

MATERIAL ERRORS AND OMISSIONS UNCOVERED IN MEDIA REPORTING ON WOUNDED WARRIOR PROJECT

NOTE: THIS IS A PRELIMINARY REPORT.
A MORE DETAILED REPORT IS FORTHCOMING.

17 March, 2016

In January, the *New York Times* and CBS News called Wounded Warrior Project's spending on fundraising into question, and accused them of "lavish" spending in non-program areas. By combining the two spending areas, a picture of systemic over-spending and donor betrayal was painted, indicting the fundraising spending in particular. On March 10th, Wounded Warrior Project's board announced that its CEO, Steve Nardizzi, who has served on our Advisory Board¹, is "no longer with WWP."

The Charity Defense Council has uncovered major errors in the analytical methodology of the *New York Times* and CBS, significant factual errors and the possibility of material bias. Here's what we know.

1. The Allegation of Over-Spending on Fundraising Was Reported Without Revenue Comparisons

What's better: a bake sale with 0% overhead that raises \$10 for the poor, or a professional enterprise with 15% overhead that raises hundreds of millions? The *New York Times* and CBS questioned Wounded Warrior Project's fundraising costs. CBS stated: "What caught our attention is how the Wounded Warrior Project spends donations compared to other long-respected charities." The reports compared WWP negatively to Semper Fi Fund, Fisher House Foundation, and Disabled American Veterans Charitable Service Trusts, three other fine veterans' organizations, comparing only their fundraising ratios. The reporting did not compare the revenue resulting from those fundraising efforts.

Thoughtful reporting should never compare fundraising expense ratios in a vacuum without reporting resulting revenue. Here's the difference between the organizations' fundraising ratios and results together on an *annual* basis. When reported together, they paint a very different picture of merit.

The following charts demonstrate the point:

“ We believe that at the end of the day, what we all want—the media, donors and charitable organizations—is to maximize the difference we make in the lives of others.”

¹ Full Disclosure: Wounded Warrior Project provided significant financial support to the Charity Defense Council in 2014.

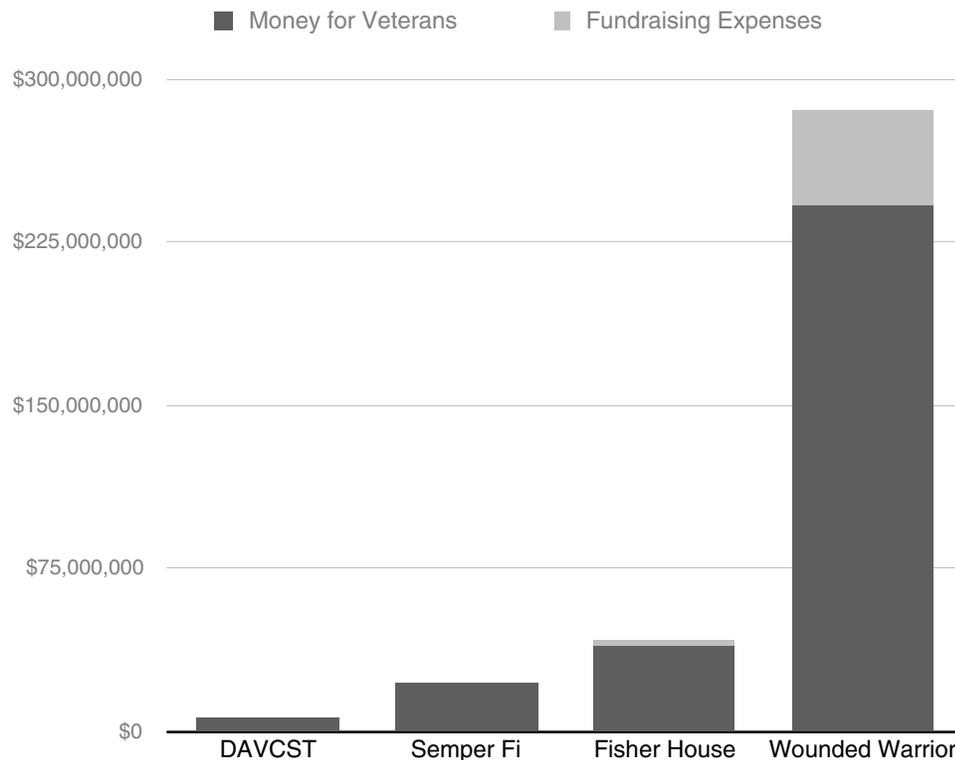
Wounded Warrior Project Fundraising Ratios Compared to Other Veterans Charities With Revenue Included²

	DAVCST	Semper Fi	Fisher House	Wounded Warrior Project
Cost of Fund Raising	1.2%	2.4%	5.6%	14.5%
Net for Veterans Programs	\$6,500,000	\$23,000,000	\$39,000,000	\$242,000,000

“Wounded Warrior Project you have my total support. Your company has changed my life. I am a better person for it.”

- Ian Coyne

Comparative Fundraising Expense and Revenue



² Semper Fi 2015 audited financials, Wounded Warrior Project 2014 audited financials. Fisher House, 2014 audited financials, DAVCST 2014 Form 990. All organizations with the possible exception of DAVCST use joint cost allocation, which is an approved accounting practice through AICPA's Statement of Position 98-2.

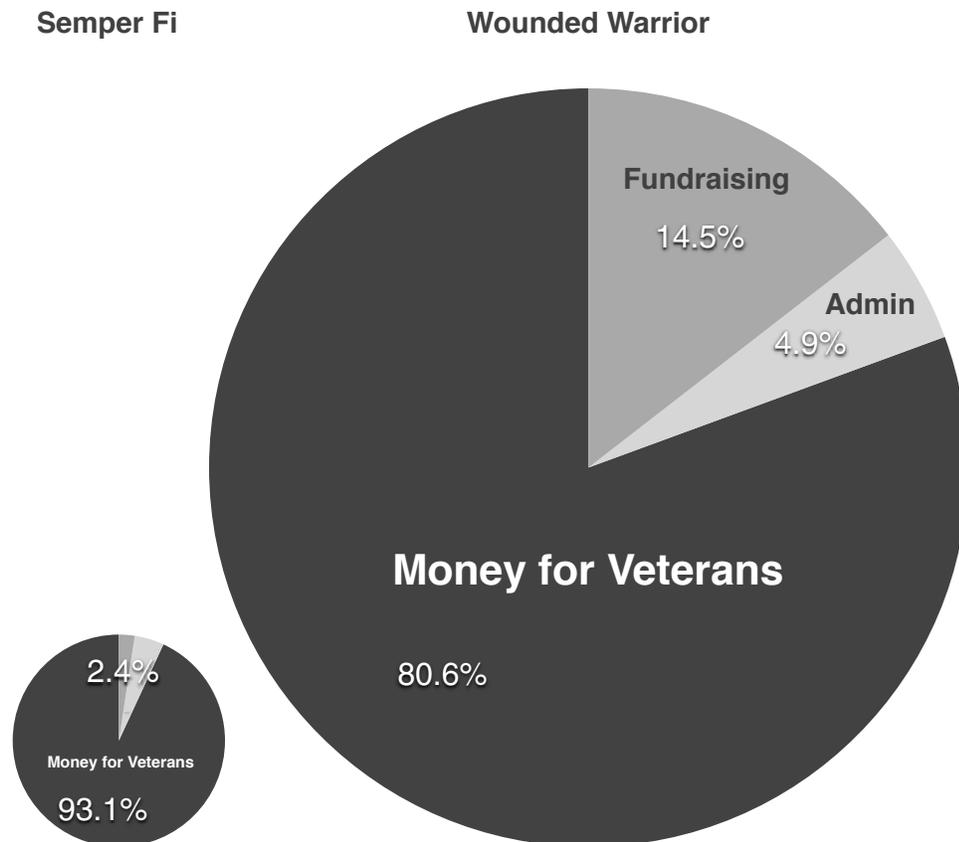
2. Overlooked in the Reporting: The Higher the Fundraising Ratios, the Bigger the Pie for Veterans is Likely to Be

The *New York Times* and CBS overlooked a fundamental tenet of fundraising, which is, the more you invest in it, the larger your revenues will be. Had readers and viewers been primed with that information, Wounded Warrior Project's fundraising ratios would have occurred to the public as less a betrayal and more a passion for serving as many veterans as possible.

The bigger the fundraising wedge, the bigger the pie – for veterans, the homeless, the poor, sick children, etc... The media now has a duty to stop teaching the public that the low spenders should be rewarded. It is a recipe for stasis. The CBS and *New York Times* reporting rewarded charities based on how small the fundraising sliver was, and not on how large the pie. Thoughtful reporting should never use pie-chart thinking without revealing the actual size of the pies.

“The more of every dollar you want to go to the cause, the fewer dollars there will be.”

- Dan Pallotta



3. The Wrong Measure Was Used: Allegation of Over-Spending on Fundraising Excluded Impact Evaluation

Overhead and fundraising ratios are simplistic financial metrics that tell donors nothing about what good the organization is doing. An organization can hide behind a low overhead ratio without producing any material good in society. Neither the *New York Times* nor CBS story attempted to perform an overall impact analysis, nor did they report specific numbers on the impact of all of the organization's various programs, nor did they report anything about the comparative impact of the other three veterans' organizations to which they compared Wounded Warrior's fundraising or overhead ratios. At a time when all of the thought leadership in the nonprofit sector is emphasizing the need to measure impact instead of overhead, these reports did the opposite. The donating public deserves a more educated approach.

In 2013, three of the nation's major charity watchdogs—Charity Navigator, the Better Business Bureau Wise Giving Alliance, and Guidestar—recognized the problems with overhead measurement, and issued the following joint press release entitled, "The Overhead Myth":

"To the Donors of America:...We write to correct a misconception about what matters when deciding which charity to support. The percent of charity expenses that go to administrative and fundraising costs—commonly referred to as 'overhead'—is a poor measure of a charity's performance. ...In fact, many charities should spend more on overhead...The people and communities served by charities don't need low overhead, they need high performance."

Neither the CBS nor the *New York Times* story contained any evidence of systemic program ineffectiveness or lack of program performance. What reporting they did include on program problems was anecdotal, incidental, and came exclusively from employees who were terminated.

4. The *New York Times* and CBS Omitted Material Data on Impact and Warrior Satisfaction Rates That is Easily Accessible on the Wounded Warrior Project Website

Prominent top-line impact language on the Wounded Warrior Project website indicates that Wounded Warrior Project assists over 100,000 warriors and family members through 20 programs and services, serves over 45,000 warriors and family members through health and wellness programs, has secured over \$160 million in benefits for warriors and their families, and that its advocacy has resulted in legislation that has paid over \$2 billion to warriors and their families. Neither report mentions even these statistics. Additionally, Wounded Warrior Project's audited financial statements provide granular narrative detail on each of sixteen veterans

“ My experience with WWP with my son was amazing!!! They were there when he needed them and went above and beyond in helping him.”

- Carol Kelley

programs. Neither report discusses these programs in detail; only the *New York Times* mentions specific programming, but they suggest the work lacks impact without providing any substantial evidence. A prominent video on the Wounded Warrior Project website “Mission” page describes how Wounded Warrior Project measures its impact. No information about this was included in the reports.

In addition, infographics on the Wounded Warrior Project website go into specific detail about the numbers of people served in each program along with satisfaction rates for 2014 - 2015. For example:

- Warrior satisfaction with Alumni events and services was 92.9%;
- There were 50,603 in bound contacts to its Resource Center with a 90% satisfaction rate;
- The Project Odyssey mental health support program served 2,668 warriors and caregivers with a 98.1% satisfaction rate;
- 1,845 warriors and caregivers were served through Soldier Ride, with a 94.8% satisfaction rate;
- 2,555 warriors were placed in part- or full-time employment through the Warriors to Work program;
- 493 warriors were enrolled in the independence program for the severely wounded, ill or injured;
- 13,730 family members were registered for family support;
- 2,768 alumni and family support members underwent transition training.

None of this was reported. Instead, CBS includes a critical statement from a former director of tax exempt organizations at the IRS, suggesting that it was difficult to find information about Wounded Warrior Project program impact in financial documents and implying that the organization was not transparent with its results. Clearly, this is not the case. The questions raised by the *New York Times* about outcome measurement are important concerns and are certainly worth exploring. Again, however, the criticisms are anecdotal and lack any evidence of systemic problems.

5. The *New York Times* and CBS Materially Mis-Report Wounded Warrior Project’s Overhead and Program Ratios and Wrongly Accuse it of Inflating Program Expenditure Figures

Both stories reported Wounded Warrior Project overhead of 40%, with only 60% going to veterans programs. Wounded Warrior Project’s board has stated that it spends 80.6 % of donations on programming. The *New York Times* stated that, “former employees and charity watchdogs say the charity inflates its number by using practices such as counting some marketing materials as educational.” This is a gross mischaracterization of a common accounting practice used by most nonprofits in America called joint cost allocation that recognizes that some expenditures are both

“The people and communities served by charities don’t need low overhead, they need high performance.”

- Charity Navigator, Better Business Bureau Wise Giving Alliance, Guidestar

programmatically and promotional in nature. For example, a television ad that asks for donations may also tell veterans in need where to call for immediate assistance.

As far back as 1988, the Supreme Court ruled on this matter in *Riley*, stating that:

“where the solicitation is combined with the advocacy and dissemination of information, the charity reaps a substantial benefit from the act of solicitation itself. . . . Thus, a significant portion of the fundraiser’s ‘fee’ may well go toward achieving the charity’s objectives even though it is not remitted to the charity in cash.”

Just because a dollar in cash isn’t handed to a warrior, or used, for example, to provide direct mental health services, does not mean it isn’t a dollar going to the cause. The media could do donors a great service by teaching them this. For example:

- A donor dollar spent, in good faith, on a television ad to bring in three more donors and three more dollars is multiplying the impact of the original donor. It is not a betrayal of donor intent, it is an elevation of it. An investment in growth is not *not* an investment in the cause, as the donor intended. Indeed, if a donor were educated that a dollar put into fundraising could multiply, they might well want more of their money to be spent in that way;
- A television ad about the plight of wounded warriors helps to sensitize the entire culture to the issue. This is important in a world in which the public, and our children, are over-sensitized to Taco Bell, Domino’s Pizza, soft drinks, violent video games and beer in television advertising;
- The ad may produce giving down the road that cannot be measured now;
- It is inconceivable that some of the tens of thousands of warriors served by Wounded Warrior Project did not find out about the opportunity to obtain services there by seeing one of the organization’s television ads, or hearing from a friend who did.

Wounded Warrior Project stated that it uses, an “independent third party that performs joint cost allocation services for many other non-profit organizations...This third party’s work has been subject to review by WWP’s independent auditors...”

The firm that conducted Wounded Warrior Project’s recent forensic audit after the news stories came out concurred with the program figures in Wounded Warrior Project’s audited financial figures.

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Finally, it is troubling that the other organization the *New York Times* holds up as having more favorable overhead ratios – Semper Fi – employs the same accounting practice (as do the other two that CBS reports on), yet the *New York Times* does not accuse that organization of inflating its program numbers. Why did the reports single out Wounded Warrior Project for the accusation?

“An investment in growth is not *not* an investment in the cause...”

6. Reporting Fundraising Ratios Without Revenue Misleads and Inflames the Public and Damages the Environment for Giving

The comment sections of the two media are overflowing with incendiary language about betrayal that are difficult to read for anyone who cares about philanthropy. Many of the comments generalize about abuse that extends beyond Wounded Warrior Project to other major American charities. If the reporting had provided a more educated and thoughtful point of view, this outrage would not have developed. Donors need not have felt betrayed. It may take years for Wounded Warrior Project to recover.

7. The CBS and *New York Times* Commentary Choices Reveal the Possibility of Material Bias

The *New York Times* reported that they found “many current and former employees questioning whether [Wounded Warrior Project] has drifted from its mission.” Yet the *New York Times* story does not contain commentary from a single current employee. What did the current employees say about the organization? CBS reported that it spoke only to “former employees.” An inside source told the Charity Defense Council that current Wounded Warrior Project employees were interviewed on camera. Why were none of those interviews included in the coverage? What did those employees say? Why did the stories not interview any of the veterans Wounded Warrior Projects has helped? A cursory review of Wounded Warrior Project’s Facebook page finds no shortage of positive commentary:

- Mary Stella: “I have seen first hand the WWP's Project Odyssey Program in action. Please, everyone, do not believe the worst based on the CBS reporting and stories in the newspaper. Those reports were horribly slanted! I am proud to support WWP with my donations and will continue to do so because I know that the money and the organization help our veterans.”
- Carol Kelley: “My experience with WWP with my son was amazing!!! They were there when he needed them and went above and beyond in helping him. I cant believe this report based on personal experience.”
- Ian Coyne: “Wounded Warrior Project you have my total support. Your company has changed my life. I am a better person for it. And love the people in your organization. Thank you, thank you, thank you.”

- Julie Ann: “I hate waking up and wondering if there is going to be less available to my husband because some false accusations and slandering have been done. When all hope was lost, who was there for my husband and our family? WWP was.. when the VA forms needed filing, who helped us? WWP ! when I get burnt out as a caregiver and I need a retreat who helped me? WWP did. When our refrigerator broke and my husband needed his meds.. who helped us? WWP!”
- “I'm personally hurt by all these hateful posts from people who are believing false statements. Many of us rely on WWP to fill in the huge gaps left by the VA.”
- Volker Margarita Brunke: “I'm a caregiver of my wife, retired and wounded 1SG US Army, this article is biased and written with the undertone of envy. We too are sponsor of WWP, and if it wasn't for WWP, so many things my wife and I have today, we wouldn't have had EVER! The trainings my wife receives are PRICELESS! Yes in capitals, WWP has been for me that ally I needed, when I needed it most and the red tape officials from the Army where praising themselves for doing nothing back when!”
- “I live by the rule, you get what you pay for, I get top notch over the line help, that is, because WWP hires true professionals, and they too need to pay bills!”
- O'Ryan Bronson: “Thank you for this organization! It brings hope to the table and hope saves lives! If it wasn't for WWP I don't think my husband would still be with us.”
- Kristina Jacobs Miller: “WWP has been wonderful to my Wounded Warrior!! They have blessed our family many times with many dinners out, Premier Movie dates, family nights, many events for my husband, Dinner Theaters and even a Caregiver Weekend Retreat and that is just to name a few of the blessings that we have experienced through WWP. My husband was even blessed with 2 months of Crossfit training (he was so happy). Thank you for all that you guys do. Thank you for helping my husband feel whole again as well as taking time out to see about us as a family. God bless all of you!!”
- Ed Bronsdon: “Nothing but good stuff — great work on behalf of these awesome warriors — well done Wounded Warrior Project and Adaptive Sports Foundation!”
- Kathy Hummelgaard Gaul: “I love this organization and am proud to be a donor, you do amazing things for our veterans/troops and I thank you so much for everything you do. God Bless you all.”

“Thank you for all that you guys do. Thank you for helping my husband feel whole again as well as taking time out to see about us as a family. God bless all of you!!”

- Kristina Jacobs Miller

8. The CBS and *New York Times* Reporting About Lavish Spending is Suspect

Both stories are replete with reporting of spending on alcohol, first class airfare expenditure abuses, travel expenditure abuses, hotels and

conference expenditures and more. Together, they paint a picture of abuse to which even the most open-minded citizen is likely vulnerable. But a close deconstruction of the reporting raises serious questions about whether any of this does in fact represent abuse, and whether it was systemic or any different from the spending of other nonprofit organizations. For example:

- CBS News interviews former terminated employees mentioning alcohol at conferences. It doesn't say who paid for the alcohol. Was it Wounded Warrior Project? No evidence is offered. Moreover, one would be hard-pressed to find a gala dinner for any charity in America at which donors and staff are not drinking wine paid for by the charity.
- The *New York Times* stated that "Former workers recounted buying business-class seats and regularly jetting around the country for minor meetings." It doesn't say who they were or how many instances of this occurred. It is disconcerting that it is the testifying former employees that were the purchasers of the tickets. It doesn't provide color on key facts, such as whether this was systemic, or whether business class seats were obtained with upgrade points. There is no analysis of receipts or accounting. The Wounded Warrior Project Board conducted a forensic audit of expenses. An initial oral report from the audit found that 99% of all air travel at the organization was coach class. Many charities have restrictions on first class travel. Most allow business class travel for executives to be able to be productive and prepared for meetings to which they might be traveling. This, while corporate executives travel in private jets with private catering.
- CBS News shows photos of conference attendees in swiss dress with swiss alpine horns as commentary about parties plays in the background. Fun, creative entertainment is hardly unusual at nonprofit conferences. Most have bands, motivational speakers, vocalists and other forms of entertainment. There was nothing in the reports to indicate that there was an excess of this at Wounded Warrior Project, though the excess of *New York Times* and CBS reporting on it as measured against the reporting on program impact would make it seem so.
- The *New York Times* story opens with a report of CEO Steve Nardizzi rappelling from a building into a team training meeting. How is this relevant to what the organization does or has achieved, or even to its spending? Rappelling is not an expensive activity.
- The reporting made much of a team training conference at the Broadmoor Hotel in Colorado Springs, Colorado, claiming that Wounded Warrior Project spent \$3 million on the event. The Wounded Warrior Project's forensic audit revealed the actual expenses were \$970,000. How did the media so grossly overstate this expense? Inside sources have told the Charity Defense Council that Wounded Warrior Project sought bids from no fewer than fifteen hotels before deciding on the Broadmoor, which came in at the lowest price. This

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was an all-hands staff retreat. These are precisely the kinds of trainings and morale-building exercises that too many nonprofits forego in the name of keeping costs low, at the expense of esprit de corps. As a result of its investment in its own people—many of whom are former wounded warriors—Wounded Warrior Project has won the *Nonprofit Times* “Best Nonprofit to Work For” award three years in a row. A happy, bonded staff can only mean better service for the clients Wounded Warrior Project serves. More nonprofit organizations should follow this example.

“The media should not present charity executive salaries strictly as a dollar figure, but as a ratio of dollar paid to dollar generated, and/or dollar paid to impact generated.”

9. Wounded Warrior Project’s CEO’s Salary Was Presented Out of Context

The *New York Times* presented Wounded Warrior Project’s CEO’s compensation in a vacuum, without any context, any measure of the value being produced or any comparison to other organizations’ CEO compensation. The media should not present charity executive salaries strictly as a dollar figure, but as a ratio of dollar paid to dollar generated, and/or dollar paid to impact generated.

Here is how Wounded Warrior Project’s CEO’s compensation compares to other relevant organizations as a percentage of the organization’s overall revenue for fiscal year 2014.

	DAVCST	Wounded Warrior Project	Semper Fi	Fisher House	Charity Watch (watchdog referenced in story)
CEO/ President Salary as % of Funds Raised	0.0%	0.1%	0.4%	0.8%	30.8%

10. Wounded Warrior Project Has Not Provided Adequate Basis for the Executive Firings

In revealing the oral results of its forensic audit, the board has not indicated any findings of malfeasance, misappropriation of funds or criminal activity. When pressed on the O’Reilly Factor to explain why the executives were terminated, the Board Chair deflected his response to issues of culture. When pressed multiple times on the matter, he would not offer more than that. We encourage the board to offer the donating public a more thorough explanation of the reason for the terminations, if they were in fact justified. We also encourage the board to be forthright about whatever pressure it was under – as a result of the media reporting – to act in some way, and to explain what role that pressure may have had.

11. Concerns About Wounded Warrior’s Culture Do Warrant Further Exploration

Both the *New York Times* and CBS stories rely on former employees, most of whom seem to have been terminated. CBS News reports now that it has spoken to over 100 former employees. On its face, this is a large number, and would seem to indicate high turn-over, or a high rate of termination. It is of note that the two stories combined, despite having spoken to many former employees, only include comments from a total of eight former employees. Moreover, the notion of a troubling culture conflicts with the fact that Wounded Warrior Project has been named “Best Nonprofit to Work For” three years in a row by the Nonprofit Times. Culture is important. Resentment and hostility bred by poor communication or administration of employees can lead to acts of retaliation of the sort that may explain the dynamic behind the commentary former employees have provided to the press. This issue warrants further investigation. The Charity Defense Council will focus on this issue in its final report.

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12. Next Steps and Educating the Media

Our commentary here is in reaction to what was reported as measured against our own core principles about how charities should be evaluated and not evaluated, and as measured against certain Wounded Warrior Project and third party statements. We want to go more deeply into the issues that are not so obvious from a review of the stories and will issue a final advisory when our research is complete.

As part of that process, we plan to reach out to the board of Wounded Warrior Project, some of their clients, and to the *New York Times* and CBS reporters involved in the story in order to learn more.

The Charity Defense Council is committed to educating the media on the issues raised in this Preliminary Advisory. We have a long way to go, but believe that at the end of the day, what we all want—the media, donors and charitable organizations—is to maximize the difference we make in the lives of others, and to actually eradicate some of the great social problems of our time. We believe that if we lived in a world in which everyone understood how change gets made at scale, then that change could actually happen. If we are ever to achieve that understanding at the level of the general public, the nonprofit sector and the media must become partners. It is in that spirit that we continue to work on this story.



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