

THE FIRST CASUALTY:

**A REPORT ADDRESSING THE
ALLEGATIONS MADE AGAINST THE
WOUNDED WARRIOR PROJECT
IN JANUARY 2016**



**WOUNDED WARRIOR
PROJECT**

"It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so."
Mark Twain¹

SEPTEMBER 6, 2016

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INTRODUCTION

The story about alleged financial and other organizational abuses at Wounded Warrior Project (WWP) first came to my attention a few hours after millions of other people heard it on Tuesday, January 26, 2016 on the CBS Evening News. When I watched that story and those to follow on CBS the next day, Wednesday, as well as when I read about the same allegations in The New York Times that same Wednesday, I could not help but note what seemed to be the sensational and one-sided approach employed by both news organizations; regardless of what one might think of the substance of the issues, the stories, from a journalistic perspective, seemed deficient, to say nothing of what seemed like either a coincidence or a collusion of timing between two media giants. This, of course, didn't mean that the allegations weren't true, but – and this was the bothersome preoccupation for me – the information presented in two highly regarded major media outlets did not appear to support the conclusions presented to the public.

I have worked in and for the nonprofit world for over 30 years (and before that, a little time in journalism) and have observed how individual charities perform and, more broadly, what the nonprofit sector is doing. My own work – teaching, advising and writing, with a long-standing and growing interest in ethical decision-making in the sector – has added up to a body of criticism of the nonprofit world. This is not because I think the nonprofit world is essentially corrupt, but, actually, because I think it is essentially good. I so honor the role charities play that I am offended – and think everyone else should be, too – when heads of charities play fast and loose with their mission or their money, both of which are important components of the public trust. (There are many examples of misbehavior at charities; I used to tell students in my board governance classes that sometime during the semester, something would be reported in the news that would be relevant to our studies – and I was not once, in over 15 years of teaching at New York University and Columbia University, disappointed.) Because of that unique and special place we confer on charities, even though there is an ethics deficit in all three sectors of our society – government, for-profit organizations, and nonprofits – I feel that leaders in the nonprofit sector need to be more diligent, not less, than business or government leaders.

Everyone has the right – obligation, even – to question how charities use their money, and the responses should be forthright and transparent. This report is not about protecting charity activity from criticism – it's the opposite, actually – but to be effective, criticism needs to be fair and accurate, and it must be relevant to the issues attracting the criticism. Otherwise it is broad and cynical, and can't stand up to the weight of discussion and analysis. That is why I wanted to look at what happened at Wounded Warrior Project. I have tried to employ maturity, judgment and gravitas in this examination, relying on my experiences with hundreds of organizations over the decades, where I learned much of fundraising, management, and board governance. (A more complete biography, with links to my website and LinkedIn page can be found at the end of this report.) For me, then, this was a quest. The narrative on the street was, and continues to be, the money being wasted at Wounded Warrior Project and how poorly its executives ran the place – which is no surprise when you take in only what CBS and the New York Times delivered.

I researched and wrote this report without agency and without compensation to support this effort. That doesn't mean fault can't be found in the research or the conclusions, but it is an honest effort to learn from perspectives and evidence not employed in the media reports.

SUMMARY OF PRINCIPAL THOUGHTS

1. Many of the allegations made in the CBS News and The New York Times reports were either wrong or misleading. Both news organizations relied too heavily on too few on the record to generate reports that would have such a damning impact on a charitable organization and those it serves. CBS News and The New York Times should have better vetted Erick Millette, their primary source of allegations, for bias and accuracy, and included the views of others – and there are many – who would have countered the prevailing sentiment the public was offered. Each organization should run an apology story.
2. A group of disgruntled former employees established a Facebook page, which was initially designed to maintain a sense of connectedness but which was transformed into a vindictive collusion whose aims, in part, were to take down the charity. The Facebook page was closed to the public and the anonymity helped the members create its own singular narrative, which was relied upon in the media reports. When Dave Philipps of the New York Times refers to being contacted in “June of 2015 by a small group of employees and former employees who felt like the leadership at WWP was going in the wrong direction,” although he did not know it at the time, he was being used in a well-thought out and deliberately planned attack on Wounded Warrior Project.
3. Chief Executive Officer Steve Nardizzi and Chief Operations Officer Al Giordano, Wounded Warrior Project’s two top executives before they were fired after a financial review was conducted in response to the media allegations – a review that stunningly did not result in a written report – were overseeing a modern, national charity. Each, by any standard, result, or metric, performed well. The finances were sound and WWP’s impact was strong. In terms of helping veterans, their families, and their caregivers, there was a constant and growing level of success. The ex-employees who complained were naïve to think that any single expenditure meant the organization was wasting money. The complaints were not based on an overall understanding of how the organization worked or how charitable organizations generally work.
4. Unconditional adherence to spending ratios is the enemy of a nonprofit. Charity Navigator and Charity Watch both use algorithms that are not relevant to realistically evaluating the work charities perform. Both CBS News and The New York Times relied on Charity Navigator for at least one serious allegation – relating to the reporting of joint cost allocation – to show alleged inefficiencies at Wounded Warrior Project, even though, according to an accounting process required by GAAP (Generally Accepted Accounting Principles) and the IRS, no such inefficiencies were actually evident. Even though the public is best served by being made aware of a charity’s impact, the current charity rating system is unable to measure impact. As they are currently constructed, charity watchdogs do more harm than good. Any critical comment about a charity’s worthiness from the watchdogs is meaningless. Still, even so, within the limited parameters of Charity Navigator and Charity Watch, and even though it has not been properly reported, Wounded Warrior Project does well.
5. The Wounded Warrior Project crisis shines a light on a problem facing all charities: measuring impact. While the current evaluation system is inadequate, charities must do far more to demonstrate the good they do – its impact – on their communities. In that sense, the conversation must change. It must change significantly and it must change soon, as the work of charities is too vital to society to leave this issue unaddressed. Within this issue, however,

Wounded Warrior project does exceedingly well, as it authenticates almost all of its work to show the effect it has on wounded warriors and their families.

6. The board acted inadequately in several respects. Immediately after the allegations, the board did not permit either Nardizzi or Giordano to respond. The board also did not respond. This left the impression that no one was in charge and that there may have been merit to the allegations. The board made the situation worse, after a review was conducted in the aftermath of the news accounts, by simultaneously announcing that “certain allegations raised in media reports were inaccurate” and that, while giving no concrete reason, Nardizzi and Giordano were fired: “the Board determined the organization would benefit from new leadership.” Confidence in the organization, from a fundraising perspective, waned only after that announcement. Quality governance leadership was absent at a most vital time. As a result, the board should engage in a transition strategy to replace itself.
7. Richard Jones, one of the six Wounded Warrior Project board members, also a senior executive at CBS Corporation and the chair of WWP’s board Audit Committee, had a serious conflict of interest as the crisis developed. As he was actively involved in overseeing WWP’s response to the CBS News investigation – an investigation that would address criticisms of the way WWP reported its audited numbers – Jones should have recused himself from discussions the board conducted concerning the issue.
8. Nardizzi acted brashly in drawing attention to himself at some of the WWP’s meetings, and both he and the organization would have been wise to take into account the public perception of that behavior. His confidence in his leadership abilities may have blinded him to the optics of the way he ran the organization. While Nardizzi led WWP as a modern, national charity, he overlooked a crucial, if cosmetic, aspect of any modern-day organizations: how things look have a bearing on how things are. In a recent news account Nardizzi acknowledged that some of his flamboyant actions while chief executive were problematic, and created optics issues that opened the door to criticism.

I. THE CRISIS

In a period of little more than two days in January 2016, the outlook and public impression of the Wounded Warrior Project (WWP), one of the nation's most venerable charities, was transformed from substantially positive to substantially negative. During those two days – January 26 and 27, 2016 – CBS News and The New York Times aired and published reports that heavily criticized the way WWP conducted itself. A month later – after the New York-based law firm Simpson Thacher & Bartlett, acting as external legal counsel, and FTI Consulting, forensic accounting consultants, who were hired by the board – completed their independent review of the allegations. In a news release on March 10, 2016, the WWP board said,

“Based on this independent review, the WWP Board found that WWP continues to advance its mission of providing substantial services for the nation's wounded warriors, and that certain allegations raised in media reports were inaccurate.”

The release addressed allegations of financial misconduct, as well as others, to substantiate its statement. The impression one gets is that not much was wrong at WWP.

The board acknowledged, however that some things needed more effort:

“The review also found that some policies, procedures and controls at WWP have not kept pace with the organization's rapid growth in recent years and are in need of strengthening.”

“WWP has already begun to strengthen its employee travel policies to more explicitly limit domestic air travel to economy class absent an exception for health or disability reasons. In addition, the Board has committed to other measures, including strengthening policies related to employee and director expenses, enhancing employee training on existing and new policies and procedures, and continuing to have its financial statements independently audited and available on the organization's Website. The Board will conduct an objective assessment of WWP's progress towards implementing these and other enhanced measures.”²

In itself, even taking into account the examples where there was room for improvement – such as air travel, expenses, training, and financial transparency – the acknowledgment that things could be better is not startling. The same could be said of any one of the more than 1.7 million nonprofits in the United States, and perhaps of that of every one of the millions of for-profits, as well; it's within the nature of running any organization that improvement opportunities are abundant. While a further review of the criticisms is in order – *the review provided in March 2016 was, curiously, delivered only orally, behind closed doors; no written report was produced* – the allegations were apparently sufficient, even though the board itself said that “certain” ones were inaccurate, to draw the board's attention to the news reports and what lay underneath them.

The word “certain,” it seems after my own investigation, was employed to try to grant the board to have it both ways. “Certain,” in the way it is used here, implies “a few” or “specific,” as if others were accurate, while at the same time defends what happened on the operational level at WWP. But the news release itself is specific only about the allegations that were not accurate; a careful reader will note that the improvement-opportunity section of the release is not connected to any of the allegations. Given the scope of what WWP decided to address, one can only

conclude that all of the allegations, or at least the important ones – not just “certain” allegations – were for the most part untrue. (A detailed look at what CBS News and The New York Times conveyed can be found in **Section III** of this report.)

Still, something was in the air and the board clearly felt the need to do something. Thus, the headline-maker, the firing of WWP’s top two executives:

“To best effectuate these changes and help restore trust in the organization among all of the constituencies WWP serves, the Board determined the organization would benefit from new leadership, and WWP CEO Steve Nardizzi and COO Al Giordano are no longer with the organization.”³

If WWP’s board thought that filling the bulk of its release with how the organization had not been behaving badly would blunt the effect of announcing toward the end that its two top and long-serving executives had been fired (although the release did not use the word “fired”; just that the two men were “no longer with the organization”), they were wrong. This headline from Fox News – “Wounded Warrior Project's Top Execs Fired Amid Lavish Spending Scandal”⁴ – was representative of how the media responded to the news release.

In the immediate aftermath of the firings – the period between late March 2016 and the beginning of September 2016 (when this review concluded) – support for the organization fell dramatically. And it looks like that will continue. Current knowledgeable estimates are that fundraising will drop dramatically – possibly 50 percent – in this coming fiscal year (October 1, 2016 through September 30, 2017), and maybe more, compared to this past year’s results. This past year (October 1, 2015 through September 30, 2016), during most of which the controversy was playing out, fundraising dropped by 25 percent from the previous year.

The morale of the employees of the organization is at an all-time low, and it might decrease further as many have been dismissed. The Military Times wrote on August 31, 2016, “Wounded Warrior Project officials are firing half of their executives, closing nine offices and redirecting millions in spending to mental health care programs and partnerships as part of an organization overhaul in the wake of spending scandals earlier this year.” This means programs will – and in fact have already begun to – suffer.

Even though the long-term effects are yet to be felt, there is no doubt that Wounded Warrior Project is experiencing a crisis.

So far, the tenor of the post-allegation and post-firing news reports smacks of how things under Nardizzi and Giordano went terribly wrong, how it’s time to clean things up and become more efficient, and how to make WWP the charity it is supposed to be. Michael Linnington, the newly appointed chief executive officer, said the moves aren’t an indictment of past practices at the charity but a recognition of changes needed to keep the group relevant and providing the best resources possible to veterans. “This is a case where the negative publicity have caused us to take an internal look at how to do things better,” he said. “Where Wounded Warrior Project came from to where we are now is a success story. We have 90,000 post-9/11 veterans we’re helping.”⁵

A nice narrative if you can get away with it. The problem is that it’s untrue and, worse, cowardly. As the reader will see, the problem wasn’t the senior management, or even the board – at least not until the allegations came about – but the stature of two venerable news organizations that developed reports that were essentially incorrect and based on biased and incomplete

perspectives of former WWP employees, many of whom had been fired, who took it upon themselves to blow a whistle that, in the end, was far more the screech of uninformed whining than a signal of any merit. The tradition and reputation of the idea of “whistleblower” were badly tarnished.

II. WOUNDED WARRIOR PROJECT

Wounded Warrior Project should not exist. That men and women are sent to defend the United States and further its interests abroad may be a necessary evil, but the nation that sends them into harm's way ought to have the decency to care for those who return wounded. The mission of the Department of Veterans Affairs pays homage to Abraham Lincoln: "To care for him who shall have borne the battle, and for his widow, and his orphan' by serving and honoring the men and women who are America's Veterans." But the country pays only lip service to the ideal. Ask almost anyone; in reality that's not the way it works. Between the inhuman delays for many of those who need urgent and important medical care and the indecency of scandals involving fraud and embezzlement, the Veterans Administration has earned the skepticism of its clients and that of the larger public. The question is: In the absence of an earnest national commitment, how can our veterans actually best be served and honored?

Many charitable organizations have sprung up in the United States over the decades, and the Wounded Warrior Project is one of them. Incorporated on February 23, 2005 and with its headquarters in Jacksonville, Florida, WWP serves veterans wounded in battle after 9/11, and is today the most recognized of all nonprofit veterans' service organizations. Indeed, it is one of the most recognized charities among all sectors of the nonprofit world. Furthermore, because of its size and impact, and because of its work in an important area of public policy, WWP is also one of the nation's most important charities.

- Its mission: to honor and empower wounded warriors
- Its vision: to foster the most successful, well-adjusted generation of wounded service members in our nation's history;
- Its purpose: to raise awareness and enlist the public's aid for the needs of injured service members, and to help injured service members aid and assist each other, to provide unique, direct programs and services to meet the needs of injured service members
- Its motto: The greatest casualty is being forgotten.

As of March 2016, WWP employed more than 660 people and had posted advertised openings for a further 135 positions. The organization serves over 85,000 wounded warrior alumni and serves almost 15,000 wounded warrior family members. It partners with several other charities – large and small – that serve veterans, such as the well known groups American Red Cross and Operation Homefront, as well as smaller and less well known organizations, such as Resounding Joy, a music therapy group in California.

WWP works mainly in four areas: 1) mental health and wellness, 2) physical health and wellness, 3) engagement, and 4) economic empowerment. WWP is the largest nonprofit provider of direct services to veterans; it is also the largest nonprofit funder benefitting other veterans' organizations.

Yet, as WWP has grown, it has attracted criticism. Most of it has been centered on aggressive fundraising and the public perception of how its leadership promoted the brand. An article in *The Daily Beast*, written over a year before the CBS and *The New York Times* stories were reported, captures the mindset of much of the media:

“It’s a broad but closely held sentiment within the veterans’ advocacy community: grumbling and critiques about the fundraising behemoth WWP has become, and whether it has been as effective as it could be.

“In interviews, critical veterans’ advocates and veterans charged that the Wounded Warrior Project cares more about its image than it does about helping veterans; that it makes public splashes by taking vets on dramatic skydiving trips but doesn’t do enough to help the long-term wellbeing of those injured in combat.

“These criticisms come from a broad cross-section of veterans and their advocates, the vast majority of whom refused to speak on the record due to the sway the Wounded Warrior Project carries.

“They are such a big name within the veterans’ community. I don’t need to start a war in my backyard,” a double-amputee veteran who served in Iraq told *The Daily Beast*. But granted anonymity, the vet gave voice to what is at the very least a perception problem for the WWP: “They’re more worried about putting their label on everything than getting down to brass tacks. It’s really frustrating.”⁶

In addition, WWP has taken a handful of legal actions against other charities. For example, WWP filed a lawsuit in October 2014 against Keystone Wounded Warriors in Pennsylvania, claiming confusing similarities between Keystone’s and WWP’s logos. The *Nonprofit Quarterly* wrote an article in May 2015 with this headline: “Is Wounded Warrior Project a ‘Neighborhood Bully’ Among Veterans’ Groups?”⁷ Earlier that year, WWP sued Vietnam veteran Gordon Graham in federal court, alleging that Graham, a former airman, had “defamed” WWP “in articles he posted to several websites.”⁸

And there is this, as related by Steve Nardizzi.

“If you were to look up the words “wounded warrior” on Charity Navigator’s website you would find my organization, Wounded Warrior Project, and another organization called *Wounded Warriors Family Support*. Both organizations receive a three-star rating, which would suggest to potential donors that the two organizations are equally effective.”

But they were not equally effective. A jury decided WWFS was a sham. In a court proceeding, a forensic accountant examined the financial records of WWFS and determined that some of the donations it received were explicitly payable to “Wounded Warriors Project,” and others referenced recent work by WWP in the letters accompanying the donation. Further, the accountant examined the amount of donations WWFS received both immediately before it began using the woundedwarriors.org website, and after they closed it down, with the donations it received while that website was live.

The results were astounding. Before the new website was created, WWFS averaged \$1,337 per month in donations. After the creation of the new website, donations spiked to almost \$88,000 per month. Nardizzi says, “The reality is that in 2007 Wounded Warrior Project sued Wounded Warriors Family Support to prevent that organization from deceiving the public and damaging the goodwill of our organization.”

Once the website was taken down, WWFS donations dropped by more than 56 percent (and WWP donations increased by 29 percent). At the conclusion of the trial in 2009, the jury found

that the confusion between WWFS and WWP was intentional, and that WWFS engaged in deceptive trade practices and violated the consumer protection act. It awarded WWP \$1.7 million in damages, including over \$1.2 million in misdirected funds donors intended for WWP.⁹ (WWFS appealed, and lost again.)¹

As WWP has grown it has faced many contentious situations and allegations. It is no stranger to controversy. Therefore, it is in that context we must view the most recent – and most disruptive – crisis that the organization is facing.

¹ The jury determined the \$500,000 awarded in punitive damages by assuming that half of Nardizzi's time for two years was wasted on fighting WWFS's shenanigans; thus, a little more than a year of Nardizzi's salary.

III. THE MEDIA ALLEGATIONS

Many WWP supporters, and others, have raised questions as to the veracity of the reporting by CBS News and The New York Times, and their sources. Attempting to address them has led to other questions and, as well, has shed light on the management at and oversight of Wounded Warrior Project. The following is the result of asking and addressing some of those questions.

1. CBS NEWS AND THE NEW YORK TIMES

As of 2014, the average viewership of the CBS Evening News was 6.9 million. The viewership of the CBS Morning News is just under 3.4 million.¹⁰ The New York Times has a daily readership of just over 1.6 million physical and online readers.¹¹ In addition to attracting high numbers of viewers and readers, both news outlets enjoy high levels of credibility. It is fair to say not only that many people heard or read the stories about Wounded Warrior Project, they were also influenced by their content. Certainly the WWP board of directors was.

After carefully reviewing the reports, however, I found a number of statements to be inaccurate or misleading in ways that are at odds with the commonly understood journalistic standards of each organization. All of the “accuracy and context” comments below are supported by information on WWP’s IRS information returns (the 990 is not a tax return), audited financial statements, the WWP Teammate Handbook, WWP’s written strategic plan, the WWP policy manual, various relevant pages of the WWP website, emails and other written correspondence among various parties, written board-of-director assignments, screen shots of several Facebook pages, the pages on standards at the Better Business Bureau Wise Giving Alliance website, and on the “Standards of Accountability” section on the website of Charity Navigator, a nonprofit organization that collects information reported on charities’ 990s to determine certain efficiencies to generate its ratings.

While it is typical for news organizations, in both broadcast and written reports, to describe issues at charitable organizations in mostly superficial terms, these allegations are, because of their apparent substance, worthy of examination. CBS News ran several reports about Wounded Warrior Project between Tuesday, January 26, 2016 and September 2016. The following analysis looks at four broadcasts: 1) The CBS Evening News on Tuesday, January 26, 2016; 2) CBS This Morning on Wednesday, January 27, 2016; 3) The CBS Evening News on Wednesday, January 27, 2016; and 4) The CBS Evening News on March 10, 2016. The analysis also examines The New York Times story on Wednesday, January 27, 2016.

The reader of this report, both in this section and the others, should bear in mind an important question: Are my criticisms and conclusions valid? While the concept of “valid” is highly subjective, in this short report, while not dealing with every aspect of the programs at the WWP, I have attempted to combine a sense of objectivity with what I have learned, taught, and written about regarding the nonprofit world over the last 30 years, for the continued sustainability of a highly worthy charity, to say nothing of the reputations of its former leaders, is at stake.

The main allegations in the CBS News reports included:

- A conference at the high-end Broadmoor Hotel in Colorado cost \$3 million.
- Wounded Warrior Project spent money on alcohol at that conference.

- “Warriors Speak,” a program designed to help veterans, is nothing more than a fundraising machine.
- Wounded Warrior Project lacks comprehensive programs for the treatment needed by wounded veterans.
- Wounded Warrior Project’s 990, the form filed annually with the IRS, does not include the number of people the organization assists each year.
- Wounded Warrior Project is sitting on a large surplus of cash that could be better used to provide services.
- The amount spent on overhead is too high and the amount spent on programs is insufficient.

The main story in The New York Times appeared on Wednesday, January 27, 2016, which, in its physical edition, was positioned on page one above the fold. The main allegations in there, other than those also cited by CBS News, included:

- Many individual donations are small and come mainly from people who are 65 years old and older.
- Wounded Warrior Project spent \$7.5 million on travel and bought first-class and business-class seats to regularly travel around the country for minor meetings.
- Wounded Warrior Project spent hundreds of thousands of dollars on public relations and lobbying campaigns to deflect criticism of its spending and to fight legislative efforts to restrict how much nonprofits spend on overhead; WWP hired the global public relations firm Edelman, which has represented Starbucks, Wal-Mart, Shell and Philip Morris, to improve WWP’s public perception, especially as it relates to spending on overhead.
- Many people were fired unjustly.
- Wounded Warrior Project spends too much money on fundraising.
- Former employees and charity watchdogs say the charity inflates its number by using practices such as counting some marketing materials as educational.
- Charity Watch, an independent monitoring group, gave Wounded Warrior Project a “D” rating in 2011 and has not given it a grade higher than C since.
- Wounded Warrior Project donated \$150,000 to the Charity Defense Council, and Steve Nardizzi joined its advisory board. Charity Defense Council’s mission includes defending charity spending on overhead and executive salaries.
- Executives quadrupled the number of job placements the program was expected to make each year, reducing the amount of time specialists had to find good programs.

- Wounded Warrior Project spent too much money on activities that did not further its mission.
- Wounded Warrior Project’s leadership fostered an environment of fear and mistrust.

Were some of the allegations false or misleading?

1)

CBS NEWS

Dates: 01.26.2016 and 01.27.2016

What Was Reported:

“But according to public records reported by Charity Navigator, the Wounded Warrior Project spends 60 percent on vets.” *(Scott Pelley, CBS Anchor)*

“Wounded Warrior Project says 80 of their money is spent on programs for veterans. That’s because they include some promotional items, direct-response advertising, and shipping and postage costs. Take that out, and the figures look more like what charity watchdogs say – that only 54 to 60 percent of donations go to help wounded service members.” *(Chip Reid, CBS Reporter)*

THE NEW YORK TIMES

Date: 01.27.2016

What Was Reported:

“The Wounded Warrior Project asserts that it spends 80 percent of donations on programs, but former employees and charity watchdogs say the charity inflates its number by using practices such as counting some marketing materials as educational.” *(Dave Philipps, The New York Times Reporter)*

“About 40 percent of the organization’s donations in 2014 were spent on its overhead, or about \$124 million, according to the charity-rating group Charity Navigator.” *(Dave Philipps)*

Accuracy and Context:

Accurately accounting for jointly allocated expenses, as shown in its audited financial statements, a total of 80.6 percent of Wounded Warrior Project’s expenses were allocated to provide programs and services for veterans. WWP follows the mandates outlined in the Generally Accepted Accounting Principles (GAAP), established by the accounting profession, as well as those put forth by the Internal Revenue Service, when calculating the percentage of programs and services it provides to veterans. The Better Business Bureau Wise Giving Alliance says charities should “accurately report the charity’s expenses, including any joint cost allocations, in its financial statements.” Charity Navigator does not follow these guidelines and has instead created its own. Comparisons with other large veterans’ organizations (which appear below in the “Reporting, Transparency and Perception” section of this report) show that WWP’s percentage of spending on joint program and fundraising costs is relatively low.

Note: There is more about joint allocation policies, Charity Navigator, and other so-called charity watchdogs in Section IV: “Reporting, Transparency and Perception.”

2)

CBS NEWS

Date: 01.26.2016

What Was Reported:

“Their mission is to honor and empower wounded warriors, but what the public doesn’t see is how they spend their money.” (*Erick Millette, former Wounded Warrior Project employee*)

Accuracy and Context:

More than most other charities in the United States, the Wounded Warrior Project strives for transparency. The public at all times can see how WWP spends its money. All WWP form 990s from 2006 to 2014 are easily reached at WWP’s website. Most charities don’t have a link to their 990s and so members of the public must access them from other sources; the most common online site for 990s is GuideStar. Also, the law requires that only the three most recent 990s must be made public; WWP makes all of them available.

WWP’s financial statements are audited by a major accounting firm. The most recent audit was conducted by Grant Thornton, the same accounting firm used by the Department of Defense, the Department of Treasury, the Federal Reserve System, the United States House of Representatives, and many major corporations and other nonprofits in the United States. As with the 990s, all of WWP’s financial statements and annual reports from 2005 to 2014 are publically available on the WWP website.

Wounded Warrior Project has a finance and accounting executive vice president who is responsible for leading the accounting, financial planning and analysis, internal audit, and purchasing teams. Furthermore, WWP’s budgeting and process is overseen by the board of directors. That process is managed and overseen by Richard M. Jones, the chair of the board’s audit committee. Jones, as it happens, is also the Executive Vice President, General Tax Counsel and Chief Veteran Officer for the CBS Corporation.

Note: There is more about Erick Millette in Section IV: “Reporting: Transparency and Perception.”

3)

CBS NEWS

Date: 01.26.2016

What Was Reported:

“You’re using our injuries, our darkest days, our hardships, to make money, so you can have these big parties.” Also, “Let’s get a Mexican mariachi band in there. Let’s get maracas made with the WWP logo, put them on every staff member’s desk. Let’s get it catered. Let’s have a big old party.” (*Erick Millette, former Wounded Warrior Project employee, on describing what he categorized as lavish spending on staff*)

Accuracy and Context:

The Wounded Warrior Project hosts a small number of interoffice parties for the staff on various holidays and days of importance. For example, at the end of the last fiscal year, WWP brought in food from a local Mexican restaurant and had a local mariachi band play for 30 minutes. This was not an unusually modest affair; they are almost all like that.

WWP has two programs. One, the National Campaign Team, involves unpaid, volunteer veterans telling their stories. It is a group of about three-dozen warriors and family members who tell stories used in fundraising and television advertising. A vetting process for accuracy ensures that all participants approve of the messaging. Erick Millette was not part of this group. The other, The Warriors Speak program, where employee warriors tell their story to in-person audiences to raise awareness, does not solicit money. Erick Millette was hired as a part of the Warriors Speak program. One of the explicit requirements for those chosen to take part in Warriors Speak is that they must always be truthful.

4)

CBS NEWS

Dates: 01.26.2016

What Was Reported:

“CBS News spoke to more than 40 former employees who described a charity where spending was out of control.” (*Scott Pelley, CBS News Anchor*)

Accuracy and Context:

Neither Steve Nardizzi nor Al Giordano ever received a complaint from an employee regarding how money was spent. Erick Millette, the public face of the ex-employees upon whom both CBS News and The New York Times heavily relied to conclude that the “All Hands” conference was “lavish” and that it was little more than a “party,” claims he resigned from WWP because of the extravagance. Yet he wrote favorably of the conference on his Facebook page. Contrary to the allegations, the “All Hands” conference was a key time for strategic planning. For example, WWP brought in the Table Group - a consulting firm that, as its website says, “provides consulting services for leaders and teams who want to make their organizations healthier,”¹² to work on building a healthy organization aligned around annual strategies and goals. Bringing in outside consultants to help define goals is common at both nonprofit and for-profit organizations.

5)

CBS NEWS

Date: 01.26.2016

What Was Reported:

“It was extremely extravagant. Dinners and alcohol, and just total excess,” one employee explained. He continued, saying that for a charitable organization that’s serving veterans, the spending on resorts and alcohol is “what the military calls fraud, waste and abuse.” (*One of two former employees, referenced in the CBS report, who, as CBS reported, “were so fearful of retaliation they asked that their faces not to be shown on camera.”*)

Accuracy and Context:

WWP’s alcohol policy is: no alcohol is provided at program events, staff at program events are not permitted to drink, and no alcohol is paid for by WWP at All Hands events. Alcohol is paid for by WWP in limited situations, such as galas, fundraising events, and board meetings.

Furthermore, every expenditure at WWP is reviewed by an employee’s manager and by the accounting department. Any improper purchases, such as the unauthorized purchase of alcohol, would be noted in a staff member’s Performance Improvement Plan and could lead to termination, depending on the severity of the infraction.

6)

CBS NEWS

Dates: 01.26.2016

What Was Reported:

“According to the charity’s tax forms, spending on conferences and meetings went from \$1.7 million in 2010 to \$26 million in 2014, about the same amount the group spends on combat stress recovery – its top program.” (*Chip Reid, CBS Reporter*)

Accuracy and Context:

WWP’s spending on conferences and meetings for all programs:

- 2009-2010: \$1,742,491
- 2010-2011: \$5,467, 878
- 2013-2014: \$26,054,363

Most of the money in the “conference” category, however, was spent on programs. In 2013-2014, for example, 94 percent of the \$26 million conference budget went to program expenses, which included more than \$3.3 million spent on the Combat Stress Recovery (CSR) program. Total expenses for the CSR program in that year were \$40 million, not \$26 million.

7)

CBS NEWS

Date: 01.26.2016

What Was Reported:

“About 500 staff members attended the four-day conference in Colorado. The price tag? About \$3 million.” (*Chip Reid, CBS Reporter*)

Accuracy and Context:

The cost for this conference was \$970,000 – not \$3 million. This section of the CBS report makes it seem that CEO Steve Nardizzi acted unilaterally on spending decisions, when the board was aware of the cost of this conference. Its members also know the percentages for all categories of spending at WWP.

Furthermore, perhaps because the All Hands Huddle (AHH) is about raising morale, Justin Constantine, a board member in attendance at the conference (held at the Broadmoor in Colorado), praised the conference on Facebook. At least one board member has attended every AHH event and three of the current six board members have attended at least one AHH event. Almost every charitable organization spends money on conferences to raise awareness of its mission.

8)

CBS NEWS

Dates: 01.26.2016

What Was Reported:

“Former employees say spending has skyrocketed since Steven Nardizzi took over as CEO in 2009.” (*Chip Reid, CBS reporter*)

THE NEW YORK TIMES

Date: 01.27.2016

What Was Reported:

“Mr. Nardizzi doubled his spending on fund-raising and has increased it an average of 66 percent every year since. The Wounded Warrior Project spent more than \$34 million on fund-raising in 2014, according to tax records.” (*Dave Philipps, The New York Times Reporter*)

Accuracy and Context:

This is isolated and inaccurate information. WWP’s 990s from 2008-2009 to 2013-2014 show that revenues increased by 66 percent annually, fundraising costs increased by 47 percent annually (not 66 percent), and programming expenses increased by 64 percent annually – but administrative costs, as a percentage of the budget, remained relatively flat.

9)

CBS NEWS

Date: 01.26.2016

What Was Reported:

“Donors don’t want you to have a \$2,500 bar tab. Donors don’t want you to fly every staff member once a year to some five-star resort and whoop it up and call it team-building.” “I’m sorry, but I’ll be damned if you’re gonna take hard-working Americans’ money and drink it and waste it.” (*Erick Millette, former Wounded Warrior Project employee*)

Accuracy and Context:

Wounded Warrior Project did not pay for alcohol at the All Hands conference referenced in the CBS story. Of the \$139,000 charged to WWP credit cards at the All Hands Huddles in 2014, and the \$112,000 charged to WWP credit cards at the All Hands Huddles in 2015 for meals, transportation and other expenses, a total of two alcoholic beverages were purchased and charged to WWP by employees. This would account for approximately \$20 of \$251,000.

10)

CBS NEWS

Date: 01.27.2016 (morning)

What Was Reported:

“But Millette quit last year.” Millette said, “Warriors Speak is less like a program to help veterans and more like a fundraising vehicle.” (*Chip Reid, CBS Reporter*)

“They will tell you it’s not. But it is. I began to see how an organization that rakes in hundreds of millions of dollars a year is not helping my brothers and my sisters. Or at least not all of them.” (*Erick Millette, former Wounded Warrior Project employee*)

Accuracy and Context:

Although Warriors Speak was initially designed as a public awareness and fundraising vehicle, after one year WWP made the strategic decision to eliminate the fundraising aspect, and includes that fact in its training regarding Warrior Speak. Erick Millette attended this training. As to Millette’s claim that the program is “not helping my brothers and sisters,” metrics analyses show that 90 percent of the alumni are satisfied with all of WWP’s programs and services, including Warriors Speak.

11)

CBS NEWS

Date: 01.27.2016 (morning)

What Was Reported:

“CBS News has interviewed more than three dozen former employees of the Wounded Warrior Project and nearly all of them told us they’re concerned that the organization has become more focused on raising money than on serving wounded veterans.” (*Chip Reid, CBS reporter*)

“A lot of the warriors I saw needed mental health treatment. They don’t get that from Wounded Warrior Project.” (*Chip Reid, quoting an unidentified former employee*)

Accuracy and Context:

WWP says its first strategic objective is to make sure wounded warriors are well adjusted in mind and spirit and that it recognizes that mental health and emotional health are critical components to the overall well-being of wounded warriors and their families. Multiple WWP programs are specifically focused on mental health interventions, including the Combat Stress Recovery Program, Project odyssey, WWP Talk, and the Independence Program. Every employee is schooled with suicide-prevention training. WWP pays for mental health counselors, such as through organizations such as Centerstone and Give and Hour. WWP spends over \$1 million per month, for example, through the Independence Program to serve the most severely wounded warriors, and their family members, in their homes.

12)

CBS NEWS

Date: 01.27.2016 (morning)

What Was Reported:

“I think they want to show warriors a good time. I think they get these warriors to events, but where’s the follow-up? *(Chip Reid, CBS Reporter, quoting an unidentified former employee)*

“What happens when you make a suggestion that there’s a better way to serve veterans?” *(Chip Reid)*

“If you use your brain and come up with an idea, within a matter of time, you’re off the bus. They don’t need you. It’s their way or the highway. *(Unidentified former employee)*

“I would raise issues. Why aren’t we going to follow up? Why don’t we have any case management? *(Erick Millette, former Wounded Warrior Project employee)*

“How would they respond?” *(Chip Reid)*

“We don’t call warriors. Warriors call us. Again, as a disabled veteran, it just makes me sick.” *(Erick Millette)*

Accuracy and Context:

Wounded Warrior Project regularly contacts veterans and their families. In 2015, staff members conducted almost 77,000 documented outbound wellness checks and outreach calls to veterans and their caregivers. From 2013 to 2015, WWP employees made more than 150,000 outreach calls and sent more than 114,000 outreach emails to wounded warriors.

Erick Millette was personally involved with Operation Outreach, a program that WWP uses to call wounded warriors. In addition, Millette was so enthusiastic that he inquired about being involved in it in advance the following year. Millette also inquired about the Operation Outreach Coordinator position in December 2014. He ultimately did not apply, however, because he felt he was not qualified. WWP has a picture of Millette speaking on the phone during Operation Outreach.

13)

CBS NEWS

Dates: 01.27.2016 (morning)

What Was Reported:

“Marc Owens is a former director of tax-exempt organizations at the IRS.” And, “What was your biggest concern in reading these forms?” (*Chip Reid, CBS reporter, asking Owens after showing him some of WWP’s 990s*)

“That I couldn’t tell the number of people that were assisted. I thought that was truly unusual.” (*Marcus Owens*)

“They do put some of those numbers on the website.” (*Chip Reid*)

“Yes they do.” (*Marc Owens*)

“But what’s the difference?” (*Chip Reid*)

“Form 990 is signed under the penalties of perjury.” (*Marcus Owens*)

Accuracy and Context:

IRS Form 990 does not have a place for a tax-exempt organization to report the number of people served by the organization. Such information can be contained in a supplemental narrative, but it is not “highly unusual” – in fact, it almost never is – that the number of people an organization serves (as opposed to employs or has as volunteers) is recorded on a 990 form. Also, WWP publishes detailed program participation numbers, from program metrics and alumni surveys, on its website.

14)

CBS NEWS

Date: 01.27.2016 (evening)

What Was Reported:

“But charity watchdog Daniel Borochoff says his biggest concern is that the group is sitting on a \$248 million surplus, and not enough of it is being spent on veterans.” (*Chip Reid, CBS Reporter, referring to Daniel Borochoff, founder of CharityWatch, a charity watchdog*)

“It would be helpful if these hundreds of millions of dollars were being spent to help veterans in the shorter term in a year or two rather than being held for a longer term,” (*Daniel Borochoff, founder of CharityWatch*)

“But it could be years before most of that money makes an impact on the lives of wounded service members.” (*Chip Reid*)

Accuracy and Context:

This comment ignores a fundamental reality in the nonprofit world. The \$248 million represents reserves set aside for one year of operations. As reserves allow for long-range planning, it is standard practice for responsible organizations to set aside both restricted and unrestricted funds. Each year the WWP board determines the amount to be set aside. Reserves allow WWP to enter into multi-year commitments such as Warrior Care Network, which is approximately \$70 million over three years. Charity Watch claims that anything under three years of reserves is reasonable. Both Charity Watch and Charity Navigator have, according to their 2014 990s, an excess of one year in reserves. In addition, because of WWP’s growth, an appropriate number goal for reserves is a moving target.

15)

THE NEW YORK TIMES

Date: 01.27.2016

What Was Reported:

“Former workers recounted buying business-class seat and regularly jetting around the country for minor meetings, or staying in \$500-per-night hotel rooms.” (*Dave Philipps, The New York Times reporter*)

Accuracy and Context:

The policy, as is stated in WWP’s 990, has been that, with some exceptions, no first class travel is authorized from the WWP budget. The vast majority of paid air travel has been in economy class. The independent review conducted after The New York Times and CBS stories were reported found that less than one percent was booked for employee travel in business or first class. A further review shows that of approximately 25,000 flights over the past several years, 232 were either business-class or first-class seats. Over half of those were the result of free upgrades. Neither Nardizzi nor Giordano traveled first-class. The only exceptions were *business class* seats, on certain occasions, for staff, warriors and board members – all, by the way, only to overseas locations.

16)

THE NEW YORK TIMES

Date: 01.27.2016

What Was Reported:

“Eighteen former employees – many of them wounded veterans themselves – said they had been fired for seemingly minor missteps or perceived insubordination. At least half a dozen former employees said they were let go after raising questions about ineffective programs or spending.” (*Dave Philipps, The New York Times reporter*)

Accuracy and Context:

No employee has ever been fired for making a complaint about programs or spending. None of the former staff that spoke to the media sued WWP for wrongful termination, and there were no successful EEOC findings for them. Communications Executive Vice President Ayla Tezel said that some employees interviewed by the New York Times, some of whom were quoted, were fired for poor performance or ethical breaches. In fact, WWP acted quickly and publicly when it learned of a theft of funds. Melissa Cain, a line staffer in the accounting department, received a public award (FILIS) for blowing the whistle on the issue of stealing by Neil Abramson, the Director of Major Gifts, and of a cover-up of the thefts by Len Stachitis, the former Executive Vice President of Strategic Giving. WWP’s investigation also led to the discovery of an abuse of funds on the part of Theresa Nichols, the Manager of Major Gifts. All three were employed in positions that required sensitivity and integrity with money. After Stachitis and Nichols were fired for misuse of donor dollars, they joined the ex-employee Facebook group, one of whose purposes was to take down WWP. In fact, Erick Millette explicitly expressed this sentiment.

17)

THE NEW YORK TIMES

Date: March 10, 2016

What Was Reported:

“In February, the group’s board hired the New York law firm Simpson Thacher & Bartlett to perform an independent review;” and “The review confirmed many of the findings by The Times and CBS, according to a news release from the public relations firm, and the board has instituted changes to limit first-class travel, track changes and increase accountability.” (*Dave Philipps, The New York Times Reporter*)

Accuracy and Context:

The board has never agreed with the allegations made in CBS News and The New York Times report. The board has not made any policy changes regarding travel since March 10, 2016; there has always been a ban on first-class travel. The Better Business Bureau Wise Giving Alliance reviews the WWP policies every two years and has been satisfied.

18)

THE NEW YORK TIMES

Date: March 11, 2016

What Was Reported:

“That moment in February was part of the building pressure by donors, veterans and supporters of the organization that culminated Thursday night in the abrupt firing of Mr. Nardizzi and his second in command, Al Giordano, who together earned nearly \$1 million per year. By the time the board met Thursday to dismiss the two men, contributions were down and it had in hand an internal investigation that convinced it that the top leadership had to go.” (*Dave Philipps, The New York Times Reporter*)

Accuracy and Context:

Contributions were still up compared to the same time (as of March 10, 2016) in 2015. In addition, Nardizzi and Giordano were not told that they were fired because of the findings in the internal investigation. Fred Kane was the only donor to bring pressure. (His donation to WWP was not made personally, but directed through another nonprofit.)

2. WHAT WAS NOT INCLUDED

News is newly received and noteworthy information, and it often conveys controversy, which is often why it’s noteworthy. That’s why competent media don’t use only a person’s or an organization’s press releases when preparing a story. The news is what’s wrong, and only sometimes what’s right. Still, in examining what’s wrong, good journalism demands a sense of fairness. So, while Chip Reid, the reporter for the CBS News story, reported that the organization had spoken to “more than 40 former employees” (this, even though CBS This Morning co-host Norah O’Donnell on a later date said over 100 current and former employees had been interviewed), not one word of anything specific and positive was reported. And there was plenty that was positive; plenty that, if included, was relevant to the degree that it would have shredded the intended negative premise of the stories.

Ryan Kules, the Director of Combat Stress Recovery and a recipient of services from WWP, was interviewed for the CBS story, and to poor effect. He denied there was excessive spending on

conferences. “It’s the best use of donor dollars to be sure we provide programs and services to our warriors and their families, and at the highest quality.”

When Chip Reid asked why Wounded Warrior Project went to a five-star resort in Colorado when the conference could have been held in Jacksonville at a local, cheaper hotel, saving money that could be used for wounded warriors, Kules essentially said the same thing. At that point (and after what seemed to be an edited-out back-and-forth that went nowhere), Reid said, “So you’re just going to keep saying that, no matter what question I ask about the All Hands conferences.” CBS caught a lingering and unfortunate shot on Kules’s apparent inability to respond coherently.

By all accounts, Kules is a good and honorable man, but he was not fully prepared to be interviewed by a major media outlet. CBS took advantage of the situation in the way a wolf would a henhouse. Nardizzi chose Kules to speak on behalf of the organization, a decision he regrets. “Ryan Kules is one of the brightest and most articulate young men I know,” says Nardizzi. “I apologized to him and his wife. What the public saw –what CBS News chose to air – does not represent who Kules is. In fact, he is a great leader at WWP.”¹³

But here’s the interesting thing: Perhaps sensing an agenda on the part of CBS News, or perhaps it was just a desire to keep its own records, WWP also taped the interview. In WWP’s video, at the end, after the CBS cameras had stopped rolling, here is what Chip Reid said:

“I’d much rather be doing a happy story about vets. But, I do love doing these stories when they’re great. In fact, I have a whole file full of stories – Wounded Warrior Project stories that I have been pitching over time. And I haven’t gotten . . . But, anyway. Anyway, I gotta job and you gotta a job.”¹⁴

WWP also recorded the words of several people interviewed by Dave Philipps of The New York Times. One of them was Meghan Wagner, the Manager of Physical Health and Wellness at WWP who works on Soldier Ride, one of WWP’s signature programs. She told Philipps:

“I see huge impact. Warriors are . . .we’re changing lives. You see it over the course of four days. It doesn’t happen instantly, but warriors are coming to us with interest in this program. They’re coming for a variety of reasons, whether it’s emotional, physical, mental. They seek out that camaraderie from other warriors, so having 50 warriors there, like-minded individuals for them to connect and realize, ‘I’m not alone. Someone else is going through the same thing I’m going through.’ They build friendship and by the end, they’re sharing contact information, creating Facebook pages, crying . . . But they’re also being shown a new activity in an adaptive way that maybe they never had before, so it’s empowering in that physical health sense as well.”

Then there was Jon Sullivan, the Vice President for Engagement. He told Philipps this about wounded warriors:

“They may first hear about us in their communities, but for a large part of the warriors that we serve, we’re not necessarily going to meet them in the hospital. DOD [the Department of Defense] doesn’t hand us a list and say, ‘These are the warriors that were injured this month.’ So we really on primarily other warriors helping us get the word out to their fellow injured or wounded service members. We get a lot of people that reach out directly to our website. And I think the more awareness you have of the organization, the more visibility you have of the organization, the more traffic you generate, the more

inbound traffic you generate for the people that you service . . . We're not just looking for anyone that can give us money. We're looking for people that can help us accomplish those three things: raise money, spread awareness, and then have a direct impact on warrior programs."¹⁵

These are not isolated sentiments. Several other employees discussed their roles with as much energy and enthusiasm. Not one word of these interviews ended up in the published story.

But Al Giordano, WWP's former and fired Chief Operations Officer, confesses, "We don't have any records of who he [Philipps] spoke with outside of the WWP staff. The naysayers thoughts appeared in print while those with a countervailing opinion ended up on 'the cutting room floor.'"¹⁶

One person Dave Philipps spoke with about WWP – someone who does not work at WWP and so whose remarks were not recorded and transcribed – was me.² While I did not record my comments (he may have), I, too, recall having a relatively upbeat discussion. Something – although I don't know what – seems to have changed in the few weeks between my discussion with Philipps and when the story was printed. No one else to whom I spoke seems to know, either. One person characterized the article as "useless." He said there was no basis for pretty much anything, that it was "all speculative and hearsay."

There is much more that was not part of the news stories, some of which is addressed in this report.

3. ANTHONY ODIERNO ON THE O'REILLY FACTOR

On March 14, 2016, the week after WWP's CEO and COO were fired, Anthony Odierno, the board chair, was a guest on the Fox commentary show The O'Reilly Factor. He told Bill O'Reilly that the report, conducted after the stories were aired in January, concluded they were wrong. The report – delivered only orally, not in a written format – confirmed that "80 percent [not the 60 percent that was alleged] of our spending did go to programs." Also, of the "\$26 million that went to staff conferences, the audit showed that about 94 percent of that - \$24.5 million – went to direct program expenses." As for the issue of expensive travel, he said, "Over 99 percent of the plane tickets were in accordance with . . ." At this point O'Reilly interrupted him. But Odierno, if he was going to reference the actual financial accounting of expenses at WWP, was about to reveal that only one percent of travel was at the first-class level, and that half of that was the result of using upgrade coupons that did not cost anything to WWP.

When he interrupted, O'Reilly asked, "Then why were the two top guys fired?" Odierno then meandered, saying the review was thorough, that it encompassed policies and cultural issues, and that after looking at the "totality" of things, "the board felt that a change was necessary." O'Reilly, after saying it seemed liked Nardizzi and Giordano were doing a good job, tried to drill down on that for specifics. "Why? You say the culture. What was the culture there?" Again, Odierno began to wander, beginning to speak of "conversations" with advisors. But O'Reilly again interrupted him. "Tell me why, Captain." The reference to captain was apparently to say that although Odierno had been a military leader, what O'Reilly was hearing did not sound decisive. "Let's cut to the chase," said O'Reilly. "What were they doing – these two individuals

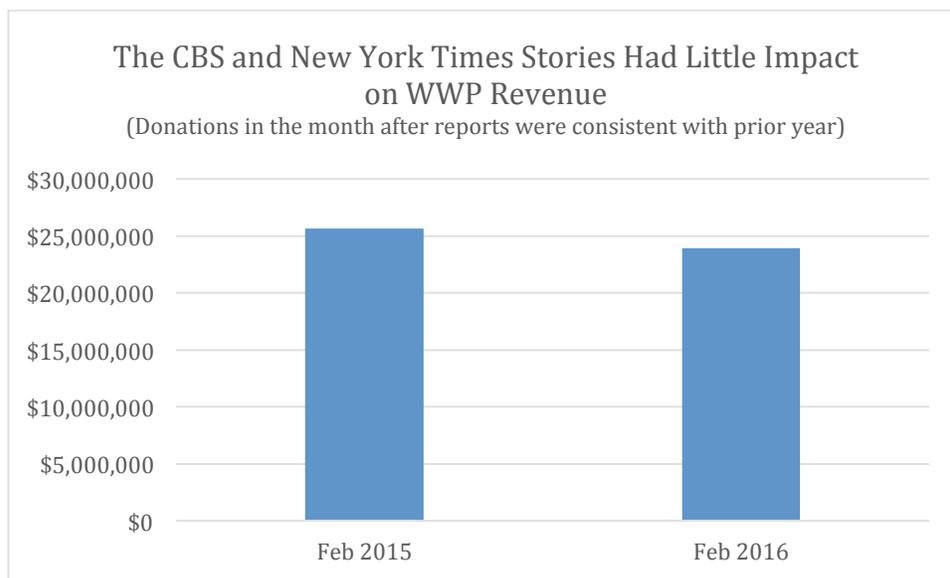
² I am often called by media outlets for comment and analysis on issues affecting the nonprofit community and philanthropists.

who you fired – that disturbed you?” Still, more meandering: “We reviewed judgment decisions that were made, the cultural aspects . . . these were all part of the briefings . . .” O’Reilly: “But I don’t know what ‘cultural’ things are. Give me an example.” After Odierno said he would not provide specifics, O’Reilly asked if the donors weren’t owed an explanation. Still, other than something along the lines of how great an organization WWP is, nothing specific. O’Reilly asked one more time. After being told there were millions of viewers, including many WWP donors, tuned in, Odierno said, “The Board is acting in the best interests of the organization, and this is what we felt, that a change was necessary to get the focus back on programs and serving and doing what we do.”

That frustrating comment ended the interview.¹⁷

4. THE EFFECT OF THE STORIES

The immediate effect of the news stories seems to have had little effect on WWP’s fundraising results. In February 2015, donations totaled slightly more than \$25 million. In February 2016, the month following the news stories – but before the board fired Nardizzi and Giordano – donations total slightly less than \$25 million. Although a \$1 million swing may seem like a big difference, it represents only four percent, which is not unusual when taking into account year-by-year comparisons of monthly fluctuations at a charity.



While the news stories themselves did not have an immediate effect on WWP’s fundraising, the board’s decision to fire Nardizzi and Giordano did. The graph below begins in January 2016, when the CBS and The New York Times stories came out. Notice that in April, the month after the firings, donations began to suffer.



5. ERICK MILLETTE

Despite the fact that both CBS News and The New York Times, as well as WJAX, the local CBS affiliate in Jacksonville, Florida, relied heavily on the comments of Erick Millette, an Army Iraq veteran, to criticize Wounded Warrior Project, there is reason to question his allegations.

Millette told CBS's Chip Reid, "We don't call warriors. They call us." This is untrue, according to written records, former senior leaders, and others, including those employed at and volunteers for WWP.

In The New York Times report of January 27, 2016, Millette said he quit after growing disillusioned about his work with a program called Warrior Speak. "I wasn't speaking anywhere unless I was collecting a check," he said. "They wanted me to say WWP saved my life. Well, they didn't. They just took me to a Red Sox game and on a weekend retreat."¹⁸

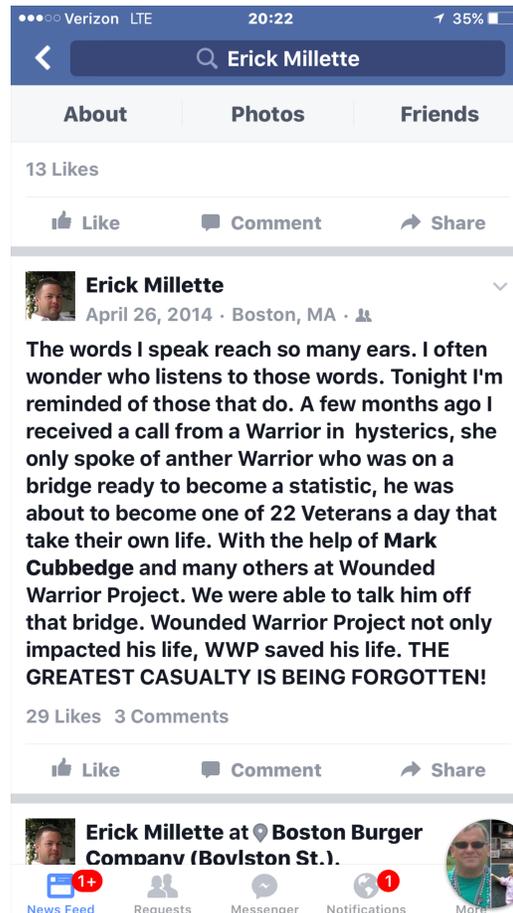
This conflicts with what he told WBZ TV, the CBS affiliate in Boston, a little more than two years earlier, when he said, "We change lives. We save lives every single day. I don't think I'd be sitting here having this conversation or be able to present my story, my troubles or how I overcame them without the Wounded Warrior Project."¹⁹

The apparent change of heart might generously be explained by Millette *never* having had good feelings about the Wounded Warrior Project, that he lied to WBZ and, presumably, in an act of honest desperation, came clean to The New York Times. That is, Millette could have been the skill he essentially claimed to be. (That possibility, of course, would raise questions about Millette's integrity and honor, the values most associated with those who have served in the military).

But, in that line of thinking – if he “wasn’t speaking anywhere” without “collecting a check” – then we must ask why, being neither paid nor prodded, he wrote this note on his Facebook page on April 26, 2014:

“A few months ago I received a phone call from a warrior in hysterics . . . another Warrior who was on a bridge ready to . . . become one of 22 veterans a day that take their own life. With the help of . . . Wounded Warrior Project. We were able to talk him off that bridge.”

Here is the screen shot of the entire message:



Millette expressed outrage in the media over the cost of the Broadmoor event in 2014 and the nature of the activities, claiming that it was the “breaking point that led him to become a whistleblower.” However, his statements on Facebook *during* the event contradict what he said to the media. “That’s how you start All Hands!” he wrote. “Love my teammates!!!”

In another post, Millette said that a staff member was almost totally responsible for “the reason I am here today.” By that, he meant that WWP played a crucial role in helping him not to end his life, as is the case with many veterans.



Millette's outrage also must have come as a surprise to board member Justin Constantine, who attended the Broadmoor conference. Constantine posted this on his Facebook page right after the meeting:



Also, despite Millette’s claims that the event led him to become a whistleblower, he remained employed at WWP for another year, and even pursued other positions within the organization. In an email on August 13, 2014, Millette wrote to Maryanne Scales, the Process and Personnel Manager at WWP, “I wanted to reach out to you to see if we were doing Operation Outreach again this year? If we are I would like to volunteer my time with it. I have a few ideas I would love to share with you to try and get the staff more involved.”

While we don’t know why he made false and contradictory statements, his express purpose seems to have been to harm the organization. “I cannot wait for the day that WWP fails,” he wrote on Facebook on January 15, 2016.³

As Millette played such a central role in changing people’s perceptions of Wounded Warrior Project, I wanted to get his side of the story. When I contacted him on July 19, 2016, Millette

³ I am in possession of the Facebook screen shots that contain the quoted material and the names of the people who are quoted; the screen shots were publicly available even though they may have since been removed.

said he wanted to speak no more of the issue. This is the Facebook conversation he and I had on July 19, 2016:

July 19, 2016

2:05 pm

Doug White

Erick,

My name is Doug White. I'm doing research on the WWP and the late-January 2016 reports on CBS News and The New York Times. I'd like to speak with you. My email is dwhitepg@gmail.com; my cell is [deleted]. Please let me know if you will agree to talk. Many thanks.

Doug

July 19, 2016

2:23pm

Erick Millette:

In regards to what?

July 19, 2016

2:57 pm

Doug White:

I'm looking into the allegations cited by the reports. WWP is an important organization and the publicity, I have been told, has hurt its fundraising and maybe its overall stature. I'm hoping, by speaking with several people, to get a better sense of things. My background is in nonprofits and I think you could add something to the mix. Although I hope my findings will be of interest, I have been asked by no one to do this report - I'm doing it on my own and at my own expense.

July 19, 2016

5:49 pm

Erick Millette:

I'm not discussing WWP.

In a way, I could understand that. Even though his responses to my questions, which would have been driven by more of an understanding of the nonprofit world than what media outlets generally illustrate, would have been useful, Millette clearly had volunteered much of his time and many thoughts to what must have been a difficult story. Perhaps enough was enough.

Yet, a little more than two weeks later, on August 4, 2016, WJAX, the CBS affiliate in Jacksonville, Florida, in a story in which Michael Linnington, the recently appointed executive director, was interviewed, Erick Millette again discussed Wounded Warrior Project. The station reported that fired employees described "a culture of fear that existed under the previous management team. Erick Millette was the only former employee to go public with allegations of lavish spending on staff and not on their clients and helped blow the doors open on the organization's practices."

The station reported that it played Linnington's entire interview for Millette. "It's very promising to listen to the interview," Millette said, "and see where he's coming from, and he's focused on mission and values and putting them back in line. Because when this started, this wasn't an attack on WWP, it was an attack on their frivolous spending and their culture."

Millette said he was encouraged that the organization is now led by a man with a distinguished military background. "He has seen combat. I especially like he brought up the invisible wounds of war, because WWP in the past targeted such a small population with marketing and advertising of those that are severely wounded," Millette said.²⁰

So much for "not discussing WWP any longer."

6. FACEBOOK COORDINATION

Several former disgruntled WWP employees, including Len Stachitis, Executive Vice President for Strategic Giving, and Teresa Nichols, the Manager of Major Gifts, formed a closed Facebook group in March 2015. The initial intent seemed to be to provide support for one another, but it became a forum to criticize WWP leadership. The majority of the employees had been terminated for cause, including theft and other misuse of funds. As mentioned above (in Box 16 of the media allegations), Stachitis was terminated for covering up the theft of donor dollars from a number of his direct reports, including Nichols. In one case, a theft amounted to over \$30,000 over time and resulted in the arrest of Neil Abramson on grand theft charges. The court ordered him to pay restitution of \$32,000.

Members of the group fabricated controversial issues for the purpose of harming WWP's leadership: drastically inflating the cost of an annual all-staff conference, indicating that the CEO determined his own salary, and alleging that WWP provided (paid for) an apartment for the CEO in New York City.

WWP offers an anonymous hotline for employee complaints, but none of the members of the Facebook group used that hotline to express dissatisfaction while employed at WWP. In fact, a number of them made statements during their tenure at WWP that were inconsistent with what they maintained afterward. An example: Amy Frelly complained about the costs associated with the costs of the All Hands training conference in Colorado. But, while employed, she said, "Trip was good but exhausting. We didn't have any downtime. Some teambuilding competition (we did some strategic planning exercises and went to a dude ranch and did some activities) with team members we didn't know so that was good . . . Especially when we have so many regional offices and, more importantly, we have such an important job ahead of us. We're not selling cookies to kids . . . and we're trying to save wounded vets from ending their lives . . . Upper management didn't go near the drinks."⁴

On January 23, 2016, Ralph Ibson, a former WWP employee and a member of the Facebook page, included in his post an email message from the Times's Dave Philipps, who at the time was completing the story before it was published a few days later:

"Hi, Ralph. I gave Wounded Warrior Project a list of names of people included in the article who were fired and why they said they were fired. Here is Wounded Warrior's response. Essentially they are calling you guys all liars which is not surprising, and providing no details to back it up. However if anybody feels they were not honest with me about why they were fired they should probably tell me now. We are getting down to the wire."

⁴ Again, I am in possession of the Facebook screen shots that contain the quoted material and the names of the people who are quoted; the screen shots were publicly available even though they may have since been removed.

It's that next-to-last sentence that might be interesting. Journalists don't typically ask their sources if they were dishonest and if they might want to say something different from what was already said.

Connie Chapman, the former employee who started the Facebook group, said on her page, "I personally know my quotes are opinion; they are based on my experience but still are opinion. So, I want to discuss with him rephrasing my comments in ways that can be considered facts or inspire them to provide facts vs. opinion." In addition, the aforementioned Amy Frelly, who expressed high regard for WWP before registering blistering complaints, addressed this matter on her Facebook page on January 23, 2016: "I know [someone] talked to him tonight and wanted to change some of her comments, and he was very willing to do so."²¹

That the Facebook group existed, and perhaps still does, is not an issue in itself. But, it is plausible to think that the 40 or so people with whom CBS News spoke were essentially in an echo chamber. Becky Melvin, a member of the group, wrote on November 12, 2015, "Strength in numbers by everyone saying the same thing about WWP!" Also, in an email written to WWP on January 22, 2016, CBS News producer Jennifer Janisch said, "CBS News has spoken with numerous former employees, at several levels of seniority, who have had strikingly similar stories to share about WWP."

7. A COMMENT ON THE MEDIA

The public is used to the media getting it wrong. Most of the time, however, it's not that the facts are reported incorrectly but that the way a story is written or placed, or even that it is, in the eyes of the editors, a story at all, is what rankles the critics. This is a battle that journalists and reporters cannot win. At best, when it comes to making their decisions, they have to bring to their journalism the best of their experience, discipline and judgment. It's a subjective process.

But sometimes the media do get the facts wrong. A notable example is when, on March 30, 1981, at 5:10 p.m., a little more than two and a half hours after John Hinckley tried to assassinate President Ronald Regan, CBS's Evening News anchor Dan Rather told the nation that James Brady, Reagan's press secretary, had died. Brady had been shot in the head and severely wounded, but he did not die.⁵ CBS attributed "Congressional sources." Both Rather, and Frank Reynolds, the ABC anchor, delivered obituaries. Less than half an hour later, Larry Speakes, a White House spokesman, said that Mr. Brady was in "serious condition" but that he had not died.²²

Contrast that with what Walter Cronkite put himself through before reporting that President John Kennedy had died. Cronkite's, as well as the wire services', guiding principle was: "Get it first, but get it right." It took more than 90 minutes of grueling, chaotic back-and-forth with people on the ground to get the announcement of Kennedy's death on the air. Even when Dan Rather, who was in Dallas at the time, reported that a doctor and a priest had confirmed Kennedy's death – and even when CBS Radio reported Kennedy's death, on the basis of what two reporters in Dallas had said – despite what must have been an agonizing temptation, it was not enough for Walter Cronkite. He would not report Kennedy's death until there was official confirmation from the White House. When Cronkite got that, and not before, he reported it on the air²³

⁵ James Brady died on August 4, 2014 at the age of 73. No cause was specified, although District of Columbia police told CNN that his death was ruled a homicide, the result of the shooting 33 years earlier.

The Wounded Warrior Project story is not about anything as dramatic as a presidential assassination attempt. But still. As a general rule, we should hope that journalistic integrity still demands getting the facts straight and the context right. Chip Reid could have done better than to rely on a group of disgruntled employees, speaking primarily through a man who was clearly upset. Think about that. This is what drove this story: regarding the way WWP was operated, among those who had worked there only one self-admittedly angry person could be found to go on the record, as well as a few more who spoke but did not go on the record because, as CBS News said, they feared “retaliation” by WWP (a peculiar assertion as they were already former employees); that, and a one-sided, questionable critique of how the numbers were calculated when WWP generated reports that must adhere to established accounting principles and the IRS’s position on the matter.

The public thinks that when a news organization identifies a story as an “investigation,” it has conducted an extensive and thorough review of all the relevant facts, reviewed them, and generated a story the news organization understands is fit for public consumption, with all the weight of judgment that obligation implies. In my view – substantiated in this section, as well in the remainder of this report – in its treatment of the Wounded Warrior Project allegations, CBS News and The New York Times lost the battle for a thorough and just accounting of what was important – the principal and complex portion of which, in this story, is the way charitable organizations are and should be operated, as well as what the public should expect of them. This is no small matter because nonprofits and donors are playing an increasingly important and public role in society’s quest to improve itself. CBS News and The New York Times did the public no favors with its inadequate and unnecessarily damaging journalism.

In this era, however, another battle is being lost. The difficulty for viewers and readers is not just one of interpreting the words of reporters filled with integrity trying to get the right balance in a story, but the perceived need on their part, and on that of their producers, to generate information as fast as possible. It’s the “get it first, but get it right” philosophy, but without one of the two equally important ingredients. This is a problem not only at CBS News; all news organizations are today subject to this temptation. Apparently, CBS News felt some pressure to get the story out quickly, even though there was no tangible hook – other than perhaps an attempt to beat the Times – that required immediacy.

Perhaps 60 Minutes should have kept the assignment.

IV. REPORTING: TRANSPARENCY AND PERCEPTION

The January 2016 allegations began this way on CBS News:

“A CBS News investigation into a charity for wounded veterans, the Wounded Warrior Project, looks into how the charity spends its donation money. What caught our attention is how the Wounded Warrior Project spends donations compared to other long-respected charities. For example, Disabled American Veterans Charitable Service Trust spends 96 percent of its budget on vets. Fisher House devotes 91 percent. But according to public records reported by Charity Navigator, the Wounded Warrior Project spends 60 percent on vets. Where is the money is going?”²⁴

A fair question. To address it, we begin with the self-proclaimed charity watchdog Charity Navigator.

1. CHARITY NAVIGATOR

Although Charity Navigator calls itself “your guide to intelligent giving,” it is nothing of the sort. To quote from an editorial I wrote for the Chronicle of Philanthropy in January 2016, just after, although not motivated by, the allegations against WWP were reported:

“Charity Navigator dumbs down the conversation about the real impact charities have, or should have, on our society. As a result, the news media, donors, and the rest of the public too often needlessly focus on irrelevant information, such as the share of budget spent on salaries or overhead. The site is full of meaningless statistics, disguised – or promoted – as relevant data under the illusion of helping donors support solutions to the world’s persistent challenges.”²⁵

In the first days of 2001, I was the first person to work for the organization that became Charity Navigator and know the philosophy of the founder and, even though many metrics have been revised over the years, most of the equations. I knew then that using only information from a charity’s 990 would never be enough to evaluate a charity’s worthiness.

But I am not the only critic. There are many. For example, the highly regarded Stanford Social Innovation Review (SSIR) said this about Charity Navigator (and the few other charity watchdogs) in 2005:

“We conducted a detailed study of the agencies to determine how useful a service they provide. The results were sobering: Our review of their methodologies indicates that these sites individually and collectively fall well short of providing meaningful guidance for donors who want to support more efficient and effective nonprofits.

“Based on our study, the major weaknesses of the ratings agencies are threefold: They rely too heavily on simple analysis and ratios derived from poor-quality financial data; they overemphasize financial efficiency while ignoring the question of program effectiveness; and they generally do a poor job of conducting analysis in important qualitative areas such as management strength, governance quality, or organizational transparency. To be fair, these are early days for the ratings business; all of the sites are

less than six years old and each is still working on improving its methodology, growing its user base, and developing a sustainable business model for its services.”²⁶

The headline of an article in the Chronicle of Philanthropy once asked, “Is Charity Navigator the 'National Enquirer' of Watchdog Groups?” The article quoted Michael Soper, a nonprofit consultant, who said, “In my view, Charity Navigator, its ratings, and its top ten lists are nothing more than great merchandising of a weak underlying product.”

Specifically, “the watchdog’s methods are flawed,” according to Soper, “because:

- It only examines the financial health of a charity, not how effective it is at meeting its mission.
- It relies too heavily on the Internal Revenue Service’s 990 informational tax return, which charities often interpret differently.
- Its ratings could be skewed depending on a charity’s mission or the year Charity Navigator began examining a group. For example, Mr. Soper writes that if Charity Navigator were to begin looking at a nonprofit group at a time it is in capital campaign, “Future ratings and rankings could show the nonprofit in decline as a result of the decreasing revenue.”²⁷

Although SSIR acknowledged that its review was conducted in the early days of rating charities, not much has changed. This is true even though Charity Navigator, the Better Business Bureau Wise Giving Alliance and GuideStar⁶ wrote a much-publicized letter attempting to “correct a misconception about what matters when deciding which charity to support.” The letter says:

“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. We ask you to pay attention to other factors of nonprofit performance: transparency, governance, leadership, and results. For years, each of our organizations has been working to increase the depth and breadth of the information we provide to donors in these areas so as to provide a much fuller picture of a charity’s performance.”²⁸

The biggest problem with the letter, despite its accuracy, is the omission of an acknowledgment of the role the ratings agencies themselves played to bring about the problem in the first place. In that sense, despite its message, it can justly be considered hypocritical.

The weaknesses of Charity Navigator are clear and obvious. For the media to use it – or any other similarly built “watchdog” group – for the purpose evaluating any one charity is irresponsible and lazy.

The need to change the conversation about how the public, including the news media, should view charities – a central component in the analysis of the allegations against Wounded Warrior Project – will be addressed later in this report. For now, we concentrate on addressing the allegations on the terms Charity Navigator sets forth, terms on which both CBS News and The New York Times heavily relied.

⁶ Although GuideStar provides 990s on almost all of the nation’s 1.7 million nonprofits, it does not rate charities.

The claim is made that WWP spends 60 percent of its budget on vets and that other similar organizations do much better. When putting this statement into context, it is helpful to look at the history of WWP's revenue growth and spending on programs.

2. EVALUATION ISSUES RELATED TO THE MEDIA REPORTS

In its report on January 26, 2016, CBS News compared WWP with two other charities: The Disabled American Veterans (DAV) Charitable Services Trust and Fisher House Foundation, both of which, as does WWP, serve the veterans community. Scott Pelley, the anchor for the broadcast, said, "The Disabled American Veterans Charitable Services Trust spends 96 percent of its budgets on vets. Fisher House devotes 91 percent." CBS News said it obtained this information from Charity Navigator.

But a legitimate ratings system would be more complex than comparing what might seem to the untrained eye certain categories of expenses.

The DAV Charitable Services Trust is interesting because it reports out only \$77,909 for fundraising-related expenses, while obtaining, as it did in 2014, almost \$5.6 million in philanthropic support, which translates to a fundraising expense of an unrealistic 99 percent efficiency rate. In addition, the charity reports zero expenses for salaries – this for an organization whose budget was \$6.7 million.²⁹

Its website explains nothing about those curious numbers, but it does inform the public that Bridgette Schaffer, in her role as the administrator of trust and foundation administration, oversees the day-to-day operations of three charities. In neither of the other two, the DAV National Service Foundation and the Disabled Veterans Life Memorial Foundation, are any salaries noted. The 990 for the Disabled Veterans Life Memorial Foundation does show, however, that its CEO, Fredric Fenstermacher, earned \$434,866 while overseeing an organization that raised \$12,424 and had expenses in excess of revenues by more than \$9.6 million. It is not within the scope of this report to track the source of how Ms. Schaffer is paid at the DAV Charitable Services Trust or how the three charities are actually intertwined, but it is fair to conclude that simple comparisons of what might seem like relevant data often tell the public very little.

Actually, it's like comparing apples and oranges. On his website at CharityWatch, Daniel Boroschoff, explains,

"A charity's reported program percentage can sometimes vary greatly from the portion of donor funds that actually end up being used directly for charitable services, and that is very much the case with **Disabled American Veterans Charitable Service Trust** (the Trust). CBS News referenced that the Trust "spends 96 percent of its budget on vets" when it was comparing some veterans charity program ratios as part of its coverage in early 2016 concerning accusations that the popular **Wounded Warrior Project** (WWP) was wasting donations on lavish spending. The Trust did in fact spend 96% of its budget on grants to veterans organizations, according to its 2014 IRS Form 990 filing, but comparing the Trust's program spending to that of WWP (which was 54% in fiscal 2014,

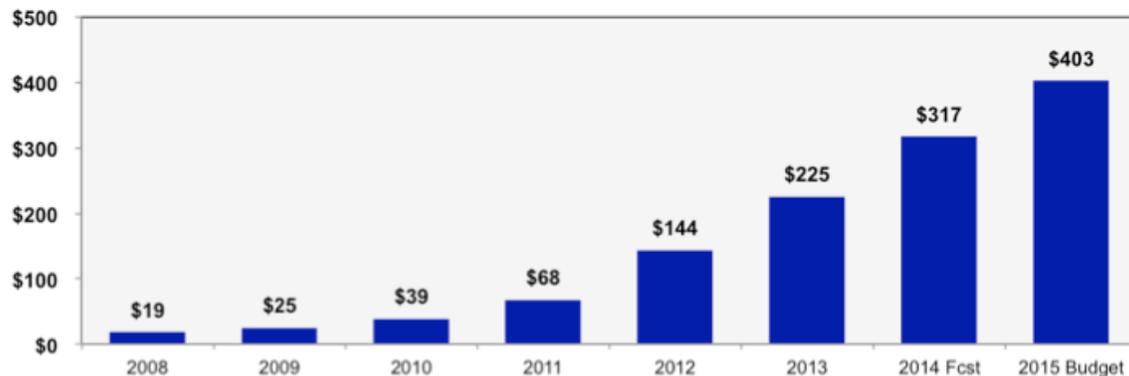
based on CharityWatch’s calculations)⁷ was rather unfair given that WWP operates its own veterans service programs and the Trust does not.

“Even for charities in the same category, charitable program services can be substantially different depending on each charity’s individualized mission. Essentially all of the Trust’s program spending goes towards grant-making to other charitable organizations. In contrast, WWP runs a variety of its own programs for veterans, including an “alumni association” that offers educational sessions and social events; a combat stress recovery program; and many “physical health and wellness” activities and events, while less than 15% of WWP’s cash-based program spending went to grant-making in its 2014 fiscal year. When a charity does not conduct its own programs but instead makes grants for other organizations to conduct programs, a high program percentage should be expected. That is why when evaluating charities such as the Trust, where grant-making is the primary charitable program, it is important for donors to look more closely at the grantee organizations to assess how they are actually using the donor funds that have essentially been passed-on to them in the form of charitable grants.”³⁰

As for Fisher House, the other charity CBS News mentioned favorably, it too reports an unrealistically high fundraising efficiency – 98 percent – and, although CBS news quoted criticisms of Steve Nardizzi’s salary of \$496,415, running an organization with \$248 million in expenses, the report did not note the \$478,988 salary of the top executive at Fisher House, an organization with \$41 million in expenses.

3. WWP’S REVENUE AND PROGRAM EXPENDITURE GROWTH

Since 2008, Wounded Warrior Project’s revenue has grown at a rate of 66 percent year over year from just under \$19 million to over \$300 million in 2014. Budgeted revenue for fiscal year 2015 totaled \$403 million.

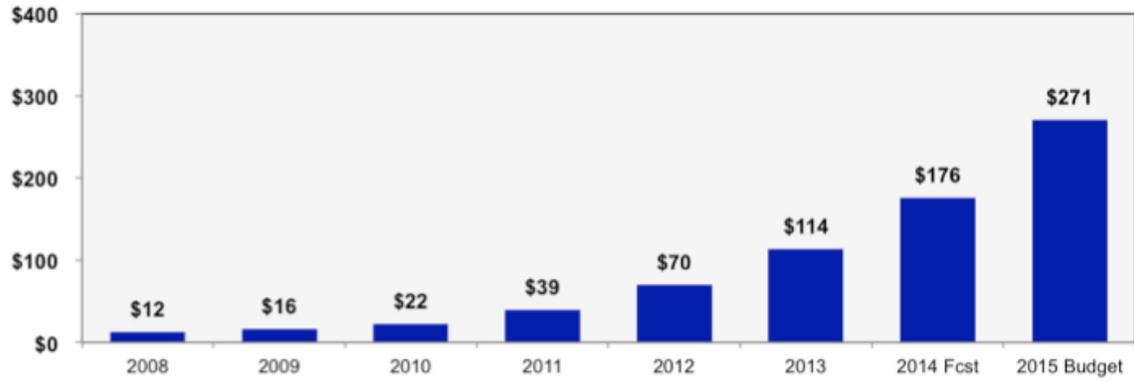


Program expenditures grew by 64 percent annually, from \$12 million to \$176 million. Budgeted program expenditures for fiscal year 2015 totaled \$271 million.⁸

⁷ The calculations conducted by Charity Watch, as are those at Charity Navigator, are problematic for reasons explained both earlier and later in the text. While I don’t agree with Mr. Boroschoff’s number here (54 percent of WWP’s budget devoted to programming), his explanation regarding Disabled American Veterans and the Disabled American Veterans Charitable Service Trust is both accurate and illuminating.

⁸ The 2015 numbers shown in these two graphs represent WWP’s budgeted projections; actual numbers reported on the organization’s consolidated audited financial statements are slightly different.

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4. RELATIVELY SPEAKING

But what does this mean? Nothing, until the numbers are put into a context. Based on WWP's Form 990 for 2014 – and that of comparable organizations for the same time period – the chart below compares ratios that are important to charity watchdogs.³¹

ORGANIZATION	TOTAL EXPENSES (\$)	FUNDRAISING COSTS/ TOTAL EXPENSES (%)	PROGRAM EXPENSES/ TOTAL EXPENSES (%)	AMOUNT TO PROGRAMS (\$)
Paralyzed Veterans of America Tempe, AZ Most Recent 990: 2015	\$108,779,786	32.8%	62.2%	\$67,655,602
Veterans of Foreign Wars of the US Kansas City, MO Most Recent 990: 2015	\$89,099,521	29.2%	65.8%	\$58,648,575
Disabled American Veterans Cold Spring, KY Most Recent 990: 2014	\$139,767,655	26%	67.9%	\$94,945,045
United Service Organizations (USO) Arlington, VA Most Recent 990: 2014	\$128,475,989	18.5%	68.8%	\$88,499,562
Wounded Warrior Project Jacksonville, FL Most Recent 990: 2014	\$248,005,439	17.5%	76.4%	\$189,558,100

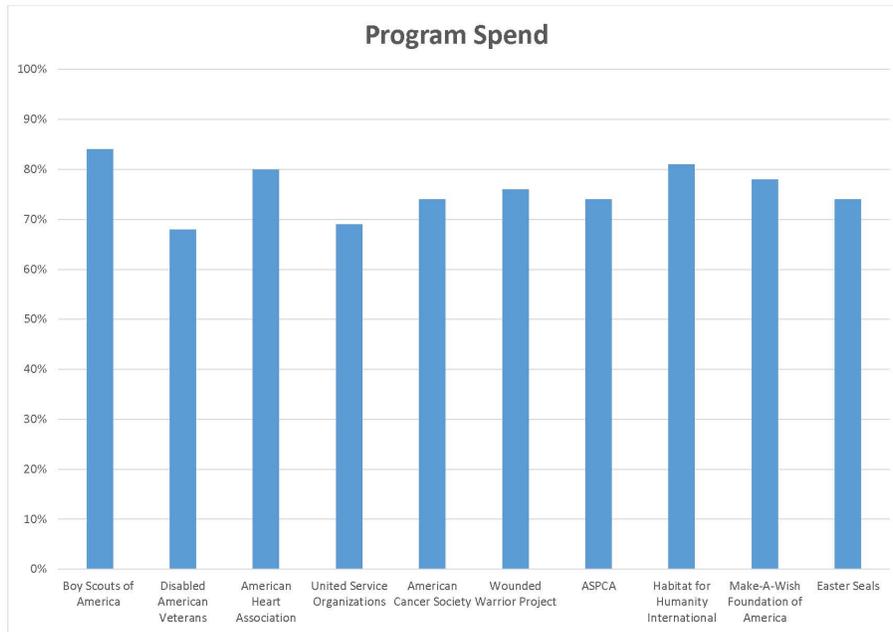
The following two organizations were mentioned on the CBS report criticizing WWP that aired on 01.26.2016:

Fisher House Foundation Rockville, MD Most Recent 990: 2014	\$41,193,218	2.4%	91.0%	\$37,496,704
DAV Charitable Services Trust Cold Spring, KY Most Recent 990: 2014	\$6,717,469	1.2%	96.5%	\$6,483,560

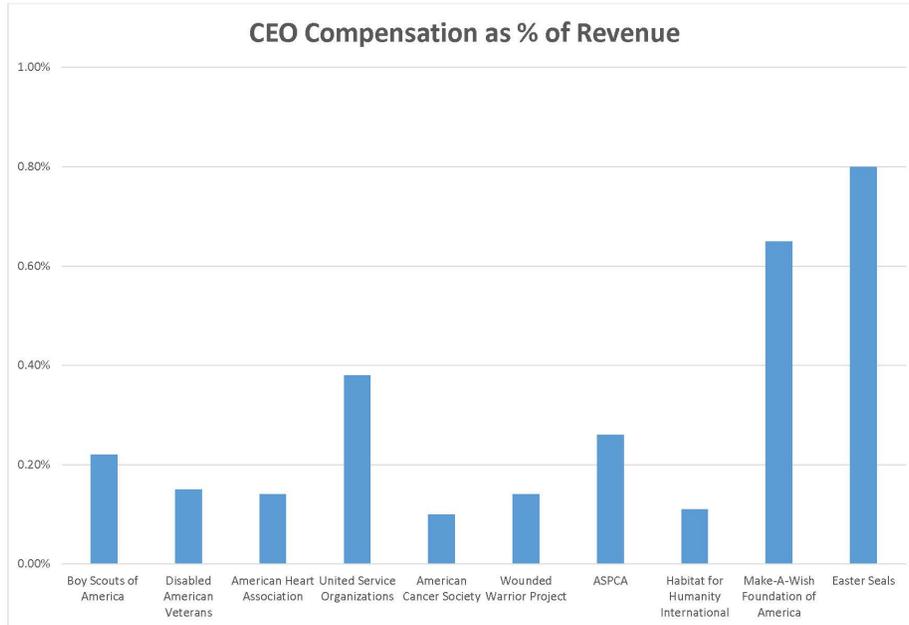
Some other organizations, not shown here, report a higher percentage devoted to programs than WWP does. The organizations shown above were chosen because of the operational similarities they have with WWP (see above for an explanation of that issue as it relates to Disabled American Veterans). Using the 990 information provided, all numbers are categorically comparable, which is why the chart shows, feigned allegations (described elsewhere in this report) to the contrary notwithstanding, that WWP devoted 76.4 – not 60 – percent of its budget to programs. Others, in addition to those not included in the chart, report a lower percentage than WWP.

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The following two charts show comparisons between Wounded Warrior Project and other organizations that either directly or indirectly support veterans: 1) the amount spent on programs as a percentage of the budget; and 2) the CEO's compensation as a percentage of revenue. Note that in no area is Wounded Warrior Project an outlier.



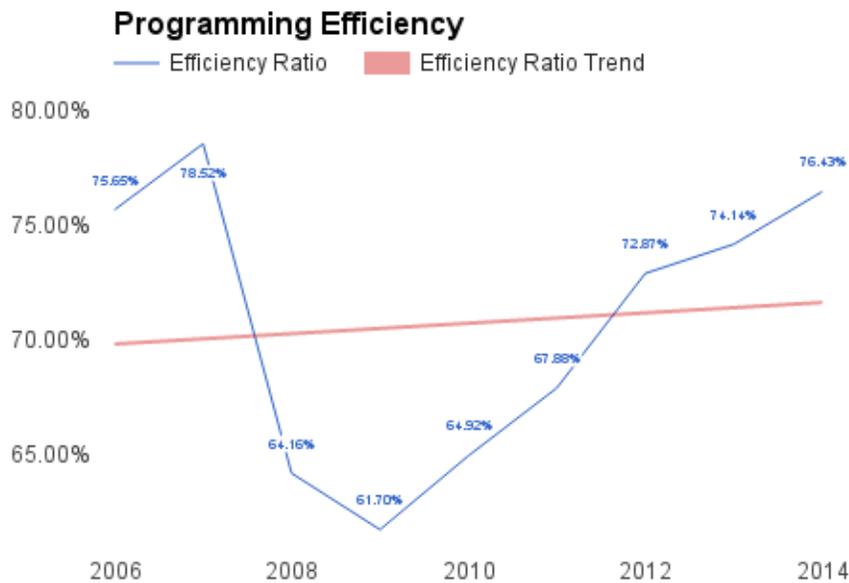
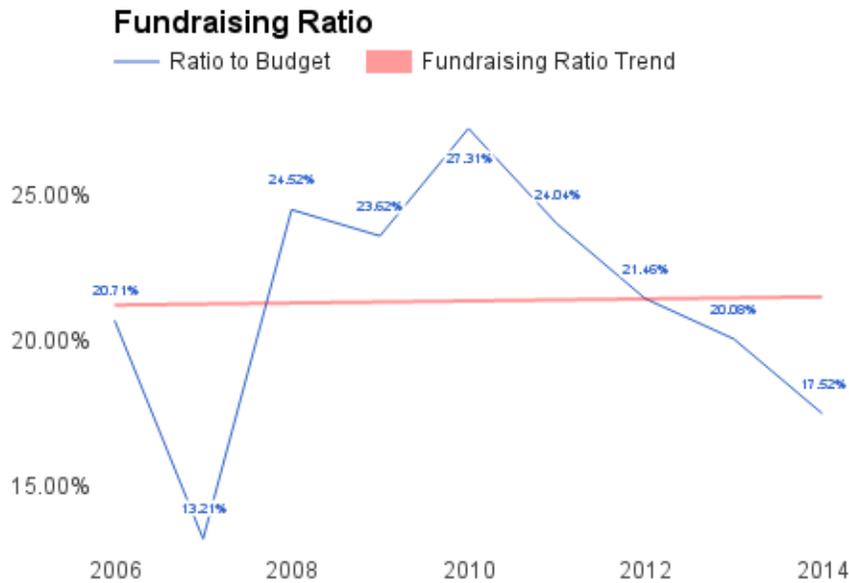
Data from most recent 990



Data from most recent 990

5. OVERALL FUNDRAISING AND PROGRAM SPENDING RATIOS

An analysis of WWP's 990s shows that the portion spent on fundraising and the portion spent on programming are each in a healthy state.



Although, the trend line for fundraising costs as a percent of budget goes slightly upward, it is around 22 percent and looks to stay that way. The programming efficiency is also going in the right direction. Both trend lines are affected by the earlier years, and, as one can see, in recent years the direction is more dramatically positive than the trend lines would imply. Nardizzi began his tenure as CEO of WWP in 2009, which is when the charts indicate the beginning of growing efficiencies.

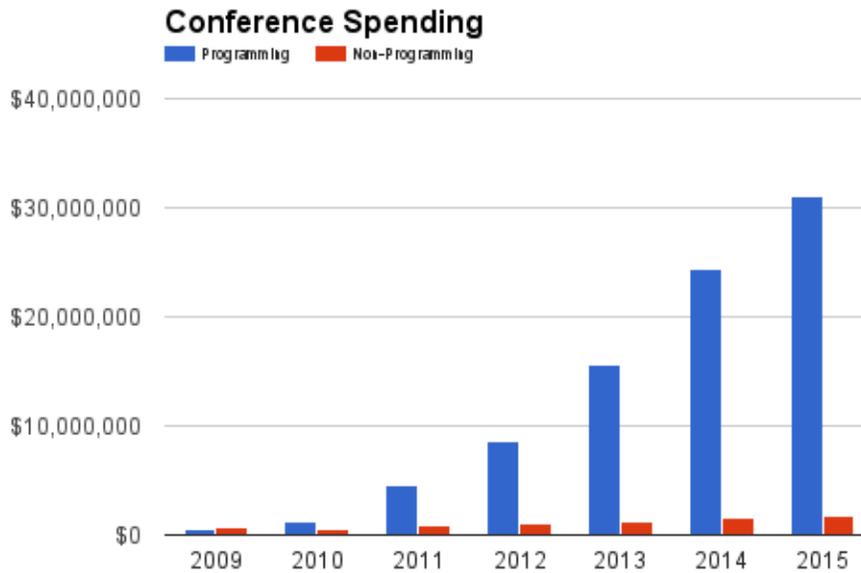
6. CONFERENCE SPENDING

Erick Millette, through CBS News and The New York Times, made much of what he thought were expensive, over-the-top conferences: “Donors don’t want you to have a \$2,500 bar tab. Donors don’t want you to fly every staff member once a year to some five-star resort and whoop it up and call it team-building.” Also, “I’m sorry, but I’ll be damned if you’re gonna take hard-working Americans’ money and drink it and waste it.”

On air, CBS news displayed a graphic revealing that a total of \$26,054,363 was spent on conferences and meetings in fiscal year 2015. “According to the charity's tax forms, “Chip Reid reported, “spending on conferences and meetings went from \$1.7 million in 2010, to \$26 million in 2014. That's about the same amount the group spends on combat stress recovery – its top program.”

Actually, according to the charity’s information returns, there appears a clear and easily seen number – one that CBS News chose not to show – right next to the one showing \$26 million spent on meetings. That number is \$24,392,338, and it represents the portion representing the programming costs incurred during the meetings. (That number comes from the 2014 990; the graph below includes information from the recently released 2015 990.⁹) That means 94 percent was spent on programming activities that took place at the meetings that year. In fact, pursuing WWP’s mission through programs was the primary purpose of the meetings. The numbers also show that, over the years, the portion devoted to programs, relative to the total cost of conferences, has increased over the years. Examples of programs at events include adaptive sporting events and mental health retreats. WWP’s 990s show the increase of the cost of conferences from fiscal years 2009 to 2015.

⁹ Wounded Warrior Project released its 2015 990 on Monday, August 17, 2016.



The percentage of programming activity at conferences between 2009 and 2015 rose from 38 percent, in 2009 when the total conference budget was \$1.1 million percent to 94 percent, when the total conference budget was \$32 million. Even staff conferences, as distinct from program events, were not all fun and games; despite Erick Millette’s assertions, almost nothing was spent on alcohol, and very little donor money, and even that would be subjectively ascertained, has been wasted.

7. JOINT COST ALLOCATION

Charities, along with publicly held companies, are required by the Internal Revenue Service to follow generally accepted accounting principles (GAAP) and the guidelines set forth by the Financial Accounting Standards Board. Charities over a certain size undergo strict reviews by independent auditors operating under guidelines put forth by the American Institute of Certified Public Accountants audit. The Wounded Warrior Project is subject to and has abided by those guidelines.

Part of the dispute about efficiency at WWP boils down to an accusation – not stated overtly, but implied nonetheless – that WWP’s 990s are inaccurately, or perhaps even dishonestly, compiled. If we go down that road (not the charge of dishonesty but that of accuracy), we have to understand a few things that bedevil almost all charities with multifaceted finances when they complete their 990s. In addition to the fact that 990s are available only after a notoriously long time after what has happened, is the issue of subjectivity in allocating expenses. Many people think that anything related to accounting is part of an exact science, but that is not the case. There is much gray area to traverse when completing financial documents. That’s why we need professionals in accounting firms who not only can competently use a calculator, but who blend a sense of balance and fairness with their experience and understanding of the complexities in the nonprofit world.

One issue that arises is something identified as “joint cost allocation,” and the dispute related to that directly affects the way a significant portion of the narrative behind the allegations against WWP has developed.

When GAAP or the IRS comes into play on this topic at a charity, it has no choice: It must jointly allocate costs as prescribed by these rules. Why? Because, otherwise, its financial statements would be misleading and incorrect.

While the actual allocation process can be complex, the concept is fairly simple: Apply expenses to the correct categories of activity. Imagine that a charity – say, Mothers Against Drunk Driving – sends out tens of thousands of letters telling people about the dangers of drinking and driving, and explains the steps people can take to prevent drunk driving. What if, to help pay for those letters, they also ask for money? The rules require that MADD jointly allocate the costs of those letters both to its programs and to fundraising. Charities often fall under these rules, for example, when they ask potential donors to help prevent breast cancer by conducting a breast self-examination.

Or when Wounded Warrior Project asks donors to help identify wounded war veterans and to refer them to the charity’s programs for assistance.

Most of the discussion on this topic comes from the content found within the IRS’s SOP 98-2, whose preface says, “This Statement of Position should be used,” or accountants “should be prepared to justify a conclusion that another treatment better presents the substance of the transaction in the circumstances.” Not allocating costs violates both the letter and the spirit of the regulations.

Charity Navigator ignores these clear rules applicable to all charities operating in the United States and unilaterally eliminates them in its analyses. When asked recently, the immediate former CEO of Charity Navigator, Ken Berger, justified this erroneous reporting on the grounds that the public doesn't understand the rule. This is akin to public auditors saying they won't report oil depletion allowance numbers according to GAAP because the public doesn't understand the complexities of the tax code.

Suppose a charity’s CEO spends 50 percent of her time administering the charity and ensuring legal compliance, as well as other administrative duties, and the other 50 percent of her time raising funds. We would expect to see the CEO’s salary allocated 50 percent to administration and 50 percent to fundraising. So too, the public communications that support and fulfill the mission of a charity must be jointly allocated according to what is being said. You might ask about Charity Navigator, as one accounting firm, Carr, Riggs & Ingram, has, if “many nonprofits are wondering if the new formula is mad science.” The firm recommends, “It’s smart to keep an eye on fundraising costs, but nonprofit organization executives shouldn’t spend too much time worrying about the algorithms watchdog groups use to rate charities.”³²

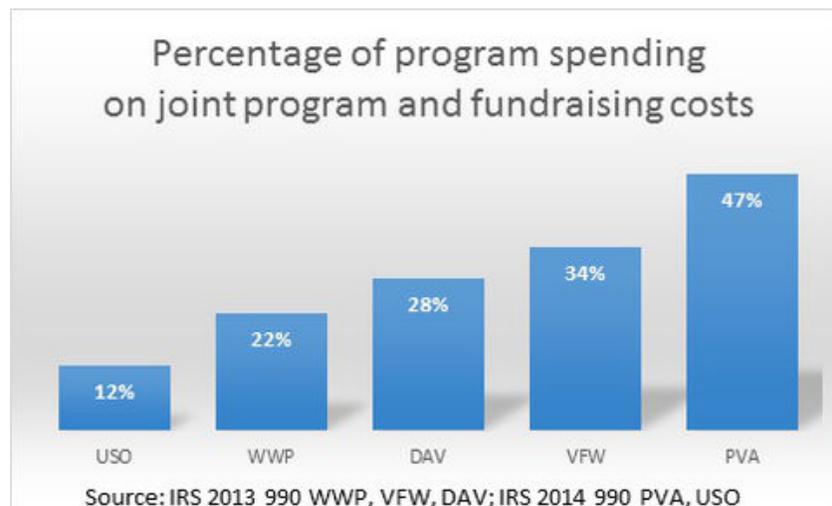
When it is reported that a charity says that it spends one amount on its programs, yet the media references Charity Navigator as saying the organization spends less, the media might be accurately quoting but the information they convey might also be both false and misleading. Over the years, many accountants who specialize in nonprofits have told me that Charity Navigator causes confusion because it employs unacknowledged accounting procedures.

Then, there is the question of just how much is jointly allocated, and, even if it is properly recorded, if the amount is too much. While “too much” is both a relative and subjective idea, one way to get a sense of the landscape is to look at other, similar organizations.

The five largest military and veteran charities, by revenue and budget size, are WWP, USO, Disabled American Veterans, Veterans of Foreign Wars, and Paralyzed Veterans of America.

All of these organizations recognize the importance of public-awareness activity for the veterans they serve and all appropriately allocate joint costs into program expenses.

A review of their 990s shows that WWP’s jointly allocated costs are relatively low:



8. MARCUS OWENS (FORMER HEAD OF THE TAX-EXEMPT DIVISION AT THE IRS)

Recall the statement above where Marcus Owens, the former IRS employee, was asked by CBS’s Chip Reid about his biggest concern in reading WWP’s 990s. Owens said his biggest concern was, “I couldn’t tell the number of people that were assisted. I thought that was truly unusual.”

Actually, it’s not at all unusual as the Form 990 doesn’t ask the question. It’s hard to imagine why it should be news that an unasked question goes unanswered. (That would be a little like someone, in addition to showing her income, describing on her tax return how wonderful a mother her children thought she was.) Such information can be contained, although it almost never is, in a voluntary and supplemental narrative.

Putting that aside, however, it’s important to remember that Reid asked Owens about his “*biggest* concern.” What was lost in what seemed to be feigned exasperation is that a formerly high-ranking IRS official – for ten years Owens was the director of the IRS’s Exempt Organizations Division and works today at Loeb & Loeb, a Washington, DC law firm – could come up with nothing other than the absence of information relating to a question that is not asked on the 990.

Nothing, apparently, was wrong with the information provided in response to the questions that are asked.

Note that Owens didn't mention joint cost allocation. Note, too, that he didn't mention the amount spent on conferences.

9. THE SENATE FINANCE COMMITTEE

U.S. Senator Charles Grassley, a Republican from Iowa, sent two inquiry letters (March 18, 2016 and May 16, 2016) to Wounded Warrior Project asking about the organization's finances.¹⁰ As the overseer of the Internal Revenue Service and of how public money is used, Congress has an interest in how charities behave, particularly as the behavior relates to spending.¹¹ Grassley was interested in:

- Donated media and advertising of \$80 million classified as program service
- Joint allocation costs of \$41 million
- Some \$37 million transferred to WWP's Long-Term Support Trust and classified as program expenses.
- How much donor money was spent, as opposed to in-kind donations, for tickets to sporting events, which were the "vast majority" of the 90 percent of program services to veterans.

The Nonprofit Times noted, "Grassley previously had sent inquiries" to WWP "after the organization dismissed its top two executives – CEO Steven Nardizzi and COO Al Giordano – amid media reports about 'lavish' spending. The Charity Defense Council, which last year received a \$150,000 grant from WWP, has come out criticizing the accuracy of the reports by The New York Times and CBS News." It also said, "An independent review of spending practices by outside audit and legal firms hired by the board confirmed the 80.6 percent figure spent on program and found no irregularities. The review did note that some policies, procedures and controls did not keep pace with the organization's rapid growth in recent years, reporting revenue of \$342 million in 2014 compared with \$70 million just five years ago. Among other things, the senator also requested a copy of that review."³³

The May (second) letter also highlighted WWP's claim of spending a little over 80 percent of its budget on programming. "It appears that WWP's claim is based upon its Consolidated Financial Statements, not its Form 990s. According to WWP's 2013 Form 990, which runs during FY 2014, it appears \$248,005,439 was spent on total expenses, of which \$189,558,100 was spent on program expenses – approximately 76.4% and less than 80.6%. In FY2014, according to WWP's Consolidated Financial Statements, it spent \$300,279,601 on total expenses, of which \$242,145,985 was for program expenses – approximately 80.6%."

Grassley then criticizes how WWP accounts for free media. "The Consolidated Financial Statement for FY 2014 includes \$80,710,673 in donated media which cannot be included on the

¹⁰ Interestingly, Senator Grassley sent his letters on Judiciary Committee stationery, of which he is the chairman, and not that of the Finance Committee, of which he is a former chairman and on which he sits, but not as chairman, today; the Finance Committee exercises more oversight of charity finances than does the Judiciary Committee.

¹¹ States actually have more authority than Congress when it comes to many activities, such as board governance and the fraudulent misuse of money.

Form 990.” He then noted that excluding donated media would drop the program expense number to 66.6 percent.³⁴

The Nonprofit Times, however, quoted Jill Gerber, a Grassley spokesperson, who seemed to acknowledge that the difference could be a legitimate difference of opinion. “Senator Grassley isn’t rendering judgment at this point on whether the Wounded Warrior Project should use the figures reported on the 990 rather than the consolidated financial statements, just pointing out that the different forms can shed light on how WWP’s spending practices are potentially justified by the organization.”³⁵

This is an example of how accounting is not a black-or-white science. Grassley’s staff is acknowledging that the senator is asserting an opinion, and WWP’s accountants, who clearly compiled a comprehensive and otherwise indubitable report, did not approach this methodology lightly. At the very least, we know that the organization was not purposefully manipulating the numbers.

Grassley then borrowed what he takes as claims by Charity Navigator and other organizations that evaluate charities. “It is not clear to what extent these solicitations provide any benefit to veterans or provide direct support to WWP’s mission. Further, most charity watchdog organizations do not count this type of spending as a program expense because it generally does not provide any benefit in support of a charity’s mission other than fundraising. As such, claiming this nearly \$41 million as program services for veterans is questionable. And if no benefit is really derived for veterans, WWP’s program service percentage falls further below 80.6 percent.”³⁶ Grassley was referring not only to free media, but he was condemning jointly allocating costs.

I spoke with Ken Berger, who was Charity Navigator’s president and chief executive officer for seven years before he left in 2015, about jointly allocating costs. “I think that the weakness or challenge with Charity Navigator is available resources. Charity Navigator’s default is to zero out the joint cost allocation when doing its ratings, and the only way to get it corrected – if in fact it is done correctly – is if an organization reaches out to show evidence that it is doing this appropriately, and it’s not just a ruse for hiding fundraising costs. If Wounded Warrior, which has historically had an adversarial relationship with Charity Navigator, had reached out to us and asked us to review the reports to see that this is not just a way to hide fundraising costs, but it really is valid programmatic expenditures, there is a likelihood at we would have, as we did with some other agencies, adjusted the calculations accordingly.” Berger admits that Charity Navigator defaults to its position because of resources, not because there is proof that no benefit exists.

10. NARDIZZI AND GIORDANO ON THE GRASSLEY INQUIRY

Although Steve Nardizzi and Al Giordano, as they are no longer employed at WWP, were not able to directly answer Senator Grassley’s several questions, they wrote a response (all factual assertions contained in the response have been independently confirmed, and, bear in mind, no one, other than a few disgruntled employees, has alleged any wrongdoing by either person):

“On May 16, 2016 Senator Charles Grassley, chairman of the Senate Finance Committee, sent a letter to the Wounded Warrior Project (WWP) board of directors requesting additional information about the services WWP provides and seeking further clarification of the organization’s 2014 audited financial statements reporting that 80.6% of spending

went towards program expenses. The organization's response to specific questions about its program delivery should only serve to confirm the great and measurable impact WWP makes. During our tenure at WWP the organization was a leader in impact measurement and reporting. It had a team dedicated to evaluating program effectiveness, set measurable goals for both outputs (such as number of veterans served) and outcomes (such as increased resiliency and economic impact from employment) and transparently reported results to the public.

“Senator Grassley asks a number of questions about WWP’s program spending, centered around the inclusion of public awareness and outreach activity as a program expense. As the senator correctly acknowledges, WWP’s inclusion of such activities as program expenditures complies with the requirements of generally accepted accounting principles (GAAP), including a Financial Accounting Standards Board rule (SOP 98-2) requiring nonprofits to report as program expenses public awareness and outreach activity conducted in combination with fundraising activity (commonly referred to as “joint costs”). Moreover, WWP’s inclusion of public awareness and outreach activity as a program expense, including joint costs, has been consistently validated through internal and external reviews by the WWP Board, independent auditors, a charity watchdog group, and a forensic accounting firm:

- WWP’s annual budgets, audited financial statements and IRS Form 990s are approved by its independent board of directors. WWP’s board is comprised of individuals with extensive business backgrounds, such as Robert Nardelli, former CEO of Home Depot and Chrysler, and Richard Jones, a CPA and Tax attorney who serves as the General Tax counsel of CBS and chairs WWP’s audit committee. The board has had numerous discussions on the importance of public awareness activity and the inclusion of joint cost program expenditures and has consistently authorized the practice.
- WWP’s financial statements are independently audited each year. The auditors, including leading firms such as BDO and Grant Thornton, have reviewed WWP’s reported program expenditures, including public awareness and outreach activity such as PSAs and joint costs. These firms have consistently opined that WWP’s financial statements fairly present the financial position of the organization in accordance with generally accepted accounting principles.
- WWP’s joint cost public awareness and outreach activity was reviewed and validated as meeting the Better Business Bureau’s Wise Giving Alliance rigorous standards.
- In response to recent media reports critical of WWP’s independently audited financials, the board of directors engaged a forensic accounting firm, FTI Consulting, to investigate the allegations. At the conclusion of that investigation the WWP board issued an official statement confirming the 80.6% program-spending ratio for 2014, a spending ratio that includes public awareness and outreach activity such as PSAs and joint costs.

“At this point it is beyond reasonable debate that WWP accurately reported on its 2014 audited financial statements, consistent with the requirements of generally accepted accounting principles, that 80.6% of its spending went towards program expenses.”³⁷

Terence Cook, a consultant who advises nonprofits on fiscal management and a former adjunct teacher at Columbia University's master's program in nonprofit management where he taught nonprofit accounting, says, "Wounded Warrior did everything right. It has had good growth." But were there some management issues at WWP that could have negatively affected its reporting? "No. The group exhibited good management techniques and is a model for a successful organization." Cook then noted surveys that show a "satisfaction rate of 90 percent among its constituents" – which is almost unheard of.³⁸

A large part of the problem is that we have gotten used to the false algorithms devised at organizations that promote themselves as watchdogs of charities and claim to evaluate their worthiness, when in fact those organizations, staffed almost completely by people who have never worked at a charity, and who certainly have not had to make the sophisticated accounting, budget and program allocation decisions that complex charities must routinely make, have done an immeasurable disservice to the nonprofit world and to the public. Why immeasurable? Because the whole point - the only point – of a charity is to help society in ways that government can't and the for-profit sector won't. Senator Grassley is right when he expresses concern that money should be used to further a charity's mission. He – and the rest of us, however – has been forced to use the wrong tools; not just tools that do a poor job but tools that don't do the job at all.

Still, for the record, as the results of the analyses here verify – even using the faulty yardsticks put forth by those who are inexperienced in real charitable work but who profess to measure it – Wounded Warrior Project does well.

11. THE RATINGS VS. THE RESULTS

Over the years, the media and the public have become too focused on fundraising costs. This is the result of the "watchdogs," which have the following to say about financial ratios:

- **According to Charity Navigator:**
"Data shows that 7 out of 10 charities we've evaluated spend at least 75% of their budget on the programs and services they exist to provide. And 9 out of 10 spend at least 65%. We believe that those spending less than a third of their budget on program expenses are simply not living up to their missions. Charities demonstrating such gross inefficiency receive a 0-star rating for their Financial Health"
- **According to the Better Business Bureau:**
A nonprofit should "Spend no more than 35% of related contributions on fund raising."
- **According to CharityWatch:**
"Sixty percent or greater is reasonable for most charities (to spend on program costs). The remaining percentage is spent on fundraising and general administration . . . Most highly efficient charities are able to spend 75% or more on programs."

In a speech before fundraisers and other nonprofit leaders in 2014, Nardizzi said,

"When a discussion takes place about costs, it's usually not with a positive tone; it's in the context of the conversation framed by the rating groups. In fact the conversation often arises with an express mention of the rating groups. In the benign sense, the message is: if only you could have been a more efficient charity; if only you could work a little harder to reduce your overhead costs, your administrative costs and your fundraising

costs. In the unfavorable sense, the message is this: you are a horrible human being, and you should spend less on fundraising. Many charity leaders have been subject to those conversations at one time or another.”

Steve Nardizzi’s response to that problem, however, is this:

“We get that rating because we choose to. Let me say that again. I get a three-star rating on Charity Navigator, I get a C plus rating by Charity Watch because I choose to. If I wanted to get a four-star rating, or an A rating, or a higher rating from any of these groups I could. But the reality is when my team and I looked at their rating systems we realized that if we followed them we would make less of an impact – not more. So we chose to ignore them.”

And remember Wounded Warriors Family Support, the group WWP sued in 2007, and was ultimately found liable for deceptive practices? Nardizzi says, “Unfortunately, Charity Navigator fails to even note the past deceptive practices of that organization when assigning it the same evaluation as WWP. I find that more than ineffective and misleading, I find that patently offensive.”³⁹

This is not to say that expense ratios at charities are unimportant. They are. How public dollars are spent should always be of interest to the individuals and the media and should be of ongoing and acute concern to those responsible for good management. Congress has created a unique and protected place in society for 501(c)(3) organizations; because they pay no taxes on their net income or investment gains, and because donors are permitted to deduct their charitable gifts to those organizations, everyone should be diligent about how money is used. The quest for finding or evaluating the good charity requires balancing the good the charity does for society (its impact) with how efficiently it spends its money, all the while taking into account the realities of the increasing costs of just about everything.

It is far wiser to manage the mission, not the ratings. Impact is the most important measurement of any charitable endeavor.

12. NOTE

A person researching any of my past public comments will see that I have often criticized charities for bad behavior and excessive spending on the wrong activities. In March 2015, for example, the Washington Post reported that International Relief and Development (IRD) spent lavishly on conferences. I was quoted as saying that the amount spent was “reprehensible.” I said, “I can’t imagine that an organization that holds itself out as helping poor people in foreign lands would spend money this way.”⁴⁰ Some may ask what the difference is between my observations about what IRD was doing and what WWP was doing. The answer is two-tiered:

- WWP, with revenues of over \$370 million, all of it philanthropic support, received no money from the government, while IRD, with revenues of \$259 million of support, received \$152 million – 59 percent – from the government. An organization so heavily dependent on government grants must employ a far different mindset from other charities. This is not to say that WWP’s spending was too lavish, but its business decisions – internal to the organization and not regular fodder for oversight agencies and watchdogs – can incorporate a more robust and long-term strategic mindset. Furthermore, IRD’s 990 for 2014 shows a mere \$25,047 spent on fundraising. Even removing the amount shown for government support,

that number is unrealistic – and calls into question the veracity of its reported numbers – as it claims that such a feeble amount resulted in over \$100 million of support.

- The other response is that the charitable world is complex beyond any description that could be put forth in this report. Many other factors, well past the numbers reported in a charity's 990, are in play when a real evaluation is conducted. The totality of organizational behavior, revenues and expenses, and impact show that IRD criticisms were deserved, while WWP's were not. That said, it is also interesting to note that while Nardizzi's salary, a source of criticism for some people in the CBS News and New York Times reports, was \$430,766 when WWP's expenses were \$351 million, while the chief executive of IRD earned pretty much the same amount, \$430,970, when IRD's expenses were \$247 million – over half of that granted by the government.

13. FINAL POINTS:

- 1) Both Charity Watch and Charity Navigator have criticized the WWP surplus, but, as a percentage of budget, both of those organizations had more of a surplus.
- 2) Marcus Owens (formerly of the IRS) correctly noted that the 990 is signed under penalty of perjury. If WWP, indeed all charities, complete the 990 the way Charity Navigator wants, the charity would be liable of perjury.
- 3) John Melia, the founder, former executive director and, most recently, a vocal critic of Nardizzi and Giordano, said that when he was at the organization, he vowed to never make more than \$199,000 a year in the job.⁴¹ Yet, according to WWP's 990s, in fiscal year 2009 Melia earned \$200,588, and 2010 he earned \$230,000, when WWP was smaller.
- 4) Donors are getting – and sending – the message about impact. In a recent survey, about one in three affluent donors said they could have given more last year but they didn't, in part because they wanted more information on what their gifts would achieve.⁴²

V. IMPACT

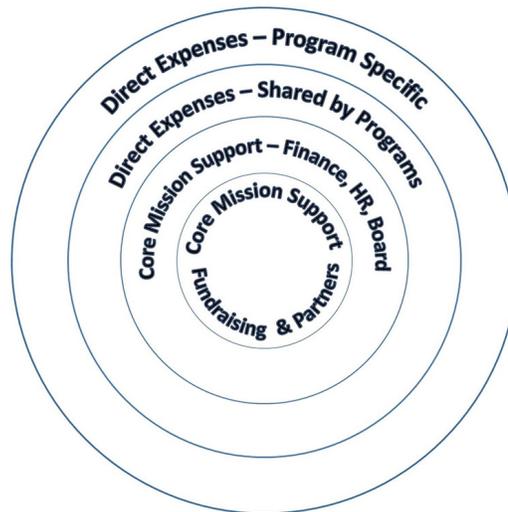
The allegations brought against the Wounded Warrior Project are a canary in the coal mine for the nonprofit community. Charities often come under heavy fire regarding the way their finances are managed, and for good reason. A priority on transparency is an essential component to establishing and maintaining trust among donors, volunteers, and the community at large. This is why national leaders in philanthropy utilize best practices to ensure a responsible amount of funds are allocated to the right programs in various nonprofits.

As nonprofits put a focus on being outcome-driven institutions our methods of holding them accountable must be equally outcome driven. There are organizations that do have lower fundraising costs, or administration costs, but there are few organizations that can match the difference WWP project makes in their communities and the lives they change with their programming; this is the quintessential item to keep in mind. There is, and must be, a necessity to prioritize allocation of funds to services; but there must be an equally equitable means of balancing that with the capacity to enact such services. Using irresponsible reporting methods and un-vetted sources to make wild accusations of charities will only damage the relationship nonprofits have with the public and diminish the capacity the nonprofit sector has to create meaningful, lasting change in the lives of those who deserve it most.

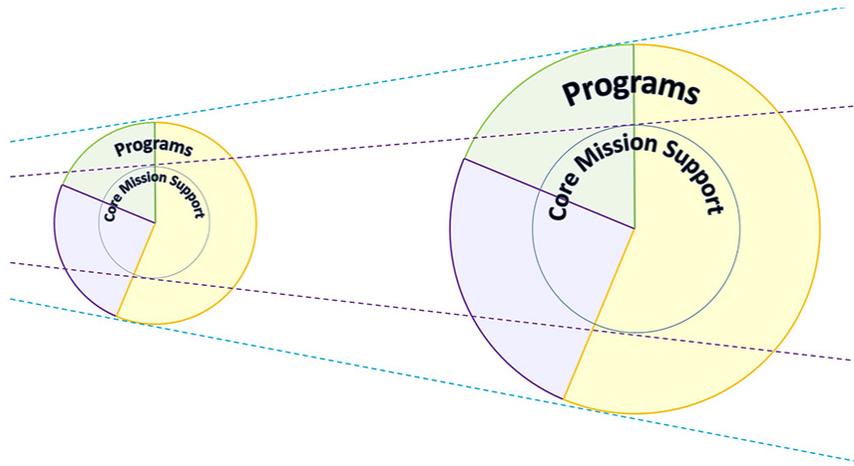
1. INFRASTRUCTURE

The first step is to understand the vital role of a charity's infrastructure,

In a thoughtful article in Nonprofit Quarterly, Curtis Klotz, who oversees the finances and operations of Nonprofits Assistance Fund, a Community Development Financial Institution in Minneapolis, makes a strong case that the public, and in particular funders, need to throw away the old pie chart that shows only program, administration and fundraising expenses – the pie chart constantly being force-fed to the public – and think in terms of infrastructure and how it affects programs. He says core mission support functions – 1) strong, strategic finance and accounting, 2) progressive human resources practices, 3) capable, responsive board governance, and 4) talented and engaged development staff – are necessary, vital, and integral.



“When funders support only direct expenses,” Klotz writes, “they deny funding for Core Mission Support. This leaves a Gap at the center of our organization. Not only is one program affected, but the health of the entire organization is at risk.”



“Investing in our infrastructure,” Klotz concludes, “is savvy, prudent, and absolutely necessary.”⁴³

Once we understand the role of a healthy infrastructure at a charity, the net is to use it to identify impact. Dan Corry, the chief executive of New Philanthropy Capital, a charity think tank based in London, has written about Impact. “Achieving good is about outcomes – the changes or benefits that result from what a charity or project provides. It means really making a difference. It's not just about the number of signatures on a petition or lives touched or mentoring sessions delivered, but the effect a service has on people's lives. And these effects have to be additional to what might have happened otherwise.

“This is surely what drives us as a sector. And if we don't try to get a handle on it we cannot know if we are really making a difference or work out how to improve what we do – instead relying on anecdote and stories, and potentially misallocating precious resources.”⁴⁴

It's obvious and it's important because the idea of impact speaks existentially to the nonprofit sector. While the so-called charity watchdogs give lip service to the importance of impact, none of their algorithms are built to take it into account. And, despite the growing conversation, very few United States charities have done much to measure the impact they have on their communities, which, for Wounded Warrior Project, includes wounded veterans, their families, and their caretakers.

If Wounded Warrior Project's goal is to “foster the most successful, well-adjusted generation of wounded service members in our nation's history,” then the issue is whether the organization has established ways to make sure that is happening and is able to report it to the public? After speaking to several current and former employees – another disappointing irony in the success of Erick Millette's public comments – it is clear that WWP has taken steps to not only create impact, but also to measure it.

Here are two representative examples of what grant makers who know WWP's programs told me: "WWP is doing more for veterans than any other organization in America, short of the VA." Also, this: "There's a lot of good intentions out there but not a lot of execution. WWP has great programmatic execution."

I spoke with a handful of people at foundations, and all of them said – emphasized – that they look for programmatic outcomes. Foundations, as distinct from individual donors or their family foundations are less susceptible to the entreaties of emotional appeals. While WWP has had no shortage of emotional appeals, they have been targeted, successfully as their fundraising numbers have shown, to individuals, but WWP has also been sure to measure its impact with its constituency – wounded warriors and their families – as well.

2. PROGRAMS AND THEIR IMPACT

Although much comes from WWP's most recently filed 990, I have independently confirmed the following information with Steve Nardizzi and Al Giordano, who were running WWP during the time that 990 covers (through September 2015), as well as with other current and former employees.

As of September 30, 2015, 78,639 warriors, and 13,730 family members had registered with Wounded Warrior Project. The mission of the organization is to honor and empower wounded warriors. The purpose of WWP is to provide vital programs and services to wounded service members and veterans in order to support their transition to civilian life as well-adjusted citizens, both physically and mentally.

The list of the following programs includes a description of impact as well as a numerically based impact summary.

- **Independence Program:** The Independence Program helps warriors live life to the fullest, and on their own terms. It is designed for the most severely wounded warriors who rely on their families and/or caregivers because of moderate to severe brain injury, spinal-cord injury, or other neurological conditions. In addition, the warrior's cognitive or physical challenges limit their opportunities to access resources and activities in their own community.

The program also grants funds to the WWP Long-Term Support Trust, which WWP established to provide the economic means to assist with long term care in the event of the warrior's separation from his or her current caregiver, by reason of the caregiver's death, disability, or other reasons.

The program is a team effort, bringing together the warrior and his or her full support team while creating an individualized plan for each warrior, focusing on goals that provide a future with purpose at no cost to the warrior and his or her support team. It's designed as a comprehensive long-term partnership intended to adapt to the warrior's ever-changing needs.

The program provides support and training for involvement in meaningful activities, including social and recreational, wellness, volunteer work, education, and other life

skills. Services provided include case management, life skills training, home care, transportation, and residential options.

The Independence Program served 493 alumni, and 347 caregivers. Seventy-seven point three (77.3) percent of respondents reported their quality of life has improved since entering the independence program. By the end of fiscal year 2015, there were 164 alumni enrolled in the Long-Term Support Trust.

- **Alumni Association:** The alumni program provides long-term support and camaraderie for wounded warriors through communication, events and networking. The alumni program offers a wide range of activities including educational sessions, personal and professional development summits, sporting events and recreational events that provide individuals a chance to engage with other wounded warriors. The alumni program also identifies, trains, and challenges leaders within the wounded warrior population to support their peers in their continued path toward physical health and well-being.

The alumni program had 78,639 warriors and 13,730 family members registered as of September 30, 2015, with a satisfaction rating of 93 percent for those who participated in alumni program activities. During fiscal year 2015, there were 50,603 in-bound contacts to the WWP resource center. In addition, WWP staff members conducted approximately 77,000 outbound outreach calls to warriors and caregivers.

- **Combat Stress Recovery:** The combat stress recovery program (CSRP) addresses the mental health and cognitive needs of returning service members and those who have already made the transition back to civilian life. The CSRP responds to the mental health needs of our warriors by addressing several key issues linked to combat stress, including post traumatic stress disorder (PTSD), the stigma attached to mental health, access to care, and interpersonal relationship challenges. CSRP services include Project Odyssey®, Continued Care and the Warrior Care Network™.

WWP challenges warriors to think about goal-setting and understanding their "new normal." Many warriors begin their journey with Project Odyssey®, an outdoor, rehabilitative retreat that promotes peer connection, challenging outdoor experiences, and healing with other combat veterans. WWP provides licensed mental health counselors at all Project Odyssey events.

The CSRP also provides continued care services to improve warrior resiliency and psychological well-being. This is accomplished through the establishment of goals and the identification and use of community-based resources. In addition, in order to enhance access and provide PTSD and Traumatic Brain Injury (TBI) treatment through an integrated care model, WWP has established the Warrior Care Network™. Warrior Care Network consists of four national leading academic medical Centers (AMCs) that will connect warriors and their families with world-class, evidence-based mental health care. These AMCs will provide warriors with multi-week, intensive outpatient programs and Individualized care. WWP has committed to provide institutional and financial support to the AMCs.

WWP distributed \$21,400,000 in grants to the academic medical centers during the year ending on September 30, 2015. There were 2,668 participants in project odyssey, and 2,879 served through CSRP continued-care during fiscal year 2015. Ninety (90) percent

of Project Odyssey participants reported they learned useful or very useful PTSD coping skills. Eighty-nine (89) percent of continued care participants have sought or are receiving mental health support 90 days after program participation.

- **Soldier Ride®:** Soldier Ride® is a unique three- to five-day cycling opportunity for wounded services members to use cycling and the bonds of service to overcome physical, mental or emotional wounds. Warriors of all ability levels can cycle on adaptive hand cycles, trikes and bicycles. In addition to the physical benefit, soldier ride helps raise public awareness of the challenges warriors face today through events held throughout the ride. Warriors take part in annual events, which challenge them physically and mentally. The events take place from the south lawn of the White House to local communities across the nation.

The soldier ride program served 1,845 participants in fiscal year 2015. Ninety-five (95) percent of participants said soldier ride made them feel more confident that they can meet their physical fitness goals. Total soldier ride expenses were \$19,467,915 for the year.

- **Physical Health & Wellness:** Physical health & wellness (PH&W) programs are designed to reduce stress, combat depression, and promote an overall healthy and active lifestyle by encouraging participation in fun, educational activities. PH&W has something to offer warriors in every stage of recovery. Four focus areas are inclusive: sports, fitness, nutrition, and wellness.

In fiscal year 2015, there were 18,052 participants in WWP's PH&W programs. Ninety-six (96) percent of respondents stated that as a result of their experience in a WWP PH&W event, they will seek out other sports or recreational activities within their community. Total PH&W expenses were \$18,815,707, including grants of \$1,124,981, for the year.

- **Warriors to Work®:** Warriors to Work is one of the cornerstones of WWP's efforts to achieve its strategic goal of economically empowering wounded warriors. This program assists wounded warriors with their transition to the workforce. It offers a complete package of employment assistance services including resume assistance, interviewing skills, networking, job training, and job placement. The program staff provides continued individual counseling and personal support to all program participants as they strive to build a career in the civilian workforce.

In fiscal year 2015, 8,698 warriors and family members participated in the Warriors to Work program, with 2,555 participants placed in part-time or full-time employment, and an economic impact of \$87.7 million from employment compensation. Total Warriors to Work expenses were \$10,637,714, including grants of \$635,000, for the year.

- **Benefits Service:** To help warriors make the most of their benefits and successfully transition to life after injury, WWP provides the tools they need to become financially secure. A key part of the benefits service program is support and education for warriors, as well as their family members and caregivers. WWP has a team of highly trained personnel that are accredited by the Department of Veteran Affairs to represent warriors and advocate on their behalf. WWP personnel represent warriors in their filing of claims for benefits with the Department of Veteran Affairs and Department of Defense.

In fiscal year 2015, there were 4,863 served through benefits service, with an economic impact of \$70.9 million in benefit awards. Total benefits Service expenses were \$9,148,826 for the year.

- **Transition Training Academy:** Transition Training Academy (TTA) provides warriors, family members and caregivers with an opportunity to achieve certifications in the information technology field. TTA classes are taught in a modified classroom setting with flexible class schedules to accommodate participants' medical and duty requirements.

WWP served 2,768 participants through TTA, with 90 percent of respondents reporting that the TTA course helped them feel more confident about their transition to the civilian workforce. Total transition training academy expenses were \$7,864,720, including grants of \$90,000, for the fiscal year ending September 30, 2015.

- **Track:** Track is the first education center in the nation specifically for wounded warriors. Track is focused on providing college and employment access to wounded warriors through its intensive and holistic training experience for the mind, body, and spirit. The 12-month program, which includes financial assistance for lodging and other living expenses, provides wounded warriors a jump-start on meeting their educational goals, while also supporting goals around personal health and wellness, mental health and career development.

Track served 110 participants in fiscal year 2015. Ninety-six (96) percent of track participants were immediately enrolled in school or employed after track graduation. Total Track expenses were \$7,219,126, including grants of \$994,391, for the year.

- **Peer Support:** Peer Support is the programmatic embodiment of WWP's logo, fostering relationships that enable one warrior to help another through the recovery process. The WWP peer support program mentors serve as listeners, role models, and motivators who can share their understanding and perspective with fellow warriors. WWP's goal for Peer Support is for the warrior being mentored to eventually mentor a fellow warrior – embodying the wounded warrior project mission and logo.

The peer support program trained and certified 420 new peer mentors, and 694 new mentor/mentee relationships were formed in fiscal year 2015. Total Peer Support expenses were \$5,376,840, including grants of \$90,000, for the year.

- **International Support:** Landstuhl Regional Medical Center is one of the first locations warriors are transported to when they are injured. Most of the time during transport, their belongings are not transported with them. WWP provides comfort items such as jackets, sweatpants, t-shirts, and blankets to warriors before they are flown back to the United States. WWP's goal is to make their stay and travel back to the states as comfortable as possible. For warriors stationed at the warrior transition units in Europe, WWP has multiple programs in place, including benefits counseling, transition training academy, soldier ride and combat stress recovery.

Total international support expenses were \$4,491,090, including grants of \$1,938,835, for the fiscal year ending September 30, 2015.

- **WWP Talk:** WWP Talk provides telephonic, emotional support to Wounded Warrior Project alumni and helps bridge the gap that may prevent participation in other programs. This helpline was created for wounded service members living with PTSD, depression, combat stress, or other mental health conditions. Together, the warrior and WWP talk teammates develop coping strategies to help the warrior overcome challenges and learn to thrive again despite invisible wounds.

In fiscal year 2015, WWP served 784 participants in the Talk Program. Ninety-nine (99) percent talk participants would recommend the program. Total WWP Talk expenses were \$2,609,915 for the year.

- **Education Services:** The Education Services program prepares warriors for success by helping them achieve their educational goals. Education Services guides warriors through their options with secondary education, provides customized plans for success, and educates warriors about campus resources available to them. Wounded warriors have different needs from those of typical students because of the institutional and social obstacles they might face due to combat stress, accessibility to learning models, and social instability.

There were 1,000 participants in Education Services in fiscal year 2015, with 96 percent of the respondents reporting they feel more confident and prepared for their educational future. Total Education Services expenses were \$2,642,657, including grants of \$86,602, for the year.

- **WWP Packs:** WWP backpacks contain essential care and comfort items including clothing, toiletries, playing cards, and more - all designed to make a warrior's hospital stay more comfortable. Backpacks are provided to wounded service members arriving at military trauma centers across the United States. Injured warriors overseas who are evacuated from field hospitals to larger military treatment facilities stateside or abroad receive a smaller version of the WWP backpack, known as the transitional care pack, for immediate comfort.

The WWP Packs program delivered 717 backpacks and 1,031 transitional care packs to wounded warriors in fiscal year 2015. Since WWP's inception, 18,737 backpacks and 44,204 transitional care packs have been delivered to wounded warriors. Total WWP Packs expenses were \$2,410,334 for the year.

- **Warriors Speak:** The Warriors Speak program is a group of wounded warriors and caregivers who have been selected to share their personal, inspirational stories of courage and integrity with the public. The speakers also describe how WWP has aided them in the recovery process and helped them transition back to civilian life. Participants are trained to become effective spokespersons through the warriors speak course, which includes tools to help them organize thoughts, compose presentations, and communicate successfully. The training provides important life skills that help warriors succeed socially, at their workplace, and as community leaders.

In fiscal year 2015, Warriors Speak representatives spoke at 389 events raising awareness about warrior challenges and WWP programs to 243,601 people in attendance. Total Warriors Speak expenses were \$1,902,997 for the year.

There can be no doubt that, while some might point to flaws or only-yet-to-be-realized dreams, Wounded Warrior Project cannot be accused of a lack of effort, success, or transparency connected to its work to create an impact on its community. Media accounts, evaluators, and critics – such as Erick Millette or Charity Navigator – do not have the authority to complain or criticize without first understanding the complexities of running a modern charity or, at WWP, the programs that help tens of thousands of wounded veterans, their families, and their caregivers.

THE VOICES OF WOUNDED WARRIORS

“I don’t know what injured veterans would do without Wounded Warrior Project.” “Wounded Warrior Project saved my marriage.” “Wounded Warrior Project saved *my life*.” Those – and, yes, I spoke with almost two dozen people to research this report – who said that WWP saved their lives were not embellishing anything – they were being literal and serious. Other comments about the worthiness of Wounded Warrior Project were as literal and serious, as well.

Two common themes emerged from the discussions I had with wounded warriors: 1) Wounded Warrior project is a very good organization, and 2) the media got it wrong. Many of the people were unwilling to speak on the record, however. There is an irony in this. Both The New York Times and CBS News spoke with anonymous individuals because they feared the possibility of retaliation (according to the reports), even though all of them were former employees. The people I spoke with, other than current employees, were mostly concerned about how a public condemnation of the board’s response to the stories would look. That response, after all, was my main concern with those closely associated with the organization.

Charlie Battaglia, a former WWP board member, is gently critical of the board’s response. “The organization had 25 staff in 2006, and it grew fast,” he said. “It grew fast and did well, and so it attracted the ire of outsiders.” About the disparaging allegations in the news stories, he wrote in August 2016, “The reports were alarming, and while in the end many of the allegations were proven to be untrue, the concern they sparked left many donors confused and unsure about whether to continue their support. That is incredibly frightening, because the people that will be hurt the most are the ones most in need of our support.” He also heard the same comments, over a far longer period of time, that I heard. The “constant refrain of wounded veterans was: ‘WWP saved my marriage,’ ‘WWP saved my job,’ or most pointedly, ‘WWP saved my life.’” This “convinced me of how incredibly important the life-changing programs run by the organization and the money that funded them were.”⁴⁵

This is not unimportant. It is not mere posturing or public relations. The central idea, put forth by almost everyone – other than the 40 or so anonymous disgruntled former employees, except for Erick Millette, who has complained publicly – is that Wounded Warrior Project is a good and important charitable organization. Battaglia also wonders if those close to but critical of WWP fully understand the whole picture. “Did the whistle blowers have any access to all the financials? Were they just extrapolating things without realizing costs were not what they thought?”⁴⁶

This is an essential issue. Every nonprofit organization must adhere to two important aspects of the Sarbanes Oxley Act.¹² One of them is whistle-blower protection, where organizations must “develop, adopt, and disclose a formal process to deal with complaints and prevent retaliation. Nonprofits are required to investigate employee complaints and correct any problems or explain why corrections are not necessary.”⁴⁷ Both Nardizzi and Giordano told me that they take this matter seriously. WWP welcomed whistle-blower comments. But as with any allegation, what a whistle-blower says must be vetted. That is, just because a person holds himself out to be a truth-teller, the accuracy of the proclaimed truth must be shown. Almost no one I spoke to saw any truth – when it came to putting their comments into context – in what the media or Millette said. As the former board member Charlie wrote, “There is the adage that one's perception is one's reality. There is also the adage that one is permitted to have his own views, but not his own facts. WWP may recover its funding support over time, but it will be the wounded veterans it is serving with excellent programs who will suffer in the interim.”⁴⁸

¹² The Sarbanes-Oxley Act of 2002 (SOX) is an act passed by U.S. Congress in 2002 to protect investors from the possibility of fraudulent accounting activities by corporations. The SOX Act mandated strict reforms to improve financial disclosures from corporations and prevent accounting fraud.

VI. WHY NOW?

While it was easy to get caught up in the “what” of the story, the “why” has been overlooked. That is: Why did the story break when it did? What happened? Usually, an event – a hurricane, a death, or the discovery of misdeeds – triggers a news story. In this one, although misdeeds were alleged, nothing specific happened, nothing new was discovered. Dave Philipps of The New York Times said it was not so much a “scoop” as a “deep survey.” But something must have happened that turned this issue into a news story that was prominently placed and aired by two of the most venerable news organizations in the United States.

Perhaps the most obvious answer is that, once CBS News got wind of the Times story, it rushed to get its own on the air. But could there have been other pressures in the mix? Here, it must be noted, I move from verifiable facts and known context, which alone almost wholly refute the allegations, to an extrapolation. In doing this, I admittedly use the information gathered from talking with several people who, while they do not want to be identified, seem credible because of their experience, knowledge of Wounded Warrior Project’s programs, staff and board members, and their current positions.

While it appears that The New York Times and CBS News coordinated the timing of their stories, Dave Philipps, the reporter who wrote the Times story, says that was not the case. In response to my question asking him about that, he responded:

“I was contacted in . . . June of 2015 by a small group of employees and former employees who felt like the leadership at WWP was going in the wrong direction. Their main concern was that good employees were getting fired for no reason. I was working on another big project at the time, so I slowly called around in [my] spare time, talking to members of the group as well as dozens of people I found on my own. It was important to me given the gravity of the story to reach out to all kinds of current and former employees, not just a small group that would be accused of being disgruntled.

“The type of reporting I was doing wasn't a ‘scoop’ but a deep survey of what was going on, so I wasn't worried about any competition. There just aren't that many reporters that do that kind of work. I finished the story in December but, because of its length, complexity, and vacation time for staff, it did not get read for a few weeks, and then, was waiting in line behind other more timely enterprise stories to run.

“Sometime in December both the Wall Street Journal and 60 Minutes got onto the story. I was notified by sources who had been contacted by them, but I don't know why they decided to start the story when they did -- maybe it was a tipster, maybe it was zeitgeist. My feeling was that I was so far in front of them that it wouldn't really matter. They weren't going to get dozens of interviews before we printed.

“The WSJ had the same thought, and canned their reporting. 60 Minutes did something different. They rushed their story, figuring if they could do a scaled-down version, they could beat us. Turns out they were right. I knew from sources that the story was coming in a day or two. The looming TV story pushed our editors to get our piece in the paper, but not until 14 hours after the first TV story.

“I know to the news consumer it likely seemed like a coordinated one-two punch, but it was anything but.”

As a follow-up, I asked if he meant the CBS Evening news and not “60 Minutes:

“Thanks. It was a 60 minutes reporter and the project was initially envisioned for 60 minutes until they realized they would have to hustle or get beaten, then they switched it to the evening news.”⁴⁹

The feelings against WWP had apparently been growing. The people I spoke with said that it is widely known that WWP has received a harsh assessment from other veterans’ organizations. The writer of a Daily Beast article in 2015 opined that WWP was a “bully,” and quoted David Brog, the executive director of the Air Warrior Courage Foundation, as saying that WWP is “not looked upon very highly by [the veterans community].”⁵⁰

But criticism also came from the highest ranks of the military; namely Admiral Michael Mullen, the former chairman of the Joint Chiefs of Staff. “It is no secret,” I was told, “that Mullen, and even Donald Rumsfeld, hate WWP.” But, weaving together dozens of interviews, it begins to appear that Mullen is only one piece of the puzzle. And it’s difficult to deconstruct things to put order to the reason, to explain why one of America’s most venerated and well run charities, along with the authors of its success, have been so vilified without reason.

One piece of the puzzle involves the success of Wounded Warrior Project – not only in terms of its fundraising but in terms of its program accomplishments. While some people feel that WWP raises money too aggressively, others feel a sense of rivalry, which has led to jealousy. And the only way to deal with jealousy, we mistakenly think and feel, is to take down the object of that jealousy.

In 2010, a white paper entitled “The Sea of Goodwill,” which outlined the support America provides its wounded warriors, was published.

“The highest levels of government are so committed to this support that warrior and family support efforts are now incorporated into the national security decision making process during monthly Interagency Policy Committee and routinely held Deputy and Principal Committee meetings. Today, unlike any generation in history, citizens across the country are supportive in word and deed of the American Active Duty, Reserve, and National Guard Soldier, Sailor, Airman, Marine, and Coast Guardsman. Our nation is so full of support for our Service members it is difficult to illustrate all the organizations and individuals trying to do their part to support our veterans. Admiral Michael Mullen, the Chairman of the Joint Chiefs of Staff, calls this a “Sea of Goodwill” of American support. He notes, “The challenge...is how do you connect that sea of goodwill to the need?”⁵¹

The paper, authored by Major John Copeland and Colonel David Sutherland, was sponsored by the office of the Chairman of the Joint Chiefs of Staff. At the time, that position was held by Mullen. Not one person I spoke with provided anything other than this sentiment: Mullen dislikes Wounded Warrior Project. No one could put a finger on why, but the prevailing opinion was that WWP’s advertisements, which depicted catastrophically wounded veterans, resulted in fewer applications by potential volunteers to join the military.

On April 24, 2013, Steve Nardizzi, after he kept hearing negative comments about WWP attributed to other veterans organizations and military personnel, reached out to invite David Sutherland, who took credit for authoring “Sea of Goodwill,” to the WWP headquarters in Jacksonville, Florida. Steve and other senior members of the staff provided a full briefing for Sutherland, outlining the program and the metrics used to gauge the effectiveness of those programs. According to Nardizzi, “Sutherland was unmoved. He came away from all that with the impression that we were good only at fundraising, and that we were using all the wrong metrics.”

In the nonprofit world, using the right metrics and measuring impact are two of the biggest questions nonprofit leaders are asking, but even though much attention has been paid to them over the past few years, no one has been able to identify or define the most answers. Nardizzi told Sutherland that if he can provide better metrics, then he would be interested in learning what they are. Sutherland did not respond – either that day or afterward.

Nardizzi then set up a meeting with Michael Mullen because he heard that Mullen too was criticizing WWP. That meeting took place in Mullen’s office at the Naval Academy in Annapolis, Maryland, a month or so after Nardizzi’s meeting with Sutherland at WWP’s headquarters. The purpose of the meeting was for Nardizzi to hear Mullen’s criticisms and learn how WWP could change for the better.

The meeting did not go well. The first odd thing was that Sutherland was at the meeting, even though Mullen made no mention of this beforehand. It was as if Mullen wanted to strengthen his forces. After being asked his concerns – and before Nardizzi was able to review WWP’s work, spending, metrics and impact – “Mullen went on a rampage,” according to Nardizzi. “He said we had no metrics, that we were not transparent, that our ads victimized warriors and that we generally weren’t doing good work.”

Then, “When I asked if he’d visited our website, he said ‘no’ – to which I said that’s too bad because it’s all there. We strive for the best in transparency, and all our work, all our metrics are right there for anyone to see.” Mullen then said, according to Nardizzi, that he would defer to Sutherland. “At that point there was total silence.”

Nardizzi remembers that Mullen said, after the tension abated, that the ads “victimized warriors.” “He seemed to be saying the ads put military service in a bad light. Nardizzi countered by pointing out that this is a population that most charities don’t serve well, and that it was important to get the word so that the public could help support the catastrophically wounded. “These are real warriors,” he said, “and I’m not going to silence their voices simply to satisfy the Department of Defense.”

The meeting ended, Nardizzi thinks, with Mullen unconvinced that the WWP ads did any good.

In February 2015, WWP held a five-year strategic planning meeting in Washington, DC. A little over a dozen people attended. Among them was René Bardoff, the Deputy Assistant Secretary of Defense, Public Affairs, United States Department of Defense. In a discussion on force readiness – the measure of the military’s ability to respond to national security needs – Bardoff said she heard at the Pentagon that the ads were negatively affecting force readiness. The comment was apparently meant with prejudice against the ads. Another participant, Pete Chiarelli, a highly decorated retired four-star Army general, responded that he had not heard that, and strongly disagreed. At a WWP advisory council meeting a few weeks later, Rick Tryon, a three-star

Marine general and the former head of recruiting for the Marines, is reported to have said, “there was no way the WWP ads had an impact on force readiness.”⁵²

As for the need for WWP – and the need to advertise the realities of war – one wounded veteran said in a WWP advertising video that had he known how the government would treat him, he would not have joined. He wasn’t saying he would not have sacrificed, but that he was unaware of how little the government cares and that WWP saved his life. Nardizzi conveys just how uncomfortable the Department of Defense may have been when he tells how Anthony Odierno, WWP’s chairman of the board – and son of General Raymond Odierno, who served as the 38th Chief of Staff of the United States Army – directed Nardizzi to pull that wounded warrior’s quote from the video.

When David Sutherland, who worked for Mullen, left government service, he began to heavily criticize Wounded Warrior Project. Mullen, it was said, relied on Sutherland’s assessment. In the years since, Mullen is reported to have met with several veterans’ charities, a group collectively called “White Oak” – characterized as an “invitation-only cabal of nonprofits,” where one participant said, “It was blood sport to bash Wounded Warrior Project.” One source told me that subsequent to the media allegations, Mullen called a meeting with other veterans’ organization to ask them not to work with WWP.

Since 2012, Sutherland has served as the chairman and chief strategist for military and veterans’ services of the Dixon Center Dixon Center for Military and Veteran Services at Easter Seals. Deborah Mullen, Michael Mullen’s spouse, is heavily involved with the Easter Seals chapter that serves the District of Columbia, Virginia and Maryland, and served as the honorary chair for the 2013 Advocacy Awards Dinner. Because of Sutherland’s animosity, WWP wanted to be sure not to work with organizations that also worked with the Dixon Center; in effect WWP would be funding an organization that may do WWP harm.

Enter the Institute for Veterans and Military Families (IVMF), a program at Syracuse University. In June of 2013, representatives met with the people at IVMF, who wanted WWP’s financial support. At first, WWP agreed, but later discovered that IVMF had entered into a Memorandum of Understanding with the Dixon Center, at which point WWP decided against working with IVMF – again, not wanting to fund organizations that were likely to be antagonistic to its purposes. At that point, both Dixon House and IVMF were marginalized by WWP. This was not because WWP did not want other organizations in the space to help veterans, but because it didn’t want to potentially fund its own demise. As a result, however, both Dixon House and IVMF were, and continue to be, upset with WWP.

Enter Richard Jones, the board member of WWP and senior executive at CBS. Jones’s position at CBS is the Executive Vice President, General Tax Counsel and Chief Veteran Officer. His role as a board member at Wounded Warrior Project is chair of the audit committee. It seems odd that the chair of the organization’s audit committee did not come to the rescue when the organization was criticized for its accounting procedures. Jones did, after all, oversee the process, and his training and experience makes him an expert – far more of one than any charity watchdog group – in the area of financial accountability.

In a letter to CBS disputing the allegations, WWP cited a lack of communication. CBS had claimed that WWP denied repeated requests for comment from Nardizzi, but WWP said it tried to “set the record straight” before the original report ran, and that CBS “willfully set aside” important information provided by WWP and failed to contact the charity through readily available channels.

“At a minimum,” the letter said, “prior to running the story, CBS could have contacted one of its own senior executives, Richard M. Jones, CBS executive vice president, general tax counsel and chief veteran officer, by calling him at extension 2978. You are fully aware that Mr. Jones is a Wounded Warrior Project board member and Wounded Warrior Project’s audit committee chair, and has the ability and insight to provide you with accurate and truthful information regarding Wounded Warrior Project’s financial documents.”⁵³

But that did not happen.

As it happens, Jones is a board member of both Dixon Center and the Institute for Veterans and Military Families. That is, in what surely seems a conflict of interest, Jones serves on the boards of two organizations that very much dislike WWP, while at the same time serving on the board of WWP. This raises the question of why Jones is on the WWP board. (Jones’s service on the Dixon Center board began in January 2010 and his service on the IVMF board began in January 2011. His board service at WWP began in March 2013.) According to Nardizzi, Jones approached him about becoming a board member. The only reason with possible substance that I have been told regarding the timing of his appointment involves a quid-pro-quo: his board assignment took place shortly after CBS ran a free public service announcement on behalf of WWP during the Super Bowl in 2013.

There seems to exist a strange nexus – Mullen, the Dixon Center, IVMF, a rushed report by CBS News, and Richard Jones, with Jones touching all the points.

VII. THE BOARD OF DIRECTORS

Even though they are often silent and in the background while the executive director is the public face of a nonprofit organization, the board of directors – the governing board – is the most important group of people at any charitable organization. Each board member must adhere to three duties:

- **Duty of Care:** Each board member must care for the organization by ensuring prudent use of all assets, including facility, people, and good will; he or she must also provide oversight for all activities that advance the nonprofit's effectiveness and sustainability.
- **Duty of Loyalty:** Each board member must make decisions not in his or her self-interest, but in the best interests of the organization.
- **Duty of Obedience:** Each board member must ensure that the nonprofit organization obeys applicable laws and acts in accordance with ethical practices, that the nonprofit adheres to its stated corporate purposes, and that its activities advance its mission.⁵⁴

The board establishes the policies that the executive director and other senior staff are responsible for executing. This fact is often overlooked because the most senior staff person (the executive director, chief executive officer or president) is usually the one who generates the public attention for the organization's accomplishments – and failures.

I have found no evidence that, at least before the media allegations made public in January 2016 against WWP were being prepared, that the board acted in any way contrary to what could be described as adhering to its legal obligations or to properly overseeing a healthy and growing organization. But conflict often tests the board's resolve and otherwise principled behavior. In this case, it appears that the WWP board acted less diligently than was prudent to respond to the crisis. In fact, after talking with several current and former WWP employees (post-crisis), the broad sense is that there was (and this continues) a "climate of fear" at the organization, and much of that, it is thought, emanates from the board.

Some employees criticized Nardizzi and Giordano for creating a toxic culture in which minor offenses and disloyalty were punished, but that was not a staff-wide sentiment. In fact, for several years in a row, the staff voted WWP as the number one nonprofit to work for, and in 2013 the Nonprofit Times conducted a survey in which WWP was the best nonprofit in the United States to work for.⁵⁵

While there has been no indication that the pre-crisis relationship between the board – or, more specific and important, the board chair – and Steve Nardizzi¹³ was wanting, the board's actions in the aftermath of the allegations would make it seem as if all was not well. After all, a nonprofit board is generally not motivated to fire top staff people when they are doing a good job.

¹³ One of the most important relationships at an organization is that between the board chair and the most senior staff person.

But as the evidence unearthed by the research conducted in this report has shown, both the executive director and the chief operations director were doing an excellent job.¹⁴ If the research is not faulty and evidence to the contrary cannot be shown – as it has not been – then serious questions arise relating to board governance. After all, the allegations, coupled with a lack of clear response to them and the lack of support for the CEO and COO, created a crisis from which WWP may not fully recover, at least not anytime soon. As mentioned earlier, fundraising is projected to be down dramatically in WWP’s next fiscal year, and an announcement on September 1, 2016, the organization announced that half its senior staff and an additional 100 positions were terminated.

While the narrative is being built that WWP’s new staff leadership will correct many wrongs, it must be pointed out that any mass layoffs and any large drop-off in contributions are not the result of what happened prior to January 2016. It’s what happened after. And what happened after was wholly orchestrated by the board of directors.

Another, separate matter must also be singled out: Richard Jones, a Wounded Warrior Project board member, also a senior executive at CBS Corporation – and add to that his duties as WWP’s chair of the Audit Committee – had a serious conflict of interest as the crisis developed. As he was actively involved in overseeing WWP’s response to the CBS News investigation – an investigation that would address criticisms of the way WWP reported its audited numbers – Jones should have recused himself from discussions the board conducted concerning the issue.

QUESTIONS

Several issues arose that prompted questions about the board’s behavior; as part of this review, I sent the following questions to each board member.

1. When did the board learn that The New York Times was preparing a story on Wounded Warrior Project?
2. How long after that did CBS launch its investigation?
3. In the aftermath of the initial CBS story (on January 26, 2016), Wounded Warrior Project issued a demand to CBS to retract its false accusations. Why did WWP delete that request from its website in the aftermath of the firings of the Steve Nardizzi and Al Giordano? Why, since the oral review reportedly confirmed the falsehoods of the allegations, was this demand rescinded?
4. Did any board members attend the All Hands conference in Colorado? If so, how many? Did any board member, whether or not he attended, criticize anything about the conference? If so what was the criticism and when was it made?
5. Did CBS stake out the house of board member Richard Jones, a WWP board member, in addition to that of other board members, in the aftermath of the initial CBS report? If so, for how long, and why did they leave without filming him? Why did they do this in light of the fact that Richard Jones works at CBS?

¹⁴ That, of course, is a subjective assessment, but it is based on what I learned during the course of this investigation and on what my decades of experience in the nonprofit world has taught me of management and governance.

6. I understand that Richard Jones sat in on and conducted interviews with the Wounded Warrior Project staff in the investigation into the allegations made by CBS and The New York Times. Why was this allowed to happen, given that he is also a senior executive employed at CBS? Jones is an individual of influence in this crisis and had (has) a clear-cut conflict of interest. Why did Jones remain on the board during the investigation? Who invited Jones onto the WWP board and why was he confirmed? During his WWP board member vetting process, did Jones disclose his simultaneous board service at the Institute for Veterans and Military Families and the Dixon Center – organizations whose leaders are openly hostile to WWP? If he did disclose this, why was he brought on? If not, why did he not disclose it?
7. Did someone on the board leak to CBS that Nardizzi and Giordano were fired? If not, how did CBS get the story first? How did CBS get it before there was any announcement to the employees of Wounded Warrior Project?
8. Were officials at the Department of Defense informed of the firings of Nardizzi and Giordano before they were actually fired? When were they informed and why?
9. Why was there no written report released by Wounded Warrior Project about its investigation into the allegations made in The New York Times and CBS stories? Did the accusations not merit a written report?
10. Why, if the oral report exonerated Wounded Warrior Project's financial statements (as the board's news release of March 10, 2016 strongly implied), did the board not articulate on CBS that the network was wrong? Board chair and acting chief executive officer Anthony Odierno said on CBS that the oral report did as much – but without pointing out that the falsehoods came from CBS. Why was this not articulated?
11. Did the board negotiate a quid pro quo with CBS? To wit, Wounded Warrior Project gets to issue a denial of the allegations while simultaneously firing its executives – the latter grabs the headlines, which has the effect of seeming to validate the accusations, while the denial is buried.
12. Why did the board not articulate a stronger rebuttal? Why did board members gag the staff?
13. Did the board decide to stop running the commercials depicting the catastrophically wounded? If so, why did it stop running them?
14. Did Wounded Warrior Project make a \$5 million contribution to the Invictus Games sponsored by Fisher House? Was Ken Fisher, the head of Fisher House – another, independent charity that performs similar work – put on the Board of Directors? If so, why?

No one from the board responded, other than one member who emailed me to say that he would defer to the board chair regarding any response. But someone sent the questions to Tom Johnson, the chief executive officer of Abernathy MacGregor, the firm the board hired to oversee the firings of Nardizzi and Giordano. Johnson told me, “The board has no additional comments beyond what they have said publicly.” Also, “The board feels that some of the questions should be directed to CBS, and not to them.”⁵⁶ That no board member responded, not even the chair, is telling. Alas, other than by piecing together fragments of the story from third parties, the full task

for which is well beyond the scope of this report, we may never know the answers to these questions, and therefore the entire truth of the crisis.

The new chief executive officer, Michael Linnington, is, by all accounts, a good and decent man. Everyone I spoke with wishes him well in his new role. His background, as described on the WWP webpage: “Prior to joining WWP, Michael was the first permanent Director of the Defense POW/MIA Accounting Agency (DPAA), following his retirement as a Lieutenant General from the U.S. Army. He served as the Military Deputy to the Under Secretary of Defense (Personnel and Readiness) from 2013 to 2015 and as Commanding General, Military District of Washington and Commander, Joint Force Headquarters-National Capital Region from 2011 to 2013.”⁵⁷ Still, the charity, at least until this past year, was a \$400 million organization, serving tens of thousands of wounded warriors and their families with almost twenty programs, a task rivaled only by the Veterans Administration. It is a major charitable entity with a great deal of administrative complexity.

Is Linnington’s background the right fit for WWP’s needs? Even in a calmer environment, a large nonprofit is best served by management experience. Linnington “has never been outside the Department of Defense,” one person observed, reflecting a concern of many others I spoke with. “Is he prepared? The military prepares you to excel in leadership, focus and passion. The nonprofit world is much different.”

While leadership, focus and passion are in demand at nonprofits, as well as in the military, the military provides a well-defined structure; when a commander needs more money or personnel, he or she simply asks for it. (It may not be provided, but that’s another issue.)

Furthermore, the military might not be the best place to find someone to oversee financial activities. “The United States Army’s finances are so jumbled,” according to an August 2016 Reuters news story, “it had to make trillions of dollars of improper accounting adjustments to create an illusion that its books are balanced. The Defense Department’s Inspector General, in a June report, said the Army made \$2.8 trillion in wrongful adjustments to accounting entries in one quarter alone in 2015, and \$6.5 trillion for the year. Yet the Army lacked receipts and invoices to support those numbers or simply made them up.”⁵⁸ This may or may not be endemic to our entire defense structure, but it is consistent with many peoples’ concerns about the state of the government’s budgeting process. In the nonprofit world, while pursuing a mission, leaders must define their resources and actively pursue them to stay alive – fundraising needs determine almost everything at a nonprofit.

Linnington’s tasks are formidable, especially as so much of his new role is both generally uncharted territory for him and as Wounded Warrior Project is experiencing a uniquely tough period in its history. But he has so far demonstrated a sense of awe for his new position and for the organization’s mission. An intelligent open mind and a willingness to learn are quite possibly far better characteristics of a leader than any particular skill set.

Since he was hired, however, Linnington’s narrative – most certainly driven by the board – seems to be this: Now that we have our troubles behind us, we’re going to shape up and get leaner and meaner, and properly honor wounded warriors in the way they deserve. In an interview with WJAX in Jacksonville, Florida, Linnington said, “Perceptions are reality. I regret the perception

being out there that we've not shepherded the resources we (were) given to the maximum impact, and those reports are what's caused us to look at ourselves and what is focusing me to look at ourselves for how we can do better."⁵⁹

Going forward will not be easy. Linnington must essentially dance on the edge of a knife. On the one hand, because much of the public currently takes the media reports at face value and therefore thinks that WWP went disastrously wrong, he has to send the message that things will get better. On the other hand, he surely understands that the media stories were highly suspect and that the organization had by any measure been doing well – not poorly – and so can't place the blame for the organization's current woes at the feet of the former top executives.

Even CBS picked up on possible board alarm after the firings. "[Board chair Anthony] Odierno was appointed interim CEO, but CBS News has learned he works for a bank in New York, and is not running the daily operations of the charity in Jacksonville," Chip Reid reported in March 2016. "He canceled a planned meeting with [John] Melia after he threatened to make public the phone calls he recorded with board members that he says show a board in disarray." Melia, a co-founder of WWP, had accused the board of not doing its job. "The same board that oversaw these problems, who approved the budget, is the same board trying to fix the problem," said Melia. "Tony is a good and honorable servant of our country, but Tony was frankly asleep at the wheel."⁶⁰

Melia, and others criticized the board for not providing proper oversight – while almost all of those with whom I spoke criticized the board, not for a lack of proper oversight, *but for not supporting its top executives in the face of allegations that were known, as a result of the review commissioned by the board, to be unfounded at the time of the firings*. One former board member (not Battaglia, although he may agree) provided a representative sentiment when he said that the "board cut and run. They must have signed off on the larger strategic initiatives that Steve and Al put forth. They were partners in all of this. They can't criticize without criticizing themselves. They were fired for optics? Yes, they were, weren't they? They put them in the wind to dry. That was not honorable."

CONFUSION

The question going forth – the most important issue the board must face – centers on the financial stability of Wounded Warrior Project. Although the programs in pursuit of its mission to honor and empower wounded warriors are ultimately important, they will go nowhere without the proper financing. In notes attached to the organization's audited financial statement for fiscal year 2015, which was released in August 2016, the reader will see the following: "Negative media stories in January 2016 regarding the organization prompted inquiries and requests for documents from Senator Grassley on behalf of the Committee on the Judiciary and from other parties. The organization responded to these inquiries and requests, and management does not believe they will have a material adverse effect on the organization's financial position, results of operations or cash flows."⁶¹

Read that carefully. If the organization's "management does not believe" that the negative media stories, "will have a material adverse effect on the organization's financial position, results of operations or cash flows," then why is the current estimate of financial support for the coming year expected to be about \$200 million less than before the crisis? This is no small matter. Such a decrease might well represent, in both amount and impact, the most devastating loss of any large nonprofit organization ever seen in the United States.

Nardizzi has recently gone on the offensive. The Chronicle of Philanthropy reported on August 26, 2016, “Steven Nardizzi, who was fired in March as chief executive of the Wounded Warrior Project is criticizing his former organization again, slamming its trustees for what he calls a lack of honesty and openness concerning an allegedly dire financial situation. What’s more, he says the group’s troubles have been compounded by the organization’s ineffective response to negative news-media stories about the group’s spending policies while he was running the charity.”

Nardizzi and Linnington spoke on the phone on July 6, 2016 – after Linnington was hired but before he assumed his role as CEO – about the financial projections, and the two publicly disagree about what was said. Nardizzi said that Linnington told him that revenues, most of which would consist of donations, were expected to drop to \$185 million for the next fiscal year, which would result in a large number of layoffs, as well as a reduction of services to the wounded warrior community the charity serves. But the Chronicle story reported that Linnington said Nardizzi was wrong. When he was asked what the correct estimate was, however, Linnington said “he’d need to get permission from the organization’s trustees to disclose such figures.” The board did not respond to the newspaper’s inquiries on the matter.

In addition to claiming Nardizzi was wrong, WWP said in a statement that it “was still developing its budget for fiscal year 2017, which starts in October [2016]. The nonprofit plans to present its budget for next year to its trustees at the end of September.” But that is an odd assertion – still developing the budget – because the budget for fiscal year 2017, which would begin in a little over one month from when that statement was issued, would normally be determined well in advance of that time, especially for an organization with hundreds of millions of dollars of revenue and commitments.

Then, something even more odd: Linnington told the newspaper, “Wounded Warrior’s fundraising could end up being much stronger than any such forecast. It could be \$185 [million]. It could \$155. It could be \$355. I mean we haven’t even started advertising.” The account continued, “Nardizzi countered that by saying that Wounded Warrior, at best, has outperformed budget estimates by about 10 percent or 15 percent but has not done any better than that. He said it’s possible that the projection has changed since Mr. Linnington provided it to him, but in his experience as chief executive, such figures don’t fluctuate too much.”⁶²

One can only be incredulous at what seems to be a blithe approach on the part of Linnington, and quite possibly on the part of the board as well, to both budget forecasting and the impact dramatically reduced revenues will have on programs. Linnington strongly implied that advertising, as if it were an easily regulated spigot, will save the day. But it will not.

A literal reading of the note in the financial statement – “management does not believe they [the media reports] will have a material adverse effect . . .” – may actually make sense: the biggest culprit was not the media. Instead, the problem was the response by the board – the silence in the immediate aftermath, the firings without explanation, and deficient board strength and organizational leadership.

FIRING THEMSELVES

In June 2016, the board of directors of the American Red Cross was confronted with blistering attacks on its executive director, Gail McGovern, charges that were made after ProPublica and National Public Radio conducted research involving the organization's 990s, program effectiveness and a withering report from the office of Senator Charles Grassley on the Red Cross's spending and openness. The Grassley report, born out of an 18-month inquiry about the Red Cross response to the 2010 Haiti earthquake, accused Ms. McGovern of gutting the charity's in-house ethics and investigation unit and trying to snuff out a Congressional review of the nonprofit's practices. It doesn't get much worse than that. Regardless of the accuracy of those charges, they make those against Wounded Warrior Project look like not much more than an insignificant irritant. Still, this is how the board chair, Bonnie McElveen-Hunter, reacted. "Gail McGovern is respected, admired, and really has 100 percent confidence of the board. Frankly, we think the nation should be casting laurels at her feet."⁶³

The WWP board was faced mainly with out-of-context criticism from a small group of anonymous, disgruntled former employees and with inadequate evaluations from self-described "ratings agencies" that lack credibility. (Evaluating is one thing, but, to be taken seriously, those doing the evaluations should possess some authority.) Yet Nardizzi and Giordano received no such support. As one long-time donor, a combat-wounded, double-amputee Vietnam veteran, stated when he canceled his monthly donation, "Some of them [your board members] might have been heroes on the battlefield, but they are all cowards in the boardroom."

After an examination of the sequence of events and the evidence, it seems likely that the self-inflicted damage is more than the current board can handle. As a result, its members might well consider a transition strategy to effectively replace itself. The honorable decision at this point would be for the board – the six members who were there when the firings took place: Roger Campbell, Justin Constantine, Richard Jones, Guy McMichael, Robert Nardelli, and Anthony Odierno – to resign. This was not a senior staff problem. This was, and quite possibly still is, a board problem.

ACKNOWLEDGMENTS

David Berg, an attorney at Berg & Androphy in Houston and New York City, who provided and organized extensive research on the media allegations

Zenobia Harris Bivens and **Victoria Mery**, also attorneys at Berg & Androphy, who conducted much of the research provided by David Berg

John El-Maraghy, a student at Rutgers University and a volunteer for several causes, who provided research on 990s for several organizations

Anthony Pulgram, a former student of mine at and graduate of the Masters in Nonprofit Management program at Columbia University, who broadly assisted in the research of this report

AUTHOR BIOGRAPHY

Doug White, a long-time leader in the nation's philanthropic community, is an author, teacher, and an advisor to nonprofit organizations and philanthropists. He is the former Director of Columbia University's Master of Science in Fundraising Management program, where he also taught board governance, ethics and fundraising. He serves on the board of Tiny Spark, an independent, nonprofit news program and podcast that reports on philanthropy, nonprofits, international aid and social good initiatives. He also is a member of the Walter Cronkite Committee at FoolProof, a nonprofit whose mission is to teach consumers the importance of using caution, questioning sellers, and relying on independent research before spending money.

His most recent book, "Abusing Donor Intent," chronicles the historic lawsuit brought against Princeton University by the children of Charles and Marie Robertson, the couple who donated \$35 million in 1961 to endow the graduate program at the Woodrow Wilson School. His three other books are: "The Nonprofit Challenge: Integrating Ethics into the Purpose and Promise of Our Nation's Charities" (2010, Palgrave Macmillan), "Charity on Trial: What You Need to Know Before You Give" (2007, Barricade Books), and "The Art of Planned Giving: Understanding Donors and the Culture of Giving" (1996, John Wiley & Sons), which was awarded the 1996 Staley/Robeson/Ryan/St. Lawrence Prize for Research by the Association of Fundraising Professionals.

Since 1979 Doug has advised hundreds of charities of all types and sizes. Today, he works closely with select organizations on ethics decision-making, board governance, and fundraising, as well as with individual philanthropists who want to see their gifts used most effectively.

A graduate of Dartmouth College, Doug has worked as the development director at Holderness School (NH), and has served as a trustee at several charities. For almost two decades (1982 – 2000) he served on the Capital Giving Committee at Phillips Exeter Academy and as its national chair for several years during that time. He has served in leading roles with two national planned gift and endowment investment firms. As a long-term consultant to Blackbaud, Inc. in the 1980s and 1990s, he developed one of the first planned giving software programs.

In 1995 Doug testified before a Congressional committee in support of the Philanthropy Protection Act, and served as an expert witness for the charitable defendants in a national lawsuit - the "Texas Lawsuit" - that threatened the ability of charities to raise money.

Doug is a past member of the Board of Directors of the Partnership for Philanthropic Planning (formerly the National Committee on Planned Giving). In 1996, while on the NCPG board, he founded the national initiative of Leave A Legacy. He is also a past chair of the NCPG Ethics Committee and the 1995 NCPG National Conference. He is a past president of the Planned Giving Group of New England and a past president of the New Hampshire/Vermont chapter of AFP. In 2002 the National Capital Gift Planning Council presented Doug with its Distinguished Service Award.

ENDNOTES

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