

501(c)(3)s Behaving Badly

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There are hundreds of thousands of 501(c)(3)s in the United States. Most do great work and are operated cleanly and ethically. Others ... not so much.

Case Study No. 1: Tom and his Best Buddies

New England Patriots Quarterback Tom Brady is rich: His estimated net worth is about \$180 million or so. His wife, supermodel Giselle Bundchen, is worth almost double: about \$360 million.

“Like many successful celebrities, in 2005, Tom Brady established a charity.” His Change the World Foundation Trust was started as a 501(c)(3) private foundation; there was an initial contribution of just under \$500,000. Brady has been the sole trustee of Change the World Foundation during the entire period.

Here’s the rub: In the years since the first Brady funds were deposited, he “has contributed nothing to his own foundation, according to publicly available IRS records on GuideStar and the Urban Institute’s National Center for Charitable Statistics.”

The money coming in afterward has been from somewhere else ... hold on to that for a moment.

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The trust’s charitable gifts have been related to Brady’s personal interests, with the largest gifts since 2011 going to Brady’s high school alma mater; the church where Brady married his wife, ... and the TB12 Foundation, a 501(c)(3) public charity described as ‘a charity Brady formed in 2015 to support clients of his Foxborough-based TB12 fitness and nutrition company.’

So who is funding Tom Brady's private foundation? Most comes from Best Buddies International, the "world's largest organization dedicated to ending the social, physical and economic isolation of the 200 million people with intellectual and developmental disabilities (IDD)," providing "friendship, jobs & leadership development," according to its website. That well-known organization was founded by JFK nephew Anthony K. Shriver. Apparently, since 2001, Tom Brady has been a major fundraiser for Best Buddies, helping to bring in some \$46.5 million.

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Shriver quoted Brady as saying in 2011, 'When I come to Best Buddies events, it's all about Best Buddies, which is the way I want to keep it while I develop my interests. Would you support helping me pursue my things while I continue to put a lot of energy into your thing?' Best Buddies granted \$250,000 to Change the World Foundation Trust in 2011 and increased the amount in subsequent years to \$500,000 annually—a practice expected to continue into the foreseeable future.

Another interesting tidbit: Brady's TB12 Foundation says its mission is to "enhance the health, well-being and athletic potential of promising young American amateur athletes by providing access to the 'TB12 Method' of athletic training."

On its 2015 tax filing, Schedule L (Business Transactions Involving Interested Persons), the group writes that "board president, Thomas E P Brady, Jr, is an owner of TB12 LLC, which is the sole member of the corporation" and that "board treasurer/clerk, Jeffrey Surette, is employed as the senior vice president of TB12 LLC." The TB12 foundation has no employees; Surette, however, was paid compensation of approximately \$154,000 in 2015.

The Boston Globe has been poking into these arrangements recently: "a ... high profile philanthropy named for, controlled by, and identified as the charity of one person while being funded by others" and with the founder's "charitable and business concerns ... uncomfortably linked." Where have we heard about that type of thing recently?

"It may be legal, but is it ethical – especially when the celebrity is filthy rich?" asks Michael L. Wyland, contributing editor to The Nonprofit Quarterly.

Case Study No. 2: Pet Peeves in L.A.

The local CBS station in Los Angeles has been sniffing around reports that "several supposed nonprofit pet rescue groups in the ... area that claim to adopt out pets aren't really in compliance with tax law."

Saving Spot, a group located in West Hollywood, is one such example that "could be taking donations illegally." The organization, "which claims to be a nonprofit that rescues puppies," holds benefits at which Hollywood celebrities attend. But it also charges "a whopping \$475 adoption fee." "Yeah, well, we're a nonprofit, so it's all deductible," an employee is heard saying on camera. 'Any

donations you make are tax deductible.”

Without regard to whether the adoption fee is or is not excessive, the intrepid TV reporters learned that the Internal Revenue Service had revoked Saving Spot’s tax exempt status in 2015 for failure to file required Form 990 information returns. Also, the California Attorney General’s office suspended the group for failing to file required reports.

Reportedly, many of the Los Angeles pet rescue organizations are out of compliance with tax laws or otherwise engaged in some dodgy practices. The SPCA says state and local prosecutors are beginning to take a look at them.

Among the category of charities that includes a seemingly inordinate number of bad actors are animal rescue organizations. Who can resist helping a cute puppy or kitten face?

Conclusion

While government regulators like the IRS and the attorneys general of each state are responsible for oversight of charities, some important leads come from media folks investigating situations that don’t seem quite right. Recently, David Farenthold of the Washington Post was rewarded with a Pulitzer Prize for doing just that.