Veteran Charity Fraud

Al Tompkins-Poynter
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Failing Grades

- Half of the 39 veteran charities rated by the American Institute of Philanthropy in May 2011 got a grade of “F”
The “F” Class

-American Ex-Prisoners of War Service Foundation (F)
-American Veterans Coalition (F)
-American Veterans Relief Foundation (F)
-AMVETS National Service Foundation (F)
-Coalition to Support America's Heroes (F)
-Disabled Veterans Association (F)

Notice the similarity of the name to Disabled American Veterans
-Freedom Alliance (F)
-Help Hospitalized Veterans/Coalition to Salute America's Heroes (F)
-Military Order of the Purple Heart Service Foundation (F)
-National Veterans Services Fund (F)
-NCOA National Defense Foundation (F)
-Paralyzed Veterans of America (F)
-VietNow National Headquarters (F)
A Closer Look at the “F’s”
25% of the $168 million raised between 2004 and 2006 by Chapin's veterans charities, Help Hospitalized Veterans (HHV) and Coalition to Salute America's Heroes (CSAH), went to veterans.

During the same period Chapin and his wife received $1.5 million pay

$446,000 of charity funds bought a condo for Chapin and his wife

Chapin’s friend was paid $14m to conduct fundraising campaigns for HHV
War’s Disabled Made Basis for Fake Charities

New York, March 29.—(AP)—Raising funds for disabled and needy World War veterans is one of the most profitable projects of the fake charity promoter, the New York Evening Post says today in an article of a series of fraudulent charity drives.

The armistice had scarcely been signed when the “battalions of bunk” began an offensive against “kind hearted store keepers and housewife, that netted millions of dollars.” Funds were organized for shell-shocked veterans, gassed and tubercular soldiers, cripples in need of crutches, and blinded soldiers deserving mountain homes.

Commissioner Coler of the department of public welfare said yesterday that several million dollars have been fraudulently raised in New York City since 1918 by organizations purporting to aid ex-soldiers, but actually hiding the proceeds away in secret bank accounts.

Many of the solicitors for fake charities are men who assert that they are veterans, but even this is not always necessary for success.

Two mop women, wearying of scrubbing floors, decided to organize the “Ex-Service Men’s Aid.” Their equipment consisted of several borrowed neighbors, children and copies of a small pamphlet, “The Flag—How to Respect It and How to Display It.”
American Veterans Relief Foundation, raised $3.6 million and spent only $21,000 on veterans' grants and assistance. (source: December 2007 and January 2008, the House Oversight Committee)
Example

- Disabled Veterans Association, paid a fund-raiser $4 million and kept only $500,000 -- about 10 percent -- to accomplish its mission.

(source 2007 Congressional hearing)
Consider

- 54% of veteran’s charities fail at least one major portion of the Better Business Bureau’s Wise Giving Alliance criteria
The Main Problem

- In order to qualify as a tax-exempt charitable organization under IRS Code Section 501(c), an organization need contribute a mere 5% of the fair market value of its assets to its designated charitable cause.

- Obviously, if its assets consist of cash solicited from donors, that means it would have to donate only 5% of the cash it collected in order to maintain its tax-exempt status.
Bobby Thompson

- Headed US Naval Veteran’s Association
- Took in more than $100 M in 7 years
- None of the association’s 85 board members exist
- The association’s address, 1718 M St Washington DC is a UPS store mailbox.
Bobby Thompson

United States Navy Veterans Association

Member, United States Naval Academy Blue & Gold Admirals’ Row Club
Thompson gained credibility for his organization, and donors' trust, by claiming that he and other charity officers were ex-military men.

Also claimed USNVA had been in operation since 1927 with dozens of local chapters throughout the U.S.

The charity's website boasted of 66,000 "members," cited substantial contributions from nonexistent foundations.
Don’t Get Salary Obsessed

- Charities know that donors focus on salaries, so some pay low wages then hire expensive outside fundraising companies or consultants.
- In this way a charity can report certain overhead costs in a lump sum on its tax form rather than tying these expenditures to a specific employee.
- *F* rated charities tend to pay far lower salaries than *A* rated ones. Then they hire friendly consultants.
Salaries Get the Mission Done

- Consultant quoted as saying: “Donors don’t want to contribute to salaries—they want to contribute to the fulfillment of the [nonprofit’s] mission.” (AJC story August 2008)

- The Atlanta Police Fund spent 58% of income on salaries, but 78% on programs.

- **Remember**: Sometimes the salaries pay the people (teachers, nurses, doctors, researchers) who are doing the charity work. Salaries are not necessarily bad.
Look at Total Compensation

- *The Asia Foundation* paid its director $229,787 then made a $250,000 housing loan saying “Each installment [on the loan] shall be forgiven if, on its due date, the President has not resigned or been terminated for cause from the Foundation.”
Let’s Investigate

- Income
- Expenses
- Assets

Look at what the charity says it does
Our Target

PARALYZED VETERANS OF AMERICA
Changing Lives, Building Futures.
www.PVA.org
A Public Service Message of Paralyzed Veterans of America.
The I-990 Examination
Charities Often Use Celebrities

BEN AFFLECK
for
PARALYZED VETERANS of AMERICA
They Also Like NASCAR
The “A” Class

- Air Force Aid Society (A+)
- Armed Services YMCA of the USA (A-)
- Army Emergency Relief (A+)
- Fisher House Foundation (A+)
- Intrepid Fallen Heroes Fund (A+)
- National Military Family Association (A)
Super Star

Fisher House Foundation

Providing a "home away from home" for military families to be close to a loved one during hospitalization for an illness, disease or injury. LEARN MORE

Thank you for your support!

Our revenue goes to the programs that help Military Families

96% PROGRAM | 2% ADMINISTRATION | 2% FUNDRAISING
Key Questions

- How does program spending compare to overall income and spending?
- Was this year a fluke?
- Is fundraising part of program spending?
- Who profits from this charity most?
Remember

- Not all charities are awful. Some are remarkable. It is unfair to the good ones to allow the bad ones to steal money and profit from veterans.
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Al Tompkins-Poynter
tompkins@poynter.org