

Legislation halts athletes' charity salaries

Va. foundation that manages their funds said pay served as incentive to generosity

By Jeff Baker
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Legislation signed recently by President Bush has forced a foundation with ties to dozens of NFL, NBA and major league baseball players to abandon its unusual policy of offering salaries to athletes, players' family members and others for charity work.

The Virginia-based National Heritage Foundation sets up and oversees charitable funds on behalf of such prominent athletes as Dwyane Wade of the Miami Heat, Donovan McNabb of the Philadelphia Eagles and Randy Johnson of the New York Yankees. The funds benefit such causes as diabetes awareness and athletic resources for underprivileged youth.

For years, the foundation told athletes and others that signing up with NHF meant they were eligible to be paid for work done to support charitable causes of their choosing. The payments, NHF said, would come from tax-exempt contributions made to the funds by the public or themselves.

The prospect of collecting salaries or fees extended to family members who helped the causes and to sports agents or other advisers who set up clients' funds with the foundation.

Wade, McNabb and Johnson never received a foundation salary, according to CSMG, their Chicago-based sports agency. But others did.

By offering to pay athletes and others, the foundation argued it was providing an incentive to undertake important charity work. A number of NHF funds support relief efforts in areas devastated by Hurricane Katrina in 2005.

But critics in the charitable world said the policy also benefited people who don't need help.

"It seems to be about helping you help yourself," Jeff Krehely, former deputy director of the Washington-based National Committee for Responsive Philanthropy, said in an interview before the policy was discontinued.

Krehely and other critics said NHF's priorities seemed to be backward - that NHF's promotional material emphasized benefits for athletes and agents rather than for those in need of charity.

The policy was halted on Aug. 17, when Bush signed a bill barring donors from receiving compensation from the sorts of charitable funds the foundation manages. The ban resulted from concern in Congress about charity funds being used for personal benefit.

Among those who had shown up on the payroll in recent years, according to tax records, were former Indianapolis Colt and Carolina Panther Derwin Gray and Strategic Wealth, an Atlanta-area company that manages athletes' and entertainers' philanthropic activities.

McNabb's mother, Wilma, was initially paid by the foundation about five years ago for her work on behalf of her son's NHF fund benefiting diabetes awareness, CSMG said. But Wilma McNabb said she quickly cut the money off because she thought it would be more appropriately used by her son's charity.

Most of the roughly 10,000 NHF funds aren't held by athletes, but by a cross-section of Americans. Athletes are coveted, not only by NHF, but also by other charities, because of money and prestige.

In 2005, NHF paid more than \$9 million in compensation to people working for charitable programs, the foundation said in a recent letter to a U.S. House of Representatives committee. "I have a lot of people calling me up now literally in tears because we couldn't give them their paycheck," foundation vice president Julie Houk, the daughter-in-law of NHF chief executive officer J.T. "Dock" Houk, said in an interview.

Charitable experts said it was unusual for charitable funds such as NHF's to offer salaries to athletes or anyone else.

J.T. Houk said NHF had dozens of athlete clients, some of them retired, but he declined for privacy reasons to say how many were being paid. Because the athletes' funds are essentially sub-accounts with NHF, the foundation is not required to detail how much money comes into the funds or where it goes.

Among those who can no longer be paid is Gray, the former NFL player, who said he got about \$60,000, and his wife, Vicki, about a fourth that much in an NHF arrangement in which they were paid to run an evangelical ministry out of their Charlotte, N.C., home.

Gray acknowledges that it could look unseemly for well-heeled sports figures to be drawing salary from a charity. But he said he earned his pay through speaking, ministerial counseling and other duties. Now, Gray said, he will establish his own charity and take donations directly.

Players with NHF funds who aren't being paid include Wade, McNabb, Johnson, Michael Finley of the San Antonio Spurs, Shaun Livingston of the Los Angeles Clippers and former baseball star Wade Boggs, according to an NHF Web site directory.

Interviewed after a game last season, Wade, one of the NBA's most marketable young stars, said he took his agency's advice in selecting NHF as his charity's manager. He said he didn't know that NHF was offering any compensation to athletes or agents.

Marc Pollick, manager of The Giving Back Fund, a nonprofit organization, said athletes' reputations could be harmed by their continuing association with NHF. He has criticized the

foundation in the past for taking advantage of what he called "loopholes" in the law.

"An athlete's reputation is their No. 1 asset," Pollick said.

J.T. Houk tangled with the IRS and won. In 1982, the government withdrew the tax-exempt status of an NHF predecessor after expressing concern about benefits given to outside financial advisers. After a court battle, the IRS restored the charitable status in 1987.

Julie Houk said the foundation hadn't been losing clients since the new law was enacted, and that NHF would survive the change.

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