

AG Balderas, FTC announce \$75 Million settlement against sham cancer charities

Written by Staff Reports
Friday, 01 April 2016 01:06



State AG's Charities Unit was a lead agency in the action against the sham charities

SANTA FE – Attorney General Hector Balderas along with the Federal Trade Commission and an unprecedented group consisting of all fifty states and the District of Columbia, announced that the last two nationwide sham cancer charities named in the largest charity regulation case in history, are to be dissolved, their assets transferred to a receiver for liquidation, and their president banned for life from profiting from fundraising, consulting or conducting charitable activity March 30.

The stringent ban and total forfeiture of all assets available under the law was obtained through settlement agreement. The two holdout 'charities' bilked more than \$75 million from donors across the country who thought their hard earned donations would help people suffering from cancer.

The Office of the New Mexico Attorney General's Charities Unit was a lead agency in the action against the sham charities from the initial investigation comprised of only three states, to this final historical result.

«Our office is proud to have shut down these individuals who stole donations meant to benefit people suffering from cancer and used those funds to live luxurious lifestyles and for their own personal gain,» Balderas said. «Together, the FTC and charity regulators from every state in the country have made it clear---we will not sit idly while scammers defraud consumers and deprive legitimate charities of much needed support.»

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Cancer Fund of America Inc. (CFA), Cancer Support Services Inc. (CSS) and their leader, James Reynolds, Sr., agreed to settle charges that CFA and CSS claimed to help cancer patients, but instead, spent the overwhelming majority of donations on their operators, families and friends, and fundraisers.

The agencies' complaint, filed in May 2015, targeted four sham charities run by Reynolds and his family members. The complaint, and the stipulated settlement agreements, included a judgement in the full amount of \$187 million which was collected from donors over a five year period.

CFA and CSS were responsible for more than \$75 million of that amount. The other two sham charities, Children's Cancer Fund of America, run by James Reynolds, Sr's ex-wife, and the Breast Cancer Society, run by James Reynolds, Jr., both settled in May 2015.

The settlement announced today is the result of nearly six years of dedicated, concerted effort in the largest joint enforcement action ever undertaken by the FTC and state charity regulators.

Under the settlement order, CFA and CSS are permanently closed and their assets liquidated. The order imposes a judgment against CFA, CSS, and Reynolds, jointly and severally, of \$75,825,653, the amount consumers donated to CFA and CSS between 2008 and 2012.

As a result of the action, Mr. Reynolds now lives in a greatly diminished manner from the luxurious trips, houseboat, cruises, lake house and sports cars to which he had become accustomed.

Although these individuals squandered the lion's share of the donations, every asset available under the law in such a judgement was collected. Should any of the individually named targets be found to have misrepresented their financial condition, the full amount of the judgement will become immediately due in full.

The other defendants in the case were CFA's and CSS's chief financial officer and CSS's former president, Kyle Effler; Children's Cancer Fund of America Inc. (CCFOA) and its president

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and executive director, Rose Perkins; and The Breast Cancer Society Inc. (BCS) and its executive director and former president, James Reynolds II.

Under settlement orders, Effler, Perkins and Reynolds II were also banned for life from fundraising, charity management, and oversight of charitable assets. CCFOA and BCS are in receivership and will be dissolved after their assets are liquidated.

If you believe you have been a victim of a charity scam, please contact the Charities Unit of the New Mexico Office of the Attorney General at (505) 827-6000 or toll free at 1-866-627-3249. For more information regarding the Charities Unit of the New Mexico Office of the Attorney General please visit <http://www.nmag.gov/charities.aspx>