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MEMORANDUM

January 17, 2008

To: Members of the Committee on Oversight and Government Reform

Fr: Majority Staff

Re: Additional Information about the Activities of Roger Chapin's Charitable Organizations

In preparation for today's hearing, Committee staff have reviewed documents related to two veterans' charities operated by Roger Chapin: Help Hospitalized Veterans and the Coalition to Salute America's Heroes Foundation. This memorandum summarizes what these documents reveal about how the funds raised by these organizations have been spent.

Over a three-year period from 2004 through 2006, Mr. Chapin's charities raised more than \$168 million in donations on behalf of veterans. Only a fraction of this amount (approximately 25%) has been expended on goods and services for veterans. The remainder of the funds raised (nearly \$125 million) was used to pay for direct mail fundraising, administrative expenses, salaries, and other expenses.

According to the documents, Mr. Chapin and his wife have been well remunerated by Mr. Chapin's charities. In 2006, Mr. Chapin and his wife received \$561,971 from Help Hospitalized Veterans in salaries, bonuses, and pension contributions. Over the three-year period from 2004 through 2006, they received \$1.5 million. In addition, the charities reimbursed the Chapins for over \$340,000 in expenses for meals, hotels, entertainment, and other expenses during this period. In 2006, Help Hospitalized Veterans purchased a \$444,600 condominium in Northern Virginia that is used by the Chapins.

Another principal beneficiary of Mr. Chapin's charities appears to be Richard Viguerie, who runs direct mail companies used by Mr. Chapin's charities. The documents indicate that Mr. Chapin's charities and Mr. Viguerie's for-profit companies are closely intertwined. From 2000 through 2005, Mr. Chapin's charities paid Mr. Viguerie's companies \$14 million. Mr. Chapin has also made business loans worth nearly \$1 million to Mr. Viguerie's company and pays a large share of the cost of an employee who works out of Mr. Viguerie's office.

The documents disclose other questionable payments by Mr. Chapin's veterans' charities, including a \$17,000 membership in a golf club, a \$135,000 loan to the executive director of Help Hospitalized Veterans, and payments from Help Hospitalized Veterans to other charities run by Mr. Chapin, such as charities for cancer, Alzheimer's, and drug-free youth.

I. DONATIONS TO VETERANS CHARITIES CONTROLLED BY ROGER CHAPIN

Roger Chapin is the president and founder of Help Hospitalized Veterans (HHV). According to a statement submitted to the Committee on December 13, 2007, HHV's "primary mission" is to "distribute therapeutic arts and craft kits and other recreational items free of charge to wounded and disabled veterans who are homebound or recovering in veterans' and other medical facilities."¹

Mr. Chapin is also founder and president of the Coalition to Salute America's Heroes Foundation. The Coalition is a nonprofit that "provide[s] financial and in-kind assistance to wounded and disabled veterans of the Iraq and Afghanistan conflicts."²

From 2004 through 2006, Mr. Chapin's two organizations have received more than \$168 million in donations on behalf of veterans. Table A lists the revenue for each organization from 2004 to 2006, the latest year for which data is available. Table A is based on the Internal Revenue Service Form 990 filings from each organization and excludes grants from one organization to the other.³

¹ Statement Regarding Help Hospitalized Veterans, Inc., the Coalition to Salute America's Heroes Foundation, and Help Wounded Heroes, Inc. (Dec. 13, 2007) (online at www.hhv.org/documents/Statement.pdf).

² *Id.* at 14.

³ Help Hospitalized Veterans Internal Revenue Service Form 990, Tax Year Aug. 1, 2005 to July 31, 2006, line 12 and statement 9; Help Hospitalized Veterans Internal Revenue Service Form 990, Tax Year Aug. 1, 2004 to July 31, 2005, line 12 and statement 8, Help Hospitalized Veterans Internal Revenue Service Form 990, Tax Year Aug. 1, 2003 to July 31, 2004, line 12 and statement 7; Coalition to Salute America's Heroes Internal Revenue Service Form 990, Tax Year 2006, line 12; Coalition to Salute America's Heroes Internal Revenue Service Form 990, Tax Year 2005, line 12; and Coalition to Salute America's Heroes Internal Revenue Service Form 990, Tax Year 2004, line 12. (All related-party grants are reflected in the Help Hospitalized Veterans total revenue figure.)

**TABLE A: TOTAL REVENUE OF VETERANS CHARITIES
CONTROLLED BY ROGER CHAPIN**

	2004	2005	2006	TOTAL
Help Hospitalized Veterans	\$32,140,626	\$40,608,490	\$48,322,202	\$121,071,318
Coalition to Salute America's Heroes Foundation	\$4,255,951	\$16,978,918	\$26,418,846	\$47,653,715
Combined	\$36,396,577	\$57,587,408	\$74,741,048	\$168,725,033

As Table A demonstrates, donations to Mr. Chapin's organizations have increased sharply in recent years, most likely due to public concern about veterans returning from the Iraq war. Donations to HHV increased from about \$32 million in 2004 to more than \$48 million in 2006. Donations to the Coalition increased from about \$4 million to more than \$26 million during this time period, a six-fold increase.

II. EXPENDITURES ON GOODS AND SERVICES TO VETERANS

Based on IRS filings and audited financial statements reviewed by the Committee, it appears that Mr. Chapin's organizations spent only about 25% of the donations received from 2004 through 2006 on goods and services for veterans. Mr. Chapin's organizations appear to have spent about 75% of these donations on direct mail fundraising, administrative expenses, overhead, and compensation, pensions, and other benefits for himself and his employees.

Table B sets forth the amounts spent by Mr. Chapin's organizations on goods and services delivered to veterans from 2004 through 2006. The data in Table B excludes grants from one organization to another. Table B also counts only those expenses that actually result in tangible benefits to veterans in the form of goods or services, such as craft kits, financial grants, or the assistance of Craft Care Specialists. It does not include as a benefit to veterans the cost of direct mail, advertising, or public service announcements which HHV and the Coalition may consider "educational."

When spending on goods and services for veterans is compared to the total amount of donations received by the two organizations, it appears that the charities spend three dollars on fundraising and other administrative costs for every dollar spent on providing goods and services to veterans. From 2004 through 2006, HHV and the Coalition jointly spent approximately \$44

million on goods and services to veterans. During this same period, Mr. Chapin's organizations spent over \$124 million on other expenses.

TABLE B1: SPENDING ON GOODS AND SERVICES FOR VETERANS				
	2004	2005	2006	TOTAL
Help Hospitalized Veterans	\$5,474,305	\$6,365,484	\$7,911,903	\$19,751,692
Coalition to Salute America's Heroes Foundation	\$1,412,629	\$1,908,565	\$21,066,397	\$24,387,591
Combined	\$6,886,934	\$8,274,049	\$28,978,300	\$44,139,283
TABLE B2: SPENDING ON FUNDRAISING AND OTHER PURPOSES				
	2004	2005	2006	TOTAL
Help Hospitalized Veterans	\$26,666,321	\$34,243,006	\$40,410,299	\$101,319,626
Coalition to Salute America's Heroes Foundation	\$2,843,322	\$15,070,353	\$5,352,449	\$23,266,124
Combined	\$29,509,643	\$49,313,359	\$45,762,748	\$124,585,750

During his interview with Committee staff, Mr. Chapin confirmed this basic premise: that approximately three-fourths of donations do not actually result in the delivery of goods or services to veterans. He stated:

I told you what our costs are. You know, direct mail — this is before the allocation thing, which hopefully we can get into at some point — is you know, 60, 65 percent range, the whole mix of a program, not any given mailing, but the whole mix of a program, 60, 65 percent. You put \$0.10 on top of that or 10 percent on top of that for administration and overhead — this is without any, you know, allocation business — you

are into — you are pushing 75 percent. So you got \$0.25 goes to the charity, you know. I will be very up front with you about that.⁴

This data and Mr. Chapin's statements to the Committee contrast sharply with characterizations made by HHV and the Coalition to the public and to donors regarding the spending percentages of these organizations. In a statement HHV submitted to the Committee on December 13, 2007, and posted on its website, HHV asserted that "HHV spends almost 67% of its funds on program services."⁵ Mr. Chapin repeated this claim in testimony submitted for today's hearing.⁶ In addition, the Coalition has asserted in numerous mailings and in its 2005 Annual Report that it dedicates 92% of its revenue to program services.⁷

During his interview with Committee staff, Mr. Chapin was asked why his organizations used these inflated numbers on their solicitation materials rather than noting, as he did in his interview, that three-fourths of the donations were not ultimately used for goods and services for veterans. In response, Mr. Chapin stated: "Because we wouldn't raise any money. I mean, that's a pretty straight answer."⁸

III. PAYMENTS TO THE CHAPINS

According to Mr. Chapin's IRS W-2 forms, he has received more than \$4 million in compensation since he has been operating veterans' charities. In 2006, Mr. Chapin was paid \$300,000 by Help Hospitalized Veterans, which included a base salary of \$250,000 and a bonus of \$50,000.⁹ Although Mr. Chapin has not yet filed his W-2 for 2007, documents produced to the Committee indicate that Mr. Chapin's compensation for 2007 increased to \$306,126, which included a bonus of \$35,000.¹⁰

⁴ House Committee on Oversight and Government Reform, *Transcribed Interview of Roger Chapin*, 127-128 (Jan. 11, 2008).

⁵ Statement Regarding Help Hospitalized Veterans, Inc., the Coalition to Salute America's Heroes Foundation, and Help Wounded Heroes, Inc. (Dec. 13, 2007) (online at www.hhv.org/documents/Statement.pdf).

⁶ House Committee on Oversight and Government Reform, *Statement of Roger Chapin* (Jan. 17, 2008).

⁷ Coalition to Salute America's Heroes, *2005 Annual Report*, 9. See, e.g., Coalition to Salute America's Heroes mailing to 148,273 prospective donors (Mar. 13, 2007) (Bates No. VETS 5367).

⁸ House Committee on Oversight and Government Reform, *Transcribed Interview of Roger Chapin*, 180-181 (Jan. 11, 2008).

⁹ Roger Chapin Compensation History (1971-2007) (as provided by Mr. Chapin's counsel); see also Meeting of the Board of Directors of Help Hospitalized Veterans (Oct. 22, 2005) (Bates No. VETS 10585 – 10592) ("Chapin received fifty thousand dollars (\$50,000) in holiday bonus for he too had not received bonus compensation for the past two (2) years").

¹⁰ *Id.*

Records produced to the Committee also show that Mr. Chapin's wife, Elizabeth Chapin, received a salary of \$61,327 from HHV in 2006 in the position of newsletter editor.¹¹ According to Mr. Chapin's lawyers, Elizabeth Chapin retired from the organization in early 2007.

In addition to direct compensation, HHV provides to Mr. Chapin a generous pension plan. According to documents produced to the Committee by HHV, this defined benefit pension plan became effective in 1998 and will pay Mr. Chapin an annual retirement benefit equal to 75% of the average of his three highest consecutive years of pay.¹² Since 2000, HHV has paid almost \$1 million into Mr. Chapin's retirement package, including a contribution of \$153,750 in 2006.¹³ Combining all salary, bonus, and pension contributions, Mr. and Mrs. Chapin received a total of \$561,971 in compensation from HHV in 2006.¹⁴

Over the three-year period from 2004 through 2006, the combined salaries, bonuses, and pension contributions received by the Chapins equals \$1,538,945.¹⁵

Mr. and Mrs. Chapin have also benefited from the use of a condominium in Falls Church, Virginia, that was purchased by HHV in 2006 for \$444,600.¹⁶ Mr. and Mrs. Chapin appear to be using HHV's condominium as their own. Online phone directories list Mrs. Chapin as the current resident, and the answering machine attached to that telephone number has a recording from Mrs. Chapin stating that the caller has reached Roger and Elizabeth.

In addition to compensation and housing, the Chapins were also reimbursed for hundreds of thousands of dollars worth of expenses for meals, hotels, entertainment, and other items. Although Mr. Chapin is the "volunteer president" of the Coalition to Salute America's Heroes, this organization reimbursed him for expenses totaling \$273,500 from 2004 through 2006.¹⁷ He also received \$68,000 in reimbursements from HHV during this period, including one large reimbursement from HHV of \$43,225 for expenses he incurred when he cancelled contracts to purchase a condominium for personal use in Northern Virginia.¹⁸

¹¹ Elizabeth Chapin's Salary History (undated) (as provided by Mr. Chapin's counsel).

¹² Summary Plan Description of the Help Hospitalized Veterans, Inc., Defined Benefit Pension Plan (Bates No. VETS 10498-10505).

¹³ Roger Chapin Compensation History (1971-2007) (as provided by Mr. Chapin's counsel).

¹⁴ *Id.* See Chapin's Salary History (undated) (as provided by Mr. Chapin's counsel).

¹⁵ *Id.*

¹⁶ Renaissance 2230, A Condominium Unit Purchase Agreement (Apr. 24, 2006) (Bates No. VETS 13664).

¹⁷ Coalition to Salute America's Heroes, Minutes of Board of Directors Meeting (Aug. 1, 2007) (Bates No. VETS 10375).

¹⁸ Roger Chapin, Summary of Virginia Condo Deal (July 25, 2006) (Bates No. VETS 10840-10844) (Handwritten Notes).

IV. ROGER CHAPIN'S RELATIONSHIP WITH RICHARD VIGUERIE

Richard Viguerie operates several for-profit companies that provide mass mail solicitations and other fundraising services. These companies include American Target Advertising, Viguerie & Associates, and American Mailing List Corporation. Mr. Viguerie's clients include political candidates and political groups, as well as nonprofit organizations such as Help Hospitalized Veterans. According to both Mr. Chapin and Mr. Viguerie, they have a personal friendship that spans almost 40 years.¹⁹

Mr. Chapin is one of Mr. Viguerie's largest customers.²⁰ According to Internal Revenue Service Form 990s, Mr. Viguerie's companies received more than \$14 million from organizations controlled by Mr. Chapin from 2000 to 2005. This \$14 million was paid by HHV for various direct mail consulting services and mailing list rental fees.²¹ It is unclear how much of this \$14 million Mr. Viguerie received personally as compensation or profit. However, many of the expenses typically associated with mailing solicitations were paid directly by HHV, including the costs of printing, postage, and caging, which is the collection of donated funds.

During his interview with Committee staff, Mr. Chapin likened Mr. Viguerie to a "Mississippi riverboat gambler" because Mr. Viguerie often takes heavy losses on work for other clients.²² Mr. Chapin explained that Mr. Viguerie's business requires a lot of "operating capital" and that he is "always tight for money."²³ As a result, Mr. Chapin used funds donated to HHV to loan Mr. Viguerie's company nearly \$1 million from 2003 to 2005 in order to provide Mr. Viguerie with "operating capital" that he did not have.²⁴ During his interview with Committee

¹⁹ House Committee on Oversight and Government Reform, *Transcribed Interview of Roger Chapin*, 146 (Jan. 11, 2008); House Committee on Oversight and Government Reform, *Transcribed Interview of Richard Viguerie*, 9 (Jan. 7, 2008).

²⁰ House Committee on Oversight and Government Reform, *Transcribed Interview of Roger Chapin*, 200 (Jan. 11, 2008).

²¹ Help Hospitalized Veterans, Internal Revenue Service Form 990, Tax Year Aug. 1, 2005 to July 31, 2004, Schedule A, Part II-A; Help Hospitalized Veterans, Internal Revenue Service Form 990, Tax Year Aug. 1, 2004 to July 31, 2005, Schedule A, Part II; Help Hospitalized Veterans, Internal Revenue Service Form 990, Tax Year Aug. 1, 2003 to July 31, 2004, Schedule A, Part II; Help Hospitalized Veterans, Internal Revenue Service Form 990, Tax Year Aug. 1, 2002 to July 31, 2003, Schedule A, Part II; Help Hospitalized Veterans, Internal Revenue Service Form 990, Tax Year Aug. 1, 2001 to July 31, 2002, Schedule A, Part II; and Help Hospitalized Veterans, Internal Revenue Service Form 990, Tax Year Aug. 1, 2000 to July 31, 2001, Schedule A, Part II. This includes payments to American Target Advertising and Viguerie & Associates.

²² House Committee on Oversight and Government Reform, *Transcribed Interview of Roger Chapin*, 66 and 160-161 (Jan. 11, 2008).

²³ *Id.* at 165.

staff, Mr. Viguerie explained that he was unable to obtain these loans from a commercial lender.²⁵ According to the terms of the loan agreements, Mr. Viguerie repaid these loans out of the funds raised through future mailings.²⁶

Mr. Viguerie also receives the financial benefit of having Mr. Chapin share the cost of an employee. This employee formerly worked for Mr. Viguerie at American Target Advertising and was responsible for the direct mail campaigns for Mr. Chapin's group, HHV. Several years ago, HHV began paying a portion of her salary, although her duties never changed. This employee continues to work at Mr. Viguerie's offices, and she continues to manage American Target Advertising employees.²⁷

Both Mr. and Mrs. Chapin have regularly used funds raised by HHV to purchase gifts for Mr. and Mrs. Viguerie, including \$168 worth of wine for Mr. Viguerie's birthday, \$65 worth of flowers for Mr. and Mrs. Viguerie's anniversary, and a \$71 Christmas gift purchased from Neiman Marcus for Mr. Viguerie's wife.²⁸

V. OTHER EXPENDITURES

Documents provided to the Committee by Mr. Chapin raise questions about the propriety of other expenses paid for with donations that were intended to assist veterans. Some of those expenses include the following:

- **Country Club Membership:** Minutes from a meeting of HHV's board in 2001 state that HHV agreed to pay \$17,000 to purchase a corporate membership to the Cross Creek Golf Club in Temecula, California.²⁹

²⁴ *Id.* at 160-163. See also Loan Agreement (Sept. 19, 2003) (Bates No. VETS 1131); Amendment to Loan Agreement (Apr. 2, 2004) (Bates No. VETS 1130); and Memorandum to Roger Chapin from Richard A. Viguerie regarding Loan from HHV to ATA (Jan. 6. 2005) (Bates No. VETS 1129).

²⁵ House Committee on Oversight and Government Reform, *Transcribed Interview of Richard Viguerie*, 115 (Jan. 7, 2008).

²⁶ Loan Agreement (Sept. 19, 2003) Bates No. VETS 1131; Amendment to Loan Agreement (Apr. 2, 2004) (Bates No. VETS 1130); Memorandum to Roger Chapin from Richard A. Viguerie regarding Loan from HHV to ATA (Jan. 6. 2005) (Bates No. VETS 1129).

²⁷ House Committee on Oversight and Government Reform, *Transcribed Interview of Roger Chapin*, 164-167 (Jan. 11, 2008); House Committee on Oversight and Government Reform, *Transcribed Interview of Richard Viguerie*, 117-120 (Jan. 7, 2008).

²⁸ Elizabeth Chapin Reimburse for Misc. Gifts (Jan. 20, 2006) (Bates No. VETS 12763-12774).

²⁹ Help Hospitalized Veterans, Inc., Consent Minutes of the Board of Directors (Sept. 18, 2001) (Bates No. VETS 10478).

- **Personal Loan for Divorce Settlement:** Minutes from an HHV board meeting in 2003 state that the board approved a loan for \$135,000 to the executive director of HHV, Mike Lynch, for the purpose of buying out his wife's share of their home as part of their divorce settlement.³⁰
- **Real Estate Speculation:** Minutes from an HHV board meeting in 2001 state that Mr. Chapin urged the board to purchase as an investment property 60 acres of land in Riverside County, California, which HHV subsequently did.³¹ In June 2005, Mr. Chapin reported that HHV had sold a separate 22.5 acre tract at a profit.³²
- **Related Party Transactions:** Mr. Chapin has also used contributions to HHV to fund his other charitable projects, regardless of their affiliation with veterans issues. In 2001, for example, Mr. Chapin used \$500,000 of HHV contributions to assist his organization Conquer Cancer and Alzheimer's Now.³³

³⁰ Help Hospitalized Veterans, Meeting of the Board of Directors (July 28, 2003) (Bates No. VETS 10483-10486).

³¹ Help Hospitalized Veterans, Meeting of the Board of Directors (Oct. 20, 2001) (Bates No. VETS 10475-10476).

³² Help Hospitalized Veterans, Meeting of the Board of Directors (June 24, 2005) (Bates No. VETS 10535-10537).

³³ Help Hospitalized Veterans, Inc., Financial Statements for the Year Ended July 31, 2002 (Bates No. VETS 809-827).