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## Control of Charity Solicitations

Ralph E. McGeorge\*

**G**IVING, whether it is done wisely or not, is big business these days—totaling approximately 10 billion dollars in 1963. The value of our philanthropic and religious organizations, in terms of capital investment, was recently estimated at more than 68 billion dollars.<sup>1</sup> By these yardsticks alone, philanthropy ranks as one of our Big Ten industries. Many people are involved in this industry in addition to those who make their living by being paid employees of the recipient agencies and institutions. Last year more than 50 million businessmen, employees, housewives, and professional people volunteered to raise this 10 billion dollars for health and welfare, churches, hospitals, schools and colleges. It is interesting to note that, according to Eldredge Hiller, Executive Director of the American Association of Fund-Raising Counsel, Inc., individuals gave 7.9 billion dollars of the total amount raised in 1963 and 85% of this money was given by earners with less than \$10,000 in annual income, negating the argument that large givers support philanthropy. A further breakdown of total giving shows that individual bequests amounted to 795 million dollars and 15,000 foundations gave 819 million dollars. The third largest givers are corporations—over one million firms contributed 536 million dollars. The real “shocker” is that over 500 million dollars (½ billion) of our hard earned money finds its way into the well lined pockets of charity racketeers each year. This is a great deal of money to be lost to worthwhile charities and institutions, almost as much as total corporation giving. What can be done, and what is being done to protect the giving public and “community minded” commerce and industry?

### The Problem

As the field of giving becomes more complex and confusing and the “charity dollar” is called upon to support an increasing variety of causes, the “bunko-artist” and other unscrupulous fund raisers and nefarious schemers are ever with us. As a result, there has been a revolt brewing throughout the country against the growing number of campaigns, principally on the part

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<sup>1</sup> Help Keep Philanthropy True, National Information Bureau Report, p. 3 (1963).

of contributors and those asked to volunteer their services in the face of a flood of campaign mail, pledge cards, doorbell solicitors, and requests to serve on countless committees.<sup>2</sup> Under such circumstances every community should take necessary steps to protect legitimate charity appeals before multiple and unworthy campaigns so sicken the public that local united appeals, community chests, health funds and other highly essential services suffer irreparable damage. Citizens in the United States are generous to an extreme as attested to by a "personal" item in a New York newspaper reading, "Please send \$1, Box 509, New York 1, New York." The owner of the box had to hire an assistant to help open envelopes, each containing \$1! It is no wonder some "public education" is needed.

"Wise giving" concerns commerce and industry, Chambers of Commerce and Better Business Bureaus, and citizen review committees interested in knowing how to advise firms, members, foundations and other donors, ethical and bona fide fund raising organizations who recognize the seriousness of the problem.<sup>3</sup>

### State and Local Solicitations Control

In the City of Cleveland, as of the publication date of this article, there is no local solicitations ordinance by which appeals for funds can be regulated. Although several of the many suburbs in the county do have such ordinances,<sup>4</sup> these are rarely enforced. There is no county-wide public advisory or control authority. The only controls of any nature for the Greater Cleveland area are those of the Cleveland Chamber of Commerce for its members, a public service by the Better Business Bureau on a "factual basis" only, the Welfare Federation of Cleveland for the 150 financially participating Red Feather agencies, and a very weak state registration law.

The State of Ohio enacted legislation in September, 1955,<sup>5</sup> to regulate charitable solicitations. Its main purpose is to make ap-

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<sup>2</sup> Mutiny on the Bounty, Harpers Magazine, December 1958.

<sup>3</sup> See Safeguard for Givers, published by Cleveland Chamber of Commerce and National Conference on Solicitations, Cleveland, Ohio.

<sup>4</sup> These require prior registration and waive fees for bona fide charities. See e.g., Bus. Reg. Code of Codified Ord. of Shaker Heights, Chap. 507.03; Lyndhurst City Code, Peddlers and Solicitations Ord.; Codified Ord. of Brecksville, Chap. 705; Cleveland Heights Ord. 1060—1121157.

<sup>5</sup> Ohio Rev. Code, §§ 1716.01-.99. Other state statutes are almost identical e.g.: Okla. Stat. Ann. Title 18 § 552.1-.18 (Supp. 1959); Pa. Stat. Ann. Title

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peals information available to the public. The law exempts charitable organizations from the requirement of advance registration prior to starting a fund-raising campaign, but registration and a financial report must be filed with the Attorney General within 90 days after the close of a calendar year or fiscal year. The report must reveal receipts, expenses and net yield to the recipient and payments to professional fund-raisers, drive directors and solicitors. Annual registration and bonding of professional fund-raisers is required. So far this state law has proven of little value in controlling solicitations in the state. The City Council of Cleveland has discussed a local ordinance many times over the years, as recently as 1955, and again in 1961, but none of these efforts have materialized. A bill was proposed at the 104th General Assembly regular session, 1961-62, to halt the nuisance created by mass telephone solicitations, commonly called "boiler room" techniques; but it was referred to Committee and is still there.<sup>6</sup> New York State has a registration law, which has proven most effective, for the filing of financial information by any group hoping to raise funds in the state.<sup>7</sup> A provision enacted in 1964 provides that solicitation by unregistered organizations or fund raisers is deemed to be a continuing fraud on the people of New York State and empowers the Attorney General to bring action to enjoin violations.<sup>8</sup> The City of Los Angeles has by far the most workable local solicitations control through their Department of Social Welfare.<sup>9</sup> The Ordinance requires organizations, volunteers and fund raisers to carry identification cards revealing the exact fund raising cost of the organization they are representing. In some cities and counties in the United States there are

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10 § 160 (Supp. 1958); Mass. Gen. L. Ann. ch 68 § 17 (1958); Conn. Gen. Stat. Rev. § 53-345 (1958)—license to solicit funds not granted unless the cause conforms to reasonable standards of efficiency and integrity.

See also, penal statute specifically prohibiting solicitation for a specific charity—N. Y. Pen. Law § 945. Solicitation in the name of a charity without its permission—Ill. Rev. Stat. ch. 38 § 254.1 (1957). Prohibition on the use of funds for other purposes—N. J. Rev. Stat. § 2A:111-30 (Supp. 1958).

<sup>6</sup> Ohio Gen. Assembly, H. B. #341. The National Inst. of Municipal Law Officers has proposed a model ordinance but this has never been adopted.

<sup>7</sup> N. Y. Soc. Welfare Law, Art. 10-A §§ 481-483a (1954). See, as to the law generally, Oleck, *Non-Profit Corps. & Assns.* (2d ed., to be published in 1965).

<sup>8</sup> *Id.* § 482-k.

<sup>9</sup> Los Angeles Municipal Code § 44.01-.19 (1955). This ordinance also controls the percentage of the dollar going to fund raising costs.

citizen screening or reviewing committees, non-enforcing bodies, which review, schedule, and recommend, depending on the news media to carry public education on "wise giving" to the public. Such a county-wide committee has been recently suggested for the Cleveland area to exercise solicitations control here. Many local experts in the health and welfare field do not believe that legislation is the entire answer to the problem and feel that "public education" will do much to channel funds to deserving agencies and help prevent funds lining the pockets of charity racketeers.

### Recommendations

The Committee on Solicitations of the Cleveland Chamber of Commerce is composed of thirty members of the Chamber, representative of a cross section of commerce and industry. This Committee meets every six weeks, at which time a complete report is presented by the Secretary relative to all major solicitations which have been initiated since the last meeting. After careful consideration of each appeal, the Committee authorizes the publication of Member Bulletins which are sent immediately to the entire membership. Throughout the years, the Committee has evolved standards or yardsticks for the evaluation of appeals. These basic standards are a combination of those of the National Information Bureau in New York City and those of the Committee:<sup>10</sup>

1. **BOARD**—An active and responsible governing body, serving without compensation, holding regular meetings, and with effective control.
2. **PURPOSE**—A legitimate purpose with no avoidable duplication of the work of other sound organizations.
3. **PROGRAM**—Reasonable efficiency in program management, and reasonable adequacy of resources, both material and personnel.
4. **COOPERATION**—Evidence of consultation and cooperation with established agencies in the same or related fields.
5. **ETHICAL PROMOTION**—Ethical methods of publicity, promotion and solicitation of funds.
6. **FUND-RAISING PRACTICE**—In fund-raising; (a) No payment of commission for fund-raising; (b) no mailing of unordered tickets or merchandise with a request for

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<sup>10</sup> Natl. Information Bureau Report, *supra* n. 1, p. 12.

money in return; (c) no general telephone solicitation; (d) no use of coin containers or canisters in public places; (e) no "tag-day" sidewalk method for fund-raising.

7. AUDIT—Annual audit, prepared by an independent certified accountant or trust company, showing all income and disbursements, in reasonable detail.
8. BUDGET—Detailed annual budget, translating program plans into financial terms.

In general, the basic standards of the National Information Bureau are also accepted by the National Conference on Solicitations<sup>11</sup> and are universally used by Chambers of Commerce, Better Business Bureaus, and commerce and industry throughout the country.

Bulletins to Chamber members concerning the fund raising practices of organizations which have violated the public trust and which have been disapproved by the Committee over a period of years, demonstrate the need and proved value of this service and the need for state legislation supplemented by local public education on giving.

On the national scene, because the number of national, regional and local voluntary health and welfare agencies grew to 100,000 and collected 1½ billion dollars annually since World War II, in 1958 a group of private citizens undertook to reassess the functioning of these agencies. A preliminary committee came together at the invitation of the Rockefeller Foundation and, in June 1960, the Ad Hoc Committee produced its report for the public.<sup>12</sup> The principal findings or conclusions of the Committee are as follows:

1. A recommendation was made that a new *National Commission on Voluntary Health and Welfare Agencies* be created to continue the Committee's unfinished task. Such a commission could stand as a court of appeal for the

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<sup>11</sup> Ninth Nat. Conf. on Solicitations, Cleveland, Ohio, September 1964. The National Conference was organized by the Cleveland Chamber of Commerce to combat racket solicitations. Representatives from 80 cities and Canada have met annually for the past ten years and the institution has attracted national interest. Representatives include Chambers of Commerce, Better Business Bureaus, foundations, community chests, research councils, universities and colleges, municipal and state government officials, health and welfare agencies, and others directly interested in the solicitation field.

<sup>12</sup> Robert H. Hamlin, *Voluntary Health and Welfare Agencies in the U. S.*, Rockefeller Foundation Ad Hoc Comm. Report, Schoolmaster Press (N. Y. 1961).

agencies themselves. It could develop criteria for a better appraisal of the work of voluntary agencies. It could develop methods to assist in strengthening coordinated planning by the agencies. And, finally, it could give continuing thought to the changing role of voluntary agencies in our society.

2. It was the firm belief of the Committee that every agency supported by contributions from the public is under an obligation of public accountability. It owes the public a full and frank disclosure of its programs and their financing.
3. The obligation of full disclosure and accountability leads to a second recommendation of this Committee, namely, that a system of uniform accounting be developed by the American Institute of Certified Public Accountants. This would greatly facilitate the work of budget reviewing bodies, potential contributors, and the voluntary agencies themselves.

Two major efforts toward the acceptance of uniform accounting for voluntary agencies have been instigated since this proposal in the Committee Report. The first was initiated and adopted in 1962 by the National Health Council for some 46 health agency members.<sup>13</sup> Nearly all of the major national and independent health agencies have conformed to this uniform accounting system, but having been promulgated for them by their own organization, many felt that a more neutral uniform accounting system, and one which could be used by both health and welfare agencies was necessary. The second effort, one that is current, is a joint effort by the National Health Council and National Social Welfare Assembly.<sup>14</sup> Representatives from all facets of voluntary giving are working together on this project to produce a truly neutral uniform accounting system acceptable to all.

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<sup>13</sup> Accounting and Financial Reporting Procedures for Voluntary Health Agencies, Natl. Health Council, N. Y. (1962).

<sup>14</sup> Proposed by Hugh R. Jackson, Chmn., Steering Comm. on Uniform Accounting Standards, N. Y. Better Business Bureau, at Cleveland Conf. on Solicitations, September 1964.

### Where Does "Research" Money Come From?

Many independent major health drives by-pass united efforts with direct emotional appeals for research money in their campaign efforts, even though nearly one billion dollars of our federal income tax money is appropriated and used for direct research. This amount has grown from only 71 million dollars in 1954. A schedule published annually by the National Information Bureau shows how this money was appropriated:

*Note: The U. S. Congress appropriated, primarily for health research, \$918,-454,000 in the fiscal year ending June 30, 1964 to the National Health Institutes alone. These, in turn, make appropriations for research, and related needs, to voluntary as well as governmental research organizations.*

<u>Appropriations to Institutes of Health</u>	<u>Fiscal 1964</u>	<u>Fiscal 1954</u> (10 yrs. ago)
Cancer	\$144,340,000	\$20,237,000
Heart	132,404,000	15,168,000
Mental Health	183,288,000	12,095,000
Arthritis & Metabolic Diseases	113,679,000	7,000,000
Neurological Diseases & Blindness	87,675,000	4,500,000
Allergy & Infectious Diseases	68,723,000	5,738,000
Dental Research	19,689,000	1,740,000
General Research & Services	163,869,000	4,675,000
Biologic Standards	4,787,000	
Total:	<u>\$918,454,000</u>	<u>\$71,153,000</u>

Because of the emphasis placed on "research" by many health agencies soliciting on a national scale, the donor and general public lose sight of where research money really comes from—*your income taxes*. It has been determined that all of the voluntary health agencies together only contribute about 2½% of all research monies available in the country today. The real worth of voluntary health agency work would then seem to be in the field of education, rehabilitation, patient care, and detection of cases, functions which should continue on a voluntary basis, free from governmental control.



### **Making Your Dollars Count**

Since legislative controls are weak and public education is only part of the answer, individuals would be wise to follow a few simple rules for wise giving. Do not commit yourself as a donor to a solicitation for a cash gift, or merchandise, or advertising space in the name of charity, or otherwise, unless you know with whom you are doing business. Check with the Chamber of Commerce, Better Business Bureau, your lawyer, your company Secretary or Director of Community Relations, or your bank on appeals which interest you, but about which you know very little. When you lend your name to a welfare, health or any non-profit agency or group even though it appears only on the letterhead—you are testifying to others *with your reputation and all your name stands for*, that the organization will use gifts wisely. High pressure solicitors will press for a quick decision—do not be persuaded to act against your will. Do not feel obligated to pay for unordered merchandise, seals, address stickers, gimmicks, neckties, greeting cards, or ball point pens sent to your home in the mails in return for a donation. This merchandise can be thrown away after a reasonable time, if it has not been picked up by the sender. Above all, do not return it if you do not wish to give. Make your dollars count whether you are buying merchandise for quality or performance with your charity dollar. Don't give blindly—check first. You will be surprised how much you will be able to save over a short period of time in the protection of your charity dollar.