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Giving tips

Sunday, December 31, 2006

COMPILED BY PAM ADAMS

OF THE JOURNAL STAR

Most people donate to charitable organizations because they want to help others.

But, too often, people react emotionally when giving, Daniel Borochoff, founder and president of Chicago-based American Institute of Philanthropy, tells Newsweek. He thinks people focus too much on the "feel good" aspect of giving, shortchanging the more important consideration - how their donations will be used.

The distinction is important. Not all charities are created equally, run with integrity or even all that charitable.

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Edit the Editors
 Nobody's perfect, right? Well, the Journal Star strives to be. Do you see misspelled words, incorrect grammar, things that don't make sense? Do you have questions about why we covered a specific event in a certain way? Do you have a news tip, or a question about this story we didn't cover? Or would you like to write a letter to the editor? We want to know what you think.

There are no government regulations preventing groups from spending 95 percent of money raised on fundraising and salaries, and only 5 percent on programs and services, says Bennett Weiner, CEO of the Better Business Bureau's Wise Giving Alliance.

While charitable organizations are required to file for registration as tax-exempt entities and provide an annual accounting of their operations, there is no further oversight on how they spend donations.

That's left to watchdog groups like the BBB's Wise Giving Alliance and AIP's CharityWatch.org.

Charitable organizations know potential donors want to see low operating expenses in relationship to total contributions, a statistic readily available on services such as Guidestar.org. But the ratio can be misleading.

Weiner of the Better Business Bureau cautions a low-expense ratio is as questionable as a high one. Even efficient organizations have some expenses. If it is extremely low, you need to find out who's paying the bills. And for how long.

Daniel Borochoff of the American Institute of Philanthropy has found outright manipulation. Characterizing overhead expenses as programs and services is a common ploy to make operating expenses look low, he says.

Cause-related giving that is linked to buying certain products also requires some scrutiny.

Stephen Adler, CEO of the marketing firm Charity Brands and author of Cause for Concern, advises consumers to look at the fine print underlying these campaigns to ensure purchases will accomplish what they think they will.

That's because some corporations cap their donations.

No matter how many items are sold, only a certain amount, say the first \$100,000, will actually be passed through to the cause. The rest of the proceeds pass to the corporation's bottom line.

"It's important to know if the corporation is giving all proceeds, some, or a fixed amount to the charity," Adler says.

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