# B B W IS E GIVING ALLIANCE E FALL 2018

## Military& Veterans Charities





## A Publication of the BBB Wise Giving Alliance

The Wise Giving Guide is published three times a year to help donors make more informed giving decisions. This guide includes a compilation of the latest evaluation conclusions completed by the BBB Wise Giving Alliance.

If you would like to see a particular topic discussed in this guide, please email suggestions to **guide@give.org** or write to us at the address below.

## FALL ISSUE 2018

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## president's MESSAGE

mericans have always recognized the need to support veterans and active duty service members. Whether or not the military is actively engaged in combat, the donating public has a special respect and appreciation for past or current service members in the U.S. armed forces. We want these individuals and their families to know that we care about their sacrifices and seek to assist their unmet needs.

Like all popular causes that strike an emotional chord with donors, there are unfortunately those who seek to take advantage of American generosity. This does not mean that contributors should avoid giving: only that they should be vigilant in identifying red flags and seek outside sources such as BBB's Give.org to verify an organization's trustworthiness.

Many organizations that focus on helping veterans or active-duty military personnel also rely on the generosity of people's time and talents through volunteerism. These opportunities can vary widely depending on an organization's needs. Examples include providing professional services such as legal assistance, driving veterans to and from medical facilities, and helping injured veterans with home repairs or yard work activities. We encourage individuals that are interested in volunteering to help service members and their families to research these groups before participating in volunteer activities.

Also, keep in mind that while BBB Wise Giving Alliance reports on nationally-soliciting veterans charities, Better Business Bureaus also report on regionally-soliciting veterans groups. All charity reports are accessible at Give.org.

H. Art Taylor, President & CEO

## Military & Veterans Charities

For quite some time, there has been growing public interest in charities that provide assistance to veterans and active duty service members. The many contributing factors to this increased attention include the emergence of post-9/11 patriotism, concerns for unmet needs of returning injured or ill service members and their families, and a growing generation of younger veterans. This issue of *Wise Giving* will explore the historical roots of veterans charities, recent government regulatory activities that seek to protect the public from misleading appeals, and how donors can identify trustworthy organizations.

## **Wounded Soldiers**

Americans have been volunteering to help current and former members of the U.S. armed forces for over 150 years. Clara Barton brought supplies and support to soldiers during the Civil War and later founded the American Red Cross in 1881. Barton's selfless example served as inspiration to countless future volunteers supporting those serving in the military.

The impact of World War I led to the development of new nonprofit organizations which sought to help devastated areas overseas, displaced populations, and a large number of wounded soldiers. Over 200,000 American service members were injured during the Great War. Unfortunately, there were few U.S. government or nonprofit resources available to help wounded soldiers after they returned home. These deficiencies led to the development of some of the oldest charities that assist veterans such as Disabled American Veterans (DAV). (Today, DAV provides, among other things, free professional assistance to veterans and their families in obtaining benefits provided by the Department of Veterans Affairs and other agencies of government.)

This growth in the field of charity work during and after WWI was a significant factor that contributed to the establishment of the National Charities Information Bureau (predecessor to the BBB WGA) and the need for reports on charities in the Better Business Bureau system.

World War II and its aftermath placed an even greater emphasis on veterans issues as appeals on behalf of service members and other affected groups proliferated. According to DAV, over 670,000 American soldiers were wounded in WWII, three times the number of wounded in WWII. While U.S. government benefits and assistance for returning service members had significantly improved since WWI, veterans organizations were still actively engaged in helping those in need.

## **Tax-Exempt Status**

In 1972, a new tax-exempt status category for veterans organization was created: section 501(c)(19) of the Internal Revenue Code. This tax-exempt status defined a special category for veterans charities that have memberships consisting of past or present members of the U.S. armed forces. However, the initial reason this new category was created was to avoid charging Unrelated Business Income Tax to veterans groups that received a portion of premiums for members' insurance policies. In general, public contributions to 501(c)(19) organizations are deductible as charitable gifts for federal income tax purposes. In addition to 501(c)(19) organizations, some publicly soliciting charities that are tax-exempt under section 501(c)(3) of the Internal Revenue Code also solicit to help assist veterans or active service members. These 501(c)(3) groups, however, do not generally have a membership consisting of veterans.

## **Telemarketing Fraud**

One method of fundraising that has, at times, become associated with questionable solicitations by veterans organizations is telemarketing (or telefunding.) While telemarketing can be an effective fundraising technique to encourage previous supporters to donate greater amounts, it is also used inappropriately by those seeking to take advantage of Americans' sentiments towards veterans and service members in need.

Charities that solely rely on telemarketing as a means to raise funds can sometimes face situations in which professional fundraising companies are paid 80% or more of the collected funds. Making "cold calls" to individuals that have never before contributed to the charity usually has a very low rate of return.

Over the years, a number of veterans organizations have been the subject of scandals involving not only high fundraising costs from telemarketing but also misleading statements to the public about their program service activities. One well-known example occurred in 2010. An investigative report in the St. Petersburg Times helped reveal fraudulent solicitation by the United States Navy Veterans Association on a national basis through telemarketing. At the time, a BBB Wise Giving Alliance report on the United States Navy Veterans Association identified concerns about the charity's financial statements and indicated that it did not meet the **BBB** Charity Standard calling for statements to be prepared in accordance with Generally Accepted Accounting Principles. n 2013, the former leader of the organization was convicted in Ohio for stealing millions of dollars from donors and was sentenced to 28 years in prison.

## Problem Practices Featured at Congressional Hearings

In response to concerns about allegations of mismanagement, appeal accuracy and high fund raising expenses incurred at a number of nationally soliciting veterans organizations, the U.S. Congress, specifically the House Committee on Oversight and Government Reform, held hearings in December 2007 in Washington, DC. Bennett Weiner, Chief Operating Officer of BBB Wise Giving Alliance, was invited to testify before the Committee to share **BBB WGA's monitoring experience** on veterans charities. Mr. Weiner noted the repeated failure of many veterans organizations to disclose requested information to BBB WGA which was needed in order complete an evaluation in relation to the BBB Standards for Charity Accountability. On average about 50 percent of the nationally

PLEASE DONATE soliciting veterans charities approached by BBB WGA did not provide any of the requested information.

In his 2007 testimony, Mr. Weiner explained that when veterans charities did disclose requested information to BBB WGA, the evaluations of these organizations showed that about 62% of them did not meet one more of the 20 BBB Standards for Charity Accountability. In general, national charities that disclosed had a much lower rate (35%) of noncompliance with BBB Charity Standards. In 2018, however, veterans charities that disclosed information for a BBB WGA evaluation showed significantly improved results: the percentage that do not meet BBB Charity Standards has dropped from 62% to 29%. This dramatic drop shows promise and demonstrates that veterans charities are willing to work with BBB WGA in addressing any deficiencies that are found.

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In 2008, the House Committee on Oversight held a follow-up hearing to specifically focus on Help Hospitalized Veterans (HHV) and other organizations associated with Roger Chapin, an individual who established and led a number of veterans organizations. The hearing predominately focused on HHV's distribution of direct mail appeals with high fundraising costs and the allegation that HHV's leaders misused donor funds for questionable personal use.

In 2013, the California Attorney General's office announced a settlement with HHV that resulted in a \$2.5 million fine and the resignation of its principal officers.

## FTC and State Actions: Donate With Honor

On July 19, 2018, the Federal Trade Commission, state Attorneys General and state charity regulators joined forces to help the donating public avoid

## Operation Donate with Honor

ftc.gov/charity

misleading charity appeals and find trustworthy veterans organizations to support. The event, *Donate With Honor*, was held at the FTC's headquarters in Washington, DC, and announced the latest enforcement actions against veterans charities. H. Art Taylor, President & CEO, BBB Wise Giving Alliance participated in this event and shared advice on how the public can identify trustworthy organizations. He also noted that a number of the cited veterans organizations (such as those identified below) did not disclose any information to BBB WGA despite repeated written request.

A number of veterans charities that were the subject of government actions were featured at this conference. Connecticut Attorney General George Jepsen said, "Time and again, state attorneys general have come together on matters of national importance to enforce, educate and advocate on behalf of our residents. Charity fraud of any kind is abhorrent, and veterans charities fraud is especially upsetting. This campaign will offer important resources to help donors identify charities that match their own values."

As part of *Donate With Honor*, the FTC posted a list of 100 actions taken against various veterans organizations in the past year. Below are three that were prominently mentioned during the conference:

## VietNow National Headquarters

On November 6, 2017, the Illinois Attorney General announced a settlement led by Illinois, California, Michigan, Ohio and 20 other states to dissolve VietNow National Headquarters. The announcement indicated that the organization misled donors as to who was soliciting them and how their donations would actually be used. A similar announcement from the California Attorney General specified that "VietNow falsely told prospective donors that it has significant charitable programs. In reality, of the almost \$4 million it raised in the last two years, nearly 90 percent of VietNow's funds went directly to its for-profit professional fundraiser... Less than \$10,000 was spent on charitable programs." An order was made in Cook County, Illinois Circuit Court against VietNow that removes all 14 board members and bans its four controlling officers from any future fundraising, charity management or oversight of any charitable assets.

## **Healing American Heroes**

In November 2017, Michigan Attorney General Bill Schuette announced that Healing American Heroes (dba Help Our Wounded) reached a settlement that ended in the dissolution of the charity. The settlement was the result of an investigation by the Attorney General that found the charity had engaged in deceptive solicitation and the diversion of funds raised to purposes other than the intent stated in appeals.

## National Vietnam Veterans Foundation

In November 2016, New York Attorney General Eric T. Schneiderman, took action against the National Vietnam Veterans Foundation that resulted in the organization being permanently closed.

The Office of the Attorney General indicated NVVF had operated nationwide since 1992 and began soliciting in New York in approximately 2008. Nearly all of the money raised through its direct mail campaigns was used to pay its fundraisers. For example, in 2014, \$7.7 million of the \$8.6 million raised was used to pay NVVF's fundraisers.

## Finding Trustworthy Veterans Charities

As potential donors respond to appeals from veterans organizations, BBB Wise Giving Alliance offers the following advisory tips:

- Mistaken Identity: Watch out for name confusion. Many veterans charity names include virtually the same words in different order or slightly different form.
- Check Outside Sources Before Giving: Visit Give.org to check out a charity's trustworthiness by verifying that it meets the 20 *BBB Standards for Charity Accountability*. These standards address more than just finances; they also cover charity

governance, results reporting, appeal accuracy, and donor privacy. Also, check with your state government's charity registration agency, which is usually a division of either the attorney general or secretary of state's office.

- Avoid On-the-Spot Donation Decisions: Be wary of excessive pressure in fundraising. Don't be coaxed into making an immediate, on-the-spot donation.
- Find Out What They Do: Don't assume what the veterans organization does based on their name alone. Review the appeal carefully and see if it matches program and financial information appearing on the organization's website.
- Recognize Telemarketing Cautions: Telemarketing can be a costly method of fundraising unless carefully managed. If interested in a veterans charity that solicits by phone, always check out the organization online before donating.
- Be Wary of Unusual Donation Transaction Options: Watch out if a charity solicitor asks for donors to send contributions using unusual transaction methods such as wire transfers, gift cards, or pre-paid debit cards. This could be a ruse or scam to enable questionable solicitors to get funds quickly.
  - Learn How Donated Items Will Be Used: If a veterans charity is soliciting for used clothing, cars, furniture or other in-kind gifts, find out how they benefit. Sometimes the charity receives only a small portion of the resale price of the item or may have a contractual arrangement to get a flat fee for every household pick-up, no matter what the contents.
- Seek Out Financial Information: Verify the accuracy of financial information in veterans organizations appeals. Check out the charity's report on BBB's Give.org or review the charity's website for its latest financial information. The *BBB Standards for Charity Accountability* call for a charity to spend at least 65% of its total expenses on program service activities, as opposed to fundraising and administrative costs.

As always, we believe it is best practice to look to reliable sources such as BBB Wise Giving Alliance before making giving decisions. There are many deserving veterans organizations that need your support.