Attorney General Doug Peterson

News Release

FOR IMMEDIATE RELEASE
MAY 19, 2015

Attorney General Doug Peterson Joins Federal, State Crackdown on Four Cancer Charities That Allegedly Bilked Over $187 Million from Consumers

Nebraska Attorney General Doug Peterson joined with the U.S. Federal Trade Commission and other state law enforcement officials in a complaint charging four sham cancer charities and their operators with bilking more than $187 million from consumers. The defendants told donors their money would help cancer patients, including children and women suffering from breast cancer, but the overwhelming majority of donations benefitted only the perpetrators, their families and friends, and fundraisers.

Named in the federal court complaint are Cancer Fund of America, Inc., Cancer Support Services, Inc., the president of these two corporations, James Reynolds, Sr., as well as the CFO of both and the former president of Cancer Support Services, Kyle Effler; Children's Cancer Fund of America, Inc., and its president and Executive Director Rose Perkins; and The Breast Cancer Society, Inc., and its Executive Director and former president, James Reynolds, II. Children's Cancer Fund, Rose Perkins, The Breast Cancer Society, James Reynolds, II, and Kyle Effler have agreed to settle the charges against them. Under the proposed settlement orders, Reynolds, Effler, and Perkins will be banned from fundraising, charity management, and oversight of charitable assets, and The Breast Cancer Society and Children's Cancer Fund will be dissolved. Litigation will continue against Cancer Fund of America, Cancer Support Services, and James Reynolds, Sr.

According to the complaint, 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 with substantial programs that provided direct support to cancer patients in the United States, such as providing patients with pain medication, transportation to chemotherapy, and hospice care. In fact, the complaint alleges that 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."

According to the complaint, the defendants used the organizations for lucrative employment for family members and friends, and spent consumer 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, to hide their high administrative and fundraising costs from donors and regulators, the defendants falsely inflated their revenues by reporting in publicly filed financial documents over $223 million in donated “gifts in kind” which they claimed to distribute to international recipients. In fact, 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. Thirty-six states alleged that the defendants filed false and misleading financial statements with state charities regulators.

###

Suzanne Gage
Director of Communications
Nebraska Attorney General
Office: 402-471-2656
Mobile: 402-560-3518
Suzanne.gage@nebraska.gov