

**ATTORNEY GENERAL'S REPORT
ON CHARITABLE SOLICITATION
BY COMMERCIAL FUNDRAISERS**

**SUPPLEMENT RE: DONATIONS OF
PERSONAL PROPERTY
(THRIFT STORES, VEHICLE DONATION
PROGRAMS, ETC.)
(Government Code § 12599)**



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SOLICITATION BY COMMERCIAL FUNDRAISERS
Supplement Re: Thrift Stores and
Vehicle Donation Programs**

INTRODUCTION

The California Attorney General recently released his 1998 Report on Charitable Solicitation by Commercial Fundraisers. That report dealt with charities and their commercial fundraisers that solicit primarily by direct mail and telephone. This supplement, required by Government Code section 12599(I), deals with a different sort of fundraising -- the public's donation of used personal property to charity and the resale of that property by for-profit thrift stores or commercial fundraisers operating vehicle donation programs for the benefit of charity.

Donors want to know what happens to their charitable gifts. The Attorney General's goal in issuing this supplement is to assist Californians by providing information that will help them critically evaluate charitable solicitation of used personal property.

THRIFT STORES

Thrift stores sell used clothing or other goods (called "salvageable personal property" in the statutes) to the public. Charitable organizations that solicit items from the public operate some thrift stores directly. These charities that operate their own thrift stores file financial annual reports listing revenue and expenditures. These reports are available for public review at the Attorney General's Registry of Charitable Trusts in Sacramento or at the charity's principal office. (Note, however, that

some thrift stores are operated by religious organizations. Religious organizations are not required to file financial reports with the Attorney General.)

Other thrift stores are operated by for-profit vendors that obtain all or part of their merchandise from charities or social welfare organizations that solicit the clothing or goods from the public. Those for-profit vendors either receive a management fee or commission from the charity, or purchase the goods from the charity at a negotiated price. Under California law (California Government Code § 12599) those for-profit vendors that obtain a majority of their inventory from charities or social welfare organizations are commercial fundraisers, and must register with the Attorney General and file annual financial reports.

Charities that operate their own thrift stores must incur the overhead and other expenses of a retail store. After thrift store expenses are paid, the charity uses its earnings for such things as management expenses and charitable program services. On the other hand, charities that solicit used items and sell them to for-profit vendors do not incur the expenses of operating retail stores. There are advantages and disadvantages to both types of operations.

Charities that sell used goods to for-profit vendors may or may not earn more money than do charities that operate their own thrift stores.

This report contains specific information about charities that sell used items to for-profit vendors. For-profit vendors disclosed the information and it has not been audited or modified by the Attorney General's Office. As stated above, there are two types of arrangements: vendors that receive a management fee or commission from the charity, and vendors that purchase the goods from the charity at a negotiated price. Each is reported separately.

In 1997, for-profit thrift stores operators that purchased goods from charities reported total revenue of more than \$46.7 million. About \$9.9 million of that (21.25%) was paid to charitable organizations. The results are shown in Table #1.

In 1997, for-profit thrift store operators that paid a fee or commission to charities reported total revenue of nearly \$7 million. Of that, \$856,518 (12.32%) was paid to charitable organizations. The results are shown in Table #2.

VEHICLE DONATION PROGRAMS

In California, the solicitation of vehicle donations to charity has increased during recent years. These solicitations result primarily in the donation of automobiles, and are administered both by charities in-house and by commercial fundraisers who contract with charities to solicit on their behalf.

According to the financial statements filed by the commercial fundraisers who solicit vehicle donations and were registered with the Attorney General's Registry of Charitable Trusts in 1997, such donations resulted in approximately \$24 million in gross proceeds. About 24.5% of that amount, or \$5.89 million, was distributed to the charities. The remaining funds were retained by the fundraisers for payment of expenses and fees. These results are shown in Table #3.

The vehicle donation process usually begins when a donor responds to an advertising campaign. In the initial phone conversation, the donor will be asked questions about the vehicle. Usually the vehicle is accepted, unless the cost of towing exceeds the value of the vehicle.

Donors are responsible for notifying the Department of Motor Vehicles of the transfer of registration. Failure to transfer registration has subjected many donors to subsequent penalties and expenses for donated vehicles, most often accrued parking violations.

After the vehicle is picked up from the donor, the fundraiser either arranges for resale of the vehicle to the public or sells it to a parts wholesaler, depending on the condition of the vehicle.

A significant problem for purchasers of donated vehicles is the reliability of the resellers in warranting the condition of the vehicles. The majority of vehicles donated to charity are not in good condition. Unscrupulous resellers have sold vehicles that fail to operate soon after they are driven out of the sellers' lots. Because donated vehicles do not need to pass vehicle emissions tests at the time of donation, purchasers of donated vehicles should insist that they receive valid smog certificates from the reseller at time of purchase.

Donors of vehicles usually claim tax deductions for their donations. Advertising campaigns for vehicle donations sometimes explicitly promise "maximum tax donation" and "highest value." The actual amount that can be deducted is determined by the IRS, not the solicitor. According to the IRS, a taxpayer may deduct the **fair market value** of the donated vehicle. The IRS imposes further reporting and documentation requirements on donations of property. The Attorney General's Office has received complaints about tax deduction promises made by fundraisers and their subsequent failure to provide documentation to donors. Donors are ultimately responsible for the deduction taken and may not rely on the representations contained in solicitations to support their income tax deductions.

A statute that became effective on January 1, 1999 (Business & Professions Code section 22930), requires a nonprofit organization engaged in any solicitation or sales solicitation for charitable purposes, or a commercial fundraiser, to provide a donor of a motor vehicle, aircraft or vessel with a receipt within 90 days from date of donation. The receipt must describe the donated property in terms of its model, age, level of use, including, but not limited to, the mileage, in the case of a vehicle, its condition, and whether a visual inspection by the nonprofit organization or commercial fundraiser, or a representative of the nonprofit organization or commercial fundraiser, indicated that there were any readily apparent defects that would materially reduce the value of the property. If the donated property is sold prior to the issuance of the receipt, the receipt shall also include all of the following: (1) the date the property was sold; (2) if the property was sold to a dismantler, the amount paid to the nonprofit organization or commercial fundraiser for the property, and; (3) if the property was altered subsequent to the donation and the alteration affected the value of the property, a statement that the property was altered and whether the alteration increased or decreased the value of the property.

The purpose of this report is not to discourage such donations but to present some of the problems associated with vehicle donations and practical information, both for donors of vehicles and the purchasers of the vehicles.

SPECIFIC FINDINGS

- Table #1 - This table lists each charitable organization that solicited donations of used clothing and merchandise (“salvageable personal property”) and sold the property to a for-profit thrift store. The for-profit thrift store operator is also listed. Each charitable organization is ranked by the percentage of money that actually went to the charity, i.e., from a high of 50% to a low of 0.003%.
- Table #2 - This table lists each charitable organization that solicited donations of used clothing and merchandise and paid a management fee or commission to a for-profit thrift store operator. The for-profit thrift store operator is also listed. Each charitable organization is ranked by the percentage of total revenue that actually went to the charity, i.e., from a high of 16.74% to a low of 5.13%.
- Table #3 - This table lists each charitable organization that solicited vehicles and paid a management fee or commission to a for-profit reseller. Each charitable organization is ranked by a percentage of total revenue that actually went to the charity, i.e., from a high of 73.38% to a low of 3.55%.

Note: We list some charities more than once. Each listing shows a separate for-profit thrift store or vehicle reseller operation.

Table 1

For the period ended: December 31, 1997

Charity/Charitable Purpose, CFR Listing by Percentage to Charity

Thrift Store Operations

Cost of Goods Purchased from Charity

Charity/Charitable Purpose	Commercial Fundraiser	T. Revenue	To Charity	%
YOUTH INDUSTRY	RADICAL RAG RESALE CORP	1,516,478.00	753,308.00	50.00
DISABLED AMERICAN VETERANS OF SAN JOAQUIN COUNTY	GREG SALVAGE CO INC	1,232,529.00	472,000.00	38.00
STANFORD AND LATHROP MEMORIAL HOME FOR FRIENDLESS CHILDREN	ALEXANDER-FLYNN CO, INC.	429,536.29	152,376.40	35.00
PENINSULA ASSOCIATION FOR RETARDED CHILDREN AND ADULTS	TVI, INC.	1,397,413.00	445,977.00	32.00
UCPA/MULTIPLE SCLEROSIS/DRUG FREE USA	USC SALVAGE CORP	458,924.00	145,376.00	32.00
SACRAMENTO ASSOCIATION FOR THE RETARDED	NORQUIST SALVAGE CORPORATION	1,458,357.00	458,550.00	31.00
UCPA/MULTIPLE SCLEROSIS/DRUG FREE USA	USC SALVAGE CORP	481,261.00	147,812.00	31.00
COMMUNITY ASSISTANCE FOR THE RETARDED AND HANDICAPPED, INC.	NORQUIST SALVAGE CORPORATION	2,322,750.00	688,249.00	30.00
SACRAMENTO ASSOCIATION FOR THE RETARDED	NORQUIST SALVAGE CORPORATION	1,705,273.00	504,389.00	30.00
HOPE REHABILITATION SERVICES	TVI, INC.	2,231,091.00	648,417.00	29.00
ARC - SAN FRANCISCO/MARIN ASSOCIATION FOR RETARDED CITIZENS	NORQUIST SALVAGE CORPORATION	2,585,716.00	760,726.00	29.00
COMMUNITY ASSISTANCE FOR THE RETARDED AND HANDICAPPED, INC.	NORQUIST SALVAGE CORPORATION	2,566,814.00	733,522.00	29.00
AMERICAN VETERANS CALIFORNIA SERVICE FOUNDATION	SOLANO RAG CO INC	2,452,006.00	681,400.00	28.00
UCPA/STANISLAUS AND SAN JOAQUIN COUNTIES	USC SALVAGE CORP	553,649.00	156,018.00	28.00
HOPE REHABILITATION SERVICES	TVI, INC.	1,838,480.00	517,628.00	28.00
UCPA/STANISLAUS AND SAN JOAQUIN COUNTIES	USC SALVAGE CORP	541,951.00	144,653.00	27.00
AMVETS DEPARTMENT OF CALIFORNIA SERVICE FOUNDATION	J. MANN, INC.	3,039,028.00	740,000.00	24.00
UCPA/MULTIPLE SCLEROSIS/DRUG FREE USA	USC SALVAGE CORP	674,821.00	152,811.00	23.00
COMMUNITY ASSISTANCE FOR THE RETARDED AND HANDICAPPED, INC.	NORQUIST SALVAGE CORPORATION	794,129.00	181,275.00	23.00
UCPA/STANISLAUS AND SAN JOAQUIN COUNTIES	USC SALVAGE CORP	378,262.00	80,870.00	21.00

For the period ended: December 31, 1997

Charity/Charitable Purpose, CFR Listing by Percentage to Charity

Thrift Store Operations

Cost of Goods Purchased from Charity

Charity/Charitable Purpose	Commercial Fundraiser	T. Revenue	To Charity	%
HOPE REHABILITATION SERVICES	TVI, INC.	1,624,944.00	293,234.00	18.00
UNITED CEREBRAL PALSY OF THE INLAND EMPIRE, INC.	CLYDE H. BAYNE, INC.	711,183.86	121,748.75	17.00
PENINSULA ASSOCIATION FOR RETARDED CHILDREN AND ADULTS	TVI, INC.	1,624,944.00	267,796.00	16.00
UNITED CEREBRAL PALSY OF THE INLAND EMPIRE, INC.	CLYDE H. BAYNE, INC.	525,139.87	79,699.58	15.00
COALITION TO END DOMESTIC AND SEXUAL VIOLENCE	THRIFT STORE CORPORATION	1,791,910.00	232,105.00	13.00
VARIOUS CHARITIES	TVI, INC.	1,934,683.00	171,814.00	9.00
CATALYST FOUNDATION FOR AIDS AWARENESS AND CARE	RUBA INC.	262,324.57	15,000.00	6.00
UNITED CEREBRAL PALSY OF SANTA BARBARA COUTY	AMERICAN WAY MANAGEMENT, INC.	1,041,016.00	43,536.00	4.00
CATALYST FOUNDATION FOR AIDS AWARENESS	CALIFORNIA THRIFT MANAGEMENT, INC.	862,782.00	24,000.00	3.00
CATALYST FOUNDATION FOR AIDS AWARENESS AND CARE	RUBA INC.	646,606.58	12,000.00	2.00
HELPING HANDS FOR THE BLIND	AMERICAN WAY THRIFT STORE	1,332,190.00	28,685.00	2.00
HELPING HANDS FOR THE BLIND	AMERICAN WAY MANAGEMENT, INC.	312,305.00	7,542.00	2.00
UNITED CANCER RESEARCH SOCIETY	HARCOURT AND HARCOURT, INC.	102,390.00	2,022.00	2.00
UNITED CANCER RESEARCH SOCIETY	HARCOURT AND HARCOURT, INC.	83,694.00	1,872.00	2.00
CANCER FEDERATION	SAV-MOR MANAGEMENT, INC.	1,198,899.00	26,491.00	2.00
CANCER FEDERATION	SAV-MOR MANAGEMENT, INC.	788,736.00	12,541.00	2.00
UNITED CANCER RESEARCH SOCIETY	HARCOURT AND HARCOURT, INC.	340,481.00	2,205.00	1.00
UNITED CANCER RESEARCH SOCIETY	HARCOURT AND HARCOURT, INC.	225,867.00	2,204.00	1.00
CHILDREN'S HOPE	TOPS QUALITY THRIFT STORE	124,907.94	1,234.79	1.00
HELPING HANDS FOR THE BLIND	AMERICAN WAY MANAGEMENT, INC.	1,082,588.00	7,542.00	1.00

For the period ended: December 31, 1997

Charity/Charitable Purpose, CFR Listing by Percentage to Charity

Thrift Store Operations

Cost of Goods Purchased from Charity

Charity/Charitable Purpose		Commercial Fundraiser	T. Revenue	To Charity	%
UNITED CANCER RESEARCH SOCIETY		HARCOURT AND HARCOURT, INC.	628,885.00	2,205.00	0.00
UNITED CANCER RESEARCH SOCIETY		HARCOURT AND HARCOURT, INC.	798,988.00	1,966.00	0.00
Total Revenue:	\$46,703,933.11	Percentage to Charity:	21.25%		
To Charity:	\$9,922,800.52				

Table 2

For the period ended: December 31, 1997

Charity/Charitable Purpose, CFR Listing by Percentage to Charity

Thrift Store Operations

Management Fee/Commission

Charity/Charitable Purpose	Commercial Fundraiser	T. Revenue	To Charity	%
FOUNDATION FOR RETARDED CITIZENS OF VENTURA COUNTY, INC.	CHI ALPHA MANAGEMENT, INC.	2,066,219.00	345,981.00	16.74
FOUNDATION FOR RETARDED CITIZENS OF VENTURA COUNTY, INC.	CHI ALPHA MANAGEMENT, INC.	1,904,109.00	263,411.00	13.83
SANTA MARIA ASSOCIATION FOR THE RETARDED FOUNDATION	CHI ALPHA MANAGEMENT, INC.	912,506.00	119,202.00	13.06
BOYS AND GIRLS CLUB OF STOCKTON	BUCEPHALUS ASSOCIATES, INC.	815,485.00	60,000.00	7.36
CHILD ABUSE AND NEGLECT	PACIFIC THRIFT STORES MANAGEMENT CORP	337,323.46	21,000.00	6.23
CIRCLE OF CONCERN	ARM ASSOCIATES, INC.	914,348.00	46,924.00	5.13
Total Revenue:		\$6,949,990.46		
To Charity:		\$856,518.00		
	Percentage to Charity:			12.32%

Table 3

For the period ended: December 31, 1997

**Charity/Charitable Purpose, CFR Listing by Percentage to Charity
Vehicle Donation Operations**

Charity/Charitable Purpose	Commercial Fundraiser	T. Revenue	To Charity	%
JEWISH HERITAGE FOR THE BLIND	INSURANCE AUTO AUCTIONS	43,985.00	32,278.00	73.38
AMERICAN CANCER SOCIETY DISCOVERY SHOP	PENNEY'S TOWING	23,600.00	15,372.50	65.14
DIABETES SOCIETY OF SANTA CLARA VALLEY	PENNEY'S TOWING	11,526.00	6,475.00	56.18
NORTHSIDE THEATRE COUNCIL	PENNEY'S TOWING	450.00	250.00	55.56
PALO ALTO LIONS CHARITIES, INC.	PENNEY'S TOWING	2,975.00	1,600.00	53.78
Y.M.C.A. OF SAN FRANCISCO	PROFESSIONAL FUNDING SERVICE	4,457.00	2,160.50	48.47
RECORDING FOR THE BLIND AND DYSLEXIC	PROFESSIONAL FUNDING SERVICE	3,890.00	1,870.00	48.07
ALZHEIMERS ASSOCIATION	PENNEY'S TOWING	58,880.00	27,485.00	46.68
CHILDREN'S HOSPITAL OF LOS ANGELES	PROFESSIONAL FUNDING SERVICE	14,910.00	6,907.50	46.33
MID PENINSULA HOSPICE FOUNDATION	PENNEY'S TOWING	7,660.00	3,532.50	46.12
SERVICES FOR BRAIN INJURY	PENNEY'S TOWING	400.00	182.50	45.63
CONVALESCENT HOSPITAL MINISTRY	PENNEY'S TOWING	7,250.00	3,295.00	45.45
AMERICAN LUNG ASSOCIATION OF SAN MATEO COUNTY	PENNEY'S TOWING	1,625.00	737.50	45.38
LION'S BLIND CENTER	PENNEY'S TOWING	17,650.00	7,765.00	43.99
WILDCARE	PROFESSIONAL FUNDING SERVICE	2,312.00	991.25	42.87
VANISHED CHILDREN'S ALLIANCE	PENNEY'S TOWING	49,105.00	20,832.50	42.42
POLLY KLAAS FOUNDATION	PROFESSIONAL FUNDING SERVICE	1,354,532.00	568,851.66	42.00
SIERRA VISTA CHILDREN'S CENTER	CALIFORNIA AUTO CENTER, LLC	225,749.00	94,782.70	41.99
CHILD QUEST INTERNATIONAL	PENNEY'S TOWING	76,665.00	31,972.00	41.70
AMERICAN RED CROSS	DONATED PROPERTY SYSTEMS	4,391,150.00	1,739,392.00	39.61
AMERICAN LUNG ASSOCIATION OF SANTA CLARA COUNTY	PENNEY'S TOWING	20,195.00	7,497.50	37.13

For the period ended: December 31, 1997

**Charity/Charitable Purpose, CFR Listing by Percentage to Charity
Vehicle Donation Operations**

Charity/Charitable Purpose	Commercial Fundraiser	T. Revenue	To Charity	%
AMERICAN LUNG ASSOCIATION OF ALAMEDA COUNTY	PENNEY'S TOWING	7,800.00	2,835.00	36.35
STANFORD AND LATHROP MEMORIAL HOME FOR FRIENDLESS CHILDREN	FUTURE FUNDRAISING	868,301.52	303,233.29	34.92
LOS ANGELES MAKE-A-WISH FOUNDATION, INC.	DONATED PROPERTY SYSTEMS	2,363,748.00	810,849.00	34.30
CALIFORNIA COUNCIL OF THE BLIND	PROFESSIONAL FUNDING SERVICE	296,326.00	93,013.32	31.39
UNITED WAY-ORANGE COUNTY/UNITED WAY GREATER LOS ANGELES	CHARITY FUNDING SERVICES, INC.	509,023.69	154,316.75	30.32
TUESDAY'S CHILD	PROFESSIONAL FUNDING SERVICE	42,784.00	9,852.77	23.03
JEWISH NATIONAL FUND	THE O.N.N.E. CORP	248,485.50	49,697.10	20.00
MARY MAGDALENE PROJECT	THE O.N.N.E. CORP	26,531.00	5,306.20	20.00
CHABAD LUBAVITCH RUSSIAN SYNAGOG	THE O.N.N.E. CORP	32,170.00	6,247.00	19.42
SACRAMENTO CHILDREN'S HOME	YOUR DOUGHNATIONS	664,316.00	127,200.00	19.15
NATIONAL FOUNDATION FOR THE TREATMENT OF ABUSED CHILDREN	G.A. CORPORATION, THE	23,204.49	4,388.32	18.91
AIDS PROJECT LOS ANGELES	THE O.N.N.E. CORP	2,560,130.00	481,401.00	18.80
UNITED CANCER RESEARCH SOCIETY	KKA ENTERPRISES	2,800,455.00	514,672.00	18.38
BIG BROTHERS OF GREATER LA	THE O.N.N.E. CORP	55,988.00	10,190.00	18.20
SAN FRANCISCO BAYKEEPER	PROFESSIONAL FUNDING SERVICE	12,361.00	2,023.14	16.37
ALZHEIMER'S ASSOCIATION OF LOS ANGELES	PROFESSIONAL FUNDING SERVICE	45,890.00	7,485.02	16.31
LA YOUTH SUPPORTIVE SERVICES	THE O.N.N.E. CORP	237,071.00	38,011.20	16.03
KIDS IN DEVELOPMENT SOCIETY	KAYTON GROUP	89,207.31	10,371.75	11.63
ARTHRITIS FOUNDATION	THE O.N.N.E. CORP	143,271.00	15,910.00	11.10
AGAPE VILLAGES	CAR PROGRAM, LLC	6,370,114.02	642,737.75	10.09
HELPING HANDS FOR THE BLIND	FI-POL ADVERTISING	9,420.00	942.00	10.00

For the period ended: December 31, 1997

**Charity/Charitable Purpose, CFR Listing by Percentage to Charity
Vehicle Donation Operations**

Charity/Charitable Purpose	Commercial Fundraiser	T. Revenue	To Charity	%
NATIONAL FOUNDATION FOR THE TREATMENT OF ABUSED CHILDREN	FI-POL ADVERTISING	85,468.80	8,546.88	10.00
SHILOH INTERNATIONAL MINISTRIES	FI-POL ADVERTISING	138,261.00	13,826.10	10.00
TRI CITY BLACKHAWK WRESTLING CLUB, INC.	FAMILY CHARITIES FUNDRAISING & ADVERTISING	42,197.97	1,834.01	4.35
YOUNG LIFE	DOUGHNATION DEPOT	28,300.00	1,200.00	4.24
HELPING HANDS FOR THE BLIND	FAMILY CHARITIES FUNDRAISING & ADVERTISING	42,197.97	1,500.00	3.55
Total Revenue		\$24,061,989.27		
To Charity:	Percentage to Charity:			24.49%
		\$5,891,820.21		