

King Center Tax Records Show Payment to MLK Son

05/20/05. WSBTV.com

The nonprofit Martin Luther King Jr. Center paid nearly \$1.3 million last year to a for-profit business run by King's younger son, according to tax records released this week. The payments to Intellectual Properties Management Inc. amounted to 43 percent of the King Center's spending for the fiscal year that ended in June 2004, according to the center's latest tax return. Since July 2000, the center has reported paying \$4.2 million to the company, The Atlanta Journal-Constitution reported on Friday. IPM also gave the King Center \$77,550, its largest single donation last year, according to a list of financial contributions attached to the tax form. There was no explanation of the gift.

The tax return reported an improved financial picture for the center, which had operated at a loss for five of the seven previous years. In 2003-04, the King Center ended with a \$358,000 surplus on income of nearly \$3.4 million -- more money than it had taken in for any year since at least 1996. King Center officials released the latest tax return Tuesday but declined to comment on it. Previously, the center's managing director, Rosalind McGinnis, said the payments to IPM covered the salaries and benefits of top administrators and staff who are leased back to the center, and that neither the company nor the King family profited from the transaction. Under federal law, most parts of a nonprofit organization's tax returns are a matter of public record. Dexter Scott King, younger son of the late Rev. Martin Luther King Jr., is chief executive officer of IPM.

The company was launched in 1994 to license King's words and images on behalf of the civil rights leader's estate, a for-profit business run by his family. Since January 2004, Dexter King has also served as acting chief operating officer of the King Center. The Nobel Peace Prize winner's widow founded the center in 1968 to preserve her husband's legacy. The tax return was the first to acknowledge that the center and IPM had officers in common. Tax returns for the three previous years reported payments to the company but did not disclose that the center was doing business with a company controlled by the same officers. The Internal Revenue Service requires that nonprofit organizations report transactions with taxable organizations that have the same directors, officers or key employees.

The requirement is meant to help the IRS monitor whether individuals are profiting from a charity or nonprofit organization's tax-exempt status. Charity watchdog groups said the relationship between IPM and the King Center is dangerously cozy. "A major element of nonprofit accountability is effective transparency," said Rick Cohen, executive director of the

National Committee for Responsive Philanthropy. "The problem with putting most of the organizational management into an outside vendor is you don't know quite what the money is being used for. In this case, it is not only a problem of transparency, but creating a potential conflict of interest and the potential for self-dealing." The King Center reported paying Dexter King \$181,913 in the 2003-04 tax year to serve as chairman and acting chief operating officer. King Center officials have not disclosed the amount of Dexter King's compensation from IPM, if any. McGinnis has said that IPM does not pay him a salary, "as he is not an employee. He is a corporate officer of the company."

The center paid his older brother, Martin Luther King III, who was appointed the center's president and CEO in early 2004, \$63,466 for about a half-year's work.

The center's year-end surplus sounded an encouraging note for an organization that had encountered a series of financial setbacks. It has borrowed money by mortgaging several properties, including the house in which King was born, and the National Park Service has estimated that the center's deteriorating infrastructure needs more than \$11 million in repairs. The center, which includes King's tomb, an exhibit area and a historical archive, is located within the King National Historic Site, which is operated by the National Park Service, an arm of the Interior Department.