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2001 S Street, NW, Ste. 620
Washington, DC 20009
Phone 202.387.9177
Fax 202.332.5084
E-mail: info@ncrp.org
Web: www.ncrp.org
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NCRP Staff

Rick Cohen
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OPINION

The Duke's Demise

Philanthropic Maneuvers Don't Excuse Questionable Defense Contracts

By Rick Cohen

It's time for the nonprofit sector to call a halt to the "charity defense" for admitted and prospective felons. You know—it's when crooks facing the scrutiny of a grand jury investigation or a federal congressional inquiry announce and promote their philanthropy as evidence of good character, of repentance, sometimes even of almost innocence.

California's Republican Congressman Randall "Duke" Cunningham is the latest, and not even the most egregious, player of this get-out-of-jail card in the game of deficient corporate or political ethics. Unfortunately, America's charities seem generally unwilling to question, much less spurn, such ethically questionable money. Nonprofits lining up to play the patsies for corporate and political crooks is unseemly and pathetic, and it's time they stop.

The case of Duke Cunningham has been headline news since it was revealed that he profited from some beneficial real estate transactions by a defense contractor, MZM Inc. The president of the firm, Mitchell Wade, purchased Cunningham's Del Mar Heights house for \$700,000 more than its estimated market value—in other words, giving the congressman a virtual gift of \$700,000 on top of the \$975,000 that the property attracted on resale, and allowed Cunningham to live, when in Washington, D.C., on Wade's 42-foot yacht (named "Duke Stir"), berthed at the Capital Yacht Club, for a nominal rent of \$500 a month.

In return for these perks, plus some generous contributions to Cunningham's political campaigns and his American Prosperity PAC, MZM appears to have benefited by its relationship with Cunningham in his role as a member of the House Defense Appropriations Subcommittee. Thanks in part to its Pentagon contracts—it received \$41 million worth of contracts in 2003 and \$65 million in 2004—MZM tripled its revenues in 2004, elevating the relatively young defense contractor to No. 100 on *Washington Technology* magazine's list of top federal contractors. Cunningham wasn't the only MZM benefactor in Congress; press reports link House member Virgil Goode (R-Va.) in particular to sponsoring



Rick Cohen.

legislation that led to contracts for MZM. Cunningham's willingness to partake in sweetheart real estate deals makes him a candidate for an ethics investigation. Cunningham, sensing he had been hit by the fire from enemy watchdogs, maneuvered a bit with press releases

of moderate contrition and innocence, and finally announced that he would not run for re-election in 2006.

How does charity figure into the Duke Cunningham story? Like so many before him, the congressman has announced his willingness to donate part of his take—in this case, the proceeds from the sale of his home—to charity.

Cunningham joins a long line of felonious philanthropists making tax-deductible donations to charities as part of a strategy of touching up a sullied public image or clearing one's name. Tyco's Dennis Kozlowski used corporate funds to make ostensibly personal charitable donations to burnish his dubious reputation. Enron's Ken Lay emphasized his philanthropic and religious persona while his firm made a mockery of corporate ethics and accountability. Nearly everyone's favorite had to be fugitive felon Marc Rich, who accumulated boatloads of famous people to testify to his philanthropic good heartedness in order to justify his request for a pardon from President Bill Clinton.

Cunningham's dip into charitable resume building is of a much more pedestrian variety. He has pledged to donate the proceeds from the sale of his new \$2.5 million home, which he purchased soon after selling his home to MZM's Wade, to three local San Diego area charities: Saint Claire's Home for Abused & Battered Women in Escondido, Bishop McKinney's

School for At Risk Children, and Father Joe Carroll's homeless shelter network (Father Joe's Villages). Carroll made the appropriate statement of gratitude, as quoted in the *North County Times*: "I'm not surprised he picked three of his favorite people. ... He [Cunningham] was probably saying to the whole community, 'I wasn't in this for the money. Whatever money is made on this house will be donated to charity.'"

Even as an effort to make a down payment on a less corrupt image, Cunningham's promised donations aren't simply statements of concern for battered women, at-risk children, and the homeless, none having been major emphases of Cunningham's nine-term congressional record.

While running a network of well-outfitted homeless shelters primarily in the San Diego area, but branching out into other parts of the west, Father Carroll (actually Monsignor Carroll) has a strong track record of endorsing Republicans for political office—including a current Republican mayoral candidate, Steve Francis, whose Internet ads flash alternating pictures of Francis and Carroll—and working with national Republicans, including President George W. Bush, who rewarded Carroll's Village Training Institute with a generous Compassion Capital Fund faith-based grant from the Department of Health and Human Services.

Carroll is also a stand-up guy for politicians in political or legal trouble. In 2003, the *San Diego Union-Tribune* detailed Carroll's recent history of allegiance for local politicians dancing along the edge of the law—or falling over the edge—including speaking in support of a businessman serving as a port authority commissioner who was convicted of felony misuse (conflict of interest) of his public office; supporting and then hiring a city councilwoman convicted of violating state political campaign laws;

and offering his St. Vincent's shelter as a site for a former mayor's community service after his conviction for conspiracy and perjury. As Carroll said about the port authority felon, "Will I stop taking his calls? No. Will I stop taking his money? No."

A December 2004 press release promoting his most recent book describes Bishop George Dallas McKinney as "spiritual advisory to presidents, kings, and business leaders." The founder of St. Stephen's Church of God in Christ (COGIC), McKinney endorsed Bush for re-election, despite the denomination's national opposition to the U.S. invasion of Iraq and his own role as a board member of the liberal faith-based Pacific Institute for Community Organization (PICO) network, based in part on their shared opposition to women's reproductive choice and the rights of gays and lesbians to marry. One of McKinney's more distinctive political comments was to blame abortion for the problems of the Social Security system: "Part of the problem that we're seeing now with Social Security has to do with the fact that 40 to 50 million people who have been killed through abortions have not taken their role (*sic*) as productive citizens."

Cunningham's connection to McKinney may be in part connected to their less than salutary attitude toward gays and lesbians. McKinney couches his LGBT attitudes in a strict interpretation of the Bible, a strategy that the Bush administration used in its re-election campaign to woo support and endorsements from black church leaders. Unlike the bishop, Cunningham chose to express his homophobic attitudes a bit more crudely, describing his prostate cancer treatments as "just not normal, unless you're Barney Frank." In his response to Cunningham, who on the House floor has referred to gays as "homos" and contended that gays in the military would "degrade national security," Frank merely said, "[Cunningham] does

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Left: Cunningham's Del Mar Heights home, which he reportedly sold to defense contractor MZM's head, Mitchell Wade, for \$1.675 million. Wade sold it for a paltry \$975,000, effectively losing \$700,000, but purportedly gaining defense contracts worth more than \$100 million for MZM from 2003 to 2004. (photo: Dan Anderson)
Center: Congressman Randy "Duke" Cunningham. **Right:** Cunningham's new home in exclusive Rancho Santa Fe, bought after his Del Mar Heights home was sold, cost him \$2.5 million, and was raided by the FBI early in July 2005, along with Wade's yacht in Washington, D.C., for evidence of dealings with defense contractor MZM. (photo: rawstory.com)



Samuel Johnson once defined patriotism as “the last refuge of scoundrels,” and Ambrose Bierce corrected him that it was the first. Unfortunately, corporate and political rogues, including Marc Rich, Ken Lay, Dennis Kozlowski, and Jack Abramoff, have labored to make charity, like patriotism, yet another safe harbor for scoundrels.

not have a high reputation for the thoughtful, analytical content of his remarks.”

The connections among these charities with some of the political allies of Congressman Cunningham take an odd turn when one spots Monsignor Carroll on the board of directors of the San Diego Padres Major League Baseball team. Presumably, Carroll is aware of Padres owner John Moores’ \$400,000 in contributions, tops among donors, to Ward Connerly’s American Civil Rights Coalition 2003 campaign (Proposition 54) to ban the state of California from collecting racial data (Connerly’s organization had sponsored Proposition 209 some years before affirmative action programs were effectively ended in California).

The charity whitewash of Cunningham doesn’t end with the promise of donating the proceeds of his home sale to the charities of his political allies Carroll and McKinney. The congressman, MZM, and Wade have another connection with questionable dynamics. Defense contractor MZM contributes to the Sure Foundation, overseen by a board that includes Mitchell Wade as treasurer and his wife, Christiane, as “president emeritus” and a four-person advisory council, including Cunningham’s wife, Nancy, and daughter, April.

The mission of the Sure Foundation is a nice touch for a charity supported by a military contractor. According to the foundation’s Web site, the mission originally focused on meeting “the urgent and wholistic (*sic*) needs of children who have been victims of civil unrest, war or who are living in a state of poverty, suffering, turmoil or instability,” though in 2005 the foundation’s mission reportedly expanded to helping children in poverty. According to its 2003 990-PF, the Sure Foundation apparently makes small grants of \$3,000 to \$30,000 to missionary-oriented health, school, and recreation programs in China, Afghanistan, Serbia and Montenegro, Haiti, Guatemala, Kenya, and other nations.

While one might question a corporation’s donations to a 501(c)(3) charity whose officers include the founder and owner of said corporation and whose advisory board includes family members of a member of Congress who has benefited from the corporation’s political contributions, there’s nothing inherently wrong about a foundation’s faith-based services to refugee children around the world. However, Cunningham’s congressional powers emerged to benefit the Sure Foundation much like they appear to have worked for MZM’s burgeoning Pentagon contracting business. In 2004, the House Appropriations Committee’s District of Columbia subcommittee authorized a \$100,000

grant to the Sure Foundation, whose broadened mission beyond refugee children enabled it to serve children in the nation’s capital. Cunningham’s specific connection? He was vice-chair of the subcommittee at the time.

The federal grant to Wade’s philanthropic venture almost equals the foundation’s reported annual revenues in 2001, 2002, and 2003, according to Sure’s 990-PF filings, giving Wade a charitable foothold visible to his congressional and Pentagon clients. Wade has made it clear he wants the Sure Foundation “to make inroads in the District’s poverty-stricken communities” and, to do so, it recruited the ex-wife of former mayor Marion Barry at \$10,000 a month to help the foundation use its \$100,000 federal grant to establish an arts-enrichment program for children in elementary schools. Other than Cunningham’s potential influence, it is impossible to discern how the foundation’s grants to overseas refugee assistance projects qualify it for a federal grant for federally funded arts-enrichment programs for kids in Washington, D.C.

At roughly the same time as the press exposed his dealings with MZM, Congressman Cunningham was lauded as “an honorable man ... a war hero ... [and] the first Top Gun” by ethically challenged House Majority Leader Tom DeLay (for whose legal defense fund Cunningham had contributed \$5,000 of his own campaign funds) and succeeded in getting the House to pass a bill he sponsored giving Congress the power to ban the desecration of the American flag.

Samuel Johnson once defined patriotism as “the last refuge of scoundrels,” and Ambrose Bierce corrected him that it was the first. Unfortunately, corporate and political rogues, including Marc Rich, Ken Lay, Dennis Kozlowski, and Jack Abramoff, have labored to make charity, like patriotism, yet another safe harbor for scoundrels. Like Father Carroll’s homeless shelters and Bishop McKinney’s schools, the nonprofit sector needs charitable contributions—but not from felonious philanthropists, whose donations reek of priorities little connected to the values of the nonprofit sector. ○

Rick Cohen is executive director of the National Committee for Responsive Philanthropy (NCRP). Since 1976, NCRP has advocated for the philanthropic community to provide non-profit organizations with essential resources and opportunities to work toward social and economic justice for disadvantaged and disenfranchised populations and communities.