Cancerous Growth

The Cancer Fund of America may be booming for all the wrong reasons.

BY JUDY WARD

WHAT KIND OF A CANCER CHARITY FULFILLS ITS MISSION BY GIVING old vegetable seeds to the Cheyenne River Sioux Tribe and stale baby food to social agencies? The Cancer Fund of America, according to a pending lawsuit.

That's not to imply that the Cancer Fund of America (CFA) doesn't provide services to cancer patients. One critic says the organization once gave a Kentucky hospice a gift so its patients could pass the time: Stephen King novels.

The CFA is not to be confused with the American Cancer Society (ACS)—although some say that is precisely what the seven-year-old CFA tries to do. And the Knoxville, Tenn.-based organization, says one official, tends to target the elderly and those who have had personal experience with the illness.

One such person is Owen Stewart of Shelbyville, Tenn., who has cancer. "My wife gives money to the ACS every year," he says. "She got this packet of information that looks exactly like the ACS, and we almost fell into that trap." But, he adds, "We're not gonna be suckers on that deal."

Despite such complaints, a CFA official says it's the ACS that's up to something. "Like any other business, there is competition, and the big boys don't like the little boys getting in the way," says Pete Fennelly, the CFA's education director. "They would do what they could . . . to take us out."

So ACS officials seek to "create the impression that anybody else but the ACS is fraudulent or a scam," he says.

However, the National Charities Information Bureau (NCIB), a New York City-based charity watchdog group, has conducted financial reports for fiscal 1991 (the most recent information available) that suggest two charities with very different priorities. While 86% of the CFA's cash outlays that year went for a direct mail and telemarketing campaign, the ACS's financial summary indicates it spent only 17% of its budget on fund-raising.

Of the American Cancer Society's expenses, the report indicated a respectable 76% went to research, public and professional education, and patient and community services. By contrast, the CFA spent a mere 13% of its total expenses on patient and community services and public education.

"Cancer Fund of America is the organization we get more questions about than any other charity in the U.S.," says Daniel Langan, a spokesman for the NCIB, pegging the number of calls at hundreds annually. "They'll call up and say, 'Isn't this the organization that has been sued by so many states?'"

How does the CFA allegedly create confusion in potential donors' minds? Primarily with a sound-alike name and a fund-raising approach similar to the ACS's well-known methods. A lawsuit filed against the organization by Pennsylvania officials that's currently pending alleges that CFA donors are "misled into believing that their contributions of time and money are benefiting the ACS when, in fact, they are not."

Which One Would You Give To?

	American Cancer Society	Cancer Fund of America
Revenues	$381 mil.	$10.6 mil.
Contributions	64%	99%
Legacies & bequests	27%	1%
Investment income	9%	0%
Expenses	$362 mil.	$8.7 mil.
Fund-raising	17%	86%
General administration	7%	1%
Programs	76%	13%

Source: National Charities Information Bureau reports for 1991.

In Tennessee, the ACS has long been affectionately known by the nickname "the Cancer Fund," says Sue Kirkland, director of public relations and advertising at the ACS's Atlanta headquarters. As for the newer charity's choice of a name, she says, "I don't think that was an accident." (Responds Fennelly: "They would like to exclude the use of 'cancer.' But they don't own that word.")

Both Kirkland and the Pennsylvania lawsuit say that the CFA has adopted the ACS's signature method of raising money: door-to-door drives conducted by neighborhood residents. Many solicited volunteers comply, thinking they are pitching in for their local ACS, says Mark Pacella, Pennsylvania deputy attorney general. They generally found out otherwise in one of two ways, he says: either when they took the collected funds to the local ACS chapter, or later, when contacted by local ACS officials asking for their help in the organization's own fund-raising drive.

In truth, Fennelly retorts, other charities utilize the door-to-door method. "That's not theirs," he says. "That's like saying, 'We use direct mail, so nobody else can use direct mail.'"

The CFA has been blasted for more than its fund-raising habits, however. It has also been criticized about how it spends its money.

Says Kirkland: "The concern is that people are giving money to them thinking they are doing good." Fennelly responds by pointing to programs such as delivering 14,000 cases of liquid nutritional supplements in 1993 to cancer patients unable to eat solid foods.

But critics say most money isn't spent on patient services, and the CFA's financial reports are often misleading about fund-raising expenditures, because solicitation costs are attributed to other areas such as public education. In a 1992 CFA financial statement, fund-raising and management and general expenses comprise 41% of $8.5 million in total expenses. Another $2.8 million in expenses is attributed to public education, however, and "all of that is fund-raising," says Judy McKissack, director of the Tennessee Secretary of State's Charitable Solicitations Division.

Some of what the CFA calls education seems common knowledge. McKissack cites one solicitation partially devoted to recommending fruits and vegetables thought to reduce cancer risk. "Cancer Fund of America encourages a healthy consumption of these vegetables and fruits daily," the message continues. "Those who are in position to grow their own fruits and vegetables in their natural state should consider doing so."

And what the CFA deems "patient services" is also in dispute. The Pennsylvania lawsuit questions the truthfulness of its financial reporting on cancer-related services provided. (A lawsuit pending in Connecticut covers ground similar to that suit, Langan says.)

In 1991 the state and the CFA settled a lawsuit alleging that the charity engaged in fraudulent and deceptive solicitations. Among other things, the settlement required the CFA's solicitation materials to disclose how it spent the money raised during the previous fiscal year.

Before the settlement, the current lawsuit maintains, the CFA historically spent less than 5% of total contributions on patient services.

After the settlement, something interesting happened. In its 1991 solicitations, the CFA claimed it spent over 47% of fiscal 1990's proceeds on patient services. "That just struck us as incredible and impossible to believe," Pacella says.

The state's lawsuit, which was filed in 1992, alleges that the CFA inflated the worth of donations and that some donations had little or no relation to the organization's stated mission. The lawsuit also alleges that many of these goods were never actually received and distributed by the CFA, "but, in fact, only constituted a series of paper transactions whereby goods were passed through CFA's books as well as the books of other charities who used the same certified public accountant."

In addition, the lawsuit maintains that some of the donations were made without prior arrangement. Many of almost 2,700 cases of cookies donated, the lawsuit adds, were thrown away "because of [their] condition or the unacceptable risk associated with the dubious circumstance of [their] arrival."

Fennelly would not comment on the Pennsylvania lawsuit beyond saying, "We are going to vigorously defend ourselves." But he alleges that an American Cancer Society official in Pennsylvania instigated the action by encouraging citizens to contact state officials with complaints about the CFA.

Pacella says Pennsylvania officials are negotiating a settlement with the CFA, and that "98% of [similar cases] typically settle." Fennelly maintains that the CFA is not negotiating a settlement, but that state officials have sought one.

Whatever the outcome of the lawsuit, it probably will leave one key question unanswered: Do people who unknowingly donate to suspect organizations deserve partial blame for not paying attention to detail?

Those who want to make sure a donation is used as intended must be careful about whom they donate to. "Take time to check the organization out," Pacella says. "The operators that are all about lying, cheating and putting money in their own pockets are relying on the fact that most people don't do this." ■

Research assistance by Joseph Basralian.

Where Are the Accountants?

QUERY: WHEN IS A FUND-RAISING EXPENSE NOT A FUND-RAISING EXPENSE? (Answer: When it is educational material.)

And therein lies a loophole that many charities exploit.

In 1987 the American Institute of Certified Public Accountants, at the request of several charities, adopted a ruling that is the bane of charity watchdogs everywhere.

Charities love nothing better than to play down the amount of funding that is gobbled up by fund-raising and administrative expenses and play up the amounts attributed to program expenses. And the institute allows them to do just that.

Its 1987 ruling governing the "allocation of joint costs" allows charities to allocate a percentage of the cost of a fund-raising letter to program expenses, if the mailing has "educational" content.

Sometimes that educational material is as dubious as a reminder to eat high-fiber foods contained somewhere in the marketing pitch.

Organizations such as the National Charities Information Bureau wisely factor out dubious program costs when they prepare their own in-house financial statements of a charity's 990 return.

But the accounting institute's standard has become the generally accepted accounting principle for charity financial reporting, and efforts to tighten it are, for the time being, going nowhere.

It's high time that the green-eyeshade set join the effort to help consumers clearly judge a charity's finances. —J.K.