



UNIVERSITY OF SAN FRANCISCO
CHANGE THE WORLD FROM HERE

MASTER OF NONPROFIT
ADMINISTRATION



FOOD FOR THE POOR

Saving Lives... Transforming Communities... Renewing Hope

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Nonprofit Ethical Leadership

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Bribery, Fraud, and Deceit: The Unethical Case of Food for the Poor - Contents

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About the Organization

About the Organization

MISSION STATEMENT

Our mission is to link the church of the First World with the church of the Third World in a manner that helps both the materially poor and the poor in spirit.

The materially poor are served by local churches, clergy and lay leaders who have been empowered and supplied with goods by Food For The Poor.

The poor in spirit are renewed by their relationship with and service to the poor through our direct ministry of teaching, encouragement and prayer.

Ultimately, we seek to bring both benefactors and recipients to a closer union with our Lord.

About the Organization



MILLIONS OF
POOR PEOPLE
FED



MORE THAN
83,500 HOMES
BUILT



MORE THAN
\$15.3 BILLION
IN AID
PROVIDED

Haiti	Jamaica	Guatemala	Guyana
Honduras	Nicaragua	El Salvador	Dominican Republic
Trinidad and Tobago	Saint Vincent	Grenada	Antigua and Barbuda
Barbados	Belize	Dominica	Saint Lucia
Colombia			



Case Overview

The Organizational Culture is Rife with Ethical Dilemmas

- **Beneficiaries are asked to exchange beliefs for survival resources**
- **Lacking staff and board diversity**
 - No beneficiary voice, no women, vast majority white
- **The problem with the word “poor”**
- **Harmful and widespread use of “white savior” rhetoric**
- **Sexual misconduct**



Legal Concerns for Food For the Poor



Food for the Poor (FftP) is responsible for a series of unethical decisions, as discussed, but they are also legally liable for several missteps.

- FftP chose to quantify their in-kind donations in the same way that they did monetary donations. Because in-kind donations cannot be used to address costs, this means that a disproportionate amount of their remaining monetary donations were used towards fundraising and overhead.
- FftP consistently overvalued their in-kind donations, specifically medication donations.
- Misappropriation of Funds and Bribery.

Video Introduction to Food for the Poor



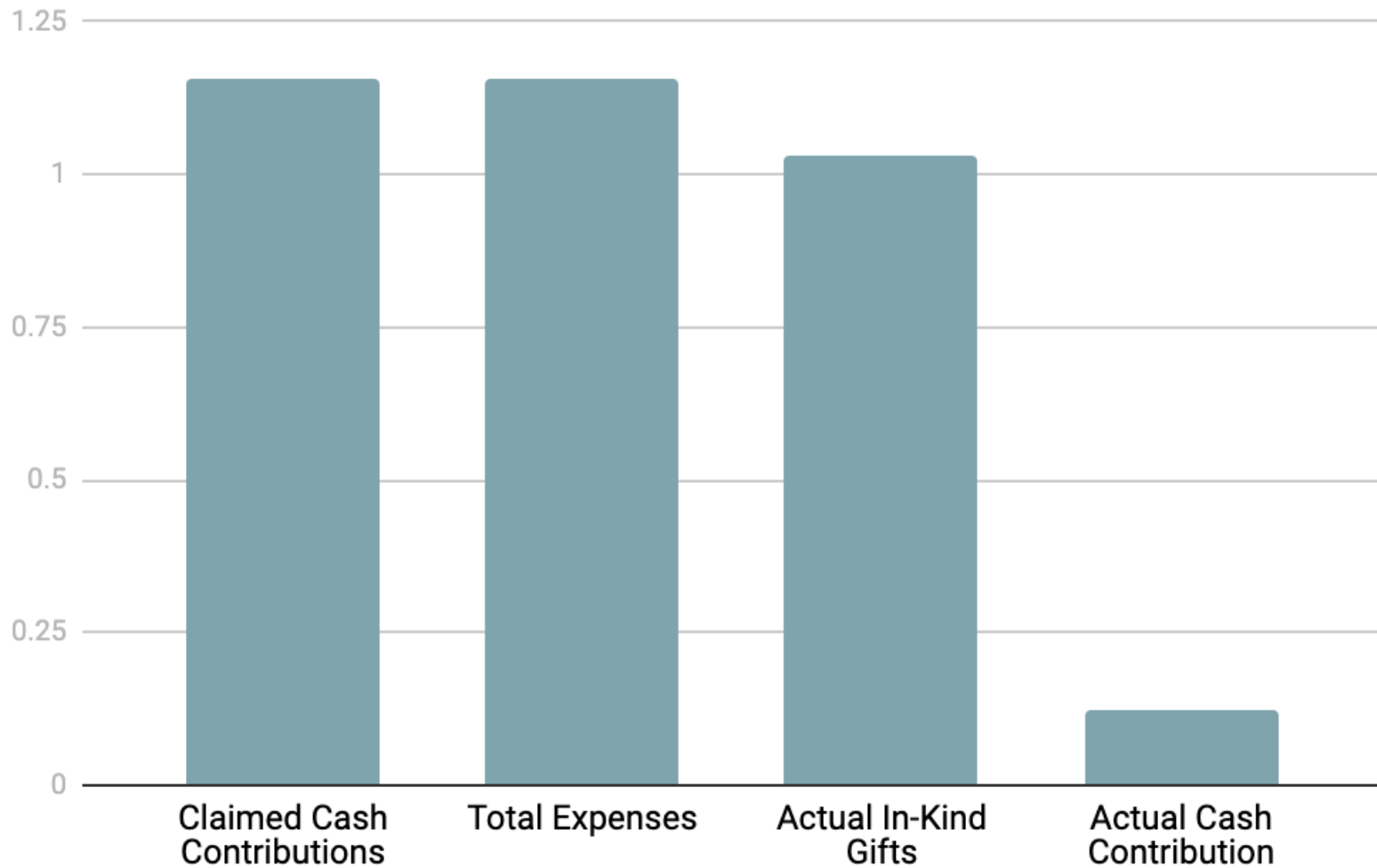


Case Facts

Timeline

2000	n/a	FL	The founder, Ferdinand Mahfood, used organization dollars (270K) to pay for the silence of multiple women with whom he had been fornicating.
2012	Dec	CA	The CA Attorney General claims that this is when falsified 990 and RFR-1 forms began
2017	Mar	MI	Michigan office issued an investigative order requiring production of its solicitation materials and requiring it to explain and document its programs and activities.
2017	Dec	MI	Michigan Attorney General Bill Schuette in December filed a cease and desist order against Food For the Poor, intending to bring a civil action in Ingham County Circuit Court.
2018	Mar	CA	The CA Attorney General issued an Order to Cease and Desist, Notice of Revocation of Charity Registration, and Notice of Assessment of Penalties (Case No. 2018-CT086331)
2018	Apr	CA	Food for the Poor submitted an appeal of the CA Attorney General's Order to Cease and Desist
2018	Oct	MI	Food For The Poor Settles With Michigan AG. Required to pay \$300,000 for investigation fees and to food banks in MI.
2018	Dec	CA	A hearing was held regarding the ongoing case in CA

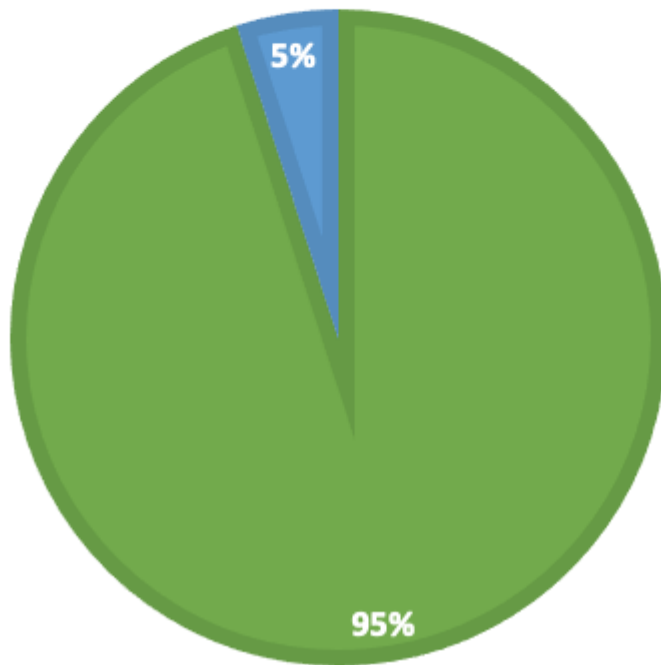
Monetary Amounts



Disparities in Reporting vs. Research

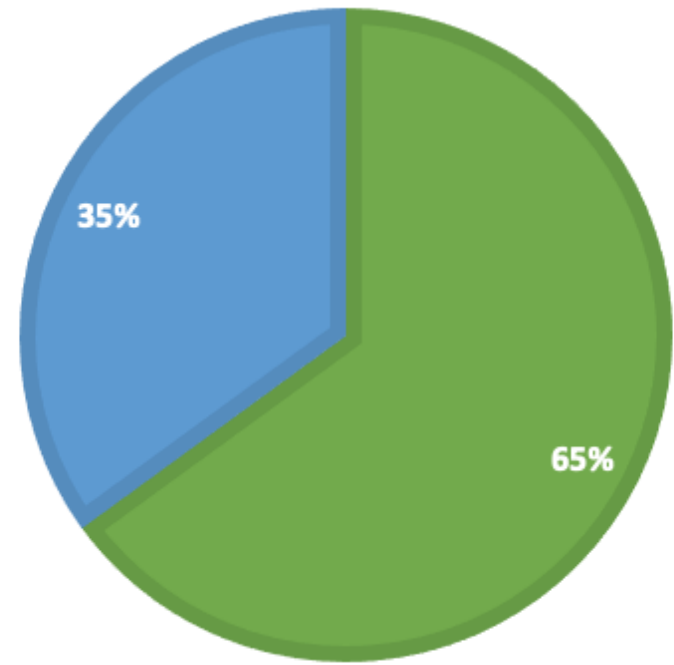
ACCORDING TO FOOD FOR THE POOR

■ Programs ■ Fundraising and Admin



ACCORDING TO CHARITY WATCH

■ Programs ■ Fundraising and Admin



Who are the primary players?

FftP Staff	FftP Lawyers	CA Legal Entity	MI Legal Entity
Controller Jeffrey Alexander Executive Director Angel Aloma	Tracey Boak & Adam Miller	Thomas Heller, Administrative Law Judge	Bill Schuette, Attorney General

“The Attorney General’s Charitable Trust Section received the renewal registration form in June 2016, reporting \$1.157 billion in contributions and grants received; \$1.158 billion in total expenses, and \$1.117 billion in total program expenses. Those figures would show a 96.5 percent program-expense ratio, however, if \$1.033 billion of the \$1.157 billion in contributions were gifts-in-kind (GIK).

Excluding GIK in the calculation and using just the \$124 million raised in cash that year, with \$84 million spent toward programs, would calculate a program-expense ratio of more like 67 percent.” - Nonprofit Times

The reaction of FftP:

From the perspective of FftP's Executive Director, Angel Aloma:

“We have served with integrity and honesty in every season of our 36-year-old ministry and we moved quickly to make sure that our mission to save lives was not jeopardized. When we learned that some people might be confused by our documents, we worked with the attorney general to make changes. We have always sought to be transparent and to put our donors first. It is our pledge to continue to work to make our disclosures as clear as possible.” - Nonprofit Times



Compliance

Compliance

Accused of Filing of False IRS Forms 990 and Forms RRF-1 in CA

This includes incorrect join-cost information, counting in-kind gifts as cash gifts, and inflating the worth of in-kind donations.

Accused of not abiding by the Generally Accepted Accounting Principles (GAAP) when calculating “fair market value” and “in-kind” donations.



What is Joint-Cost Filing Anyway?

In essence, *Joint-Cost Filing* occurs when an expense can be allocated to multiple programs at the same time. Most commonly, this means that costs related to fundraising can also be allocated towards programs.



For example: if a fundraising solicitation letter for a heart health nonprofit also includes information on healthy diet and exercise, this can also be considered educational. Thus, the expense for this letter can be joint-cost filed.



Responsibility

Individual Responsibility

So whose fault is this? Well, there is no one answer, but on an individual level, there are a lot of people whose actions are suspect:

The CEO (Robin Mahfood) - The Chief Executive Officer of FftP had a responsibility to foster a sense of accountability, as well as to disseminate information accurately, both internally and externally.

The CFO (Dennis North) - The Chief Financial Officer of FftP had a responsibility to be recording and reporting donations in a legally and ethically responsible manner.

General Counsel (David T. Price) - The General Counsel had a responsibility to educate the Senior Leadership at FftP on the importance of legal compliance.

The Development Team - This team had a responsibility to accurately communicate how funds were being used to donors.

Founders of FFP (Ferdinand Mahfood) - The Founders of the organization had a responsibility to foster an ethical and accountable environment and systems.

Members of the Board of Directors - Each individual member of the Board of Directors had a fiduciary responsibility to the organization. However, they allowed the organization to consistently make decisions that were ultimately harmful to the organization.



President, CEO
Robin Mahfood



Executive Director
Angel Aloma



Executive Vice President
Edward Raine



Vice President
Mark Khouri



Chief Operating Officer
Frederick Khouri



Chief Financial Officer
Dennis North



Secretary and General Counsel
David T. Price

Leadership

Organizational Responsibility

What measures could, or should have existed to prevent, correct or detect these unethical decisions?

Where is the accountability? In the founding years of this organization, accountability and transparency should have been prioritized while building the structure and culture of the organization.

Board of Directors - As a unit, the Board had a responsibility to be aware of what was going on in their organization. If they were aware of the unethical decisions being made, then they are legally culpable. If they were not, then they were not complying with their duties of care, loyalty and obedience.

Internal Auditing - FFP should have prioritized financial reporting. As such, participating in an internal audit would have helped them identify their problematic reporting practices before they became such large issues.

Systemic Responsibility

Are there elements of Food for the Poor's organizational culture that led to the poor decision making on display in this case study?

Organizational Entitlement - We do good work, so we are not beholden to mere laws. I.E., our services are essential, and we need to deliver them at all costs.

White Savior Model - Consistent imagery silencing people of colors by literally not allowing them to speak, while highlighting the experience of mainly white volunteers.

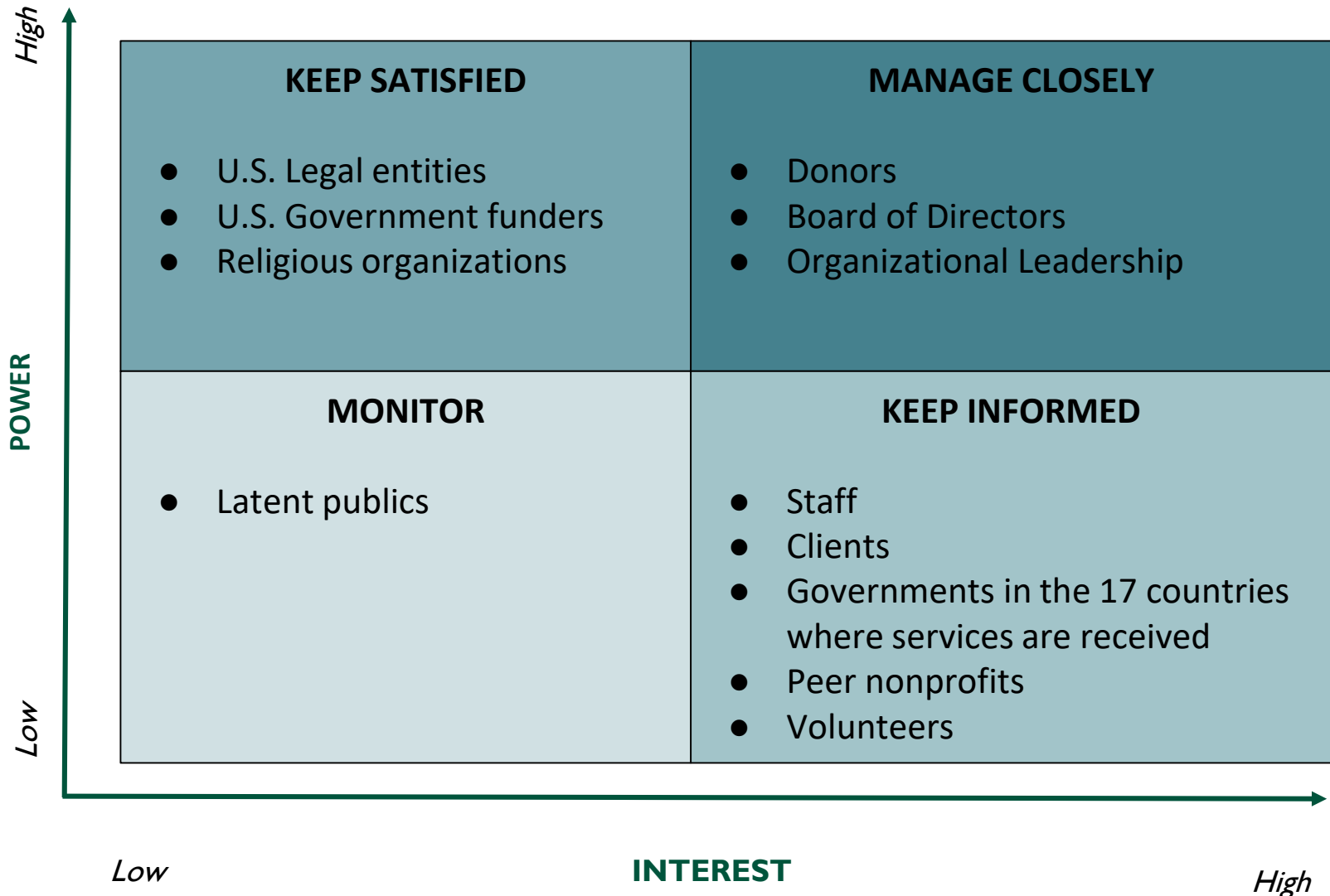
Hiding Behind International Transparency and Legislation - Requirements on reporting are often less stringent in many of the countries in which FftP works in, thus giving the organization a buffer to hide behind.

Lack of Diversity - As evident from the leadership of FftP, they are limited in their perspective by the lack of diversity within the organization, leading to a limited view of the organization and the world.

A diagram consisting of a central cross with four arrows pointing towards the center from the top, bottom, left, and right. This central cross is enclosed within a larger diamond shape, which is also formed by four arrows pointing towards the center from its four vertices. The entire graphic is rendered in a dark gray color on a black background.

Stakeholders

Stakeholders Analysis



Stakeholders Analysis

FFP has a responsibility to ...

Its clients

- FFP must perform their work ethically so that they can continue providing services. If they lose their tax status, they can no longer provide services.

It's donors

- They are responsible for accurately communicating how donations are used and not misleading the public.

Its to peers

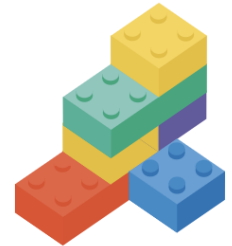
- Other nonprofits in the field are affected by this scandal because it decreases trust.



Solutions and Questions

Alternative Solutions

1. **Organizational Culture** - Hire a consultant to run organization-wide workshops on accountability. This includes the board, leadership, and all staff.
2. **Organization Cohesion** - Adopt the Independent Sector's "Principles for Good Governance and Ethical Practice" to connect ethical practices between board and staff.
3. **Structural** - Properly classify of in-kind donations. Bring in a disinterested consultant to clean up records and train staff on the proper way to classify.
4. **Diversity, Equity, and Inclusion** - Intentionally increase board and staff diversity to include representation of their clients, people without religious affiliations, and women. Giving power to a variety of perspectives will help the organization to make decisions they can be confident in.



Questions

- 1) What do you think could have motivated their decisions to falsify joint-costs, inflate the fair market value of in-kind donations, and report noncash gifts as cash on the flippin' 900?

- 1) Why do you think that the organization has not prioritized diversity when their programs and services touch so many different kinds of people both nationally and internationally?

- 1) How do you think the religious affiliation could have played into their deceptive decisions?

Questions

4) How could nepotism impact the organization's ability to act with accountability?

5) What cultural narratives of leadership do you think that FftP is adhering to, and why is this problematic?

6) What could FftP do to reform its external reputation and rebuild trust in the community?

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