



Charitable Donations: Do You Know Where Your Dollars Are Going? - Part 1

Generous Americans contribute billions of dollars to charities every year. Unfortunately, a portion of those contributions may be misused, or end up in the pockets of fraudulent solicitors. With 700,000 plus federally recognized charities soliciting for charitable contributions, it pays to be cautious when making a donation.

This issue was brought home to us via a recent article in the Seattle P-I, which profiled a Gig Harbor-based umbrella organization running four charities: the American Veterans Coalition, the Children's Cancer Assistance Network, Disabled Firefighters Foundation, and National Association for Disabled Police Officers. The P-I's reporter, Phuong Cat Le, found that less than 8 cents of every dollar raised by the charities went to support veterans, children with cancer, or disabled police officers and firefighters. The rest of the money paid for salaries for the organization's president and vice-president -- a married couple -- and telemarketing fees. The P-I quoted Sandra Miniutti of Charity Navigator, an independent watchdog group: "There's really nothing charitable about an institution operating that way. It's just so far below the benchmark of the norm".

If you view your charity dollars as an investment in your community, the nation, or the world, it's wise to use just as much caution when making your charitable gifts as you do when making other financial decisions.

Charity Checklist

To help you recognize less-than-charitable organizations, we found this helpful checklist published by the Federal Trade Commission (www.ftc.gov), which advises the following precautions to ensure that your donations benefit the people and organizations you most want to help:

- ✓ All charities have to file financial information with the Washington Secretary of State; check out the percentage spent on program services at www.secstate.wa.gov/charities. According to the P-I article, most charity watchdogs recommend a figure of 65% or above.
- ✓ Be wary of appeals that tug at your heart strings, especially pleas involving patriotism and current events. Although the Department of Defense does not endorse any specific war related charity, you can visit their Web site at www.army.mil/operations/oif/FAQ.html to find out about military relief societies that provide assistance to U.S. Service members and their families.
- ✓ Ask for written information about the charity, including name, address and telephone number. A legitimate charity or fund-raiser will give you information about the charity's mission, how your donation will be used and proof that your contribution is tax deductible.

- ✓ Call the charity. Find out if the organization is aware of the solicitation and has authorized the use of its name. If not, you may be dealing with a scam artist.
- ✓ If giving to local organizations is important to you, make sure they will benefit from your generosity. If a charity tells you that your dollars will support a local organization, such as a fire department, police department or hospital, call the organization to verify the claim.
- ✓ Watch out for similar sounding names. Some phony charities use names that closely resemble those of respected, legitimate organizations. If you notice a small difference from the name of the charity you intend to deal with, call the organization you know to check it out.
- ✓ Know the difference between “tax exempt” and “tax deductible.” Tax exempt means the organization doesn’t have to pay taxes. Tax deductible means you can deduct your contribution on your federal income tax return. Even if an organization is tax exempt, your contribution may not be tax deductible. If a tax deduction is important to you, ask for a receipt showing the amount of your contribution and stating that it is tax deductible.
- ✓ Beware of organizations that use meaningless terms to suggest they are tax exempt charities. For example, the fact that an organization has a “tax I.D. number” doesn’t mean it is a charity; every nonprofit and for-profit organization must have a tax I.D. number. And an invoice that tells you to “keep this receipt for your records” doesn’t mean that your donation is tax deductible or that the organization is tax exempt.
- ✓ Consider the costs. When buying merchandise or tickets for special events, or when receiving “free” goods in exchange for giving, remember that these items cost money and generally are paid for out of your contribution. Although this can be an effective fund-raising tool, less money may be available for the charity.
- ✓ Avoid cash gifts. Cash can be lost or stolen. For security and tax record purposes, it’s best to pay by check.

Charity Check-Up

Before you open your checkbook, check out the charity you’re considering with these organizations:

American Institute of Philanthropy
www.charitywatch.org

GuideStar
www.guidestar.org

With e-Giving becoming a rapidly growing method of philanthropy, in our next newsletter we will offer suggestions for safe and secure online giving in Charitable Donations: Do You Know Where Your Dollars Are Going? - Part 2.

-- Karen O’Brien. Posted 05/16/07.