Reynold’s Cancer Charities

Case Study

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PRESENTATION OVERVIEW

▪ Video
▪ Case Summary
▪ Case Study Analysis
▪ Questions
VIDEO INTRODUCTION
CASE ANALYSIS

Sham Cancer Charities

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

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...

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)

FTC.gov
Federal Trade Commission
May 2015

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.

Charitable Aid
(US gifts in kind and
financial assistance)
# Case Analysis

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.

| 1 | Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21. | 2,187,520 | 2,187,520 |
| 2 | Grants and other assistance to domestic individuals. See Part IV, line 22. | 2,187,520 | 2,187,520 |
| 3 | Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16. | 2,187,520 | 2,187,520 |
| 4 | Benefits paid to or for members. | 2,187,520 | 2,187,520 |
| 5 | Compensation of current officers, directors, trustees, and key employees. | 2,187,520 | 2,187,520 |
| 6 | Compensation not included above to disqualified persons as defined under section 4958(f)(1) and persons described in section 4958(c)(3)(B). | 2,187,520 | 2,187,520 |
| 7 | Other salaries and wages. | 2,187,520 | 2,187,520 |
| 8 | Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions). | 2,187,520 | 2,187,520 |
| 9 | Other employee benefits. | 2,187,520 | 2,187,520 |
| 10 | Payroll taxes. | 2,187,520 | 2,187,520 |
| 11 | Fees for services (non-employees). | 2,187,520 | 2,187,520 |
| a | Management. | 2,187,520 | 2,187,520 |
| b | Legal. | 2,187,520 | 2,187,520 |
| c | Accounting. | 2,187,520 | 2,187,520 |
| d | Lobbying. | 2,187,520 | 2,187,520 |
| e | Professional fundraising services. See Part IV, line 17. | 2,187,520 | 2,187,520 |

### Footnotes

- **A** Total expenses
- **B** Program service expenses
- **C** Management and general expenses
- **D** Contributing expenses

### Notes

- **1** Briefly describe the organization’s mission or most significant activities.
- **2** Check this box 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).
- **4** Number of independent voting members of the governing body (Part VI, line 1b).
- **5** Total number of individuals employed in calendar year 2015 (Part V, line 2a).
- **6** Total number of volunteers (estimate if necessary) (Part V, line 2b).
- **7a** Total unrelated business revenue from calendar year 2015 (Part VIII, column C).
- **7b** Net unrelated business taxable income from Form 990-T, line 34.
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.
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:** 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.

- **Closure:** Reynolds is banned from profiting from any charity fundraising in the future.

- **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 Sette 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 Moneys 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