

STATEMENT OF ROGER CHAPIN

I am pleased to testify before the House Committee on Oversight and Government Reform. As you know, I am passionate about veterans' issues, having been involved with veterans' charities for the last four decades. I am eager to share the significant contributions to the veterans' community of three charities—Help Hospitalized Veterans, Inc., the Coalition to Salute America's Heroes Foundation, and Help Wounded Heroes, Inc. There is much to tell. Before doing so, however, a few words about my absence from the Committee's December 13, 2007 hearing are in order.

As you know, with just sixteen days notice, the Committee invited me as President of Help Hospitalized Veterans to testify at last month's hearing. The timing of the hearing was unfortunate—I had been traveling in Florida for the Coalition to Salute America's Heroes Foundation Third Annual Road to Recovery Conference, my wife was recuperating from surgery, and we were renovating our house in San Diego. I nevertheless promptly hired counsel to represent the organizations and began collecting documents that the Committee requested, but I expected that my testimony would be continued. When I learned that it would not be continued, there simply was inadequate time to prepare for the hearing. I therefore declined the invitation for the reasons articulated to you in the letter dated December 10 from the organization's counsel. I was simply unable in the limited time provided to review the many thousands of pages of documents produced to the Committee and prepare to cover decades of effort in the charitable arena and adequately represent these charities in an important legislative hearing. I know that you subsequently issued a subpoena to compel my attendance and that service was not effectuated because I was traveling when the process server came to my home on December 11 and 12. I regret any inconvenience this might have caused the Committee.

I am happy to assist the Committee in understanding veterans' charities, as evidenced by my presence here today and my cooperation in producing 13,800 plus pages of documents throughout. That said, I would like to discuss the three charities with which I currently work.

I. HELP HOSPITALIZED VETERANS, INC.

A. Help Hospitalized Veterans Has Provided Hundreds of Millions of Dollars Worth of Products and Services to Hospitalized and Homebound Veterans, VA Hospitals, and Military Medical Facilities.

Help Hospitalized Veterans, Inc. ("HHV"), is a non-profit entity organized and operated pursuant to § 501(c)(3) of the Internal Revenue Code exclusively for charitable and educational purposes, under the direction of a five-member board of directors. Its primary mission is to distribute therapeutic arts and crafts kits and other recreational items free of charge to wounded and disabled veterans recovering in veterans' and other military medical facilities.

I founded HHV on April 14, 1971. It is incorporated in the State of California and has its principal place of business in Winchester, California. HHV presently provides craft kits and other products to 288 veterans and military medical facilities throughout the world. From inception through fiscal year 2007 (July 31, 2007), HHV has received \$470.7 million in cash

contributions and donated a total of 22.8 million craft kits. Assuming that on average each kit requires 2.5 hours to complete, HHV's kits translate into 57 million hours of entertainment, therapeutic, and rehabilitative value. The total retail value of the kits (including postage) and its other donated goods—excluding gifts-in-kind (which themselves total \$58.3 million), total \$362.6 million in retail value. In fiscal year 2007 alone, HHV provided 800,014 craft kits to hospitalized veterans and 39,003 other gifts (i.e., computers, WebTV and Internet systems, flags, models, craft kits, wood kits, leather kits, etc.) to homebound veterans—all free of charge.

HHV's craft kits are recognized as a crucial component of veterans' rehabilitation and recovery. As former Secretary of Veterans Affairs Anthony J. Principi stated:

At VA, we are very grateful to HHV for providing programs that have proven therapeutic value and play a very important role in veteran rehabilitation. I truly believe these products are beneficial to recovering service men and women.

See Letter from Secretary of Veterans Affairs Anthony J. Principi to Col. Stephen McGuire, USAF, Army Reg'l Med. Ctr. (Landstuhl, Germany), at 1 (Apr. 30, 2004).

The craft kits help restore coordination and motor skills to wounded and disabled veterans whose function is impaired. They provide much-needed diversion and entertainment to veterans who are confined in hospitals for extended periods of time. They provide a sense of accomplishment to veterans and reaffirm their ability to accomplish meaningful tasks. Many VA physicians prescribe HHV's craft kits as an integral part of veterans' rehabilitation regimens. The most popular kits are the leatherworking kits, allowing veterans to craft moccasins, wheelchair pouches, eyeglass holders, wallets, and purses, as well as the plastic and metal model kits, through which veterans build model stock car racers, tanks, military aircraft, and soldiers. Today we offer some 350 different kits.

HHV also employs 51 Craft Care Specialists ("CCSs") to work in VA and military Hospitals to assist veterans in selecting and completing their craft kits. A CCS is a key member of a hospitalized veteran's interdisciplinary therapeutic team. He or she maintains a close working relationship with the veteran's medical caregivers to assist them in assessing the veteran's condition, participate in developing the veteran's program for rehabilitation, recommend crafts kits appropriate for the veteran's condition and skill level, help the veteran to complete craft kits, and modify the kits as necessary to conform to the veteran's abilities. CCSs often develop close ties with the veterans they serve, providing meaningful interaction and boosting their morale. They also conduct arts and crafts workshops.

Health Care Data, Inc. ("HCD") studied the efficacy of HHV's craft kits in 13 VA hospitals and state veterans' homes from August 1996 through September 1999. It concluded that the kits and CCSs enjoy "a positive response rate of 98.6%" by hospitalized veterans. It further found that after using the craft kits 48% of veterans showed functional improvement, 45% had improved attention spans, and 51% had better motivation.

In addition, HHV operates a Volunteer Recruitment Program that, in calendar year 2006 alone, was responsible for providing the VA with 469 regularly scheduled volunteers who

provided over 94,000 hours of service (with an estimated value of over \$1.6 million), according to statistics provided by the VA's Director of Volunteer Service. Many of these volunteers are recruited through our direct mail programs. While the VA has yet to report its official statistics for this year, HHV estimates that the number of volunteers and volunteer hours for which it was responsible increased by 10-to-15%. Due to its extraordinary efforts, the VA appointed HHV to the Executive Committee of its Voluntary Service; HHV also is a member of the Service's National Advisory Committee.

HHV participates in or co-sponsors several other programs to ease veterans' recoveries. Since its inception, HHV has provided a total of over \$750,000 to co-sponsor the National Veterans Creative Arts Festival, \$250,000 to co-sponsor the National Veterans Golden Age Games, and \$10,000 to co-sponsor the TEE Golf Tournament for blinded veterans. It also has provided over a half million dollars to fund performances at VA hospitals by the entertainment group "Re-Creations, USA." In addition, over the past two years HHV has donated \$400,000 each year to the Wounded Warrior Ministry ("Chaplain's Closet") program at the Army Regional Medical Center in Landstuhl, Germany, which provides clothing, toiletries, and shoes to American soldiers injured in combat in Iraq and Afghanistan.

B. Hospitalized Veterans and VA Hospital Staff Are Deeply Appreciative of HHV's Charitable Works.

Thousands of hospitalized veterans have taken the time to thank HHV for its craft kits, and the following excerpts come directly from thank you letters the organization received:

- "I would like to thank you for the many projects that I receive thru Help Hospitalized Veterans programs. It has helped me develop new hobbies to keep my mind busy and off my problems. . . . Without this program I would have more problems with my anxiety and depression."
- "[HHV's program] helps very much in my recovery and treatment from the therapeutic nature of the craft kits and other services . . . For people as myself who is lonely [sic], the program is a very important part of my program and recovery and staying sober which is the goal in my life."
- "[HHV's programs] are super! In particular, the craft kits are awesome. They have help me [sic] recapture my love for creativity and making neat stuff." (emphasis in original)
- "I am disabled and I have found that by doing a craft kit my mind isn't dwelling on the pain that I still have."
- "[Craft kits] have been a vital part of my rehab therapy. It can get very depressing and boring day after day but the crafts give me something to look forward to."
- "I would like to thank everyone involved with Help Hospitalized Veterans for the great work you've done in providing me and my fellow Vets with these great programs."

- “I want to say ‘God Bless Help Hospitalized Veterans.’ Thank you for remembering our vets.”

The staff of VA and other military and veterans’ hospitals also has expressed their appreciation for HHV’s craft kits.

- “I can tell you first hand the value of the donated craft kits to our veterans. Not only do these craft kits provide[] beneficial and therapeutic interventions to our hospitalized veterans, they seem to be especially touched by the fact that these kits have been donated to them by individuals throughout the country.”
- “I just want to sing my praises for the many wonderful things that HHV does for veterans and their families. . . I can’t begin to tell you how having craft kits available for our veterans to occupy their time while here is so very beneficial and has such a healing impact.”
- The Director of the Medical Center in Battle Creek Michigan emphasizes that “[t]he therapeutic value for our veteran population” of HHV’s craft kits “is immeasurable.”
- “Since receiving your craft kits over the years I have noticed a tremendous positive change in our Veterans. Help Hospitalized Veterans ha[s] improved the quality of our Veterans.”
- “I would like to express my gratitude for the generosity of those that contribute to HHV Program. This program helps in so many ways! Not only does it give each patient something to get up for or look forward to doing in their day in the hospital, it’s also a form of therapy.”
- “Thank you very much for your very essential support to our facility. HHV makes a significant difference in the lives of our veterans!”

C. HHV Has Received Many Awards and Recognitions for its Programs and Services.

The testimonials above speak to the quality of services HHV provides, as do the more than 140 awards and recognitions bestowed upon the organization over the years. VA medical centers across the country have awarded HHV more than 100 certificates of appreciation, and the VA has awarded the organization its Secretary’s Award on 14 occasions. On 4 occasions mayors of San Diego (Maureen O’Connor, Pete Wilson, and Susan Golding) and the mayor of Temecula, California (Steven Ford) have issued proclamations concerning the organization. The organization received special recognition on its 25th anniversary from the White House, United States Senators Alan Simpson and Bob Dole, the Secretary of Veterans Affairs, and Health Care Data Corporation. It received a 30th anniversary plaque from the American Veterans Award Show.

The American Legion Ladies Auxiliary awarded HHV both the President's Award and the President's Appreciation Plaque. The organization has also received recognition awards, appreciations, or commendations from the Department of Defense, Disabled American Veterans, VA, and VA Voluntary Service. Other special awards include The Boy Scouts of America's Award of Excellence, the Hobby Industry Association's President's Award, the Chapel of Four Chaplains' Humanitarian Award, the VA Medical Center of San Diego's Outstanding Service Award, and the Ernest Borgnine Spirit Award.

HHV has also been a strong supporter of the National Veterans Creative Arts Festival, the annual art show which is "the culmination of talent competitions in art, creative writing, dance, drama and music for veterans treated in the Department of Veterans Affairs (VA) national health care system,"¹ and the National Veterans Golden Age Games, the "premier senior adaptive rehabilitation program in the United States[] and . . . only national multi-event sports and recreational seniors' competition program designed to improve the quality of life for all older veterans."² HHV has received 7 different awards for its support of the National Veterans Creative Arts Festival, including the Gold Medal Sponsorship Appreciation Plaque, and it has received 3 different awards for its sponsorship of the National Veterans Golden Age Games, including the Silver Medal Sponsorship Glass Plaque Statuette.

D. HHV Uses the Funds It Raises Efficiently.

HHV dedicates a high percentage of its revenues to charitable causes. In the tax year ending July 31, 2006, HHV received a total of \$70.5 million in revenues, including \$48.5 million in cash donations and approximately \$22 million in gifts-in-kind. *See* VETS001018.³ Of this, it dedicated almost \$47.2 million in cash and gifts-in-kind to program services—including approximately \$8 million to arts and crafts kits, \$37.6 million to veterans' awareness programs, and \$1.6 million to Craft Care Specialists, *see* VETS001021—and only \$19 million to fundraising, *see* VETS001018. Thus, fundraising consumes only about 27% of HHV's revenues, while HHV spends almost 67% of its funds on program services such as providing crafts kits and other products to hospitalized veterans, co-sponsoring programs for veterans, hiring craft care specialists to work with veterans, raising awareness of veterans' issues, encouraging the public to volunteer at VA facilities, and fostering the development of pen-pal relationships with veterans.

HHV's fundraising costs are well within the Better Business Bureau's Wise Giving Alliance Standards for Charity Accountability ("BBB Standards"), which are intended "to ensure that the charity spends its funds honestly, prudently, and in accordance with statements made in

¹ 2008 National Veterans Creative Arts Festival Fact Sheet, www1.va.gov/vetevent/caf/2008/Default.cfm.

² 2007 National Veterans Golden Age Games Fact Sheet, www1.va.gov/vetevent/gag/2007/Default.cfm.

³ All references to "VETS" numbers are to the voluntary document production HHV tendered in response to the Committee's November 26, 2007 and December 13, 2007 requests.

its fund raising appeals.”⁴ The BBB Standards direct charities to “[s]pend at least 65% of [their] total expenses on program activities.” Based on the data in HHV’s Form 990 for Fiscal Year 2006, HHV satisfies this benchmark, with approximately 67% of its expenses funding program activities. The BBB likewise recommends that charities not spend “more than 35% of related contributions on fund raising.” Again, HHV easily satisfies this requirement because only 27% of its revenues are dedicated to fundraising expenses. The BBB presently is reviewing HHV’s financial paperwork to certify that HHV complies with these standards.

HHV has excelled under other entities’ evaluative guidelines as well. Charity Navigator (“CN”), for example, is “the nation’s largest and most-utilized evaluator of charities.”⁵ CN studies how responsibly charities function on a day-to-day basis, and how well positioned they are to sustain their programs over time. Under CN’s strict criteria, HHV was ranked as highly (2 stars) as numerous other well-respected, *bona fide* charities including the American Cancer Society, the American Heart Association, the Boy Scouts of America, the National Wildlife Federation, and the Paralyzed Veterans of America. HHV was ranked higher than household-name charities like Special Olympics, YWCA of the USA, Covenant House, and Arthritis Foundation. Thus, HHV does not use an unusually disproportionate or high share of its revenues for fundraising.

HHV is proud that its fundraising costs and program expenses satisfy the evaluative guidelines of groups such as the BBB and CN, but it nevertheless understands that its real value as a non-profit organization is properly measured by the quality program services it provides to our disabled and hospitalized veterans. Its value, like the value of any charity, cannot be measured simply by mathematical calculations like fundraising expenses as a percentage of contributions, or program expenses as a percentage of total expenses. As the Supreme Court has recognized, a variety of factors (i.e., the organization’s age, size, charitable mission, and popularity) effect how “efficiently” a charity operates,⁶ and it would therefore violate the First Amendment to conclude that an organization is not fulfilling its charitable purpose based solely upon statistics.⁷

E. HHV’s Fundraising Costs Are Properly Accounted For Under AICPA Standards and Generally Accepted Accounting Principles.

⁴ www.give.org/standards/newcbbbstds.asp.

⁵ See www.charitynavigator.org/index.cfm?bay=content.view&cpid=628.

⁶ See *Riley v. Nat’l Fed. of the Blind of N.C., Inc.*, 487 U.S. 781, 793 (1988) (small and unpopular charities have higher fundraising expenses); *Secretary of State of Maryland v. Joseph H. Munson Co., Inc.*, 467 U.S. 947, 966 (1984) (unpopular organizations or organizations committed to the dissemination, discussion, and advocacy of public issues have higher fundraising costs); *Village of Schaumburg v. Citizens for a Better Envir.*, 444 U.S. 620, 635-36 (1980) (organizations seeking to disseminate information and advocate positions of public concerns have higher nonprogram-related expenses).

⁷ See *Riley*, 487 U.S. 781; *Munson*, 467 U.S. 947; *Village of Schaumburg*, 444 U.S. 620.

HHV classifies a portion of the expenses it incurs in its voluminous mailings as “fundraising” costs and the rest of those expenses as either “program-related” or “management/general” costs. The procedure HHV uses to allocate its direct-mail expenses among these categories is not only consistent with, but is affirmatively mandated by, Generally Accepted Accounting Principles (“GAAP”)—specifically American Institute of Certified Public Accounts (“AICPA”) Statement of Position 98-2. *See* Am. Inst. of Certified Pub. Accountants, *Statement of Position 98-2: Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising* (Mar. 11, 1998) (“SOP 98-2,”); *see also* David J. Harr, Ph.D., CPA & Robert H. Frank, M.S., CPA, *A Guide to Implementation of the New Standard for Costs of Activities That Include Fundraising*, *Philanthropy Monthly* (May 1998).

SOP 98-2 sets forth the procedure for properly accounting for so-called “joint activities,” in which a non-profit entity performs an act, such as sending out a direct mailing, that is intended to both raise funds and motivate direct action on the part of the public to further the entity’s goals (i.e., encourage the public to volunteer at VA hospitals or to send cards and letters to veterans thanking them). Under the AICPA’s standards, if a joint activity meets certain criteria regarding its purpose, intended audience, and content, then its cost “should be allocated between fund raising and the appropriate program or management and general function.” Statement 98-2, at 11. The AICPA further directs non-profits to specify in the notes accompanying their financial statements the portion of their total joint activity costs that they “allocated to each functional expense category.” *Id.* at 20. The Internal Revenue Service Form 990 expressly incorporates SOP 98-2, containing a subsection of Part II entitled “joint costs” in which the charity must affirm that it is following SOP 98-2’s allocation principles and identify the aggregate amount of its joint costs that were allocated to program services, fundraising, and management and general.⁸

HHV’s public filings and financial statements comply fully with the AICPA’s rules and GAAP. Most of its mailings not only attempted to raise funds, but also sought to educate members of the public about the plight of hospitalized veterans and encourage them to take direct action by volunteering at VA hospitals and writing to them. For example, although a mailing from July 6, 2002 solicited funds to provide additional craft kits for hospitalized veterans, it went on to provide extensive information about volunteering at VA hospitals. It stated:

The Department of Veterans Affairs nationwide will have nearly 64,000 patients in its medical centers and nursing homes tonight and over a quarter of a million

⁸ The IRS recently proposed modifying the Form 990 to eliminate this subsection, but its proposal met significant criticism. Among the critics is the American Institute of Philanthropy (“AIP”) which testified before the Committee on December 13, 2007. In the letter from its president, AIP stated that elimination of the SOP 98-2 reporting requirement was a “glaring change” that could have “sweeping and long-lasting effects.” *See* Daniel Borochoff Letter to Internal Revenue Service (July 20, 2007).

veterans will visit VA Outpatient Centers this week alone. These are our nation's veterans who have served us by protecting our freedom.

You are invited to become a part of the VA health care team as a Volunteer at a Veterans Affairs (VA) Medical Center near you.

Each year thousands of people like yourself are providing millions of hours of health care service to our veterans. Without the help of volunteers, the VA could not provide the quality of health care it offers America's 30,000,000 veterans.

The gift of giving can make a real difference to our veteran patients.

Your skilled hands and warm heart are needed by our patients to heal, progress, and be comfortable. Through the partnership of dedicated employees and caring volunteers their needs are being met.

As a VA volunteer you can experience meaningful assignments throughout the Medical Center, as well as in satellite and community outreach locations at times convenient for you.

Careful attention is given to matching the skills and abilities of the volunteer to the varied needs of our medical centers.

The Medical Center provides complete training, uniforms, career exploration, meals and health screenings.

VA staff appreciate volunteer contributions and express their gratitude through a variety of recognition awards.

And most of all, you have the opportunity to make a difference in the lives of our nation's hospitalized veterans. Other benefits derived from volunteering are the many opportunities to use skills, network with health care professionals, socialize and become a member of the largest single health care 'team' in the world.

Men and women from teens to nineties are volunteer partners on the health care team. Some bring skills and knowledge, while others bring a desire to explore and learn. Many come with a gift for working directly with patients while others bring dependability to assignments behind the scenes.

All come bearing the greatest gift of all—themselves.

Please call HHV at (888) 567-VETS and find out how you can start helping as a volunteer or use our e-mail address of hhv@hhv.org.

These appeals have produced substantial results. As mentioned, HHV's Volunteer Recruitment Program was responsible for providing the Department of Veterans' Affairs with

469 regularly scheduled volunteers who provided over 94,000 hours of service in calendar year 2006 alone.

The same mailing also included extensive information about corresponding with veterans in hospitals:

Over the years, many pen-pal relationships have begun as a result of our Correspondence/Postcard Program. More importantly, through these HHV programs, veterans are reminded that our nation appreciates them and their tremendous sacrifices.

If you would like to brighten the day in the life of a hospitalized veteran, please contact HHV. Or you can simply respond to the postcard you may receive from a hospitalized veteran.

Through our Correspondence Program, you can send your encouragement to veterans like Richard Lunsford and Dick Pecha.

Vietnam era veteran Richard Lunsford received a response to a thank you note he had written to a supporter of hospitalized veterans. "What makes this note especially touching is that Mr. Lunsford was scheduled for brain surgery the following morning after receiving Mrs. Caldwell's card," wrote Recreation Therapist, Lynne Smith. "She had no knowledge of his physical situation. He felt very comforted by this timely message. Both Richard and I were moved by her kindness in taking time at this busy time of year to write someone she did not know."

Dick Pecha is wheelchair-bound. One day after Dick received an HHV Craft Kit, he proceeded to write a thank you card to the donor. He noticed that the address of the donor was nearby, so he decided he wanted to personally thank the donor and hand-deliver the thank-you card. Using his wheelchair, Dick took a bus to the donor's house and wheeled himself to the front door. A frail lady answered the door. Dick introduced himself and showed her the card, saying, "I just wanted to thank you personally." The lady was surprised, shocked and thrilled and the smile on her face was priceless. Dicks says it makes him feel like he was 10 feet tall. Whenever he's feeling down, he thinks of that moment and her smile and it lifts his spirits.

Please remember, we encourage you to correspond with our hospitalized veterans. These heroes need to know they have not been forgotten by their fellow Americans.

VETS002988. HHV repeated messages such as these in many of its mailings.⁹

Because mailings such as the one above requests a donation and contains communications advocating direct action, HHV's public filings and financial statements account for a mailing's expense as part fundraising expense and part program expense, as SOP 98-2 requires. HHV further identifies the breakdown detailing exactly how the cost of its joint activities is allocated among its functional categories. *See, e.g.*, VETS001045. Thus, HHV accurately has disclosed its actual fundraising costs. Entities that challenge HHV's accounting methodology, such as Daniel Borochoff's American Institute of Philanthropy, do so only by disregarding generally accepted accounting principles to which HHV is legally and ethically bound to adhere. Moreover, it actually misrepresents an organization's operations to not allocate to program expenses the portions of direct mail (i.e., joint costs) that are in fact program expenses.

HHV classifies 60% of the cost of its mailings as "fundraising," and the remaining 40% as "program-related," "management," and "general." It classifies a much higher percentage of its joint activity costs as fundraising than other major veterans' charities. According to public filings, in the year ending August 31, 2005, the Veterans of Foreign Wars ("VFW") acknowledged 42.06% of its joint-activity costs as fundraising. In the year ending September 30, 2006, the Paralyzed Veterans of America characterized 50.48% of the cost of its outreach efforts as fundraising. For the year ending December 31, 2006, the Disabled American Veterans ("DAV") allocated 45% of its joint costs as fundraising. Thus, HHV acts conservatively, allocating a higher percentage of its joint activity costs to "fundraising," 60%, than many other veterans' groups, which further demonstrates that it is implementing SOP 98-2 legitimately and in good faith.¹⁰

F. My Compensation is Comparable to that Received by Executives of Similar Charities and Consistent with Nonprofit Good Governance Requirements.

I founded HHV, and I currently am its president and one of its directors. I have headed the organization for 36 years, and my salary has grown from when HHV first started. For the tax year ending July 31, 2006, HHV paid me a \$250,000 base salary and a \$50,000 performance-

⁹ *See, e.g.*, VETS002547, VETS002562, VETS002568, VETS002575, VETS002582, VETS002588, VETS002625, VETS002637, VETS002643, VETS002664, VETS002670, VETS002684, VETS002703, VETS002717, VETS002720, VETS002732, VETS002781, VETS002803, VETS002806, VETS002823, VETS002855, VETS002860, VETS002881, VETS002904, VETS002974, VETS003002, VETS003009, VETS003017, VETS003025, VETS003033, VETS003041, VETS003048.

¹⁰ The economics of direct mail fundraising in non-profit charities is not unlike the economics of political direct mail. "[Political] direct mail can cost from 50 cents to 90 cents for every dollar it brings in." M.A. Engle, "Can New Technology Beat the Old Campaign Finance System" Capital Eye Newsletter (Spring 2001), www.opensecrets.org/newsletter/ce75/technology.asp.

based bonus¹¹ (collectively referred to as “total cash compensation”), and made \$126,434 in contributions to HHV’s retirement fund. See VETS001023. I do not receive any additional payments for my service on HHV’s Board of Directors.

Neither my salary nor my retirement contributions are excessive. My total cash compensation is comparable to executives of other non-profits. The *Chronicle of Philanthropy* conducted a survey in 2006 of 400 non-profit organizations, to which 249 groups responded, concerning executive compensation. See Noelle Barton & Peter Panepento, *Executive Pay Rises 4.6%*, *Chron. Philanthropy*, at 1 (Sept. 20, 2007). The survey revealed that the median total cash compensation of the groups’ chief executives was over \$315,000, see *id.*, which exceeds my annual compensation of \$300,000. My total cash compensation also is fully consistent with all applicable IRS requirements. See, e.g., 26 U.S.C. § 4958(c)(1)(A).

In May 2005, HHV commissioned an independent study by Intecap to determine the reasonableness of the salaries of HHV’s top executives, including myself. Intecap concluded, “when compared to executives at both for-profit and non-profit organizations, it is apparent that the compensation paid to Mr. Chapin . . . falls within an acceptable range. . . . Mr. Chapin’s compensation as a percent of operating expenses is near the middle of the range for executives at like-sized for-profit and non-profit organizations.” Intecap, *Compensation Study* 16 (May 15, 2005).

The contributions to HHV’s retirement fund are higher than typically would be expected because, although I have served as HHV’s President for 36 years, the Board did not establish a retirement plan for me until the early 1990’s. The current retirement plan was not created until 1999. According to HHV’s actuary, had HHV’s Board began funding my retirement plan when I became President in 1971, my annual contribution for 2006 would have been only \$45,284. But the retirement plan was not established at that time so HHV, in effect, has to “catch up” for the decades in which no retirement program was funded.

My total salary, even including bonus and retirement contributions, is not a drain on HHV’s resources; it represents less than 1% of HHV’s \$70.5 million in revenues. See VETS001018. Charity Navigator’s 2007 study of over five thousand of the nation’s largest charities reveals that “CEO compensation accounts for . . . 3.37% of the average organization’s spending.” Charity Navigator, *2007 CEO Compensation Study* (Aug. 1, 2007). My total cash compensation, in contrast, constituted only .62% of HHV’s expenditures. Thus, there is no valid legal or empirical basis for attacking my compensation package.

II. COALITION TO SALUTE AMERICA’S HEROES FOUNDATION

The Coalition to Salute America’s Heroes Foundation (“Coalition”) is a four-year-old non-profit entity organized and operated pursuant to § 501(c)(3) of the Internal Revenue Code exclusively for charitable and educational purposes, under the control of a five-member board of

¹¹ The bonus was actually for two-years—2005 and 2006.

directors (two seats recently became vacant and a search for replacements is underway). Its primary mission is to provide financial and in-kind assistance to wounded and disabled veterans of the Iraq and Afghanistan conflicts.

A. The Coalition Has Provided Much-Needed Financial Assistance To Wounded and Disabled Veterans in Dire Financial Straits.

I founded the Coalition in 2004. It is incorporated in the District of Columbia and has its principal place of business in Ossining, New York. Since its inception, the Coalition has provided over \$11,000,000 in cash and other assistance to over 9,000 severely wounded and disabled veterans to assist with expenses such as mortgage payments, new homes and refurbishing existing homes, rent, car payments, utility bills, telephone bills, and holiday gift checks at \$500 each for seriously wounded veterans and their families.

The Coalition has also provided financial support for the veterans' families, sponsored four Road to Recovery Conferences to assist disabled veterans and their families in beginning the process of rebuilding their lives. The Conference offers information regarding veterans' benefits, services, counseling, insurance, healthcare, financial support, career counseling and employment opportunities. Artists such as Toby Keith, Lee Ann Womack and Gary Sinise have surprised attendees with free exclusive concerts. The Coalition also offers Camp C.O.P.E. for the children of severely wounded veterans to aid them in adjusting to their parents' new disabilities.

The Coalition coordinates several other programs, as well. Its Family Support Network pays for veterans' families to visit them in VA and military hospitals and provides computers and Internet service so that hospitalized veterans and their families can keep in touch. Its Wounded Hero Career Network offers disabled veterans career counseling, job search assistance, and online training. In 2006, the Coalition received a gift-in-kind of 1.5 million EZ Score calling cards from HHV, which allowed servicemen and servicewomen free worldwide access to sports scores by providing a toll-free number printed on the card. Two-thirds of the cards were delivered to the USO and included in care packages to overseas troops, and one-third of the cards were delivered to the armed services directly. The Coalition also has a program to employ veterans—they work from home making "thank you" calls to our donors. At present, 40 families are participating; another 70 families are applying. In 2007, the Coalition received a "Best in America" seal of approval from the Independent Charities of America.

B. Veterans Deeply Appreciate the Coalition's Help.

Veterans are extremely grateful for the Coalition's assistance. One sergeant wrote, "I'll never forget the help I received. For this soldier, it's all of you who are the heroes of this great country." An Air Force veteran who was injured in Iraq by an IED stated, "I will never, ever be able to repay you for what you have done." Another Army sergeant explained:

On November 28, 2004, while on patrol in Iraq I was wounded by an improvised explosive device (IED). I lost some of the use of my lower left leg and have partial paralysis. After retiring, my wife and I soon discovered that we couldn't

make ends meet on the pension I was receiving. I sold personal belongings on E-Bay and tried to find work. For the first time in my life I had bill collectors calling me. I felt incredible shame and anger that I wasn't able to provide for my family and I was afraid of losing everything I had worked for. We have three boys: Alex 11, Hunter 5, and Reece 3. . . .

The day I called the Coalition to Salute America's Heroes it was the best move I have made for my family. I called and spoke with [a veterans' care employee]. She was patient and very understanding and she made me feel better when I spoke with her. She told me not to feel embarrassed and that they are there to help soldiers and Marines who are in financial trouble after being wounded or hurt. And she came through on that promise—the Coalition has given us the chance to keep our home. . . . I will never forget the help I received. I was just doing what I was asked to do; all of you did more than you were asked.

Another disabled veteran added, "We have been having a hard time for awhile now, and getting the Christmas check almost made me cry because of the generosity of this organization and the constant support."

C. The Coalition Operates Extremely Efficiently and Accounts for Its Finances Consistent with GAAP and AICPA Principles.

The Coalition dedicates a high percentage of its revenues to its charitable purposes. In calendar year 2006, the Coalition received a total of \$26.4 million in revenues, including \$5.4 million in cash donations and approximately \$21 million in gifts-in-kind. *See* VETS000695. Of this, it dedicated \$24.5 million to program services—including approximately \$1.2 million for conferences and seminars, \$2.6 million for public awareness, and \$20.6 million for direct cash grants and gifts-in-kind to veterans, *see* VETS000697—and only \$625,000 to fundraising, *see* VETS000696. Thus, fundraising consumes only a tiny fraction of the Coalition's revenues, while it spends nearly all of its resources on program services such as providing cash payments to veterans in danger of losing their homes or having utility services cut off, sponsoring the Road to Recovery Conference and Camp C.O.P.E., coordinating the Family Support Network and Wounded Hero Career Network, raising awareness of veterans' issues, and encouraging the public to volunteer at VA facilities.

In 2007, the Coalition initiated direct mail efforts on its own behalf. Its financial statements and filings for that year will fully comply with generally accepted accounting principles, including AICPA Statement of Position 98-2. *See* SOP 98-2; *see also* Harr & Frank, *supra* at 98. Most of the Coalition's mailings contain express "calls to action" to encourage members of the public to assist wounded and disabled veterans in a variety of ways. For example, one recent newsletter available on the Coalition's website states:

You can help spread the word about how Americans can help our severely wounded troops by: (1) putting a Coalition magnet on your car or refrigerator to alert others about the need to support wounded troops, (2) speaking out about the plight of our wounded troops at local clubs, church, and neighborhood meetings,

(3) calling into talk radio programs and encouraging others to support our troops, (4) wearing a Coalition bracelet, lapel pin, baseball cap, or other item to publicly show your support, (5) holding an event in your community to raise awareness, such as other CSAH supporters have done in their “Swim the Straits” and “Trail to Recovery” events (6) encouraging business associates to provide support for our troops, and advocating for our wounded troops and their families at Chamber of Commerce meetings and other business events (7) writing or calling your elected officials to educate them about the challenges facing our wounded troops. You can write your two Senators at: U.S. Senate, Washington, DC, 20510 and U.S. House of Representatives, Washington, DC, 20515, and call them at (202) 225-3121 or (202) 224-3121. You can also help our wounded troops and their families by contributing goods and services. If you have something that you no longer want, whether it’s a car, furniture, or other item in good condition, we probably know a wounded hero who can use it. For more information call CSAH at (888) 447-2588 or e-mail us at info@saluteheroes.org.

You can also help in the physical, mental and emotional recovery of our severely wounded veterans by: (1) volunteering to run errands for a wounded soldier or his/her spouse, (2) taking a wounded soldier to a movie, baseball game, or other event to help them get reinvolved in their community, (3) mentoring or tutor wounded troops who need to develop new skills for job training, (4) contacting your local veterans hospital and offer to volunteer your time. (5) organizing a Chamber of Commerce or other community civic organization breakfast or luncheon. (6) Volunteering at one of our events such as the Annual Road to Recovery Conference and Tribute (7) providing housing for families of wounded soldiers who are recuperating or rehabilitating far from home (8) providing labor for our Homes for Heroes Program. You can also help by identifying wounded troops in your community who need additional help. Then recommend they visit our website at www.saluteheroes.org, e-mail us at info@saluteheroes.org or call us at (888) 447-2588. You can also help our severely wounded servicemen and women by volunteering at a Veterans Affairs (VA) Medical Center near you.

Thus, both GAAP and AICPA standards permit the Coalition to allocate the costs of outreach efforts such as these between “fundraising” and “program activities” classifications.

I founded the Coalition, and I serve as its president and on its board. I receive no compensation for my positions. The only funds I have received from the Coalition were audited reimbursements for documented, out-of-pocket expenses I incurred on the Coalition’s behalf.

III. HELP WOUNDED HEROES, INC.

Help Wounded Heroes, Inc. (“HWH”), is a non-profit entity organized and operated pursuant to § 501(c)(4) of the Internal Revenue Code exclusively for the promotion of social

welfare, under the direction of a three-member board of directors.¹² Its primary mission is to lobby Congress and influence public policy to provide greater governmental support for our nation's veterans, particularly those who have been wounded or disabled in the War on Terror.

I founded HWH in 2006. It is incorporated in the District of Columbia and does not yet have a principal place of business. Since its inception, HWH has conducted only a few direct-mail test solicitations. It provided key input to congressional staff that led to H.R. 2855, the Wounded Heroes' Bill of Rights Act, which Congressman Ciro D. Rodriguez (D-Tex.) introduced into the House of Representatives. The legislation, which has been referred to the House Subcommittee on Military Personnel, would provide emergency assistance for severely wounded members of the Armed Forces and require improved screening for traumatic brain injury in returning servicemembers. In the tax year ending July 31, 2006, HWH received \$395,504 in contributions and spent \$36,421 on program services and \$542,717 on fundraising (after allocating the costs of one of its mailings under AICPA SOP 98-2). *See* VETS000764.

CONCLUSION

I am proud of my involvement with HHV, the Coalition, and HWH, and I stand by their records of performance. HHV is a *bona fide*, well-respected charity that has contributed hundreds of millions of dollars worth of goods and services to hospitalized veterans. Its fundraising expenses, accounting methods, and executive salaries are comparable to other nonprofits in this field. The Coalition, while much newer, already has provided thousands of veterans with assistance in paying their mortgages, car loans, and utility bills, in addition to providing non-cash charitable support. It, too, has an exemplary financial statement. Although HWH is still in its nascent stages, it already has made legislative progress through the introduction of the Wounded Heroes' Bill of Rights Act in the House of Representatives.

These charities have by no means solved every problem that disabled veterans face—approximately 300,000 veterans with PTSD and TBI are not receiving adequate treatment, and the complications of their unaddressed conditions will only magnify over time. But HHV, the Coalition, and HWH are providing disabled veterans the resources that they can, and I am proud to play a part in their charitable works.

¹² The December 10, 2007 letter to the Committee contained a typographical error, erroneously stating that HWH was a § 501(c)(3) entity.