- I know Liz touched on this -- establish funds before the event happens. Now, I know some may say, well, that requires a crystal ball, except that there are certainly areas of the country where a lot of natural disasters happen. Unfortunately, terrorist activity seems to be occurring, you know, in a lot of different places. But having a plan of action in place or even the funds -- at least the framework for them preestablished so they can be set into action quickly, and there's a place to direct consumers to. Again, I realize government entities can't necessarily endorse, but to have a safe place preestablished that consumers can feel comfortable with.

So in that regard, I think that community foundations and other organizations, established organizations in communities, could be great earners in this if we can break down a lot of the red tape and the obstacles that currently are in place.

MS. THORLEIFSON: Almost being part of an emergency preparedness plan that a city creates.

MS. SANTA: Exactly.

MS. GRAYSON: Well, actually, can I add to that really quickly? There's actually an entity called Volunteer Organizations Active in Disaster that are in most states and most communities that create preparedness plans for on-the-ground volunteer organizations, and often those chapters are used to help identify on-the-ground actors in those events.

So it's also possible to look at existing infrastructure groups which I think the last panel touched on as resources in these types of crisis events.

MR. TAYLOR: Well, I think if the bar is fraud, that's kind of a pretty low bar for our sector. So if what you're trying to figure out is which charities or which charitable enterprises are committing fraud, I don't know if you're going to find many who will just grab them and hand them over to you and say here it is.

But I think if the regulator community were willing to support organizations that were promoting higher order practices, and then to identify those that are outliers from those practices, you start off at a much higher level. So you start off with organizations who are already working at some aspirational level that is significantly above fraud. Okay? If we can push everybody to be significantly above fraud, maybe not outside of their ability to operate, not too aspirational, but just above fraud, then it seems to me that you can find lots of people willing to help you with that.

We will be very happy to help you, for instance, identify groups that seem to miss 19 out of 20 standards or don't disclose information. We have a product called Scam Tracker that is gaining some traction. It is a real interesting tool where people around the country with all the BBBs provide information on scams that they've seen. Some of these are -- they're reporting alleged charity scams. Happy to share Scam Tracker information with you. Of course, not all of them will actually turn out to be scams, but this is at least some intelligence that you can get from communities of people who are there believing that they may have experienced something.

So my point is if you're willing to operate -- if you're willing to say, you know, our job really is to find scams, but we're willing to work to identify who may be slightly above that and try to promote habits that are slightly above that, then I think we, first of all, limit the potential for fraud, but you're also able to identify outliers who may ultimately fall down to a level of fraud that you can then begin to go after and take a more serious look at.

MS. THORLEIFSON: Andrew, I think that we were talking a little bit about that issue out in the hall. Do you have anything to add to this?

MR. WATT: Well, a couple of things. Thanks, Tracy. I mean, the first is that I think, you know, these are times where we're not going to see budgets increasing. Therefore, I think we need to take a long, hard look at the tools that are currently available and wonder whether or not we can make better use of them.

Now, the single portal, I think, is one of those areas where a big difference could be made if it could be moved forward reasonably swiftly. A second one -- and I appreciate this is a bit like the holy grail -- but mandatory online reporting, the 990. If we can get to the point where we have consistent, readily searchable data, we can begin to isolate trends, we can isolate key indicators, we can flag particular practices that will help us to understand much faster whether an organization is failing. I hate to use the word fraudulent or just above fraud. Even that's a pretty low barb, Art. I mean, if we're meant to be preserving the public trust here and setting an example. So those -- those are areas.

But I think one of the things that Tracy knows I was talking about to her and bumping my gums to her earlier on about is my firm belief that the vast majority of the population of this country and any other where there's a vibrant and critical third sector, social sector, is that people are massively ignorant about what the good ones look like. I mean, you can go to CNN and The Tampa Bay Gazette, America's 50 Worst Charities, that pops up. You can look at what happened following the suicide of Olive Cook in the U.K., what, two years ago now, and you will find a slew of commentary on all of those.

The public thinks it knows what a bad apple looks like, and its opinion is formed from a very weird variety of sources. But what the public doesn't know is what a good organization looks like, how you would define that, what the hallmarks of that are. And I think that that's a very challenging area for us to get to grips with. But I think we have to do it because you can't define bad actor or you can't apply bad practice unless you have some kind of understanding of what good practice is.

MS. SANTA: Can I just make a quick comment? Because I'm hearing some of the foundation leaders in my ear right now who would say to me the role of government is to shut down the bad actors. The sort of hard stuff is to enforce the law, and that's what the government should do and take the lead on. Regulators should take the lead on that, perhaps with the philanthropic community, the charitable community, helping in some way to inform and to help the regulators do that better.

It is the role of the philanthropic field, the charitable field, to do, I think, what Andrew is discussing, which is to hold up this more qualitative level of what is good -- what is above fraud.

MR. WATT: Yeah.

MS. SANTA: First, all the bad actors go away. Now you've got good actors, right? So among the good actors, who are the best actors? Who are just good? I think that's for the field. Maybe with regulators giving a nod and saying, yeah, good work, you know, go get 'em, but I just want to be sure we're not suggesting -- or at least it'd be my opinion that we shouldn't suggest necessarily that regulators get in the business of this qualitative side, because I think that's a very dangerous path to have the government involved in that level of the private sector.

MR. PACELLA: Right. I think -- I think all of us on the regulatory side agree with that. I've just got to say this because I think we heard in the earlier panel that most of the people who give donations give little, tiny bits of donations -- $20, $30, you know, $40.

I don't know if there's any regulators in the room, but I would -- it won't surprise me if you tell me that you can't remember the last time you got a call from an attorney representing a donor or something that had been deceived and made a $10,000 donation to a scam charity.

Those donations, those planned givings, the people who give to large or create large private foundations, for instance, medium-sized foundations, they're pretty well covered. The kind of stuff that I think we're talking about, whether we bother to specify it or not, is these moment-to-moment donations that people give when they're asked to make a donation when they receive a direct mail piece in the mail or whatever. And, you know, I'll just use a collective "we" with a capital W.

I mean, I think we've failed miserably in terms of educating the public and donors in terms of the sorts of things that Andrew just discussed. We learn from these Supreme Court opinions that I think the conference started off with that we can't compel these disclosures, et cetera, at the point of solicitation, that the constitutional avenue for us is for the government to collect all this information, make it public, we can disseminate it, that's okay with the constitution. But we can't compel this disclosure at the point of solicitation. So the burden falls to us. And the other side of that coin is the burden also falls on donors to try to inform themselves before they make a donation.

I've been in the office for decades. We've got a toll-free number in Pennsylvania that we encourage people to call when they get solicited, check before you write that check, we've all got our points of wise giving guides and that sort of stuff. And if you go back and look at the information that we've been collecting, at least in Pennsylvania, and I'm sure this is true for New York and some of the other states that do these reports, the efficiencies, the high fundraising costs, the organizations that I think we might consider to be on the fringe, I mean, they're still there.

There hasn't been any real impact from what I -- from what I can tell. And I suspect that's -- we have to deal with the reality that -- I don't know if you want to call it donor apathy, but I don't know that people are giving. They're not making that $35 donation, that $50 donation, because they're critically concerned about what's going to happen to that $50 donation that they make.

I think they give it sometimes because they were asked in front of one of their kids or some of their friends. They don't want to look like they're not generous. They just might want to get the person off the phone, or they might just feel a little guilty about questioning the motives and the person who's asked. I mean, there's a gazillion reasons why people behave the way they do. I think we're sort of at least assuming that a big part of how people give is based on the kinds of things that we think they ought to be concerned about, and at least I think we should look at what experience tells us. And I don’t think that’s what’s motivating people to give.

As far as consumer education, it has to be as incessant, in my view, as the flood of solicitation requests that people get. When we see that thing that came out of the Florida newspapers about the 50 worst charities and everything and the disasters that trigger big media feeds and stuff, yeah, there seems to be a lot of positive media. And we actually get some complaints. We might be able to file suits against those organizations or look at the people on the list and stuff. But that sin tends to go away.

What doesn’t go away is that direct mail keeps coming in, those phones keep ringing, people keep getting tapped for a donation, and, you know, the moment sort of fades away and people start to forget and they go back into the same practices as before.

MR. TAYLOR: Well, I think you’re right. People give for a variety of reasons, some of which have nothing to do with how effective or how impactful the gift will be. They give because maybe it just feels good. And I think there was a speaker earlier today from the U.K. who pointed all that out, which I thought was fantastic.

So maybe all of us could spend more time encouraging good charity practices, whatever they are. And I’m not going to define them here. But I think together as a sector, an independent sector led a pretty robust practice to identify practices for good governance and ethical behavior.

You could start with those. You could start with the ones we use. I mean, they’re not that different and they’re not that hard to come up with. The question is, how do we work together to encourage that behavior on the part of charities? And I would argue that we don’t have a huge hurdle. There are probably many organizations that if you were to do the evaluation of them would fit those guidelines. Some of them wouldn’t, some of them probably just don’t know about it. And if they did, they might change.

But it’s probably going to be continually harder to identify fraudulent groups. So what I’m suggesting is let’s try to eliminate the risk that organizations might devolve to that so that when we’re looking at a charity we can see pretty easily which ones are more likely to be engaging in the kind of behavior that could lead to fraud.

And it may not -- it doesn't have to be the regulator saying we're getting into the business of setting best practices or standards. But I don't see any reason why you couldn't encourage those entities and encourage those activities and uplift them when they occur without naming them and owning them yourself.

MS. THORLEIFSON: So we have ten minutes and change left, and the title of our panel is Possibilities and Priorities. So I'll challenge each of you, maybe starting with Andrew this time, in 60 seconds or less talk about either possibilities for future enforcement and regulation or priorities that you think we should establish.

MR. WATT: Okay. Less than 60 seconds. I think standardized online reporting would open up so much for us, and I think that that second is what we've just been talking about, is somehow working out how collectively we can educate the public better as to what to expect from best practice as opposed to bad practice.

MS. THORLEIFSON: Marc?

MR. OWENS: I think there is an unused tool, and that is something called the Internal Revenue Manual. It's a public document. It's not intended as taxpayer guidance. What it is are instructions to revenue agents on how to do their job.

And when I was at the IRS, I used it to change behavior of attorneys and accountants by writing provisions in the Internal Revenue Manual that told revenue agents what to ask when looking at issues. It's a public document, and so you effectively co-op the legal profession and the accounting profession into making -- into communicating your concerns to the organization. And, so, it is a -- it's not a directive, but if the lawyer has to tell his or her client that the IRS is looking for X, then chances are the client is not going to do X.

So the IRS takes suggestions. So if the sector or NASCO wanted to address the knowledge deficiency of the IRS in the area of fundraising, particularly modern social media fundraising, one way might be to suggest on the guidelines to the IRS what questions should revenue agents ask, what documents should they expect to see that reflect the use of social media or crowdfunding, where can they find those documents? Can they go to third-party sources to ask what's called a third-party recordkeeper summons? In other words, provide the directives -- suggestions for directives that the IRS might publish in the Internal Revenue Manual that would tend to drive the behavior of the advisors of charities. Just a thought.

MS. THORLEIFSON: All right.

MR. OWENS: More robocalls from Mark Pacella.

MR. PACELLA: I’m writing down -- I’m stealing from Owens. I’m writing down some notes here.

Well, this is probably going to sound like a cliche. I think that, you know, a lot of what confounds us, what we’ve talked about today, is just how technology keeps driving everybody in different directions and keeps challenging past understandings and past regulatory schemes and that sort of thing.

I think to Andrew’s point, I think technology is -- holds a tremendous amount of promise for the other side. I mean, I think it may create challenges, may create problems. I think it also has an incredible potential that we have yet to tap because we don’t have all this digitized big data ready to go and all that sort of stuff yet. But I do think, you know, we can search the web. we can look for webpages ourselves in a way that, you know, it’s difficult to find a direct mail piece if nobody has one. It’s difficult to re-create a telephone call if you can’t actually get that caller if nobody has recorded and stuff.

But people who use the internet and stuff always leave a trail. We can do affirmative searches on the internet. We can find people that are actually out there, not in every instance. But for most of the kinds of stuff we're talking about today there's real potential there. I don't know if we can really exploit the single portal once it's up and going and stuff. I think that's going to be a pretty interesting time. I hope it happens before my career is over. I don't know if that's in the cards or not.

But, you know, and beyond that I think the experience we've all had, Tracy, with the Cancer Fund litigation, I think we might have been a little too willing to acquiesce on the fact that, well, the FTC has no jurisdiction over charities and so there really isn't any value in -- there's not much that we can do together. I think that case showed that, no, actually, you know, in some of the worst cases that we would all I think set a priority on that that's something that we could probably work more on. So as mind-numbingly difficult as those cases can be, it's like herding cats. We probably ought to continue to try to hone that model.

MR. TAYLOR: I just want to posit that the regulator community has a lot of friends in the charity sector, and I believe you all need to leverage it. If you ask, you will get it. And I know a lot of us want to work with you and look forward to working with you and think that together we can do a lot of good work to protect donors and to show charities what they need to do to demonstrate their trustworthiness.

I don’t know how you would orchestrate a collaboration nationwide among yourselves, probably through NASCO, but other ways as well. But I think you need to put it out there that you’re open for collaboration and leverage, the goodwill that you have, because none of us want to see fraud in our sector. I just don’t believe we do.

I think every -- certainly every organization that came here today believes that we’re all better off if we don’t have those kinds of activities going on in our space. So we want to work with you. And, so, I would just offer that as my number one recommendation.

MS. SANTA: So I want to reflect on something someone said in I think the last panel around the role of the private sector and private dollars and coming to social solutions, and I think that that is an increasingly important thing for us all to remember. It really is kind of the role of the private side to come up with the solutions that then partner with government to help then carry out and execute and bring to scale that language that gets used.

So with that in mind, it’s incredibly important that consumers, individuals, whatever we’re going to call consumers, post-consumers, whatever they’re going to be, have confidence in the integrity of the charitable -- of charitable organizations. I think the philanthropic institutions, the grant-making institutions, feel that very strongly. I think they are there, much as Art is saying, you have a lot of friends, a lot of potential partners out there, collaborators, and please look to the grant-making organizations who know a lot about their communities and what goes on there who can help identify not just the current problems but maybe the trend that they’re seeing. They’re interested in helping to find solutions and perhaps work together.

There are wonderful organizations. Many of those that have been here today, independent sector is a fabulous channel to the community. Council on Foundations, there are regional associations of grant makers. So there are lots of ways to channel or rein these conversations. And I strongly encourage that.

I also just wanted to highlight that there are standards programs. The independent sector standards were noted for best practices. Also, for community foundations, many of you know there are national standards for U.S. Community Foundations, over 500 community foundations are accredited in that program. It’s an incredibly vigorous program. So those are great partners for you to look to because they’re all about best practices. I know the State of Maryland has a set of standards at the state level.

So what I want to say is just throw some ideas out here, but there are lots of opportunities here that I think we can all explore tegether.

MS. GRAYSON: And I will try to be brief. I have just a couple. One that has already been mentioned is this idea of streamlining and creating the unified online reporting. The single portal initiative is definitely an excellent example of that.

There’s also being work done through the implementation of the data act at the federal level, and there’s actually something called a Section 5 pilot trying to help streamline financial reporting from nonprofits.

The flip side of that that I would add is making the data that’s reported transparent, both to the public, academics. I mean, that’s how we start doing the mining of what does this data mean and find trends. So data transparency would be helpful.

I also want to echo Sue and Art talking about partnering with the sector. I think from my perspective, I question the utility of donor education, but I think that sector education, charity education, is ripe for opportunity. In particular, we talked earlier today about how a lot of organizations maybe aren't trying to fraudulently deceive donors, but they definitely are not in compliance with the law, often out of ignorance or just not executing something appropriately.

So the extent to which regulators and donor education groups can also help the charities that they work with understand Better Business Bureau Wise Giving Alliance's 20 standards. Independent sector has 33 standards. These are all guideposts to help these organizations think through what they should be doing so that that's less work for regulators down the road. Right?

And then the third one that I'll add, which is a much lower priority -- those are my top priorities. But if I wanted to add something just for fun that I'd like to see in the next 10 years, is continuing the conversations that we started today and maybe getting more research around what does this idea of the blurring of the boundaries between the sectors mean for donors and donor experience and how they behave.

I question whether or not they really know at some point are they giving to a charity or an individual or another entity, and if they do pull all of these funds from kind of a finite resource of excess income, what does that mean for how we are choosing to funnel revenue to social good in our community? So I'd love to see more research in that.

MS. THORLEIFSON: And with that I will just say that we are at zero-zero. But I want to say something that what Art said, if you ask you will get, is exemplified by this panel and this whole conference because everyone who came, nobody got paid, they all gave their time, created the presentations, delivered their talks, and were extraordinarily gracious to come here and share with us. So thank you all for your time.

(Applause.)

CONCLUDING THOUGHTS

CHARLES HARWOOD: If you'll just stay there and we'll finish up right now. Tracy, I'm behind you here. So I'm Chuck Harwood, the Director of the Federal Trade Commission Office in Seattle. I just wanted to thank and acknowledge a few people here in closing remarks.

First of all, I want to thank those of you who came to the conference today for your interest, your engagement. I want to thank those of you who tuned in on our web feed. I want to thank those of you who followed our Twitter feed and our great tweet artist over there, Nicole Jones. Thank you so much for your efforts in that regard.

I want to thank Lois Greisman, the Director of the Division of Marketing Practices. Lois has been supportive of this effort from last year sometime. Of course, things have changed a lot since then in Washington, D.C., but through it all we've had Lois' support, and that means a tremendous amount to those of us who put this on.

I want to thank NASCO, NASCO's board and esteemed president, Karen Gano, for her support, her interest and her efforts. And I want to thank all the states who joined in helping us put this together. We couldn't have done it without you. In many different ways, you know most of them, I'm sure, but it's because of you we could do this.

And finally I want to thank two other people. I want to thank Janice Kopec, who has led the previous panel and is somewhere around here right now. I don't know where she is, but I saw her -- yeah, there she is right over there. Thank you, Janice. Janice works here in Washington, D.C. and was a key part of this initiative in putting this together.

And, finally, I want to thank Tracy Thorleifson. Thank you, Tracy.

(Applause.)

CHARLES HARWOOD: Tracy has been at this for a few years now and can recite the entire history of the FTC's role in this area because she is the history of the FTC's role in this area largely. And it's been -- it's been an incredible pleasure to work with her through these years. I've learned a lot and the agency has benefitted, and actually I think America has benefitted from having Tracy in the role she's in and doing the work she's done in connection with nonprofits and the nonprofit sector.

So I just want to finish by noting a couple other things. We talked a lot today about a couple different narratives. One narrative was, you know, what we do about -- to use one of the words of the panel, bad actors, things like that. The fraud, deception, those kinds of things.

So those of you who are regulators, those of you who are law enforcement officials, you know that we'll be getting together tomorrow to talk more about that area. I suspect many of the things we've heard about today will be -- will help guide us, will help us move forward in connection with that effort.

Oh, and by the way, hang onto your name badges, please, because we'll need them tomorrow. This is a government agency after all, so keep those.

And then the other piece I wanted to mention, the other narrative that we heard today, and on this I'm sort of channeling I think Art Taylor and Sue a little bit, and that's the narrative about change, the incredible change that's happened in this sector and the obligation that everyone faces who's associated with this sector. And I know that Andrew questioned the use of this sector, but I'm too tired to think of another word right now, so the sector.

The incredible change that's happened in the sector and the importance that all of us have, both members of the sector, the watchdogs who oversee the sector, the NGOs and the regulators and law enforcers with respect to helping guide us towards the future and making sure that the promise that we heard about today, the opportunities for greater transparency, for more giving opportunities, more giving channels, more donor empowerment, actually come to pass.

And in that piece, the FTC wants to be a part of that effort. It wants to be part of that dialogue, and we look forward to working with all of you in the future. So thank you very much.

(Applause.)

(Conference adjourned at 5:51 p.m.)

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