

Almost Crimes: The *Boston Globe's* Foundation Exposés Revisited

by Rick Cohen

THIS ARTICLE UPDATES FOUR sordid stories of corporate misdeeds. They have all the usual hallmarks of such tales: bad blood between siblings, nefarious self-dealing, and interlocked directorates, as well as exuberant spending and personal gain disproportionate with the stakeholder value produced. The organizations in question inhabit a sector that is largely hidden from public scrutiny: charitable foundations. In these institutions, ethical misbehavior is particularly disappointing to the public, which would like to think well of philanthropic organizations. They are, after all, working with a good deal of money afforded by tax breaks and are therefore in the business of acting in the public trust.

In 2003, the *Boston Globe's* award-winning Spotlight Team published a series of investigative articles on philanthropic foundations across the country. The series brought a laser-like focus to the ethical lapses of these public-benefit institutions and alarmed many in organized philanthropy, causing the then-president of the Council on Foundations to predict philanthropic "perp walks," with foundation bigwigs traversing the gauntlet of courthouse reporters on their way to indictment.¹

While this humiliating specter undoubtedly raised alarm, in the larger scheme of the evolution of philanthropy

it should have been seen as a necessary way station. Organizations that control large caches of publicly or government-subsidized funds must be held to reasonable standards, and the first step to establishing the right standards is to shine a light on existing practices that may flout the public's expectations. This article follows up on some of the *Globe* cases in an attempt to keep these ethical issues front and center on legislative and enforcement agendas.

Between October and December 2003, the *Boston Globe* foundation Spotlight series included front-page stories detailing the open hubris of a few foundations when confronted with possible ethical lapses, and it provided updates on government agency responses in 2004. Massachusetts-based foundations such as the Paul and Virginia Cabot Charitable Trust; the Copeland Family Foundation, Inc.; and the Amelia Peabody Foundation received yeoman coverage, but the series also looked at foundations in 15 states, from Connecticut to California. As frequently happens, the exposés of the press attracted lawmakers' attention. Former Senate Finance Committee Chairman Charles Grassley, a Republican senator from Iowa, credited the *Globe* articles with bringing Enron-type abuses within nonprofits to the surface.²

Some fines were paid and some restitutions were levied, but there were

The Foundation Issues/Abuses Highlighted in the *Boston Globe* Series

- Personal loans to foundation CEOs
- Staff/trustees' "profit sharing" in foundation
- High foundation compensation and expenses compared with low grantmaking
- High/excessive levels of trustee compensation
- Foundation funds for personal use
- Acquisition and use of aircraft and luxury cars for executives and trustees
- Use or purchase of costly office space
- High or skyrocketing CEO salaries
- Trustees engaged in self-dealing as vendors
- Grantmaking to trustees' own charities
- Foundation stock investments in trustee-owned or trustee-related businesses

few perp walks to speak of. This relative lack of government action and subsequent prosecution has led some to conclude that the *Globe* series exaggerated the problem, that the reporters didn't understand philanthropy well enough, and that the coverage scared

readers (and members of Congress) into overestimating problems among foundations. An alternative interpretation is just as plausible: the *Globe* series demonstrates the inadequacy of the existing regulatory framework, since so many of the examples were beyond the scope of government oversight and enforcement; and even for the few instances where foundations may have crossed the line into potential illegality, enforcement of the laws applicable to foundations is uneven at best.

This review highlights three kinds of foundation accountability stories that followed the *Globe* series: where strong enforcement and prosecution led to real consequences; where a family whistleblower exposed exorbitant trustee fees or other misuse of foundation funds; and where a group of people intermingled business and nonprofit entities, creating a web of corporations that invested in one another with philanthropic funds. The individuals involved received benefits from multiple corporations tangled in these webs. There seem to have been few checks and balances in the *Globe* cases, and in one instance the foundation boardroom comprised only a wife (acting as CEO) and a husband (acting as board chair).

These stories are not the only follow-ups that could have pursued from the series. There are others that could have also been profiled with comparable tales of less-than-admirable behavior and accountability. The purpose of examining what happened to some of the cases highlighted by the *Globe* series is not to sensationalize; in light of the aftermath of these cases, the public should be concerned about some continuing questionable practices, which should raise a red flag for enforcement agencies and legislators alike.

Cabot: Yankee Gall

The avatar of the *Globe* series has to have been Paul C. Cabot of the Paul and Virginia Cabot Charitable Trust. In 2001, Paul Cabot paid for his daughter's

\$200,000 wedding in Boca Raton with foundation funds. Hardly hurting for money as an investment banker, Cabot supplemented his wealth between 1998 and 2003 with more than \$6 million in trustee fees. He must have liked his performance as a trustee, awarding himself hefty annual increases.

The *Globe* team noted that the 2001 increase coincided with the cost of Cabot's daughter's wedding, after which he was able to take a small salary cut. To the *Globe* reporters, Cabot politely acknowledged his compensation as "a little more than reasonable" and noted that his two sisters on the board were unaware of his postmillennium million-dollar compensation. Apparently they never saw the 990s; their brother provided them with only an annual grants list.

Cabot Update

Between 1998 and 2002, the foundation's average annual grantmaking was \$400,000, more than \$100,000 less than the lowest trustee fee Cabot received during this period. In 2003 the foundation upped its grant total to \$540,000, but Cabot took only nine months of fees; he resigned from the board in October and handed the foundation over to his unpaid sisters. In a footnote to the foundation's form 990-PF, however, he took pains to note that he had been the foundation's full-time manager and administrator.

It is hard to imagine that no one at the IRS noticed that Cabot's personal compensation during some years was more than three times the amount of grants paid out. It is the kind of information that jumps off the page of a 990. By Cabot's making hash of the foundation's investments and taking the bulk of the institution's resources to maintain a lavish lifestyle, the foundation's assets plunged annually, visible even from a cursory 990 review by the IRS. But it took the *Boston Globe*, and then the Massachusetts attorney general, to dig into the Cabot Charitable Trust and force change.

Not only did Cabot leave his own foundation before the end of 2003; in 2004 the attorney general got Cabot to agree to repay the foundation \$4 million. To make the required restitution, Cabot consented to selling his multimillion-dollar homes in Florida and Massachusetts. But apparently, life got in the way. The IRS went after Cabot for self-dealing and excessive compensation, taking Cabot's \$1 million share of the home sales. The Cabot children also sued to block the attorney general's agreement in order to recapture foundation funds as their inheritance. As of 2006, the state had gotten a \$900,000 up-front payment, with additional recovery likely stymied by the IRS and Cabot family interventions.³

Notwithstanding the financial penalties, the state got Cabot to "voluntarily" resign from the foundation and be replaced temporarily by his two sisters (who were described in the press as "appalled"). The attorney general not only removed Cabot from the foundation's board, but he was involuntarily prohibited for life from any role in Massachusetts charities.⁴ Despite all the attention given to Attorney General Eliot Spitzer for his efforts to clean up nonprofits in New York, this Massachusetts enforcement action (along with actions against the Copeland Family Foundation and others profiled in the *Globe* series) may well be the nation's most aggressive and comprehensive state government effort to clean up foundation abuses, largely due to the *Globe*'s articles. But the attorney general's call for more powerful legal tools to deal with unethical foundations died in legislation and never got a vote in the Massachusetts legislature.

The Chatlos Foundation: Proclaiming "the Glory of God"

Although by its own admission the Chatlos Foundation was established to proclaim "the Glory of God" through grantmaking to nonprofits around the world, the *Globe* found that the CEO of

the foundation, William J. Chatlos (grandson of the founding Chatlos), was making not only a part-time \$170,000 salary at the foundation but an even heftier one heading the Chatlos family's real estate development firm (Sun Ray Homes, Inc.). This was recorded not only on the foundation's 990 but in litigation filed against Chatlos and the foundation by his sister, alleging that he had improperly taken compensation not revealed to other foundation trustees and also invested foundation funds in Sun Ray Homes.⁵

The sister appealed to the Florida Supreme Court, litigating as a “whistle-blower” who had in part lost her position on the Chatlos board precisely because she complained about her brother's allegedly improper financial compensation and investments with foundation funds. She revealed that her brother had taken \$188,000 annually in additional secret compensation from the foundation and undisclosed six-figure payments. Further, undisclosed “discretionary” cash payments were made to two of the Chatlos sisters. According to her petition, the foundation reacted to the suit as follows:

Ms. D'Arata was then wrongfully terminated. The Foundation without explanation cut off her salary in October 2001, and later cut off her medical insurance as well as that of her diabetic husband and child. It then threatened her with prosecution for extortion... and attempted to intimidate her with numerous pleadings filed the very day the complaint was filed. . . . The Foundation has done everything possible to try to keep her from bringing this suit, and has spent over a half-million dollars in legal fees on behalf of Respondents. As the trial court noted, Respondents are doing all they can, using Foundation funds, to “smother” the whistle-blower.⁶

The Florida case did not address Chatlos's alleged misuse of funds or its effect on the public mission of the foundation. Rather, D'Arata was petitioning the court to require the foundation to provide indemnification to her as a foundation trustee, as it had done for her brother.

Chatlos Update

So did the court battle cause the Chatlos Foundation to reform its practices? In the Chatlos Foundation's 990 for the year 2005, it was still enmeshed in this litigation, running up \$262,000 in legal and accounting fees connected with the case.

The foundation continues to carry a heavy administrative load, spending \$2.7 million in administrative and operating expenses to make \$4 million in grants. William Chatlos's full-time foundation salary and benefits have increased to \$241,000, apart from what he may also have pulled down at the development company. A trustee board member got \$143,000 for her part-time board service, and others got smaller amounts. Finally, as of 2005, the foundation still held a large amount of non-marketable stock in the real estate development firm owned by the brother of this board member: 15.8 percent of the foundation's total \$69 million investment in securities.

What happened to the suit? The foundation's 990 for the year 2005 classifies an \$830,500 expenditure as “other professional fees”; this amount equals the litigation settlement and presumably is the reason why the D'Arata suit disappeared from the court dockets after the Florida Supreme Court remand and why the entire payment was counted toward the foundation's charitable qualifying distributions.

A Web of Self-Dealing: Franklin Holding Company

The *Globe* also reported extensively on the Franklin Holding Company, a foundation that owned a small San Fran-

cisco hospital. It paid its CEO between \$300,000 and \$400,000 annually—not illegal conduct, though perhaps questionable. The foundation, however, sold the hospital to a health care company for \$29 million in 1998, and Gregory Monardo, its CEO, walked off with a \$3.5 million payout. The remainder was deposited in the foundation for public-benefit grants. This occurred some years before the California attorney general began, like most of his peers, to examine the phenomenon of health care conversions, where some nonprofit managers were acting like for-profit corporate raiders. None of the Franklin Holding Company board members contacted by the *Globe* remembered having authorized the payment. Monardo also benefited from a personal home loan from the foundation for \$350,000—a clear violation of IRS rules—but appears not to have been sanctioned.

What happened to the “foundation” in the aftermath of the sale and the Monardo payout? The *Globe* reported that, in 2001, Franklin Holding made small grants to the 9/11 Fund and to the Junior League of San Antonio, Texas (the hometown of a Franklin trustee). In 2002 the foundation went through more than \$900,000 in operating and administrative expenses (\$338,000 attributable to investment expenses) to make a grand total of \$50,000 in grants to Franklin Benefit Corporation. This should come as no surprise: Franklin Benefit is Monardo and his colleagues operating another foundation that provides some grant support for health-related programs, including to the hospital where some of the Franklin trustees work as medical staff.

Franklin Update

In 2003, Franklin Holding spent \$988,000 in administrative and operating costs and handed out \$57,000 in grants. Then suddenly, Franklin Holding disbanded, with its remaining \$22 million corpus absorbed into an entity called the Metta Fund, boosting

Cabot Trust Grants and Executive Compensation, 1998–2005

Year	Paul Cabot's Trustee Compensation	The Trust's Annual Grants
1998	\$510,202	\$383,000
1999	\$880,263	\$570,000
2000	\$1,058,233	\$327,000
2001	\$1,418,278	\$464,000
2002	\$1,318,240	\$401,000
2003	\$1,195,248	\$540,000
2004	n/a	\$270,000
2005	n/a	\$165,000

the Metta Fund's fund balance up to \$65 million.

Why the Metta Fund? On the Metta Fund's 990 in 2004, the officers are listed as J. Edward Tippetts, the chair (working two hours a week for \$19,000 a year); Dr. Cherie Mohrfeld (working two hours a week for \$18,850); James Uyeda (working two hours a week for \$19,500); Lutz Issleib (working 1.5 hours a week for \$10,500 a year); and Gregory Monardo, receiving a lower compensation rate than his board peers, working four hours a week for \$19,500. Based on a 35-hour week, that's a salary of more than \$171,000 for Monardo.

For the year 2004, in the 990 filed for Franklin Holding the officers and trustees were Issleib as chair (working two hours a week for \$34,500); Tippetts (working six hours a week for \$43,500); Uyeda (working six hours a week for \$54,000); Dr. Mohrfeld (working three hours a week for \$29,000); H. Marcia Smolens (working three hours a week for \$20,000 a year); and, of course, Monardo (working six hours a week for annual compensation of \$43,500). Monardo's Franklin compensation that year was the equivalent of a \$254,000 annual salary on a 35-hour workweek.

And they're all on the board of Franklin Benefit, though listed as not receiving compensation there (except for Mohrfeld who receives a tiny con-

sulting fee of some sort). Although quoted by the *Globe* as having been uninformed about the 1998 payout to Monardo, despite her role as an anesthesiologist who represented the doctors on the Franklin board, Dr. Mohrfeld continues to be one of the participating compensated beneficiaries in the network of Monardo health charities.

Franklin Holding, Franklin Benefit, the Metta Fund, these are entities governed by largely the same people whose lavish compensation per hour adds up to a heavy administrative load for foundations that distribute—or distributed—relatively minimal levels of grants and don't seem to do much else. Add on Franklin's annual payments of \$336,000 in 2003 and \$232,000 in 2004 to the Millennio Group for administrative services, in addition to expensive dollops of lawyers and accountants, and another interesting interrelationship emerges. The Millennio Group doesn't show up on a Google search, but it is listed in the California secretary of state's business registry as a limited liability corporation (LLC) with Greg Monardo named as Millennio's "agent."⁷

A Web of Self-Dealing: The Berger and Auen Foundations of California

A rare local newspaper follow-up on one story in the *Globe* series ran in the

Desert Sun which briefly mentioned the H.N. and Frances C. Berger Foundation of Palm Desert, California.⁸ The *Sun* recounted the details of the *Globe*'s take on the Berger Foundation, which had \$21.6 million in administrative and operating expenses, compared with only \$16.2 million in charitable distributions. It noted that there was a special allocation of extra compensation to the president of the foundation, Ronald Auen, to the tune of \$1.4 million and nearly \$2.8 million was awarded to the foundation's other trustees due to "extraordinary real estate gains" in 2001. While the article quotes a couple of national experts who suggest that the board payments were "outrageous," it also quotes a local expert who affirmed that Auen's and his colleagues' conduct was on the up and up and that they would never do anything that hadn't been scrutinized and approved by attorneys and accountants.

The *Globe* actually noted that Auen, the former son-in-law of Berger, also received a salary of nearly \$460,000 as executive director and \$54,000 as a Berger trustee in addition to his real estate profit-sharing fees. Auen also runs his own foundation, the second largest in California's so-called Inland Empire area of wealthy communities that include Palm Desert, Palm Springs, and Rancho Cucamonga in Riverside and San Bernadino counties. According to the *Globe*, in 2001, Auen didn't receive compensation from his personal foundation because he was paid by Berger. His defense of his generous compensation package at Berger? "We have to take a salary," he told the *Globe*.

A Berger / Auen Update

What do the Berger and Auen foundations look like in today's world? Auen remains well compensated by the Berger Foundation; his salary has increased to \$693,000 for his full-time work (the foundation's 990-PF says he routinely works 50- to 60-hour weeks). He still receives no compensation at his

Compensation and Hours Worked by Berger Foundation Officers and Directors/Trustees

Director	Hours/week	Salary, benefits, and deferred compensation)	Hourly rate (with all holidays included as workdays)
Ronald Auen (officer)	Full time	\$718,511	\$345
Ronald Auen (director)	1.38 (72/year)	\$54,000	\$750
John Berger (officer)	16	\$96,074	\$115
John Berger (director)	.69 (36/year)	\$27,000	\$750
Darrell Burrage (officer)	Full time	\$331,310	\$159
Darrell Burrage (director)	.69 (36/year)	\$27,000	\$750
Joan Kalimanis (officer)	29	\$234,856	\$156
Joan Kalimanis (director)	.69 (36/year)	\$27,000	\$750
Christopher McGuire (officer)	full time	\$472,809	\$223
Christopher McGuire (director)	.69 (36/year)	\$27,000	\$750
Douglass Vance (officer)	Full time	\$442,735	\$213
Douglass Vance (director)	.69 (36/year)	\$27,000	\$750
Lewis Webb (director)	.69 (36/year)	\$27,000	\$750
Dean Palumbo (director)	.69 (36/year)	\$7,250	\$201
Mike Rover (director)	.69 (36/year)	\$7,250	\$201
Francis Wong (director)	.69 (36/year)	\$7,250	\$201

own foundation, but his wife, Sherrie, took in \$137,000 there as director of programs. The board meetings must not be difficult (or they may be very difficult): Auen is listed as the only board member and trustee of his foundation. This gives a whole new slant to the discussion on board chair/CEO relationships. The assistant director of programs listed as one of the two staff people paid more than \$50,000 on the 990 is, according to the Auen Foundation's Web site, the recipient of grant applications, but her e-mail address is listed at the Berger Foundation. With Auen at the helm of both, the Berger and Auen foundations operate quite closely; Berger's grants focus on support for youth programs and colleges, and Auen's emphasize services for the elderly.

The Berger/Auen scorecard reveals some hefty compensation packages for these Inland Empire philanthropists, though nothing as large as their 2001 profit-sharing arrangement.⁹

Using 40-hour full-time workweeks as the basis for calculation, counting every weekday of the year as a workday, and assuming everyone works holidays, the hourly salaries of Berger officers and trustees are comfortable. Most board members get paid as much as \$750 an hour for showing up to do a job that their counterparts at hardworking, grassroots nonprofits do for nothing other than their commitment to their organizations and communities. Presumably, most of these players have other jobs or other sources of wealth and income. Perhaps the trustees work hard for their 36 hours a year, but is

it worth \$750 an hour? Is that the message that the nation's nearly 1 million public charities—most of which are struggling to pay livable salaries to everyday employees—need to hear from well-heeled foundations based in the wealthiest communities of the nation?

In these foundation's communities, people seem to turn a blind eye to the Auen/Berger excesses, because the Berger Foundation plays a huge role in filling a philanthropic need. The foundation has been lauded for giving the Jesuits 96 acres for the construction of a Catholic high school, the first Catholic high school in the nation to be established without diocesan funding.¹⁰ Berger gave \$3.4 million for the creation of a fiber-optic network connecting the area's various colleges and tech

schools, a state-of-the-art, hot-wired project of sorts.¹¹

The foundation also took a golf course that it had leased to the Bob Hope Chrysler Classic and decided to donate it—the largest grant in the history of the foundation—making the event the only one on a facility owned and operated by the PGA Tour.¹² In 2005 the 296-acre donation of the Classic Club golf course accounted for almost \$75 million of the foundation's \$79 million in contributions. Interestingly, the Bob Hope Classic Charities, Inc., doesn't have a 990 posted on GuideStar, a database of nonprofits, because the organization only received its tax-exempt ruling in 2006.¹³

Berger didn't donate all its golf club holdings. The foundation retained ownership of another 190 acres surrounding the golf club for future development, reflecting a distinctive element of the foundation's operations and finances: like its founder, H.N. Berger, the foundation is in the real estate business, developing "charitable" housing and owning substantial stock in real estate companies. According to the foundation's 2005 990-PF, it purchased more than \$2.1 million in nonpublicly traded stock in the Berwood Title Holding Company that's now worth a fair market value of only \$1,103; the registered agent for Berwood with the California secretary of state's office was none other than Berger trustee Lewis Webb.¹⁴

The other nongraded corporate stock constituted a purchase of \$12.3 million of the stock of Fairfield Homes Title Holding Company, with a fair market value of only \$6.1 million. The registered agent for Fairfield Homes was also Berger trustee Lewis Webb.¹⁵ While the Webb-related stocks performed somewhat poorly, the numbers suggest a financial interrelationship between the foundation and corporate entities associated with one of the foundation's board members, a fact that is not readily apparent from the 990. Nothing here should be taken to suggest

that it is an illegal relationship, but these holdings don't look much more attractive to an outsider than the foundation's generous compensation of its officers and trustees.

Conclusion

As these stories reveal, much of what the public thinks might be disreputable and repugnant behavior by some foundations' leaders may be legal. Scandalous behavior that strikes readers as beyond the pale of decency in the stewardship of tax-exempt resources does not necessarily mean crossing the line of existing laws and regulations. The *Boston Globe* series and this update should make clear the need to overhaul public policy so that some of the truly appalling practices in the series are deemed not only morally objectionable and unacceptable but also illegal.

Within the philanthropic community, some believe that foundation money is not in the public domain. To the contrary, it is, of course; but it is held in trust by groups who are bound to use it in the best interests of the public and those of an organization's mission. When this trust is abrogated, consequences should be swift and sure. In the absence of tougher regulatory standards, however, several factors stand in the way.

- First, *enforcement* varies greatly from one state to another (as you can infer from the cases cited above) and from one attorney general's tenure to the next. Some of the charity units within those offices are ill funded and do not have staff dedicated to pursuing charity abuses. In the cases explored by the *Globe*, evidence of governmental intervention was generally scarce. The Massachusetts attorney general had long taken an activist posture toward oversight and enforcement. Consequently, it was no surprise that the attorney general and the state's chief charity officer at the time quickly looked into the profiled philanthropic miscreants, got a couple to restore

some of their ill-deserved booty, and floated legislation to put some teeth into standards for foundations doing business in the Bay State.

But other state attorneys general haven't reached the level of their Massachusetts counterparts. Despite some of these states' decent reputations for nonprofit oversight, they generally failed to take action on these foundations. It was even rumored that one state attorney general's office that had wanted to pursue a case—but lacked the funds to do so—considered seeking foundation funding. Whatever the reasons, state attorneys general did not seem inclined to do much formal inquiry here.¹⁶ The response may be no better on the federal side, with scant resources devoted to oversight. There are also questions about which issues are the purview of the states and which fall to the feds and whether the IRS—fundamentally a tax collection agency—is really suited to examining and enforcing questions of philanthropic accountability and ethics. The reality may be that limited resources, combined with paltry laws and regulations, allow miscreants like those cataloged here to go scot-free.

- Second, *transparency* continues to be an issue; the 990 and the 990-PF can be difficult to interpret. Even if the IRS thoroughly read the thousands of 990s it receives, some the size of telephone books, staff would be hard-pressed to find the information it needs to reveal philanthropic perfidy. Many national efforts are under way to revisit and revise the 990. The Urban Institute has long hosted a Web site (Quality 990),¹⁷ dedicated to making the current form more navigable. Simple accuracy and completion would be welcome improvements in the art of the 990, since many of these documents are submitted replete with errors such as missing attachments, schedules, and signatures.¹⁸ Nonprofits also criticize the form for its limitations as a financial report rather than a true reflection of the extent to which an organization is

carrying out its mission. The 2006 recommendations of the IRS's Advisory Committee on Tax Exempt and Government Enterprises attempt to address this concern; they call for the 990 to "be redesigned in its entirety and implemented as quickly as possible."¹⁹ But the IRS's draft redesign of the 990, released this June for comments, not only falls short of adequately addressing some generic conflict of interest and self-dealing abuses that have been repeatedly covered in *Nonprofit Quarterly*, but omits, at least for the moment, any proposed modifications of the 990-PF filed by private foundations.²⁰

The efforts to revise the 990 and 990-PF as solid forensic tools for nonprofits and foundations should be speeded up and implemented.

• Third, *the press* isn't sufficiently focused on this area and may not believe that it has the background to interpret what it sees. In all but a handful of instances, the *Globe* articles received no follow-up in the hometown newspapers of these foundations.

But the *Globe* should be proud of its dogged pursuit of these foundation malefactors and for the actions the coverage sparked, at least on the part of the Massachusetts attorney general. Following the *Globe* series, some of the foundations' 990-PF filings grew far more detailed, perhaps spurred to change because of fears about reporters peeking into their operations, even if some questionable behavior continued. In a few cases, the excessive salaries and trustee fees diminished. State regulators can be criticized for failing to act because of resource constraints or the lack of the necessary legal tools and regulations. But for its part, the *Globe* series lived up to the watchdog role of the press, shining a light on some foundations' accountability shortcomings.

It is good but insufficient for foundations to promulgate standards by which they can govern themselves. In the cases highlighted by the *Globe*, there

was little evidence that the foundation sector's trade associations took action against philanthropic malefactors. It will take more than blind faith in the self-correcting DNA of the nonprofit sector to clean up these kinds of abuses. As the series and its aftermath show, government regulators have to get up to speed, the nonprofit sector's self-regulating advocates have to swing into action, those on the inside of troubled institutions have to blow the whistle, and the press has a crucial role in pursuing accountability in philanthropy. In due time, unless self-regulatory efforts are bolstered with government regulation and the capital to support oversight and enforcement, there will be more *Globe*-like stories about foundations.

Endnotes

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5. Beth Healy et al. "Foundations Veer into Business," the *Boston Globe*, December 3, 2003 (www.boston.com/news/nation/articles/2003/12/03/foundations_veer_into_business).
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10. Editorial, the *Desert Sun*, March 28, 2007.
11. Steve Moore, "Spreading Technology Net: Link for Education, Research Expands to Reach Desert Area; Coachella Valley: The High-Tech Link Is Expected to Boost Learning and Research," *Press Enterprise* October 24, 2006.
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15. California Secretary of State Web site (<http://kepler.ss.ca.gov/corpdata/ShowAll-List?QueryCorpNumber=C0193279>).
16. NPQ's efforts to follow up with its inquiries made to the offices of the attorney general in California, Illinois, and New York were unsuccessful. The attorney general's office in Texas responded to NPQ with commentary about its pursuit of foundation CEO misbehavior at the Carl B. & Florence E. King Foundation.
17. Quality 990 (www.qual990.org/background.html).
18. Jane Searing, "Understanding the 990," NAVREF Teleconference, November 9, 2004 (www.navref.org/development/Conference_Calls/990/NAVREF_990_Presentation.ppt#275,7,CommonErrorsonIRSForm990).
19. IRS Advisory Committee on Tax Exempt and Government Entities "Report of Recommendations," June 7, 2006 (www.irs.gov/pub/irs-pdf/p4344.pdf).
20. www.irs.gov/charities/article/0,,id=171216,00.html. In light of the scandalous discoveries of the *Globe* series, the failure to revise the 990 to be an effective forensic tool on foundation spending is grossly disappointing.

RICK COHEN is NPQ's national correspondent.

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