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Study Faults Charities for Veterans

Some Nonprofits Shortchange Troops, Watchdog Group Says

By Philip Rucker
Washington Post Staff Writer
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Americans gave millions of dollars in the past year to veterans charities designed to help troops wounded in [Iraq](#) and [Afghanistan](#), but several of the groups spent relatively little money on the wounded, according to a leading watchdog organization and federal tax filings.

Eight veterans charities, including some of the nation's largest, gave less than a third of the money raised to the causes they champion, far below the recommended standard, the American Institute of Philanthropy says in a report. One group passed along 1 cent for every dollar raised, the report says. Another paid its founder and his wife a combined \$540,000 in compensation and benefits last year, a [Washington Post](#) analysis of tax filings showed.

There are no laws regulating the amount of money charities spend on overhead, fundraising or giving. But the institute's report suggests that 20 of the 29 military charities studied were managing their resources poorly, paying high overhead costs and direct-mail fundraising fees and, in some cases, providing their leaders with six-figure salaries.

The 12 charities rated as failing by the institute -- including the [Military Order of the Purple Heart](#) Service Foundation, the AMVETS National Service Foundation and the Freedom Alliance -- collected at least \$266 million in the past fiscal year.

"They know how to work the system, and they seem pretty good at not going over the line, although it is pretty outrageous that so little money is actually winding up benefiting charities," said Daniel Borochoff, president and founder of the [Chicago](#)-based institute.

The charities' practices have sparked outrage among some members of Congress.

The [House Committee on Oversight and Government Reform](#) was scheduled to hold its first hearing on veterans charities this morning.

"People want to help the veterans," said Rep. [Chris Van Hollen](#) (D-Md.), a member of the oversight committee. "They don't want to enrich organizations that are cynically exploiting veterans for their own personal gain.

"We need to make sure that the generous contributions of Americans to veterans will help veterans and not line the pockets of fundraisers and these organizations."

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Richard H. Esau Jr., executive director of the Military Order of the Purple Heart Service Foundation, based in [Annandale](#), said the cost of fundraising limits how much his group can spend on charitable causes. "Do you have any idea how much money it costs to advertise? It's unbelievable the amount of money it takes to advertise in the print and electronic media," he said. "I'm very proud of what we do, and we certainly do look after everybody. F or no F, the point is we do the right thing by veterans."

Borochoff said many veterans charities are "woefully inefficient," spending large sums on costly direct-mail advertising.

"They oversolicit. They love to send out a lot of trinkets and stickers and greeting cards and flags and things that waste a lot of money that they get little return on," said Borochoff, who plans to testify before Congress today.

The philanthropy institute gave F's to 12 of the 29 military charities reviewed and D's to eight. Five were awarded A-pluses, including the [Fisher House Foundation](#) in [Rockville](#), which the institute says directs more than 90 percent of its income to charitable causes.

One group received an A, and one received an A-minus.

Jim Weiskopf, spokesman for Fisher House, said the charity does not use direct-mail advertising. "As soon as you do direct mail, your fundraising expenses go up astronomically," he said.

One egregious example, Borochoff said, is Help Hospitalized Veterans, which was founded in 1971 by Roger Chapin, a veteran of the Army Finance Corps and a [San Diego](#) real estate developer. The charity, which provides therapeutic arts and crafts kits to hospitalized veterans, reported income of \$71.3 million last year and spent about one-third of that money on charitable work, the philanthropy institute said.

In its tax filings, Help Hospitalized Veterans reported paying more than \$4 million to direct-mail fundraising consultants. The group also has run television advertisements featuring actor Sam Waterston, game show host Pat Sajak and other celebrities.

Chapin, 75, the charity's president, received \$426,434 in salary and benefits in the past fiscal year, according to a filing with the [Internal Revenue Service](#). His wife, Elizabeth, 73, received \$113,623 in salary and benefits as "newsletter editor," the Post's review of the tax filing showed.

Chapin and other leaders of Help Hospitalized Veterans did not return calls for comment. But the charity e-mailed a statement stating that it is among "the finest veterans' charities this nation has to offer." The statement also said its "fundraising expenses, accounting methods, and executive salaries are comparable to other nonprofits in this field."

Bennett Weiner, chief operating officer of the [Better Business Bureau](#), said the agency has 20 standards for reviewing charities, including that a charity's fundraising and overhead costs not exceed 35 percent of total contributions.

Weiner, who is scheduled to testify before the House committee today, said he could not comment specifically on veterans charities until after his testimony.

Advocates for veterans said they worry that scrutiny could damage military charities in general.

"In the rush to help, there's a lot of innovative work and good work happening, but there's also a lot of

fraud and waste," said Paul Rieckhoff, executive director of Iraq and Afghanistan Veterans of America. "There's never been a greater need for veterans charities in a generation, and I hope issues like this don't deter people from giving."

[Sen. Charles E. Grassley \(R-Iowa\)](#), one of Congress's leading critics of charities, said some of the groups are abusing their tax-exempt status.

"Taxpayers are subsidizing that tax exemption," Grassley said through a spokeswoman. "Sitting on donors' money or spending too much on contracts and salaries doesn't benefit the public."

Rep. [John Sarbanes](#) (D-Md.), a member of the oversight committee, wants veterans charities to be held accountable.

"I hope there is an explanation, but it seems that most of the funds they raise never reach the veteran community," Sarbanes said through a spokeswoman. "Some of the practices being described are simply outrageous."

Rick Cohen, an expert on nonprofit groups and former executive director of the National Committee for Responsive Philanthropy, called the spending decisions of some charities "grotesque."

"I think in light of the Iraq war and the Afghanistan war, these veterans are the people who we should really be protecting and not using as excuses or avenues for ripping off charity philanthropy," Cohen said.

Staff researcher Meg Smith contributed to this report.

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How They Fared

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The American Institute of Philanthropy, a leading charity watchdog, issued a report card this month for 29 veterans and military charities. Letter grades were based largely on the charities' fundraising costs and the percentage of money raised that was spent on charitable activities. The charities that received failing grades are in bold type.

Air Force Aid Society (A+)

American Ex-Prisoners of War Service Foundation (F)

American Veterans Coalition (F)

American Veterans Relief Foundation (F)

AMVETS National Service Foundation (F)

Armed Services [YMCA of the USA](#) (A-)

Army Emergency Relief (A+)

Blinded Veterans Association (D)

Disabled American Veterans (D)

Disabled Veterans Association (F)

[Fisher House Foundation](#) (A+)

Freedom Alliance (F)

Help Hospitalized Veterans/Coalition to Salute America's Heroes (F)

Intrepid Fallen Heroes Fund (A+)

[Military Order of the Purple Heart Service Foundation](#) (F)

National Military Family Association (A)

National Veterans Services Fund (F)

National Vietnam Veterans Committee (D)

Navy-Marine Corps Relief Society (A+)

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NCOA National Defense Foundation (F)

Paralyzed Veterans of America (F)

Soldiers' Angels (D)

United Spinal Association's Wounded Warrior Project (D)

USO (United Service Organization) (C+)

[Veterans of Foreign Wars](#) and foundation (C-)

Veterans of the Vietnam War & the Veterans Coalition (D)

[Vietnam Veterans Memorial Fund](#) (D)

VietNow National Headquarters (F)

World War II Veterans Committee (D)

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