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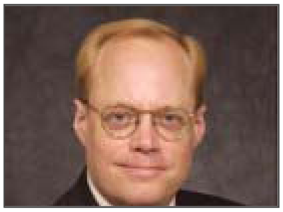

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Appalling $187 Million Cancer Charity Fraud Case Settles -- When 97% Of Money Isn't For Charity

In a rare cooperative effort, the Federal Trade Commission and 58 state and local law enforcement agencies charged four sham cancer charities and their operators with scamming well-meaning consumers out of $187 million. The joint action by the FTC and the states says James T. Reynolds Sr., his ex-wife and son raised the money through their charities: The Cancer Fund of America in Knoxville, Tennessee, and its affiliated Cancer Support Services; The Breast Cancer Society in Mesa, Arizona; and the Children’s Cancer Fund of America in Powell, Tennessee.

Where is the IRS in all of this, you may wonder? Lois Lerner ran the IRS tax exempt organizations unit but may have been busy trying to thwart conservative causes. The FTC says these so-called charities hired telemarketers to collect $20 donations, telling consumers they were helping cancer patients with pain medication, transportation to chemotherapy visits, and hospice care. But little money made it to cancer patients. In fact, the FTC says the groups “operated as personal fiefdoms characterized by rampant nepotism, flagrant conflicts of interest, and excessive insider compensation.”

The FTC claims that Reynolds and his family used much of the $187 million–collected for cancer patients–to buy personal cars, gym memberships, luxury cruise vacations, pay college tuition, and employ family members with six-figure salaries. Donors were assured they were helping cancer patients, but instead, 97% of the money went for the perpetrators, their families and friends. The defendants allegedly used telemarketing, direct mail, websites, etc.

Some of the shocking charges are already settling, and at levels that are disturbingly low, pennies on the dollar. Named in the federal court complaint are Cancer Fund of America, Inc. (CFA), Cancer Support Services Inc. (CSS), their president, James Reynolds, Sr., and their chief financial officer and CSS's former president, Kyle Effler; Children's Cancer Fund of America Inc. (CCFOA) and its president and executive director, Rose Perkins; and The Breast Cancer Society Inc. (BCS) and its executive director and former president, James Reynolds II.

CCFOA and Perkins, BCS, Reynolds II and Effler agreed to settle their charges. Litigation against CFA, CSS and James Reynolds Sr. continues. According to the complaint, the defendants spent the money freely on themselves and kept the cash machine going. They hired professional fundraisers who often received 85 percent or more of every 'donation.'To hide high administrative and fundraising costs, the fake charities inflated "gift in kind" donations.

Authorities say the defendants created an illusion they were large and efficient. Settling individual defendants are banned from charities, and two 'charities' are being liquidated, CCFOA and BCS. In addition, the proposed final order against CCFOA and Rose Perkins imposes a judgment of $30,079,821, the amount consumers donated between 2008 and 2012.

The judgment against CCFOA will be partially satisfied via liquidation of its assets. But because of Perkins' inability to pay, her $30 million judgment will be suspended entirely. The proposed final orders against BCS and Reynolds II impose a $65,564,360 judgment, the amount consumers donated between 2008 and 2012. The $65.5 million judgment against Reynolds II would be suspended after he pays $75,000.

The proposed final order against Effler will impose a judgment of $41,152,231, the amount consumers donated to CSS between 2008 and 2012. The judgment will be suspended upon payment of $60,000. The full judgment amounts against the individuals will become due immediately if they are found to have misrepresented their financial condition.

Anyone who donated money to these groups shouldn't expect a refund anytime soon. The money is mostly gone. The Breast Cancer Society has blamed increased government scrutiny for the charity's downfall. Officials say any money they recoup will go to state authorities. The hope is that they will distribute the money to *legitimate* charities.

And as a final blow, some donors may worry that their claimed tax deduction won't be allowed. So far, though, no one seems to be asking where the IRS was in all of this mess.

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