Press Releases

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MADIGAN JOINS FEDERAL, STATE CRACKDOWN ON FOUR FAKE CANCER CHARITIES

Madigan, FTC & States Allege Charities Bilked Over $187 Million from Donors

Chicago — Attorney General Lisa Madigan today joined with the Federal Trade Commission and state regulators from 49 states and the District of Columbia to file a lawsuit charging four sham cancer charities and their operators with bilking more than $187 million from donors. The lawsuit alleges the charities claimed donations would help cancer patients, including children diagnosed with cancer and women suffering from breast cancer, but the overwhelming majority of donations benefitted only the perpetrators, their associates and fundraisers.

The lawsuit was filed in Arizona federal court against Cancer Fund of America Inc. (CFA); Cancer Support Services Inc. (CSS); Children's Cancer Fund of America Inc. (CCFOA); The Breast Cancer Society Inc. (BCS); and the directors of the charities: James Reynolds, Sr.; Kyle Effler; Rose Perkins; and James Reynolds, II a/k/a James Reynolds, Jr.

In announcing the lawsuit, the states and FTC also announced that CCFOA, BCS, and directors Effler, Perkins and James Reynolds II have agreed to settle the allegations contained in the complaint. Under the proposed settlement orders, Effler, Perkins and Reynolds II will be banned from fundraising, charity management, and oversight of charitable assets, and CCFOA and BCS will be liquidated and dissolved.

The lawsuit was the result of a multistate investigation and alleges the defendants used telemarketing calls, direct mail, websites and materials distributed by the Combined Federal Campaign, which raises money from federal employees for non-profit organizations, to portray themselves as legitimate charities that provided direct support to cancer patients across the country, such as providing patients with pain medication, transportation to chemotherapy and hospice care.

"These are among the most appalling cases of charitable fraud that my office has prosecuted," Attorney General Madigan said. "These operators played on the heartstrings of well-intentioned donors, diverting what could have been significant funds for legitimate charities that instead were used by the defendants for their personal benefit."

In reality, the complaint alleges these claims were deceptive and that the charities "operated as personal fiefdoms characterized by rampant nepotism, flagrant conflicts of interest, and excessive insider compensation, with none of the financial and governance controls that any *bona fide* charity would have adopted."

The lawsuit alleges the defendants used their organizations for lucrative employment for family members and friends and spent donations on cars, trips, luxury cruises, college tuition, gym memberships, jet ski outings, sporting event and concert tickets, and dating site memberships. They hired professional fundraisers who often received 85 percent or more of every donation.

The complaint alleges that in order to hide their high administrative and fundraising costs from donors and regulators, the defendants falsely inflated their revenues by reporting over $223 million in donated "gifts in kind," which they claimed to distribute to international recipients. In fact, the lawsuit alleges the defendants were merely pass-through agents for such goods. By reporting the inflated "gift in kind" donations, defendants created the illusion that they were larger and more efficient with donors' dollars than they actually were. Madigan also alleged that the defendants filed false and misleading financial statements with her office's Charitable Trust Bureau.

Bureau Chief Therese Harris and Assistant Bureau Chief Barry Goldberg are handling this case for Madigan's Charitable Trust Bureau.

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