NOT EXACTLY TOP 10

WE AREN'T SAYING THEY'RE CROOKED, but we do take issue with some business practices of these charities, especially when they spend too much money on fundraising or joint educational-fundraising programs. Watchdog groups say that, in general, charities should spend at least half their revenue on programs. Most of the charities on this list don't. Leads came from South Carolina's Scrooge List (888-242-7484), New York state (212-416-8401), the American Institute of Philanthropy (www.charitywatch.org), and the BBB Wise Giving Alliance (www.give.org).

Children's Charity Fund

In 1997, Vermont sued Children's Charity Fund, the fund's chief officer, Kenneth Bowron, the Civic Development Group (a fundraising company the fund had hired), along with a few other charities, for fraud. In a 2001 settlement, the Civic Development Group admitted, according to the Vermont attorney general, that it had told Vermont donors that the fund was raising money for medical equipment for disabled children in the state, when in fact no Vermont child ever benefited from the money that state residents had donated. In 2000, the fund raised $1.2 million, of which only $118,000 went toward specific assistance for individuals. More than $1 million was spent on fundraising—nearly $800,000 went directly to the Civic Development Group.

Children's Wish Foundation International

In a pending lawsuit, the state of Pennsylvania alleges that this Atlanta charity, which fulfills the wishes of terminally ill children, overstated the value of its in-kind gifts on its Form 990 tax return. The state of Florida has also sued CWFI, alleging that CWFI inflated the value of toys and goods given to 21 Florida organizations it had listed as recipients and that nine of those received no donations at all. In April, Senator Charles Grassley wrote to the U.S. attorney general, the Internal Revenue Service, and the Federal Trade Commission, asking them to review CWFI's practices and alleging that in the past 10 years CWFI may have given only 8 percent of its $132 million in revenue to grant sick children's wishes.

Defeat Diabetes Foundation

Run by brothers Andrew and Jerald Mandell, this Florida organization made the 2000 Scrooge List after it devoted a paltry 6 percent of its 1999 expenses to its stated mission of educating diabetics about detection, management, and treatment of the disease. In fiscal 2000, the group improved just a little, spending 15 percent of its $2 million in unrestricted revenue on programs. More than $1.3 million was spent on fundraising efforts. The AIP gives the charity a failing grade.

Feed the Children

This Oklahoma City group (a.k.a. Larry Jones International Ministries) had the 13th-largest privately donated income (nearly $400 million) of any charity in fiscal 2000, yet it spent about 75 percent of its cash budget on television programs, ad campaigns, and mailings. For an organization with a name like Feed the Children, the AIP says that a large percentage of its gifts in kind should be food. In fact, the majority of donations are medical supplies, books, and clothing. The group's former chief financial director lost his CPA license after he forged Arthur Andersen's name on FTC financial reports in 1997, 1998, and 1999; they were never actually audited.

Heart Support of America

Not to be confused with the American Heart Association, this Tennessee-based charity serving heart patients earned itself a place on the Scrooge List in 1998 by allocating less than 10 percent of its expenses toward programs. In the fiscal year ended 2000, the organization reported that it had received $3.7 million in total revenue, of which more than $1.8 million went toward fundraising efforts. Of the $1.4 million it reports that it spent on programs, only a little more than $200,000 was actually given as grants to hospitals or individuals.

Help Hospitalized Veterans

This charity gave out no grants or money to specific individuals but did distribute $4.4 million worth of "craft kits" to hospitalized vets. According to its tax forms, the charity's primary means of educating Americans is via its joint educational-fundraising mailings, on which it spent about $9.9 million in the fiscal year ended 2001. In general, groups purporting to help veterans are among the worst: Out of 12 veterans charities, Help Hospitalized Veterans is one of 11 that AIP rated a D or lower.

Humane Society of the United States

This charity founded to promote the humane treatment of animals brought in $65 million in revenue in 2000 yet spent only $29 million on programs. Of that, $9.4 million was part of a joint educational-fundraising effort. The society gave out only $1.6 million in cash grants to other animal protection groups. The AIP gives the group a D for spending as much as 53 percent of its expenses on fundraising.

National Park Trust

Last year, the AIP criticized this charity, which focuses on the nation's parks, for counting fundraising costs (including a sweepstakes solicitation) as a program in its 1999 annual report. The AIP contends that actual fundraising costs were as high as 77 percent of related contributions, rather than the 21 percent the trust reported. In the fiscal year ended 2001, the charity raised $3.6 million, with $2.9 million of that going to programs. But of that $2.9 million, only $22,000 was spent on grants and allocations. The AIP gives it an F.

National Relief Charities

In 1999, this charity, some of its officers, and a fundraising company it had hired agreed to pay nearly $400,000 to settle allegations in a lawsuit by Pennsylvania that it had used false statements in its mailings "intentionally exploiting the plight of Native Americans" to get donations and that officers used contributions for personal gain. In fiscal 2000, the group (a.k.a. the American Indian Relief Council) spent $9 million. Of that amount, $4.6 million, or 60 percent of cash contributions for the year, went to fundraising. The AIP estimates that the group gives only 34 percent of donations to aid Native Americans. It gives the group an F.

Survivors and Victims Empowered

In 1998, this charity, which was created to prevent the neglect and abuse of children, and the Civic Development Group (see above) agreed to pay Pennsylvania more than $10,000 in civil penalties, costs, and restitution for violating state fundraising laws. In the fiscal year ended 2001, the charity's total revenue was almost $1.4 million. While $644,000 of that amount went to professional fundraisers, only $536,000, or not quite 40 percent, went to programs, including nearly $200,000 in professional fundraising fees for a joint educational-fundraising campaign. The group gave only $25,000, mainly in noncash grants, to other kids' charities and nothing to individuals. *—Bobbie Gossage*