

# Lawsuits against charities dating back to '89 didn't stick

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After more than 20 years of lawsuits in various states, a “united front” formed this week when all 50 states, the District of Columbia and the Federal Trade Commission filed a federal lawsuit against four cancer charities dogged by claims of fraud for decades.

Jessica Rich, director of the FTC’s Bureau of Consumer Protection, said at a D.C. news conference Tuesday that joining forces as a nation will send a “very strong message” to the Knoxville-based Cancer Fund of America and its affiliated nonprofits.

**See also: Charities built multimillion-dollar fraud empire, lawsuit alleges ([http://www.knoxnews.com/news/local-news/ftc-states-file-complaint-against-knoxville-charity\\_92306448](http://www.knoxnews.com/news/local-news/ftc-states-file-complaint-against-knoxville-charity_92306448))**

The charities — the Cancer Fund, the Children’s Cancer Fund of America, Cancer Support Services and the Breast Cancer Society — all have strong ties that eventually lead back to Cancer Fund founder and president James Reynolds Sr.

The first lawsuit against the Cancer Fund was filed by Missouri in 1989.

Since then, the charity and its associated nonprofits have been the targets of lawsuits around the country in which state governments sought court orders to block the charities’ tactics.

“There was reason to believe perhaps those orders would be effective,” Rich said.

But the orders weren’t effective.

Tennessee Secretary of State Tre Hargett called this week's lawsuit against the Cancer Fund the largest charity fraud case Tennessee has been involved in. He said because of the size and collaboration such cases can be a "lengthy process."

Reynolds said the charity had been under investigation by the FTC for 4½ years. Hargett said other agencies had been investigating for years before Tennessee "ramped up" its probe in 2012.

Hargett said the process of combining the investigations was not one he was willing to rush.

"Anytime you have something as serious as cancer that can really tug at heartstrings, you want to make sure you're doing everything right," he said. "You want to make sure you get it right, and it's better to take your time and get it right than it is to do a quick judgment."

Hargett named Arizona, New Mexico and Missouri as large contributors to the investigation and said countless investigators have been involved in the years leading up to the federal lawsuit.

"There are a lot of people who are unsung heroes who I'm never going to meet who have been out there doing the meticulous work and doing these investigations," Hargett said. "Whether it was tax forms, whether it was telemarketing scripts, whether it was trying to listen where they have them available to listen to phone calls where money has been raised. It took a lot of meticulous research. ... That's why it takes so long, but there's a lot of good, dedicated people throughout government who have worked to make this day possible."

According to News Sentinel archives, the Cancer Fund first drew legal attention in 1989 when Missouri filed a lawsuit against the charity regarding deceptive sweepstakes mailings and fundraising appeals.

In one instance, a Knoxville couple sent a \$5 donation to the Cancer Fund and received an 11-cent check as their sweepstakes winnings.

That year, Reynolds' salary increased from \$58,551 in 1988 to \$86,304 while the Cancer Fund's donations declined from \$7.7 million in 1988 to \$3.9 million.

Reynolds said at the time the charity, which was started in 1984 as a Tennessee-only charity and went national in 1987, was the "new kid."

"In three years we'll prove ourselves in helping cancer patients," he told the News Sentinel.

For the next two years, ink on the pens signing lawsuits and complaints never seemed to dry, and by 1991, 17 states had filed lawsuits or complaints against the charity regarding its fundraising.

In 1992, the charity bought a \$22,000 New Yorker Fifth Avenue car for executives, and Reynolds' salary increased to \$100,000 annually.

In 1997, the Cancer Fund received an "F" from the American Institute of Philanthropy, and the same year an audit showed Reynolds used \$45,000 in donations to help buy his \$300,000 home, according to News Sentinel archives.

According to the FTC complaint, Reynolds settled lawsuits with New York in 1996, with Vermont in 2001, with Massachusetts in 2005 and with Georgia in 2007.

Reynolds said in 2010 he had been sued 23 times and decided to settle, not because he did anything wrong, but because "it's so much cheaper than to go to court."

The charity was ranked No. 2 on the Tampa Bay Times and the Center for Investigative Reporting's America's Worst Charities list in 2013. Those investigations concluded 0.9 percent of the Cancer Fund's proceeds went to direct cash aid.

*Staff writer Michael Collins contributed to this report.*

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## **LEGISLATORS' COMMENTS**

**State Sen. Richard Briggs, R-Knoxville**

“(Breaking the public’s trust) means that the legitimate charities that have a very important role in our community, it makes it difficult for them to raise money, because they get lumped in with all of them. Maybe not about being dishonest, but at least in the sense that people are questioning everything.

“I hope this sends the message to some of the charities that may be thinking of doing something like this that the government is watching them, and if they do something wrong, we’re going to come after them. ... We want citizens to be able to donate to charities with the confidence that the money is going where they think it will go.”

**Sen. Becky Duncan Massey, R-Knoxville**

“(The charities) had been somewhat on my radar, and I’m glad to finally see it coming to fruition and they’ll be taken care of. ... It is reprehensible the kind of work they were doing and the way they were preying upon people and taking their money and using it for purposes it wasn’t intended for.

“We’ve got an incredible nonprofit community in Knox County and throughout the state. I run a nonprofit Sertoma Center that serves adults with disabilities, and we turn in an audit to the secretary of state every year and all the nonprofits do. ... Most nonprofits get donations by building relationships one person at a time, and that’s the best way to decide where your charitable donations are going.”

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**CHARITY CHECKLIST**

**The Federal Trade Commission provides a list of precautions donors should take before pledging any gift to charities.**

- Ask for detailed information, including name, address and telephone number.
- Search the organization's exact name online, along with words like "complaint" or "scam" to learn more about their reputation.
- Call the charity and ask whether they are aware of the solicitation and whether they've authorized callers to ask for donations on their behalf.
- Find out whether the charity or fundraiser must be registered in your state by contacting the National Association of State Charity Officials.
- Research the group's trustworthiness by contacting watchdog groups like the Better Business Bureau's Wise Giving Alliance, Charity Navigator or Guidestar.
- Ask the caller if he or she is a paid fundraiser. If so, ask: the name of the charity, the percentage of your donation that will go to the charity, how much will go to the cause, and how much will go to the fundraiser.
- Keep a record of your donations.
- Visit the IRS website to find out which organizations are eligible to receive tax-deductible donations.
- Never send cash donations.
- Never wire money to someone claiming to be a charity
- Never provide your credit card number or bank account information unless you've thoroughly researched the organization.
- Be wary of charities that spring up quickly in response to current events and natural disasters. Even if they're legitimate, they probably do not have the infrastructure to get donations to the area and people affected.
- If a donation request comes from a group claiming to support your local community, such as fire or police, ask the agency whether they've heard of the group and are receiving support.
- Make an annual donation plan to decide ahead of time which causes you want to support.

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