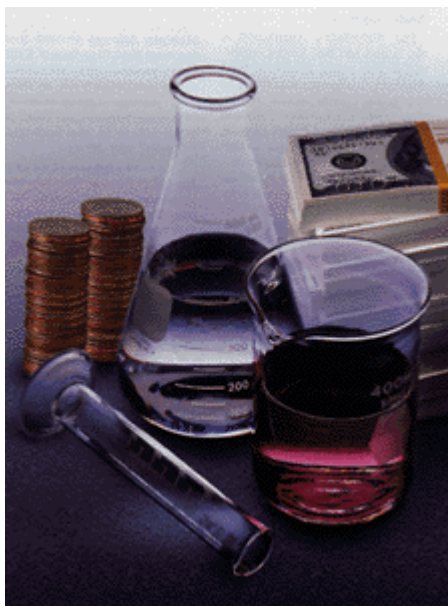


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On The
COVER**The Truth about Fund-Raising Organizations
Where Your Dollars Go**

By Twig Mowatt

Making donations to fund-raising organizations for biomedical research is fraught with danger. Some of them are simply money-churning fronts, where donations fund continual solicitations for more donations.



Suppose you decide to cut back on a few luxuries, forego that dinner out, make do with last year's winter coat, all so you can send a few extra dollars to your favorite charitable organization . . . in particular one whose stated purpose is to fund biomedical research.

You should feel good, and deservedly so, about that kind of sacrifice. But suppose the organization you select puts a significant share of your donation dollars toward paying rent on executive suites, or toward defraying the costs of a mass mailing, or sending out gifts of free greeting cards to other potential contributors. Maybe just a small part of your donation actually ends up going into cancer research, or famine relief, or scholarships for the needy.

Unfortunately, this scenario is far more common than most donors realize.

The St. Louis-based American Institute of Philanthropy rates non-profits on an A to F system, based on the percentage of funds that actually goes toward programs, and on how much money each organization spends to raise \$100. A passing grade of C means the nonprofit has met AIP's minimum requirements, spending at least 60 percent of its revenue on charitable programs and spending no more than \$35 to raise \$100.

Of the 300 charitable organizations ranked by the AIP, fully 37 flunk its basic standards on how to spend contributors' money.

This stands in sharp contrast to the track record of the Life Extension Foundation (see sidebar story), which directs 100 percent of all research donations to research, and which also is contributing a larger and larger amount of its product revenues to research. The Foundation guarantees that all donated monies go to the research for which it is intended, and not administrative expenses.

LITTLE IS LEFT

Nonprofit organizations that do not sell products have to pay all these costs solely from the donations they take in. In addition, they spend much of the money people donate to the organization for non-research programs such as public health education, professional education and training, and community services. That leaves relatively little of one's donated dollar for research.

"You have a right to know how charities really spend your money, says Daniel Borochoff, AIP's founder and president. There is so much information the public doesn't have. Some groups can get away with so much."

AIP uses annual reports and state and federal filings to determine a grade. It even keeps track of the nonprofits that refuse to cooperate, such as the environmental group World Resources Institute, the Cystic Fibrosis Foundation and the Arthritis Foundation.

What AIP finds is a huge disparity, with some charities spending as little as zero percent on their charitable programs (as is the case with the American Heart Disease Prevention Foundation), and as much as 98 percent (in the case of the literacy program Reading is Fundamental).

Another group that ranks charitable foundations, the New York City-based National Charities Information Bureau, finds that one out of every four of the 287 charities it tracks fails to meet its established criteria. Like AIP, NCIB requires each organization to spend 60 percent or more of its proceeds on programs. But it also demands that promotional materials be clear and accurate, that financial information be made available to potential donors upon request, and that each organization maintain diversity on its board and among its staff.

MISLEADING INFORMATION

Among recent flops, according to the spring edition of the NCIB Wise Giving Guide, are the American Institute for Cancer Research, the National Foundation for Cancer Research and the U.S. Committee for UNICEF.

"A lot of people get the guide and say, My God, I've been supporting these organizations all these years and their annual reports say something completely different than the guide indicates", says Daniel Langan, NCIB director of public information. Langan encourages Life Extension readers to write for a free Wise Giving Guide, at Dept. 103, 19 Union Square West, New York, N.Y. 10003.

The following organizations, all nonprofit organizations that raise funds for biomedical research, like the Life Extension Foundation but with much higher profiles do much worse than one would think in earmarking donations for research.

The American Heart Association is the largest and best known organization that raises money to fight heart disease and stroke. According to the association's 1996 annual report, the group raised \$345.2 million in the 1995-96 fiscal year. However, when you look closely, you see that actually only about \$95.5 million (or 28 percent) was donated to research.

The American Cancer Society is the largest and best known organization that raises money to fight cancer. According to its 1995 annual report, the American Cancer Society raised \$420.4 million in fiscal 1994-1995, but a closer examination reveals that only about \$81 million (or 19.5 percent) was donated to research.

MISDIRECTED FUNDS?

The Alzheimer's Association is the largest and best known organization that raises money to fight Alzheimer's disease. According to the group's 1996 annual report, they raised \$34.4 million dollars in fiscal 1995-2000. Of that amount, only about \$7.9 million (or 23 percent) was donated to research.

If you look more closely at the research being funded by these organizations, you find that a significant portion of it is for diagnostic and psycho-social research rather than biomedical studies that could lead to prevention or cure of the diseases.

For example, the Alzheimer's Association is funding studies evaluating the quality of life for Alzheimer's patients. While these studies provide useful information for the care of Alzheimer's patients, they do nothing to prevent or cure the disease.

Two organizations, whose mission is to protect consumers from fraud, Public Citizen and the Center for Science in the Public Interest, are given a D and C- minus, respectively, in the AIP's most recent newsletter. Both organizations lose points for diverting a high percentage of revenue into non-charitable purposes, and Public Citizen reportedly spends up to \$69 to raise \$100. Contrast that figure to the \$9 that the American Council of the Blind spends to raise \$100.

High costs involved in fund raising usually indicate a lot of money going into direct mailings, telemarketing, television pitches, special events and parties . . . money that could be going toward programs.

The Dallas-based Project Cure, devoted to fighting heart disease through public education and research, was found to have spent only one-tenth of 1 percent, or \$3,500, of the \$2.65 million it received in donations on charitable purposes. An investigation by the Michigan Attorney General found that more than 90 percent of Project Cure's proceeds went toward fund-raising campaigns such as sweepstakes mailings to potential donors.

"In truth, Project Cure exists only to perpetuate its own fund-raising purposes," said the state.

Then there's the case of the Organ Transplant Support Network, whose name seems to clearly spell out its intentions. The Network's literature tugs at potential givers' heartstrings by promising that donations go to help pay "all or part of the uninsured portions of the medical costs of a transplant, the costs of relocating the child waiting for a transplant and the extra expenses which arise during the relocation."

READING THE FINE PRINT

But a careful reading of the fine print finds this caveat: "Every gift received by Organ Transplant Support Network will be used for the most pressing needs. Your contribution may be used for National Relief Charities' general purposes, not necessarily for Organ Transplant Support Network, unless you designate that your contribution is restricted."

General purposes turn out to have little to do with organ transplants. In fact they include the funding of substance-abuse programs. While those programs may be worthy causes, funding them through donations from contributors who think they are supporting organ transplants for children is a definite no-no, in the eyes of the AIP.

"It's confusing," says Borochoff. "The perception is that money is going to these types of things [organ transplants] because that's what they're asking for."

The Organ Transplant Support Network's parent organization, the National Relief Charities, not surprisingly, receives an F in the current AIP guide.

MEETING HIGH STANDARDS

The charity watchdog groups admit they are stern taskmasters. Both the AIP and the NCIB downgrade charitable organizations that have large reserves of capital, for example. If a particular group has access to assets that are equal to five years of its operating expenses, AIP gives it an automatic F, even if that organization has a good record in other areas.

This is the case with the Shriners Hospital for Crippled Children, which spends 93 percent of annual revenues on medical care for children and only spends \$5 to raise \$100. Still, its asset base equals about 13 years of operating costs. AIP's target is for available assets to equal three years or less of operating costs.

Other organizations that receive failing grades for having too many assets are Boys Town, the Diabetes Trust Fund and the Cedars Home for Children Foundation. In fact a total of seven charities get Fs from AIP for this reason and another eight are marked down to Cs and B-minuses. NCIB, which requires that net assets available for use not exceed twice the current year's operating expenses, fails six of these same charitable organizations.

Langan says the rationale for this is that charitable groups usually make their pitch to potential donors by saying that money is needed immediately for a children's hospital or famine relief. Thus, they shouldn't be storing away principle.

"Charities say they need your money to address these problems right away," he says. "So, if they take it in and sit on it, then they aren't telling the truth to the public."

EROSION OF DOLLARS

With biomedical nonprofits, there is a final erosion of research dollars. It is large chunks of money taken off the top of their grants by the universities and medical centers where the scientists they support work. Typically, these institutions take 33 percent of all monies that come in for research grants to cover administrative expenses,¹ and sometimes as much as 50 percent.

By contrast, the Life Extension Foundation makes special arrangements to guarantee that the institutions where the scientists work do not take a dime of the money it sends to these scientists. The Foundation guarantees that 100 percent of the money donated to research will go exactly where it's intended . . . into the laboratories of the scientists doing the research.

Langan notes that an F by his group often is enough to make a group reform. He remembers that one major charity that decided not to publish an annual report was flunked on that standard.

"They got enough flak that we received a registered letter promising that they'll have an annual report," says Langan, who says such a report is an essential way for potential contributors to learn more about the organization. And, in selecting a charity, information is key.

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