

Principles for Responsible Crowdfunding

These Principles are meant to act as a guide for emerging legislation and as a call to the crowdfunding platforms such as PayPal, GoFundMe, or NetworkforGood, to act in a fair, public-spirited way. They define responsible and ethical practices that will help nonprofits, donors, and the industry engage in these online activities in ways that are productive and ensure consistency with long-established laws that strive to balance the interests of stakeholders.

Responsible crowdfunding concepts include:

- **All parties must protect the integrity of the relationship between donors and nonprofits.** People donate and volunteer because of a history, an affinity, or a relationship with a nonprofit. Anything that jeopardizes that trust threatens the generosity of giving and the work nonprofits do for the common good.
- **To maintain donor confidence in the act of giving, donors need to be sure that their donation will be delivered to the nonprofit they designated and in a reasonable amount of time.** Donors deserve verification that their donation was delivered as directed. They must be able to choose whether their names and contact info will be given to the nonprofit or whether their donation will be anonymous. Donors should have access to customer support to deal with questions and problems.
- **Because donations to 501(c)(3) nonprofits are tax-deductible, the American public also has a stake in how donations are solicited and managed.** To protect the public interest, there must be safeguards to prevent crowdfunding platforms from being used to transfer tax-deductible donations to for-profit entities and other ineligible entities (such as political candidates), to purchase goods or services including raffle tickets, sports tickets and nonprofit auction items, to provide excessive profits to the crowdfunding platform, or to directly benefit the donor or the donor's family.

Online crowdfunding platforms must:

- Explain at the donation point what institution is the initial recipient of funds from the donor, and whether the donation is tax-deductible or not.
- Ensure that the donor has a clear opportunity to choose whether their contact information will be given to the nonprofit that is receiving the donation and/or if it will also be shared with an outside commercial venture such as the vendor processing the donation.
- Disclose all fees prior to the donation point so that the donor can clearly see what percentage of their donation will be received by the nonprofit.
- Transfer the funds to the nonprofit within 30 days.
- Confirm to donors that their donation was received by the designated nonprofit.

- If the crowdfunding platform cannot find the nonprofit to which the donor has designated, the platform must contact the donor to request alternatives.
- Provide a publicly available annual report to donors, recipients, and government regulators that shows the number of donations and net dollars given to each nonprofit, all fees collected by the platform, and other relevant information.
- Engage with the nonprofit community and appropriate charity officials as the field evolves.

Concerns about crowdfunding platforms:

- Late payments – donations taking weeks and even months to get to the nonprofit.
- Fees that are unreasonably high.
- Fees without transparency to the donor and/or the nonprofit. (How much of each donation goes to the nonprofit and how much goes to the platform?)
- Individuals, some well-meaning, using the nonprofit's name to raise money without the nonprofit's knowledge, and those funds never getting to the nonprofit.
- Inability of a donor to find out if their donation ever got to the nonprofit.
- Inability of the nonprofit to confirm a donation, or thank the donor because they didn't get individual information.

About CalNonprofits

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