Wrongdoing by Officers and Directors of Charities:
A Survey of Press Reports 1995-2002

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September 2003
Working Paper No. 20

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Abstract

This paper presents the results of a survey of newspaper reports published between 1995 and 2002 of incidents involving criminal and civil wrongdoing by officers and directors of charitable organizations. Of the one hundred and fifty-two incidents found, one hundred and four entailed criminal activity, fifty-four involved breaches of the duties of loyalty and prudence—self-dealing, failing to carry out the mission of the charity, and negligent management of assets—while six fell into both categories. The authors set forth the limitations of a study of this nature and point to problems of governance that emerged from their findings.

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Despite newspaper reports and statements from government regulators suggesting that there is widespread dereliction of duty by the managers and directors of nonprofit charitable organizations, the extent of wrongdoing is difficult to determine. There are a number of reasons for this lack of information. In part it is due to the fact that there is little policing of charitable activities nationwide. It is also due to the nature of the regulatory process itself. Although many states regulate the fundraising activities of charities, very few attempt to assure that charitable fiduciaries are obeying their duties of loyalty and care. The police role has by default fallen on the Internal Revenue Service which, until recently, had few tools to correct misbehavior.

Lack of information on the extent of wrongdoing by charity managers is also attributable to the nature of regulation. Matters under investigation are not publicly disclosed; disputes are most often resolved by agreement, and the terms of the settlements are not made public; many cases that are resolved in the courts are not reported in the newspapers. This is true of both federal and state enforcement actions.

Accepting these limitations, newspaper reports of scandals involving the directors, officers and trustees of charities do shed some light on the nature of wrongdoing as well as its extent. This paper summarizes the results of a computer search of newspaper reports of breaches of duty by charitable fiduciaries published between 1995 and 2002 that are included in Lexis/Nexis, under the key words "nonprofit," "charity," "scandal," "investigation," "embezzlement," “theft,” “fiduciary duty,” and "attorney general." The Lexis/Nexis All News

Group File Database includes 13,111 English-language news sources from U.S. and international newspapers, magazines, journals, newsletters, wire services and broadcast transcripts and includes daily newspapers from all of the major cities in the United States. The cases and sources are described in Tables 1 and 2.

The results of an initial search were refined so that only instances of alleged wrongdoing by persons who have primary fiduciary responsibility for the charity involved were included. There are many reports of criminal and civil wrongdoing by employees of charities; these reflect management failure. In contrast, the focus of this study is on failures on the part of those who are charged with oversight of management, on the legal remedies available to correct breaches of the duties of these fiduciaries and the extent to which they are pursued, particularly by government regulators. Unfortunately, many news reports do not distinguish among fiduciaries and other employees of charities. Certain titles, notably "executive director", "chief executive officer", "chief administrative officer", "treasurer", and "chief financial officer", are often insufficiently explicit to permit a definitive classification. An example of the distinction is found in the reports of wrongdoing on the part of two consecutive managers of the United Way of the National Capital Area who were charged in 2002 and 2003 with fiscal abuse. Both men were described in press reports as "chief executive", although neither was an officer or board member.[1] In that instance and in others, available IRS Form 990 Information Returns were examined in an attempt to determine the exact legal status of the alleged wrongdoer.

The search identified one hundred and fifty-two incidents involving civil or criminal wrongdoing, with six of them in both categories. One hundred and four involved criminal activity, and fifty-four involved breaches of the duties of loyalty and care – self-dealing, failing

[1] David Cay Johnston, "United Way Official Knew About Abuses, Memo Says," *New York Times*, September 3, 2002, at A12; Jacqueline L. Salmon and Peter Whoriskey, "Audit Excoriates United Way Leadership," *Washington Post*, August 12, 2003, at A1.

to carry out the mission of the charity, and negligent management of assets. The universe of charitable organizations is estimated to be 1.4 million and they hold assets worth more than $2 trillion. In four of the criminal cases, individuals and other charities were defrauded in Ponzi-type schemes of $1.1 billion, of which $533 million was reported to have been recovered. In one other fraud case the amount involved was $50 million. At the other extreme, thirty-nine of the criminal cases involved theft of $100,000 or less; of these nine were under $10,000. In the second largest group, twenty-eight cases, the amount involved was between $100,000 and $1 million. Included in the study are cases involving Adelphi University, the Allegheny Health system in Pennsylvania, the United Ways of Santa Clara and the National Capital Area, the International Olympic Committee and its Utah affiliate, the Bishop Estate and the four Ponzi-type schemes: Foundation for New Era Philanthropy, Baptist Foundation of Arizona, Greater Ministries International and Mid-America Foundation. Each of these received nationwide attention and created an impression among some commentators that wrongdoing in the sector was pervasive. The limited number of instances of wrongdoing found in this study is not meant to refute those claims for the study can in no way be considered comprehensive. Rather, it should be viewed as providing some insight into the nature of wrongdoing in the field, as well as evidence that, under appropriate circumstances, the states and the federal government are able to correct improper behavior on the part of charitable directors, officers and trustees entailing not only violation of the criminal laws, but breaches of their civil duties.

The first section of this paper deals with instances of crimes, while the second focuses on breaches of fiduciary duty. In each part, the nature of the crimes or the duties being violated are described, followed by the results of the research. The results, in turn, indicate the nature of the organizations involved, the criminal activity or duty that was breached and the formal charges that were made; the position of the persons involved; how the wrongdoing came to light; the prosecuting agency; and finally, the outcome of investigations and legal proceedings. The paper concludes with a summary of two previously published studies of scandals and conclusions drawn from the reported information.

CRIMINAL ACTIONS

<u>Federal Law and Regulation</u>: Under the American legal system, both federal and state governments regulate criminal activity. The federal government's power extends to activities affecting its police power, interstate commerce and the protection of property owned by the federal government. Prosecution is in the hands of the United States Attorneys working under the Department of Justice. In the case of tax-related offenses, the Criminal Investigation Division of the Internal Revenue Service is charged with conducting investigations of alleged criminal violations of the Internal Revenue Code and the federal Criminal Code, but the Department of Justice has the ultimate power to authorize or decline to prosecute criminal tax cases.

Numerous federal criminal statutes may apply to both national and local nonprofits where criminal wrongdoing has been discovered. For example, the wrongdoing committed by the president of the Foundation for New Era Philanthropy, included in this survey, illustrates the variety of criminal statutes available to prosecute criminal wrongdoing in the nonprofit sector. John G. Bennett, Jr., president of the Foundation for New Era Philanthropy until its collapse in 1995, pleaded guilty in 1997 to a range of federal charges: bank fraud, mail fraud, wire fraud, making false statements to the government, filing false tax returns, impeding the administration of revenue laws, money laundering, and money laundering to promote unlawful activity.[2]

A unique feature of the federal laws is the fact that the federal theft statute is inapplicable to cases in which the wrongdoer is alleged to have stolen funds from a charity, because the statute applies only to property belonging to the federal government.[3] A fiduciary of a nonprofit organization who is alleged to have taken money from the organization for private gain will be charged with violating specific federal statutes applicable to the facts of the case, but not with the more general crime of theft. For example, mail and wire fraud are used to prosecute cases in which a scheme to defraud included the use of the mails or wire transmissions.[4] The only actions which fall outside the scope of the mail fraud statute are those in which the mails are not used, or in which use of the mails is wholly incidental to or not in furtherance of the scheme. Intrastate mailing is sufficient to trigger the statute. In contrast, a wire transmission must be interstate or foreign to fall within the purview of the wire fraud statute.

In 1984 Congress enacted a statute specifically designed to apply to those instances in which federal funds received pursuant to a federal grant program or a contract with a federal agency have been misappropriated.[5] Its purpose was “to augment the ability of the United States to vindicate significant acts of theft, fraud, and bribery involving Federal monies that are disbursed to private organizations or State and local governments pursuant to a Federal program.”[6] For the statute to apply, the property wrongfully taken must be valued at $5,000 or more and the organization must have received federal “benefits” as defined in the statute. This encompasses any type of federal assistance, including grant, contract, subsidy, loan, guarantee or

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[2] U.S. v. John G. Bennett, Jr., 161 F.3d 171 (3d Cir. 1998).
[3] 18 U.S.C. §641.
[4] 18 U.S.C. §1341 (mail fraud), §1343 (wire fraud).
[5] 18 U.S.C. §666.
[6] S. Rep. No. 225, 98th Cong., 2d Sess. 369 (1984).

insurance, in excess of $10,000 in any one year during which the alleged criminal activity occurred. There is also a federal statute which prohibits submitting any false, fictitious or fraudulent claims to any federal agency.[7]

State Law and Regulation: The power of state and county governments to regulate criminal activity stems from their police powers. The source of criminal law may be common law, statutory law or a combination of them. The modern trend has been to codify criminal common laws, but this does not mean that the criminal laws of the various states have become uniform.

State district attorneys, operating at the county level, have the principal responsibility for prosecuting crimes. State attorneys general are the chief legal officers of the state and in most instances have concurrent power with the district attorneys to prosecute crimes, particularly criminal appeals and serious statewide criminal prosecutions.

The most common violation of criminal law in the nonprofit sector is theft of charitable funds for personal use. Under modern criminal statutes, at least two separate crimes may be classified under theft: larceny and embezzlement. Larceny, originally a common law crime but one which has now been codified in almost every state, entails taking and carrying away the personal property of another with the intent to deprive the possessor of it permanently.[8] In contrast, embezzlement, a creation of statutory law intended to fill the gap in the definition of larceny, entails the wrongful appropriation of personal property that is lawfully in the possession of the defendant.[9] Officers, directors and trustees of a charity are more likely to commit embezzlement than larceny, because in most instances they will have been in lawful possession of the charity's funds.

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[7] 18 U.S.C. §287.
[8] *Black's Law Dictionary*, 885 (7th ed. 1999).
[9] Id. at 540.

SURVEY RESULTS: CRIMINAL CASES **INSERT BOX A**

Nature of Charities Involved: Of the one hundred and four incidents included in the study, fifty-six involved human service providers. There was wide variety among the remaining organizations, reflecting the variety of the charitable sector. There were ten federated or caused-related fundraising organizations, nine hospital and health care organizations, and seven church or church related organizations. Five were athletic organizations, one of which was the Salt Lake City Bid Committee for the 2002 Olympics. There were also four education and arts organizations, four foundations, three civic and community organizations, two organizations providing public housing, and two advocacy organizations. One organization was responsible for the operation and maintenance of the Congressional Cemetery, and one was an animal shelter.

Thirty-two of the charities received grants or were under contract with a state or federal agency. Of these, twelve instances involved organizations providing child care or child care related services; five ran group care homes for the physically disabled or mentally ill; four operated homeless shelters; two operated housing or mortgage insurance programs under the auspices of HUD. The remaining organizations provided a variety of human services. This group of organizations are more fully described below.

Nature of Criminal Activity and Formal Charges: In all but two instances, wrongdoers were accused of taking money from the charity or diverting property donated to the charity for their personal benefit. In the two other cases, wrongdoers were accused of misusing charitable assets. Thus, in the case of the Allegheny Health, Education, and Research Foundation of Pittsburgh, the president pleaded no contest to a single misdemeanor count of misusing charitable funds by virtue of having diverted endowment funds of a hospital to finance the organization's operating costs. In another, the president of Logan General Hospital in West Virginia was found guilty of federal fraud charges, money laundering and failing to withhold payroll taxes when he was found to have diverted the funds of the hospital to finance a failed for-profit venture owned by the hospital.

Formal charges were brought against alleged wrongdoers in ninety-eight cases. Of these, twenty-six involved violations of federal criminal laws, twenty-three involved the conversion of funds from federal or state government agencies, nine were breaches of federal tax law. There were federal racketeering charges in three instances, federal securities charges in one instance, and federal bribery charges in one other. State theft charges were brought in fifty-five cases, state fraud charges in seven, and the charge of misapplication of charitable funds in one.

Ponzi-type schemes: In four instances, the defendants used Ponzi-type schemes to defraud investors. In the earliest of these cases, which involved the Foundation for New Era Philanthropy, charities were defrauded, while in the other incidents individuals were victims of the fraud. Substantial amounts were involved in each instance. The scheme conducted by the Foundation for New Era Philanthropy was started in 1989, when its founder, John G. Bennett Jr., persuaded a number of large public charities and private foundations to invest their assets in a fund that the foundation was managing on the basis of his assertion that their funds would be matched by gifts from anonymous donors. The anonymous donors did not exist, and by the time the scheme was exposed in 1995, the charities had lost an estimated $135 million. Bennett pleaded guilty to 82 counts of fraud, money laundering and tax evasion and was sentenced to 12 years in prison.[10]

In the three additional instances of investment fraud, each of which were aimed at individuals rather than other charities, two were conducted in the name of and for the benefit of

[10] U.S. v. John G. Bennett, Jr., 161 F.3d 171 (3d Cir. 1998).

religious organizations. One of these was operated by the Baptist Foundation of Arizona, an organization created to serve as the fundraising arm of the Arizona Southern Baptist Convention. After suffering losses from bad real estate investments in the late 1980's, the officers and directors of the Foundation used a Ponzi-type scheme to finance its liabilities. The scheme was exposed in 1999 when the Foundation filed for bankruptcy protection. It was revealed that investors had lost an estimated $570 million. In 2001, the treasurer, a member of the board and the president of a subsidiary of the organizations pleaded guilty to fraud charges. In October 2002, grand jury indictments on a combined 32 charges of theft, fraud and racketeering were brought against the Foundation's president, its general counsel, two board members, and a consultant to the Foundation. The case was pending as of August 2003.[11]

The second Ponzi-type scheme involving individual investors was conducted by Greater Ministries International of Tampa, Florida whose officers claimed they were investing in silver and gold mines which, in fact, did not exist. The losses to investors were estimated to be $353 million. After the scheme was exposed in 1998, federal prosecutors charged five church officials, including the president, with fraud and conspiracy. All were convicted. In 2001, the president was sentenced to 27 years in prison, while the others received prison terms ranging from 12 to 19 1/2 years.[12]

The most recent Ponzi-type case involved the Mid-America Foundation, whose founder and executive director, Robert R. Dillie, was alleged to have stolen $19 million of an estimated $53 million raised between 1997 and 2001 from the sale of charitable gift annuities to elderly investors. Dillie was named as a defendant in a civil suit filed by the Securities and Exchange

[11] Richard Williamson, "Baptist Foundation Leaders Await Their Judgment Day," *Non-Profit Times*, November 1, 2002, at 8.
[12] Debra E. Blum, "Florida Church Leaders Convicted of Fraud," *Chronicle of Philanthropy*, May 3, 2003, at 44.

Commission in December 2001, and was also indicted in a federal criminal case on 193 counts of wire fraud and money laundering. These cases were pending as of August 2003.[13]

Position of Persons Involved: Fifty-six cases involved the executive director, thirty-one the president and one the chief executive officer of the charity; in ten the treasurer was implicated; and in eleven it was the directors or trustees. In twenty-two instances, the wrongdoer was also identified as the "founder" or original donor of the organization.

In five instances the individual defendants were repeat offenders. In three cases, the wrongdoer had been convicted of embezzlement from another charity;[14] in one the defendant, who was convicted of embezzlement, had previously been fired from another charity amid allegations of embezzlement;[15] and in the fifth, the defendant, who was subsequently convicted of embezzlement, was reported to have lost his CPA license and was accused by business partners of misappropriating money.[16]

In another case involving repeat violations, two officers of Ocean House Center, a charity that operated an adult care facility for the mentally ill in New York were indicted for fraud.[17] One year later, the New York Attorney General filed a civil suit seeking removal of eleven officers and board members and restitution.[18] It was revealed in court papers that the brother-in-law of the executor director of Ocean House had been the executive director of its predecessor

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13 "Federal Grand Jury Indicts Ariz. Charity Head," *Chronicle of Philanthropy*, March 6, 2003, at 37.
14 Community Service Council; D.C. Community Services; Port Cities Rescue Mission.
15 Salt Lake Donated Dental Services.
16 Haskell Foundation.
17 Clifford J. Levy, "2 Accused of Looting Home for the Mentally Ill in Queens," *New York Times*, June 28, 2002, at A1; *see also* New York State Commission on Quality of Care for the Mentally Disabled, *Exploiting Not-For-Profit Care in an Adult Home: The Story Behind Ocean House Center, Inc.* (December, 2001).
18 Office of New York Attorney General, Press Release, "State Lawsuit Seeks to Recover Adult Home Funds," February 7, 2003.

organization and in 1996 was convicted of bank fraud, misappropriation of funds held as a fiduciary and theft involving federal funds.[19]

How the Prohibited Activity Came to Light: Nineteen incidents were uncovered in the course of audit by a governmental agency from which the charity received grants or was under contract. Seven of these investigations were conducted by the Inspector General of the US Department of Agriculture, and two by HUD. The General Accounting Office also reported to Congress on the results of both of these investigations. In eighteen instances, wrongdoing was first identified during the course of routine internal audits or was discovered by board members or employees, while four came to light as a result of newspaper investigations. In the remaining cases, no information was available as to how the wrongdoing was uncovered.

Prosecuting Agency: State attorneys general initiated the prosecution in eleven cases and the investigation in an additional six instances; state district attorneys prosecuted forty-one cases and investigated four; the U.S. Attorney's office prosecuted forty-six cases. In nineteen cases the charity was investigated by a government agency from which the charity received grants or was under contract, in seven the IRS conducted the investigation, and in one the SEC was the first to prosecute the wrongdoing.

Outcome of Investigations and Prosecutions: Formal charges were filed in ninety-eight cases, of which eighty-five resulted in convictions and fourteen were pending as of August 2003. Of the eighty-five convictions, the defendant was sentenced to jail or placed on probation in seventy-four cases; in ten cases sentencing was pending as of August 2003. In one case, the presiding judge approved a plea agreement which included a life-time ban for the wrongdoers from serving as financial officers for any charity in the state.

[19] U.S. v. Zyskind, 118 F.3d 113 (2d Cir. 1997).

In the cases in which formal charges were filed, approximately $1.28 billion was involved. Of this amount, an estimated $1.1 billion was reported lost by investors in four charities operating Ponzi-type schemes. Restitution was made in twenty-three cases, amounting to an estimated $563 million. Of this amount, $533 million was recovered in the four Ponzi-type cases. An estimated $2 million was reported to have been recovered by charities from insurance. A total of $1.45 million in fines were imposed in nine different cases but no information is available as to the actual amounts recovered.

A Distinct Subset: Charities Administering Government Funded Programs

Among the criminal cases there is a distinct subset involving organizations which received the major part, if not all, of their funding from federal or state governmental agencies under statutes that required the recipient to be a nonprofit organization. As noted above, the charitable activities being carried out by the organizations in this group included providing childcare services, operating groupcare homes for the disabled or mentally ill, providing or managing housing for low-income residents or mortgage insurance for home rehabilitation and child and adult lunches. During the period under review, the Inspector General of the Federal Housing Agency and the General Accounting Office reported on problems with the administration of certain of their programs by nonprofit organizations.[20] The GAO Report was

[20] Office of the Inspector General, U.S. Department of Housing and Urban Development, *Interim Report: Section 203(k) Rehabilitation Home Mortgage Program*, No. 96-AT-221-1823 (July 15, 1996); General Accounting Office, *Homeownership: Problems Persist With HUD's 203(k) Home Rehabilitation Loan Program* (GAO/RCED-99-124), 1 (June 1999).

the subject of a Congressional hearing in 2001[21] and was followed by the issuance of new rules tightening the eligibility requirements for nonprofit participants.[22]

Similarly, the child and adult lunch programs administered under the supervision of the Food and Nutrition Service of the U.S. Department of Agriculture were investigated by its Office of Inspector General during a two and a half year period that began in 1996. Its final report, issued in August of 1999, identified 16 nonprofit organizations whose contracts had been terminated and it noted that 44 individuals had been charged with fraud or similar crimes.[23] In a subsequent report to Congress, released in May 2000, it was noted that 60 individuals had been charged with crimes, with 45 found guilty and 39 sentenced.[24] In response, Congress enacted legislation in 2000 designed to improve the management and integrity of the program. One of the key provisions was a requirement that participants have a determination from the IRS that they are tax-exempt charities described in section 501(c)(3) of the Internal Revenue Code.[25] Four of the cases reported by the Inspector General are included in this survey: Child Care Nutrition, Children of the Future, Majco, and Pacific Asian-American Family Care. No information regarding the others was readily available.

CIVIL ACTIONS: BREACH OF FIDUCIARY DUTIES

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[21] The Section 203(k) Housing Program: Hearing Before the Subcommittee on Oversight and Investigations of the Committee on Financial Services, Serial No. 107-44, 107th Cong., 1st Sess. 46 (2001).
[22] Office of the Assistant Secretary for Housing-Federal Housing Commissioner, Mortgagee Letter 02-01 (January 9, 2002).
[23] Office of Inspector General, U.S. Department of Agriculture, *Audit Report: Food and Nutrition Service Child and Adult Care Food Program National Report on Program Abuses: Presidential Initiative: Operation Kiddie Care*, Audit Report No. 27601-7-SF, 36-37 (August 1999).
[24] Office of Inspector General, U.S. Department of Agriculture, *Office of Inspector General Semiannual Report to Congress: FY 2000 – First Half*, 6 (May 2000).
[25] Agricultural Risk Protection Act of 2000, Pub. L. No. 106-224, §243(b), 114 Stat. 358 (2000); Grain Standards and Warehouse Improvement Act of 2000, Pub. L. No. 106-472, 114 Stat. 2058 (2000); see also 67 Fed. Reg. 43448 (June 27, 2002) (codified at 7 C.F.R. §226).

Federal Law and Regulation: Regulation of charities and their fiduciaries at the federal level is the province of the Internal Revenue Service, under its power to grant exemption from federal income, gift and estate taxes. With exemption, organizations described in section 501(c)(3) of the Internal Revenue Code ("charities"), an organization may receive contributions which qualify for income tax deductions. To qualify for exemption from federal income tax, charities and their fiduciaries must adhere to a set of prescribed standards set forth in the Internal Revenue Code. Until 1970, violation of the Code provisions would lead to revocation of tax exemption, but no penalties were imposed directly on individuals whose actions led to the revocation. The Tax Reform Act of 1969 imposed excise taxes on the fiduciaries of private foundations - a subset of tax-exempt charitable organizations - which engage in certain acts of self-dealing.[26] In 1996, Congress imposed similar limitations and similar tax penalties on fiduciaries of publicly supported charities who receive "Excess Benefits" from self-dealings and other financial arrangements with the charity.[27] These limitations apply to persons who are in a position to exercise substantial influence over the charity, a definition which effectively includes all directors, trustees and officers.[28]

Enforcement of these provisions falls in the first instance to the Internal Revenue Service, while the Justice Department serves as prosecutor in cases that are finally adjudicated in the federal courts. Administrative proceedings within the Internal Revenue Service are confidential so that, as noted above, it is not possible to ascertain the extent of violation of the federal rules. Furthermore, many cases are settled prior to recourse to the courts, and many others are settled before final adjudication. In some instances, the settlement agreement may require disclosure of

[26] I.R.C. §4941, codified by Tax Reform Act of 1969, Pub. L. No. 91-172, §101(b), 83 Stat. 487, 499-502 (1969).
[27] I.R.C. §4958, codified by Taxpayer Bill of Rights 2, Pub. L. No. 104-168, 110 Stat. 1475 (1996).
[28] I.R.C. §4958(f)(1)(A)-(C).

its terms; in others, the parties can agree to retain confidentiality, making it even more difficult to assess the extent of wrongdoing and the scope of corrections.[29]

State Law and Regulation: State laws, both statutes and common law, define the duties of charitable fiduciaries. Directors, trustees and officers of a charity owe a duty of loyalty to the organization which in effect prohibits them from making a profit at the expense of the organization. Fiduciaries also owe a duty of care, which varies depending on the state in which the charity is located, the legal form of the organization and, in some instances, the terms of the document under which it was established. Acts involving gross negligence are uniformly proscribed, while in most jurisdictions the duty of care is interpreted by applying a "Business Judgment Rule" under which fiduciaries are totally protected from liability for business judgments having a plausible basis of rationality, involving no conflicting interest, and having been made on a reasonably informed basis.[30]

Regulation of charities is the province of the state equity courts, while state attorneys general have the power, which is in most instances exclusive, to apply to the court to correct breaches of fiduciary duty. There is a wide range of equitable remedies available to the courts. They can compel accountings and issue injunctions prohibiting acts that will further damage the charity. They can remove fiduciaries and appoint new fiduciaries or receivers to take over the administration of the charity.

Despite the fact that power to correct abuses lies with the courts, attorneys general increasingly rely on a threat of litigation to correct abuses. Reliance on settlement agreements has long been a common practice in criminal and administrative law, but is new in regard to charities. It has a distinct advantage for state attorneys general whose offices are chronically

[29] Marion R. Fremont-Smith, *Governing Nonprofit Organizations: Federal and State Law and Regulation*, Ch. 7 (The Belknap Press of Harvard University Press, forthcoming 2004).
[30] Id. Ch. 4.

underfunded and short of staff, making them ill-equipped to undertake complex litigation. Whether the terms of a settlement are made public will depend on the parties involved; thus, as is the case with the IRS and the federal prosecutors, the exact extent of wrongdoing and correction cannot be readily ascertained.

SURVEY RESULTS: BREACH OF FIDUCIARY DUTY CASES **INSERT BOX B**

Nature of Charity Involved: Of the fifty-four organizations involved in breaches of fiduciary duties, twenty were human service providers, eleven were education and arts organizations, five were organizations providing public housing, five were hospital and health care organizations, five were foundations, three were federated or cause-related fundraising organizations, three were athletic organizations, one was a church or church related organization, and one provided management services for private foundations. Eleven of the charities received grants or were conducting activities under contract with a state or federal agency.

Nature of Fiduciary Duties Breached: The allegations of wrongdoing involved breaches of the duties of loyalty and care. Misuse of assets for personal benefit was present in twenty cases, self-dealing in eighteen, payment of excessive compensation in fourteen cases, and excessive expenditures in another eight. In four incidents, the allegations involved making improper investments, in four improper loans to insiders, in three maintaining inadequate records, in two improper use of restricted funds, and in another two failure to meet the payout requirements by a private foundation. The officers of five charities were accused of failing to carry out their organizations' charitable missions, in each case activities financed by HUD for which the organizations received state and federal funding.

Position of Persons Involved: Twenty-seven cases were brought against directors or trustees; twenty-three involved an executive director, seventeen implicated the president, four the chief executive officer, two were brought against the treasurer, and four against the charity itself. In thirteen instances, the wrongdoer was also identified as the "founder" or original donor of the organization.

How the Prohibited Activity Came to Light: Seven incidents were uncovered during an audit conducted by a governmental agency from which the charity received grants or was under contract. In eighteen instances, the wrongdoing was first identified during routine internal audits or was discovered by board members, employees or donors, while in eleven instances the wrongdoing was first detected in the course of newspaper investigations.

Prosecuting Agency: Thirty-seven of the investigations were instituted by the state attorney general and twenty-one of these resulted in the filing of a civil lawsuit. The largest number of cases, nine, were brought by the attorney general in New York; four by the attorney general in California; four by the attorney general in Minnesota; three by the attorney general in Texas and two each in Illinois, Massachusetts, Oregon, and Tennessee. In seven cases the charity was audited by an agency from which the charity received grants or was under contract, and five cases were investigated by the IRS. In one instance, the district attorney was involved in the investigation and in another the U.S. Attorney investigated.

One of the basic tenets of the law of charity is that the standing required to bring suit to enforce proper administration of charitable funds and compliance with the duties of loyalty and prudence is limited in almost every jurisdiction to the attorney general or to persons who can demonstrate a particular and close interest in the operation of the charity. Much criticism has been expressed of the doctrine of limited standing, particularly because of the fact that all attorneys general have limited funds and most have limited interest in enforcement of charities. These critics would broaden the standing rules to provide greater oversight of fiduciary behavior and consequently greater accountability.[31] It is not possible to draw definitive conclusions from the results of this survey as to whether broadening the standing requirement would have increased the number of instances in which breach of fiduciary duty would be brought to the attention of the courts. Compared with the number of criminal cases, it would appear that there is more that could be done to correct abuses, particularly if more attorneys general were interested in, willing, and possessed of sufficient funds to bring fiduciaries to court.

Outcomes: Of the fifty-four cases in this survey, in twenty-one formal charges were filed by the attorney general. Of these, four resulted in court decrees and ten were settled. The attorney general settled four additional cases. One charity was cleared, and there were eight instances in which allegations were made and no further action was reported.

The results of these actions included removal of officers or directors in ten instances, resignation of officers or directors in sixteen, restitution or imposition of fines in thirteen instances and new financial controls implemented in eight cases. Six charities were dissolved or their government contracts terminated, and, in one case involving charges of self-dealing, the attorney general reviewed the actions and found no improper activity. It was reported in one case that the terms of the settlement between the attorney general and the president and trustees of a charity included barring the wrongdoers from serving on the board of a nonprofit organization in the state without the attorney general's approval. In another case that was pending in August 2003, in which criminal charges had also been filed, the attorney general filed a civil suit against the president and trustees of a charity to recover funds, remove the wrongdoers and bar them from serving with any nonprofit organization in the state.

[31] Fremont-Smith, *Governing Nonprofit Organizations*, Ch. 6.

Unlike the criminal cases, restitution was made in only a few instances. These included Adelphi University, where the New York Board of Regents removed 18 of the 19 trustees and $3.5 million was recovered after a civil suit was brought by the attorney general. Of this amount, $1.45 million represented payments made under the terms of an insurance policy, $1.3 million was paid by the individual trustees personally and $750,000 by the president.[32] In the litigation involving Allegheny Health, Education and Research Foundation (AHERF), the court settlement directed distribution of $93.7 million, representing payments of $48 million from the insurers, $28.5 million from Mellon bank, $1 million from Allegheny General Hospital and $7.75 million from funds held by the bankruptcy trustees. More than $49 million of the total was paid to creditors, $22 million was paid to the Attorney General for distribution to the surviving charitable foundation, $13 million was paid for legal fees, and $4.5 million was paid to settle a class action lawsuit doctors brought against the Foundation.[33] In the settlement of the Bishop estate litigation, the insurer paid a total of $25 million, of which $5 million was for legal fees, $1.3 million was paid to cover the state's costs, and $14 million was paid to the Estate. The Estate in turn paid the IRS $9 million in excise taxes and an additional $4.9 in interest.[34] Each of the trustees reportedly paid $40,000 to settle excise taxes assessed under the "Excessive Benefit" provisions of I.R.C. §4958 based on charges by the IRS that the trustees received excessive compensation.[35]

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[32] Bruce Lambert, "New York Regents Oust 18 Trustees From Adelphi U.," *New York Times*, February 11, 1997, at A1; David M. Halbfinger, "Lawsuits Over Ouster of Adelphi Chief are Settled," *New York Times*, November 18, 1998, at B1.

[33] The settlement agreement is available at <http://www.attorneygeneral.gov/ppd/PDF/AHERF_Settlement_Agreement.pdf>; see also Jim McKinnon, "Ex-AHERF Chief Pleads No Contest," *Pittsburgh Post-Gazette*, August 30, 2002, at B1. See also In re Allegheny University of the Health Sciences & Philadelphia Health & Education Corp., Nos. 1296 and 1297 (Pa. Common Pleas Ct., Orphans' Ct. Div., May 20, 2002).

[34] The closing agreement with the IRS is available at <http://www.ksbe.edu/newsroom/filings/toc.html#closing>; see also Stephen G. Greene, "Insurer to Pay $25-Million to Settle Dispute in Hawaii," *Chronicle of Philanthropy*, October 5, 2000, at 42.

[35] Rick Daysog, "Ex-Bishop Trustees Pay IRS In Settling Tax Claims," *Star-Bulletin*, January 4, 2001, at 1.

The largest settlement involved the Lutheran Church-Missouri Synod Foundation which managed charitable remainder trusts on behalf of donors and charities affiliated with the church. When the Foundation sustained losses in excess of $40 million, the donors brought a class action lawsuit alleging that the Foundation's brokerage firm made high-risk investments and the Foundation's officers failed to exercise proper oversight over the brokerage firm. Under the terms of the settlement, the Foundation was to receive $9.675 million from the settlement, of which $3.2 million was paid to individual investors, and $6.475 million went to the charitable investors. Legal fees of $800,000 were paid on behalf of the individual plaintiffs from the $3.2 million they received. Under the terms of the settlement, the source of payments was not disclosed.[36]

OTHER STUDIES OF SCANDALS

Reviews of major scandals reported in the press between 1995 and 2001 have been published by Gibelman and Gelman.[37] In their first survey, they examined newspaper reports published between 1998 and 2001 relating to ten U.S. and thirteen international non-governmental organizations involved in the financing or delivery of health and human services. Nine of the ten U.S. charities covered in their study are included in this survey, the exception being one in which the defendant was an employee and thus the case did not fit within the parameters of this study.

In their second survey, Gibelman and Gelman reviewed newspaper reports published between 1995 and 2001 and identified twenty-three instances of wrongdoing in faith-based

[36] David L. Mahsman, "All Parties Settle Foundation-Loss Lawsuits," *LCMSNews*, No. 26 (May 14, 2002); William C. Lhotka, "Beneficiaries of Synod Trust Settle for $2.4 Million," *St. Louis Post-Dispatch*, October 17, 2002, at B4.
[37] Margaret Gibelman and Sheldon R. Gelman, "Very Public Scandals: Nongovernmental Organizations in Trouble," 12 *Voluntas* 49 (2001); Margaret Gibelman and Sheldon R. Gelman, "Should We Have Faith in Faith-Based Social Services?," 13 *Nonprofit Management & Leadership* 49 (2002).

organizations. Eleven additional cases in their study involved instances of neglect and abuse, including sexual abuse of children. Nine charities identified in the second study did not meet the criteria for inclusion in this review.

On the basis of their first survey, Gibelman and Gelman concluded that the principal source of wrongdoing was a failure of governance, specifically lack of appropriate oversight and a failure to institute or maintain accountability mechanisms, thereby creating situations ripe for exploitation. They recommended clarifying board responsibilities, establishing and maintaining internal controls to eliminate any possibility of fraud or deception, promoting board development and identifying new, trained and committed board members and better staff. Without these changes, they predicted that government would take action to tighten regulations and independent watchdog agencies may well become more vigilant in their oversight. No suggestions were made, however, as to the scope of government actions that might or should be taken.

In their second study, Gibelman and Gelman sought to analyze the managerial track record of faith-based organizations in the delivery of social services to determine the validity of arguments raised by those who support increasing public funding of social services by religious groups that these groups would be less immune to scandal than their secular counterparts. The findings in this study confirmed the conclusions reached in their first review, namely that the underlying issues were lack of appropriate oversight and failure to institute or maintain accountability mechanisms. "[T]he sanctity afforded religion does not make faith-based institutions immune from the types of wrongdoings that occur among secular nonprofits."[38] Beyond that, they believed it was not possible to draw comparisons as to the extent of wrongdoing or its nature. They called, however, for caution in exempting faith-based charities

[38] Gibelman and Gelman, "Should We Have Faith in Faith-Based Social Services?," at 55.

from basic oversight requirements, as would have been the case under the Bush proposals. "Just because an organization is faith-based does not exempt its leadership from the human frailties that beset other organizational leaders."[39]

CONCLUSIONS

Accepting the limitations noted in the introduction - notably that the information on which the study is based comes from press reports, and that much information about wrongdoing is not available to the public - it is nonetheless possible to draw some conclusions about the nature of wrongdoing in the charitable sector and the effectiveness of government regulatory efforts.

One hundred and fifty-two incidents of wrongdoing during a seven-year period from a universe of an estimated 1.4 million organizations reinforces an initial impression that there may be serious under-reporting, and an untold number of incidents that do not come to light due to provisions in state and federal law guaranteeing privacy. This is well-understood in regard to the federal tax laws, but possibly not as well comprehended when state regulation is considered. Further, given the fact that less than half of the states maintain active, funded programs regulating the behavior of charitable fiduciaries, the number of state investigations and prosecutions, compared with the federal, is noteworthy. Given the apparent rate of success of the prosecutions, it is likely that enhanced enforcement programs would increase the amount of funds recovered and could well have a positive deterrent effect. The fact that there were almost twice the number of criminal cases as those involving breach of fiduciary duty is again most likely attributable to the preponderance of regulatory tools to correct criminal behavior and the greater funding of state and federal agencies prosecuting crimes. The relatively large number of

[39] Id. at 57.

cases involving charges of misuse of federal and state funds by charities is of importance for several reasons. The federal statutes applicable in these cases provide explicit grounds for prosecution, as do the terms of grants and contracts. Furthermore, the role of the federal inspectional services in uncovering wrongdoing is apparent from the number of cases involving this subset of charities, although the presence of repeated offenders raises the question of whether the screening of recipients has been adequate.

The preponderance of human service agencies involved in both types of wrongdoing is striking: 56 of the 104 criminal cases and 20 of the 54 breach of duty cases. Also of interest is the fact that only one religious organization was involved in cases in which breach of fiduciary duty was alleged, while churches and church related organizations comprised one of the larger groups of criminal cases. The relatively small number of foundations involved in both categories does not on its face support Congressional charges made during 2002 and 2003 of widespread abuses on the part of these organizations.[40]

The amount of money diverted from charities appears large when the Ponzi-type schemes are included in the tally; without them, the total claimed by prosecutors to have been stolen or diverted, $177 million, is relatively modest in comparison with the $2 trillion of assets estimated to be held by charities nationwide.

Although not directly pertinent to this study, it is worth noting the wide discrepancy in the severity of sentencing, a subject that warrants further review. Where in one instance, theft of $21,000 resulted in a twelve-year prison sentence, in another, a defendant found guilty of theft of more than $800,000 was sentenced to fourteen months in prison. Finally, the role of the press in

[40] Harvey Lipman and Ian Wilhelm, “Pressing Foundations to Give More,” *Chronicle of Philanthropy*, 7 (May 29, 2003); Grant Williams, “Making Philanthropy Accountable,” *Chronicle of Philanthropy*, 23 (June 26, 2003).

uncovering criminal wrongdoing appeared slight, particularly when contrasted with its role in reporting on breaches of fiduciary duty.

As to the fifty-four instances in which individuals and organizations were alleged to have breached the fiduciary duties of loyalty and prudence, the smaller total number and the fewer federal cases are confirmation that these duties are defined primarily under state, not federal laws and that, with a few exceptions, authorized state officials, notably attorneys general, have possessed neither the personnel nor funds to pursue cases of this nature.

The preponderance of officers charged with wrongdoing lends support to the conclusion of Gibelman and Gelman that the root cause of wrongdoing is a failure of governance, although in the fiduciary duty cases, the laws of some states afford a high degree of protection to board members, making it difficult to build a case of breach of duty.

On the other hand, the outcomes of the fiduciary duty cases demonstrate the important role state regulation can play in protecting charitable funds, whether by terminating or reorganizing charities or removing and replacing fiduciaries who have breached their duties.

Two basic sets of questions are raised by the study. One relates to the role of government: specifically, whether stricter legal remedies are needed, or whether enhanced enforcement of existing laws would be sufficient to deter wrongdoing. Unfortunately, the study results do not provide an adequate basis for making informed judgments on either possibility, although the evidence regarding organizations that were apparently formed to qualify for government funding suggest at the least greater vigilance on the part of government contracting agencies. The second set of questions applies to the charitable sector itself, namely, whether there are measures that can be taken to improve governance. With the failures of governance in the private, for-profit sector revealed in 2002 and 2003, this topic has begun to receive attention from both government and the leaders of the charitable sector. This study, and others like it, cannot lay to rest allegations of pervasive wrongdoing in the sector. However, it does lend support to the view that wrongdoing is not as widespread as the sector's severest critics allege.

BOX A

SURVEY RESULTS: CRIMINAL CASES
TOTAL 104

NATURE OF CHARITY INVOLVED
56 Human services
10 Federated or cause related fundraising
9 Hospital & health care
7 Church or church related
5 Athletic
4 Education & arts
4 Foundations
3 Civic and community
2 Public housing
2 Advocacy
2 Others

32 Government funded programs
4 Ponzi schemes

NATURE OF CRIMINAL CHARGES
26 Federal fraud crimes
23 Converting funds from federal program
9 Federal tax crimes
3 Federal racketeering
1 Federal securities charges
1 Federal bribery
55 State theft crimes
7 State fraud crimes
1 State misapplication of charitable funds

PERSONS IMPLICATED
11 Director/trustee
88 President/CEO/executive director
10 Treasurer

INVESTIGATING AGENCY
11 AG prosecuted
6 AG investigated
41 DA prosecuted
4 DA investigated
46 US Attorney prosecuted
19 Government agency investigated
7 IRS investigated
1 SEC prosecuted
18 Internal audit or informant
4 Press reports

OUTCOME OF CASES
98 Formal charges
85 Convictions
14 Result of formal charges pending
6 Allegations

OUTCOME OF CONVICTIONS
74 Jail or probation
10 Sentencing pending
46 Restitution imposed ($30,589,233)
19 Recoveries* ($2,220,363)
9 Fines imposed ($1,453,00)

AMOUNT OF MONEY INVOLVED
Total: $1,279,039,532
Total for Ponzi schemes: $1,102,000,000
Total w/o Ponzi schemes: $177,039,532

*__AMOUNT OF MONEY REPORTED RECOVERED__
Total: $537,270,363
Total from insurance: $2,050,000
Total for Ponzi schemes: $533,000,000
Total w/o Ponzi schemes: $2,220,363

BOX B

SURVEY RESULTS: BREACH OF FIDUCIARY DUTY CASES
<u>TOTAL</u> 54

<u>NATURE OF CHARITY INVOLVED</u>
20 Human services
11 Education & arts
5 Public housing
5 Hospital & health care
5 Foundations
3 Federated or cause related fundraising
3 Athletic
1 Church or church related
1 Other

11 Government funded programs

<u>NATURE OF DUTIES BREACHED</u>
20 Misuse of funds for personal benefit
18 Self-dealing
14 Excessive compensation
8 Excessive expenditures
5 Failure to carry out purpose
4 Imprudent investments
4 Loans to insiders
3 Inadequate records
2 Misuse of restricted funds
2 Failure to comply with 5% payout rule

<u>PERSONS IMPLICATED</u>
27 Director/trustee
44 President/CEO/executive director
2 Treasurer
4 Organization

<u>INVESTIGATING AGENCY</u>
21 AG brought suit
16 AG investigated
1 US Attorney investigated
1 DA investigated
7 Government contractor investigated
5 IRS investigated
18 Internal audit or informant
11 Press reports

<u>OUTCOME</u>
4 Court decrees
11 Settled after suit filed
9 Suit pending
4 Settled before suit filed
8 Allegations

<u>RESULT OF CHARGES AND ALLEGATIONS</u>
10 Fiduciary removed
16 Fiduciary resigned
11 Restitution ($106,202,000)
2 Fine or surcharge
8 Financial controls instituted
4 Organization dissolved
2 Government contract terminated
1 Cleared

<u>OVERLAP WITH CRIMINAL CASES</u> 6

CRIMINAL ACTIVITY (1995-2002)

Organization [104]	First Public Report	Alleged Wrongdoer	Allegation	Outcome	Sentence and Restitution	Government Agencies Involved
Advance Development of New York (NY)[i]	1999	2 Directors (founder)	Theft of $75,000 from federal food program	Pleaded guilty	3 yrs probation each; $24,000 restitution ordered	US Attorney prosecuted; USDA investigated
Albemarle Area United Way (NC)[ii]	1995	Executive Director	Theft of $102,000	Pleaded guilty	7 yrs prison; full restitution ordered	DA prosecuted; Directors uncovered
Allegheny Health, Education, and Research Foundation (AHERF) (PA) [*iii]	1998	President	Diverted $52 million of endowment funds for operating costs; theft of $50,000	Pleaded no contest to misdemeanor count of misusing charitable funds	11 1/2 to 23 mos. alternate jail housing facility	AG prosecuted
American Bikers Aiming Toward Education (UT) [iv]	2002	Treasurer	Theft of $12,000	Pleaded guilty to forgery	30 days jail, 3 yrs probation; full restitution ordered	DA prosecuted
American Hellenic Educational Progressive Association (D.C.)[v]	1996	Executive Director	Theft of $1 million	Pleaded guilty to interstate transportation of stolen property	36 mos. jail; $981,000 restitution ordered	US Attorney prosecuted
American Parkinson's Disease Association (NY)[vi]	1995	Executive Director	Theft of $877,442, mail and wire fraud, tax evasion	Pleaded guilty	15 mos. prison; full restitution ordered	US Attorney prosecuted; IRS investigated
Baptist Foundation of Arizona (AZ)[vii]	1998	President; Treasurer; 3 Directors; President of subsidiary	Ponzi scheme; investors lost $570 million; President, 2 Directors: theft, fraud, racketeering; Treasurer, 1 Director, President of subsidiary: fraud	President, 2 Directors: pending; Treasurer, 1 Director, President of sub.: pleaded guilty	Pending [$418 million recovered by investors]	AG prosecuting
Birch Trails Girl Scout Council (WI)[viii]	2000	Executive Director	Theft of $7,500	Pleaded guilty	90 days jail, 2 yrs probation	DA prosecuted
Camel Barn Museum (CA)[ix]	1999	Executive Director	Theft of $2,000	Outstanding warrant: case pending		DA investigating
Capuchin Soup Kitchen (MI)[x]	2001	Executive Director	Theft of $828,267	Pleaded guilty	14 mos. prison; $828,267 restitution ordered	US Attorney prosecuted
Cherokee Children and Family Services (TN)[*xi]	2000	Executive Director (founder)	Theft of $578,000 from federal food program, money laundering, tax evasion	Case pending		US Attorney prosecuting; AG and state agencies investigated
Chicago Mental Health Foundation (IL)[xii]	1996	President	Theft of $5,000,000 from federal grants, mail and wire fraud, tax evasion	Pleaded no contest to theft of $1,200,000	5 yrs, 10 mos. prison	US Attorney prosecuted

[*] Breach of fiduciary duties also alleged.
[*] Breach of fiduciary duties also alleged.

CRIMINAL ACTIVITY (1995-2002)

Organization [104]	First Public Report	Alleged Wrongdoer	Allegation	Outcome	Sentence and Restitution	Government Agencies Involved
Child Care Nutrition (TN)[xiii]	1997	Executive Director	Theft of $127,000 from federal food program, mail fraud, money laundering	Convicted	9 yrs, 2 mos. prison; $127,000 restitution ordered	US Attorney prosecuted; USDA investigated
Children of the Future (UT)[xiv]	1998	2 Directors (founders)	Theft of $286,000 from federal food program	Convicted	2 1/2 yrs jail each	US Attorney prosecuted; USDA investigated
Children's Hospital Radiology Foundation (MA)[xv]	1998	President	Theft of $70,000 from federal health care funds	Pleaded guilty	2 yrs probation; $25,000 fine	US Attorney prosecuted
Coachella Valley Rescue Mission (CA)[xvi]	2002	Executive Director	Theft of $400,000	Pleaded guilty to theft of $44,000	1 yr jail, 5 yrs probation; $44,567 restitution ordered	DA prosecuted
Community Child Care Resources (FL)[xvii]	1998	Executive Director	Theft of $100,000	Convicted	15 yrs probation	AG prosecuted
Community for Creative Non-Violence (D.C.)[xviii]	1996	Executive Director	Theft of $65,000 from federal grants	Pleaded guilty	Pending	US Attorney prosecuting; HUD investigated employee charges
Community of the Good Shepherd (MO)[xix]	1997	Executive Director	Theft of $250,000, mail fraud	Pleaded guilty	3 yrs prison; $199,446 restitution ordered	US Attorney prosecuted
Community Health Systems (WV)[xx]	1998	Executive Director	Theft of $30,000 from federal program	Pleaded guilty	15 mos. prison; $274,000 restitution ordered and fine	US Attorney prosecuted; IRS investigated
Community Service Council (FL)[xxi]	1995	Executive Director	Theft of $22,000	Pleaded no contest	1 yr jail; $16,800 restitution ordered	DA prosecuted; FEMA investigated
Community Workshop (NY)[xxii]	2001	President	Theft of $632,695	Case pending	[Amount of recovery from insurance not reported]	DA prosecuting
Congregation Beth El (MD)[xxiii]	2001	Senior rabbi	Misappropriated $300,000 for personal benefit	No criminal charges filed	Repaid in full	DA investigated; internal audit uncovered
Congressional Cemetery (D.C.)[xxiv]	2000	Executive Director	Theft of $175,000	Pleaded guilty to interstate transportation of stolen securities	18 mos. prison; $175,000 restitution ordered	US Attorney prosecuted; internal audit uncovered
D.C. Community Services (D.C.)[xxv]	1999	Executive Director	Theft of $800,000, wire fraud	Pleaded guilty to theft of $350,000	2 yrs, 9 mos. prison	US Attorney prosecuted; board uncovered
Developmental Center (VA)[xxvi]	1998	Executive Director	Theft of $1,600, fraud, forgery	Pleaded no contest	15 mos. probation; full restitution ordered	DA prosecuted
Easter Seals (IA)[xxvii]	2002	CEO	Theft of $230,000	Pleaded guilty	3 yrs probation [$230,000 recovered from insurance]	DA prosecuted; internal audit uncovered

CRIMINAL ACTIVITY (1995-2002)

Organization [104]	First Public Report	Alleged Wrongdoer	Allegation	Outcome	Sentence and Restitution	Government Agencies Involved
East Carolina University Medical Foundation (NC)[xxviii]	1995	President	Theft of $177,000	Pleaded guilty to theft of $82,000	5 yrs probation; repaid in full	AG prosecuted
Emergency Shelter of San Juan County (NM)[xxix]	1995	Executive Director	Theft of $4,500	Pleaded guilty	6 yrs prison, 4 1/2 yrs probation; full restitution ordered	DA prosecuted
Epilepsy Foundation of Washington (WA)[xxx]	2002	Executive Director	Theft of $44,000	Convicted	2 mos. home detention; full restitution ordered (repaid $17,000)	DA prosecuted
Esperanza (OH)[xxxi]	2001	Executive Director	Theft of $25,000	Pleaded no contest	5 yrs probation; full restitution ordered	DA prosecuted
Evangelical Lutheran Church of New England (MA)[xxxii]	1996	Treasurer	Theft of $752,000	Convicted of theft and money laundering	Jail and probation (term not reported) [$700,000 recovered from insurance]	DA prosecuted; internal audit uncovered
Exeter Rescue Corps (RI)[xxxiii]	2000	Treasurer	Theft of $8,148	Case pending		DA prosecuting
Federation of Puerto Rican Organizations (NY)[xxxiv]	1999	Executive Director	Theft of $2 million from federal program, money laundering	Case pending		US Attorney prosecuting; State Human Resources agency investigated
Feed the Children (OK)[xxxv]	1999	Executive Director	Theft of donated items	Pleaded guilty	2 yrs probation; $1,000 restitution ordered	DA prosecuted; press uncovered
Food for the Poor (FL)[xxxvi]	2000	President (founder)	Theft of $275,000	No criminal charges filed	Repaid $275,000	Internal audit uncovered; FBI investigated
Foundation for Citizen Representation (CA)[xxxvii]	1997	President (founder)	Theft of $50,000	Pleaded no contest to tax evasion	3 yrs probation; $65,000 restitution, fines and back taxes ordered	DA prosecuted
Friends of Hopkins Road Softball (NY)[xxxviii]	2002	President	Theft of $87,048	Pleaded guilty	6 mos. jail, 5 yrs probation	DA prosecuted
Goodwill Industries (CA)[xxxix]	1998	President	Theft of $800,000, money laundering	Case pending		US Attorney prosecuting; IRS investigated; informant notified authorities
Greater Ministries International (FL)[xl]	1999	President (founder); 4 church "leaders" (including	Ponzi scheme; investors lost $353 million; fraud, money laundering, conspiracy	All convicted	President: 27 yrs prison; Wife: 12 yrs prison; 1 leader: 15 yrs prison; 2 other leaders: 19 1/2 yrs prison	US Attorney prosecuted; IRS investigated

CRIMINAL ACTIVITY (1995-2002)

Organization [104]	First Public Report	Alleged Wrongdoer	Allegation	Outcome	Sentence and Restitution	Government Agencies Involved
		President's wife)				
Great Falls Community Food Bank (MT)[xli]	2002	Executive Director	Theft of $108,000	Pleaded guilty	Pending	DA prosecuted
Greenwood's Scholarship Foundation (CT)[xlii]	1995	Treasurer	Theft of $200,000	Pleaded guilty	6 yrs jail	AG prosecuted
Habitat for Humanity (OH)[xliii]	2000	President	Theft of $36,162	Pleaded guilty	1 yr prison	DA prosecuted
Hale House (NY)[xliv]	2001	President (founder)	Theft of $1 million	Pleaded guilty	5 yrs probation; $769,687 restitution ordered ($128,000 repaid)	AG prosecuted; press uncovered
Hartford Neighborhood Centers (CT)[xlv]	1998	Director	Theft of $200,000	Pleaded guilty	Pending	DA prosecuted; AG investigated
Haskell Foundation (KS)[xlvi]	1999	Executive Director	Theft of $104,000	Pleaded guilty	1 yr prison; full restitution ordered	US Attorney prosecuted
Helping Hand (MD)[xlvii]	1996	Executive Director	Theft of $2,166	Pleaded no contest	18 mos. probation; repaid in full	AG prosecuted
Hope House (FL)[xlviii]	1996	Executive Director	Theft of $313,870	Pleaded guilty	1 yr jail, 2 yrs house arrest, 7 yrs probation; full restitution ordered	AG prosecuted
Islamic Family Services (NY)[xlix]	1997	Executive Director	Theft of $140,000	Pleaded guilty	5 yrs probation; full restitution ordered	DA prosecuted
Jewish Community Center of Greater Washington (WA)[l]	1995	Executive Director	Theft of $1 million, conspiracy, fraudulent misappropriation by fiduciary	Pleaded guilty	7 yrs jail; $400,000 repaid	DA prosecuted
Jewish Educational Center (CA)[*li]	1997	Executive Director (founder)	Structuring $1.7 million in bank deposits to avoid bank reporting laws	Pleaded guilty	9 mos. halfway house, 3 yrs probation; $10,000 fine	US Attorney prosecuted; IRS investigated
Harvey and Bernice Jones Charitable Trust (AR)[lii]	1997	Trustee	Theft of $1.8 million, mail and wire fraud, money laundering, filing false tax returns	Convicted	70 mos. prison; $1,500,000 restitution ordered; $300,000 repaid	US Attorney prosecuted
Juvenile Diabetes Foundation (MA)[liii]	1995	President; Treasurer (founders)	Theft of $310,000, filing false tax returns	Pleaded guilty	President: 2 yrs jail; Treasurer: 6 mos. house arrest; full restitution ordered	AG prosecuted; internal audit uncovered
Juvenile Diabetes	1998	Executive	Theft of $114,000, wire fraud	Pleaded guilty	Pending	US Attorney prosecuted;

[*] Breach of fiduciary duties also alleged.

CRIMINAL ACTIVITY (1995-2002)

Organization [104]	First Public Report	Alleged Wrongdoer	Allegation	Outcome	Sentence and Restitution	Government Agencies Involved
Foundation International (NV)[liv]		Director				internal audit uncovered
Lighthouse of Broward County (FL)[lv]	1999	Executive Director	Theft of $30,000	Pleaded guilty	1 yr jail, 5 yrs probation; full restitution paid	DA prosecuted; internal audit uncovered
Light Line Mission (CA)[lvi]	1995	Executive Director	Theft of $220,000 from federal program	Pleaded guilty	21 mos. prison; full restitution ordered	US Attorney prosecuted
Logan General Hospital (WV)[lvii]	1998	President	Diverted $8 million for failed for-profit venture, fraud, money laundering, failing to withhold payroll taxes	Convicted	8 yrs, 1 mo. prison	US Attorney prosecuted
Mahalia's Children Learning Centers (TN)[lviii]	1997	Director	Submitted false claims for $30,420 to federal food program	Pleaded guilty	10 mos. jail; $30,420 repaid	US Attorney prosecuted; USDA and state agencies investigated
Majco (MI)[lix]	1996	President	Theft of $27 million from federal food program, mail fraud, money laundering	Convicted of theft of $15.5 million	9 yrs in jail; $13 million restitution ordered, $1.3 million fine	US Attorney prosecuted; USDA investigated
Make-A-Wish Foundation (FL)[lx]	1999	Executive Director	Theft of $20,000, fraudulent use of credit card	Pleaded no contest	6 mos. jail, 4 yrs probation; $6,500 restitution ordered	AG prosecuted
Marine Toys for Tots Foundation (NY)[lxi]	2000	President	Theft of $1.8 million, wire fraud, false statements on tax return	Pleaded guilty	4 yrs, 9 mos. prison, 3 yrs supervised release; $1.8 million restitution ordered	US Attorney prosecuted; IRS investigated
Metro North Association (NY)[lxii]	1999	Executive Director	Theft of $70,000 from federal program	Case pending		US Attorney prosecuted; State Children's Services agency audit uncovered
Mid-America Foundation (AZ)[lxiii]	2001	Executive Director (founder)	Ponzi scheme; investors lost $44 million; wire fraud, money laundering	Case pending		US Attorney prosecuting; SEC filed civil case for securities violations
Miss Shelley's Upward Prep School (NY)[lxiv]	2000	Executive Director (founder); Director	Theft of $500,000 by Executive Director, $103,000 by Director	Executive Director pleaded guilty to theft of $73,000; Director pleaded guilty to theft of $31,500	Executive Director: 5 yrs probation; Director: 3 yrs conditional discharge; both fined $1,000; full restitution paid by each	DA prosecuted
National Baptist Convention (FL)[lxv]	1999	Executive Director	Theft of $250,000, extorted $4 million from corporations seeking to do business with charity; tax evasion, fraud, racketeering	Pleaded guilty	5 1/2 yrs prison; $5.2 million restitution ordered	US Attorney prosecuted; firms doing business with Convention notified federal authorities
National Council of Jewish Women	1998	Treasurer	Theft of $150,000	Pleaded guilty	25 yrs probation [$120,000 recovered from	DA prosecuted

CRIMINAL ACTIVITY (1995-2002)

Organization [104]	First Public Report	Alleged Wrongdoer	Allegation	Outcome	Sentence and Restitution	Government Agencies Involved
(CO)[lxvi]					insurance]	
National Episcopal Church (NY)[lxvii]	1996	Treasurer	Theft of $2.2 million, tax evasion	Pleaded guilty	5 yrs prison, $75,000 fine ($250,000 repaid) [$1 million recovered from insurance]	US Attorney prosecuted; internal audit uncovered
National Theatre of the Deaf (CT)[lxviii]	1997	Executive Director	Theft of $105,000	Pleaded guilty to misappropriating federal grants	1 yr jail; full restitution ordered	US Attorney prosecuted
New Era Philanthropy Foundation (PA)[lxix]	1997	President (founder)	Ponzi scheme; investors lost $135 million; bank fraud, mail and wire fraud, filing false tax returns, money laundering	Pleaded no contest	12 yrs prison [$115 million recovered by investors]	US Attorney prosecuted; AG investigated and filed civil cases
New Life Christians Mission Ministries (NY)[*lxx]	2002	President (founder)	Overbilled county $800,000	Criminal charges under consideration		US Attorney prosecuted; IRS and Suffolk County Comptroller investigated
Ocean House Center (NY)[*lxxi]	2001	President; 10 Directors	Theft of $2.2 million, falsifying business records, engaging in a scheme to defraud	Case pending		DA prosecuting; AG filed civil suit; State Commission of Health investigated
Pacific Asian-American Family Care (CA)[lxxii]	1997	President (founder); Director (founder)	Theft of $2.2 million from federal food program	Pleaded guilty	President: 2 yrs prison; Director: 3 yrs prison; $2.2 million restitution from both	US Attorney prosecuted; USDA investigated
Pasco Family Protection Team (FL)[lxxiii]	1996	Executive Director	False reimbursements; compensation from two full-time jobs; improperly leased out space at organization	No criminal charges filed		DA investigated; State Children and Families agency investigated employee charges
Port Cities Rescue Mission (TX)[lxxiv]	1999	Executive Director	Theft of $30,000	Pleaded guilty	6 yrs prison	DA prosecuted
Prineville Hospital Foundation (OR)[lxxv]	2001	Executive Director	Theft of $26,000	Pleaded guilty	90 days jail, 3 yrs probation; full restitution ordered	DA prosecuted; internal audit uncovered
Project Safe (OK)[lxxvi]	1998	Executive Director	Theft of $13,000	Pleaded guilty	10 yrs prison (5 yrs suspended); full restitution ordered	DA prosecuted; Mental Health and Substance Abuse Services Dept. investigated
Project Social Care	2001	2 Directors	Defrauded $162,500 from	Pleaded guilty to conspiracy	2 yrs, 9 mos. prison each;	US Attorney prosecuted

[*] Breach of fiduciary duties also alleged.

CRIMINAL ACTIVITY (1995-2002)

Organization [104]	First Public Report	Alleged Wrongdoer	Allegation	Outcome	Sentence and Restitution	Government Agencies Involved
(NY)[lxxvii]		(founders)	federal program		repaid in full	
Recovery Lodge (MS)[lxxviii]	1999	Executive Director	Theft of $41,750, mail fraud	Convicted	22 mos. prison; full restitution ordered	US Attorney prosecuted
St. Francis of Assisi Foundation (British Virgin Islands)[lxxix]	1999	President (founder)	Used $50 million in charity funds as part of larger scheme to defraud insurance companies ($200 million lost); racketeering, wire fraud, securities fraud	Pleaded guilty	Pending	US Attorney prosecuted
St. Luke Outreach (OK)[lxxx]	1997	Executive Director (founder)	Submitted false claims for $19,898 to federal food program	Pleaded guilty	2 yrs prison; $12,937 restitution ordered	US Attorney prosecuted; USDA investigated
St. Stephen's Baptist Church (CA)[lxxxi]	2001	President	Received $20,000 in kickbacks from buyer in scheme to defraud federal program	Case pending		US Attorney prosecuted; HUD investigated
Safety Net (LA)[lxxxii]	1996	President (founder)	Defrauding federal program, mail fraud, money laundering, tax evasion	Convicted	Died before sentencing	US Attorney prosecuted; press uncovered
Salt Lake City Bid Committee/Salt Lake Organizing Committee (UT)[lxxxiii]	1998	President	Bribing IOC members for votes ($1 million involved), conspiracy, bribery, mail and wire fraud	Case pending		US Attorney prosecuting; IOC, USOC, Congress investigated; anonymous tip to press uncovered
Salt Lake Donated Dental Services (UT)[lxxxiv]	2001	Executive Director	Theft of $115,000	Pleaded guilty to attempted theft, attempted evidence tampering	2 yrs jail	DA prosecuted
Save Our Children (TN)[lxxxv]	2000	President	Theft of $28,000	Pleaded guilty	12 yrs prison; full restitution ordered	DA prosecuted
Skillz Athletic Foundation (CA)[lxxxvi]	2001	President (founder)	Theft of $230,000 from state program, mail fraud	Case pending		US Attorney prosecuted

CRIMINAL ACTIVITY (1995-2002)

Organization [104]	First Public Report	Alleged Wrongdoer	Allegation	Outcome	Sentence and Restitution	Government Agencies Involved
Society of St. Francis (IL)[lxxxvii]	1998	President (founder)	Theft of $20,000	Case pending		AG investigated
Solid Rock Baptist Church (NJ)[lxxxviii]	1999	Director	Theft of $130,000	Convicted	6 mos. jail; $21,000 restitution ordered	DA prosecuted; internal audit uncovered
Sonance Foundation (CA)[lxxxix]	1997	Treasurer	Theft of $159,000	Pleaded guilty	Pending	DA prosecuted
South Memphis Child Development Center (TN)[*xc]	2002	Executive Director (founder)	Theft of $60,000	Case pending		DA prosecuted
Special Needs Program (NY)[xci]	1999	Executive Director	Theft of $750,000 from federal program	Pleaded guilty to theft of $470,000	6 mos. home confinement, 5 yrs probation, $250,000 restitution ordered	US Attorney prosecuted; State Mental Health Commission investigated
Stateline United Way (IL)[xcii]	1998	Executive Director	Theft of $11,000, fraudulent use of credit card	Pleaded guilty	4 yrs probation; repaid in full	DA prosecuted
Staten Island Children's Center (NY)[xciii]	2000	Executive Director	Theft of $13,000, fraud	Convicted	6 mos. jail, 5 yrs probation	DA prosecuted
Stepping Stones (IA)[xciv]	1998	Executive Director	Theft of $10,000, failing to deposit payroll taxes	Pleaded guilty	3 yrs probation; $10,000 restitution ordered	DA prosecuted; State Dept. of Revenue investigated
Sunflower School (NY)[xcv]	2000	Executive Director	Theft of more than $100,000 from federal program	Pleaded guilty	6 mos. home detention; $111,867 restitution ordered, $40,000 fine	US Attorney prosecuted; DA investigated; County audited
Sunland-Tujunga Community Softball League (CA)[xcvi]	1997	President	Theft of $9,000	Pleaded no contest	1 yr jail, 3 yrs probation; full restitution ordered	DA prosecuted
Thornton Kidney Research Foundation (CA)[xcvii]	2002	President (founder)	Theft of $147,000, mail and wire fraud	Pleaded guilty	Pending	US Attorney prosecuted
United Way Pottawatomie County (OK)[xcviii]	1998	Executive Director	Theft of $177,000, mail fraud	Convicted	27 mos. jail; $125,000 restitution ordered (repaid $50,000)	US Attorney prosecuted
Volunteers in Probation (WI)[xcix]	1999	Executive Director	Theft of $13,000	Pleaded no contest	5 yrs probation; full restitution ordered	DA prosecuted
Washington State Substance Abuse Coalition (WA)[c]	1999	Executive Director	Theft of $144,422 from federal program	Pleaded guilty	Pending	US Attorney prosecuted

[*] Breach of fiduciary duties also alleged.

CRIMINAL ACTIVITY (1995-2002)

Organization [104]	First Public Report	Alleged Wrongdoer	Allegation	Outcome	Sentence and Restitution	Government Agencies Involved
Waukesha County Christmas Clearing Council (WI)[ci]	1999	Treasurer	Theft of $7,277	Pleaded no contest	6 mos. probation; full restitution paid	DA prosecuted; internal audit uncovered
Westshore Alliance Partnership School (FL)[cii]	1998	Executive Director	Theft of $41,000	Pleaded guilty	5 yrs probation; full restitution ordered	DA prosecuted
Wood Dale Baseball Association (IL)[ciii]	2001	Treasurer	Theft of $7,100	Convicted	2 mos. jail, 2 yrs probation; $5,000 restitution ordered, $1,000 fine	AG prosecuted
YWCA (OK)[civ]	2001	Executive Director	Theft of $37,900	Case pending		DA prosecuted; AG investigated

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BREACH OF FIDUCIARY DUTIES (1995-2002)

Organization [54]	First Public Report	Alleged Wrongdoer	Allegation	Outcome	Recovery	Government Agencies Involved
Adelphi University (NY)[1]	1996	President; Directors	Self-dealing; excessive compensation	Board of Regents removed 18 of 19 directors; new board removed President; settled suit with AG	$3.5 million recovered: $1.45 million from D&O insurance, $1.3 million from directors, $750,000 from President	AG; NY Board of Regents
The Adoption Center (MA)[2]	1995	Executive Director (founder)	Excessive compensation; excessive expenditures; misappropriated funds for personal benefit	Resigned		AG
Allegheny Health, Education, and Research Foundation (AHERF) (PA)[*3]	1998	President; 5 Directors	Diverted $78.5 million of endowment funds for operating costs	Settled suit with AG: President removed by court, 5 Directors removed by board or resigned	$49.5 million recovered by creditors, $22 million by charity, $4.5 million by doctors, $13 million for legal fees and expenses, additional $8 million still in litigation, pending litigation against accountants seeking additional $8 million for charities; $48 million recovered from insurers	AG
Allina Health Systems and Medica Health Plans (MN)[4]	1999	Officers; Directors	Self-dealing; excessive compensation; excessive expenditures	Settled with AG: corporate and financial controls implemented		AG
Andy Warhol Foundation for the Visual Arts (NY)[5]	1997	Directors	Failed to make annual 5% payout	Settled with AG: financial controls implemented		AG
Apollo Theater Foundation (NY)[6]	1998	Directors	Loan of $1 million to insider	Settled suit with AG: Chairman of board removed, additional directors appointed	$1 million repaid by insider	AG; press reports uncovered
Asylum Hill Organizing Project (CT)[7]	1995	Organization	Self-dealing; failed to build community center from state grant	Voluntary dissolution		AG; community complained to AG
Bishop Estate (HI)[8]	1997	Directors	Self-dealing; excessive compensation ($1 million annual salary per Director); improper investments caused $200 million in losses	Settled suit with AG: Directors resigned, new Directors appointed by court, financial controls implemented; Settled with IRS: trust paid $9 million in excise taxes, $4.9 million in	AG settlement: trust insurer paid $15 million to trust, $1.3 million for AG's costs, $4 million for legal fees	AG; IRS; press reports

[*] Criminal activity alleged also.

BREACH OF FIDUCIARY DUTIES (1995-2002)

Organization [54]	First Public Report	Alleged Wrongdoer	Allegation	Outcome	Recovery	Government Agencies Involved
				interest		
Buffalo Home Equity Living Plans (NY)[9]	1995	President (and sole director) (founder)	Loan of $147,000 to insider	Settled with AG: President resigned, new Directors appointed	Loan repaid	AG
Catholic Charities (CA)[10]	2000	CEO	Excessive expenditures; misappropriated $75,000 for personal benefit	Resigned		AG; internal audit; press uncovered
Cherokee Children and Family Services (TN)[*11]	2000	Executive Director (founder)	Self-dealing	AG sued for dissolution: court appointed receiver (pending)		AG; state agencies investigated
Community Guidance (OH)[12]	1996	Executive Director	Self-dealing	Resigned		DA; FBI; County Mental Health agency audited
Communities Foundation of Texas (TX)[13]	1995	President	Misappropriated funds for personal benefit	Financial controls implemented		None; charity investigated employee charges
Condon Estate (CA)[14]	1999	Director	Improper investments	Resigned		AG
Corner Cupboard Food Bank (PA)[15]	2002	Executive Director	Misappropriated funds for personal benefit	Resigned; financial controls implemented		County audit; internal audit uncovered
Dater Foundation (OH)[16]	1999	5 Trustees	Excessive compensation	AG sued for removal and unspecified restitution (pending)		AG, based on information in 1997 suit brought by donor's widow
Detwiler Foundation (CA)[17]	2000	President	Excessive compensation	Voluntary dissolution		AG
Emergency Medical Services and Acute Care Foundation (FL)[18]	1995	Executive Director	Failed to use funds for charity's mission	County terminated contract		County audit
The Giving Back Fund (MA)[19]	2002	Director	Self-dealing	Charity settled suit against Director (terms confidential)		None
Green Bridge Development (TX)[20]	2002	President (founder)	Self-dealing ($500,000); failed to rehabilitate public housing	President resigned; all Directors resigned voluntarily after new Executive Director hired		IRS; press and tenants uncovered
HealthPartners (MN)[21]	2002	Officers; Directors	Excessive compensation; excessive expenditures	Settlement with AG pending		AG
Helpline Soul Rescue Ministry of Crown Heights (NY)[22]	2000	Organization	Defrauded federal mortgage program	Pending		AG
Houston Renaissance	1998	Executive Director;	Self-dealing; excessive	Executive Director resigned;		AG; City audited

[*] Criminal activity alleged also.

BREACH OF FIDUCIARY DUTIES (1995-2002)

Organization [54]	First Public Report	Alleged Wrongdoer	Allegation	Outcome	Recovery	Government Agencies Involved
(TX)[23]		Directors	compensation; failed to build public housing	voluntary dissolution		
Humane Society of Central Oregon (OR)[24]	2000	Executive Director; Directors	Misappropriated funds for personal benefit; loan to insider	Executive Director resigned; AG recommended financial training for Directors		AG; employees notified AG
International Olympic Committee (CO)[25]	1998	Directors	Self-dealing; misappropriated $2 million for personal benefit	10 of 113 Directors removed by board; reforms implemented		Senate Commerce Committee hearings; press reports; internal audit
Jane Doe (MA)[26]	2002	Executive Director	Improper use of $300,000 of restricted funds for operating costs	Resigned		None; internal audit uncovered
Jewish Educational Center (CA)[*27]	1997	Executive Director (founder); 2 Directors	Misappropriated funds for personal benefit	Settled suit with AG: court removed Executive Director and Directors and dissolved charity	Under settlement terms	AG
Kid-Care Food Program (TX)[28]	2002	Executive Director; 2 Directors (founders)	Misappropriated $640,000 for personal benefit	AG sued for removal and damages: Executive Director resigned so that court would remove order freezing charity's bank account (pending)		AG; press uncovered
Kimbell Art Foundation (TX)[29]	2000	President; Vice President; Executive Director	Excessive compensation ($1.5 million each to President and Vice President, $500,000 to Executive Director)	President and Vice President agreed to forgo future compensation		None; press reports
Carl B. and Florence E. King Foundation (TX)[30]	2002	President; Secretary; 2 Directors	Excessive compensation; excessive expenditures; failed to make annual 5% payout	AG sued for removal and damages: President, Secretary and Directors resigned (pending)		AG; family dispute resulted in notification of AG
Lawrence Foundation (NY)[31]	1996	Director	Loan of $2 million to insider	AG sued for removal and damages (pending)		AG; foundation accountants uncovered
David B. Lichtenstein Foundation (MO)[32]	1995	Directors	Excessive compensation; misappropriated funds for personal benefit	AG sued for removal and damages: 7 of 9 directors resigned; 2 directors removed by court	7 of 9 directors repaid $55,703; 2 directors ordered to repay $285,804	AG
Life Education Center (IL)[33]	2000	Executive Director; Director	Misappropriated $1 million for personal benefit	AG sued for restitution and damages (pending)		AG; internal audit uncovered
Lutheran Church-	2000	Foundation;	Improper investments caused	Investors settled class action	$3.2 million recovered by	None

[*] Criminal activity alleged also.

BREACH OF FIDUCIARY DUTIES (1995-2002)

Organization [54]	First Public Report	Alleged Wrongdoer	Allegation	Outcome	Recovery	Government Agencies Involved
Missouri Synod Foundation (MO)[34]		President; Treasurer	$40 million in losses	suit against Foundation, officers and brokerage firm	individual investors, $6.475 million recovered by charitable investors (source of payments confidential)	
Mercy Crusade (CA)[35]	1996	Executive Director; Director	Misappropriated $136,000 for personal benefit; excessive expenditures of $173,000; improper investments of $130,000	Settled suit with AG: Executive Director and Director resigned;	Under settlement terms items purchased for personal benefit were ordered to be sold and proceeds returned to charity	AG
Minnesota Public Radio (MN)[36]	1996	President	Self-dealing (total of $7.3 million involved)	AG cleared transaction		AG
Multiple Sclerosis Association of America (NJ)[37]	1999	Organization; President (founder)	Misappropriated funds for personal benefit	Settled suit with AG: President resigned		AG
National Foundation for AIDS Relief (FL)[38]	1998	Executive Director (founder)	Self-dealing; excessive compensation ($267,000)	No action taken		None; press reports
New Life Christians Mission Ministries (NY)[*39]	2002	Executive Director (founder); Directors	Self-dealing; maintained inadequate records	State terminated contract		AG; County audited
Ocean House Center (NY)[*40]	2001	President; 10 Directors	Self-dealing ($2.2 million involved)	AG sued for removal and damages (pending)		AG; State Health Commission audited
Operation Blessing International Relief and Development (VA)[41]	1999	Executive Director (founder)	Inadequate records	Settled with AG: financial controls implemented		AG
Rainbow/PUSH Coalition (D.C.)[42]	2001	President	Misappropriated funds for personal benefit	Form 990 amended to reflect payments as salary		IRS; press uncovered
Roxbury Action Program (MA)[43]	2002	Executive Director (founder); Directors	Self-dealing	AG sued for injunction (pending)		AG; tenants notified AG
St. Christopher Academy (WA)[44]	1995	Executive Director (founder)	Improper investments; misappropriated $343,000 for personal benefit	Settled with IRS; resigned, and purchased the school and converted it to for-profit	IRS settlement: full restitution paid to school	IRS; bookkeeper notified IRS
Sammy Sosa Charitable Foundation (FL)[45]	2000	President	Self-dealing; misappropriated funds for personal benefit	Voluntary dissolution		AG; IRS; former Director notified AG and IRS
San Diego Museum	1999	Executive Director	Excessive compensation;	Financial controls		None; press uncovered

[*] Criminal activity alleged also.

BREACH OF FIDUCIARY DUTIES (1995-2002)

Organization [54]	First Public Report	Alleged Wrongdoer	Allegation	Outcome	Recovery	Government Agencies Involved
of Art (CA)[46]			excessive expenditures	implemented		
Peter J. Schweitzer Foundation (NY)[47]	2000	Directors	Misappropriated funds for personal benefit	Settled suit with AG	Directors personally paid total of $160,000 to local charities	AG
South Memphis Child Development Center (TN)[*48]	2002	Executive Director (founder)	Misappropriated $60,000 for personal benefit	AG sued for removal, damages, dissolution (pending)		AG
Southwest Catholic Conference (IL)[49]	1998	President; Treasurer	Misappropriated $127,000 for personal benefit	Settled suit with AG: President and Treasurer removed	President ordered to pay $35,000 fine; Treasurer ordered to pay $50,000 fine	AG
Sudanese-American Community Development (MN)[50]	1999	Executive Director	Misappropriated $38,000 for personal benefit	Settled suit with AG: Executive Director removed by board, financial controls implemented		AG; Directors notified AG
The Town Forum (OR)[51]	1999	President (founder); Director	Organization had investors write off loans as tax-deductible contributions knowing organization was unable to repay	Settled suit with AG: voluntary dissolution; President and Director barred from serving on nonprofit board without AG's approval		AG
United States Olympic Committee (CO)[52]	2002	CEO; President	Self-dealing	President resigned; CEO resigned and board withheld $185,000 bonus; reforms proposed (pending)		Congressional hearings; internal audit; press uncovered
United Way National Capital Area (D.C.)[53]	2002	Directors	Withheld information on wrongdoing by executives	Board removed Executive Vice President and a CEO (not officers); Board replaced by nominating committee		US Attorney, FBI and IRS investigating; Senate Finance Committee queries; press reports uncovered; internal complaints by board members commissioned external audit uncovered misuse of funds
United Way of Santa Clara County (CA)[54]	1999	CEO	Inadequate records	CEO removed by board		None; internal audit

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