



FOR IMMEDIATE RELEASE

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**BAUCUS, BURR INVESTIGATE NONPROFIT FOR EXPLOITING VETERANS,
TAXPAYERS, ABUSING TAX-EXEMPT STATUS**

*Senators Demand Answers from Disabled Veterans National Foundation About Potential Charity
Abuses, Failure to Provide Services to Disabled Veterans*

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Veterans' Committee Ranking Member Richard Burr (R-N.C.) initiated an investigation today into the potential abuses of tax-exempt nonprofit status by the Disabled Veterans National Foundation (DVNF), following reports of questionable financial ties between DVNF and Quadriga Art, a marketing firm that handles its direct mail. According to tax records, DVNF raised tens of millions of dollars over a two year period, yet reports indicate very little of the money went to directly help disabled veterans. Instead, DVNF apparently paid large sums to Quadriga Art in 2009 and 2010. In a letter sent to DVNF President Precilla Wilkewitz, Baucus and Burr requested documents and information relating to DVNF's fundraising and marketing activities, services provided to disabled veterans, and connections to Quadriga.

"Our veterans should never be used as pawns in a scheme to exploit the taxpayers," Baucus said. **"The tax exemption for charities exists to promote worthwhile causes like assistance to veterans, not to provide tax loopholes to abuse. DVNF has a responsibility to show it's genuinely helping veterans and playing by the rules."**

"Our nation's veterans and their family members have gone above and beyond in their service to our country, and they and their families deserve to be treated with honor and dignity, not taken advantage of by scam artists," Senator Burr said. **"Veterans service organizations play a vital role in providing the care and support we owe our veterans and military families, but there must be oversight to ensure that no one abuses the relationship of trust that has been established between this community and the organizations helping them."**

The Senators raised concerns about [recent news reports](#) that showed DVNF raised nearly \$56 million in donations since it was founded in 2007, yet has paid Quadriga and its subsidiaries nearly \$61 million between 2008 and 2010. According to the independent watchdog group CharityWatch, DVNF has received an "F" grade for its questionable balance of fundraising and legitimate donations.

In order to qualify for tax exempt status, section 501(c)(3) organizations like DVNF must be operated primarily for charitable purposes and must not engage in transactions that benefit private interests or organization insiders. They also must not have any substantial purpose deemed nonexempt, so if an organization spends only a small fraction of its funding on its stated charitable purpose, it may be ineligible for 501(c)(3) tax-exempt status.

The Finance Committee has jurisdiction over revenue matters and conducting oversight on the administration of the federal tax system, such as matters involving tax-exempt organizations. Baucus [has previously called on the IRS to investigate the use of tax-exempt organizations for political activity](#), which is limited under the U.S. tax code. Over the past decade, the Committee has focused extensively on whether tax exempt groups have been used for financial or political gain.

The full letter to DVNF appears below:

May 23, 2012

Precilla Wilkewitz
President
Disabled Veterans National Foundation
1634 I St. N.W.
Washington, D.C. 20006

Dear Ms. Wilkewitz:

The Senate Finance Committee has jurisdiction over revenue matters, and is responsible for conducting oversight of the administration of the federal tax system, including matters involving tax-exempt organizations. The Committee has focused extensively over the past decade on whether tax-exempt groups have been used for financial or political gain. The central question examined by the Committee has been whether certain charitable and social welfare organizations have violated the requirements to qualify for the tax-exempt status provided under the Internal Revenue Code.

Recent media reports have identified issues related to the operation of the Disabled Veterans National Foundation (DVNF), which is organized as a 501(c)(3) tax-exempt organization under the U.S. tax code. For example, a CNN report raised questions about DVNF's marketing expenditures, relationship to its marketing partners, and assistance to disabled veterans.

We owe our veterans a debt of gratitude that can never fully be repaid. We work hard in the Senate every day to improve veterans' health care, advance veteran educational opportunities through the New GI bill, and make it easier for businesses to employ veterans when they leave the military. We will continue to stand up for our veterans in every way we can. Based on this commitment, we believe an organization which purports to help disabled veterans and operates as a tax-exempt organization deserves special scrutiny.

Section 501(c)(3) organizations must be operated exclusively for one of the charitable or other purposes described in the tax code. This has been interpreted to mean that the organization must be operated primarily for such purposes, and the organization may not have a single substantial nonexempt purpose. If an organization is spending a very small fraction of its resources and time on activities related to its tax exempt purpose, that organization arguably may not be in compliance with the exemption requirements of section 501(c)(3).

Section 501(c)(3) organizations are also prohibited from engaging in private inurement transactions (generally, transactions for the benefit of private interests of organization insiders). As an enforcement mechanism, section 4958 of the tax code imposes intermediate sanctions on excess benefit transactions between a section 501(c)(3) or (4) organization and its officers, directors, key employees, and others in a position to exercise substantial influence with respect to the organization.

In order for the Committee to analyze whether DVNF meets the standards for a 501(c)(3) organization, please provide the following information:

1. For calendar years 2009, 2010 and 2011, please provide the dollar amounts raised by your organization.
2. Please provide the amounts spent to raise funds for each of these years.
3. Please provide a list of the persons or contractors employed to raise these funds and the amount paid to them.

4. Please provide the total cost of salaries for staff and management, and any compensation provided to DVNF board members for each of these years.
5. Please provide an estimate of the number of disabled veterans and/or other veterans assisted by your organization, a detailed description of the assistance that was provided to those veterans, how your organization determined that such assistance could be helpful to those veterans, and the cost of providing the assistance.
6. What percentage of your organization's financial resources, staff time, and volunteer time are devoted to exempt activities?
7. What are the organization's exempt activities?
8. Do DVNF and Quadriga Art, LLC share common board members, and or officers, and or employees?
9. What are the terms of Quadriga Art's fundraising contract with DVNF?
10. Does DVNF have any financial interests or relationships with contractors other than Quadriga Art LLC?
11. Please provide a copy of the DVNF's original application for tax exemption.
12. Please provide samples of the organization's solicitations for charitable contributions.
13. DVNF apparently attributes a portion of the direct mail expenditures to program service expenses and to management and general expenses, as opposed to fundraising expenses. What is the basis for DVNF allocating the direct mail expenses to categories other than fundraising?
14. Please provide any written agreements or contracts with fundraisers Brick Mill and Convergence Direct.

We look forward to hearing from you no later than June 6, 2012. If you have any questions please do not hesitate to call [staff redacted] on the Finance Committee staff, at 202 224-4515.

Sincerely,

Richard Burr
Senator

Max Baucus
Chairman

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