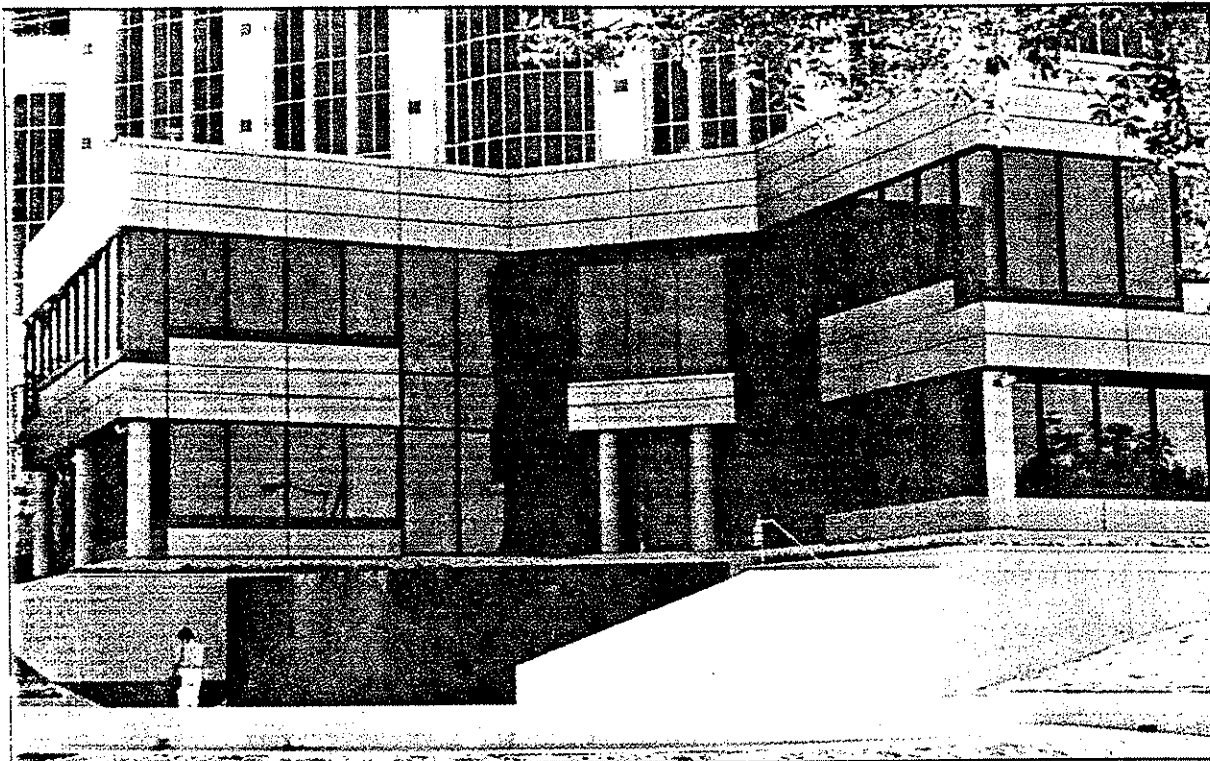


**RISE IN  
FORTUNES**

MORRIS DEES AND THE  
SOUTHERN POVERTY LAW CENTER

# Charity of riches



MARK MILLER STAFF

The Southern Poverty Law Center in downtown Montgomery has \$52 million in reserves, an \$8,000 wall sculpture in its lobby and three executives who each make more than \$100,000 annually.

## Critics question \$52 million reserve, tactics of wealthiest civil rights group

By Dan Morse and Greg Jaffe  
ADVERTISER STAFF WRITERS

The Southern Poverty Law Center had more than \$10 million in the mid-1980s when the letter and donation arrived.

The writer needed a new overcoat. But she'd rather give the money to the Law Center.

### INSIDE

Number of charities overwhelms regulators/14A  
Highlights of the Southern Poverty Law Center/15A  
Center refuses access to key records/15A

Some staffers were uneasy. They all knew how little poverty there was at the Montgomery-based Southern Poverty Law Center, the nation's wealthiest civil rights charity.

"There were all these millions of dollars there," said former legal director Dennis Balske. "People shouldn't be giving up their overcoats to an organization that has that kind of money."

But at least one person was touched by what he read — Morris Dees, a mil-

lionaire who co-founded the Law Center in 1971 and remains its driving force.

Mr. Dees' fund-raising skills have given the Law Center the money needed to attack poverty and racism. He saw the woman's letter as a touching example of

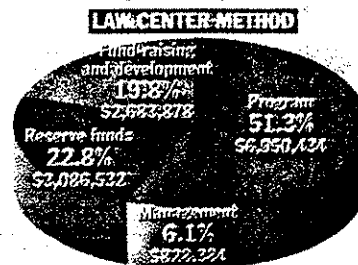
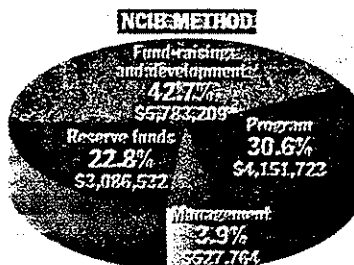
devotion to a good cause, and circulated it in the office along with a memorandum complimenting her devotion, said three former staffers.

Please turn to **CRITICS, 14A**

### Bookkeeping methods differ

The Advertiser used the same practices as the National Charities Information Bureau in examining how the Law Center used its \$13.6 million in total revenue for the 1993

budget year. Those methods differ from the center's, which shift a portion of fund-raising expenses to program costs. The center says its fund-raising letters are public education.



Source: Law Center's financial audit for 1992-93 budget year

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# CRITICS

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Mr. Dees then incorporated the woman's comments into a fund-raising letter.

"I thought this was very, very touching that someone would make that sacrifice," Mr. Dees said in an interview with the *Montgomery Advertiser*.

Today, donations have never been better. An average of \$31,348 poured in every day for a total of more than \$11 million in the past budget year, according to federal tax forms that nonprofit organizations such as the Law Center must make public.

The Law Center has reserve funds of \$52 million. And only three charities in the country could fund their programs longer without raising another cent, according to an examination of 300 charities by the American Institute of Philanthropy, a charity oversight organization. The Institute of Philanthropy compared each charity's reserves with its annual spending levels.

Just what the Law Center does with all that money — and why it continues to raise so much of it — is a source of concern among some former staffers, colleagues in the liberal community and charity watchdog groups.

Some question the value of the center's recent programs, in particular its focus on suing the Ku Klux Klan, a group the Rev. Jesse Jackson terms "a phantom of the past." Critics say it's silly to give to the Law Center while other charities — groups that, for example, feed the hungry or run programs in inner-city ghettos — desperately need contributions.

Supporters of the Law Center say it has been a powerful weapon for racial justice for 23 years. In the 1970s, the center sued for voting and employment rights. In the 1980s, it turned its attention to suing the Ku Klux Klan and other hate groups. Now the Law Center is taking its message to the classroom by supplying schools throughout the nation with free videotapes designed to promote racial and cultural tolerance.

## A close look

For more than two years, the *Montgomery Advertiser* has taken a close look at the Southern Poverty Law Center. What emerges is a complex portrait of a wealthy civil rights organization essentially controlled by one man: Morris Dees.

He is seen as a hero by many of the more than 300,000 people who respond to his appeals for money. But critics say he ignores unpopular civil rights issues, focusing instead on issues that will raise vast sums of money. They also accuse Mr. Dees of being petty and ruthless, an egotistical man who carefully grooms his image to appeal to generous donors.

An important part of the Law

Center's story will not be told in this series.

The Law Center adamantly refused to provide the *Advertiser* with detailed financial records that would show how the nation's wealthiest civil rights charity spends its money. The center also refused to furnish reports — or minutes — of board meetings.

Here is what the *Advertiser* did find:

■ Since Aug. 1, 1984, the Law Center has taken in about \$62 million in contributions and spent about \$21 million on actual programs, according to federal tax records.

■ During the same period, the center's total income from its investments (\$22.1 million) exceeded the amount it spent on its actual programs (\$20.8 million). Still, the center continues to aggressively solicit funds from donors. In more than 15 different fund-raising letters obtained by the *Advertiser*, it has exaggerated its need for money.

■ During the same period, the center never spent more than 31 percent of its revenue on programs and has spent as little as 18 percent.

■ A random sampling of donors — people who receive a steady stream of fund-raising letters and newsletters — showed they had no idea the organization was so wealthy.

■ Three nationwide organizations that monitor charities have criticized the Law Center for misleading donors and spending too little on programs.

■ The Law Center, which has crusaded for the rights of blacks for 23 years, is controlled by whites. It has hired only two black staff attorneys in its history, both of whom left unhappy.

■ Twelve black former employees of the Law Center said they either experienced or observed problems with the way blacks were treated inside the Law Center — problems ranging from a paternalistic attitude to racial slurs.

■ There are no blacks on the eight-member staff of the Teaching Tolerance project, which supplies videotapes and magazines on racial issues to schools at no charge.

■ In a series of fund-raising letters, the Law Center implied it forced the United Klans of America to pay \$7 million to the mother of lynching victim Michael Donald in 1987. Beulah Mae Donald actually received only \$51,874.70 from the impoverished Klansmen. Meanwhile, the Law Center collected millions as the result of fund-raising letters about the case.

■ The Law Center has not filed a lawsuit against a hate group in more than four years. It continues to solicit donations — aggressively and effectively — for these types of lawsuits.

■ The governing board is made up of friends and former Law Center colleagues of Mr. Dees. Mr. Dees currently holds

three high-ranking titles at the Law Center.

### Many accomplishments

Mr. Dees and his supporters are quick to note the Law Center's accomplishments. In Alabama, the civil rights charity has changed the way things are done.

For example, the Law Center's suit to integrate the Alabama state troopers has made the force's large black contingent the envy of other states, said Floyd Mann, a former commander of the Alabama state troopers.

Other Law Center lawsuits forced cotton mills to improve conditions for workers suffering from brown lung disease and brought fair taxation to poor counties in Kentucky. And the Law Center developed new strategies for defending suspects on death row.

In Montgomery alone, the Law Center has given blacks a voice in government and on juries. And its Civil Rights Memorial attracts hundreds of visitors daily, center officials report.

### Fighting the Klan

The Law Center reached many of its legal accomplishments in the 1970s and early 1980s.

Since then, Mr. Dees has focused the Law Center's attention on the Ku Klux Klan and other hate groups.

The center has held three Klan factions as well as the California-based White Aryan Resistance financially liable for the actions of their members.

But other than random acts of violence — no matter how gruesome — the Klan and other white supremacists are more bark than bite, some former staffers say.

Mr. Dees chose to focus on the Klan to raise more money for the Law Center, said three former staff attorneys: Mr. Balske, Deborah Ellis and Dennis Sweet, now a Mississippi legislator.

Going after the Klan has brought in tens of millions of dollars from throughout the nation.

"The market is still wide open for the product, which is black pain and white guilt," said Gloria Browne, one of only two black staff attorneys to ever work at the Law Center.

Throughout the 1980s, Mr. Dees referred to an embattled Southern Poverty Law Center under attack by the Ku Klux Klan. In a fund-raising letter sent in the mid-1980s, he described the South as a region plagued by "armed Klan paramilitary forces (that) freely roam our wooded hills from Texas to North Carolina practicing with military-like weapons to 'kill niggers and Jews' in a race war they are planning."

The images captivated Hildegarde Hannum, a New England woman who has given to the Law Center since 1985.

Of Mr. Dees, she said, "I just have so much admiration for somebody who really puts his life on the line every day."

## The Law Center's money

### RESERVES

1982-83	\$9.4 million
1983-84	Unavailable
1984-85	\$12.2 million
1985-86	\$14.3 million
1986-87	\$16.7 million
1987-88	\$20.5 million
1988-89	\$24.3 million
1989-90	\$33.5 million
1990-91	\$38.6 million
1991-92	\$44.2 million
1992-93	\$47.3 million
Jan. 1994	\$52 million

### PROGRAM SPENDING

1982-83	\$1 million
1983-84	Not available
1984-85	\$1.2 million
1985-86	\$1.3 million
1986-87	\$1.7 million

1987-88	\$1.6 million
1988-89	\$2.0 million
1989-90	\$2.5 million
1990-91	\$3.1 million
1991-92	\$3.4 million
1992-93	\$4.2 million

### TOTAL REVENUE

Contributions in parentheses	
1982-83	\$3.7 million (\$2.5 million)
1983-84	\$5.1 million (\$3.9 million)
1984-85	\$5.8 million (\$4.2 million)
1985-86	\$7.6 million (\$4.9 million)
1986-87	\$7.4 million (\$4.9 million)
1987-88	\$7.6 million (\$5.5 million)
1988-89	\$11 million (\$6.6 million)
1989-90	\$10 million (\$7.2 million)
1990-91	\$10.4 million (\$7.8 million)
1991-92	\$12.7 million (\$9.1 million)
1992-93	\$13.6 million (\$11.4 million)

Source: Audited financial statements and Form 990 filed with Internal Revenue Service

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Of the Law Center, she said, "I think of it as being kind of a bare-bones place that isn't going to have luxurious appointments — that they're on the frugal side in the way they furnish the place."

She didn't know the Law Center had an opulent building, an \$8,000 wall sculpture in its lobby, \$52 million in reserves and three executives who each make more than \$100,000 annually.

### Financial mystery

Although much of the Law Center's finances are a mystery, center officials have said how much they plan to spend on their new Teaching Tolerance project.

Already, the Law Center has mailed more than 46,000 copies of the videotape, "A Time For Justice, America's Civil Right's Movement," to schools throughout the nation — free of charge.

The Law Center plans to distribute five more installments of videotapes. The next one will document the history of hate crimes in the United States.

The Teaching Tolerance project will cost more than \$10 million over the next five years, according to the Law Center. For an expensive project like this, Mr. Dees said he'd like to boost investments to \$100 million before the charity stops fund raising.

"That ought to run the center. That's our goal," he said.

It's not the first time the Law Center has made such a statement.

In the January-February 1978 issue of its newsletter, the Law Center said it would stop fund raising when its investments reached \$5 million.

"It's funny how that sort of changes," said Mr. Balske, the former legal director. "The pot keeps going up."

### Misplaced priorities?

That the Law Center continues to warehouse millions of dollars is a concern for charity watchdog groups and some former staffers.

"People are out here starving and homeless," said Rep. Sweet, the center's other black former staff attorney. "You've got (other charities facing) all kinds of real serious problems that people need money to fund."

Rep. Sweet, who worked at the Law Center from 1984 to 1986, recalls an example of what he saw as Mr. Dees' misplaced priorities.

Rep. Sweet went to the burned home of an Amory, Miss., family at Mr. Dees' instruction to investigate a report of possible Klan activity.

"When I got there ... they said they didn't think it was Klan-related," Rep. Sweet said. "But then they (spoke) about all these housing violations and housing problems, and they thought that was the problem."

While Rep. Sweet was there, he was told the local NAACP chapter had sent money it normally would have used for a scholarship to the Law Center after reading about its anti-Klan work.

Rep. Sweet returned to the center, told Mr. Dees what he had found and asked if the Law Center would pursue a housing discrimination lawsuit. Mr. Dees told him no.

Last week, Mr. Dees said he did so because there was no sign that an individual had been discriminated against. And he told Rep. Sweet the case could be better handled by the center's lawyer-contacts in Mississippi, who would have more luck with juries than out-of-state lawyers.

But being considered outsiders hasn't stopped center officials from taking cases in other states, including Florida, Georgia, Oregon, Texas, Kentucky and Louisiana.

Rep. Sweet has a different recollection of why Mr. Dees didn't want the center to pursue the Amory, Miss., case.

He said Mr. Dees told him, "No. Our attention is on the Klan. Let some other lawyers — some do-good lawyers — come through and file a suit."

## Comparing SPLC to others

How does the Southern Poverty Law Center stack up against other civil rights charities? Sketches of three other organizations' finances for the 1992 budget year:

### SOUTHERN POVERTY LAW CENTER

Net assets at end of Fiscal Year 1992	\$48.1 million
Reserves	\$44.2 million*
Total revenue for year	\$12.7 million
Public contributions	\$9.1 million
Total expenses	\$6.8 million
Program and some fund-raising expenses	\$4.4 million
% revenue to programs and some fund-raising expenses	35%
Salary of executive director Morris Dees	\$156,433

### AMERICAN CIVIL LIBERTIES UNION

Net assets at end of Fiscal Year 1992	\$3.2 million
Reserves	\$40,000
Total revenue for year	\$8.9 million
Public contributions	\$8.8 million
Total expenses	\$8.9 million
Program and some fund-raising expenses	\$6.9 million
% revenue to programs and some fund-raising expenses	78%
Salary of executive director Ira Glasser	\$57,000**

### ACLU FOUNDATION

Net assets at end of Fiscal Year 1992	\$11.1 million
Reserves	\$949,000
Total revenue for year	\$12.3 million
Public contributions	\$9.9 million
Total expenses	\$12 million
Program and some fund-raising expenses	\$9.8 million
% revenue to programs and some fund-raising expenses	80%
Salary of executive director Ira Glasser	\$57,000**

### NAACP LEGAL DEFENSE AND EDUCATION FUND

Net assets at end of Fiscal Year 1992	\$16.9 million
Reserves	\$8.7 million
Total revenue for year	\$8.8 million
Public contributions	\$7 million
Total expenses	\$9.6 million
Program and some fund-raising expenses	\$7.6 million
% revenue to programs and some fund-raising expenses	87%
Highest salary:	\$112,350

\*1993 reserves totaled \$52 million

\*\*ACLU and ACLU Foundation each contribute half of the salary for a total of \$114,000.

Source: Advertiser research, Form 990 filed with Internal Revenue Service

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