

Forbes

Charity Case

By William P. Barrett

Roger Chapin is a man with a cause. A whole bunch of them.

You mail your \$1,000 donation to what sounds like a worthy cause. What's at the receiving end? [Sometimes a tightly run organization that puts almost every dollar spent to work curing disease or feeding kids—one like Juvenile Diabetes Research Foundation or Children's Hunger Fund.](#) Sometimes an outfit that is not so efficient. To get a glimpse of what goes on in the latter kind of charity, let's drop in on Roger Chapin, a 74-year-old businessman turned fundraiser in San Diego.

Chapin calls himself a “nonprofit entrepreneur.” In the world of charity that normally would be an oxymoron, but for him it is a considerable understatement. Over four decades Chapin has launched upwards of 30 nonprofit charitable or advocacy endeavors, which have, collectively, raised \$400 million. His causes have gone all over the board--disabled veterans, assorted illnesses, decisive action in Vietnam, afterschool programs, government deficit reduction and antidrug efforts. Most have been IRS-certified nonprofits, but some have been little more than a letterhead or a trademark application.

Despite obvious passion that Chapin brings to his cause of the moment, all but two have faded away or merged into others, usually after no more than a few years of existence and modest fundraising. “I shut it down when I believe that I am not having the impact I hoped for, or it is not economically viable,” Chapin says, sounding like the for-profit entrepreneur he once was.

Chapin's biggest venture is Help Hospitalized Veterans, a Winchester, Calif. charity that hauled in donations of \$71 million for the year ended in July. HHV's primary mission, as stated on its Web home page: providing free therapeutic arts-and-crafts kits to GIs recovering from injuries. The hobby sets are evidently much appreciated by these veterans. But of every dollar spent in the fiscal year only nine cents went for the kits, plus another five cents for associated overhead and for counselors to visit hospitals and nursing homes. Forty-seven cents of every dollar of spending went toward mailings.

Is sending out junk mail a charitable activity? Up to a point, yes. At least, accounting rules allow Chapin to classify much of his direct-mail operation as furthering “awareness,” so that the expense can be chalked up to the charitable mission, as opposed to management or fundraising. This educational mission--costing considerably more than the kits, overhead and counselors combined--is not mentioned at all on HHV's home page, although it is listed elsewhere on the site and in filings.

After inquiries by FORBES and before the latest financials were issued, HHV paid for an outside study of other patriotic-themed nonprofits that concluded HHV could allocate a lot more of its direct-mail costs away from fundraising. Chapin's outside accountant agreed. The efficiency numbers also got a boost from a one-time in-kind donation of communication services. This donation allowed GIs in the Middle East to check via telephone on sports scores.

The donation is valued--using retail prices--in HHV's financial statements at \$20 million. Not exactly assistance to the wounded but still counted as both gift revenue and charitable-purpose expense.

Result: Thanks significantly to accounting, HHV's fundraising efficiency--the percent of donations remaining after fundraising--jumped from 59% two years ago to 73% in fiscal 2006. That's still the sixth lowest on the FORBES list, starting on page 202, of the 200 largest nonprofits (overall average: 90%) but finally above the 65% minimum acceptable to the Better Business Bureau. HHV's ratio does top those of other veterans groups: Disabled American Veterans (72%), Paralyzed Veterans of America (69%) and Veterans of Foreign Wars (63%).

At the same time, and for much the same paperwork reasons, HHV elevated its charitable commitment ratio--the share of total expenses spent on the charitable purpose as opposed to what it spends on management and fundraising. A dismal 53% in 2004 has become 68% now, still the fourth-lowest ratio on our list.

The energetic Chapin says HHV puts its financials and full mission on its Web site with no effort to hide anything. It's not fair, he goes on, to highlight HHV on charitable efficiency when its donor base is small givers, when expensive direct mail is the only approach that has worked and the charity spends in one way or another nearly every dime that comes in. “We're just doing what everyone else does,” he declares, adding that he hopes his new spruced-

up financials will finally earn HHV a favorable rating from charity watchdogs.

Scrutiny is nothing new to Chapin. In 1989 his Citizens for a Drug Free America (one of several he has had sporting the words “drug free”) got some bad press for spending \$6.8 million of the \$7.1 million it raised on direct mail. (Chapin says it was an advocacy group and not a charity.) He also drew frowns for moving \$1 million from HHV to two of his drug-free units. (Chapin says drug use was a problem for injured soldiers, too.) Other accounts suggested that a well-publicized program to send gift packs to Desert Storm personnel charged donors too big a markup, coverage Chapin calls unfair.

His only other active nonprofit now is the two-year-old Coalition to Salute America’s Heroes Foundation, in Ossining, N.Y. Its stated mission is to raise awareness of the plight of injured veterans returning from the Middle East and to muster resources. Originally this group said it would give houses to needy veterans but, finding real estate expensive, stopped after five and shifted toward more efforts to find jobs.

Unlike HHV the coalition doesn’t rely on mailed appeals. Most of the \$17

million it raised last year came from corporations and large donors, including \$2.4 million cash from Chapin’s HHV.

In the curious accounting of nonprofits this money counted toward HHV’s charitable cause and then, handed to the sister organization, boosted the latter’s efficiency. The coalition also owes Chapin \$600,000 on a personal loan he made to get it going. Still, that doesn’t make the transfer into self-dealing, he says.

At least HHV seems alone in its arts-and-crafts-kits niche. But Chapin has started causes with names like Conquer Cancer and Alzheimer’s Now Foundation (drawing a warning to the public from the long-established Alzheimer’s Association about “sound-alike organizations”), War on Cancer, Americans United to Conquer Disease, Fix America’s Schools, Rescue America’s Disadvantaged Children, Basic Skills Learning Program and Let’s Beat Deficits. Why jump into fields that have well-established (and more efficient) entities? “I get stirred up about things,” he says, adding that in some cases he is hoping increased awareness will generate government support.

Raised in the New York City area,

Chapin graduated from Middlebury College in Vermont and spent two years rising to corporal in the Army Finance Corps. Ironic, given his veterans’ causes: “I didn’t get along very well with the Army,” he recalls. One duty was processing GIs returning from abroad; he moonlighted selling them vacuum cleaners.

After mustering out, Chapin moved to San Diego in 1958. He has been at various times a land developer, an insurance marketer, a seller of bulk long-distance service and a toy manufacturer. (Chapin is still an officer of board game maker USAopoly, run by his son.)

His first cause: a grassroots campaign in 1967 pushing a bomb-them-to-hell-or-get-out-of-Vietnam strategy. Chapin started HHV in 1971 after visiting wounded Vietnam vets in a San Diego military hospital. He figures he’s been working full-time in nonprofits since the 1980s. It’s a living. Last year HHV paid Chapin \$385,000 in total pay, plus another \$110,000 to his wife of 50 years, Elizabeth, who edits an HHV newsletter. Meanwhile, he is planning his newest nonprofit, Citizens to Win the War on Terror.