



UNIVERSITY OF SAN FRANCISCO
CHANGE THE WORLD FROM HERE

MASTER OF NONPROFIT
ADMINISTRATION

Reynold's Cancer Charities

Case Study

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NPA601: Ethical Leadership

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PRESENTATION OVERVIEW

- **Video**
- **Case Summary**
- **Case Study Analysis**
- **Questions**

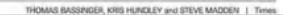
VIDEO INTRODUCTION



CASE SUMMARY



MNA PROGRAM MASTER OF NONPROFIT ADMINISTRATION



CASE ANALYSIS

Sham Cancer Charities

Four so-called charities got more than **\$187 million** from consumers across the country.

\$187 million

4 so-called charities

1. Cancer Fund of America
2. Cancer Support Services
3. Children's Cancer Fund of America
4. The Breast Cancer Society

What they claimed they did.

“... thank you for your kind and generous donation on behalf of the Children's Cancer Fund of America. You're helping these children with their hospice equipment, medical supplies, and medication...”



LIES



“The Breast Cancer Society is one of the few national breast cancer charities in the U.S. providing direct help and financial aid to those suffering from breast cancer today.”

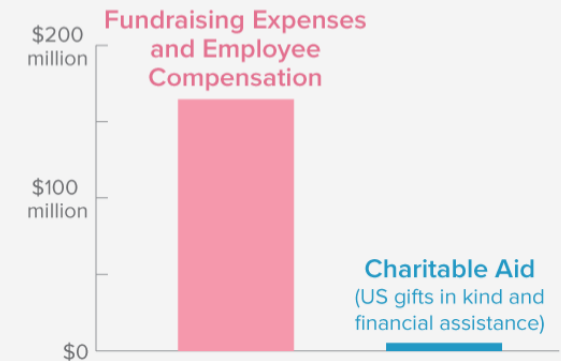
DECEPTIVE

What they really did.

Consumers' donations were wasted and misused, and cancer victims were not helped.

The so-called charities spent most of the donated funds on fundraising and themselves, their families and friends.

How they spent the money (2008-2012)



CASE ANALYSIS

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to domestic organizations and domestic governments See Part IV, line 21	309,168	309,168		
2 Grants and other assistance to domestic individuals See Part IV, line 22	2,163,477	2,163,477		
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	315,881	214,799	82,128	18,954
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	312,885	212,762	81,350	18,773
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	11,580	7,875	3,012	693
9 Other employee benefits	110,961	75,453	28,850	6,658
10 Payroll taxes	49,995	33,997	12,998	3,000
11 Fees for services (non-employees)				
a Management				
b Legal	2,448		2,448	
c Accounting	66,429	19,929	45,836	664
d Lobbying				
e Professional fundraising services See Part IV, line 17	5,760,308			5,760,308

2015 Breast Cancer Society 990

Part VIII Summary			
Activities & Governance	1 Briefly describe the organization's mission or most significant activities TO PROVIDE DIRECT FINANCIAL AID IN THE FORM OF PRODUCTS AND OTHER SUPPORT AND SERVICES TO FINANCIALLY INDIGENT CANCER PATIENTS AND THEIR FAMILIES. IN ADDITION, THE ORGANIZATION PROVIDES PRODUCTS TO HOSPICES, OTHER HEALTH CARE PROVIDERS AND VARIOUS NON-PROFIT COMMUNITY SERVICE ORGANIZATIONS WITHIN AND OUTSIDE THE UNITED STATES, WHICH AID THE ILL, NEEDY AND INFANTS. FURTHERMORE, THE ORGANIZATION HELPS DISSEMINATE INFORMATION CONCERNING THE EARLY DETECTION AND PREVENTION OF CANCER.		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	4
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	3
	5 Total number of individuals employed in calendar year 2015 (Part V, line 2a)	5	5
	6 Total number of volunteers (estimate if necessary)	6	25
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
Revenue	b Net unrelated business taxable income from Form 990-T, line 34	7b	0
	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	6,610,063	3,050,881
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	0	0
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,701	3,488
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	29,180	3,513
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	6,641,944	3,057,882
	14 Benefits paid to or for members (Part IX, column (A), line 4)	938,727	133,364
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	0	0
	16a Professional fundraising fees (Part IX, column (A), line 11e)	1,006,128	446,294
	b Total fundraising expenses (Part IX, column (D), line 25) 2,409,059	4,715,046	2,296,431
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)		
	18 Total expenses—add lines 13–17 (must equal Part IX, column (A), line 25)	454,849	415,500
	19 Revenue less expenses—subtract line 18 from line 12	7,114,750	3,291,589
		-472,806	-233,707

2015 Cancer Fund of America 990

CASE ANALYSIS

Cancer Fund of America and Cancer Support Services spent less than 3 percent of contributions from individual donors on cash and goods sent to cancer patients and nonprofits in the United States, according to the FTC.

Much of what was sent to patients was virtually worthless. It consisted of boxes of "seemingly random items" that typically included Carnation Instant Breakfast drink, adult briefs and bed pads, sample-sized soaps, Little Debbie snack cakes and blank seasonal greeting cards, according to court documents. The items were mostly purchased from procurement agents, who sell overstocked, out-of-season and discontinued products to nonprofits at a small fraction of their retail value.

Together, the four charities raised more than \$187 million between 2008 and 2012. Donor contributions financed personal loans; paid for trips to Las Vegas, New York and Disney World; and purchased cars, college tuition, gym memberships, Jet Ski outings, dating website subscriptions and luxury cruises.

CBS News

CASE ANALYSIS

- **Personal**

- Casting Shadows
- Destructive Leadership: Deceit, Selfishness, Disregard

- **Organizational**

- Monetary compensation
- Complicit/Courage

- **Stakeholders**

- Board Governance
- Donors
- Regulatory Failure
- Nonprofit community

- **Alternative Perspectives**

- Self Interest/Fundraisers

OUTCOMES

- **Settlement:**

Order

7. Judgment is hereby entered in favor of the Plaintiffs and against the Debtor/Defendant, James Reynolds, Sr., determining that the Stipulated Judgment entered in the Enforcement Action, in the amount of \$75,825,653 is nondischargeable pursuant to 11 U.S.C. § 523(a)(2)(A). Further, pursuant to Sections VII.C.4 and VII.C.5 of the Stipulated Judgment, the judgment contained therein is conditionally suspended subject to reinstatement by the District Court.

- **Closure:** Reynolds' assets to be sold include 50 collector beer steins, two 9 mm pistols, 15 framed art prints, five Remington statues and a pontoon boat. After Reynolds complies, the judgment against him will be suspended, provided his sworn financial statements are accurate.
- **Banned:** As part of the settlement, Reynolds is banned from profiting from any charity fundraising in the future.

DISCUSSION QUESTIONS

- 1. Why did it go unreported/undiscovered for so long?**
- 2. How did regulatory oversight fail so miserably in this case?**
- 3. Why did staff with knowledge of the fraud not have the moral courage to come forward?**

REFERENCES

CBS - [Sham Cancer Charities Settle Massive Fraud Case](#)

FTC - [Sham charity operators turn the Big C into a Big Con](#)

FTC - [Case Documents](#)

FTC - [Timeline](#)

Guidestar - [Cancer Fund of America 990s](#)

NBC - [Sham Cancer Charities Raked 75 Million Get Shut Down](#)

Nonprofit Quarterly - [Cancer Charities Case Settled but the Money's Gone and Reynolds Walk](#)

Nonprofit Quarterly - [CNBC American Greed will Feature Reynolds Cancer Charities Scam](#)

NY Times - [4 Cancer Charities Are Accused of Fraud](#)

Tampa Bay - [Here's where Cancer Fund of America donations went while dying kids got Little Debbie snack cakes](#)

The Atlantic - [Are you Donating to Charity or Lining Someone's Pockets](#)

USA Today - [Sham Cancer Charities Face Federal Charges](#)