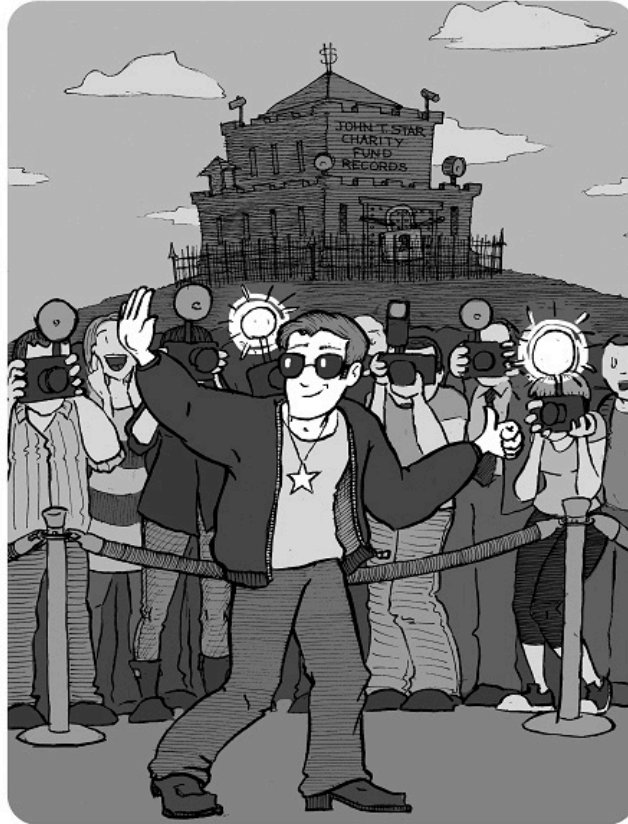


Celebrity Charity Finances Are Hidden Behind Closed Doors

Charity Watch, November 01, 2016



In addition to giving back to the community or supporting a cause with a personal connection, there are a variety of reasons (public image and tax relief among them) why it is fairly common for celebrities and professional athletes to start a charity. Perhaps you are familiar with some of them, such as the **Andre Agassi Foundation for Education**, [Gary Sinise Foundation](#), or [Michael J. Fox Foundation for Parkinson's Research](#), each of which are rated by CharityWatch. Such celebrities can use their star power to raise funds with relative ease. Before you become a star-struck donor, though, CharityWatch wants to warn you about a certain type of celebrity charity that may be ducking the transparency standards for which all public charities should be accountable.

A Celebrity's Charitable Savings Account

Not all celebrity charities are created the same -- some may be 501(c)(3) public charities (e.g., Drew Brees' "Brees Dream Foundation," Elton John AIDS Foundation, and Peyton Manning's "Peyback Foundation"); some may be 501(c)(3) private foundations (e.g., The Alec Baldwin Foundation, Jolie-Pitt Foundation, and Newman's Own Foundation); and some may take the form of a donor-advised fund,

or “DAF” (e.g., Leonardo DiCaprio Foundation, Jamie Foxx Foundation, and Ben Roethlisberger Foundation). As a brief review, a public charity is essentially the traditional “charity” in most people’s minds; it typically conducts a direct charitable activity for public benefit and receives a significant amount (at least one-third) of its financial support from the general public or government units. On the other hand, a private foundation is typically controlled by family members or a small group of individuals, its support comes from a small number of sources and investment income, and its main activity usually is making grants to other charitable organizations. A DAF is distinct from a public charity or private foundation in that it is not a separate operating entity. Rather, a DAF is basically a charitable giving savings account that is managed or “sponsored” by an independent public charity, such as a community foundation or the charitable affiliate of a financial institution (e.g., Fidelity Charitable, Schwab Charitable Fund, and Vanguard Charitable). Therefore, giving to a celebrity’s DAF would basically be like giving to the celebrity’s personal savings account that is earmarked for charity, an idea that should give donors pause regardless of a celebrity’s star-power.

Typically with [donor-advised funds](#), the person or family that opened the DAF contributes personal assets to the fund and then advises the sponsoring organization where (i.e., to which public charity) those contributed funds should be granted. The initial contributions into a DAF are immediately eligible for a tax-deduction since the organization sponsoring the DAF is a registered public charity. As long as people are prudent in advising that their DAF contributions get distributed to charity in a timely manner, CharityWatch generally does not have a problem with DAFs. Red flags are raised, however, when DAFs are used by celebrities as public charity fundraising vehicles.

It’s Daffy to Give to a Celebrity’s DAF

Unlike public charities and private foundations, a stand-alone donor-advised fund is under no obligation to file an annual Form 990 tax return (or any equivalent) with the Internal Revenue Service (IRS), nor do individual DAFs need to register with states to solicit funds from the public as is required for a public charity. This is problematic because Form 990 filings require that charities report not only financial information, such as revenue, expenses, and asset fund balance, but also information on grant-making activities, the board of directors, employee compensation, and related party transactions, among other operating details. Form 990 filings are made publicly available and are easily accessed from a number of online sources. Public charities that solicit funds are also required by many states to have their financial statements audited by an independent accountant, and some states make charity annual filings, including audits and Forms 990, publicly available from the state’s website. These Form 990 filings and audited financial statements disclose to the public critical information concerning charity operations, including how efficiently a charity raises funds and spends on its charitable programs. Individual DAFs, however, are not required to provide this information to the public -- and this is the crux of the problem when DAFs are used to publicly solicit charitable funds.

The cash inflows and outflows of an individual donor-advised fund get combined with the activity of the other DAFs and accounts of the sponsoring public charity for IRS and financial reporting purposes. Therefore, the operating activities and finances of a celebrity's DAF can be hidden from the public without any of the same repercussions public charities and private foundations would face from the IRS or state authorities. There is essentially no way for the public to know how contributions to a celebrity's DAF are being spent unless the DAF itself or its sponsoring organization chooses to voluntarily disclose that information. This essentially makes DAFs a black hole of unaccountability.

No Wonder DAFs Are So Popular

Donor-advised funds are becoming an increasingly popular form of charitable giving. The number of DAFs has grown from 184,364 to 238,293 over the 2010-2014 period, and there are over 1,000 charitable organizations that sponsor DAFs, according to data from the National Philanthropic Trust. One such charity is **The Giving Back Fund**, which sponsors the DAFs of many professional athletes, including Arian Foster and Ben Roethlisberger (NFL); Roy Halladay and Justin Morneau (MLB); and Luol Deng and Yao Ming (NBA). An example of one of the many community foundations that sponsor celebrity DAFs is the **California Community Foundation**, which sponsors the Eva Longoria Fund, Hugh O'Brian Legacy Fund, Jack Benny Family Foundation for Music Education, Jamie Foxx Foundation, and Leonardo DiCaprio Foundation, among other celebrity DAFs.

Organizations like the California Community Foundation (CCF) and The Giving Back Fund (TGBF) that sponsor donor-advised funds do allow celebrities and professional athletes to start and manage charitable "foundations" in the form of DAFs more efficiently than they likely otherwise would be able to do if they started their own independent 501(c)(3) charitable entities. "Donor Advised Funds are the most efficient, cost-effective alternative to private or family foundations," according to CCF's DAF Fact Sheet. TGBF's website summarizes how its services work as: "In this way, philanthropic dollars go where they should go to fund the donor's charitable intent rather than to excessive administrative overhead."

Also ascertained from The Giving Back Fund's website, however, is how its services contribute to the lack of transparency that characterizes donor-advised funds. For example, TGBF notes that "[d]onors are able to create a charitable entity that **appears to be stand-alone** [emphasis added]." The website also describes how TGBF's "fiscal sponsorship" arrangement, including its "existing 501c3 umbrella," allows for the avoidance of what otherwise would be required for a stand-alone 501(c)(3) charity, such as preparing state registration filings; completing federal tax forms; conducting annual financial statement audits; and "a host of other federal, state and even local governmental compliance requirements." This reinforces how the structure of DAFs allows for lax accountability and places no obligation on celebrities to publicly disclose the financial efficiency of their DAFs in the cases where they are being used as charitable fundraising vehicles.

A DAF with Titanic Star-Power

Backed by the allure of DiCaprio's fame and popularity, the Leonardo DiCaprio Foundation (LDF), which is a donor-advised fund sponsored by the California Community Foundation (CCF), sometimes makes news headlines for supporting environmental causes -- and also for its glitzy annual galas that have reportedly raised over \$100 million dollars for the fund since 2014. The LDF website reports that since its inception in 1998, LDF has awarded \$59.6 million in grants to over 65 organizations, but there is no financial statement disclosure provided in order for one to assess how efficiently LDF has been raising funds and spending on charitable projects. Furthermore, the Donate page on LDF's website potentially confuses donors with the following: "Donate Today to our LDF donor-advised fund at the California Community Foundation, rated 4 stars on [a different charity-rater than CharityWatch]." This may make donors think that the Leonardo DiCaprio Foundation itself actually has a 4-star rating -- when such a rating could not even be conducted given LDF's structure as a DAF. (The 4-star rating that is referenced does not apply to LDF, but rather to its sponsor, CCF.)

Even *The Hollywood Reporter's* "repeated efforts" to get answers to "fundamental questions related to transparency and accountability of the foundation" from DiCaprio, Leonardo DiCaprio Foundation and California Community Foundation were declined when *The Hollywood Reporter* made inquiries in connection with its August 2016 story on LDF. CharityWatch also was unsuccessful in its attempt to contact CCF and LDF with transparency questions. In CharityWatch's opinion, charitable funds like LDF that are soliciting the public for donations should not be permitted to be structured as DAFs since that allows them to avoid the financial and other transparency requirements that must be met by stand-alone charities.

The lack of transparency and accountability that characterizes donor-advised funds that are used as public charity fundraising vehicles by celebrities compromises the integrity of the entire nonprofit field. And while popular with celebrities, the same is true for any DAF that is used to raise charitable funds from the public. Such non-celebrity DAFs may exist at community foundations, for example, to raise funds for victims of natural disasters or other public tragedies.

Unless donor-advised funds that raise funds from the public are willing to be on the same accountability playing field as other charities, including satisfying the same requirements for filing an annual Form 990 tax return and conducting financial statement audits, the existence of such fundraising DAFs should be legally prohibited. Until that is the case, CharityWatch urges donors to proceed with caution when considering a donation to a celebrity's charitable foundation that is structured as a DAF at a community foundation or other sponsoring organization.

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